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 (647) 427-7450 or +1 (888) 231-8191

Toronto, Ontario, August 15, 2013. **Labrador Iron Mines Holdings Limited** ("LIM" or the "Company") (TSX: LIM) reports its operating and financial results for the first quarter ended June 30, 2013.

FINANCIAL AND OPERATING RESULTS

- During the quarter, LIM sold two shipments of iron ore totalling 328,000 dry tonnes and reported revenue of $17.9 million (free on board ("FOB") Port of Sept-Îles).
- LIM commenced its third operating season in early April 2013 at the James Mine, following a waste removal program in March. The Silver Yards Processing Facility resumed operations in April with initial ore processing activities commencing from the dry plant.
- Mining, processing and railing operations during the quarter were hampered by a combination of slower than anticipated contractor mobilization in March and challenging weather conditions in March and April. Train loading, railing and shipping were limited to the availability of saleable product produced, resulting in higher operating costs and lower revenue during the quarter due to fewer ships sold than planned.
- For the first quarter ended June 30, 2013, LIM reported a net loss of $28.5 million or $0.23 per share.
- Subsequent to the end of the quarter, LIM's third and fourth shipments of 2013 departed from the Port of Sept-Îles, totalling approximately 361,500 wet metric tonnes ("wmt") of iron ore product at a grade of 62% iron ("Fe").
- The Phase 3 expansion for the wet plant was largely completed in June, with commissioning of the wet high intensity magnetic separator ("WHIMS") continuing through July.
- With the completion of all construction and commissioning activities at Silver Yards and the addition of a fourth train set in July, mining and railing volumes are now achieving operating plan objectives, while product recoveries in the wet plant are improving.
- A number of immediate cost reduction and cash conservation measures have been implemented, with potential savings in the range of an extra $5 to $10 per tonne of saleable product for the remaining three quarters of the fiscal year.

LIM's first quarter ended June 30, 2013 was characterized by a disproportionate amount of waste removal, and lower than planned volumes of mining, railing and sales, resulting from slower than anticipated contractor mobilization in March and challenging weather conditions in March and April. As a consequence, train loading, railing and shipping volumes were limited to the availability of salable product produced. LIM incurred significant rail related volume commitment penalties during the quarter and achieved sales of only two shipments instead of three shipments as planned. The sale of the third shipment occurred shortly after the end of the quarter.

For the quarter ended June 30, 2013, LIM reported a loss of $28.5 million, or $0.23 per share, which included a depletion and depreciation charge of $5.6 million and rail take-or-pay transportation penalties of $6.2 million.

At June 30, 2013, LIM had a total of $27.3 million in unrestricted cash and cash equivalents and an additional $8.6 million in restricted cash.

"Challenging factors impacted mining, processing and rail volumes early in the season, but we are encouraged by the steady progress made at site and are now reaching planned levels as we head into the peak operating months" commented ***Rod Cooper, President and Chief Operating Officer.*** *"We are also pleased with the completion and commissioning of the Phase 3 wet plant expansion and the imminent connection of grid power at Silver Yards."*

"*LIM recognizes its current cost structure is too high and has undertaken a number of immediate and decisive measures to reduce both capital and operating costs" commented* ***John Kearney, Chairman and Chief Executive Officer****. "The key to reducing operating costs is to maintain and increase production volumes of iron ore. It is expected that as production volumes increase during the remaining months of the operating season, a significant reduction in operating unit costs will be achieved in the second and third quarters."*

LIM is currently targeting a total of approximately 1.7 million tonnes of iron ore products in 2013 in a total of ten shipments. With the increase in production and railing volumes, the minimization in take-or-pay transportation penalties and the implementation of cost savings initiatives, cash operating costs during the remaining three quarters of the fiscal year are expected to be substantially lower than in the first quarter.

"With more favourable spot iron ore prices seen in recent weeks, combined with the operational improvements and cost reductions, we expect to achieve stronger results for the balance of the 2013 season" added John Kearney.

RESULTS OF OPERATIONS

James Mine and Silver Yards

The James Mine re-commenced full scale production for the 2013 operating season in April 2013.

