

April 4, 2018



Dear 

Re: Your request for access to information under Part II of the *Access to Information and Protection of Privacy Act* (File # NR-40-2018)

On March 5, 2018, the Department of Natural Resources received your request for access to the following records/information:

Any briefing notes relating to Alderon Iron Ore since July 1, 2017. Please note I am looking for the completed not draft versions of notes.

I am pleased to inform you that a decision has been made by the Department of Natural Resources, confirmed by the Deputy Minister, to provide access to some of the requested record. The records are attached.

I note that we have applied redactions to the least amount of information as possible and are relying upon sections 29(1)(a), 35(1)(d), and 35(1)(g) for these redactions. Please see below for a description of these sections:

29. (1) (a) The head of a public body may refuse to disclose to an applicant information that would reveal advice, proposals, recommendations, analyses or policy options developed by or for a public body or minister;

35. (1) (d) The head of a public body may refuse to disclose to an applicant information which could reasonably be expected to disclose information, the disclosure of which could reasonably be expected to result in the premature disclosure of a proposal or project or in significant loss or gain to a third party;

35. (1) (g) The head of a public body may refuse to disclose to an applicant information which could reasonably be expected to disclose information, the disclosure of which

could reasonably be expected to prejudice the financial or economic interest of the government of the province or a public body;

As set out in section 42 of the Act you may ask the Information and Privacy Commissioner to review the department's decision to provide access to the requested information. A request to the Commissioner must be made in writing within 15 business days of the date of this letter or within a longer period that may be allowed by the Commissioner. Your request should identify your concerns with the department's response and why you are requesting a review.

The request for review may be addressed to the Information and Privacy Commissioner is as follows:

Office of the Information and Privacy Commissioner
2 Canada Drive
P.O. Box 13004, Stn. A
St. John's, NL. A1B 3V8

Telephone: (709) 729-6309
Toll-Free: 1-877-729-6309
Facsimile: (709) 729-6500

Pursuant to section 52 of the Act, you may also appeal directly to the Supreme Court Trial Division within 15 business days after receiving the department's decision.

Please be advised that responsive records will be published following a 72 hour period after the response is sent electronically to you or five business days in the case where records are mailed to you. It is the goal to have the responsive records posted to the Completed Access to Information Requests website within one business day following the applicable period of time. Please note that requests for personal information will not be posted online.

If you have any questions, please feel free to contact me by telephone at 729-0463 or rhynes@gov.nl.ca.

Sincerely,



Rod Hynes
ATIPP Coordinator

Information Note
Department of Natural Resources

Title: Status of Alderon Iron Ore Corporation

Issue: Status update on Alderon's Kamistiatusset (Kami) iron ore project in Labrador West

Background and Current Status:

- In 2010 Alderon concluded a business deal with Altius Minerals to explore and develop the Kami Iron Ore deposit located near Wabush, Labrador West.
- In January of 2013, Alderon announced results of a feasibility study (FS) on the Kami deposit. It described 670 million tonnes of iron ore reserves, and a US\$1.3 billion project that would provide a mine life of 30 years at a production rate of 8 million tonnes of iron ore concentrate per year. The FS was based on an iron ore price of US\$110 per tonne, delivered to China. Production costs were estimated at US\$42.17 per tonne of concentrate.
- The Kami Project has a NI 43-101 Mineral Resource Estimate of 1.3 billion tonnes Measured and Indicated at 29.8% iron and an additional 522.6 million tonnes Inferred at 29.5% iron.
- The project was put on hold in 2014 due to the depressed iron ore market.
- Several other studies ensued with the latest being a Preliminary Economic Assessment (PEA) released in November 2017. This latest PEA excluded Scully Mine and included a stand-alone tailings management facility that will be constructed on the Kami project site. As in the original plan, a new concentrator will be built on the Kami property.
- The November 2017 PEA outlines a US\$999.4 million capital investment and production at 7.8 million tonnes of iron ore concentrate per year with a mine life of 24 years. The exchange rate assumption is \$1.00 CND = \$0.77 US.
- The proposed mining operation will include an open pit, adjacent crushing plant, concentrator, tailings disposal area and new rail infrastructure connecting to the Quebec North Shore & Labrador main rail line.
- Concentrate will be railed from Kami to the common port terminal facilities in Point Noire, Quebec, which is owned and operated by a third party. Ship loading services will be provided by the Port of Sept-Iles.
- Employment numbers for construction average approximately 340 person years over the 29 month construction period. The total manpower required to operate the mine is estimated to peak at 309 in Year 10.
- Alderon has three strategic partners in the Kami Project including the HBIS Group, Glencore and Liberty Metals and Mining Holdings. HBIS Group, China's second largest steelmaker, has invested \$182.2 million in the project and will purchase 60 percent of annual production. Glencore, a large globally diversified natural resource company, has an offtake agreement to purchase the remaining 40 percent of annual production. Liberty Metals and Mining Holdings has invested \$49.2 million in equity and \$22 million in convertible debt.

Analysis:

- Alderon has reached a settlement with Newfoundland and Labrador Hydro with respect to the \$21 million letter of credit that it posted in 2014 for the construction of a new transmission line to the Labrador West area.
- The current PEA is based on an iron ore price of US\$72.23 per tonne, delivered to China, with production costs estimated at US\$29.94 per tonne. Alderon's 2012 FS was based on an iron ore price of US\$110 per tonne, delivered to China with production costs estimated at US\$42.17 per tonne.
- Since 2015, the price of iron ore peaked at US\$95 per tonne in February 2017 but dropped to US\$54 per tonne by mid-June 2017. The price has rebounded to US\$79.90 at the end of February 2018. S.29(1)(a)
S.35(1)(d)
S.35(1)(g)
- The project was released from environmental assessment in January 2014. This release expired and the company applied and was granted an extension. Another extension may be granted up to January 2019, after which time, Alderon will be required to re-register for EA.

Action Being Taken:

- NR will continue to monitor current situation with Alderon's Kami Project

Prepared/approved by: B. Lawlor / K. Bradbury / A. Smith

Ministerial Approval: Received from

February 26, 2018