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## LABRADOR IRON MINES REPORTS FISCAL 2016 YEAR-END RESULTS AND CORPORATE UPDATE

Toronto, Ontario, July 29, 2016. **Labrador Iron Mines Holdings Limited** (“LIM” or the “Company”) reports its financial results for its fiscal year ended March 31, 2016.

### OVERVIEW

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- For the fiscal year ended March 31, 2016, LIM reported a net loss of \$2.8 million or \$0.02 per share.
- In view of the prevailing iron ore price outlook, LIM has made a strategic shift in corporate focus toward establishing a lower cost operating framework, while concurrently attempting to negotiate more favourable commercial terms of major contracts and securing additional capital investment and working capital.
- In April 2016 LIM initiated proceedings under CCAA to provide an opportunity for the orderly restructuring of its business and financial affairs. The CCAA period has been extended until September 30, 2016, subject to further extension. The Company conducted a claims process with a claims bar date of May 31, 2016 and is working towards submitting a plan of arrangement to creditors by September 30, 2016.
- LIM’s objective is to complete a restructuring of its financial and business affairs and to be in a position to complete development and begin mining operations from its Houston direct shipping iron ore project in Labrador, near Schefferville, Quebec, when market conditions permit, subject to completion of financing.
- As at March 31, 2016, LIM had current assets of \$3.7 million, consisting of \$3.4 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 March 31, 2016 was \$2.8 million. LIM has no current or long-term bank debt.

### OPERATIONS SUMMARY

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Notwithstanding the challenging environment during the past several years, 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.

During the summer and fall of 2015, LIM conducted the field work required to maintain its mineral claims in good standing. Other than fulfilling such field work required for claims maintenance purposes, all other 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. LIM anticipates conducting the 2016 field program required to maintain its mineral claims in good standing during the fall.

Progressive rehabilitation work at the James Mine is planned for the summer of 2016. The rehabilitation work includes placement of overburden and organic material on the settling pond area, waste rock stockpile and treat rock stockpile. LIM also plans to continue its vegetation work of the James Mine area and complete a geotechnical study to assess the waste rock stockpile stability.

As part of its water quality management program LIM regularly collects and monitors water samples from a variety of bodies of water in the vicinity of James Mine. In addition to monitoring fish population and food supply, the physical stability of the natural habitat is also being monitored. Results to date are very positive with brook trout using the habitat for spawning, rearing and overwintering.

Planning for the development of the Houston Project continues, although such planning is limited to the use of internal resources. LIM is pursuing longer term strategic initiatives aimed at necessary permanent structural reductions in operating costs and revenue deductions. These include: focusing on dry processing only for its DSO projects, maintaining product quality, improving recoveries, alternative port arrangements at Sept-Iles, sharing facilities with other companies and developing alternative destination markets with lower freight costs for the Company's iron ore. LIM is currently seeking to negotiate revised commercial terms with its major contractors and suppliers. Operating cost saving initiatives are required across the board, including with respect to mining costs, rail transportation, fuel procurement, aviation services, hydro-electric power, human resources and manpower and corporate and administration costs. In particular, the Company is currently researching potential savings associated with autonomous equipment with a specific focus on drilling.

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.

All iron ore producers in the Labrador Trough have felt the impact of lower iron ore prices. In the last year 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. To compete globally with the major iron ore producing regions in the rest of the world, it will be necessary to bring down costs of Canadian iron ore production. Australia not only has a huge ocean freight advantage shipping to China, but Australian operating costs are generally lower than Canadian costs. To operate economically in this market environment, iron ore projects in Canada, including the Company's Schefferville Projects, need to reduce costs to be competitive.

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. In announcing the award, the Quebec Minister 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".

## **FINANCIAL RESTRUCTURING UNDER CCAA**

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On April 2, 2015, LIM instituted proceedings in the Ontario Superior Court of Justice (the "Court") for a financial restructuring by means of a plan of compromise or arrangement under the Companies' Creditors Arrangement Act ("CCAA"). LIM initiated proceedings under CCAA to provide an opportunity for the orderly restructuring of its business and financial affairs, so as to enable the Company to emerge with a viable business in the most favourable position to secure additional development financing to proceed with the development of LIM's Houston Project and continue as a going concern.

The Court granted a stay which generally precludes any enforcement or collection action being taken against the Company with respect to pre-CCAA liabilities or contracts. The relief is designed to stabilize operations and business relationships with contractors, suppliers and creditors and to provide an opportunity for LIM to negotiate a settlement of liabilities and a restructuring of major contracts.

