



## **LIM Reports First Quarter Financial Results and Operational Update**

### **For Immediate Release**

Toronto, Ontario. August 19, 2011. **Labrador Iron Mines Holdings Limited** (TSX: LIM) reports that it has filed its unaudited financial statements and MD&A for the first quarter of fiscal year ending March 31, 2012. The documents are available under the Company's profile at [www.sedar.com](http://www.sedar.com) and on LIM's website at [www.labradorironmines.ca](http://www.labradorironmines.ca).

Ore mining at the James Mine commenced in June 2011 and by the end of July a total of 305,000 tonnes of ore had been mined and trucked to the Silver Yards area for processing and transport to Port. The Company is very encouraged by the grade of James ore which has been in excess of expectations – of the total production to the end of July, some 170,000 tonnes of direct railable ore at an average grade of around 65% iron had been mined and is being sent directly to Sept-Iles without further processing.

The first ore train loaded with direct railing iron ore departed Silver Yards for the Port of Sept-Iles on June 29, 2011. To the end of July, a total of 50,000 tonnes had been railed to Sept-Iles and is stockpiled awaiting shipment.

The Silver Yards processing plant is now operating satisfactorily, following commissioning and start-up in June 2011, at the planned initial processing rate of 6,000 tonnes per day, which will be incrementally increased to 10,000 tonnes per day. By the end of July, about 100,000 tonnes of material had been fed to the plant yielding approximately 50,000 tonnes of high grade lump and sinter fine product.

In August, 2011, LIM signed an agreement with the Iron Ore Company of Canada (IOC) for the sale and shipping of all of LIM's 2011 iron ore production. LIM believes that the benefits associated with this arrangement, together with the benefits of the utilization of larger Cape Size Ocean going ships, will ensure that the maximum possible tonnage of LIM's 2011 iron ore production will be efficiently shipped and sold during the remainder of calendar 2011.

Iron ore will continue to be delivered to the port by train in increasing volumes, and inventory stockpiles will be built to sufficient size to enable shipping to the ultimate customers. It is expected that the first shipment of iron ore from the James Mine, likely to China, will occur in late August or early September.

For calendar 2011, it is estimated that a total of about 2.2 million tonnes of ore will be mined from the James Mine and that approximately 750,000 to 1,000,000 tonnes of saleable product will be railed to the Port of Sept-Iles before the end of the season. Actual tonnes railed and sold will depend on the continued build up on rail shipments and the onset of winter conditions. All of this product will be sold to IOC. In addition to these sales, it is expected that approximately 1,200,000 tonnes of iron ore will be held in inventory at Silver Yards and available for treatment and shipping in calendar 2012.

## **Silver Yards Operations**

The Silver Yards processing plant continues to ramp up. This has been somewhat slower than planned due primarily to a larger percentage of fine material than originally forecast. Much of this ultra-fine material is currently passing through the secondary screens resulting in a lower than anticipated level of iron recovery. A second phase expansion is currently underway at the Silver Yards plant. When this next phase of expansion, designed specifically for fine material, is commissioned in early September it is expected that the throughput and recovery will improve.

Throughput to the plant for the remainder of calendar 2011 will be dependent upon the continuation of the ramp up, on the scheduled commissioning of the Phase II equipment, and upon the onset of winter when wet processing will no longer be possible. It is now forecast that a total of about 800,000 tonnes of iron ore will be fed to the plant before the onset of winter, which is expected to yield around 550,000 tonnes of high grade saleable products.

Planning is now well advanced for the Phase III plant extension at Silver Yards to increase production. This expansion is expected to be in place by mid 2012, treating between 2.6 and 2.8 million tonnes of ore including material from stockpiles yielding around 2.0 million tonnes of product in calendar 2012.

## **Rail to Port**

Iron ore from the James Mine is currently transported by rail from Silver Yards, via the Tshuettin Rail Transportation Inc. (TSH) railway and the Quebec North Shore and Labrador (QNS&L) railway, to the Port of Sept-Iles where the ore is unloaded and stockpiled adjacent to LIM's Point-aux-Basques dock facilities leased from the Port of Sept-Iles.

The buildup in rail shipments is slower than planned. LIM has purchased a fleet of 400 previously used railcars of which about half have been delivered to Sept-Iles where modifications to meet local operating conditions are being carried out. This process has taken longer than anticipated. LIM continues to move rail cars into the Sept-Iles to Schefferville rail system. An additional 65 cars will be brought into the system before the middle of September. LIM's locomotives have now been increased to four and this will permit the introduction of a second train by the end of August. With the introduction of a second train and more railcars, the tonnage being transported to the Port of Sept-Iles should increase significantly.

During 2012, a third train will be introduced to enable approximately 2.5 million tonnes of iron ore, including both plant product and direct riling ore, to be railed to Sept-Iles. TSH has commenced upgrade work on its Menihék rail line following a cash investment by both LIM and Tata Steel Canada and this work will need to be continued to ensure that the tonnages planned for 2012 can be transported. This ongoing TSH rail upgrade will be subject to some continuing cash investment by the mine operating companies and potentially by governments.

