

LABRADOR IRON MINES HOLDINGS LIMITED

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
FOR THE QUARTER AND SIX MONTHS ENDED SEPTEMBER 30, 2011

Dated: November 14, 2011

GENERAL

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the unaudited condensed interim consolidated financial statements and notes thereto of Labrador Iron Mines Holdings Limited ("LIM" or the "Company") for the second quarter and six months ended September 30, 2011.

All amounts in this discussion are expressed in Canadian dollars, unless otherwise identified. All numerical references to years are "calendar" years unless otherwise indicated.

This MD&A contains forward looking statements.

INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

The Canadian Accounting Standards Board requires publicly accountable enterprises to adopt IFRS for fiscal years beginning on or after January 1, 2011. Accordingly, the Company's condensed interim consolidated financial statements for the second quarter and six months ended September 30, 2011 have been prepared in accordance with IFRS as published by the International Accounting Standards Board.

For each reporting period in the fiscal year ending March 31, 2012, the Company will also present comparative information for fiscal 2011, both for interim and annual financial statements, as applicable, on an IFRS basis. The Company's consolidated financial statements for the fiscal year ending March 31, 2012 will be the Company's first annual financial statements that comply with IFRS. As this is the Company's first year of reporting under IFRS, First Time Adoption of IFRS (IFRS 1) is applicable.

In accordance with IFRS 1, the Company has applied IFRS retrospectively as of April 1, 2010 (the "Transition Date") for comparative purposes. In preparing the Company's opening statement of financial position in accordance with IFRS, the Company has adjusted amounts reported previously in the Company's financial statements prepared in accordance with pre-conversion Canadian GAAP. For further information, refer to the Company's condensed interim consolidated financial statements and notes thereto for the quarter and six months ended September 30, 2011.

OVERVIEW

Labrador Iron Mines Holdings Limited is a mineral resource company engaged in the mining of iron ore and in the exploration and development of direct shipping iron ore projects (the "Schefferville Projects") in the western central part of the Labrador Trough region, near the town of Schefferville, Quebec. The Labrador Trough is one of the major iron ore producing regions in the world, situated in Canada in the Province of Newfoundland and Labrador and the Province of Quebec.

The Company's common shares are listed on the Toronto Stock Exchange under the symbol "LIM".

The Schefferville Projects consist of the James and Redmond mines, the Silver Yards plant (“Silver Yards”), the Houston property (“Houston”) and, subject to further exploration and development, other iron properties in the vicinity of Schefferville.

The twenty iron ore deposits which comprise the Schefferville Projects are divided into two separate portions, one within the Province of Newfoundland and Labrador and the other within the Province of Quebec. Each portion is held by a separate, wholly-owned subsidiary of the Company as follows:

- Labrador Iron Mines Limited holds three mining leases and 54 mineral rights licences in Newfoundland and Labrador, covering approximately 16,050 hectares in western Newfoundland and Labrador. The James and Redmond Mines and Houston properties are included in this portion. The leases and licences in this portion are subject to a royalty in favour of former holders of 3% (to a maximum of \$1.50 per tonne) of the selling price freight on board (“FOB”) port of iron ore produced and shipped from such properties; and
- Schefferville Mines Inc. (“SMI”) holds interests in 268 mining title rights in the Schefferville area of Quebec, covering approximately 11,035 hectares. SMI also has exclusive operating rights in 22 mining leases which include 23 parcels totaling approximately 2,036 hectares. All of these rights are subject to a royalty in favour of former holders of \$2.00 per tonne of iron ore produced and shipped from these properties.

The Schefferville Projects

LIM continues to follow its business model set out prior to the IPO in December 2007 and which has stood it in good stead to date. This model is based on developing LIM’s Schefferville Projects in stages, at the minimum capital cost, commencing production and achieving cash flow, and then using that cash flow to expand production, increase efficiencies and optimize operating costs.

During the second quarter ended September 30, 2011, LIM continued mining from its James Mine and treating material through its Silver Yards processing facility and accelerated the transport of iron ore by rail to the Port of Sept-Iles, and built a stockpile of saleable product at the Port that awaited shipment at quarter end.

In August 2011, LIM signed an agreement with the Iron Ore Company of Canada for the sale and shipping of all of LIM’s 2011 iron ore production. LIM believes that the benefits associated with this arrangement, together with the benefits of the utilization of larger Cape Size ocean going ships, will ensure that the maximum possible tonnage of LIM’s 2011 iron ore production will be efficiently shipped and sold during 2011. Subsequent to the end of the quarter the first and second shipments of LIM iron ore sailed from the Port of Sept-Iles bound for China where the iron ore was sold on the spot market.

Following the business model, the Silver Yards processing facility was upgraded during the second quarter with the installation of equipment to handle ultra fine material and improve recoveries, and further plant expansion is planned for 2012.

Exploration drilling continues at a number of deposits and particularly at Houston. Detailed planning has commenced for the mining of the Houston deposit and also for a potential new processing facility to be located at Redmond. Development of Houston and construction of the Redmond plant would permit the expansion of overall production to the target annual production the 4 to 5 million tonnes range by 2015.

