**LABRADOR IRON MINES HOLDINGS LIMITED**

News Release

# LABRADOR IRON MINES REPORTS SECOND QUARTER RESULTS

Toronto, Ontario, November 28, 2016. **Labrador Iron Mines Holdings Limited** ("the "Company") reports its financial results for its second fiscal quarter and six months ended September 30, 2016.

## OVERVIEW

- For the second fiscal quarter ended September 30, 2016, the Company reported a net loss of $0.5 million or $0.00 per share.
- In April 2015 the Company 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 January 27, 2017 subject to further extension.
- The Company has submitted a plan of arrangement for consideration at meetings of creditors scheduled on December 6, 2016.
- The Company's objective is to complete the 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 September 30, 2016, the Company had current assets of $2.2 million, consisting of $1.7 million in unrestricted cash and accounts receivable and prepaid expenses of $0.5 million. In addition, the Company had $2.9 million in restricted cash. Excluding liabilities subject to compromise, the Company's working capital at September 30, 2016 was $1.5 million. The Company has no current or long-term bank debt.

## OPERATIONS SUMMARY

The Company did not recommence mining operations for the 2016 operating season, 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.

Notwithstanding the challenging environment during the past several years, the Company continues to conduct a variety of necessary operational and corporate activities with the objective of preserving its assets, maintaining its mineral properties on a standby basis, fulfilling environmental and regulatory obligations, controlling costs and completing a financial restructuring.

All capital expenditure and exploration programs continue to be suspended for cash conservation purposes, other than fulfilling such minimum field work required for claims maintenance purposes. The Company completed its planned 2016 field exploration program to maintain its mineral claims in good standing.

Progressive rehabilitation work at the James Mine was conducted during the summer and fall of 2016. The rehabilitation work included 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 completed 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. In addition, the Company is pursuing the sale of certain non-core assets and equipment and some miscellaneous sales of surplus equipment were completed during and subsequent to the quarter.

From a corporate perspective, the Company continues to focus on 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, the Company 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"). The Company's initiated proceedings under CCAA to provide an opportunity for the orderly restructuring of the Company's business and financial affairs, 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 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 $90.8 million were filed by the Claims Bar Date, of which claims $17.2 million are still in dispute and under review. These claims are in addition to approximately $292.7 million of existing intercompany group claims.

On September 30, 2016 the Court granted an extension of the Company's CCAA status until January 27, 2017, subject to further extension.

KSV Kofman Inc. is overseeing the Company's CCAA proceedings as the court-approved Monitor.

### *The Plan*

On November 10, 2016 the Company filed a Plan of Compromise and Arrangement (the "Plan") with the Court, marking a major milestone in the Court-supervised process to complete a restructuring of the Company's business under CCAA.

The Plan is intended to restructure the Company's business to preserve its mining assets, permit the Company to continue its site activities in a standby mode in the near term and to position the Company to refinance an orderly resumption of its iron ore mining activities when economic conditions warrant.

The principal purposes of the Plan are to convert the debts of parent company Labrador Iron Mines Holdings Limited ("LIMH") into equity in LIMH and the debts of subsidiaries Labrador Iron Mines Limited ("LIM") and Schefferville Mines Inc. ("SMI") into equity in LIM and Houston Iron Royalties Limited ("RoyaltyCo"), a newly-formed corporation that will have the right to receive a royalty equal to 2% of the sales proceeds (FOB Port of Sept-Îles) received by the Company from sales of iron ore from the Company's Houston and Malcolm properties.

The Plan contemplates two classes of creditors, namely a class of unsecured creditors having claims against LIMH, and a class of unsecured creditors having claims against LIM and SMI.

Under the Plan, creditors with claims of $5,000 or less, or creditors with larger claims who elect to reduce their claims to $5,000 (collectively "Convenience Claims") will be paid in cash.

As a result, creditors with claims against LIM or SMI (other than those with Convenience Claims) will acquire, as a group, a significant equity interest in LIM (up to 49%). In addition, creditors of LIM or SMI will also acquire a 100% interest in RoyaltyCo. Creditors with claims against LIMH (other than those with Convenience Claims) will acquire, as a group, a significant equity interest in LIMH (up to 25%).

The Plan creates a framework that will permit the Company to sustain itself pending the recovery of iron ore prices, and affords creditors an opportunity to recover their debts through their equity participation in the future profits of the Company's business.

The Plan is being put forward by the Company in the expectation that all Creditors, stakeholders and other Persons with an economic interest in the Company and its business will derive a greater benefit from the implementation of the Plan than would result from a bankruptcy or immediate liquidation. The Monitor concurs in this conclusion and has also expressed the view that the Plan is fair and reasonable.

The above description is a summary only and is subject to final provisions of the Plan.

***Creditor's Meetings***

To become effective under the CCAA, the Plan must be submitted to meetings of creditors of each class and approved by the favourable vote of 50% of the number of creditors in each class who vote at such meetings (in person or by proxy) holding 66 2/3% of the value of claims voted in each class. Creditors in each class who hold Convenience Claims will be deemed to have voted their claims in favour of the Plan.

The Court has ordered that meetings of creditors of each class be held on Tuesday, December 6, 2016. In addition, the Plan must be sanctioned by the Court following approval by creditors.

Based on discussions with key stakeholders, the Company anticipates that there will be sufficient creditor support for the Plan to be approved by the required majority of creditor votes.

## FINANCIAL RESULTS – SECOND QUARTER ENDED SEPTEMBER 30, 2016

For the second fiscal quarter ended September 30, 2016, the Company reported a net loss of $0.5 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.

As at September 30, 2016, the Company had current assets of $2.2 million, consisting of $1.7 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 $67.2 million at September 30, 2016, of which $66.5 million were liabilities subject to compromise.

Site activities during the current quarter consisted of property maintenance, site standby, exploration, rehabilitation and environmental monitoring activities. A field exploration program was completed to maintain the Company's mineral claims in good standing. The rehabilitation work involved placement of overburden and organic material on the settling pond area, waste rock stockpile and treat rock stockpile. 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.

Corporate and administrative costs have been reduced significantly, reflecting a reduction in staff levels and a rationalization of office space and related costs.

The Company had a working capital deficit of $65.0 million at September 30, 2016, including $66.5 million of liabilities subject to compromise. Excluding liabilities subject to compromise, the Company's working capital at September 30, 2016 was $1.5 million. The Company has no current or long-term bank debt.

## IRON ORE MARKET CONDITIONS

The price of iron ore averaged US$54 (62% Fe fines on a CFR China basis) during the first nine months of 2016, compared to an average price of US$56 per tonne in 2015, US$97 per tonne in 2014 and US$135 per tonne in 2013. The relatively low price of iron ore over the last several years has been attributed to a substantial increase in production by the world's top iron ore producers, creating a global supply surplus in the commodity, coincident with an economic slowdown in China.

Despite the challenging iron ore environment over the last several years, indications of a recovery have been taking shape and the market has improved significantly in recent weeks. The price of iron ore reached a two-year high of US$80 per tonne in November 2016, representing a doubling in price from lows earlier in the year.

Industry analysts attribute the recent price rise to improving market dynamics as supply expansion plans have been ratcheted down and steel production in China, the world's largest steel producer, continues to grow. Additionally, political commentators expect the newly elected U.S. administration to adopt a pro-stimulus fiscal program aimed to fulfill campaign promises of spending more on domestic infrastructure to rehabilitate U.S.'s ailing industrial base.

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*This press release should be read in conjunction with the Company's Management's Discussion and Analysis (MD&A) and unaudited Financial Statements for the three and six months ended September 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.*

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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 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. 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.*