LABRADOR IRON MINES
HOLDINGS LIMITED

# ANNUAL MEETING OF SHAREHOLDERS
# SEPTEMBER 20, 2016

## Remarks of John F. Kearney
## Chairman and Chief Executive

Labrador Iron Mines (LIM) commenced mining operations its direct shipping (DSO) deposits, located in the Schefferville/Menihek region of the prolific Labrador Trough, 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 China spot market.

LIM did not undertake mining operations in the 2015 or 2016 operating seasons, due to a combination of low iron ore prices and a continuing need for start-up working capital and development financing for the Company's Houston Project.

The price of iron ore averaged US$56 per tonne in 2015 (62% Fe fines on a CFR China basis), compared to an average price of US$97 per tonne in 2014 and US$135 per tonne in 2013. Iron ore exports from Australia to China have risen significantly as the world's top iron ore producers have substantially increased production, contributing to a growing global surplus of iron ore, coincident with an economic slowdown in China and other parts of Asia. Nevertheless, some indications of a medium term recovery are beginning to emerge. In 2016 an increase in China's steel demand lifted the price of iron ore to US$70 per tonne in late April 2016 before falling back to the current level of approximately US$55 per tonne.

In April 2015, LIM initiated proceedings for a financial restructuring under CCAA to provide an opportunity for the orderly restructuring of its business and financial affairs. We believe that an orderly CCAA process that enables the restructuring of the Company's debts and certain of its operating contracts is in the best interest of all stakeholders.

### CARE AND MAINTENANCE OPERATIONS

LIM's current focus is on care and maintenance of the Company's mineral properties and assets, with planning activities related to Houston Project development and corporate activities related to communications with the Company's creditors and stakeholders and pursuing revised commercial terms of major service and supply contracts.

LIM continues to conduct a variety of necessary operational and corporate activities with the objective of preserving its assets, maintaining its Schefferville mineral properties on a standby basis, fulfilling all environmental and regulatory obligations, controlling costs and completing a financial restructuring.

Other than fulfilling such field work required for claims maintenance purposes, all capital expenditure and exploration programs continue to be suspended for cash conservation purposes. A number of non-core mineral claims have been dropped or surrendered. We are currently completing the 2016 field program required to maintain our core mineral claims in good standing.

Progressive rehabilitation work at the James Mine is being undertaken during the summer and fall of 2016. The rehabilitation work includes placement of overburden and organic material on the settling pond area, waste rock stockpile and treat rock stockpile. The James Mine open pit is now flooded with natural water, as planned, and water is discharging by way of a reclaimed tributary. We are also continuing vegetation work in the James Mine area and completing a geotechnical study to assess the waste rock stockpile stability. Upon completion and satisfactory inspection of this required rehabilitation work, we anticipate a release of restricted cash by the Government of Newfoundland resulting from a reduction of related financial assurance for reclamation.

From a corporate perspective, LIM continues to focus on cost reduction and financial restructuring efforts. In addition to suspending all capital expenditure and exploration activities, we have significantly reduced corporate overhead and, combined with the limited cost of site maintenance and standby activities, have succeeded in reducing our ongoing costs significantly.

**HOUSTON PROJECT**

Planning for the development of the Houston Project continues, although such planning is limited to the use of internal resources.

Houston is planned to form the core of LIM's activities for the foreseeable future. Houston is situated in Labrador about 15 kilometres southeast of the James Mine and Silver Yards rail yard. Together with the Malcolm Deposit, considered to be its northwest extension, the Houston deposits are estimated to contain a National Instrument 43-101 ("NI 43-101") resource of 40.6 million tonnes grading 57.6% iron. When in full production, the Houston-Malcolm deposits are expected to produce consistent saleable product of about 2 to 3 million tonnes of iron ore per year, with a mine-life of 8 to 10 years.

The original Houston development plan has been revised in response to lower iron ore prices and in order to reduce upfront capital. The revised plan is based on lower-cost dry crushing and screening only. The development plan for Houston is relatively simple. The major component consists of constructing an 8 km gravel road, including a 30 metre bridge over the Gilling River. The new road will connect to an existing road located near Redmond Mine, which leads to the Silver Yards facility. The overall one-way distance by road from Houston to Silver Yards is approximately 20 km.

