



**ANNUAL MEETING OF SHAREHOLDERS  
OCTOBER 24, 2019**

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

Labrador Iron Mines Holdings Limited (“LIMH” or the “Company”), through its 51% owned subsidiary Labrador Iron Mines Limited (“LIM”) and LIM’s 100% subsidiary Schefferville Mines Inc. (“SMI”), owns extensive iron ore resources as well as numerous mineral exploration claims in Newfoundland and Labrador and in Quebec.

LIM has not undertaken mining operations since 2013, primarily due to generally unfavourable iron ore market conditions, but maintains its iron ore properties on a stand-by care and maintenance basis and, subject to securing financing, plans to resume mining operations as soon as economic conditions warrant.

In the past summer 2019, LIM substantially completed the reclamation and rehabilitation of its former James Mine and Silver Yards processing plant and conducted the first exploration program undertaken in a number of years.

In 2018 the price of iron ore (62% Fe CFR China basis) ranged from US\$63 to US\$77 and averaged US\$70 per tonne. During the first nine-months of 2019, the price of iron ore jumped to over US\$100 per tonne, reaching a high of US\$126 per tonne in July, following developments affecting the Brazilian operations of Vale and a cyclone temporarily disrupting Australian production, before falling back to US\$85-90 range in September/October 2019.

**LIM’S ONGOING OPERATIONAL ACTIVITIES**

Notwithstanding the challenging environment during the past several years, LIM has continued to conduct a variety of operational activities with the objective of preserving its assets, in particular fulfilling environmental and regulatory obligations, maintaining its mineral properties, and generating sufficient working capital to fund such expenditures.

LIM’s former James Mine and the Silver Yards processing facility have been in progressive reclamation since the termination of mining at the James Mine in 2014. LIM has now substantially completed its environmental regulatory requirements, which principally relate to rehabilitation of the former James Mine and related site infrastructure.

LIM has established a rehabilitation provision relating to its Stage 1 mining operations. At fiscal year-end March 31, 2019, the total estimated cost to complete the remaining reclamation and remediation obligations related to its Stage 1 mining operations was approximately \$2 million, and the Company has restricted cash set aside as security for financial assurance provided to the Government of Newfoundland and Labrador with respect to site closure and rehabilitation obligations.

During the summer season 2018, LIM completed various site closure and rehabilitation activities including completion of an environmental site assessment, completion of a hazardous materials inspection report, completion of soil remediation, and completion of post-closure environmental monitoring. LIM’s environmental monitoring and reporting regulatory requirements concluded at the end of June 2018.

Following completion of this work in 2018, LIM secured the release of \$475,000 of restricted cash during the year ended March 31, 2019.

## **RECLAMATION OF SILVER YARDS PROCESSING PLANT SITE**

In the summer of 2019 LIM substantially completed the rehabilitation of its Silver Yards plant site.

LIM dismantled and removed its wet processing plant which was used to process ore from the James mine, but is not planned to be used for Houston. LIM contracted a Montreal-based demolition/recycling firm to complete the project, under the supervision of on-site LIM management. Following demolition, approximately 1,500 tonnes of structural steel and scrap metal were transported from site by rail and recycled, with the proceeds subsidizing the project costs.

Nearby service buildings were also dismantled and all remaining debris (wood, concrete, etc.) from the surrounding area was removed and disposed.

LIM expects the release of approximately \$500,000 of restricted cash set aside as financial assurance for such rehabilitation resulting from the 2019 reclamation at Silver Yards, and it is expected that this restricted cash release will substantially cover the net costs of the reclamation of the Silver Yards site.

A formal inspection of the completed reclamation work was performed by a government representative in October 2019 and, subject to final government approval, it is expected that such restricted cash should be released by the end of calendar 2019.

## **LIM'S MINERAL PROPERTIES**

LIM holds current measured and indicated DSO mineral resources of approximately 55 million tonnes at an average grade of 56.8% Fe and current inferred resources of 5.0 million tonnes at an average grade of 55.6% Fe on its Schefferville Projects.

LIM also holds a total of approximately 50 million tonnes in historical resources in various deposits.

In addition, LIM holds the Elizabeth Taconite Property, which has current inferred mineral resource of 620 million tonnes at an average grade of 31.8% Fe.

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. LIM has not undertaken mining operations since 2013, primarily due to generally unfavourable iron ore market conditions.

### **Houston Iron Ore Property**

The Houston property ("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 resource of 40.6 million tonnes grading 57.6% iron ("Fe").

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.

The revised development plan is based on lower-cost dry crushing and screening only. 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 Houston deposits also contain harder ore than the James mine and are anticipated to produce a larger proportion of premium lump product.

## **Elizabeth Taconite Property**

The Elizabeth taconite deposit (“Elizabeth”), is located approximately four km west of LIM’s former James Mine.

