Re: Your request for access to information under Part II of the Access to Information and Protection of Privacy Act (File # NR-168-2019)

On September 17, 2019, the Department of Natural Resources received your request for access to the following records/information:

Any briefing materials, Q&A documents, Key Messages, etc prepared in the last year relating to Alderon Iron Ore

We are providing access to the most information possible but have made redactions in accordance with Sections 29(1)(a), 30(1)(a), 34(1)(a)(i) and 35(1)(d)(f)(g) of ATIPPA, 2015 as follows:

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;

30. (1)(a) The head of a public body may refuse to disclose to an applicant information that is subject to solicitor and client privilege or litigation privilege of a public body; or

34. (1)(a)(i) The head of a public body may refuse to disclose information to an applicant if the disclosure could reasonably be expected to harm the conduct by the government of the province of relations between that government and the following or their agencies: the government of Canada or a province

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)(f) 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 positions, plans, procedures, criteria or instructions developed for the purpose of contractual or other negotiations by or on behalf of the government of the province or a public body, or considerations which relate to those negotiations;

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 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.
For further details about how an access to information request is processed, please refer to the Access to Information Policy and Procedures Manual at http://www.atipp.gov.nl.ca/info/index.html.

If you have any questions, please feel free to contact me at 709-729-0463 or rhynes@gov.nl.ca.

Sincerely,

Rod Hynes

Rod Hynes
ATIPP Coordinator
Information Note
Department of Natural Resources

Title: Alderon Iron Ore Corporation's Kami Project

Issue: To provide an update on the current status of Alderon Iron Ore Corp.'s Kami Project

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.

- In March 2013, HBIS Group Co. Ltd. (formerly Hebei Iron & Steel Group) contributed C$119.9 million in exchange for a 25% interest in the Kami Limited Partnership which was established to own the Kami Project. Alderon has the remaining 75% Interest.

- The project was put on hold in 2014 due to the depressed iron ore market.

- Several other studies by Alderon ensued with the latest being a Preliminary Economic Assessment (PEA) released in November 2017. This latest PEA 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 (including the $119.9 million referenced above) 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.

- As of July 16, 2018, Altius Minerals Corporation owns approximately 48% of Alderon Iron Ore Corp.'s issued and outstanding common shares.

**Analysis:**
- The project was released from environmental assessment in January 2014. This release has been extended twice and will expire in January 2019. At that time, Alderon will be able to request a final extension for one more year before being required to re-register for EA.

- 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. Alderon has indicated that an updated Feasibility Study is expected to be completed this fall.

- 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 rebounded to US$79.90 at the end of February 2018 but is now (September 14, 2018) at US$68.70 per tonne.

- On July 12, 2018, Alderon announced that it and the Kami Mine Limited Partnership have closed a previously announced loan facility with Sprott Resource Lending ("Sprott"), a global leader in resource asset investments.

- To facilitate the Sprott loan, the Minister signed an agreement on July 11, 2018 acknowledging and consenting to the use of the mining and surface leases associated with Kami as security against the loan.
Action Being Taken:
- Natural Resources will continue to monitor Alderon's Kami Project developments.

Prepared/Approved by: A. Smith / Ministerial Approval: Received from Hon. Siobhan Coady

September 17, 2018
Information Note
Department of Natural Resources

Title: Newfoundland and Labrador Mining Industry Overview

Issue: To provide a status update on the Newfoundland and Labrador Mining Industry

Background and Current Status:
- The gross value of mineral shipments for Newfoundland and Labrador (NL) in 2017 was estimated to be $3.6 billion. The gross value is forecast to be $3.0 billion in 2018. The decrease can be primarily attributed to a reduction in the value of iron ore shipments.

- The NL Mining Industry generated an estimated 5,145 person years of employment in 2017 and expects to generate 5,527 person years of employment in 2018. The increase can be primarily attributed to an expected increase in construction employment related to the proceeding Voisey’s Bay Underground Mine Expansion Project.

- Producing mines in the province are highlighted in the table below:

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- As part of the Phase 3, The Way Forward: Building for Our Future, NR, in collaboration with the mining industry and community stakeholders, is developing a strategic framework for growing the provincial mining industry. Engagement sessions have been completed with specific stakeholders including Mining Industry NL, NL Prospectors Association, and other government departments. Broader consultation sessions will be completed by the first week of October and will be held in Labrador City, Happy Valley-Goose Bay, St. John’s, Springdale and Marystown. NR is targeting a release of the Mineral Strategy, pending completion of aboriginal consultations, at the annual Mineral Resources Review being held November 1, 2018.

- On June 11, 2018, Vale announced that it will be proceeding with the Voisey's Bay Mine Expansion Project. The project represents close to $2 billion in capital expenditures by Vale and will provide 16,000 person years of employment during the five years of construction, peaking at 4,800 person years in 2020. First ore is expected by April 2021.

- Tacora Resources Inc. has acquired the former Wabush Scully mine in Wabush, Labrador. In a Preliminary Economic Assessment (May 2018) the Company estimated a capital
expenditure of $210 million to reactivate the mine. Tacora has been released from environmental assessment and is currently attempting to raise capital.

- The Wabush 3 project, owned by the Iron Ore Company of Canada, was delayed due to a nine week work stoppage which ended on May 28, 2018. IOC plans to officially open Wabush 3 on September 25, 2018.

- Howse Minerals Limited, a subsidiary of Tata Steel Minerals Canada, has been given Mining Act approval for the Howse project in the Menihek area of Labrador.

- Red Moon Resources Inc. had its first shipment from the Ace Gypsum Deposit near St. George’s in August 2018. The mine will employ 15 people on a seasonal basis with an initial production level of 100,000 – 250,000 tonnes per year ramping up to 300,000 – 450,000 tonnes per year. The life of the mine is expected to be 10 years.

- Alderon Iron Ore Corp. continues to advance the Kami project located in Labrador West. The Company expects to release a new Feasibility Study in Q4 2018.

- Projects in the advanced stages of exploration in the province are listed in the table below:

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<td>Matador Canada</td>
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<td>Cape Ray</td>
</tr>
<tr>
<td>Buchans Minerals / Minco PLC</td>
<td>Zinc-Lead-Copper-Silver-Gold</td>
<td>Buchans</td>
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Analysis:

- Over the past year, iron ore prices have fallen since peaking at US$79.90 per tonne at the end of February 2018. As of September 17, 2018, the price of iron ore is US$69.25 per tonne and the average price over the past month is US$66.82 per tonne.

