
LABRADOR IRON MINES REPORTS FIRST QUARTER RESULTS

Toronto, Ontario, July 31, 2014. **Labrador Iron Mines Holdings Limited** (“LIM” or the “Company”) (TSX: LIM) today reports its operating and financial results for the first quarter ended June 30, 2014.

HIGHLIGHTS

- LIM did not conduct any mining operations during the fiscal first quarter and carried out only a limited number of standby activities at site.
- For the first quarter ended June 30, 2014, LIM reported a net loss of \$4.0 million or \$0.03 per share, which included a depletion and depreciation charge of \$1.3 million or \$0.01 per share.
- LIM’s current focus is on the development of the Houston Mine and, subject to completion of financing, plans to be in a position to begin production from Houston in 2015. LIM is also focusing on negotiating the commercial terms of major contracts and seeking additional capital investment and working capital.
- The Howse exploration program has recommenced, targeting an additional 3,500 metres (“m”) of drilling. The remaining \$1.8 million financial commitment for the 2014 exploration program is fully funded.
- LIM is also carrying out the expansion of the Silver Yards rail siding, which is the only capital project currently underway. The project is fully funded by Tata Steel Minerals Canada (“TSMC”).

OPERATIONS SUMMARY

LIM did not conduct any mining operations during the quarter ended June 30, 2014 and does not currently plan any mining or processing activity in 2014, which is planned instead to be a development year.

Mining operations at LIM’s Stage 1 deposits, including the James Mine and related infrastructure, are being maintained on standby for the time being, which will allow for a potential restart of Stage 1 production when economic conditions improve.

The Silver Yards wet processing facility is also being maintained on standby with the current expectation that it will be re-commissioned to process plant feed from Houston and potentially production from Stage 1 deposits in future years.

During the fiscal first quarter, mine site activities were limited to dewatering, pumping and environmental monitoring and maintenance. By the end of May, dewatering and pumping activities had ceased, which is expected to significantly reduce site standby costs for the balance of 2014.

The only capital project currently underway is the expansion of the Silver Yards rail siding, fully funded by TSMC, which is expected to be completed in the second half of 2014. This expansion will facilitate the operation of the new extended rail line from Silver Yards to TSMC’s Timmins Area plant, which was completed during the quarter and is expected to be operational in the near future.

During calendar 2014, LIM’s focus is on developing the Houston Mine and, subject to completion of financing and negotiation of major contracts, expects to be in a position to begin mining production from Houston in 2015. Accordingly, LIM’s focus during the quarter ended June 30, 2014 was on corporate activities related to negotiating the commercial terms of major contracts and seeking additional capital investment and working capital.

Howse Exploration Update and Joint Venture with TSMC

For the 2014 exploration season, LIM is focused on completion of the Howse exploration program, which was suspended in the winter after 2,760 m were drilled in 21 holes. The \$5.0 million exploration program has now recommenced, targeting an additional 3,500 m of exploration drilling.

The objective of the Howse drill program is to convert the historical resources to NI 43-101 compliant mineral resources and to collect metallurgical, geotechnical, hydrogeological, and hydrology information to ultimately complete a feasibility study. The resource estimate and feasibility study are designed to support a production decision. Howse Minerals Limited, a wholly-owned subsidiary of TSMC, the operator of the joint venture, advises that the NI 43-101 resource estimate, environmental impact study and a preliminary economic assessment are expected to be completed by the end of 2014 and the feasibility study is expected to be completed in 2015.

Project Registration Notices for the Howse Project were submitted to the provincial and federal governments. The federal government has referred the Project for Environmental Assessment and Environmental Impact Statement (EIS) Guidelines were issued in June 2014.

LIM's remaining financial commitment of \$1.8 million for the Howse exploration program is fully funded. Following completion of the exploration program, Howse Minerals Limited is required to contribute the next \$23.5 million to the joint venture and thereby increase its participating interest in the Howse Deposit to 70%.

FIRST QUARTER FINANCIAL REVIEW

LIM did not have any shipments of iron ore during the first quarter ended June 30, 2014. Accordingly, no net revenue was recognized from mining operations during the period.