In common with all other mining operations in Canada and worldwide, LIM is dealing with limited available skilled manpower, including professional, technical and trades personnel, which is likely to exacerbate with the major

expansions announced by other companies operating in the Labrador Trough region LIM is also aware of pressures on costs, particularly on capital costs, but given the relative level of capital expenditure required for the operations conducted by LIM these pressures are of less significance than to other more capital intensive iron ore projects.

Current Status – end September 2011

2011 is a short start-up and testing year and the Schefferville Project is not yet considered to have reached commercial production. Details of LIM’s production for the quarter and six months ended September 30, 2011 are set out in the following table.

	Quarter ended September 30, 2011		Half year ended September 30, 2011	
	Tonnes	Grade % Fe	Tonnes	Grade % Fe
Ore Mined	612,596	60.2	722,980	59.9
Including DRO	177,863	65.3	212,069	65.1
Waste Mined	1,536,368		2,262,050	
Plant Feed	310,107	57.4	328,210	57.3
Lump Ore	52,179	64.8	60,435	64.7
Sinter Fines	112,951	63.0	119,587	63.0
Total Railed	208,461	65.1	213,945	65.1

Mining at the James Mine commenced in June 2011 and is continuing satisfactorily. To the end of September a total of approximately 723,000 tonnes of ore had been mined and trucked to the Silver Yards area ahead of processing or transport to Port. LIM continues to be very encouraged by the grade of the James ore in the upper benches of the mine which is generally in excess of expectations. Of the total production to the end of September, approximately 212,000 tonnes were direct railable ore at an average grade of around 65% iron and approximately 175,000 tonnes had been railed directly to Sept-Iles without further processing.

Following commissioning and start-up in June 2011 the Silver Yards processing plant gradually improved its performance and frequently achieved over 8,000 tonnes per day in September and October. During the quarter ended September 30, 2011, approximately 310,000 tonnes of material were fed to the plant, yielding approximately 165,000 tonnes of high grade lump and sinter fine product.

Ramp up of the processing plant has been slower than planned, due primarily to a larger percentage of fine material than originally forecast which had tended to blind the fine screens in the plant and necessitated a reduced throughput rate. Much of this ultra-fine material was passing through the secondary screens resulting in a lower than anticipated level of iron recovery.

A second phase expansion of the Silver Yards plant was completed during the second quarter. This second phase expansion was designed specifically for fine material, and has resulted in an improved throughput and recovery rate.

Iron ore from the James Mine is currently transported by rail from the Silver Yards plant site, via the Tshiuetin Rail Transportation Inc. (“TSH”) railway and the Quebec North Shore and Labrador (“QNS&L”) railway, to the Port of Sept-Iles where the ore is unloaded and stockpiled adjacent to LIM’s Point-aux-Basques dock facilities leased from the Port of Sept-Iles. To the end of September, a total of 214,000 tonnes had been railed to Sept-Iles.

The buildup in rail shipments has been slower than planned, but is improving. LIM added a second train during the second quarter and now has four locomotives in operation. With the introduction of a second train and more railcars, the tonnage being transported to the Port of Sept-Iles increased significantly during September and October.

LIM entered into an agreement with the Iron Ore Company of Canada (“IOC”) for the sale and shipping of all of LIM’s 2011 iron ore production. Under the confidential sales contract with IOC, the iron ore is being delivered to Asian markets and resold by IOC’s marketing organization on the spot market. The sale price for iron ore sold to IOC is based on the actual realized prices to Chinese customers, less an allocation for handling, loading, shipping and sales costs. LIM’s agreement with IOC enables utilization of Cape Size ocean going ships, where freight rates are competitive with the alternative but smaller Panamax vessels, for the shipment of LIM’s iron ore.

IOC is Canada’s largest iron ore producer from its mines located in Western Labrador and is a leading global supplier of iron ore pellets and concentrates. IOC owns 100% of the QNS&L railway and, at the Port of Sept-Iles, owns established storage and ore handling facilities, including its ship dock capable of taking ocean going vessels up to 240,000 (dwt) tonnes.

LIM has previously entered into a life of mine, confidential rail transportation contract with QNS&L for the rail transportation of LIM’s products on the QNS&L railway. This contract provides for a confidential tariff, with capacity and volume commitments on the part of each party.

LIM believes that the benefits associated with this arrangement, together with the benefits of the utilization of larger ships, will ensure that the maximum possible tonnage of LIM’s iron ore will be efficiently shipped and sold during the remainder of 2011.

The 2011 exploration program has progressed successfully and is now winding down. Three rigs were in operation and by the end of September about 8,200 metres had been drilled on a number of deposits with the Houston deposits being the main focus. It is expected that about 11,500 metres of reverse circulation drilling will be completed before the onset of winter. Ongoing exploration support programs, including 650 metres of trenching, 65 test pits and airborne geophysics, will also be completed during the current season.

LIM plans to submit a number of permit applications for expansions and Stage 2 projects to the Government of Newfoundland and Labrador. These will cover new mining operations adjacent to the Silver Yards area, mining and haul road construction associated with the Houston deposits, and a potential new processing plant at Redmond, intended initially to treat ore from the Houston and Redmond deposits.

