



## LABRADOR IRON MINES REPORTS FISCAL 2021 YEAR END RESULTS

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Toronto, Ontario, Canada, June 30, 2021. **Labrador Iron Mines Holdings Limited** (the “Company”) (OTC: LBRMF) reports its financial results for the fiscal year ended March 31, 2021.

This News Release should be read in conjunction with the Company’s audited consolidated financial statements and Management’s Discussion and Analysis (“MD&A”) for the year ended March 31, 2021, which are available on the Company’s website at [www.labradorironmines.ca](http://www.labradorironmines.ca) or under the Company’s profile on SEDAR ([www.sedar.com](http://www.sedar.com)).

All currency references in this news release are expressed in Canadian dollars, unless otherwise indicated.

### OVERVIEW

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Labrador Iron Mines Holdings Limited (“LIMH”), through its majority owned subsidiaries Labrador Iron Mines Limited (“LIM”) and Schefferville Mines Inc. (“SMI”), is engaged in the exploration and development of iron ore projects, situated in the Menihek area of western Newfoundland and Labrador and northeastern Quebec, near the town of Schefferville, in the central part of the Labrador Trough region of eastern Canada, one of the major iron ore producing regions in the world.

The price of iron ore surged 80% in 2020 to a nine-year high of US\$170 per tonne (62% Fe Fines CFR China), driven largely by sustained demand in China and supply constraints in Brazil. Iron ore demand in China has proven to be extremely strong, as infrastructure stimulus programs have been driving a robust economic recovery and continued strength in Chinese steel production. In the first half of 2021, the price of iron ore surged another 40%, to an all-time record US\$235 per tonne in May, before settling in at US\$215 per tonne by the end of June.

Having regard to the strong price of iron ore, and following the completion of an updated, independent Preliminary Economic Assessment (“PEA”) on the Houston Project in February 2021, the Company recorded an impairment reversal of \$25,963,413 at March 31, 2021, as a restatement of the previous carrying value of the Houston Project, which was the main contributor to the Company reporting consolidated net income of \$25,666,588 for the year ended March 31, 2021.

### Houston Project and PEA Completion

The Company is currently focused on advancing Stage 2 of its planned direct shipping ore mining operations, which involves the development of the Houston Project, LIM’s flagship property. The Houston Project is an open pit direct shipping iron ore project located near the town of Schefferville, on which an updated, independent Preliminary PEA was completed in February 2021 which demonstrated production of 2 million dmt of DSO per year, with an initial 12-year mine life, for total production of 23.4 million dmt of product at 62.2% Fe over the life of the mine. Planned operations involve conventional open pit truck and shovel activities and simple dry crushing and screening for processing.

Based on the assumptions used, the PEA estimates the Houston Project will generate an undiscounted net cash flow of \$234 million and an after-tax net present value at an 8% discount rate (“NPV<sub>8%</sub>”) of \$109 million and an after-

tax internal rate of return (“IRR”) of 39%, under the base case US\$90/dmt (62% Fe Sinter Fines CFR China basis) benchmark pricing model.

The project economic results are most sensitive to the iron ore price revenue driver and less sensitive to input operating and capital costs. The PEA notes that using a more recent spot price of US\$160/dmt would increase the after-tax NPV<sub>8%</sub> to \$778 million and the after-tax IRR to 514%, before any assumed price participation by an offtake partner. The PEA also notes that using a spot price of US\$160/dmt, adjusted for an assumed 50% price participation above US\$90/dmt for an offtake partner would increase the after-tax NPV<sub>8%</sub> to \$459 million and the after-tax IRR to 209%.

The PEA prepared by Roscoe Postle Associates Inc (“RPA”), now part of SLR Consulting Ltd., supports LIM’s plan to resume iron ore production from its Stage 2 Houston Project with low re-start capital and robust economics at a time when the global iron ore markets are very strong. The PEA estimates initial direct capital costs of \$51.3 million, and along with indirect costs, engineering, procurement and construction management (EPCM) costs, owner’s costs and contingency, total initial capital expenditures of \$86.8 million. The initial capital intensity at only US\$33 per annual tonne of production is considered low by industry standards.

The Houston Project’s deposits 1 and 2 have undergone extensive regulatory review and approval and are considered ready for construction and with a one-year construction period to production, the Houston Project offers low technical risk, with only building a short gravel road and rail siding as the principal construction components.

