LABRADOR IRON MINES HOLDINGS LIMITED

(A Development Stage Company)

Interim Consolidated Financial Statements

(Unaudited- prepared by management)

Third Quarter

For the three and nine month periods ended December 31, 2008

In accordance with National Instrument 51-102, released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited interim financial statements for the three and nine month periods ended December 31, 2008

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LABRADOR IRON MINES HOLDINGS LIMITED

(A Development Stage Company)
Interim Consolidated Balance Sheet
(unaudited – prepared by management)
As at December 31, 2008

	December 31 2008	March 31 2008
ASSETS		Audited
Current assets	$	$
Cash and cash equivalents	37,774,250	47,483,201
Accounts receivable, prepaids and deposits	635,704	106,980
	38,409,954	47,590,181
Non current assets		
Mineral property interests (Note 3)	138,637,950	127,934,282
Long-term prepaid expenses	181,930	185,413
Buildings and equipment (Note 4)	969,238	12,217
	178,199,072	175,722,093
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	2,568,519	276,783
Future income taxes (Note 9(b))	35,870,687	35,979,000
	38,439,206	36,255,783
SHARE CAPITAL AND RETAINED EARNINGS		
Share capital (Note 5(a))	125,741,154	125,784,181
Warrants (Note 5(b))	5,967,781	5,967,781
Contributed surplus (Note 5(d))	7,337,685	5,721,387
Accumulative comprehensive income		-
Retained earnings	713,246	1,992,961
	139,759,866	139,466,310
	178,199,072	175,722,093

Commitments and contingencies (Notes 1, 3 and 8)

APPROVED ON BEHALF OF THE BOARD:

Signed "John. F. Kearney"	Signed "Terence N. McKillen"
Director	Director

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LABRADOR IRON MINES HOLDINGS LIMITED

Interim Consolidated Statement of Operations and Comprehensive Income and Retained Earnings
(unaudited – prepared by management)

	Three months ended December 31		Nine months ended December 31	
	$ 2008	$ 2007	$ 2008	$ 2007
Expenses				
Professional fees	52,560	23,940	196,461	83,940
Depreciation	17,531		28,061	
Corporate expenses	217,403	12,105	391,019	82,105
Management costs	50,058	20,000	141,724	70,000
Directors' fees	12,500	16,833	54,500	16,833
Administration	199,721	13,513	463,081	33,513
Stock-based compensation	498,562		1,085,125	
Loss before the undernoted	1,048,335	86,391	2,359,971	286,391
Interest earned	262,785	139,288	971,943	139,288
(Loss) income before income taxes	(785,550)	52,897	(1,388,028)	(147,103)
Future income tax recovery (Note 9(a))	103,061	3,765,746	108,313	3,765,746
Net (loss) income loss for the period	(682,489)	3,818,643	(1,279,715)	3,618,643
Comprehensive income	-	-	-	-
Net (loss) income and comprehensive loss for the period	(682,489)	3,818,643	(1,279,715)	3,618,643
Retained earnings (deficit) beginning of the period	1,395,735	(200,000)	1,992,961	-
Retained earnings, end of period	713,246	3,618,643	713,246	3,618,643
Net(loss) income loss per share – Basic and diluted	(0.02)	0.10	(0.04)	0.10
Weighted average number of share outstanding	37,148,451	35,473,001	37,148,451	35,473,001

LABRADOR IRON MINES HOLDINGS LIMITED
(A Development Stage Company)
Interim Consolidated Statement of Cash Flows
(unaudited – prepared by management)

