

Labrador Iron Mines:

Canada's New Iron Ore Producer

Q1 Conference Call (for the quarter ended June 30, 2012)

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Forward Looking Information

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LIM Q1 Operating Highlights

Achieved excellent **mine operating results at James**



Railed **532,000 tonnes of ore** to the Port of Sept-Îles



Sold **3 shipments** totalling **486,000 tonnes**
(weighted average of \$122/tonne, CFR China)



Recognized revenue of **\$38.0 million**



Commenced **commercial production**



Image: James Mine

LIM Recent Developments

Enhanced long-term port access

New Multi-user berth

Participation in development of new multi-user berth; 5 million tonne capacity reserved

CN Feasibility Study

Collaboration with CN on feasibility study for new multi-user rail line and port terminal handling facility

Image: Potential new multi-user dock at Port of Sept-Iles

LIM Q1 Financial Results

(\$ millions, except per share data)	Three months ended June 30, 2012
Net income (loss)	\$ (10.6)
per share	(0.16)
Cash and cash equivalents (unrestricted)	22.0
Accounts receivable and prepaids	49.1
Inventory	16.5
Total assets	374.9
Total long-term liabilities	5.5

- **Proceeds from first three shipments in 2012 (486,000 tonnes): \$38.0 million**
- Net loss includes \$9.8 million amortization charge
- Invested \$19.0 million in property, plant and equipment
- Cash and cash equivalents of \$22.0 million and \$7.6 million in restricted cash

LIM James Mine



- **Excellent operating results achieved in Q1**
- Mined 668,000 tonnes at 62.6% Fe
 - » 483,000 tonnes of DRO
 - » Overall mass yield of 88%
- **Mine currently performing at enhanced operating rate of 32,000 tpd day (ore + waste)**
- Mobilized in-pit dry crushing and screening equipment to process lump and sinter fines

On track for 2012 Sales: 2 Mt of iron ore

Mine Sequence

DRO

April – July
Mine high-grade
>60% Fe while
process plant is
commissioned

**Plant
Feed**

Summer – Fall
Mine lower
grade ~50% Fe
plant feed
(lump and sinter)

Lump

Late Fall
Rail and ship
lump material;
(lower moisture
content)

LIM Product Mix and Dry Process Stream



Current Product Mix

DRO: ~30%

Lump: ~10%

Sinter: ~60%

Future Product Mix

Exclusively lump and sinter

No DRO



Dry Process Stream

- **Added dry classifying system** (crush and screen) to produce lump and sinter fines
- 1,000 tonnes/hour design capacity
- **Mass yield approaching 100%**
- **Supplements mining sequence and enhances product yield**

LIM Silver Yards



- Silver Yards re-started in mid-May
- **Commissioned in five weeks**
- 127,000 tonnes of 55.6% Fe fed to the plant (from mid-May to end of June)
 - » 52,000 tonnes lump and sinter fines
- 50% throughput capacity; 41% product yield
- **Approaching design capacity:**
 - » July throughput 4,300 tpd and product yield 58%
- **Phase 3 (~end of August 2012)**

Phase 3: 12,000 tpd capacity and increasing recoveries to over 75%

LIM Other Operational Highlights



Camp

- Bean Lake accommodation camp expansion completed



Port

- Doubling capacity of off-loading equipment at the Port
- Participation in new multi-user berth



Houston

- Tree clearing access road completed; tree clearing rail siding route commenced
- Awarded contract for road work
- Permitting ongoing



Community Relations

- IBA Implementation Meetings with First Nations held at site



LIM Rail Update

- 532,000 tonnes railed to Port in Q1
- **Additional 240,000 wet tonnes railed in July**
- Signed life-of-mine agreement with TSH

Strategies

Short-term

Expected to increase rail volumes for balance of 2012

- » **Lengthened train sets** (increase capacity by 30%)
- » Adding a **fifth train set** in September

Long-term

- » **Potential new CN rail line in Labrador Trough provides optionality for long-term rail capacity**



LIM Sales & Operating Costs

- **Sold 3 shipments in Q1:** 486,000 tonnes (515,000 wet tonnes)
 - » Weighted average price of US\$122 per tonne CFR China
- **Recognized revenue of \$38.0 million**
- **Operating costs \$72 per tonne sold**
 - » Includes \$7.50 in non-recurring charges
 - » **Excluding these charges: operating costs of \$64.50 per tonne sold**

June and July operating costs within 2012 guidance of \$60 - \$65 per tonne sold, unloaded at Port



Iron Ore Market Conditions and Outlook

Iron ore spot prices

- Iron ore prices declined in Q2
- Decline continues in Q3: reached US\$111 per tonne in August, CFR China basis

Challenging market conditions

- Squeezing operating margins for Chinese steelmakers
- China port inventories remain high and traders liquidating inventories
- Many spot cargoes offered for sale receiving few or no bids
- Sales by some companies revoked or prices re-negotiated
- Products withdrawn for lack of buyer interest

Outlook

- Current iron ore spot price is **below** assumed marginal cost of Chinese production.
- Market commentators are speculating a bottom this quarter

Anticipate prices to recover to US\$130–US\$140 later in year

LIM's Enhancement Plans

Opportunities to improve margins immediately

- 1 DRO** ✓ Phase out shipment of DRO and produce lump and sinter exclusively
- 2 Silver Yards** ✓ Phase 3 expansion targeting completion ~end of August)
- 3 Rail & Port** ✓ Rail and port efficiencies to support higher sales volumes

Over the longer term, increase in sales volumes and rail/port developments will further reduce costs

Review of Capital Spending

- Review of capital spending underway to manage cash requirements under challenging iron ore market conditions
- Potential deferral of certain capital programs
- Evaluating potential working capital and debt facilities

Value Creation through Exploration

\$8.6 million exploration program commenced in June

- First diamond drill hole successfully completed on Houston 3
- 2 drill rigs mobilized on site; **2,000+ m of RC and diamond drilling completed to end of July**
- 2 additional drill rigs by end of August; **total 2012 drill program of 11,000 m**
- Ground geophysical surveys carried out to determine drill target locations on **Gagnon and Elizabeth taconites**
- **Bulk sampling of historic stockpiles**
(~10 Mt crushed >50% Fe) to commence in August
- **Identified a positive gravity anomaly extending ~400 m SE of James South**



LIM Delivering Results in 2012

Upcoming Catalysts

Sales: 12 – 13 ships (sales) anticipated for 2012	May - December
Silver Yards: Phase 3 complete	~ End of August
Rail: Fifth train set to expand rail capacity	Fall
Houston: permitting ongoing	Fall
Capital Investment: Potential debt financing options	Q3 / Q4
Exploration: Drill programs, resource conversion, blue-sky potential	Ongoing 2012



Question & Answer Session