

CHAMPION IRON LIMITED

ABN 34 119 770 142

EXPLANATORY MEMORANDUM

5 FEBRUARY 2020

NOTICE IS GIVEN OF:

- 1. A SCHEME MEETING TO BE HELD ON 12 MARCH 2020 COMMENCING AT 11.00 AM (SYDNEY TIME) (WHICH CORRESPONDS TO 8.00 PM ON 11 MARCH 2020 IN MONTRÉAL) AT THE SYDNEY OFFICES OF ASHURST AUSTRALIA, LEVEL 11, 5 MARTIN PLACE, SYDNEY, NSW 2000, AUSTRALIA**
- 2. AN EXTRAORDINARY GENERAL MEETING TO BE HELD ON 12 MARCH 2020 COMMENCING AT 11.30 AM (SYDNEY TIME) (WHICH CORRESPONDS TO 8.30 PM ON 11 MARCH 2020 IN MONTRÉAL) OR AS SOON AS PRACTICABLE AFTER THE CONCLUSION OF THE SCHEME MEETING AT THE SYDNEY OFFICES OF ASHURST AUSTRALIA, LEVEL 11, 5 MARTIN PLACE, SYDNEY, NSW 2000, AUSTRALIA**

THIS EXPLANATORY MEMORANDUM COMPRISES:

- A scheme booklet to explain the proposed scheme of arrangement between Champion Iron Limited and its shareholders
- An information memorandum for the listing of Champion Iron Inc. (the proposed holding company of Champion Iron Limited) on ASX and the TSX

THE DIRECTORS OF CHAMPION IRON LIMITED UNANIMOUSLY RECOMMEND THAT SHAREHOLDERS VOTE IN FAVOUR OF THE SCHEME RESOLUTION AT THE SCHEME MEETING AND THE BUY BACK RESOLUTION AT THE EXTRAORDINARY GENERAL MEETING.

THE INDEPENDENT EXPERT HAS CONCLUDED THAT THE ADVANTAGES OF THE SCHEME TO RE-DOMICILE OUTWEIGH THE DISADVANTAGES AND ACCORDINGLY THE SCHEME IS IN THE BEST INTERESTS OF CHAMPION AUSTRALIA SHAREHOLDERS

This is an important document and requires your immediate attention.

You should read the whole of this document carefully (taking particular notice of the advantages, disadvantages and risks of the Re-domiciliation) before you decide whether and how to vote on the Scheme Resolution. If you are in doubt as to what you should do, please consult your financial, legal or other professional adviser. If you have recently sold your Champion Australia Shares, please ignore this document.

DISCLAIMER AND IMPORTANT NOTICES

General

This Explanatory Memorandum is important. You should read this Explanatory Memorandum and the accompanying appendices in their entirety before making a decision as to whether and how to vote on the Scheme Resolution.

An electronic version of this Explanatory Memorandum is available for viewing and downloading online at www.championiron.com.

Purpose of the Explanatory Memorandum

The purpose of this Explanatory Memorandum is to explain the terms of the Re-domiciliation and the manner in which the Re-domiciliation will be considered and (if approved) implemented, to set out certain information required by law and to provide all other information (other than information previously disclosed to Champion Australia Shareholders) which is known to Champion Australia and which is material to the decision of Champion Australia Shareholders whether or not to vote in favour of the Scheme Resolution.

This Explanatory Memorandum contains the explanatory statement required by section 412(1) of the Corporations Act in relation to the Scheme.

This Explanatory Memorandum is also an information memorandum for the listing of Champion Canada on ASX and the official quotation of Champion Canada CDIs on ASX.

This Explanatory Memorandum is not a prospectus lodged under Chapter 6D of the Corporations Act in respect of Champion Australia or Champion Canada securities. Section 708(17) of the Corporations Act provides that an offer of securities does not need disclosure under Chapter 6D if it is made under a compromise or arrangement under Part 5.1 of the Corporations Act that is approved at a meeting held as a result of an order made by the Court under section 411(1) or section 411(1A) of the Corporations Act.

This Explanatory Memorandum also includes a Notice of Extraordinary General Meeting relating to the approval of the buy back by Champion Australia of the Special Voting Share.

Proxy solicitation

This Explanatory Memorandum is furnished in connection with the solicitation by management of Champion Australia of proxies to be used at the Scheme Meeting, to be held on 12 March 2020 commencing at 11.00 am (Sydney time), which corresponds to 8.00 pm on 11 March 2020 in Montréal, and the Extraordinary General Meeting, to be held on 12 March 2020 commencing at 11.30am (Sydney time), which corresponds to 8.30 pm on 11 March 2020 in Montréal, or as soon as practicable after the conclusion of the Scheme Meeting, in each case at the Sydney offices of Ashurst Australia, Level 11, 5 Martin Place, Sydney, NSW 2000, Australia, and at any adjournments thereof, for the purposes set forth in the Notice of the Scheme Meeting, the Notice of Extraordinary General Meeting and this Explanatory Memorandum.

In addition to the solicitation of proxies by mail, directors, officers and certain employees of Champion Australia may solicit proxies personally by telephone or other telecommunication, but will not receive additional compensation for doing so.

Preparation and responsibility

This Explanatory Memorandum (other than the Champion Canada Information and the Independent Expert's Report) has been prepared by Champion Australia. Champion Australia takes responsibility for the content of this Explanatory Memorandum other than the Champion Canada Information and the Independent Expert's Report.

Champion Canada has prepared and is responsible for the Champion Canada Information. Neither Champion Australia, nor any of its subsidiaries, directors, officers, employees or advisers assumes any responsibility for the accuracy or completeness of the Champion Canada Information.

Grant Thornton Corporate Finance Pty Ltd ABN 59 003 265 987 (**Independent Expert**) has prepared and is responsible for the Independent Expert's Report. None of Champion Australia, Champion Canada, nor any of their respective subsidiaries, directors, officers, employees or advisers assumes any responsibility for the accuracy or completeness of the Independent Expert's Report.

IMPORTANT NOTICE ASSOCIATED WITH COURT ORDER UNDER SECTION 411(1) OF CORPORATIONS ACT

The fact that the Court, under section 411(1) of the Corporations Act, has ordered that the Scheme Meeting be convened and has approved the Explanatory Memorandum required to accompany the Notice of the Scheme Meeting does not mean that the Court:

- has approved or will approve the terms of the Re-domiciliation;
- has formed any view as to the merits of the Re-domiciliation or as to how Champion Australia Shareholders should vote on the Scheme Resolution (on this matter Champion Australia Shareholders must reach their own decision); or
- has prepared, or is responsible for, the content of this Explanatory Memorandum.

Regulatory Authorities

A copy of this Explanatory Memorandum was provided to ASIC for examination in accordance with section 411(2) of the Corporations Act and was registered by ASIC in accordance with section 412(6) of the Corporations Act. Champion Australia has asked ASIC to provide a statement, in accordance with section 411(17)(b) of the Corporations Act that ASIC has no objection to the Scheme. If ASIC provides that statement, it will be produced to the Court on the Second Court Date.

A copy of this Explanatory Memorandum has also been lodged with ASX. Champion Canada will also

progress an application for Champion Canada CDIs to be admitted to quotation and trading on ASX. Listing will be subject to Champion Canada fulfilling all the listing requirements of ASX.

A copy of this Explanatory Memorandum has also been provided for review to the TSX in connection with the application to list the Champion Canada Shares on the TSX. TSX has conditionally approved the listing of the Champion Canada Shares. Listing is subject to Champion Canada fulfilling all the listing requirements of the TSX.

The fact that ASX or the TSX may admit Champion Canada to the ASX or the TSX, respectively, does not make or suggest any statement regarding, and should not be taken in any way as an indication of, the merits of an investment in Champion Canada.

None of ASIC, ASX, TSX nor any of their respective officers or employees takes any responsibility for the contents of this Explanatory Memorandum.

No investment advice

This Explanatory Memorandum is intended for all Champion Australia Shareholders collectively and has been prepared without reference to the investment objectives, financial and taxation situation or particular needs of any individual Champion Australia Shareholder or any other person. The information and recommendations contained in this Explanatory Memorandum do not constitute, and should not be taken as, financial product advice. You should not rely on this Explanatory Memorandum as the sole basis for any investment decision in relation to the Re-domiciliation or your Champion Australia Shares. Before making any investment decision, you should carefully consider whether that decision is appropriate in the light of your particular investment needs, objectives and financial circumstances. The Champion Australia Board encourages you to consult an independent and appropriately licensed and authorised professional adviser before making any investment decision and any decision as to whether or not to vote in favour of the Re-domiciliation.

Champion Australia Shareholders outside of Australia and Canada

No action has been taken to register or qualify Champion Canada Shares or Champion Canada CDIs or otherwise permit a public offering of these securities in any jurisdiction outside of Australia or Canada.

This Explanatory Memorandum complies with the disclosure requirements applicable in Australia and Canada, which may differ from those in other countries. The release, publication or distribution of this Explanatory Memorandum in jurisdictions other than Australia or Canada may be restricted in those other jurisdictions and persons outside of Australia or Canada who come into possession of this Explanatory Memorandum should seek advice on and observe any such restrictions and should refer to Section 12.17 of this Explanatory Memorandum. Any failure to comply with those restrictions may contravene or violate applicable securities laws.

Custodians and nominees

Custodians, nominees and other Champion Australia Shareholders who hold Champion Australia Shares on behalf of a beneficial owner should contact Champion Australia to confirm whether or not they can forward this Explanatory Memorandum (or accompanying documents) to the beneficial owners.

Forward looking statements

This Explanatory Memorandum includes certain statements that relate to the future and certain "forward-looking information" within the meaning of applicable Canadian securities legislation. All information, other than regarding historical facts, included in this Explanatory Memorandum that address activities, developments or events that the Champion Iron Group anticipates or expects will or may occur in the future, including such things as future business strategy, competitive strengths, goals, expansion and growth of the Champion Iron Group's businesses, operations, plans and other such matters is forward-looking information.

These statements may include (without limitation) any statements

preceded by, followed by, or including words such as "aim", "anticipate", "believe", "can have", "could", "estimate", "expect", "intend", "likely", "may", "plan", "project", "should", "target", "will", "would" and other words and terms of similar meaning (or the negative thereof). These words and expressions are intended to identify forward-looking information. These forward looking statements involve known and unknown risks, uncertainties, assumptions and other important factors that could cause the actual results, performance or achievements of Champion Australia or Champion Canada to differ materially from the future results, performance or achievements expressed or implied by those statements.

These forward looking statements are based on reasonable assumptions, estimates, analysis and opinions of management of Champion Australia made in light of its experience and its perception of trends, current conditions and expected developments, present and future business strategies, present economic and operating conditions and the environment in which the Champion Iron Group will operate in the future, as well as other factors that management believes to be relevant and reasonable in the circumstances at the date that such information is made available. Forward looking statements are inherently subject to known and unknown risks and uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of Champion Australia and Champion Canada to be materially different from those expressed or implied by such forward looking statements. Although Champion Australia has attempted to identify important factors that could cause actual results to differ materially, there may be other factors that cause results not to be as anticipated, estimated or intended, including the risk factors described in this Explanatory Memorandum and other unknown risks and uncertainties, as well as unanticipated and/or unusual events. Many of these factors are beyond management's ability to predict or control.

Forward looking statements should, therefore, be construed in the light of those risk factors and reliance

should not be placed on forward looking statements.

The historical financial performance of Champion Australia is no assurance or indicator of future financial performance of the Champion Iron Group. Neither Champion Australia nor Champion Canada guarantees any particular rate of return or the performance of the Champion Iron Group, nor does either of them guarantee the repayment of capital or any particular tax treatment in respect of an investment in Champion Australia or Champion Canada.

Other than as required by law, neither Champion Australia, Champion Canada, nor any other person, gives any assurance, guarantee or representation that the occurrence of the events, outcomes and results expressed or implied in any forward looking statements in this Explanatory Memorandum will actually occur.

The forward looking statements in this Explanatory Memorandum reflect views held only at the date of this Explanatory Memorandum. In addition, statements of intention of Champion Australia and Champion Canada reflect their present intentions as at the date of this Explanatory Memorandum and are subject to change. Subject to the Corporations Act, the QBCA, the ASX Listing Rules, the TSX Listing Rules or any other applicable laws, Champion Australia, Champion Canada and their respective directors and officers disclaim any obligation or undertaking to disseminate after the date of this Explanatory Memorandum any revisions or updates to any forward looking statements to reflect any change in expectations in relation to those statements or any change in circumstances, conditions or events on which any such statement is based. The forward looking statements should not be relied upon as representing management's views as of any date subsequent to the date of this Explanatory Memorandum.

Privacy

Champion Australia, Champion Canada and the Registries may collect personal information in the process of implementing the Re-domiciliation. The personal information may include the names,

addresses, contact details and security holdings of Champion Australia Shareholders and the names of people appointed as proxies, attorneys or corporate representatives at the Scheme Meeting. The collection of some of this information is authorised or required by the Corporations Act.

The primary purpose of collecting this personal information is to assist Champion Australia in the conduct of the Scheme Meeting and to enable Champion Australia and Champion Canada to implement the Scheme in the manner described in this Explanatory Memorandum. The personal information may be disclosed to Champion Canada, print and mail service providers, authorised securities brokers and any other service provider to the extent necessary to effect the Re-domiciliation. Some of these recipients are likely to be located in other countries.

If the information outlined above is not collected, Champion Australia may be hindered in or prevented from conducting the Scheme Meeting and implementing the Re-domiciliation.

Champion Australia Shareholders who are individuals and other individuals in respect of whom personal information is collected (as outlined above) have certain rights to access the personal information collected in relation to them. These individuals should contact Automic Group Limited (the Australian Registry) on +61 1300 288 664 or TSX Trust Company (the Canadian Registry) on +1 866 600 5869 if they wish to exercise these rights.

Currency

Unless expressly stated otherwise, all references in this Explanatory Memorandum to:

- "A\$" are references to Australian currency; and
- "C\$" are to Canadian currency.

Diagrams and maps

Any charts, diagrams, graphs, maps and tables appearing in this Explanatory Memorandum are illustrative only and are not necessarily drawn or prepared to scale. Unless expressly stated

otherwise, all data contained in those charts, diagrams, graphs, maps and tables is based on information available at the date of this Explanatory Memorandum.

Estimates and rounding

Unless otherwise indicated, all references to estimates (and derivations of the same) in this Explanatory Memorandum are references to estimates by Champion Australia. Each of the Directors of Champion Australia believes that these estimates have been made on reasonable grounds and that the assumptions on which those estimates are based are reasonable. Champion Australia estimates are based on views at the date of this Explanatory Memorandum and actual facts or outcomes may differ materially.

A number of amounts, calculations of value, estimates, figures, fractions, percentages and prices in this Explanatory Memorandum are subject to the effect of rounding.

Accordingly, the actual calculation of these amounts, calculations of value, estimates, figures, fractions, percentages and prices may differ from the amounts, calculations of value, estimates, figures, fractions, percentages and prices set out in this Explanatory Memorandum.

Any discrepancies between totals in tables or financial statements, or in calculations, charts or graphs, are due to rounding.

Timetable and dates

A reference to a date or time in this Explanatory Memorandum is to Sydney, Australia time unless otherwise indicated. All dates and times relating to the implementation of the Re-domiciliation may change and, among other things, are subject to all the necessary approvals from regulatory authorities.

External website

Unless expressly stated otherwise, the content of Champion Australia's website (<https://www.championiron.com/>) does not form part of this Explanatory Memorandum and Champion Australia Shareholders should not rely on any such content.

Further information

Champion Australia Shareholders requiring assistance in understanding the matters raised in this Explanatory Memorandum should call +61 2 9810 7816 (8.30 am to 5.30 pm, Monday to Friday (Sydney time)) in Australia or +1 514 316 4858 (from 8.30 am to 5.30 pm, Monday to Friday (Montréal Time)) in Canada on Business Days, and a representative from Champion Australia will respond to your message.

Date of this Explanatory Memorandum

This Explanatory Memorandum is dated 5 February 2020. Unless otherwise indicated, all information included in this Explanatory Memorandum (including views, recommendations and statements of intention) is current as at that date.

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CHAIRMAN'S LETTER

5 February 2020

Dear Champion Australia Shareholder,

On 7 January 2020, Champion Australia announced a proposal to transfer its domicile from Australia to Canada by way of the Scheme (the **Re-domiciliation**). I am pleased to invite you to attend the Scheme Meeting to consider and vote on the Re-domiciliation.

Overview of the Re-domiciliation

Under the Re-domiciliation, Eligible Scheme Participants will receive one share in a new holding company incorporated in Quebec, Canada, Champion Iron Inc. (**Champion Canada**) for each share they hold in Champion Australia. Champion Canada was specifically incorporated for the purpose of the Re-domiciliation and upon completion of the Re-domiciliation will own all of the Champion Australia Shares and will become listed in Australia (on ASX) and in Canada (on the TSX).

To effect this Re-domiciliation, the requisite majorities of Champion Australia Shareholders must vote to approve the Scheme at the Scheme Meeting to be held on 12 March 2020 (**Scheme Meeting**). The Scheme must then also be approved by the Court.

The details of the Re-domiciliation (including its implications) are explained in this Explanatory Memorandum. I recommend that you read it in detail and I encourage you to attend the Scheme Meeting (in person or by proxy).

The Re-domiciliation will not result in any changes to the operations, management or strategy of the Champion Iron Group.

Directors Recommendation

The Champion Australia Board unanimously recommends that you approve the Re-domiciliation by voting in favour of the Scheme Resolution at the Scheme Meeting. Each member of the Champion Australia Board intends to vote the Champion Australia Shares which he or she holds (or that are held on their behalf) in favour of the Scheme Resolution.

Independent Expert opinion

The Champion Australia Board commissioned Grant Thornton Corporate Finance Pty Ltd as the Independent Expert to prepare the Independent Expert's Report. The Independent Expert has concluded that the advantages of the Scheme to re-domicile outweigh the disadvantages and accordingly the Scheme is in the best interests of the Champion Australia Shareholders. A copy of the Independent Expert's Report is contained in **Appendix B**.

Overview of advantages, disadvantages and risks associated with the Re-domiciliation

In making its recommendation, the Champion Australia Board has taken into account what it considers to be the advantages, disadvantages and key risks associated with the Re-domiciliation. Section 6 sets out these matters in some detail, but we summarise them below.

Advantages	Disadvantages
✓ The Re-domiciliation will align the domicile or location of the new listed parent company, Champion Canada, with its assets, operations and predominant shareholder base	✗ The Scheme, if approved, will result in additional costs required to complete the transaction (including listing fees payable by Champion Canada to ASX and the TSX). Champion Australia has incurred or will

Advantages	Disadvantages
<ul style="list-style-type: none"> ✓ The Re-domiciliation will increase the attractiveness of Champion Canada to more diverse financial markets ✓ The Re-domiciliation will increase the attractiveness of Champion Canada to Canadian institutional investors who may require a Canadian corporate domicile (including a place of incorporation in Canada) for their investments ✓ Champion Canada may become eligible for inclusion in Canadian indices, which require a domestic corporate domicile (including a place of incorporation in Canada), without impacting Australian indices which do not prescribe an Australian corporate domicile as a condition for inclusion ✓ The potential cost savings to be realised by the simplification of the corporate structure of the Champion Iron Group 	<ul style="list-style-type: none"> incur some of these additional costs regardless of whether or not the Scheme is approved ✗ Upon completion of the Re-domiciliation, Eligible Scheme Participants will become security holders in Champion Canada, a Quebec corporation. Champion Australia Shareholders might not be familiar with the laws of Quebec, to which Champion Canada is subject ✗ Ineligible Foreign Shareholders will not be able to receive Champion Canada Shares or Champion Canada CDIs ✗ The Re domiciliation may have adverse taxation implications for individual Champion Australia Shareholders
Risks	<ul style="list-style-type: none"> • The Re-domiciliation may fail to achieve anticipated advantages • The exact value of Champion Canada Shares and Champion Canada CDIs is not certain • The Re-domiciliation may lead to a potential loss of demand for Champion Canada Shares or Champion Canada CDIs from investors, resulting in a loss of liquidity

You are also encouraged to consider:

- the taxation report summarising the **Australian tax implications** for certain Eligible Scheme Participants who dispose of their Champion Australia Shares and receive Champion Canada Shares or Champion Canada CDIs under the Scheme and the **Canadian tax implications** for certain Eligible Scheme Participants who dispose of their Champion Australia Shares and receive Champion Canada Shares under the Scheme (see Section 10); and
- the **comparison of Australian and Canadian company rules** (Section 9.4 and **Appendix A**), particularly in the context of the explanation of CDI arrangements in **Appendix E**.

Champion Australia Shareholders who are (i) subject to tax in Canada; (ii) who hold their Champion Australia Shares as capital property, and (iii) receive Champion Canada Shares as consideration for their Champion Australia Shares, should note that, in order to obtain a full or partial deferral of a capital gain otherwise arising on the disposition of their Champion Australia Shares, will need to file a Joint Tax Election to with the CRA and, where applicable, a separate joint tax election for provincial or territorial tax purposes. Please see Section 10.3 for details as to this process.

Governance and management

The current Champion Australia Directors were appointed as directors of Champion Canada on incorporation of Champion Canada. There are no proposed changes to Champion Australia's senior management as a result of the Re-domiciliation.

Major Shareholders' statement of support

Champion Australia's Major Shareholders, being WC Strategic Opportunity LP, Investissement Quebec and Prospect AG Trading Pty Ltd (and its related entities, which are all companies controlled by Michael O'Keeffe, the Executive Chairman of the Champion Australia Board) (who collectively hold 33.03% of the Champion Australia Shares on issue as at the date of this Explanatory Memorandum¹), have informed Champion Australia of their intentions to vote their Champion Australia Shares in favour of the Scheme Resolution and the Buy Back Resolution.

Your vote is important

On behalf of the Champion Australia Board, I recommend the Re-domiciliation to you and urge you to support this proposal by voting in favour of the Scheme Resolution at the Scheme Meeting to be held at the Sydney office of Ashurst Australia, Level 11, 5 Martin Place, Sydney, NSW 2000, Australia at 11.00 am (Sydney time) on 12 March 2020 (which corresponds to 8.00 pm on 11 March 2020 in Montréal).

Section 2.4 provides further information on how you can vote by proxy, by attorney, by corporate representative (if you are a body corporate), or by attending the Scheme Meeting.

What happens if the Scheme Resolution is passed?

If the Scheme Resolution is passed by the requisite majorities of Champion Australia Shareholders, the Court approves the Scheme, all other Conditions Precedent are satisfied or waived (including the Buy Back of the Special Voting Share) and the Scheme becomes Effective:

- Australian Scheme Participants will receive one Champion Canada CDI (representing one Champion Canada Share) for each Champion Australia Share which they hold;
- Canadian Scheme Participants will receive one Champion Canada Share for each Champion Australia Share which they hold;
- Ineligible Foreign Shareholders will receive the net proceeds of the sale of the Champion Canada Shares or Champion Canada CDIs to which they would otherwise have been entitled under the Sale Facility. See Sections 4.20(c) and 4.21 for more information regarding the entitlement of Ineligible Foreign Shareholders;
- Champion Canada will be listed as an ASX and TSX listed company and Champion Australia will be de-listed from ASX and the TSX; and
- the Champion Australia Board intends to propose that Champion Australia is wound up by way of a member's voluntary liquidation following implementation of the Scheme.

Australian Scheme Participants, as well as other Eligible Scheme Participants who notify Champion Australia that they wish to hold their interest in Champion Canada on ASX, will receive CHESSE depositary interests rather than common shares in Champion Canada as Scheme Consideration. These depositary interests will trade like shares and represent the way in which most foreign companies are traded on ASX.

Canadian Scheme Participants who wish to receive Champion Canada CDIs, and Australian Scheme Participants who wish to receive Champion Canada Shares, as the Scheme Consideration may notify Champion Australia of their election to receive that form of consideration pursuant to the Scheme. Unless instructed otherwise, each category of Champion Australia Shareholders will receive the respective considerations set out above for their Champion Australia Shares. Champion Australia Shareholders may notify Champion Australia of their election in writing or by email to

¹ Based on substantial holding notices lodged with ASX as at the date of this Explanatory Memorandum.

Steve Boucraie, Vice President, General Counsel and Corporate Secretary, at 1100 René-Lévesque West, Suite 610, Montreal QC H3B 4N4, or sboucraie@championironmines.com.

Buy Back of Special Voting Share

After the Scheme Meeting, Champion Australia will convene the Extraordinary General Meeting where Champion Australia Shareholders will consider approval of a special resolution under section 257D of the Corporations Act approving the buy back of the Special Voting Share (the **Buy Back Resolution**). The approval of the Buy Back Resolution is a Condition Precedent to the implementation of the Scheme (see Sections 4.11 and 11 below).

Further details of the Extraordinary General Meeting and the Buy Back of the Special Voting Share are contained in Section 11 and the Notice of Extraordinary General Meeting attached as **Appendix G** to this Explanatory Memorandum.

I encourage you to attend the Extraordinary General Meeting (in person or by proxy). The Champion Australia Board unanimously recommends that you approve the Buy Back Resolution by voting in favour of the Buy Back Resolution at the Extraordinary General Meeting. Each member of the Champion Australia Board intends to vote the Champion Australia Shares which he or she holds (or that are held on their behalf) in favour of the Buy Back Resolution.

Further information

If you have any questions about or need help in understanding the matters raised in the Explanatory Memorandum, please call +61 2 9810 7816 (8.30 am to 5.30 pm, Monday to Friday (Sydney time)) in Australia or +1 514 316 4858 (from 8.30 am to 5.30 pm, Monday to Friday (Montréal Time)) in Canada on Business Days, and a representative from Champion Australia will respond to your message. Alternatively, you should consult an independent and appropriately licensed and authorised professional adviser.

On behalf of the Champion Australia Board, I thank you for your support of Champion Australia and I look forward to your continuing involvement with the Champion Iron Group.

Yours sincerely,

Michael O'Keeffe
Executive Chairman
Champion Iron Limited

1. WHAT ARE THE KEY DATES?

Event	Indicative date (Sydney)	Indicative date (Montréal)
Date of this Explanatory Memorandum	Wednesday, 5 February 2020	-
Beneficial Ownership Determination Date Time and date for determining Beneficial Owners eligible to vote their entitlements held through the Canadian Registry on the matters presented at the Scheme Meeting and the Extraordinary General Meeting	-	7.00 pm on Monday, 27 January 2020
Proxy Forms and Voting Instruction Forms cut-off date for the Scheme Meeting Latest time and date by which the Proxy Forms and Voting Instruction Forms must be received by the relevant Registry to be used at the Scheme Meeting	11.00 am on Tuesday, 10 March 2020	8.00 pm on Monday, 9 March 2020
Proxy Forms and Voting Instruction Forms cut-off date for the Extraordinary General Meeting Latest time and date by which the Proxy Forms and Voting Instruction Forms must be received by the relevant Registry to be used at the Extraordinary General Meeting	11.30 am on Tuesday, 10 March 2020	8.30 pm on Monday, 9 March 2020
Voting Record Date Time and date for determining eligibility to vote at the Scheme Meeting and the Extraordinary General Meeting	7.00 pm on Tuesday, 10 March 2020	4.00 am on Tuesday, 10 March 2020
Date of Scheme Meeting To be held at the Sydney offices of Ashurst Australia, Level 11, 5 Martin Place, Sydney, NSW 2000, Australia	11.00 am on Thursday, 12 March 2020	8.00 pm on Wednesday, 11 March 2020
Date of Extraordinary General Meeting	11.30 am on Thursday, 12 March 2020 (or as soon as practicable after the	8.30 pm on Wednesday, 11 March 2020 (or as soon as practicable after the

To be held at the Sydney offices of Ashurst Australia, Level 11, 5 Martin Place, Sydney, NSW 2000, Australia	conclusion of the Scheme Meeting)	conclusion of the Scheme Meeting)
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Following Champion Australia Shareholder approval of the Scheme Resolution

Event	Indicative date (Sydney)	Indicative date (Montréal)
ASX and the TSX notified about the approval of the Scheme Resolution at the Scheme Meeting	Thursday, 12 March 2020	Thursday, 12 March 2020
The Special Voting Share is transferred to Champion Australia and immediately cancelled	Thursday, 12 March 2020	Thursday, 12 March 2020
Second Court Hearing Date of the Second Court Hearing for approval of the Scheme	Friday, 20 March 2020	-
Effective Date File Court order with ASIC Last day to trade in Champion Australia Shares on ASX Champion Australia Shares are suspended from trading at the close of trading on ASX	Monday, 23 March 2020	-
Commencement of trading in Champion Canada CDIs on ASX on a deferred settlement basis Champion Canada CDIs commence trading on ASX on a deferred settlement basis ²	Tuesday, 24 March 2020	-
Record Date Time and date for determining entitlements to Champion Canada Shares and Champion Canada CDIs	7.00 pm on Wednesday, 25 March 2020	4.00 am on Wednesday, 25 March 2020
Date by which Eligible Scheme Participants must notify Champion Australia of their election to receive: <ul style="list-style-type: none"> Champion Canada Shares if the default position (ie without making an election) is that 	7.00 pm on Wednesday, 25 March 2020	4.00 am on Wednesday, 25 March 2020

² Assuming Champion Canada is admitted to the official list of ASX.

Event	Indicative date (Sydney)	Indicative date (Montréal)
<p>they will receive Champion Canada CDIs; or</p> <ul style="list-style-type: none"> Champion Canada CDIs if the default position (ie without making an election) is that they will receive Champion Canada Shares 		
<p>Implementation Date</p> <p>The date of transfer of all Champion Australia Shares to Champion Canada and the issue of Scheme Consideration to Eligible Scheme Participants</p> <p>Last day to trade in Champion Australia Shares on the TSX</p>	1 April 2020	1 April 2020
<p>Last day of deferred settlement trading</p> <p>Last day of trading of Champion Canada CDIs on ASX on a deferred settlement basis</p>	1 April 2020	-
<p>Listing of Champion Canada on the TSX</p> <p>Champion Canada Shares are listed on the TSX</p>	-	1 April 2020
<p>Commencement of trading of Champion Canada on the TSX</p> <p>Champion Canada Shares commence trading on the TSX</p>	-	9.30 am on 2 April 2020
<p>Delisting of Champion Australia</p> <p>Champion Australia Shares are delisted from ASX and the TSX at commencement of trade</p>	2 April 2020	9.30 am on 2 April 2020
<p>Listing and commencement of normal trading of Champion Canada CDIs on ASX</p> <p>Champion Canada CDIs are admitted to listing and commence trading on ASX on a normal settlement basis and despatch of holding statements</p>	2 April 2020	-

This timetable is indicative only and (among other things) is subject to all necessary Court and regulatory approvals and the satisfaction (or waiver, if applicable) of Conditions Precedent to the Scheme. Champion Australia has the right to vary any or

all of these dates and times. Any obligation to do an act by a specified time in an Australian time zone must be done by the corresponding time in any other jurisdiction.

Any material variation to the timetable set out above will be announced to ASX and via news release concurrently disseminated in Canada, and will also be notified on Champion Australia's website (<https://www.championiron.com>).

2. WHAT TO DO AND HOW TO VOTE

2.1 Read the Explanatory Memorandum

You should read this Explanatory Memorandum in full (including the advantages, disadvantages and risks of the Re-domiciliation in Section 6 and the Independent Expert's Report) before making any decision as to whether and how to vote on the Scheme Resolution.

It is important that you consider the information disclosed in light of your own particular investment needs, objectives and financial circumstances.

2.2 Your vote is important

For the Re-domiciliation to proceed, it is necessary that:

- (a) the Scheme Resolution is approved by a majority in number of Champion Australia Shareholders who are present and voting (either in person or by proxy, attorney or corporate representative) at the Scheme Meeting. That majority must also represent at least 75% of the total number of votes cast on the Scheme Resolution; and
- (b) the Buy Back Resolution is approved by a special resolution (ie 75% of the total number of votes cast on the Buy Back Resolution) of Champion Australia Shareholders who are present and voting (either in person or by proxy, attorney or corporate representative) at the Extraordinary General Meeting.

The Court must also approve the Scheme. The Court has discretion whether or not to approve the Scheme even if the Scheme Resolution is approved by the requisite majorities of Champion Australia Shareholders.

2.3 Entitlement to Attend and Vote

The Champion Australia Board has determined, in accordance with Regulation 7.11.37 of the Corporations Regulations, that persons who are registered holders of Champion Australia Shares as at 7.00 pm (Sydney Time) on 10 March 2020, which corresponds to 4.00 am on 10 March 2020 in Montréal, are entitled to attend and vote at each of the Scheme Meeting and the Extraordinary General Meeting as a Champion Australia Shareholder. Accordingly, transactions registered after that time will be disregarded for determining which Champion Australia Shareholders are entitled to attend and vote at either the Scheme Meeting or the Extraordinary General Meeting.

In accordance with Canadian securities regulation, Canadian Beneficial Owners as of 7.00 pm (Montréal time) on 27 January 2020 (the **Beneficial Ownership Determination Date**) are entitled to receive notice of the Scheme Meeting and the Extraordinary General Meeting and to provide instructions to vote at the Scheme Meeting and the Extraordinary General Meeting.

All persons attending the Scheme Meeting or the Extraordinary General Meeting are asked to arrive at least 30 minutes prior to the time the relevant meeting is scheduled to begin, so that their shareholding may be checked against the Champion Australia Register, their proxy, power of attorney or appointment as corporate representative verified (as applicable) and their attendance noted.

2.4 **Voting**

To vote, Champion Australia Shareholders should:

- (a) attend and vote in person at the Scheme Meeting and the Extraordinary General Meeting; or
- (b) appoint a proxy (or attorney or corporate representative) to vote on their behalf at the Scheme Meeting and the Extraordinary General Meeting.

The Chairman has determined that the vote on the Scheme Resolution and the Buy Back Resolution (and any other matters put to the vote of either the Scheme Meeting or the Extraordinary General Meeting) will be conducted by way of a ballot or poll. As such, each Champion Australia Shareholder is entitled to one vote on each of the Scheme Resolution and the Buy Back Resolution (and on each other matter put to the vote of either the Scheme Meeting or the Extraordinary General Meeting) for each fully paid Champion Australia Share held.

For information on voting:

- (a) Champion Australia Shareholders who hold their Champion Australia Shares in Canada with TSX Trust Company as Canadian transfer agent should refer to Section 2.9, the Notice of Scheme Meeting contained in **Appendix F** of this Explanatory Memorandum and the Notice of Extraordinary General Meeting contained in **Appendix G** of this Explanatory Memorandum; and
- (b) Champion Australia Shareholders who hold their Champion Australia Shares in Australia on ASX should refer to Section 2.5, the Notice of Scheme Meeting contained in **Appendix F** of this Explanatory Memorandum and the Notice of Extraordinary General Meeting contained in **Appendix G** of this Explanatory Memorandum.

Champion Australia Shareholders are required to submit a separate Proxy Form and Canadian Beneficial Owners are required to submit a separate Voting Instruction Form for each of the Scheme Meeting and the Extraordinary General Meeting. The same or a single Proxy Form or Voting Instruction Form cannot be used to direct voting at both meetings.

2.5 **Voting information for Champion Australia Shareholders who hold their Champion Australia Shares in Australia on ASX**

A Champion Australia Shareholder entitled to attend and vote at the Scheme Meeting and the Extraordinary General Meeting may appoint an individual or a body corporate as a proxy. If a body corporate is appointed as a proxy, that body corporate must ensure that it appoints a corporate representative in accordance with section 250D of the Corporations Act to exercise its powers as proxy at the Scheme Meeting or the Extraordinary General Meeting (as applicable).

A proxy need not be a Champion Australia Shareholder.

A Champion Australia Shareholder may appoint up to two proxies and specify the proportion or number of votes each proxy may exercise. If the Champion Australia Shareholder does not specify the number or proportion of votes to be exercised, each proxy may exercise half of the Champion Australia Shareholder's votes.

The appointment of a proxy or proxies does not preclude a Champion Australia Shareholder from attending in person and voting at either the Scheme Meeting or the Extraordinary General Meeting. In these circumstances, only the Champion Australia Shareholder - and not their proxy or proxies - is entitled to vote.

You should consider how you wish your proxy to vote - that is, whether you wish your proxy to vote "For" or "Against", or to abstain from voting on, the Scheme Resolution or the Buy Back Resolution (and on each other matter put to the vote of either the Scheme Meeting or the Extraordinary General Meeting), or whether to leave the decision to the appointed proxy after discussion at the Scheme Meeting or the Extraordinary General Meeting (as applicable).

If you do not instruct your proxy on how to vote, your proxy may vote (or abstain from voting) as they see fit at the Scheme Meeting or the Extraordinary General Meeting (as applicable).

Champion Australia Shareholders entitled to attend the Scheme Meeting or the Extraordinary General Meeting and vote on the Scheme Resolution or the Buy Back Resolution who return their Proxy Forms, but do not nominate the identity of a proxy, will be taken to have nominated the Chairman as their proxy to vote on their behalf. If the Proxy Form is returned, but the nominated proxy does not attend the relevant meeting, the Chairman of the relevant meeting will act in the place of the nominated proxy and vote (or abstain from voting) in accordance with the instructions on the Proxy Form.

The Champion Australia Board intends to vote all valid undirected proxies which it receives for (or in favour of) the Scheme Resolution and the Buy Back Resolution.

Details for completion and lodgement of proxies are on the reverse side of the **Proxy Form**. To be effective, the proxy must be received at the relevant Registry no later than 11.00 am (Sydney time) on 10 March 2020 (which corresponds to 8.00 pm on 9 March 2020 in Montréal) for the Scheme Meeting and no later than 11.30 am (Sydney time) on 10 March 2020 (which corresponds to 8.30 pm on 9 March 2020 in Montréal) for the Extraordinary General Meeting. Proxies must be received before that time by one of the following methods:

In Australia:

By email: <mailto:meetings@atomicgroup.com.au>

By post: Champion Iron Limited
c/o - Atomic Group Limited
PO Box 5193
Sydney NSW 2001
Australia

Facsimile: +61 2 8583 3040

By delivery: Atomic Group Limited
Level 5, 126 Phillip Street
Sydney NSW 2000
Australia

In Canada:

Online: www.voteproxyonline.com

By email: TmxeProxySupport@tmx.com

By post

and delivery: Champion Iron Limited
c/o - TSX Trust Company
Suite 301, 100 Adelaide Street West

Toronto ON M5H 4H1
Canada

Facsimile: +1 416 595 9593

2.6 **Voting by Attorney**

A Proxy Form and the original power of attorney (if any) under which the Proxy Form is signed (or a certified copy of that power of attorney or other authority) must be received by Champion Australia by no later than:

- (a) in relation to the Scheme Meeting, 11.00 am (Sydney time) on 10 March 2020 (which corresponds to 8.00 pm on 9 March 2020 in Montréal), being not less than 48 hours before the Scheme Meeting; or
- (b) in relation to the Extraordinary General Meeting, 11.30 am (Sydney time) on 10 March 2020 (which corresponds to 8.30 pm on 9 March 2020 in Montréal), being not less than 48 hours before the Extraordinary General Meeting.

The appointment of an attorney does not preclude a Champion Australia Shareholder from attending in person and voting at either the Scheme Meeting or the Extraordinary General Meeting. In these circumstances, only the Champion Australia Shareholder - and not their attorney - is entitled to vote.

2.7 **Corporate Representatives**

A body corporate that is a Champion Australia Shareholder or that has been appointed as a proxy or attorney is entitled to appoint any person to act as its representative at either the Scheme Meeting or the Extraordinary General Meeting. The appointment of the representative must comply with the requirements under section 250D of the Corporations Act. The representative should bring to the relevant meeting a properly executed "Certificate of Appointment of Corporate Representative" (available from the Registry) confirming his or her authority to act as the Champion Australia Shareholder's (or its proxy's) representative.

2.8 **Jointly held Champion Australia Shares**

If any Champion Australia Share is jointly held, only one of the joint holders is entitled to vote at the Scheme Meeting or the Extraordinary General Meeting. If more than one Champion Australia Shareholder votes in respect of a jointly held Champion Australia Share, only the vote of the shareholder whose name appears first on the Champion Australia Register will be counted.

2.9 **Voting information for Champion Australia Shareholders who hold their Champion Australia Shares in Canada with TSX Trust Company as Canadian transfer agent**

If you hold your Champion Australia Shares with TSX Trust Company as Canadian transfer agent and your name appears on the certificate representing your Champion Australia Shares, you are a registered shareholder of Champion Australia (a **Canadian Registered Shareholder**).

Your Champion Australia Shares may not be registered in your name but in the name of an intermediary (which is usually a bank, trust company, securities dealer or stock broker, or a clearing agency in which such an intermediary participates). If Champion Australia Shares are listed in an account statement provided to you by an intermediary, then it is likely that those Champion Australia Shares will not be registered in your name, but under the intermediary's name or under the name of a depository (such as CDS & Co.). If you hold your Champion Australia Shares with TSX Trust Company as Canadian transfer agent

and your Champion Australia Shares are registered in the name of an intermediary or a nominee, you are a non-registered or beneficial shareholder of Champion Australia (a **Canadian Beneficial Owner**).

Canadian securities regulation, particularly *Regulation 54-101 respecting Communication with Beneficial Owners of Securities of a Reporting Issuer* (the **Beneficial Owner Communication Regulation**), requires Champion Australia to explain in plain language how a Canadian Beneficial Owner is able to exercise their votes at the Scheme Meeting and the Extraordinary General Meeting. Champion Australia has elected not to use the notice and access procedures under the Beneficial Owner Communication Regulation to send this Explanatory Memorandum to Champion Australia Shareholders.

(a) Canadian Registered Shareholders

If you are a Canadian Registered Shareholder, you can vote your Champion Australia Shares at both the Scheme Meeting and the Extraordinary General Meeting. Your vote can be cast by you in person and counted at both the Scheme Meeting and the Extraordinary General Meeting. If you wish to vote in person at either the Scheme Meeting or the Extraordinary General Meeting, do not complete or return the Proxy Form included with this Explanatory Memorandum. If you do not wish to attend either the Scheme Meeting or the Extraordinary General Meeting or do not wish to vote in person, you should complete and deliver a Proxy Form. Please refer to Sections 2.5 to 2.8 of this Explanatory Memorandum for information on how to appoint a proxy to vote in your stead.

(b) Canadian Beneficial Owners

Canadian Beneficial Owners should be aware that only Champion Australia Shareholders whose names appear on the Canadian Register (ie Canadian Registered Shareholders) are entitled to vote at the Scheme Meeting and the Extraordinary General Meeting. The purpose of the procedures described below is to permit Canadian Beneficial Owners as of the Beneficial Ownership Determination Date to direct the voting of the Champion Australia Shares they beneficially own in accordance with the Beneficial Owner Communication Regulation. There are two categories of Canadian Beneficial Owners. Canadian Beneficial Owners who have provided instructions to an intermediary that they do not object to the intermediary disclosing ownership information about them to Champion Australia are considered to be non-objecting beneficial owners or **NOBOs**. Canadian Beneficial Owners who have objected to an intermediary providing ownership information about them to Champion Australia are objecting beneficial owners or **OBOs**.

Pursuant to the Beneficial Owner Communication Regulation, Champion Australia can elect to send this Explanatory Statement to, and receive Voting Instruction Forms from, NOBOs. This must be done by an intermediary in relation to OBOs, who wish to remain anonymous to Champion Australia.

This Explanatory Memorandum is being sent to both Canadian Registered Shareholders and Canadian Beneficial Owners in accordance with the Beneficial Owner Communication Regulation. Champion Australia has assumed or will assume the costs of mailing the Explanatory Memorandum to the NOBOs and the OBOs. If you are a Canadian Beneficial Owner and Champion Australia or its agent has sent this Explanatory Memorandum directly to you, your name and address and information about your holdings of Champion Australia Shares have been obtained in accordance with applicable securities regulatory requirements from the intermediary holding on your behalf.

By choosing to send these materials to you directly, Champion Australia (and not the intermediary holding on your behalf) has assumed responsibility for (i)

delivering these materials to you, and (ii) executing your proper voting instructions.

Voting procedure for Canadian Beneficial Owners who receive this Explanatory Memorandum and a Voting Instruction Form from TSX Trust Company

If you have received a Voting Instruction Form or **VIF** from the Canadian Registry, you may return it to the Canadian Registry:

- (i) by regular mail in the return envelope provided;
- (ii) by fax at 416 595 9593; or
- (iii) by voting online at www.voteproxyonline.com and entering your control number as instructed on the log on page.

Detailed instructions of how to submit your vote will be on the VIF.

Voting procedure for Canadian Beneficial Owners who receive this Explanatory Memorandum and a Voting Instruction Form from an intermediary

Intermediaries (which are usually banks, trust companies, securities dealers or stock brokers, or a clearing agency in which such an intermediary participates), who are the registered holders of the Champion Australia Shares, can only vote the Champion Australia Shares if instructed to do so by the Canadian Beneficial Owners. Every intermediary has its own mailing procedure and provides its own instructions. You should consider and follow the instructions which your intermediary provides to you (or which are otherwise contained in the contract between you and your intermediary). Typically, a Canadian Beneficial Owner will be given a VIF, which must be completed and signed by the Canadian Beneficial Owner in accordance with the instructions provided by the intermediary. The purpose of this VIF is to give the intermediary permission on how to vote on behalf of or otherwise represent the Canadian Beneficial Owner. **A Canadian Beneficial Owner cannot use this VIF to vote or otherwise represent Champion Australia Shares in person at either the Scheme Meeting or the Extraordinary General Meeting.**

If you are a Canadian Beneficial Owner and have been provided with a VIF from your intermediary, you may be given the option of voting by telephone or facsimile – follow the instructions on the VIF. You will likely be able to vote by Internet by accessing www.proxyvote.com, the URL or web address as provided in the VIF, entering the control number that appears on the VIF, indicating your vote on each proposal and selecting "final submission". Any such vote is an instruction to your intermediary as to how you wish to vote. It is not a vote cast by you in person at either the Scheme Meeting or the Extraordinary General Meeting.

Canadian Beneficial Owners should follow the instructions on the forms they receive and contact their intermediaries promptly if they need assistance.

The majority of intermediaries now delegate responsibility for obtaining instructions from clients to Broadridge Investor Communication Solutions (**Broadridge**). Broadridge mails the VIF to the Canadian Beneficial Owners as of the Beneficial Ownership Determination Date and asks these Canadian Beneficial Owners to return the VIF to Broadridge. Broadridge then tabulates the results of all VIFs received from Canadian Beneficial Owners as of the Beneficial Ownership Determination Date respecting the Champion Australia Shares to be represented at each of the Scheme Meeting and the Extraordinary General Meeting. The VIF must be returned to Broadridge well in advance of the relevant meeting in order to have

the Champion Australia Shares voted or otherwise represented at the relevant meeting.

Please take note that proxies returned by intermediaries as "non-votes" because either the intermediary has not received instructions from the Canadian Beneficial Owner with respect to the voting of certain Champion Australia Shares or, under applicable regulatory rules, the intermediary does not have the discretion to vote those Champion Australia Shares on one or more of the matters that come before either the Scheme Meeting or the Extraordinary General Meeting, will be treated as not entitled to vote on any such matter and will not be counted as having been voted in respect of any such matter. Champion Australia Shares represented by these intermediary "non-votes" will, however, be counted in determining whether or not there is a quorum.

Revocation of Proxy Forms and Voting Instruction Forms for Canadians

A Canadian Registered Shareholder who executes and returns a Proxy Form may revoke it to the extent it has not been exercised by depositing a written instrument executed by that Canadian Registered Shareholder or his, her or its attorney or by transmitting by telephonic or electronic means a revocation that is signed by electronic signature, or, if the Canadian Registered Shareholder is a corporation, by written instrument executed (under corporate seal if so required by the rules and laws governing the corporation) by a duly authorised signatory of that corporation:

- (i) with the Canadian Registry, TSX Trust Company, 100 Adelaide Street West, Suite 301, Toronto, Ontario M5H 4H1, facsimile: +1 (416) 595-9593, Attention: Proxy Department, at any time up to the close of business on the last Business Day prior to the Scheme Meeting or the Extraordinary General Meeting (as applicable);
- (ii) with the Chairman of the Scheme Meeting or the Extraordinary General Meeting (as applicable) on the day of the relevant meeting at any time prior to a vote being taken in reliance on that proxy; or
- (iii) in any other manner permitted by law.

A Canadian Beneficial Owner may revoke a VIF or may revoke a waiver of the right to receive meeting materials or a waiver of the right to vote given to an intermediary at any time by written notice to the intermediary, except that an intermediary is not required to act on any such revocation that is not received by the intermediary well in advance of the Scheme Meeting or the Extraordinary General Meeting (as applicable).

2.10 Further information

If you have any additional questions in relation to or need help in understanding the matters raised in this Explanatory Memorandum, please call +61 2 9810 7816 (8.30 am to 5.30 pm, Monday to Friday (Sydney time)) in Australia or +1 514 316 4858 (from 8.30 am to 5.30 pm, Monday to Friday (Montréal Time)) in Canada on Business Days, and a representative from Champion Australia will respond to your message.

Alternatively, you should consult an independent and appropriately licensed and authorised professional adviser.

3. OVERVIEW OF THE RE-DOMICILIATION

A summary of the key features of the Re-domiciliation and the Scheme is set out below. Champion Australia Shareholders should ensure they read the remainder of this Explanatory Memorandum.

3.1 The Re-domiciliation

Champion Australia is proposing to re-domicile to Canada. To effect the Re-domiciliation, the following steps are required:

- (a) **Scheme of Arrangement** — the Scheme (if implemented) will result in Champion Australia becoming a wholly-owned subsidiary of Champion Canada, a company incorporated in Quebec, Canada, specifically for the purpose of the Re-domiciliation;
- (b) **Scheme Consideration** — those Champion Australia Shareholders who are Eligible Scheme Participants will receive either Champion Canada Shares that will be listed on the TSX or Champion Canada CDIs that will be quoted for trading on ASX in exchange for their Champion Australia Shares; and
- (c) **ASX and TSX Listings and Delistings** — Champion Canada will be listed on ASX and the TSX and Champion Australia will be delisted from ASX and the TSX.

As such, Champion Canada will effectively replace Champion Australia as the listed entity on ASX and the TSX.

3.2 The Scheme

The Scheme will be implemented by way of a scheme of arrangement under Part 5.1 of the Corporations Act between Champion Australia and the Scheme Participants. Under the Scheme, all of the Champion Australia Shares will be transferred to Champion Canada and Eligible Scheme Participants will receive one Champion Canada Share or one Champion Canada CDI for each Champion Australia Share they hold on the Record Date.

Ineligible Foreign Shareholders will receive the net proceeds of the sale of the Champion Canada Shares or Champion Canada CDIs to which they would otherwise have been entitled under the Sale Facility (see Sections 4.20(c) and 4.21).

3.3 Approvals to implement the Re-domiciliation

The implementation of the Re-domiciliation requires the Scheme to be approved by:

- (a) Champion Australia Shareholders at the Scheme Meeting, which will be on 12 March 2020 at 11.00 am (Sydney time) (which corresponds to 8.00 pm on 11 March 2020 in Montréal); and
- (b) the Court, if the Champion Australia Shareholders' approval is obtained.

3.4 Champion Australia Board Recommendation and Independent Expert's Report

The Champion Australia Board unanimously recommends that Champion Australia Shareholders vote in favour of the Scheme Resolution at the Scheme Meeting. Each Champion Australia Director intends to vote the Champion Australia Shares which he or she owns or controls in favour of the Scheme Resolution.

The Champion Australia Board commissioned Grant Thornton Corporate Finance Pty Ltd to prepare a report on the Scheme. The Independent Expert has concluded that the

advantages of the Scheme to re-domicile outweigh the disadvantages and accordingly the Scheme is in the best interests of Champion Australia Shareholders. A copy of the report is set out in **Appendix B**.

3.5 **Effect of the Re-domiciliation**

The Re-domiciliation will not impact Champion Australia's operations, management or projects. The Re-domiciliation will have the following major effects:

- (a) Champion Australia will become a wholly-owned subsidiary of Champion Canada;
- (b) Champion Australia will be removed from the official list of ASX and the TSX, and Champion Canada will, subject to successful application, be listed on ASX and the TSX; and
- (c) Eligible Scheme Participants will receive one Champion Canada Share or one Champion Canada CDI for each Champion Australia Share they hold on the Record Date upon implementation of the Scheme.

3.6 **Scheme Warranty**

Under the Scheme, each Scheme Participant is deemed to have warranted to Champion Canada (and, to the extent enforceable, appointed and authorised Champion Australia as their agent to warrant to Champion Canada) that:

- (a) all their Scheme Shares (including any rights and entitlements attaching to those shares) will, as at the time of the transfer of them to Champion Canada, be fully paid and (subject to Champion Australia's constitution) free from all security interests (including charges, liens, mortgages and other encumbrances and interests of third parties of any kind, whether legal or otherwise) and from any restrictions on transfer of any kind; and
- (b) they have full power and capacity to transfer their Scheme Shares (including any rights and entitlements attaching to those shares) to Champion Canada under the Scheme.

3.7 **CDIs**

Under the electronic transfer and settlement system operated by ASX, CDIs are issued to enable the electronic transfer and settlement on ASX of shares issued by foreign companies such as Champion Canada. Champion Canada CDIs can be traded on ASX, whereas Champion Canada Shares cannot be traded on ASX. As such, Australian Scheme Participants (or Canadian Scheme Participants who notify Champion Australia of their election to receive Champion Canada CDIs as the Scheme Consideration) will receive Champion Canada CDIs as the Scheme Consideration under the Scheme. Champion Australia Shareholders are encouraged to read **Appendix E** for further details about CDIs.

3.8 **Champion Canada**

Champion Canada has been incorporated for the purpose of giving effect to the Re-domiciliation and becoming the parent company of the Champion Iron Group after implementation of the Re-domiciliation. Champion Australia Shareholders are encouraged to read Section 8 for an overview and further information about Champion Canada and Section 9 for the implications of Champion Canada being a Canadian company.

3.9 **Effect on Champion Iron Group**

The Re-domiciliation, together with a proposed liquidation of Champion Australia, will streamline the Champion Iron Group's corporate structure by removing the Australian

listed company and replacing it with a listed parent, Champion Canada. This should result in cost savings at the corporate level, including the elimination of some duplicated functions. It should also result in a more tax efficient repatriation of dividends from the Canadian subsidiaries to Champion Canada.

4. FREQUENTLY ASKED QUESTIONS

4.1 Background to the Re-domiciliation

Champion Australia is incorporated in Australia and is governed by the Corporations Act. Champion Australia's ordinary shares are listed on both ASX and the TSX. Quebec Iron Ore Inc. is Champion Australia's most significant subsidiary and operates the Bloom Lake iron ore property in the Fermont Iron Ore District in the Province of Quebec, Canada (the **Bloom Lake** or the **Bloom Lake Mine**).

Because Champion Australia is an Australian company, certain Canadian institutional investors cannot currently invest in Champion Australia Shares because:

- (a) Champion Australia does not qualify to be included in any Canadian indices which those funds often need to follow; and
- (b) Champion Australia's domicile is not in Canada.

The major Australian indices do not prescribe domicile or place of incorporation as a criterion for eligibility to be included in these indices. As such, Champion Canada would be eligible for inclusion in the major Australian indices and, if it is included in these indices, Australian institutional investors will continue to have the ability to acquire the Champion Canada Shares when investing into these Australian indices.

In addition, Champion Australia does not qualify for inclusion in most Canadian indices, because it is not domiciled in Canada.

The Champion Australia Board considers that the Re-domiciliation would serve the interests of Champion Australia Shareholders because it would align the Champion Iron Group's domicile (including its place of incorporation) with its asset and predominant shareholder base and increase its attractiveness to the North American equity markets.

4.2 What is the Re-domiciliation?

Champion Australia is proposing to undergo a re-domicile from Australia to Canada.

If the Re-domiciliation is implemented:

- (a) Champion Australia will become a wholly-owned subsidiary of Champion Canada and Champion Canada will effectively replace Champion Australia as the listed entity on ASX and the TSX;
- (b) those Champion Australia Shareholders who are Eligible Scheme Participants will receive either Champion Canada Shares that will be listed on the TSX or Champion Canada CDIs that will be quoted for trading on ASX in exchange for their Champion Australia Shares; and
- (c) Champion Australia will be delisted from ASX and the TSX.

4.3 What is the Scheme?

The Scheme is a scheme of arrangement between Champion Australia and Scheme Participants under which all of the Champion Australia Shares will be transferred to Champion Canada in exchange for the Scheme Consideration of one Champion Canada Share or Champion Canada CDI for each Champion Australia Share held on the Record Date.

An overview or summary of the Scheme is set out in Section 3 of this Explanatory Memorandum and the terms of the Scheme are set out in full in **Appendix C**.

4.4 **What will I receive if the Re-domiciliation is implemented?**

If you are an Australian Scheme Participant (that is, you are registered on the Australian Register as at the Record Date and you are not an Ineligible Foreign Shareholder), you will receive Champion Canada CDIs which will be traded in Australia on ASX, unless you have advised Champion Australia in writing by the Effective Date that you wish to receive Champion Canada Shares as the Scheme Consideration.

If you are a Canadian Scheme Participant, you will receive Champion Canada Shares which will be traded in Canada on the TSX, unless you have advised Champion Australia in writing by the Effective Date that you wish to receive Champion Canada CDIs as the Scheme Consideration.

Eligible Scheme Participants must notify Champion Australia in writing by no later than 7.00 pm (Sydney time) (which corresponds to 4.00 am (Montréal time)) on the Record Date of their election to receive a different form of Scheme Consideration than the default for which Champion Canada would otherwise issue to them (ie Champion Canada CDIs in the case of Australian Scheme Participants and Champion Canada Shares in the case of Canadian Scheme Participants). Any such Scheme Participant must make the election in respect of all (and not part only) of their Champion Australia Shares on the Record Date. Champion Australia Shareholders may notify Champion Australia of their election in writing or by email to Steve Boucraie, Vice President, General Counsel and Corporate Secretary, at 1100 René-Lévesque West, Suite 610, Montreal QC H3B 4N4, or sboucraie@championironmines.com.

Canadian holders of Champion Australia Shares need not take any action in order to receive the Champion Canada Shares to which they are entitled under the Scheme. Certificates will be replaced against transfer. In other words, if you are a Canadian Scheme Participant holding physical certificates representing Champion Australia Shares, your physical certificate will be deemed to represent a share certificate of Champion Canada with effect from the Implementation Date without further action required by you. You are not required to surrender your existing Champion Australia share certificate(s) and it is recommended you do not do so. Consequently, Canadian Scheme Participants should not destroy their existing Champion Australia Share certificates. However, Canadian Scheme Participants who so desire may, at any time after the Implementation Date, surrender their existing certificates representing Champion Australia Shares to Champion Canada, which will then issue those shareholders with new certificates representing Champion Canada Shares. If you are a Canadian Beneficial Owner holding Champion Australia Shares through the Canadian Registry, you will receive Champion Canada Shares by settlement through CDS & Co.

