

Labrador Iron Ore Royalty Income Fund - News Release

Labrador Iron adopts unitholder rights plan

Labrador Iron Ore Royalty Income
Fund

LIF.UN

Shares issued 30,000,000
Monday May 7 2001

2001-05-04 close \$14.6
News Release

Mr. James McCartney reports

The Labrador Iron Ore Royalty Income Fund has adopted a unitholder rights plan to protect its unitholders against creeping takeover bids.

Bruce Bone, the chairman of the Fund, said: "The securities laws in Canada allow a significant unitholder of the Labrador Income Fund to slowly consolidate control by purchasing units in the stock market or by private agreement transactions with institutional unitholders at a premium that may exceed the current trading price of our units by as much as 15 per cent. The trustees of the Fund believe that if an investor wants to acquire control of the Fund, they should pay an appropriate control premium, which should be shared with all of our unitholders".

Mr. Bone went on to explain: "The rights plan that has been adopted by the Fund is relatively benign in the sense that it imposes no serious restrictions on a takeover bid that Rio Tinto or any other investor might make. The statutory time period for a takeover bid is now 35 days and this rights plan permits takeover bids that are open for that minimum statutory period. The rights plan will, however, prevent a unitholder from acquiring more than 20 per cent of our outstanding units without making a takeover bid. A creeping bid through stock exchange purchases or private agreement transactions will not be permitted."

Rio Tinto plc recently purchased 20.3 per cent of the Fund pursuant to a hostile takeover bid. The Fund has no information as to what plans Rio Tinto may or may not have to purchase additional units in the future and the Fund is not aware of anyone else proposing to make a takeover bid for the units. Rio Tinto's current ownership of units will be grandfathered under the rights plan, but Rio Tinto will not be entitled to purchase further units except pursuant to a permitted takeover bid made on the same terms to all unitholders.

Pursuant to the rights plan, the Labrador Income Fund will distribute one right for every outstanding unit. No certificates will be issued at this time and the rights will trade with the units of the Fund. If the

rights plan were to be triggered by someone acquiring over 20 per cent of the outstanding units other than pursuant to a permitted bid, the rights would become activated and all of the other unitholders would be entitled to purchase additional units at half the market price. The Fund intends to submit the rights plan to its unitholders for their approval at the Fund's annual meeting to be held in June, 2001.

Under its original declaration of trust, the Labrador Income Fund created 30 million units. The trustees of the Fund have amended the declaration of trust to allow for the distribution of additional units in the limited circumstances of the activation of the rights plan. The trustees believe this step to be appropriate to protect the interests of the Fund and the unitholders collectively.