LIM's mine plan for the 2013 operating season included an up-front waste removal program targeting approximately 600,000 tonnes of pre-stripping in March, required to provide access to ore at the James Mine for the beginning of the operating season in April. The March 2013 waste removal program was frustrated by a combination of slower than anticipated contractor mobilization and adverse weather conditions. As a consequence, only 88,000 tonnes of waste was removed in March and a greater amount of waste removal was required during April (which also experienced adverse weather conditions) and May before the planned ore mining rate could be reached in June.

During the quarter ended June 30, 2013, approximately 345,100 tonnes of ore was mined at an average grade of 56.7% Fe and 1.03 million tonnes of waste was removed from the James pit.

Processing activities at Silver Yards during April and May 2013 were limited to dry crushing and screening, prior to the start of the wet plant in June. Throughput of the dry plant averaged approximately 5,000 (wet) tonnes per day ("tpd") during the first quarter, and the product recovery rate averaged approximately 67%, with the balance of material set aside for the wet processing plant.

Wet plant processing activities commenced in June, as planned, following completion of construction of the Phase 3 expansion, designed to increase the wet plant's production capacity and to recover ultra-fine material. Commissioning of Phase 3 was largely complete in June, with commissioning of the wet high intensity magnetic separator ("WHIMS") continuing through July. Plant feed was fed to the wet plant commencing June 9, with the first significant tonnage occurring on June 12. For the month of June, throughput of the wet plant averaged approximately 7,250 wet tpd, with a recovery rate of approximately 50% achieved during this commissioning month.

By the end of July, throughput of the wet plant had improved and rates of over 10,000 wet tpd were achieved on a number of days. While product recovery averaged approximately 50% in June, compared to a planned recovery rate of 75%, the subsequent completion of the WHIMS system during July has resulted in average recovery rates improving towards 70%. The WHIMS system continues in a commissioning status and is not yet running to design parameters.

Equipment installation associated with the grid power connection at Silver Yards was completed in July 2013. Energizing this system is anticipated later in August and is subject to completion of a definitive power purchase agreement.

Operating Results Summary

LIM's operating results for the quarter ended June 30, 2013 and 2012 are outlined in the following table:

	Quarter Ended June 30, 2013		Quarter Ended June 30, 2012	
(all tonnes are dry metric tonnes)	Tonnes	Grade (% Fe)	Tonnes	Grade (% Fe)
Total Ore Mined	345,063	56.7%	668,193	62.6%
Waste Mined	1,033,681	—	1,369,398	—
Ore Processed and Screened	545,949	56.5%	127,463	55.6%
Lump Ore Produced	10,550	57.4%	17,728	60.2%
Sinter Fines Produced	329,317	59.9%	34,711	65.6%
Total Product Railed	327,571	59.0%	532,329	62.6%
Tonnes Product Sold	328,026	59.0%	486,506	63.2%
Port Product Inventory	110,552	60.8%	223,492	62.9%
Site Product Inventory	15,848	59.1%	65,372	64.1%
Site Run-of-Mine Ore inventory	346,597	54.7%	273,503	58.8%

OPERATIONAL PRIORITY: COST REDUCTION MEASURES

Operating costs during the first quarter were $35.6 million and included rail and transportation costs of $16.1 million, of which $6.2 million was related to take-or-pay volume expenses. It is anticipated that with increased volumes railed in the second and third quarters, these take-or-pay penalties should not re-occur and a portion of these take-or-pay charges may be recovered at the end of the operating season based on the seasonal increase in rail volumes during the summer months.

Based on the sale of 328,000 tonnes of iron ore in two shipments during the quarter, the reported operating costs of $35.6 million was equivalent to about $109 per tonne of iron ore sold (delivered to the Port, which includes mining, processing, transportation and site expenses). This reported cost includes rail take-or-pay transportation penalties of $6.2 million, or $19 per tonne sold. The sale of the third shipment of 186,500 wmt occurred early in the second quarter, but a substantial portion of the operating costs of that shipment were incurred in the first quarter. If the sale of the third shipment had been recorded in the first quarter as planned, it would have substantially reduced average operating costs for the quarter expressed on a per tonne sold basis.