## **Iron Ore Sale Agreement with IOC**

LIM has entered into an agreement with the Iron Ore Company of Canada ("IOC"), Canada's largest iron ore producer, for the sale and shipping of all of LIM's calendar 2011 iron ore production. Under the confidential sales contract with IOC, the iron ore will be delivered to Asian markets and resold by IOC's marketing organization on the spot market. The sale price for iron ore sold to IOC will be based on the actual realized prices to Chinese customers, less an allocation for handling, loading, shipping and sales costs.

IOC owns 100% of the QNS&L railway and, at the Port of Sept-Iles, owns established storage and ore handling facilities, including its ship dock capable of taking ocean going vessels up to 240,000 (dwt) tonnes. LIM's agreement with IOC will enable utilization of Cape Size Ocean going ships, where current freight rates are lower than for the alternative but smaller Panamax vessels, for the shipment of LIM's iron ore.

## **2011 Exploration Program**

LIM commenced its largest ever exploration program on its Schefferville Projects in early June 2011 aimed at confirming and extending the resources at its Stage 1 and 2 deposits. A total of 14,500 metres of reverse circulation drilling will be completed before the onset of winter. Two rigs are now in operation with a third rig to be added shortly. By the end of July about 2,800 metres had been drilled on a number of deposits with the Houston deposit being the main focus. Ongoing exploration support programs, including trenching and airborne geophysics, will also be completed during the current season.

## **Stage 2 Houston Deposit and Redmond Plant**

LIM is evaluating the development of a new separate Stage 2 operation for the Houston deposit including a dedicated processing plant to be located at Redmond which, subject to environmental assessment, permitting and detailed engineering, could be brought into production commencing in 2013 at an eventual rate of 2.5 to 3 million tonnes per year. This would be in addition to the existing processing plant at Silver Yards which, with planned enhancements and additions, will have a similar design capacity.

## **Results of Operations**

For the three months ended June 30, 2011, the Company reported a loss of \$4.7 million, or \$0.09 per share, compared to a loss of \$0.9 million, or \$0.02 per share, during the first quarter of the prior year. The variance in the results of operations relates almost entirely to start-up expenses of approximately \$3.5 million incurred in the quarter relating to non-refundable transportation expenses incurred prior to establishing full scale transportation of iron ore to the port.

During the quarter, the Company made cash expenditures of approximately \$21.2 million in property, plant and equipment, compared to approximately \$4.9 million incurred in the first quarter of the prior year.

The average life of mine operating costs for the James and Redmond deposits were estimated to be in the range of approximately \$50 per tonne. The calendar year 2011 is considered to be a short start-up and testing year and initial unit operating costs for the fiscal year ending March 31, 2012 will be higher than the anticipated life of mine average.

At June 30, 2011 the Company had \$87.5 million in unrestricted and cash equivalents and \$7.5 million in restricted cash. The Company is in a strong financial position that will allow it to fund its working capital requirements for 2011 production ramp-up and to fund its exploration and expansion plans.

## **Qualified Person**

Information of a scientific or technical nature contained in this release has been prepared by or under the supervision of D.W. Hooley, President of the Corporation and a Qualified Person within the meaning of National Instrument 43-101 of the Canadian Securities Administrators.

## **About Labrador Iron Mines Holdings Limited (LIM)**

LIM's Schefferville Projects involve the development of twenty direct shipping iron ore deposits in western Labrador and north-eastern Quebec near Schefferville, Quebec. The 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 stages. The first phase of Stage 1 comprises the James Mine and the Silver Yard processing plant which is connected by a rail spur to the main Schefferville to Sept-Iles railway.

Full scale mining and processing operations commenced in June 2011 and the first train departed LIM's Silver Yards for Sept-Iles on June 29, 2011. To the end of July, about 50,000 tonnes of direct railing iron ore had been delivered to the Port of Sept-Iles where it is stockpiled awaiting shipment.

For further information, please view the Company's website at [www.labradorironmines.ca](http://www.labradorironmines.ca) or contact:

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## **FORWARD LOOKING STATEMENTS**

*This Management's Discussion and Analysis contains certain forward-looking statements relating to, but not limited to, the Company's expectations, intentions, plans and beliefs. Forward-looking information can often be identified by forward-looking words such as "anticipate", "believe", "expect", "goal", "plan", "intend", "estimate", "may" and "will" or similar words suggesting future outcomes, or other expectations, beliefs, plans, objectives, assumptions, intentions or statements about future events or performance. Forward-looking information may include reserve and resource estimates, estimates of future production, unit costs, costs of capital projects and timing of commencement of operations, and is based on current expectations that involve a number of business risks and uncertainties. Factors that could cause actual results to differ materially from any forward-looking statement include, but are not limited to, failure to establish estimated resources and reserves the grade and recovery of ore which is mined varying from estimates, capital and operating costs varying significantly from estimates, delays in obtaining or failures to obtain required governmental, environmental or other project approvals, delays in the development of projects, changes in exchange rates, fluctuations in commodity prices, inflation and other factors. Forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results to differ materially from expected results. There can be no assurance that the Company will be successful in maintaining 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 Projects. Shareholders and prospective investors should be aware that these statements are subject to known and unknown risks uncertainties and other factors that could cause actual results to differ materially from those suggested by the forward-looking statements. Shareholders are cautioned not to place undue reliance on forward-looking information. By its nature, forward-looking information involves numerous assumptions, inherent risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and various future events will not occur. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking information whether as a result of new information, future events or other such factors which affect this information, except as required by law.*