



Labrador Iron Mines Holdings Limited

PRESS RELEASE

LIM closes \$11.25 million over-allotment option

Mining and plant commissioning underway

For Immediate Release

Toronto, Ontario. May 27, 2011. **Labrador Iron Mines Holdings Limited** (“LIM” or the “Company”) (TSX: LIM) is pleased to announce today that the underwriters of the Company’s recently completed \$110,000,500 public offering of common shares (the “Offering”) have exercised the over-allotment option (the “Option”) granted in connection with Offering and have purchased an additional 900,000 shares for gross proceeds of \$11,250,000, bringing the total gross proceeds of the Offering to \$121,250,500.

Over-allotment Option exercised for \$11.25 million

The syndicate of underwriters, led by Canaccord Genuity Corp. and including BMO Nesbitt Burns Inc., Jennings Capital Inc., Haywood Securities Inc. and Scotia Capital Inc., elected to purchase 900,000 additional common shares of the Company at the Offering price of \$12.50 per share. The Option was granted as part of the Offering which was closed on April 26, 2011. The Company has completed the issuance of shares pursuant to the exercise of the Option and has received gross proceeds of \$11,250,000.

Exercise of the Option has increased the aggregate gross proceeds of the Offering to \$121,250,500. The Company intends to use the net proceeds from the Offering for upgrades to and expansion of the Silver Yards plant, for payments under rail transportation agreements, for exploration and development of the Company’s mineral projects, and for general corporate and working capital purposes.

Following completion of the Offering and giving effect to the exercise of the Option, the Company now has 53,855,791 common shares issued and outstanding.

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.

Mining and Plant Commissioning Underway

James Mine

Mining operations at LIM’s Schefferville Area direct shipping iron ore project in Western Labrador commenced in April, 2011. Waste stripping of the first bench at the James North deposit is nearing completion and has exposed over 400 metres of ore along strike. Over 1,100 grade control holes have been completed and assayed to date towards detailed information for mining grade control. Approximately 100,000 tonnes of iron ore has been stockpiled to date.

Silver Yards Beneficiation Plant Commissioned

Mechanical dry commissioning of the Silver Yards beneficiation plant is complete. The motor control centre is fully operational and the process logic control connected and commissioned. All instrumentation and controls

will be fully operational by the end of May. Hot commissioning, with first ore being fed through the plant, is expected to commence in the first week of June.

The plan for the initial phase of operations of the Silver Yards beneficiation plant consists of washing and screening the higher grade blue ore material, while the higher silica blue ore and the yellow ore will be stockpiled for later treatment.

The Company plans to upgrade and expand the Silver Yards plant in subsequent phases to increase recoveries, treat lower grade and higher silica ores and to increase throughput and output. The Phase II expansion, consisting of the addition of a new lump ore secondary screen and a fines recovery system, is planned to be completed during the summer of 2011.

Rail and Port

An extension to LIM's rail spur line and other track work at Silver Yards has been completed. The Company has purchased a fleet of 400 previously used railcars of which the first consignment of 120 rail cars have been delivered to the Port of Sept-Iles where inspections and modifications are being carried out.

The first two SD 40-3 locomotives have arrived at Sept-Iles and will shortly be positioned to Silver Yards. LIM has signed a rail services agreement with Western Labrador Rail Services (WLRS), a wholly owned subsidiary of Genesee & Wyoming Inc. WLRS will provide, operate and maintain up to five SD 40-3 locomotives which will be used to haul LIM's iron ore from Silver Yards, over the TSH privately owned railway, to Emeril Junction. WLRS will also operate LIM's six kilometre railway which connects LIM's Silver Yards processing facility to the main Schefferville to Emeril Junction rail line. It is expected that rail shipments of iron ore from Silver Yards to the Port of Sept-Iles will commence in June.

In furtherance of the agreement signed with the Port of Sept-Iles in February 2010, the Company has signed a memorandum of understanding with the Port for the use of the Pointe aux Basques terminal for handling and ship loading of LIM's iron ore for the 2011 season. The Company has also signed an agreement with a port terminal operator for the unloading, stacking and ship loading of iron ore at Pointe aux Basques.

Use of the Pointe aux Basques facilities will require train shunting and unloading in the adjacent rail yard and loading the iron ore onto barges or lakers and transshipping to larger vessels within the deeper waters of the bay. These port handling arrangements are currently under negotiation and are expected to be concluded in the near future.

About Labrador Iron Mines Holdings Limited (LIM)

LIM's Schefferville Area projects involve the development of twenty direct shipping iron ore deposits in western Labrador and north-eastern Quebec near Schefferville, Quebec. The Company's properties are part of the historic Schefferville area iron ore district where mining of adjacent deposits was previously carried out by the Iron Ore Company of Canada from 1954 to 1982.

Labrador Iron Mines contemplates developing its Schefferville Area projects in stages. The first phase of Stage 1 comprises the James Deposit where mining has already commenced. Cold commissioning of the Silver Yards processing plant has been completed and it is expected that, following hot commissioning, the first ore will be fed to the plant in early June.

For further information, please view the Company's website at www.labradorironmines.ca or contact:

John F. Kearney
Chairman and Chief Executive
Tel: (647) 728-4105

Donna Yoshimatsu
Vice-President, Investor Relations
Tel: (647) 728-4119
E-mail: Yoshimatsu.d@labradorironmines.ca

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.