Labrador Iron Mines Reports Third Quarter Results

Notice: Conference Call and Webcast held today at 11:30 am ET. Dial-in: +1 (647) 427-7450 or +1 (888) 231-8191

Toronto, Ontario, February 14, 2014. Labrador Iron Mines Holdings Limited ("LIM" or the "Company") (TSX:LIM) reports its financial and operating results for the third quarter and nine months ended December 31, 2013.

HIGHLIGHTS

- LIM completed its third operating season in December 2013. During the quarter, LIM sold four shipments of iron ore totalling 680,000 wet tonnes (~629,000 dry tonnes) and reported revenue of $28.4 million.

- For the 2013 operating season, LIM achieved its 2013 sales target of approximately 1.7 million wet tonnes (~1.6 million dry tonnes) in 10 cape-size shipments. However, sales volumes were achieved at the expense of product quality, which impacted revenues and resulted in large net losses reported for the quarter and nine months ended December 31, 2013.

- For the third quarter ended December 31, 2013, LIM reported a net loss of $31.3 million or $0.25 per share, which included a depletion and depreciation charge of $11.3 million or $0.09 per share.

- On the operational front, high volumes of mining, processing, railing and sales were achieved prior to the planned seasonal shutdown in December. In addition, with higher production volumes achieved and a number of cost reduction measures implemented, operating unit costs per tonne sold were lower quarter over quarter.

- Detailed planning for the upcoming 2014 operating season is currently underway, with a major focus on cost reductions and product quality.

- LIM is also currently evaluating development of the Houston Project in 2014, including a revised lower capital development plan.

"During the 2013 operating season, LIM achieved its 2013 sales target of approximately 1.7 million wet tonnes of iron ore in ten cape-size ocean shipments. However, sales volume was achieved at the expense of product quality, which resulted in negative cash generation. Clearly, this situation cannot continue" commented John Kearney, Chairman and CEO. "These ore quality problems, together with significant capital invested during the year, put considerable strain on LIM's cash resources and LIM now needs new external investment to enable the Company to continue mining operations in the 2014 season, to bring the bigger and long-life Houston Project into production and to meet its corporate and administrative expenses."

"Detailed planning and assessment of various operating scenarios for the upcoming 2014 operating season is currently ongoing, with the major focus on cost reductions and product quality" Rod Cooper, President and COO, added. "As part of our plan to substantially reduce operating costs, LIM is seeking to negotiate revised and improved terms with major contractors and rail and port infrastructure providers prior to commencement of the 2014 operating season. Operating cost saving initiatives are underway with respect to mining equipment rates, fuel procurement, aviation services, hydro-electric power, exploration costs, winter cost management, rail car leasing rates, human resources and man power and corporate and administration costs. LIM has also implemented major reductions in staff levels across the organisation and all non-essential capital expenditure has been deferred."
For the nine months ended December 31, 2013, LIM reported a net loss of $84.7 million, negative cash flow from operations of $33.4 million and an ending working capital deficit of $27.1 million. During the 2013 operations, as mining went deeper in the James mine open pit, both the grade and the consistency of the ore began to fall and this created difficulties in plant throughput and in product quality. As a result, there was an overall shortfall in iron ore quality in 2013, which resulted in negative cash generation during the 2013 operating season.

LIM’s mining operations are seasonal (April to November), with a planned winter closure from December to March. Detailed planning for the upcoming 2014 operating season is currently underway. This includes a critical assessment of the economics of continuing to extract the remaining resources from the down-dip extensions of the higher grade portions of the James Mine and its potential southern extension. In this context, LIM is keeping a careful watch on the iron ore price, which since January 1, 2014 has declined to approximately US$120 per dmt (CFR China) from an average of US$135 per dmt in the quarter ended December 31, 2013. This planning and assessment of various operating scenarios for the 2014 season is currently ongoing.

As part of the planning process, LIM is also currently evaluating development of the Houston Project in 2014, including a revised lower capital development plan, which would see Houston production trucked to Silver Yards for treatment and rail loading at least in the initial years with, potentially, processing by on-site dry screening only in 2014. The initial mine development at the Houston deposit would include construction of a haulage road, mine infrastructure and related facilities.