	Three months ended December 31		Nine months ended December 31	
	2008	2007	2008	2007
	$	$	$	$
Cash flow from operating activities				
Net (loss) income and comprehensive (loss) income for the period	(682,489)	3,818,643	(1,279,715)	3,618,643
Items not involving cash				
Stock-based compensation	498,562	-	1,085,125	-
Depreciation	17,531	-	28,061	-
Future income tax (recovery)	(103,061)	(3,765,746)	(108,313)	(3,765,746)
(Decrease) increase in non-cash working capital	(479,161)	917,656	1,763,012	1,367,656
Cash flow from operating activities	(748,618)	970,553	1,488,172	1,220,553
Cash flow from investing activities				
(Increase) in mineral property interests	(3,939,372)	94,031	(10,172,498)	94,031
Decrease in long-term prepaid expenses			3,484	
Equipment purchases	(742,572)		(985,082)	
Cash flow from investing activities	(4,681,944)	94,031	(11,154,096)	94,031
Cash flow from financing activities				
Issuance of capital stock	-	45,892,000	-	45,892,001
Offering cost	-	(4,459,974)	-	(4,459,974)
Normal course issuer bid	(43,027)		(43,027)	
Cash flow from financing activities	(43,027)	41,432,026	(43,027)	41,432,027
(Decrease) increase in cash and cash equivalents	(5,473,589)	42,496,610	(9,708,951)	42,746,611
Cash and cash equivalents, beginning of the period	43,247,839	250,001	47,463,201	-
Cash and cash equivalents, end of the period	37,774,250	42,746,611	37,774,250	42,746,611
Cash and cash equivalents consist of:				
Cash	287,531	2,602,840	287,531	2,602,840
Cash equivalents	37,486,719	40,143,471	37,486,719	40,143,471
Supplemental Information				
Shares issued for mineral property interests		85,440,000		85,440,000
Future income tax liability related to mineral property interests		40,798,972		40,798,972

1. NATURE OF OPERATIONS

Labrador Iron Mines Holdings Limited (the "Company") was incorporated on May 17, 2007 under the Ontario Business Corporations Act. On December 3, 2007, the Company completed an Initial Public Offering (IPO), and its shares were listed on the Toronto Stock Exchange. The Company is engaged in the search, evaluation and development of iron ore resources in Canada. The Company is in the development stage, as defined by the Canadian Institute of Chartered Accountants ("CICA") Accounting Guideline 11.

These interim consolidated financial statements have been prepared on the basis of accounting principles applicable to a "going concern", which assume that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. The business of mining and exploring for minerals involves a high degree of risk, there is no guarantee that the Company's exploration and development programs will yield positive results or that the Company will be able to obtain the necessary financing to carry out the exploration and development of its mineral property interests.

The recoverability of the carrying value of exploration properties and the Company's continued existence is dependent upon the preservation of its interests in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise additional financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write-downs of the carrying values.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of development of such properties, these procedures do not guarantee the Company's title. The Company's properties may be subject to government licensing requirements or regulations, unregistered prior agreements, undetected defects, unregistered claims, native land claims, and regulatory and environmental requirements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") for interim financial information and follow the same accounting policies and methods of application as the most recent audited financial statements of the Company for the period ended March 31, 2008. These interim financial statements do not include all the information and note disclosures required by Canadian GAAP for annual financial statements and therefore should be read in conjunction with the Company's audited financial statements and the notes thereto. In management's opinion, all adjustments considered necessary for fair presentation have been included in these financial statements. Interim results are not necessarily indicative of the results for the fiscal year. Significant accounting policies are summarized below.

Basis of consolidation
These interim consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary Labrador Iron Mines Limited. All significant intercompany transactions and balances have been eliminated.

Financial Instruments
Financial assets and liabilities, including derivative instruments, are initially recognized and subsequently measured based on their classification as "held-for-trading", "available-for-sale" financial assets, "held-to-maturity", "loans and receivables", or "other" financial liabilities.

In accordance with these standards, the Company has classified its financial instruments as follows:

Assets/Liabilities	Classification	Measurement
Cash and cash equivalents	Held-for-trading	Fair value
Accounts receivable	Loans and receivable	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost

Held-for-trading financial instruments are measured at their fair value with changes in fair value recognized in net income for the period. Available-for-sale financial assets are measured at their fair value and changes in fair value are included in other comprehensive income until the asset is removed from the balance sheet. Held-to-maturity investments, loans and receivables and other financial liabilities are measured at amortized cost using the effective interest rate method. Derivative instruments, including embedded derivatives, are measured at their fair value with changes in fair value recognized in net income for the period, unless the instrument is a cash flow hedge and hedge accounting applies, in which case changes in fair value are recognized in other comprehensive income.

Cash and cash equivalents
Cash and cash equivalents include cash and highly liquid investments with original maturities of three months or less. The Company invests cash in term deposits maintained in high credit quality institutions.

Comprehensive income
Comprehensive income, composed of net income and other comprehensive income, is defined as the change in shareholders' equity from transactions and other events from non-owner sources. Other comprehensive income for the Company includes unrealized gains and losses on available-for-sale securities and changes in the fair market value of derivatives designated as cash flow hedges, all net of related income taxes. The components of comprehensive income are disclosed in the statement of operations and comprehensive income. Cumulative changes in other comprehensive income are included in accumulated other comprehensive income ("AOCI") which is presented as a separate category in shareholders' equity.