There is no option for Eligible Scheme Participants to elect to receive cash instead of Champion Canada Shares or Champion Canada CDIs. However, once Champion Canada Shares and Champion Canada CDIs have commenced trading on the TSX and ASX, respectively, Champion Canada Shares may be bought and sold on the TSX and Champion Canada CDIs may be bought and sold on ASX.

Ineligible Foreign Shareholders will not receive Champion Canada Shares or Champion Canada CDIs and instead will receive the net proceeds of the sale of the Champion Canada Shares or Champion Canada CDIs to which they would otherwise have been entitled under the Sale Facility (see Sections 4.20(c) and 4.21 for more information).

4.5 **Who is Champion Canada?**

Champion Canada is a corporation incorporated in Quebec, Canada, under the QBCA for the specific purpose of becoming the Canadian holding company of Champion Australia and the parent company of the Champion Iron Group after implementation of the Scheme.

Champion Canada will be listed on ASX and the TSX.

4.6 **What is a CDI or CHESS Depository Interest?**

A Champion Canada CDI is a CHESS Depository Interest over a Champion Canada Share. Under the electronic transfer and settlement system operated by the ASX, CDIs are issued to enable the electronic transfer and settlement on the ASX of shares issued by foreign companies such as Champion Canada. Champion Canada CDIs can be traded on ASX using CHESS, whereas Champion Canada Shares cannot be traded on ASX.

Each Champion Canada CDI will represent a beneficial interest in one Champion Canada Share. A Champion Canada CDI has the same economic benefits (such as dividends, bonus issues, rights issues) as a Champion Canada Share and, in effect, the same voting rights (bearing in mind that votes are directed through the Authorised Nominee (see Section 4.7 below) and cannot be exercised directly because the holder of a CDI is not a registered shareholder). Trading in Champion Canada CDIs is not different in substance to trading in other CHESS approved securities (such as Champion Australia Shares).

A summary of the rights attaching to CDIs is set out in **Appendix E**.

4.7 **What is the difference between Champion Canada CDIs and Champion Canada Shares?**

Each Champion Canada CDI will represent a beneficial interest in one Champion Canada Share and will have rights that are economically equivalent to the rights attaching to a Champion Canada Share.

Champion Canada CDIs will be quoted and traded on ASX in Australian dollars — they will not be listed on the TSX. Holders of Champion Canada CDIs should note there may be differences in levels of trading and liquidity on ASX and the TSX. Champion Canada Shareholders may elect to convert their Champion Canada CDIs to Champion Canada Shares at any time.

Champion Canada Shares refer to fully paid common shares in the capital of Champion Canada, which will rank equally in all respects with all other common shares outstanding from time to time. Champion Canada Shares will be listed and traded on the TSX in Canadian dollars — they will not be quoted and traded on ASX.

A holder of Champion Canada CDIs will not be a registered Champion Canada Shareholder. Instead, Champion Canada Shares represented by Champion Canada CDIs will be held by CHESS Depository Nominees Pty Ltd (the **Authorised Nominee**), a subsidiary of ASX. A Champion Canada CDI Holder can direct the Authorised Nominee to vote, in accordance with the Champion Canada CDI Holder's directions, the Champion Canada Shares represented by their Champion Canada CDIs (or can direct the Authorised Nominee to appoint the Champion Canada CDI Holder or another person to do so). If the Authorised Nominee does not receive instructions to vote Champion Canada Shares representing any Champion Canada CDIs, those shares will not be voted.

4.8 **Can I transfer between Champion Canada CDIs and Champion Canada Shares?**

Yes, upon listing of the Champion Canada Shares on the TSX and upon quotation of the Champion Canada CDIs for trading on ASX, securities can be moved between the registers maintained in Canada and Australia.

Shareholders contemplating a register move should contact their stockbroker or the relevant Registry where their Champion Canada Shares or Champion Canada CDIs are maintained in order to obtain the applicable documentation.

Movements between registers are not instantaneous and, as such, Champion Australia Shareholders should not trade in Champion Canada Shares or Champion Canada CDIs (as appropriate) once a request has been made to move the securities and prior to receiving confirmation from the relevant Registry that the move has been completed.

4.9 **What is the opinion of the Independent Expert?**

The Independent Expert has concluded that the advantages of the Scheme to re-domicile outweigh the disadvantages and accordingly the Scheme is in the best interests of Champion Australia Shareholders. A copy of the Independent Expert's Report is set out in **Appendix B** to this Explanatory Memorandum.

4.10 **What are the consequences of Champion Australia re-domiciling to Canada?**

As Champion Canada is a corporation incorporated in Quebec, Canada, its general corporate activities (apart from any offering of securities in Australia) are not regulated by the Corporations Act or ASIC, but instead are regulated by the QBCA.

Under the Re-domiciliation, all Eligible Scheme Participants will receive Champion Canada Shares or Champion Canada CDIs on the Implementation Date.

For further information on:

- (a) Champion Canada following implementation of the Scheme (including its board, dividend policy and its intentions with respect to its business and assets), see Section 8;
- (b) the implications of Champion Canada being a Canadian company, see Section 9 and **Appendix A**; and
- (c) the ability to convert Champion Canada CDIs to Champion Canada Shares (and *vice versa*), see **Appendix E**.

4.11 **What are the Conditions Precedent to the Re-domiciliation?**

The Re-domiciliation is conditional upon the satisfaction or waiver of the following Conditions Precedent:

No.	Condition Precedent	Status
1.	(Independent Expert's Report) the Independent Expert's Report concludes that the Scheme is in the best interest of Champion Australia Shareholders	Satisfied at the date of this Explanatory Memorandum
2.	(Orders convening the Scheme Meeting) the Court makes orders convening the Scheme Meeting under	Satisfied at the date of this Explanatory Memorandum

No.	Condition Precedent	Status
	section 411(1) of the Corporations Act	
3.	(Champion Australia Shareholder Approval) Champion Australia Shareholder Approval is obtained at the Scheme Meeting convened in accordance with the orders made under section 411(1) of the Corporations Act	The Scheme Meeting to consider the Scheme Resolution will be held at 11.00 am (Sydney time) on 12 March 2020, which corresponds to 8.00 pm on 11 March 2020 in Montréal, at the Sydney office of Ashurst Australia, Level 11, 5 Martin Place, Sydney 2000, Australia
4.	(Court approval) the Court makes orders under section 411(4)(b) of the Corporations Act approving the Scheme	If the Scheme Resolution is approved by the requisite majorities of Champion Australia Shareholders at the Scheme Meeting, application will be made to the Court for an order pursuant to section 411(4)(b) of the Corporations Act approving the Scheme
5.	(order lodged with ASIC) an office copy of the Court order approving the Scheme under section 411(4)(b) of the Corporations Act is lodged with ASIC	If the Court approves the Scheme, the Court's order will be lodged with ASIC within one Business Day after the date on which the Court issues its order
6.	(ATO Class Ruling) the ATO confirms that a Class Ruling will be issued (following implementation of the Scheme) on terms and conditions satisfactory to Champion Australia and Champion Canada (both acting reasonably)	Application for the Class Ruling has been made to the ATO. As at the date of this Explanatory Memorandum, Champion Australia is not aware of anything that will cause this condition not to be satisfied
7.	(CRA Ruling) the CRA grants the CRA Ruling on terms and conditions satisfactory to Champion Australia and Champion Canada (both acting reasonably)	Application for the CRA Ruling has been made to the CRA. As at the date of this Explanatory Memorandum, Champion Australia is not aware of anything that will cause this condition not to be satisfied
8.	(Approval of Buy Back of Special Voting Share) the Champion Australia Shareholders pass the Buy Back Resolution at the Extraordinary General Meeting	The Extraordinary General Meeting to consider the Buy Back Resolution will be held at 11.30 am (Sydney time) on 12 March 2020, which corresponds to 8.30 pm on 11 March 2020 in Montréal, at the Sydney office of Ashurst Australia, Level 11, 5 Martin Place, Sydney 2000, Australia
9.	(FIRB approval) before 8.00 am on the Second Court Date, Champion Canada obtains approval under the FATA for implementing the Scheme	Application for this approval has been made to the Foreign Investments Review Board. As at the date of this Explanatory Memorandum, Champion Australia is not aware of anything that will cause this condition not to be satisfied

No.	Condition Precedent	Status
10.	(Canadian Competition Act approval) before 8:00 am on the Second Court Date, the Commissioner of Competition of Canada has issued an advance ruling certificate or a no-action letter with respect to the Re-domiciliation pursuant to the Scheme	Satisfied as at the date of this Explanatory Memorandum
11.	(Other authorisations) before 8.00 am on the Second Court Date, all other authorisations, which Champion Australia and Champion Canada agree in writing are necessary for the implementation of the Scheme, are obtained without the imposition of any term or condition unsatisfactory to Champion Australia and Champion Canada (both acting reasonably)	Refer to Section 12.12
12.	(Champion Australia Other Securities) before 8.00 am on the Second Court Date, Champion Australia and Champion Canada have reached the agreement with each holder of Champion Australia Other Securities contemplated in Section 12.5(b) and 12.5(c)	As at the date of this Explanatory Memorandum, Champion Australia is not aware of anything that will cause this condition not to be satisfied
13.	(Required Consents) all Required Consents which Champion Australia and Champion Canada agree are necessary to implement the Scheme are obtained or received without the imposition of any term or condition unsatisfactory to Champion Australia and Champion Canada (both acting reasonably)	As at the date of this Explanatory Memorandum, Champion Australia is not aware of anything that will cause this condition not to be satisfied
14.	(no restraint adversely affecting implementation of the Scheme) no temporary restraining order, preliminary or permanent injunction or other order issued by any court of competent jurisdiction, Government Agency or other legal prohibition or restraint preventing the acquisition of all the Champion Australia Shares by Champion Canada or otherwise preventing the implementation of the Scheme is in effect at 8.00 am on the Second Court Date	As at the date of this Explanatory Memorandum, Champion Australia is not aware of anything that will cause this condition not to be satisfied
15.	(Authorised Nominee) Champion Canada has appointed the Authorised Nominee and the Authorised Nominee	As at the date of this Explanatory Memorandum, Champion Australia is not aware of anything that will cause

No.	Condition Precedent	Status
	has agreed to the allotment to it of Champion Canada Shares under the Scheme	this condition not to be satisfied
16.	(Sale Agent) Champion Canada has appointed the Sale Agent and the Sale Agent has agreed to sell the Scheme Consideration as contemplated in Sections 4.20(c) and 4.21	As at the date of this Explanatory Memorandum, Champion Canada is finalising the appointment of the Sale Agent.
17.	(ASX listing and quotation of CDIs) ASX approves: <ul style="list-style-type: none"> • Champion Canada for admission to the official list of ASX; and • the Champion Canada CDIs for official quotation on ASX, which approval may be conditional on the issue of those CDIs, the Court making orders under section 411(4)(b) of the Corporations Act approving the Scheme, and other conditions customarily imposed by ASX	Champion Canada will apply for the official quotation of the Champion Canada CDIs on ASX as soon as practicable after the date of this Explanatory Memorandum. Listing will be subject to Champion Canada fulfilling all the listing requirements of ASX. Neither Champion Australia nor Champion Canada is aware of anything that will cause this condition not to be satisfied
18.	(TSX listing) the listing of the Champion Canada Shares to be issued to Scheme Participants who are to receive Champion Canada Shares in accordance with the Scheme is approved by the TSX, which approval may be conditional on the issue of those shares, the transaction receiving shareholder and corporate authorities approval and other conditions customarily imposed by the TSX	TSX has conditionally approved the listing of the Champion Canada Shares. Listing is subject to Champion Canada fulfilling all the listing requirements of the TSX. Neither Champion Australia nor Champion Canada is aware of anything that will cause this condition not to be satisfied

4.12 What vote is required to approve the Re-domiciliation?

For the Re-domiciliation to proceed, the Scheme Resolution must receive the approval of:

- (a) a majority in number (more than 50%) of those Champion Australia Shareholders present and voting at the Scheme Meeting in person, by proxy, by attorney or (in the case of a corporate Champion Australia Shareholder) by a corporate representative; and
- (b) at least 75% of the total number of votes cast on the Scheme Resolution at the Scheme Meeting by Champion Australia Shareholders,

(the **requisite majorities**).

4.13 What happens if I do not vote at the Scheme Meeting or do not vote in favour of the Scheme Resolution?

If you do not vote at the Scheme Meeting, or vote against the Scheme Resolution, then the Re-domiciliation may not be approved.

The Re-domiciliation cannot be implemented unless the Scheme Resolution is passed by the requisite majorities of Champion Australia Shareholders at the Scheme Meeting.

However, even if you do not vote, or vote against the Scheme Resolution, the Re-domiciliation may still be approved. If the Scheme Resolution is passed by the requisite majorities of Champion Australia Shareholders, then, subject to the Court approving the Scheme and the satisfaction or waiver of all other Conditions Precedent to the Scheme, the Re-domiciliation will be implemented and become binding on all Champion Australia Shareholders, including those who did not vote or voted against the Scheme Resolution.

4.14 What are the key steps to the Re-domiciliation taking effect?

If the Scheme Resolution is passed by the requisite majorities of Champion Australia Shareholders, then, subject to the Court approving the Scheme and the satisfaction or waiver of all other Conditions Precedent to the Scheme, Champion Australia will lodge an office copy of the Court order approving the Scheme with ASIC, upon which the Scheme will become Effective.

An overview of the key steps to implementing the Scheme is as follows:

Event	Detail
Scheme becomes Effective	The Scheme will become Effective on the Effective Date (expected to be 23 March 2020). At the close of trading on ASX on the Effective Date, Champion Australia Shares will be suspended from trading on ASX and the TSX.
Following the Effective Date	On the Business Day following the Effective Date (expected to be 24 March 2020): <ul style="list-style-type: none"> • Champion Canada will be admitted to the official list of ASX; and • Champion Canada CDIs will commence trading on ASX on a deferred settlement basis.
Implementation Date	On the Implementation Date (which is expected to be 1 April 2020): <ul style="list-style-type: none"> • all of the Champion Australia Shares held by each Scheme Participant will be transferred to Champion Canada without the need for any further act by a Scheme Participant; • Champion Canada will issue to each Canadian Scheme Participant (and each Australian Scheme Participant who notifies Champion Australia of their election to receive Champion Canada Shares as the Scheme Consideration) one Champion Canada Share for each Champion Australia Share held by that Scheme Participant on the Record Date as the Scheme Consideration; • Champion Canada will issue to the Authorised Nominee one Champion Canada Share for each Champion Australia Share held by an Australian Scheme Participant (and each Canadian Scheme Participant who notifies Champion Australia of their election to receive Champion Canada CDIs as the Scheme Consideration) on

Event	Detail
	<p>the Record Date;</p> <ul style="list-style-type: none"> • each Australian Scheme Participant (and each Canadian Scheme Participant who notifies Champion Australia of their election to receive Champion Canada CDIs as the Scheme Consideration) will receive one Champion Canada CDI for every Champion Australia Share held by that Scheme Participant on the Record Date as the Scheme Consideration; and • in the case of Ineligible Foreign Shareholders, the Champion Canada Shares and Champion Canada CDIs to which those Ineligible Foreign Shareholders would otherwise have been entitled will be transferred to the Sale Agent, who will sell them on the Ineligible Foreign Shareholders' behalf, with the net proceeds of sale being remitted to the Ineligible Foreign Shareholders.
<p>On the first trading day after the Implementation Date</p>	<p>Champion Canada Shares will commence trading on the TSX and the Champion Australia Shares will be delisted from ASX and the TSX.</p>
<p>Despatch of confirmation of allotment statements</p>	<p>Subject to the steps and approvals noted above, it is proposed that confirmation of allotment statements for Champion Canada CDIs will be despatched on the Implementation Date.</p> <p>For the exchange procedure in respect of share certificates for the Canadian Scheme Participants, please refer to Section 4.4.</p>

4.15 **What is the Scheme Warranty?**

Under the Scheme, each Scheme Participant is deemed to warrant to Champion Canada (and, to the extent enforceable, to appoint and authorise Champion Australia as their agent to warrant to Champion Canada) that:

- (a) all of their Scheme Shares (including any rights and entitlements attaching to those shares) will, as at the time of the transfer of them to Champion Canada, be fully paid and (subject to Champion Australia's constitution) free from all security interests (including charges, liens, mortgages and other encumbrances and interests of third parties of any kind, whether legal or otherwise) and from any restrictions on transfer of any kind; and
- (b) they have full power and capacity to transfer their Scheme Shares (including any rights and entitlements attaching to those shares) to Champion Canada under the Scheme.

4.16 **What will happen to Champion Australia following implementation of the Re-domiciliation?**

If the Re-domiciliation is implemented, Champion Canada will own all of the Champion Australia Shares and will operate the business of the Champion Iron Group in a manner consistent with past practice and in accordance with the existing strategy of Champion Australia.

Following implementation of the Re-domiciliation, the Champion Australia Board intends to propose to the ordinary shareholder of Champion Australia (being Champion Canada) the special resolutions necessary to commence proceedings for a member's voluntary winding up and appoint a liquidator.

4.17 What are the tax implications of the Re-domiciliation?

The Re-domiciliation may have taxation implications for Scheme Participants. Accordingly, Champion Australia Shareholders should refer to the summary of certain taxation implications for Scheme Participants in Section 10 of this Explanatory Memorandum.

4.18 Are Champion Australia Shareholders required to make any cash payments to participate in the Re-domiciliation?

No, Champion Australia Shareholders are not required to make any cash payments to Champion Australia or Champion Canada to participate in the Re-domiciliation.

4.19 Impact of the Re-domiciliation on securities other than Champion Australia Shares

You are encouraged to read Sections 12.4 and 12.5 for details about the capital structure of Champion Australia, including the securities which are on issue; their primary rights and their proposed treatment under the Scheme.

4.20 Who is entitled to participate in the Re-domiciliation?

(a) Record Date

If the Scheme becomes Effective, those Champion Australia Shareholders on the Champion Australia Register as at the Record Date will become entitled to the Champion Canada Shares or Champion Canada CDIs (depending on which exchange they hold their Champion Australia Shares or what form of Scheme Consideration they wish to receive) in respect of the Champion Australia Shares they hold at that time (except for Ineligible Foreign Shareholders, who will receive cash under the Sale Facility).

For the purposes of determining which Scheme Participants are eligible to receive the Champion Canada CDIs (or the net proceeds of sale under the Sale Facility in the case of Ineligible Foreign Shareholders) and participate in the Scheme, any dealing in Champion Australia Shares will only be recognised if:

- (i) in the case of dealings of the type to be effected by CHESS, the transferee is registered in the Champion Australia Register as the holder of Champion Australia Shares on or before the Record Date; and
- (ii) in all other cases, registrable transmission applications or transfers in respect of those dealings are received on or before 7.00 pm (Sydney time) on the Record Date (which corresponds to 4.00 am on 25 March 2020 in Montréal), at the relevant Registry.

Subject to the Corporations Act, ASX Listing Rules and the constitution of Champion Australia, Champion Australia must register the registrable transmission applications or transfers of the kind recognised above by no later than 7.00 pm (Sydney time) on the Record Date (which corresponds to 4.00 am on 25 March 2020 in Montréal).

Champion Australia will not accept for registration or recognise for any purpose any transmission application or transfer in respect of Champion Australia Shares which is received after 7.00 pm (Sydney time) on the Record Date (which corresponds to

4.00 am on 25 March 2020 in Montréal), or which is received prior to that time but which is not in registrable form.

(b) Scheme Participants

Based on the information available to Champion Canada as at the date of this Explanatory Memorandum, Scheme Shareholders whose addresses are shown in the Champion Australia Register on the Record Date as being in the following jurisdictions will be entitled to receive Champion Canada Shares or Champion Canada CDIs pursuant to the Scheme: Australia, Canada, New Zealand, the United Kingdom and the United States of America. Any other Scheme Participant in a jurisdiction in respect of which Champion Australia is satisfied, acting reasonably, that it is not prohibited and not unduly onerous or impractical to issue Champion Canada Shares or Champion Canada CDIs to that Scheme Participant pursuant to the Scheme with a registered address in that jurisdiction will be entitled to receive Champion Canada Shares or Champion Canada CDIs pursuant to the Scheme.

(c) Ineligible Foreign Shareholders

Restrictions in certain countries make it impractical or unlawful to offer or receive securities in those countries. For this reason, the entitlement of Scheme Participants who are Ineligible Foreign Shareholders to Champion Canada Shares or Champion Canada CDIs will be dealt with under the Scheme via the Sale Facility as described in Section 4.21 below.

If you are an Ineligible Foreign Shareholder, you are not eligible to receive Champion Canada Shares or Champion Canada CDIs under the Scheme. The Champion Canada Shares and Champion Canada CDIs to which Ineligible Foreign Shareholders would otherwise become entitled will be transferred to the Sale Agent and sold on ASX. The net proceeds of sale (after deduction of any applicable brokerage, stamp duty and other charges, fees and taxes) will be remitted to the Ineligible Foreign Shareholders as soon as is reasonably practicable after the sale of all those Champion Canada Shares and Champion Canada CDIs (and no later than 10 Business Days after the settlement of the last of those sales).

4.21 **Sale Facility and sale of Champion Canada Shares and Champion Canada CDIs to which Ineligible Foreign Shareholders would otherwise have been entitled**

As noted above, the Champion Canada Shares and Champion Canada CDIs that would otherwise have been issued under the Scheme to Ineligible Foreign Shareholders (if they were Eligible Scheme Participants) (**Sale Securities**) will be transferred to the Sale Agent to deal with in accordance with the Sale Facility.

Under the Sale Facility:

- the Sale Agent is responsible for selling the Sale Securities;
- the Sale Agent must sell the Sale Securities on ASX and the TSX as soon as reasonably practicable (and in any event within one month after the Implementation Date) in the manner and on the terms the Sale Agent thinks fit (and at the risk of the Ineligible Foreign Shareholder);
- as soon as is reasonably practicable (but, in any event within 10 Business Days after settlement of the last of the sales of those Sale Securities), remit to each Ineligible Foreign Shareholder the same portion of the net proceeds of all those sales (after deduction of any applicable brokerage, stamp duty and other charges, fees and taxes) as the Sale Securities issued to the Sale Agent in respect of the Ineligible Foreign Shareholder bears to the total Sale Securities issued to and sold by the Sale Agent in respect of all Ineligible Foreign Shareholders;

- the Sale Agent will, as soon as practicable, distribute to each Ineligible Foreign Shareholder their respective proportion of those net proceeds by (at its discretion):
 - making a deposit in Australian currency into an account with an Australian bank notified by the Ineligible Foreign Shareholder to Champion Australia and recorded in or for the purpose of the Champion Australia Register as at the Record Date; or
 - sending a cheque for the relevant share of the net proceeds of sale in Australian currency by prepaid post to the Ineligible Foreign Shareholder's address as recorded in the Champion Australia Register at the Record Date.

The amount of money received by each Ineligible Foreign Shareholder will be calculated on an averaged basis, so that all Ineligible Foreign Shareholders will receive the same amount for each Sale Security, subject to rounding to the nearest whole cent.

Consequently, the amount received by an Ineligible Foreign Shareholder for each Sale Security may be more or less than the actual price that is received by the Sale Agent for the sale of that particular Sale Security.

The payment of the net proceeds from the sale of Sale Securities will satisfy in full the rights of Ineligible Foreign Shareholders under the Scheme. Under the Scheme, Champion Australia Shareholders who are Ineligible Foreign Shareholders appoint Champion Canada as their agent to receive any financial services guide or other notice given by the Sale Agent under the Corporations Act.

4.22 **What happens if the Re-domiciliation does not proceed?**

The Re-domiciliation will not proceed if:

- Champion Australia Shareholders do not approve the Scheme Resolution by the requisite majorities;
- the Court does not approve the Scheme;
- any other Condition Precedent is not satisfied or waived (including the Buy Back of the Special Voting Share); or
- the Scheme Implementation Deed is terminated.

In that event:

- Champion Australia Shareholders who might have been Eligible Scheme Participants will not receive Champion Canada Shares or Champion Canada CDIs and, in the case of Champion Australia Shareholders who might have been Ineligible Foreign Shareholders, they will not receive the net proceeds from the sale of Champion Canada Shares or Champion Canada CDIs under the Sale Facility;
- Champion Australia Shareholders will retain their current holding of Champion Australia Shares (unless they sell them);
- Champion Australia Shares will trade on the basis that the Re-domiciliation will not proceed;
- the advantages of the Re-domiciliation as described in Section 6.2 may not be realised; and
- some of the disadvantages and risks of the Re-domiciliation as described in Sections 6.3 and 6.5 may not arise.

Champion Australia Shareholders should consider these consequences when considering whether or not to vote in favour of the Scheme Resolution.

If the Buy Back Resolution is passed by Champion Australia Shareholders at the Extraordinary General Meeting, then the Buy Back will proceed and the Special Voting Share will be cancelled even if the Scheme and the Re-domiciliation do not proceed.

4.23 Why is Champion Australia convening the Extraordinary General Meeting?

It is a Condition Precedent to the implementation of the Scheme that Champion Australia Shareholders approve the Buy Back Resolution. Champion Australia is convening the Extraordinary General Meeting half an hour after the Scheme Meeting to facilitate voting on the Buy Back Resolution by Champion Australia Shareholders.

4.24 Why is Champion Australia buying back the Special Voting Share?

The Buy Back, which is mandated by Champion Australia's constitution, is being undertaken to simplify Champion Australia's capital structure so that the only shares in Champion Australia on issue on the Implementation Date are ordinary shares which will be acquired by Champion Canada under the Scheme. The Buy Back will therefore facilitate Champion Canada acquiring ownership of 100% of the issued share capital in Champion Australia on the Implementation Date. See Section 11 for further information on the Buy Back.

4.25 What if the Buy Back Resolution is not approved at the Extraordinary General Meeting?

If the Buy Back Resolution is not approved at the Extraordinary General Meeting, then the Scheme will not proceed and the Re-domiciliation will not be implemented, unless the Condition Precedent relating to the approval of the Buy Back Resolution is waived by Champion Australia.

4.26 Where can I obtain further information?

This Explanatory Memorandum provides detailed information in relation to the Re-domiciliation and the Buy Back that all Champion Australia Shareholders should read.

If you have any additional questions in relation to or need help in understanding the matters raised in this Explanatory Memorandum, please call +61 2 9810 7816 (8.30 am to 5.30 pm, Monday to Friday (Sydney time)) in Australia or +1 514 316 4858 (from 8.30 am to 5.30 pm, Monday to Friday (Montréal Time)) in Canada on Business Days, and a representative from Champion Australia will respond to your message.

Alternatively, you should consult an independent and appropriately licensed and authorised professional adviser.

For additional copies of this Explanatory Memorandum, please visit Champion Australia's website at www.championiron.com. This Explanatory Memorandum is also available on the SEDAR website at www.sedar.com under Champion Australia's profile.

5. THE CHAMPION AUSTRALIA BOARD'S RECOMMENDATION

5.1 What is the Champion Australia Board's recommendation in respect of the Re-domiciliation?

The Champion Australia Directors have unanimously concluded that the Re-domiciliation (which is to be implemented by way of the Scheme) is in the best interests of Champion Australia Shareholders and they unanimously recommend that you vote in favour of the Scheme Resolution at the Scheme Meeting.

In making this recommendation, the Champion Australia Directors have considered the following:

- the advantages and disadvantages of the Re-domiciliation as described in Sections 6.2 and 6.3; and
- the potential, new and existing risks associated with the Re-domiciliation and an investment in Champion Canada as described in Section 6.5.

The Champion Australia Directors consider that the advantages of the Re-domiciliation significantly outweigh the disadvantages and risks.

In considering whether to vote in favour of, or against, the Scheme Resolution (or abstain from voting on the Scheme Resolution), the Champion Australia Directors encourage you to:

- read the whole of this Explanatory Memorandum (including the risks outlined in Section 6.4 and the Independent Expert's Report in **Appendix B**);
- have regard to your financial circumstances, individual risk profile, portfolio strategy and tax position; and
- obtain financial advice from your broker or other licensed financial services provider on the Re-domiciliation and obtain tax advice on the effect of the Re-domiciliation becoming Effective, which takes into account your particular circumstances.

5.2 What are the Champion Australia Directors' intentions?

Each Champion Australia Director who holds or controls Champion Australia Shares intends to vote in favour of the Scheme Resolution in relation to the Champion Australia Shares which they hold or control.

5.3 What are the Major Shareholders' intentions?

Champion Australia's largest shareholder, WC Strategic Opportunity LP, which at the date of this Explanatory Memorandum has a relevant interest in 14.31% of the Champion Australia Shares³, has informed Champion Australia of its intention to vote its Champion Australia Shares in favour of the Scheme Resolution.

Each of Investissement Quebec and Prospect AG Trading Pty Ltd (and its related entities, which are all companies controlled by Michael O'Keeffe, the Executive Chairman of the Champion Australia Board), which at the date of this Explanatory Memorandum have

³ Based on substantial holding notices lodged with ASX as at the date of this Explanatory Memorandum.

relevant interests in 9.30% and 9.41% of Champion Australia Shares, respectively⁴, have also informed Champion Australia of their intentions to vote their Champion Australia Shares in favour of the Scheme Resolution.

As such, at least 33.03% of the Champion Australia Shares will vote in favour of the Scheme Resolution.

5.4 **What is the Independent Expert's Opinion?**

The Independent Expert has concluded that the advantages of the Scheme to re-domicile outweigh the disadvantages and accordingly the Scheme is in the best interests of Champion Australia Shareholders.

A copy of the Independent Expert's Report, which includes the reasons for the Independent Expert's conclusion, is contained in **Appendix B**. Champion Australia Shareholders are encouraged to read the Independent Expert's Report in full.

⁴ Based on substantial holding notices lodged with ASX as at the date of this Explanatory Memorandum.

6. **ADVANTAGES, DISADVANTAGES AND RISKS ASSOCIATED WITH THE RE-DOMICILIATION**

6.1 **Introduction**

Champion Australia Shareholders should carefully consider the following advantages and disadvantages of the Re-domiciliation, as well as the risks associated with the Re-domiciliation and an investment in Champion Canada, in deciding whether or not to vote in favour of the Scheme Resolution. A Champion Australia Shareholder who votes against the Scheme Resolution does not wish for the Scheme and the Re-domiciliation to proceed and wishes for the *status quo* to remain. If this occurs, then the Champion Iron Group cannot realise or benefit from the advantages identified in Section 6.2, but at the same time the disadvantages identified in Section 6.3 (other than the costs identified in Section 6.3(a)) will not arise. Section 4.22 contains further details on what it means for the Re-domiciliation not to proceed.

As noted in Section 5.1, the Champion Australia Board considered both the advantages and disadvantages of the Re-domiciliation as part of the process they undertook to make the recommendation to approve the Re-domiciliation.

6.2 **What are the advantages of the Re-domiciliation?**

The Re-domicile of Champion Australia from Australia to Canada will align the domicile or location of the new listed parent company, Champion Canada, with the Champion Iron Group's assets and operations and predominant shareholder base. The Champion Australia Board believes that this is in the best interests of Champion Australia Shareholders for the following reasons:

(a) Increase the attractiveness of the Champion Iron Group to more diverse financial markets

The Re-domiciliation is expected to increase the attractiveness of the Champion Iron Group to more diverse financial markets. The change in domicile of the listed parent company to Canada provides the group with access to the more diverse and larger Canadian and North American financial markets which have a strong interest in mining projects and mining companies.

(b) Increase the attractiveness of the Champion Iron Group to Canadian institutional investors

The Re-domiciliation is expected to increase the attractiveness of Champion Canada to Canadian institutional investors who may require a Canadian corporate domicile (including a place of incorporation in Canada) for their investments.

Currently, some Canadian and North American funds cannot invest in Champion Australia because Champion Australia is not incorporated in Canada and does not therefore qualify for inclusion in the Canadian indices which those funds often need to follow. As a Canadian incorporated company, Champion Canada may be considered for inclusion in Canadian indices, which require a domestic corporate domicile (including a place of incorporation in Canada), without impacting Champion Canada's ability to be included in the major Australian indices (which do not prescribe an Australian corporate domicile or incorporation in Australia as a condition to inclusion in these indices). Champion Canada could as a result have broader access to the capital pools of Canadian and North American institutional investors.

(c) Improve liquidity

The Re-domiciliation will potentially increase liquidity in the trading of shares with the introduction of new investors from the Canadian and North American markets.

In the first financial year of Champion Australia in its current guise (being the 12 months ended 31 March 2015), approximately 51% of the Champion Australia Shares were traded on ASX and approximately 49% were traded on the TSX. Over the past few financial years, however, trading activity in Champion Australia Shares has increased progressively on the TSX. For the financial year ended 31 March 2016, approximately 41% of the Champion Australia Shares traded on ASX, declining to approximately 18% for the 12 months ended 31 March 2017. This level of trading stayed consistent in the following financial year (ended 31 March 2018) at about 17% and then decreased again for the 12 months ended 31 March 2019 to approximately 14%. The first 10 months of the current financial year has seen an increase in trading on ASX to about 32%, but this is attributed to a once-off series of events in Brazil and Australia materially impacting the supply of iron ore globally leading to increased awareness of the Champion Iron Group's operations and is not expected to continue. As at 29 January 2020, approximately 60% of the Champion Australia Shares are held on the Canadian Register and traded on the TSX.

Accordingly, the Re-domiciliation will align the Champion Iron Group's corporate existence with its predominant shareholder base.

(d) Streamline company structure

The Re-domiciliation, together with a proposed liquidation of Champion Australia, will streamline the Champion Iron Group's corporate structure by removing the Australian listed company and replacing it with a listed parent, Champion Canada, incorporated in Canada. This will not only simplify the Champion Iron Group's corporate structure, but should result in cost savings at the corporate level, including the elimination of some duplicated functions. It should also result in a more tax efficient repatriation of dividends from the Canadian subsidiaries to Champion Canada.

(e) Retention of ASX listing and familiarity with local exchange

Champion Canada will apply for listing on ASX and the TSX. Consequently, following the implementation of the Scheme, Eligible Scheme Participants will be able to continue to hold their investment in Champion Canada on the exchange with which they are most familiar.

Champion Canada will continue to be regulated by both the TSX Listing Rules and the ASX Listing Rules, including disclosure requirements under the continuous disclosure rules and the lodgement of financial statements and quarterly reports.

Champion Canada is governed by the QBCA. The regulatory environment in Canada is comparable to that in Australia. Consequently, security holders in Champion Canada will have comparable regulatory protection to that currently available under the Australian Corporations Act which applies to Champion Australia. **Appendix A** of this Explanatory Memorandum sets out a comparative table of the differences between the Corporations Act and the QBCA.

The legal system in Canada, both federally and provincially, is considered to be a relatively predictable one and is comparable to Australia. It is however more familiar to the management team and the majority of Champion Australia's shareholder base. Champion Australia believes those regimes will provide the most

suitable framework for growing Champion Australia over the medium to long term. A not insignificant advantage in this regard is that the Re-domiciliation will mean that senior management will have ready access to legal, accounting and other resources in time zones where they are located. Champion Australia anticipates that this will over time result in reductions in the Champion Iron Group's overhead costs.

(f) Improve market sentiment and profile

Re-domiciling to Canada potentially enables Champion Australia to access the pools of capital that exist in Canada and the United States of America. Investors in North America are more likely to invest in a company with a "local" listing than in a company listed primarily in Australia. The Re-domiciliation may therefore give Champion Canada access to a more diverse pool of capital, including passive funds, ETFs, Canadian asset managers, index funds and Quebec speciality funds.

As a Canadian-incorporated entity, Champion Canada may be eligible for inclusion on all major Canadian indices, without affecting the eligibility for major Australian indices (which do not require an Australian corporate domicile or incorporation in Australia as a criterion for inclusion in these indices), thereby increasing its market presence and media coverage. This can be regarded as an advantage to Champion Australia Shareholders in the sense that a greater market presence can lead to an improvement in Champion Australia ability to raise future capital and, in turn, can accelerate growth in Champion Australia.

6.3 **What are the disadvantages?**

The Champion Australia Board has identified the following potential disadvantages of the Re-domiciliation:

(a) Cost to implement the Scheme

The Re-domiciliation, if approved, will result in additional costs required to complete the transaction (including listing fees payable by Champion Canada to ASX and the TSX). It is noted, however, that Champion Australia has incurred or will incur some of these additional costs regardless of whether or not the Scheme is approved. These costs include advisor fees (see Section 12.16) and fees payable to regulatory authorities like ASX, the Australian Tax Office and the Commissioner of Competition in Canada. The total estimate of these costs is about C\$1.9 million.

(b) Change in jurisdiction

Upon completion of the Re-domiciliation, Eligible Scheme Participants will become security holders in Champion Canada, a Quebec corporation. Champion Australia Shareholders might not be familiar with the laws of Quebec, to which Champion Canada is subject.

Currently, Australian resident Champion Australia Shareholders wishing to take action to enforce the provisions of Champion Australia's constitution or corporations or securities laws as they relate to Champion Australia may take action in Australian courts, applying Australian law. After implementation of the Re-domiciliation, any such actions in relation to Champion Canada will be determined in accordance with Canadian laws.

Some Champion Australia Shareholders may not be familiar with the Canadian laws and regulations to which Champion Canada will be subject and should refer to Section 9.4 and **Appendix A**.

(c) Ineligible Foreign Shareholders will not be able to receive Champion Canada Shares or Champion Canada CDIs

A Champion Australia Shareholder will be an Ineligible Foreign Shareholder if their address as shown in the Champion Australia Register at the Record Date is a place outside of Australia, Canada, New Zealand, the United Kingdom and the United States of America. Any other Scheme Participant in a jurisdiction in respect of which Champion Australia is satisfied, acting reasonably, that it is not prohibited and not unduly onerous or impractical to issue the Champion Canada Shares or the Champion Canada CDIs to that Scheme Participant pursuant to the Scheme with a registered address in that jurisdiction will be entitled to receive Champion Canada Shares or Champion Canada CDIs pursuant to the Scheme. The Champion Canada Shares or Champion Canada CDIs to which an Ineligible Foreign Shareholder would have been entitled under the Scheme will be issued to the Sale Agent appointed by Champion Canada, who will sell those Champion Canada Shares or Champion Canada CDIs on market and distribute the net proceeds of such sale (after deducting any applicable brokerage, stamp duty and other charges, fees and taxes) to Ineligible Foreign Shareholders.

Ineligible Foreign Shareholders should refer to Sections 4.20(c) and 4.21 on what they will receive under the Re-domiciliation.

(d) Taxation implications

The Re-domiciliation may have adverse taxation implications for individual Champion Australia Shareholders. Accordingly, Champion Australia Shareholders should refer to the summary of certain taxation implications for Scheme Participants in Section 10.

6.4 **What is the Independent Expert's opinion?**

The Independent Expert has concluded that the advantages of the Scheme to re-domicile outweigh the disadvantages and accordingly the Scheme is in the best interests of Champion Australia Shareholders.

A copy of the Independent Expert's Report, which includes the reasons for the Independent Expert's conclusion, is contained in **Appendix B**. Champion Australia Shareholders are encouraged to read the Independent Expert's Report in full.

6.5 **What are the risks in connection with the Re-domiciliation?**

Champion Australia and Champion Australia Shareholders are already subject to a number of risks, including those described in Section 6.5(b) below. The specific risks related to the Re-domiciliation are set out in Section 6.5(a) below. These risks are materially the same as the current risks to which Champion Australia Shareholders are exposed in relation to the Champion Iron Group's business.

If the Re-domiciliation is implemented, Champion Canada and holders of Champion Canada Shares and Champion Canada CDIs will remain subject to these existing risks. This is because the Re-domiciliation merely moves the domicile of the Champion Iron Group to Canada.

Although Champion Australia and Champion Canada will have in place a number of strategies to minimise the exposure to and mitigate the effects of some of these risks, neither Champion Australia nor Champion Canada can give any assurance that these arrangements will protect the Re-domiciled Champion Iron Group fully from these risks. Certain risks also remain outside of the control of Champion Australia and Champion Canada.

(a) Risks associated with the Re-domiciliation

(i) *Re-domiciliation may fail to realise anticipated advantages*

The Re-domiciliation may fail to realise all of the anticipated advantages for the Champion Iron Group, either in a timely manner or at all.

Some of the potential advantages of the Re-domiciliation may not be achieved as a result of circumstances outside the control of Champion Canada.

(ii) *The exact value of Champion Canada Shares and Champion Canada CDIs is not certain*

Under the terms of the Scheme, Canadian Scheme Participants (and Australian Scheme Participants who notify Champion Australia of their election to receive Champion Canada Shares as the Scheme Consideration) will receive one Champion Canada Share for each Champion Australia Share they hold at the Record Date and Australian Scheme Participants (and Canadian Scheme Participants who notify Champion Australia of their election to receive Champion Canada CDIs as the Scheme Consideration) will receive one Champion Canada CDI for each Champion Australia Share they hold at the Record Date. The exact value of the Champion Canada Shares or Champion Canada CDIs that would be realised by individual Champion Canada Shareholders or Champion Canada CDI Holders will be dependent on the price at which Champion Canada Shares and Champion Canada CDIs trade after the Implementation Date.

(iii) *Loss of demand and liquidity*

As a result of the Re-domiciliation, Champion Australia will become a wholly-owned subsidiary of a new Canadian parent company (Champion Canada) and will (subject to receiving the required shareholder approval) subsequently be liquidated. The Re-domiciliation may lead to a potential loss of demand for Champion Canada Shares or Champion Canada CDIs from investors. In particular, there may be a potential reduction in liquidity of Champion Canada Shares when traded on ASX in the form of CDIs.

(b) Existing risks which will apply to Champion Canada

Champion Australia is currently exposed to certain risks in operating the business that Champion Canada and the Champion Iron Group are also likely to face following the Re-domiciliation. These risks include the following:

(i) *Financial and market risks*

(A) **(Iron ore prices)** Champion Australia's principal business is the exploration, development and production of iron ore. Champion Canada's future profitability (following the Re-domiciliation) is largely dependent on movements in the price of iron ore. Iron ore prices have historically been volatile and are primarily affected by the demand for and price of steel in addition to the supply/demand balance. Given the historical volatility of iron ore prices, there are no assurances that the iron ore price will remain at economically attractive levels. An increase in iron ore supply without a corresponding increase in iron ore demand would be expected to result in a decrease in the price of iron ore. Similarly, a decrease in iron ore demand without a corresponding decrease in the supply of iron ore would be expected to result in a decrease in the price of iron

ore. A continued decline in iron ore prices would adversely impact the business of Champion Canada and could affect the feasibility of Champion Canada's projects. As some of the Champion Iron Group's long-term debt is subject to rate fluctuation based on the price of iron ore, a decrease in iron ore prices could have an adverse impact on the cost of Champion Canada's (after implementation of the Re-domiciliation) borrowing. A continued decline in iron ore prices would also be expected to adversely impact Champion Canada's ability to attract financing. Iron ore prices are also affected by numerous other factors beyond Champion Canada's control, including the exchange rate of the United States dollar with other major currencies, global and regional demand, political and economic conditions, production levels and costs and transportation costs in major iron ore producing regions. If, as a result of a decline in iron ore prices, revenues from iron ore sales were to fall below cash operating costs, the feasibility of continuing development and operations would be evaluated and, if warranted, could be discontinued.

- (B) **(Liquidity and financing)** Champion Canada may need to raise additional funding in the future through the sale of equity or debt securities or by optioning or selling its properties. No assurance can be given that additional funding will be available for further exploration and development of Champion Canada's properties when required, upon terms acceptable to Champion Canada or at all. Failure to obtain this additional financing could result in the delay or indefinite postponement of further exploration and development of its properties.
- (C) **(Foreign exchange)** Iron ore is sold in U.S. dollars. Champion Canada will therefore be subject to foreign exchange risks relating to the relative value of the Canadian dollar as compared to the U.S. dollar. To the extent that Champion Canada generates revenues from production on its properties, it will be subject to foreign exchange risks as revenues will be received in U.S. dollars while operating and capital costs will be incurred primarily in Canadian dollars. A decline in the U.S. dollar would result in a decrease in the real value of Champion Canada's revenues and adversely impact Champion Canada's financial performance.
- (D) **(Reduced global demand for steel or interruptions in steel demand)** The global steel manufacturing industry has historically been subject to fluctuations based on a variety of factors, including general economic conditions and interest rates. Fluctuations in the demand for steel can lead to similar fluctuations in iron ore demand. A decrease in economic growth rates could lead to a reduction in demand for iron ore. Any decrease in economic growth or steel consumption could have an adverse effect on the demand for iron ore and consequently on Champion Canada's ability to obtain financing, to achieve production and on its financial performance.

(ii) *Operational risks*

- (A) **(Mineral Exploration, Development and Operating Risks)** Mineral exploration is highly speculative in nature, generally involves a high degree of risk and is frequently non-productive. Resource acquisition, exploration, development and operation involve significant financial and other risks over an extended period of time,

which even a combination of careful evaluation, experience and knowledge may not eliminate. Significant expenses are required to locate and establish economically viable mineral deposits, to acquire equipment and to fund construction, exploration and related operations, and few mining properties that are explored are ultimately developed into producing mines.

Success in establishing an economically viable project is the result of a number of factors, including the quantity and quality of minerals discovered, proximity to infrastructure, metal and mineral prices (which are highly cyclical), costs and efficiencies of the recovery methods that can be employed, the quality of management, available technical expertise, taxes, royalties, environmental matters, government regulation (including land tenure, land use and import/export regulations) and other factors. Even in the event that mineralisation is discovered on a given property, it may take several years in the initial phases of drilling until production is possible, during which time the economic feasibility of production may change as a result of these factors. The effect of these factors cannot be accurately predicted, but the combination of these factors may result in Champion Canada not receiving an adequate return on its invested capital, and no assurance can be given that any exploration program of the Champion Iron Group will result in the establishment or expansion of resources or reserves.

The Champion Iron Group's operations are subject to all the hazards and risks normally encountered in the exploration, development and production of iron ore and other minerals, including hazards relating to the discharge of pollutants, changes in anticipated grade and tonnage of ore, unusual or unexpected adverse geological or geotechnical formations, unusual or unexpected adverse operating conditions, slope failures, rock bursts, cave-ins, seismic activity, the failure of pit walls or dams, fire, explosions and natural phenomena and "acts of God" (such as inclement weather conditions, floods, earthquakes or other conditions), any of which could result in damage to, or destruction of, mineral properties or production facilities, personal injury or death, damage to property, environmental damage, unexpected delays, monetary payments and possible legal liability, which could have a material adverse impact upon Champion Canada.

In addition, any future mining operations will be subject to the risks inherent in mining, including adverse fluctuations in commodity prices, fuel prices, exchange rates and metal prices, increases in the costs of constructing and operating mining and processing facilities, availability of energy, access and transportation costs, delays and repair costs resulting from equipment failure, changes in the regulatory environment, and industrial accidents and labour actions or unrest. The occurrence of any of these risks could materially and adversely affect the development of a project or the operations of a facility, which could have a material adverse impact upon Champion Canada.

- (B) **(Uncertainty of Mineral Resource and Mineral Reserve Estimates)** Although the mineral resource estimates included herein or otherwise disclosed by Champion Australia have been carefully prepared by independent mining experts, these amounts are estimates only and no assurance can be given that any particular

level of recovery of iron ore or other minerals will in fact be realised or that an identified mineral deposit will ever qualify as a commercially mineable (or viable) ore body which can be economically exploited. Additionally, no assurance can be given that the anticipated tonnages and grades will be achieved or that the indicated level of recovery will be realised. Estimates of mineral resources can also be affected by such factors as environmental permitting regulations and requirements, weather, environmental factors, unforeseen technical difficulties, unusual or unexpected geological formations and work interruptions. In addition, the grade of ore ultimately mined may differ dramatically from that indicated by results of drilling, sampling and other similar examinations. Short-term factors relating to mineral resources, such as the need for orderly development of ore bodies or the processing of new or different grades, may also have an adverse effect on mining operations and on the results of operations. Material changes in mineral resources, grades, stripping ratios or recovery rates may affect the economic viability of projects. Mineral resources are reported as general indicators of mine life. Mineral resources should not be interpreted as assurances of potential mine life or of the profitability of current or future operations. There is a degree of uncertainty attributable to the calculation and estimation of mineral resources and corresponding grades. Until ore is actually mined and processed, mineral resources and grades must be considered as estimates only. In addition, the quantity of mineral resources may vary depending on mineral prices. Any material change in resources or mineral resources, or grades or stripping ratios will affect the economic viability of Champion Canada's projects.

- (C) **(Uncertainties and Risks Relating to Feasibility Studies)** Feasibility studies are used to determine the economic viability of a deposit, as are pre-feasibility studies and preliminary assessments. Feasibility studies are the most detailed and reflect a higher level of confidence in the reported capital and operating costs. Generally accepted levels of confidence are plus or minus 15% for feasibility studies, plus or minus 25-30% for pre-feasibility studies and plus or minus 35-40% for preliminary assessments. There is no certainty that the Phase II Feasibility Study will be realized. While the Phase II Feasibility Study is based on the best information available to Champion Australia, it cannot be certain that actual costs will not significantly exceed the estimated cost. While Champion Australia incorporates what it believes is an appropriate contingency factor in cost estimates to account for this uncertainty, there can be no assurance that the contingency factor is adequate. Many factors are involved in the determination of the economic viability of a mineral deposit, including the achievement of satisfactory mineral reserve estimates, the level of estimated metallurgical recoveries, capital and operating cost estimates and estimates of future metal prices. In addition, ongoing mining operations at the Bloom Lake Mine are dependent on a number of factors, including the acquisition and/or delineation of economically recoverable mineralisation, favourable geological conditions, seasonal weather patterns, unanticipated technical and operational difficulties encountered in extraction and production activities, mechanical failure of operating plant and equipment, shortages or increases in the price of consumables, spare parts and plant and equipment, cost overruns, access to the required level of funding and contracting risk from third parties providing essential services. Actual operating results may differ from those

anticipated in the Phase II Feasibility Study. The Champion Iron Group's operations may be disrupted by a variety of risks and hazards which are beyond its control, including environmental hazards, industrial accidents, technical failures, labour disputes, unusual or unexpected rock formations, flooding and extended interruptions due to inclement or hazardous weather conditions and fires, explosions or accidents. There is no certainty that metallurgical recoveries obtained in bench scale or pilot plant scale tests will be achieved in ongoing commercial operations. Capital and operating cost estimates are based upon many factors, including anticipated tonnage and grades of ore to be mined and processed, the configuration of the ore body, ground and mining conditions, expected recovery rates of the metals from the ore and anticipated environmental and regulatory compliance costs. Each of these factors involves uncertainties and, as a result, Champion Australia cannot give any assurance that the Phase II Feasibility Study results will not be subject to change and revisions.

(D) (Dependence on Bloom Lake Mine)

- (aa) Champion Australia began generating revenues in April 2018, following the acquisition of Bloom Lake in 2016, which was in production from 2010 to 2014 and recommissioned in February 2018. Therefore, Champion Canada will be subject to many risks common to comparable ore project companies, including under-capitalization, cash shortages and limitations with respect to personnel, financial and other resources, as well as a lack of revenues.
- (bb) While Champion Canada may invest in additional mining and exploration projects in the future, and is working towards a potential Phase II expansion of the Bloom Lake Mine, the Bloom Lake Mine will be Champion Canada's sole producing asset, providing all of Champion Canada's operating revenue and cash flows. Consequently, a delay or any difficulty encountered in the operations at the Bloom Lake Mine would materially and adversely affect the financial condition and financial sustainability of Champion Canada. In addition, the results of operations of Champion Canada could be materially and adversely affected by any events which cause the Bloom Lake Mine to operate at less than optimal capacity, including (among other things) equipment failure, adverse weather, serious environmental and safety issues, any permitting or licensing issues and any failure to produce expected amounts of iron ore.

(E) (Infrastructure and reliance on third parties)

- (aa) Some of Champion Australia's properties are located in relatively remote areas at some distance from existing infrastructure. Active mineral exploitation at any such properties would require building, adding or extending infrastructure, which could add to time and cost required for mine development.
- (bb) Mining, processing, development and exploration activities depend, to one degree or another, on adequate infrastructure. In order to develop mines on its properties, Champion

Australia has entered into various agreements for various infrastructure requirements, including for rail transportation, power and port access with various industry participants, including external service and utility providers. These are important determinants affecting capital and operating costs. Champion Australia has concluded agreements with the relevant rail companies necessary for the transportation and handling of its production of Bloom Lake iron ore, but disruptions in their services could affect the operation and profitability of Champion Canada after implementation of the Re-domiciliation.

- (cc) In addition, there is no certainty that Champion Canada will be able to continue to access sources of power on economically feasible terms for all of its projects and requirements and this could have a material adverse effect on its results of operations and financial condition.

- (F) **(Reliance on small number of significant customers)** Champion Australia currently relies on a small number of significant customers in connection with the sale of its iron ore production. As a result of this reliance on the limited number of customers, Champion Canada could be subject to adverse consequences if any of these customers breaches their purchase commitments.

- (G) **(Availability of reasonably priced raw materials and mining equipment)** Champion Canada will require a variety of raw materials in its business, as well as a wide variety of mining equipment. To the extent these materials or equipment are unavailable or available only at significantly increased prices, Champion Canada's production and financial performance could be adversely affected. It is also expected that the required refurbishment at Bloom Lake will require significant financing.

- (H) **(Reliance on key personnel)** Champion Canada will be dependent on the services of key executives, including a small number of highly skilled and experienced executives and personnel. Champion Australia's development to date has largely depended, and Champion Canada's development in the future will depend, on the efforts of key management and other key personnel to develop its projects. Loss of any of these people, particularly to competitors, could have a material adverse impact upon Champion Canada.

- (I) **(No assurance of titles)** The acquisition of title to mineral projects is a very detailed and time-consuming process. Although Champion Australia has taken precautions to ensure that legal title to its property interests is properly recorded in the name of Champion Australia or, where applicable, in the name of its joint venture partners, there can be no assurance that such title will ultimately be secured. Furthermore, there is no assurance that the interests of Champion Canada (after implementation of the Re-domiciliation) in any of its properties may not be challenged or impugned.

- (J) **(Licences and permits)** The operations of the Champion Iron Group require licences and permits from various governmental authorities. Champion Australia believes that the Champion Iron Group presently holds all material licences and permits required to carry on with activities which it is currently conducting under applicable laws and

regulations and Champion Australia believes the Champion Iron Group is presently complying in all material respects with the terms of those licences and permits. However, those licences and permits are subject to change in regulations and in various operating circumstances. There can be no assurance that the Champion Iron Group will in the future be able to obtain all necessary licences and permits required to carry out exploration, development and mining operations at its projects.

- (K) **(Potential land claims - First Nations groups)** Champion Australia conducts its operations in the Province of Quebec and in the Province of Newfoundland and Labrador, which areas are subject to conflicting First Nations land claims. Aboriginal claims to lands, and the conflicting claims to traditional rights between aboriginal groups, may have an impact on the Champion Iron Group's ability to develop its properties. The boundaries of the traditional territorial claims by these groups, if established, may impact the areas which constitute the Champion Iron Group's properties. Mining licences and their renewals may be affected by land and resource rights negotiated as part of any settlement agreements entered into by governments with First Nations.

Pursuant to section 35 of *The Constitution Act of 1982 (Canada)*, as interpreted by the Canadian courts, the Federal and Provincial Crowns have a duty to consult Aboriginal peoples and, in some circumstances, a duty to accommodate. When development is proposed in an area to which an Aboriginal group asserts Aboriginal rights and titles, and a credible claim to those rights and titles has been made, a developer may be required by the Crown to conduct consultations with Aboriginal groups which may be affected by the project and, in some circumstances, accommodate them.

The development and the operation of Champion Australia's properties requires the conclusion of impact and benefits and/or other agreements with the affected First Nations. As a result of the impact and benefits agreements or of other agreements, the Champion Iron Group may incur significant financial or other obligations to affected First Nations.

On 12 April 2017, Champion Australia, through Quebec Iron Ore Inc., and the band council, Innu of Takuaikan Uashat mak Mani-utenam entered into an impact and benefits agreement with respect to operations at Bloom Lake. The impact and benefits agreement is a life-of-mine agreement and provides for real participation in Bloom Lake for the Uashaunnuat in the form of training, jobs and contract opportunities, and ensures that the Innu of Takuaikan Uashat mak Mani-utenam will receive fair and equitable financial and socio-economic benefits. The impact and benefits agreement also contains provisions which recognise and support the culture, traditions and values of the Innu of Takuaikan Uashat mak Mani-utenam, including recognition of their bond with the natural environment.

The negotiation of any impact and benefits agreement required in the future for other projects may also significantly delay the advancement of the properties. There can be no assurance that Champion Canada will be successful in reaching an impact and benefits agreement or other agreement with the Innu of Takuaikan

Uashat mak Mani-utenam or other First Nations groups who may assert Aboriginal rights or may have a claim which affects any of Champion Canada's projects.

- (L) **(Competitive conditions)** There is aggressive competition within the mineral exploration and mining industry for the discovery and acquisition of properties considered to have commercial potential, and for management and technical personnel. Champion Canada's ability to acquire projects in the future is highly dependent on its ability to operate and develop its current assets and its ability to obtain or generate the necessary financial resources. Champion Canada will compete with other parties in each of these respects, many of which have greater financial resources than the Champion Iron Group. Accordingly, there can be no assurance that any of Champion Canada's future acquisition efforts will be successful, or that it will be able to attract and retain required personnel. There is no assurance that Champion Canada will continue to be able to compete successfully with its competitors in acquiring these properties or prospects.

- (M) **(Dilution and future sales)** Champion Canada may from time to time undertake offerings of Champion Canada Shares (which would take the form of Champion Canada CDIs on ASX) or of securities convertible into Champion Canada Shares (or Champion Canada CDIs if held on ASX), and may also enter into acquisition agreements under which it may issue Champion Canada Shares or Champion Canada CDIs in satisfaction of certain required payments. The increase in the number of Champion Canada Shares issued and outstanding and the prospect of the issuance of Champion Canada Shares or Champion Canada CDIs upon conversion of convertible securities may have a depressive effect on the price of Champion Canada Shares and Champion Canada CDIs. In addition, as a result of these additional Champion Canada Shares and Champion Canada CDIs, the voting power and equity interests of Champion Canada's then existing shareholders will be diluted. In addition, sales of a large number of Champion Canada Shares or Champion Canada CDIs in the public markets, or the potential for such sales, could decrease the trading price of the Champion Canada Shares or Champion Canada CDIs and could impair Champion Canada's ability to raise capital through future sales of Champion Canada Shares or Champion Canada CDIs.

