

Labrador Iron Mines Holdings Limited - Reports Year End Financial Results

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Silver Yards Plant Commissioned First Iron Ore Rail Shipment from Silver Yards to Port

TORONTO, ONTARIO -- ([Marketwire](#) - June 30, 2011) - [Labrador Iron Mines Holdings Limited](#) (TSX: LIM) reports that it has filed its audited financial statements and MD&A for the fourth quarter and year ended March 31, 2011. The documents are available under the Company's profile at [www.sedar.com](#) and on LIM's website at [www.labradorironmines.ca](#).

The Company has made significant strides towards the start-up of production at its Schefferville Area direct shipping iron ore project in western Labrador, near the town of Schefferville Quebec. On June 29, 2011 the first loaded iron ore train departed Silver Yards for the Port of Sept-Iles travelling over the TSH and QNS&L railways. This historic event is the first commercial iron ore train from the Schefferville area in almost 30 years.

Production Commenced at James Mine and Silver Yards Plant

Ore mining operations commenced at the James Mine in June 2011 and full scale mining operations are now underway. Development of the first mining bench in the north end of the James pit has exposed a mining face over 400 metres along strike in the higher grade blue ore, the first ore to be mined and directly shipped without further processing. The waste rock has proven to be largely free digging and mine development is currently ahead of schedule.

Approximately 120,000 tonnes of iron ore has been stockpiled to date. Ore mining will continue for the season until November at a mining rate of approximately 15,000 tonnes of ore per day, using conventional open-pit mining methods and, where necessary employing standard drilling and blasting practices. Overburden and waste mining, and some ore mining, will continue through the winter period. Ore mined will be classed into three products for direct shipping, plant feed, and stockpiling for treatment in 2012.

The first phase of the Silver Yards plant has been commissioned, including the primary and secondary crushers, screens, scrubbers, stackers and conveyers. Overall, the commissioning process was trouble free and performed within the scheduled time. The Silver Yards plant is now operating largely to specification though a number of minor issues are being resolved.

The Silver Yards plant has a planned initial processing rate of 6,000 tonnes per day, which will be incrementally increased to 10,000 tonnes per day. It is expected that the plant will continue to operate through to November. In future years the planned annual seasonal processing schedule will cover a period of seven to eight months, or approximately 210 to 240 days per year, from April to November or December, depending on weather conditions. A fines recovery system is currently being installed and this is expected to become operational during August 2011. This will include installation of a hydrosizer and pan filter. The installation of this system is expected to increase overall recoveries to about 75% and increase the plant output by approximately 13%.

The Company has experienced some delays with delivery of its rail cars and in finalizing port and shipping logistics, and this has had the effect of delaying the first shipment and sale of iron ore. The port handling arrangements are currently being finalized. Some work is still on-going to complete infrastructure facilities at the port. 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 efficient shipping of this ore to the ultimate customers. It is expected that the first shipment of iron ore will be loaded at the Port of Sept-Iles in early to mid-August.

It is estimated that a total of around 2.5 million tonnes of ore will be mined from the James Mine during the current financial year and, subject to weather conditions, that approximately one million tonnes of saleable product will be railed to the Port of Sept-Iles. It is expected that the majority of this product will be sold on a spot basis during this financial year. In addition to these sales it is expected that around a further one million tonnes of both direct shipping and processed ore will be held in inventory at Silver Yards and available for shipping and sale in calendar 2012.

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 2011 season is considered to be a short start-up year and initial unit operating costs will be higher than the anticipated average. Total operating cash costs will be dependent on final port and shipping arrangements which have not been completed.

The Company is currently finalising plans for the expansion of the Silver Yards plant that should add about one million tonnes per annum to annual production capacity and, subject to no unexpected construction delays, should come on stream in the first half of 2012.

The Company is in a strong financial position that will allow it to fund its working capital requirements for 2011 production ramp-up and enable it to fund its exploration and expansion plans.

Railroad

The first ore train loaded with direct shipping ore departed Silver Yards for Sept-Iles on June 29, 2011. This train represents the first commercial iron ore train movement from the Schefferville area in almost 30 years.

In February 2011, the Company signed a memorandum of understanding ("MOU") with Tshuettin Rail Transportation Inc. ("TSH") for the transportation of iron ore over the Menihek Division with an agreed tariff rate for calendar year 2011.

In March 2011, LIM entered into a life of mine, confidential rail transportation contract with Quebec North Shore and Labrador Railway ("QNS&L") for the transportation of LIM's products from the end of the Menihek Division to Sept-Iles. This contract provides for a confidential tariff, with various capacity and volume commitments on the part of each party.

LIM also signed a rail services agreement with Western Labrador Rail Services ("WLRS"), a wholly owned subsidiary of Genesee & Wyoming Inc., to provide, operate and maintain up to five SD 40-3 locomotives which will be used to haul LIM's iron ore from Silver Yards, over the TSH Railway, to Emeril Junction. The first three SD 40-3 locomotives have arrived and have been positioned at Silver Yards.

LIM has purchased a fleet of 400 previously used railcars of which the first consignment of 132 rail cars has been delivered to Sept-Iles where modifications are being carried out. Modifications are now complete on more than half of this first consignment. This process has taken longer than anticipated due to the modifications required to meet local operating conditions. A further 128 cars are being shipped to Sept-Iles and the first fleet of 260 cars is expected to be modified and progressively delivered to Silver Yards by August.

Port

LIM has signed a MOU with the Sept-Iles Port Authority for the use of the Pointe aux Basques terminal for handling and ship loading of LIM's iron ore for the 2011 season and potentially beyond. LIM has also signed an agreement with a port terminal operator for the unloading, stacking and ship loading of iron ore at Pointe aux Basques. LIM will have exclusive use of the Pointe aux Basques terminal for iron ore shipments.

