



LIM reaches agreement with Quebec Innu to remove barriers Mine and plant construction to commence immediately

For Immediate Release

Toronto, Ontario. September 3, 2010. **Labrador Iron Mines Holdings Limited** (TSX: LIM) reports that agreement has been reached with the Innu Matimekush–Lac John to immediately remove the barriers that had restricted normal access from the town of Schefferville to adjacent mining properties and thereby enable the ongoing development of the Company’s iron ore projects in Western Labrador and Quebec.

This agreement was achieved following detailed negotiations between LIM and representatives of the Quebec Innu, including Innu Matimekush – Lac John (Schefferville) and Innu TakuaiKAN Uashat Mak Mani–Utenam (Sept-Iles), and following discussions and consultations between the Quebec Innu and the various Governments, including meetings in Schefferville attended by representatives of the Government of Newfoundland and Labrador and the Government of Quebec and representatives of the Federal Minister of Indian and Northern Affairs. Each of the Governments has made certain commitments to the Innu towards resolving a number of issues that will help facilitate the mining projects in the Schefferville area to move forward on an ongoing basis.

Under the agreement with Innu Matimekush – Lac John, which was ratified by public meeting of the community on September 1, Labrador Iron Mines, together with New Millennium Capital Corp., have committed to jointly support a number of local social activities, including some education, training, health and youth programs and, with Government participation, improvements to the community arena facility in Schefferville.

Following the agreement, construction of LIM’s iron ore project in Western Labrador will now proceed on a fast track basis and LIM will proceed with negotiations with the Innu Matimekush–Lac John towards concluding an Impact Benefits Agreement.

LIM will also continue detailed negotiations towards signing an Impact Benefits Agreement with Innu TakuaiKAN Uashat Mak Mani–Utenam who, as had been previously anticipated, have initiated legal action against the Government of Newfoundland and Labrador regarding the Crown’s duty of consultation with respect to the permitting of LIM’s Schefferville Area Iron Ore Project in Western Labrador.

“LIM is extremely pleased that, with the co-operation of all three Governments, agreement has been reached with the Quebec Innu paving the way for construction of our project so that commercial production of iron ore can commence in 2011.” said **John Kearney Chairman and Chief Executive**. *“We look forward to concluding negotiations on the IBA agreements and to further developing a harmonious and long term working relationship with all of our aboriginal partners for the mutual benefit of all stakeholders”* added Mr. Kearney.

Project Construction to Commence Immediately:

LIM is now planning to immediately commence ground clearing, in parallel with contractor mobilization, to be followed by civil construction and mechanical erection of the plant in the subsequent weeks. It is expected that the beneficiation plant will be fully erected in about 12 weeks. In parallel to the plant construction the mine accommodation camp will be brought to site and erected some 4 kilometers south-east of the plant site.

During the last several weeks a significant portion of the infrastructure and beneficiation plant has been transported by rail from a railhead near Labrador City to Schefferville via the TSH aboriginal railroad, which is jointly owned by the two Quebec Innu communities and the Naskapi Nation. These items are now being assembled in Schefferville and ready for road transport over three kilometers to the Company's Silver Yard beneficiation site in Labrador. Further rail shipments, direct to Silver Yard on LIM's spur line, are planned for the coming weeks.

Initial open-pit waste removal and mine extraction will also be carried out using local contractors to enable ore to be stockpiled on the crusher pad ahead of dry run testing of the beneficiation plant.

The construction of the plant and camp and the initiation of mining activities, prior to the onset of the mid-winter, will enable commercial production activities to commence in the spring of 2011.

The last two major operating permits, for the operation of the mine and the operation of the rail spur, are expected to be issued shortly by the Government of Newfoundland and Labrador following a consultation process with potentially affected First Nations.

Labrador Iron Mines Holdings Limited (LIM)

LIM's Schefferville Area project involves 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 mining in four stages, the first phase of Stage 1 comprising the James and Redmond deposits, which are located in close proximity to existing infrastructure and for which construction permits have been issued.

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 mineral commodities, 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 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.