LABRADOR IRON MINES REPORTS FIRST QUARTER RESULTS


OVERVIEW

- For the first fiscal quarter ended June 30, 2016, LIM reported a net loss of $0.8 million or $0.00 per share.
- In April 2015 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 successfully exit the CCAA process with ownership and value of the Company’s business and core assets preserved and 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 June 30, 2016, LIM had current assets of $3.0 million, consisting of $2.7 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 June 30, 2016 was $2.0 million. LIM has no current or long-term bank debt.

OPERATIONS SUMMARY

LIM has not recommenced mining operations for the 2016 operating season, due to a combination of continuing low iron ore prices and a continuing need for start-up working capital and development financing for the Company’s Houston Project.

Notwithstanding the challenging iron ore price 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.

Other than fulfilling such field work required for claims maintenance purposes, all 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. The Company is currently completing plans to conduct the 2016 field program required to maintain its mineral claims in good standing during the fall.
Progressive rehabilitation work at the James Mine is being undertaken during 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. The Company is also continuing its vegetation work in the James Mine area and completing a geotechnical study to assess the waste rock stockpile stability.

Planning for the development of the Houston Project continues, although such planning is limited to the use of internal resources.

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 (“NI 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.

During 2014, the Houston development plan was revised in response to lower iron ore prices. 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. Including initial mine development, the initial capital investment to develop the Houston Mine, excluding working capital, is expected to be approximately $20 million.

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.

From a corporate perspective, the Company continues to focus on cost reduction and financial restructuring efforts. In addition to suspending all capital expenditure and exploration activities, 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.

**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”). 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.

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 – QUARTER ENDED JUNE 30, 2016**

For the first fiscal quarter ended June 30, 2016, LIM reported a net loss of $0.8 million, or $0.00 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, 2016.

As at June 30, 2016, LIM had current assets of $3.0 million, consisting of $2.7 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 $67.5 million at June 30, 2016, of which $66.5 million were liabilities subject to compromise.

Site activities during the quarter ended June 30, 2016 were limited to site standby, rehabilitation and environmental monitoring activities. Corporate and administrative costs have been reduced significantly, reflecting a reduction in staff levels and a rationalization of office space and related costs. Restructuring costs during the quarter ended June 30, 2016 related mainly to legal and financial professional fees associated with the Company's financial restructuring proceedings under CCAA.

The Company had a working capital deficit of $64.5 million at June 30, 2016, including $66.5 million of liabilities subject to compromise. Excluding liabilities subject to compromise, the Company's working capital at June 30, 2016 was $2.0 million. LIM has no current or long-term bank debt.

**IRON ORE MARKET CONDITIONS**

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 shutdown of numerous iron ore mines in China.

Nevertheless, some indications of a medium term recovery are beginning to emerge. In 2016 year-to-date, the price of iron ore is up by approximately 30% and has improved approximately 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 level of approximately US$60 per tonne.
This press release should be read in conjunction with LIM’s Management’s Discussion and Analysis (MD&A) and unaudited Financial Statements for the three months ended June 30, 2016, which are 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’, unless otherwise noted, all dollar amounts are stated in Canadian dollars and all tonnes are stated in dry metric tonnes.

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 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 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 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.