Mineral property interests and deferred exploration expenditures
Where properties are acquired in exchange for Company's shares, the properties are valued at the fair market value of the shares. The cost of mineral property interests and related exploration and development costs are deferred. These costs will be amortized over the estimated useful life of the properties following commencement of commercial production or written off if the properties are sold, allowed to lapse, or the property shows no promise from prior exploration results, or management determines that there is a permanent and significant impairment in value. All of the Company's properties are considered to be in the exploration or development stage and none have achieved commercial production. Accordingly, any revenue generated from testing or pilot plant processing is credited to mineral property interests. The Company does not accrue future costs to keep the properties in good standing. Administrative expenditures, not directly related to property maintenance, are charged to operations as incurred.

The Company reviews its exploration properties to determine if events or changes in circumstances have transpired which indicate that the carrying value of its assets may not be recoverable. The recoverability of costs incurred on the exploration properties is dependent upon numerous factors including exploration results, environmental risks, commodity risks, political risks, and the Company's ability to attain profitable production. It is reasonably possible, based on existing knowledge, that changes in future conditions in the near-term could require a change in the determination of the need for, and amount of, any write-down.

Asset retirement obligations
Management is not currently aware of any significant asset retirement obligation of the Company. The Company will be required to record a liability for the estimated future costs associated with legal obligations relating to the reclamation and closure of its mineral property interests. This amount will be initially recorded in the period in which it is identified at its discounted present value with subsequent annual recognition of an accretion amount on the discounted liability. An equivalent amount will be recorded as an increase to mineral property interests and will be amortized over the useful life of the property.

Use of estimates
The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities and the reported amounts of revenue and expenses during the year. Actual results could differ from estimates. During the fiscal period presented, management has made a number of significant estimates and valuation assumptions, including the recoverability of investments in mineral property interests, the future costs associated with environmental remediation and site restoration matters, fair value of financial instruments and valuation of tax accounts and stock-based compensation. These estimates and valuation assumptions are based on present conditions and management's planned course of action, as well as an assumption about future business and economic conditions. Should the underlying valuation assumptions and estimates change, the recorded amounts could change by a material amount.

Income taxes
The Company follows the asset and liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are determined based on differences between the financial statement carrying values and the income tax bases of assets and liabilities, and are measured using the substantively enacted income tax rates and laws that are expected to be in effect when the temporary differences are expected to reverse. The effect on future income tax assets and liabilities of a change in income tax rates is recognized in the period that includes the date of enactment or substantive enactment of the change. When the future realization of income tax assets does not meet the test of being more likely than not to occur, a valuation allowance in the amount of the potential future benefit is taken and no net asset is recognized.

Loss per share
Basic loss per share is calculated using the weighted average number of shares outstanding. Diluted loss per share is calculated using the treasury stock method. In order to determine diluted loss per share, the treasury stock method assumes that any proceeds from the exercise of dilutive stock options and warrants would be used to repurchase common shares at the average market price during the period, with the incremental number of shares being included in the denominator of the diluted loss per share calculation. The diluted loss per share calculation excludes any potential conversion of options and warrants that would decrease loss per share.

Transactions in foreign currencies have been translated into Canadian dollars using the temporal method. Under this method, monetary assets and liabilities are translated at the year-end exchange rate. Non-monetary assets have been translated at the historical rate of exchange prevailing at the date of the transaction. Expenses have been translated at the average rate of exchange during the year. Realized and unrealized foreign exchange gains and losses are included in operations.

Stock-based compensation
The Company records compensation cost based on the fair value method of accounting for stock-based compensation. The fair value of stock options is determined using the Black-Scholes option pricing model. The fair value of the options is recognized over the vesting period as compensation expense and contributed surplus. When options are exercised, the proceeds received, together with any related amount in contributed surplus, will be credited to capital stock.

Capital Management
The Company's objective when managing capital is to maintain adequate levels of funding to support the acquisition, development and exploration of mineral properties and maintain the necessary corporate and administrative functions to facilitate these activities. This is done primarily through equity financing. Future financings are dependent on market conditions and there can be no assurance the Company will be able to raise funds in the future. All equity financings require the approval of the Board of Directors.