Taconites require upgrading through a concentrator involving a major capital investment which would produce a high-grade saleable iron ore product higher than 68% Fe, which would attract premium iron ore prices.

During the 2011 and 2012 field seasons, LIM’s exploration efforts and drill programs identified a large iron orebody, leading to an independent mineral resource estimate (as at June 15, 2013) comprising two adjacent deposit areas. Approximately 620 million inferred tonnes at an average grade of 31.8% Fe have been estimated in Elizabeth No. 1 and a potential 350 million to 600 million tonnes at an average grade 31.9% Fe have been estimated in Elizabeth No. 2.

The initial Elizabeth target measures approximately four km long and is made of magnetite and hematite dominant zones. There is significant potential for resource expansion as the deposit remains open along strike to the northwest and southeast.

### **2019 Summer Exploration Program**

In the past summer 2019, LIM conducted a field exploration program on 13 of its mineral licences located in Labrador. This was the first exploration program undertaken in a number of years.

The objectives of this exploration program were:

- to maintain LIM’s mineral licences in good standing;
- examine potential extensions to known mineralization;
- evaluate extensions to existing open pit mines adjacent to LIM mineral licences; and
- identify the potential for buried DSO iron ore deposits in areas of glacial till cover.

Although LIM holds extensive iron ore resources in a number of different deposits, many of these are relatively small (except Houston which is estimated to contain 40 million tonnes). On the other hand, LIM previously held the Howse deposit, which LIM sold in two steps to Tata Steel Minerals Canada (TSMC) in 2013 and 2015 for a total of \$35 million.

Howse is a large, high grade, DSO deposit, now estimated by TSMC at 46 million tonnes but, unique for the Schefferville area, is completely covered by overburden, unlike all of LIM’s other deposits which have surface expression.

LIM is particularly interested in continuing exploration on LIM’s extensive mineral claims for other buried deposits, similar to Howse in size and grade.

Previous exploration programs completed by LIM in earlier years suggest a strong correlation of rare earth elements (REE) and selected trace elements between bedrock and some soil sample media. In order to more fully evaluate the significance of this information, detailed sampling was undertaken over a variety of topographic and geological settings to verify the statistical/economic effectiveness of this type of investigation for future exploration programs.

Closely spaced rock and soil samples were collected along selected lines on various mineral licence. Rock samples, including taconite and red, yellow and blue ores, in addition to other non-ore lithologies, were prepared for both petrographic examination and whole rock and trace element/REE geochemistry. Soil samples were categorized by colour and prepared for trace element and REE geochemistry at certified commercial labs. In addition, screened oversize pebbles in selected soil samples were subjected to both physical identification and litho-geochemistry where pebble content was mostly monolithic.

The 2019 exploration program was further intended to draw on LIM's geological information, drilling results, test pit and trench data to enhance the predictability of finding new high-grade mineralization buried below glacial till cover.

More than 350 soil samples, over 100 rock samples and numerous glacial till samples were collected and sent to various labs for geochemistry, petrographic preparation, and till heavy mineral and morphological identification.

All samples are currently being prepared for laboratory analyses with results expected before the end of calendar 2019.

## **IRON ORE MARKET CONDITIONS**

The iron ore market in the first half of 2019 was characterized by significant supply disruptions, particularly in Brazil and Australia, which caused a rapid rise in the iron ore price. After beginning the year at US\$70 per tonne (62% Fe CFR China basis), the price rose to a 5 year high of US\$126/tonne in early July, before facing headwinds. In the second half of the year the price has come back to US\$85-US\$90/tonne, in which range it is expected to remain for the balance of 2019.

In its most recent September-end quarterly report, the Australian government attributes the weaker price in the second half of 2019 to a declining outlook for global steel demand resulting from expectations of a slowing world economy due to the impact of protectionist-oriented global trade tensions. As iron ore is the main steelmaking ingredient, any decline in anticipated steel production has a direct impact on iron ore demand.

Top steelmakers are increasingly presenting a pessimistic outlook for the steel sector as the prolonged trade war between the U.S. and China continues. China produces half of the world's steel and recently revised forecasts of Chinese steel production for the balance of 2019 and 2020 are lower than previous estimates. There is some speculation, however, that infrastructure stimulus measures may be enacted in China and elsewhere that would improve steel demand next year, offsetting somewhat the impact of trade tensions. The current consensus is that China's iron ore imports are expected to decline through 2021 due to the combined impact of potentially flat steel production and a trend towards the use of more scrap steel in the steelmaking process.

While the consensus is that iron ore prices reached their supply driven pinnacle halfway through 2019, market commentators do not expect an iron ore price collapse following the recent correction. Depending on the level of infrastructure stimulus in China and elsewhere, analysts currently expect the price of iron ore to be in the US\$80/tonne range in 2020 and potentially lower thereafter. The basis for this anticipated downward price trend is an expectation of increased output from Brazilian and Australian producers in 2020 and later years compared to lower than usual 2019 levels.

