

Labrador Iron Mines Provides Update on Schefferville Operations

Toronto, Ontario, July 3, 2012. **Labrador Iron Mines Holdings Limited** (“LIM” or the “Company”) (TSX: LIM) reported today that the Company has been notified of a barricade currently blocking access to its mining operations in the Schefferville area, which has also affected other mine developers and exploration companies within the region. The Company believes that the barricade consists of a local group of Schefferville residents, not sanctioned by any aboriginal community.

At this time, LIM’s operations have been minimally impacted:

- LIM continues to load its trains and transport its iron ore product to the Port of Sept-Îles.
- LIM is still on track to meet its 2012 saleable production target of 2 million tonnes of iron ore.
- LIM continues to advance construction on its Phase 3 expansion of the Silver Yards Process Plant.
- For the safety and well-being of our employees, mining operations, including the Silver Yards Processing Facility, as well as exploration work have been temporarily halted.

At present, the nature of the barricade is not completely understood by the Company, as no direct contact has been made from any of the protestors. Initial reports and protest signs indicate some dissatisfaction with the Quebec Government’s Plan Nord initiatives. LIM is committed to open and honest dialogue with stakeholders and members of the local community. Currently, the Company is engaged in dialogue with the local aboriginal band councils in an attempt to understand the protestors’ concerns. The Company also understands that the local band councils are not in support of this barricade. LIM is taking a non-confrontational approach to the situation in order to affect a quick resolution of the dispute.

As part of our ongoing commitment to establish long-term, cooperative, respectful and mutually-beneficial positive relationships with First Nations, LIM has signed an Impact Benefits Agreement (IBA) with four First Nations groups since 2008. Two of the four IBAs were signed with local First Nations: the Naspaki Nation of Kawawachikamach and the Innu Matimekush-Lac John.

While the protest has not disrupted our planned sales activities in July at this point, it does have the potential to impact the Company if the protest continues for a protracted period of time. LIM is, therefore, monitoring the situation closely.

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About Labrador Iron Mines Holdings Limited (LIM)

Labrador Iron Mines (LIM) is Canada’s newest iron ore producer. We own a portfolio of direct shipping (DSO) iron ore operations and projects located in the prolific Labrador Trough. Initial production commenced at our 100%-owned James Mine in June 2011 and we recorded the sale of 400,000 tonnes of iron ore in our first start-up season. The first full production season commenced on April 2, 2012, with a sales target of 2 million tonnes of iron ore for the 2012 year.

LIM is focused on a strategic and robust growth plan arising from our portfolio of 20 iron ore deposits in Labrador and Quebec, all within 50 kilometres of the town of Schefferville. The James Mine is connected by a direct rail link to the Port of Sept-Iles, Québec. The area 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 as we ramp up production and sales towards 5 million tonnes per year by 2015.

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

Labrador Iron Mines

News Release

TSX: LIM

For further information, please visit LIM'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.