It is expected that as production volumes increase during the remaining months of the operating season, a significant reduction in operating unit costs will be achieved in the second and third quarters of 2013.

In addition, operating cost saving initiatives were undertaken or are underway with respect to mining equipment rates, human resources and staffing, fuel procurement, aviation services, hydro-electric power, exploration costs, winter cost management, rail car leasing rates, James Mine pit dewatering and waste rock mining. As negotiations with contractors and service providers are largely completed, the benefits of these cost saving initiatives are anticipated during the remaining three quarters of this fiscal year. LIM is targeting savings in the range of an extra $5 to $10 per tonne of saleable product as a result of these initiatives.

Under the approved budget for the fiscal year ending March 31, 2014, all discretionary capital programs were deferred indefinitely. Only capital related to completion of the Phase 3 expansion of the Silver Yards wet plant and connection to grid power continued, as completion of these programs was essential to achieving planned cost containment and sales volumes.

Equipment installation associated with the grid power connection at Silver Yards is now complete. Energizing this system is anticipated later in August and is subject to completion of a definitive power purchase agreement with Nalcor Energy. Upon final completion of this project, the power supply for the Silver Yards processing facility and LIM's mine accommodation camp will be substantially converted from diesel fuel to lower cost electric power during the operating season. During the winter period, diesel fuel will continue to be required, although some electric power may be available depending on domestic consumption in the town of Schefferville, which has priority of service.

In the longer term, LIM continues to pursue strategic initiatives aimed at permanent structural reductions in operating costs and in revenue deductions. These include increasing sales volumes, mining without the use of contractors, re-negotiation of railway tariffs, alternative port arrangements at Sept-Îles, the strategic alliance with Tata Steel Minerals Canada and developing alternative destination markets for LIM's products.

These strategic initiatives have targeted potential reductions in operating costs and revenue deductions of a minimum of $20 per tonne of saleable product and may take several years to accomplish in their entirety. However, there can be no guarantee that these strategic initiatives will be concluded successfully or on a timely basis.

Mine Plans

During the first quarter, LIM mined 345,063 tonnes of ore and 1,033,681 tonnes of waste from the James Mine and anticipates mining an estimated total of 1,450,000 wmt of ore at the James Mine during this operating year. LIM plans to mine out the James Mine at the end of this operating season, rather than in the first quarter of next year as originally planned, as the remaining ore does not economically justify additional stripping or dewatering during the winter months.

Mining of the Redmond Mine, LIM's second Stage 1 deposit located approximately 12 km south of Silver Yards, commenced in July. It is anticipated that 450,000 wmt of ore will be mined at Redmond this year to supplement both the dry and wet process plants at Silver Yards. In addition, bulk samples totalling about 120,000 wmt are planned for the Ferriman stockpiles, located 5 to 7 km north of Silver Yards.

LIM anticipates a low strip ratio at its Redmond Mine operations during the 2013 operating year and no waste removal activities relating to the Ferriman stockpiles. Consequently, LIM anticipates low waste removal costs for the balance of the 2013 operating season. The savings from reduced waste removal are expected to offset the cost of hauling ore from Redmond and Ferriman to Silver Yards.

Combined with opening inventories of run of mine ore and saleable product, the above revised mine plan is anticipated to provide sufficient plant feed to achieve production of approximately 1.7 million tonnes of iron ore products in ten shipments during 2013.

Rail Operations

Railway operations resumed in April 2013 with one train set of 164 railcars, adding a second train set of 164 railcars in May and a third train set of 164 railcars at the end of June. LIM railed a total of approximately 328,000 tonnes of iron ore to the Port of Sept-Îles in the first quarter of the 2013 operating season, compared to approximately 532,000 tonnes railed in the first quarter of the 2012 operating season. Railing volumes were below plan during the quarter, particularly in April and May, due to product availability issues as previously discussed.

