

4 June 2018

Alderon closing in financing for new mine project in Labrador West

There is some buzz developing around Alderon's proposed Kami Iron Ore Project in Labrador West following a trip to China in late April that involved Alderon CEO Tayfun Eldem and Siobhan Coady, Newfoundland and Labrador's minister of natural resources.

Eldem called the April trip to explore access to financing for the Kami project a success. He and Coady met with senior representatives of Alderon's Chinese partner HBIS Group and a number of undisclosed banking institutions.

Gary Wensman, town manager for Labrador City, said both Lab City and Wabush are monitoring the progress of the project cautiously as it has a bit of a history of being on again, off again.

"There's a bit of cautious optimism because there's still a few hurdles they have to cross," he said.

Wensman noted the towns, having gone through a boom in the early 2010s, are probably in a better position today to welcome the influx of activity associated with a new mine.

"New employment in the region brings new people, brings new businesses, and will bring a third transmission line," he said, adding additional infrastructure opens up further opportunities for economic development.

"It's the spinoff side that will be really important for the communities."

On April 26, following the China trip, Alderon announced it had engaged BBA Inc., a Montreal engineering firm, to lead an update of a 2012 bankable feasibility study (FS).

In 2014, the company suspended the project due to low iron ore prices, but amid a recovery in February 2017, decided conditions were right to reboot.

Prices continued to rebound and throughout 2017, Alderon updated its economic assessment culminating with the release of a report in December that estimated the economic benefits to Newfoundland and Labrador over the 26-year life of the project at: \$2.2 billion in direct, indirect and induced incomes to local workers and businesses; over 32,000 person years of direct, indirect and induced employment during construction and operations; approximately \$2.3 billion in treasury contributions from total direct, indirect and induced taxes; and approximately \$16 billion in contribution to the provincial GDP.

It also promised billions of dollars in benefits to Quebec in particular, and the rest of Canada in general.

"I am excited that the Kami Project will bring jobs to the people of Labrador, and bolster economic development in our province," said Yvonne Jones, MP for Labrador, at the time. "We have a wealth of natural resources here, but our greatest resource is still the hardworking people who call Labrador home. Alderon and HBIS Group's Kami project is a clear indication that we are serious about growth and ready to succeed in the international resources market."

The company says it expects the updated feasibility study to be completed by the end of summer.

"This study will further demonstrate the robust economics and strong fundamentals that the Kami Project possesses and will bring us closer to advancing the project into production," Eldem said.

The CEO would not commit to a timeline, but said if Alderon successfully secures the \$1 billion US in financing, construction could start as early as spring 2019.

The current estimate for the duration of construction is 29 months, which would mean production could begin in 2022, if all goes well.

Coady was very optimistic about the potential success of the company's financing efforts.

"What you're seeing really is the rebounding of the iron ore industry and great opportunity, so I would think Alderon will be able to convince investors to start that project."

The Kami property is located just a few kilometres south of Labrador City and Wabush.