LABRADOR IRON MINES HOLDINGS LIMITED

News Release

TSX: LIM

Labrador Iron Mines Reports First Quarter Results

Notice: Conference Call and Webcast held today at 11:00 am ET. Dial-in: +1-416-340-8530 or +1-877-240-9772.

Toronto, Ontario, August 15, 2012. **Labrador Iron Mines Holdings Limited** ("LIM" or the "Company") (TSX: LIM) is pleased to report its operating and financial results for the first quarter ended June 30, 2012.

First Quarter Highlights

- **Mined approximately 668,000 tonnes of ore at a grade of 62.6% iron** ("Fe") at the James mine. By the end of the quarter, the mine was operating at a rate of 32,000 tonnes per day (ore and waste), in excess of its planned mining rate of 28,000 tonnes per day.
- **Railed approximately 532,000 tonnes of ore** to the Port of Sept-Îles.
- **Sold three shipments** of iron ore totalling **486,000 dry tonnes (515,000 wet tonnes)** at a weighted average price of approximately US$122 per tonne on a CFR China basis.
- **LIM commenced commercial production** effective April 1, 2012, with proceeds from LIM's iron ore sales recognized as revenue in the Company's Statement of Operations and Comprehensive Income and **reported revenue of $38.0 million** (free on board ("FOB") Port of Sept-Îles) from the three shipments sold.
- **Re-commissioned the Silver Yards plant** with initial start-up in mid-May.
- **Mobilized dry crushing and screening equipment at the James Mine, effecting a transition from direct rail ore ("DRO") to sinter fines and lump products.**
- **Completed the expansion of the Bean Lake accommodation camp.**
- **Launched the 2012 exploration program.**

"This was a milestone quarter, as the James mine delivered excellent results and is now operating at an enhanced mining rate of 32,000 tonnes per day" commented Rod Cooper, LIM's President and COO. "Monthly railway volumes also tripled from April to August, with four trains in operation. With further rail and port efficiencies being implemented, we are well on track to meet our sales target of 2 million tonnes of iron ore this year with costs of $60 to $65 per tonne.

"While the Company successfully sold three shipments of iron ore during the quarter, revenues were impacted by lower iron ore prices. For the balance of the 2012 operating season, we are actively taking necessary measures to enhance productivity and address cost control to improve our bottom line.

"Moving forward, we will continue to execute on our deliverables. We have shifted our product mix to process lump and sinter, exclusively, and phased out of shipping direct rail ore. Complementing this shift in our product mix is the addition of a dry in-pit processing system at the James mine, with a mass yield approaching 100%. The Silver Yards Phase 3 expansion is also on track to be completed around the end of August."

2012 Outlook

LIM has carried out a number of short-, mid- and long-term key initiatives to support the 2012 and future operating seasons:

1. **All remaining sales for the balance of 2012 will consist exclusively of lump and sinter fines products as mining of direct rail ore is phased out, eliminating direct rail ore discounts in the market.**
2. **The Phase 3 expansion of the Silver Yards Processing Facility is expected to be completed around the end of August.**
3. **Further rail and port efficiencies have been put in place.** Two train sets have been lengthened with additional rail cars, increasing each train's rail capacity by over 30%. A fifth train will also be added to the rail fleet in September and off-loading equipment at the port will double in capacity. These enhanced rail and port efficiencies are designed to support higher iron ore sales volumes for the balance of 2012.

4. **Enhanced long-term rail and port access for LIM's iron ore.** LIM has recently announced its participation in the development of the new multi-user berth at the Port of Sept-Îles. LIM also announced its collaboration in working with the Canadian National Railway Company ("CN") on a feasibility study to develop a new, continuous multi-user rail line and new terminal handling facility at the Port of Sept-Îles to serve iron ore companies in the Labrador Trough.
5. **A critical review of all capital spending programs is underway.**

John Kearney, LIM's Chairman and CEO, commented: "We are extremely pleased with the strong start and operating success achieved during the quarter. While revenues were impacted by softening iron ore prices, we expect an increase in sales volumes and a reduction in operating costs in future quarters. These have become even more critical as we weather challenging iron ore market conditions and a slowing global economy.

"In light of current market conditions, LIM is reviewing its capital spending program in order to manage our cash requirements. However, we remain committed to executing on our development plans for the Houston deposits, which is expected to more than double current production and represents LIM's flagship in future years. In addition to deferral of certain capital programs, we are also evaluating potential working capital credit and debt facilities to ensure our expansion plans remain on track.