- (N) **(Joint ventures and option agreements)** From time to time, several companies may participate in the acquisition, exploration and development of natural resource properties through options, joint ventures or other structures, thereby allowing for their participation in larger programs, permitting involvement in a greater number of programs and reducing financial exposure in respect of any one program. It may also be the case that a particular company will assign all or a portion of its interest in a particular program to another of these companies due to the financial position of the company making the assignment. In determining whether or not Champion Canada will participate in a particular program and the interest therein to be acquired by it, the directors of Champion Canada will primarily consider the degree of risk to which Champion Canada may be exposed and its financial position at that time. In some of those arrangements, failure of a participant to fund its

proportionate share of the ongoing costs could result in its proportionate share being diluted and possibly eliminated.

From time to time, Champion Canada may enter into option agreements and joint ventures as a means of gaining property interests and raising funds. Any failure of any option or joint venture partner to meet its obligations to Champion Canada or other third parties, or any disputes with respect to third parties' respective rights and obligations, could have a material adverse effect on these agreements. In addition, Champion Canada may be unable to exert direct influence over strategic decisions made in respect of properties that are subject to the terms of these agreements.

- (O) **(Reliance on information technology systems)** The Champion Iron Group's operations are dependent upon information technology systems. These systems are subject to disruption, damage or failure from a variety of sources. Failures in these information technology systems could translate into production downtimes, operational delays, compromising of confidential information or destruction or corruption of data. Accordingly, any failure in these information technology systems could materially adversely affect the Champion Iron Group's financial condition and results of operation. Information technology systems failures could also materially adversely affect the effectiveness of Champion Australia's and Champion Canada's internal controls over financial reporting.
- (P) **(Cybersecurity threats)** Champion Australia's operations depend, in part, on how well it and its suppliers protect networks, technology systems and software against damage from a number of threats, including viruses, security breaches and cyber-attacks. Cybersecurity threats include attempts to gain unauthorised access to data or automated network systems and the manipulation or improper use of information technology systems. The failure of any part of Champion Australia's information technology systems could, depending on the nature of any such failure, materially adversely impact its reputation, financial condition and results of operations. Although to date Champion Australia has not experienced any material losses relating to cyber-attacks or other information security breaches, there can be no assurance that it or Champion Canada will not incur such losses in the future. The risk and exposure to these matters cannot be fully mitigated because of, among other things, the evolving nature of these threats. As cyber threats continue to evolve, Champion Canada may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any system vulnerabilities.

(iii) Tax risk

Regarding the proposed winding up of Champion Australia after the Re-domiciliation is implemented, it is not envisaged that a tax or duty liability should arise to Champion Australia as part of the member's voluntary liquidation. However, this position is subject to various factors, including any Australian landholdings, the movement in iron ore price and the financial positions of Champion Australia and its wholly-owned subsidiaries and, as such, needs to be confirmed prior to commencing the liquidation process.

(iv) *Government and regulatory risk*

- (A) Exploration, development and mining of minerals are subject to extensive federal, provincial and local laws and regulations governing acquisition of mining interests, prospecting, development, mining, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, water use, land use, land claims of aboriginal peoples and local people, environmental protection and remediation, endangered and protected species, mine safety and other matters.
- (B) Changes in, or failure to comply with, any of the laws, regulations, policies or conditions of any jurisdiction in which Champion Canada conducts business could have a material adverse effect on Champion Canada's financial condition, liquidity, results of operations and cash flows. Champion Canada's operations will be subject to numerous laws, regulations and guidelines (including anti-bribery, tax, health and safety, and environmental regulations) that could result in material liabilities or increases in Champion Canada's operating costs or lead to the decline in the demand for Champion Canada's products.

(v) *Potential Conflicts of Interest*

The directors and officers of Champion Australia and Champion Canada may serve as directors or officers of other public resource companies or have significant shareholdings in other public resource companies. Situations may arise in connection with potential acquisitions and investments where the other interests of these directors and officers may conflict with the interests of Champion Canada. In the event that such a conflict of interest arises at a meeting of the directors, a director is required to disclose the conflict of interest and to abstain from voting on the matter.

7. OVERVIEW OF CHAMPION AUSTRALIA

7.1 Background and overview

On 11 April 2016, Champion Australia, through its subsidiary Quebec Iron Ore Inc., acquired the Bloom Lake assets from bankruptcy protection. Following the release of a feasibility study on 16 February 2017, Champion Australia recommissioned Bloom Lake in February 2018, which completed its first shipment on 1 April 2018. In June 2019, Champion Australia released a feasibility study for the Phase II expansion, which envisions doubling the Bloom Lake Mine's overall capacity from 7.4 Mtpa to 15 Mtpa. On 16 August 2019, Champion Australia finalised the terms of an agreement with Ressources Québec Inc. pursuant to which Champion Australia acquired Ressources Québec's 36.8% equity interest in Quebec Iron Ore Inc. and now owns 100% of Quebec Iron Ore Inc., which owns the Bloom Lake Mine.

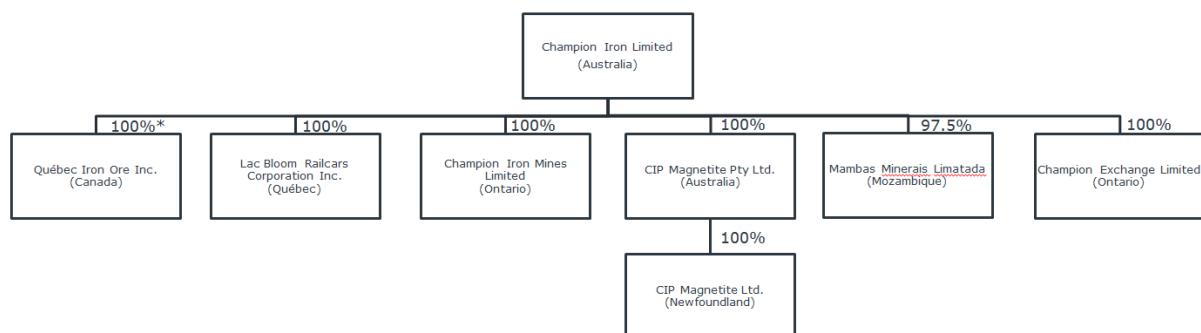
Located on the south end of the Labrador Trough, approximately 13 km west of Fermont, Quebec, and adjacent to established iron ore producers, the Bloom Lake Mine is an open-pit truck and shovel operation with a concentrator. From the site, iron concentrate is transported by rail, initially on the Bloom Lake railway, to a ship loading port in Sept-Îles, Quebec.

Through its another wholly-owned subsidiary, Champion Iron Mines Limited, Champion Australia owns interests in nine properties, covering approximately 752 km² located in the Fermont Iron Ore District of northeastern Quebec. Champion Australia also owns 100% of the Gullbridge-Powderhorn property located in Northern Central Newfoundland in the Province of Newfoundland and Labrador.

Champion Australia's near-term strategy is to continue with operational improvements at the Bloom Lake Mine while applying cost and capital discipline. With the Bloom Lake Mine now generating positive cash flow from operations, Champion Australia is in a position to focus on strengthening its financial position and pursuing growth opportunities.

7.2 Group structure

A diagram of the corporate structure of the Champion Iron Group as at the date of this Explanatory Memorandum, showing all of the material child entities of Champion Australia, the percentage shareholding of Champion Australia in each of those child entities and the nature and location of the various business activities of the Champion Iron Group, is set out below.



*Note: CDP Investissements Inc. (Québec) holds non-voting preferred shares in Québec Iron Ore Inc. (Canada).

7.3 Operations

(a) Bloom Lake Mine Facilities

The Bloom Lake Mine is a long-life, large-scale open pit operation whose facilities are located approximately 13 km west of Fermont, Quebec, and 10 km north of the Mont Wright iron ore mining complex belonging to ArcelorMittal Mines Canada.

Champion Australia declared commercial production at the Bloom Lake Mine as of 30 June 2018. As at the date of this Explanatory Memorandum, Champion Australia is the sole owner of Quebec Iron Ore Inc. (the owner of the Bloom Lake Mine), following the repurchase of Ressources Quebec Inc.'s equity interest of 36.8% on 16 August 2019.

On 17 March 2017 (as announced to the ASX on the same day), Champion Australia filed the Phase I Feasibility Study prepared pursuant to National Instrument 43-101 - *Standards of Disclosure for Mineral Projects (NI 43-101)*, which estimated reserves of 411.7 million tonnes (proven and probable combined), with an average content of 30.01% Fe. The Phase I project proposed an average annual production of 7.4 million tonnes of 66.2% Fe iron ore concentrate with a mine life of 21 years. The Phase I project was commissioned in February 2018 and declared commercial production in June 2018. On 2 August 2019, Champion Australia filed the Phase II Feasibility Study prepared pursuant to NI 43-101 (as announced to the ASX on 5 August 2019), which estimated reserves of 807 million tonnes (proven and probable combined), with an average content of 29% Fe. The Phase II Feasibility Study proposed an average annual production of 15 million tonnes of 66.2% Fe iron ore concentrate with a mine life of 20 years. The Phase II project has an estimated construction period of 21 months. The Phase II Feasibility Study was prepared by André Allaire, Eng., M. Eng., Ph.D, of BBA Inc., Isabelle Leblanc P. Eng of BBA Inc., Pierre Luc Richard P.Geo of BBA Inc, Mathieu Girard, P.Eng of Soutex, and Philippe Rio Roberge, P. Eng of WSP Canada Inc.

There has been no material change to the estimates and information provided in the Phase II Feasibility Study. Champion Australia also confirms that all the material assumptions underpinning the proven and probable reserves in the announcement of 5 August 2019 continue to apply and have not materially changed.

(b) Consolidated Fire Lake North

The Fire Lake North project originates in the Fermont Iron Ore District in eastern Quebec. It is located at the northern limit of the Fire Lake Mine, operated by ArcelorMittal, and is 40 km south of the Bloom Lake Mine.

This project has 691.3 million tonnes of measured and indicated resources and 479.8 million tonnes of inferred resources, which are outlined in the Fire Lake North east and west pits (based on the technical report dated 25 January 2013 and issued on 22 February 2013 (as filed on SEDAR (www.sedar.com) on 22 February 2013), titled "NI 43-101 Technical Report - Preliminary Feasibility Study of the West and East Pit Deposits of the Fire Lake North Project, Fermont Area, Québec, Canada" authored by André Allaire, Eng., M. Eng., Ph.D, of BBA Inc., Patrice Live, Eng., of BBA Inc., Tracy Armstrong, P.Geo., of P&E Mining Consultants Inc., Antoine Yassa, P.Geo., of P&E Mining Consultants Inc., and Martial Major Eng., of Rail Cantech Inc.). There has been no material change to the estimates and information provided in the NI 43-101 Technical Report Preliminary Feasibility Study of the West and East Pit Deposits of the Fire Lake North Project, Fermont Area, Québec, Canada.

(c) Champion Australia Exploration Projects

Apart from Champion Australia's flagship projects, the Champion Iron Group has the following exploration projects:

- Powderhorn/Gullbridge located in Newfoundland and Labrador, Canada;
- Moiré Lake located in Quebec, Canada;
- Quinto Claims located in Quebec, Canada;
- Harvey Tuttle located in Quebec, Canada;
- O'Keefe-Purdy located in Quebec, Canada; and
- Cluster 3 Properties located in Quebec, Canada.

(d) Strategy

The Champion Iron Group's near-term strategy is to continue with operational improvements at the Bloom Lake Mine while applying cost and capital discipline. With the Bloom Lake Mine now generating positive cash flow from operations, the Champion Iron Group is in a position to focus on strengthening its financial position and pursuing growth opportunities.

7.4 **Mineral disclosure**

In this Explanatory Memorandum, any statement regarding the potential quantity and grade of a potential mineral deposit or resource is conceptual in nature, there has been insufficient exploration work to determine a mineral deposit or resource and there is no certainty that further exploration work will result in the determination of a mineral deposit or resource or that the production target itself will be realised. In addition, historical estimates of mineral resources, if any, referred to in this Explanatory Memorandum are not compliant with NI 43-101 standards, and should therefore not be relied upon. No "qualified person" (as this term is defined in NI 43-101) (a **Qualified Person**) has done sufficient work to classify these historical estimates as current "mineral resources", as this term is defined in NI 43-101 (hereinafter, **Mineral Resources**). Champion Australia is not treating any such historical estimates as current Mineral Resources. In this Explanatory Memorandum, Mineral Resource estimates have been calculated using the Canadian Institute of Mining, Metallurgy and Petroleum (**CIM**) "Standards on Mineral Resources and Reserves, Definitions and Guidelines" prepared by the CIM Standing Committee on Reserve Definitions and adopted by CIM, as amended.

Nabil Tarbouche is the Qualified Person who has reviewed and approved the technical information contained in this Explanatory Memorandum that is relevant to his area of responsibility and has verified the data underlying such technical information.

The Re-domiciliation will not have any material impact on the manner in which Champion Canada estimates or measures and reports its Mineral Resources under the ASX Listing Rules or the TSX Listing Rules. Accordingly, Champion Canada will need to continue reporting its Mineral Resource in compliance with JORC and NI 43-101.

7.5 **Competent person's statement**

The information in this document that relates to Mineral Resources and Production Targets for Champion Australia, together with any related assessments and interpretations, has been based on information compiled by Nabil Tarbouche. Nabil Tarbouche is a senior geologist employed by Quebec Iron Ore Inc. as a senior geologist. Mr. Tarbourche is a member of the Ordre des Géologues du Québec and has sufficient experience which is

relevant to the style of mineralisation and type of deposit under consideration and to the activity to which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the JORC Code. Nabil Tarbouche consents to the inclusion in this Explanatory Memorandum of the matters based on his information and has reviewed all statements pertaining to this information in the form and context in which it appears. Nabil Tarbouche has not withdrawn his consent prior to the lodgement of this Explanatory Memorandum with ASIC.

Champion Australia confirms that it is not aware of any new information or data that materially affects the information included in this Explanatory Memorandum in respect of Mineral Resources estimates, and that all material assumptions and technical parameters underpinning the estimates in the relevant reports continue to apply and have not materially changed.

7.6 **Board of Directors and management**

(a) Board of Directors

As at the date of this Explanatory Memorandum, the Champion Australia Board consists of the following persons:

- Mr Michael O'Keeffe - Executive Chairman of the Board
- Mr David Cataford - Chief Executive Officer and Director
- Mr Andrew J. Love - Lead Director
- Ms Michelle Cormier - Director
- Mr Gary Lawler - Director
- The Honourable Wayne Wouters - Director
- Mr Jyothish Devina George - Director

Further information about the Champion Australia Directors, their experience and qualifications can be obtained by visiting Champion Australia's website (<https://www.championiron.com/corporate-profile/our-board-of-directors/>).

(b) Key Personnel

As at the date of this Explanatory Memorandum, the key personnel of Champion Australia are the following persons:

- Mr Michael O'Keeffe - Executive Chairman of the Board
- Mr David Cataford - Chief Executive Officer and Director
- Ms Natacha Garoute - Chief Financial Officer
- Mr Steve Boucratie - Vice President, General Counsel and Corporate Secretary

The persons listed above are not all employed by Champion Australia, but are employees of a member of the Champion Iron Group. Further information about the Champion Australia senior management team can be obtained by visiting Champion Australia's website (<https://www.championiron.com/corporate-profile/our-management-team/>).

7.7 **Historical financial information**

The historical financial information for Champion Australia is contained in the consolidated financial statements for Champion Australia and its controlled entities for the three financial quarters ended 31 December 2019, the half year ended 30 September 2019, and the years ended 31 March 2019, 31 March 2018 and 31 March 2017.

Champion Australia Shareholders may view complete copies of these statements on ASX's website at www.asx.com.au, Champion Australia's website at www.championiron.com or on the SEDAR website at www.sedar.com under Champion Australia's profile.

The Re-domiciliation will not have any material impact on Champion Canada's financial statements. Champion Canada will report under International Financial Reporting Standards.

7.8 **Update on financial information since last annual report**

Other than as disclosed in this Explanatory Memorandum and in announcements to ASX and via new releases in Canada, within the knowledge of the Champion Australia Board, the financial position of Champion Australia has not materially changed since 30 September 2019, being the date of the balance sheet for the accounts of Champion Australia for the half-year ended 30 September 2019.

7.9 **Prospective financial information**

The Champion Australia Board considers that there are no reasonable grounds for including any prospective financial information in this Explanatory Memorandum in light of the nature of the Re-domiciliation and the limited impact which the Re-domiciliation will have on the operations, assets, liabilities and financial reporting obligations of the Champion Iron Group.

8. OVERVIEW OF CHAMPION CANADA FOLLOWING IMPLEMENTATION OF THE SCHEME

8.1 Introduction

Champion Canada was incorporated on 20 December 2019 in Quebec, Canada, as a business corporation under the QBCA.

Champion Canada was incorporated for the sole purpose of the Re-domiciliation. As a result, prior to implementation of the Re-domiciliation, Champion Canada has not conducted and will not conduct any business other than performing the acts which are detailed in this Explanatory Memorandum.

As at the date of this Explanatory Memorandum, Champion Canada has no shares on issue.

Champion Canada is not currently listed on any securities exchange, but will apply to be admitted to the official list of ASX and the TSX. The admission to listing of Champion Canada on ASX and the TSX is a Condition Precedent to the Scheme proceeding. Champion Canada will also be registered in Australia as a foreign company under section 601CD of the Corporations Act.

Champion Canada is authorised to issue an unlimited number of common shares and an unlimited number of preferred shares.

If the Re-domiciliation is implemented, on the Implementation Date, all of the Champion Canada Shares and Champion Canada CDIs will be owned by Eligible Scheme Participants in approximately the same percentages as their existing holdings in Champion Australia, subject to the provisions of the Scheme dealing with Ineligible Foreign Shareholders and the impact of rounding. Champion Canada will in turn become the holder of all of the Champion Australia Shares.

8.2 Champion Canada Board

The Champion Canada Board will remain the same as the Champion Australia Board detailed in Section 7.4.

8.3 Management of Champion Canada

There are no proposed changes to Champion Canada's senior management as a result of the Re-domiciliation.

8.4 Dividend policy

The Champion Canada Board will review the amount of any future dividends that may be paid having regard to the company's profits, its financial position and the board's assessment of the capital required to grow the business of the Champion Iron Group.

8.5 Principal activities of Champion Canada following implementation of the Re-domiciliation

The principal activities of Champion Canada will be the same as the principal activities of Champion Australia, as set out in Section 7.

8.6 **Champion Canada intentions for business, assets and employees of Champion Australia following implementation**

(a) Introduction

The statements set out in this Section 8.6 are statements of current intention only, which may change as new information becomes available or as circumstances change, and the statements in this Section 8.6 should be read in this context.

(b) Champion Australia de-listed

If the Scheme is implemented, Champion Australia will request ASX and the TSX to remove Champion Australia from their official lists. Following the delisting, Champion Australia will request the securities regulatory authorities in all of the provinces of Canada to issue an order that Champion Australia has ceased to be a reporting issuer in those provinces.

(c) Champion Canada listed

If the Scheme is implemented, Champion Canada will be listed on ASX and the TSX. Champion Canada will become a reporting issuer in all of the provinces of Canada.

(d) Champion Canada's business, assets and employees

Champion Australia is currently the parent company of the Champion Iron Group. It holds shares in the subsidiaries, but does not own any other material assets or conduct any material operations. Champion Australia does employ three people and has signed service contracts with a number of the non-executive directors of Champion Australia.

If the Re-domiciliation is implemented, all of the material assets owned by Champion Australia (being the shares in its subsidiaries) will be distributed to Champion Canada as part of the winding up of Champion Australia (see paragraph 8.6(e) below). More broadly, Champion Canada does not intend to make any major changes to the operations of the Champion Iron Group and intends to continue the business of the Champion Iron Group as it was conducted prior to implementation of the Scheme. The employment and service contracts with Champion Australia may be transferred to Champion Canada with the agreement of the relevant individuals.

(e) Champion Australia wound up

If the Re-domiciliation is implemented, the Champion Australia Board intends to propose that Champion Australia is wound up by way of a member's voluntary liquidation.

8.7 **Accounting and audit standards**

Following the Re-domiciliation, Champion Canada and its auditor will continue to apply International Financial Reporting Standards.

8.8 Capital structure

The capital structure of Champion Canada following the implementation of the Scheme and assuming that prior to the Record Date no Warrants are converted into Champion Australia Shares will be as follows:

Shares	Number	
	Assuming that no Warrants are exercised prior to the Record Date	Assuming that all Warrants are exercised prior to the Record Date
Champion Canada Shares to be issued to Scheme Participants	467,688,497	520,712,455
Total issued capital	467,688,497	520,712,455
Other securities		
Warrants exercisable at C\$1.125	10,281,250 [#]	-
Warrants (Glencore International AG) exercisable at C\$1.125	27,733,333	-
Warrants (CDP Investissements Inc.) exercisable at C\$2.45	15,000,000	-
Incentive Awards (Options under Old Plan)	5,750,000	5,750,000
Incentive Awards (Options under Omnibus Plan)	1,064,334	1,064,334
Incentive Awards (Deferred Share Units)	118,591	118,591
Incentive Awards (Performance Share Unites)	653,071	653,071
Incentive Awards (Restricted Share Units)	597,504	597,504

[#] 10,000,000 of these Warrants are held by CDP Investissements Inc. The balance are held by Investissement Quebec (281,250 Warrants).

The effect of the Re-domiciliation on the Incentive Awards is set out in Section 12.5.

8.9 Risks involved in an investment in Champion Canada

As noted in Section 6.5(b), holders of securities in Champion Canada will be subject to the existing risks of an investment in Champion Australia. There are also additional or increased risks of an investment in Champion Canada, which are set out in Section 6.5(a).

In addition, the change in jurisdiction from Australia to Canada may have an impact on the Champion Australia Shareholder's rights and remedies in respect of its shareholding following implementation of the Scheme. Champion Australia Shareholders should refer in this regard to Section 9.4 and **Appendix A** of this Explanatory Memorandum.

9. IMPLICATIONS OF CHAMPION CANADA BEING A CANADIAN CORPORATION

9.1 Overview

Following implementation of the Re-domiciliation, Eligible Scheme Participants will receive securities in Champion Canada, which is a corporation incorporated in Quebec, Canada, and which will be listed on ASX and the TSX.

This Section includes a summary of the rights attaching to Champion Canada Shares, including under the Articles. A copy of the Articles is available on Champion Australia's website (<https://www.championiron.com/>).

This Section also provides an overview of the consequences of Champion Canada being a corporation incorporated in Quebec, Canada, including a summary of the applicable laws that will apply to Champion Canada. Further information on the CDI arrangements applying to Champion Canada CDIs is set out in **Appendix E**.

9.2 Listing of Champion Canada on ASX and TSX

Champion Canada will apply to ASX for admission to the official list of ASX as a standard (full) ASX listing and for official quotation of the Champion Canada CDIs on ASX within seven days after the date of this Explanatory Memorandum. It is expected that on or about 24 March 2020, Champion Canada will be admitted to the official list of ASX and Champion Canada CDIs will commence trading on ASX on a deferred settlement basis (subject to Champion Canada fulfilling all of the listing requirements of ASX). Normal settlement trading (T+2) of Champion Canada CDIs is expected to commence on 2 April 2020.

TSX has conditionally approved the listing of the Champion Canada Shares. Listing is subject to Champion Canada fulfilling all the listing requirements of the TSX.

It is the responsibility of each Scheme Participant to determine their entitlement to Champion Canada Shares or Champion Canada CDIs before trading in those securities to avoid the risk of selling Champion Canada Shares or Champion Canada CDIs they do not or will not own. If a Scheme Participant sells Champion Canada Shares or Champion Canada CDIs without receiving confirmation of their own entitlement, they do so at their own risk.

9.3 Rights attaching to Champion Canada Shares

The authorised capital of Champion Canada consists of an unlimited number of Champion Canada Shares (common shares) and an unlimited number of preferred shares, all without par value.

The rights attaching to the Champion Canada Shares arise from a combination of the Articles, the QBCA and generally applicable Canadian law. You should read this summary in conjunction with Section 9.4 and the information set out in **Appendix A**.

(a) General meetings

The holders of Champion Canada Shares are entitled to receive notice of and to attend all annual and special meetings of the shareholders of Champion Canada and to one vote in respect of each Champion Canada Share held at all such meetings.

(b) Quorum

Under the Champion Canada by-laws, at any meeting of Champion Canada Shareholders, a quorum is one or more persons present and holding or representing by proxy more than 10% of the votes entitled to be cast at the meeting.

If a quorum is not present at the opening of the meeting, the Champion Canada Shareholders present may adjourn the meeting to a specific time and place, but may not transact any other business.

(c) Voting

Subject to statutory exceptions, any matter submitted to meetings of Champion Canada Shareholders are to be decided by the majority of votes cast on the matter. In case of an equality of votes, the chairman of the meeting will not be entitled to a second or casting vote.

(d) Dividends

The holders of Champion Canada Shares are, subject to the rights of the holders of preferred shares of Champion Canada (if any), entitled to receive dividends if, as and when declared by the Champion Canada Board, out of the assets of Champion Canada properly applicable to the payment of dividends, in such amounts and payable in such manner as the Champion Canada Board may from time to time determine.

(e) Winding up

In the event of the liquidation, dissolution or winding up of Champion Canada or other distribution of assets of Champion Canada among Champion Canada Shareholders for the purpose of winding up its affairs, the Champion Canada Shareholders will, subject to the rights of the holders of preferred shares of Champion Canada (if any), be entitled to all remaining property and assets of Champion Canada on a *pro rata* basis.

(f) Transfer of shares

The Champion Canada Articles contain no transfer restrictions with respect to Champion Canada Shares. Pursuant to the QBCA, (i) Champion Canada Shares that are not fully paid but for which no instalment is payable may only be transferred with the authorisation of the Champion Canada Board, and (ii) a Champion Canada Share may not be transferred until all instalments payable up to the time of transfer have been fully paid.

(g) Future increases in capital

Under the QBCA and the Champion Canada Articles, shares of Champion Canada may be issued at the times, to the persons and for the consideration the Champion Canada Board determines. The Champion Canada Articles also authorise the Champion Canada Board to determine the number (which may be unlimited) of shares in each series of preferred shares of Champion Canada and the designation, rights and restrictions attaching to the shares of each such series. Pursuant to the QBCA, before issuing shares of such a series, the Champion Canada Board will amend the Champion Canada Articles without shareholder authorisation to include the designation of the series and the number of shares it comprises and to set out the rights and restrictions attaching to the shares of the series.

(h) Variation of rights attaching to shares

Variations of the rights, privileges, restrictions and conditions attaching to Champion Canada Shares need to be approved by a special resolution of Champion Canada Shareholders (a resolution that requires at least two thirds of the votes cast at a shareholders meeting by the Champion Canada Shareholders entitled to vote on the resolution).

(i) Directors

The Champion Canada Board must be composed of not fewer than three and not more than 11 directors, at least two of whom must not be officers or employees of Champion Canada or an affiliate of Champion Canada. Each director is to be elected at the annual meeting of Champion Canada Shareholders by a majority of the votes cast in respect of that election.

The directors of Champion Canada may, at their discretion, from time to time, appoint one or more additional directors of Champion Canada to hold office for a term expiring not later than the close of the next annual meeting of Champion Canada Shareholders, but the total number of directors so appointed may not exceed one third of the number of directors elected at the annual meeting of Champion Canada Shareholders preceding that appointment.

A quorum of directors may fill a vacancy on the Champion Canada Board. A director appointed or elected to fill a vacancy holds office for the unexpired term of his or her predecessor.

(j) Redemption or repurchase of Champion Canada Shares

Champion Canada may not unilaterally redeem or repurchase any Champion Canada Shares. If Champion Canada redeems or repurchases any Champion Canada Shares, it may not make a payment to purchase or redeem those Champion Canada Shares if there are reasonable grounds for believing that it is, or would after the payment be, unable to pay its liabilities as they become due or unable to pay, when due, the entire redemption price of its redeemable shares (if any).

(k) Pro rata offer of preferred shares

The Champion Canada Articles do not contain pre-emptive rights of Champion Canada Shareholders in respect of Champion Canada Shares or preferred shares to be issued.

9.4 **Comparison of Australian and Canadian company rules**

Champion Australia is a public company registered in Western Australia under the Corporations Act. Champion Canada is a corporation which is incorporated in Quebec, Canada, and is subject to a variety of laws and regulations including the provisions of the QBCA. In addition to these provisions, Champion Canada will be subject to the ASX Listing Rules, the ASX Settlement Operating Rules, the TSX rules and Canadian securities regulations to which Champion Australia is currently subject.

A comparison of some of the material provisions governing Champion Australia and Champion Canada, respectively, is set out in **Appendix A**. References to 'Australian law' where they appear in this Section and **Appendix A** are references to the Corporations Act and the Australian common law, as applicable. References to 'Canadian law' are references to the QBCA and the laws of Canada applicable in Quebec, as applicable.

The comparison in **Appendix A** is not an exhaustive statement of all relevant laws, rules and regulations and is intended as a general guide only. You should read it in conjunction with the disclosures in Section 9.3. Champion Australia Shareholders should consult with their own legal advisers if they require further information.

9.5 **Consequences of being a foreign registered company**

As noted above, Champion Canada will be registered as a foreign company in Australia pursuant to Part 5B.2 of the Corporations Act. Accordingly, in addition to the laws and regulations set out elsewhere in this Section, Champion Canada will also be subject to the provisions of Part 5B.2 of the Corporations Act.

The key obligations that will be placed on Champion Canada as a registered foreign company are:

- (a) Champion Canada must display its name and place of origin, in a conspicuous position in legible characters, outside every office and place of business in Australia that is open and accessible to the public, as well as the expression "Limited" or "Ltd" if the liability of its members is limited (section 601CW);
- (b) Champion Canada must always have a local agent (section 601CF). Pradip Devalia will be Champion Canada's local agent following the Re-domiciliation;
- (c) Champion Canada is required to lodge financial statements at least once every calendar year and at intervals of not more than 15 months (section 601CK);
- (d) Champion Canada may cause a branch register of members to be kept in Australia (section 601CM). If such a register is kept, Champion Canada must keep the register in the same manner as set out in sections 168 and 169 of the Corporations Act (section 601CN); and
- (e) Champion Canada must notify ASIC within one month after a change in (section 601CV):
 - (i) its Articles;
 - (ii) its directors;
 - (iii) the powers of any directors who are resident in Australia and members of an Australian board of directors;
 - (iv) its local agent;
 - (v) the name or address of its local agent; or
 - (vi) the situation of:
 - (A) its registered office (for the purposes of a foreign law); or
 - (B) its principal place of business in its place of origin.

The insider trading provisions under the Corporations Act will also apply to any acts and omissions within Australia in relation to 'Division 3 financial products' (regardless of where the issuer of the products is formed, resides or located and of where the issuer carries on business). The Champion Canada CDIs will constitute 'Division 3 financial products' and as such Champion Canada will be subject to the insider trading provisions in relation to the CDIs traded on ASX.

10. TAXATION REPORT

10.1 Certain Australian Tax Considerations

The information contained in this section is of a general nature only. It does not constitute specific tax advice and should not be relied upon as such. Champion Australia Shareholders should seek independent professional advice on the consequences of the Scheme and the Re-domiciliation, based on their particular circumstances.

This section is based on the provisions of the *Income Tax Assessment Act 1936 (ITAA 1936)* and the *Income Tax Assessment Act 1997 (ITAA 1997)* (together, the **Australian Tax Act**), as at the date of this Scheme Booklet. Whilst hawse have had regard to proposed changes to tax law to the extent possible in the preparation of these tax implications, we do not undertake to update these tax implications in respect of any future changes to the tax law.

This section provides a summary of Australian tax implications for certain Eligible Scheme Participants who will receive either Champion Canada Shares or Champion Canada CDIs in exchange for their Champion Australia Shares.

This information applies to Australian tax resident and non-resident shareholders who hold their shares on capital account. However, this summary will not be applicable to Champion Australia Shareholders who:

- (a) hold their shares on revenue account, as trading stock or to which the Taxation of Financial Arrangements provisions (Division 230 of the Australian Tax Act) apply;
- (b) are financial institutions, insurance companies, partnerships, tax exempt organisations, dealers in securities or Champion Australia Shareholders who change their tax residency while holding the shares and are subject to special tax rules;
- (c) acquired or are deemed to have acquired their Champion Australia Shares before 20 September 1985; or
- (d) acquired their Champion Australia Shares because of an employee share plan and the Champion Australia Shares are taxable under the employee share scheme rules (Division 83A of the Australian Tax Act or former Division 13A of Part III of the Australian Tax Act). However, the general advice provided in this Section should apply to Champion Australia Shareholders who acquired their Champion Australia Shares by exercising options, where the Champion Australia Shares are now held as a capital gains tax (**CGT**) asset and are not now subject to any relevant employee share scheme rules.

Champion Australia and Champion Canada are seeking a class ruling from the ATO confirming the Commissioner of Taxation's views on specific income tax issues relating to the Scheme.

The ATO Class Ruling has not been issued by the ATO as at the date of the Explanatory Memorandum, but receipt of a draft ATO Class Ruling (which will become the final ATO Class Ruling if the Scheme is implemented in accordance with the facts set out in the draft ATO Class Ruling), on terms and conditions satisfactory to Champion Australia and Champion Canada (both acting reasonably), is a Condition Precedent to the Scheme.

If the Scheme is implemented, Eligible Scheme Participants will dispose of their Champion Australia Shares in exchange for the acquisition of Champion Canada Shares or Champion Canada CDIs. The tax implications of the Scheme will differ between Scheme Participants who are and are not a resident of Australia for tax purposes.

10.2 Australian resident Eligible Scheme Participants

(a) CGT event

The disposal of Champion Australia Shares by an Australian resident Eligible Scheme Participant will give rise a CGT event for Australian income tax purposes (**CGT event A1**). This CGT event should occur when the change of ownership of the Champion Australia Shares occurs, which should be the Implementation Date.

Australian resident Eligible Scheme Participants will:

- (i) derive a capital gain if the capital proceeds from the disposal are greater than the cost base of the Champion Australia Shares; or
- (ii) incur a capital loss if the capital proceeds from the disposal are less than the reduced cost base of their Champion Australia Shares,

subject to the application of the CGT roll-over relief discussed below.

Australian resident Eligible Scheme Participants who derive a capital gain on disposal of their Champion Australia Shares will be required to include the net capital gain (if any) for the income year in their assessable income.

Specific CGT roll-over provisions are relevant to the Scheme. These provisions are outlined below.

(b) Capital proceeds

The capital proceeds for the CGT event arising from the disposal of Champion Australia Shares under the Scheme should include the Scheme Consideration, which is the market value (as at the Implementation Date) of the Champion Canada Shares or Champion Canada CDIs received by the Australian resident Eligible Scheme Participants in respect of the disposal of their Champion Australia Shares.

(i) *Cost base*

The cost base (or reduced cost base) of the Champion Australia Shares should generally include the amount paid and market value of any property given to acquire the Champion Australia Shares, plus any non-deductible incidental costs of acquisition and disposal.

The cost base of each Champion Australia Share will depend on the individual circumstances of each Australian resident Eligible Scheme Participant. Champion Australia Shares acquired in different transactions may have different cost bases (or reduced cost bases). Therefore, capital gains may arise in respect of some Champion Australia Shares, while capital losses may arise in respect of other Champion Australia Shares.

(ii) *CGT discount*

Generally, Australian resident Eligible Scheme Participants who are individuals, trusts and complying superannuation funds that have held Champion Australia Shares for at least 12 months at the time of disposal should be entitled to a CGT discount in calculating the amount of capital gain on disposal of their Champion Australia Shares.

The CGT discount is applied after available capital losses have been offset to reduce the capital gain.

The applicable CGT discount is as follows:

- (A) 50% for individuals and trusts; and
- (B) 33 ¹/₃% for complying superannuation funds.

As the rules relating to discount capital gains for trusts are complex, it is recommended that Champion Australia Shareholders who are trustees should seek their own independent advice on how the CGT discount provisions will apply to them and the trust's beneficiaries.

The CGT discount is not available for Australian resident Eligible Scheme Participants who are companies.

(iii) *CGT roll-over relief*

An Australian resident Eligible Scheme Participant who would otherwise make a capital gain from the disposal of their Champion Australia Shares should be able to obtain CGT roll-over relief. If the Australian resident Eligible Scheme Participant is eligible and chooses to obtain the CGT roll-over relief, the capital gain from the disposal of Champion Australia Shares will be disregarded.

The eligibility for roll-over relief is the subject of the ATO Class Ruling application discussed above.

Where a CGT roll-over is obtained, the first element of the cost base (or reduced cost base) of the Champion Canada Shares or Champion Canada CDIs should be the cost base (or reduced cost) of the original Champion Australia Shares, determined as at the Implementation Date. The capital gain made on the disposal of Champion Australia Shares will effectively be deferred if and until the Champion Canada Shares or Champion Canada CDIs are disposed of.

Where a CGT roll-over is obtained, the acquisition date of the Champion Canada Shares or Champion Canada CDIs should be the acquisition date of the original Champion Australia Shares.

(iv) *Holding and disposing Champion Canada Shares or Champion Canada CDIs*

(A) *Cost base and acquisition date if no roll-over relief*

Where a CGT roll-over relief is not obtained, the first element of the cost base (or reduced cost base) of the Champion Canada Shares or Champion Canada CDIs should equal to the market value of the Champion Australia Shares that were disposed of, as at the Implementation Date.

Where a CGT roll-over relief is not obtained, the acquisition date of the Champion Canada Shares or Champion Canada CDIs should be the Implementation Date.

(B) *Dividends on Champion Canada Shares or Champion Canada CDIs*

An Australian resident Eligible Scheme Participant will generally have to include the gross amount of any dividend received from Champion Canada in their assessable income for the relevant income year.

Where foreign withholding tax has been paid on any dividend received from Champion Canada, the Australian resident Eligible Scheme Participant may be able to claim a non-refundable foreign income tax offset and use it to reduce their tax liabilities in the relevant year (subject to certain limits).

(C) *Disposition of Champion Canada Shares or Champion Canada CDIs*

Where an Australian resident Eligible Scheme Participant subsequently disposes of their Champion Canada Shares or Champion Canada CDIs, this may give rise to a capital gain or loss.

Provided that the Australian resident Eligible Scheme Participant holds the Champion Canada Shares or Champion Canada CDIs for 12 months from the acquisition date, discount CGT treatment may be available for any capital gain made (please see above for an outline of the CGT discounts that may be available).

(c) Non-resident Scheme Participants

(i) *CGT event*

Eligible Scheme Participants who are not residents of Australia may be able to disregard any capital gain or loss arising from the disposal of their Champion Australia Shares if the Champion Australia Shares are not considered "taxable Australian property".

Generally, shares in an Australian company would be "taxable Australian property" where they are used at any time in carrying on a business through a permanent establishment in Australia, if they are "indirect Australian real property interest", or if they have been subject to an election by an individual to remain in the Australian CGT net on ceasing to be an Australian resident. Broadly, an Eligible Scheme Participant will hold an indirect Australian real property interest if:

- (A) they, together with associates, hold 10% or more of Champion Australia Shares (either at the time of disposal, or throughout a 12 month period within 24 months before the disposal); and
- (B) the majority of Champion Australia's assets consist of real property (including freehold, leasehold and mining rights) situated in Australia.

On the basis that Champion Australia does not hold any real property situated in Australia, each Champion Australian Share should not constitute an indirect Australian real property interest.

(ii) *Holding and disposal of Champion Canada Shares or Champion Canada CDIs*

Where an Eligible Scheme Participant who is not an Australian tax resident receives a dividend from Champion Canada in respect of their holdings of Champion Canada Shares or Champion Canada CDIs, those shareholders generally will not have to include the amount within their Australian assessable income for the relevant income year.

Where an Eligible Scheme Participant who is not an Australian tax resident disposes of their Champion Canada Shares or Champion Canada CDIs, this will generally not give rise to a CGT event, provided that Champion Canada Shares or Champion Canada CDIs are not "taxable Australian property".

(d) Australian GST and stamp duty

On the basis that Champion Australia, neither directly or indirectly, currently holds any interests in land in Australia, no Australian GST or stamp duty should be payable by Champion Australia Shareholders on the disposal of Champion Australia Shares or the issue of the Champion Canada Shares or the Champion Canada CDIs to Eligible Scheme Participants under the Scheme.

The passive holding of shares in and disposal of Champion Canada Shares or Champion Canada CDIs should not give rise to any Australian GST or duty liabilities for Eligible Scheme Participants.

Any disposal of either Champion Canada Shares or Champion Canada CDIs should not give rise to any Australian GST or duty liabilities for Champion Australia Shareholders, unless:

- (i) Champion Canada acquired and held sufficient interests in Australian land to be a considered a "landholder" in a particular Australian state or territory; and
- (ii) an Eligible Scheme Participant held a 'significant interest' in Champion Canada (generally, either a 50% or 90% shareholding interest, depending on the relevant Australian state or territory).

10.3 **Certain Canadian Federal Income Tax Considerations**

The following section is a general summary, as of the date of this Explanatory Memorandum, of certain Canadian federal income tax considerations generally applicable under the Canadian Tax Act to an Eligible Scheme Participant who transfers Champion Australia Shares to Champion Canada and acquires Champion Canada Shares pursuant to the Scheme and who, for the purposes of the Canadian Tax Act, and at all relevant times, beneficially holds its Champion Australia Shares and will hold its Champion Canada Shares as capital property and deals at arm's length with, and is not affiliated with, Champion Australia or Champion Canada. As a general matter, Champion Australia Shares and Champion Canada Shares will be considered to be capital property to the Eligible Scheme Participants, provided that they are not held in the course of carrying on a business of trading or dealing in securities or have not been acquired in one or more transactions considered to be an adventure or concern in the nature of trade. Eligible Scheme Participants who do not hold their Champion Australia Shares as capital property or who will not hold their Champion Canada Shares as capital property should consult their own tax advisors.

This summary does not apply to an Eligible Scheme Participant: (i) with respect to whom Champion Australia is a "foreign affiliate" within the meaning of the Canadian Tax Act, (ii) that is a "financial institution" for the purposes of the mark-to-market rules in the Canadian Tax Act, (iii) an interest in which is a "tax shelter investment" (as defined in the Canadian Tax Act), (iv) that is a "specified financial institution" (as defined in the Canadian Tax Act), (v) who has made a "functional currency" election under section 261 of the Canadian Tax Act, (vi) who received Champion Australia Shares upon exercise of a stock option prior to the Implementation Date, (vii) who has entered into in respect of its Champion Australia Shares, or will enter into in respect of its Champion Canada Shares, a "derivative forward agreement" or a "synthetic disposition arrangement" (as those terms are defined in the Canadian Tax Act), (viii) that will receive dividends on its Champion Canada Shares under or as part of a "dividend rental arrangement" (as defined in the Canadian Tax Act), (ix) who is an Ineligible Foreign Shareholder, or (x) who is exempt from tax under Part I of the Canadian Tax Act. **Furthermore, this summary does not apply to an Eligible Scheme Participant who receives, or elects to receive, Champion Canada CDIs in exchange for its Champion Australia Shares pursuant**

to the Scheme. Any such Eligible Scheme Participant should consult its own tax advisor with respect to the Scheme.

This summary is based upon the provisions of the Canadian Tax Act and regulations thereunder in force on the date of this Explanatory Memorandum and the current published administrative policies and assessing practices of the Canada Revenue Agency (the **CRA**) publicly available prior to the date of this Explanatory Memorandum. This summary takes into account all specific proposals to amend the Canadian Tax Act and the regulations thereunder that have been publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date of this Explanatory Memorandum (the **Proposed Amendments**) and assumes that such Proposed Amendments will be enacted in their current form. There can be no assurance that any of the Proposed Amendments will be implemented in their current form or at all. Except for the Proposed Amendments, this summary does not otherwise take into account or anticipate any changes in law, whether by legislative, governmental or judicial decision or action, or changes in the administrative or assessing practices and policies of the CRA. In addition, this summary does not take into account other federal or any provincial, territorial or foreign tax legislation or considerations, which may differ significantly from the Canadian federal income tax considerations discussed in this document.

This summary is not exhaustive of all possible Canadian federal income tax considerations applicable to an Eligible Scheme Participant in respect of the transactions described herein. The income or other tax consequences will vary depending on the particular circumstances of the Eligible Scheme Participant, including the province or provinces in which the Eligible Scheme Participant resides or carries on business. Except for the Proposed Amendments, this summary does not take into account or anticipate any other changes in law or any changes in the CRA's administrative policies and assessing practices, whether by judicial, governmental or legislative action or decision, nor does it take into account other federal or any provincial, territorial or foreign tax legislation or considerations, which may differ from the Canadian federal income tax considerations described herein.

Accordingly, this summary is of a general nature only and is not intended to be, nor should it be construed to be, legal, business or tax advice or representations to any particular Scheme Participant. Scheme Participants should consult their own legal and tax advisors for advice with respect to the tax consequences of the transactions described in this Explanatory Memorandum based on their particular circumstances.

For purposes of the Canadian Tax Act, all amounts relating to the acquisition, holding or disposition of securities (including dividends, adjusted cost base and proceeds of disposition) must be expressed in Canadian dollars. Amounts denominated in Australian dollars must be converted into Canadian dollars generally based on the Bank of Canada exchange rate on the date such amounts arise.

(a) Resident in Canada

The following section of the summary only applies to an Eligible Scheme Participant who is (a) for purposes of the Canadian Tax Act, and in accordance with any applicable tax treaty, resident or deemed to be resident in Canada at all relevant times, or (b) a partnership, if one or more members of the partnership is described in (a) (each a **Resident Holder**).

(i) *Transfer of Champion Australia Shares for Champion Canada Shares - Non-Rollover Transaction*

This portion of the summary is generally applicable to a Resident Holder who does not make a Joint Tax Election (as defined below) in respect of the transfer of its Champion Australia Shares under the Scheme.

A Resident Holder who receives Champion Canada Shares as consideration for its Champion Australia Shares, as Scheme Consideration under the Scheme, will be considered to have disposed of such Champion Australia Shares for proceeds of disposition equal to the fair market value at the Implementation Date of the Champion Canada Shares acquired by such Resident Holder on the relevant exchange. As a result, the Resident Holder will generally realise a capital gain (or a capital loss) to the extent that such proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base to the Resident Holder of its Champion Australia Shares. For a description of the tax treatment of capital gains and losses, see the comments under the heading "*Taxation of Capital Gains and Capital Losses*" below.

(ii) *Transfer of Champion Australia Shares for Champion Canada Shares - Rollover Transaction - Joint Tax Election*

A Resident Holder who receives Champion Canada Shares as consideration for its Champion Australia Shares, and who makes a valid joint election with Champion Canada pursuant to subsection 85(1) of the Canadian Tax Act (or, in the case of a partnership, pursuant to subsection 85(2) of the Canadian Tax Act) (an **Eligible Holder**) in respect of such Champion Australia Shares (a **Joint Tax Election**) may thereby obtain a full or partial deferral of a capital gain otherwise arising on the disposition of such Champion Australia Shares as described above under the heading "*Transfer of Champion Australia Shares for Champion Canada Shares - Non-Rollover Transaction*", depending on the Elected Amount (as defined below) and the adjusted cost base to the holder of the Champion Australia Shares at the time of the transfer.

Champion Canada will only make a Joint Tax Election with an Eligible Holder. Eligible Holders who wish to make a Joint Tax Election with Champion Canada should give their immediate attention to this matter following the Implementation Date.

The comments made herein with respect to such elections are provided for general information only. The law in this area is complex and contains numerous technical requirements. Eligible Holders wishing to make a Joint Tax Election should consult their own tax advisors. Scheme Participants are also referred to Information Circular 76-19R3 and Interpretation Bulletin IT-291R3 issued by the CRA for further information respecting the election. Any Scheme Participant who does not submit a duly completed tax election form to Champion Canada within the time and in accordance with the procedures set out in herein may not be able to benefit from a full or partial tax-deferred rollover for Canadian income tax purposes in respect of the transfer of the Scheme Participants' Champion Australia Shares to Champion Canada, and may therefore realise a capital gain on the transfer of their Champion Australia Shares pursuant to the Scheme. Accordingly, Eligible Holders who wish to enter into a Joint Tax Election with Champion Canada should give this matter their immediate attention.

(A) *Elected Amount*

An Eligible Holder of Champion Australia Shares may elect an amount which, subject to certain limitations contained in the Canadian Tax Act, will be treated as the proceeds of disposition of its Champion Australia Shares (the **Elected Amount**). The limitations imposed by

the Canadian Tax Act in respect of the Elected Amount are that the Elected Amount may not:

- (aa) be less than the lesser of (i) the adjusted cost base to the Eligible Holder of the Eligible Holder's Champion Australia Shares at the Implementation Date, and (ii) the fair market value of its Champion Australia Shares at the Implementation Date; and
- (bb) exceed the fair market value of its Champion Australia Shares at the Implementation Date.

(B) *Tax Treatment to Eligible Holders*

Where an Eligible Holder and Champion Canada make a valid Joint Tax Election in respect of Champion Australia Shares, the tax treatment to such Eligible Holder will generally be as follows:

- (aa) the Eligible Holder will be deemed to have disposed of the Champion Australia Shares for proceeds of disposition equal to the Elected Amount;
- (bb) the Eligible Holder will not realise a capital gain (or a capital loss), provided that the Elected Amount is equal to the sum of (i) the aggregate adjusted cost base to the Eligible Holder of its Champion Australia Shares immediately before the Implementation Date and (ii) any reasonable costs of disposition;
- (cc) the Eligible Holder will realise a capital gain (or a capital loss) to the extent that the Elected Amount exceeds (or is less than) the sum of (i) the aggregate adjusted cost base to the Eligible Holder of its Champion Australia Shares immediately before the Implementation Date and (ii) any reasonable costs of disposition. For a description of the tax treatment of capital gains and losses, see "*Taxation of Capital Gains and Capital Losses*" below; and
- (dd) the cost to the Eligible Holder of the Champion Canada Shares received on the transfer will be equal to the Elected Amount.

(C) *Procedure for Making an Election*

On or immediately following the Implementation Date, Champion Australia will make available on its website (<https://www.championiron.com>) a tax instruction letter (**Tax Instruction Letter**) providing certain instructions on how to submit the information required to prepare the relevant tax election form(s) via a special purpose tax election website (the **Joint Tax Election Website**). Eligible Holders will have 90 days from the Implementation Date to submit the necessary information using the Joint Tax Election Website, that is, information must be submitted no later than 30 June 2020 (**Election Information Submission Deadline**).

In the interim, Eligible Holders can go to the Champion Australia website to register their contact details to be notified once the Joint Tax Election Website and Tax Instruction Letter become available.

(D) *Overview of Election Process*

It is generally expected that in order to make the Joint Tax Election, an Eligible Holder will:

- (aa) access the Joint Tax Election Website before Election Information Submission Deadline to complete and submit any information requirements set out therein and according to the Tax Instruction Letter;
- (bb) print and sign the tax election form(s) (which will have been signed by Champion Canada) that will be sent by email within 45 days after the complete and accurate submission of information via the Joint Tax Election Website;
- (cc) file necessary copies of the tax election form(s) with the CRA; and
- (dd) simultaneous to the filing of the tax election form(s) with the CRA, send a fully executed copy of the tax election form(s) to Champion Canada either by emailing an electronic scan of the completed and signed tax election form(s) or mailing a print-out of the completed and signed tax election form(s).

Eligible Holders are requested to complete the submission of information using the Joint Tax Election Website within 90 days after the Implementation Date.

(E) *Joint Ownership*

Where the Champion Australia Shares are held in joint ownership and two or more of the co-owners wish to make a Joint Tax Election, a co-owner designated for such purpose should file a copy of the federal tax election form T2057 for each co-owner. Such tax election form(s) must be accompanied by a list of the names, addresses and social insurance numbers or tax account numbers of each of the co-owners. If the designated co-owner is signing on behalf of all co-owners, the package must also include documentation authorizing the designated co-owner to complete, sign and file the forms on behalf of each co-owner.

(F) *Partnerships*

Where the Champion Australia Shares are held by an Eligible Holder that is a partnership and the partnership wishes to make a Joint Tax Election, a partner designated by the partnership must file a copy of the federal tax election form T2058 on behalf of all members of the partnership. Such tax election form(s) must be accompanied by a list of the names, addresses, social insurance numbers or tax account numbers of each of the partners, along with documentation authorising the designated partner to complete, sign and file the forms on behalf of each partner.

(G) *Execution by Champion Canada of Tax Election Forms*

Subject to the information submitted via the Joint Tax Election Website being on time, correct and complete and complying with the provisions of the Canadian Tax Act and the Scheme, Champion Canada will sign the tax election form(s) within 45 days after the

submission and send the tax election form(s) with instructions via email to the Eligible Holder or a designated contact (the **Election Package E-mail**).

Champion Canada will not be responsible for the proper or accurate completion of the tax election form(s) or to check or verify the content of any tax election form and, except for Champion Canada's obligation to return executed tax election form(s) within 45 days after correct and complete submission of information, Champion Canada will not be liable or responsible for any taxes, interest or penalties or any other costs or damages resulting from the failure by an Eligible Holder or anyone to provide information necessary for the election in accordance with the procedures set out in the Tax Instruction Letter or to properly and accurately complete or file the necessary tax election form(s) in the form and manner and within the time prescribed by the Canadian Tax Act.

(H) *Filing of Tax Election Forms*

For the CRA to accept a tax election form without a late filing penalty being paid by an Eligible Holder, the tax election form, duly completed and executed by both the Eligible Holder and Champion Canada, must be received by the CRA on or before the earliest due date for the filing of either Champion Canada's or the Eligible Holder's income tax return for the taxation year in which the exchange takes place.

In the absence of a transaction subsequent to the Implementation Date, but prior to March 31, 2021 that results in a taxation year end for Champion Canada, the taxation year of Champion Canada is expected to end on March 31, 2021. In such circumstances, the tax election form(s) generally must, in the case of an Eligible Holder who is an individual (other than a trust), be received by the CRA by April 30, 2021 (being generally the deadline when such individuals are required to file tax returns for the 2020 taxation year).

Information concerning filing deadlines will be included in the Election Package Email that will be sent to the Eligible Holder or designate contact.

Eligible Holders are strongly advised to consult their own tax advisors as soon as possible respecting the deadlines applicable to their own particular circumstances, including any similar deadlines required under any provincial or territorial tax legislation for provincial or territorial tax elections as discussed below.

While the Election Information Submission Deadline is June 30, 2020, each Eligible Holder is responsible for ensuring that information is submitted via the Joint Tax Election Website such that it can meet its applicable filing deadline for the taxation year that includes the Implementation Date. If the filing deadline for an Eligible Holder is on or before August 13, 2020, the Eligible Holder must submit its information prior to the Election Information Submission Deadline, and so choose a submission date that allows for the production of the tax election form(s), which, as stated above, may take up to 45 days.

Any Eligible Holder who does not ensure that Champion Canada has received the properly completed information within 90 days following

the Implementation Date of the Scheme may not be able to benefit from the rollover provisions of the Canadian Tax Act in respect of the transfer of their Champion Australia Shares in respect of the Scheme.

(I) *Late Filed or Amended Elections*

Eligible Holders who wish to make an Joint Tax Election but do not complete and execute their tax election form(s) in accordance with the procedures set out above or before the Election Information Submission Deadline (at which time the Joint Tax Election Website may cease operation) will need to correctly complete and execute the tax election form(s) in prescribed form on their own and mail it to Champion Canada. Champion Canada will accept correctly completed and executed tax elections form(s) for up to three years after its due date as prescribed by the Canadian Tax Act. Subject to the tax election form(s) being correct and complete and complying with the provisions of the Canadian Tax Act, Champion Canada will make reasonable efforts to execute such tax election form(s) and send it to the Eligible Holder within 60 days after receipt. However, there can be no assurances in this regard.

Any tax election form(s) not provided to Champion Canada as discussed above should be filed by the Eligible Holder with the CRA and, if filed by the Eligible Holder later than the time prescribed for the filing thereof, may not be valid unless a penalty is paid by the Eligible Holder at the time the tax election is filed. Champion Canada will not be responsible for the payment of such penalty and accepts no responsibility if the tax election is not considered valid as a result of the correct penalty not being paid at the time of filing (or for any other reason).

In its sole discretion, Champion Canada may choose to sign and return tax election form(s) received more than 90 days following the Implementation Date, but Champion Canada will have no obligation to do so.

(J) *Additional Provincial or Territorial Tax Election Forms*

Certain provinces or territories may require that a separate joint tax election be filed for provincial or territorial income tax purposes. Champion Canada will also make a joint tax election with an Eligible Holder under the provisions of any relevant provincial or territorial income tax law having similar effect to section 85 of the Canadian Tax Act, subject to the same limitations as described above. Eligible Holders should consult their own tax advisors to determine whether separate tax election form(s) must be filed with any provincial or territorial taxing authority and to determine the procedure for filing any such separate tax election form. **It will be the sole responsibility of each Eligible Holder who wishes to make such an election to obtain the appropriate provincial or territorial tax election form(s) and to duly complete and submit such forms to Champion Canada for its execution at the same time as the federal tax election form(s).**

(iii) *Taxation of Capital Gains and Capital Losses*

Generally, one-half of any capital gain (a **taxable capital gain**) realised by a Resident Holder in a taxation year must be included in the Resident

Holder's income for the year, and one-half of any capital loss (an **allowable capital loss**) realised by a Resident Holder in a taxation year must be deducted from taxable capital gains realised by the Resident Holder in that year. Allowable capital losses for a taxation year in excess of taxable capital gains for that year may generally be carried back and deducted in any of the three preceding taxation years, or carried forward and deducted in any subsequent taxation year, against net taxable capital gains realised in such years, to the extent and under the circumstances described in the Canadian Tax Act.

Resident Holders that, throughout the taxation year, are "Canadian-Controlled Private Corporations" (as defined in the Canadian Tax Act) may be liable to pay an additional $10\frac{2}{3}\%$ tax that is refundable in certain circumstances in respect of taxable capital gains realised on the disposition of their Champion Australia Shares. Capital gains realised by a Resident Holder that is an individual (including certain trusts) on the disposition of Champion Australia Shares may increase the Resident Holder's liability for alternative minimum tax purposes.

(iv) *Dividends on Champion Canada Shares*

A Resident Holder that receives Champion Canada Shares pursuant to the Scheme will be required to include in computing its income for a taxation year any taxable dividends received by it or deemed to be received by it in the year on such shares.