The Company invests all capital that is surplus to its immediate operational needs in short term, highly-liquid financial instruments, such as short term guaranteed investment certificates, held with a major Canadian financial institution.

There were no changes to the Company's approach to capital management during the period. The Company is not subject to externally imposed capital requirements.

New Accounting Standards
The CICA has issued several new standards which may affect the financial disclosures and results of operations of the Company for interim and annual periods beginning April 1, 2008. The Company has adopted the requirements for the interim period beginning April 1, 2008.

Section 1535 – "Capital Disclosures"
This Section establishes standards for disclosing information about a company's capital and how it is managed. Under this standard the Company will be required to disclose the following, based on the information provided internally to the Company's key management personnel:

(i) qualitative information about its objectives, policies and processes for managing capital;
(ii) summary quantitative data about what it manages as capital;
(iii) whether during the period it complied with any externally imposed capital requirements to which the Company is subject; and
(iv) when the Company has not complied with such externally imposed capital requirements (if any), the consequences of such non-compliance.

The adoption of this accounting standard did not have any effect on the financial position or performance of the Company.

Section 3031 – "Inventories"
This Section prescribes the accounting treatment for inventories and provides guidance on the determination of costs and its subsequent recognition as an expense, including any write-down to net

realizable value. It also provides guidance on the cost formulas that are used to assign costs to inventories. The Company currently has no inventories consequently the adoption of this standard had no effect on the financial position or performance of the Company.

Section 3862 – "Financial Instruments – Disclosures"
The new disclosure standard requires companies to provide disclosure of quantitative and qualitative information in their financial statements that enable users to evaluate (a) the significance of financial instruments for the Company's financial position and performance; and (b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and management's objectives, policies and procedures for managing such risks. Companies will be required to disclose the measurement basis or bases used, and the criteria used to determine classification for different types of instruments.

The Section requires specific disclosures to be made, including the criteria for:

(i) designating financial assets and liabilities as held for trading;
(ii) designating financial assets as available-for-sale; and
(iii) determining when impairment is recorded against the related financial asset or when an allowance account is used.

The adoption of this accounting standard had no effect on the financial position or performance of the Company.

International Financial Reporting Standards
In February 2008, the CICA Accounting Standards Board ("AcSB") confirmed that the use of International Financial Reporting Standards ("IFRS") will be required in 2011 for public companies in Canada (IFRS will replace Canadian GAAP for public companies). The official changeover date will apply for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company is currently assessing the impact of the implementation of IFRS and is developing an implementation plan for the fiscal year ended March 31, 2012.

3. MINERAL PROPERTY INTERESTS

The Schefferville Project was acquired during the part year ended March 31, 2008 for the issuance of 24,000,000 common shares of the Company, valued at $3.56 per common share, based on the IPO price of the common shares of the Company.

The purchase price was allocated as follows:

Purchase price		
24,000,000 common shares @ $3.56 per share	$	85,440,000
Purchase price allocation		
Current assets		262,920
Mineral properties		126,337,866
Current liabilities		(361,814)
Future income tax liability		(40,798,972)
	$	85,440,000

The Company holds a 100% interest in the Schefferville Project, subject to the agreement described below. The Schefferville Project comprises a series of iron ore deposits located in Western Labrador in the Province of Newfoundland and Labrador, near the town of Schefferville, Quebec.

Pursuant to an underlying Agreement with Fonteneau Resources Limited dated September 15, 2005 as amended June 30, 2007, all of the properties comprising the Schefferville Project are held subject to a royalty (the "Fonteneau Royalty") in the amount of 3% of the selling price (FOB Port) of iron ore produced and shipped from the properties, such royalty being payable quarterly in arrears.

Under the Agreement the Company, earned a 20% interest in the Fonteneau Properties by incurring certain expenditures and elected to earn a further 80% interest in the Fonteneau Properties by committing to put the properties into production and by arranging production financing for the first one million tons of production from one or more of the Fonteneau Properties.

The Schefferville Project was acquired by the Company through a series of underlying agreements and arrangements, some of which are with companies who have directors and/or officers that are also directors and/or officers of the Company or with companies that are controlled by directors and/or officers of the Company. The 24,000,000 common shares of the Company issued to acquire the Schefferville Project were issued to companies controlled by directors and/or officers of the Company or with which such companies had directors and/or officers in common with the Company. 5,325,000 of these common shares were held in escrow at December 31, 2008 (Note 5(a)).