The initial capital investment to develop the Houston Project is expected to be approximately $20 million for the new road, including a bridge over a river crossing, and initial mine development, with the possibility of installing a new rail siding near Houston at a capital cost of approximately $5 million. When in full production, the Houston Project is expected to produce approximately 2.0 million tonnes of iron ore products annually over a 12 to 15 year mine-life.

Development of the Houston Project in 2014 is subject to the availability of new financing and completion of detailed engineering and planning. LIM is currently evaluating various financing alternatives or off-take arrangements, and/or other potential strategic options, to fund the planned first phase Houston development and related transportation expenditures. There are no assurances that LIM will be successful in obtaining the required financing and, if LIM is unable to obtain such financing, the development of the Houston Project will be postponed.

In addition to operating cost reductions and cost savings initiatives as outlined, all non-essential capital expenditure has been deferred and no significant exploration activity is planned for 2014.

LIM is also pursuing longer term strategic initiatives aimed at necessary permanent structural reductions in operating costs and revenue deductions. These include increasing sales volumes, while maintaining product quality, improving recoveries, potentially owner mining, re-negotiation of mining contracts and railway tariffs, alternative port arrangements at Sept-Iles, sharing facilities with TSMC and developing alternative destination markets for LIM’s products. These strategic initiatives have targeted potential reductions in operating costs and revenue deductions of a minimum of $20 per tonne of saleable product. However, although such reductions 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.
LIM will need to secure additional financial arrangements in order to fund its current working capital deficit, 2014 start-up working capital, planned capital development programs and corporate administration costs so as to continue as a going concern. In resuming its planned seasonal mining operations in the spring of 2014, LIM will incur regular winter stand-by costs from December 2013 to March 2014 and seasonal start-up mining, processing, rail and transportation and site administration expenses for the spring, before receipt of payment for its first shipment anticipated by mid-summer 2014. LIM estimates that it will require working capital of at least $30 million to fund these operating expenses and, potentially, a further approximately $20 million to fund Houston capital development.

LIM is currently negotiating certain financing alternatives and, subject to completing these financings currently under negotiation, LIM believes it will have sufficient working capital to continue to operate over the next year. In the meantime, and pending completion of any financing, LIM will endeavor to prudently manage its cash resources in order to ensure the integrity of its properties and to meet all regulatory requirements. However, there are no assurances that LIM will be successful in obtaining any required financing, or in obtaining financing on a timely basis or on reasonable or acceptable terms and, as part of this process, LIM is continually evaluating the current situation with respect to the timing and risk associated with potential financing proposals. If LIM is unable to obtain adequate additional financing on a timely basis, the Company will not be able to resume its planned mining operations and may be required to curtail all operations and development activities.

**OPERATING RESULTS**

**Mining, Processing and Rail**

LIM completed its third operating season in December 2013. During the third quarter, high volumes of mining, processing, railing and sales were achieved prior to the planned seasonal shutdown, as LIM continued to mine ore at approximately the same monthly rate as in the second quarter. Ore was extracted primarily from the James Mine (~445,000 tonnes) and the Ferriman stockpiles (~157,000 tonnes), with a small portion from the Redmond Mine (~16,000 tonnes), for an aggregate of 618,000 tonnes of ore and 222,000 tonnes of waste mined during the quarter.

The iron grade of ore mined during the 2013 operating season continued to be lower than the iron grade of ore mined in previous operating seasons. Mining activity at James was from deep in the pit and exhibited a lower *in situ* iron grade and contained a greater fines component than experienced in previous operating seasons. The Ferriman plant feed was known to be lower grade, but continued to respond well to wet processing. High clay content in the Redmond material had caused clogging in the wet processing plant during the second quarter, resulting in poor recovery levels.

Processing activities continued until mid-November. A total of 670,000 tonnes of plant feed were processed and screened during the third quarter, producing an aggregate of 438,000 tonnes of lump and sinter iron ore product, yielding a product recovery rate of 65%. While this represented an improvement over the 61% product recovery rate achieved in the preceding quarter, it was still below the combined design plant recovery rate for the wet and dry plants of approximately 75%. The low recovery rate was attributable to the James and Redmond plant feed as mentioned above, and underperformance of the new WHIMS (wet high intensity magnetic separator).