In the case of a Resident Holder that is an individual, the amount of any such dividend will be subject to the normal dividend gross-up and tax credit rules generally applicable to taxable dividends received from a "taxable Canadian corporation" (as defined in the Canadian Tax Act), including the enhanced gross-up and dividend tax credit if such dividends are properly designated as "eligible dividends" by Champion Canada. Taxable dividends received by a Resident Holder that is an individual (including certain trusts) may increase such Resident Holder's liability for alternative minimum tax purposes.

In the case of a Resident Holder that is a corporation, the amount of any taxable dividend included in the Resident Holder's income for the taxation year generally will be deductible in computing the Resident Holder's taxable income. In certain circumstances, subsection 55(2) of the Canadian Tax Act will treat a taxable dividend received or deemed to be received by a Resident Holder that is a corporation as proceeds of disposition or a capital gain. A Resident Holder that is a "private corporation" or a "subject corporation" (each as defined in the Canadian Tax Act) may be liable to pay a tax of $38\frac{1}{3}\%$ that is refundable in certain circumstances on any taxable dividend to the extent such dividend is deductible in computing the Resident Holder's taxable income for the year.

(v) *Disposition of Champion Canada Shares*

On the disposition or deemed disposition by a Resident Holder of its Champion Canada Shares acquired pursuant to the Scheme (other than a disposition to Champion Canada unless purchased by Champion Canada in the open market in a manner in which shares are normally purchased by any member of the public in the market), the Resident Holder will realise a capital gain (or capital loss) equal to the amount by which the Resident Holder's proceeds of disposition exceed (or are less than) the aggregate of the adjusted cost base to the Resident Holder of the shares disposed of immediately before the disposition and any reasonable costs of disposition.

Any such capital gain or capital loss will generally be treated in the same manner as described above with respect to the Scheme Shares under the heading "*Taxation of Capital Gains and Capital Losses*".

(b) Non-Resident in Canada

The following section of the summary only applies to an Eligible Scheme Participant that holds Champion Australia Shares and who (i) for the purposes of the Canadian Tax Act and any applicable income tax treaty and at all relevant times is not, and is not deemed to be, a resident of Canada, (ii) does not, and is not deemed to, use or hold Champion Australia Shares or Champion Canada Shares received pursuant to the Scheme in or in the course of carrying on a business in Canada, (iii) is not an insurer who carries on an insurance business or is deemed to carry on an insurance business in Canada and elsewhere, and (iv) is not an "authorized foreign bank" (as defined in the Canadian Tax Act) (a **Non-Resident Holder**).

(i) *Transfer of Champion Australia Shares for Champion Canada Shares*

A Non-Resident Holder who transfers Champion Australia Shares under the Scheme should not be subject to tax under the Canadian Tax Act in respect of any capital gain realised on the transfer unless (i) the Champion Australia Shares are, or are deemed to be, "taxable Canadian property" (as defined in the Canadian Tax Act) of the Non-Resident Holder at the time of the transfer, and (ii) the Non-Resident Holder is not entitled to relief under an applicable income tax treaty or convention between Canada and the Non-Resident Holder's country of residence.

Generally, Champion Australia Shares will not be "taxable Canadian property" of a Non-Resident Holder as at the Implementation Date, provided that the Champion Australia Shares are listed on a designated stock exchange (which currently includes the ASX and the TSX) at that time, unless: (i) at any time during the 60-month period immediately preceding the disposition of the Champion Australia Shares by such Non-Resident Holder, (A) the Non-Resident Holder, (B) persons not dealing at "arm's length" (as defined in the Canadian Tax Act) with such Non-Resident Holder, (C) partnerships in which the Non-Resident Holder or a person described in (B) holds a membership interest, directly or indirectly through one or more partnerships, or (D) the Non-Resident Holder together with all such persons, owned 25% or more of the issued shares of any class or series of the capital stock of Champion Australia and more than 50% of the fair market value of the Champion Australia Shares was derived directly or indirectly from one or any combination of (A) real or immovable property situated in Canada, (B) "Canadian resource properties" (as defined in the Canadian Tax Act), (C) "timber resource properties" (as defined in the Canadian Tax Act), and (D) options in respect of, interests in, or civil law rights in, an such properties; or (ii) the Non-Resident Holder's Champion Australia Shares were acquired in certain types of tax-deferred exchanges in consideration for property that was itself taxable Canadian property. **Non-Resident Holders whose Champion Australia Shares may constitute taxable Canadian property should consult their own tax advisors.**

Even if the Champion Australia Shares are, or are deemed to be, "taxable Canadian property" of a Non-Resident Holder, a taxable capital gain resulting from the transfer of such shares will not be included in computing the Non-Resident Holder's income for purposes of the Canadian Tax Act provided that the Champion Australia Shares constitute "treaty-protected property" (as defined in the Canadian Tax Act). A Champion Australia Share owned by a Non-Resident Holder will generally be "treaty-protected

property" at the time of the transfer if the gain from the disposition of such share would, because of an applicable income tax convention between Canada and the Non-Resident Holder's country of residence, be exempt from tax under the Canadian Tax Act. **Non-Resident Holders should consult their own tax advisors with respect to the availability of any relief under the terms of an applicable income tax convention between Canada and the Non-Resident Holder's country of residence in their particular circumstances.**

In the event that the Champion Australia Shares are, or are deemed to be, "taxable Canadian property" of a Non-Resident Holder and the capital gain realised upon the transfer of such shares is not exempt from tax under the Canadian Tax Act by virtue of an applicable income tax convention, the tax consequences as described above for Resident Holders under the heading "*Taxation of Capital Gains and Capital Losses*" will generally apply, but any such Non-Resident Holder should consult their own tax advisors in this regard.

A Non-Resident Holder who disposes of Champion Australia Shares that are "taxable Canadian Property" will be required to file a Canadian federal income tax return reporting the disposition of such shares in the year of disposition (unless the disposition is an "excluded disposition", as defined in the Canadian Tax Act). **Non-Resident Holders who dispose of "taxable Canadian property" should consult their own tax advisors regarding any resulting Canadian reporting requirements.**

(ii) *Dividends on Champion Canada Shares*

Dividends on Champion Canada Shares paid or credited or deemed under the Canadian Tax Act to be paid or credited by Champion Canada to a Non-Resident Holder will generally be subject to Canadian non-resident withholding tax at the rate of 25% of the gross amount of the dividend, subject to any reduction in the rate of withholding to which the Non-Resident Holder is entitled under any applicable income tax convention between Canada and the country in which the Non-Resident Holder is resident. For example, where the Non-Resident Holder is a resident of Australia, is fully entitled to the benefits under the Convention between Canada and Australia (the **Convention**) and is the beneficial owner of the dividends (an **Australian Holder**), the applicable rate of Canadian withholding tax is generally reduced to 15% of the gross amount of the dividends (the rate may be further reduced to 5% of the gross amount of the dividends if the Australian Holder is a company that controls directly or indirectly at least 10% of the voting power in Champion Canada). Not all persons who are residents of Australia will qualify for the benefits of the Convention. A Non-Resident Holder who is a resident of Australia is advised to consult its tax advisor in this regard.

(iii) *Disposition of Champion Canada Shares*

A Non-Resident Holder who disposes of Champion Canada Shares should not be subject to tax under the Canadian Tax Act in respect of any capital gain realised on the disposition unless (i) the Champion Canada Shares are, or are deemed to be, taxable Canadian property of the Non-Resident Holder at the time of the disposition, and (ii) the Non-Resident Holder is not entitled to relief under an applicable income tax treaty or convention between Canada and the Non-Resident Holder's country of residence. The comments mentioned above for Non-Resident Holders under the heading "*Transfer of Champion Australia Shares for Champion Canada Shares*" should apply to a

disposition of Champion Canada Shares by a Non-Resident Holder. Non-Resident Holders should consult their own tax advisors regarding the disposition of Champion Canada Shares.

11. INFORMATION STATEMENT FOR THE EXTRAORDINARY GENERAL MEETING

This Section 11 is the information statement in connection with the business to be conducted at the Extraordinary General Meeting. The purpose of this Section 11 is to set out the information known to Champion Australia that is material to the decision how to vote on the Buy Back Resolution.

11.1 Background on the Special Voting Share

Champion Australia issued the Special Voting Share in connection with the Plan of Arrangement between Champion Australia (at the time, called "*Mamba Minerals Limited*") and Champion Iron Mines Limited effected on 31 March 2014, whereby Champion Australia acquired all of the common shares in Champion Iron Mines Limited in exchange for ordinary shares in Champion Australia and shares in Champion Exchange Limited (**Exchangeable Shares**).

As part of the consideration provided by Champion Australia, the Special Voting Share was issued to TSX Trust Company (formerly Equity Financial Trust) for the benefit of Canadian shareholders that had received Exchangeable Shares as consideration under the Plan of Arrangement. The Exchangeable Shares enabled shareholders who elected to receive them under the Plan of Arrangement to take advantage of a full or partial tax deferral which was available under Income Tax Act (*Canada*).

The terms of the Special Voting Share are contained in rule 22.3 and Schedule 2 of Champion Australia's constitution. The terms of the Special Voting Share provide that the holder does not have a right to vote at any shareholder meeting if there cease to be any Exchangeable Shares on issue in Champion Exchange Limited. The terms of the Special Voting Share also provide that it is non-convertible, non-transferable, non-redeemable and non-participating in respect of dividends or distributions of Champion Australia, nor in respect of the liquidation, dissolution or winding up of Champion Australia.

Rule 22.3 of Champion Australia's constitution provides that, if at any time after the issue of the Special Voting Share, there ceases to be any Exchangeable Shares on issue, unless the Champion Australia Board resolves otherwise, Champion Australia must buy back and cancel, or cancel by way of selective capital reduction, the Special Voting Share, in either case for A\$1.00.

As there are no longer any Exchangeable Shares on issue in Champion Exchange Limited, the Champion Australia Board has resolved to buy back and cancel the Special Voting Share for A\$1.00.

11.2 Reasons for the Buy Back

The Buy Back, which is mandated by the constitution, is being undertaken to simplify Champion Australia's capital structure so that the only shares in Champion Australia on issue on the Implementation Date are ordinary shares which will be acquired by Champion Canada under the Scheme. The Buy Back will therefore facilitate Champion Canada acquiring ownership of 100% of the issued share capital in Champion Australia on the Implementation Date.

It is a Condition Precedent of the Scheme that the Buy Back Resolution is approved by Champion Australia Shareholders. The Champion Australia Directors are not aware of any disadvantages of the Buy Back.

11.3 **Corporations Act requirements**

Section 257A of the Corporations Act provides that a company may buy back its own shares if the buy back does not materially prejudice the company's ability to pay its creditors and the company follows the procedures in the Corporations Act for the buy back of a company's shares.

The consideration for the Buy Back is A\$1.00. Accordingly, the Buy Back will not materially prejudice Champion Australia's ability to pay its creditors.

Division 2 of Part 2J.1 of the Corporations Act sets out the procedure for the buy back of a company's shares. Section 257D requires that the terms of an agreement for a selective buy back be approved before it is entered into by either (a) a special resolution passed at a general meeting of the company with no votes being cast in favour of the resolution by any person whose shares are proposed to be bought back or by their associates or (b) unanimous resolution approved by all ordinary shareholders, or the agreement must be conditional on such an approval. The Buy Back Agreement is conditional on shareholder approval under Section 257D.

Section 257H(3) of the Corporations Act provides that immediately after the transfer of a share to the company under a buy back it will be cancelled.

11.4 **The Buy Back Agreement**

In order to facilitate the buy back and cancellation of the Special Voting Share, Champion Australia has entered into an agreement with the registered holder of the Special Voting Share, TSX Trust Company (as trustee under the Voting and Exchange Trust Agreement dated 31 March 2014), under which Champion Australia has agreed to buy back the Special Voting Share held by TSX Trust Company for A\$1.00 (**Buy Back Agreement**).

The Buy Back Agreement provides for the buy back of the Special Voting Share which is conditional on shareholder approval under section 257D of the Corporations Act (the **Buy Back Resolution**). If Champion Australia Shareholders approve the Buy Back under section 257D of the Corporations Act, Champion Australia will buy back the Special Voting Share from the TSX Trust Company in exchange for the consideration of A\$1.00 in cash.

Pursuant to section 257H(3) of the Corporations Act, immediately after the registration of the transfer of the Special Voting Share to Champion Australia under the Buy Back Agreement, the Special Voting Share will be cancelled.

11.5 **Effect of the Buy Back on Champion Australia**

There will be no material financial effect of the Buy Back on Champion Australia as the consideration is A\$1.00 in cash.

The Buy Back will not materially prejudice Champion Australia's ability to pay its creditors.

11.6 **Effect of Buy Back on control of Champion Australia**

The cancellation of the Special Voting Share will not affect the shareholding percentages of Champion Australia Shareholders as it is a different class of share to the Champion Australia Share with no voting rights attached to it.

As the Special Voting Share has no voting rights, the Buy Back will not have any impact on control of Champion Australia.

11.7 **Directors' recommendation and intentions**

The Directors unanimously recommend that Champion Australia Shareholders vote in favour of the Buy Back Resolution. Each Champion Australia Director intends to vote or procure the voting of any Champion Australia Shares (as applicable) held by or controlled by the Champion Australia Director in favour of the Buy Back Resolution.

12. ADDITIONAL INFORMATION

12.1 Outstanding voting shares, voting at meetings and quorum

The capital of Champion Australia consists of an unlimited number of Champion Australia Shares and preference and redeemable preference shares. At the date of this Explanatory Memorandum, Champion Australia has 467,688,497 Champion Australia Shares on issue, each of which carries one vote per Champion Australia Share. At the date of this Explanatory Memorandum, Champion Australia has no preference and redeemable preference shares on issue. Holders of Champion Australia Shares as at 7.00 pm on 10 March 2020 (which corresponds to 4.00 am on 10 March 2020 in Montréal) are entitled to vote their Champion Australia Shares personally or by proxy at the Scheme Meeting and the Extraordinary General Meeting. For the Re-domiciliation to proceed, it is necessary that:

- (a) the Scheme Resolution is approved by a majority in number (more than 50%) of those Champion Australia Shareholders present and voting (either in person or by proxy, attorney or corporate representative) at the Scheme Meeting. That majority must also represent at least 75% of the total number of votes cast on the Scheme Resolution; and
- (b) the Buy Back Resolution is approved by a majority in number (ie 75% of the total number of votes cast on the Buy Back Resolution) of those Champion Australia Shareholders present and voting (either in person or by proxy, attorney or corporate representative) at the Extraordinary General Meeting.

Proxies returned by intermediaries as "non-votes" because either the intermediary has not received instructions from the beneficial shareholder with respect to the voting of certain Champion Australia Shares or, under applicable regulatory rules, the intermediary does not have the discretion to vote those Champion Australia Shares on one or more of the matters that come before the Scheme Meeting or the Extraordinary General Meeting (as applicable), will be treated as not entitled to vote on any such matter and will not be counted as having been voted in respect of any such matter. Champion Australia Shares represented by these intermediary "non-votes" will, however, be counted in determining whether or not there is a quorum.

Pursuant to the constitution of Champion Australia, a quorum for each of the Scheme Meeting and the Extraordinary General Meeting is two voting members. Each individual present may only be counted once toward the quorum. If a member has appointed more than one proxy or representative, only one of them may be counted toward a quorum.

12.2 Substantial shareholders

To the knowledge of the directors and senior officers of Champion Australia, as at the date of this Explanatory Memorandum, no person or company beneficially owns, directly or indirectly, controls or directs Champion Australia Shares carrying 5% or more of the voting rights attached to the issued Champion Australia Shares, except for the following:

Name of Champion Australia Shareholder	Number of Champion Australia Shares	% of Issued Capital
WC Strategic Opportunity LP	66,944,444	14.31
Investissement Quebec	43,500,000	9.30
Prospect AG Trading Pty Ltd and related entities [#]	44,023,830	9.41

[#] Prospect AG Trading Pty Ltd and its related entities are all controlled by Michael O'Keeffe, the Executive Chairman of the Champion Australia Board.

As at the date of this Explanatory Memorandum, the directors and executive officers of Champion Australia, as a group, beneficially owned, directly or indirectly, or exercised control or direction over, an aggregate of 50,995,592 Champion Australia Shares, representing approximately 10.90% of the issued Champion Australia Shares.

As at 29 January 2020, approximately 60% of the Champion Australia Shares are held on the Canadian Register and traded on the TSX.

12.3 Latest trading price of Champion Australia Shares

As at 7.00 pm on 6 January 2020 (being the Business Day before this Explanatory Memorandum was lodged with ASX for review), the Champion Australia Shares were trading at:

- (a) A\$2.81 on ASX; and
- (b) C\$2.53 on the TSX.

12.4 Capital structure

As at the date of this Explanatory Memorandum, the corporate structure of Champion Australia is as follows:

Securities	Number
Champion Australia Shares	467,688,497
Special Voting Share	1

Securities	Number
Champion Australia Warrants exercisable at C\$1.125	10,281,250
Champion Australia Warrants (Glencore International AG) exercisable at C\$1.125	27,733,333
Champion Australia Warrants (CDP Investissements Inc.) exercisable at C\$2.45	15,000,000
Incentive Awards (Options under Old Plan) ⁵	5,750,000
Incentive Awards (Options under Omnibus Plan) ⁶	1,064,334
Champion Australia Incentive Awards (Deferred Share Units)	118,591
Champion Australia Incentive Awards (Performance Share Unites)	653,071
Champion Australia Incentive Awards (Restricted Share Units)	597,504

The number of Champion Australia Shares on issue will change if any of the Champion Australia Securities vest or are exercised.

(a) Terms of Warrants

There are currently 53,014,583 Champion Australia Warrants outstanding, entitling the holders thereof to purchase additional Champion Australia Shares at a price of (i) C\$1.125 per Champion Australia Share until 16 October 2022; (ii) C\$1.125 per Champion Australia Share until 16 October 2024; (iii) C\$1.125 per Champion Australia Share until 13 October 2025; or (iv) C\$2.45 per Champion Australia Share until 16 August 2026.

⁵ With exercise prices of A\$0.20, \$0.25, \$0.30, \$1.00, \$1.08, \$1.24 and \$1.33.

⁶ With exercise prices of A\$1.24, \$1.46, \$2.21 and \$2.53.

(b) Terms of Incentive Awards

The following types of awards may be made by Champion Australia under its incentive plans: stock options, restricted share units (**RSUs**), performance share units (**PSUs**), deferred share units (**DSUs**) and other share-based awards (collectively, the **Incentive Awards**). All of the Incentive Awards described below are subject to the conditions, limitations, restrictions, exercise price, vesting and forfeiture provisions determined by the Champion Australia Board in its sole discretion, and subject to such limitations provided in the Champion Australia incentive plans, and are evidenced by award agreements.

Stock options

A stock option is a right to purchase Champion Australia Shares upon the payment of a specified exercise price as determined by the Champion Australia Board at the time the stock option is granted. The exercise price will not be less than the "Market Price" of a Champion Australia Share at the time the option is issued, determined as the volume weighted average price per Champion Australia Share sold on ASX if the option holder is resident in Australia and otherwise the volume weighted average trading price of the Shares on the TSX, calculated by dividing the total value by the total volume of securities traded during the period of five trading days immediately prior to the date of issue. Stock options may be subject to vesting conditions as determined by the Champion Australia Board. The Champion Australia Board establishes the expiry date for each stock option, provided that in no event will the expiry date be later than the date which is 10 years following the grant date. The exercise notice of each option must be accompanied by payment in full of the purchase price for the Champion Australia Shares underlying the options to be acquired. No Champion Australia Shares will be issued upon the exercise of stock options in accordance with the terms of the grant until full payment therefor has been received by Champion Australia.

RSUs

A RSU is a unit equivalent in value to a Champion Australia Share credited by means of a bookkeeping entry in the books of Champion Australia which entitles the holder to receive Champion Australia Shares or cash based on the price of the Champion Australia Shares at some future date. RSUs are subject to time based vesting conditions, timing of settlement and other terms and conditions as determined by the Champion Australia Board, provided that no RSU granted can vest or become payable after 31 December of the third calendar year following the year of service for which the RSU was granted.

PSUs

A PSU is a unit equivalent in value to a Champion Australia Share credited by means of a bookkeeping entry in the books of Champion Australia which entitles the holder to receive Champion Australia Shares or cash based on the price of the Champion Australia Shares based on the achievement of performance goals established by the Champion Australia Board over a period of time.

The Champion Australia Board has the authority to determine any vesting and settlement terms applicable to the grant of PSUs, provided that no PSU granted can vest or become payable after 31 December of the third calendar year following the year of service for which the PSU was granted. The Champion Australia Board may modify the performance based vesting conditions to any PSU as necessary to align them with Champion Australia's corporate objectives if there are subsequent changes in Champion Australia's business, operations or capital or corporate structure.

DSUs

A DSU is a unit equivalent in value to a Champion Australia Share credited by means of a bookkeeping entry in the books of Champion Australia which entitles the holder to receive Champion Australia Shares or cash based on the price of the Champion Australia Shares on a future date, provided that in no event can a DSU be settled prior to the applicable participant's date of termination of service with Champion Australia. If DSUs are settled in Champion Australia Shares, the Champion Australia Shares are required to be purchased on-market. DSUs will only be issued to directors of Champion Australia who are not employees of Champion Australia or any of its affiliates. Subject to certain limitations, any director may, on an annual basis, elect to receive DSUs in lieu of that director's annual fees or in lieu of a portion of that director's annual fees by giving written notice of this election to the Champion Australia Board.

Other share based awards

The Champion Australia Board may grant to an eligible person, subject to the terms of the Omnibus Plan, such awards, other than those described above, that are denominated or payable in, valued in whole or in part by reference to, or otherwise based on or related to Champion Australia Shares (including securities convertible into Champion Australia Shares), as are deemed by the Champion Australia Board to be consistent with the purpose of the Omnibus Plan.

12.5 **Impact of Re-domiciliation on Champion Australia Other Securities**

(a) Special Voting Share

The single Special Voting Share in the capital of Champion Australia will not form part of the Scheme. Subject to the Buy Back Resolution being passed, Champion Australia will Buy Back the Special Voting Share for \$1.00, following which it will be cancelled.

(b) Warrants

It is a Condition Precedent to the implementation of the Scheme that Champion Canada enters into a private treaty arrangement with the holders of the Warrants, pursuant to which (among other things) the terms of the Warrants are amended so that Champion Canada "steps into the shoes" of Champion Australia as the issuer of any shares on the exercise of the Warrants.

(c) Incentive Awards

(i) *Old Plan and Incentive Awards under the Old Plan*

Champion Australia and Champion Canada have agreed in the Scheme Implementation Deed that the Old Plan will be replaced by a new incentive plan of Champion Canada (**Transitory Plan**). The Transitory Plan will be identical in form and substance to the Old Plan in all material respects, except that Champion Canada will replace Champion Australia as the "Company" under such plan.

The Transitory Plan will be submitted to the shareholders of Champion Canada for approval at the first shareholder meeting following the Re-domiciliation, if required by the TSX.

The holders of the Old Plan options will enter into agreements with Champion Australia and Champion Canada under which their respective Old

Plan options, to the extent those Old Plan options have not been exercised (in accordance with their terms and subject to their prior vesting) on or before the Effective Date, will be exchanged, on that date, pursuant to section 14.1(a)(v) of the Old Plan, for the same number of options of Champion Canada that will be issued under the Transitory Plan (**Transitory Plan Options**). Each Transitory Plan Option will have the same terms and conditions (including vesting schedule and vesting and exercise conditions) as the Old Plan option in exchange for which such Transitory Plan Option will be issued, except that each Transitory Plan Option will confer on its holder the right to subscribe for one Champion Canada Share or one Champion Canada CDI.

(ii) *Omnibus Plan and Incentive Awards under the Omnibus Plan*

Champion Australia and Champion Canada have agreed in the Scheme Implementation Deed that the Omnibus Plan will be amended such that (i) Champion Canada will replace Champion Australia as the "Company" under the Omnibus Plan; (ii) all references to Champion Australia Shares will be replaced by references to Champion Canada Shares or Champion Canada CDIs (as applicable); and (iii) Champion Canada will assume all of the rights and obligations of Champion Australia with respect to the DSUs, PSUs and RSUs granted prior to the Effective Date (which have not been exercised or settled (as applicable) on or before the Effective Date, if the right to exercise or settle such Incentive Award has vested prior to the Effective Date) (**Amended Omnibus Plan**).

The Amended Omnibus Plan will be submitted to the shareholders of Champion Canada for approval at the first shareholder meeting following the Re-domiciliation, if required by the TSX.

The holders of the Omnibus Plan options will enter into agreements with Champion Australia and Champion Canada under which their respective options, to the extent those options have not been exercised (in accordance with their terms and subject to their prior vesting) on or before the Effective Date, will be exchanged, on that date, for the same number of options of Champion Canada that will be issued under the Amended Omnibus Plan (**New Omnibus Plan Options**). Each New Omnibus Plan Option will have the same terms and conditions (including vesting schedule and vesting and exercise conditions) as the Omnibus Plan option in exchange for which that New Omnibus Plan Option will be issued, except that each New Omnibus Plan Option will confer on its holder the right to subscribe for one Champion Canada Share or one Champion Canada CDI.

(iii) *DSUs, PSUs and RSUs*

The holders of the DSUs, PSUs and RSUs will enter into agreements with Champion Australia and Champion Canada under which their respective DSUs, PSUs and RSUs, to the extent they have not been settled as of the Effective Date, will be amended, on such date, such that (i) Champion Canada substitutes Champion Australia in the rights and obligations of Champion Australia with respect to each such DSU, PSU and RSU and (ii) each such DSU, PSU and RSU continues to exist in such amended form (without being novated), with all of its other terms and conditions (including vesting schedule and vesting and settlement conditions) unchanged.

12.6 Auditors of Champion Australia

Ernst & Young, auditors to Champion Australia, were first appointed as auditors of Champion Australia on 26 November 2013.

12.7 Directors' interests

Interests of Champion Australia Directors in Champion Australia securities:

DIRECTOR	NUMBER AND PERCENTAGE* OF CHAMPION AUSTRALIA ORDINARY SHARES	NUMBER OF CHAMPION AUSTRALIA OPTIONS	NUMBER OF CHAMPION AUSTRALIA DEFERRED SHARE UNITS	NUMBER OF CHAMPION AUSTRALIA RESTRICTED SHARE UNITS	NUMBER OF CHAMPION AUSTRALIA PERFORMANCE SHARE UNITS
Michael O'Keeffe	44,023,830 (9.41%)	3,000,000	0	128,505	192,757
David Cataford	2,119,698 [#] (0.453%)	1,000,000	0	93,458	140,187
Andrew J. Love	1,545,281 ^{##} (0.330%)	300,000	17,004	0	0
Michelle Cormier	20,000 (0.004%)	500,000	32,621	0	0
Gary Lawler	1,500,000 (0.321%)	300,000	36,161	0	0
Wayne Wouters	440,000 (0.094%)	0	32,805	0	0
Jyothish Devina George	0	0	0	0	0

* The percentage is calculated based on an issued share capital, as at the date of this Explanatory Memorandum, of 467,688,497.

[#] This number includes the holdings of Geneviève Robert as reported to regulators in Canada.

^{##} This number includes the holdings of Amanda Love as reported to regulators in Canada in August 2016 and September 2017.

12.8 Payments and other benefits

(a) Appointment of Champion Australia Directors to the Champion Canada Board

Each of the Champion Australia Directors has become a Champion Canada Director. As Champion Canada Directors, those Champion Canada Directors who are non-executive directors will be entitled to receive the same remuneration for their services as they received as directors of Champion Australia (ie there will be no change to directors' remuneration as a result of the Re-domiciliation) and will be entitled to enter into an Indemnification Agreement as described in Section 12.10(d).

(b) Agreements with Champion Australia Directors conditional on, or connected to, the Scheme

Other than as set out below or elsewhere in this Explanatory Memorandum, there are no agreements or arrangements made between a Champion Australia Director and any other person in connection, or conditional upon, the outcome of the Scheme or the Re-domiciliation (other than in their capacity as a Champion Australia Shareholder).

(c) Payments or other benefits to Champion Australia Directors, secretaries and executive officers

Other than as set out below or elsewhere in this Explanatory Memorandum, no payment or other benefit is proposed to be made or given to any Champion Australia Director, secretary or executive officer of Champion Australia, or any Related Body Corporate of Champion Australia as compensation for the loss of, or as consideration for or in connection with his or her retirement from, office as a Champion Australia Director, secretary or executive officer of Champion Australia or a Related Body Corporate of Champion Australia as a result of the Scheme or the Re-domiciliation.

Other than as set out above or elsewhere in this Explanatory Memorandum, neither the Independent Expert, nor any director or proposed director of Champion Canada, and no entity in which a director or proposed director of Champion Canada is or was a member or partner in the last two years, holds, or held at any time during the last two years before the date of lodgement of this Explanatory Memorandum for registration by ASIC, any interest in:

- the formation or promotion of Champion Canada;
- any property acquired or proposed to be acquired by Champion Canada in connection with its formation or promotion or the Scheme or the Re-domiciliation; or
- the Scheme or the Re-domiciliation,

and no amounts (whether in cash or securities or otherwise) have been paid or agreed to be paid, and no one has given or agreed to give a benefit, to any director or proposed director of Champion Canada either to induce them to become, or to qualify them as, a director of Champion Canada, or otherwise for services rendered by them in connection with the formation or promotion of Champion Canada or the Scheme or the Re-domiciliation.

12.9 **Transactions in relation to Champion Canada securities**

No securities of Champion Canada (including Champion Canada Shares) have been sold in the three months immediately before the date of this Explanatory Memorandum.

12.10 **Transaction documents**

(a) Scheme Implementation Deed

On 7 January 2020, Champion Australia announced that it had entered into a Scheme Implementation Deed setting out the terms on which the Re-domiciliation would proceed. A copy of the Scheme of Arrangement is included in **Appendix C**. The key terms of the Scheme Implementation Deed are set out below.

Conditions Precedent

The Conditions Precedent to the Scheme are set out in Section 4.11 of this Explanatory Memorandum.

Termination Rights

A party may terminate the Scheme Implementation Deed by written notice to the other party given prior to 8.00am on the Second Court Date where:

- the other party is in material breach of any clause of the Scheme Implementation Deed before the Second Court Date, the non defaulting party has given notice to the other party specifying the breach and stating an intention to terminate the Scheme Implementation Deed, and the breach has not been remedied within five Business Days (or any shorter period ending at 5.00 pm on the last Business Day before the Second Court Date) from the date a notice is given;
- a Court or other Government Agency has issued a final and non-appealable decree, order or ruling or taken other action which permanently restrains or prohibits the Scheme;
- the Scheme Resolution is not approved by the requisite majorities at the Scheme Meeting;
- the Court refuses to make orders convening the Scheme Meeting or approving the Scheme, and an appeal (if any) from that Court decision fails;
- the Independent Expert opines that the Scheme is not in the best interests of Champion Australia Shareholders;
- the parties terminate the scheme implementation deed by written agreement; or
- any of the Conditions Precedent has not been satisfied or waived in accordance with the Scheme Implementation Deed.

Champion Australia and Champion Canada are also entitled to terminate the Scheme Implementation Deed (and with it the Scheme and the Re-domiciliation) by agreement in writing before the Second Court Date.

(b) Scheme of Arrangement

A summary of the Scheme of Arrangement is set out in section 3 of this Explanatory Memorandum. A copy of the Scheme of Arrangement is included in **Appendix C** to this Explanatory Memorandum.

(c) Deed Poll

In support of its obligations under the Scheme Implementation Deed, Champion Canada has executed the Deed Poll in favour of Champion Australia Shareholders under which it has agreed to perform its obligations under the Scheme Implementation Deed and the matters contemplated by the Re-domiciliation.

A copy of the Deed Poll is included in **Appendix D** to this Explanatory Memorandum.

(d) Indemnification Agreements

Champion Canada has agreed to indemnify each Champion Canada Director against liabilities incurred by that director in carrying out his or her duties as a director pursuant to Indemnification Agreements. Each of the Indemnification Agreements contains:

- a right for each Champion Canada Director to obtain and access information that is confidential to Champion Canada for the purpose of performing his or her duties as a director;
- an indemnification of liabilities incurred by a Champion Canada Director in connection with the performance of his or her duties as a director, including in connection with the Re-domiciliation and that director's involvement in the process that resulted in the Re-domiciliation, and legal costs reasonably incurred in defending an action for any such liability; and
- an obligation for Champion Canada to insure each Champion Canada Director under one or more insurance policies providing cover in respect of liabilities incurred by that director in his or her capacity as director.

12.11 **Consents and disclaimers**

(a) Consents to be named

The following persons have given and have not, before the date of this Explanatory Memorandum, withdrawn their written consent to:

- be named in this Explanatory Memorandum in the form and context in which they are named;
- the inclusion of their respective reports or statements noted next to their names and the references to those reports or statements in the form and context in which they are included in this Explanatory Memorandum; and
- the inclusion of other statements in this Explanatory Memorandum which are based on, or referable to, statements made in those reports or statements, or which are based on or referable to other statements made by those persons in the form and context in which they are included.

Name of person	Named as
Ashurst Australia	Australian legal advisers to Champion Australia and Champion Canada
Grant Thornton Corporate Finance Pty Ltd	Independent Expert
KPMG	Australian and Canadian tax advisers to Champion Australia and Champion Canada in connection with the Re-domiciliation
McCarthy Tétrault LLP	Canadian legal advisers to Champion Australia and Champion Canada
Automic Group Limited	Australian Registry
TSX Trust Company	Canadian Registry

Champion Canada has consented to:

- be named in this Explanatory Memorandum in the form and context in which it is named; and
- the inclusion of the Champion Canada Information in this Explanatory Memorandum.

WC Strategic Opportunity LP, Investissement Quebec and Prospect AG Trading Pty Ltd (a company controlled by Michael O'Keeffe, the Executive Chairman of the Champion Australia Board) have agreed to the inclusion in this Explanatory Memorandum of their voting intention statements with respect to the Scheme Resolution.

Each of the above persons:

- (i) has not authorised or caused the issue of this Explanatory Memorandum;
- (ii) does not make, or purport to make, any statement in this Explanatory Memorandum or any statement on which a statement in this Explanatory Memorandum is based, other than those statements referred to above and as consented to by that person; and
- (iii) to the maximum extent permitted by law, expressly disclaims all liability in respect of, makes no representation regarding, and takes no responsibility for, any part of this Explanatory Memorandum other than a reference to its name and the statement or report (if any) that has been included in this Explanatory Memorandum with the consent of that person as set out above.

12.12 **ASIC and ASX waivers, confirmations and approvals**

(a) ASIC relief

In accordance with ASIC Corporations (Sale Offers That Do Not Need Disclosure) Instrument 2016/80, the Champion Canada Shares and Champion Canada CDIs issued pursuant to the Scheme will be freely tradeable.

ASIC has indicated that it will grant a declaration under subsection 741(1)(b) of the Corporations Act modifying sections 708A(5) and 708A(12A) of the Corporations Act such that, in the 12 months following the Implementation Date, the continuous quotation of Champion Canada Shares and Champion Canada CDIs may be included in the calculation of the three month period for the purposes of sections 708A(5) and 708A(12A) of the Corporations Act.

ASIC has also indicated that it will grant a declaration under subsection 741(1)(b) modifying the definition of "continuously quoted securities" for the purposes of Chapter 6D of the Corporations Act such that, in the 12 months following the Implementation Date, the continuous quotation of Champion Canada Shares and Champion Canada CDIs may be included in the calculation of the three month period for the purposes of section 713(1) of the Corporations Act.

ASIC has indicated it will grant relief from the requirement in clause 8302(h), Part 3 of Schedule 8 of the Corporations Regulations so that Champion Canada can comply with that requirement by disclosing any material change in the financial position of Champion Australia since 30 September 2019 (rather than 31 March 2019). Champion Australia will provide a copy of its financial reports for the half year ended 30 September 2019 and full year ended 31 March 2019 free of charge to anyone who requests a copy.

(b) ASX waivers and confirmations

ASX has indicated that it will grant Champion Australia and Champion Canada the following confirmations and waivers:

- (i) **(information memorandum)** a confirmation that Champion Canada may use this Explanatory Memorandum as an information memorandum for the purposes of its application to list on ASX and ASX will not require Champion Canada to lodge a prospectus or PDS with ASX under Listing Rule 1.1 condition 3;
- (ii) **(Articles of Association)** a confirmation that the Articles of Association of Champion Canada satisfy the requirements of ASX Listing Rule 1.1 condition 2 on the basis that the Articles of Association contain the provisions in Appendix 15A;
- (iii) **(Appendix 1A Information Form and Checklist)** a confirmation that Champion Canada is not required to comply with the following paragraphs of the Appendix 1A Information Form and Checklist (**Listing Checklist**) (and a waiver of Listing Rule 1.7 to the extent necessary to permit Champion Canada not to comply with the following paragraphs of the Listing Checklist):
 - (A) paragraph 26 of the Listing Checklist, to the extent necessary to permit Champion Canada not to include details of all issues of securities (in all classes) in the last two years and the consideration received by Champion Canada for those issues;
 - (B) paragraph 39 of the Listing Checklist, to the extent necessary to permit the Explanatory Memorandum not to include a description of the history of Champion Canada;
 - (C) paragraph 40 of the Listing Checklist, to the extent necessary to permit the Explanatory Memorandum not to include a description of Champion Canada's existing and proposed activities and level of operations;
 - (D) paragraph 41 of the Listing Checklist, to the extent necessary to permit the Explanatory Memorandum not to include a description of how the applicant holds or derives its interest in its material assets and business operations;
 - (E) paragraph 42 of the Listing Checklist, to the extent necessary to permit the Explanatory Memorandum not to include a description of the material business risks faced by Champion Canada;
 - (F) paragraph 47 of the Listing Checklist, to the extent necessary to permit the Explanatory Memorandum not to include details of the existence and main terms of, and the provision of copies of, any material contracts to ASX;
 - (G) paragraphs 48 and 49 of the Listing Checklist, to the extent necessary to permit the Explanatory Memorandum not to include a summary of the material terms of, or a copy of, any employment, service or consultancy agreement, and a summary of any other material contract, which Champion Canada or any of its child entities has entered into with:
 - (aa) its Chief Executive Officer (or equivalent);

- (bb) any of its directors or proposed directors; or
 - (cc) any other person or entity who is a related party of the persons referred to in (aa) or (bb) above;
- (H) paragraph 51 of the Listing Checklist, to the extent necessary to permit Champion Canada not to provide a confirmation that all information that a reasonable person would expect to have a material effect on the price or value of the securities to be quoted is included in or provided with the Listing Checklist, on condition that Champion Australia complies with Listing Rule 3.1 up until its delisting from ASX's official list;
 - (I) paragraph 52 of the Listing Checklist, to the extent necessary to permit Champion Canada not to provide a copy of Champion Canada's most recent annual report, in the event that document does not exist; and
 - (J) paragraphs 56 to 72 (inclusive) of the Listing Checklist, to the extent necessary to permit Champion Canada not to provide the information in connection with ASX Listing Rules 1.2 and 1.3, on condition that Champion Canada satisfies ASX Listing Rules 12.1 and 12.2 at the time of its admission to the official list of ASX;
- (iv) (**asset or profit test**) a waiver from Listing Rule 1.1 condition 9 to the extent necessary to permit Champion Canada not to comply with ASX Listing Rules 1.2 and 1.3 on the condition that Champion Canada satisfies ASX Listing Rules 12.1 and 12.2 at the time of its admission to the official list of ASX;
 - (v) (**prospectus information**) a waiver from Listing Rule 1.4.1 to the extent necessary to permit the Explanatory Memorandum not to include a statement that it contains all information that would otherwise be required under section 710 of the Corporations Act, on condition that Champion Australia provides a statement to the market that it is in compliance with Listing Rule 3.1 at the time that Champion Canada is admitted to the official list of ASX;
 - (vi) (**date**) a waiver from Listing Rule 1.4.4 to the extent necessary to permit the Explanatory Memorandum not to include the date on which it was signed;
 - (vii) (**capital raising**) a waiver from Listing Rule 1.4.7 to the extent necessary to permit the Explanatory Memorandum not to include a statement that Champion Canada has not raised any capital for the three months prior to the date of issue of this Explanatory Memorandum, and will not raise any capital in the three months after that date;
 - (viii) (**supplementary information**) a waiver from Listing Rule 1.4.8 to the extent necessary to permit the Explanatory Memorandum not to include a statement that a supplementary information memorandum will be issued if, between the date of issue of this Explanatory Memorandum and the date on which Champion Canada Shares and Champion Canada CDIs are quoted, Champion Canada becomes aware of the matters referred to Listing Rule 1.4.8;
 - (ix) (**voting**) a waiver from Listing Rule 6.10 to the extent necessary to permit Champion Canada to provide the method for determining whether a

shareholder is entitled to vote at a shareholders meeting in accordance with the laws of Quebec;

- (x) (**proxies**) a waiver from Listing Rule 14.2.1 to the extent necessary to permit Champion Canada not to provide the option in its proxy form for holders of Champion Canada CDIs to vote against a resolution to elect a director or to appoint an auditor, on standard conditions;
- (xi) (**financial accounts**) a confirmation for the purposes of Listing Rule 19.11A that Champion Canada may continue to prepare its accounts in CAD in accordance with IFRS and Champion Canada will not be required to provide a statement reconciling its accounts to Australian accounting standards or other international accounting standards; and
- (xii) (**cancellation of Champion Australia Options**) a waiver from Listing Rule 6.23.2 to permit Champion Australia to cancel options under the Old Plan and Omnibus Plan for consideration without the approval of Champion Australia Shareholders in exchange for new options in Champion Canada on the same commercial terms, on standard conditions (for more information, see Section 4.19)
- (xiii) (**Warrants, PSUs, RSUs and DSUs**) a confirmation that Champion Canada will not need to comply with ASX Listing Rule 6.23 for the amendments to the PSUs, RSUs and DSUs and Warrants.
- (xiv) (**issue of options under new share plans**) a waiver from Listing Rules 7.1, 10.11 and 10.14 to allow Champion Canada to issue options under the new share plans as consideration for options under the Old Plan and Omnibus Plan which Champion Australia propose to cancel on implementation. Champion Canada will also seek a confirmation that it will be able to rely on shareholder approval previously granted for the existing Omnibus Plan for any options issued under the new Omnibus Plan on the same terms.

12.13 **TSX approvals**

TSX has conditionally approved the listing of the Champion Canada Shares. Listing is subject to Champion Canada fulfilling all the listing requirements of the TSX.

12.14 **Privacy and personal information**

Champion Australia, Champion Canada and their respective share registries may collect personal information, including from each other, in the process of implementing the Scheme and the Re-domiciliation and administering the holdings or securities arising from the Re-domiciliation.

The personal information may include the names, addresses, other contact details, bank account details and details of the shareholdings of Champion Australia Shareholders, as well as the names of individuals appointed by Champion Australia Shareholders as proxies, attorneys and corporate representatives at the Scheme Meeting.

Champion Australia Shareholders who are individuals and the other individuals in respect of whom personal information is collected as outlined above have certain rights to access the personal information collected in relation to them. These individuals should contact Automic Group Limited (the Australian Registry) on +61 1300 288 664 or TSX Trust Company (the Canadian Registry) on +1 866 600 5869 on Business Days between 8.30 am and 7.30 pm, Monday to Friday, in the first instance, if they wish to request access to that personal information.

The personal information is collected for the primary purpose of implementing the Re-domiciliation and administering the holding of securities arising from the Re-domiciliation. The personal information may be disclosed to the Registries, to the Authorised Nominee, to securities brokers, to print and mail service providers and to any other service providers and advisers engaged by Champion Australia, Champion Canada or their share registries for this purpose. The personal information of Ineligible Foreign Shareholders may also be disclosed to the Sale Agent for the purposes of operating the Sale Facility.

The main consequence of not collecting the personal information outlined above would be that Champion Australia may be hindered in or prevented from conducting the Scheme Meeting and implementing the Scheme.

Champion Australia Shareholders who appoint an individual as their proxy, attorney or corporate representative to vote at the Scheme Meeting should inform that individual of the matters outlined above.

12.15 **Disclosure of interests**

Except as disclosed elsewhere in this Explanatory Memorandum, no:

(a) person named in this Explanatory Memorandum as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Explanatory Memorandum; or

(b) promoter of Champion Canada,

(together **Interested Persons**) holds, or held at any time during the two years before the date of this Explanatory Memorandum, any interests in:

(c) the formation or promotion of Champion Canada; or

(d) property acquired or proposed to be acquired by Champion Canada in connection with:

(i) its formation or promotion; or

(ii) the offer of Champion Canada Shares or Champion Canada CDIs under the Scheme.

Management of Champion Australia is not aware of any material interest, direct or indirect, of any person who is or has been at any time a director or executive officer within the last financial year or any associate or affiliate of any of the foregoing in any matter to be acted upon at the Scheme Meeting, except as disclosed in this Explanatory Memorandum. Management of Champion Australia is not aware of any material interest, direct or indirect, of any "informed person" of Champion Australia, insider of Champion Australia, person who has been a director or executive officer within the last financial year or any associate or affiliate of any of the foregoing, in any transaction since the commencement of Champion Australia's most recently completed financial year or in any proposed transaction which has materially affected or would materially affect Champion Australia, except as disclosed within this Explanatory Memorandum. An "informed person" means (i) a person who has been a director or executive officer of Champion Australia at any time since the beginning of Champion Australia's last financial year, (ii) a proposed nominee for director, (iii) a director or executive officer of a person or company that is itself an informed person or subsidiary of Champion Australia, (iv) any person or company who beneficially owns or controls or directs, directly or indirectly, voting securities of Champion Australia or a combination of both carrying more than 10% of the voting rights attached to all outstanding voting securities of Champion Australia, (v) Champion Australia, in the event that it has purchased, redeemed or otherwise acquired any of its

securities, for so long as it holds any such securities and (vi) any associate or affiliate of the foregoing.

12.16 **Disclosure of fees and other benefits**

Except as disclosed in this Explanatory Memorandum, no one has paid or agreed to pay any fees or provided or agreed to provide any benefit to any Interested Person for services provided by that person in connection with:

- (a) the formation or promotion of Champion Canada; or
- (b) the offer of Champion Canada Shares or Champion Canada CDIs under the Scheme.

The fees incurred by the persons named in this Explanatory Memorandum as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Explanatory Memorandum up to the date of this Explanatory Memorandum are:

- Ashurst Australia, approximately A\$615,000 (excluding GST and disbursements);
- Grant Thornton Corporate Finance Pty Ltd, A\$70,000 (excluding GST and disbursements);
- KPMG, C\$550,000 (excluding GST and disbursements); and
- McCarthy Tétrault LLP, approximately C\$367,378 (excluding GST and disbursements).

Each of them will be entitled to receive professional fees charged as agreed and in accordance with their normal basis of charging up until implementation of the Re-domiciliation.

12.17 **Foreign selling restrictions**

The release, publication or distribution of this Explanatory Memorandum (electronically or otherwise) outside of Australia or Canada may be restricted by law or regulation in those other jurisdictions and persons outside Australia and Canada who come into possession of it should seek advice and observe these restrictions. Any failure to comply with these restrictions may contravene applicable laws or regulations. Champion Australia disclaims all liabilities to those persons.

This Explanatory Memorandum has been prepared in accordance with the laws and regulations of Australia and Canada and the information contained in this Explanatory Memorandum may not be the same as that which would have been disclosed if this Explanatory Memorandum had been prepared in accordance with the laws and regulations of any other country.

If you are a Champion Australia Shareholder who is a nominee, trustee or custodian, you are advised to seek independent advice as to how you should proceed.

This Explanatory Memorandum and the Re-domiciliation do not in any way constitute an offer of securities in any place in which, or to any person to whom, it would be unlawful to make such an offer. No action has been taken to register or qualify this Explanatory Memorandum, the Scheme, the Champion Canada Shares or the Champion Canada CDIs, or otherwise permit a public offering of Champion Canada Shares or Champion Canada CDIs, in any jurisdiction outside of Australia.

Ineligible Foreign Shareholders will not receive Champion Canada Shares or Champion Canada CDIs under the Re-domiciliation and will instead receive net proceeds of the sale

of the Champion Canada Shares and Champion Canada CDIs to which they would otherwise have been entitled under the Sale Facility. For details regarding Ineligible Foreign Shareholders refer to Sections 4.20(c) and 4.21 of this Explanatory Memorandum.

Notice to Champion Australia Shareholders resident in New Zealand

This Explanatory Memorandum is not a New Zealand product disclosure statement or other disclosure document and has not been registered, filed with or approved by any New Zealand regulatory authority under or in accordance with the Financial Markets Conduct Act 2013 (or any other relevant New Zealand law). The offer of Champion Canada Shares or Champion Canada CDIs under the Scheme is being made to existing shareholders of Champion Australia in reliance upon the Financial Markets Conduct (Incidental Offers) Exemption Notice 2016 and, accordingly, this Explanatory Memorandum may not contain all the information that a product disclosure statement or other disclosure document is required to contain under New Zealand law.

US Notice

The Champion Canada Shares and Champion Canada CDIs proposed to be issued pursuant to the Scheme have not and will not be registered with the U.S. Securities and Exchange Commission (the **SEC**) under the U.S. Securities Act of 1933, as amended (**U.S. Securities Act**), or the securities laws of any state or other jurisdiction in the United States and, accordingly, may not be offered, sold, assigned, transferred, pledged, encumbered or otherwise disposed of in or into the United States unless an exemption from the registration requirement of the U.S. Securities Act is available. This Explanatory Memorandum does not constitute an offer to sell or the solicitation of an offer to buy any Champion Canada Shares and Champion Canada CDIs in any state of the United States in which that offer, solicitation, sale or delivery would be unlawful.

The Champion Canada Shares and Champion Canada CDIs are expected to be issued in reliance on the exemption from the registration requirements of the U.S. Securities Act provided by section 3(a)(10) thereof (**Section 3(a)(10)**). For the purpose of qualifying for the exemption from the registration requirements of the U.S. Securities Act provided by Section 3(a)(10), Champion Australia will advise the Court that its sanctioning of the Scheme will be relied upon as an approval of the Scheme following a hearing on its fairness to Champion Australia Shareholders, at which hearing all such shareholders are entitled to appear in person or through counsel to support or oppose the sanctioning of the Scheme and with respect to which notification has been given to all Champion Australia Shareholders.

The Champion Canada Shares and Champion Canada CDIs generally may be immediately resold without restriction under the U.S. Securities Act by former holders of Champion Australia Shares who are not affiliates (within the meaning of Rule 144 under the U.S. Securities Act) of Champion Canada and have not been affiliates of Champion Canada within 90 days prior to the issuance of Champion Canada Shares and Champion Canada CDIs under the Scheme. Under United States federal securities laws, a former Champion Australia Shareholder who is an affiliate of Champion Canada at the time or within 90 days prior to any resale of Champion Canada Shares or Champion Canada CDIs received under the Scheme will be subject to certain United States transfer restrictions relating to such shares. Such Champion Canada Shares or Champion Canada CDIs may not be sold without registration under the U.S. Securities Act except pursuant to an available exemption from such registration requirements or in a transaction not subject to such requirements (including a transaction that satisfies the applicable requirements for resales outside of the United States pursuant to Regulation S under the U.S. Securities Act). Whether a person is an affiliate of Champion Canada for such purposes depends on the circumstances, but affiliates could include certain officers and directors and significant Champion Canada Shareholders. A Champion Canada Shareholder who believes that he or she may be an affiliate of Champion Canada should consult his or her own legal advisers

prior to any sales of Champion Canada Shares or Champion Canada CDIs received pursuant to the Scheme.

US Champion Australia Shareholders should also note that the Scheme is made for the securities of an Australian company in accordance with the laws of Australia and the ASX Listing Rules. The Scheme is therefore subject to different disclosure requirements from those applicable in the United States.

None of the securities referred to in this Explanatory Memorandum have been approved or disapproved by the SEC, any state securities commission in the United States or any other US regulatory authority, nor have such authorities passed upon or determined the adequacy or accuracy of the information contained in this Explanatory Memorandum. Any representation to the contrary is a criminal offence in the United States.

12.18 **Other material information**

Except as set out in this Explanatory Memorandum, there is no other information material to the making of a decision in relation to the Re-domiciliation, being information that is within the knowledge of any Champion Australia Director which has not been previously disclosed to Champion Australia Shareholders.

12.19 **Supplementary disclosure**

Champion Australia will issue a supplementary document to this Explanatory Memorandum if it becomes aware of any of the following between the date of lodgement of this Explanatory Memorandum for registration by ASIC and the Scheme Meeting:

- a material statement in this Explanatory Memorandum being misleading or deceptive;
- a material omission from this Explanatory Memorandum;
- a significant change affecting a matter included in this Explanatory Memorandum; or
- a significant new circumstance arising which would have been required to be included in this Explanatory Memorandum if it had arisen before the date of lodgement of this Explanatory Memorandum for registration by ASIC.

The form which the supplementary document may take, and whether a copy will be sent to each Champion Australia Shareholder, will depend on the nature and timing of the new or changed circumstances. Any such supplementary document will be made available on Champion Australia's website (<https://www.championiron.com/>) and released to ASX (and, accordingly, available from ASX's website (www.asx.com.au)).

12.20 **Further information**

If you have any questions about or need help in understanding the matters raised in the Explanatory Memorandum, please call the Shareholder Information Lines on +61 2 9810 7816 (8.30 am to 5.30 pm, Monday to Friday (Sydney time)) in Australia or +1 514 316 4858 (from 8.30 am to 5.30 pm, Monday to Friday (Montréal Time)) in Canada on Business Days, and a representative from Champion Australia will respond to your message.

For legal reasons, the Shareholder Information Line will not provide advice on the merits of the Re-domiciliation or of the Champion Canada Shares or Champion Canada CDIs or give any financial, legal or taxation advice. If you are in doubt as to what you should do, you should consult an independent and appropriately licensed and authorised professional adviser without delay.

Any information provided through the Shareholder Information Line will not override the contents of this Explanatory Memorandum.

12.21 **Scheme warranty**

The attention of Champion Australia Shareholders is drawn to the warranties that Scheme Participants will be deemed to have given, if the Scheme takes effect, in clause 3.7(b) of the Scheme (see **Appendix C**).

To this end, each Scheme Participant is deemed to have warranted to Champion Canada (and, to the extent enforceable, appointed and authorised Champion Australia as their agent to warrant to Champion Canada) that:

- (a) all their Scheme Shares (including any rights and entitlements attaching to those shares) will, as at the time of the transfer of them to Champion Canada, be fully paid and (subject to Champion Australia's constitution) free from all security interests (including charges, liens, mortgages and other encumbrances and interests of third parties of any kind, whether legal or otherwise) and from any restrictions on transfer of any kind; and
- (b) they have full power and capacity to transfer their Scheme Shares (including any rights and entitlements attaching to those shares) to Champion Canada under the Scheme.

12.22 **Consent to lodgement**

(a) Champion Australia Directors

Each Champion Australia Director has given, and not withdrawn, his or her consent to the lodgement of this Explanatory Memorandum as an information memorandum for listing with ASX and an explanatory statement in relation to the Scheme with ASIC.

By order of the Champion Australia Board

Michael O'Keeffe
Executive Chairman

(b) Champion Canada Directors

Each Champion Canada Director has given, and not withdrawn, his or her consent to the lodgement of this Explanatory Memorandum as an information memorandum for listing with ASX and an explanatory statement in relation to the Scheme with ASIC.

By order of the Champion Canada Board

Gary Lawler
Director

13. GLOSSARY

Capitalised terms and certain abbreviations used in this Explanatory Memorandum have the defined meanings set out in the Glossary contained in this Section 13.

Term	Definition
A\$	Australian dollars.
ABN	Australian Business Number.
Articles of Association or Articles	the articles of association of Champion Canada.
ASIC	Australian Securities and Investments Commission.
ASX	ASX Limited (ABN 98 008 624 691) or the financial market conducted by it (as the context requires).
ASX Listing Rules	the rules (as amended from time to time) that govern the admission, quotation, suspension and removal of entities from ASX.
ASX Settlement	ASX Settlement Pty Limited (ABN 49 008 504 532).
ASX Settlement Operating Rules	the operating rules for settlement on the official list of ASX.
ATO	the Australian Taxation Office.
ATO Class Ruling	<p>the class ruling which Champion Australia will seek from the Australian Tax Office to the effect that:</p> <ul style="list-style-type: none"> • Australian resident Scheme Participants will receive capital gains rollover relief in relation to the exchange of their Champion Australia Shares for Champion Canada Shares or Champion Canada CDIs under the Scheme; and • Australian resident holders of Incentive Awards or Champion Australia Options will receive employee share scheme roll-over relief or capital gains roll-over relief in relation to the replacement of their relevant interests in Champion Australia with a similar interest in Champion Canada.
Australian Register	the sub-register of members of Champion Australia maintained in Australia under the Corporations Act.
Australian Scheme Participant	an Eligible Scheme Participant who is registered on the Australian Register on the Record Date.
Authorised Nominee	CHESS Depository Nominees Pty Limited (ACN 071 346 506, AFSL 254514), an approved general participant of ASX Settlement and a wholly-owned subsidiary of ASX.
Beneficial Owner	has the meaning given to it in Section 2.9.

Term	Definition
Communication Regulation	
Beneficial Ownership Determination Date	has the meaning given to it in Section 2.3.
Bloom Lake or Bloom Lake Mine	has the meaning given to it in Section 4.1.
Broadridge	has the meaning given to it in Section 2.9(b).
Business Day	any day that is each of the following: (a) a Business Day within the meaning of the ASX Listing Rules; and (b) a weekday on which trading banks are open for business in Sydney, Australia, Toronto, Ontario, Canada, and Montréal, Quebec, Canada.
Buy Back	the buy back of the Special Voting Share by Champion Australia pursuant to the Buy Back Agreement.
Buy Back Agreement	the agreement of that name to be entered into between Champion Australia and TSX Trust Company relating to the buy back by Champion Australia of the Special Voting Share from TSX Trust Company for A\$1.00, which agreement is conditional on Champion Australia Shareholders passing the Buy Back Resolution.
Buy Back Resolution	the special resolution contemplated in section 257D of the Corporations Act to approve of the Buy Back Agreement, the form of which is set out in the Notice of Extraordinary General Meeting in Appendix G .
C\$	Canadian dollars.
Canadian Beneficial Owner	has the meaning given to it in Section 2.9.
Canadian Register	the sub-register of members of Champion Australia maintained in Canada under the Corporations Act.
Canadian Registered Shareholder	has the meaning given to it in Section 2.9.
Canadian Registry	TSX Trust Company.
Canadian Scheme Participant	an Eligible Scheme Participant who is registered on the Canadian Register.
Canadian Tax Act	the <i>Income Tax Act</i> (Canada), as amended from time to time.
CDI	a CHESS Depository Interest, as described in Section 4.10.
CDI Voting	has the meaning given to it in Section 5(g) of Appendix E .