An ongoing program of environmental base line studies on the areas that will be the subject of new developments and will be continued through the year. This program is supported by continuing consultation and discussions with First Nations and other communities.

Remainder 2011 Outlook

In early October 2011 the first shipment of LIM iron ore sailed from the Port of Sept-Iles, carrying a total of 167,167 wet tonnes of direct rail iron ore at an average grade of 64.8% Fe bound for China. This shipment was sold into China in early October at the spot market price of about \$176 per tonne (CFR China). Payment of LIM’s share of the net proceeds for this vessel was received subsequent to the end of the quarter. The second shipment of LIM’s iron ore, carrying about 172,743 wet tonnes of sinter fines at an estimated grade of 64.9% Fe, departed for China from Sept-Iles in early November. This shipment was priced in a much weaker spot market in the range of \$130 per tonne CFR China towards the end of October. The Company expects a third similar sized shipment to depart at the end of November, and possibly another smaller shipment to depart in December.

Ore mining operations at the James Mine will continue through the remainder of 2011 at an average rate of approximately 16,000 tonnes per day and, depending upon the weather, it is expected that a total of about 1.6 million

tonnes will have been mined by the end of December with about 3 million tonnes of waste mined in the same period. Ore mining operations are expected to continue during the winter months, but at a reduced rate.

A total of about 500,000 tonnes of iron ore was fed to the Silver Yards plant during 2011, yielding around 260,000 tonnes of high grade saleable products.

The Silver Yards plant was shut down for the season in early November as wet processing is not planned in winter conditions. Further plant modification and installation of additional equipment as part of the Phase 3 expansion is continuing.

It is estimated that, subject to weather conditions, approximately 600,000 tonnes of iron ore will be railed to the Port of Sept-Iles. All of this product will be sold to IOC. In addition to these shipments, it is expected that approximately 600,000 tonnes of iron ore will be held in inventory at Silver Yards and available for treatment and shipping in 2012, including about 200,000 tonnes of direct railable ore.

It was originally estimated that the average life of mine operating costs for the James and Redmond deposits would be in the range of approximately \$50 per tonne and that initial unit operating costs for the year 2011 (fiscal year ending March 31, 2012), which is considered to be a short start-up and testing year, would be higher than the anticipated life of mine average. It is now expected that unit operating costs, unloaded in Sept-Iles, for 2011 will be in the range of \$65 per tonne, the increase being primarily attributable to lower than planned volumes. For 2012 and future years actual unit operating costs will be dependent on increased volumes of iron ore mined, processed and railed and, until annual volumes achieve optimum levels, are expected to be about 20% above the original forecast life of mine average.

The Company is in a sound financial position that will allow it to fund its working capital requirements for 2011 and enable it to fund its exploration and current capital investment plans.

2012 Outlook

Detailed planning for 2012 is now underway and utilizing the operating experience gained in 2011.

Mining will continue at the James North and James South deposits in the year 2012, with planned total ore mined of between 2.0 and 2.5 million tonnes, together with approximately 3.5 million tonnes of waste. Subject to permitting, it is expected that initial mine development at the Redmond and Houston mines may commence and potentially some ore from these deposits may be mined and delivered to Silver Yards ready for processing.

Planning is well advanced for the Phase III extension at Silver Yards processing plant to increase its production capacity to about 2 million tonnes per year. It is expected that the planned plant expansion will be in place by mid 2012.

Subject to final operating plan and budget approval, it is now expected that between 1.8 and 2.0 million tonnes of ore, including material from stockpiles, will be treated in 2012, expected to yield up to 1.5 million tonnes of saleable product. In addition, it is expected that about 500,000 tonnes of direct railable ore from both the 2011 stockpile and from 2012 mining operations will also be available for shipment in 2012, for a total production target of over 2.0 million tonnes of iron ore to be railed to the port of Sept-Iles.

During 2012, a third train will be introduced to enable this production of iron ore to be railed to Sept-Iles. TSH has commenced upgrade work on its Menihék rail line following a cash investment by both LIM and Tata Steel Canada

and this work will need to be continued to ensure that the tonnages planned for 2012 can be transported. This ongoing TSH rail upgrade will be subject to some continuing cash investment by the mine operating companies and potentially by governments. Discussions on this rehabilitation funding continue.

In the longer term, it is planned that the Silver Yards processing facility will continue to treat ore from the James Mine and, subject to permitting and detailed engineering assessment, from a number of adjacent deposits, including Ruth Lake, Gill and Knob Lake, all in Labrador, and Star Creek and Denault in Quebec.

The Company is also evaluating the development of a new separate Stage 2 operation for the Houston deposits including a dedicated processing plant to be located at Redmond which, subject to environmental assessment, permitting and detailed engineering, could be brought into initial production commencing in 2013 at a design rate of 2.5 million tonnes per year. This would be in addition to the existing processing plant at Silver Yards which, with planned enhancements and additions, will have a similar design capacity.

