LABRADOR IRON MINES REPORTS FIRST QUARTER RESULTS


This News Release should be read in conjunction with the Company’s unaudited condensed interim consolidated financial statements and Management’s Discussion & Analysis (“MD&A”) for the quarter ended June 30, 2017, which are available on the Company’s website at www.labradorironmines.ca, or under the Company’s profile on SEDAR (www.sedar.com).

OPERATIONS SUMMARY

The Company is engaged in the exploration and development of direct shipping iron ore projects in the central part of the Labrador Trough region, one of the major iron ore producing regions in the world, situated in the Menihek area in the Province of Newfoundland and Labrador and in the Province of Quebec, centered near the town of Schefferville, Quebec. Through its 51% owned consolidated subsidiary Labrador Iron Mines Limited (“LIM”) the Company owns extensive iron ore resources, processing plant equipment and rail infrastructure and facilities in its Schefferville Projects.

The iron ore market continues to be very volatile. Driven by increased Chinese demand, the price of iron ore doubled in 2016, reaching a two-year high of US$80 per tonne (62% Fe CFR China basis) by the end of the year. In early 2017 the price continued to rise, peaking at US$97 per tonne in February 2017, its highest level since mid-2014. During the quarter ended June 30, 2017 the iron ore price declined to a low of US$55 per tonne, before recovering to the current price of US$75 per tonne subsequent to quarter end. Historically, the price of iron ore reached an all-time high of US$191 in February of 2011 and a low of US$37 in December of 2015. The steep decline in the price of iron ore in the period since 2013 has been attributed to the substantial increase in production by the world’s top iron ore producers in Australia and Brazil.

LIM did not undertake any mining operations in any of 2014, 2015 or 2016, and has not recommenced mining operations in 2017, primarily due to the low iron ore price environment and a continuing need for start-up working capital and development financing for the Company’s Houston Project.

In December 2016, the Company’s Plan of Arrangement was approved by creditors and sanctioned by the Court. The Plan was designed to create a framework for the orderly restructuring of the Company’s business and financial affairs, to enable the Company to sustain itself, pending the recovery of iron ore prices, in the most favourable position to secure additional development financing to proceed with the development of its Houston Project and continue as a going concern.

Notwithstanding the challenging environment during the past several years, LIM continues to conduct a variety of operational and corporate activities with the objective of preserving its assets, maintaining its mineral properties on a standby basis, fulfilling environmental and regulatory obligations and controlling costs.
Progressive rehabilitation work at the James Mine continues to be carried out. Site activities during the quarter consisted mainly of property maintenance, environmental monitoring and site standby activities. The Company’s environmental monitoring activities relate principally to monitoring water quality and fish habitat conditions in the lakes and tributaries surrounding the James Mine. Currently, the Company is carrying out an environmental site assessment as well as concluding an evaluation of the Redmond Creek fish habitat replacement. In addition, surplus processing plant equipment continues to be removed from site.

LIM’s Schefferville Projects now consist of the Houston property and, subject to further exploration and development, other iron ore properties in the vicinity of Schefferville, including the Elizabeth taconite deposit.

Houston, which is LIM’s principal asset, is situated in Labrador about 25 kilometres (“km”) southeast of the town of Schefferville, Quebec. Together with the Malcolm deposit, considered to be its northwest extension, Houston is estimated to contain a National Instrument 43-101 (“NI 43-101”) resource of 40.6 million tonnes grading 57.6% iron (“Fe”).

The capital investment to put Houston into production, with a projected ten-year mine life, is relatively modest, and the lead time for development relatively short, compared with most other iron ore projects under development in the Labrador Trough. Subject to securing development financing, LIM is now positioned to resume mining operations as soon as economic conditions warrant.

Planning for the development of the Houston Project continues, although such planning is limited to the use of internal resources. The revised development plan is based on lower-cost dry crushing and screening only. When in full production, the Houston Project is expected to produce consistent saleable product of about 2 million tonnes per year, with an initial mine-life of about 10 years.

**FINANCIAL RESULTS – QUARTER ENDED JUNE 30, 2017**

The Company reported a net loss of $0.6 million, or $0.00 per share during the quarter ended June 30, 2017, compared to a net loss of $0.8 million, or $0.01 per share, in the same quarter of the previous year. The net loss of $0.6 million in the current quarter was mainly attributable to site costs of $0.3 million and corporate and administrative costs of $0.3 million.

Corporate and administrative costs remained low, reflecting a reduction in staff levels and a previous rationalization of office space and related costs.

The Company made no capital expenditures on property, plant and equipment or its mining properties during the quarter. The Company continues to conduct the minimum expenditures required to maintain its mineral claims in good standing. A number of non-core mineral claims have been dropped or surrendered.

As at June 30, 2017, the Company had a positive working capital balance of $0.7 million and has no current or long-term bank debt. The Company has significantly reduced corporate overhead and, combined with the limited cost of site maintenance and standby activities, has succeeded in reducing its ongoing costs significantly. LIM intends to fund its ongoing site standby and general corporate and administrative activities from the proceeds of sale of surplus non-core assets and equipment.
IRON ORE MARKET CONDITIONS

While the five-year average price of iron ore is US$95 per tonne, the current consensus forecast for the remainder of 2017 and 2018 is in the US$50 to US$60 per tonne range. There is less consensus on longer term forecasts, however. Analysts generally expect steel production and steel margins to remain robust, which should provide strong underlying demand fundamentals for iron ore. China will continue to record economic growth and build new infrastructure which will require more steel and thus more iron ore. Supply dynamics, however, continue to be the wildcard, as the world’s largest iron ore producers have a history of demonstrating poor production discipline, sacrificing price and revenue on the altar of market share.

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ABOUT LABRADOR IRON MINES HOLDINGS LIMITED

Labrador Iron Mines 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 the three year period of 2011, 2012 and 2013 LIM 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 along with planning activities related to Houston Project development. Subject to securing development financing, LIM is now positioned to resume mining operations as soon as economic conditions warrant.

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

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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.