Subsequent to the end of the first quarter, a fourth train set was added at the end of July and rail volumes have increased substantially to an average of approximately five trains per week. Each 164 railcar train set hauls approximately 16,000 tonnes of product.

Iron Ore Sales

During the quarter ended June 30, 2013, LIM completed two shipments of iron ore totaling 328,000 dry tonnes, which were sold to the Iron Ore Company of Canada (“IOC”) at a provisional weighted average actual realized price (i.e. CFR China spot price less marketing discounts and value-in-use adjustments) of approximately US$102 per tonne on a CFR China basis. LIM recognized net revenue of $17.9 million on a FOB Sept-Iles basis after netting shipping costs and IOC’s participation from the CFR China actual realized price for these two shipments.

The first shipment of iron ore during the quarter ended June 30, 2013, was a planned lower grade (~58% Fe) sinter product. The second shipment was a split cargo of lower grade (~58% Fe) and higher grade (~62% Fe) sinter products. Due to the lower Fe grade which results in a higher silica content, the majority of the product during the quarter was sold at a discount to the prevailing Platts 62% Fe price and to the Platts 58% Fe benchmark.

The two cape-size shipments completed during the first quarter was lower than the planned three shipments, due to lower mining, railing and shipping volumes than anticipated.

Planned shipments for the balance of 2013 will be sinter fines and lump ore at a planned average grade of 62% Fe. These shipments will consist of iron ore from the James Mine, the Redmond Mine and the Ferriman stockpiles, made up of a mixture of higher grade dry screened ore and lower grade material that will be upgraded at the Silver Yards wet processing plant. These shipments are expected to have lower silica than was experienced with the first two shipments.

Subsequent to quarter end, LIM’s third shipment of 2013 carrying approximately 186,500 wmt of about 62% Fe sinter fines departed from the Port on July 19. This was followed by LIM’s fourth shipment, which was carrying approximately 175,000 wmt of a combined cargo of about 128,000 tonnes of 62% Fe sinter fines and about 47,000 tonnes of 62% Fe lump, which departed from the Port on August 9.

During the first quarter of 2013, LIM entered into a financing agreement with RB Metalloyd, securing a US$35 million advance payment against LIM’s committed sales of 3.5 million wmt of iron ore shipments delivered in 2013 and 2014. LIM also signed a new two-year iron ore sales agreement with IOC, under which IOC pays for the iron ore progressively, as the ore is resold, with the price calculation based on the monthly average of the market index, which should decrease LIM’s exposure to market volatility experienced in previous years. This sales agreement also allows for the use of IOC’s ore handling facilities and access to cape-size vessels at the Port of Sept-Îles.

FIRST QUARTER FINANCIAL REVIEW

For the quarter ended June 30, 2013, LIM reported a loss of $28.5 million, or $0.23 per share, which included a depletion and depreciation charge of $5.6 million or $0.05 per share. The depletion and depreciation charge represents a period charge, primarily on a units-of-production basis, of the cost of Stage 1 mining assets, the Silver Yards processing plant, transportation equipment and infrastructure and site properties associated with Stage 1 operations.

During the quarter ended June 30, 2013, LIM recognized net revenue from mining operations of $17.9 million on sales of approximately 328,000 tonnes of iron ore in two shipments. The decline in net revenue is attributable to the completion of one less shipment of iron ore than planned and a lower weighted average actual realized CFR China price of iron ore of US$102 per tonne.

LIM recorded a financing charge of $1.5 million during the quarter ended June 30, 2013, representing the period end change in the value of the iron ore put option contracts entered into in May 2013.

During the quarter, LIM added approximately $8.4 million in property, plant and equipment, which consisted mainly of investments in the Silver Yards Phase 3 processing plant and grid connection infrastructure. The reduction year-over-year (June 30, 2012 - $14.3 million) represents a concerted effort to limit capital expenditures to only essential capital projects.