The development of the Houston mine, together with the construction of a new processing plant at Redmond, will be the major capital investment and expansion activities through 2013 and into 2014. It is expected that, subject to permitting and final design, some mine development could take place at Houston in 2012, with the first ore put through a new Redmond plant in the second half of 2013.

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. 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 bulkers and trans-shipping to larger vessels within the deeper waters of the bay or to another port. Some work is still on-going to complete infrastructure facilities at the Port-aux-Basques dock. The port handling arrangements for 2012 and future years remain subject to ongoing evaluation and finalization.

Iron ore produced in 2011 is being sold to IOC and delivered to Asian markets and re-sold by IOC's marketing organization on the spot market. The Company continues to review its options for marketing its iron ore production for 2012 and subsequent years and is evaluating the optimum route to achieve these sales, while still maintaining maximum flexibility and independence. Marketing discussions are continuing with potential customers, both in Europe and in Asia. The Company is also continuing discussions with a number of internationally recognized commodity traders with specialist knowledge of the iron and steel industry. The Company has not yet concluded any agreements for the sale of any iron ore beyond 2011.

Social / First Nations

The properties comprising the Schefferville Projects are located in an area over which claims for traditional aboriginal rights are asserted by four First Nations groups, namely the Innu of Matimekush-Lac John (Schefferville), the Innu Takuaihan Uashat Mak Mani-Utenam (Sept-Iles), the Naskapi Nation of Kawawachikamach (near Schefferville) and the Innu Nation of Labrador.

In June 2011, the Company signed an impact benefits agreement ("IBA") with the Innu Nation of Matimekush-Lac John. The Company had previously entered into an IBA with each of the Innu Nation of Labrador (July 2008) and the Naskapi Nation of Kawawachikamach (September 2010) with respect to the development and operation of the Schefferville Projects.

In December 2010, the Company signed an Agreement in Principle with the Innu Takuaihan Uashat Mak Mani-Utenam (Sept-Iles), which stipulates the principal terms to be included in an IBA. Negotiations with the Innu

Takuaihan Uashat Mak Mani-Utenam towards the completion of an IBA have been concluded, and it is anticipated that the agreement will be submitted to the community of Innu Takuaihan Uashat Mak Mani-Utenam for ratification later this year.

These IBAs are life of mine agreements which establish the processes and the sharing of benefits that will ensure an ongoing positive relationship between the Company and the respective First Nations groups. In return for their consent and support, the First Nations groups and their members will benefit through employment, training, business opportunities and financial participation in the Schefferville Projects.

Staffing of operations in remote sites, including north-western Labrador, remains a challenge due to both the location and particularly to the overall shortage of trained and experienced personnel throughout the resource sector. These shortages apply across the entire recruitment spectrum from journeymen, through technicians and to professional resource staff. LIM has attempted to mitigate this by the introduction of training programs and the construction of a high quality accommodation camp on site, with individual en suite rooms, each equipped with TV and internet access. Nevertheless the widespread adoption of fly-in fly-out arrangements and the roster pressures only increase the number of employees required in the tight market. The inevitable outcome will be an increase in overall labor costs.

Iron Ore Price

There has been a period of great volatility in the iron ore market since the end of the September quarter. Up to the end of the quarter prices had held relatively firm and 62% Fe CFR China traded above the \$170 per tonne level through the first week of October continuing a steady market that had persisted all summer. Around the 10th October some panic entered the market as a number of suppliers rapidly swapped deliveries from the problem markets in Europe and entered the spot market in China causing a local over-supply situation. This was exacerbated by Chinese buyers withdrawing from the market as a deliberate de-stocking exercise, or as a result of some reduced Chinese demand or as a strategic ploy to lower the market price. This in turn led to increased pressure by shippers to sell product that was already on the water. The net result was that by the 28th October the price had fallen 30% in just three weeks to under \$120 per tonne CFR China. The second shipment of the LIM iron ore was priced and sold during this latter period.

By the end of October the dynamics of the situation were becoming clearer and some stability entered the market as both reduced shipping volumes and a Chinese requirement to re-stock took over. By the end of the second week of November the price has recovered somewhat to around \$135 per tonne CFR China with year-end futures trading nearer to \$140 per tonne CFR China.

Forecasts for prices in 2012 and beyond remain somewhat mixed. The economic situation in Europe will continue to have a significant effect particularly if the German and French economies slow further reducing European demand. Chinese growth continues though perhaps at a slower rate in 2012 than previously. There is a strong analyst consensus that much Chinese domestic iron ore production is not viable at current prices and will be closed either temporarily or permanently and this will lead to increased demand for sea-borne imported iron ore to compensate for the reduced local feed. The balance situation on supply-demand is not yet clear though a number of analysts are suggesting prices in the \$130 to \$140 range CFR China for 2012 and perhaps nearer to \$155 CFR China to maintain parity with scrap. It is possible that this recent volatility will have some longer term effects in making some high capital cost and politically more risky projects far harder to finance. If so, then the longer term price achievable by currently established miners could be less problematic.

Qualified Persons

Scientific and technical information disclosed herein has been prepared under the supervision of Bill Hooley, B.Sc. (Eng.), FAusIMM, President, Chief Operating Officer and a director of the Company and Terence N. McKillen, M.Sc., P.Geo., Executive Vice President and a director of the Company, both of whom act as the Company's qualified persons within the meaning of National Instrument 43-101 ("NI 43-101").

