



LIM signs Agreement with Uashaunnuat Innu

For Immediate Release

Toronto, Ontario. December 20, 2010. **Labrador Iron Mines Holdings Limited** (TSX: LIM) is pleased to announce that it has entered into an Agreement in Principle with the **INNU of UASHAT and MANI-UTENAM** (the **Uashaunnuat**) with regard to LIM's direct shipping iron ore mining Projects in the Province of Newfoundland and Labrador and in the Province of Quebec, near the town of Schefferville.

The Agreement in Principle, which has been approved by the **INNU TAKUAIKAN UASHAT MAK MANI-UTENAM** Band Council ("ITUM"), stipulates the principal terms to be included in a Final Agreement regarding the impacts and benefits of LIM's Projects and ensures that the Uashaunnuat will receive fair and equitable socio-economic and financial benefits from the Projects.

Under the Agreement in Principle, the Uashaunnuat have agreed to give their consent to the continuation of the Projects and have agreed to discontinue the legal proceedings issued against the Government of Newfoundland and Labrador challenging the permits issued to LIM.

LIM has agreed to take measures to mitigate the impact of the Projects on the Uashaunnuat, the Uashaunnuat families, and their traditional activities, and has agreed to take certain social and environmental protection measures relating to the Projects.

LIM has also agreed to make annual contributions to an Aboriginal Traditional Activities Fund to be created for the benefit of the traditional activities of the Uashaunnuat and other Innu, including the Uashaunnuat families and particularly the families most directly affected by the Projects. The Fund may also be used for the benefit of the traditional activities of members of other First Nations in the vicinity of Schefferville.

It is intended that the Fund shall be used for the purposes of traditional, cultural and subsistence activities and the protection and preservation of aboriginal values and shall contribute to the aim of protecting the rights and interests of the Uashaunnuat, their lifestyle, their relationship with the land and their traditional activities.

LIM and ITUM have agreed to negotiate diligently and in good faith with a view to reaching a Final Agreement on or before March 1, 2011, for ratification by the Uashaunnuat on or before March 31, 2011. The Final Agreement will provide for equitable participation of the Uashaunnuat in LIM's Projects through employment, training and contract opportunities and financial benefits.

“LIM is very pleased to have reached an agreement in principle with the Uashaunnuat Innu, said LIM’s Chairman, John Kearney. “This is a very positive and important step for the development of our iron ore projects. In signing this agreement, we believe we have established a co-operative and mutually beneficial relationship with the Uashaunnuat, based on mutual respect, and we look forward to working with the Uashaunnuat and building on that relationship as our mining projects move forward in the future.”

Innu Chief, Georges-Ernest Grégoire, said he was *“satisfied that such an agreement has been reached at this time and that harmonious relations have been established with the Company, Labrador Iron Mines, as well as with the Government of Newfoundland and Labrador, paving the way for a project that will benefit both the region and the Innu.”*

“The Government of Newfoundland and Labrador played an important role in helping achieve the resolution of certain issues reflected in the Agreement” added **Mr. Kearney**.

About the Uashaunnuat Innu

The Uashaunnuat are a distinct society of the Innu Nation (Quebec and Labrador) and comprise the two communities of Uashat and Mani-Utenam and constitute the INNU TAKUAIKAN UASHAT MAK MANI-UTENAM Band No. 80, a band within the meaning of the Indian Act. ITUM is the band council of such band. The Uashaunnuat assert Indian title, aboriginal rights and treaty rights to certain lands located in Quebec and Labrador, including in the area of LIM’s Projects, and affirm that the Projects require their consent.

LIM and the ITUM have been in discussions for some time with a view to reconciling the rights and interests of the Uashaunnuat with the rights and interests of LIM in connection with LIM’s planned iron ore mining Projects, and wish to reach a Final Agreement to reconcile their respective rights and interests, facilitate the Projects and allow LIM to go forward with the Projects. The Uashaunnuat are part of the Innu Strategic Alliance which in June 2010 erected barriers blocking access from the town of Schefferville to LIM’s projects in Labrador to seek recognition of their rights in Labrador. From the signing of the Agreement in Principle, the Uashaunnuat agreed that they shall not do anything that would delay, block or in any way hinder the development of LIM’s Projects.

LIM and ITUM have also been in discussions with the Government of Newfoundland and Labrador and the Government has agreed a Consultation Protocol with regard to LIM’s Projects and has committed to consult with ITUM on future phases of LIM’s Projects.

The Agreement in Principle with the Uashaunnuat is without prejudice to the rights asserted by any other aboriginal group relating to the area of the Projects. LIM has previously entered into agreements with the Innu Nation of Labrador and with the Naskapi Nation of Kawawachikamach, and may enter into agreements with other aboriginal groups some or all of which assert aboriginal or other rights relating to the area of LIM’s Projects. The Uashaunnuat families, and particularly the families most directly affected by the Projects, have consented to the Agreement in Principle.

LIM is continuing its negotiations with the Innu Matimekush-Lac John (MLJ), Schefferville, towards signing an Impact and Benefits Agreement, building on the agreement reached with MLJ on September 1, 2010 to remove the barriers, and the Memorandum of Understanding previously signed between LIM and Matimekush-Lac John in 2008, and hopes to be able to conclude this IBA early in 2011.

About 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 all operating permits have been issued and plant construction and mine development is nearing completion.

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

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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.