



**ANNUAL MEETING OF SHAREHOLDERS  
OCTOBER 4, 2018**

**Remarks of John F. Kearney, Chairman and Chief Executive**

Labrador Iron Mines Holdings Limited (“LIMH”), through its majority owned subsidiaries Labrador Iron Mines Limited (“LIM”) and Schefferville Mines Inc. (“SMI”), owns extensive iron ore resources and facilities as well as numerous mineral exploration claims in the central part of the Labrador Trough region, one of the major iron ore producing regions in the world, situated in the Menihek area in the Province of Newfoundland and Labrador and in the Province of Quebec, centered near the town of Schefferville, Quebec.

LIM holds NI 43-101 compliant measured and indicated mineral resources of approximately 54.8 million tonnes at an average grade of 56.8% Fe and inferred resources of 5.0 million tonnes at an average grade of 55.6% Fe on its Schefferville Projects. LIM also holds approximately 80 million tonnes in historical resources previously identified by IOC. LIM also holds the Elizabeth Taconite Project, which has a NI 43-101 compliant inferred mineral resource estimate of 620 million tonnes at an average grade of 31.8% Fe.

LIM has not undertaken mining operations since 2013, primarily due to the low iron ore price, but maintains its properties on a stand-by care and maintenance basis and, subject to improvement in iron ore price and to securing financing, is positioned to resume mining operations as soon as the iron ore price and economic conditions warrant.

***Ongoing Operational Activities***

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Notwithstanding the challenging environment during the past several years, LIM continues to conduct a variety of necessary operational activities with the objective of preserving its assets, maintaining its mineral properties on a standby basis, fulfilling environmental and regulatory obligations, and controlling costs.

LIM’s former James Mine and the Silver Yards processing facility have been in a progressive reclamation stage since 2014. LIM continues to fulfill its environmental regulatory requirements, which principally relate to rehabilitation of the former James Mine. The James Mine open pit is now flooded with natural water, as planned, and water is discharging by way of a reclaimed tributary.

LIM continued its efforts to offset operating costs by generating third party income from otherwise idle property and equipment. In addition, sales of certain non-core assets and some miscellaneous sales of surplus equipment were completed.

From a corporate perspective, the Company has been focused on its financial rationalization efforts and is pursuing the sale of non-core assets and equipment. The Company has significantly reduced corporate overhead and, combined with the limited cost of site maintenance and standby activities, has succeeded in reducing its ongoing costs significantly. Corporate salaries have been reduced and all directors’ fees have been waived.

## ***HOUSTON IRON ORE PROPERTY***

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The Houston Project (“Houston”), which includes the Houston deposit and the Malcolm deposit, is planned as LIM’s next project to be developed. Houston is situated in Labrador about 25 km southeast of the town of Schefferville. Together with the Malcolm Deposit, considered to be its northwest extension, the Houston deposits are estimated to contain a National Instrument 43-101 resource of 40.6 million tonnes grading 57.6% iron (“Fe”). LIM has identified a higher-grade component of this resource, 20 million tonnes at an average grade of 62% Fe, at a 58% cut-off grade, that is amenable to dry crushing and screening.

The initial mine plan will focus on this higher-grade component. The revised development plan is based on lower-cost dry crushing and screening only. When in full production, the Houston-Malcolm deposits are expected to produce consistent saleable product of about 2 million tonnes per year, with an initial mine-life of 10 years. The Houston deposits also contain harder ore than the James mine and are anticipated to produce a larger proportion of premium lump product.

The capital investment to put Houston into production is relatively modest, and the lead time for development relatively short, compared with most other iron ore projects under development in the Labrador Trough. Subject to securing financing, LIM is positioned to pursue development of the Houston Project and resume mining operations as soon as economic conditions warrant.

Development of the Houston Project is subject to the availability of development financing. There are no assurances that LIM will be successful in obtaining the required financing and if LIM is unable to obtain such financing, the development of Houston will be postponed.

## ***Iron Ore Market Conditions***

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Over the past two years there has been a substantial shift in the iron ore market favouring higher grade quality (+65% Fe) product, with premiums for 65% Fe exceeding 30%. The current price in October 2018 is US\$69 per tonne (62% Fe) with an additional 30% premium paid for high quality (65% Fe) iron ore.

Historically, the price of iron ore reached an all-time high of US\$191 per tonne (62% Fe CFR China basis) in 2011 and a low of US\$37 per tonne in 2015. In 2017 the price continued to improve, ranging from US\$55 to US\$97, while averaging US\$71 per tonne. During the first nine months of 2018 the price ranged from US\$63 to US\$77 per tonne, while averaging US\$70 per tonne.

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.

In recent years there has been a substantial shift in the iron ore market favouring higher grade products. This has been particularly noticeable in China, where recent policy measures focused on environmental protection have driven demand for higher grade iron ore. Policy initiatives have included the closure of induction furnaces, shuttering of excess steel-making capacity and winter steel production cuts in the Beijing-Tianjin area. These measures, coupled with a general strengthening of Chinese industrial demand have put pressure on the remaining steel plants to increase their efficiency, which has, in turn, driven the demand and price for high grade imported iron ore.

These environmental and market pressures have led to an increase in the premium paid for iron ore with a higher iron content, lower deleterious element content (particularly with respect to phosphorous, silica, alumina and manganese) and higher lump component relative to the benchmark 62% Fe sinter fine product. Conversely, value-in-use penalties have increased for iron ore considered inferior to the benchmark 62% Fe sinter fine product.