Except where otherwise stated, the resources referred to in this document are historical and have not been confirmed in accordance with the standards in NI 43-101.

The historical resources referred to in this document are based on work completed and estimates prepared by the Iron Ore Company of Canada prior to 1983 and were not prepared in accordance with NI 43-101. The historical resource estimate is still considered relevant and reliable. The Company is not treating the historical resource estimate as a defined current resource verified by a Qualified Person.

The terms "iron ore" and "ore" in this document are used in a descriptive sense and should not be construed as representing current economic viability.

RESULTS OF OPERATIONS

Second Quarter

For the three months ended September 30, 2011, the Company reported a loss of \$7.0 million, or \$0.13 per share, compared to a loss of \$1.2 million, or \$0.03 per share, during the same quarter of the prior year.

The variance in the results of operations relates almost entirely to start-up costs of approximately \$5.6 million incurred during the second quarter prior to establishing full scale transportation of iron ore from mine to port.

During the second quarter, the Company invested approximately \$6.4 million in its mineral property interests, an increase over the approximately \$4.6 million invested in the same quarter of the prior year. The investment during the second quarter was mainly capitalized exploration and development expenditures on the James deposit.

During the quarter, the Company also invested approximately \$13.7 million in property, plant and equipment, compared to approximately \$3.3 million invested in the same quarter of the prior year. Approximately \$4.0 million was invested in capitalized stripping and dewatering the James deposit. Approximately \$5.5 million was invested in the beneficiation plant, including, in part, the purchase, transportation and installation of additional equipment. Approximately \$4.1 million was invested in transportation infrastructure and equipment.

Six Months Ended September 30, 2011

For the six months ended September 30, 2011, the Company reported a loss of \$11.7 million, or \$0.22 per share, compared to a loss of \$2.1 million, or \$0.05 per share, during the same period of the prior year.

The variance in the results of operations relates almost entirely to start-up costs of approximately \$9.1 million incurred during the six month period prior to establishing full scale transportation of iron ore from mine to port.

During the six months ended September 30, 2011, the Company invested approximately \$10.4 million in its mineral property interests, an increase over the approximately \$6.1 million invested in the same period of the prior year. The investment during the six month period was mainly capitalized exploration and development expenditures on the James deposit and exploration drilling on other deposits, particularly Houston.

During the six months ended September 30, 2011, the Company also invested approximately \$40.8 million in property, plant and equipment, compared to approximately \$12.6 million invested in the same period of the prior year. Approximately \$13.3 million was invested in capitalized stripping and dewatering the James deposit. Approximately \$11 million was invested in the beneficiation plant, including, in part, the purchase, transportation and installation of additional equipment to enhance recovery. Approximately \$15.8 million was invested in transportation infrastructure and equipment and approximately \$0.7 million was invested in buildings and office equipment.

During the six months ended September 30, 2011, the Company established letters of credit in the amount of \$4.55 million to guarantee payment on certain commercial contracts. The Company assigned guaranteed investment certificates included in restricted cash as collateral for these letters of credit.

Financings

2007 IPO

In December 2007 the Company completed its IPO, raising gross proceeds of \$52,775,800. The proceeds of the IPO were expended as set out in the table on page 10 of the Company's MD&A for the year ended March 31, 2011.

2010 Prospectus Financing

In March 2010 the Company completed an equity financing by way of a short form prospectus (the “2010 Prospectus”), raising gross proceeds of \$35,057,300 (the “2010 Prospectus Financing”). The following table sets out how the proceeds from the 2010 Prospectus Financing have been spent up to March 31, 2011 and up to September 30, 2011, compared with the anticipated use of proceeds set out in the 2010 Prospectus.

	As disclosed in the 2010 Prospectus	Cumulative Actual up to	
		March 31, 2011	September 30, 2011
Gross Proceeds	\$35,057,300	\$35,057,300	\$35,057,300
Underwriting fee	\$2,103,438	\$2,103,438	\$2,103,438
Other expenses of the 2010 Prospectus Financing	\$250,000	\$300,000	\$300,000
Net Proceeds	\$32,703,862	\$32,653,862	\$32,653,862
Use of Net Proceeds			
Installment payments due in 2010 for acquisition of Quebec Properties	\$750,000	\$750,000	\$750,000
Exploration Expenditures – Labrador Properties	\$3,379,500	\$2,733,656	\$3,692,447
Exploration Expenditures – Quebec Properties	\$2,146,000	\$1,171,567	\$1,361,553
Development and environmental expenditures on Stage 2 properties other than the James and Redmond Properties	\$4,000,000	-	\$335,089
Environmental reclamation bond	\$2,000,000	\$2,940,068	\$2,940,068
Initial mining, beneficiation and pre-shipping costs	\$10,000,000	\$9,690,742	\$14,531,335
Working capital and general corporate purposes	\$10,428,362	\$7,804,159	\$9,043,370
Unspent net proceeds	-	\$7,563,670	-
Total	\$32,703,862	\$32,653,862	\$32,653,862

The amount required for an environmental reclamation bond (satisfied by letters of credit) required by the Department of Natural Resources of the Province of Newfoundland and Labrador as financial assurance for the reclamation of the first phase of Stage 1 was approximately \$1 million higher than anticipated.