Rail haulage continued until the end of November. Railway volumes continued at a strong rate with four train sets of 164 railcars in operation during the quarter and LIM railed a total of approximately 495,000 tonnes of iron ore to the Port of Sept-Iles. The Company did not incur significant take-or-pay volume penalties during the third quarter.
Iron Ore Sales

LIM completed four shipments of iron ore totaling 629,000 dry tonnes during the quarter (including the sale of a stockpile totaling 67,000 dry tonnes), compared to four shipments sold in the second quarter and two shipments in the first quarter of the 2013 operating season. In total, LIM achieved its 2013 sales target of 1.7 million wet metric tonnes of iron ore in ten cape-size ocean shipments, the same number of shipments sold during the previous operating season.

During the quarter, LIM’s shipments were sold to the Iron Ore Company of Canada (“IOC”) at a provisional weighted average actual realized price (i.e. CFR China spot price less marketing discounts and value-in-use adjustments) of approximately US$98 per tonne on a CFR China basis. LIM recognized net revenue of $28.4 million during the quarter after netting shipping costs and IOC’s participation from the CFR China actual realized price for these shipments.

Of the four shipments sold during the quarter, one shipment was sold as a standard grade (~62% Fe) lump product, one shipment was sold as a split cargo of lower grade (~58% Fe) sinter product and standard grade (~62% Fe) lump product and two shipments were sold as lower grade (~58% Fe) sinter product. The discount between the Platts 62% Fe iron ore price and the Platts 58% Fe iron ore price widened during the quarter to a differential of about US$18 per tonne, reportedly as a result of large volumes of lower grade iron ore arriving in China. LIM’s product sales during the quarter experienced value-in-use deductions related to silica content, iron content and sizing specifications, which deviated from benchmark standards.

Operating Results Summary

LIM’s operating results for the quarters and nine month periods ended December 31, 2013 and 2012 are summarized in the table below.

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<tbody>
<tr>
<td></td>
<td>Tonnes</td>
<td>Grade (%Fe)</td>
<td>Tonnes</td>
<td>Grade (%Fe)</td>
</tr>
<tr>
<td>Total Ore Mined</td>
<td>617,717</td>
<td>53.4%</td>
<td>198,467</td>
<td>59.9%</td>
</tr>
<tr>
<td>Waste Mined</td>
<td>221,980</td>
<td>—</td>
<td>224,548</td>
<td>—</td>
</tr>
<tr>
<td>Ore Processed and Screened</td>
<td>670,091</td>
<td>52.4%</td>
<td>183,635</td>
<td>59.8%</td>
</tr>
<tr>
<td>Lump Ore Produced</td>
<td>63,597</td>
<td>55.6%</td>
<td>18,082</td>
<td>64.6%</td>
</tr>
<tr>
<td>Sinter Fines Produced</td>
<td>374,724</td>
<td>56.8%</td>
<td>149,698</td>
<td>64.1%</td>
</tr>
<tr>
<td>Total Product Railed</td>
<td>495,472</td>
<td>57.0%</td>
<td>254,136</td>
<td>61.8%</td>
</tr>
<tr>
<td>Tonnes Product Sold</td>
<td>629,016</td>
<td>57.8%</td>
<td>425,472</td>
<td>62.0%</td>
</tr>
<tr>
<td>Port Product Inventory</td>
<td>50,576</td>
<td>56.0%</td>
<td>111,009</td>
<td>60.9%</td>
</tr>
<tr>
<td>Site Product Inventory</td>
<td>1,995</td>
<td>55.6%</td>
<td>3,551</td>
<td>58.4%</td>
</tr>
<tr>
<td>Site Run-of-Mine Ore inventory</td>
<td>263,361</td>
<td>54.0%</td>
<td>446,975</td>
<td>56.2%</td>
</tr>
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Joint Venture with Tata Steel Minerals Canada

