

LIM SIGNS NEW TWO YEAR IRON ORE SALES AGREEMENT WITH IRON ORE COMPANY OF CANADA

US\$35 MILLION OFF-TAKE FINANCING WITH RB METALLOYD

Toronto, Ontario, May 14, 2013. **Labrador Iron Mines Holdings Limited** (“LIM” or the “Company”) (TSX: LIM) is pleased to report that it has entered into a new iron ore sales agreement with the Iron Ore Company of Canada (“IOC”) for the sale of all of LIM’s iron ore production for the next two calendar years 2013 and 2014.

At the same time, LIM is also pleased to announce that it has entered into an off-take financing agreement with RB Metalloyd Limited (“RBM”), a leading international commodity trading house, under which LIM will receive an advance payment of US\$35 million to be credited against future sales of a minimum of 3.5 million tonnes of iron ore during 2013 and 2014.

LIM commenced its third year of direct shipping iron ore production from its Schefferville area iron ore mines in Western Labrador in April 2013 and is targeting production of 1.75 to 2.0 million tonnes of sinter fines and lump in 2013. The first Capesize shipment of 2013 is expected to be loaded around the end of May.

Two Year Iron Ore Sales Agreement with IOC

Over the past two years, LIM has sold 13 Capesize shipments of iron ore to IOC, for a total of approximately 2 million tonnes, all of which was resold in China, with the price calculated based on the daily China spot price, subject to varying selling discounts, and where the sale of LIM’s iron ore experienced unpredictable variations based on prevailing market conditions.

Under LIM’s new sales agreement, IOC will pay for the iron ore progressively, as the ore is resold, with the price calculation based on the monthly average of the market index, which should decrease LIM’s exposure to market volatility experienced in the past two years. IOC payments will be later reconciled based on IOC’s net actual aggregate resale price, adjusted for any product quality specification premiums or penalties, after ocean freight and IOC’s price participation.

“We are very pleased to be able to continue our working relationship with IOC as we head into our third year of production from our Schefferville area iron ore mines” said John Kearney, LIM’s Chairman and Chief Executive Officer. *“In addition, extending the contract for the next two years and fixing the price to be calculated based on the monthly average of the market index are two important improvements over previous years.”*

US\$35 Million Off-take Financing

Under the terms of the financing agreement with RB Metalloyd, RBM has advanced a pre-payment of US\$35 million to LIM, which will be repaid over a period of two years, credited against the proceeds of LIM’s sales of iron ore shipments between July 2013 and December 2014.

RBM has entered into an iron ore off-take agreement with IOC under which RBM has agreed to buy the LIM iron ore from IOC on an FOB Sept-Îles basis.

“This advance payment financing of \$35 million from RBM provides LIM with important working capital and increased liquidity and will enable us to ramp up our 2013 production of iron ore and complete our planned capital investment and improvements on our Silver Yards processing plants”, added John Kearney.

“We look forward to working with RB Metalloyd, who brings LIM experience and expertise in the marketing and sale of iron ore as well as extensive knowledge of the iron ore and steel markets worldwide.”

Labrador Iron Mines

News Release

TSX: LIM

About the Iron Ore Company of Canada (IOC)

IOC is Canada's largest iron ore producer from its mines located in Western Labrador and is a leading global supplier of iron ore pellets and concentrates. IOC's major shareholder and operator is the international mining group Rio Tinto which has activities in more than 40 countries throughout the world. IOC owns 100% of the Quebec North Shore and Labrador ("QNS&L") railway and, at the port of Sept-Îles, owns established storage and ore handling facilities, including its ship dock capable of taking ocean going vessels up to 240,000 (dwt) tonnes.

In 2011, LIM entered into a life of mine, rail transportation contract with QNS&L for the rail transportation of LIM's products on the QNS&L railway. This contract provides for a confidential tariff, with capacity and volume commitments on the part of each party.

About RB Metalloyd (RBM)

RBM is a leading international commodity trading house with specific expertise within the steel making raw materials sectors. RBM is a subsidiary of RB Resources, an investment company for all natural resources investments held by the Reuben Brothers Group, one of the world's largest privately held investment companies.

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. LIM's iron ore sales increased fourfold in 2012, with the sale of ten shipments totalling approximately 1.6 million dry tonnes of iron ore.

LIM has commenced its third year of operations and is targeting 1.75 to 2.0 million tonnes of saleable iron ore production in 2013.

The James Mine is connected by a direct rail link to the Port of Sept-Îles, Québec. The operation 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, LIM's objective is to provide shareholders with long-term value with a plan to increase production towards 5 million tonnes per year from its 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:

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Forward Looking Statement:

Some of the statements contained in this Press Release may be forward-looking statements which involve known and unknown risks and uncertainties 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 and prospective investors 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.