

Mining

The provincial mining industry performed well in 2012 despite challenging market conditions. Prices for iron ore and nickel trended down throughout much of the year due to dampened demand from developing countries, especially China. Nonetheless, prices remained high from a historical perspective, development of new and expansion projects advanced, and mineral exploration increased.

The value of mineral shipments totalled about \$3.8 billion in 2012. This represented a decrease of about 16% from 2011, reflecting lower prices for many minerals, particularly iron ore. Although down from last year, the value of mineral shipments remains historically high (see chart). Exploration expenditures increased about 24% to the highest level ever recorded. Total mining-related employment (including employment associated with construction and development activities at Vale's nickel processing facility) is estimated to be almost 8,000 person years in 2012—the highest level on record.

Market Conditions

Mineral prices in 2012 retreated somewhat from the high levels seen in most of 2011. Prices began to decline in late 2011 and this trend continued throughout much of 2012 primarily as a result of slowing economic growth in China and India. Average iron ore spot prices for 2012 fell about 24% compared to 2011, averaging US\$128/tonne (62.0% Fe) and US\$133/tonne (Indian ore 63.5% Fe). However, iron ore prices have been trending upwards over the last several months (see chart). Nickel prices decreased by about 23% and copper prices fell almost 10% in 2012 compared to the previous year. Prices averaged US\$7.95/pound for nickel and US\$3.61/pound for copper in 2012.

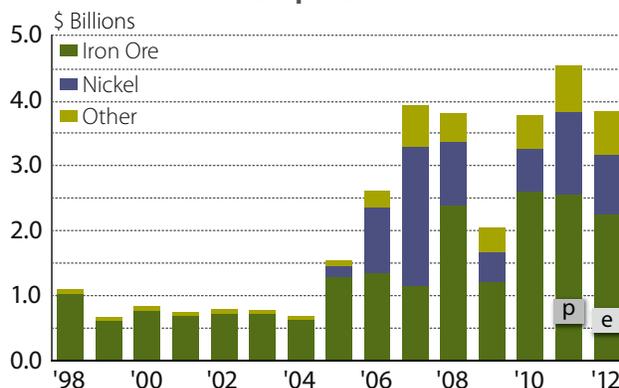
Iron Ore

Iron ore shipments were approximately 19 million tonnes in 2012, an increase of about 10% relative to 2011. The rise was due to higher production at the Iron Ore Company of Canada (IOC) and Labrador Iron Mines Ltd. (LIM) (see map for locations). However, the value of shipments is estimated to have declined about 12% because of lower iron ore prices.

Iron Ore Company of Canada

Shipments from IOC increased from about 13 million tonnes in 2011 to about 14 million tonnes in 2012 as a result of the implementation of Phase 1 of the Concentrate Expansion Project (CEP). Commissioning of Phase 1, which includes a new crusher and conveyor at the Luce pit, began in the first quarter and was operational as of August 2012. CEP 1 increased the iron concentrate production capacity at IOC from 18 to 22 million tonnes per year. CEP 2 is more than 80% complete and is intended to expand capacity from 22 to 23.3 million tonnes.

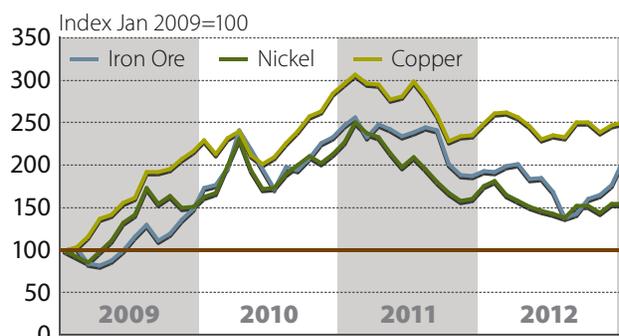
Value of Mineral Shipments



p: preliminary; e: estimate

Source: Department of Natural Resources; Natural Resources Canada

Mineral Price Indices (Monthly)



Source: London Metal Exchange, MetalPrices.com

Further expansion plans to increase production to as much as 50 million tonnes are currently on hold. The mine currently employs about 2,000 people.

