LABRADOR IRON MINES
HOLDINGS LIMITED

ANNUAL MEETING OF SHAREHOLDERS

SEPTEMBER 15, 2015

Remarks of John F. Kearney
Chairman and Chief Executive

As LIM has previously reported, LIM did not undertake mining operations during the 2014 operating season and has not recommenced mining operations for the 2015 operating season due to a combination of prevailing low iron ore prices and a continuing need for start-up working capital and development financing for the Company's Houston Project.

In some ways this has proven to have been a fortuitous decision. Since the beginning of 2014, the spot price of iron ore has fallen 60% to US$55 per tonne currently, compared to an average price of US$135 per tonne in 2013 (62% Fe fines on a CFR China basis). Iron ore exports from Australia to China have risen significantly as the world's top iron ore producers have substantially increased production, pushing prices down to the lowest levels in six years and contributing to a growing global surplus of iron ore, coincident with an economic slowdown in China and other parts of Asia. This weakness in the iron ore market is showing no signs of an immediate recovery.

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, which was sold in 23 cape-size shipments into the Chinese spot market. Let me remind shareholders that the Company's direct shipping iron ore ("DSO") projects were conceived and developed in 2010 and 2011 in an environment of much higher iron ore prices than today. For example, when certain service and supply contracts were signed in March 2011, the price of iron ore was around US$190 per tonne CFR China compared to the current price of US$55 per tonne CFR China.

In view of the prevailing iron ore price outlook, and based on the Company's experience over its three previous operating seasons, LIM made a strategic shift in corporate focus during 2014 toward establishing a lower cost operating framework, while concurrently attempting to negotiate more favourable commercial terms of major contracts and secure additional capital investment and working capital. To have a viable economic operation in this lower iron ore price environment, LIM needs to "re-set" its projects.

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"). This step was taken to provide an opportunity for the orderly restructuring of the Company's business and financial affairs, so as to enable the Company to emerge with a viable business in the most favourable position to secure additional financing to proceed with the development of the Company's Houston Project and continue as a going concern.

LIM owns extensive iron ore resources, processing plants and equipment and rail infrastructure and facilities in its Schefferville Projects but is currently in a very challenging financial position. 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 Company believes that an orderly CCAA process that enables the restructuring of the Company's debts, the restructuring of certain of its operating contracts and securing additional development financing to proceed with the development of the Company's Houston Project is in the best interest of all of stakeholders.

Notwithstanding the challenging environment during the past year, LIM continues to conduct a variety of necessary operational and corporate activities with the objective of preserving its assets, maintaining its mine site on a standby basis, fulfilling all environmental and regulatory obligations and continuously reducing costs.

During the summer of 2015, we conducted the field program required to maintain our mineral claims in good standing. A number of non-core mineral claims have been dropped or surrendered. The Company continued its efforts to offset operating costs by generating third party income from otherwise idle property and equipment. Such initiatives include the continuing sublease of the Bean Lake mine camp, the development of an active rail car repair and refurbishment business at the Centre Ferro facility in Sept-Iles, Quebec and the sale of some surplus equipment.

The Company continues to fulfill all its environmental regulatory requirements, which principally relate to maintaining acceptable water quality and fish habitat conditions in the lakes and tributaries surrounding the James Mine. The James open pit is now flooded with natural water, as planned, and water is discharging by way of a reclaimed tributary.

From a corporate perspective, we continue to focus on cost reduction. In response to weak market conditions hard decisions have been taken to preserve the long-term future of LIM's iron ore assets and operations. Major work-force reduction and office lease rationalization was completed during the past year, significantly reducing corporate overhead. Corporate salaries have been reduced and all directors' fees have been waived. In February 2015, the Company voluntarily delisted its shares from the Toronto Stock Exchange, primarily as a further cost reduction measure. Combined with the limited cost of site maintenance and standby activities, the generation of third party income from idle assets and the suspension of capital expenditure and exploration programs, LIM has succeeded in reducing its ongoing costs significantly.