It is also planned to construct a new rail siding near the Houston Mine. When the rail siding is complete, it will be used in conjunction with the Silver Yards rail siding to increase train loading capacity up to approximately 3 million tonnes per year, and will reduce the operating cost of overland haulage from the Houston Mine to the current rail head at Silver Yards.

Including initial mine development, the initial capital investment to develop the Houston Mine, excluding working capital, is expected to be approximately $20 million.

The capital investment to put Houston into production is relatively modest, and the lead time for development relatively short, compared with most other iron ore projects under development in the Labrador Trough. The resumption of mining operations at Houston, with its projected eight to ten year mine-life, will be of significant economic and social benefit to LIM's stakeholders, including the various local communities.

Development of the Houston Project is subject to the availability of development financing. There are no assurances that the Company will be successful in obtaining the required development financing and if the Company is unable to obtain such financing, the development of Houston will be postponed.

## FINANCIAL RESTRUCTURING

On April 18, 2016, LIM initiated a claims process to identify and assess all creditor claims against the Company along with a process for the resolution of any claim disputes. Claims totaling approximately $93.4 million were filed by the Claims Bar Date of May 31, 2016, of which claims totaling approximately $24.3 million are still under review. These claims are in addition to approximately $292.7 million of existing group intercompany claims.

On June 30, 2016, the Court granted an extension of the Company's CCAA status until September 30, 2016, subject to further extension. During this period of time LIM is attempting to resolve remaining claim disputes and finalize a restructuring plan and conduct a creditor meeting to approve the plan. The plan of arrangement must be approved by the Company's creditors and the Court prior to it being given effect.

We are working towards submitting a plan of arrangement to creditors in October, 2016. LIM's goal is to successfully exit the CCAA process with ownership and value of the Company's business and core assets preserved, with the ability to recommence commercial production pending an improvement in the iron ore price environment.

As at June 30, 2016, LIM had current assets of $3.0 million, consisting of $2.7 million in unrestricted cash and accounts receivable and prepaid expenses of $0.3 million. In addition, LIM had $2.9 million in restricted cash. Excluding liabilities subject to compromise, the Company's working capital at June 30, 2016 was $2.0 million. LIM has no current or long-term bank debt.

## IRON ORE MARKET CONDITIONS

The price of iron ore averaged US$56 per tonne in 2015 (62% Fe fines on a CFR China basis), compared to an average price of US$97 per tonne in 2014 and US$135 per tonne in 2013. Iron ore exports from Australia to China have risen significantly as the world's top iron ore producers have substantially increased production, contributing to a growing global surplus of iron ore, coincident with an economic slowdown in China and other parts of Asia, displacing higher cost, lower grade domestic production and leading to the shutdown of numerous iron ore mines in China.

Nevertheless, some indications of a medium term recovery are beginning to emerge. In 2016 an increase in China's steel demand lifted the price of iron ore to US$70 per tonne in late April 2016 before it fell back to the current level of approximately US$55 per tonne. The price of iron ore retreated from mid-year, apparently in anticipation of rising supply from increased mine production including new supplies from the Roy Hill mine in Australia and Vale new S11D Project in Brazil

China is the world's biggest steel producer and iron ore consumer, forging 50% of the world's steel and consuming more than 75% of the world's seaborne iron ore trade. Growing supplies from Australia and Brazil and the low quality of ore mined domestically has increased China's reliance on imports and China continues to increase its imports of sea-borne iron ore, displacing higher cost domestic iron ore. In 2015 China imported 953 million tonnes of iron ore, an increase of 2.1% over the 933 million tonnes of iron ore imported in 2014. China's trend of increased reliance on imported iron ore is continuing in 2016.

China's demographics and maturing economic structure offer some optimism for growth in steel consumption, and therefore growth in seaborne iron ore demand, over the next 20 years. Over a quarter billion Chinese citizens will move into urban environments. As well, an ever-growing middle class will translate into higher per capita accumulated steel stock in use, according to informed market observers such as BHP, Global Insight, World Steel and Wood MacKenzie. Increasing automobile ownership will symbolize this growing middle class. Automobile manufacturing represents 20% of steel consumption in the advanced economies of the world.