Wabush Mines

Wabush Mines started mining iron ore from the Scully Mine in Labrador in 1965. The mine produces ore for a concentrating plant at the mine site. The concentrate is then railed to the company's pellet plant and shipping facilities in Point Noire, Quebec. Wabush Mines is 100% owned and operated by Cliffs Natural Resources Inc. (based in Cleveland, Ohio). The operation shipped about three million tonnes of iron ore concentrate in 2012 and employed about 480 people at the mine. Recently, Cliffs idled its pellet plant citing high production costs and lower pellet premium pricing.

Labrador Iron Mines Ltd.

Labrador Iron Mines Ltd. (LIM) began operations in April 2011 and shipped its first iron ore to China the following October. The company is the first new iron ore producer in the province since 1965 when Wabush Mines started producing. Approximately 175 people are employed at the mine and the Silver Yards plant.

The company mines and processes lump and sinter iron ore in northwestern Labrador. In 2012, the project sold 1.55 million dry tonnes of product. It was expected that 2 million tonnes would be produced in 2012, however the company closed the processing plant earlier than anticipated in response to deteriorating iron ore prices over the summer and early fall.

Lower than expected iron ore prices resulted in several cost reduction and cash conservation measures. The capital expenditures budget of \$112 million in 2012 was adjusted and about \$52 million was deferred to 2013. Exploration expenditures were also reduced from \$8.6 million to \$5.0 million in 2012. LIM has stated that the start of the 2013 operating season in April will depend on management's confidence in realized concentrate prices remaining at US\$110 or higher over the 2013 season. The company recently completed public offerings of common shares which raised about \$60 million in capital. The company also registered a project in February 2013 involving a \$65 million beneficiation plant to process ore from its Houston deposits.