The timing of development expenditures on Stage 2 properties was deferred and most of these expenditures are anticipated to be incurred from the proceeds of the 2011 Prospectus Financing.

Otherwise, the Company’s expenditures from the proceeds of the 2010 Prospectus were relatively consistent with the amounts anticipated in the 2010 Prospectus.

The proceeds of the 2010 Prospectus Financing have now been entirely spent.

2011 Prospectus Financing

During the quarter ended June 30, 2011 the Company completed an additional equity financing by way of a short form prospectus (the “2011 Prospectus”), raising gross proceeds of \$121,250,500 (the “2011 Prospectus Financing”). The following table sets out how the proceeds from the 2011 Prospectus Financing have been spent up to September 30, 2011 compared to the anticipated use of proceeds set out in the 2011 Prospectus.

	As disclosed in the 2011 Prospectus	Actual expenditures, up to September 30, 2011
Gross Proceeds, including from over-allotment option exercised	\$121,250,500	\$121,250,500
Underwriting fee	\$6,062,525	\$6,062,525
Other expenses of the 2011 Prospectus Financing	\$200,000	\$466,454
Net Proceeds	\$114,987,975	\$114,721,521
Use of Net Proceeds		
Silver Yards plant upgrade for fines recovery enhancement in 2011	\$3,000,000	\$2,758,809
Silver Yards plant upgrade for products upgrade in 2012	\$20,000,000	-
Silver Yards plant upgrade in 2012 for increased capacity	\$15,000,000	\$3,935,430
Rail infrastructure upgrade contribution and capacity advances due in 2011	\$10,000,000	\$5,000,000
Houston project: Detailed mine design and engineering studies concerning separate processing plant evaluation and development and access infrastructure work	\$5,000,000	-
Development expenditures on other deposits, including metallurgical, engineering, environmental studies and permitting work	\$2,000,000	-
Exploration expenditures on James, Redmond, Gill, Ruth Lake 8, and Knob Lake deposits, including 7,000 metres of drilling and 4,000 metres of trenching	\$4,750,000	\$1,218,525
Exploration expenditures on Houston 1, 2 and 3 deposits, including 3,600 metres of RC drilling	\$2,000,000	\$1,663,829
Exploration expenditures on Denault deposit, including 2,500 metres of RC drilling	\$1,600,000	\$660,792
Exploration expenditures on other deposits	\$5,000,000	\$270,531
Working capital and general corporate purposes	\$46,637,975	\$61,330,743
Unspent net proceeds	-	\$37,882,862
Total	\$114,987,975	\$114,721,521

The Silver Yards plant upgrade for fines recovery enhancement (Phase 2) anticipated in the 2011 Prospectus has been completed within budget. Preliminary work on the Silver Yards plant in 2012 for products upgrade and increased capacity (Phase 3) had just begun as at September 30, 2011, with most of the expenditures related to this capital project expected to occur in 2012.

The amount spent for rail infrastructure upgrade contributions and capacity advances in 2011 has been consistent with the amount anticipated in the 2011 Prospectus. An additional \$5 million planned infrastructure upgrade contribution was made in October 2011.

The development expenditures on Houston and other deposits anticipated in the 2011 Prospectus have in most part not yet been undertaken, but are still planned for the coming quarter and 2012.

The 2011 drilling program began in June 2011 and is currently winding down. The Company expects it will spend the full drilling budget anticipated in the 2011 Prospectus, however a significant amount of this will be spent during the 2012 drilling season.

To date, the Company has spent more working capital than anticipated in the 2011 Prospectus, in particular due to significant operational start-up costs incurred prior to establishing full scale transportation of iron ore from mine site to port.

SUMMARY OF QUARTERLY RESULTS

(\$000s, except per share data)

	<i>Reported under Canadian GAAP</i>		<i>Reported under IFRS</i>					
	Quarter ended December 31, 2009	Quarter ended March 31, 2010	Quarter ended June 30, 2010	Quarter ended September 30, 2010	Quarter ended December 31, 2010	Quarter ended March 31, 2011	Quarter ended June 30, 2011	Quarter ended September 30, 2011
Net income (loss)	2,356	(375)	(880)	(1,219)	(1,289)	(623)	(4,670)	(6,993)
Income (loss) per share	0.06	(0.01)	(0.02)	(0.03)	(0.03)	(0.01)	(0.09)	(0.13)
Total assets	178,194	210,033	171,600	173,874	176,798	184,280	305,385	296,605

The increase in the quarterly loss and loss per share in the quarters ended June 30, 2011 and September 30, 2011 compared to previous quarters relates almost entirely to start-up costs of approximately \$3.5 million and \$5.6 million incurred respectively during those quarters.

The increase in total assets as at June 30, 2011 and September 30, 2011 compared to previous quarter ends relates almost entirely to the completion of the 2011 Prospectus Financing during April 2011 quarter for gross proceeds of approximately \$121 million.

