
**NOT FOR DISTRIBUTION TO UNITED STATES NEWSWIRE SERVICES OR FOR
DISSEMINATION IN THE UNITED STATES**

LIM Announces Equity Financing

TORONTO, ONTARIO. January 16, 2013. **Labrador Iron Mines Holdings Limited** ("LIM" or the "Company") (TSX:LIM) announces that it has filed a preliminary short form prospectus in connection with an overnight marketed public offering (the "Offering") of common shares in the capital of the Company ("Common Shares"). The Offering will be conducted through a syndicate of underwriters led by Canaccord Genuity Corp. (the "Underwriters"). The Company will also grant the Underwriters an over-allotment option to purchase up to that number of additional common shares (the "Over-Allotment Common Shares") equal to 15% of the Common Shares sold pursuant to the Offering, exercisable at any time up to 30 days after and including the closing of the Offering at a price equal to the offering price of the Common Shares.

The Offering will be priced in the context of the market with final terms of the Offering to be determined at the time of pricing.

The Company intends to use the net proceeds from the Offering to fund mining, processing and inventory costs, including payments to the LIM's mining contractors, and transportation costs in connection with the resumption of production operations and to supplement working capital and general and administrative costs for the remaining winter season .

For the 2012 operating season the Company met its reduced 2012 production target of 1.7 million wet tonnes of iron ore production and sold a total of 1.56 million dry tonnes of iron ore products. The Company sold two cape-size shipments in October for approximately 322,000 dry tonnes, the sales proceeds of one of which were received in October and one final shipment of lump ore of approximately 103,000 tonnes, the sales proceeds of which remained receivable as at December 31, 2012 and were received in January 2013.

The Company expects to report revenue from iron ore sales of approximately \$23 million for the quarter ended December 31, 2012, and approximately \$94 million for the nine month period ended December 31, 2012. As at December 31, 2012, the Company had cash of approximately \$10 million and expects to be in a positive working capital position as at that date.

For 2013 and following years, operations will be focused on the Company's Stage 1 deposits. The Company's Stage 1 deposits include the James Mine (currently operating) and six smaller satellite deposits and some historical stockpiles located within a 15 km radius of the James Mine and the Silver Yards processing plants. The Company is currently targeting production for the 2013 season at a similar level as in 2012 of between 1.7 million and 2 million wet tonnes of iron ore produced.

In resuming its planned seasonal mining operations in the spring of 2013, for its 2014 fiscal year, the Company will incur regular operating, mining and transportation expenses for the months of April and May, 2013 before receipt of payment for its first sales of iron ore anticipated in June 2013 and will require working capital of approximately \$40 million to fund these operating and re-start expenses.

The Company has been actively pursuing working capital financing arrangements for the seasonal start-up of operations in the first quarter of its 2014 fiscal year (April to June 2013). Such financings may include an operating line of credit or product off-take arrangements or a combination of these alternatives. However, while a number of institutions have provided term sheets for financings in the range of \$20 to \$40 million, subject to various conditions, and undertaken due diligence, at the present time there can be no assurance that such financing can be fully completed by the beginning of the 2013 operating season. Accordingly, the Company is pursuing the Offering to ensure no delay in the orderly seasonal resumption of operations in April 2013.

The Company's preliminary operating results for the quarter ended December 31, 2012 and for the nine months ended December 31, 2012 are outlined in the table below.

	Quarter Ended December 31, 2012		Nine Months Ended December 31, 2012	
	Tonnes	Grade % Fe	Tonnes	Grade (% Fe)
(all tonnes are dry metric tonnes)				
Total Ore Mined	198,467	59.9%	1,828,398	61.3%
Direct Rail Ore portion	159,637	60.9%	1,212,870	62.3%
Waste Mined	224,548	--	3,127,158	--
Ore Processed and Screened	183,635	59.8%	954,813	58.2%
Lump Ore Produced	18,082	64.6%	98,693	61.2%
Sinter Fines Produced	149,698	61.4%	693,173	61.4%
Total Product Railed	254,136	61.8%	1,492,960	62.3%
Tonnes Product Sold	425,472	62.0%	1,559,620	62.5%
Port Product Inventory	111,009	60.9%	111,009	60.9%
Site Product Inventory	3,551	58.4%	3,551	58.4%
Site Run-of-Mine Ore inventory	446,975	56.2%	446,975	56.2%

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.

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 with a portfolio of direct shipping (DSO) iron ore operations and projects located in the prolific Labrador Trough. Initial production commenced at the James Mine in June 2011, with the sale of 386,000 dry tonnes of iron ore recorded in the first start-up year. The first full production season commenced in April 2012 and LIM sold ten shipments totalling approximately 1.6 million dry tonnes of iron ore. The tenth shipment was sold at the end of November and contained 103,000 dry tonnes of iron ore.

The James Mine is connected by a direct rail link to the Port of Sept-Îles, Québec. The project 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 with a plan to increase production towards 5 million tonnes per year from a portfolio of 20 iron ore deposits in Labrador and Quebec, all within 50 kilometres of the town of Schefferville.

LIM is currently the only independently-owned Canadian iron ore producer listed on the Toronto Stock Exchange and trades under the symbol LIM.

For further information, please visit LIM's website at www.labradorironmines.ca or contact:

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

Rodney Cooper
President and Chief Operating
Officer
Tel: (647) 729-1287

Keren Yun
Vice President, Investor
Relations and Communications
Tel: (647) 725-0795

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.