Labrador Iron Mines Reports Third Quarter Results

Notice: Conference Call and Webcast held today at 11:00 am ET. Dial-in: +1 (647) 427-7450 or +1 (888) 231-8191


Highlights

- For the 2012 operating season, LIM met its revised sales target of 1.7 million wet tonnes (1.6 million dry tonnes) of iron ore, representing a 4x increase in sales over the 2011 operating season.
- During the quarter, LIM sold three shipments of iron ore totalling 425,500 dry tonnes and reported revenue of $24.7 million (free on board (“FOB”) Port of Sept-Îles). On the 10 ships sold during the 2012 operating season (FOB Port of Sept-Îles), LIM reported revenue of $95.8 million.
- During the quarter, LIM mined 423,000 tonnes of ore and waste at an average strip ratio of 1.1:1 (waste to ore) prior to the end of the operating season in November, representing a 34% reduction in strip ratio when compared to previous quarters. This brings the year-to-date ore and waste mined to approximately 5 million tonnes.
- Also during the quarter and prior to the end of the operating season, LIM railed 254,000 tonnes of ore to the Port of Sept-Îles, bringing the year-to-date rail volume to just under 1.5 million tonnes.
- In December, LIM completed its largest exploration program ever of 14,000 metres (“m”) of diamond and reverse circulation (“RC”) drilling. LIM anticipates completing several new and updated National Instrument 43-101 (“NI 43-101”) compliant resource estimates resulting from the 2012 exploration program.

“In successfully completing our first full season of production in 2012, we achieved many operational objectives, highlighted by strong operational performance, the installation of a new dry process system at Silver Yards, increased rail volumes to the Port and the sale of 10 shipments of LIM’s iron ore” stated Rod Cooper, President and COO of Labrador Iron Mines. “Over the winter months, we have been hard at work in anticipation of resuming operations in the spring. We plan to leverage the operational experience gained over the past two seasons, combined with strengthened working relationships with key stakeholders, to achieve greater efficiencies and opportunities in the upcoming operating season.”

Planning for the 2013 Operating Season

“In planning for our 2013 operating season, we are encouraged by the recent strong recovery in iron ore prices to above $150 per tonne. There are also a number of factors that indicate strong support in the near term that could have a favourable impact on LIM’s early sales revenues in 2013 and we looking forward to resuming operations in the spring.” stated John Kearney, Chairman and CEO.

Iron ore spot prices have rebounded since September 2012, especially in December, and reached a high of approximately US$159 per tonne in early January 2013. The current spot price for iron ore is above US$150 per tonne on a 62% Fe CFR China basis and has risen over 70% since the market low last September.

LIM’s mining operations are seasonal (April to November), with a planned winter closure from December to March. Detailed planning for the upcoming operating season takes place during the winter months.
In advance of the 2013 operating season, LIM carried out the following initiatives:

- For the quarter ended December 31, 2012, a new dry screening unit was delivered to site for installation and use in 2013. This will complement the existing dry classifying system to process (crush and screen) lump and sinter fines products. LIM has transitioned its product mix to produce lump and sinter, exclusively.
- Product inventory at Silver Yards was reduced to a minimum prior to the end of the 2012 season. Run of mine-inventory remaining at Silver Yards will serve as initial wet plant feed during 2013 to allow for operational flexibility.
- A new contractor has been selected to operate the Silver Yards wet beneficiation plant in 2013.

In resuming its planned seasonal mining operations in the spring, LIM will incur regular operating, mining and transportation expenses for the months of April and May, prior to receipt of payment from its first sale of iron ore. As a result, LIM will require working capital of approximately $40 million to fund various operating and re-start expenses ($30 million) and certain planned capital expenditures ($10 million), including the commissioning of Silver Yards Phase 3 and connection to grid power.

- In February 2013, subsequent to the end of the quarter, LIM completed an equity financing for gross proceeds of $29 million. LIM currently intends to commence its 2013 operating season at the beginning of April with a pre-stripping program in March.
- LIM is also actively pursuing financing arrangements to fund various planned expenditures including capital expenditures and infrastructure advances in 2013. LIM has a high degree of confidence that additional working capital or off-take or other financing will be secured on a timely basis to meet the requirements of the 2013 operating season.
- LIM is currently targeting approximately 1.7 to 2.0 million wet tonnes of saleable iron ore production in 2013.

**Results of Operations**

**James Mine and Silver Yards**

The James Mine performed well during the 2012 operating season, meeting or exceeding many of its operational targets. During the quarter and prior to the end of the operating season in November, approximately 423,000 tonnes of ore and waste were mined at an average strip ratio of 1.1:1 (waste to ore). This represents a 34% reduction in strip ratio when compared to previous quarters.