Financial Restructuring under CCAA

LIM initiated proceedings under CCAA to provide an opportunity for the orderly restructuring of the Company's 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 the Company's Houston Project and continue as a going concern.

LIM needs to secure additional financing and complete a financial restructuring in order to continue as a going concern. Both a financial restructuring and a refinancing are required to manage the Company's working capital deficit and to fund continuing operations, corporate administration and future mine development programs.

The CCAA process is designed to stabilize operations and business relationships with contractors, suppliers and creditors and to provide an opportunity for the Company to negotiate a settlement of liabilities and a restructuring of major contracts. LIM has approximately $66 million in unsecured liabilities subject to compromise, of which the principal components are US$20.6 million, representing the outstanding amount of a repayable advance payment for the purchase of iron ore, $15 million due to the Company's mining contractor for work done in 2013 and the remaining balance of $20 million due to miscellaneous creditors and suppliers. LIM has no current or long-term bank debt. Upon completion of such negotiations, a proposed plan of arrangement for a financial restructuring will be presented to the Company's creditors. The plan of arrangement must be approved by the Company's creditors and the Court prior to it being given effect. Such proposed plan of arrangement has not yet been presented to creditors.

In the meantime, the CCAA Court Order grants the Company the authority to carry on business in a manner consistent with the preservation of its business and property. Among other things, the Company is authorized and empowered to continue corporate and site standby activities and to continue to retain and employ the employees, consultants, agents, experts, accountants, counsel and such other persons considered necessary in the ordinary course of business.

Requirement for Refinancing and Restructuring

Due to the capital requirements of developing the Houston Project, LIM needs to secure additional financing. In order to attract additional financing, the Company needs to also complete a restructuring of its major contracts to ensure the viability and profitability of the Company's future mining operations.

LIM's ability to develop the Houston Project is dependent on completing such additional development financing. Even if the Company is successful in completing its required settlement of liabilities and restructuring of major contracts, if we are unable to obtain additional development financing on a timely basis or on reasonable or acceptable terms, then we will not be able to pursue development of its Houston Project. There are no assurances that the Company will be successful in completing its required settlement of liabilities and restructuring of major contracts under the CCAA process or otherwise.

Lower Cost Structure – Re-negotiation of Commercial Terms of Major Contracts

To be able to operate economically in the current iron ore price environment, iron ore projects in Canada, including the Company's Schefferville Projects, need to reduce costs to be competitive. To compete globally with the rest of the major iron ore producing regions of the world, it will be necessary to bring down costs of Canadian iron ore production.

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 products.

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. However, although such savings are considered essential to ensure the longer term economic viability of LIM's operations, there can be no guarantee that these strategic initiatives will be concluded successfully or on a timely basis.

Houston Project

LIM's Schefferville Projects now consist of the Houston property, which includes the Malcolm deposit, the Silver Yards processing facility and, subject to further exploration and development, other iron ore properties in the vicinity of Schefferville. Houston is planned to form the core of LIM's activities for the foreseeable future.

Houston is situated in Labrador about 15 kilometres ("km") southeast of the James Mine and Silver Yards processing plants. Together with the Malcolm Deposit, considered to be its northwest extension, the Houston deposits are estimated to contain a National Instrument 43-101 resource of 40.6 million tonnes grading 57.6% iron ("Fe").

When in full production, the Houston-Malcolm deposits are expected to produce consistent saleable product of about 2 to 3 million tonnes per year, with an initial mine-life of 8 to 10 years.

Planning for the development of the Houston Project has continued over the past year, although such planning is limited to the use of internal resources. Civil construction work that will be required to develop the project was re-tendered to three qualified contracting firms in 2014, resulting in a potential reduction in the capital cost to complete the access road and the railway siding.

The development plan for Houston is relatively simple. The major component consists of constructing an 8 km gravel road, including a 30 m 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.

