

LABRADOR IRON MINES CLARIFIES FISHERIES ACT CHARGES

St John's, Newfoundland and Labrador: December 16, 2016.

Labrador Iron Mines Holdings Limited ("LIMH") notes that the News Release issued today by Environment and Climate Change Canada, reporting that Labrador Iron Mines Holdings Limited was fined by the Provincial Court of Newfoundland and Labrador for two offences under the *Fisheries Act*, is not correct and is a mischaracterisation of the circumstances and events involved in this case.

Labrador Iron Mines Holdings Limited, the publicly owned holding company, was never charged in this case, did not plead guilty and was not fined by the Court.

In 2015 Environment Canada charged **Labrador Iron Mines Limited ("LIM")**, the 100% owned operating company, with three offences under the *Fisheries Act* for allegedly failing to take a quarterly sample in the fourth quarter of 2014 in violation of the *Metal Mining Effluent Regulations*.

LIM, which had previously operated its iron ore mine in Labrador and had suspended mining operations and shut down in November 2013, filed a plea of Not Guilty and contested the charges.

LIM operated its James Mine in western Labrador in each of the years 2011, 2012 and 2013. The James Mine was a small, open pit mining operation from which approximately 3.4 million tonnes of iron ore had been mined until mining ceased in October, 2013. LIM did not undertake any mining operations in the years 2014, 2015 or 2016, primarily due to prevailing low iron ore prices. The James mine site is now being rehabilitated in accordance with applicable environmental requirements.

There has been no deposit of any reject to the environment since October of 2013 when LIM ceased its operations at the James Mine, and specifically no discharge in the fourth quarter of 2014.

LIM has maintained its effluent monitoring program since the commencement of its operations in 2011, through the cessation of operations in 2013 and thereafter throughout 2014, 2015 and 2016 to date, as required. The reject previously deposited did not contain any significant amount of deleterious substances, as defined in the *Metal Mining Effluent Regulations*.

On June 9, 2014, as there were no continuing operations at the James Mine and no discharge being made, LIM submitted a request to Environment Canada to reduce the frequency of Effluent Monitoring testing from weekly and monthly to once per calendar quarter, which request was approved.

During the fourth calendar quarter of 2014, Effluent Monitoring was conducted on a weekly basis and on October 22, 2014, LIM conducted the required field sampling of effluent and submitted the samples for analysis. However, due to a misinterpretation of the changed sampling regime, the samples were only partially analyzed in accordance with the analytical requirements prescribed.

LIM subsequently reported the analytical results from the October 22, 2014 sampling to Environment Canada. As the samples actually taken on October 22, 2014 were with a view to environmental effects monitoring program, insufficient volumes of effluent remained from the samples taken to permit Acute Lethality tests to be carried out at the later date.

LIM submitted to Environment Canada that it had complied with the *Metal Mining Effluent Regulations* but Environment Canada declined to drop the charges. On November 28, 2016, faced with the prospect of an expensive court process to defend itself, and in view of the Company's limited financial situation and to save costs, LIM agreed to plead guilty to two charges but asserted extenuating circumstances, noting that no actual discharge had been made, samples had been taken and no harm had been suffered by the environment.

At the sentencing hearing in the Provincial Court in Wabush on December 5, 2016 the Court largely accepted LIM's submission and on December 12, 2016 imposed a reduced fine of \$3,000 for each to the two offences to which LIM had agreed to plead guilty and ordered a contribution of \$15,000 to the Environmental Damages Fund (EDF).

LIM has accepted the fines of \$3,000, recognising that part of the sampling on one occasion in the fourth quarter of 2014 was technically incomplete, but is considering an appeal against the contribution of \$15,000 to the Environmental Damages Fund as no actual discharge took place and no damage was caused to the environment.

* * * * *

About Labrador Iron Mines

Labrador Iron Mines (LIM) is engaged in the mining, exploration and development of its direct shipping (DSO) deposits located in the Schefferville/Menihek region of the prolific Labrador Trough in Western Labrador. LIM commenced mining operations in 2011 and in the three-year period of 2011, 2012 and 2013 produced a total of 3.6 million dry metric tonnes of iron ore, all of which was sold in 23 cape-size shipments into the Chinese spot market.

On April 2, 2015, LIM instituted proceedings in the Ontario Superior Court of Justice for a financial restructuring by means of a plan of compromise or arrangement under the Companies' Creditors Arrangement Act ("CCAA"). The Company initiated proceedings under CCAA to provide an opportunity for the orderly restructuring of its business and financial affairs. On December 14, 2016, LIM's Plan of Compromise and Arrangement (the "**Plan**"), which had been approved by creditors at meetings held on December 6, 2016, was sanctioned by the Ontario Superior Court in Toronto.

The Plan implements a framework to restructure LIM's business so as to preserve its mining assets in western Labrador and Quebec, permit LIM to continue its mine site activities in a standby mode in the near term and to position LIM to refinance an orderly resumption of its iron ore mining activities when economic conditions warrant, while providing creditors with an equity participation in the future profits of the Companies' businesses.

LIM's current focus is completing its financial restructuring and seeking additional financing. The Company is also working on development of its Houston Mine in Labrador, to be in a position to complete construction and begin mining operations from Houston when market conditions permit, subject to completion of financing and negotiation of major contracts.

For further information, please visit LIM's website at www.labradorironmines.ca or contact:

John F. Kearney
Chairman and Chief Executive
Tel: (647) 728-4105