Labrador Iron Mines Holds its Annual Meeting of Shareholders and Provides Operations Update

Toronto, Ontario, September 13, 2012. Labrador Iron Mines Holdings Limited (“LIM” or the “Company”) (TSX: LIM) today held its Annual Meeting of Shareholders in Toronto at which an operations update of its Schefferville area iron ore mining operations was provided.

2012 Operational Highlights – Year to August 31, 2012

The Company commenced its first full season of production in April 2012. In the operating year to August 31, seven shipments of iron ore have been sold, totalling ~1.2 million wet tonnes. This is a significant achievement for the Company, representing a 3-times increase over LIM’s iron ore sales for all of 2011.

The James Mine re-commenced full-scale operations in April 2012 and has consistently achieved its planned mining rate of 28,000 tonnes per day (ore and waste) in the operating year to August 31. Complementing LIM’s ramp up in production, railway volumes have also tripled from April to August with four trains currently in operation. LIM achieved a major milestone on August 23, as its one millionth tonne of iron ore for the year was railed to the Port of Sept-Îles.

While the Company successfully sold seven shipments of iron ore during the year to the end of August, revenues have been impacted by lower iron ore prices. This has created a very disappointing year-to-date, because although the ramp up in production and rail have been positive, we have been caught by the recent collapse in the spot iron ore price. Over the short-term, getting our mine and rail operating efficiently has been overshadowed by the spot price.

In response to the recent sharp decline in spot iron ore prices and challenging market conditions, LIM has taken decisive action to protect the liquidity of the Company and has undertaken a critical review of its capital spending for the balance of 2012. As previously announced in early September, LIM has implemented the following immediate actions:

- Focus on cost reduction and cash management measures;
- All capital expenditure programs relating to the Silver Yards processing plant and development of the Houston deposits have been deferred;
- The 2012 exploration program has been reduced to $5 million from the original budget of $8.6 million.

During this period of weakness and uncertainty in the iron ore market, it is essential that we remain disciplined in our cash management and capital spending programs and reduce operating costs. Consequently, consistent with announcements made by major iron ore companies, we have suspended some capital investment programs and deferred others in order to focus our resources on optimising production in the short-term. This action reflects a disciplined and pragmatic approach as we weather the current challenging market conditions.

As previously announced, the Company’s original 2012 budget for its capital investment programs totalled approximately $112 million. LIM has spent or committed $54 million to date and $5 million has been permanently cancelled.
Operational Update

James Mine and Silver Yards

In the year to August 31, 2012, the James Mine continued to operate at a rate of 28,000 tonnes per day (ore and waste).

For the balance of the 2012 operating season, in line with the Company’s action plan, we are actively taking necessary measures to enhance productivity and address cost control to improve our bottom line. We have phased out of mining direct rail ore, which was receiving a discount in the market place and have shifted our product mix to process lump and sinter exclusively.

To further address productivity and cost control, LIM has ceased the use of its higher cost wet processing plant, which has been winterised. For the balance of 2012, LIM is utilizing its recently-mobilized, lower-cost dry processing system at Silver Yards, which is being used entirely to process ore from the James Mine. This ore continues to be soft and higher grade and lends itself to simple processing that does not require washing. The lower cost dry classifying system also complements LIM’s product shift to lump and sinter fines for all of its remaining sales in 2012. The new dry process stream has a design capacity of 1,000 tonnes per hour (approximately 20,000 tonnes per day) with a mass yield for the high-grade ore approaching 100%.

Startup of the wet processing plant at Silver Yards commenced in mid-May and the Phase 1 and 2 plants were commissioned in five weeks. From mid-May to June 30, 2012, approximately 127,000 tonnes of 55.6% iron (“Fe”) material was fed to the plant, yielding 52,400 tonnes of lump and sinter fines products. During the quarter, the wet plant operated at a 50% throughput capacity and achieved a mass yield of 41%. While these metrics were lower than planned, continuous improvement was evident towards the end of the quarter. In July and August, the wet plant performance improved to a mass yield of 56% compared to the 41% mass yield in Q1. The design performance for the Phase 1 and 2 plants combined is 60%, demonstrating that our performance objective was nearly achieved, prior to the decision to shut down the wet plant for the season.

