LABRADOR IRON MINES HOLDINGS LIMITED

(A Development Stage Company)

Consolidated Financial Statements

March 31, 2008

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AUDITORS' REPORT

To the Shareholders of
Labrador Iron Mines Holdings Limited
(A Development Stage Company)

We have audited the consolidated balance sheet of Labrador Iron Mines Holdings Limited (A Development Stage Company) as at March 31, 2008 and the consolidated statements of operations and comprehensive loss and deficit and cash flows for the period from incorporation (May 17, 2007) to March 31, 2008. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2008 and the results of its operations and its cash flows for the period from incorporation (May 17, 2007) to March 31, 2008 in accordance with Canadian generally accepted accounting principles.

McGOVERN, HURLEY, CUNNINGHAM, LLP

McGovern, Hurley, Cunningham, LLP

Chartered Accountants
Licensed Public Accountants

TORONTO, Canada
May 8, 2008

LABRADOR IRON MINES HOLDINGS LIMITED
(A Development Stage Company)
Consolidated Balance Sheet
As at March 31, 2008

	$
ASSETS	
Current assets	
Cash and cash equivalents	47,483,201
Accounts receivable and prepaid expenses	106,980
	47,590,181
Non current assets	
Mineral property interests (Note 3)	127,934,282
Long-term prepaid expenses	185,413
Equipment (Note 4)	12,217
	175,722,093
LIABILITIES	
Current liabilities	
Accounts payable and accrued liabilities	276,783
Future income taxes (Note 9(b))	35,979,000
	36,255,783
SHARE CAPITAL AND DEFICIT	
Share capital (Note 5(a))	125,784,181
Warrants (Note 5(b))	5,967,781
Contributed surplus (Note 5(d))	5,721,387
Accumulative comprehensive income	-
Retained earnings	1,992,961
	139,466,310
	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

See accompanying notes to the consolidated financial statements.

LABRADOR IRON MINES HOLDINGS LIMITED

(A Development Stage Company)

Consolidated Statement of Operations and Comprehensive Income and Retained Earnings

For the period from incorporation (May 17, 2007) to March 31, 2008

	$
Expenses	
Professional fees	282,550
Depreciation	428
Corporate expenses	43,379
Management costs	17,900
Directors' fees	30,333
Administration	186,101
Stock-based compensation (Note 5(c))	1,746,387
Loss before the undernoted	2,307,078
Interest earned	603,272
Loss before income taxes	1,703,806
Future income tax recovery (Note 9(a))	3,696,767
Net income for the period	1,992,961
Comprehensive income	-
Net income and comprehensive income for the period, to deficit, end of period	1,992,961
Net income per share – Basic and diluted	0.14
Weighted average number of share outstanding – Basic and diluted	13,906,351

See accompanying notes to the consolidated financial statements.

LABRADOR IRON MINES HOLDINGS LIMITED

(A Development Stage Company)

Consolidated Statement of Cash Flows

For the period from incorporation (May 17, 2007) to March 31, 2008

	$
Cash flow from operating activities	
Net income and comprehensive income for the period	1,992,961
Items not involving cash	
Stock-based compensation	1,746,387
Depreciation	428
Future income tax recovery	(3,696,767)
	43,009
Increase in non-cash working capital	70,909
Cash flow from operating activities	113,918
Cash flow from investing activities	
Increase in mineral property interests	(546,416)
Increase in long-term prepaid expenses	(185,413)
Equipment purchases	(12,645)
Cash flow from investing activities	(744,474)
Cash flow from financing activities	
Issuance of share capital, net of issue costs	48,113,757
Increase in cash and cash equivalents	47,483,201
Cash and cash equivalents, beginning of the period	-
Cash and cash equivalents, end of the period	47,483,201
Cash and cash equivalents consist of:	
Cash	883,313
Cash equivalents	46,599,888
	47,483,201
Supplemental disclosure of cash flow information	
Shares issued for mineral property interests	85,440,000
Future income tax liability related to mineral property interest	40,798,972
Compensation warrants granted	1,046,281
Interest paid	432
Income taxes paid	-
Future income tax asset related to share issue costs	1,473,205
Future income tax asset related to stock-based compensation in mineral property interests	350,000
Stock-based compensation allocation to mineral property interests	700,000
Stock-based compensation allocation to share issue costs	3,275,000

See accompanying notes to the consolidated financial statements.