This has resulted in the development of three distinctly different markets for iron ore, being (i) an out-of-favour lower quality ~58% Fe product which now sells at a substantial discount; (ii) a standard commodity grade 62% Fe product at the benchmark price; and (iii) a heavily in-demand high quality ~65% Fe product which commands a substantial premium. A global decline of high grade iron ore reserves has resulted in a glut of lower quality ~58% Fe product and a shortage of the ~65% Fe premium product. This market condition and the resultant strong premium for ~65% Fe product is expected to continue in the medium term.

Global steel production has grown at a cumulative average growth rate of 3.9% since 1996 and remains fundamentally strong. Much of this growth has been driven by infrastructure development in China and other developing countries. In 2017, China consumed a record 1.2 billion tonnes of iron ore, representing an increase of 3.6% over its 2016 consumption.

The large producers have been able to remain profitable in spite of depressed iron ore prices because of lower production costs and have defended the strategy of boosting production, arguing that if they backed off competitors would take market share. This dominant position is forecast to increase to 75% within the next two years and will likely result in more disciplined supply growth and less volatility in market prices.

China's increasing steel intensity (steel usage per capita) has been driven by rapid economic growth and continued urbanization, leading to significant increases in the rate of residential construction, public infrastructure development and durable goods production. Demand for steel, and thus for iron ore, is largely dependent on economic and infrastructure growth in China, and any economic growth in the rest of the world. Economic growth in China is expected to continue, although at a lower rate, and this continuing growth in demand should return iron ore supply-demand to a balanced situation provided the "big three" producers show some market discipline.

As a result of expected continuing supply surpluses, the consensus forecast iron ore price until 2020 is anticipated to be in the US\$60 to US\$70 per tonne range, while the forecast for long-term iron ore prices is in the range of US\$70 to US\$80 per tonne. While analysts generally expect steel production to remain relatively steady, which should provide strong underlying demand for iron ore, supply dynamics continue to be a major wildcard, as the world's largest iron ore producers have a history of demonstrating poor production discipline, sacrificing price and revenue on the altar of market share.

### **LABRADOR TROUGH**

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In general, however, Canadian iron ore production continues to be at a competitive disadvantage to the world's top iron ore producers in Australia and Brazil, due to the high cost of operating in the Labrador Trough. Canada is on the opposite side of the world from the main iron ore market in China. Australia and Brazil not only have a huge ocean freight advantage shipping to China, but due to economies of scale, the operating costs of the large Australian and Brazilian producers are significantly lower than Canadian costs.

LIM's direct shipping iron ore ("DSO") projects were conceived and developed in 2010 and 2011 in an environment of much higher iron ore prices. For example, when certain service and supply contracts were signed in March 2011, the price of iron ore was around US\$190 per tonne CFR China. In the three-year period of 2011, 2012 and 2013 LIM produced a total of 3.6 million dry metric tonnes of iron ore, which was sold in 23 cape-size shipments into the Chinese spot market.

Recent developments in the Labrador Trough include initiatives to restart two mines shut down by Cliffs in 2014 and 2015. Champion Iron Limited's subsidiary Quebec Iron Ore Inc., in which Investment Quebec is a significant shareholder, recently restarted the Bloom Lake Mine near Fermont, Quebec, which based on its feasibility study is expected to produce 7.4 million tonnes of 66.2% Fe concentrate per year over a 21-year mine life.

Similarly, Tacora Resources Inc. has announced plans to restart the Scully Mine near Wabush in Labrador by 2019, which based on its feasibility study is expected to produce 6 million tonnes of 65.9% Fe concentrate per year over a 26-year mine life. Both of the Bloom Lake and Wabush mines plan to produce high quality concentrates to seek the enhanced premium pricing such products currently command.

In 2016 the Government of Quebec provided a government financial investment of \$175 million to acquire a 20% shareholding in Tata Steel Minerals Canada to support the achievement at Schefferville of Tata's direct shipping iron ore operations, where Tata is developing the remaining historical IOC resources not controlled by LIM.

On September 25, 2018 IOC officially opened its new Moss Pit (Wabush 3) which is expected to increase ore output by five million tonnes per year. The expansion is expected to extend the life of the mine by about 10 years and extend the overall life of the IOC mines at Labrador City to 50 years.

### ***NEAR-TERM FOCUS***

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LIM owns extensive iron ore resources rail infrastructure and facilities in its Schefferville Projects. Resumption of LIM's mining operations will require a higher iron ore price than prevailed to date in 2018. To have a viable economic operation LIM needs a higher price and needs to "re-set" its projects.

The Company does not plan to develop the Houston Project until market conditions improve. LIM needs to secure additional financial resources to fund the development of our Houston project. The Company is cognizant that its operations will need to be funded on a care and maintenance basis until that time. In that regard, the Company has identified non-core assets to be sold on an orderly basis to cover stand-by and operating costs.

LIMH has only one asset, it holds 51% of the shares of LIM. LIMH has been maintained in good standing with the Securities Commissions and is looking at other opportunities.

I would like to thank the Board of Directors who serve without compensation, faithfully fulfilling their fiduciary responsibilities.

Finally, I would like to thank all our stakeholders, governments, local communities and shareholders for their continuing understanding and support.