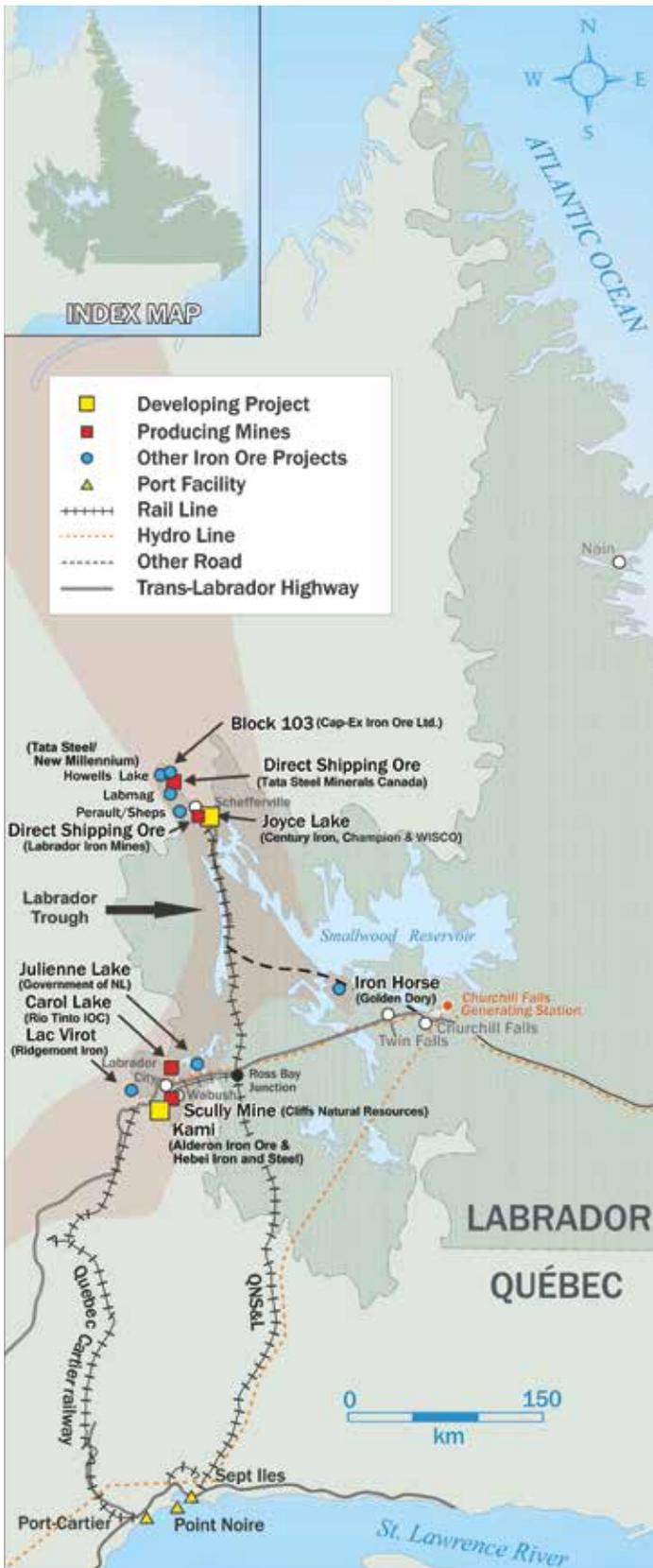
Infrastructure Development

Expansion of the iron ore industry has created greater demand for transportation infrastructure. Several iron ore companies are participating in the development of a new multi-user dock located in the Bay of Sept-Îles at Pointe Noire, Quebec. The companies include LIM, Alderon Iron Ore Corp., Tata Steel Minerals Canada Ltd. (TSMC) and Champion Minerals. The dock is designed to have a total capacity of 50 million tonnes annually and is expected to cost \$220 million. Financing is also being provided by the Port of Sept-Îles and the Government of Canada. The facility is expected to be completed in the first quarter of 2014.

Voisey's Bay

Production at Vale Newfoundland and Labrador's (VNL) operations at Voisey's Bay, Labrador increased slightly in 2012. Nickel, copper and cobalt production totalled about 119,000 tonnes—up roughly 1% from 2011. The company shipped about \$1.3 billion of metal concentrates in 2012, down about 27% compared to 2011 due to lower nickel prices.

The construction of VNL's US\$4.25 billion nickel processing facility in Long Harbour continues with finalizing concrete placement, equipment setting, piping and cable placement. Budgeted capital expenditures for 2012 were approximately US\$1.2 billion. The overall project was 75% complete as of December 2012 with about 4,000 people working at the site. In October 2012, Vale announced a revised schedule, whereby first nickel would be produced from imported nickel matte in the second half of 2013 using a section of the plant. Construction will continue on the remaining components while commissioning and operations are underway, with a target of accepting concentrate from Voisey's Bay in late 2013 or early 2014. Once fully operational the facility will produce 50,000 tonnes of finished nickel per year and employ approximately 475 people annually.



Other Mines

Rambler Metals and Mining Canada Ltd. (RMM) mines and processes ore from its copper-gold Ming Mine on the Baie Verte Peninsula. The company officially announced commercial production effective November 2012. Employment at the site is currently about 150 people. The project is expected to process about 630 tonnes of ore per day and have a mine life of six years. A preliminary economic assessment prepared by the company confirmed that a large copper resource exists in the Lower Footwall Zone of the mine which could extend the operation.

Anaconda Mining Inc. began gold production in 2008 at its Pine Cove mine near Baie Verte and expects to produce over 15,000 ounces of gold per year. Employment at the project is approximately 66 persons and expected mine life is about seven years.

The Teck Duck Pond copper-zinc mine is located in central Newfoundland. In 2012, copper and zinc production was 14,100 tonnes and 19,500 tonnes, respectively. This compares with copper and zinc production of 13,200 tonnes and 21,400 tonnes in 2011. The operation employs approximately 330 people annually. Teck Duck Pond operations are currently scheduled to end mining in the first quarter of 2015, however, an ongoing exploration program may extend the mine's life. The company expects production in 2013 to be approximately 15,000 tonnes of copper and 15,000 tonnes of zinc.