At Silver Yards, dry crushing and screening was used exclusively during the quarter, while the wet plant remained winterized. Prior to the planned seasonal closure of operations, approximately 183,000 tonnes of ore were processed and screened, yielding 168,000 tonnes of sinter and lump products.

**Rail and Port**

During the quarter, approximately 254,000 tonnes of iron ore were railed to the Port of Sept-Îles, bringing the total for the nine months ended December 31, 2012 to approximately 1.5 million tonnes. Rail volumes increased 2.5x compared to the 2011 operating season. Rail operations were completed by November 9, 2012, earlier than originally planned, due to significant rainfall in October, followed by colder weather entering the region, and freezing of sinter was considered a risk. With the early suspension of rail operations, contractual take-or-pay obligations impacted the railway operating expenses for the quarter.

LIM currently has life-of-mine rail agreements with the Tshiuetin ("TSH") and the Quebec North Shore and Labrador ("QNS&L") Railways. LIM continues to evaluate different options for unloading, stockpiling and ship loading of its iron ore products at the Port of Sept-Îles. The Company is currently in discussions with Arnaud Railway regarding the required rail access that connects the QNS&L Railway to Pointe Noire. The Company is also currently in discussions with the Sept-Îles Port Authority and with other port operators and customers, regarding storage, reclaim and ship loading of its iron ore products at Pointe Noire.
Subsequent to the end of the quarter, CN (Canada National Railway Company) announced that it was suspending its feasibility study for the construction of a proposed rail line and terminal handling facility to serve iron ore companies in the Labrador Trough. The suspension of CN’s feasibility study does not have an adverse impact on LIM’s operations and following CN’s announcement, LIM will be reimbursed $1.5 million, representing its advance payment made to CN last year.

**Iron Ore Sales**

During the third quarter, LIM completed the sale of three shipments (two cape-size shipments of sinter and one mini cape-size shipment of lump) totalling 425,500 dry tonnes. The shipments were sold at a weighted average actual realized price (i.e. CFR China spot price less value-in-use adjustments) of approximately US$107 per tonne on a CFR China basis. LIM recognized net proceeds of $24.7 million on a FOB Sept-Îles basis after netting shipping costs and IOC’s participation, which includes product handling, ship loading and sales costs from the CFR China actual realized price.

Under its 2012 sales agreement with the Iron Ore Company of Canada (“IOC”), LIM’s iron ore was sold to and resold by IOC through the Rio Tinto marketing organization into the Chinese spot market on a shipment-by-shipment basis. The sales agreement also allowed for the use of IOC’s ore handling facilities and access to cape-size vessels at the Port of Sept-Îles. LIM is currently in advanced discussions with IOC to renew its sales agreement, similar to those signed in 2011 and 2012, for the sale of its 2013 iron ore production.

**Production and Cash Operating Costs**

During the quarter ended December 31, 2012, cash operating costs, including mining, processing, rail and transportation and site administration expenses, were approximately $77 per tonne of product sold (unloaded at the Port). Transportation costs for the quarter included payments equivalent to about $8 per tonne of product sold, relating to rail and train unloading take-or-pay volume penalties. Rail volumes were lower as a result of LIM’s decision to scale back production in the second half of 2012 and also due to the heavy rainfall followed by freezing weather conditions in October and November, which led to the early suspension of railing on November 9, 2012.

LIM’s operating results for the three and nine months ended December 31, 2012, are outlined in the following table:

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<tr>
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<tbody>
<tr>
<td>(all tonnes are dry metric tonnes)</td>
<td>Tonnes</td>
<td>Grade (% Fe)</td>
</tr>
<tr>
<td>Total Ore Mined</td>
<td>198,467</td>
<td>59.9%</td>
</tr>
<tr>
<td>Waste Mined</td>
<td>224,548</td>
<td>—</td>
</tr>
<tr>
<td>Ore Processed and Screened</td>
<td>183,635</td>
<td>59.8%</td>
</tr>
<tr>
<td>Lump Ore Produced</td>
<td>18,082</td>
<td>64.6%</td>
</tr>
<tr>
<td>Sinter Fines Produced</td>
<td>149,698</td>
<td>61.4%</td>
</tr>
<tr>
<td>Total Product Railed</td>
<td>254,136</td>
<td>61.8%</td>
</tr>
<tr>
<td>Tonnes Product Sold</td>
<td>425,472</td>
<td>62.0%</td>
</tr>
<tr>
<td>Port Product Inventory</td>
<td>111,009</td>
<td>60.9%</td>
</tr>
<tr>
<td>Site Product Inventory</td>
<td>3,551</td>
<td>58.4%</td>
</tr>
<tr>
<td>Site Run-of-Mine Ore inventory</td>
<td>446,975</td>
<td>56.2%</td>
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Houston Development