Term	Definition
Instruction Receipt Time	
CDS & Co.	CDS Clearing and Depository Services Inc., which acts as the depository for the intermediaries for many Canadian Beneficial Owners.
CGT	Australian capital gains tax.
Champion Australia	Champion Iron Limited ABN 34 119 770 142.
Champion Australia Board	the board of directors of Champion Australia for the time being and from time to time.
Champion Australia Director	a director of Champion Australia.
Champion Australia Information	the information in this Explanatory Memorandum other than the Champion Canada Information and the Independent Expert's Report.
Champion Australia Option	any of the stock options described in Section 12.5(c) under the heading " <i>Stock options</i> ".
Champion Australia Register	the register of members of Champion Australia maintained by or on behalf of Champion Australia in accordance with section 168(1) of the Corporations Act.
Champion Australia Share	a fully paid ordinary share in the capital of Champion Australia.
Champion Australia Shareholder	a registered or beneficial holder of a Champion Australia Share.
Champion Canada	Champion Iron Inc. (Quebec Enterprise Number (NEQ): 1175104398).
Champion Canada Board	the board of directors of Champion Canada for the time being and from time to time.
Champion Canada CDI	a unit of beneficial ownership in a Champion Canada Share (in the form of a CDI) that is registered in the name of the Authorised Nominee in accordance with the ASX Settlement Operating Rules, for the purpose of enabling the securities to be recorded and transferred in accordance with those operating rules, as described in Appendix E .
Champion Canada CDI Holder	a holder of a Champion Canada CDI.
Champion Canada Information	all information in this Explanatory Memorandum regarding Champion Canada provided by Champion Canada for inclusion in this Explanatory Memorandum, including information set out in Section 8.
Champion Canada	a director of Champion Canada.

Term		Definition
Director		
Champion Register	Canada	the securities register of Champion Canada.
Champion Share	Canada	a fully paid common share in the capital of Champion Canada.
Champion Shareholder	Canada	a registered or beneficial holder of a Champion Canada Share following implementation of the Re-domiciliation.
Champion Incentive Plans		<p>each of:</p> <ul style="list-style-type: none"> the incentive plan entitled "Champion Iron Incentive Plan" adopted by the board of directors of Mamba Minerals Limited (Mamba), the predecessor issuer to Champion Australia, on 26 September 2013 and approved by the shareholders of Mamba on 26 November 2013 (as further approved by the Champion Australia Shareholders and amended from time to time) (Old Plan); and the incentive plan entitled "2018 Omnibus Incentive Plan" adopted by Champion Australia and approved by Champion Australia Shareholders on 17 August 2018 (Omnibus Plan).
Champion Group	Iron	<p>Prior to the implementation of the Re-domiciliation, Champion Australia and its subsidiaries.</p> <p>Following the implementation of the Re-domiciliation, Champion Canada and its subsidiaries (which, for the avoidance of any doubt, includes Champion Australia).</p>
CHESS		the clearing house electronic sub-register system of share transfers operated by ASX Settlement.
CIM		has the meaning given to it in Section 7.4.
Conditions Precedent		the conditions precedent to the Scheme, as set out in Section 4.11.
Corporations Act		the <i>Corporations Act 2001</i> (Cth).
Corporations Regulations		the <i>Corporations Regulations 2001</i> (Cth).
Court		the Federal Court of Australia.
CRA		Canada Revenue Agency.
CRA Ruling		the advance income tax ruling which Champion Australia has sought from the Canada Revenue Agency to the effect, <i>inter alia</i> , that certain Eligible Scheme Participants who make a Joint Tax Election will receive full or partial capital gains rollover relief in relation to the transfer of their Champion Australia Shares to Champion Canada in exchange for Champion Canada Shares under the Scheme as described in Section 10.3.

Term	Definition
Deed Poll	the deed poll of that name entered into by Champion Canada on 29 January 2020, as set out in Appendix D .
Effective	when used in relation to the Scheme, means the coming into effect, pursuant to section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) of the Corporations Act in relation to the Scheme as described in Section 4.14.
Effective Date	the date on which the Scheme becomes Effective, expected to be 23 March 2020.
Eligible Scheme Participant	a Scheme Participant who is not an Ineligible Foreign Shareholder.
Explanatory Memorandum	this document, which includes the Scheme, the explanatory statement for the Scheme, the Notice of Scheme Meeting, the Notice of Extraordinary General Meeting and the Independent Expert's Report.
Extraordinary General Meeting	the meeting of Champion Australia Shareholders convened by Champion Australia in accordance with section 257D of the Corporations Act to consider and, if thought fit, approve the Buy Back Resolution.
FATA	the <i>Foreign Acquisitions and Takeovers Act 1975</i> (Cth)
First Court Date	the date of the First Court Hearing, being 4 February 2020.
First Court Hearing	the hearing of the application made to the Court for orders under section 411(1) of the Corporations Act to convene the Scheme Meeting.
Government Agency	a government, government department or a governmental, semi-governmental, administrative, statutory or judicial entity, agency, authority, commission, department, tribunal, or person charged with the administration of a law or agency, whether in Australia or elsewhere, including the Australian Competition and Consumer Commission, ASIC, ASX, the TSX, the Takeovers Panel, any self-regulatory organisation established under statute or by ASX or the TSX.
Implementation Date	the date of implementation of the Re-domiciliation and the receipt of Scheme Consideration by Eligible Scheme Participants pursuant to the Scheme, which is expected to be 1 April 2020 or such other date as determined by the Champion Australia Board.
Incentive Awards	has the meaning given to it in Section 12.4(b).
Indemnification Agreements	the indemnification agreement entered into by Champion Canada with each of the Champion Canada Directors.
Independent Expert	Grant Thornton Corporate Finance Pty Ltd (ABN 59 003 265 987).
Independent	the report of the Independent Expert as set out in Appendix B

Term	Definition
Expert's Report	and any update to that report that the Independent Expert issues.
Ineligible Foreign Shareholder	a Scheme Participant whose address as shown in the Champion Australia Register (as at the Record Date) is in any jurisdiction other than Australia, Canada, New Zealand, the United Kingdom and the United States of America or other jurisdiction as agreed between Champion Australia and Champion Canada.
Interested Persons	has the meaning given to it in Section 12.15.
Listing Checklist	has the meaning given to it in Section 12.12(b)(iii).
Major Shareholders	each of WC Strategic Opportunity LP, Investissement Quebec, and Prospect AG Trading Pty Ltd (and its related entities, which are all companies controlled by Michael O'Keeffe, the Executive Chairman of the Champion Australia Board).
Mineral Resources	has the meaning given to it in Section 7.4.
NI 43-101	has the meaning given to it in Section 7.3(a).
Notice of Extraordinary General Meeting	the notice of meeting for the Extraordinary General Meeting set out in Appendix G .
Notice of Scheme Meeting	the notice of meeting for the Scheme Meeting set out in Appendix F .
NOBOs	has the meaning given to it in Section 2.9.
OBOs	has the meaning given to it in Section 2.9.
Old Plan	has the meaning given to it in the definition of <i>Champion Incentive Plans</i> .
Omnibus Plan	has the meaning given to it in the definition of <i>Champion Incentive Plans</i> .
Phase II Feasibility Study	The technical report dated 20 June 2019 and issued on 12 August 2019, titled "NI 43-101 Technical Report - Bloom Lake Mine Feasibility Study Phase 2, Fermont, Quebec, CANADA" authored by André Allaire, P. Eng., Isabelle Leblanc, P. Eng., Pierre-Luc Richard, P. Geo., each of BBA Inc., Mathieu Girard, P. Eng., of Soutex, and Philippe Rio Roberge, P. Eng., of WSP Canada Inc.
Proxy Form	Means either: <ul style="list-style-type: none"> (a) the Scheme Meeting Proxy Form which accompanies this Explanatory Memorandum and provides for Champion Australia Shareholders to give voting instructions and appoint proxies for the Scheme Meeting; and (b) the Extraordinary General Meeting Proxy Form which accompanies this Explanatory Memorandum and provides for Champion Australia Shareholders to give voting

Term	Definition
	instructions and appoint proxies for the Extraordinary General Meeting.
QBCA	the <i>Business Corporations Act</i> (Quebec) (CQLR c S-31.1)
Qualified Person	has the meaning given to it in Section 7.4.
Record Date	7.00 pm (Sydney time) on the day which is two Business Days after the date on which the Scheme becomes Effective, expected to be 25 March 2020. This corresponds to 4.00 am on 25 March 2020 in Montréal.
Relevant Instrument	<p>in relation to a person:</p> <p>(a) its certificate of incorporation, articles, by-laws, constitution or other charter documents;</p> <p>(c) any agreement, bond, contract, deed of trust, indenture, instrument, note, security interest, undertaking or other obligation to which it is a party or by which its assets are bound and affected;</p> <p>(d) any Authorisation; or</p> <p>(e) any decree, injunction, judgment, law, order, statute, regulation, rule or writ applicable to it or its assets.</p>
Required Consents	<p>means the approvals, consents, permissions or waivers of third parties (including any Government Agency) that is required in connection with or as a result of the proposal or implementation of the Scheme in order to avoid:</p> <p>(a) a material breach, default or violation occurring under a Relevant Instrument applicable to a party or its subsidiaries;</p> <p>(b) any third party becoming entitled to terminate, withdraw from or accelerate a material Relevant Instrument applicable to a party or its subsidiaries, or call for a material default under a Relevant Instrument applicable to a party or its subsidiaries;</p> <p>(c) any third party becoming entitled to amend the terms of a Relevant Instrument in a way which would materially adversely affect a party or its subsidiaries or enable the third party to acquire a right which would materially adversely affect a party or its subsidiaries; or</p> <p>(d) the creation of a security interest on any of the material assets or properties of a party or its subsidiaries.</p>
Re-domiciliation	the proposed re-domicile of Champion Australia from Australia to Canada, to be implemented pursuant to the Scheme in the manner more fully described in this Explanatory Memorandum.
Registries	<p>in Australia:</p> <ul style="list-style-type: none"> • Automic Group Limited; or <p>in Canada:</p>

Term	Definition
	<ul style="list-style-type: none"> • TSX Trust Company, or any other registry that Champion Australia appoints to maintain the Champion Australia Register.
Related Corporate Body	has the meaning given to it in the Corporations Act.
Relevant Interest	has the meaning given to it in the Corporations Act.
requisite majorities	has the meaning given to it in Section 4.12.
Sale Agent	Canaccord Genuity Corp, being the person nominated by Champion Canada to sell or facilitate the sale of Champion Canada Shares or Champion Canada CDIs under the Sale Facility as described in Section 4.21.
Sale Facility	the facility to be established by Champion Canada and managed by the Sale Agent under which Ineligible Foreign Shareholders' Champion Canada Shares and Champion Canada CDIs may be sold in accordance with the terms of the Scheme, as described in Section 4.21.
Sale Securities	the Champion Canada Shares and Champion Canada CDIs to be issued to the Sale Agent under the Sale Facility, as described in Section 4.21.
Scheme	a scheme of arrangement under Part 5.1 of the Corporations Act between Champion Australia and the Champion Australia Shareholders, substantially in the form set out in Appendix C or in such other form as Champion Australia and Champion Canada agree in writing (subject, where required, to the approval of ASIC, ASX, the Court or the TSX).
Scheme Consideration	one Champion Canada Share (which, in the case of Scheme Participants who are Australian Scheme Participants or who notify Champion Canada that they wish to hold the Scheme Consideration on ASX, is represented by one Champion Canada CDI) for each Champion Australia Share held by a Scheme Participant as at the Record Date.
Scheme Implementation Deed	The deed of that name entered into by Champion Australia and Champion Canada on 7 January 2020, as described in Section 12.10.
Scheme Meeting	the meeting of Champion Australia Shareholders ordered by the Court pursuant to section 411(1) of the Corporations Act to consider the Scheme Resolution.
Scheme Participant	each person who is a Champion Australia Shareholder at the Record Date.
Scheme Resolution	the resolution to be put to Champion Australia Shareholders to approve the Scheme, the form of which is set out in the Notice of Scheme Meeting in Appendix G .

Term	Definition
Scheme Share	a Champion Australia Share on issue as at the Record Date.
Second Court Date	the date of the Second Court Hearing, which is expected to be 20 March 2020.
Second Court Hearing	the hearing of the application made to the Court for an order pursuant to section 411(4)(b) of the Corporations Act approving the Scheme.
Section	is a reference to a section in this Explanatory Memorandum.
Shareholder Information Line	the information line set up for the purpose of answering enquiries from Champion Australia Shareholders in relation to the Re-domiciliation, the details of which are set out in Section 2.10.
Special Voting Share	the single special voting share in the capital of Champion Australia having the rights, privileges and conditions attached to it in rule 22.3 and Schedule 2 of Champion Australia's constitution.
Subscriber Share	has the meaning given to it in Section 8.1.
Tax Instruction Letter	has the meaning given to this term in Section 10.3 under the heading " <i>Certain Canadian Federal Income Tax Considerations – Resident in Canada – Transfer of Champion Australia Shares for Champion Canada Shares - Rollover Transaction - Joint Tax Election - Procedure for Making an Election</i> ".
TSX	the Toronto Stock Exchange.
TSX Listing Rules	the rules (as amended from time to time) that govern the admission, quotation, suspension and removal of entities from the TSX.
US\$	United States dollars.
U.S. Securities Act	has the meaning given to it in Section 12.17.
Voting Instruction Form or VIF	has the meaning given to it in Section 2.9.
Voting Record Date	7.00 pm (Sydney time) on 10 March 2020 (which corresponds to 4.00 am on 10 March 2020 in Montréal), being the date and time which determines the entitlement of Champion Australia Shareholders to vote at the Scheme Meeting.
Warrant	a warrant to subscribe for one Champion Australia Share before a specified date.

APPENDIX A: COMPARISON OF AUSTRALIAN AND CANADIAN LAWS

Requirement	Australia	Canada (Quebec)
<i>Rights attaching to shares</i>		
Share capital	<p>The Corporations Act does not:</p> <ul style="list-style-type: none"> • prescribe the minimum amount of share capital that a company should have; • prescribe a minimum issue price for each share in a company; or • require a company to place a maximum limit on the share capital for which its members may subscribe. <p>Australian law does not contain any concept of authorised capital or par value per share.</p> <p>The issue price of shares is set by the directors collectively as a board at the time of each issue.</p>	<p>The QBCA does not:</p> <ul style="list-style-type: none"> • prescribe the minimum amount of share capital that a company should have; • prescribe a minimum issue price for each share in a company (except for shares with par value, which may not be issued for a consideration less than their par value); or • require a company to place a maximum limit on the share capital for which its members may subscribe. <p>Under the QBCA, authorised capital of a corporation means the class or classes of shares and the number of each class of shares (which may be unlimited for each class) that the corporation is authorised to issue under its articles.</p> <p>The issue price of shares is set by the directors collectively as a board at the time of each issue.</p>
Transfer of shares	<p>Under Champion Australia's constitution, the Champion Australia Board may decline to register a transfer of shares where:</p> <ul style="list-style-type: none"> • may refuse to register a transfer of shares only if that refusal would not contravene the Listing Rules or the ASX Settlement Rules; • without limiting the above, but subject to the Corporations 	<p>Champion Canada's Articles do not provide the Champion Canada Board with any rights to decline to register a transfer of shares.</p>

Requirement	Australia	Canada (Quebec)
	<p>Act, the Listing Rules and the ASX Settlement Rules, may refuse to register a transfer of shares where the registration of the transfer would create a new holding of an unmarketable parcel;</p> <ul style="list-style-type: none"> • subject to section 259C of the Corporations Act, must not register a transfer to a subsidiary of the company; and • must not register a transfer if the Act, the Listing Rules or the ASX Settlement Rules forbid registration. • If the Board refuses to register a transfer, the company must give the lodging party notice of the refusal and the reasons for it within five business days after the date on which the transfer was delivered to it. 	
<p>Purchase of own shares</p>	<p>Under the Corporations Act, a company may buy back its shares under a specific buy back scheme if:</p> <ul style="list-style-type: none"> • the buy back does not materially prejudice the company's ability to pay its creditors; and • the company follows the procedures set out in the Corporations Act. <p>Share buy backs that intend to buyback more than 10% of the votes attaching to the smallest number of shares in the previous 12 months require approval by the company's members by way of ordinary resolution.</p> <p>The form of shareholder approval (e.g. ordinary resolution or special/unanimous resolution), if required, and the notice period and disclosure requirements to be given to shareholders will depend on the type of buy back. Generally, buy back schemes can be characterised as minimum holding, equal access, selective, on-market or relating to employee shares schemes.</p>	<p>Under the QBCA, a corporation may repurchase its shares, subject to any restrictions in its articles, unless there are reasonable grounds for believing that the corporation is, or would after the repurchase be, unable to pay its liabilities as they become due or unable to pay, when due, the entire redemption price of its redeemable shares.</p>

Requirement	Australia	Canada (Quebec)
Source and payment of dividends	A company must not pay a dividend unless the value of its assets exceed its liabilities immediately before the dividend is declared and the excess is sufficient for the payment of the dividend. The dividend must be fair and reasonable to the company's shareholders as a whole and must not materially prejudice the company's ability to pay its creditors. Additionally, where a dividend is paid out of capital, the provisions of the Corporations Act relating to reductions of capital must also be complied with.	Under the QBCA, a corporation may declare and pay a dividend, either in money or property or by issuing fully paid shares or options or rights to acquire fully paid shares of the corporation. A corporation may not declare and pay a dividend, except by issuing shares or options or rights to acquire shares, if there are reasonable grounds for believing that the corporation is, or would after the payment be, unable to pay its liabilities as they become due.
Variation of class rights	Under the Corporations Act, rights attaching to a class of shares may only be varied or cancelled by special resolution of the company's shareholders and a special resolution of those members holding shares in that class or otherwise with the consent in writing of the holders of 75% of that class.	The QBCA provides that a special resolution that favours certain shareholders of a class or series of shares or changes prejudicially the rights attaching to all the shares of a class or series of shares must be approved by the shareholders of that class or series. The same applies to a special resolution authorising the articles to be amended in order to allow the board of directors to change prejudicially the rights attaching to all the shares of a class or series of shares without shareholder authorisation. Approval must be given by a special resolution adopted separately by the holders of each class or series of shares concerned, whether or not the shares otherwise carry voting rights. This approval is not required if: <ul style="list-style-type: none"> • the special resolution changes prejudicially in the same manner the rights attaching to all the shares issued by the corporation; or • under the amendment to the articles authorised by the special resolution, it is only possible to change prejudicially the rights attaching to all the shares issued by the corporation.

Requirement	Australia	Canada (Quebec)
Capital raising		
Issue of new shares	<p>The Corporations Act allows directors to issue shares without shareholder approval.</p> <p>Subject to specified exceptions (for pro rata issues, etc.), the ASX Listing Rules apply to restrict a company from issuing, or agreeing to issue, more ordinary securities than 15% of the total of the number calculated accordingly to a prescribed equation in any 12 month period unless the company has shareholder approval.</p>	<p>The QBCA allows directors to authorise a corporation to issue shares without shareholder approval.</p>
Continuous disclosure	<p>Under the ASX Listing Rules, a company is required to disclose to ASX any information concerning the company that a reasonable person would expect to have a material effect on the price or the value of its shares (or options).</p> <p>The Corporations Act also imposes obligations on a company to require it to notify the ASX of relevant information where the company is required under the ASX Listing Rules to notify ASX of information about specified events or matters as they arise for market disclosure.</p> <p>There are also periodic reporting and disclosure rules that apply to Champion Australia, requiring it (among other things) to report to ASX at the end of every half year and annually in respect of its financial statements and reports.</p>	<p>The QBCA and Champion Canada's Articles do not address continuous disclosure matters, but Champion Canada will continue to be subject to Canadian continuous disclosure obligations without modifications.</p>
Directors		
Appointment of directors	<p>Champion Australia must have three to nine directors. At each general meeting, one third of the Champion Australia Board (or the number nearest to but not exceeding one third) (except the managing director) must retire from office, but no director may retain office for more than three years or until the third annual general meeting. The director or directors to retire are the one-third or other number nearest to but not exceeding one-third of the number of the Directors who</p>	<p>Champion Canada must have a minimum of three directors, of whom at least two are not officers or employees of Champion Canada or its affiliates. Election of directors takes place at each annual general meeting of shareholders. Unless otherwise decided by the shareholders, each director shall hold office for a term of one year or until the election of his or her successor unless such director resigns or his or her office</p>

Requirement	Australia	Canada (Quebec)
	<p>have been longest in office since their election. A retiring director is eligible for re-election.</p> <p>The Champion Australia Directors may, at any time, appoint any person as a director subject to some restrictions set out in Champion Australia's constitution.</p>	<p>becomes vacant by death, removal or other cause. A quorum of directors may fill a vacancy on the board. The directors may appoint one or more additional directors to hold office for a term expiring not later than the close of the next annual shareholders meeting, but the total number of directors so appointed may not exceed one third of the number of directors elected at the previous annual shareholders meeting.</p>
Removal of directors	<p>Champion Australia may remove a director before his or her period of office ends by passing a resolution at a general meeting. Directors cannot themselves remove a director from his or her office or require a director to vacate his or her office.</p>	<p>Champion Canada may by ordinary resolution passed at a special meeting of shareholders remove any director or directors. Directors cannot themselves remove a director from his or her office or require a director to vacate his or her office.</p>
Rotation of directors	<p>Under the ASX Listing Rules, the directors of Champion Australia, other than the managing director, are to retire by rotation.</p> <p>Under Champion Australia's constitution, at every annual general meeting, one third of the directors (other than the managing director) or, any director who, if that director did not retire at that annual general meeting, would have held that office for more than three years, must automatically retire from office. These directors are entitled to be re-elected.</p>	<p>The QBCA does not provide for any rotation requirements for boards of directors of public companies. The Articles of Champion Canada do not impose any rotation restrictions or requirements on its board of directors.</p>
Powers of the board of directors	<p>The Champion Australia constitution grants the Champion Australia Board the power to manage Champion Australia's business and to exercise all powers of Champion Australia except the powers specified in the Corporations Act or the Champion Australia constitution that are to be exercised by shareholders.</p>	<p>Pursuant to the QBCA, the board of directors of Champion Canada exercises all the powers necessary to manage, or supervise the management of, the business and affairs of Champion Canada. Except to the extent provided by law, these powers may be exercised without shareholder approval and may be delegated to a director, an officer or one or more committees of the Champion Canada Board.</p>
Fiduciary	<p>Under Australian law, the directors</p>	<p>Under Canadian law, in the</p>

Requirement	Australia	Canada (Quebec)
duties of directors and officers	and officers of a company are subject to duties to act in good faith in the interests of the company, act for a proper purpose, not fetter their discretion (in the case of directors only), exercise care, skill and diligence, avoid conflicts of interest, not use their position to their advantage, and not misappropriate company property.	exercise of their functions, directors and officers are duty-bound toward the corporation to act with prudence and diligence, honesty and loyalty and in the interest of the corporation, avoid conflicts of interest and not use their position to their advantage.
Remuneration of directors and officers	<p>Under the ASX Listing Rules, the maximum amount to be paid to a company's directors for their services as directors (other than the salary of an executive director) is not to exceed the amount approved by shareholders at a general meeting.</p> <p>Australian law gives shareholders of listed companies the right to participate in a non-binding vote, to be held at the annual general meeting, on the adoption of the remuneration report of the company. The remuneration report is included in the directors' report and is required to contain a discussion of the board's policy in relation to remuneration of key management personnel of the company.</p>	Under the QBCA, unless otherwise provided in the by-laws, the board of directors determines the remuneration of the corporation's directors and officers. Champion Canada's by-laws do not contain specific provisions with respect to the remuneration of directors.
Retirement benefits	<p>Under the Corporations Act, a company is allowed to pay benefits to directors and officers on their retirement or termination. These benefits require shareholder approval in certain circumstances.</p> <p>Under the ASX Listing Rules, termination benefits to directors (that are or may be payable to all officers) must not exceed 5% of the equity interests of a company as set out in its latest financial statements given to ASX. The 5% limit may, however, be exceeded with shareholder approval.</p>	The QBCA and Champion Canada's Articles do not address retirement benefits matters.
Insider trading	Under the Corporations Act, any person who possesses price sensitive information relating to a company or its securities is prohibited (subject to exceptions) from buying or selling those securities or procuring others do so, or from communicating the information to third parties.	The QBCA and Champion Canada's Articles do not address insider trading matters.

Requirement	Australia	Canada (Quebec)
<p>Director's declarations of interest</p>	<p>The Corporations Act generally requires a company's director who has a material personal interest in a matter that relates to the affairs of the company to give the other directors notice of that interest. That director must not be present at a meeting where the matter is being considered or vote on the matter unless the other directors or ASIC approve, or the matter is not one which requires disclosure under the Corporations Act. Under the Corporations Act, failure of a director to disclose a material personal interest, or voting despite a material personal interest, does not affect the validity of a contract in which the director has an interest. A company's directors, when entering into transactions with the company, are subject to the common law and statutory duties to avoid conflicts of interest.</p>	<p>Under the QBCA, subject to certain exceptions, a director of a corporation must disclose the nature and value of any interest he or she has in a contract or transaction to which the corporation is a party. For the purposes of this rule, the "interest" means any financial stake in a contract or transaction that may reasonably be considered likely to influence decision-making. Furthermore, a proposed contract or a proposed transaction, including related negotiations, is considered a "contract" or "transaction". Unless it is recorded in the minutes of the first meeting of the board of directors at which the contract or transaction is discussed, the disclosure of an interest, contract or transaction must be made in writing to the board of directors as soon as the director becomes aware of the interest, contract or transaction. Subject to certain exceptions, a director who has interest in a contract or a transaction, may not vote on a resolution to approve, amend or terminate the contract or transaction, or be present during deliberations concerning such approval. If all the directors are required to abstain from voting, the contract or transaction may be approved solely by the shareholders entitled to vote, by ordinary resolution. If a director fails to comply with the duty to disclose his or her interest, the corporation or a shareholder may ask the court to declare the contract or transaction null and to require the director to account to the corporation for any profit or gain realised on it by the director or his or her associates, and to remit the profit or gain to the corporation, according to the conditions the court considers appropriate.</p>
<p>Release from liability and indemnification</p>	<p>A company may not generally exempt a director from, or indemnify him or her against,</p>	<p>Under the QBCA, a corporation must indemnify a director or officer of the corporation</p>

Requirement	Australia	Canada (Quebec)
of directors and officers	<p>liability in connection with any negligence, default, breach of duty or breach of trust by him or her in relation to the company (or an associated company).</p> <p>The general prohibition against exemption or indemnification by a company of its directors is subject to the following exceptions:</p> <ul style="list-style-type: none"> • the company may indemnify a director against liabilities incurred in connection with a claim made by third parties, for example, a creditor; and • the company is permitted to enter into a qualifying pension scheme indemnity provision with directors of a company which is a trustee of an occupational pension scheme; and • the company is permitted to purchase and maintain insurance for its directors (or directors of its associated companies). 	<p>against all costs, charges and expenses reasonably incurred in the exercise of their functions, including an amount paid to settle an action or satisfy a judgment, or arising from any investigative or other proceeding in which the director or officer is involved provided the following conditions are met:</p> <ul style="list-style-type: none"> • the director or officer acted with honesty and loyalty in the interest of the corporation; and • in the case of a proceeding that is enforced by a monetary penalty, the director or officer had reasonable grounds for believing that his or her conduct was lawful. <p>The corporation must also advance moneys to such a director or officer for the costs, charges and expenses of a proceeding referred to in the first paragraph.</p> <p>However, the corporation may not indemnify a director or an officer if the court determines that (i) the two conditions described above are not met or (ii) the director or officer committed an intentional or gross fault. In such a case, the director or officer must repay to the corporation any moneys advanced.</p> <p>A corporation may purchase and maintain insurance for the benefit of its directors and officers against any liability they may incur as such or in their capacity as directors or officers.</p>
Shareholders meetings		
Meetings of shareholders	<p>A company's annual general meeting must be held at least once in each calendar year and within five months after the end of its financial year. A general meeting of a company's shareholders may be called from time to time by the company's board, the company's individual directors or by the company's</p>	<p>Under the QBCA, an annual meeting of shareholders of a corporation entitled to vote at such a meeting must be held not later than 18 months after the corporation is constituted and, subsequently, not later than 15 months after the last preceding annual shareholders meeting. The board of directors</p>

Requirement	Australia	Canada (Quebec)
	shareholders with at least 5% of the votes that may be cast at a general meeting may call a meeting or request the company's directors to call a meeting.	calls the annual shareholders meeting. Furthermore, the holders of not less than 10% of the issued shares that carry the right to vote at a shareholders meeting sought to be held may requisition the board of directors to call a shareholders meeting for the purposes stated in the requisition.
Notice of meetings	For a listed company, notice of a general meeting must be given, at least 28 days before the date of the meeting, to a company's shareholders entitled to vote at the meeting, as well as to the company directors and auditors.	Under the QBCA, for a listed company, notice of a shareholders general meeting must be sent to each shareholder entitled to vote at the meeting and to each director not less than 21 days and not more than 60 days before the meeting.
Quorum	<p>Quorum under the Champion Australia constitution is two Champion Australia Shareholders.</p> <p>If a quorum is not present within 30 minutes, the meeting may be dissolved (if the meeting was convened by members) or be adjourned without specifying a date for a further meeting.</p>	<p>Under the Champion Canada by-laws, at any meeting of shareholders, a quorum will be one or more persons present and holding or representing by proxy more than 10% of the votes entitled to be cast at the meeting.</p> <p>If a quorum is not present at the opening of the meeting, the shareholders present may adjourn the meeting to a specific time and place, but may not transact any other business.</p>
Passing resolutions at a general meeting	Under the Corporations Act, a resolution at a general meeting of shareholders is to be passed by a simple majority of votes cast by the shareholders present (in person or by proxy) and voting at the meeting.	Under the QBCA, unless the QBCA or the corporation's articles provide otherwise, a resolution at a company's general meeting of shareholders is to be passed by a simple majority of votes cast by the shareholders entitled to vote on the resolution. Champion Canada's Articles do not contain specific provisions with respect to passing resolutions by shareholders.
Ordinary and special resolutions	<p>Unless the Corporations Act or the constitution requires a special resolution, resolutions are passed by a simple majority of votes cast on the resolution by shareholders entitled to vote on the resolution.</p> <p>A special resolution may be passed</p>	<p>Unless the QBCA or the corporation's articles require a special resolution, ordinary resolutions are required and are passed by a simple majority of votes cast on the resolution.</p> <p>A special resolution means a</p>

Requirement	Australia	Canada (Quebec)
	<p>if notice of a general meeting is given which specifies the intention to propose the special resolution and states the resolution to be proposed.</p> <p>A special resolution must be passed by at least 75% of the votes cast by shareholders entitled to vote. The Corporations Act requires certain matters to be resolved by a company by special resolution, including the change of name of the company, a selective reduction of capital or selective share buy back, the conversion of the company from one type or form to another and a decision to wind up the company voluntarily.</p> <p>Under the Corporations Act, a special resolution is also required to modify or repeal a company's constitution.</p>	<p>resolution that requires at least two thirds of the votes cast at a shareholders meeting by the shareholders entitled to vote on the resolution.</p> <p>Under the QBCA, certain matters must be approved by special resolution. Some of these matters include: reduction of share capital, articles amendments, certain amalgamations, continuance into another jurisdiction, alienation of the corporation's property if, as a result of the alienation, the corporation would be unable to retain a significant part of its business activity, and voluntary dissolution of a corporation.</p> <p>If a special resolution is to be considered at a shareholders meeting, the notice must contain the text of any special resolution to be submitted to the meeting.</p>
<p>Shareholder proposed resolutions</p>	<p>Under the Corporations Act, shareholders holding at least 5% of the votes that may be cast at a general meeting, or at least 100 shareholders who are entitled to vote at the meeting, may by written notice to the company propose a resolution for consideration at the next general meeting occurring more than two months after the date of that notice.</p>	<p>To be eligible to submit a shareholder proposal under the QBCA, a person must be, for at least six months before the day on which the proposal is submitted, the holder or beneficiary of at least 1% of the outstanding shares of the corporation or the holder or beneficiary of outstanding shares of the corporation having a fair market value of at least C\$2,000. The person submitting a shareholder proposal must continue to be a registered holder or beneficiary of the shares up to and including the day of the shareholders meeting. Moreover, the shareholder proposal must, among other conditions, be submitted to the corporation within 90 days before the expiry of one year after the date of the notice of meeting for the last annual meeting sent to the shareholders. Any shareholder proposal that complies with the QBCA must be attached to the management proxy circular or, if the management is not soliciting proxies, to the notice</p>

Requirement	Australia	Canada (Quebec)
		<p>of meeting for the annual shareholders meeting. The number of proposals presented by a person for a meeting may not exceed five.</p> <p>The QBCA and the <i>Regulation respecting shareholder proposals</i> (Quebec), provide exemptions from the requirements to include a proposal in a corporation's management proxy circular in circumstances where:</p> <ul style="list-style-type: none"> • the shareholder proposal is not submitted to the corporation within the period mentioned above; • the primary purpose of the proposal is to enforce a personal claim or redress a personal grievance against the corporation or its directors, officers or shareholders; • the primary purpose of the proposal does not relate in a significant way to the business or affairs of the corporation, including making or amending by-laws, amending the articles or liquidating or dissolving the corporation; • within two years before the receipt of a proposal, a person failed to present, at a shareholders meeting, a proposal that, at the person's request, had been attached to a management proxy circular or the notice of meeting; • substantially the same proposal attached to a management proxy circular or a dissident's proxy circular was presented to the shareholders at a shareholders meeting held within five years before the receipt of the proposal and did not receive at the meeting the support of (i) 3% of the total number of shares whose voting right was exercised, if the proposal was presented at only one annual

Requirement	Australia	Canada (Quebec)
		<p>shareholders meeting; (ii) 6% of the total number of shares whose voting right was exercised during the last presentation of the proposal to the holders, if the proposal was presented at two annual shareholders meetings; or (iii) 10% of the total number of shares whose voting right was exercised during the last presentation of the proposal to the holders, if the proposal was presented at at least three annual shareholders meetings; or</p> <ul style="list-style-type: none"> the right to present a proposal is being abused to secure publicity.
Voting	<p>Each share of a company confers a right to vote at all general meetings. On a show of hands, each company shareholder present in person or by proxy, attorney or body corporate representative has one vote. If a poll is held, the company's shareholders present in person or by their proxy, attorney or body corporate representative will have one vote for every company share held. A signed proxy must be received at least 48 hours before a meeting.</p> <p>A poll may be demanded by the chairman of the general meeting, at least five company shareholders entitled to vote on the resolution or shareholders present at the meeting holding at least 5% of the votes that may be cast on the resolution on a poll. The percentage of votes that shareholders have is to be worked out as at the midnight before the poll is demanded.</p>	<p>Subject to the QBCA and the articles of a corporation, a shareholder has one vote in respect of each share held by that shareholder and is entitled to one vote in person or by proxy.</p> <p>Unless otherwise provided in the by-laws of a corporation, voting is conducted by a show of hands unless a ballot is demanded by a shareholder entitled to vote at the shareholders meeting. A shareholder may demand a ballot either before or after a vote by show of hands. Unless otherwise provided in the by-laws, a vote may be held by any means of communication made available by the corporation.</p> <p>Unless otherwise provided in the by-laws, any shareholder participating in a shareholders meeting by means of equipment enabling all participants to communicate directly with one another may vote by any means enabling votes to be cast in a way that allows them to be verified afterwards and protects the secrecy of the vote when a ballot has been requested.</p>

Requirement	Australia	Canada (Quebec)
Relationship between the company and its members		
Related party transactions	<p>The Corporations Act prohibits a public company from giving a related party a financial benefit unless it obtains the prior approval of shareholders and gives the benefit within 15 months after approval or the financial benefit is exempt. A related party is defined to include any entity which controls the public company, directors of the public company, directors of any entity which controls the public company and, in each case, spouses and certain relatives of such persons. Exempt financial benefits include indemnities, insurance premiums and payments for legal costs which are reasonable in the circumstances.</p> <p>The ASX Listing Rules prohibit a listed entity from acquiring a substantial asset (an asset the value or consideration for which is 5% or more of the entity's equity interests) from, or disposing of a substantial asset to certain parties, including related parties, unless it obtains the approval of shareholders. The related parties include (but are not limited to) directors of the entity and an entity that controls the entity; a subsidiary of the entity; a person who has or has had in the prior six month period a relevant interest in 10% or more of the shares in the entity and, in each case, any of their associates. The provisions apply even where the transaction may be on arm's-length terms.</p> <p>The ASX Listing Rules also prohibit a listed entity from issuing or agreeing to issue shares to related parties unless it obtains the approval of shareholders or the share issue is exempt. Exempt share issues include issues made pro rata to all shareholders, under an underwriting agreement, under a dividend or distribution plan or under an approved employee incentive plan.</p>	<p>The QBCA requires directors (see section "<i>Director's declarations of interest</i>" above) and officers to disclose to the corporation the value of any interest he or she has in a contract or transaction to which the corporation and any of the following are a party:</p> <ul style="list-style-type: none"> • an associate of the director or officer; • a group of which the director or officer is a director or officer; or • a group in which the director or officer or an associate of the director or officer has an interest. <p>No director having such an interest may vote on any resolution to approve such contract or transaction unless the contract or transaction:</p> <ul style="list-style-type: none"> • relates primarily to the remuneration of the director or an associate of the director as a director of the corporation or an affiliate of the corporation; • relates primarily to the remuneration of the director or an associate of the director as an officer, employee or mandatary of the corporation or an affiliate of the corporation, if the corporation is not a public company; • is for indemnity or liability insurance; or • is with an affiliate of the corporation, and the sole interest of the director is as a director or officer of the affiliate. <p>A contract or transaction may not be declared null only because a director or officer did not disclose his or her interest if:</p> <ul style="list-style-type: none"> • the contract or transaction was approved by ordinary resolution by the shareholders entitled to

Requirement	Australia	Canada (Quebec)
		<p>vote who do not have an interest in the contract or transaction;</p> <ul style="list-style-type: none"> • the required disclosure was made to the shareholders in a sufficiently clear manner before the contract or transaction was approved; and • the contract or transaction was in the best interests of the corporation when it was approved.
<p>Protection of minority shareholders</p>	<p>Under the Corporations Act, any shareholder of a company can bring an action in cases of conduct which is contrary to the interests of shareholders as a whole, or oppressive to, unfairly prejudicial to, or unfairly discriminatory against, any company shareholder(s), whether in their capacity as a shareholder or in any other capacity. Former shareholders can also bring an action if it relates to the circumstances in which they ceased to be a shareholder.</p> <p>A statutory derivative action may also be instituted by a company shareholder, former company shareholder or person entitled to be registered as a company shareholder. In all cases, leave of the court is required. Such leave will be granted if the court is satisfied that it is probable that the company will not itself bring the proceedings or properly take responsibility for them or for the steps in them, the applicant is acting in good faith, it is in the best interests of the company that the applicant be granted leave, if the applicant is applying for leave to bring proceedings, there is a serious question to be tried and the applicant gives proper written notice to the company specifying its intention to and reasons for applying or it is otherwise appropriate to give leave.</p>	<p><u>Oppression Remedy</u></p> <p>Under the QBCA, certain classes of persons may obtain an order from the court to rectify a situation if the court is satisfied that:</p> <ul style="list-style-type: none"> • any act or omission of the corporation or any of its affiliates effects or threatens to effect a result; • the business or affairs of the corporation or any of its affiliates have been, are or are threatened to be conducted in a manner; or • the powers the board of directors of the corporation or any of its affiliates have been, are or are threatened to be exercised in a manner, <p>that is or could be oppressive or unfairly prejudicial to any security holder, director or officer of the corporation.</p> <p>On such an application, the court may make any order it thinks fit. An application of this nature may be made by a current or former registered holder or beneficiary of a security of the corporation or any of its affiliates, a current or former director or officer of the corporation or any of its affiliates, or by another person who, in the court's discretion, has the required interest.</p> <p><u>Derivative Actions</u></p> <p>Under the QBCA, a person may apply to the court for leave to bring an action in the name and</p>

Requirement	Australia	Canada (Quebec)
		<p>on behalf of a corporation or a corporation that is one of its subsidiaries, or intervene in an action to which the corporation or subsidiary is a party, for the purpose of prosecuting, defending or discontinuing the action on behalf of the corporation or subsidiary. Before making such application, the applicant must give the directors of the corporation or the subsidiary 14 days' prior notice of the applicant's intention to apply to the court, unless all of the directors of the corporation or the subsidiary have been named as defendants. Authorisation may be granted if the court is satisfied that the board of directors of the corporation or its subsidiary has not brought, diligently prosecuted or defended or discontinued the action, and if the court considers that the applicant is acting in good faith and that it appears to be in the interests of the corporation or its subsidiary that the action be brought, prosecuted, defended or discontinued.</p> <p>An application of this nature may be made by a current or former registered holder or beneficiary of a security of the corporation or any of its affiliates, a current or former director or officer of the corporation or any of its affiliates, or by another person who, in the court's discretion, has the required interest. In connection with an action brought in this manner, the court may make any order it thinks fit.</p> <p><u><i>Dissent Rights</i></u></p> <p>The QBCA provides that shareholders who dissent to certain actions being taken by the corporation may exercise a right of dissent and demand that the corporation repurchase the shares held by those shareholders at the fair value of those shares. The adoption of the following resolutions confers to shareholders a right to</p>

Requirement	Australia	Canada (Quebec)
		<p>demand repurchase of their shares to the extent those shareholders have exercised all the voting rights carried by those shares against the resolution:</p> <ul style="list-style-type: none"> • an ordinary resolution authorising the corporation to carry out a squeeze-out transaction; • a special resolution authorising an amendment to the articles to add, change or remove a restriction on the corporation's business activity or on the transfer of the corporation's shares; • a special resolution authorising an alienation of corporation property if, as a result of the alienation, the corporation is unable to retain a significant part of its business activity; • a special resolution authorising the corporation to permit the alienation of property of its subsidiary; • a special resolution approving an amalgamation agreement; • a special resolution authorising the continuance of the corporation under the laws of a jurisdiction other than Quebec; or • a resolution by which consent to the dissolution of the corporation is withdrawn if, as a result of the alienation of property begun during the liquidation of the corporation, the corporation is unable to retain a significant part of its business activity. <p>In addition, the adoption of a special resolution that favours certain shareholders of a class or series of shares or changes prejudicially the rights attaching to a class or series of shares also confers upon the concerned shareholders the right to demand the repurchase of their shares.</p>

Requirement	Australia	Canada (Quebec)
Inspection of books	Under the Corporations Act, a shareholder must obtain a court order to obtain access to Champion Australia's books and records.	Under the QBCA, shareholders may examine the following records of the corporation during its regular office hours, and obtain extracts from them without charge: the articles and the by-laws, minutes of meetings and resolutions of shareholders, the names and domiciles of the directors, and the dates of the beginning and end of their term of office, and the securities register. They are also entitled, on request and without charge, to one copy of the articles and by-laws. Furthermore, under the QBCA, any person may examine the securities register of a corporation that is a public company provided the person undertakes in writing to use the information it contains solely in connection with an effort to influence the voting of shareholders, a solicitation of proxies, an offer to acquire shares of the corporation or any other matter relating to the affairs of the corporation. On receipt of the undertaking, the corporation must allow access to the register during its regular office hours, and provide extracts from the register on payment of a reasonable fee.
Amendments to constituent documents	Any amendment to a company's constitution must be approved by special resolution.	Unless otherwise provided under the QBCA, amendments to a corporation's articles must be approved by a special resolution of its shareholders.
Takeovers		
Takeover bids	The Corporations Act places restrictions on a person acquiring interests in the voting shares of a company where, as a result of the acquisition, that person's or someone else's voting power in the company increases from 20% or below to more than 20%, or from a starting point that is above 20% and below 90%. This prohibition is subject to a number of exceptions including the acquisition of not more than 3% of the voting shares in the company in the six month period before the	The QBCA contains compulsory acquisition provisions, which allow a person who makes a take-over bid for all the shares of a class of shares issued by a corporation that is a public company, to acquire, if certain requirements are satisfied, the shares of that class held by shareholders who do not accept the take-over bid if within 120 days after the date of the take-over bid, the bid is accepted by the holders of not less than 90% of the shares of

Requirement	Australia	Canada (Quebec)
	<p>acquisition, the acquisition that is made with shareholder approval or the acquisition that is made under a takeover bid made in accordance with Australian law. Various restrictions about conditional offers exist and there are also substantial restrictions concerning the withdrawal and suspension of offers.</p> <p>Takeover bids must treat all security holders alike, must not involve any collateral benefits and must remain open for certain period, after which time all securities deposited under the offer may be taken up. The takeover bid rules contain various additional requirements, such as restrictions on conditional offers and withdrawal, amendment or suspension of offers.</p>	<p>the class concerned, other than the shares held at that date by the offeror or the offeror's affiliates or associates.</p>
Takeover bid defences	<p>Under Australian takeovers legislation and policy, boards of target companies are limited in the defensive mechanisms that they can put in place to discourage or defeat a takeover bid. For example, it is likely that the adoption of a shareholders' rights plan (or so-called 'poison pill') would give rise to a declaration of unacceptable circumstances by the Australian Takeovers Panel if it had that effect.</p>	<p>The QBCA does not prescribe specific defensive tactics that board of a public company may adopt in case of a takeover bid.</p>
Other		
Disclosure of substantial holdings	<p>Under the Corporations Act, a shareholder who begins or ceases to have a substantial holding in a listed company or has a substantial holding in a listed company and there is a movement by at least 1% in their holding, must give a notice to the company and ASX.</p> <p>A person has a substantial holding if that person and that person's associates have a relevant interest in 5% or more of the voting shares in the company.</p>	<p>The QBCA and Champion Canada's Articles do not address disclosure of substantial holdings matters.</p>
Winding up	<p>A company can be wound up voluntarily by the shareholders. The directors must give a statutory declaration of solvency for such a winding up. This procedure is therefore instigated</p>	<p>Under the QBCA, depending on circumstances, a corporation may be dissolved (i) by consent of the shareholders, (ii) by consent of the directors (only applies to a corporation that</p>

Requirement	Australia	Canada (Quebec)
	<p>by a solvent company. A shareholders' voluntary winding up is started by the shareholders passing a special resolution.</p> <p>If the directors do not give a statutory declaration of solvency, a creditors' voluntary winding up can commence by the shareholders passing a special resolution. This procedure is therefore instigated by an insolvent company.</p> <p>Any surplus after payment of debts and interest will go to the shareholders according to the rights attached to their shares. As with unsecured creditors, they would be paid out of free assets or any funds available from charged assets following payment of all prior claims (ie fixed charge holders, preferential creditors and floating charge holders).</p>	<p>has no obligations, no property and no shareholders), (iii) by the filing of a declaration of dissolution by the sole shareholder of the corporation, or (iv) by a decision of the court upon an application of an interested person seeking dissolution due to fraud or false illegal provisions or erroneous statements in the articles of the corporation.</p> <p>If a corporation is dissolved by consent of its shareholders, that consent is given by special resolution. The dissolution of the corporation by consent of the shareholders requires that it first be liquidated, if the corporation has obligations or property. Only those shareholders whose shares entitle them to participate in the distribution of the remaining property of the corporation, whether or not their shares otherwise carry voting rights, may vote on resolutions concerning decisions relating to the liquidation of the corporation.</p> <p>Liquidation of the corporation may also take place completely outside the framework of the QBCA, such as under the <i>Bankruptcy and Insolvency Act</i> (Canada) or the <i>Companies' Creditors Arrangement Act</i> (Canada).</p>

APPENDIX B: INDEPENDENT EXPERT'S REPORT



Grant Thornton

An instinct for growth™

Champion Iron Limited

Independent Expert's Report and Financial Services Guide

4 February 2020

Directors
Champion Iron Limited
91 Evans Street
Rozelle, NSW 2039

4 February 2020

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Dear Directors

Introduction

Champion Iron Limited (“Champion Australia” or “the Company”) is an Australian corporation focussed on the production, development and exploration of iron ore in Canada. Its flagship asset is the Bloom Lake iron ore mine, a long life, and large scale open pit mining operation located in northern Quebec¹. Champion Australia also owns interests in nine exploration assets in the Labrador Trough in north-eastern Quebec² and exploration properties in the Province of Newfoundland and Labrador.

Champion Australia is dual-listed on the Australian Securities Exchange (“ASX”) and Toronto Stock Exchange (“TSX”) and as of 28 January 2019 had a market capitalisation of approximately A\$1.16 billion³.

Champion Australia, in its current form, was established following the merger between ASX-listed Mamba Minerals Ltd (“Mamba”) and TSX-listed Champion Iron Mines Ltd (“Champion Iron Mines”), which completed on 31 March 2014. Under the merger arrangement, Mamba acquired 100% of the outstanding common shares of Champion Iron Mines with the condition that Mamba shares will be listed for trading on both the TSX and ASX. Champion Australia’s corporate domicile remained in Australia.

As a result of the merger, the Company’s shareholder base is split between Canada and Australia. Since then, the Canadian shareholder base has grown in relevance given that 77% of total share trading volume occurred on the TSX⁴ last fiscal year. In addition, the Company’s mineral assets are exclusively located in Canada. Therefore, in order to achieve a greater alignment of its corporate residence with its assets’ location, operations and shareholder base, Champion Australia has determined to take the necessary steps to re-domicile the headquarters of Champion Australia from Australia to Canada (“Re-domiciliation”). The Re-domiciliation, which will be implemented via a scheme of arrangement under Part 5.1 of the Corporations Act (“Scheme”) will include the following steps:

- Incorporation of a newly formed entity in Canada (“Champion Canada”).

¹ Which is owned via Quebec Iron Ore Inc. (“QIO”).

² Through the wholly owned subsidiary Champion Iron Mines Limited (“CIML”).

³ Based on a closing price of A\$2.50 and 462,188,497 ordinary shares on issue.

⁴ Based on the total trading volumes over the last four reported quarters.

- Shareholders of Champion Australia (“Scheme Shareholders”, “Members” or “Champion Australia Shareholders”) will be required to vote on the Scheme pursuant to which Champion Canada will acquire all the ordinary shares in Champion Australia (“Champion Australia Shares”), by exchanging one common share in Champion Canada for one ordinary share in Champion Australia. Other securities not acquired or transferred under the Scheme will be dealt with in private treaty arrangements with each holder.
- In consideration of the transfer of Champion Australia Shares to Champion Canada, each eligible Champion Australia Shareholder whose Champion Australia Shares are traded on ASX will be issued one common share in Champion Canada which will be held in the form of a CHES⁵ Depository Interest (“Champion Canada CDI”) (representing a beneficial interest in one common share in Champion Canada) for each Champion Australia share held by the Champion Australia Shareholder.
- In consideration of the transfer of Champion Australia Shares to Champion Canada, each eligible Champion Australia Shareholder whose Champion Australia Shares are traded on TSX will be issued one common share in Champion Canada (“Champion Canada Shares”) for each Champion Australia share held by the Champion Australia Shareholder.
- Following the Re-domiciliation, the shareholdings of Champion Canada after the implementation of the Scheme will remain substantially identical (with the exception of the Ineligible Foreign Shareholders⁶) to the shareholdings of the Company before the implementation of the Scheme.
- Champion Australia will then become a wholly owned subsidiary of Champion Canada, which will be listed on both the ASX and TSX subject to Champion Canada’s successful applications⁷. Champion Australia Shareholders who are eligible Scheme participants may elect to receive either Champion Canada Shares that will be listed on the TSX or Champion Canada CDIs⁸ that will be quoted for trading on the ASX.
- Following the date on which the Scheme becomes effective, Champion Australia will be delisted from the ASX and TSX. The successful listing of Champion Canada CDIs and Champion Canada Shares on the ASX and TSX is a condition precedent for the implementation of the Scheme.
- Following implementation of the Scheme, the Champion Australia Board intends to propose that Champion Australia is wound-up by way of a member’s voluntary liquidation following implementation of the Scheme.

⁵ Clearing House Electronic Sub-register System (“CHES”) is the computer system used by the ASX to record shareholdings and manage the settlement of share transactions.

⁶ Champion Shareholders whose address is outside certain jurisdictions (refer to sections 4.20(c) and 4.21 of the Explanatory Memorandum for details).

⁷ As at the date of the Notice of Scheme Meeting, Champion Canada has already applied to be listed on the TSX. In relation to the ASX listing and quotation of CDIs, Champion Canada intends to apply as soon as practicable and, in any event, within seven days after the date of the Notice of Scheme Meeting.

⁸ A CHES Depository Interest (“CDI”) is a beneficial interest in Champion Canada that is registered in the name of the Authorised Nominee in accordance with the ASX Settlement Operating Rules for the purpose of enabling the securities to be recorded and transferred in accordance with those operating rules. Refer to the Explanatory Memorandum for further details.

- We note that Champion Canada CDIs and Champion Canada Shares will not be issued to Scheme Shareholders resident in certain jurisdictions (“Ineligible Foreign Shareholders”)⁹. The Ineligible Foreign Shareholders will instead receive the net proceeds of the sale of Champion Canada CDIs or Champion Canada Shares that they would otherwise have been entitled to under the Scheme. Refer to section 1 for details.

As outlined above, if the Scheme is implemented, there would be no change in the economic interests of Scheme Shareholders (excluding Ineligible Foreign Shareholders).

The Scheme is subject to customary conditions precedent as set out in the Explanatory Memorandum and in section 1 of this report. We note that one condition precedent to the implementation of the Scheme is for Champion Australia Shareholders to approve the buy-back (for a nominal amount of A\$1) and subsequent cancellation (“Buy Back”) of 1 special voting share in Champion Australia (“Special Voting Share”) so that the only shares in Champion Australia upon implementation of the Scheme are ordinary shares. Section 11 of Explanatory Memorandum provides background and further details of the Buy Back. The 1 Special Voting Share on issue is a legacy of a previous transaction and it does not bear any voting or dividend right nor right to distribution under liquidation or winding-up.

The Directors of Champion Australia (“Directors”) have unanimously recommended that Scheme Shareholders vote in favour of the Scheme and have advised that each Director intends to vote all Champion Australia Shares held or controlled by them in favour of the Scheme.

Purpose of the report

Section 412(1) of the Corporations Act requires that an explanatory statement issued in relation to a proposed scheme of arrangement under section 411 of the Corporations Act includes information that is material to the making of a decision by a member as to whether or not to approve the relevant proposal.

Part 3 of Schedule 8 of the Corporations Regulations, 2001 (“Corporations Regulations”) specifies that the explanatory statement to be sent to shareholders must include an independent expert’s report where either a party to that scheme has a shareholding greater than 30% in the company subject to the scheme, or where any of its directors are also directors of the company subject to the scheme. In those circumstances, the independent expert’s report must state whether a scheme is in the best interests of shareholders and state reasons for that opinion. All of the directors of Champion Australia have been appointed as directors of Champion Canada, so this IER must meet these requirements of the Corporations Regulations.

When preparing this IER, Grant Thornton Corporate Finance had regard to the Australian Securities Investment Commission (“ASIC”) Regulatory Guide 111 *Contents of expert reports* (“RG 111”) and Regulatory Guide 112 *Independence of experts* (“RG 112”). The IER also includes other information and disclosures as required by ASIC.

While the legal form of the Scheme involves the exchange of shares in Champion Australia for shares in Champion Canada, which is akin to a change in control transaction, the substance of the Scheme is that (other than in respect of Ineligible Scheme Shareholders) the underlying economic

⁹ Collectively the Ineligible Foreign Shareholders hold 60,532 shares of Champion Australia, or approximately 0.01% of ordinary shares.

interests of the Members do not change and the shareholdings in Champion Canada will be substantially identical to the shareholdings in Champion Australia immediately after the implementation of the Scheme. In addition, there are no proposed changes to the Board of Directors, Management Team and principal activities of Champion Australia as a result of the Re-domiciliation.

We have therefore assessed whether or not the Scheme is in the best interest of the Members by comparing the advantages and disadvantages of the Scheme which is consistent with the requirements of ASIC RG111.

Summary of opinion

Grant Thornton Corporate Finance has concluded that the advantages of the Scheme outweigh the disadvantages and accordingly the Scheme is in the BEST INTERESTS of the Champion Australia Shareholders.

The Scheme is being implemented to give effect to the Re-domiciliation. Therefore, the advantages and disadvantages of the Scheme primarily comprise the advantages and disadvantages of the Re-domiciliation. As part of the analysis, we have primarily relied on the information included in the Explanatory Memorandum and other information made available to us by the Company.

Advantages of the Scheme

Greater access to Canadian institutional investors

Champion Australia is currently in the process of developing Bloom Lake Phase II¹⁰ at an estimated pre-production capital expenditure cost of C\$633.8 million (including C\$44.0 million in deposits) with construction due to be completed in the first semester of 2021 as proposed by the Feasibility Study filed on 2 August 2019. While a portion of the capital expenditure is expected to be funded from the Company's existing cash balance and cash generated from operations, the Company is likely to require additional sources of funding in order to fund the balance of the Phase II capex. Furthermore, the Company has several exploration projects which may require Champion Australia to raise capital in the future.

Based on the information included in the Explanatory Memorandum, a change in domicile is likely to make the Company more attractive to Canadian institutional investors and pooled funds who require a Canadian corporate domicile for their investments or who tend to limit the foreign issuers in their Canadian equity portfolios to comply with their international market risk requirements. Conversely, the Re-domiciliation is not expected to have a negative impact for Australian investment funds.

The Company has also identified some specialised funds which invest solely in Quebec based companies. Given the limited options for Quebec domiciled companies operating in the mining sector which are profitable and cash flows generating, the Re-domiciliation is expected to attract additional potential investors.

¹⁰ Bloom Lake Phase II refers to Bloom Lake producing at the rate of 15.0 Mtpa as a result of the planned ramp up in production, which currently is 7.4 Mtpa.