There are other mines in the province such as Atlantic Minerals (limestone/dolomite), Hi-Point Industries (peat) and Newfoundland Pyrophyllite (pyrophyllite), which produce a variety of mineral products. Some of these operations were adversely affected by weak global growth in 2012.

New Developments

Mineral development activity continued to be robust in Newfoundland and Labrador in 2012, despite challenging mineral markets.

TSMC's Elross Lake project is a joint-venture owned by Tata Steel of India and New Millennium Iron Corp. TSMC is developing a direct shipping iron ore deposit in northwestern Labrador/northeastern Quebec at an estimated cost of \$630 million. Development plans have been accepted by the Department of Natural Resources. The company requested and obtained an expedited approval to permit TSMC to

begin mining from one of its pits, which contains ore of direct shipping quality. On September 12, 2012 the company announced that it had started initial mining of saleable iron ore and is stockpiling the product at its Timmins plant site for crushing and screening. Most of the necessary agreements are in place for full approval and development and construction activities are continuing. Estimated production targets are four million tonnes per year by the fourth quarter of 2013, increasing to six million tonnes per year in 2015 (with some ore being mined in Quebec). The project is expected to employ 188 people once fully operational. Tata Steel and New Millennium are also undertaking a \$50 million feasibility study for several large taconite (low grade iron content) deposits in the same area.

Alderon is advancing the Kamistiatasset (Kami) iron ore project located in western Labrador near Labrador City and Wabush. The resource is contained within three zones (Rose Central, North Rose and Mills Lake). At the present time the main focus of the project is the Rose Central zone, which comprises about 40% of total measured and indicated resources. In September 2012 the company submitted an Environmental Impact Statement (EIS). Production is initially estimated at about eight million tonnes per year, however, the EIS contains plans to possibly double that production to 16 million tonnes per year. A feasibility study, published in January 2013, states that the capital cost of the project is about \$1.3 billion. Construction is expected to begin in late 2013 or early 2014 with production starting in 2016. Operational employment at the mine and concentrator is estimated at 380 person years.

Newspar continues efforts to reactivate the underground fluorspar mine located at St. Lawrence on the Burin Peninsula. The company is an equal partnership between Canada Fluorspar Inc. (CFI) and Arkema (a multinational French chemical company). Newspar plans to develop two deposits, complete upgrades to the existing mill, and construct a tailings management facility and new marine terminal. The company is performing a review of the project in order to establish a more precise understanding of its costs and scope. CFI expects this comprehensive review to be completed in the first quarter of 2013. In January 2013, a new preliminary feasibility study was completed with a revised pre-production capital cost of \$154 million compared to \$98 million in the previous study. The operation is now expected to produce 131,000 tonnes of fluorspar per year and create about 150 jobs during production.

LABRADOR IRON ORE PROJECTS

□ PRODUCING MINES

Iron Ore Company of Canada

In phase 2 of expansion program; further expansion currently on hold (**Carol Lake**)

Wabush Mines

Continuing its manganese separation project (**Scully Mine**)

Labrador Iron Mines Holdings Limited

Began operations in April 2011; recently registered a project involving a beneficiation plant (**DSO Project**)

Tata Steel Minerals Canada Ltd.

Development plans accepted by the Department of Natural Resources; stockpiling of product has commenced (**Elross Lake**)

□ DEVELOPING PROJECTS

Alderon Iron Ore Corp.

Completed a feasibility study on one of three deposits; construction expected to begin in late 2013 (**Kami**)

□ ADVANCED EXPLORATION

Tata Steel Global Minerals Holdings Pte Ltd. / New Millennium Iron Corp.

Undertaking a \$50 million feasibility study on several large taconite deposits (**LabMag**)

New Millennium Iron Corp.

Early stage drilling along trend from LabMag Project (**Perault Lake**)

Labec Century Iron Ore Inc.

Registered project for environmental assessment (**Joyce Lake**)

Cap-Ex Iron Ore Ltd.