- There exists increased demand for high quality iron ore in China as the country is dedicated to reducing its emission levels.

- Nickel prices have increased slightly over the past year peaking at US$15,750 per tonne in June 2018. As of September 17, 2018, the price of nickel is US$12,235 per tonne and the monthly average is US$12,863 per tonne.

- Copper prices have declined over the past year and as of September 17, 2018 sit at US$2.66 per pound.

Prepared/approved by: G. Taylor / A. Smith
Ministerial Approval: ___________________________
September 17, 2018
Meeting Note
Intergovernmental and Indigenous Affairs Secretariat
Meeting with officials from Alderon Iron Ore Corp. and HBIS Group Co. Ltd.
Monday, November 12, 2018 at TIME
LOCATION

Attendees:
- The Honourable Dwight Ball, Premier of Newfoundland and Labrador
- Patricia Hearn, Deputy Minister for Intergovernmental Affairs
- Mr. Tayfun Eldem, President and CEO, Alderon Iron Ore Corp.
- Mr. David Li, Vice President, Asia-Pacific Affairs, Alderon Iron Ore Corp.
- Mr. Yu Yong, Chairman and President of HBIS Group, Secretary of CPC Committee of HBIS Group
- Mr. Liu Jian, Vice President of HBIS Group, Chairman of HBIS Group Beijing International Trade Co. Ltd.
- Ms. Jane Wang, Vice General Manager, Overseas Business Department, HBIS Group

Purpose of the Meeting:
- The meeting provides an opportunity to discuss the Kami Iron Ore Project (Kami Project) in Labrador West with HBIS Group Co. Ltd., a project investor. A formal agenda has not been prepared, potential discussion topics are outlined below. See Annex A for biographies.

Background:
**Alderon Iron Ore Corp. (Alderon)**
- Alderon is a Vancouver-based company, publically traded on the TSX under the symbol "IRON." Alderon's main shareholders are Altius Minerals (Altius; 39 per cent), an NL based company and HBIS (19.9 per cent). Alderon is focused on the exploration and development of the Kami Project, and does not currently have any other projects.

**HBIS Group Co. Ltd (HBIS)**
- HBIS (formerly Hebei Iron and Steel Group) is a state owned enterprise based in Hebei Province, China. HBIS' steelmaking operations in Hebei are in close proximity to major urban centres including Beijing and Tianjin.

- HBIS is China's second and the world's fourth largest steelmaker by volume; 2017 steel production was approximately 46 million tonnes. Currently, more than 80 per cent of HBIS' iron ore needs are imported to China.

- HBIS is an active international investor and is pursuing a strategy of "globalized resource, globalized market, globalized customer" by enhancing capital cooperation, marketing, research and development and manufacturing. HBIS' international investments include:
  - A controlling stake in Dufereco (a major Swiss-based steel trader);
  - A controlling stake Palabora Mining Company (a South African mining company);
  - Acquisition of the Smederevo steel mill (previously owned by the Government of Serbia);
  - A joint venture with BHP Billiton (an Australian mining and petroleum company).

**Agenda Item #1: Kami Project**
- In 2010, Alderon concluded a deal with Altius to explore and develop the Kami iron ore deposit. Alderon reports that a total of $175 million has been invested in the Kami Project since 2010. Between 2011 and 2014, a number of project milestones were achieved including:
  - Provincial and federal environmental assessments;
  - Municipal agreements with Labrador City and Wabush;
  - Impact Benefit Agreement with Innu Nation;
• Benefit agreement with NL, and granting of mining and surface leases; and
• 100 per cent of production pre sold to HBIS (60 per cent) and Glencore (40 per cent), a global natural resources company.

• In 2013, HBIS invested a total of $182.2 million into the Kami Project, which includes the above-noted 19.9 per cent ownership stake in Alderon, as well as a 25 per cent stake in the Kami Project, through the Kami Mine Limited Partnership; the remaining 75 per cent of the Kami project is owned by Alderon.

• Following a decline in the iron ore market in 2014, Alderon launched an austerity plan, and placed the Kami Project on hold. To restart the project, Alderon updated its Preliminary Economic Assessment (PEA) in November 2017, and its Feasibility Study (FS) in September 2018.
  • The September 2018 FS outlines a US$982.4 million project as compared to US$999.4 million project in the November 2017 PEA. This is a further reduction in initial and sustaining capital costs from the US$1.27 billion identified in a 2012 FS. Production will be at 7.84 million tonnes of iron ore concentrate per year with a mine life of 23 years.
  • Based on employment data in the November 2017 PEA, construction will average approximately 340 person years over the 26 month construction period.

Analysis:
• The HBIS management team that partnered with Alderon on the Kami Project has been replaced.

• Enhancing air quality and reducing smog is a priority for China, which has led to increased demand for higher quality raw materials. The Kami Project is well suited to meet this demand as it will produce a concentrate with high iron content and low levels of deleterious elements such as phosphorous and aluminum oxide.

• The Kami Project requires 100-120 MW of power (as noted in the company’s 2011 environmental assessment registration); however, Labrador West transmission is nearing capacity limits. In February 2014, the Province directed Newfoundland and Labrador Hydro
(NLH) to build a $330 million 230 kV transmission line from Churchill Falls to Labrador West to support the Kami Project, but the transmission project was cancelled in September 2014.

- Alderon wrote to Minister Coady in April 2018 noting that powering the Kami Project through the Hydro Quebec grid near Fermont would be a cheaper and more efficient option than the alternative of building a third transmission line from Churchill Falls to Labrador West.

- In a June 2018 reply, Minister Coady indicated that NLH is currently undertaking a planning study to investigate transmission system expansion in western Labrador. The study, expected in fall 2018, will include an assessment of forecasted loads and involve technical and economic analyses to ensure least-cost reliable service.

**Speaking Notes:**
- The Government of Newfoundland and Labrador has a strong interest in seeing this Project realized within the shortest timeframe possible, and would welcome a senior HBIS delegation to tour the region and visit the site of the project.

- The Kami Project is ideally located in the Labrador Trough which has a long and successful history of iron ore mining that has, and continues to benefit from:
  - Availability of hydro-electric power at very competitive rates;
  - A safe and mining friendly jurisdiction;
  - Access to a skilled and committed workforce; and
  - A robust regulatory framework which ensures sustainability in the region.

- There exists increased demand for high quality iron ore in China as the country is dedicated to reducing its emission levels. As a result, the high grade and low levels of impurities in iron ore from the Labrador trough has attracted a significant premium over market prices.

