LABRADOR IRON MINES REPORTS THIRD QUARTER RESULTS

Toronto, Ontario, February 26, 2016. Labrador Iron Mines Holdings Limited (“LIM” or the “Company”) today reports its operating and financial results for its third fiscal quarter and nine months ended December 31, 2015.

Overview

- For the fiscal third quarter ended December 31, 2015, LIM reported a net loss of $2.0 million or $0.02 per share, which included an unrealized foreign exchange loss of $1.3 million due to the decline of the Canadian dollar.
- In view of the prevailing iron ore price outlook, and based on LIM’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 securing additional capital investment and working capital.
- On April 2, 2015, LIM initiated proceedings under the Companies’ Creditors Arrangement Act (“CCAA”) and was granted an order providing creditor protection to provide an opportunity for the orderly restructuring of its business and financial affairs. The CCAA creditor protection period has been extended until June 30, 2016, subject to further extension.
- The Company expects the CCAA claims process to be initiated in March 2016 and is working towards submitting a plan of arrangement to creditors by June 30, 2016.
- LIM’s objective is to be in a position to complete construction and begin mining operations from Houston when market conditions permit, subject to successful restructuring efforts under CCAA and completion of financing.
- 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.

OPERATIONS SUMMARY

Notwithstanding the challenging environment, 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 and fall of 2015, the Company conducted the minimum field program required to maintain its mineral claims in good standing. Other than fulfilling minimum field work 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.

During the quarter ended December 31, 2015, the Company continued its efforts to offset operating costs by generating third party income from otherwise idle property and equipment. Such initiatives included the sublease of the Bean Lake mine camp until the end of October and continuation of an active rail car repair and refurbishment business at the Centre Ferro facility in Sept-Iles, Quebec.

Meanwhile, planning for the development of the Houston Project has continued, although such planning is limited to the use of internal resources.
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 producers 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.

In January 2016, as part of the Cliffs’ Bloom Lake CCAA proceedings, the Court approved the sale of Cliffs’ port assets at the Pointe Noire area of the Port of Sept-Iles to Investissement Quebec, the investment arm of the Government of Quebec, for a purchase price of $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 QNSL railroad of IOC, which in turn connects the Port to Labrador City and, via the TSH railway, to Schefferville.

On January 20, 2016 it was announced that the Government of Quebec and Tata Steel had signed an agreement in principle during the World Economic Forum at Davos in Switzerland to cooperate in creating favourable conditions for the transit of iron ore from Arnaud Junction to the new multi-user dock at Pointe Noire in the Port of Sept- Iles, and to work toward a decision before March 31, 2016 on the level of government participation in Tata’s direct shipping ore project in Schefferville.

Financial Restructuring Under CCAA

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”) and was granted an order (the “Court Order”), as subsequently amended and extended, providing creditor protection until June 30, 2016, subject to further amendment and extension.

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 Order grants 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. 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. The Company expects the claims process to be initiated in March 2016 and is working towards submitting a plan of arrangement to creditors by June 30, 2016.

In the meantime, the Court Order grants LIM the authority to carry on business in a manner consistent with the preservation of its business and property. Among other things, LIM 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.
THIRD QUARTER FINANCIAL RESULTS

For the fiscal third quarter ended December 31, 2015, LIM reported a net loss of $2.0 million, or $0.02 per share, which included an unrealized foreign exchange loss of $1.3 million due to the decline of the Canadian dollar. Excluding this unrealized foreign exchange loss, the net loss during the third quarter was $0.7 million or $0.01 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 quarter ended December 31, 2015.

As at December 31, 2015, LIM had current assets of $4.1 million, consisting of $3.6 million in unrestricted cash and accounts receivable and prepaid expenses of $0.5 million.

Current liabilities, consisting of accounts payable and accrued liabilities, finance lease obligations, rehabilitation provisions and liabilities subject to compromise, were in aggregate $71.3 million at December 31, 2015, of which $70.0 million were liabilities subject to compromise.

The Company had a working capital deficit of $67.2 million at December 31, 2015, including $70.0 million of liabilities subject to compromise. Excluding liabilities subject to compromise, the Company’s working capital at December 31, 2015 was $2.8 million. The Company has no current or long-term bank debt.

Iron Ore Market Conditions

Since the beginning of 2014, the price of iron ore has declined 64% to US$49 per tonne (62% Fe fines on a CFR China basis) currently, compared to an average price of US$135 per tonne in 2013, US$97 per tonne in 2014 and US$56 per tonne in 2015.

China consumes more than 75% of the world’s seaborne iron ore trade and 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.

The market outlook for iron ore remains uncertain.

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This press release should be read in conjunction with LIM’s Management’s Discussion and Analysis (MD&A) and unaudited financial statements for the third quarter ended December 31, 2015, which is available on the Company’s website at www.labradorironmines.ca, under the “Financials” section, or on SEDAR (www.sedar.com).

Unless otherwise noted, all references to ‘years’ in this press release are ‘calendar years’, 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

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 Chinese 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 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.