"Looking to the longer term, we have agreed to participate in the development of the new multi-user dock at the Port of Sept-Îles and collaborate on feasibility work for a new multi-user rail line and terminal handling facility to serve iron ore companies in the Labrador Trough. As a currently producing iron ore company, we are well positioned to benefit from the potential development of additional infrastructure, which will reduce operating costs and contribute to maximizing shareholder value."

Results of Operations

James Mine

The James mine commenced full-scale operations on April 2, 2012. During the quarter ended June 30, 2012, approximately 668,000 tonnes of ore at a grade of 62.6% Fe were mined. Of the total production during the quarter, approximately 483,000 tonnes were direct rail ore at an average grade of 62.6% Fe. By the end of the quarter, the mine was operating at a rate of 32,000 tonnes per day (ore and waste), in excess of its planned mining rate of 28,000 tonnes per day and the mine could sustain this enhanced rate for the balance of the 2012 operating season.

The general mining sequence planned for the current year commenced with mining higher grade (60%+ Fe) DRO during the early months of the operating season while the processing plant was being re-commissioned. This is being followed by mining lower grade plant feed (50%+ Fe) in the summer and fall when the processing plant is operating at full capacity. In accordance with the mining sequence, mainly DRO material was mined at James during the quarter ended June 30, 2012. Sinter product is planned to be railed and shipped throughout the summer and early fall, followed by railing and shipping lump material in late fall. From previous experience, lump ore is most resilient against freezing in railcars during the late months of the operating season, due to its lower moisture content.

Mass recovery of all products from the ore mined during the quarter ended June 30, 2012 was approximately 88%. This very high mass recovery percentage is largely attributable to the mining of DRO during the quarter.

Processing

Dry Process Stream

During the quarter, LIM added a dry classifying system to process (crush and screen) lump and sinter fines products as the Company transitions its product mix to produce lump and sinter, exclusively. This dry process stream, targeting high-grade (60%+ Fe) ore, has a design capacity of 1,000 tonnes per hour with a mass yield approaching 100%. Moving forward, the additional process equipment will supplement the mining sequence and enhance product yield, especially during the commissioning period of the wet processing plant.

Silver Yards

Startup of the Silver Yards processing facility commenced in mid-May and the plant was re-commissioned in five weeks. From mid-May to June 30, 2012, approximately 127,000 tonnes of 55.6% Fe material was fed to the plant, yielding 52,000 tonnes of lump and sinter fines products.

The Silver Yards processing plant operated at approximately 50% throughput capacity and achieved mass yield of 41% during the re-commissioning period. While both of these metrics were lower than planned, continuous improvement was evident towards the end of the quarter, with July throughput and product yield approaching design capacity for the Phase 1 and 2 plants. Subsequent to the end of the quarter, July throughput averaged 4,300 tonnes per day and mass yield increased to 58%. Further plant performance improvements are anticipated throughout the current quarter.

The Phase 3 plant expansion is targeting completion around the end of August. This expansion is intended to increase plant throughput to 12,000 tonnes per day and improve weight recovery to above 75%.

Rail and Port

During the quarter, approximately 532,000 tonnes of iron ore was railed to the Port of Sept-Îles.

Rail operations continued to ramp up in July, with an additional 240,000 wet metric tonnes railed to the Port. LIM has lengthened two of its train sets, increasing their capacity by over 30%. In addition, a fifth train set, is scheduled for delivery later this year and is expected to increase railing volumes for the balance of the 2012 season.

In June 2012, the Company completed a life-of-mine agreement with the Tshiuetin Rail Transportation Inc. (“TSH”) railway, replacing its previous annual agreement.

Subsequent to the end of the quarter, LIM announced two important developments that will enhance and provide optionality for long-term port access of LIM’s iron ore. First, the Company announced its participation in the development of the new multi-user berth at the Port of Sept-Îles, which will be dedicated exclusively to iron ore shipments. 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. Construction of the new berth is expected to be completed by March 31, 2014.

LIM also announced its collaboration in working with CN on a feasibility study to develop a new, continuous multi-user rail line and a new terminal handling facility located at the Port of Sept-Îles, which would complement the planned development of the new multi-user berth.

Sales

During the quarter ended June 30, 2012, the Company sold three cape-size shipments totalling 486,000 dry tonnes of direct rail ore with a grade of 63.2% Fe at a weighted average price of approximately US$122 per tonne on a CFR China basis. Direct rail ore is a mixed-size fraction product that requires additional crushing and screening by the customer and, as such, is sold at a discount to the benchmark price. Subsequent to the end of the first quarter, one additional cape-size shipment of direct rail ore was sold in July and another cape-size shipment of direct rail ore is currently stockpiled at the Port. After this stockpile is sold, all remaining sales during the year are planned to be lump and sinter fines products.