- Newfoundland and Labrador is partnering with the Québec provincial government to focus, on a priority basis, continued development of the Labrador Trough.

- The purpose of this collaborative effort between two provincial governments is to make progress on targeted actions, including, but not limited to, geotechnical information and land use planning, infrastructure for the mining sector, labour and skills, telecommunications development, and enhancements to government processes and business supports.

- The Government of Newfoundland and Labrador continues to support the development of the Kami Project as witnessed by the granting of project extensions on its mining and surface leases which are directly linked to the Project's release from the Government's regulatory Environmental Assessment process.

**Agenda Item #2: Mining Industry in NL**
- The gross value of mineral shipments for NL in 2017 was estimated to be $3.6 billion. The gross value is forecast to decline to $3.0 billion in 2018, primarily attributed to a reduction in the value of iron ore shipments.
• NL has significant mineral resources currently in production including: iron ore (Labrador Trough), nickel, copper and cobalt (Voisey's Bay); copper and gold (Baie Verte Peninsula); fluorspar (St. Lawrence); limestone, dolomite and gypsum (St. George's Bay).

• Additional information may be found at Tab 18 in the Department of Natural Resources' Information Note entitled Newfoundland and Labrador Mining Industry Overview.

Potential Speaking Notes:
• Newfoundland and Labrador possesses world class deposits for iron ore, nickel and base metals which have attracted investment by leading international mining companies, including Rio Tinto, Tata Steel, Vale and HBIS.

• Newfoundland and Labrador is committed to improving the competitiveness of the province in order to attract mineral exploration and development investment. The province is partnering with industry and community stakeholders to develop a sustainable and competitive framework for continued exploration and mining growth.

Prepared/Reviewed By: R. Hodder / G. Clarke / A. Smith / P. Canning / J. Cowan
Approved By:

October 26, 2018.
Information Note
Department of Natural Resources

Title: Newfoundland and Labrador Mining Industry Overview

Issue: To provide a status update on the Newfoundland and Labrador Mining Industry

Background and Current Status:

Key Messages

- NL has a wide variety of mineral commodities currently being produced including: iron ore (Labrador Trough), nickel, copper and cobalt (Voisey’s Bay); gold (Baie Verte Peninsula); fluorspar (St. Lawrence); limestone and dolomite (Port aux Port); and gypsum (St. George’s Bay).

- Newfoundland and Labrador possesses world class deposits for iron ore, nickel and base metals which have attracted investment by leading international mining companies, including Rio Tinto, Tata Steel, Vale and HBIS.

- Newfoundland and Labrador is committed to improving the competitiveness of the province in order to attract mineral exploration and development investment. The province is partnering with industry and community stakeholders to develop a sustainable and competitive framework for continued exploration and mining growth.

- There is a long and successful history of iron ore mining in Labrador which has, and continues to benefit from:
  - availability of Hydro-electric power at very competitive rates;
  - a safe and mining friendly jurisdiction;
  - access to a skilled and committed workforce; and
  - a robust regulatory framework which ensures sustainability in the region.

- There is value in use of iron ore from the Labrador Trough given their high grade and purity which will help to reduce emissions and meet environmental regulations.

Chinese Investment

- 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 March 2013, HBIS Group Co. Ltd. (formerly Hebei Iron & Steel Group) contributed C$119.9 million in exchange for a 25% interest in the Kami Limited Partnership which was established to own the Kami Project. Alderon has the remaining 75% interest.

- 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 (including the $119.9 million referenced above) 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 (LMM) had invested $49.2 million in equity.
• In March 2018 Altius acquired all of LMM’s common shares in Alderon. Following disposition of the common shares, LMM holds a $22 million secured convertible note and warrants. Assuming conversion of the convertible note and warrants, LMM beneficially holds approximately 9.86% of the outstanding Shares.

• As of July 16, 2018, Altius Minerals Corporation owns approximately 39% of Alderon Iron Ore Corp.’s issued and outstanding common shares.

• Beaver Brook Antimony Mine (BBAM), near Glenwood, is owned by China Minmetals Non-Ferrous Metals. Operations were suspended at the antimony mine in January 2013. The operation has been placed on care and maintenance with nine full-time employees working to ensure the site remains in good condition and that the underground workings are kept dewatered.

• BBAM has recently indicated that local management would be seeking support to restart operations with a decision expected in the near term. (Business confidential)

**General**

• The gross value of mineral shipments for Newfoundland and Labrador in 2017 was estimated to be $3.6 billion. The gross value is forecast to be $3.0 billion in 2018. The decrease can be primarily attributed to a reduction in the value of iron ore shipments.

• The Newfoundland and Labrador mining industry generated an estimated 5,145 person years of employment in 2017 and expects to generate 5,527 person years of employment in 2018. The increase can be primarily attributed to an expected increase in construction employment related to the Voisey’s Bay Underground Mine Expansion Project.

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- The Iron Ore Company of Canada officially opened the Wabush 3 (Moss Pil) project on September 25, 2018.

- Howe Minerals Limited, a subsidiary of Tata Steel Minerals Canada, has been given Mining Act approval for the Howe project in the Menihek area of Labrador. Tata Steel Minerals Canada will complete construction of their $700 million processing plant by the end of 2018.

- Red Moon Resources Inc. had its first shipment from the Ace Gypsum Deposit near St. George’s in August 2018. The mine will employ 15 people on a seasonal basis with an initial production level of 100,000 – 250,000 tonnes per year ramping up to 300,000 – 450,000 tonnes per year. The life of the mine is expected to be 10 years.

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<td>Gold</td>
<td>Valentine Lake</td>
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<td>Maritime Resources Corp.</td>
<td>Gold</td>
<td>King’s Point</td>
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<tr>
<td>Search Minerals Ltd.</td>
<td>Rare Earth Elements</td>
<td>Port Hope Simpson</td>
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<tr>
<td>Matador Canada</td>
<td>Gold</td>
<td>Cape Ray</td>
</tr>
<tr>
<td>Buchans Minerals / Minco PLC</td>
<td>Zinc-Lead-Copper-Silver-Gold</td>
<td>Buchans</td>
</tr>
</tbody>
</table>

Analysis:

- As of October 24, 2018, the price of iron ore is US$75.90 per tonne and the average price over the past month is US$70.92 per tonne.

- There exists increased demand for high quality iron ore in China as the country is dedicated to reducing its emission levels. As a result, the high grade and low levels of impurities in iron ore from the Labrador trough has attracted a significant premium over market prices.
- Nickel prices have increased slightly over the past year peaking at US$15,750 per tonne in June 2018. As of October 24, 2018, the price of nickel is US$12,295 per tonne and the monthly average is US$12,535 per tonne.