Use of the Pointe aux Basques facilities will require train shunting and unloading in the adjacent rail yard and loading the iron ore onto barges or lakers and trans-shipping to larger vessels within the deeper waters of the bay or to another port. These port handling arrangements are currently being finalized and are expected to be concluded in time for the first shipments of iron ore expected in August 2011.

2011 Exploration Program

The Company has commenced its largest ever exploration program on its Schefferville Area Projects. A total of 17,500 metres of drilling is planned for the 2011 season, using four drill rigs, and a further 4,000 metres of exploration trenching will be carried out.

The principal targets will be deposits that will comprise Stage 1 subsequent to James and Redmond, and to further work on the Stage 2 deposits at Houston. The deposits to be explored will be Knob Lake, Ruth Lake 8, Gill, Star Creek and Denault for Stage 1, and Houston 1, 2 and 3 plus Malcolm for Stage 2. Some additional definition drilling will be also carried out on the James and Redmond deposits.

It is planned to carry out further airborne geophysical surveys to continue to identify extensions to current deposits as well as potential new targets. In addition it is planned to carry out some field exploration of a

number of the more distant deposits in Quebec. This work will be used in planning further exploration in the following season.

First Nations Developments

In June 2011 the Company signed an Impact Benefits Agreement with the Nation Innu Matimekush–Lac John of Schefferville, Quebec. The historic life-of-mine Agreement is a significant step for LIM and for the Innu Community of Matimekush-Lac John, paving the way for the development of a project that will provide opportunities for the local community at Schefferville, and particularly its youth, and will at the same time protect the environment and Innu traditional and cultural activities.

In December 2010, the Company signed an Agreement in Principle (“AIP”) with the Innu TakuaiKAN Uashat Mak Mani–Utenam (Sept-Iles), which stipulates the principal terms to be included in an IBA. Negotiations with the Innu TakuaiKAN Uashat Mak Mani–Utenam Quebec towards the completion of an IBA have been concluded, and it is expected that the agreement will be submitted to the community of TakuaiKAN Uashat Mak Mani–Utenam for ratification later in the year.

Marketing – iron ore markets

Marketing discussions have continued with potential customers, both in Europe and in Asia. Chinese consumers, in particular, are showing an increasing interest in seeking iron ore from Canada, driven by continued strong demand and a desire to diversify from their traditional sources of supply. Canadian iron ore is generally regarded favorably on world markets with its relatively high iron grades and low levels of deleterious elements.

It is expected that iron ore products produced in 2011 will be sold into the spot market on a “FOB Sept-Iles” basis. The Company continues to review its options for marketing its planned iron ore production and is evaluating the optimum route to achieve these sales, while still maintaining maximum flexibility and independence. In particular the Company has had detailed discussions with a number of internationally recognized commodity traders with specialist knowledge of the iron and steel industry and expects to finalize marketing arrangements with one of these for the sales of its initial 2011 ore production.

The global iron ore market remains positive though spot prices for 62% Fe sinter fines have fallen from first quarter 2011 highs of around US\$190 per tonne (CFR China) to around US\$170 per tonne in recent weeks. Current efforts by the Chinese government to slow down some aspects of growth of the Chinese economy, has likely been the reason for some slowing in Chinese purchases and hence the recent reduction in spot prices. These reduced purchases have reportedly resulted in some levels of destocking, however, there are signs that this destocking is now being reversed which should lead to stronger prices in months to come.

Demand for steel and therefore iron ore appears likely to remain strong and continue to grow in the coming years. In the short to medium term, with demand remaining strong, prices are forecast to only retract marginally. Recent forecast consensus indicates that iron ore supply and demand will remain generally in balance until around 2015 to 2016, with prices dropping only 10-15% in that period, possibly followed by a supply surplus, with prices declining somewhat thereafter. The Company is of the opinion that iron ore prices will remain strong around current levels for both calendar 2011 and calendar 2012.

Qualified Person

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

Financial Results

For the year ended March 31, 2011 the Company reported a loss of \$3,971,651, or \$0.09 per share compared to net income of \$1,164,772, or \$0.03 per share, for the prior year. The increased loss arose largely from an increase in activities combined with changes in stock based compensation and future income taxes. Stock-based compensation of \$1,106,764 in fiscal 2011 compared to \$85,973 in the prior year, from the granting of stock options during 2011. In addition, a future income tax recovery of \$832,407 in fiscal 2011 compared to a future income tax recovery of \$3,912,647 in the prior year.

In fiscal 2011 the Company invested substantially in its mineral property interests in the development of its

iron ore projects. During fiscal 2011, the Company invested \$12,192,150 in its mineral property interests, compared to \$7,403,537 invested during the prior year. In the latest fiscal year, the Company also invested \$14,869,430 in property, plant and equipment, compared to \$7,037,601 invested in the prior year. The substantial investment in property, plant and equipment during fiscal 2011 related mainly to the Company's construction of the processing plant, accommodation camp and rail spur line in Silver Yards during the year.

As at March 31, 2011 the Company had \$7,563,670 in cash and cash equivalents, (not including restricted cash), and had no debt. Subsequent to March 31, 2011 the Company completed a prospectus financing, raising gross proceeds of \$121,250,500. The Company believes it has sufficient funding to complete the commissioning of the first phase of Stage 1 of its direct shipping iron ore mining projects and to commence shipments of iron ore to begin generating operating cash flow.

About Labrador Iron Mines Holdings Limited

LIM's Schefferville Project involves 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 comprising the James and Redmond deposits, which are located in close proximity to existing infrastructure. Full scale mining and processing is underway and the first train carrying direct shipping ore departed LIM's Silver Yard for Sept-Iles on June 29, 2011.

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

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.

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