



COMPANY SUMMARY

Location:	Labrador Trough, QC
Flagship:	Lamêlée iron ore project
Ownership:	100%
Commodity:	Iron ore
Status:	Exploration
Resources:	520 Mt @ 39.5% Fe2O3
Catalysts:	6,000 metre drill program PEA - H2/14

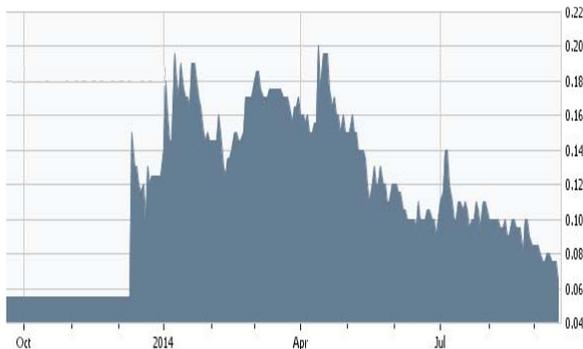
MARKET DATA

Price:	\$0.065
Market Cap:	\$5.9 MM
Common Shares:	90.8 MM
Fully Diluted:	108.4 MM
52 Wk Range:	\$0.20 - 0.06
30 Day Avg Vol:	42,650



TOP HOLDERS

Fancamp Exploration	47.3 %
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Source: quotemedia.com

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Lamêlée Iron Ore Ltd.
V-LIR

Lamêlée Iron Ore Update

Development Proceeding Despite a Subdued Iron Ore Market

Earlier this month, we had a discussion with Hubert Vallée, President and CEO of Lamêlée Iron Ore, about the Company's plans for the Lamêlée Iron Ore deposit. The Lamêlée Iron Ore (Lamêlée) property is located on the southern end of the Labrador Trough. The Labrador Trough is approximately 1,600 kilometres long and 120 kilometres wide, spanning from Ugava Bay in northern Canada to Central Quebec in the southwest. Since production from the Trough began in 1954, over 2 billion tonnes of iron ore have been produced. The property lies about 80 kilometres south of Labrador City in the northeastern part of Québec, near the border with Labrador. The project is located 50 kilometres southwest of Arcelormittal's Mont Wright mine and 11 kilometres northwest of its Fire Lake mine.

The Lamêlée property consists of 59 claims covering 3,102 hectares, divided into north and south blocks. Mineralization is hosted within a highly metamorphosed banded iron formation, with iron present in hematite and magnetite form. Mineralized horizons range in width from 50 metres to 200 metres and extend for 2.5 kilometres. The geological continuity of the deposit is comprehensive and grade are relatively uniform.

Lamêlée Project a Recent Acquisition for the Company. From 2006 to 2011, Fancamp Exploration and Sheridan Platinum Group explored the Lamêlée property under a joint venture. The partners conducted magnetic, radiometric and geophysical surveys, collected grab samples which returned Fe grades up to 45%. The partners also traced the deposit's magnetic signature over 2.5 kilometres.

In September 2013, Lamêlée signed an agreement for the purchase of the Lamêlée property from Fancamp Exploration. As a result of the transaction, Fancamp owns approximately 45% of Lamêlée's shares. Fancamp is restricted from selling the securities for a period of five years under a Rights Agreement signed in May 2014. Lamêlée now holds a 100% interest in the property subject to a 1.5% net sales royalty payable to Fancamp Exploration and 1.5% NSR payable to Sheridan Platinum Group.

Good Infrastructure Will Make Development Less Challenging. The property is complemented by good infrastructure. Lamêlée is located adjacent to the Trans-Quebec Labrador Road (highway 389 in Quebec and highway 500 in Newfoundland and Labrador), and a gravel road also crosses the property, providing additional access. An existing 161 kV power line is also in close proximity. The nearby Cartier railway connects the Mont Wright mine (50 kilometres to the southwest) to the city of Port-Cartier, and an iron ore processing plant at the mine site and port on the northern shore of the St. Lawrence River. The Cartier railway is used exclusively for iron-ore and freight transport, and the port is able to accommodate panamax ships (60,000 tonne capacity).



Source: Company Filings

High-Grade Resource a Good Start. The property hosts a resource of 520 million tonnes grading 39.5% Fe₂O₃ (27.6% FeT) based on a cut-off grade of 22% Fe₂O₃. The initial May 2013 resource was based on 18,305 metres of drilling in 57 holes and 2 trenches, which were completed during 2011 and 2012. The previous owner drilled the mineralization on a 100 metre spacing and outlined a resource from surface to 540 metres depth. Two holes drilled to 650 metres intersected mineralization, and the deposit remains open to depth.

With only minimal drilling completed at Lamêlée, the deposit compares well in size and grade to other deposits in the Trough. At the nearby Bloom Lake mine, reserves total 1,015 million metric tons grading 28.5% Fe at a cut-off grade of 20%. At the nearby Lamêlée and Peppler Lake projects, resources total 598.5 million metric tons grading 28.6% FeT at a cut-off grade of 18%.