LIQUIDITY AND CAPITAL RESOURCES

The Company is in sound financial condition. As at September 30, 2011, the Company had \$37.9 million in unrestricted cash and cash equivalents and \$7.5 million in restricted cash. The Company's cash position decreased during the second quarter as the Company made significant expenditures during the commencement of mining operations and the development of a stockpile of saleable ore. Subsequent to the end of the quarter the Company began to generate cash proceeds from its first shipments of iron ore. The Company's cash and cash equivalents are invested in an investment grade short-term money market fund and deposits with a major Canadian bank. The Company has no debt.

Current liabilities, consisting of accounts payable and accrued liabilities, the premium liability recognized on the issuance of flow-through shares and the current portion of the capital lease obligations, were in aggregate \$23.8 million at September 30, 2011. The decrease in current liabilities compared to the previous period end relates

mainly to a payment of \$4.5 million for port infrastructure at the beginning of the second quarter which had been accrued as a current liability at the end of the first quarter.

The Company had working capital of \$38.7 million at September 30, 2011. Subsequent to the end of the quarter the Company began to generate revenue from the sale of the first shipments of iron ore.

The carrying value of the Company's mineral property interests, under IFRS, at September 30, 2011 was \$133.3 million, compared to \$126.9 million at the beginning of the quarter. The increase was a result of the addition during the quarter of \$6.4 million of capitalized exploration and development expenditures. There were no mineral property acquisitions or disposals during the quarter.

At September 30, 2011, the Company evaluated the carrying value of its mineral properties. Tests for recoverability were performed to determine if the estimated fair value exceeds the carrying amount of the Company's mineral property interests. Management does not consider that there has been any impairment in the value of the Company's mineral property interests.

In assessing the future estimated cash flows management used various estimates including, but not limited to, estimated operating and capital costs, estimated production, estimated iron ore prices and estimated indicated, inferred and historical resources. By their very nature, there can be no assurance that these estimates will actually be achieved in reflected of the future operations of the Schefferville Projects.

The Company has had no source of revenue, other than interest income, since inception. The Company has depended on its cash resources raised in its IPO, and in the subsequent 2010 and 2011 Prospectus Financings, to fund its exploration, development, project construction, operating and administrative expenses. Subsequent to the end of the quarter the Company began to generate revenue from the sale of the first shipments of iron ore.

During 2012, the Company plans to add additional equipment to the Silver Yards plant to increase processing capacity and improve recoveries at an additional investment currently estimated to be approximately \$20 million.

The Company believes it will have sufficient funding from its current working capital and anticipated cash flow for its working capital requirements and to fund its operations, exploration, development and current expansion plans. The Company is in the process of preparing detailed mine plans and detailed capital and operating cost estimates for the development of the Houston deposits. Planned site development and access infrastructure work at Houston is currently budgeted at \$5 million while the initial capital cost for mine site preparation and overburden removal, and the cost of the new haul road to Houston, is estimated to be approximately \$5 million, with all mine operating equipment supplied by the mining contractor. . Additional capital expenditures will be required in future years as the other Houston deposits are developed into production. These estimates do not include the capital cost of a new dedicated processing plant.

OFF BALANCE SHEET ARRANGEMENTS

The Company has no off balance sheet arrangements.

OBLIGATIONS AND CONTRACTUAL COMMITMENTS

Contractual Obligations as at September 30, 2011	Payments Due by Period				
	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Property acquisition payments	\$500,000	\$500,000	-	-	-
Office lease obligations	\$3,969,000	\$502,000	\$1,506,000	\$1,004,000	\$957,000
Mine camp lease obligations	\$2,300,000	\$600,000	\$1,700,000	-	-
Equipment supply, port and transportation contracts	\$105,100,000	\$28,500,000	\$63,400,000	\$2,300,000	\$10,900,000
Total	\$111,869,000	\$30,102,000	\$66,606,000	\$3,304,000	\$11,857,000

In 2009 the Company acquired interests in certain mineral properties located in Quebec for total consideration of \$3,000,000, including installment payments until December 31, 2011. As at September 30, 2011, a final installment payment of \$500,000 remained due on December 31, 2011.

The office lease obligations are the minimum monthly lease payments due on the Company's head office in Toronto, Ontario.

The mine camp lease obligations are the minimum monthly lease payments due on the Company's accommodation camp near Silver Yards.

The contractual obligations for equipment supply, port and transportation contracts relate to the supply of locomotive equipment, train unloading facilities at the port, rail carrier capacity reservation advances and committed minimum volume tonnages under agreements with WLRS, IOC, QNS&L and TSH.

The Company is obligated to spend \$10,000,500 in Canadian exploration expenses by December 31, 2012 as a result of the issuance of flow-through shares in the 2011 Prospectus Financing, of which \$3,813,677 had been expended as of September 30, 2011.