The Phase 3 expansion of the Silver Yards wet process plant was substantially constructed at the end of August, with the main remaining items being the installation of electrical equipment and instrumentation work. Completion and commissioning of the Phase 3 plant expansion are now planned for April and May 2013 as part of the seasonal start-up.

LIM’s operating results for the quarter ended June 30, 2012, and the five months ended August 31, 2012 is outlined in the table below.

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<tr>
<td>(all tonnes are dry metric tonnes)</td>
<td>Tonnes</td>
<td>Grade (% Fe)</td>
</tr>
<tr>
<td>Total Ore Mined</td>
<td>668,193</td>
<td>62.6</td>
</tr>
<tr>
<td>Direct Rail Ore portion</td>
<td>483,444</td>
<td>62.6</td>
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<tr>
<td>Waste Mined</td>
<td>1,369,398</td>
<td>—</td>
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<tr>
<td>Ore Processed and Screened</td>
<td>127,463</td>
<td>55.6</td>
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<tr>
<td>Lump Ore Produced</td>
<td>17,728</td>
<td>60.2</td>
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<tr>
<td>Sinter Fines Produced</td>
<td>34,711</td>
<td>65.6</td>
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<tr>
<td>Total Product Railed</td>
<td>532,329</td>
<td>62.6</td>
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<tr>
<td>Tonnes Product Sold</td>
<td>486,506</td>
<td>63.2</td>
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<tr>
<td>Port Product Inventory</td>
<td>223,492</td>
<td>63.0</td>
</tr>
<tr>
<td>Site Product Inventory</td>
<td>65,372</td>
<td>64.0</td>
</tr>
<tr>
<td>Site Run-of-Mine Ore inventory</td>
<td>273,503</td>
<td>58.8</td>
</tr>
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Note 1: Figures are preliminary and subject to confirmation.
At the end of August, the Company was on track to meet its 2012 sales target of 2 million tonnes of iron ore at a cash operating cost of $60 – $65 per tonne unloaded at the Port. However, in response to market conditions and weaker spot iron ore prices, the Company has decided to scale back its planned production for the remainder of the 2012 season and, subject to market conditions, plans for the sale of three or four more cape-size shipments over the next three months before the seasonal shut down in November. As a result, LIM is now targeting 2012 production of 1.7 million tonnes of iron ore.

Iron Ore Sales and Market Conditions

During the quarter ended June 30, 2012, the Company sold three cape-size shipments totalling 486,000 dry tonnes of direct rail ore (“DRO”) 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. A fourth cape-size shipment of 158,000 dry tonnes of direct rail ore was sold in July. In August, three cape-size shipments of iron ore (one DRO and two sinter) for a total of 485,000 dry tonnes (525,000 wet tonnes) were sold.

Iron ore spot prices suffered a sharp decline in August, dropping almost 30% to below US$90 per tonne on a 62% Fe CFR China basis. Port inventories in China remain very high, with Chinese steel mills liquidating plant inventories and traders withdrawing from the spot market. It has been reported that some cargos offered for sale have been withdrawn and sales by some companies have had prices re-negotiated. Non-standard or off-spec products, including the Company’s direct rail ore, have been difficult to sell, resulting in delays and/or lower than expected prices.

Currently, the Company’s iron ore is re-sold by the Iron Ore Company of Canada (“IOC”) through the Rio Tinto marketing organization on the Chinese spot market. In August, LIM’s three shipments of iron ore were sold in challenging market conditions. LIM’s association and arrangements with IOC and Rio Tinto enabled the placement and sale of LIM iron ore, which otherwise might have been difficult.

The sale of LIM iron ore in August was made under provisional pricing arrangements and subject to final settlement, which occurs approximately one month after the ship has departed the Port. The aggregate realized price of the three shipments sold under these arrangements, consistent with forward swap pricing for September, is expected to average about $30 – $40 per tonne less than the selling price of $122 per tonne on a CFR China basis achieved in Q1. The Company will continue to report proceeds from its aggregate sales of iron ore on a quarterly basis.

Market commentators are speculating that the current, late August, iron ore spot price is at or near a bottom, as this price is below the assumed marginal cost of domestic Chinese production and reflects an unsustainable spread between domestic and imported iron ore prices.