Targeting Production of 5 to 8 Mtpa of Concentrate. Lamêlée is pursuing the production of a high grade and low cost iron concentrate. The Company is targeting development of a plant with annual production capacity of 5 to 8 million tonnes of concentrate at an initial capex under \$1 billion, including infrastructure required to support the project. The Company is anticipating production of a 65% Fe concentrate at an operating cost in the \$65 per tonne range, loaded into a ship (FOB).

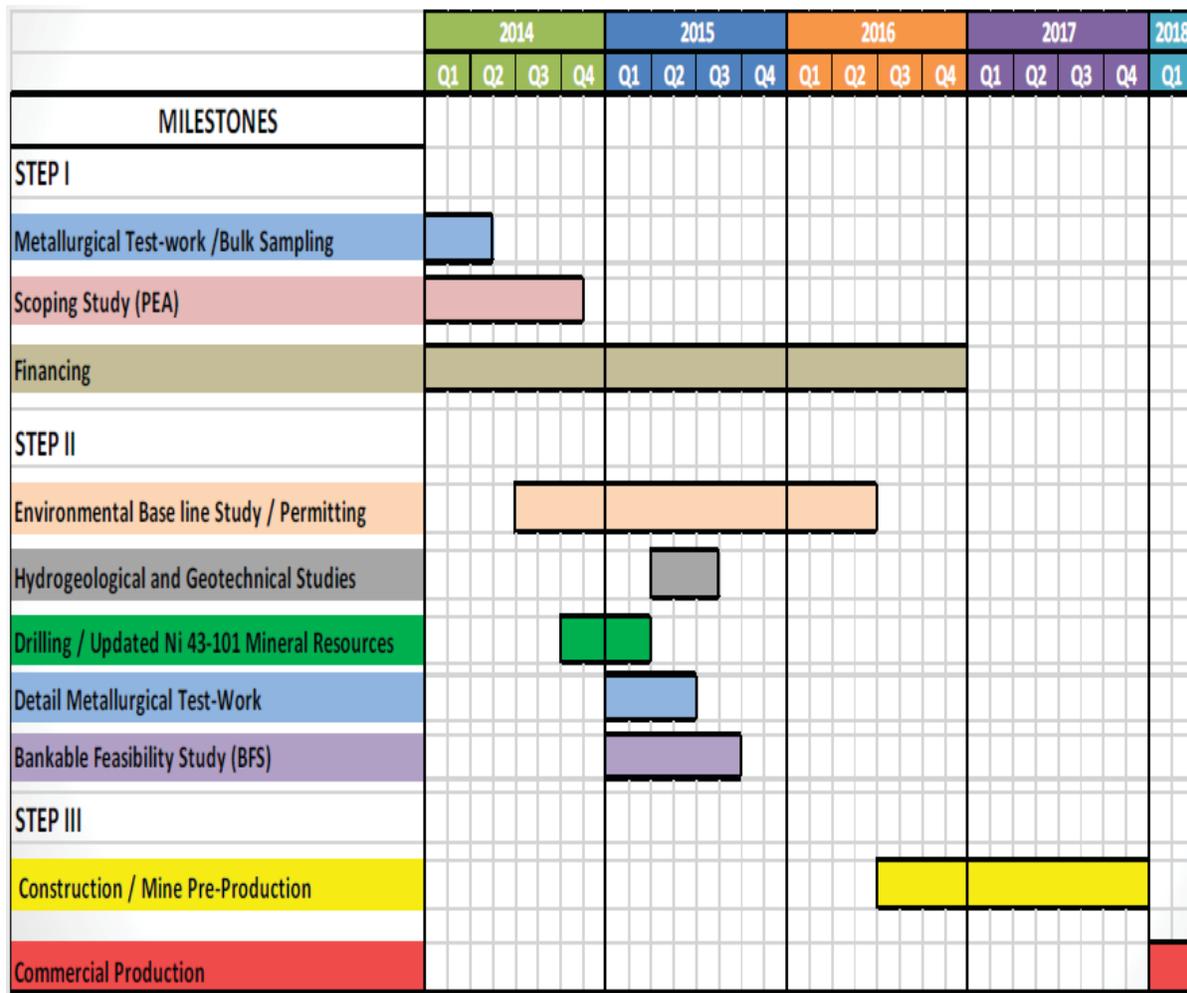
Lamêlée is in discussions with groups who could aid in financing additional scoping, exploration and the development of the project itself. As well, it will look at JV and offtake agreements, and royalties as potential means of financing.



During the remainder of the year, Lamêlée will also proceed with additional drilling. A 6,000 metre drill program is underway to upgrade the resource to feasibility-level and to confirm the down dip extension of the mineralization.