For the first quarter ended June 30, 2014, LIM reported a net loss of \$4.0 million, or \$0.03 per share, which included a depletion and depreciation charge of \$1.3 million, or \$0.01 per share.

As LIM did not conduct any mining operations during the fiscal first quarter, the net loss is mainly attributable to site standby costs, in particular dewatering, pumping and environmental monitoring and maintenance costs, and corporate and administrative costs. Dewatering and pumping activities were completed in May, which is expected to significantly reduce site standby costs for the balance of 2014.

During the fiscal first quarter, LIM invested \$0.06 million in property plant and equipment. Capital expenditures during the quarter were limited to essential sustaining capital activities.

As at June 30, 2014, LIM had current assets of \$12.1 million, including inventories with a carrying value of \$2.0 million and accounts receivable and prepaid expenses of \$3.2 million. At June 30, 2014, LIM had \$5.0 million in unrestricted cash and cash equivalents and an additional \$1.8 million in current restricted cash.

Current liabilities, consisting of accounts payable and accrued liabilities, finance lease obligations and rehabilitation provisions, were in aggregate \$25.1 million at June 30, 2014.

At June 30, 2014, LIM had an ending working capital deficit of \$13.0 million. LIM had no current or long-term bank debt at June 30, 2014; however, the Company had a long-term deferred revenue liability of \$21.4 million.

Iron Ore Market Conditions

The spot price of iron ore (CFR China 62% Fe basis) averaged approximately US\$131 per tonne during the 2013 operating season, an improvement over an average of US\$125 per tonne during the 2012 operating season. However, since January 2014 the price of iron ore fell steadily in the Chinese market and the benchmark price for

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62% Fe iron ore declined to below US\$90 per tonne in June 2014, a decline of over 30%. The benchmark price for 62% Fe iron ore improved somewhat in July 2014 and is currently about US\$95 per tonne. Iron ore exports from Australia to China have increased significantly in 2014, pushing benchmark prices to the lowest levels since 2012 and contributed to a growing global surplus.

The immediate market outlook for iron ore is somewhat uncertain. Chinese steel mills and traders are being pressed to sell inventories as banks demand loan repayments. Increased supply and lower prices will force the closure of higher cost domestic Chinese producers. However, Chinese steel production continues to increase and China will need to import more iron ore to replace the shutdown of domestic production, which should help iron ore price stability.

For budgeting purposes, LIM has assumed an average price of US\$100 per tonne during 2014 (during which no sales are anticipated) and 2015. The Company is anticipating a foreign exchange rate of US\$0.90 per Canadian dollar for budget purposes.

OUTLOOK

Development of the Houston Mine in 2014 is subject to the availability of new financing and completion of detailed engineering and planning. LIM is currently negotiating various financing and off-take arrangements 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 Mine will be postponed.

LIM will need to generate additional financial resources in order to address its current working capital deficit and meet its planned business objectives. LIM is currently negotiating certain financing opportunities and, subject to completing these financings, the Company 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.

Subject to completing these financings, LIM believes it will have sufficient working capital to continue to operate over the next year and continue as a going concern, which assumes that the Company will be able to meet its obligations and continue its operations for its next fiscal year. 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. If LIM is unable to obtain adequate additional financing on a timely basis, the Company would be required to curtail all operations and development activities.

This press release should be read in conjunction with LIM's Management's Discussion and Analysis (MD&A) and unaudited financial statements for the three months ended June 30, 2014, available on the company's website at www.labradorironmines.ca, under the "Financials" section, or on SEDAR (www.sedar.com).

LIM will not be holding a conference call for the first quarter ended June 30, 2014. LIM is currently negotiating certain financing opportunities and revised terms with its major contractors. Discussions and negotiations with various parties are ongoing. Subject to completion of these negotiations, the Company will provide further updates at that time.

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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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's Silver Yards 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. The Company's current focus is to develop the long-life Houston flagship Project and is planning for initial production commencing in 2015.

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

John F. Kearney
Chairman and Chief Executive Officer
Tel: (647) 728-4105

Rodney Cooper
President and Chief Operating Officer
Tel: (647) 729-1287

Keren Yun
Vice President, Investor Relations
and Communications
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 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 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.