In early February 2013, LIM filed registration documents with the Government of Newfoundland and Labrador and with the Federal Canadian Environmental Assessment Agency (CEAA) for the second phase of development of the Houston 1 and 2 deposits, which includes the installation of a wet process plant similar in design to that of Silver Yards. The Company has received surface and mining leases, and a construction permit for the haul road. The construction permit for the rail siding is pending.

Commencement of full construction activities for the first dry process phase of the Houston Project is subject to the availability of financing and the receipt of remaining permits. Development costs for the first phase of Houston are estimated to be approximately $37 million on haulage road and rail siding access, with additional mine development costs of approximately $20 million. LIM is evaluating potential strategic partnerships or off-take arrangements and/or credit facilities to fund these Houston development expenditures.

2012 Exploration Program

Approximately 14,000 m of RC and core diamond drilling was completed during the 2012 field season, which was 40% more than planned (see press release dated December 17, 2012). The total budget for the 2012 exploration program was revised to $7 million.

LIM is on track to complete updated NI 43-101 mineral resource estimates for two of its major deposits by March 31, 2013: i) the James Deposit (currently in production), including the James South Extension; and, ii) the Houston deposits. LIM is also on track to complete initial NI 43-101 mineral resource estimates on the Malcolm deposit (near Houston) and the historic crushed stockpiles in both Québec and Labrador by March 31, 2013. A first inferred mineral resource estimate on the Elizabeth Lake Taconite is also expected later in the spring of 2013.

Iron Ore Market Conditions

Iron ore spot prices suffered a sharp decline in August 2012, dropping 33% from June 30, 2012 to below US$90 per tonne on a 62% Fe CFR China basis in early September due to a number of factors that included historically high port inventories, de-stocking of plant inventories by Chinese steel mills and traders withdrawing from the spot market. Iron ore spot prices have rebounded since September 2012, especially in December, and reached a high of approximately US$159 per tonne in early January 2013. The current spot price for iron ore is above US$150 per tonne on a 62% Fe CFR China basis and has risen over 70% since the market low last September.

The strong recovery in iron ore Chinese spot prices has been largely driven by China’s harshest winter in nearly three decades, which has significantly reduced iron ore production in China, resulting in a significant increase in Chinese demand for seaborne iron ore. China, which is the world’s biggest iron ore importer, imported a record 70.94 million tonnes in December 2012, nearly 2 million tonnes above the previous record (source: General Administration of Customs of the People’s Republic of China).

LIM is of the view that a number of factors should support current Chinese iron ore spot prices over the first half of 2013, including:

- Declining iron ore inventories at Chinese ports and lower than typical inventory levels at Chinese steel mills;
- Chinese steel production is currently in a seasonally strong period;
- Chinese domestic iron ore supply is currently in a seasonally weak period. Chinese domestic iron ore production typically is at its trough in January, while the first calendar quarter is typically the weakest quarter of the year for iron ore supply out of Brazil and Australia as weather impacts both countries;
- The rise in iron ore prices should be capable of being absorbed by Chinese steel mills due to strong steel mill margins, which remain healthy due to flat-to-lower metallurgical coal prices and rising steel prices;
- China’s harshest winter in nearly three decades has constrained domestic iron ore output during a seasonally strong period for Chinese steel production; and
- The decline of Chinese supply from India due to government export restrictions.
Certain of these near-term factors (such as cold winters in China and the cyclone season in Australia), which tend to re-appear in some form each year on a seasonal basis, usually affect the supply and price of iron ore in the January through June period. Such factors may have a positive impact on LIM’s early 2013 sales revenues.

Looking forward, many of the new iron ore projects and production expansions previously planned by major companies are experiencing increased costs and delays, and many have been postponed, which is expected to reduce the long-term growth of iron ore supply. Increased production of higher marginal cost Chinese capacity is expected to be needed to meet growing iron ore demand in the medium-term. The average marginal cost of Chinese iron ore production is believed to be approximately US$120 per tonne, which provides a strong support level for future iron ore prices.

Outlook
In the near term, operations will focus on LIM’s Stage 1 deposits, which include the James Mine (currently operating) and five smaller satellite deposits and some historical stockpiles located within a 15 km radius of the James Mine and the Silver Yards processing plants.