## **LABRADOR TROUGH**

Recent developments in the Labrador Trough include the restart of two mines shut down by Cliffs in 2014 and 2015, namely the Bloom Lake Mine in Quebec and the Wabush Mine in Labrador.

In August 2019, Champion Iron Limited announced that its subsidiary, Quebec Iron Ore Inc. (“QIO”), shipped its tenth million tonne of high-grade 66.2% Fe iron concentrate from the Port of Sept-Îles multi-user terminal from its production at its Bloom Lake Iron Mine, located near Fermont, Quebec.

Champion Iron Limited also announced the completion of the transaction with the government of Québec, through its agent Ressources Québec Inc. (“RQ”), to acquire RQ’s 36.8% equity interest in QIO for a total cash consideration of C\$211 million and also announced a positive feasibility study for the Bloom Lake Phase II expansion.

Tacora Resources Inc has reopened the Scully Mine near Wabush in Labrador, 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 produce high quality concentrates and seek the enhanced premium pricing such products command.

In August 2019 the Newfoundland provincial and Federal governments announced new \$22 million funding for a project to provide hydroelectricity to TSMC’s mining operation near Schefferville. The Newfoundland Department of Natural Resources said Nalcor will build a new terminal station and a 27-kilometre transmission line from the Menihék Hydroelectric Generating Station’s existing line to the Tata Minerals processing site. The proposed transmission line would pass directly over LIM’s mineral claims.

The Newfoundland Government said it prioritized the project to reduce greenhouse gas emissions while encouraging resource development in Labrador.

## **NEAR-TERM FOCUS**

Development of the Houston Project, which is planned as LIM’s next DSO project, is subject to the availability of development financing, and securing such development financing requires market confidence that the current level of iron ore prices will be sustained. As discussed, some uncertainty exists about the iron ore market in 2020 and beyond. LIM will continue to monitor iron ore market conditions as they relate to the availability of development financing.

From a corporate perspective, LIM has significantly reduced corporate overhead and, while reducing its ongoing costs significantly, is cognizant that its operations will need to be funded on a care and maintenance basis. The Company is funding its ongoing site standby and general corporate and administrative activities from the proceeds of sale of surplus non-core assets and the release of restricted cash.

In September 2018 LIM sold two residential properties in Schefferville to a local First Nations community for \$250,000 and also sold an industrial warehouse in Schefferville for an additional \$250,000. Completion of these property sales relieved LIM of all ongoing upkeep, security, and insurance obligations relating to these properties.

In October 2019 LIM completed the sale of its site accommodation camp for net proceeds of \$50,000 and the new owner has also agreed to take on responsibility for future site reclamation obligations in place of LIM. The new owner intends to renovate the camp and recommence operation of the camp to service the accommodation needs of the mining industry in the area, including potentially LIM in the future. As a result of the sale LIM was relieved of the camp upkeep, security, and insurance obligations.

LIM owns the Centre Ferro railway maintenance shop in Sept-Iles, Quebec and continues to rent this railcar facility to Tshiuétin Railway. Tshiuétin Rail which operates the rail service from Sept-Iles to Schefferville uses LIM’s Centre Ferro rail shop for maintenance for its fleet of rail locomotives. The rental income from Tshiuétin covers Centre Ferro’s operating costs and generates a small excess.

In the meantime, LIM continues to be open to other third party income opportunities at Centre Ferro and continues to advance the potential sale of the property. To meet an expected sale condition, LIM commissioned an engineering firm to conduct a Phase I environmental site assessment on the property, which was completed in May 2019. Completion of the sale of Centre Ferro is a near-term priority for LIM.

## **MARKET FOR LIMH SHARES**

Labrador Iron Mines Holdings Limited (“LIMH”) holds 51% of the shares of Labrador Iron Mines Limited.

Labrador Iron Mines Holdings has been maintained in good standing as a reporting issuer with the Canadian Securities Commissions.

For the past few years, the shares of Labrador Iron Mines Holdings Limited have been trading on the OTC Grey Market, under the ticker symbol LBRMF:US.

Recently the status tier of the Company has been upgraded to the Pink Open Market, operated by OTC Markets. There is no change in symbol. This change followed applications to FINRA (United States Financial Industry Regulatory Authority) by US brokers who wish to make a market in the shares of the Company.

Within the Pink Open Market there are three categories. Initially LIMH has been classified in the “Pink-No Information” category as LIMH is not required to be registered with the SEC and is not traded on a Qualified Foreign Exchange.

LIMH is now taking the necessary steps to further upgrade to the “Pink-Current” tier of OTC Markets, which, if approved, will provide increased visibility, transparency and liquidity for investors wishing to trade in the Company’s shares.

## **THANKS**

Finally, I would like to thank the Board of Directors, who continue to serve without compensation fulfilling their fiduciary responsibilities, and I would also like to acknowledge all our stakeholders and shareholders for their continuing support.