### **Planned Follow-up Initiatives**

The Company plans to further advance development of the Houston Project through a number of near term initiatives:

- (i) Complete metallurgical test work of drill core collected from the Houston Project in a 2013 bulk sample, which is currently in storage. Results of the test work will be used to refine the product specifications and process flowsheet assumed in the PEA. Among other things, this analysis will yield important product characterization information which could be helpful in marketing the product.
- (ii) Complete a trade-off study on use of LIM’s Redmond property rail right-of-way for the Houston Project’s rail loading operations. Although a longer truck haul is required (approximately 1.5 km greater), the Redmond property rail right-of-way was formerly used for loading iron ore trains (by IOC) and includes an existing rail bed with a rail loop at the end to turnaround, versus the current proposed Houston rail siding operation, which requires the train to be split multiple times.
- (iii) Update the surface water management plan for the mine site based on the proposed localized handling and treatment of surface contact water.
- (iv) Reactivate all necessary regulatory permits and approvals for construction.
- (v) Continue engagement with adjacent First Nations communities.
- (vi) Advance commercial negotiations with construction contractors, equipment vendors, rail, port and logistics counterparties.
- (vii) Further refine the environmental and health and safety plans.
- (viii) Further develop the human resources and recruitment plans.
- (ix) Complete an off-take contract, including construction financing and product sale components.

The Company believes successful completion of these initiatives will favourably impact the terms of construction financing, which will be required in 2022.

In order to fund its planned near-term initiatives, the Company plans to complete a working capital financing of approximately \$2.5-\$5 million. The Company is exploring various working capital financing alternatives including a potential private placement of equity. Various future construction financing alternatives being considered for 2022 include, without limitation, an advance payment component of an off-take contract, equipment leasing arrangement(s), potential project partners, potential government funding and potential equity financing.

## **IRON ORE MARKET**

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Iron ore is the main raw material used in the steel making process, which requires approximately 1.7 tonnes of iron ore to produce each tonne of steel. China, which forges half of the world's steel and consumes two-thirds of the world's seaborne iron ore trade, dominates both the steel and iron ore markets. China currently imports approximately 90% of the iron ore used in its blast furnaces, due to the low quality of its domestic iron ore sources.

The price of iron ore (62% Fe Fines CFR China) surged 80% in 2020 to a nine-year high of US\$170 per tonne, driven largely by sustained demand in China and supply constraints in Brazil. In the first half of 2021, the price of iron ore surged another 40%, to an all-time record US\$235 per tonne in May, before settling in at US\$215 per tonne by the end of June.

In China, iron ore demand has proven to be extremely strong, as infrastructure stimulus programs have been driving a robust recovery in the economy and continued strength in Chinese steel production. Annual steel output in China surpassed 1 billion tonnes in 2020 for the first time, requiring the import of 1.17 billion tonnes of iron ore, representing an almost 10% increase over the previous record in 2017.

Projected iron ore supply is routinely overestimated, with Australian exports yet to hit levels that were expected to have been achieved 2-4 years ago. Any material increase in supply depends largely on Vale's ramp up in Brazil, and commissioning of new replacement mines in Australia's Pilbara region and development of one or two of the larger known deposits elsewhere in the world.

In the longer-term analysts generally expect iron ore prices to retreat from recent highs with Brazilian supply recovering, however government Covid relief programs and infrastructure investment worldwide are expected to create continued medium term demand for steel and thus for iron ore.

## **FINANCIAL RESULTS – FISCAL YEAR ENDED MARCH 31, 2021**

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On a consolidated basis, the Company reported net income of \$25,666,588, or \$0.16 per share during the year ended March 31, 2021, compared to a net loss of \$441,219, or \$0.00 per share, during the previous year.

Net income of \$25,666,588 in the current year was mainly attributable to an impairment reversal of \$25,963,413, a rehabilitation provision recovery of \$305,049 and assignment of rights income of \$750,000, offset by site costs of \$367,951, corporate and administrative costs of \$303,999 and non-cash share-based compensation of \$677,943. The net loss of \$441,219 in the previous year was mainly attributable to site costs of \$623,799 and corporate and administrative costs of \$581,443, offset by a gain on sale of property and equipment of \$697,990.

The impairment reversal of \$25,963,413 during the current year is a restatement of the previous carrying

value of the Houston Project, following the issuance of the independent PEA during the year.

The rehabilitation provision recovery of \$305,049 in the current year reflects the difference between the actual rehabilitation costs incurred during the year compared to the carrying value of the rehabilitation costs that formed the basis of the rehabilitation liability discharged. Also included in the recovery is the discharge of the \$132,149 closure liability of the Company's mine camp, following its sale in 2019.

The Company assigned certain rights in a rail siding to a third party during the current year for cash consideration of \$750,000, \$500,000 of which was received during the year, and \$250,000 of which was received in June 2021.

