Labrador Iron Mines Announces Strategic Relationship with Tata Steel

TORONTO, ONTARIO. March 12, 2013. Labrador Iron Mines Holdings Limited ("LIM" or the "Company") (TSX:LIM) announces that it has entered into a framework arrangement with Tata Steel Minerals Canada ("TSMC"), a subsidiary of Tata Steel Limited, to establish a strategic relationship between LIM and TSMC whereby the two companies have agreed to co-operate with each other in various aspects of their respective iron ore operations in the Labrador Trough and enter into definitive agreements to formalize this arrangement in due course.

Both LIM and TSMC operate adjacent DSO iron ore projects in the Province of Newfoundland and Labrador and in the Province of Quebec, near Menehik, Labrador and Schefferville Quebec, and both utilize and intend to utilize the same rail and port infrastructure.

The strategic relationship will include multi-part co-operation agreements in areas of logistics; property rationalization and various ancillary mutual support and potential off-take arrangements. As part of the logistics agreements, the companies shall formalize arrangements for development of the rebuilt rail line that will pass through LIM's Silver Yards facilities from TSMC's new Timmins Area processing plant to the TSH main rail line.

The companies also agreed to continue their co-operation on the upgrade of the TSH rail line that connects Silver Yards/Timmins spur line to the QNS&L line and on other areas of future logistics operations such as camp accommodations, the sharing of ore cars, flat bed freight cars and rail car repair facilities.

The co-operation agreement shall also include respective participation in developing infrastructure at the Port of Sept-Îles with the objective of establishing the access and terminal facilities for both companies to the Port’s new deep sea multi-user dock.

As part of the strategic relationship, LIM and TSMC have agreed to enter into a transaction for the development of LIM’s Howse deposit and TSMC’s Timmins 4 deposit. LIM shall sell a 51% interest in its Howse deposit to TSMC. The Howse deposit, located about 25 kilometres north of LIM’s James Mine and Silver Yards processing plant, has a historical resource of 28 million tonnes and is part of LIM’s proposed Stage 3 project, currently expected to be developed about 2020. It is expected that significant cost savings and synergies can be achieved by processing Howse ore through TSMC’s adjacent Timmins Area plant.

As part of the proposed multi-part cooperation arrangements as above, and fulfillment of certain conditions precedent, LIM will receive a cash injection of $30 million. LIM may also acquire up to 100% interest in TSMC’s “Timmins 4” deposit, located about 2 kilometres from Howse, at a consideration of $3 million payable from sales of Timmins 4 ore at $2 per tonne. In future, TSMC has an option to infuse up to $25 million in the Howse project to further increase its interest in the Howse deposit to 70%.

“This is a transformational arrangement for LIM that has the potential to provide significant cost synergies, position LIM to address key logistics and infrastructure issues and expedite the development of LIM’s Howse deposit” said LIM’s Chairman and Chief Executive Officer John Kearney. “The $30 million in cash proceeds from the proposed arrangements will be used by LIM to fund its working capital, capital expenditure and exploration requirements for the 2013 operating season”.

"This is a transformational arrangement for LIM that has the potential to provide significant cost synergies, position LIM to address key logistics and infrastructure issues and expedite the development of LIM’s Howse deposit" said LIM’s Chairman and Chief Executive Officer John Kearney. “The $30 million in cash proceeds from the proposed arrangements will be used by LIM to fund its working capital, capital expenditure and exploration requirements for the 2013 operating season".
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 during 2012.

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, LIM’s 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:

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Cautionary Statements:

Historical Resources:

The historical resources estimates in this Press Release are based on work completed and estimates prepared by Iron Ore Company of Canada (“IOC”) prior to 1983, they are not current and were not prepared in accordance with National Instrument 43-101 – Standards of Disclosure for Mineral Projects (“NI 43-101”). The IOC classification reported all resources (measured, indicated and inferred) within the total mineral resource. A qualified person has not done sufficient work to classify the historical estimates as current mineral reserves. These historical results provide an indication of the potential of the properties and are relevant to ongoing exploration. However, the historical estimates should not be relied upon.

Forward Looking 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.