At June 30, 2013, LIM had current assets of $67.9 million, including inventories with a carrying value of $11.0 million and accounts receivable and prepaid expenses of $26.2 million. At June 30, 2013, LIM had a total of $27.3 million in unrestricted cash and cash equivalents and an additional $8.6 million in restricted cash. LIM's cash and cash equivalents are invested in an investment grade short-term money market fund and deposits with a major Canadian bank.

Current liabilities, consisting of accounts payable and accrued liabilities, the current portion of deferred revenue, finance lease obligations and rehabilitation provision, were in aggregate $67.2 million at June 30, 2013.

OUTLOOK

The price of iron ore (CFR China 62% Fe) averaged approximately US$130 per tonne in the quarter ended June 30, 2013, compared to approximately US$140 per tonne in the same quarter of 2012. Iron ore market conditions through July and August 2013 have been favourable compared to the significant decline experienced in the same period of 2012. LIM's first two shipments of 2013 were completed in June, at which time the price of iron ore averaged approximately US$114 per tonne (CFR China 62% Fe) for the month. Benchmark prices for 62% Fe iron ore in the Chinese market have remained above US$130 per tonne in recent weeks, which should benefit LIM's iron ore sales for the balance of the 2013 operating season. Demand in China remains favourable, as inventories at ports and steel prices continue to support the seaborne trade.

By the first week of August, with completion of all construction and commissioning activities at the Silver Yards plant and the addition of a fourth train set, mining and railing volumes were achieving operating plan objectives, while processing performance was improving.

In the near term, operations will be focused on LIM's Stage 1 deposits. This includes the James Mine (which is planned to be mined out this year), the Redmond Mine (which will be in production during the balance of this year and 2014) and four smaller satellite deposits and some historical stockpiles, all located within a 15 km radius of the Silver Yards processing plants.

The operational priorities for the Company for its 2013 operating season are to maximize production and sales volumes and minimize costs. LIM has implemented cost reduction and cash conservation measures across all aspects of its operations. These include deferral of all non-essential capital expenditures, curtailment of corporate travel, negotiation of a new contract with the main mining contractor and engagement of a new operator for the processing plant. The Company has also instituted a hiring freeze, a workforce reduction and reductions in corporate expenditures.

The planned 2013 exploration program will focus on Howse and Gill deposits and will consist mainly of delineation diamond drilling with a target of approximately 14,000 m of core recovery (Howse – 8,000 m and Gill – 6,000 m).

LIM is currently targeting a total of approximately 1.7 million tonnes of iron ore products in 2013 consisting of a total of ten shipments. Planned shipments for the balance of 2013 will be sinter fines and lump ore at a planned average grade of about 62% Fe. With the increase in production and railing volumes, the minimization in take-or-pay transportation penalties and the implementation of cost savings initiatives, cash operating costs (mining, processing, rail and transportation and general and administrative costs per tonne unloaded at the Port) during the remaining three quarters of the fiscal year are expected to be substantially lower than in the first quarter.

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This press release should be read in conjunction with LIM's Management's Discussion and Analysis (MD&A) and unaudited condensed consolidated financial statements and notes thereto for the first quarter ended June 30, 2013, available on LIM's website at www.labradorironmines.ca, under the "Financials" section, or on SEDAR (www.sedar.com).

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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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 647-427-7450 (local and international) or 1-888-231-8191 (Canada and US toll-free). Please reference "Labrador Iron Mines First Quarter Conference Call" when prompted." 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, 2013 by calling 416-849-0833 (local and international) or 1-855-859-2059 (Canada and US toll-free) and entering the passcode 218 847 71# when prompted.

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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, and through 2012, iron ore sales have totalled 2.0 million dry tonnes in 13 shipments into the Chinese spot market.

Now in its third year of operations, LIM has sold four cape-size shipments of iron ore year-to-date and is targeting the sale of 1.7 million tonnes of iron ore products in 10 shipments in 2013.

The James Mine is connected by a direct rail link to the Port of Sept-Îles, Québec. The operation 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 its 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:

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 potential tonnage and grade referred to in this press release is conceptual in nature; there has been insufficient exploration to define a mineral resource and it is uncertain if further exploration will result in the target being delineated as a mineral resource.

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. 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 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.