On April 18, 2016 pursuant to an order of the Court, the Company initiated a claims process to identify and assess all 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 intercompany group 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, 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. The Company is working towards submitting a plan of arrangement to creditors by September 30, 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.

## **FINANCIAL RESULTS - FISCAL YEAR ENDED MARCH 31, 2016**

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For the fiscal year ended March 31, 2016, LIM reported a net loss of \$2.8 million, or \$0.02 per share, mainly attributable to site standby costs, corporate and administrative costs and restructuring costs.

No capital expenditures in property, plant and equipment were made during the year ended March 31, 2016.

As at March 31, 2016, LIM had current assets of \$3.7 million, consisting of \$3.4 million in unrestricted cash and accounts receivable and prepaid expenses of \$0.3 million.

Current liabilities, consisting of accounts payable and accrued liabilities, finance lease obligations, rehabilitation provisions and liabilities subject to compromise, were in aggregate \$67.4 million at March 31, 2016, of which \$66.5 million were liabilities subject to compromise.

The Company had a working capital deficit of \$63.7 million at March 31, 2016, including \$66.5 million of liabilities subject to compromise. Excluding liabilities subject to compromise, the Company's working capital at March 31, 2016 was \$2.8 million. LIM has no current or long-term bank debt.

## **IRON ORE MARKET CONDITIONS**

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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 shut down of numerous iron ore mines in China.

Nevertheless, some indications of a medium term recovery are beginning to emerge. In 2016 year to date, to end of July, the price of iron ore is up by 30% and has improved 55% since hitting near-decade lows in December 2015. 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 levels, as of the end of July, of approximately US\$58 per tonne.

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*This press release should be read in conjunction with LIM's Management's Discussion and Analysis (MD&A) and audited Financial Statements for the year ended March 31, 2016, which are available on the Company's website at [www.labradorironmines.ca](http://www.labradorironmines.ca), under the "Financials" section, or on SEDAR ([www.sedar.com](http://www.sedar.com)).*

*Unless otherwise noted, all references to 'years' in this press release are 'calendar years', unless otherwise noted, all dollar amounts are stated in Canadian dollars and all tonnes are stated in dry metric tonnes*

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## ABOUT LABRADOR IRON MINES HOLDINGS LIMITED

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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. 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 China spot market.

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. The Company's objective is to be in a position to complete construction and begin mining operations from Houston when market conditions permit, subject to completion of financing and restructuring efforts.

For further information, please visit LIM's website at [www.labradorironmines.ca](http://www.labradorironmines.ca) or contact:

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

Rodney Cooper  
President and Chief Operating Officer  
Tel: (647) 729-1287

### Cautionary Statements:

*The terms "iron ore" and "ore" in this document are used in a descriptive sense and should not be considered as representing current economic viability.*

*A Feasibility Study has not been conducted on any of the Company's Schefferville Projects.*

### Forward Looking Statement:

*Some of the statements contained in this Press Release may be forward-looking statements which involve known and unknown risks and uncertainties relating to, but not limited to, LIM's expectations, intentions, plans and beliefs. Forward-looking information can often be identified by forward-looking words such as "anticipate", "believe", "expect", "goal", "plan", "intend", "estimate", "may" and "will" or similar words suggesting future outcomes, or other expectations, beliefs, plans, objectives, assumptions, intentions or statements about future events or performance. Forward-looking information may include reserve and resource estimates, estimates of future production, unit costs, costs of capital projects and timing of commencement of operations, and is based on current expectations that involve a number of business risks and uncertainties and assumptions regarding financing. Factors that could cause actual results to differ materially from any forward-looking statement include, but are not limited to, failure to establish estimated resources and reserves, the grade and recovery of ore which is mined varying from estimates, delays in obtaining or failures to obtain required financing, capital and operating costs varying significantly from estimates, delays in obtaining or failures to obtain required governmental, environmental or other project approvals, delays in the development of projects, changes in exchange rates, fluctuations in commodity prices, inflation and other factors. Forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results to differ materially from expected results. There can be no assurance that LIM will be successful in maintaining any agreement with any First Nations groups who may assert aboriginal rights or may have a claim which affects LIM's properties or may be impacted by the Schefferville Projects. Shareholders and prospective investors should be aware that these statements are subject to known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from those suggested by the forward-looking statements. Shareholders and prospective investors are cautioned not to place undue reliance on forward-looking information. By its nature, forward-looking information involves numerous assumptions, inherent risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and various future events will not occur. LIM undertakes no obligation to update publicly or otherwise revise any forward-looking information whether as a result of new information, future events or other such factors which affect this information, except as required by law.*