Accumulated steel stock in use has been tracked historically for advanced economies such as the United States, Germany, Japan and South Korea. All of these have followed a similar pattern, moving from only 1 tonne of steel per capita in the 1960's, to a range of 10 to 12 tonnes of steel per capita by 2014. China currently has a steel intensity of use of around 6 tonnes per capita, but is anticipated to require nearly 11 tonnes of steel per capita by 2035. This growth, while only 1 percent per annum, implies an increase in imported seaborne iron ore of nearly one billion tonnes per annum over that period of time.

Combined with an anticipated floor price of US$60 per tonne (62% Fe equivalent) based on the estimated marginal cost of Chinese domestic production, the iron ore market should see both growing demand and price support over the next 20 years. A portion of this demand growth can be reasonably assumed to be supplied from new sources of supply outside of the top five major producers in Australia and Brazil. In the first quarter of 2016, the Australian Government economists forecasted a benchmark seaborne iron ore price of US$70 per tonne (62% Fe CFR China basis) within 3 years.

All iron ore producers in the Labrador Trough have felt the impact of lower iron ore prices. In 2015, Cliffs Natural Resources has closed its Wabush and Bloom Lake mines, following a period of sustained operating losses, and initiated CCAA proceedings relating to its Eastern Canadian operations.

In May 2016 Iron Ore Company of Canada (IOC) announced its decision to defer the proposed development of its "Wabush 3" mine area, which was planned to significantly extend the life of the IOC mining operation.

In January 2016, as part of the Cliffs' CCAA proceedings, the Bloom Lake mine was sold to Champion Iron Limited for $10.5 million plus the assumption of certain liabilities and Cliffs' port assets at the Pointe Noire area of the Port of Sept-Iles were sold to Investissement Quebec, the investment arm of the Government of Quebec, for $68 million plus the assumption of environmental liabilities.

Cliffs' port assets include the Wabush yard, dumper and loader, the Bloom Lake dumper and loader, the Wabush Pellet Plant and the Arnaud Railway which connects that part of the Port to the QNS&L railroad of IOC, which in turn connects the Port to Labrador City and, via the TSH railway, to Schefferville.

In January 2016 it was announced that the Government of Quebec and Tata Steel had signed an agreement in principle to cooperate in creating favourable conditions for the rail transit of iron ore within the Port Sept-Iles from Arnaud Junction to the multi-user dock of the Port of Sept- Iles, and to work towards government participation in Tata's direct shipping ore project in Schefferville.

On July 26, 2016 the Government of Quebec announced the award of a government financial contribution of $175 million to Tata Steel Minerals Canada to support the achievement at Schefferville of a direct shipping iron ore project (DSO project) in which Tata Steel Group has invested an amount in excess of $1 billion.

The financial contribution from the Government of Quebec includes an equity stake of $125 million through the Capital Mining Hydrocarbons Fund and a loan of $ 50 million from Investissement Québec, acting as an agent of the Government.

In announcing the award the Quebec Ministers said “The support for this important project confirms our commitment to stimulate the growth of the Quebec mining industry, particularly in the Northern parts of Quebec, and encourage the responsible exploitation of our resources” and “Our Government is proud to support this project which will help the Plan Nord succeed by promoting, amongst others, transshipment activities in the Port of Sept-Îles where Tata Steel Minerals Canada is the first mining company to use the rail and port assets of the Pointe Noire area, recently acquired by the Société du Plan Nord.”

LIM owns extensive iron ore resources, processing plants and equipment and rail infrastructure and facilities in its Schefferville Projects and the large investment by the Government of Quebec in the adjacent iron ore mining operations of Tata Steel in the Schefferville area is a very positive development and can only be good for LIM.

LIM’s objective is to successfully exit the CCAA process before the end of 2016 with ownership and value of the Company’s business and core assets preserved and be in a position to complete development and begin mining operations from its Houston direct shipping iron ore project, when market conditions permit.

September 20, 2016