- Copper prices have declined over the past year and as of October 24, 2018 sit at US$2.82 per pound.

Prepared/approved by: G. Taylor / A. Smith / P. Canning / J. Cowan
Ministerial Approval: [Signature]

October 25, 2018
Information Note
Department of Natural Resources

Title: Update on Alderon Iron Ore Corp. (Alderon) for its Kami Mine Project

Issue: Alderon has released an updated Feasibility Study for the Kami Iron Ore Property, Labrador having an effective date of September 26, 2018.

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. The project was put on hold in 2014 due to the depressed iron ore market.

- Since 2011, Alderon has released several technically compliant NI 43-101 reports, including two resources estimates, four preliminary economic assessments and two feasibility studies.

- A Preliminary Economic Assessment (PEA) tells investors whether a mining project has the potential to be viable; whereas a prefeasibility (PFS) or feasibility study (FS) determines with an increasing level of certainty whether the mining project is viable. These technical reports are prepared by an independent, qualified person and conform to a set of standards. Their purpose is to analyze and evaluate economic, technical and geological factors associated with a given mining project.

- In November 2017, Alderon released a PEA entitled “Update to the Re Scoped Preliminary Economic Assessment” with an effective Date of November 7, 2017. In September 2018, Alderon released an FS entitled “Updated Feasibility Study of the Kami Iron Ore Property, Labrador”. These two reports are compared in this note.

- The 2018 FS is an update to Alderon’s 2012 FS on the Kami Iron Ore Property and replaces the PEA released in November 2017 as the most current study. It demonstrates an average annual production of 7.84 Million tonnes over a 23 year mine life, a payback of 4.0 years, an NPV (8%) of US$1,698 Million and an IRR of 24.6%, all pre-tax. The project now has a capital cost of US$982.41 million, and an estimated average operating cost of US $30.72/tonne. The price of concentrate loaded in ship at the Port of Sept-Îles is projected to be US $73.17/ tonne. Proven and Probable Mineral Reserves are estimated at 517.2 million tonnes.

- Manpower requirements to support mining operations and maintenance for the mine area have been estimated annually and reach a peak of 326 employees in year 12.

- Construction employment is outlined in a graph with an average of 340 construction personnel over a 29 month construction period and reaches a peak of 575 employees in month 21.

- A Benefits Agreement has been signed with the province of NL for the provision of full and fair opportunity and first consideration for provincial residents and suppliers for construction, operation and decommissioning of the project. It also includes a gender and equity diversity plan.
Alderon will require transport by railway to the port of Sept-Îles for shipment of its ore. The Iron Ore Company of Canada holds ownership to a common carrier railway known as QNS&L. Railway access negotiations between QNS&L and Alderon have been put on hold pending financing. Alderon is confident that QNS&L will negotiate a deal. A new rail loop at the site and a connecting railway to access the QNS&L will be required.

At the port of Sept-Îles, a multi user dock has been constructed to handle increased ore capacity should Alderon start to produce. The multi user dock and new conveyor system is cost-shared by the port authority and several mining companies. Alderon has made a deposit on port access which was negotiated in 2012 when the company signed an agreement with the Sept-Îles Port Authority to ship 8 Mt of iron ore annually via the new multi-user deep water dock facility in Point Noire. A buy-in payment of CAD $20.46 million has been paid to the Port Authority.

Alderon has a 2014 service agreement in place with Newfoundland and Labrador Hydro that includes terms and conditions for the crown utility to supply power to the Kami Project.

The project was released from environmental assessment in January 2014. This release expired and the company applied and was granted an extension up to January 2019. One final extension may be requested up to January 2020, after which time, Alderon will be required to re-register for EA.

Other project infrastructure will include site access roads, on-site roads, mine service area, a mine site stockpile area, primary crusher building, conveyors, process plant fuel storage, and a new tailings management facility.

Analysis:

- Total capital cost in this most recent FS has decreased to US$984.41 Million from US$ 999.4 Million in the November 2017 PEA. Operating cost has increased from $US 29.94 / tonne to $US 30.72 / tonne.

- Construction employment estimate has not changed.

- Alderon is working to obtain financing through strategic partnerships, equity or debt financings and production-sharing arrangements. However, further engineering detail is required prior to commencing construction.

- In the 2018 FS, the tailings management facility (TMF) and the tailings deposition plan have been developed to a feasibility study level of detail. In the 2017 PEA the TMF as well as the tailings deposition plan were only developed to a conceptual level.

- This 2018 FS has the footprint for the open pit mine updated and major site infrastructure has been confirmed.

- For this FS, an updated market price analysis for iron ore (Hatch 2018) clearly shows that higher grade iron ore products attract a significant premium.
Action Being Taken:
• NR will continue to monitor Alderon's progress on its Kami Project.

Prepared/approved by: B. Lawlor / K. Bradbury
Ministerial Approval: Received from

December 12, 2018
Meeting Note
Department of Natural Resources
Alderon Iron Ore Corp.
June 6, 2019 at 2:00 p.m.
Minister’s Boardroom

Attendees:
Tayfun Eldem, President & CEO, Alderon
Gary Norris, Executive VP Government & Community Affairs
Ted Lomond, Deputy Minister of Natural Resources
Corey Snook, Assistant Deputy Minister, Energy Policy

Purpose of Meeting:
• Mr. Eldem will be in St. John’s and requested a meeting with Deputy Minister Lomond to provide an update on the Kami project

Background:
• Alderon Iron Ore Corporation (Alderon) is a Vancouver-based company, publicly listed on the TSX under the symbol “IRON”. Alderon’s main shareholders are Altius Minerals Corporation (39 per cent) and HBIS Group Co. Ltd. (HBIS) (18.7 per cent). Alderon is focused on the development stage of the Kami Mine Project (Kami) iron ore project located near Wabush, NL, and does not have any other projects.

• In 2010 Alderon concluded a business deal with then Altius Resources Inc. to explore and develop the Kami Iron Ore deposit. The project was put on hold in 2014 due to the depressed iron ore market.