Improved profile and liquidity

The Re-domiciliation is expected to potentially increase the profile and liquidity of the Company's traded common shares due to the following:

- In the first financial year of trading following the 31 March 2014 merger of Mamba and Champion Iron Mines, approximately 51% of Champion Australia Shares were traded on the ASX and 49% on the TSX. However, since then, the proportionate volume of trading on the ASX has decreased and in the 12 months ending 31 March 2016, 31 March 2017, 31 March 2018 and 31 March 2019, accounted for only 41%, 18%, 17% and 14% of trading activity respectively. Recently, over the first ten months of the current fiscal year, the trading activity has been more elevated in Australia. Overall, Champion Australia's trading volumes are predominantly driven out of Canada and liquidity may be positively affected following the Re-domiciliation.
- Following the Re-domiciliation, Champion Canada will meet one of the key criteria of eligibility for inclusion in Canadian indices. Major Canadian indices, and a number of sub-indices, require that stocks be domiciled in Canada in order to meet eligibility requirements for inclusion in the index. These indices are closely monitored by Canadian investors and is the basis for a number of other sector-specific sub-indices. These indices are often "tracked" by various exchange-traded funds that look to mimic the returns of the index for their investors by investing in many of the same underlying stocks. Accordingly, the potential inclusion of Champion Canada in those major indices could lead to increased demand for Champion Canada shares and increased trading volumes and liquidity. We note that major ASX indices do not require a company to be domiciled in Australia for index inclusions and accordingly the Re-domiciliation will not have a detrimental effect from that perspective.

Retention of the ASX listing

The admission to listing of Champion Canada on the ASX and TSX is a condition precedent to the implementation of the Scheme and accordingly, Scheme Shareholders (other than Ineligible Scheme Shareholders) will continue to be able to trade their shares through Champion Canada CDIs and Champion Canada will be required to comply with the ASX listing rules.

There are no significant disadvantages to holding Champion CDIs relative to direct ownership of Champion Canada Shares. Based on the disclosure in the Explanatory Memorandum, the rights of Scheme Shareholders will not be impacted due to their inability to have a direct ownership in Champion Canada. A detailed description of the rights of CDI holders is set out in Appendix E of the Explanatory Memorandum.

Well-defined legal system

Based on information included in the Explanatory Memorandum, the Canadian legal system is considered to be relatively predictable, and is comparable to the Australian legal system. For instance, both have their foundations in United Kingdom common law under which the courts give judgements that must be followed (precedents). In addition, Champion Australia's Shareholder base¹¹ is likely to be more familiar with the Canadian legal regime (given the majority of

¹¹ Mainly those shareholders trading their holding on the TSX.

shareholders are Canadian), as is Champion Australia's management team who have a wealth of experience managing Canadian corporations.

In relation to regulatory matters of minority shareholder protection, we note that the World Bank Ease of Doing Business ¹² ranked Canada 7th and Australia 57th in relation to the Protection of Minority Investors. A change of domicile may be undesirable to shareholders and more specifically to minority shareholders if the regulatory environment of the new jurisdiction is less prone to protect this category of shareholders. In addition, the Explanatory Memorandum sets out the comparative provisions between the Quebec Business Corporations Act ("QBCA") on the one hand, and the Corporations Act, ASX listing rules and the Australian common law on the other. From a review of the Explanatory Memorandum, it does not appear that the Scheme Shareholders will be prejudiced due to the Re-domiciliation as the regulations in Canada are not dissimilar to those observed in Australia. For further information, see Appendix A of the Explanatory Memorandum.

More streamlined company structure and reduction in overhead expenses

The Re-domiciliation will simplify the group structure once Champion Australia is liquidated. As a result, this could generate some cost savings. From a tax perspective, the Re-domiciliation should result in a more tax efficient repatriation of dividends to Champion Canada from the Company's Canadian subsidiaries.

Management also expects that the Re-domiciliation should generate some cost savings in terms of reduced insurance expenses which appears to be more cost effective in Canada.

¹² The Ease of Doing business ranking is a ranking from 1 to 190 compiled by the World Bank having regard to 10 major factors. A high ease of doing business ranking means the regulatory environment is conducive to starting and operating a local firm. While Champion Australia is an established operating company, and therefore comparison of the overall ranking is of limited usefulness, we have considered the most relevant factor being the Protection of Minority Investors given the direct implications this could have on Scheme shareholders. Of the remaining 9 factors, 8 have limited relevance given that Champion Australia's operations are already established in Canada, where it pays taxes and operates profitably. These 8 factors are: Starting a Business, Dealing with Construction Permits, Getting Electricity, Registering Property, Paying Taxes, Trading Across Borders, Enforcing Contracts and Resolving Insolvency. The final factor, Getting Credit, relates primarily to limited liability companies with up to 50 employees.

Disadvantages of the Scheme

Change of jurisdiction

Following the Re-domiciliation, Champion Canada will be governed by the QBCA. Any future action brought by Australian investors will be regulated by the Canadian legal system and attended in Canada which accordingly will become more expensive for Australian Shareholders. Despite the above, Australian Shareholders will be able to seek enforcement of the laws in the same manner as a Canadian Shareholder. In our opinion, given the relative similarity between the Australian and Canadian legal regime as per the Explanatory Memorandum, Australian Shareholders are unlikely to be prejudiced due to the Re-domiciliation.

Franking credits

If the Scheme is implemented, Australia-based shareholders may not be able to benefit from franking credits going forward, however Scheme Shareholders may be able to obtain a non-refundable tax offset and use it to reduce their tax liabilities in the relevant year (subject to certain conditions).

Given Champion's large capital expenditure requirements over the next few years in relation to Bloom Lake Phase II, the Company is unlikely to pay a dividend until such time that the project begins generating significant cash inflows and the Company's debt level is significantly reduced.

Furthermore, practically any profits arising from the Canadian operations (including the repatriation of those profits by way of dividend to Champion) under the current structure are unlikely to give rise to any Australian income tax liability¹³ which is, broadly, necessary to generate franking credits. As such, even when such Canadian profits are available for distribution, there may not be significant franking credits to attach to those dividends when paid by Champion.

In our opinion, the disadvantage (if any) due to lack of franking credits is mitigated due to the Company's inability to pay dividends for the foreseeable future.

¹³ The tax convention between Australia and Canada ("Convention between Canada and Australia for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income") aims to prevent income from being taxed in both Australia and Canada. Champion Australia's key asset, the Bloom Lake Mine, is owned by QIO, an entity incorporated in Canada. Accordingly, profits earned by QIO are subject to Canadian income tax laws, and, generally speaking, under the tax treaty will not be subject to Australian corporate tax.

Ineligible Foreign Shareholders cash option

As noted earlier, Ineligible Foreign Shareholders will receive cash rather than Champion Canada CDIs or Champion Canada Shares. Specifically, the Champion Canada CDIs and Champion Canada Shares that the Ineligible Foreign Shareholders would otherwise have been entitled to will be transferred to a Sale Agent, who will sell them on behalf of Ineligible Foreign Shareholders, with the net proceeds of sale (after deduction of any applicable fees, brokerage, stamp duty, taxes and charges) being remitted to the Ineligible Foreign Shareholders.

Transaction costs

The Re-domiciliation will cause Champion Australia to incur various costs in relation to professional advisory fees as well as fees payable to regulators. However, the vast majority of these costs will have already been incurred at the date of the Scheme meeting.

Exchange rate fluctuations

Unaffected by the Re-domiciliation, Australian Shareholders will be subject to currency risk (both positive and negative) on future repatriation of dividends and/or capital returns made by Champion Canada (if any).

Other factors

Tax implications

Based on the Explanatory Memorandum, the Re-domiciliation may have adverse tax implications for individual Champion Australia Shareholders. Accordingly, the Company advises shareholders to consider a summary of certain taxation implications for Scheme Shareholders included in Section 10 of the Explanatory Memorandum.

In relation to the payment of dividends by Champion Canada, we note that QIO is currently undertaking its Bloom Lake Phase II expansion, which will require significant funding and capital expenditures in the near term. Accordingly, Champion Australia/Canada may not be in a position to pay dividends in the near term. Nonetheless, in the event of the Company commencing a dividend distribution, Scheme Shareholders may be exposed to either adverse or positive tax implications depending on their specific circumstances. We note that dividends paid to non-residents of Canada will be subject to withholding tax at the rate of 25% of the gross amount of the dividend, subject to any reduction in the withholding tax rate to which the non-resident holder is entitled under any income tax convention between Canada and the country where they reside. In the case of Australian Shareholders, for example, the dividend withholding tax rate is generally reduced to 15% of the gross amount due to an income tax convention between Australia and Canada. Furthermore, Australian Shareholders may be able to claim a non-refundable foreign income tax offset where foreign withholding tax has been paid on dividends received from Champion Canada.

Intentions of the Major Shareholders

The major shareholders of the Company, being WC Strategic Opportunity LP, Investissement Québec Inc. and Prospect AG Trading Pty Ltd (who collectively hold 32.12% of Champion Australia Shares on issue) have informed the Directors of their intentions to vote in favour of the Re-

domiciliation. We note that Mr. Michael O’Keeffe (Executive Chairman of the Champion Australia Board) has a controlling interest in Prospect AG Trading Pty Ltd and its associated entities.

Buy Back of the Special Voting Share

The Buy Back of the 1 Special Voting Share is being undertaken to simplify Champion Australia’s capital structure so that the only shares in Champion Australia on issue at the implementation of the Scheme are ordinary shares which will be acquired by Champion Canada.

We note that the terms¹⁴ of the Special Voting Share provide that it does not have a right to vote at any shareholder meeting (please refer to section 11 of the Explanatory Memorandum for more details). In addition, the terms of the Special Voting Share provide that it is non-convertible, non-transferable, non-redeemable and non-participating in respect of dividends or distributions of Champion Australia, nor in respect of the liquidation, dissolution or winding up of Champion Australia. Accordingly, the Buy Back does not affect Champion Australia Shareholders.

Overall conclusion

In our opinion, the advantages of the Scheme outweigh the disadvantages and accordingly the Scheme is in the **BEST INTERESTS** of the Champion Australia Shareholders.

Other matters

Grant Thornton Corporate Finance has prepared a Financial Services Guide in accordance with the Corporations Act. The Financial Services Guide is set out in the following section.

The decision of whether or not to vote in favour of the Scheme is a matter for each Scheme Shareholder to decide based on their own views of the Re-domiciliation and expectations about future market conditions, Champion Australia’s performance, risk profile and investment strategy. If Scheme Shareholders are in doubt about the action they should take in relation to the Scheme, they should seek their own professional advice.

Yours faithfully

GRANT THORNTON CORPORATE FINANCE PTY LTD



ANDREA DE CIAN
Partner



JANNAYA JAMES
Partner

¹⁴ The terms of the Special Voting Share are contained in rule 22.3 and schedule 2 of Champion Australia’s constitution.

Financial Services Guide

1 Grant Thornton Corporate Finance Pty Ltd

Grant Thornton Corporate Finance carries on a business, and has a registered office, at Level 17, 383 Kent Street, Sydney NSW 2000. Grant Thornton Corporate Finance holds Australian Financial Services Licence No 247140 authorising it to provide financial product advice in relation to securities and superannuation funds to wholesale and retail clients.

Grant Thornton Corporate Finance has been engaged by Champion Australia to provide general financial product advice in the form of an independent expert's report in relation to the Re-domiciliation. This report is included in Champion Australia's Explanatory Memorandum.

2 Financial Services Guide

This Financial Services Guide ("FSG") has been prepared in accordance with the Corporations Act, 2001 and provides important information to help retail clients make a decision as to their use of general financial product advice in a report, the services we offer, information about us, our dispute resolution process and how we are remunerated.

3 General financial product advice

In our report we provide general financial product advice. The advice in a report does not take into account your personal objectives, financial situation or needs.

Grant Thornton Corporate Finance does not accept instructions from retail clients. Grant Thornton Corporate Finance provides no financial services directly to retail clients and receives no remuneration from retail clients for financial services. Grant Thornton Corporate Finance does not provide any personal retail financial product advice directly to retail investors nor does it provide market-related advice directly to retail investors.

4 Remuneration

When providing the Report, Grant Thornton Corporate Finance's client is the Company. Grant Thornton Corporate Finance receives its remuneration from the Company. In respect of the Report, Grant Thornton Corporate Finance will receive from Champion Australia a fee of \$70,000 (plus GST) which is based on commercial rates, plus reimbursement of out-of-pocket expenses for the preparation of the report. Our directors and employees providing financial services receive an annual salary, a performance bonus or profit share depending on their level of seniority.

Except for the fees referred to above, no related body corporate of Grant Thornton Corporate Finance, or any of the directors or employees of Grant Thornton Corporate Finance or any of those related bodies or any associate receives any other remuneration or other benefit attributable to the preparation of and provision of this report.

5 Independence

Grant Thornton Corporate Finance is required to be independent of Champion Australia in order to provide this report. The guidelines for independence in the preparation of independent expert's reports are set out in RG 112 *Independence of expert* issued by ASIC. The following information in relation to the independence of Grant Thornton Corporate Finance is stated below.



“Grant Thornton Corporate Finance and its related entities do not have at the date of this report, and have not had within the previous two years, any shareholding in or other relationship with Champion Australia (and associated entities) that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation the Scheme.

Grant Thornton Corporate Finance has no involvement with, or interest in the outcome of the Scheme, other than the preparation of this report.

Grant Thornton Corporate Finance will receive a fee based on commercial rates for the preparation of this report. This fee is not contingent on the outcome of the Scheme. Grant Thornton Corporate Finance’s out of pocket expenses in relation to the preparation of the report will be reimbursed. Grant Thornton Corporate Finance will receive no other benefit for the preparation of this report.

Grant Thornton Corporate Finance considers itself to be independent in terms of RG 112 “Independence of expert” issued by the ASIC.”

6 Complaints process

Grant Thornton Corporate Finance has an internal complaint handling mechanism and is a member of the Financial Ombudsman Service (membership no. 11800). All complaints must be in writing and addressed to the Chief Executive Officer at Grant Thornton Corporate Finance. We will endeavour to resolve all complaints within 30 days of receiving the complaint. If the complaint has not been satisfactorily dealt with, the complaint can be referred to the Financial Ombudsman Service who can be contacted at:

Financial Ombudsman Service Limited
GPO Box 3
Melbourne, VIC 3001
Telephone: 1800 367 287

Grant Thornton Corporate Finance is only responsible for this report and FSG. Complaints or questions about the General Meeting should not be directed to Grant Thornton Corporate Finance. Grant Thornton Corporate Finance will not respond in any way that might involve any provision of financial product advice to any retail investor.

7 Compensation arrangements

Grant Thornton Corporate Finance has professional indemnity insurance cover under its professional indemnity insurance policy. This policy meets the compensation arrangement requirements of section 912B of the Corporations Act, 2001.

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1 Overview of the Re-domiciliation

The Company is proposing to transfer its domicile from Australia to Canada in order to align it with its assets' location, operations and predominant shareholder base. A brief description of the process is discussed below.

In order to implement the Re-domiciliation, Champion Canada will be incorporated without any shareholder or shares on issue. Subsequently, the Company will proceed with the following steps (please refer to the Explanatory Memorandum for more details).

- *Scheme of Arrangement* - The Re-domiciliation will be effected by way of a scheme of arrangement. The Scheme will result in Champion Australia becoming a subsidiary of a new holding company, Champion Canada. The Scheme is subject to Champion Australia Shareholder approval under Section 411 of the Corporations Act.
- *Scheme Consideration* – Champion Australia Shareholders who are eligible Scheme Participants will receive either Champion Canada Shares that will be listed on the TSX or Champion Canada CDIs¹⁵ that will be listed and quoted for trading on the ASX, in exchange for the Champion Australia Shares they hold on the Record Date¹⁶.
- *ASX and TSX Listings and Delisting* - Champion Canada will be listed, subject to successful application, on the TSX and listed and quoted for trading through a CDI on the ASX. Champion Australia will subsequently be delisted from the ASX and TSX. Champion Canada therefore effectively replaces Champion Australia as the listed entity on both exchanges.
- *Voluntary liquidation of Champion Australia* – Following the completion of the Re-domiciliation, the Directors intend to propose to Champion Canada, as the holder of all ordinary shares in Champion Australia, the special resolution necessary to commence proceedings for the winding up and voluntary liquidation of Champion Australia.

The Re-domiciliation is subject to a number of conditions precedent including but not limited to the following:

- Champion Australia Shareholders' approval at the Scheme Meeting in accordance with the required majorities.
- Champion Australia Shareholders' approval of the Buy Back of the Special Voting Share.
- The Federal Court of Australia ("Court") approval of the Scheme in accordance with section 411(4)(b) of the Corporations Act.
- The Commissioner of Competition of Canada issuing an advance ruling certificate or a no-action letter with respect to the Scheme.
- Foreign Investment Review Board ("FIRB") approval.

¹⁵ Chess Depositary Interests.

¹⁶ Five business days after the date on which the Scheme becomes effective.

- ASX and TSX approval to list Champion Canada CDIs and Champion Canada Shares respectively.
- Other Conditions Precedent customary for transactions of this type. Please refer to section 4.11 of the Explanatory Memorandum for details.



2 Purpose and scope of the report

2.1 Purpose

Section 411 of the Corporations Act

Section 411 of the Corporations Act, 2001 regulates schemes of arrangement between companies and their members. Part 3 of Schedule 8 of the Corporations Regulations 2001 prescribes information to be sent to shareholders and creditors in relation to members' and creditors' schemes of arrangement pursuant to Section 411 of the Corporations Act.

Part 3 of Schedule 8 of the Corporations Regulations requires an independent expert's report in relation to a scheme to be prepared when a party to that scheme has a shareholding greater than 30% in the company subject to the scheme, or where any of its directors are also directors of the company subject to the scheme. In those circumstances, the independent expert's report must state whether a scheme is in the best interests of shareholders and state reasons for that opinion. Even where there is no requirements for an independent expert's report, documentation for a scheme of arrangement typically includes an independent expert's report.

2.2 Basis of assessment

The Company intends to enter into a Scheme to effect the re-domiciliation from Australia to Canada. In determining whether the Scheme is in the best interests of the Members, Grant Thornton Corporate Finance has had regard to relevant Regulatory Guides issued by the ASIC, including RG 111, Regulatory Guide 60 Scheme of arrangement ("RG 60") and RG 112. The IER will also include other information and disclosures as required by ASIC. We note that neither the Corporations Act nor the Corporations Regulations define the term "in the best interests of members".

RG 111 does not specify the basis of evaluation for a change of domicile transaction but does indicate that the basis for evaluation selected by the expert must be appropriate for the nature of each specific transaction, that is, the expert must consider the substance of the proposed transaction and not the legal form when evaluating it. The economic substance of the change in domicile transaction is that there is no change in the economic interests of shareholders in eligible jurisdictions¹⁷, who effectively retain their existing stake in the Company following implementation of the Scheme. While the legal form of the Scheme, involving the exchange of shares in Champion Australia for shares in Champion Canada, is akin to a change in control transaction, there is not, in substance, any change in control taking place under the Scheme. Accordingly, we do not consider it appropriate to analyse the change in domicile as a control transaction.

RG 111 establishes certain guidelines in respect of independent expert's reports prepared for the purposes of the Corporations Act. RG 111 is framed largely in relation to reports prepared pursuant to Section 640 of the Corporations Act and comments on the meaning of "fair and reasonable" in the context of a takeover offer. As stated earlier, a change in domicile is not viewed as a change of control transaction. In analysing transactions which do not involve a change of control, RG 111 requires the expert to provide an opinion on whether the advantages of the proposal outweigh the disadvantages. In such circumstances, the expert should conclude that the proposal is "in the best interests of the members."

¹⁷ Ineligible Foreign Shareholders will not receive Champion Canada CDIs and will be settled in cash.



2.3 Independence

Prior to accepting this engagement, Grant Thornton Corporate Finance (a 100% subsidiary of Grant Thornton Australia Limited) considered its independence with respect to the Scheme with reference to RG 112 issued by ASIC.

Grant Thornton Corporate Finance has no involvement with, or interest in, the outcome of the approval of the Scheme other than that of an independent expert. Grant Thornton Corporate Finance is entitled to receive a fee based on commercial rates and including reimbursement of out-of-pocket expenses for the preparation of this report.

Except for these fees, Grant Thornton Corporate Finance will not be entitled to any other pecuniary or other benefit, whether direct or indirect, in connection with the issuing of this report. The payment of this fee is in no way contingent upon the success or failure of the Scheme.

In our opinion, Grant Thornton Corporate Finance is independent of Champion Australia and its Directors and all other relevant parties of the Scheme.

2.4 Consent and other matters

Our report is to be read in conjunction with the Scheme dated on or around 4 February 2020 in which this report is included, and is prepared for the exclusive purpose of assisting Scheme Shareholders in their consideration of the Scheme. This report should not be used for any other purpose.

Grant Thornton Corporate Finance consents to the issue of this report in its form and context and consents to its inclusion in the Explanatory Memorandum.

This report constitutes general financial product advice only and in undertaking our assessment, we have considered the likely impact of the Scheme on Scheme Shareholders as a whole. We have not considered the potential impact of the Scheme on individual Scheme Shareholders. Individual shareholders have different financial circumstances and it is neither practicable nor possible to consider the implications of the Scheme on individual shareholders.

The decision of whether or not to approve the Scheme is a matter for each Scheme Shareholder based on their views of the advantages and disadvantages of the Scheme. If the Scheme Shareholders are in doubt about the action they should take in relation to the Scheme, they should seek their own professional advice.

2.5 Compliance with APES 225 Valuation Services

This report has been prepared in accordance with the requirements of the professional standard APES 225 Valuation Services ("APES 225") as issued by the Accounting Professional & Ethical Standards Board. In accordance with the requirements of APES 225, we advise that this assignment is a Valuation Engagement as defined by that standard as follows:

"An Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Member is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Member at that time."



3 Profile of the industry

3.1 Overview of the iron ore industry

Iron is one of the most abundant rock-forming elements in the Earth's crust. Over 98% of iron ore produced globally is consumed in the production of steel, which is used primarily in the construction, structural engineering and manufacturing, energy and industrial sectors. Thus, global economic growth is the primary factor that drives its supply and demand.

Iron primarily comes in the following iron oxide minerals: magnetite which contains approximately 72% iron and hematite which contains approximately 70% iron¹⁸. In addition to these, iron is also derived from limonite and goethite. The most commonly mined iron ores are the magnetite ore and hematite ore which via different processing methods can be sold as iron ore lumps, fines, concentrates and pellets (agglomerated concentrate). Fines must be sintered and concentrates pelletised before introduction to the blast furnace. Lump is the only traded iron ore product that can be directly introduced into the blast furnace and therefore attracts a pricing premium.

Hematite ore is considered to be a high quality unprocessed iron ore and is often referred to as a direct shipping ore ("DSO"). This is because once hematite is mined, it undergoes a relatively simple crushing and screening process before being exported. Magnetite ore, on the other hand, must be concentrated before it can be used to produce steel. The global standard for DSO has an iron ore content of 62%.

Consistent with most iron ore mines across the globe, all major Canadian iron ore mines are open cut mines. Crushed and processed iron ore is primarily used to manufacture steel for buildings, infrastructure construction and other development projects.

The main customers of iron ore are steel producers in China, India and Japan. Some countries, such as the United States, mainly produce iron for domestic use whereas other countries such as Australia and Canada largely produce for the seaborne export market.

3.2 Global iron ore market

3.2.1 Iron ore supply

The iron ore industry has relatively high barriers to entry due to the large amounts of capital funding required for projects and infrastructure development. Consequently, there is a high level of concentration in the industry with production mainly sourced from Brazil, Australia and China.

- Australia is the largest producer and exporter of iron ore globally, accounting for approximately 36%¹⁹ of global production and 53%²⁰ of global exports in 2018. The biggest source of supply is the Pilbara region of Western Australia, where Rio Tinto, BHP, Fortescue Metals and Hancock Prospecting are the major producers.
- Brazil is the second largest producer and exporter of iron ore with 20%²¹ of global production and 25%²² of global exports in 2018. The vast majority is produced by Vale, CSN²³, and Samarco²⁴.

¹⁸ Australian Mineral Facts, Geoscience Australia, Australian Government.

¹⁹ United States Geological Survey – Iron Ore 2019

²⁰ Australian Government – Resources and Energy Quarterly September 2019

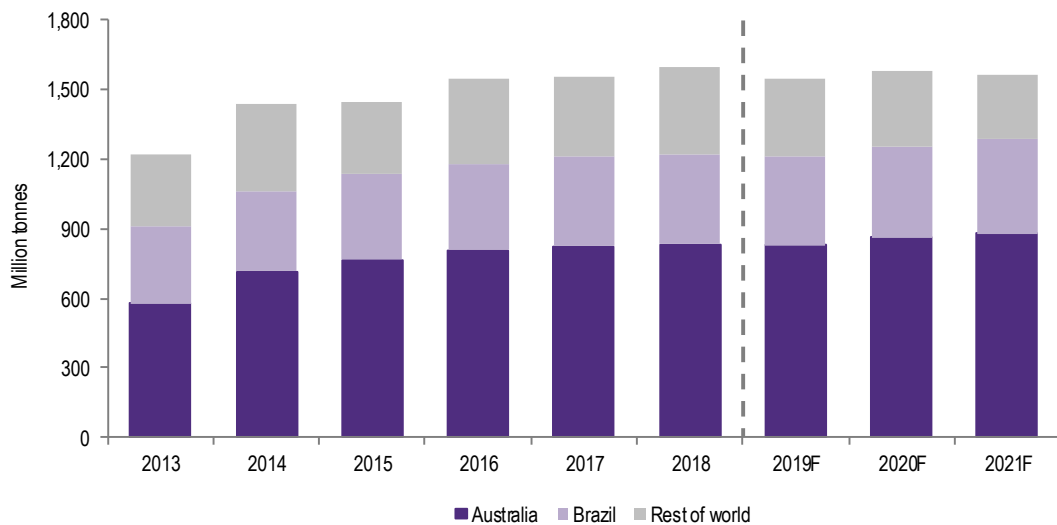
²¹ United States Geological Survey – Iron Ore 2019



Samarco’s production is currently suspended for several years because of a tailings dam failure in 2015, which had a material impact on iron ore exports from Brazil and significantly tightened the iron ore supply market in the following years. In January 2019, another dam failure, this time at Vale’s Córrego do Feijão mine, stopped the production of 90 million tonnes per annum (about 6% of total seaborne iron ore supply) with production not expected to return to normal levels for circa 3 years.

- China is the third largest producer of iron ore in the world, although its production is mainly used for domestic purposes. Chinese production has fallen over the years due to the increased availability of lower cost and higher grade imported iron ore, which has forced the closure of a large number of uncompetitive privately-owned and state-owned Chinese mines. China is the key importer of iron ore globally, accounting for 68%²⁵ of global imports.
- Other key producing countries include India, the United States, Canada, a number of African nations and several Commonwealth of Independent States (“CIS”) countries²⁶. Apart from Canada and some African nations, these countries mainly produce for domestic use.
- The global iron ore market has an oligopolistic market structure, with the “Big 4” producers (Vale, Rio Tinto, BHP and Fortescue Metals) accounting for the production of up to 72% of the global seaborne market²⁷.

Global iron ore exports



Source: Australian Government – Resources and Energy Quarterly, September 2019.

As set out in the graph above, global iron ore production is expected to grow modestly at a CAGR of approximately 0.9% over the period 2019 to 2021 driven by mine expansions in Brazil and increased supply from India, offset by declining output in China. Higher-cost iron ore producers in China will be forced to further reduce output amidst falling iron ore grades and tightening environmental regulations. Conversely, these stricter environmental standards will keep demand for high-grade iron relatively strong

²² Australian Government – Resources and Energy Quarterly September 2019

²³ Companhia Siderurgica Nacional.

²⁴ Samarco is a 50:50 Joint venture between BHP and Vale.

²⁵ Australian Government – Resources and Energy Quarterly September 2019

²⁶ Russia, Ukraine and Kazakhstan in particular. The United States and CIS countries mainly produce for domestic use.

²⁷ Resources and Energy Quarterly, March 2018.

putting a premium on high-grade ore prices. In India, the removal of export taxes for low-grade ores will likely result in the reopening of several closed mines.

3.2.2 Iron ore demand

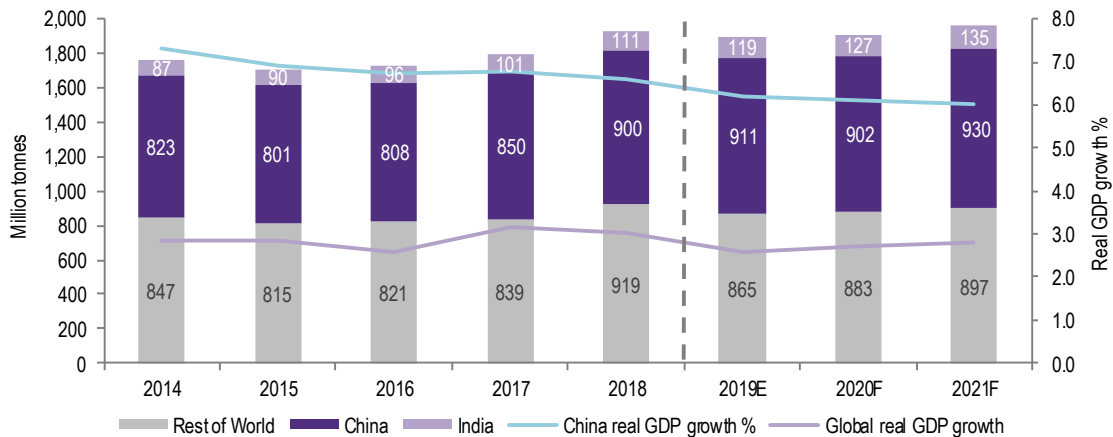
Iron ore is used almost exclusively for steel production and therefore the key customers are steel producers.

China is the largest iron ore importer and steel producer globally, representing more than 68% of global iron ore imports and 51% of global steel production. As a result, the demand and price of iron ore are strongly driven by the industrial and economic activities in China.

World steel demand is forecast to grow in 2019 by 3.9%²⁸ driven by strong real estate investment in China. We note that in the eight months ending August 2019, world steel production was estimated to have grown by 5%, largely due to China. However, ongoing trade tensions and associated economic uncertainty could negatively affect steel demand in the latter half of 2019 and going forward. In addition, the use of scrap and recycled steels as alternatives to iron ore imports and primary production is growing strongly and could place downward pressure on Chinese iron ore demand. Over the longer term, Chinese steel production is expected to stabilise as the country transitions from an investment driven growth model to a consumption and services driven model, although demand from India and other emerging Asian economies is expected to drive growth in production going forward²⁹.

The chart below shows the recent and forecast global steel production.

Global steel production



Source: World Steel Association, World Bank, 2019.
Note: (1) GDP: Gross domestic production.

3.2.3 Historical iron ore prices and outlook

Iron ore is not traded in open markets like other commodities. In fact, iron ore prices for trades between major iron ore producers and steel mills are usually negotiated and agreed upon under medium or long term contracts. Market participants usually adopt benchmark indices like the NYMEX³⁰ traded 62% Fe

²⁸ Worldsteel Association Short Range Outlook, October 2019.

²⁹ In 2018, India surpassed Japan to become the world's third largest steel producer.

³⁰ New York Mercantile Exchange ("NYMEX")

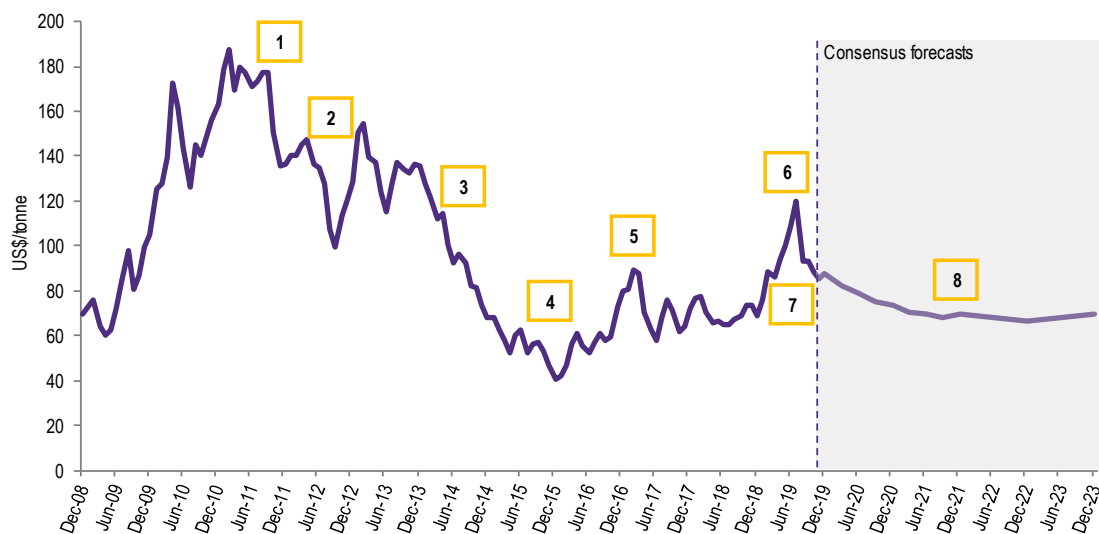


CFR North China in US\$/metric tonne, a monthly cash settled iron ore future based on the Platts IODEX 62% Fe daily index, as a proxy of the metal's 'spot price'.

Iron ore is typically priced based on the cost of the iron units with adjustments (i.e. premiums or discounts) made for physical properties such as iron content, physical form (i.e. sinter fines, pellets or lump ore³¹), impurities and other steelmaking characteristics.

Set out in the graph below is the historical spot price of standard iron ore fines from December 2008 to December 2019 and the future consensus forecast. As can be observed, iron ore prices have been highly volatile over the historical period.

Iron ore prices (62% Fe)



Source: World Bank Commodity Price Data (the Pink Sheet), Consensus Economics
Note: 62% Fe iron ore fine CFR China, spot in US dollar/dry metric tonne

Several developments have influenced iron prices as described below.

1. The high prices experienced in 2011 were supported by strong economic growth in China and supply disruptions in India as well as delays to projects in Brazil and Australia.
2. Iron ore prices significantly reduced in the first three quarters of 2012 as a result of a lagged recovery of Chinese steel demand, destocking of inventory by Chinese steel mills and weak macroeconomic fundamentals.
3. The price of iron ore begins a long descent from early 2014. The significant increase in the availability of seaborne iron ore by the major producers led to an oversupply in the iron ore market, which led to a sharp drop of nearly 50 per cent between early 2014 and late 2015.
4. The price decline continued due to the increasing concerns about the health of the Chinese economy as a result of weakness in Chinese real estate and infrastructure sectors. The lowest price of US\$39/tonne was recorded on 13 January 2016.

³¹ Pellets and lump ore both attract a premium as they require limited further processing and can be charged directly into the furnace of steel mills.



5. In 2016 prices trended up again. Prices lifted to US\$89/tonne in mid-February 2017 due to robust demand from China's steel sector, supported by announcements of plans for new infrastructure investment and property development. Temporary supply disruptions due to bad weather at the Pilbara in Western Australia also supported higher prices.
6. In early 2019 iron ore prices rose sharply peaking at about US\$122/tonne in July 2019. This was mainly due to supply disruptions in Brazil and Australia. In January 2019, a dam at Vale's Córrego do Feijão mine in Brazil collapsed. The dam failure resulted in a reduction of approximately 90 million tonnes of supply, corresponding to around one-quarter of its annual capacity or roughly 6% of the total seaborne iron ore export market³². As a result, iron ore prices increased significantly.
7. Steel producers were under pressure due to higher raw material costs in conjunction with lower steel prices due to softer steel demand related to concerns about the global slowdown. Steel mills offloaded their existing inventory, which led to lower demand for iron ore and a subsequent decline in iron ore prices. This price decline continued following the announcements of increased Brazilian iron ore shipments.
8. Over the medium term, prices are expected to decline as Vale restarts production and global iron ore supply growth from Brazil increases and the seaborne market returns to balance. However, in early December, iron ore futures prices rebounded as Vale cut their production outlook³³ and indicated that 2020 might not see as big a rebound in production as expected.

3.2.4 Premium for high grade iron ore

The premium captured for high grade iron ore (65% Fe fine or higher) is assumed to be attributable to the following:

- Steel mills recognising that higher iron ore grades offer a benefit to optimise output, realise cost efficiencies whilst significantly decreasing CO₂ emissions. For instance, high quality iron ore can reduce blast furnace fuel rates and increase the furnace productivity of steel mills.
- Major producers experiencing operational challenges (i.e. Vale's tailings dam failure), resulting in shortages in the market for high-grade iron supply. This also contributes to an upward pressure on high-grade iron ore prices and amplifies the premiums paid for high-grade iron ore.

The size of premiums for high grade ore or discounts for low grade ore (58% Fe or lower) has varied over the years and has reduced recently. Historically, the average discount between 2012 and 2016 was between 10% and 15%³⁴. Premiums for high grade ore increased significantly in 2017/18. This increase in premiums paid was due to supply side reforms in the Chinese steel industry which required Chinese steel mills to operate at higher productivity levels facilitating demand for high grade ore which can reduce blast furnace fuel rates and increase furnace productivity.

The Chinese steel industry reform resulted in the closure of many inefficient steel producing facilities in relation to its "de-capacity" program. Several steel mills were also closed down as they did not meet increased environmental restrictions to cut air pollution in China's industrial hubs. This put more pressure

³² World Steel Association, Australian Government Department of Industry, Innovation and Science, 2019.

³³ Reuters, 3 December 2019.

³⁴ Resources and Energy Quarterly December 2017 – Department of Industry, Innovation and Science.



on the remaining steel producing facilities which as a result had to run at higher productivity levels. In order to meet those higher productivity levels, Chinese steel mills increasingly favoured high grade ore.

More recently the premiums and discounts have narrowed following iron ore supply disruptions from Brazil and Australia. Due to the disruption and associated higher iron ore prices, Chinese steel makers, looking to manage profit margins, shifted to lower grade ores at the expense of higher emissions and efficiencies, pushing the price of low grade ore up and thereby reducing the price premium.

Notwithstanding the recent decline in premiums paid for high grade iron ore, the Chinese government has indicated that there will be a growing emphasis on steel production efficiency and addressing air quality concerns, suggesting continued support for medium and high grade ores.

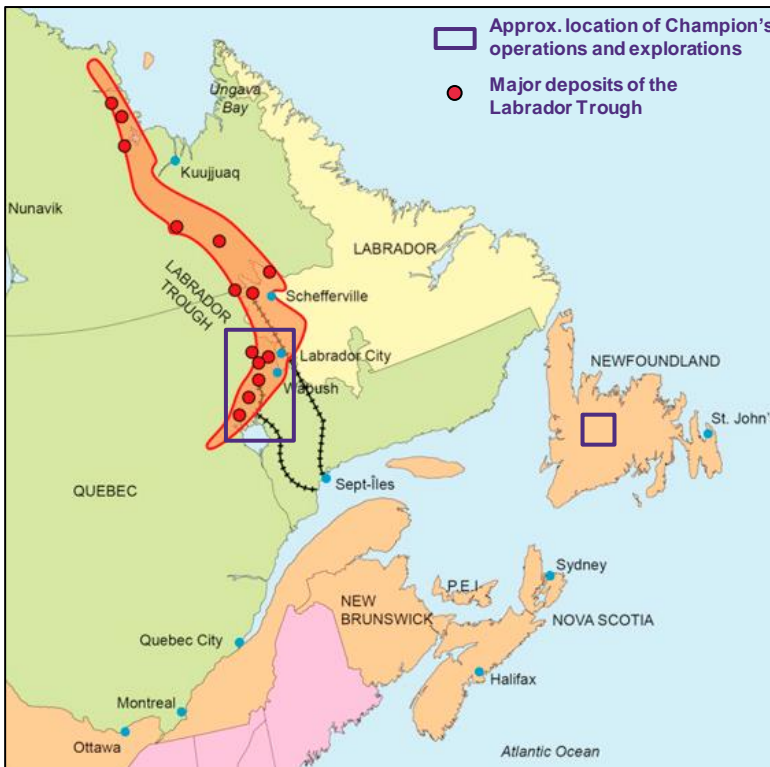


4 Profile of Champion Australia

4.1 Introduction

Champion Australia is an iron ore mining company which is headquartered in Australia and dual-listed on the TSX and the ASX. The Company, through its wholly-owned subsidiaries CIML and QIO is focused on the production, development and exploration of iron ore in Canada across the southern Labrador Trough, Quebec and Newfoundland provinces. The map below illustrates Champion Australia’s areas of operations.

Champion Australia’s operations and explorations in Canada



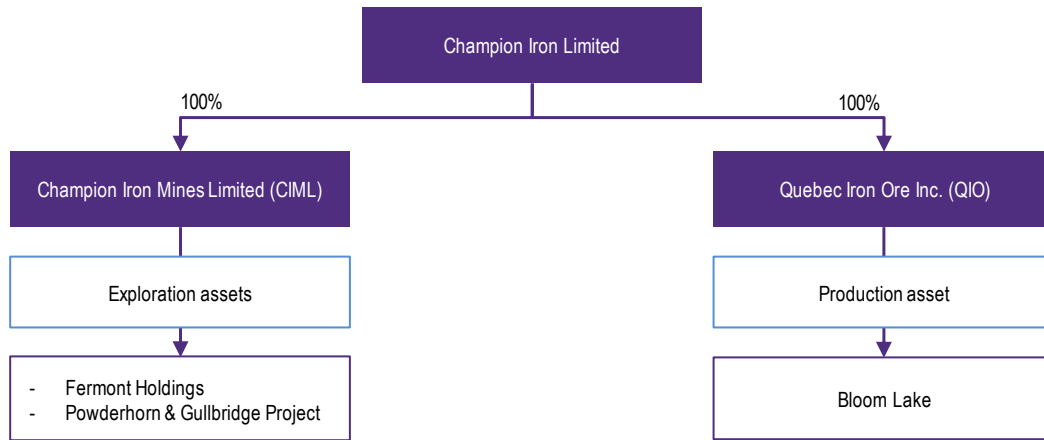
Sources: Champion Australia’s website, Labrador Institute of Memorial University

The Company fully owns and operates the Bloom Lake Iron ore mine and related infrastructure including the related rail assets (collectively “Bloom Lake”). Bloom Lake is a large-scale open pit operation which became 100% owned by Champion Australia following the August 2019 acquisition of Investissement Québec Inc’s 36.8% interest for a cash consideration of C\$211 million (“Repurchase Transaction”).

In addition to Bloom Lake, the Company owns several exploration assets which can be grouped as follows (please refer to section 4.4 for more details):

- *Fermont Holdings* – In the Labrador Trough, Champion Australia has 11 concessions covering an area of approximately 787 km² and has a 45% interest on a joint venture in two properties.
- *Powderhorn & Gullbridge Project* – CIML owns the 100% right to seven exploration licenses in the vicinity of the closed Gullbridge mine in Newfoundland.

Below we provide an abstract and simplified version of Champion Australia’s corporate structure:



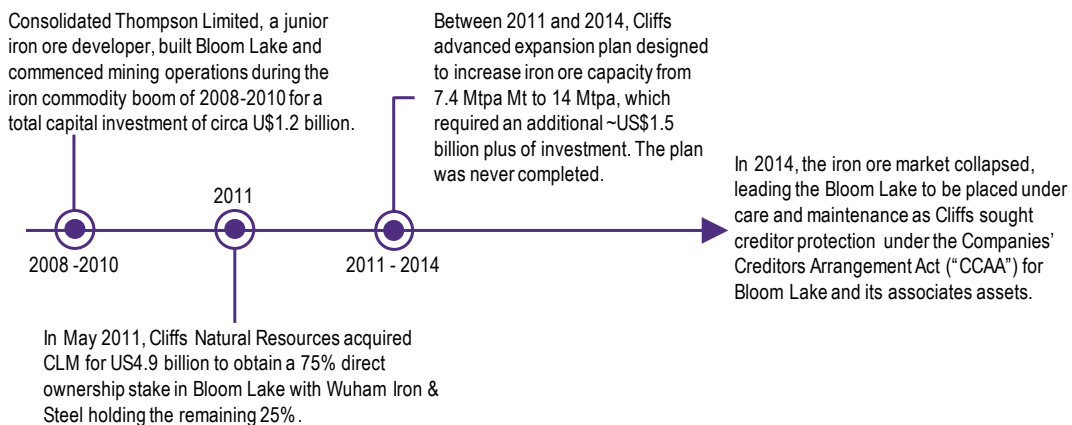
Source: Champion Australia roadshow presentation, September 2019

4.2 Bloom Lake Mine

Bloom Lake includes the mining lease (BM877) and claims over 69 deposits, which are located approximately 13 km north from the town of Fermont, in northern Québec, Canada. There are no royalties, agreements and encumbrances on the mining site. Champion Australia currently mines the ore from two open pits. The raw material is then transported by a conveyor to the concentrator where, through a concentrating and refining process, the impurities are discharged (“tailings”) and concentration of iron (Fe) is improved, to produce iron ore concentrate. Bloom Lake has several years of operating history dating back to 2010.

The following graph illustrates the key events leading up to Champion Australia’s acquisition of Bloom Lake.

Bloom Lake history



Sources: GTCF analysis, brokers’ reports

In December 2015, Champion Australia, through QIO, entered into an asset purchase agreement to acquire Bloom Lake³⁵ and Quinto Mining Corporation mineral claims for a total cash consideration of C\$10.5 million from affiliates of Cliffs Natural Resources (“Cliffs”), which were subject to restructuring

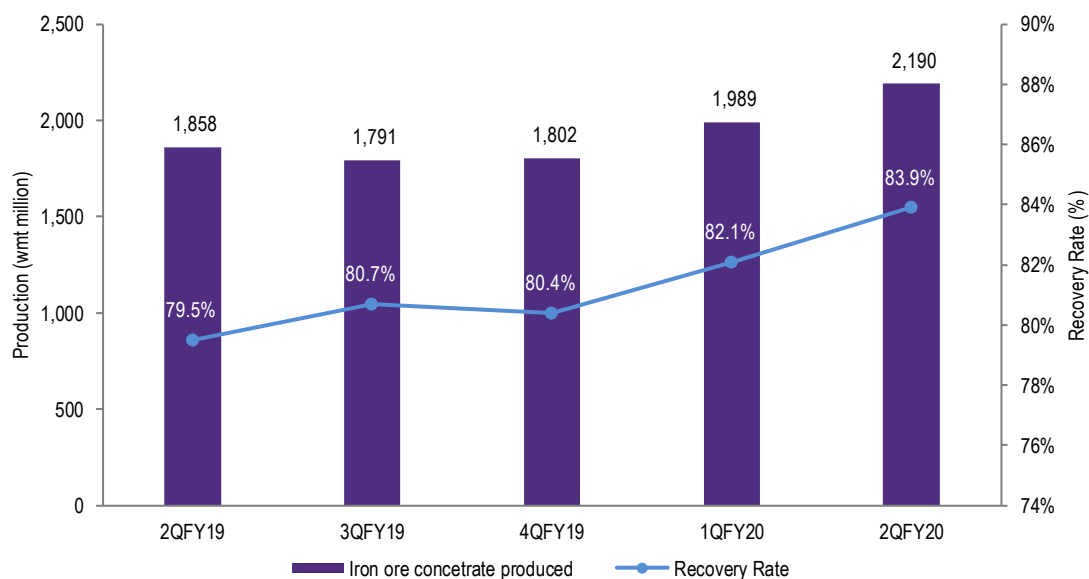
³⁵ At the time of the Asset Purchase Agreement, Bloom Lake included 114 active claims, however, QIO requested the renewal of 69 claims in October 2016.

proceedings. Under the acquisition, Champion Australia also became responsible for environmental obligations including environmental reclamation liabilities assessed at C\$41.7³⁶ million by the Government of Québec. The Bloom Lake acquisition was completed on 12 April 2016 and in addition to the mining lease and the deposit claims, it included the following infrastructure:

- The existing infrastructure and facilities built by Consolidated Thompson Limited (“CML”)³⁷ allowing Bloom Lake to mine and produce up to 7.4 Mtpa of iron ore concentrate.
- The completed and partially-completed infrastructure and facilities developed by Cliffs for the purpose of upgrading the Bloom Lake to produce around 14.0 Mtpa of iron ore concentrate per year.

After the Bloom Lake acquisition, the Company completed a feasibility study in March 2017 (“Phase I Feasibility Study”) confirming the financial viability of the mining operations. The study identified an initial capital cost of C\$327 million (including C\$157 million of mine upgrade capex) to achieve production of 7.4 Mtpa of iron ore concentrate. The mining operations recommenced on 16 February 2018 and Bloom Lake reached the nameplate capacity of 7.4 Mtpa during the second quarter of FY19. Below we show the quarterly production of the mine since the second quarter of FY19.

Bloom Lake iron ore production and recovery rate



Sources: GTCF analysis, Champion Australia’s quarterly operations reports
Note: (1) Wet metric tonnes (“wmt”)

Over the 14 months from the commencement of the commercial operations, the Company increased its quarterly iron ore production by 8.4%, producing almost 2.2 million wmt in 2QFY20. This quarterly production rate corresponded to an annual production rate of 8.4 Mtpa, circa 13.5% above the nameplate capacity of Bloom Lake Phase I. This growth was enabled by higher mining equipment availability and a higher utilisation rate as a result of the Company’s progress in the recommissioning program, which among other benefits led to a reduction in the trucking time as well as higher throughput.

In June 2019, Champion Australia completed a feasibility study for the planned ramp up in production at Bloom Lake from 7.4 Mtpa to 15.0 Mtpa (“Bloom Lake Phase II”).

³⁶ As at 30 September 2019.

³⁷ CML was the first company to finance and develop Bloom Lake during the iron ore commodity boom of 2008 – 2010.

On 21 June 2019, the Company announced the results of the feasibility study in relation to Bloom Lake Phase II (“Phase II Feasibility Study”) estimating an approximate doubling of proven and probable reserves from 412Mt to 807 Mt³⁸ as outlined in the table below.

Bloom Lake - Phase II Feasibility Study	Chemical characteristics					
	Tonnage (Mt)	Fe (%)	Ca (%)	Sat (%)	MgO (%)	Al ₂ O ₃ (%)
<u>Reserves</u>						
Proven	346.0	29.9	1.5	4.7	1.4	0.3
Probable	461.0	28.2	2.6	7.9	2.5	0.6
Total reserves and resources	807.0	29.0	2.2	6.5	2.0	0.5
<u>Resources</u>						
Measured	379.1	30.2	1.4	4.4	1.4	0.3
Indicated	514.4	28.7	2.5	7.7	2.3	0.4
Total measured and indicated	893.5	29.3	2.1	6.3	1.9	0.4
Inferred	53.5	26.2	2.8	8.0	2.4	0.4
Total Resources	947.0					

Source: Phase II Feasibility Study

Key metrics in relation to the Phase II Feasibility Study are summarised in the table below.

Phase II Feasibility Study - Metrics	
Life-of-Mine (years)	20.0
<u>Reserves (dmt, Mt)</u>	
Proven	346.0
Probable	461.0
Total proven and probable reserves	807.0
<u>Resources (dmt, Mt)</u>	
Measured	379.1
Indicated	514.4
Inferred	53.5
Total resources	947.0
Processed tonnage (Mtpa) ¹	41.6
Iron ore concentrate production (Mtpa)	15.0
Recovery Rate (%) ²	82.4
CAPEX pre-production (C\$m)	633.8
OPEX (C\$/t) ³	46.6

Source: Phase II Feasibility Study

Notes: (1) Processed tonnage refers to the total amount of raw material mined; (2) Recovery Rate refers to proportion of iron concentrate recovered from the initial ore mined; (3) OPEX includes the following operations: mining, crushing and conveying, process plant, water and tailing management and general and administrative.

As mentioned in section 4.2.1, Cliffs had commenced the required infrastructure upgrades to increase production at Bloom Lake to approximately 14 Mtpa. Between 2011 and 2014, Cliffs spent significant resources on additional mine infrastructure, including a second processing plant concentrator, which was

³⁸ The mineral reserves estimated by the Feasibility Study Phase II includes the proven and probable reserves associated with Phase 1 as well the ones associated with the expansion.



70% completed before the mine was put on the care and maintenance program and placed into creditor protection.

The construction period to complete the upgrade in the infrastructure is expected to be circa 21 months at a total cost of circa C\$633.8 million. As at 30 September 2019, the Phase II Feasibility Study is on track with the original timetable and ramp-up of production, which is expected to occur over the first two quarters of 2021.

4.2.1 Infrastructure

The availability of infrastructure is a key component for the successful development of Bloom Lake. Currently, Champion Australia has secured the following facilities:

Infrastructures summary	
Items	Description
Mining Fleet	A mining fleet with capacity to mine 30 Mtpa of ore/waste.
Conveyor System	New fully operational 3.45km conveyor system which delivers crushed ore from mine site to the processing facility.
Processing Plant	Two concentrators (one operative to be revamped for higher recovery plus one 70% complete for future expansion).
Rail	<p>The Company owns 735 specialised iron ore railcars use to transport the iron ore concentrate from Bloom Lake to the port facilities at Point-Noire, Quebec. The rail access to the port-facilities consists in three separate segments:</p> <ul style="list-style-type: none"> - As part of the Bloom Lake Acquisition, Champion acquired the Bloom Lake rail asset which consists of the provincially regulated short-line railway comprising a 32 km rail spur that connects Bloom Lake to the Quebec and North Shore and Labrador Railway Company ("QNS&L") railway at the Wabush Mines facilities, Newfoundland & Labrador. - In June 2017, the Company entered into a rail transportation agreement with QNS&L for the transportation of iron ore concentrate from Bloom Lake by rail from the Wabush to the Sept-Iles Junction in Sept-Iles, Quebec. - In October 2017, QIO entered in a railway and port facilities access with Societe Ferroviaire et Portuaire de Point-Noire ("SFPPN") for the transportation, unloading, stockpiling and loading of iron ore concentrate from Sept-Iles to Point-Noire, Quebec.
Port facilities	<ul style="list-style-type: none"> - Agreement with Government of Quebec for the port area (Arnauld rail, car dumper, stacker/reclaimer). - In July 2012, the Company signed an agreement with the Sept-Iles Port Authority to reserve annual loading capacity of 10 million metric tons of iron ore for an initial term of 20 years with options to renew for 4 additional 5-year terms.
Lodging	As a part of Bloom Lake acquisition, QIO acquired 26 fully furnished houses and two motels of 99 rooms of lodging. Those facilities are located in the town of Fermont and can host up to about 700 people on a fly-in-fly-out basis.
Power	QIO owns a 315 kV station including two 80 MVA transformers. In addition, as part of previous expansion plans, the high voltage power lines were upgraded to handle a further 30 MW.
Other	A spare part inventory representing a total of C\$43.6 million, as estimated in October 2014 before mining operations shut down, is currently available for future operations.

Sources: *Champion Australia FY19 annual report, Champion Australia's roadshow presentation September 2019.*

4.3 Iron ore sales

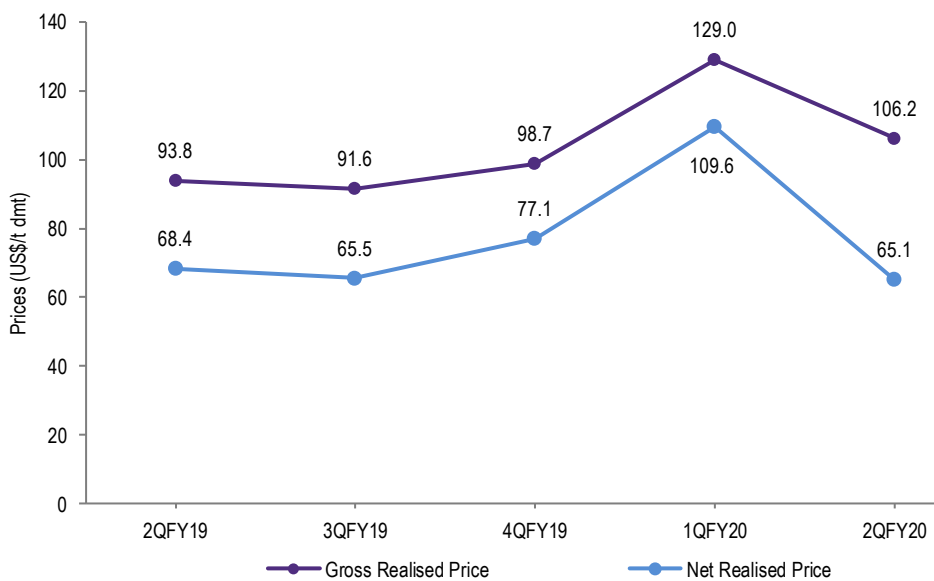
Bloom Lake produces high grade (66.2% Fe content, with low impurities) iron ore concentrate. This high grade iron produced by Champion Australia, trades at a premium to the price for 62% Fe iron ore, due to its high quality. The iron at 62% Fe is tracked by the Platts IODEX 62% Fe CFR China ("Index P62") which is used to derive the NYMEX 62% Fe CFR North China. Up to the latest reporting period (i.e. 30



September 2019, for the half year accounts) the quality of the iron ore extracted has exceeded the benchmark with a quarterly average Fe content of 66.4%, and the Company has not incurred any penalties for product quality. Overall, approximately 80% of Champion Australia’s iron ore sales contracts are structured on a provisional pricing basis, with the final sales price determined with reference to price indices on or after the vessel’s arrival to the port at discharge.

Once the price for high grade iron ore concentrate is determined (“Gross Realised Price”), freight and adjustments on provisional sales (“FOB”) need to be deducted to determine the net realised price (“Net Realised Price”) by Champion Australia. The graph below illustrates the quarterly average Gross Realised Price and the Net Realised Price.

Champion Australia’s iron ore concentrate quarterly average prices



Sources: Champion Australia’s quarterly activities reports

As described in section 3, the contraction in the price in 2QFY20 is a consequence of global supply disruptions (which pushed the price of iron ore up in late 2019), and an uncertain economic outlook, both of which have contributed to lower profit margins for Chinese steel manufactures, which have started to buy lower quality (and lower priced) iron ore to support their profit margins. Moreover, those factors led to an un-common³⁹ adjustment on provisional sales of US\$14.3/dmt, in addition to the freight and other costs which is the main driver behind the significant difference between the Gross Realised Price and the Net Realised Price over 2QFY20.

Champion Australia retains the right to deal directly with end buyers and arrange shipping. In addition QIO has signed two off-take agreements with Sojitz Corporation (“Sojitz”) and Glencore International AG (“Glencore”) on a brokered basis. Through these contracts, the Company aims to access a larger customer base, reduce execution risk and access preferential freight. Below we provide details of the two off-take agreements:

- **Sojitz Agreement** – According to the agreement signed in May 2017, Sojitz will purchase up to 3 Mtpa (dmt) from QIO. The Sojitz Agreement is for an initial five-year term and will automatically extend for a further five years.