As part of the Joint Venture previously-announced with Tata Steel Minerals Canada (see press release dated September 18, 2013), LIM commenced a $5 million exploration program on the Howse Property during the fiscal third quarter, targeting 70 holes with up to 8,000 metres of drilling, with the objective of calculating a National Instrument 43-101 (“NI 43-101”) compliant mineral resource by mid-2014 (historical resources currently 28 million tonnes at a grade of 58% Fe, natural basis) and to collect metallurgical, geotechnical, hydrogeological, and hydrology information to complete a feasibility study in the Fall of 2014. The resource
estimate and feasibility study are designed to support a production decision. The drill program was suspended during the winter and will resume in the spring in order to maximize the collection of technical data under the current budget. Registration of the Howse Project with the Government of Newfoundland and Labrador is anticipated during the first quarter of 2014.

Following the completion of LIM’s $5.0 million exploration program and the calculation of a new NI 43-101 resource, TSMC will contribute the next $23.5 million to the Joint Venture and thereby increase its participating interest in the Howse Deposit to 70%. It is currently planned to commence mine development in 2015 and commercial production in 2016, with potential significant cost savings and synergies due to the accessibility of the Howse Deposit to TSMC’s year round processing plant.

2013 Exploration Program Update

LIM’s 2013 exploration program achieved just over 12,000 m of diamond and reverse circulation (“RC”) drilling, including the drilling conducted at the Howse Project. The 2013 exploration program was carried out largely in the final quarter of 2013, with many assay results still pending as at the date hereof.

The diamond drilling programs focused on the Houston 1 and 2 deposits, the Howse Project, the Gill Mine, the Redmond 5, and the Bean Lake deposits. An RC rig was used to carry some detailed test work on the Ferriman stockpiles, near Silver Yards.

THIRD QUARTER FINANCIAL REVIEW

For the quarter ended December 31, 2013, LIM reported a loss of $31.3 million, or $0.25 per share, which included a depletion and depreciation charge of $11.3 million or $0.09 per share. The depletion and depreciation charge represents a period charge, primarily on a units-of-production basis, of the cost of Stage 1 mining assets, the Silver Yards processing plant, transportation equipment and infrastructure and site properties associated with Stage 1 operations.

LIM recognized net revenue from mining operations of $28.4 million on sales of approximately 629,000 tonnes of iron ore in four shipments, compared to net revenue of $24.7 million on sales of approximately 425,000 tonnes of iron ore in three shipments during the third quarter of the previous year. The increase in net revenue is attributable to a higher volume of sales and a higher CFR China spot price of iron ore, offset by higher value-in-use adjustments, higher marketing discounts and higher ocean freight costs quarter-over-quarter. LIM’s product sales during the third quarter experienced value-in-use (“VIU”) penalties related to silica content, iron content and sizing specifications which deviated from benchmark standards.

Processing costs increased to $12.2 million in the third quarter (December 31, 2012 – $3.8 million), primarily a function of the more than three-fold increase in volume of ore processed and screened of approximately 670,000 tonnes (December 31, 2012 – 184,000 tonnes). Rail and transportation costs of $20.3 million during the third quarter were reasonably consistent (December 31, 2012 – $18.1 million), after taking into consideration the increase in volume of ore haulage during the current year’s third quarter. Take-or-pay volume penalties were not significant in the current year’s third quarter.

During the quarter, LIM invested approximately $2.5 million in property, plant and equipment, which consisted mainly to the modification and enhancement work performed on the rail siding at Silver Yards. The reduction compared to the corresponding quarter of the previous year (December 30, 2012 – $7.0 million) represents a concerted effort to limit capital expenditures to only essential capital projects.

At December 31, 2013, LIM had current assets of $39.3 million, including inventories with a carrying value of $4.7 million and accounts receivable and prepaid expenses of $20.9 million. At December 31, 2013, LIM had a total of $7.6 million in unrestricted cash and cash equivalents and an additional $9.7 million in restricted cash.
Subsequent to the end of the quarter, LIM received $10.0 million in cash proceeds from iron ore sales completed in December.