• Alderon has three strategic partners in the Kami Project including the HBIS Group, Glencore and Altius Minerals Corporation
  o HBIS Group, China’s second largest steelmaker, has invested $182.2 million in the project and will purchase 60 percent of annual production for 15 years. HBIS holds 25 percent interest in the Kami Project, through the Kami Mine Limited Partnership and 18.7 percent in Alderon.
  o Glencore, a large globally diversified natural resource company, has an offtake agreement to purchase upon the commencement of commercial production, 40 percent of the actual annual production from the Kami Project up to a maximum of 3,200,000 tonnes of the first 8,000,000 tonnes of iron ore concentrate produced annually at the Kami Project.
  o Altius Mineral Corporation increased its ownership of Alderon Iron Ore Corp. common shares from 24% to 39% of the outstanding shares by purchasing shares from Liberty Metals and Mining for approximately $5 million. Liberty Metals and Mining Holdings had invested $49.2 million in equity and $22 million in convertible debt. As of March 31, 2019, Liberty is no longer a shareholder of Alderon.

• In September 2018, Alderon released a Feasibility Study (FS) entitled “Updated Feasibility Study of the Kamiskiutasset (Kami) Iron Ore Property, Labrador”. It demonstrates an average annual production of 7.84 Million tonnes over a 23 year mine life, a payback of 4.0 years, an NPV (8%) of US$1.7 Billion and an IRR of 24.6%, all pre-tax. The project has a capital cost of US$982.41 million, and an estimated average operating cost of US $30.72/
tonne. The price of concentrate loaded in ship at the Port of Sept-Îles is projected to be US $73.17/tonne.

- Proven and Probable Mineral Reserves are estimated at 517.2 million tonnes @28.8% total iron. 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.

- Construction employment is outlined in the 2018 FS with an average of 340 construction personnel over a 29 month construction period and reaches a peak of 575 employees in month 21. Manpower requirements to support mining operations and maintenance for the mine area have been estimated annually and reach a peak of 326 employees in year 12.

- The project was released from environmental assessment in January 2014. This release expired and the company applied and was granted three extensions to the release decision. The third extension has been granted up to January 2020, after which the project will be required to re-register for EA.

- A Benefits Agreement has been signed with the province of NL for the provision of full and fair opportunity and first consideration for provincial residents and suppliers for construction, operation and decommissioning of the project. It also includes a gender and equity diversity plan. Municipal agreements with both Labrador City and Wabush have also been negotiated. Agreements with two out of five Indigenous groups are in place for the project.

- Alderon has a 2014 service agreement in place with Newfoundland and Labrador Hydro that includes terms and conditions for the crown utility to supply power to the Kami Project.

- Surface leases and mining leases have been granted for the project.
  - Kami Limited Partnership has requested the Minister to waive the production requirements of Mining Lease 234 under Section 32 of the Mineral Act.
  - See BN-10321.

- Project infrastructure for the Kami project will include site access roads, on-site roads, mine service area, a mine site stockpile area, primary crusher building, conveyors, process plant fuel storage, and a new tailings management facility.

- 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. The Iron Ore Company of Canada holds ownership to a common carrier railway known as QNS&L. Railway access negotiations between QNS&L and Alderon have been put on hold pending financing. A new rail loop at the site and a connecting railway to access the QNS&L will be required.

- At the port of Sept-Îles, a multi user dock has been constructed to handle increased ore capacity should Alderon start to produce. The multi user dock and new conveyor system is cost-shared by the port authority and several mining companies. Alderon has made a deposit on port access which was negotiated in 2012 when the company signed an agreement with the Sept-Îles Port Authority to ship 8 Mt of iron ore annually via the new multi-user deep water dock facility in Point Noire. A buy-in payment of CAD $20.46 million has been paid to the Port Authority.
Agenda item #1 (Project status)
- Alderon may want to discuss the current status of the Kami Project.

Analysis
- The HBIS management team that partnered with Alderon on the Kami Project has been replaced.
- Total capital cost in the most recent FS has decreased to US$984.41 Million from US$ 999.4 Million in the November 2017 Preliminary Economic Assessment. Operating cost has increased from $US 29.94 / tonne to $US 30.72 / tonne.
- Alderon is confident that QNS&L will negotiate a deal for the transport of ore to port.
- Alderon has appointed Scotiabank as its financial advisor with respect to strategic transactions, and equity and debt financing for the construction and commissioning of the Kami project.
  - The Minister and Alderon met with HBIS in China on April 4, 2018.

Potential Speaking Points
- The Deputy Minister may want to ask Alderon about the status and progress regarding the potential for investors to fund construction of the project.
- The Deputy Minister may want to ask Alderon about the status of negotiations with QNS&L for rail transport as there will be competition with the re-opening of the Scully Mine by Tacora Resources.
- The Deputy Minister may wish to advise Alderon on the status of the production waiver request for Mining Lease 234 (BN-10321).

Proposed Actions
- NR will continue to monitor Alderon’s progress and provide assistance where possible.

Agenda item #2 (Kami power source)
- Alderon may want to discuss the supply of power for the Kami Project.

Analysis
- Alderon Iron Ore Corp continues to pursue development of its Kami mine project in Labrador West, which would require 100-120 MW of power as noted in the company’s 2011 environmental assessment registration. Government directed NLH in February 2014 to construct a new 230 kV transmission line between Churchill Falls and Lab West to support Alderon’s Kami project at a cost of approximately $330 million. The project was suspended in September, 2014.
- NLH advises NR that Labrador West customer load is 326 megawatts (MW) with 240 MW required to serve IOC, 55 MW for Tacora Resources (Wabush Mines), and 81 MW for
communities in the region. This load is served by two 230 kilovolt transmission lines capable of delivering up to 345 MW with all equipment in operation (i.e. non-firm), 257 MW with one line in the winter (i.e. firm) and approximately 190 MW with one line in the summer (firm). In its 2017 General Rate Application (GRA), NLH stated that Labrador West transmission is nearing capacity limitations.

- On October 31, 2018 NLH filed a Labrador Transmission Expansion Study with the Board of Commissioners for Public Utilities (PUB). The primary focus of the study is to assess system deficiencies driven by load growth in Labrador and develop least-cost, reliable transmission system expansion plans for various ranges of system demand. New Labrador West supply options addressed in the Study include a new transmission line at 230kV or 315kV, synchronous equipment, and demand management.

- The study further notes that if Labrador West load exceeds 434 MW (as it would with the addition of Alderon’s load to the existing system), the least-cost alternative will involve an interconnection with Hydro-Québec at its Bloom Lake Station. For loads below 434 MW, but above 385 MW, other options are currently considered least cost.

- Adding a new high voltage electric intertie to the Labrador interconnected grid from the neighbouring HQ system can generally be expected to improve overall NL system reliability as it can provide an additional source of power to the NL grid in the event of system interruption.

