LABRADOR IRON MINES
HOLDINGS LIMITED

News Release

LABRADOR IRON MINES REPORTS QUARTERLY RESULTS

Toronto, Ontario, August 28, 2015. **Labrador Iron Mines Holdings Limited** ("LIM" or the "Company") today reports its operating and financial results for its first fiscal quarter ended June 30, 2015.

Overview

- For the fiscal first quarter ended June 30, 2015, LIM reported a net loss of $0.3 million or $0.00 per share, which included an unrealized foreign exchange gain of $0.5 million.
- 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") to provide an opportunity for the orderly restructuring of its business and financial affairs.
- LIM owns extensive iron ore resources, a processing facility and equipment and rail infrastructure in its Schefferville Projects. LIM believes that an orderly CCAA process that enables the restructuring of its debts, the restructuring of certain of its operating contracts and securing additional development financing to proceed with the development of its Houston Project is in the best interest of all stakeholders.
- Since the beginning of 2014, the spot price of iron ore has fallen 60% to US$54 per tonne currently, compared to an average price of US$135 per tonne in 2013 (62% Fe fines on a CFR China basis). The weakness in the iron ore market has continued in 2015 and is showing no signs of an immediate recovery.

OPERATIONS SUMMARY

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.

The Company completed the first phase of the James Mine rehabilitation program during 2014. Perimeter berms were constructed at all accessible locations around the open pit. The settling ponds area was reclaimed and diversion ditches were also built to better manage surface water run-off in the area.

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.

A provincial regulatory inspection relating to the James Mine progressive rehabilitation work and a federal regulatory inspection relating to water quality and fish habitat conditions were both completed during the summer of 2015. The Company expects the results of these inspections to lead to partial release of the financial assurance previously provided to guarantee completion of the work.

During the summer 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 June 30, 2015, 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 and the development 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. Civil construction work that would 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 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.

From a corporate perspective, the Company continues to focus on cost reduction. A major work-force reduction and office lease rationalization process was undertaken during the past year, significantly reducing corporate overhead. 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, the Company has succeeded in reducing its ongoing costs significantly.

LIM also continues to focus on corporate activities related to seeking additional development and working capital financing and negotiating revised commercial terms of major service and supply contracts.

LIM'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.

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 December 18, 2015, 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 LIM'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 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.

FIRST QUARTER FINANCIAL RESULTS

For the fiscal first quarter ended June 30, 2015, LIM reported a net loss of $0.3 million, or $0.00 per share, which included an unrealized foreign exchange gain of $0.5 million. Excluding this gain, the net loss during the first quarter was $0.8 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 June 30, 2015. Capital expenditures have been suspended as a cash conservation measure.

As at June 30, 2015, LIM had current assets of $5.4 million, consisting of $4.8 million in unrestricted cash and cash equivalents and accounts receivable and prepaid expenses of $0.6 million.

Current liabilities, consisting of accounts payable and accrued liabilities, finance lease obligations, rehabilitation provisions and liabilities subject to compromise, were in aggregate $67.8 million at June 30, 2015, of which $66.2 million were liabilities subject to compromise.

At June 30, 2015, LIM had a working capital deficit of $62.4 million, including $66.2 million of liabilities subject to compromise. Excluding liabilities subject to compromise, LIM's working capital at June 30, 2015 was $3.8 million. LIM has no current or long-term bank debt; however, the Company had a repayable advance liability of US$25.1 million at June 30, 2015.

Iron Ore Market Conditions

Since the beginning of 2014, the price of iron ore has declined 60% to US$54 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 approximately US$55 per tonne. Port inventories have been reduced to approximately 85 million tonnes in recent months.

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. 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.

Based on current industry analyst consensus, the iron ore spot price is anticipated to be in the US$60 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, a significant reduction from estimates over the past three years that exceeded US$100 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 unaudited financial statements for the first quarter ended June 30, 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 completing its financial restructuring and seeking additional financing. The Company is also working on development of its Houston Mine, to be in a position to complete construction and begin mining operations from Houston when market conditions permit, subject to completion of financing and negotiation of major contracts.

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.