Second high grade magnetite zone discovered (**Block 103**)

Century Iron Mines Corporation / Altius Resources Inc.

Exploration begins on a new joint venture (**Astray/Grenville**)

NL Government

Announced a call for Expressions of Interest to seek development proposals (**Julienne Lake**)

Grand River Ironsands/Petmin Limited/Cardero Resource Corporation Ltd.

Announced a new investment of up to \$25 million in the project in 2011 (**Churchill River**)

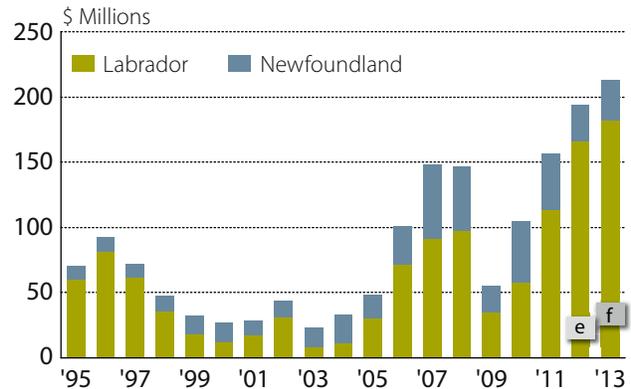
Labec Century Iron Ore Inc. (Labec) registered the Joyce Lake iron ore property for environmental assessment in October 2012. The Joyce Lake property is part of the larger Attikamagen project that straddles the Newfoundland and Labrador / Quebec border about 20 km northeast of Schefferville. The project could produce up to four million tonnes of direct shipping iron ore over a mine life of about six years with production beginning in 2015. About 75 construction jobs and up to 265 operating positions could be created.

Exploration

Exploration expenditures increased about 24% in 2012, to an estimated \$194 million, the highest ever recorded (see chart). The major commodities of interest were iron ore, copper and gold. Iron ore exploration is estimated at an all-time high of \$90 million, representing about 50% of all exploration expenditures for the province in 2012. There was also renewed interest in uranium—expenditures for this commodity are estimated to be roughly \$15 million in 2012. In March 2012, the Nunatsiavut Government officially lifted a three-year moratorium on uranium mining on Labrador Inuit Lands, which should bode well for future exploration.

In October 2012, the Provincial Government announced a call for Expressions of Interest to seek proposals for the development of the Julienne Lake iron ore deposit in western Labrador. The deposit is designated as an “exempt mineral land”, meaning that mining rights are reserved for the Crown. The province conducted a \$2.6 million exploration program on the deposit over the last few years. The results of the exploration define a world-class resource consisting of over one billion tonnes of iron ore at better than 33% iron content, which should make the project attractive to companies in the global mining community. Following the tender process, the proponent with the successful proposal will be granted exclusive rights under the *Mineral Act*.

Mineral Exploration Expenditures



e: estimate; f: forecast

Source: Department of Natural Resources

Mining Outlook 2013

- Demand for minerals has strengthened so far in 2013 and is expected to remain steady throughout the year.
- The value of mineral shipments is expected to increase about 23% to \$4.7 billion. The rise mainly reflects an increase in iron ore production.
- An increase in iron ore shipments is expected as all iron mines increase output and the Tata Steel Minerals Canada Ltd. project begins shipping.
- Construction on Alderon’s \$1.3 billion iron ore project is expected to begin in the fourth quarter of 2013.
- Construction of Vale’s nickel processing plant at Long Harbour will continue with the placement of concrete required for setting the remaining modules.
 - Capital expenditures for 2013 are expected to be \$1.2 billion.
 - Peak employment is anticipated in 2013 at about 5,000 people.
 - First nickel is expected to be produced this year from imported nickel matte.
- Exploration expenditures are expected to increase about 10% to \$213 million.
- Total mining-related employment is expected to increase more than 14% to over 9,000 person years due mainly to increases at the Long Harbour nickel processing facility, Tata Steel Minerals Canada Ltd. and IOC.