- On December 14, 2018, NLH filed a new Network Additions Policy with PUB and is currently under review. Its purpose is to limit rate increases and it proposes to recover costs from new transmission additions primarily from the customers that benefit from the transmission additions. If the policy is approved by the PUB as presented, Alderon would be required to pay a portion of funding upfront for any new transmission required to meet its needs.

- Although the Labrador Transmission Expansion Study and the Network Additions Policy were filed separately, they have been reviewed together through a single regulatory process. Intervenors in the process included Newfoundland Power, the Consumer Advocate, Island Industrial Customers, IOC and the Towns of Labrador City, Wabush, Happy Valley-Goose Bay and the Sheshatshiu Innu First Nation. Only the Towns made a submission, arguing that any new large customer should pay 100% of the cost of new transmission additions upfront.

- NLH advises that with the approach proposed by the Towns, Alderon could be expected to pay as much as $150 million up front whereas with the Network Additions Policy as proposed by NLH, Alderon would be responsible for approximately $92 million in up front costs.

- During the review process to date, intervenors and other interested parties have had opportunity to express any concerns to the PUB about the policy.

- Final submissions are due on June 4, 2019 after which the PUB may schedule public hearings if it so chooses.
• In a letter to the Minister of NR dated April 27, 2018, Alderon suggested powering the Kami Project from the Quebec side of the border by tapping into the Hydro Quebec (HQ) grid near Fermont. Alderon indicated that this would be a significantly cheaper and more efficient solution than building the third transmission line from Churchill Falls to Labrador West and can be implemented much more quickly. Alderon believes that an announcement of an investment by the Province in infrastructure in support of Kami such as this could result in the Government of Quebec also investing in the project.

• In a June 7, 2018 response, the Minister indicated that Hydro was undertaking a planning study to investigate the expansion of the transmission system in western Labrador. As described above, this study, the Labrador Transmission Expansion Study, was completed in the fall of 2018 and is currently before the PUB.

Potential Speaking Points
• The Government of Newfoundland and Labrador values the PUB’s expert, independent and transparent process of reviewing utility applications. Did Alderon participate in the PUB process regarding the Labrador Transmission Expansion Study and the Network Additions Policy?

• What are your views on the Labrador Transmission Expansion Study and the Network Additions Policy?

Proposed Actions
• NR will monitor proceedings at the PUB related to the Labrador Transmission Expansion Study and the Network Additions Policy.


Deputy Minister Approval: [Signature]

May 31, 2019
Tayfun Eldem, P.Eng  
CEO & Director

Tayfun Eldem is currently the Chief Executive Officer of Alderon Iron Ore Corp. and sits on the advisory board of King and Bay. Previously, Mr. Eldem was Managing Director of Iron Ore & Coal for Hatch Ltd., where he was responsible for global business development, overseeing operations in six regions of the world. In addition, Mr. Eldem previously worked for the Iron Ore Company of Canada, a Rio Tinto subsidiary, for more than 20 years. During this period, Mr. Eldem held many senior roles including Vice President, Expansion Projects & Engineering, and COO. Mr. Eldem was accountable for the development and delivery of a nearly $2.0 billion program of green and brown fields expansion projects. Additional responsibilities included strategic and tactical oversight of clean air and GHG reduction programs and the execution of sustaining capital investments and mineral exploration. Mr. Eldem is a professional engineer who graduated from Dalhousie University.

Gary Norris, B.A.  
Executive VP Government & Community Affairs

Gary Norris spent more than 30 years working for the Newfoundland and Labrador Government, including as the Clerk of the Executive Council and Secretary to Cabinet. Mr. Norris also held a number of other senior Executive positions, including, Assistant Deputy Minister of Environment, and Deputy Minister of Intergovernment Affairs Secretariat. Mr. Norris holds a Bachelor of Arts degree in Political Science and Economics from Memorial University of Newfoundland.
Information Note  
Department of Natural Resources  

Title: Newfoundland and Labrador Mining Industry Overview  

Issue: Overview of the status of the mining industry in Newfoundland and Labrador for the 2019 Energy and Mines Ministers’ Conference  

Background and Current Status:  
- NL has a wide variety of mineral commodities currently being produced such as iron ore (Labrador Trough), nickel, copper and cobalt (Voisey’s Bay); gold (Baie Verte Peninsula); fluor spar (St. Lawrence).  
- The gross value of mineral shipments for Newfoundland and Labrador in 2018 was $2.87 billion with a forecasted value of $3.97 billion for 2019.  
- The NL mining industry average employment was 5,726 person years in 2018 with a forecasted value of 6,332 person years in 2019. Mining construction employment included in these values for 2018 and 2019 are 962 and 1,231 respectively, the increase is mainly attributed to Voisey’s Bay Underground Mine Expansion.  
- Iron, nickel, and copper contribute 90% of the value of shipments from the province with gold, cobalt, silver, industrial minerals, stone, sand and gravel contributing the remainder.  
- Producing mines in the province are summarized in the table below:  

<table>
<thead>
<tr>
<th>Operator</th>
<th>Commodity</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vale Newfoundland and Labrador Limited</td>
<td>Nickel/Copper/Cobalt</td>
<td>Voisey’s Bay</td>
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<td></td>
<td>Nickel/Copper/Cobalt</td>
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<td>Iron Ore Company of Canada</td>
<td>Iron Ore</td>
<td>Labrador City</td>
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<td>Elross Lake/Menihek</td>
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<td>Tacora Resources Inc.</td>
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<td>Wabush</td>
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<td>Gold</td>
<td>Pine Cove</td>
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<td>Rambler Metals and Mining Canada Limited</td>
<td>Copper/Gold/Silver</td>
<td>Baie Verte</td>
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<td>Atlantic Minerals Limited</td>
<td>Limestone/Dolomite</td>
<td>Lower Cove</td>
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<td>Canada Fluorspar(NL) Inc.</td>
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<td>St. Lawrence</td>
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<td>Bishop’s Falls</td>
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<td>Pyrophyllite</td>
<td>Manuels</td>
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<td>Glenwood</td>
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<td>Galen Gypsum Limited</td>
<td>Gypsum</td>
<td>Coal Brook</td>
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<tr>
<td>Red Moon Resources Inc.</td>
<td>Gypsum</td>
<td>Flat Bay</td>
</tr>
</tbody>
</table>
- Construction at Vale Newfoundland and Labrador’s Voisey’s Bay Mine Expansion resumed in June 2018. The project represents close to $2 billion in capital expenditures by Vale. There will be 16,000 direct and indirect person years of employment during the five years of construction, peaking at 4,800 person years in 2020. First ore production from underground is expected by April 2021 with an extended mine life of 15 years.  
- The Iron Ore Company of Canada, began production at Wabush 3 pit, renamed the Moss Pit, on September 25, 2018. This $79 million investment will increase ore output by about five million tonnes per year and extend the life of the mine by 12 years.
Tacora Resources Inc., an iron ore mining and development company based out of Grand Rapids, Minnesota, secured financing for the former Wabush Scully mine, renamed Tacora Mine, in Wabush, Labrador in November 2018. Tacora’s first shipment of ore arrived at Point Noire on July 1, 2019. The Reactivation of the Tacora Mine will create up to 260 jobs during operations.