Current liabilities, consisting of accounts payable and accrued liabilities, finance lease obligations, rehabilitation provisions and a deferred revenue liability of $21.3 million, were in aggregate $66.4 million at December 31, 2013.

At December 31, 2013 the Company had an ending working capital deficit of $27.1 million which included the deferred revenue liability of $21.3 million. The Company had no current or long-term bank debt at December 31, 2013.

**Iron Ore Market Conditions**

The spot price of iron ore (CFR China 62% Fe basis, prior to any value-in-use adjustments) averaged approximately US$135 per tonne in the quarter ended December 31, 2013, an improvement over an average of US$122 per tonne in the same quarter of the prior year. Although demand in China remains favourable, as inventories at ports and steel prices continue to support the seaborne trade, benchmark prices for 62% Fe iron ore in the Chinese market have declined to approximately US$120 per tonne in early 2014 and the immediate outlook is somewhat uncertain. The Company anticipates a modest rebound in the price of iron ore after Chinese New Year celebrations, and is budgeting for an average price of US$125 per tonne during 2014. The Company is anticipating a foreign exchange rate of US$0.90 per Canadian dollar for budget purposes.

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This press release should be read in conjunction with LIM’s Management’s Discussion and Analysis (MD&A) and unaudited condensed consolidated financial statements and notes thereto for the third quarter ended December 31, 2013, available on LIM’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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**Conference Call and Webcast: Third Quarter Results**

Members of the senior management team will host a conference call and webcast today at 11:30 am (ET). You may participate in our conference call by calling 647-427-7450 (local and international) or 1-888-231-8191 (Canada and US toll-free). Please reference “Labrador Iron Mines Third Quarter Conference Call” when prompted.” To ensure your participation, please call five minutes prior to the scheduled start of the call.

A live audio webcast will be available on LIM’s homepage at www.labradorironmines.ca and archived for 180 days.

For those who are unable to participate in the live conference call, a replay will be available until the end of day on February 28, 2014 by calling +1 (416) 849-0833 (local and international) or +1 (855) 859-2056 (Canada and US toll-free) and entering the passcode 335 169 62# when prompted.
About Labrador Iron Mines Holdings Limited (LIM)
Labrador Iron Mines (LIM) is a leader in the reactivation of the iron ore industry in the Schefferville/Menihek region, engaged in the mining, exploration and development of its portfolio of 20 direct shipping (DSO) deposits located in the prolific Labrador Trough. Initial production commenced at the James Mine and Silver Yards plant in June 2011 and through to the end of its third operating year, the Company has sold approximately 3.6 million dry tonnes (3.8 million wet tonnes) in 23 shipments of iron ore into the Chinese spot market.

LIM completed its third operating season in December 2013, achieving its production target of 1.7 million wet tonnes of iron ore products in 10 cape-size shipments.

LIM’s Silver Yards processing facility is connected by a direct rail link to the Port of Sept-Îles, Québec. The operation also benefits from established infrastructure including hydro power, the town, airport, and railway service. Starting with the James Mine and leading to the development of the expanding Houston flagship project, LIM’s objective is to provide shareholders with long-term value from its iron ore deposits in Labrador and Quebec, all within 50 kilometres of the town of Schefferville.

LIM is currently the only independently-owned Canadian iron ore producer listed on the Toronto Stock Exchange and trades under the symbol LIM.

For further information, please visit LIM’s website at www.labradorironmines.ca or contact:

John F. Kearney  Rodney Cooper  Keren Yun
Chairman and Chief Executive Officer  President and Chief Operating Officer  Vice President, Investor Relations and Communications
Tel: (647) 728-4105  Tel: (647) 729-1287  Tel: (647) 725-0795

Cautionary Statements:

Mineral resources that are not mineral reserves do not have demonstrated economic viability. Inferred mineral resources are considered too speculative geologically to have economic considerations applied to them that would enable them to be categorized as mineral reserves. There is no certainty that mineral resources will be converted into mineral reserves.

The potential tonnage and grade referred to in this press release is conceptual in nature; there has been insufficient exploration to define a mineral resource and it is uncertain if further exploration will result in the target being delineated as a mineral resource.

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.

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. 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, 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.