During 2014, the Houston development plan was 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, with deferral of the originally proposed wet plant. The Silver Yards wet plant will be maintained in standby condition and may be re-commissioned to process lower grade plant feed from Houston and, potentially, production from other deposits in later years.

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 rail head.

Development of the Houston Project is subject to the availability of development financing. The conditions of any potential financing will include a requirement for the Company to restructure its existing liabilities, by means of a plan of arrangement, and to successfully negotiate more favourable commercial terms of major supply and service contracts.

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.

Iron Ore Market Conditions

Since the beginning of 2014, the price of iron ore has declined 60% to US$55 per tonne (62% Fe fines on a CFR China basis) currently, compared to an average price of US$135 per tonne in 2013 and US$97 per tonne in 2014.

Iron ore exports from Australia to China increased significantly in 2014, pushing spot prices to the lowest levels in six years and contributing to a growing global surplus. Inventories at Chinese ports reached record levels of over 100 million tonnes, increasing supply and leading to lower prices.

The price of iron ore rebounded 40% from April to mid-June 2015 to reach US$65, driven by expectations that output would be constrained by a prolonged wet season in the Pilbara region of Australia. However, the price subsequently resumed its decline hitting a six-year low of US$45 per tonne in July 2015 and is currently around US$57 per tonne. Port inventories have been reduced to approximately 85 million tonnes in recent months.

The explanation for the increase in supply is that the world's big four iron ore producers significantly increased production in 2014. Iron ore output from Vale, Rio Tinto, BHP Billiton and Fortescue is estimated to have risen 15% during 2014, adding about 130 million tonnes of product to the market.

It is anticipated that the supply surplus will continue to grow, from an estimate of 20 million tonnes in 2015, to potentially over 100 million tonnes in 2017. Hancock Prospecting's new Roy Hill mine in Australia is anticipated to begin commercial production later this year, eventually contributing another 50 million tonnes per annum to the supply side.

However, lower prices have forced the closure of higher cost domestic Chinese producers. Chinese domestic production is forecast to drop further from nearly 300 million tonnes in 2014, to approximately 125 million tonnes by 2017, on an equivalent 62% Fe basis. As higher-cost mines in China close, demand for seaborne supply should increase but will be tempered by the closure of smaller high cost and inefficient Chinese steel plants.

Across the globe higher cost miners continue to shut capacity in response to low prices and the iron ore supply problem would appear to be subsiding to some extent. Commentators have noted that the excess supply problem in iron ore is being solved by low prices and that forecasted iron ore surpluses are shrinking, which could lead to an expected balanced supply/demand position by 2017, similar to the situation prevailing throughout 2013.

Higher cost Chinese production has closed and, outside China, many fourth quartile projects have shut down. Vale has announced that it is taking 25 to 30 million tonne per annum ("mtpa") of low margin iron ore supply offline, shifting production from low margin to higher margin ore, in response to the price pressure in the iron ore market. Meanwhile, Rio Tinto recently cut its forecast for 2015 and now projects that for full year 2015, it will ship 340 million tonnes, down from an earlier forecast of 350 million tonnes.

The large producers have been able to remain profitable in spite of depressed iron ore prices because of lower production costs and have defended the strategy of boosting production, arguing that if they backed off competitors would take market share. However, they have been criticized for intentionally oversupplying the market to suppress iron ore prices to drive other producers out of business. The iron ore industry is re-consolidating and the larger lower cost miners such as Rio Tinto, BHP Billiton and Vale should continue to take market share as a result.

The top four producers are re-asserting their status as an oligopoly in the market and currently control 55% of the supply. This dominant position is forecast to increase to 75% within the next two years and will likely result in more disciplined supply growth and less volatility in market prices.

Robust steel production and iron ore demand from China have underpinned the iron ore price over the past ten years. Despite an economic slowdown, it would seem that Chinese steel production continues to increase and China will need to import more iron ore to replace the shutdown of domestic production, which should help iron ore price stability.

