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LIM Announces C\$30 Million Bought Deal Public Equity Financing

TORONTO, ONTARIO, October 1, 2012. **Labrador Iron Mines Holdings Limited** (“LIM” or the “Company”) (TSX:LIM) announces that it has entered into an agreement with Canaccord Genuity Corp. (the “Underwriter”) pursuant to which the Underwriter has agreed to purchase, on a bought deal basis, 30,000,000 common shares of the Company (the “Common Shares”) at a price of C\$1.00 per Common Share (the “Offering Price”) for gross proceeds of C\$30,000,000 (the “Offering”). The Company will also grant the Underwriter an over-allotment option to purchase an additional 4,500,000 common shares of the Company (the “Over-Allotment Common Shares,” and together with the Common Shares, the “Offered Securities”) at the Offering Price and on the same terms as the Offering, exercisable at any time, in whole or in part, for a period of 30 days after and including the closing date of the Offering. If the Over-Allotment Option is exercised in full, an additional C\$4,500,000 will be raised pursuant to the Offering, for total aggregate gross proceeds of C\$34,500,000.

The Company intends to use the net proceeds from the Offering for working capital and general corporate purposes.

The Offering is being made pursuant to a short form prospectus to be filed in each of the provinces of Canada other than Quebec. The Offered Securities will not be registered under the U.S. Securities Act of 1933, as amended, and may not be offered or sold in the United States absent registration or an applicable exemption from the registration requirements.

The Offering is expected to close on or about October 25, 2012 and is subject to certain conditions typical for a transaction of this nature and the receipt of all necessary regulatory approvals including the approval of the Toronto Stock Exchange.

This press release does not constitute an offer of securities for sale in the United States. The securities being offered have not been, nor will be, registered under the United States Securities Act of 1933, as amended, and may not be offered or sold within the United States absent U.S. registration or an applicable exemption from U.S. registration requirements.

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 view the Company's website at www.labradorironmines.ca or e-mail: info@labradorironmines.ca:

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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. 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.