Next year, the Company will work to advance environmental baseline studies and permitting, metallurgical test work, hydrogeology test work and geotechnical test work. Lamêlée is also planning to update the resource, and to publish a bankable feasibility study by Q4/15. Lamêlée has already begun environmental baseline studies for the project and will issue a government notice by the end of the year. Management anticipates that \$8 million will be required to complete these activities, which will need to be funded through an equity raise or a cash infusion from a partner.

Project Timeline



Source: Company Filings

Ongoing Discussions Underway with Stakeholders. In June 2014, Lamêlée signed an agreement in principle with the city of Port-Cartier whereby the city has agreed to support the Company’s construction of a handling yard, a rail loop, and access to a wharf on the St. Lawrence River. Under the agreement, Lamêlée will be able to lease the lands and wharf from Port-Cartier on a long-term basis, and will be guaranteed access to a wharf for the shipment of ore.

Concurrently, Lamêlée is also negotiating to secure capacity on the existing railway network. The railway is operated by a local carrier, and there is excess carrying capacity on the network. Lamêlée is targeting an agreement within the next twelve months.



Strong Management Team...and Second Time Around in the Trough. If anyone can develop an iron ore deposit in the current market environment, it is the management team at Lamêlée. The team behind the project previously brought the Bloom Lake iron mine into production between 2005 and 2010. The Bloom Lake mine has a production capacity of 7.2 million tonnes of concentrate grading 66.5% Fe and mineral reserves currently total 1,015 million metric tons grading 28.5% Fe at a cut-off grade of 20%. The mine was sold to Cliffs Natural Resources in 2010 as part of the \$4.9 billion acquisition of consolidated Thompson Iron Mines.

In February 2014, Cliffs announced the suspension of the Phase II expansion to 14 Mtpa at the Bloom Lake mine. The Company also announced that it would idle its Wabush mine in the Labrador Trough due to an unsustainable cost structure in the current iron ore pricing environment. In 2014, Cliffs anticipated that the costs at its Eastern Canadian iron ore operations would be in the \$85 to \$90 per ton range and that revenues would be in the \$95 to \$100 per ton range.

Iron Ore Supply Glut Will Not Last Forever. While currently there is a supply glut in the iron ore market, Lamêlée's management believes that the market will recover longer-term. Lamêlée believes that pre-production could begin as soon as 2017, allowing the company to benefit from improved pricing. Longer-term, the Company believes that iron ore prices (62% Fe) will return to a range of \$110-\$120/t CFR and \$85 to \$95/t FOB, from current levels of approximately \$80/t CFR. Iron ore prices have declined by close to 40% this year, and current price levels are not sustainable given the industry cost curve.

While the global iron ore market remains oversupplied, the Trough is able to produce a high-quality product at a lower cost. Ore from the Trough typically has high levels of iron, and lower levels of contaminants like aluminium oxide, phosphorus and sulphur. In addition, concentrate grades for ore shipped from the Trough tend to be higher, in the 65% Fe range.

In addition, the supply side price pressures on the iron ore market may ease as India emerges as an iron ore importer. Basant Poddar, the vice president of the Federation of Indian Mineral Industries, estimated that India may import a total of 30 to 45 million tonnes of iron ore over the next three years. In 2012/2013, India imported 0.37 million tonnes of iron ore. JSW Steel, the third largest producer of steel within the country, plans to import 6 million tonnes of iron ore in 2014/2015.

India was the third largest exporter of iron ore until a crackdown on illegal mining banned the activity in Karnataka and Goa states, sending Indian output plummeting by about one-third. Resuming operations at these shuttered mines is likely to be slow as the renewal of mining leases is mired in bureaucracy. In Karnataka state, 22 of 122 mines have restarted operations, while none have reopened in Goa since the 2011/2012 crackdowns.

Early this week, spot iron ore prices responded to expectations that Chinese steel mills would restock their stockpiles ahead of the National Day holiday from October 1st to 7th. In addition, China typically rebuilds its stocks heading into winter, with iron ore prices typically performing strongly in the fourth quarter. Some market watchers anticipate that iron ore prices will rally toward the end of the year due to declining inventory at the ports, perhaps to level around \$100 per ton.

Some of the high cost supply in the iron ore market is likely to come offline in a sustained lower price environment. Wood Mackenzie estimates that 30% of the mines in China's coastal cities have already been shuttered, and that high-cost production in other areas will likely be shuttered as well in a sustained low price environment.

Summary. Volatility is inherent in commodities. The majority of market players did not anticipate the violent decline in iron ore spot prices that has occurred this year, nor the rapid flood of supply to the market. While the short-term pain is clearly evident, the picture could improve much sooner and at a more rapid pace than expected by the consensus.



Labrador Trough - Project Map



Source: Company Filings



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Ticker	Company	1	2	3	4	5	6
LIR-V	Lamêlée Iron Ore Ltd.			X	X	X	

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