Increases in mineral property interests for the period were as follows:

Balance March 31, 2008	$ 127,934,282
Additions:	
Geology	253,432
Exploration	5,320,193
Engineering	2,220,909
Environment and permits	1,023,077
Community outreach	294,387
Transport services	584,295
Travel and accommodation	476,202
Stock-based compensation	531,173
Total additions	10,703,668
Balance, December 31, 2008	$ 138,637,950

4. BUILDINGS AND EQUIPMENT

	December 31, 2008		
	Cost	Accumulated Depreciation	Net Book Value
	$	$	$
Buildings	870,000	12,750	857,250
Computer equipment	46,589	7,235	39,354
Leasehold improvements	26,484	1,171	25,313
Vehicles	25,727	3,339	22,388
Field equipment	13,259	1,988	11,271
Office equipment	15,668	2,006	13,662
	997,727	28,489	969,238

5. SHARE CAPITAL

(a) Common shares

Authorized
Unlimited common shares

Outstanding	Shares	Amount $
Balance March 31, 2008	37,193,951	125,784,181
Repurchase – normal course issuer bid	45,500	43,027
Balance, December 31, 2008	37,148,451	125,741,154

Normal course issuer bid
The Company has obtained TSX approval to conduct a normal course issuer bid (the "Bid") pursuant to which the Company may purchase up to a maximum of 684,140 common shares in the capital of the Company representing approximately 10.0% of the public float of the Company. As of December 31, 2008, the Company repurchased 45,500 shares at a cost of $43,027.

Escrow shares
As at December 31, 2008, 5,325,000 common shares were held in escrow. These shares were part of the consideration issued to related parties in consideration for the acquisition of the Schefferville Project (Note 3). The shares will be released from escrow on June 3, 2009. On December 3, 2008, 5,325,000 shares were released from escrow.

(b) Share purchase warrants

As December 31, 2008, the Company had the following outstanding share purchase warrants:

Warrants	Grant Date Fair Value	Exercise Price	Expiry Date
857,607*	$ 919,781	$4.00 per unit	June 3, 2009
6,596,975	5,048,000	$5.00 per share	December 3, 2009
7,454,582	$ 5,967,781		

* Each warrant is exercisable into one common share and one-half-of-one common share purchase warrant.

(c) Stock options

The board of directors has approved a Stock Option Plan for directors, officers, management, employees and other persons who perform ongoing services for the Company or any of its subsidiaries. The purpose of the plan is to attract, retain and motivate these parties by providing them with the opportunity, through share options, to acquire a proprietary interest in the Company and to benefit from its growth.

The maximum number of common shares reserved for issuance upon the exercise of options is not to exceed 10% of the total number of common shares outstanding immediately prior to such an issuance. The options are exercisable over a period not exceeding ten years. The options are non-assignable and may be granted for a term not exceeding ten years. The exercise price of the options

is fixed by the board of directors at the market price of the shares at the time of grant, subject to all applicable regulatory requirements.

On August 7, 2007 the Company granted 2,950,000 options to purchase common shares pursuant to the Stock Option Plan. These options vested as to 50% on the date that the IPO was completed and 50% one year thereafter. These options expire on August 6, 2012, and have an estimated grant date fair value of $6,549,000. The estimated fair value was calculated using the Black-Scholes option pricing model based on the following assumptions: risk-free interest rate of 3.7%, expected life of 4.67 years, expected dividend rate of 0%, and expected volatility of 80%.

On March 11, 2008, the Company granted 400,000 options to purchase common shares pursuant to the Stock Option Plan. These options vest over a period of two years. These options expire on March 12, 2013, and have an estimated grant date fair value of $848,000. The estimated fair value was calculated using the Black-Scholes option pricing model based on the following assumptions: risk-free interest rate of 3%, expected life of 5 years, expected dividend rate of 0%, and expected volatility of 78%.

During the quarter ended December 31, 2008, the value of stock options expensed was $498,562 and $195,497 was capitalized to mineral properties.