The sale of LIM iron ore is made under provisional pricing arrangements and subject to final settlement, which occurs approximately one month after the ship has departed the Port. The Company will continue to disclose proceeds from its aggregate sales of iron ore on a quarterly basis.

Production and Cash Operating Costs

LIM is on track to meet its 2012 saleable production target of 2 million tonnes of iron ore. During the quarter ended June 30, 2012, cash operating costs per tonne of product sold, unloaded at the port, were approximately $72. Included in this amount were approximately $7.50 per tonne sold in non-recurring charges related to contractor mobilization, railway take-or-pay fees in April, and certain one-off charges related to the Pointe aux Basques wharf facility, which is no longer being pursued. In addition, fixed costs per tonne were higher than planned due to revenue recognition on three sales rather than the four shipments anticipated for the quarter. Excluding these non-recurring charges, operating costs were approximately $64.50 per tonne of product sold. Cash operating costs per tonne of product sold in June and July were lower and within the Company's 2012 guidance of $60 to $65 per tonne, unloaded at the port.

LIM's operating results for the quarter ended June 30, 2012, is outlined in the table below.

Production for the Quarter Ended June 30, 2012		
(all tonnes are dry metric tonnes)	**Tonnes**	**Grade (% Fe)**
Total Ore Mined	668,193	62.6
Direct Rail Ore portion	483,444	62.6
Waste Mined	1,369,398	—
Ore Processed	127,463	55.6
Lump Ore Produced	17,728	60.2
Sinter Fines Produced	34,711	65.6
Total Product Railed	532,329	62.6
Tonnes Product Sold	486,506	63.2
Port Product Inventory	223,492	63.0
Site Product Inventory	65,372	64.0
Run-of-Mine Ore inventory	273,503	58.8

Houston Development

During the quarter ended June 30, 2012 and subsequent thereto, the Company has been preparing and submitting applications for permits and regulatory approvals required for the construction of mine infrastructure and related facilities to enable the development and construction at the Houston deposits in the remainder of 2012 and the first half of 2013. Development work to date includes completion of forestry work clearing the planned Houston access road route and commencement of forestry work clearing the planned Houston rail siding route. Engineering consultants have been chosen to design the Houston access road, bridge and rail siding, and their respective design work has commenced.

LIM remains committed to executing on its development plans for the Houston deposits. To the end of June 30, 2012, approximately $1 million had been expended on the Houston project. LIM is currently reviewing its capital expenditure programs for the balance of 2012.

2012 Exploration Program

Fieldwork for the 2012 exploration program began in June with the mobilization of the Company's contract drillers. As of June 30, 2012, the Company had completed 424 metres ("m") of reverse circulation ("RC") holes targeting improved delineation of the Houston 1 and 3 resources.

In addition, LIM successfully completed its first diamond drill hole on the Houston 3 deposit at a depth of 140 m. This part of the drilling program is aimed at proving up the potential use of diamond drilling to recover core needed to better understand the geological, geotechnical and various metallurgical parameters of the Houston, James and Malcolm deposits.

The overall 2012 exploration program plans for the completion of approximately 10,800 m of drilling, of which 8,000 m could be achieved by diamond drilling. By the end of July, two drill rigs were mobilized and drilling activities ramped up significantly for a total of about 2,000 m of RC and diamond drilling completed. Two additional drill rigs are expected to be added by the end of August, which will further advance these drill programs.

Ground geophysical surveys were also carried out during the quarter to determine drill target locations on recently identified taconite iron mineralization – the Gagnon and Elizabeth taconites. The Schefferville/Menihek area has a number of taconite deposits being explored by other companies and these deposits, which usually average about 30% Fe, can often show very significant tonnages. Ground geophysical surveys were also carried out on the Houston, James and Howse deposits and were completed in July.

A bulk sampling program of some historic stockpiles will be initiated this month with a view to providing supplemental plant feed to the Silver Yards processing plant. Metallurgical test work aimed at evaluating historical manganese resources will also be carried out with a view to ascertaining compatibility with the Silver Yards processing plant flow sheet.

LIM recently completed a ground gravity survey on the James deposits. This survey identified a positive anomaly extending approximately 400 m southeast of the James South orebody, containing similar characteristics to that of the James deposits. This anomaly will be drill tested later this year.