China's increasing steel intensity (steel usage per capita) has been driven by rapid economic growth and continued urbanization, leading to significant increases in the rate of residential construction, public infrastructure development and durable goods production. The recent collapse of the Chinese equity markets and some other indications of slower Chinese economic growth, including very weak domestic steel markets, have put that demand growth at risk. However, economic growth in China is expected to continue, although at a lower rate, and this continuing growth in demand should return iron ore supply-demand to a balanced situation, provided the "big three" producers show some market discipline.

Nevertheless, the market outlook for iron ore remains uncertain. There has been significant price volatility in iron ore prices over the past few years and there will likely be further volatility in the future. Based on current industry analyst consensus, the iron ore spot price is anticipated to be in the US$60 to US$70 per tonne range over the next two years, while the forecast for long-term iron ore prices is in the range of US$70 to US$80 per tonne.

In the longer term, the cost curve plays an integral role in establishing an effective 'floor' for iron ore prices. It was believed that the average marginal cost of Chinese iron ore production provides a level of support for long-term iron ore prices. The estimated average marginal cost of Chinese iron ore production was widely reported at approximately US$120 per tonne in 2013, but with the closure of high cost Chinese production is now reported to have decreased to below US$100 per tonne.

All iron ore producers in the Labrador Trough have felt the impact of lower iron ore prices. The past year has seen the closure of both Cliffs Wabush Mine and its Bloom Lake mine. 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.

Canada is on the opposite side of the world from the main iron ore market in China. Australia not only has a huge ocean freight advantage shipping to China, but Australian operating costs are generally lower than Canadian costs. It is difficult to compete globally if more than two thirds of operating costs are incurred on power, transport and ocean freight. 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.

Labrador Trough Overall Restructure

At this Annual Meeting last year I discussed the need for a rethink and restructuring of the iron ore business in the Labrador Trough in order for Canada to remain competitive globally and to realise its potential to become a major iron ore producing region.

To compete globally with the rest of the world, we need to bring down costs for Canadian iron ore companies in the Labrador Trough. This is largely a function of infrastructure: transport and power. While extensive and existing infrastructure is in place, access to this infrastructure at reasonable commercial terms remains a huge challenge. Access to infrastructure is key to bringing down high Canadian costs.

New infrastructure and investment will allow us to develop and operate our projects more effectively and cheaply. Both government participation and private sector investment is crucial to the establishment of necessary infrastructure. These investments are too big for any single mining company and in my opinion, are rightfully the responsibility of Government which is in the best position to accomplish this and the country is ultimately the long-term beneficiary.

Outlook

In response to weak market conditions, we have been forced to take hard decisions so that we can preserve the long term future of LIM's iron ore operations. To survive in today's economic environment, LIM needs to "re-set" its projects.

Economic growth in China will continue, although at a lower rate, and this continuing growth in demand should return iron ore supply-demand to a balanced situation provided the "big three" producers show some market discipline. The top iron ore producers are re-asserting their status as an oligopoly and their dominant position is forecast to increase to 75% within the next two years, which will likely result in more disciplined supply growth and less volatility in market prices.

LIM is seeking to negotiate revised commercial terms with its major contractors and suppliers. Operating cost saving initiatives are required all across the board, including with respect to mining costs, rail transportation, fuel procurement, aviation services, hydro-electric power, human resources and man power and corporate and administration costs.

LIM needs to secure additional financial resources to fund the development of our Houston project which is planned to form the core of LIM's activities for the foreseeable future. I am personally optimistic that with the co-operation of our stakeholders we will be able to restructure our operations and our finances.

However, this statement comes with a legal disclaimer and warning that there are no assurances that the Company will be successful in completing a financial restructuring or in obtaining any required financing, or in obtaining financing on a timely basis or on reasonable or acceptable terms.

If LIM is unable to successfully complete a financial restructuring in the CCAA process and obtain adequate additional financing on a timely basis, the Company will be required to curtail all operations and development activities and may be required to conduct a sales process to liquidate its assets.

We are working very hard and making every effort to try to avoid this.

September 15, 2015