Canada Fluorspar made its first shipment of 4,700 tonnes of acid-grade fluor spar in August, 2018. Project capital costs are $250 million. Average yearly employment will be 225 person years.

Beaver Brook Antimony mine has reached commercial production after being in care and maintenance for several years. Mining began on March 26, 2019 with mill start up commencing on April 22, 2019. Production is ahead of schedule and the stibnite concentrate is a very high grade ore in the vicinity of 60-65 per cent. First shipment of concentrate took place on June 19, 2019.

Tata Steel Minerals Canada Limited has fully commissioned its $700 million wet processing facility and is ramping the plant up to full capacity of 700 tonnes per hour of concentrate production.

Alderon Iron Ore Corp. continues to advance their Kami project located in Labrador West. In September 2018, Alderon released a Feasibility Study which demonstrates an average annual production of 7.84 Million tonnes over a 23 year mine life. The project has a capital cost of US$982.41 million and Alderon is now focusing on financing.

Search Minerals Inc. has filed The Foxtrot Rare Earth Element Mine for provincial (December, 2017) and federal (January, 2018) environmental assessment. An environmental assessment committee has been assigned and Search is required to submit an environmental impact statement for which guidelines have been provided.

Projects in advanced stages of exploration in the Province:

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<td>Buchans Resources Limited</td>
<td>Zinc-Lead-Copper-Silver-Gold-Barite</td>
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<tr>
<td>NorZinc Ltd.</td>
<td>Zinc-Lead-Copper-Silver-Gold</td>
<td>South Tally Pond / Lemarchant</td>
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Analysis:

- On January 25, 2019, the Brumadinho dam disaster at Vale’s Feijao iron ore mine in Brazil took place. Spot iron ore prices rose from US$75 per tonne to US$95 per tonne in the weeks following. The price further increased with the news that Vale would not be back in production for a period of time.

- As of July 2, the price was US$124.20 per tonne and the average price for the month of June was US$110.14 per tonne.
Iron ore from the Labrador Trough generally receive premiums for higher grade and low contaminant concentrate and pellets.

- High quality ore is in demand from China due to their efforts to reduce emissions.

- Nickel prices have fluctuated over the past year peaking at US$15,255 per tonne in June 2018 and bottomed out late January at US$10,440 per tonne. Prices rose again until March when they reached US$13,610 and have declined since then. The average price for the month of June was US$11,989 per tonne. Nickel prices are closely related to demand from stainless steel producers who account for about two-thirds of total demand.

- Copper prices were just over US$3.00 per pound this time last year, they have remained steady ranging from US$2.50 to US$2.97 per pound indicating that the demand has been sluggish. Current price is US$2.68 per pound as of July 2 and the average price for the month of June 2- July 2 was is $2.67.

- In April, 2019 Search Minerals Inc. has been granted a patent (US Patent 10,273,562, Issued April 30, 2019) for acid leaching of rare earth minerals using the Search Minerals Direct Extraction Process. The company is also undergoing its Pilot Plant Optimization program is at the facilities of SGS Canada whereby parameters of its demonstration plant will be set.

Prepared/approved by: B. Lawlor / T. Walters / A. Smith
Ministerial Approval: 
July 10, 2019
Meeting Note
Department of Natural Resources
Meeting of Minister Coady with the Honourable Jonatan Julien, Minister of Energy and
Natural Resources, Québec
Meeting Place: TBD
Time and Date: TBD

Attendees:
Hon. Jonatan Julien, Minister of Energy and Natural Resources, Québec (QC)
Hon. Siobhan Coady, Minister of Natural Resources, Newfoundland and Labrador (NL)

Purpose of Meeting:
• The Energy and Mines Ministers’ Conference (EMMC) presents an opportunity to meet with
  the QC Minister of Natural Resources and to discuss matters of mutual interest.

Background:
• The 42nd QC general election was held on October 1, 2018. The Coalition Avenir Québec
  (CAQ) won a majority of seats in the National Assembly and the Honourable François
  Legault was sworn in as QC’s Premier on October 18, 2018, ending nearly 50 years of
  Liberal and Parti Québécois rule in the province.

• The CAQ election platform includes promises to balance social and economic commitments.
  Priority areas include decentralization of the health-care system to allow an increased role
  for the private sector; tax cuts; a 20 per cent reduction in immigration; and government
  funded pre-kindergarten. Other noteworthy commitments include:
    o developing QC’s energy and mining sectors;
    o creating energy alliances with neighbours to facilitate export of electricity to the U.S.;
      and,
    o respecting the existing greenhouse gas cap and trade system and current targets,
      while conducting a review of the 2030 emission reduction goal to determine if it is
      realistic.

• NL engages in collaborative activities with QC through various intergovernmental fora, such
  as the Council of the Federation (COF), the Conference of New England Governors and
  Eastern Canadian Premiers (NEG/ECP) and other federal/provincial and territorial (FPT)
  tables. Positive engagement has occurred on a number of multilateral files through these
  intergovernmental entities. In contrast, the two provinces have also disagreed over matters
  ranging from electricity to the offshore boundary and federal transfers, and there are issues
  between the provinces that remain before the courts.

• On June 20, 2019, the QC Court of Appeal released a ruling concerning interpretation of the

• A legal summary Nalcor provided to GNL states the Court of Appeal judge ruled that Hydro
  Québec (HQ) does not have the exclusive right to purchase and to receive all the energy
  produced at the plant, but only a specific quantity of energy equivalent to the Annual Energy
  Base defined in the contract. However, the Court refused CFLCo’s argument that HQ’s
  energy allocation was limited on a monthly basis to the amount defined as Continuous
  Energy under the Renewal Contract, and concluded that HQ continues under the Renewal
Contract to benefit from the same operational flexibility as it did under the Power Contract, to schedule and plan its energy and power requirements and to postpone (or accelerate) the delivery of energy from one month to another, without being limited to a monthly quantity of energy, but only an annual quantity.

