

## **Champion Iron announces the entering into of letters of intent for a financing from the government of Québec**

**Montréal, Québec, Canada:** Champion Iron Limited (ASX: CIA, TSX: CIA) ("Champion" or the "Company") is pleased to announce that the Company entered into a letter of intent (the "Champion Letter of Intent") with Ressources Québec Inc. ("Ressources Québec"), acting as mandatary of the Québec government, and that the Company's wholly-owned subsidiary, Québec Iron Ore Inc. ("QIO"), also entered into a letter of intent (together with the Champion Letter of Intent, the "Letters of Intent") with Ressources Québec, acting as mandatary of the Québec government and acting on its own behalf, regarding partial funding of QIO's acquisition (the "Acquisition") of the Bloom Lake Mine and related rail assets (collectively, "Bloom Lake") and the Quinto Mining Corporation mineral claims (the "Quinto Claims") in Québec from Cliffs Québec Iron Mining ULC, Bloom Lake Mine Iron Ore Limited Partnership, Bloom Lake Railway Company Limited and Quinto Mining Corporation (collectively, the "Bloom Lake CCAA Vendors") and related costs.

Pursuant to the Letters of Intent:

- Ressources Québec intends to invest, acting as a mandatary of the Government of Quebec, C\$6M in the form of common shares in the share capital of the Company at a price of \$0.16 per common share issued pursuant to the private placement financing announced by the Company on December 11, 2015 of up to C\$30M (increased from up to C\$25M as previously announced). The proceeds of this investment are to be contributed to QIO to finance the Acquisition by QIO, and to secure up to 24 months of care and maintenance and the planned upgrade of the Bloom Lake assets.
- Ressources Québec also intends to invest, acting as a mandatary of the Government of Quebec, C\$14M in the form of voting and participating shares in the share capital of QIO, and also intends to provide, on its own behalf, financing in the form of a term loan of a maximum amount of C\$6M. The proceeds of this financing will also be used to finance the Acquisition, and to secure up to 24 months of care and maintenance and the planned upgrade of the Bloom Lake assets.

The investments and the making of the loan are subject to, among other things, final approvals from the Government of Québec and Ressources Québec decision making authorities, the negotiation and entering into of definitive transaction documents between the parties which will provide for conditions to closing, including, as applicable, satisfactory due diligence being conducted by Ressources Québec on the Company, QIO and the Bloom Lake assets, the closing of the private placement financing of ordinary shares of the Company announced on December 11, 2015, the approval of the Toronto Stock Exchange and of the Australian Securities Exchange, and the approval of the Company's shareholders entitled to vote at a meeting of the shareholders of the Company. The ordinary shares to be issued under the investments will be issued pursuant to exemptions from the prospectus requirements of applicable securities laws and will be subject to a four-month statutory hold period from the date of closing of the offering. The terms and conditions of the private placement financing and the Acquisition will be further described in the Company's management proxy circular (Canada) and Notice of Meeting (Australia), which is expected to be filed on SEDAR and mailed to Champion shareholders in the coming weeks.

### **Details of the Acquisition**

On 11 December 2015, the Company announced that QIO had entered into an Asset Purchase Agreement (the "Asset Purchase Agreement") in respect of the Acquisition.

On 27 January 2016, the transaction was approved by the Québec Superior Court under the *Companies' Creditors Arrangement Act* (Canada).

The Asset Purchase Agreement provides that the Bloom Lake assets and the Quinto Claims are being acquired for a cash consideration of C\$10.5 million and the assumption of certain liabilities. Under the Asset Purchase Agreement, QIO will become responsible for environmental obligations which include environmental reclamation liabilities presently assessed at approximately C\$41.7 million by the Government of Québec, as well as the replacement of certain bonds securing certain obligations of Bloom Lake totalling approximately C\$1.1 million.

The Asset Purchase Agreement contains a number of closing conditions, including the obtaining of the approval of shareholders of Champion in connection with the aforementioned private placement financing, which will be sought as part of a shareholders' meeting expected to be held at the end of March 2016.

**For further information please contact:**

Michael O’Keeffe, Executive Chairman and CEO at Tel. +1 514-316-4858

Fundexa, Bill Kemmery at Tel. +61 400 122 449 or bill@fundexa.com

## **About Champion**

Champion has been working on the development of iron ore deposits in the Labrador Trough for more than 10 years through acquisition of tenements, geological evaluation and development of a Feasibility Study (Consolidated Fire Lake North Project). The management team has a vast experience from geotechnical work to green field development, brown field management including logistics development and financing of all stages in the mining industry.

The main focus of Champion’s activities, holding over 3 billion tons of high quality iron ore resources, were concentrated on the effort to achieve an economical long term access from mine to ship. The Government of Québec has granted CAD \$20 million for the feasibility study of a new rail linking Fire Lake North / Bloom Lake area to the port of Sept-Îles. This study is being managed by Champion, and is expected to be finalised in 2016.

*For additional information on Champion Iron Limited, please visit our website at **[www.championiron.com](http://www.championiron.com)**.*

*This news release includes certain information that may constitute “forward-looking information” under applicable Canadian securities legislation. All statements, other than statements of historical facts, included in this news release that address future activities, events, developments or financial performance constitute forward-looking information. The use of any of the words “will”, “expect”, “anticipate”, “intend”, “believe”, “plan”, “potential”, “outlook”, “forecast”, “estimate” and similar expressions are intended to identify forward-looking information. Forward-looking information includes, but is not limited to, statements about the proposed acquisition and its financing, including the expected timetable, the anticipated reductions of care and maintenance costs, the expected production and the receipt of approvals required to complete the acquisition and its financing. Forward-looking information is necessarily based upon a number of estimates and assumptions that, while considered reasonable, are subject to known and unknown risks, uncertainties, and other factors which may cause the actual results and future events to differ materially from those expressed or implied by such forward-looking information, including the risks identified in Champion’s annual information forms, management’s discussion and analysis and other securities regulatory filings made by Champion on SEDAR (including under the heading “Risk Factors” therein). There can be no assurance that such information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such forward-looking information. Accordingly, readers should not place undue reliance on forward-looking information. All of Champion’s forward-looking information contained in this press release is given as of the date hereof and is based upon the opinions and estimates of Champion’s management and information available to management as at the date hereof. Champion disclaims any intention or obligation to update or revise any of its forward-looking information, whether as a result of new information, future events or otherwise, except as required by law.*

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