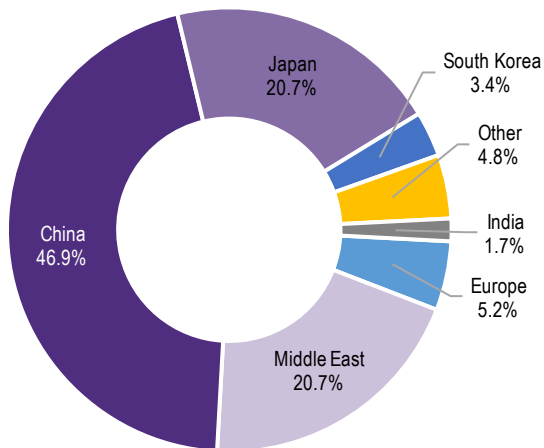
³⁹ Over the previous quarters, the adjustment on provisional sales was always nil, with exception of 2QFY19 (US\$2.5/dmt adjustment).



- *Glencore Agreement* – In August 2017, QIO entered into a financing agreement which involved Glencore providing US\$25 million to QIO (“Glencore Financing”)⁴⁰. Under the agreement, Glencore has off-take rights for the life-of-mine with fixed commercial terms for 10 years for all Bloom Lake iron not sold under the Sojitz Agreement.

Since the Company’s first shipment in March 2018, QIO sold iron ore concentrate to 16 different end customers. The graph below illustrates the diversification, by country, of the iron sold by QIO up to September 2019.

Champion Australia’s diversification of sales since commencement of operations to September 2019



Sources: *Champion Australia’s roadshow presentation in September 2019, GTCF analysis*

⁴⁰ Glencore provided financing of US\$25 million in exchange for the non brokered sales of a subordinated unsecured mandatory convertible debenture (“Glencore Debentures”) on a private placement basis. The Glencore Debentures were repaid by Champion during 1HFY20 without any effect on the off-take agreement.

4.4 Exploration Assets

The Company's exploration assets are summarised below.

- *Fermont Holdings* – The deposits are located south of Bloom Lake. An overview of the Fermont Holdings assets is provided in the following table:

Fermont Holdings					Reserves and Resources (Mt) ¹
Cluster/ Project	Deposit	Number of claims	Area (km sq.)	Champion interest	
Consolidated Fire Lake North	Fire Lake North				1,681
	Don Lake	569	287.7	100%	Na
	Bellechasse				215
	Oil Can				1,896
Peppler Lake					
Quinto Claims	Lamellee Lake	435	228.4	100%	Na
	Habdad Hill				
	Penguin Lake				535
Cluster 3	Lac Jeannine	158	175.2	45%	Na
	Black Dan				Na
	Harvey -Tuttle	191	100.1	100%	947
	O'Keefe-Purdy	203	106.2	100%	Na
	Moire Lake	36	16.7	100%	581

Source: Champion Australia FY19 annual report

Note: (1) Reserves and resources reported on 100% ownership basis

In relation to the above we note:

- *Consolidated Fire Lake North* – This is the most advanced of the Exploration Assets. In 2013, Champion Australia completed a preliminary feasibility study for Fire Lake North. The preliminary feasibility study considered an iron ore concentrate production of 9.3 Mtpa over circa 20-year mine life and C\$1.4 billion of capital costs for the development (excluding railway infrastructure needs).
- *Quinto Claims* – Acquired as part of the Bloom Lake Acquisition. At present, Champion Australia's focus is to define the potential of the Quinto Claims.
- *Cluster 3* – Champion Australia has 45% interest in Cluster 3 with Cartier Iron Corporation ("Cartier") holding the remaining 55%. A joint venture agreement is in place between Champion Australia and Cartier. Additional work to be undertaken by Cartier in the near-term at Penguin Lake includes metallurgical studies followed by a preliminary economic assessment to establish the parameters required for the future development of the project.
- *Harvey-Tuttle* – An initial drilling program was completed in 2010 to test for iron formations on the property. Additional drilling is required in order to determine greater precision and detail of the iron formation.
- *Moire Lake* - Results from 23 diamond-drill holes completed by Champion Iron in 2011 were used to model the iron deposit and calculate a mineral resource estimate of 581 Mt.

- *Powderhorn & Gullbridge Project* – The Powderhorn and Gullbridge Project is located in central Newfoundland and the 7 exploration licenses cover an area of 63 Km². The project targets base metal deposits (Cu-Zn). Drilling was performed in 2017 and 2018 which demonstrated the existence of a 50-meter-thick zinc-bearing unit. The Company has not booked any reserves or resources in relation to the project.

4.5 Financial information

We note that the Company restarted commercial operations in June 2018. Accordingly the amount of comparable historical financial information is limited. Champion Australia's year end is 31 March.

4.5.1 Financial performance

The following table sets out the historical financial performance for Champion Australia for 1HFY19, FY19 and 1HFY20.

Consolidated statements of financial performance	1HFY19	FY19	1HFY20
C\$'000s	Reviewed	Audited	Reviewed
Revenue	325,419	655,129	438,284
Cost of sales	(183,033)	(351,946)	(193,528)
Depreciation	(8,509)	(14,551)	(8,307)
Gross profit	133,877	288,632	236,449
<i>Gross margin</i>	<i>41.1%</i>	<i>44.1%</i>	<i>53.9%</i>
Other expenses			
Share base payments	(1,067)	(1,808)	(1,751)
General and administrative expenses	(4,506)	(14,039)	(7,899)
Restart costs	(4,497)	(4,497)	-
Sustainability and other community expenses	(6,053)	(12,226)	(5,595)
Property tax adjustment	-	7,559	-
Total other expenses	(16,123)	(25,011)	(15,245)
Operating income (loss)	117,754	263,621	221,204
Net finance costs	(21,345)	(50,010)	(75,485)
Income (loss) before income tax	96,409	213,611	145,719
Current income tax	(17,504)	(34,017)	(67,986)
Deferred income tax	9,340	(31,995)	(5,218)
Net income (loss)	88,245	147,599	72,515
<i>Key metrics</i>			
Volume sold ('000 t)	3,672	7,128	3,767
Average Net Realised Price (US\$/dmt)	69.2	70.0	87.6
EBITDA ¹	126,263	278,122	229,511
EBITDA Margins	39%	42%	52%
All-in Sustaining Cost (C\$ per dmt sold) ²	56.1	55.8	64.5

Sources: Champion Australia's annual and semi-annual reports

Notes: (1) EBITDA computed as revenues less cost of sales less total other expenses; (2) All-in Sustaining Cost defines the total costs associated with producing iron ore concentrate. It is computed by summing cost of sales, sustaining capital expenditures and general and administrative expenses and then dividing the total by the amount of iron ore concentrate sold.



In relation to the financial performance, we make the following observations:

- In FY19, the Company sold 7.1 million tonnes of iron ore concentrate at an average realised FOB price of US\$ 70/dmt. In 1HFY20, revenues grew by 35% compared to 1HFY19. This growth is mainly attributable to the increase in the volume sold and a higher Net Realised Price which rose from US\$69.2 per dmt in 1HFY19 to US\$87.6 per dmt in 1HFY20. Those factors were also the reasons behind the improved EBITDA and EBITDA margin in 1HFY20.
- In 1HFY20 the increase in the All-in Sustaining Costs is mainly due to the Company completing certain works to ensure a safe tailing deposition, which were performed over 2QFY20. In addition, Champion Australia incurred one-off general and administrative expenses related to the completion of the mine recommission.
- Over 1HFY20, the net finance costs increased significantly as a result of the Company's capital restructure completed on 19 August 2019 ("Capital Restructure" or "Restructure"), which is described below in section 4.5.2. As a result of the Capital Restructure, the Company incurred one-off (non-cash) loss on debt repayments of C\$53 million⁴¹.
- QIO is subject to a Québec mining tax which is charged on progressive rate ranging from 16% to 28% depending on the mining profit margin. The higher taxable profit, combined with the full utilisation of available tax losses in the previous periods, has led to an increase of the current income tax for 1HFY20.

⁴¹ The loss on debt repayment is associated with the write-off of derivative instruments that were associated with the debt facilities repaid through the Capital Restructure.

4.5.2 Financial position

The following table sets out the historical financial position of Champion Australia as at 31 March 2019 and 30 September 2019.

Consolidated statements of financial position	31-Mar-19	30-Sep-19
C\$'000s	Audited	Reviewed
Current assets		
Cash and cash equivalents	135,424	193,753
Short-term investments	17,907	17,291
Receivables	93,012	71,634
Prepaid expenses and advances	24,186	16,459
Inventories	44,154	61,385
Total current assets	314,683	360,522
Non current assets		
Investments	2,653	2,224
Advance payments	38,250	30,384
Property, plant and equipment	224,123	304,168
Exploration and evaluation assets	81,508	75,859
Derivative assets	10,800	-
Total non-current assets	357,334	412,635
Total assets	672,017	773,157
Current liabilities		
Accounts payable and accrued liabilities	44,697	76,011
Income and mining tax payable	34,059	53,524
Current portion of long-term debt	35,852	-
Total current liabilities	114,608	129,535
Non current liabilities		
Property taxes payable	13,940	14,252
Long-term debt	193,038	230,299
Convertible debentures (Glencore)	12,067	-
Derivative liability	43,819	-
Rehabilitation obligation	36,565	41,983
Other long-term liability	4,798	4,533
Deferred tax liabilities	37,460	42,677
Total non current liabilities	341,687	333,744
Total liabilities	456,295	463,279
Net assets	215,722	309,878

Sources: Champion Australia's annual and semi-annual reports.

In relation to the financial position, we make the following observations:

- Since the Bloom Lake Acquisition, Champion Australia has raised funds in both the debt and equity markets in order to fund the capital requirements in relation to Bloom Lake Phase I and Phase II. In August 2019, the Company completed the Capital Restructure to fund its strategic initiatives and refinance QIO's current outstanding debt facilities. The Restructure involved the issuance by QIO of preferred shares for C\$185 million to Caisse de depot et placement du Quebec ("CDPQ") and a new

fully underwritten US\$200 million credit facility (“New Facility”)⁴² provided by Scotiabank and SocGen. The funds from the New Facility were used by Champion Australia for the repayment of the following debt facilities that existed as at 31 March 2019:

- A subordinated credit facility of US\$128 million previously issued by CDPQ.
- Outstanding long term debt instruments in the aggregate amount of US\$103 million previously made available by Glencore⁴³ and Sprott Private Resources.
- As at 30 September 2019, the Company had drawn down US\$180 million from the New Facility. The New Facility has significantly reduced the Company’s cost of debt from 10.0% to 4.9%. Moreover, the Company’s net debt, as at 30 September 2019 has declined to circa C\$24 million from C\$100 million as at 31 March 2019.
- Property, plant and equipment increased by C\$80 million mainly driven by investments in mining equipment for C\$35 million to recommission the mine and C\$19 million related to Bloom Lake Phase II development.
- Rehabilitation obligations increased slightly from C\$36.6 million to C\$42.0 million following the final review and approval of the final closure costs by the Government of Québec.
- Advance payments relate to payments made by CIML and QIO to reserve loading capacity at the Sept-Îles Port (“Port”) in Quebec and to guarantee access to stockyard facilities at the Port and rail transport facilities leading to the Port. The advance payments are advances on future shipping, wharfage and equipment fees at the Port, and for use of the stockyard and to cover rail transportation costs. The current portion of the advance payments is presented under prepaid expenses and advances and an associated credit is deducted from the advances as the company recognises those costs. In addition, in accordance with Quebec regulations, the Company deposited C\$6 million to the Ministry of Finance in relation to its rehabilitation obligations. The deposit will be reimbursed to the Company at the end of the mine life once it has completed its obligations with respect to the rehabilitation of the mine site.
- Other long term liabilities of C\$4.5 million relates to advance payments made in relation to the access agreement with Société Ferroviaire et Portuaire de Pointe-Noire (“SFPPN”) for the transportation, unloading, stockpiling and loading of iron ore concentrate from Sept-Iles to Pointe-Noire, Québec. This amount is recoverable under the guarantee access agreement if certain conditions are met.

⁴² The New Facility includes a senior secured fully amortizing non-revolving credit facility for US\$180 million and a revolving credit facility of US\$20 million.

⁴³ The Company repaid the Glencore Debentures issued in August 2017.

4.5.3 Cash Flow Statement

The Company's cash flow statements for 1HFY19, FY19 and 1HFY20 are set out below.

Consolidated statements of cash flow	1HFY19	FY19	1HFY20
C\$'000s	Reviewed	Audited	Reviewed
Cash flows from operating activities			
Operations	108,799	231,465	127,009
Change in non-cash operating working capital	(59,193)	(54,767)	69,835
Net cash inflows/(outflows) from operating activities	49,606	176,698	196,844
Cash flows from financing activities			
Proceeds of long-term debt	74,195	74,195	239,148
Repayment of long-term debt	-	(7,636)	(234,464)
Repurchase of QIO common shares	-	-	(211,000)
Issuance of preferred shares to CDPQ	-	-	182,003
Repayment of Glencore Debentures	-	-	(31,980)
Transaction costs on credit facilities	(1,618)	(1,618)	(6,633)
Repayment of notes payable	-	(37,472)	-
Other items	(3,114)	(6,968)	3,548
Net cash inflows/(outflows) from financing activities	69,463	20,501	(59,378)
Cash flow from investing activities			
Investment in short-term investments	(468)	(616)	616
Purchase of property, plant and equipment	(26,487)	(62,942)	(78,726)
Exploration and evaluation	(1,852)	(9,372)	(427)
Net cash inflows/(outflows) from investing activities	(28,807)	(72,930)	(78,537)
Net increase / (decrease) in cash and cash equivalents	90,262	124,269	58,930
Cash and cash equivalents at the beginning of the financial year	7,895	7,895	135,424
Effects of exchange rate changes on cash and cash equivalents	(291)	3,260	(601)
Cash and cash equivalents, end period	97,866	135,424	193,753

Sources: *Champion Australia's annual and semi-annual reports*

We highlight the following:

- Net cash inflow from operating activities in 1HFY20 was almost four times than that of 1HFY19. This is due to the Company's higher inflows from the iron ore concentrate sales in conjunction with the improved EBITDA margins. In addition, Champion Australia benefited from a cash inflow of approximately C\$70 million (versus a cash outflow of C\$59 million in 1HFY19) from working capital movements due to the timing of customer receipts and supplier payments.
- In 1HFY20, cash flows from financing activities were largely impacted by the Repurchase Transaction with an outflow of C\$211 million and by the Capital Restructure's net impact of circa C\$148 million inflow⁴⁴.
- Capex largely relates to the recommissioning of Bloom Lake Phase I and subsequent investments for Bloom Lake Phase II.

⁴⁴ Computed as proceeds of long-term debt plus issuance of preferred shares to CDPQ less repayments of long-term debt less and Glencore Debentures and less the transaction costs.



4.6 Share capital structure

As at the date of this report, Champion Australia has the following securities on issue:

Champion's issued securities	
Type	No. of shares
Ordinary Shares	462,188,497
Employee options	6,814,334
Special voting share	1
Deferred share units	118,591
Restricted share units	597,504
Performance share units	653,071
Warrants exercisable at C\$1.125	10,281,250
Warrants (Glencore) exercisable at C\$1.125	27,733,333
Warrants (CDPI) exercisable at C\$2.45	15,000,000

Sources: ASX's Appendix 3B release on 28 January 2020.

We have provided in the table below, the substantial shareholders of Champion Australia as at 28 January 2020:

Substantial shareholders as at 28 January 2019			
Rank	Name	No. of shares	Interest (%)
1	WC Strategic Opportunity	66,944,444	14.48%
2	Prospect AG Trading Pty Ltd ¹	44,023,830	9.53%
3	Investissement Quebec Inc.	37,500,000	8.11%
Substantial shareholders total		148,468,274	32.12%
Remaining shareholders		313,720,223	67.88%
Total ordinary shares outstanding		462,188,497	100.00%

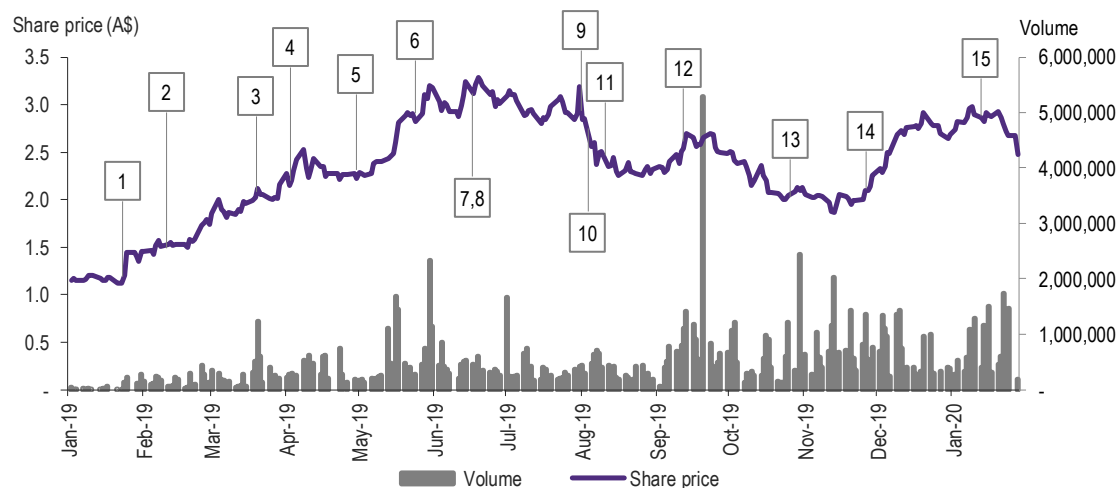
Sources: ASX's Appendix 3B release on 28 January 2020, S&P Global, GTCF analysis.

Note (1): We note that Mr. Michael O'Keeffe (Executive Chairman of the Champion Australia Board) has a controlling interest in Prospect AG Trading Pty Ltd and its associated entities.

4.6.1 Share price analysis

The following is a chart showing the movements in Champion Australia's share price and volume traded since 1 January 2019.

Historical share price and volume for Champion Australia



Source: S&P Global, GTCF analysis

The following is a brief description of the key movements in the share price during the year.

Event	Date	Comments
1	Jan-19	Champion Australia reached a joint one-year exploration agreement with Supreme Metal Corp. ("Supreme") in order to access the claims located in the east area of Bloom Lake. Pursuant to the agreement, Champion Australia will grant Supreme access to the Walsh Prospect located on QIO's Bloom Lake mining lease. In addition to accelerating exploration on the Walsh Prospect, the agreement allows the Company to evaluate further mineralisation outside QIO's current claims and lease.
2	Feb-19	Champion Australia reported strong 3QFY19 results: <ul style="list-style-type: none"> - Production of 1.8 Mt of high-grade 66.4% iron ore concentrate. - C\$147.5 million in revenues, resulting in net income of C\$31.2 million for the quarter. - Cash on hand of C\$185 million as of 31 December 2018, an increase of C\$160 million compared to cash on hand of C\$25 million as of 31 March 2018.
3	Mar-19	Champion Australia reported positive exploration results at the Powderhorn & Gullbridge Project in Newfoundland. Several drill holes yielded significant zinc values.
4	Apr-19	Champion Australia announced that David Cataford had been appointed Chief Executive Officer of the Company, following the transition of Michael O'Keeffe from the CEO position and the implementation of Champion Australia's succession plan in this regard. Michael O'Keeffe retained his current position as Executive Chairman.
5	Apr-19	Champion Australia released the 4QFY19 results with net revenues of C\$182 million from the sale of 1.7 Mt of iron ore concentrate. In addition, the Company reported trade receivables totalling C\$79 million compared to C\$32 million as of 31 December 2018.
6	May-19	The Company announced the Capital Restructure and the Repurchase Transaction.
7	Jun-19	Champion Australia announced positive results of the Phase II Feasibility Study for Bloom Lake. The Phase II Feasibility Study envisioned further exploiting of Bloom Lake which would increase overall capacity from 7.4 Mtpa to 15 Mtpa of 66.2% iron ore concentrate. The Feasibility Study assessed an after tax internal rate of return of 33.4% and after tax net present value of 2.4 billion (including Phase I and Phase II).
8	Jun-19	The Company published the FY19 annual report which coincided with the first year of production at Bloom Lake. Highlights included: <ul style="list-style-type: none"> - Revenues of C\$655 million - Average Net Realised Price of C\$91.9/dmt and all sustaining cost of C\$55.8/dmt. - Cash on hand of C\$153 million as at 31 March 2019 compared to C\$25 million as at 31 March 2018.



Event	Date	Comments
9	Aug-19	The Company released the results for 1QFY20 reporting: <ul style="list-style-type: none"> - Revenues of C\$277.9 million for the quarter, compared to C\$150.7 million during the same period of the previous year. - Net cash flow from operations totalling C\$91.9 million for the quarter, compared to C\$46.7 million for the same period in the year prior. - Cash on hand of C\$210.7 million at 30 June 2019, compared to C\$153.3 million as at 31 March 2019.
10	Aug-19	Released the full report of the Phase II Feasibility Study. The Feasibility Study assessed an after tax internal rate of return of 33.4% and after tax net present value of 2.4 billion (including Phase I and Phase II).
11	Aug-19	Champion Australia completed the Capital Restructure as well as the Repurchase Transaction.
12	Sep-19	The Company released a roadshow presentation illustrating the operations and key milestones achieved by the Company as well as insight in relation to the future strategy of Champion Australia.
13	Oct-19	The Company released the results for 1HFY20 announcing: <ul style="list-style-type: none"> - Revenues for the 1HFY20 of C\$438.3 million compared to C\$325.4 million for 1HFY19 - Record net cash flow from operation of C\$196.8 million for 1HFY20 (compared to C\$49.6 million for 1HFY19) - Cash on hand of C\$211 million on 30 September 2019, compared to C\$153 million on 31 March 2019.
14	Nov-19	The Company released a newsletter highlighting the recovery of iron ore prices and the pricing premium of high grade iron ore compared to the benchmark P62 Index prices. In the newsletter, the Company also referenced analysis performed by Wood Mackenzie supporting the view that a strong premium for high-grade iron ore is structural and the recent low premium was a result of short-terms dynamics. In addition, the Company completed certain recommissioning operations at Pointe Noire granting it access to load panama vessels that could lead to geographically closer markets and a potential reduction in freight costs.
15	Jan-20	The Company announced its intention to re-domicile to Canada.

Source: ASX, GTCF analysis

The monthly share price performance of Champion Australia since February 2019 as well as the weekly share price performance over the last 16 weeks are summarised below:

Champion Iron Limited	Share Price			Average weekly volume 000'
	High \$	Low \$	Close \$	
Month ended				
Feb 2019	1.795	1.415	1.740	746
Mar 2019	2.210	1.795	2.160	1,368
Apr 2019	2.540	2.130	2.220	1,502
May 2019	3.250	2.220	3.180	2,855
Jun 2019	3.370	2.700	3.010	1,861
Jul 2019	3.230	2.780	3.190	1,785
Aug 2019	2.950	2.150	2.320	1,758
Sep 2019	2.750	2.220	2.480	4,307
Oct 2019	2.565	1.920	2.130	2,883
Nov 2019	2.280	1.750	2.250	3,649
Dec 2019	2.920	2.200	2.680	2,991
Week ended				
11 Oct 2019	2.490	2.120	2.200	1,220
18 Oct 2019	2.380	2.050	2.080	3,108
25 Oct 2019	2.080	1.920	2.040	2,239
1 Nov 2019	2.210	2.040	2.050	4,159
8 Nov 2019	2.080	1.975	2.030	2,374
15 Nov 2019	2.090	1.750	2.050	5,019
22 Nov 2019	2.090	1.930	1.995	3,562
29 Nov 2019	2.280	1.955	2.250	3,738
6 Dec 2019	2.560	2.200	2.490	4,362
13 Dec 2019	2.800	2.560	2.760	4,172
20 Dec 2019	2.920	2.720	2.920	2,190
27 Dec 2019	2.870	2.700	2.700	1,634
3 Jan 2020	2.840	2.640	2.820	798
10 Jan 2020	3.000	2.750	2.890	4,337
17 Jan 2020	2.960	2.740	2.870	3,929
24 Jan 2020	2.980	2.630	2.670	5,373

Sources: S&P Global, GTCF analysis



5 Valuation methodologies

5.1 Introduction

Our conclusion on the Scheme involves comparing the advantages and the disadvantages of the Scheme to determine whether the Scheme is in the best interests of the Scheme Shareholders.

6 Sources of information, disclaimer and consents

6.1 Sources of information

In preparing this report Grant Thornton Corporate Finance has used various sources of information, including:

- Explanatory Memorandum.
- Scheme Implementation Deed (which includes the Scheme of Arrangement and Deed Poll as annexures).
- Annual and semi-annual reports of Champion.
- Presentation and other material presented/submitted to the Board in relation to the Re-domiciliation.
- Press releases and announcements by Champion Australia on the ASX.
- S&P Global.
- IBISWorld.
- Various industry and broker reports.
- Other publicly available information.

In preparing this report, Grant Thornton Corporate Finance has also held discussions with, and obtained information from, Management of Champion Australia and its advisers.

6.2 Limitations and reliance on information

This report and opinion is based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.

Grant Thornton Corporate Finance has prepared this report on the basis of financial and other information provided by the Company, and publicly available information. Grant Thornton Corporate Finance has considered and relied upon this information. Grant Thornton Corporate Finance has no reason to believe that any information supplied was false or that any material information has been withheld. Grant Thornton Corporate Finance has evaluated the information provided by the Company through inquiry, analysis and review, and nothing has come to our attention to indicate the information provided was materially misstated or would not afford reasonable grounds upon which to base our report. Nothing in this report should be taken to imply that Grant Thornton Corporate Finance has audited any information supplied to us, or has in any way carried out an audit on the books of accounts or other records of the Company.

This report has been prepared to assist the Directors in advising the Scheme Shareholders in relation to the Scheme. This report should not be used for any other purpose. In particular, it is not intended that this



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report should be used for any purpose other than as an expression of Grant Thornton Corporate Finance's opinion as to whether the Scheme is in the best interest of the Members.

Champion Australia has indemnified Grant Thornton Corporate Finance, its affiliated companies and their respective officers and employees, who may be involved in or in any way associated with the performance of services contemplated by our engagement letter, against any and all losses, claims, damages and liabilities arising out of or related to the performance of those services whether by reason of their negligence or otherwise, excepting gross negligence and wilful misconduct, and which arise from reliance on information provided by the Company, which the Company knew or should have known to be false and/or reliance on information, which was material information the Company had in its possession and which the Company knew or should have known to be material and which did not provide to Grant Thornton Corporate Finance. The Company will reimburse any indemnified party for all expenses (including without limitation, legal expenses) on a full indemnity basis as they are incurred

6.3 Consents

Grant Thornton Corporate Finance consents to the issuing of this report in the form and context in which it is included in the Explanatory Memorandum to be sent to the Scheme Shareholders. Neither the whole nor part of this report nor any reference thereto may be included in or with or attached to any other document, resolution, letter or statement without the prior written consent of Grant Thornton Corporate Finance as to the form and content in which it appears.

Appendix A – Glossary

A\$ or AUD	Australian Dollar
All-in Sustaining Costs	The total costs associated with producing iron ore concentrate computed by summing the cost of sales, sustaining capital expenditures and general and administrative expenses, then subdividing by the total amount of iron ore concentrate sold
APES	Accounting Professional & Ethical Standards
APES 225	Professional standard APES 225 <i>Valuation Services</i>
ASIC	Australian Securities and Investment Commission
ASX	Australian Stock Exchange
ASX Settlement Operating Rules	The operating rules for settlement on the official list of ASX
Bloom Lake or Bloom Lake Mine	Bloom Lake Iron ore mine, deposit claims and related infrastructure including the related rail assets.
Bloom Lake Phase II	Bloom Lake's ramp-up in production from 7.4 Mt to 15.0 Mtpa
Buy Back	The buy back (for A\$1) and subsequent cancellation of the Special Voting Share.
C\$ or CAD	Canadian dollar
CAGR	Compound Annual Growth Rate
CAPEX	Capital Expenditures
Capital Restructure	QIO's capital restructure completed on 19 August 2019 resulting in the issuance of C\$185 million preferred shares to CDPQ and the US\$200 million credit facility (New Facility) provided by Scotiabank and SocGen
Cartier	Cartier Iron Corporation
CDI	A CHESS Depository Interest, as described in Section 4.6, 4.7 and Appendix E of the Explanatory Memorandum
Champion Australia or the Company	Champion Iron Limited (ABN 34 119 770 142)
Champion Australia Board	The board of directors of Champion Australia for the time of being and from time to time
Champion Australia Share	A fully paid ordinary share in the capital of Champion Australia
Champion Australian Shareholders or the Members,	A registered holder of a Champion Australia Share
Champion Canada	Champion Iron Inc., the new entity incorporated in Quebec, Canada, for the specific purpose of the Re-domiciliation
Champion Canada CDI	A unit of beneficial ownership in a Champion Canada Share (in the form of a CDI) that is registered in the name of the Authorised Nominee in accordance with the ASX Settlement Operating Rules, for the purpose of enabling the securities to be recorded and transferred in accordance with those operating rules, as described in Appendix E of the Explanatory Memorandum
Champion Canada Share	A fully paid common share in the capital of Champion Canada
Champion Iron Mines or CIML	Champion Iron Mines Ltd
CHESS	Clearing House Electronic Sub register System of share transfers operated by ASX Settlement
CIS	Commonwealth of Independent States
Cliffs	Cliffs Natural Resources
CML	Consolidated Thompson Limited
Conditions Precedent	The conditions precedent to the Scheme, as set out in Section 4.11 of the Explanatory Memorandum
Corporations Act	Corporations Act 2001 (Cth), Australia
Corporations Regulations	Part 3 of Schedule 8 (s640) of the Corporations Regulations 2001
Court	Federal Court of Australia
CSN	Brazilian mining company Companhia Siderurgica Nacional
DCF Method	Discounted Cash Flow and the estimated net realisable value of any surplus assets
Directors	The directors of Champion Australia
Dmt	Dry metric tonnes
DSO	Direct Shipping Ore
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortisation
Explanatory Memorandum	Means the scheme booklet, which includes the Scheme, the explanatory statement for the Scheme, the notice of Scheme Meeting and the Independent Expert's Report.
Fe	The chemical symbol for Iron.
Fermont Holdings	9 iron-rich projects for a total of 13 iron ore deposits covering an area of approximately 752 km ² located in the Labrador Trough, south of Bloom Lake

FIRB	Foreign Investment Review Board
FME Method	Application of earnings multiples to the estimated future maintainable earnings or cash flows of the entity, added to the estimated realisable value of any surplus assets
FOB	Free On Board
FSG	Financial Services Guide
FYxx	Financial year ending 31 March
Glencore	Glencore International AG
Glencore Agreement	The agreement signed in August 2017 whereby Glencore will provide US\$25 million to QIO. Glencore has off-take rights for the life-of-mine with fixed commercial terms for 10 years for all Bloom Lake iron not sold under the Sojitz Agreement
Glencore Debentures	Glencore provided financing of US\$25 million in exchange for the non-brokered sales of a subordinated unsecured mandatory convertible debenture on a private placement basis
Glencore Financing	Glencore providing US\$25 million to Champion subject to the Glencore Agreement
Gross Realised Price	The price for iron ore concentrate before FOB
GST	Goods and Services Tax
GTCF, Grant Thornton, or Grant Thornton Corporate Finance	Grant Thornton Corporate Finance Pty Ltd (ABN 59 003 165 987)
IER or Independent Expert's Report or Report	The report of the Independent Expert as set out in Appendix B of the Explanatory Memorandum and any update to that report that the Independent Expert issues
Independent Expert	Grant Thornton Corporate Finance
Index P62	The IODEX 62% Fe CFR China index that tracks iron ore with 62% content
Ineligible Foreign Shareholders	Scheme Participant whose address as shown in the Champion Australia Register (as at the Record Date) is in any jurisdiction other than Australia, Canada, New Zealand, the United Kingdom and the United States of America or other jurisdictions as agreed between Champion Australia and Champion Canada.
Km ² or Km sq.	Square kilometres
M	Millions
Major Shareholders	Major shareholders of Champion, being WC Strategic Opportunity LP, Investissement Québec Inc. and Prospect AG Trading Pty Ltd and associates.
Mamba	Mamba Minerals Ltd
Management	Management of Champion Australia
Mtpa	Million tonnes per annum
NAV Method	Amount available for distribution to security holders on an orderly realisation of assets
Net Realised Price	Gross Realised Price minus the freight and provisional sales adjustments (FOB)
NYMEX	New York Stock Mercantile Exchange
New Facility	Newly underwritten US\$200 million credit facility, provided by Scotiabank and SocGen to Champion, used to repay debt facilities that existed as at 31 March 2019. The US\$200 million credit facility comprised a US\$180 million senior secured fully amortising non-revolving credit facility and a US\$20 million revolving credit facility.
Phase I Feasibility Study	The Company completed a feasibility study of the Bloom Lake mine in March 2017 proposing a production of iron ore concentrate of 7.4 Mt per annum with C\$327 million of initial capital costs
Phase II Feasibility Study	The Company completed a technical feasibility study of the Bloom Lake mine as of 20 June 2019 which was issued on 12 August 2019. This study proposed a ramp-up in production of iron ore concentrate from 7.4 to 15.0 Mtpa
Powderhorn and Gullbridge Project	7 exploration licenses in the vicinity of the closed Gullbridge mine in Newfoundland
QBCA	Business Corporations Act (Quebec) (CQLR c S-31.1)
QIO	Quebec Iron Ore Inc.
QNS&L	Quebec and North Shore and Labrador Railway Company
Quoted Security Price Method	Quoted price for listed securities, when there is a liquid and active market
Record Date	7.00 pm (Sydney time) on the day which is three Business Days after the date on which the Scheme becomes Effective, expected to be 25 March 2020. This corresponds to 3.00 am on 25 March 2020 in Montreal.
Re-domiciliation	The proposed re-domicile of Champion Australia from Australia to Canada, to be implemented pursuant to the Scheme in the manner more fully described in the Explanatory Memorandum
Repurchase Transaction	QIO's acquisition of Investissement Québec Inc.'s remaining 36.8% interest for a cash consideration of C\$211 million as of August 2019
RG 60	Regulatory Guide 60 Scheme of Arrangement
RG 111	Regulatory Guide 111 Contents of expert reports
RG 112	Regulatory Guide 112 Independence of experts
S&P/TSX Composite Index	Standard & Poor's composite index which tracks circa 250 of Canada's largest companies

Sale Agent	The person nominated by Champion Canada to sell or facilitate the sale of Champion Canada Shares or Champion Canada CDIs under the Sale Facility as described in Section 4.21 of the Explanatory Memorandum
Sale Facility	The facility to be established by Champion Canada and managed by the Sale Agent under which Ineligible Foreign Shareholders' Champion Canada Shares and Champion Canada CDIs may be sold in accordance with the terms of the Scheme, as described in Section 4.21 of the Explanatory Memorandum
Samarco	50:50 Joint venture between BHP and Vale
Scheme	The Scheme of Arrangement under Part 5.1 of the Corporations Act between Champion Australia and the Champion Australia Shareholders, in the form set out in Appendix C of the Explanatory Memorandum or in such other form as Champion Australia and Champion Canada agree in writing (subject, where required, to the approval of ASIC, ASX, the Court or TSX)
Scheme Booklet	Explains the proposed scheme of arrangement between Champion Australia and its shareholders.
Scheme Consideration	One Champion Canada Share (which, in the case of Scheme Participants who are Australian Scheme Participants or who notify Champion Canada that they wish to hold the Scheme Consideration on ASX, is represented by one Champion Canada CDI) for each Champion Australia Share held by a Scheme Participant as at the Record Date.
Scheme Meeting	The meeting of Champion Australia Shareholders ordered by the Court pursuant to section 411(1) of the Corporations Act to consider the Scheme Resolution. This is expected to be held in Montreal on 11 March 2020 and Sydney on 12 March 2020
Scheme Resolution	The resolution to be put to Champion Australia Shareholders to approve the Scheme, the form of which is set out in the Notice of Scheme Meeting in Appendix F of the Explanatory Memorandum
Scheme Participant	Each person who is a Champion Australia Shareholder at the Record Date
Seaborne market	Iron ore exported by ship to other countries
Second Court Hearing	The Second Court Hearing, to be held five business days after the date on which the Scheme becomes effective, which is expected to be 20 March 2020
SFPPN	Societe Ferroviaire et Portuaire de Point-Noire
SocGen	Societe Generale
Sojitz	Sojitz Corporation
Sojitz Agreement	The 5-year agreement signed in March 2017 whereby Sojitz will purchase up to 3 Mtpa (dmt) from QIO. The agreement will automatically renew for a further 5 year term.
Special Voting Share	The special voting share issued by Champion Australia.
Supreme	Supreme Metal Corp.
t	Tonnes
Tailings	Impurities in iron ore fines and concentrates are discharged
The Big 4	The four largest iron ore producers Vale, Rio Tinto, BHP and Fortescue Metals
TSX	Toronto Stock Exchange
TSX Listing Rules	The rules (as amended from time to time) that govern the admission, quotation, suspension and removal of entities from TSX
US\$ or USD	United States dollar

APPENDIX C: SCHEME OF ARRANGEMENT



Scheme of Arrangement

Champion Iron Limited

ACN 119 770 142

The holders of ordinary fully paid shares issued in
Champion Iron Limited

SCHEME OF ARRANGEMENT
Under section 411 of the Corporations Act

BETWEEN:

- (1) Champion Iron Limited ACN 119 770 142, whose registered office is at Level 1, 91 Evans Street, Rozelle NSW 2039 (**Champion Australia**); and
- (2) The holders of fully paid ordinary shares in Champion Australia.

BACKGROUND

- (A) Champion Australia is a public company incorporated in Australia. It is registered in Western Australia and is a company limited by shares. It has its registered office at Level 1, 91 Evans Street, Rozelle NSW 2039. Champion Australia is admitted to the official list of ASX and the TSX and Champion Australia Shares are quoted on the stock markets conducted by ASX and the TSX. As at 7 January 2020, 445,179,122 ordinary shares were on issue.
- (B) Champion Iron Inc. (**Champion Canada**) is a corporation incorporated in Quebec, Canada. It has its registered office at Suite 610, 1100 René-Lévesque Blvd. West, Montreal, Québec H3B 4N4, Canada. As at 7 January 2020, no Champion Canada Shares were on issue.
- (C) Champion Australia and Champion Canada entered into the Scheme Implementation Deed on 7 January 2020 to facilitate the implementation of the Scheme. The directors of Champion Australia have proposed the Scheme to Champion Australia Shareholders and consider that the Scheme is in the best interests of Champion Australia Shareholders.
- (D) Under the Scheme Implementation Deed, Champion Australia and Champion Canada have agreed that each of them will perform their respective obligations under the Scheme and do everything within their powers that is necessary to give full effect to the Scheme.
- (E) Champion Canada has executed the Deed Poll under which it covenants in favour of Scheme Participants to carry out its obligations under the Scheme, including to provide the Scheme Consideration in accordance with the terms of the Scheme.
- (F) If the Scheme becomes Effective:
 - (1) Champion Canada will issue the Scheme Consideration in accordance with the terms of this Scheme in consideration of the transfer of the Scheme Shares to Champion Canada;
 - (2) all the Scheme Shares will be transferred to Champion Canada and Champion Australia will become a subsidiary of Champion Canada; and
 - (3) Champion Australia will enter Champion Canada's name in the Registers as the holder of all Scheme Shares.

OPERATIVE PROVISIONS

1. INTERPRETATION

1.1 Definitions

The following definitions apply in this document:

ASIC means the Australian Securities and Investments Commission.

ASX means the Australian Securities Exchange or ASX Limited (ABN 98 008 624 691) (as the context requires).

ASX Listing Rules means the listing rules of ASX.

ASX Settlement means ASX Settlement Pty Limited (ABN 49 008 504 532) as the holder of a licence to operate a clearing and settlement facility.

ASX Settlement Operating Rules means the operating rules of the clearing and settlement facility operated by ASX Settlement for the time being and from time to time, as modified by any express written exemption or waiver given by ASX or ASX Settlement.

Australian Register means the sub-register of members of Champion Australia maintained in Australia under the Corporations Act.

Australian Scheme Participant means an Eligible Scheme Participant who is registered on the Australian Register on the Record Date.

Authorised Nominee means CHES Depository Nominees Pty Limited (ACN 071 346 503, Australian Financial Licence number 254514), an approved general participant of ASX Settlement and a wholly owned subsidiary of ASX.

Business Day means a day (other than a Saturday, Sunday or public holiday) on which banks are open for general banking business in Sydney, Australia, and Montreal, Canada, and which is also a business day as defined by the ASX Listing Rules and the TSX Listing Rules.

Buy Back Agreement means the agreement of that name between Champion Australia and TSX Trust Company relating to the buy back by Champion Australia of the Special Voting Share from TSX Trust Company for A\$1.00, which agreement is conditional on the Buy Back Resolution Approval being obtained.

Buy Back Resolution means the special resolution contemplated in section 257D(1)(a) of the Corporations Act to approve of the Buy Back Agreement.

Buy Back Resolution Approval means the Buy Back Resolution being passed by the majority of Champion Australia Shareholders required under section 257D(1)(a) of the Corporations Act.

Canadian Register means the sub-register of members of Champion Australia maintained in Canada under the Corporations Act.

Canadian Scheme Participant means an Eligible Scheme Participant who is registered on the Canadian Register.

CDI means a CHES Depository Interest, being a unit of beneficial ownership in a share that is registered in the name of the Authorised Nominee in accordance with the ASX Settlement Operating Rules, for the purpose of enabling the securities to be recorded and transferred in accordance with those operating rules.

Champion Australia Share means a fully paid ordinary share in Champion Australia.

Champion Australia Shareholder means a person entered in a Register as the holder of one or more Champion Australia Shares.

Champion Canada CDI means a CDI representing one Champion Canada Share.

Champion Canada Share means a fully paid common share of Champion Canada.

CHES means the clearing house electronic sub-register system for the electronic transfer of securities operated by ASX Settlement, which provides for the electronic transfer, settlement and registration of securities.

Corporations Act means the *Australian Corporations Act 2001* (Cth).

Court means the Federal Court of Australia.

Deed Poll means the deed poll to be executed by Champion Canada in favour of Scheme Participants prior to the date of the First Court Hearing.

Effective means the coming into effect, under section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) of the Corporations Act in relation to the Scheme.

Effective Date means the date on which an office copy of the order of the Court approving the Scheme under section 411(4)(b) of the Corporations Act is lodged with ASIC.

Eligible Scheme Participant means a Scheme Participant who is not an Ineligible Foreign Shareholder.

End Date means 30 June 2020, subject to any extension to that date under clause 4.5 of the Scheme Implementation Deed.

Extraordinary General Meeting means the meeting of Champion Australia Shareholders convened by Champion Australia in accordance with section 257D of the Corporations Act to consider and, if thought fit, approve the Buy Back Resolution.

Implementation means the implementation of the Scheme in accordance with its terms after the Scheme becomes Effective.

Implementation Date means the Business Day which is five Business Days following the Record Date, or such other date (after the Record Date) as Champion Australia and Champion Canada may agree in writing.

Ineligible Foreign Shareholder means a Scheme Participant whose address as shown in a Register as at the Record Date is a place outside Australia, Canada, New Zealand, the United Kingdom and the United States of America, unless Champion Canada is satisfied, before the Record Date and without being obliged to conduct any investigations into the matter, that the relevant Scheme Participant can lawfully be issued Champion Canada Shares or Champion Canada CDIs pursuant to the Scheme.

Record Date means 7.00 pm (Sydney time) on the day which is three Business Days after the Effective Date, or any other date (after the Effective Date) agreed by Champion Australia and Champion Canada to be the record date to determine entitlements to receive Scheme Consideration under the Scheme.

Registers means the Australian Register and the Canadian Register; and **Register** means one or both of them, as the context requires.

Registered Address means, in relation to a Champion Australia Shareholder, the address of the shareholder shown in the Register.

Sale Agent means a person nominated by Champion Canada to sell or facilitate the sale of the Scheme Consideration referable to the Ineligible Foreign Shareholders in accordance with clause 3.4.

Scheme means the scheme of arrangement under Part 5.1 between Champion Australia and the Scheme Participants, set out in this document, subject to any alterations or conditions made or required by the Court under section 411(6) of the Corporations Act and approved by Champion Australia and Champion Canada.

Scheme Booklet means the information memorandum in respect of the Scheme to be approved by the Court and dispatched to Champion Australia Shareholders, and that includes the Scheme, a copy of the Deed Poll executed by Champion Canada, an explanatory statement (as this term is defined in section 412 of the Corporations Act), the Independent Expert's Report and a notice of meeting and proxy form.

Scheme Consideration means one Champion Canada Share (which, in the case of Eligible Scheme Participants who are Australian Scheme Participants or who notify Champion Canada that they wish to hold the Scheme Consideration on the Australian Register, is represented by one Champion Canada CDI) for each Champion Australia Share held by an Eligible Scheme Participant as at the Record Date.

Scheme Implementation Deed means the Scheme Implementation Deed between Champion Australia and Champion Canada dated 7 January 2020 relating to the implementation of the Scheme.

Scheme Meeting means the meeting of Champion Australia Shareholders to be convened, as ordered by the Court under section 411(1) of the Corporation Act, to consider the approval of the Scheme Resolution.

Scheme Participant means a Champion Australia Shareholder as at the Record Date, taking into account registration of all registrable transfers and transmission applications received by the Share Registry in accordance with clause 4.1.

Scheme Resolution means a resolution of Champion Australia Shareholders to approve the Scheme under section 411(4)(a)(ii) of the Corporations Act.

Scheme Share means a Champion Australia Share on issue as at the Record Date.

Scheme Transfer means, in relation to Scheme Shares, a proper instrument of transfer of the Scheme Shares.

Share Registry means the person or persons operating the Registers.

Special Voting Share means the single special voting share in the capital of Champion Australia having the rights, privileges and conditions attached to it in rule 22.3 and Schedule 2 of Champion Australia's constitution.

TSX means the Toronto Stock Exchange.

TSX Listing Rules means the listing rules of the TSX.

1.2 Rules for interpreting this document

The rules in clauses 1.2 to 1.4 of the Scheme Implementation Deed apply in interpreting this document, unless the context makes it clear that a rule is not intended to apply.

2. CONDITIONS

2.1 Conditions to Scheme

The Scheme is conditional on:

- (a) all the conditions set out in clause 4.1 of the Scheme Implementation Deed having been satisfied or waived in accordance with the Scheme Implementation Deed;
- (b) the Buy Back Resolution Approval being obtained at the Extraordinary General Meeting; and
- (c) the Scheme Implementation Deed not having been terminated in accordance with its terms.

2.2 Satisfaction or waiver of conditions to Scheme

The conditions in clause 2.1(a) may be satisfied or waived in accordance with the Scheme Implementation Deed and the condition in clause 2.1(b) may be waived by Champion Australia if it is not satisfied.

2.3 Effective Date

The Scheme takes effect on the Effective Date. Champion Australia must lodge with ASIC an office copy of the order of the Court approving the Scheme under section 411(4)(b) of the Corporations Act by no later than 5.00 pm (Sydney time) on the first Business Day after the date on which the Court makes that order.

2.4 End Date

The Scheme will lapse and be of no effect if the Effective Date has not occurred on or before the End Date.

3. SCHEME

3.1 Implementation steps

- (a) On the Implementation Date, Champion Canada will issue, or cause to be issued, to each Scheme Participant the Scheme Consideration for each Champion Australia Share held by the Scheme Participant in accordance with and subject to the terms of this Scheme.
- (b) On the Implementation Date and subject to the provision of the Scheme Consideration in accordance with the Scheme and Champion Canada having provided Champion Australia with written confirmation of that having occurred, all the Scheme Shares (together with all rights and entitlements attaching to those shares as at the Implementation Date) will be transferred to Champion Canada, without the need for any further act by any Scheme Participant (other than acts performed by Champion Australia or its directors or officers as agent and attorney for the Scheme Participants under the Scheme), by Champion Australia effecting a valid transfer or transfers of the Scheme Shares to Champion Canada under section 1074B of the Corporations Act or, if that procedure is not available for any reason in respect of any Scheme Shares, by:
 - (i) Champion Australia delivering to Champion Canada for execution duly completed and (if necessary) stamped Scheme Transfers to transfer the Scheme Shares to Champion Canada, duly executed by Champion Australia or any of its directors or officers as the agent and attorney of each Scheme Participant as transferor under clauses 6.3 and 6.5;

- (ii) Champion Canada executing the Scheme Transfers as transferee and delivering them to Champion Australia; and
- (iii) Champion Australia, upon receipt of the Scheme Transfers under paragraph (ii), entering or procuring entry of the name and address of Champion Canada in the Registers as the holder of all the Scheme Shares.

3.2 Provision of Scheme Consideration

- (a) Subject to clauses 3.3 and 3.4, Champion Canada agrees with Champion Australia that, in consideration of the transfer to Champion Canada of each Champion Australia Share held by a Scheme Participant under the terms of the Scheme, Champion Canada will (subject to the terms and conditions of this document, the Deed Poll and the Scheme Implementation Deed):
 - (i) issue one Champion Canada Share to each Canadian Scheme Participant; and
 - (ii) issue one Champion Canada CDI to each Australian Scheme Participant,in each case, for each Champion Australia Share held by that Scheme Participant at the Record Date.
- (b) Subject to clauses 3.3 and 3.4, the obligation of Champion Canada to issue the Scheme Consideration under clause 3.1(a) to Australian Scheme Participants (or Canadian Scheme Participants who have notified Champion Australia of their election to receive Champion Canada CDIs under clause 3.3) will be discharged by Champion Canada:
 - (i) causing the Authorised Nominee's name to be entered into the shareholders register of Champion Canada as the holder of the Champion Canada Shares issued to the Authorised Nominee, to be held on trust for the Scheme Participants who are to receive Champion Canada CDIs under the Scheme;
 - (ii) procuring the dispatch to the Authorised Nominee of a certificate in the name of the Authorised Nominee representing the Champion Canada Shares issued to the Authorised Nominee;
 - (iii) causing the name of each Scheme Participant who is to receive Champion Canada CDIs under the Scheme to be entered into the records maintained by the Authorised Nominee as the holder of the Champion Canada CDIs issued in respect of the Champion Canada Shares issued to the Authorised Nominee on behalf of that Scheme Participant; and
 - (iv) procuring the dispatch to each Scheme Participant who is to receive Champion Canada CDIs of an uncertificated holding statement in the name of that Scheme Participant representing the number of Champion Canada CDIs issued to that Scheme Participant.

3.3 Election of Eligible Scheme Participants

If:

- (a) an Australian Scheme Participant advises Champion Australia in writing on or before 7.00 pm on the Record Date that it wishes to receive Champion Canada Shares instead of Champion Canada CDIs as Scheme Consideration; or

- (b) a Canadian Scheme Participant advises Champion Australia in writing on or before 7.00 pm on the Record Date that it wishes to receive Champion Canada CDIs instead of Champion Canada Shares as Scheme Consideration,

then Champion Canada will issue, or cause to be issued, in accordance with the relevant Scheme Participant's instructions, Champion Canada Shares or Champion Canada CDIs (as applicable) as the Scheme Consideration in accordance with the Scheme.

3.4 Ineligible Foreign Shareholders

- (a) Ineligible Foreign Shareholders are not entitled to be issued the Scheme Consideration under clause 3.1(a). Instead, the Scheme Consideration that, but for this clause, would be issued to the Ineligible Foreign Shareholders will be issued to the Sale Agent.
- (b) Where the Sale Agent is issued Scheme Consideration under this clause 3.4, Champion Canada will cause:
 - (i) the Sale Agent, as soon as reasonably practicable (but in any case within one month after the Implementation Date), to offer all Champion Canada Shares or Champion Canada CDIs comprising such Scheme Consideration for sale on ASX in such manner, at such price or prices and on such other terms as the Sale Agent deems fit (and at the risk of the Ineligible Foreign Shareholders); and
 - (ii) as reasonably practicable but in any case within 10 Business Days after settlement of the last of those sales of Champion Canada Shares or Champion Canada CDIs comprising the Scheme Consideration issued to the Sale Agent having occurred, to remit to each Ineligible Foreign Shareholder the same proportion of the net proceeds of sale of all such shares (after deduction of any applicable brokerage, stamp duty and other charges, fees and taxes) as the Scheme Consideration issued to the Sale Agent in respect of that Ineligible Foreign Shareholder bears to the total Scheme Consideration issued to and sold by the Sale Agent in respect of all Ineligible Foreign Shareholders.
- (c) The amount of money received by each Ineligible Foreign Shareholder will be calculated on an averaged basis, so that all Ineligible Foreign Shareholders will receive the same amount for each Champion Canada Share or Champion Canada CDI, subject to rounding to the nearest whole cent. Consequently, the amount received by an Ineligible Foreign Shareholder for each Champion Canada Share or Champion Canada CDI may be more or less than the actual price that is received by the Sale Agent for the sale of that particular Champion Canada Share or Champion Canada CDI.
- (b) The remittance by the Sale Agent to each Ineligible Foreign Shareholder of the sale proceeds contemplated in clause 3.4(b)(ii) is in full and final satisfaction of that Ineligible Foreign Shareholder's rights and entitlements to the Scheme Consideration.
- (d) Each Ineligible Foreign Shareholder appoints each of Champion Australia and Champion Canada, and each of their respective directors and officers, as its agent to receive on its behalf any financial services guide or other notice that may be given under the Corporations Act by the Sale Agent to each Ineligible Foreign Shareholder for or in connection with its appointment or the sales of Champion Canada Shares or Champion Canada CDIs contemplated above.

3.5 Registration and confirmations

- (a) Champion Canada will register (or cause to be registered) the Eligible Scheme Participants and the Sale Agent (in respect of Ineligible Foreign Shareholders) as the holders of the Champion Canada Shares or Champion Canada CDIs to which they become entitled under the Scheme.
- (b) Champion Canada will send confirmations of issue for Champion Canada Shares or Champion Canada CDIs issued to Eligible Scheme Participants (at the risk of the Eligible Scheme Participants) by pre-paid ordinary mail or (in the case of an address outside Australia) by airmail to the Registered Addresses of the respective Eligible Scheme Participants. In the case of Eligible Scheme Participants that are joint holders, those confirmations will be sent to the holder whose name appears first in the relevant Register on the Record Date.

3.6 Agreement to become shareholder of Champion Canada

Each Eligible Scheme Participant agrees for all purposes to become a shareholder of Champion Canada (without the need for any further act on its part) and to be bound by the articles of Champion Canada.

3.7 Champion Australia Shares transferred free from encumbrance

- (a) To the extent permitted by law, Champion Australia Shares transferred to Champion Canada under the Scheme will be transferred (subject to Champion Australia's constitution) free from all security interests (including charges, liens, mortgages and other encumbrances and interests of third parties of any kind, whether legal or otherwise).
- (b) Each Scheme Participant is deemed to have warranted to Champion Canada and, to the extent enforceable, appointed and authorised Champion Australia as its agent to warrant to Champion Canada that all its Scheme Shares (including any rights and entitlements attaching to those shares) will, as at the time of the transfer of them to Champion Canada, be fully paid and (subject to Champion Australia's constitution) free from all security interests (including charges, liens, mortgages and other encumbrances and interests of third parties of any kind, whether legal or otherwise) and from any restrictions on transfer of any kind, and that it has full power and capacity to transfer its Scheme Shares (including any rights and entitlements attaching to those shares) to Champion Canada under the Scheme. Champion Australia undertakes in favour of each Scheme Participant that it will be taken to have provided this warranty to Champion Canada on behalf of the Scheme Participant as at the time of transfer of the Scheme Shares.

3.8 Champion Canada beneficially entitled to Scheme Shares

Champion Canada will become beneficially entitled to the Scheme Shares transferred to it under the Scheme pending registration by Champion Australia of the name and address of Champion Canada in the Registers as the holder of the Scheme Shares.

3.9 Trading

Champion Canada will use its best endeavours to procure that:

- (a) the Champion Canada Shares are listed on the TSX with effect from the Implementation Date; and
- (b) the Champion Canada CDIs are listed for quotation on ASX with effect from the Business Day after the Effective Date, initially on a deferred settlement basis and thereafter on an ordinary settlement basis (subject to ASX approval).

4. DEALINGS IN COMPANY SHARES

4.1 What Champion Australia Share dealings are recognised?

To establish the persons who are Scheme Participants, dealings in Champion Australia Shares will be recognised only if:

- (a) in the case of dealings of the type to be effected using CHESS, the transferee is registered in the Australian Register as the holder of Champion Australia Shares as at the Record Date; and
- (b) in all other cases, registrable transfers or transmission applications in respect of those dealings are received by the Share Registry on or before the Record Date.

4.2 Champion Australia to register transfer and transmission applications

Champion Australia will register registrable transfers and transmission applications of the kind referred to in clause 4.1(b) by, or as soon as practicable after, the Record Date.

4.3 Transfers received after Record Date not recognised

Champion Australia will not accept for registration, nor recognise for any purpose, any transfer or transmission application in respect of Scheme Shares received after the Record Date.

4.4 Champion Australia to maintain Register to determine entitlements

In order to determine entitlements to the Scheme Consideration, Champion Australia will maintain (or procure the maintenance of) the Registers in accordance with this clause 4 until the Scheme Consideration has been issued to Scheme Participants and the Registers in this form will solely determine entitlements to the Scheme Consideration.

4.5 Holding statements no effect from Record Date

From the Record Date, all holding statements for Scheme Shares will cease to have effect as documents of title (or evidence thereof) and each entry on the Registers at the Record Date will cease to have any effect other than as evidence of the entitlements of Scheme Participants to the Scheme Consideration.

4.6 Champion Australia to provide contact information for Scheme Participants

As soon as practicable after the Record Date and in any event at least three Business Days before the Implementation Date, Champion Australia will give to Champion Canada (or procure that Champion Canada is given) details of the name, Registered Address and the number of Champion Australia Shares held by each Scheme Participant, as shown in the Registers at the Record Date, in whatever form Champion Canada reasonably requires.

4.7 Suspension of trading

It is expected that the suspension of trading in Champion Australia Shares on the stock market conducted by ASX will occur from the close of trading on the Effective Date.

4.8 Champion Australia to apply for termination of quotation of Champion Australia Shares

On the Business Day after the Implementation Date, Champion Australia will apply for termination of the official quotation on the stock market conducted by ASX of Champion Australia Shares and will apply to have itself removed from the official list of ASX.

5. WHEN SCHEME BECOMES BINDING

5.1 Court order

The Scheme becomes binding on Champion Australia and each Scheme Participant only if the Court makes an order under section 411(4)(b) of the Corporations Act approving the Scheme, that order becomes effective under section 411(10) of the Corporations Act and the other conditions referred to in clause 2 are satisfied or waived.