- On interruptible sales, the Court concluded that CFLCo cannot sell to a third party or use for the benefit of a third party any power other than the power (i.e. capacity) associated with the Twinco and Recapture blocks. However, CFLCo can sell any energy produced by the plant over and above its commitments to HQ (i.e., anything over the firm capacity promised by the Power Contract and the GWAC).

Agenda item 1 (Energy collaboration to support of Labrador Trough mining)
- In April 2018, a Cooperative Agreement Concerning the Development of the Labrador Trough and the Improvement and Extension of Road Infrastructure was signed. This agreement provides for joint works aimed at enhancing collaboration in the following areas of shared interest:
  - geotechnical information and land use planning;
  - infrastructure for the mining sector;
  - labour and skills;
  - telecommunications development; and
  - enhancements to government processes and business supports.

- To support new economic development and mining activity in the Labrador Trough, additional transmission capacity is required. Alderon Iron Ore Corp continues to pursue development of its Kami mine project in Labrador West, which would require 100-120 megawatts (MW) of power as noted in the company's 2011 environmental assessment registration.

- NLHydro regulatory filings have noted the Labrador West transmission grid is nearing capacity limitations. The current capacity is 326 MW with 240 MW required to serve IOC, 55 MW for Tacora Resources (Wabush Mines), and 81 MW for communities in the region.

- On October 31, 2018, NLH filed a Labrador Transmission Expansion Study with the Board of Commissioners for Public Utilities (PUB). The primary focus of the study is to assess system deficiencies driven by load growth in Labrador and develop least-cost, reliable transmission system expansion plans for various ranges of system demand.

- The study notes that if Labrador West load exceeds 434 MW (as it would with the addition of Alderon's load to the existing system), the least-cost alternative would include an interconnection with HQ at its Bloom Lake Station at an estimated cost of $153 million.

Analysis
Speaking Points

- The 2018 Cooperative Agreement represented an important step in strengthening bilateral ties between our two provinces in the areas of mining and infrastructure. I am pleased our two Governments remain committed to this cooperation.

- Economic development and future mining opportunities in the Labrador Trough will require access to reliable energy resources. Alderon, for example, would require connectivity to support potential operations. Exploring joint development opportunities to provide least cost power to the Labrador Trough would benefit the region and both provinces.

Agenda item 2 (Canada Free Trade Electricity Transmission Rules.)

- Negotiations to modernize the Agreement on Internal Trade (AIT) concluded in April 2017 with the Canadian Free Trade Agreement (CFTA) entering into force on July 1, 2017. NL successfully negotiated rules that provide for non-discriminatory transmission of electricity across PT boundaries. All Canadian jurisdictions, with the exception of QC, participated in the development of the rules that now comprise Annex 309 of the CFTA.

- Annex 309 of the CFTA substantially replicates the U.S. Federal Energy Regulatory Commission (FERC) rules that are already binding jurisdictions that trade electricity with the U.S. The CFTA rules are not currently in force, but will enter into force if either QC or NL provide written notice to the Internal Trade Secretariat. Upon receiving notice, the new rules will enter into force no earlier than 24 months (July 2019), but no later than 36 months (July 2020), after the effective date of the CFTA (July 1, 2017).

- The delay in implementing electricity transmission rules was provided to enable NL and QC to engage in bilateral process to identify mutually beneficial options with regard to cooperation in the energy sector. All PTs were in support of this arrangement.

Analysis:

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Potential Speaking Points

- I am looking forward to engagement between our provinces on energy. Newfoundland and Labrador would support the further exploration of trade ties in the context of the Canada Free Trade Agreement, and would be open to further dialogue with Quebec on collaboration on electricity generation and transmission in support of energy needs in Canada and the U.S., while contributing to economic development in both provinces.

Agenda item 3 (Red Water Runoff from Tata Steel Minerals Canada Operations)

- Tata Steel Minerals Canada (TSMC) operates a high-grade iron ore mine in the Menihek area of northwestern Labrador and is a joint venture between Tata Steel of India (77.68%), Ressources Quebec (18%), and New Millennium Iron Corp. (4.32%). Project construction started in 2011 and first ore was shipped in 2013.

- Eleven open pits in Labrador and two in QC are to be developed over a twelve year mine life.

- During 2018, TSMC resumed work on the $700 million dollar wet processing facility and full commissioning took place early 2019 with first shipment on June 19, 2019. TSMC is ramping up to full capacity of 700 tonnes per hour of concentrate production. Prior to the plant being commissioned, the project was direct shipping ore (DSO).

- Capital costs for the project have increased from the original estimate of $300 million to over $1.3 billion due to changes in project scope, logistical challenges, productivity, and workforce issues.

- On the 17th, 18th, and 24th of May 2019, the Department of Municipal Affairs and Environment received notification of several reports of red water spills at TSMC’s Labrador site through the National Environmental Emergencies Centre. These reports were submitted by Michel La Haye, consultant with the Innu of Matimekush-Lac John.

- On May 29, 2019, it was reported by Le Journal De Montreal that there were red streams in Northern QC resulting from TSMC’s QC operations. It was noted that in 2018, the Innu of
Matimekush-Lac John documented 23 red water flow sites in lakes and rivers around the project. The Premier of QC was quoted in the article

- An Environmental Engineer (MAE) and a Mining Engineer (NR) conducted a site inspection on June 4-6, 2019.

Analysis:
- Red water events in this area have been reported in previous years during the spring melt/runoff period which typically lasts around a month. The redness is due to erosion of the local soil which is high in iron. Areas developed for mining and mine haul roads are more prone to such runoff.

- TSMC’s Labrador operations in the DSO3 (Timmins area) are located in areas that were mined by the Iron Ore Company of Canada (IOC) from the 1950s until 1982. Ground disturbances and waste rock piles left from IOC’s operations are contributing to the red water.

- TSMC have acknowledged the red water incidents and took measures to mitigate the situation during the spring runoff and are putting procedures in place to prevent future occurrences during spring runoff.

Potential Speaking Points
- I am confident that Tata Steel Minerals Canada are taking the red water issue seriously and have worked diligently towards mitigating the events of this spring and implementing procedures to prevent future occurrences. Our department will continue to monitor the situation.

Prepared/Approved by: H. Simms / K. Bradbury / A. Smith / C. Snook
Ministerial Approval:

July 9, 2019