The underlying fundamentals have not changed. The most important use of iron ore is as a primary input to steel production. Global crude steel production is expected to steadily increase. The recent plant destocking by Chinese steel producers cannot continue indefinitely as Chinese steel prices stabilise and buyers return to the market. We believe China will continue to drive economic growth fuelled by urbanisation of its very large rural population. Steel production in China remains strong and we believe that the recent slowing in the growth rate is temporary.

Recent announcements by the Chinese Government indicate that China is ready to commit stimulus spending to keep growth on track. Premier Wen Jiabao said this week that China would meet its 7.5% gross domestic product (GDP) growth rate this year. China’s National Research and Development Commission is reported to have approved new infrastructure projects, including highways, subways and airports and other public works, totalling between 800 billion and one trillion Yuan over the next several years. However, China appears to be moving cautiously as its large spending in response to the 2008 global crisis fueled inflation. At that time, China’s stimulus spending led to the price of iron ore increasing from a low of US$60 per tonne CFR China in March 2009 to reach a high of US$186 within just over one year in April 2010, from where it retreated to about US$117 per tonne in July 2010 before recovering strongly to a high of US$192 in March 2011.
LIM continues to believe, in line with market consensus, that a recovery in iron ore prices is likely as Chinese steel mills restock and with traders moving back into the spot market and as China, Europe and the US all introduce economic stimulus programs. We anticipate iron ore prices recovering to higher levels later in the year and the improvement in the past week from below US$90 to around US$100 supports this belief. Looking forward, many of the large projects and expansions previously planned by major companies are experiencing increased costs and announced delays, all of which suggest that the previously-forecast long-term increase in the world-wide supply of iron ore will be significantly delayed.

**Outlook**

Despite the very many operational achievements to date, our current second quarter is being adversely impacted by the rapid drop in spot iron ore prices. We have been quick to respond and adjustments have been made with revised strategies in the mine, process plant and rail transport to optimize production at the lowest possible cost.

We carried out a number of key initiatives to de-risk operations. These have become even more critical as we weather challenging market conditions. The focus in the immediate short-term will be on reducing operating costs and managing cash. In response to market conditions and weaker spot iron ore prices, the Company is scaling back its planned production for the remainder of the 2012 season and, subject to market conditions, plans for the sale of three or four more cape-size shipments over the next three months before the seasonal shut down in November. This will result in total production for the year of about 1.7 million tonnes of iron ore.

The cost reductions in our current operations, combined with the scale-back in production and the deferral of capital expenditures will strengthen our financial position.

For the remainder of the 2012 season, the Company plans to produce only standard sinter fines and lump and will continue to work closely with IOC and Rio Tinto to monitor market conditions to seek to achieve the most favourable sales outcomes under difficult market conditions.

For 2013 and following years, and subject to market conditions, operations will be focused on our Stage 1 and 2 deposits. LIM’s Stage 1 holds six smaller satellite deposits located within a ~15 km radius of the James Mine / Silver Yards processing plants. These deposits collectively contain a total of about 21 million tonnes of NI 43-101 compliant resources, about 5 million tonnes of historical resources and about 10 million tonnes of historical stockpiles. Subject to detailed engineering, design, environmental assessment and permitting, it is expected that these deposits will generate about two million tonnes of annual iron ore production from the Stage 1 James / Silver Yards area for about five years.

The delay in the development of the Stage 2 Houston project will result in the Company’s production target for 2013 being revised to a level similar as planned for 2012, at about 2 million tonnes of iron ore, rather than the expanded 3 million tonnes previously anticipated. However, when in production, Houston is expected to more than double the Company’s current iron ore production and will represent LIM’s main expansion project in future years.
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 revised sales target of 1.7 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-Iles, 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.

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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Tel: (647) 725-0795

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. The historical resources referred to in this press release are based on work completed and estimates prepared by the Iron Ore Company of Canada (IOC) prior to 1983 and were not prepared in accordance with NI 43-101. The Company is not treating any historical resource estimate as a defined current resource verified by a Qualified Person and the historical resource estimates should not be relied upon. However, the historical resource estimates are still considered relevant.