As at December 31, 2008, the following stock options were outstanding:

Number of Options Outstanding #	Exercise Price $	Grant Date Fair Value $	Number of Options Exercisable #	Expiry Date	Expensed and capitalized to December 31, 2008 $
2,950,000	4.00	6,549,000	1,843,750	August 6, 2012	6,549,000
400,000	4.85	848,000	200,000	March 11, 2013	788,685
3,350,000		7,397,000	2,043,750		7,337,685

(d) Contributed surplus

The contributed surplus balance results from the following transactions for the nine month period ended December 31, 2008:

Balance, March 31, 2008	$ 5,721,387
Stock-based compensation of grant of options to employees	1,616,298
Balance, December 31, 2008	$ 7,337,685

6. RELATED PARTY TRANSACTIONS

Transactions with related parties were within the normal course of business and have been recorded at the exchange amounts, being the amounts agreed to be the transacting parties.

The Company made payments to a corporation with common directors and/or officers of $21,600 in respect of office rent.

The Company also made payments to directors and officers, and or to corporations controlled by directors or officers, of the Company in respect of director's fees and management compensation and

administrative services. The Company also incurred expenses to corporations in which directors or officers of the Company were also directors or officers.

7. FINANCIAL INSTRUMENTS

Fair value
Canadian generally accepted accounting principles require that the Company disclose information about the fair value of its financial assets and liabilities. Fair value estimates are made at the balance sheet date, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties in significant matters of judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates. The carrying amounts for cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities on the balance sheets approximate fair value because of the limited term of the instruments.

Interest rate risk
The Company's cash equivalent investments, bear a current interest rate of 2.94% and have no maturity date. The interest rate fluctuates and is based on the current ongoing money market rates. All other financial assets and liabilities are non-interest bearing.

Credit risk
The Company has reduced its credit risk by investing its cash in Canadian short term deposits with a Schedule 1 Canadian chartered bank. These premium money market funds bear an interest rate of 2.94% and have no maturity date. These cash equivalent investments are highly liquid with any portion of the balance available to the Company within 24 hours.

Commodity Price Risk
The future profitability of the Company is directly related to the market price of iron ore.

Foreign Exchange Risk
The Company does not currently conduct any of its operating activities in currencies other than the Canadian dollar. The Company is therefore not subject to any foreign exchange risk.

8. COMMITMENTS AND CONTINGENCIES

(a) The Company is committed to a minimum amount of rental payments under a long-term lease for its premise which expires on August 31, 2019. Minimum rental commitments remaining under this lease approximate $3,559,500, including $83,500 due in fiscal year 2009. Minimum rental commitments for successive years approximate the following:

2009	$ 83,500
2010	334,000
2011	334,000
2012	334,000
2013 and beyond	2,474,000
	$ 3,559,500

The Company anticipates recovering a portion of these lease commitments from companies with common directors and officers that are expected to share a portion of the premises.

(b) On July 24, 2008, the Company and Innu Nation of Labrador, signed an Impact Benefit Agreement (IBA), committing to an ongoing relationship between the Innu Nation and Labrador Iron Mines with

respect to the development of the Company's direct shipping hematite iron ore project located in Western Labrador.

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.

9. INCOME TAXES

(a) Provision for income taxes

The major items causing the Company's income tax provision to differ from the Canadian combined federal and provincial statutory rate of 33.0% were:

	December 31, 2008 $
Loss before income taxes	1,388,028
Expected income tax recovery at statutory rates (33.0%)	458,049
Adjustments resulting from:	
Stock-based compensation	(349,736)
Future income tax recovery	108,313

(b) Future income tax balances

The future income tax liability initially arose due to the difference between the purchase price and the underlying income tax values of the mineral property interests acquired (Note 3). The original amount of the future income tax liability related to mineral property interests was $40,798,972 which was subsequently adjusted by the effect of two income tax rate changes. These rate changes resulted in a future income tax recovery, in respect of the mineral property interests, of $3,403,972.

The tax effect of temporary differences that give rise to future income tax assets and liabilities in Canada at December 31, 2008 are as follows:

	December 31 2008 $
Future income tax assets (liabilities)	
Non-capital losses	364,313
Mineral property interests	(37,395,000)
Capital losses	143,000
Share issue costs	1,160,000
Valuation allowance	(143,000)
Future income tax liability (net)	(35,870,687)

(c) The Company has approximately $2,100,000 of non-capital losses in Canada and approximately $12,400,000 of development and exploration expenditures as at December 31, 2008 which under certain circumstances can be used to reduce the taxable income of future years. The non-capital losses expire in 2028.