

Labrador Iron Mines Collaborates with CN in the Feasibility Study of a New Multi-user Rail Line and Port Terminal Facility

Rail line to serve iron ore companies in the Labrador Trough

Toronto, Ontario, August 10, 2012. **Labrador Iron Mines Holdings Limited** (“LIM” or the “Company”) (TSX: LIM) is pleased to announce its collaboration with the Canadian National Railway Company (“CN”) and La Caisse de dépôt et placement du Québec, as well as a group of mining companies to work with CN on a feasibility study to develop a new, continuous multi-user rail line from the northern Labrador Trough to the Port of Sept-Îles. The feasibility study will also evaluate a new terminal handling facility located at the Port of Sept-Îles.

“CN is the largest carrier of iron ore in North America and we are pleased to work with a highly-regarded and established transportation company in this feasibility study” stated Rod Cooper, President and Chief Operating Officer. “The development of a new railway in the Labrador Trough is of great interest to LIM as it would provide optionality for long-term rail capacity, with the potential to provide greater efficiencies and optimization of rail access. In addition, a new terminal handling facility at the Port of Sept-Îles would complement the planned development of the new multi-user dock at the Port, in which LIM is also participating. We are excited to move ahead with these developments, as they represent important steps to enhance long-term rail and port access for LIM’s iron ore.”

To advance the project timeline, CN has coordinated the timely start of upfront applications for regulatory approvals and permitting requirements for the project. This will also allow for appropriate consultation with First Nations, local communities and other stakeholders.

As previously announced on July 18, 2012, LIM has agreed to participate with the Sept-Îles Port Authority in the development of its new multi-user dock facility at Pointe-Noire in the Port of Sept-Îles. Under the terms of the 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.

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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.