Site costs included the expenditures required to maintain the Company's mineral properties in good standing, although such expenditures were minimal during the current year as a result of Covid-related relief measures in Newfoundland and Labrador and Quebec. Third party consultant costs associated with conducting the independent PEA and NI 43-101 compliant technical report on the Houston Project were capitalized during the current year.

Corporate and administrative costs were maintained at a low level.

At March 31, 2021 the Company had current assets of \$710,761, consisting of \$328,056 in unrestricted cash, \$80,258 in restricted cash and \$302,447 in accounts receivable and prepaid expenses. The Company also held \$949,175 in non-current restricted cash. The Company had no long term debt, other than a \$40,000 loan under the Covid-related Canada Emergency Business Account program.

## **OUTSTANDING SHARE CAPITAL**

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Labrador Iron Mines Holdings Limited currently has 162,364,427 common shares issued and outstanding.

The common shares of the Company trade on the OTC Pink Open Market under symbol LBRMF.

The Company continues in good standing as a Reporting Issuer in all the Provinces of Canada, and in compliance with all the requirements of the Securities Acts and Securities Regulations in Canada. All public filings of the Company may be inspected under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

## **ABOUT LABRADOR IRON MINES HOLDINGS LIMITED**

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Labrador Iron Mines Holdings Limited, through its majority owned subsidiaries Labrador Iron Mines Limited ("LIM") and Schefferville Mines Inc. ("SMI"), owns extensive iron ore resources in the central part of the Labrador Trough region, one of the major iron ore producing regions in the world, centered near the town of Schefferville, Quebec.

LIM's current focus is on planning activities related to the development of its Houston Project and, subject to securing development financing, LIM is positioned to resume project development and production of direct shipping iron ore from the Houston deposits at the earliest opportunity. In the three-year period of 2011, 2012 and 2013 LIM produced a total of 3.6 million dry metric tonnes of iron ore, all of which was sold in 23 cape-size shipments into the China spot market.

In March 2021, the Company reported the results of an independent Preliminary Economic Assessment ("PEA") on its Houston Project prepared by Roscoe Postle Associates Inc. ("RPA"), now part of SLR Consulting Ltd. The Technical Report on the PEA, prepared by RPA, in accordance with National Instrument 43-101 ("NI 43-101"), may

be viewed under the Company's profile on SEDAR, or on the Company's website.

In addition to its Houston Project, LIM holds approximately 50 million tonnes in historical DSO resources in various deposits. LIM also holds the Elizabeth Taconite Project, which has an inferred mineral resource estimate (as at June 15, 2013) of 620 million tonnes at an average grade of 31.8% Fe.

For further information, please visit LIM's website at [www.labradorironmines.ca](http://www.labradorironmines.ca) or contact:

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**Cautionary Statements:**

*The terms "iron ore" and "ore" in this document are used in a descriptive sense and should not be considered as representing current economic viability. A Feasibility Study has not been conducted on any of the Company's Schefferville Projects.*

**Forward Looking Statement:**

*Some of the statements contained in this News Release may be forward-looking statements which involve known and unknown risks and uncertainties relating to, but not limited to, LIM's expectations, intentions, plans and beliefs. Forward-looking information can often be identified by forward-looking words such as "anticipate", "believe", "expect", "goal", "plan", "intend", "estimate", "may" and "will" or similar words suggesting future outcomes, or other expectations, beliefs, plans, objectives, assumptions, intentions or statements about future events or performance. Forward-looking information may include reserve and resource estimates, estimates of future production, unit costs, costs of capital projects and timing of commencement of operations, and is based on current expectations that involve a number of business risks and uncertainties and assumptions regarding financing. Factors that could cause actual results to differ materially from any forward-looking statement include, but are not limited to, failure to establish estimated resources and reserves, the grade and recovery of ore which is mined varying from estimates, delays in obtaining or failures to obtain required financing, capital and operating costs varying significantly from estimates, delays in obtaining or failures to obtain required governmental, environmental or other project approvals, delays in the development of projects, changes in exchange rates, fluctuations in commodity prices, inflation and other factors. Forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results to differ materially from expected results. There can be no assurance that LIM will be successful in maintaining any agreement with any First Nations groups who may assert aboriginal rights or may have a claim which affects LIM's properties or may be impacted by the Schefferville Projects. Shareholders and prospective investors should be aware that these statements are subject to known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from those suggested by the forward-looking statements. Shareholders and prospective investors are cautioned not to place undue reliance on forward-looking information. By its nature, forward-looking information involves numerous assumptions, inherent risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and various future events will not occur. LIM undertakes no obligation to update publicly or otherwise revise any forward-looking information whether as a result of new information, future events or other such factors which affect this information, except as required by law.*