Iron Ore Market Conditions and Price Outlook

Iron ore spot prices continued to soften throughout the second quarter of the current calendar year, with port inventories in China remaining high, while Chinese steelmakers experienced a squeezing of operating margins. Recently, Chinese traders were apparently liquidating inventories. By early August, spot prices continued to decline, and have reached US$111 on a CFR China basis.

The Company's iron ore products are re-sold by the Iron Ore Company of Company ("IOC") through the Rio Tinto marketing organization, on the Chinese spot market. During July and August this market, in general, can best be described as challenging, with many cargos offered for sale receiving few or no bids. Sales by some companies have been revoked or prices re-negotiated and products have, on occasion, been withdrawn from the market for lack of buyer interest. Non-standard products, such as the Company's DRO, have been difficult to sell, resulting in delays, very few or no bids, and/or lower-than-expected bids. Going forward, the Company plans to produce only standard sinter fines and lump. The Company continues to work closely with IOC and Rio Tinto to monitor market conditions in order to achieve the most favourable sales outcomes under very difficult market conditions.

Market commentators are speculating that a bottom could be reached this quarter, as the current iron ore spot price is below the assumed marginal cost of Chinese production. The Company believes this is likely and anticipates iron ore prices recovering to the US$130 to US$140 range on a CFR China basis later in the year.

First Quarter Financial Review

During the fiscal first quarter ended June 30, 2012, the Company sold three shipments totalling 486,000 dry tonnes of iron ore and subsequently recognized revenue of $38.0 million (FOB Port of Sept-Îles) from the sale of these shipments.

Cash operating costs, including mining, processing, transportation and site expenses, were $35.1 million or $72 per tonne of iron ore sold during the quarter. Cash operating costs for the quarter included non-recurring charges related to contractor mobilization, railway take-or-pay fees in April, and certain charges related to the Pointe aux Basques port facility set-up. Cash operating costs per tonne sold in June and July were lower and within the Company's 2012 guidance of $60 to $65 per tonne, unloaded at the Port.

For the quarter ended June 30, 2012, the Company reported a loss of $10.6 million, or $0.16 per share, compared to a loss of $4.7 million or $0.09 per share during the corresponding quarter of last year. The net loss reported included an amortization charge of $9.8 million, which was recorded concurrently with the commencement of full-scale mining operations. This amortization 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 operational activities of the James mine. There was no such comparable amortization charged in the same quarter of the previous year, as the Company's mining operations were still in a start-up phase during that period.

During the quarter, the Company invested approximately $2.7 million in its mineral property interests. This investment was mainly exploration and development and operating expenditures on deposits other than the James deposit. The equivalent investment in the same quarter of the previous year was $4.1 million.

During the quarter, the Company also invested approximately $19.0 million in property, plant and equipment, which consisted mainly of investments in procurement and construction activities for the Phase 3 expansion of Silver Yards, grid connection infrastructure, railcar modifications and expansion of the mine accommodation camp.

As at June 30, 2012, the Company had current assets of $89.0 million, including inventories with a carrying value of $16.5 million and accounts receivable and prepaid expenses of $49.1 million. At June 30, 2012, the Company had a total of $22.0 million in unrestricted cash and cash equivalents and an additional $7.6 million in restricted cash.

The Company had working capital of $42.8 million as at June 30, 2012. The Company has no debt.

Management regularly monitors conditions in the iron ore market and in particular, price trends for iron ore. Proposed capital expenditures are therefore reviewed on a regular basis in comparison to budgeted and projected operational cash flow in order to prudently manage cash balances.

A summarized table of the Company's financial position is shown below.

($ millions)	**June 30, 2012**	**March 31, 2012**
Cash and Cash Equivalents (unrestricted)	$ 22.0	$ 71.1
Accounts Receivable and Prepaids	49.1	15.5
Working Capital	42.8	60.6
Total Assets	374.9	379.8
Total Long-Term Liabilities	5.5	3.8
Shareholders' Equity	323.1	333.1

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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 first quarter ended June 30, 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.

All references to 'years' in this press release are 'calendar years', unless otherwise indicated. All dollar amounts are stated in Canadian dollars, unless otherwise noted.

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Conference Call and Webcast: First 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 416-340-8530 (local and international) or 1-877-240-9772 (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 August 29, 2012 by calling 905-694-9451 (local and international) or 1-800-408-3053 (Canada and US toll-free) and entering the passcode 877 87 82#.

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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 in April 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.