



Labrador Iron Mines Holdings Limited

PRESS RELEASE

Labrador Iron Mines files Environmental Impact Statement for Schefferville Area Iron Ore Project in Western Labrador

For Immediate Release

TORONTO, ONTARIO. August 25, 2009. Labrador Iron Mines Limited (TSX: LIM) has submitted its revised Environmental Impact Statement (“EIS”) for its Schefferville Area Iron Ore Project (the “Project”) to the Department of Environment and Conservation of Newfoundland and Labrador.

The EIS incorporates the Company’s original EIS submission of December 2008 prepared in accordance with the Guidelines issued by the Minister of Environment and Conservation, and specifically addresses the requests for certain additional information itemized in the Department of Environment and Conservation’s Environmental Assessment Bulletin of March 13, 2009. The EIS identifies and addresses the potential environmental effects of the Project on communities, the economy and business, caribou, fish and other ecological habitat. A copy of the EIS will be available on the Company’s website at www.labradorironmines.ca.

Discussions With Government Agencies

The preparation of the EIS required a substantial process involving detailed discussions with various departments and agencies of the Government of Newfoundland and Labrador. It fulfills provincial environmental assessment requirements and has followed extensive studies documenting the existing environment over the last four years to identify potential environmental issues, and consultations with the public and stakeholders including elders of the various aboriginal communities.

The EIS concludes that significant adverse environmental effects are not predicted in relation to the Project’s construction, operation, or decommissioning phases, or as a result of accidental events. The Project is therefore not likely to cause significant adverse environmental effects.

Filing of the EIS is to be followed by a 50-day public comment period and up to a further 20 days for the Minister of Environment and Conservation to determine the Project’s environmental acceptability.

Upon release of project approval, the Company will submit the applications for the necessary operating permits and licenses. Depending upon the timing of the environmental release and the granting of these permits and licenses, the Company plans to proceed with initial site construction and installation of transport facilities this fall ahead of commercial production currently scheduled for mid-2010.

Project Overview

The Project involves the reactivation of two iron ore areas in Western Labrador near Schefferville, Quebec. Open pit mines will be developed at James North, James South, Redmond 2B and Redmond 5 deposits. Highlights of the Project include:

- Mining of 'direct shipping' iron ore deposits in an area of previous iron ore mining;
- Mining will be carried out using conventional open-pit mining methods; the Project is planned to operate an average of 7 to 8 months each year;
- Ore will be beneficiated by crushing, washing and screening at the Silver Yard in Labrador. No chemicals will be used in the beneficiation;
- The beneficiation building will include a primary crusher, tumbling scrubber, secondary crusher, primary screening equipment, and secondary screening equipment;
- The beneficiation building and contents will be semi-mobile and modular to fit with the Project's long-term plans;
- A 4 km rail spur line previously operated and subsequently abandoned will be relaid and a siding track will be laid at the Silver Yard.

The Project benefits from and relies upon the significant level of pre-existing infrastructure (open pits, roads, rail beds) put in place for previous mining operations of the Iron Ore Company of Canada that were subsequently closed during the 1980s. These infrastructure facilities are still in sound operational condition and will ensure that new build facilities will be kept to a minimum.

Socio-Economic Benefits

The Project will result in considerable socio-economic benefits accruing to the Province of Newfoundland and Labrador, and in particular to Labrador, creating new direct and indirect employment and business opportunities and contributing substantially to the local economy, as well as that of the Province of Newfoundland and Labrador as a whole.

In the spirit of a shared vision for the people and the Province, LIM had earlier signed an Impact Benefit Agreement with the Innu Nation of Labrador, representing the Sheshatshiu Innu First Nation and the Mushuau Innu First Nation. The IBA is a life of mine agreement that establishes the processes and sharing of benefits that will ensure an ongoing positive relationship between Labrador Iron Mines and the Innu Nation. In return for their consent and support of the project, the Innu Nation and their members will benefit through training, employment, business opportunities and financial participation in the Project.

