

Labrador Iron Mines Participates in the Development of New Multi-user Dock at the Port of Sept-Îles

5 million tonne per year port capacity reserved

Toronto, Ontario, July 18, 2012. **Labrador Iron Mines Holdings Limited** ("LIM" or the "Company") (TSX: LIM) is pleased to announce that it has agreed to participate with the Sept-Îles Port Authority (the "Port Authority") in the development of its new multi-user dock facility (the "Facility") at Pointe-Noire in the Port of Sept-Îles. Under the terms of its agreement with the Port Authority, LIM has reserved an annual capacity of 5 million tonnes of iron ore with a right to secure additional residual capacity.

The \$220 million project, proposed and sponsored by the Port Authority, is planning for two berths, dedicated exclusively to iron ore shipments, equipped with two ship loaders as well as two conveyer lines, with an annual capacity of 50 million tonnes per year.

Under the agreement, 50% of the capital cost (\$110 million) will be contributed as buy-in payments by five potential users, pro rata to each user's reserved tonnages. LIM has reserved an annual capacity of 5 million tonnes and has committed a total of \$12.8 million payable in two equal installments. The first installment of \$6.4 million has been made and the second installment is payable in July 2013. These advance payments will be credited as discounts against future port wharfage and shipping fees, until such time as the cumulative discounts amount to LIM's buy-in payments.

As previously announced on February 13, 2012, the Government of Canada will invest up to \$55 million and contribute to the construction of the Facility.

Construction of the new dock is expected to be completed by March 31, 2014.

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About Labrador Iron Mines Holdings Limited (LIM)

Labrador Iron Mines (LIM) is Canada's newest iron ore producer. We own a portfolio of direct shipping (DSO) iron ore operations and projects located in the prolific Labrador Trough. Initial production commenced at our 100%-owned James Mine in June 2011 and we recorded the sale of 400,000 tonnes of iron ore in our first start-up season. The first full production season commenced on April 2, 2012, with a sales target of 2 million tonnes of iron ore for the 2012 year.

LIM is focused on a strategic and robust growth plan arising from our portfolio of 20 iron ore deposits in Labrador and Quebec, all within 50 kilometres of the town of Schefferville. The James Mine is connected by a direct rail link to the Port of Sept-Îles, Québec. The area 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 as we ramp up production and sales towards 5 million tonnes per year by 2015.

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

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

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Cautionary Statements:

Some of the statements contained herein may be forward-looking statements which involve known and unknown risks and uncertainties. Without limitation, statements regarding potential mineralization and resources, exploration results, and future plans and objectives of the Company are forward looking statements that involve various degrees of risk. The following are important factors that could cause the Company's actual results to differ materially from those expressed or implied by such forward looking statements: changes in the world wide price of iron ore and steel, general market conditions, the uncertainty of future profitability and access to additional capital, risks inherent in mineral exploration and risks associated with development, construction and mining operations, delays in obtaining or failures to reach agreements with any potentially impacted aboriginal groups or to obtain required governmental, environmental or other project approvals. There can be no assurance that the Company will be successful in reaching 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 Area project. Caution should be exercised on placing undue reliance on forward looking information.