5.2 Lodgement of Court order

Unless Champion Australia and Champion Canada agree on a more practicable date, Champion Australia will lodge with ASIC an office copy of the order contemplated in clause 5.1 by 5.00 pm on the first Business Day after the day on which the Court approves the Scheme.

5.3 Assigning, transferring and dealing with Champion Australia Shares

A holder of Champion Australia Shares (and any person claiming through that holder) may only assign, transfer or otherwise deal with those Champion Australia Shares on the basis that the rights so assigned, transferred or otherwise dealt with are limited in the manner described in clause 4 where the Scheme becomes binding pursuant to clauses 5.1 and 5.2.

6. GENERAL PROVISIONS

6.1 Champion Australia giving effect to Scheme

Subject to clause 6.2, Champion Australia must do anything (including execute any document), and must ensure that its employees and agents do anything (including execute any document), that is necessary, expedient or incidental to give full effect to the Scheme and the transactions contemplated by it. Without limiting Champion Australia's power under the Scheme, Champion Australia has power to do all things that it considers necessary or desirable to give effect to the Scheme and the Scheme Implementation Deed.

6.2 Terminating the Scheme

The Scheme may be terminated pursuant to the provisions of the Scheme Implementation Deed.

6.3 Scheme Participants' agreements and consents

Each Scheme Participant:

- (a) agrees to the transfer of its Champion Australia Shares, together with all rights and entitlements attaching to those Champion Australia Shares, to Champion Canada in accordance with the Scheme; and
- (b) consents to Champion Australia doing all things and executing all deeds, instruments, transfers or other documents as may be necessary, expedient or incidental to Implementation and to give full effect to the Scheme and the transactions contemplated by it, and Champion Australia (as agent of each Scheme Participant) may sub-delegate its functions under this document to Champion Canada and/or any of Champion Australia or Champion Canada's respective directors and officers, jointly, severally, or jointly and severally,

without the need for any further act by the Scheme Participant.

6.4 Scheme overrides Champion Australia constitution

The Scheme overrides Champion Australia's constitution and binds Champion Australia and the Scheme Participants.

6.5 Appointment of Champion Australia as attorney of Scheme Participants

Each Scheme Participant (without the need for any further act) irrevocably appoints Champion Australia and each of its directors and officers, jointly and severally, on and from the Effective Date, as the Scheme Participant's agent and attorney:

- (a) to execute any document or do any other act necessary, expedient or incidental to give full effect to the Scheme and the transactions contemplated by it, including the effecting of a valid transfer or transfers (or execution and delivery of any Scheme Transfers) under clause 3; and
- (b) to enforce the Deed Poll against Champion Canada,

and Champion Australia accepts that appointment. Champion Australia may (as agent and attorney of each Scheme Participant) sub-delegate any of its authorities, functions or powers under this clause to Champion Canada and/or all or any of Champion Australia or Champion Canada's respective directors and/or officers (jointly, severally, or jointly and severally).

6.6 Appointment of Champion Canada as attorney in respect of Scheme Shares

- (a) From the Implementation Date until Champion Canada is registered as the holder of all Scheme Shares in the Registers, each Scheme Participant:
 - (i) irrevocably appoints Champion Canada as its agent and attorney (and irrevocably appoints Champion Canada as its agent and attorney to appoint any of the directors and officers of Champion Canada as its agent and attorney) to:
 - (A) appoint any of the directors and officers of Champion Canada as its sole proxy and (where applicable) corporate representative to attend shareholders' meetings of Champion Australia;
 - (B) exercise the votes attaching to Champion Australia Shares registered in the name of the Scheme Participant; and
 - (C) sign any Champion Australia Shareholders' resolution; and
 - (ii) must take all other action in the capacity of a registered holder of Scheme Shares as Champion Canada reasonably directs.
- (b) From the Implementation Date, no Scheme Participant may attend or vote at any shareholders' meetings of Champion Australia or sign any Champion Australia Shareholders' resolution (whether in person, by proxy or by corporate representative) other than under this clause.

6.7 Voting entitlement of Champion Australia Shareholders pending transfer of Scheme Shares

Despite any rule of law or equity to the contrary, Champion Australia Shareholders are entitled to exercise all voting and other rights attached to the Scheme Shares until the Implementation Date, from which date clause 6.6 applies.

6.8 Binding effect of Scheme

The Scheme binds Champion Australia and all Champion Australia Shareholders from time to time, including those who do not attend the Scheme Meeting, do not vote at that meeting or vote against the Scheme.

6.9 Alteration or condition to Scheme

If the Court proposes to approve the Scheme subject to any alteration or condition, Champion Australia may (by its counsel or solicitors, but subject to the prior approval of Champion Canada (which may not be unreasonably withheld)) consent on behalf of all persons concerned, including each Scheme Participant, to those alterations or conditions.

6.10 Deed Poll

Champion Australia undertakes in favour of each Scheme Participant to enforce the Deed Poll against Champion Canada for and on behalf of each Scheme Participant.

6.11 Notices

Where a notice, transfer, transmission application, direction or other communication referred to in the Scheme is sent by post to Champion Australia, it is deemed to have been received on the date (if any) on which it is actually received at Champion Australia's registered office or at the Share Registry and on no other date.

6.12 Costs and stamp duty

- (a) Subject to paragraph (b), Champion Australia will pay all the costs of the Scheme.
- (b) Champion Canada will pay all stamp duty and any related fines, penalties and other costs in respect of the Scheme (including in connection with the transfer of the Scheme Shares to Champion Canada) in accordance with the terms of the Scheme.

6.13 Governing law

This document and any dispute arising out of or in connection with the subject matter of this document is governed by the laws of the State of New South Wales, Australia.

APPENDIX D: CHAMPION CANADA DEED POLL

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Deed Poll

Champion Iron Inc.

Deed Poll relating to proposed Scheme of Arrangement between Champion Iron Limited and its members

29 January 2020

DEED POLL

THIS DEED POLL is made on

29 January 2020

BY:

Champion Iron Inc. (**Champion Canada**)

FOR THE BENEFIT OF:

Each holder of fully paid ordinary shares in Champion Iron Limited ACN 119 770 142 as at the Record Date (**Scheme Participant**)

RECITALS

- (A) Champion Iron Limited ACN 119 770 142 (**Champion Australia**) and Champion Canada have entered into a Scheme Implementation Deed dated 7 January 2020 (**Scheme Implementation Deed**).
- (B) Under the Scheme Implementation Deed, Champion Australia has agreed to propose the Scheme, pursuant to which (among other things) the Scheme Participants are to transfer to Champion Canada, and Champion Canada is to acquire, all Champion Australia Shares, and Champion Canada is to provide the Scheme Consideration to each Eligible Scheme Participant and to establish the Sale Facility for the benefit of Ineligible Foreign Shareholders.
- (C) Champion Canada is executing this document to covenant in favour of each Scheme Participant to perform the obligations contemplated of it under the Scheme.

CHAMPION CANADA DECLARES AS FOLLOWS:

1. INTERPRETATION

1.1 Definitions

Words and expressions that are defined in the Scheme Implementation Deed (other than words and expressions defined in this document) have the same meaning in this document as are given to them in the Scheme Implementation Deed, unless the context makes it clear that a definition is not intended to apply.

1.2 Rules for interpreting this document

The rules in clauses 1.2 to 1.4 of the Scheme Implementation Deed apply in interpreting this document, unless the context makes it clear that a rule is not intended to apply.

2. NATURE OF THIS DOCUMENT

Champion Canada acknowledges that:

- (a) this document is a deed poll and may be relied on and enforced by any Scheme Participant in accordance with its terms even though the Scheme Participants are not parties to it; and
- (b) under the Scheme, each Scheme Participant irrevocably appoints Champion Australia and each of its directors and officers, jointly and severally, as its agent and attorney to enforce this document against Champion Canada.

3. CONDITIONS AND TERMINATION

3.1 Conditions

Champion Canada's obligations under this document are subject to the Scheme becoming Effective.

3.2 Termination

- (a) If the Scheme Implementation Deed is terminated or the Scheme does not become Effective on or before the End Date, Champion Canada's obligations under this document automatically terminate and the terms of this document are of no further force or effect, unless Champion Canada and Champion Australia otherwise agree in writing.
- (b) If this document is terminated pursuant to this clause, then (in addition and without prejudice to any other rights, powers or remedies available to it):
 - (i) Champion Canada is released from its obligations under this document; and
 - (ii) each Scheme Participant retains any rights, powers or remedies it has against Champion Canada in respect of any breach of this document which occurred before this document was terminated.

4. CHAMPION CANADA COVENANT TO COMPLY WITH SCHEME OBLIGATIONS

Subject to clause 3, in consideration of the transfer of each Scheme Share to Champion Canada in accordance with the Scheme, Champion Canada covenants in favour of each Scheme Participant that it will duly and punctually observe and perform all obligations contemplated of it under the Scheme, including all obligations contemplated of it relating to the provision of the Scheme Consideration and the establishment of the Sale Facility in accordance with the Scheme.

5. REPRESENTATIONS AND WARRANTIES

Champion Canada represents and warrants in favour of each Scheme Participant that:

- (a) **(status)** it is a validly existing corporation under the laws of its place of incorporation;
- (b) **(power)** it has full legal capacity and power to execute this document and to carry out the transactions that this document contemplates;
- (c) **(corporate authority)** it has taken all corporate action that is necessary or desirable to authorise its execution of this document and its carrying out of the transactions that this document contemplates;
- (d) **(document effective)** this document constitutes its legal, valid and binding obligations, enforceable against it in accordance with its terms;
- (e) **(no adverse regulatory action)** no regulatory action of any nature has been taken which would inhibit, prevent or otherwise have a material adverse effect on its ability to fulfil its obligations under this document and, to the knowledge of Champion Canada, no such regulatory action has been threatened or is proposed to be taken against Champion Canada; and
- (f) **(Champion Canada Shares)** each Champion Canada Share will, upon issue:
 - (i) be fully paid up;

- (ii) be free from any security interest (other than as provided for under the articles of Champion Canada and the laws governing Champion Canada); and
- (iii) rank equally in all respects with all Champion Canada Shares then on issue.

6. CONTINUING OBLIGATIONS

This document is irrevocable and (subject to clause 3) remains in full force and effect until the earlier of Champion Canada having fully performed its obligations under this document or termination of this document pursuant to clause 3.

7. NOTICES

7.1 How to give notice

A consent, notice or other communication to a person in respect of this document is only effective if it is:

- (a) in writing, legible and in English, signed by or on behalf of the person giving it;
- (b) addressed to the person to whom it is to be given; and
- (c) either:
 - (i) delivered or sent by pre-paid mail (by airmail, if the addressee is overseas) to that person's address; or
 - (ii) sent by email to that person's email address.

7.2 When notice is given

A consent, notice or other communication that complies with this clause is regarded as given and received upon:

- (a) if it is sent by mail:
 - (i) within Australia - three Business Days after posting; or
 - (ii) to or from a place outside Australia - seven Business Days after posting; and
- (b) if it is sent by email - when the sender receives a valid, digitally signed acknowledgment of receipt from the addressee.

7.3 Address for notices

Champion Canada's mail address and email address are those set out below (or as Champion Canada otherwise notifies):

Champion Canada

Address: Suite 610
1100 René-Lévesque Blvd. West
Montreal, Quebec
H3B 4N4, Canada

Email address: sboucratie@championironmines.com

Attention: Steve Boucratie

8. GENERAL

8.1 Costs and stamp duty

Champion Canada must bear and be responsible for:

- (a) its own costs arising out of the negotiation, preparation and execution of this document; and
- (b) any and all stamp duty (including any related fines or penalties) payable on or in respect of this document, or any transaction contemplated by it (including any transfer of Scheme Shares pursuant to the Scheme), and Champion Canada indemnifies each Scheme Participant on demand against any liability for any and all such stamp duty.

8.2 Amendment

A provision of this document may not be amended or varied unless:

- (a) before the Second Court Date, the amendment or variation is agreed in writing by Champion Australia (on behalf of each Scheme Participant, but without the need for Champion Australia to refer the amendment or variation to any Scheme Participant) and (if required) is approved by the Court; or
- (b) on or after the Second Court Date, the amendment or variation is agreed in writing by Champion Australia (on behalf of each Scheme Participant, but without the need for Champion Australia to refer the amendment or variation to any Scheme Participant) and is approved by the Court,

and Champion Canada executes a further deed poll in favour of each Scheme Participant giving effect to that amendment or variation.

8.3 Assignment

The rights and obligations of Champion Canada and of each Scheme Participant under this document are personal and, except with the prior written consent of Champion Australia and Champion Canada cannot be assigned, encumbered, charged or otherwise dealt with.

8.4 Operation of this document

- (a) Any right that a person may have under this document is in addition to, and does not limit or replace, any other right that the person may have.
- (b) Any provision of this document which is unenforceable or partly unenforceable is (where possible) to be severed to the extent necessary to make this document enforceable, unless this would materially change the intended effect of this document.

8.5 Variation of rights

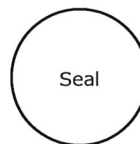
The exercise of a right partially or on one occasion does not prevent any further exercise of that right in accordance with the terms of this document. Neither a forbearance to exercise a right nor a delay in the exercise of a right operates as an election between rights or a variation of the terms of this document.

8.6 Governing law

- (a) This document and any dispute arising out of or in connection with the subject matter of this document is governed by the laws of the State of New South Wales, Australia.
- (b) Champion Canada submits to the non-exclusive jurisdiction of the courts of that State and courts of appeal from them in respect of any proceedings arising out of or in connection with the subject matter of this document. Champion Canada irrevocably waives any right it has to object to any legal process being brought in those courts (including any claim that the process has been brought in an inconvenient forum or that those courts do not have jurisdiction).

EXECUTED as a deed poll.

SIGNED, SEALED AND DELIVERED by
CHAMPION IRON INC. in the presence
of:



Steve Bourratie
Signature of witness


Signature of authorised signatory

Steve Bourratie
Name of witness

Michael O'Keeffe
Name of authorised signatory

APPENDIX E: EXPLANATION OF CDI ARRANGEMENTS

1. What are CDIs?

As Champion Canada intends to be listed on ASX, it will need to comply with ASX rules that require all trading settlement to take place on CHESS (ASX's electronic transfer and settlement system). Champion Canada Shares cannot be directly held under the CHESS system or traded on ASX directly as Canadian regulations do not permit CHESS to be used for electronic transferring and holding of legal title to securities in companies incorporated in Canada. CDIs have been created to facilitate electronic settlement and transfer of title in Australia for companies in this situation.

A CDI is a financial product quoted on ASX. CDIs are units of beneficial ownership in foreign securities, where legal title to the securities is held by an Australian depository entity (in this case the Authorised Nominee) for the purpose of enabling transactions in the securities of foreign companies on ASX. Champion Canada intends to appoint the Authorised Nominee to hold legal title to Champion Canada Shares for the benefit of Champion Canada CDI Holders. Accordingly, the Authorised Nominee is an approved general participant of ASX Settlement and a wholly-owned subsidiary of ASX. The Authorised Nominee will be the registered holder of those Champion Canada Shares held for the benefit of Champion Canada CDI Holders. The Authorised Nominee does not charge a fee for providing this service to Champion Canada CDI Holders.

If Champion Canada's listing application is approved by ASX, Champion Canada CDIs will be traded on ASX using CHESS (ASX's electronic transfer and settlement system), but Champion Canada Shares cannot be traded on ASX.

Each Champion Canada CDI Holder will be deemed to acknowledge and agree for the benefit of Champion Canada that they are bound by the Articles in respect of any Champion Canada CDIs issued to him or her. See Section 8 for a summary of the Articles.

2. Approval of ASX

Champion Canada will, prior to implementation of the Re-domiciliation, apply for quotation of the CDIs on ASX. However, there is no guarantee as to when this will occur or that it will occur at all. As such, an Eligible Scheme Participant should be aware that immediately following implementation of the Re-domiciliation there may not be a market for trading CDIs. If this occurs, then Eligible Scheme Participants will receive Champion Canada Shares.

3. Ratio of Champion Canada CDIs to Champion Canada Shares

Each Champion Canada CDI will represent one underlying Champion Canada Share.

4. Holding Statements for Champion Canada CDI Holders

If a Champion Canada CDI Holder is sponsored by a participant in CHESS, the holder can hold their Champion Canada CDIs on the CHESS sub-register. Otherwise, Champion Canada CDIs will be held on the issuer-sponsored sub-register.

Each Champion Canada CDI Holder will receive a holding statement when the Champion Canada CDI holding is first established (ie upon implementation of the Re-domiciliation) with the reference number of their holding.

5. What rights do I have as a Champion Canada CDI Holder?

Section 9.3 contains a summary of the principal rights attaching to Champion Canada Shares.

As noted above, Champion Canada CDI Holders will not have legal title in the underlying Champion Canada Shares to which the Champion Canada CDIs relate, as legal title to the Champion Canada Shares will be held by the Authorised Nominee. Champion Canada CDI Holders will, however, have beneficial ownership of the underlying Champion Canada Shares.

The following provides an overview of the differences between holding Champion Canada CDIs as opposed to Champion Canada Shares, including the rights and entitlements of Champion Canada CDI Holders.

(a) Dividends and Distributions

Under the ASX Settlement Operating Rules, Champion Canada is generally required to treat Champion Canada CDI Holders, in respect of the distribution of dividends and other entitlements, as if they were the holders of the underlying Champion Canada Shares.

Importantly, Champion Canada CDI Holders are entitled to receive all the direct economic benefits and entitlements in relation to the Champion Canada Shares held by the Authorised Nominee.

If a cash dividend or any other cash distribution is declared in a currency other than Australian dollars, Champion Canada currently intends to convert that dividend or other cash distribution to which Champion Canada CDI Holders are entitled to Australian dollars and distribute it to the relevant Champion Canada CDI Holders in accordance with the Champion Canada CDI Holder's entitlement.

Due to the need to convert dividends from Canadian dollars to Australian dollars in the above mentioned circumstances, Champion Canada CDI Holders may potentially be advantaged or disadvantaged by exchange rate fluctuations, depending on whether the Australian dollar weakens or strengthens against the Canadian dollar during the period between the resolution to pay a dividend and conversion in Australian dollars.

(b) Corporate Actions

Under the ASX Settlement Operating Rules, Champion Canada is generally required to treat Champion Canada CDI Holders, in respect of corporate actions, as if they were the holders of the underlying Champion Canada Shares.

(c) Takeovers

If a takeover bid is made in respect of any Champion Canada Shares of which the Authorised Nominee is the registered holder, the Authorised Nominee is prohibited from accepting the offer made under the takeover bid except to the extent that acceptance is authorised by the relevant Champion Canada CDI Holders in respect of the Champion Canada Shares represented by their holdings of Champion Canada CDIs, in accordance with the ASX Settlement Operating Rules.

The Authorised Nominee must accept a takeover offer in respect of Champion Canada Shares represented by a holding of Champion Canada CDIs if the relevant Champion Canada CDI Holder instructs it to do so and must notify the entity making the takeover bid of the acceptance.

(d) Rights on liquidation and winding up

If Champion Canada is liquidated, dissolved or wound up, a Champion Canada CDI Holder will be entitled to the same economic benefit in relation to their Champion

Canada CDIs (through the Authorised Nominee) as holders of Champion Canada Shares.

(e) Other rights

As Champion Canada Shareholders will not be registered on the Champion Canada Register as the legal owners of Champion Canada Shares, any other right conferred on Champion Canada CDI Holders may be exercised by means of them instructing the Authorised Nominee.

(f) Communications

Champion Canada CDI Holders will receive all notices and company announcements (such as annual reports) that Champion Canada Shareholders are entitled to receive.

(g) Voting

In accordance with Canadian law and ASX Settlement Operating Rules, a Champion Canada CDI Holder will not be entitled to attend or vote personally as a Champion Canada Shareholder at a meeting of Champion Canada. Instead, in order to vote at a meeting of Champion Canada, a Champion Canada CDI Holder may instruct the Authorised Nominee (as legal owner of the Champion Canada Shares) to:

- vote the Champion Canada Shares represented by their Champion Canada CDIs in a particular manner. The instruction form must be completed and returned to the relevant Registry prior to the record date fixed for the relevant meeting (**CDI Voting Instruction Receipt Time**), which is notified to the Champion Canada CDI Holder in the voting instructions included in a notice of meeting; or
- appoint the Champion Canada CDI Holder or a third party nominated for that purpose by the Champion Canada CDI Holder as the Authorised Nominee's proxy so that the proxy so appointed may attend meetings and exercise the votes attached to the Champion Canada Shares represented by their Champion Canada CDIs. The instruction form must be completed and returned to the relevant Registry prior to the CDI Voting Instructions Receipt Time.

Alternatively, a Champion Canada CDI Holder can convert their Champion Canada CDIs into a holding of Champion Canada Shares and vote those Champion Canada Shares at a meeting of Champion Canada. Such a conversion must be undertaken prior to the record date fixed by the Champion Canada Board for determining the entitlement of members to attend and vote at the meeting. However, if the Champion Canada Shareholder later wishes to sell their investment on ASX, it would be first necessary to convert those Champion Canada Shares back to Champion Canada CDIs. Further details on the conversion process are set out in Section 7 below.

6. **Trading of Champion Canada CDIs**

Champion Canada CDI Holders who wish to trade Champion Canada CDIs will be transferring beneficial title to Champion Canada Shares rather than legal title. The transfer will be settled electronically by delivery of the relevant Champion Canada CDI holding through CHESSE, thereby avoiding the need to effect settlement by physical delivery of share certificates. Trading in Champion Canada CDIs is not different in substance to trading in other CHESSE approved securities (such as Champion Australia Shares).

On 24 March 2020, subject to the Re-domiciliation becoming Effective, Champion Canada CDIs will commence trading initially on a deferred settlement basis and, after the Implementation Date, will commence trading on a normal T+2 settlement basis on 2 April 2020.

It is the responsibility of each Eligible Scheme Participant to determine their entitlement to Champion Canada CDIs before trading in those securities to avoid the risk of selling Champion Canada CDIs they do not or will not own. If an Eligible Scheme Participant sells Champion Canada CDIs without receiving confirmation of their own entitlement, they do so at their own risk. The proceeds from the sale of securities sold on a deferred settlement basis will not be received until after the deferred settlement period has ended.

There is no certainty as to the price of Champion Canada CDIs after the Re-domiciliation is implemented.

7. **Conversion of Champion Canada CDIs into Champion Canada Shares**

(a) Converting Champion Canada CDIs to Champion Canada Shares

If Champion Canada CDI Holders wish to convert their Champion Canada CDIs into Champion Canada Shares, they may do so by instructing the relevant Registry:

- directly in the case of CDIs on the issuer sponsored sub-register operated by Champion Canada; or
- indirectly, through their controlling participant (usually your broker) in the case of CDIs which are sponsored on the CHESS sub-register.

Champion Canada will then arrange for the transfer of Champion Canada Shares from the Authorised Nominee to the former CDI holder and issue to the former CDI holder a corresponding share certificate. This will cause Champion Canada Shares to be registered in the name of the holder on the Champion Canada Register and trading on ASX will no longer be possible.

It is expected that this process will be completed in a relatively short time period, however, no guarantee can be given about the time for this conversion to take place.

(b) Converting Champion Canada Shares to Champion Canada CDIs

If Champion Canada Shareholders wish to convert their Champion Canada Shares into Champion Canada CDIs, they may do so by contacting the relevant Registry. In this instance, underlying Champion Canada Shares will be transferred to the Authorised Nominee and a holding statement for the Champion Canada CDIs will be issued to the relevant security holder. No trading in the Champion Canada CDIs should take place on ASX until this transfer process is complete.

8. **Fees**

A Champion Canada CDI Holder will not incur any additional charges or fees as a result of holding Champion Canada CDIs rather than Champion Canada Shares.

9. **Further information**

ASX Guidance Note 5 CHESS Depository Interests (CDIs) (available here: https://www.asx.com.au/documents/rules/gn05_chess_depository_interests.pdf) and the Authorised Nominee's Understanding CHESS Depository Interests (available here: https://www.asx.com.au/documents/settlement/CHESS_Depository_Interests.pdf) both

provide information on the differences between holding CDIs and the underlying securities.

You can also contact your broker or relevant Registry at the details provided below:

Registries

In Australia:

Automic Group Limited
Level 5, 126 Phillip Street
Sydney NSW 2000
Australia

In Canada:

TSX Trust Company
200 University Avenue, Suite 300
Toronto ON M5H 4H1
Canada

APPENDIX F: NOTICE OF SCHEME MEETING

Champion Iron Limited (ABN 34 119 770 142)

Notice is given that, by order of the Federal Court of Australia, made on 4 February 2020, pursuant to section 411(1) of the Corporations Act, a meeting of shareholders of Champion Iron Limited (**Company** or **Champion Australia**) will be held at the Sydney offices of Ashurst Australia, Level 11, 5 Martin Place, Sydney, NSW 2000, Australia at 11.00 am (Sydney time) on 12 March 2020 (which corresponds to 8.00 pm on 11 March 2020 in Montréal).

Capitalised terms in this Notice of Scheme Meeting that are not otherwise defined have the same meaning as is given to those terms in the enclosed Explanatory Memorandum.

BUSINESS OF THE MEETING

The purpose of the meeting to be held pursuant to this Notice is to consider and, if thought fit, to agree (with or without modification of the Court) to a scheme of arrangement proposed to be made between Champion Iron Limited and the holders of its fully paid ordinary shares.

Resolution - Arrangement for the acquisition of the Company by Champion Iron Inc. (Champion Canada)

"That pursuant to and in accordance with section 411 of the Corporations Act 2001 (Cth) the scheme of arrangement proposed between the Company and the holders of its ordinary shares, the terms of which are described in the explanatory memorandum ("the Scheme") of which the notice convening this meeting forms part, is approved and the Board of Directors of the Company is authorised to agree to such alterations or conditions as are thought fit by the Court and, subject to approval of the Scheme by the Court, to implement the Scheme with any such alterations or conditions."

Important note:

The Chairman intends to vote all available proxies given (or deemed to be given) to him in favour of the resolution.

By order of the Court

Steve Boucratie

Vice President, General Counsel and Corporate Secretary

NOTES

Explanatory Memorandum

To enable you to make an informed decision about attending the Scheme Meeting and voting on the Scheme Resolution, further information on the Re-domiciliation is set out in the Explanatory Memorandum accompanying this Notice of Scheme Meeting. The Explanatory Memorandum enclosed with this Notice of Scheme Meeting forms part of this Notice of Scheme Meeting. You should read the Explanatory Memorandum and the accompanying appendices in their entirety before making a decision whether and as to how to vote on the Scheme Resolution.

The purpose of the Explanatory Memorandum is to explain the terms of the Re-domiciliation and the manner in which the Re-domiciliation will be considered and (if approved) implemented, to set out certain information required by law and to provide all other information (other than information previously disclosed to Champion Australia Shareholders) which is known to Champion Australia and which is material to the decision of Champion Australia Shareholders whether or not to vote in favour of the Scheme Resolution.

Capitalised terms which are defined in Section 13 of the Explanatory Memorandum which accompanies this Notice of Scheme Meeting have the same meaning when used in this Notice of Scheme Meeting unless the context clearly indicates a different meaning.

Approval of the Scheme Resolution

For the Re-domiciliation to proceed, the Scheme Resolution must be approved by:

- (a) a majority in number (more than 50%) of those Champion Australia Shareholders present and voting at the Scheme Meeting in person, by proxy, by attorney or (in the case of a corporate Champion Australia Shareholder) by a corporate representative; and
- (b) at least 75% of the total number of votes cast on the Scheme Resolution at the Scheme Meeting by Champion Australia Shareholders.

The Court must also approve the Scheme. The Court has discretion whether or not to approve the Scheme even if the Scheme Resolution is approved by the requisite majorities of Champion Australia Shareholders.

Entitlement to Attend and Vote

In accordance with Regulation 7.11.37 of the Corporations Regulations, the Champion Australia Board has determined that persons who are registered holders of Champion Australia Shares as at 7.00 pm on 10 March 2020, which corresponds to 4.00 am on 10 March 2020 in Montréal, are entitled to attend and vote at the Scheme Meeting as a Champion Australia Shareholder. Accordingly, transactions registered after that time will be disregarded for determining which Champion Australia Shareholders are entitled to attend and vote at the Scheme Meeting.

In accordance with Canadian securities regulation, Canadian Beneficial Owners as of 7.00 pm (Montréal time) on 27 January 2020 (the **Beneficial Ownership Determination Date**) are entitled to receive notice of the Scheme Meeting and to provide instructions to vote at the Scheme Meeting.

All persons attending the Scheme Meeting are asked to arrive at least 30 minutes prior to the time the Scheme Meeting is scheduled to begin, so that their shareholding may be checked against the Champion Australia Register, their proxy, power of attorney or appointment as corporate representative verified (as applicable) and their attendance noted.

Voting

To vote, Champion Australia Shareholders should:

- (c) attend and vote in person at the Scheme Meeting; or
- (d) appoint a proxy (or attorney or corporate representative) to vote on their behalf at the Scheme Meeting.

The Chairman has determined that the vote on the Scheme Resolution will be conducted by way of a ballot or poll. As such, each Champion Australia Shareholder is entitled to one vote on the Scheme Resolution for each fully paid Champion Australia Share held.

Voting by Proxy

A Champion Australia Shareholder entitled to attend and vote at the Scheme Meeting may appoint an individual or a body corporate as a proxy. If a body corporate is appointed as a proxy, that body corporate must ensure that it appoints a corporate representative in accordance with section 250D of the Corporations Act to exercise its powers as proxy at the Scheme Meeting.

A proxy need not be a Champion Australia Shareholder.

A Champion Australia Shareholder may appoint up to two proxies and specify the number or proportion of votes each proxy may exercise. If the Champion Australia Shareholder does not specify the number or proportion of votes to be exercised, each proxy may exercise half of the Champion Australia Shareholder's votes.

The appointment of a proxy or proxies does not preclude a Champion Australia Shareholder from attending in person and voting at the Scheme Meeting. In these circumstances, only the Champion Australia Shareholder - and not their proxy or proxies - is entitled to vote.

You should consider how you wish your proxy to vote - that is, whether you wish your proxy to vote "For" or "Against", or to abstain from voting on, the Scheme Resolution (and on each other matter put to the vote of the Scheme Meeting), or whether to leave the decision to the appointed proxy after discussion at the Scheme Meeting.

If you do not instruct your proxy on how to vote, your proxy may vote (or abstain from voting) as they see fit at the Scheme Meeting.

Champion Australia Shareholders entitled to attend the Scheme Meeting and vote on the Scheme Resolution who return their proxy forms but do not nominate the identify of a proxy will be taken to have nominated the Chairman of the Scheme Meeting as their proxy to vote on their behalf. If the proxy form is returned, but the nominated proxy does not attend the Scheme Meeting, the Chairman of the Scheme Meeting will act in the place of the nominated proxy and vote (or abstain from voting) in accordance with the instructions on the proxy form.

The Champion Australia Board intends to vote all valid undirected proxies which it receives for (or in favour of) the Scheme Resolution.

Details for completion and lodgement of proxies are on the reverse side of the **Proxy Form**. To be effective, the proxy must be received at the relevant Registry no later than 11.00 am (Sydney time) on 10 March 2020 (which corresponds to 8.00 pm on 9 March 2020 in Montréal). Proxies must be received before that time by one of the following methods:

In Australia:

By email: <mailto:meetings@automicgroup.com.au>

By post: Champion Iron Limited
c/o - Automic Group Limited
PO Box 5193
Sydney NSW 2001
Australia

Facsimile: +61 2 8583 3040

By delivery: Automic Group Limited
Level 5, 126 Phillip Street
Sydney NSW 2000
Australia

In Canada:

Online: www.voteproxyonline.com

By email: TmxeProxySupport@tmx.com

By post

and delivery: Champion Iron Limited
c/o - TSX Trust Company
Suite 301, 100 Adelaide Street West
Toronto ON M5H 4H1
Canada

Facsimile: +1 416 595 9593

Voting by Attorney

A Proxy Form and the original power of attorney, if any, under which the Proxy Form is signed (or a certified copy of that power of attorney or other authority) must be received by Champion Australia no later than 11.00 am (Sydney time) on 10 March 2020 (which corresponds to 8.00 pm on 9 March 2020 in Montréal), being not less than 48 hours before the Scheme Meeting.

The appointment of an attorney does not preclude a Champion Australia Shareholder from attending in person and voting at the Scheme Meeting. In these circumstances, only the Champion Australia Shareholder - and not their attorney - is entitled to vote.

Corporate Representatives

A body corporate that is a Champion Australia Shareholder or that has been appointed as a proxy is entitled to appoint any person to act as its representative at the Scheme Meeting. The appointment of the representative must comply with the requirements under section 250D of the Corporations Act. The representative should bring to the Scheme Meeting a properly executed "Certificate of Appointment of Corporate Representative" (available from the Registries) confirming his or her authority to act as the Champion Australia Shareholder's representative.

Jointly held Champion Australia Shares

If any Champion Australia Share is jointly held, only one of the joint holders is entitled to vote at the Scheme Meeting. If more than one Champion Australia Shareholder votes in respect of a jointly held Champion Australia Share, only the vote of the shareholder whose name appears first on the Champion Australia Register will be counted.

Voting information for Champion Australia Shareholders who hold their Champion Australia Shares in Canada with TSX Trust Company as Canadian transfer agent

If you hold your Champion Australia Shares with TSX Trust Company as Canadian transfer agent and your name appears on the certificate representing your Champion Australia Shares, you are a registered shareholder of Champion Australia (a **Canadian Registered Shareholder**).

Your Champion Australia Shares may not be registered in your name but in the name of an intermediary (which is usually a bank, trust company, securities dealer or stock broker, or a clearing agency in which such an intermediary participates). If Champion Australia Shares are listed in an account statement provided to you by an intermediary, then it is likely that those Champion Australia Shares will not be registered in your name, but under the intermediary's name or under the name of a depository (such as CDS & Co.). If you hold your Champion Australia Shares with TSX Trust Company as Canadian transfer agent and your Champion Australia Shares are registered in the name of an intermediary or a nominee, you are a non-registered or beneficial shareholder of Champion Australia (a **Canadian Beneficial Owner**).

Canadian securities regulation, particularly *Regulation 54-101 respecting Communication with Beneficial Owners of Securities of a Reporting Issuer* (the **Beneficial Owner Communication Regulation**), requires Champion Australia to explain in plain language how a Canadian Beneficial Owner is able to exercise their votes at the Scheme Meeting. Champion Australia has elected not to use the notice and access procedures under the Beneficial Owner Communication Regulation to send the Explanatory Memorandum to Champion Australia Shareholders.

(a) Canadian Registered Shareholders

If you are a Canadian Registered Shareholder, you can vote your Champion Australia Shares at the Scheme Meeting. Your vote can be cast by you in person and counted at the Scheme Meeting. If you wish to vote in person at the Scheme Meeting, do not complete or return the Proxy Form included with this Explanatory Memorandum. If you do not wish to attend the Scheme Meeting or do not wish to vote in person, you should complete and deliver a Proxy Form. Please refer to Sections 2.5 to 2.8 of this Explanatory Memorandum for information on how to appoint a proxy to vote in your stead.

(b) Canadian Beneficial Owners

Canadian Beneficial Owners should be aware that only Champion Australia Shareholders whose names appear on the Canadian Register (ie Canadian Registered Shareholders) are entitled to vote at the Scheme Meeting. The purpose of the procedures described below is to permit Canadian Beneficial Owners as of the Beneficial Ownership Determination Date to direct the voting of the Champion Australia Shares they beneficially own in accordance with the Beneficial Owner Communication Regulation. There are two categories of Canadian Beneficial Owners. Canadian Beneficial Owners who have provided instructions to an intermediary that they do not object to the intermediary disclosing ownership information about them to Champion Australia are considered to be non-objecting beneficial owners or **NOBOs**. Canadian Beneficial Owners who have objected to an intermediary providing ownership information about them to Champion Australia are objecting beneficial owners or **OBOs**.

Pursuant to the Beneficial Owner Communication Regulation, Champion Australia can elect to send this Explanatory Statement to, and receive Voting Instruction Forms from, NOBOs. This must be done by an intermediary in relation to OBOs, who wish to remain anonymous to Champion Australia.

This Explanatory Memorandum is being sent to both Canadian Registered Shareholders and Canadian Beneficial Owners in accordance with the Beneficial

Owner Communication Regulation. Champion Australia has assumed or will assume the costs of mailing the Explanatory Memorandum to the NOBOs and the OBOs. If you are a Canadian Beneficial Owner and Champion Australia or its agent has sent this Explanatory Memorandum directly to you, your name and address and information about your holdings of Champion Australia Shares have been obtained in accordance with applicable securities regulatory requirements from the intermediary holding on your behalf.

By choosing to send these materials to you directly, Champion Australia (and not the intermediary holding on your behalf) has assumed responsibility for (i) delivering these materials to you, and (ii) executing your proper voting instructions.

Voting procedure for Canadian Beneficial Owners who receive the Explanatory Memorandum and a Voting Instruction Form from TSX Trust Company

If you have received a VIF from the Canadian Registry, you may return it to the Canadian Registry:

- (i) by regular mail in the return envelope provided;
- (ii) by fax at 416 595 9593; or
- (iii) by voting online at www.voteproxyonline.com and entering your control number as instructed on the log on page.

Detailed instructions of how to submit your vote will be on the VIF.

Voting procedure for Canadian Beneficial Owners who receive the Explanatory Memorandum and a Voting Instruction Form from an intermediary

Intermediaries (which are usually banks, trust companies, securities dealers or stock brokers, or clearing agencies in which such an intermediary participates), which are the registered holders of Champion Australia Shares, can only vote the Champion Australia Shares if instructed to do so by the Canadian Beneficial Owners. Every intermediary has its own mailing procedure and provides its own instructions. You should consider and follow the instructions which your intermediary provides to you (or which are otherwise contained in the contract between you and your intermediary). Typically, a Canadian Beneficial Owner will be given a VIF, which must be completed and signed by the Canadian Beneficial Owner in accordance with the instructions provided by the intermediary. The purpose of this VIF is to give the intermediary permission on how to vote on behalf of or otherwise represent the Canadian Beneficial Owner. A Canadian Beneficial Owner cannot use this VIF to vote or otherwise represent Champion Australia Shares in person at the Scheme Meeting.

If you are a Canadian Beneficial Owner and have been provided with a VIF from your intermediary, you may be given the option of voting by telephone or facsimile – follow the instructions on the VIF. You will likely be able to vote by Internet by accessing www.proxyvote.com, the URL or web address as provided in the VIF, entering the control number that appears on the VIF, indicating your vote on each proposal and selecting "final submission". Any such vote is an instruction to your intermediary as to how you wish to vote. It is not a vote cast by you in person at the Scheme Meeting.

Canadian Beneficial Owners should follow the instructions on the forms they receive and contact their intermediaries promptly if they need assistance.

The majority of intermediaries now delegate responsibility for obtaining instructions from clients to Broadridge Investor Communication Solutions (**Broadridge**). Broadridge mails the VIF to the Canadian Beneficial Owners as of the Beneficial Ownership Determination Date and asks these Canadian Beneficial Owners to return the VIF to Broadridge. Broadridge then tabulates the results of all VIFs received from Canadian Beneficial Owners as of the Beneficial Ownership Determination Date respecting the Champion Australia Shares to be represented at the Scheme Meeting. The VIF must be returned to Broadridge well in advance of the Scheme Meeting in order to have the Champion Australia Shares voted or otherwise represented at the Scheme Meeting.

Please take note that proxies returned by intermediaries as "non-votes" because either the intermediary has not received instructions from the Canadian Beneficial Owner with respect to the voting of certain Champion Australia Shares or, under applicable regulatory rules, the intermediary does not have the discretion to vote those Champion Australia Shares on one or more of the matters that come before the Scheme Meeting, will be treated as not entitled to vote on any such matter and will not be counted as having been voted in respect of any such matter. Champion Australia Shares represented by these intermediary "non-votes" will, however, be counted in determining whether or not there is a quorum.

(c) Revocation of Proxy Forms and Voting Instruction Forms for Canadians

A Canadian Registered Shareholder who executes and returns a Proxy Form may revoke it to the extent it has not been exercised by depositing a written instrument executed by that Canadian Registered Shareholder or his, her or its attorney or by transmitting by telephonic or electronic means a revocation that is signed by electronic signature, or, if the Canadian Registered Shareholder is a corporation, by written instrument executed (under corporate seal if so required by the rules and laws governing the corporation) by a duly authorised signatory of that corporation:

- (i) with the Canadian Registry, TSX Trust Company, 100 Adelaide Street West, Suite 301, Toronto, Ontario M5H 4H1, facsimile: +1 (416) 595-9593, Attention: Proxy Department, at any time up to the close of business on the last Business Day prior to the Scheme Meeting;
- (ii) with the Chairman of the Scheme Meeting on the day of the Scheme Meeting at any time prior to a vote being taken in reliance on that proxy; or
- (iii) in any other manner permitted by law.

A Canadian Beneficial Owner may revoke a VIF or may revoke a waiver of the right to receive meeting materials or a waiver of the right to vote given to an intermediary at any time by written notice to the intermediary, except that an intermediary is not required to act on any such revocation that is not received by the intermediary well in advance of the Scheme Meeting.

Further information

If you have any additional questions in relation to or need help in understanding the matters raised in this Explanatory Memorandum, please call +61 2 9810 7816 (8.30 am to 5.30 pm, Monday to Friday (Sydney time)) in Australia or +1 514 316 4858 (from 8.30 am to 5.30 pm, Monday to Friday (Montréal Time)) in Canada on Business Days, and a representative from Champion Australia will respond to your message.

Alternatively, you should consult an independent and appropriately licensed and authorised professional adviser.

APPENDIX G: NOTICE OF EXTRAORDINARY GENERAL MEETING

Champion Iron Limited (ABN 34 119 770 142)

Notice is given that an extraordinary meeting of shareholders (**Extraordinary General Meeting**) of Champion Iron Limited (**Company** or **Champion Australia**) will be held at the Sydney offices of Ashurst Australia, Level 11, 5 Martin Place, Sydney, NSW 2000, Australia at 11.30 am (Sydney time) on 12 March 2020 (which corresponds to 8.30 pm on 11 March 2020 in Montréal) or as soon as practicable after the conclusion of the Scheme Meeting.

Capitalised terms in this Notice of Extraordinary General Meeting that are not otherwise defined have the same meaning as is given to those terms in the enclosed Explanatory Memorandum.

BUSINESS OF THE MEETING

The purpose of the Extraordinary General Meeting to be held pursuant to this Notice of Extraordinary General Meeting is to consider and, if thought fit, to approve the following special resolution under section 257D of the *Corporations Act 2001* (Cth).

Buy Back Resolution

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **special resolution**:

"That, pursuant to section 257D of the Corporations Act, approval is given for the terms of the Buy Back Agreement between Champion Australia and TSX Trust Company for the selective buy back of the Special Voting Share on the terms and conditions set out in the Explanatory Memorandum."

Voting Exclusion:

Champion Australia will disregard any votes cast in favour of the resolution by or on behalf of TSX Trust Company or an associate of TSX Trust Company. However, this does not apply to a vote cast in favour of a resolution by (i) a person as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with directions given to the proxy or attorney to vote on the resolution in that way or (ii) the chair of the meeting as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction given to the chair to vote on the resolution as the chair decides or (iii) a holder acting solely in a custodial, nominee, trustee or other fiduciary capacity on behalf of a beneficiary, provided the following conditions are met (a) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the resolution and (b) the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

By order of the Board

Steve Boucratie

Vice President, General Counsel and Corporate Secretary

NOTES

Information Statement and Explanatory Memorandum

To enable you to make an informed decision about attending the Extraordinary General Meeting and voting on the Buy Back Resolution, information on the Buy Back is set out in the Information Statement in Section 11 of the Explanatory Memorandum accompanying this Notice of Extraordinary General Meeting. The Explanatory Memorandum enclosed with this Notice of Extraordinary General Meeting forms part of this Notice of Extraordinary General Meeting. You should read the Explanatory Memorandum and the accompanying appendices in their entirety before making a decision whether and as to how to vote on the Buy Back Resolution.

The purpose of the Information Statement in Section 11 of the Explanatory Memorandum is to set out the information known to the Company that is material to the decision how to vote on the Buy Back Resolution.

Capitalised terms which are defined in Section 13 of the Explanatory Memorandum which accompanies this Notice of Extraordinary General Meeting have the same meaning when used in this Notice of Extraordinary General Meeting unless the context clearly indicates a different meaning.

Approval of the Buy Back Resolution

Pursuant to section 257D of the Corporations Act, the Buy Back Resolution must be approved by a special resolution passed at a general meeting of the Company, with no votes being cast in favour of the resolution by TSX Trust Company (being the person whose shares are proposed to be bought back) or by the associates of TSX Trust Company. A special resolution is a resolution passed by at least 75% of votes cast by shareholders entitled to vote on the resolution.

Entitlement to Attend and Vote

In accordance with Regulation 7.11.37 of the Corporations Regulations, the Champion Australia Board has determined that persons who are registered holders of Champion Australia Shares as at 7.00 pm on 10 March 2020, which corresponds to 4.00 am on 10 March 2020 in Montréal, are entitled to attend and vote at the Extraordinary General Meeting. Accordingly, transactions registered after that time will be disregarded for determining which Champion Australia Shareholders are entitled to attend and vote at the Extraordinary General Meeting.

In accordance with Canadian securities regulation, Canadian Beneficial Owners as of 7.00 pm (Montréal time) on 27 January 2020 (the **Beneficial Ownership Determination Date**) are entitled to receive notice of the Extraordinary General Meeting and to provide instructions to vote at the Extraordinary General Meeting.

All persons attending the Extraordinary General Meeting are asked to arrive at least 30 minutes prior to the time the Extraordinary General Meeting is scheduled to begin, so that their shareholding may be checked against the Champion Australia Register, their proxy, power of attorney or appointment as corporate representative verified (as applicable) and their attendance noted.

Voting

To vote, Champion Australia Shareholders should:

- (a) attend and vote in person at the Extraordinary General Meeting; or
- (b) appoint a proxy (or attorney or corporate representative) to vote on their behalf at the Extraordinary General Meeting.

The Chairman has determined that the vote on the Buy Back Resolution will be conducted by way of a ballot or poll. As such, each Champion Australia Shareholder is entitled to one vote on the Buy Back Resolution for each fully paid Champion Australia Share held.

Voting by Proxy

A Champion Australia Shareholder entitled to attend and vote at the Extraordinary General Meeting may appoint an individual or a body corporate as a proxy. If a body corporate is appointed as a proxy, that body corporate must ensure that it appoints a corporate representative in accordance with section 250D of the Corporations Act to exercise its powers as proxy at the Extraordinary General Meeting.

A proxy need not be a Champion Australia Shareholder.

A Champion Australia Shareholder may appoint up to two proxies and specify the number or proportion of votes each proxy may exercise. If the Champion Australia Shareholder does not specify the number or proportion of votes to be exercised, each proxy may exercise half of the Champion Australia Shareholder's votes.

The appointment of a proxy or proxies does not preclude a Champion Australia Shareholder from attending in person and voting at the Extraordinary General Meeting. In these circumstances, only the Champion Australia Shareholder - and not their proxy or proxies - is entitled to vote.

You should consider how you wish your proxy to vote - that is, whether you wish your proxy to vote "For" or "Against", or to abstain from voting on, the Buy Back Resolution (and on each other matter put to the vote of the Extraordinary General Meeting), or whether to leave the decision to the appointed proxy after discussion at the Extraordinary General Meeting.

If you do not instruct your proxy on how to vote, your proxy may vote (or abstain from voting) as they see fit at the Extraordinary General Meeting.

Champion Australia Shareholders entitled to attend the Extraordinary General Meeting and vote on the Buy Back Resolution who return their Proxy Forms but do not nominate the identify of a proxy will be taken to have nominated the Chairman of the Extraordinary General Meeting as their proxy to vote on their behalf. If the Proxy Form is returned, but the nominated proxy does not attend the Extraordinary General Meeting, the Chairman of the Extraordinary General Meeting will act in the place of the nominated proxy and vote (or abstain from voting) in accordance with the instructions on the Proxy Form.

The Champion Australia Board intends to vote all valid undirected proxies which it receives for (or in favour of) the Buy Back Resolution.

Details for completion and lodgement of proxies are on the reverse side of the **Proxy Form**. To be effective, the proxy must be received at the relevant Registry no later than 11.30 am (Sydney time) on 10 March 2020 (which corresponds to 8.30 pm on 9 March 2020 in Montréal). Proxies must be received before that time by one of the following methods:

In Australia:

By email: <mailto:meetings@automicgroup.com.au>

By post: Champion Iron Limited
c/o - Automic Group Limited
PO Box 5193
Sydney NSW 2001
Australia

Facsimile: +61 2 8583 3040

By delivery: Automic Group Limited
Level 5, 126 Phillip Street
Sydney NSW 2000
Australia

In Canada:

Online: www.voteproxyonline.com

By email: TmxeProxySupport@tmx.com

By post

and delivery: Champion Iron Limited
c/o - TSX Trust Company
Suite 301, 100 Adelaide Street West
Toronto ON M5H 4H1
Canada

Facsimile: +1 416 595 9593

Voting by Attorney

A Proxy Form and the original power of attorney, if any, under which the Proxy Form is signed (or a certified copy of that power of attorney or other authority) must be received by Champion Australia no later than 11.30 am (Sydney time) on 10 March 2020 (which corresponds to 8.30 pm on 9 March 2020 in Montréal), being not less than 48 hours before the Extraordinary General Meeting.

The appointment of an attorney does not preclude a Champion Australia Shareholder from attending in person and voting at the Extraordinary General Meeting. In these circumstances, only the Champion Australia Shareholder - and not their attorney - is entitled to vote.

Corporate Representatives

A body corporate that is a Champion Australia Shareholder or that has been appointed as a proxy is entitled to appoint any person to act as its representative at the Extraordinary General Meeting. The appointment of the representative must comply with the requirements under section 250D of the Corporations Act. The representative should bring to the Extraordinary General Meeting a properly executed "Certificate of Appointment of Corporate Representative" (available from the Registries) confirming his or her authority to act as the Champion Australia Shareholder's representative.

Jointly held Champion Australia Shares

If any Champion Australia Share is jointly held, only one of the joint holders is entitled to vote at the Extraordinary General Meeting. If more than one Champion Australia Shareholder votes in respect of a jointly held Champion Australia Share, only the vote of the shareholder whose name appears first on the Champion Australia Register will be counted.

Voting information for Champion Australia Shareholders who hold their Champion Australia Shares in Canada with TSX Trust Company as Canadian transfer agent

If you hold your Champion Australia Shares with TSX Trust Company as Canadian transfer agent and your name appears on the certificate representing your Champion Australia Shares, you are a registered shareholder of Champion Australia (a **Canadian Registered Shareholder**).

Your Champion Australia Shares may not be registered in your name but in the name of an intermediary (which is usually a bank, trust company, securities dealer or stock broker, or a clearing agency in which such an intermediary participates). If Champion Australia Shares are listed in an account statement provided to you by an intermediary, then it is likely that those Champion Australia Shares will not be registered in your name, but under the intermediary's name or under the name of a depository (such as CDS & Co.). If you hold your Champion Australia Shares with TSX Trust Company as Canadian transfer agent and your Champion Australia Shares are registered in the name of an intermediary or a nominee, you are a non-registered or beneficial shareholder of Champion Australia (a **Canadian Beneficial Owner**).

Canadian securities regulation, particularly *Regulation 54-101 respecting Communication with Beneficial Owners of Securities of a Reporting Issuer* (the **Beneficial Owner Communication Regulation**), requires Champion Australia to explain in plain language how a Canadian Beneficial Owner is able to exercise their votes at the Extraordinary General Meeting. Champion Australia has elected not to use the notice and access procedures under the Beneficial Owner Communication Regulation to send the Explanatory Memorandum to Champion Australia Shareholders.

(a) Canadian Registered Shareholders

If you are a Canadian Registered Shareholder, you can vote your Champion Australia Shares at the Extraordinary General Meeting. Your vote can be cast by you in person and counted at the Extraordinary General Meeting. If you wish to vote in person at the Extraordinary General Meeting, do not complete or return the Proxy Form included with this Explanatory Memorandum. If you do not wish to attend the Extraordinary General Meeting or do not wish to vote in person, you should complete and deliver a Proxy Form. Please refer to Sections 2.5 to 2.8 of the Explanatory Memorandum for information on how to appoint a proxy to vote in your stead.

(b) Canadian Beneficial Owners

Canadian Beneficial Owners should be aware that only Champion Australia Shareholders whose names appear on the Canadian Register (ie Canadian Registered Shareholders) are entitled to vote at the Extraordinary General Meeting. The purpose of the procedures described below is to permit Canadian Beneficial Owners as of the Beneficial Ownership Determination Date to direct the voting of the Champion Australia Shares they beneficially own in accordance with the Beneficial Owner Communication Regulation. There are two categories of Canadian Beneficial Owners. Canadian Beneficial Owners who have provided instructions to an intermediary that they do not object to the intermediary disclosing ownership information about them to Champion Australia are considered to be non-objecting beneficial owners or **NOBOs**. Canadian Beneficial Owners who have objected to an intermediary providing ownership information about them to Champion Australia are objecting beneficial owners or **OBOs**.

Pursuant to the Beneficial Owner Communication Regulation, Champion Australia can elect to send the Explanatory Statement to, and receive Voting Instruction Forms from, NOBOs. This must be done by an intermediary in relation to OBOs, who wish to remain anonymous to Champion Australia.

The Explanatory Memorandum is being sent to both Canadian Registered Shareholders and Canadian Beneficial Owners in accordance with the Beneficial Owner Communication Regulation. Champion Australia has assumed or will assume the costs of mailing the Explanatory Memorandum to the NOBOs and the OBOs. If you are a Canadian Beneficial Owner and Champion Australia or its agent has sent the Explanatory Memorandum directly to you, your name and address and information about your holdings of Champion Australia Shares have been obtained in accordance with applicable securities regulatory requirements from the intermediary holding on your behalf.

By choosing to send these materials to you directly, Champion Australia (and not the intermediary holding on your behalf) has assumed responsibility for (i) delivering these materials to you, and (ii) executing your proper voting instructions.

Voting procedure for Canadian Beneficial Owners who receive the Explanatory Memorandum and a Voting Instruction Form from TSX Trust Company

If you have received a VIF from the Canadian Registry, you may return it to the Canadian Registry:

- (i) by regular mail in the return envelope provided;
- (ii) by fax at 416 595 9593; or
- (iii) by voting online at www.voteproxyonline.com and entering your control number as instructed on the log on page.

Detailed instructions of how to submit your vote will be on the VIF.

Voting procedure for Canadian Beneficial Owners who receive the Explanatory Memorandum and a Voting Instruction Form from an intermediary

Intermediaries (which are usually banks, trust companies, securities dealers or stock brokers, or clearing agencies in which such an intermediary participates), which are the registered holders of Champion Australia Shares, can only vote the Champion Australia Shares if instructed to do so by the Canadian Beneficial Owners. Every intermediary has its own mailing procedure and provides its own instructions. You should consider and follow the instructions which your intermediary provides to you (or which are otherwise contained in the contract between you and your intermediary). Typically, a Canadian Beneficial Owner will be given a VIF, which must be completed and signed by the Canadian Beneficial Owner in accordance with the instructions provided by the intermediary. The purpose of this VIF is to give the intermediary permission on how to vote on behalf of or otherwise represent the Canadian Beneficial Owner. A Canadian Beneficial Owner cannot use this VIF to vote or otherwise represent Champion Australia Shares in person at the Extraordinary General Meeting.

If you are a Canadian Beneficial Owner and have been provided with a VIF from your intermediary, you may be given the option of voting by telephone or facsimile – follow the instructions on the VIF. You will likely be able to vote by Internet by accessing www.proxyvote.com, the URL or web address as provided in the VIF, entering the control number that appears on the VIF, indicating your vote on each proposal and selecting "final submission". Any such vote is an instruction to your intermediary as to how you wish to vote. It is not a vote cast by you in person at the Extraordinary General Meeting.

Canadian Beneficial Owners should follow the instructions on the forms they receive and contact their intermediaries promptly if they need assistance.

The majority of intermediaries now delegate responsibility for obtaining instructions from clients to Broadridge Investor Communication Solutions (**Broadridge**). Broadridge mails the VIF to the Canadian Beneficial Owners as of the Beneficial Ownership Determination Date and asks these Canadian Beneficial Owners to return the VIF to Broadridge. Broadridge then tabulates the results of all VIFs received from Canadian Beneficial Owners as of the Beneficial Ownership Determination Date respecting the Champion Australia Shares to be represented at the Extraordinary General Meeting. The VIF must be returned to Broadridge well in advance of the Extraordinary General Meeting in order to have the Champion Australia Shares voted or otherwise represented at the Extraordinary General Meeting.

Please take note that proxies returned by intermediaries as "non-votes" because either the intermediary has not received instructions from the Canadian Beneficial Owner with respect to the voting of certain Champion Australia Shares or, under applicable regulatory rules, the intermediary does not have the discretion to vote those Champion Australia Shares on one or more of the matters that come before the Extraordinary General Meeting, will be treated as not entitled to vote on any such matter and will not be counted as having been voted in respect of any such matter. Champion Australia Shares represented by these intermediary "non-votes" will, however, be counted in determining whether or not there is a quorum.

(c) Revocation of Proxy Forms and Voting Instruction Forms for Canadians

A Canadian Registered Shareholder who executes and returns a Proxy Form may revoke it to the extent it has not been exercised by depositing a written instrument executed by that Canadian Registered Shareholder or his, her or its attorney or by transmitting by telephonic or electronic means a revocation that is signed by electronic signature, or, if the Canadian Registered Shareholder is a corporation, by written instrument executed (under corporate seal if so required by the rules and laws governing the corporation) by a duly authorised signatory of that corporation:

- (i) with the Canadian Registry, TSX Trust Company, 100 Adelaide Street West, Suite 301, Toronto, Ontario M5H 4H1, facsimile: +1 (416) 595-9593, Attention: Proxy Department, at any time up to the close of business on the last Business Day prior to the Extraordinary General Meeting;
- (ii) with the Chairman of the Extraordinary General Meeting on the day of the Extraordinary General Meeting at any time prior to a vote being taken in reliance on that proxy; or
- (iii) in any other manner permitted by law.

A Canadian Beneficial Owner may revoke a VIF or may revoke a waiver of the right to receive meeting materials or a waiver of the right to vote given to an intermediary at any time by written notice to the intermediary, except that an intermediary is not required to act on any such revocation that is not received by the intermediary well in advance of the Extraordinary General Meeting.