LIM has previously stated that resumption of mining operations in April 2013 for the 2013 operating season will depend on a number of inter-related factors including the Company being reasonably confident that the forecast world iron ore prices will continue at levels of US$110 or higher on a CFR China basis at least for the 2013 operating season (April through November). LIM has been continuously monitoring published iron ore price forecasts provided by investment and industry analysts as well as the futures market for iron ore since the seasonal shutdown of operations in November 2012. Based on this and having regard to increases in such price during December 2012, January and early February 2013, LIM believes that sufficient confidence levels exist to resume normal operations in April 2013.

LIM is currently targeting approximately 1.7 to 2.0 million wet tonnes of saleable iron ore production in 2013. Cash operating costs in 2013, consisting of mining, processing, rail and transportation and site general and administrative costs, are expected to be approximately $65 to $70 per tonne of product sold, unloaded at the Port.

Third Quarter Financial Review
During the fiscal third quarter ended December 31, 2012, LIM sold three shipments totalling 425,500 dry tonnes of iron ore and recognized revenue of $24.7 million (FOB Port of Sept-Îles) from the sale of these shipments. Revenue for the third quarter was negatively impacted by low realized iron ore prices (i.e. CFR China spot price less value-in-use adjustments).

For the quarter ended December 31, 2012, LIM reported a loss of $16.1 million, or $0.19 per share, which included a depletion and depreciation charge of $5.1 million or $0.06 per share. The depreciation and depletion figure represents a period charge, primarily on a units-of-production basis, of the cost of the James mine (including capitalized stripping and dewatering), Silver Yards processing plant, transportation equipment, and infrastructure and site administration properties associated with the James mine operations.

During the quarter, LIM invested approximately $13.5 million in property, plant and equipment, which consisted mainly of investments in the Silver Yards Phase 3 processing plant, grid connection infrastructure and expansion of the mine accommodation camp.

For the nine months ended December 31, 2012, LIM sold ten shipments totalling 1.6 million dry tonnes of iron ore and recognized revenue of $95.8 million (FOB Port of Sept-Îles). LIM reported a loss of $58.4 million, or $0.79 per share, including a depletion and depreciation charge of $29.3 million, or $0.40 per share for the nine months ended December 31, 2012.

At December 31, 2012, LIM had current assets of $48.5 million, including inventories with a carrying value of $12.8 million and accounts receivable and prepaid expenses of $24.1 million. At December 31, 2012, the Company had a total of $10.2 million unrestricted cash and cash equivalents and an additional $7.6 million in restricted cash.
Current liabilities, consisting of accounts payable and accrued liabilities, the premium liability recognized on the issuance of flow-through shares and the current portion of finance lease obligations and rehabilitation provision, were in aggregate $47.8 million at December 31, 2012. During the quarter, LIM completed a bought deal public offering for gross proceeds of $30 million.

In February 2013, LIM completed an equity financing for gross proceeds of $29 million.

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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, 2012, available on the company’s website at www.labradorironmines.ca, under the “Financials” section, or on SEDAR (www.sedar.com).

Beginning with the first quarter of fiscal 2013 (April 1, 2012), proceeds from LIM’s iron ore sales have been recognized as revenue in the Company’s Statement of Operations and Comprehensive Income.

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 11:00 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). 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 March 1, 2013 by calling 416-849-0833 (local and international) or 1-855-859-2059 (Canada and US toll-free) and entering the passcode 109 830 87# when prompted.

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About Labrador Iron Mines Holdings Limited (LIM)

Labrador Iron Mines (LIM) is Canada’s newest iron ore producer with a portfolio of direct shipping (DSO) iron ore operations and projects located in the prolific Labrador Trough. Initial production commenced at the James Mine in June 2011, with the sale of 386,000 dry tonnes of iron ore recorded in the first start-up year. The first full production season commenced in April 2012 and LIM sold ten shipments totalling approximately 1.6 million dry tonnes of iron ore. The tenth shipment was sold at the end of November and contained 103,000 dry tonnes of iron ore.

The James Mine is connected by a direct rail link to the Port of Sept-Îles, Québec. The project also benefits from established infrastructure including the town, airport hydro power and railway service. Starting with the James Mine and leading to the development of the expanding Houston flagship project, our objective is to provide shareholders with long-term value with a plan to increase production towards 5 million tonnes per year from a portfolio of 20 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:

Keren Yun,
Vice President, Investor Relations & Communications
Tel: (647) 725-0795
Cautionary Statements:
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, the Company’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 the Company will be successful in maintaining any agreement with any First Nations groups who may assert aboriginal rights or may have a claim which affects the Company'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. The Company 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.