LIM has also signed Memoranda of Understanding with each of the Naskapi Nation of Kawawachikamach and the Innu Nation of Matimekush-Lac John, and is in negotiation with the Innu Takuaihan Uashat Mak Mani-Utenam, and expects to convert these into Co-operation Agreements which will provide for the participation of these aboriginal communities in the Project.

Following discussions with the Government of Newfoundland and Labrador, LIM has developed a Newfoundland and Labrador Benefits Plan under which it is committed to the maximization of benefits – including employment, procurement, education, training and economic development - to the Province and in particular to Labrador, and to providing full and fair opportunity and giving first consideration to residents and businesses of the Province to participate in, and benefit from, the Project.

It is estimated that the Project will employ approximately 40 people during the Construction Phase and approximately 109 people during the Operations Phase, (100 on mining operations and 9 on rail spur-line operations). It is expected that during both the Construction Phase and Operations Phase of the Project, approximately 25 percent of total employees will be members of the aboriginal First Nations.

In its Newfoundland and Labrador Benefits Plan, LIM has committed to specific project employment targets and goods and services procurement targets. Overall, LIM has committed to achieving a minimum of 78 percent of Construction, and 78 percent of Operations Phase employment accruing to residents of Newfoundland and Labrador, and to achieving a minimum of 85 percent of total value of Construction and 85 percent of total value of Operations phase contracts and goods and services being awarded/procured through companies and suppliers based in the Province. LIM has also developed a Women's Employment Plan which, amongst other matters, commits to an initial minimum of 15 percent women's employment on the Project.

These net positive benefits to the Province and its economy as a whole, and to under-represented groups, will be particularly valued given the current economic conditions in Labrador West. LIM will monitor Project employment and expenditures, including the work going to Labrador, the Innu of Labrador, women and the Province as a whole.

Other areas on which more detailed supplemental information is provided in the EIS include:

- **Caribou mitigation strategy** - The caribou mitigation strategy incorporates a set of procedures to reduce or eliminate disturbance and encounters with caribou. Any activity that may potentially affect caribou habitat or mortality in some manner will be implemented with appropriate mitigation. A comprehensive aerial survey of caribou undertaken in May 2009 by LIM, in cooperation with an adjacent operator and government agencies, provided additional information and data which concluded that residual and cumulative environmental effects on caribou would not be significant.
- **Residue/water management** – Water management will include sourcing beneficiation water from pit water and groundwater; diverting clean drainage away from active mine areas; and maintaining flow to fish habitat using clean groundwater. No chemicals will be used in the beneficiation process and the resultant washwater will be deposited into the old Ruth Pit. For all aspects of the development and operation, measures will be taken to divert and manage water (stormwater runoff, etc.) in an environmentally responsible manner. Detailed design and control measures to ensure discharge water quality in compliance with all regulatory requirements will be provided at the permitting stage.
- **Fish and other ecological habitat** - The potential effects to fish and other ecological habitat have been considered and, with diligent application of mitigative and environmental protection measures, the residual and cumulative environmental effects are expected to be not significant. LIM will adhere to mitigation measures to reduce or eliminate adverse effects on fish and fish habitat. Follow-up and monitoring measures will be applied to ensure compliance with provincial and federal regulations and to verify the impact predictions.

Other Regulatory Approvals

Earlier this year the Canadian Environmental Assessment Agency completed its review of the Project and determined that a federal level Canadian Environmental Assessment is not required. Other federal agencies, including Environment Canada, Transport Canada, Natural Resources Canada, Health Canada and the Canadian Transportation Agency, have also completed their reviews and confirmed that they had no triggers for a federal level environmental assessment. The Major Projects Management Office has declared that the Project does not constitute a major natural resources project.

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The Company was established to develop direct shipping iron ore deposits on properties in which it holds interests in the Labrador Trough of Canada's main iron ore producing region in the Province of Newfoundland and Labrador near Schefferville, Quebec. The Company's properties are part of the historic Schefferville area iron ore district which was previously mined by the Iron Ore Company of Canada from 1954 to 1982. Labrador Iron Mines is working to reactivate direct shipping iron ore operations in the region with plans to commence production by mid-2010.

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

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