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 and its shares were listed on the Toronto Stock Exchange (See Note 5(a)(ii)). 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 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 and 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 development 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 writedowns of the carrying values.

Although the Company has taken steps to verify title to the properties 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. Property title may be subject to government licensing requirements or regulations, unregistered prior agreements, undetected defects, unregistered claims, native land claims, and non-compliance with regulatory and environmental requirements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). Significant accounting policies are summarized below.

Basis of consolidation
These 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments (Continued)
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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 consolidated 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.

Foreign currency translation
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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 will adopt the requirements commencing in the interim period ended June 30, 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 Company does not believe that Section 1535 will have a significant impact on its consolidated financial statements.

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 does not believe that Section 3031 will have a significant impact on its consolidated financial statements.

Section 3862 and 3863 – "Financial Instruments – Disclosures and Presentation"
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 Company does not believe that Sections 3862 and 3863 will have a significant impact on its consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Standards (Continued)

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.

3. MINERAL PROPERTY INTERESTS

The Schefferville Project was acquired during the period 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. 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 Option Agreement with Fonteneau Resources Limited dated September 15, 2005 as amended June 30, 2007, all of the properties comprising the Schefferville Project (the "Fonteneau Properties") 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 Option 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. 15,975,000 of these common shares were held in escrow at March 31, 2008 (Note 5(a)(v)).

3. MINERAL PROPERTY INTERESTS (Continued)

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

Mineral property acquisition	$	126,337,866
Additions:		
Geology		309,400
Environment and permits		64,404
Community outreach		125,530
Travel and accommodation		47,082
Stock-based compensation		1,050,000
Balance, March 31, 2008	$	127,934,282

4. EQUIPMENT

	March 31, 2008		
	Cost	Accumulated Depreciation	Net Book Value
	$	$	$
Computer equipment	9,959	249	9,710
Office equipment	2,686	179	2,507
	12,645	428	12,217

5. SHARE CAPITAL

(a) Common shares

Authorized
Unlimited common shares

Issued	Shares $	Amount $
Shares issued on incorporation	1	1
Shares issued on acquisition of Schefferville Property (i)	24,000,000	85,440,000
Shares issued in Initial Public Offering ("IPO")(ii)	13,193,950	52,775,800
Warrant valuation (ii)	-	(5,747,000)
Share issue costs (iv)	-	(6,684,120)
Balance, March 31, 2008	37,193,951	125,784,681

(i) The Company issued 24,000,000 common shares at a price of $3.56 per share, based on the IPO price of the common shares of the Company, as consideration for the acquisition of the Schefferville Project (See Note 3).

(ii) On December 3, 2007 the Company completed its Initial Public Offering ("IPO") of 11,473,000 units at a price of $4.00 per unit for gross proceeds of $45,892,000. On January 8, 2008 the Agent in the IPO exercised an over-allotment option to purchase an additional 1,720,950 units for gross proceeds of $6,883,800.

5. SHARE CAPITAL (Continued)

(a) Common shares (Continued)

Each unit is comprised of one common share and one-half of one common share purchase warrant. Each warrant entitles the holder to purchase one common share of the Company for a period of 24 months from December 3, 2007 at a price of $5.00 per share. The share portion of the unit was valued at $3.56. Each half warrant attached to the unit was valued at $0.44.

The fair value of the warrants was estimated using the Black-Scholes option pricing model based on the following assumptions: risk-free interest rate of 3.6%, expected life of 2 years, expected dividend rate of 0%, and expected volatility of 60%.

(iii) As part of the Agent's compensation, the Company issued the Agent 857,607 non-assignable warrants (the "Compensation Warrants") to purchase units at an exercise price of $4.00 per unit for a period of 18 months from the closing date of the IPO. The fair value of the Compensation Warrants was estimated at $1,046,281 using the Black-Scholes option pricing model based on the following assumptions: risk-free interest rate of 3.6%, expected life of 18 months, expected dividend rate of 0%, and expected volatility of 60%.

(iv) Share issue costs:

IPO Agent's commission	$	2,982,980
IPO Agent's compensation warrants (Note 5(a)(iii))		1,046,281
Other IPO expenses		1,679,064
Stock-based compensation (Note 5(c))		3,275,000
Future income tax asset		(1,473,205)
	$	7,510,120

Share issue costs have been allocated as follows:

Common shares	$	6,684,120
Warrants		826,000
	$	7,510,120

(v) Escrow shares
As at March 31, 2008, 15,975,000 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 in three equal tranches on each of June 3, 2008, December 31, 2008 and June 3, 2009.

(b) Share purchase warrants

As at March 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. See Note 5(a)(iii).
6,596,975	5,048,000	$5.00 per share	December 3, 2009. See Note 5(a)(ii).
7,454,582	$ 5,967,781		

* Each warrant is exercisable into a unit comprising of one common share of the Company and one-half-of-one common share purchase warrant (see Note 5(a)(iii)).

5. SHARE CAPITAL (Continued)

(b) Share purchase warrants (Continued)

Share purchase warrant transactions for the period were as follows:

	Warrants #	Weighted average Exercise Price $
Balance, May 17, 2007	-	-
Issued pursuant to the IPO (Note 5(a))	7,454,582	4.88
Balance, March 31, 2008	7,454,582	4.88

(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%.

The stock-based compensation expense of the vested options has been recorded as follows: $3,275,000 as a cost of the IPO; $700,000 as a mineral property interest cost; and $1,746,387 as an expense in the period ended March 31, 2008.

5. SHARE CAPITAL (Continued)

(c) Stock options (Continued)

The following are the stock option transactions during the period ended March 31, 2008:

	Options	Weighted Average Exercise Price
	#	$
Balance, May 17, 2007	-	-
Granted	3,350,000	4.10
Exercised	-	-
Balance, March 31, 2008	3,350,000	4.10

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

Exercise Price	Grant Date Fair Value	Number of Options Outstanding	Number of Options Exercisable	Expiry Date	Expensed to March 31, 2008
$	$	#	#		$
4.00	6,549,000	2,950,000	1,843,750	August 6, 2012	5,249,187
4.85	848,000	400,000	200,000	March 11, 2013	472,200
	7,397,000	3,350,000	2,043,750		5,721,387

(d) Contributed surplus

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

Balance, May 17, 2007	$ -
Stock-based compensation of grant of options to employees	5,721,387
Balance, March 31, 2008	$ 5,721,387

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 $36,000 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.

Common shares were issued to related parties in connection with the acquisition of the Schefferville Project (Note 3).

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 sheet approximate fair value because of the limited term of the instruments.

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

Foreign Exchange Risk
The Company conducts certain of its operating activities in currencies other than the Canadian dollar. The Company is therefore subject to gains or losses due to fluctuations in these currencies relative to the Canadian dollar.

8. COMMITMENTS AND CONTINGENCIES

(a) The Company is committed to a minimum amount of rental payments under a long-term lease for its office premises, which expires on August 31, 2019. Minimum rental commitments remaining under this lease approximate $3,643,000, including $167,000 due in 2009. Minimum rental commitments for successive years approximate the following:

2009	$ 167,000
2010	334,000
2011	334,000
2012	334,000
2013 and beyond	2,474,000
	$ 3,643,000

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) The Company has committed to put phase one of the Schefferville Project (the Fonteneau Properties) into production (Note 3). The Company has initiated a program of community consultation and intends to negotiate and enter into memoranda of understanding and later, impact benefits agreements, with such First nations communities living in or adjacent to, or having an interest in or claims to, historic land or treaty rights in the Schefferville Project area or who may be impacted by the Schefferville Project.

9. INCOME TAXES

(a) Provision for income taxes

The major items causing the Company's income tax expense to differ from the Canadian combined federal and provincial statutory rate of 33.5% were:

	2008 $
Loss before income taxes	1,703,806
Expected income tax recovery at statutory rates	571,000
Adjustments resulting from:	
Change in tax rates	3,736,000
Stock-based compensation	(585,000)
Other	(25,233)
Future income tax recovery	3,696,767

In December 2007, lower Canadian federal income tax rates became substantially enacted. As a result, the future income tax liability and other future income tax assets and liabilities of the Company were reassessed at the new substantially enacted tax rates expected to be in effect at the time the temporary differences are expected to reverse. This reassessment arising from the change in tax rates, resulted in a significant future income tax recovery of $3,736,000.

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

	2008 $
Future income tax assets (liabilities)	
Non-capital losses	256,000
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)	(35,979,000)

(c) The Company has approximately $800,000 of non-capital losses in Canada and approximately $2,300,000 of development and exploration expenditures as at March 31, 2008 which under certain circumstances can be used to reduce the taxable income of future years. The non-capital losses expire in 2028.