The Company has entered into IBAs with the Innu Nation of Labrador, the Innu of Matimekush-Lac John, and the Naskapi Nation of Kawawachikamach. The Company has also signed an agreement in principle with the Innu Takuaikan Uashat Mak Mani-Utenam setting out the detailed terms of an IBA expected to be ratified and signed later this year. These IBAs are life of mine agreements which establish the processes and the sharing of benefits that will ensure an ongoing positive relationship between the Company and the respective First Nations groups. In return for their consent and support, the First Nations groups and their members will benefit through employment, training, business opportunities and financial participation in the Schefferville Projects.

FINANCIAL INSTRUMENTS

The Company's treasury policy is to invest its cash and cash equivalents in an investment grade short-term money market fund and deposits with a major Canadian bank. The Company monitors these investments and is satisfied with the credit rating and liquidity of its bank. The Company has never held any asset backed financial instruments.

The Company has designated its cash and cash equivalents as "held for trading", which are measured at fair value. Fair value estimates of financial assets are made at the balance sheet date based on relevant market information and information about the financial instruments.

As at September 30, 2011, the carrying amounts and fair value of the Company's financial instruments were considered to be the same, primarily because of the short term nature and liquidity of these instruments. As at September 30, 2011, and as of the date hereof, the Company did not hold any balances in foreign currencies, other than United States dollars.

The Company has included disclosure concerning some of the risk factors relating to its financial instruments in Note 20 to its unaudited condensed interim consolidated financial statements for the second quarter and six months ended September 30, 2011.

OUTSTANDING SHARE CAPITAL

The Company's authorized share capital is an unlimited number of common shares.

As at September 30, 2011 the Company had 54,046,557 common shares outstanding, 1,825,188 stock options and 478,335 broker warrants outstanding.

The following is the outstanding share data as of the date of this MD&A.

Security	Number	Weighted average exercise price	Weighted average remaining life (years)
Common shares	54,052,057	N/A	N/A
Stock options	1,844,688	\$4.44	2.15
Broker warrants	478,335	\$12.50	0.9

Of the stock options currently outstanding, 1,138,438 options have an exercise price of \$2.00 per share and expire on August 31, 2012, 243,750 options have an exercise price of \$6.27 per share and expire on September 14, 2015, 12,500 options have an exercise price of \$7.30 and expire on November 9, 2015, 132,500 options have an exercise price of \$11.65 per share and expire on February 9, 2016, 177,500 options have an exercise price of \$10.18 per share and expire on June 23, 2016, 100,000 options have an exercise price of \$6.80 and expire on September 22, 2016 and 40,000 options have an exercise price of \$6.81 and expire on November 10, 2016.

All stock options vest as to one-eighth on the first day of each quarter following their grant date.

All of the broker warrants currently outstanding have an exercise price of \$12.50 per share and expire on October 26, 2012.

TRANSACTIONS WITH RELATED PARTIES

During the six months ended September 30, 2011, the Company recovered \$58,474 (September 30, 2010 - \$60,030) in respect of office rent from corporations with common directors and/or officers. As at September 30, 2011, \$14,753 (September 30, 2010 - \$Nil) remained receivable.

During the six months ended September 30, 2011, the Company also made payments to companies with common directors and/or officers in the amount of \$333,047 (September 30, 2010 - \$232,750), as compensation for management services provided. All of the management compensation in the six months ended September 30, 2011 was expensed. Management compensation of \$57,750 in the six months ended September 30, 2010 was capitalized. At September 30, 2011, \$68,983 (September 30, 2010 - \$199,227) in management compensation remained payable to these related companies. These amounts were paid in full subsequent to September 30, 2011.

During the six months ended September 30, 2011, the Company also incurred legal fees (professional fees and share issue costs) in respect of services provided by a professional corporation controlled by an officer in the amount of \$180,896 (September 30, 2010 - \$15,715). As at September 30, 2011, \$25,440 (September 30, 2010 - \$480) in legal fees remained payable to this related party. This amount was paid in full subsequent to September 30, 2011.

CRITICAL ACCOUNTING ESTIMATES

Commercial Production

The year 2011 (fiscal year ending March 31, 2012) is considered to be a short start-up and testing year and the Schefferville Projects are not considered to have yet reached commercial production. Subsequent to September 30, 2011, the Company completed the first shipments of iron ore from the Schefferville Projects. Taking into consideration the planned seasonal shutdown of the Silver Yards plant in the winter months and a planned restart-up in the spring 2012, the Company anticipates it will enter commercial production during the fiscal year commencing April 1, 2012.

Use of estimates

The preparation of the financial statements in conformity with IFRS 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 quarter. Actual results could differ from estimates. During the periods presented, management has made a number of significant estimates and valuation assumptions, including the recoverability of investments in mineral property interests, the fair value of stock options and the valuation of capital lease obligations and asset retirement obligations. These estimates and valuation assumptions are based on historical experience, present conditions and management's planned course of action, as well as assumptions about future business and economic conditions. The use of different assumptions could result in different estimates. Should future business and economic conditions deteriorate, or the underlying valuation assumptions and estimates change, the recorded amounts could change by a material amount.

Mineral property interests and deferred exploration expenditures

The Company evaluates the carrying value of its mineral properties and equipment when events or changes in circumstances warrant and tests for recoverability of the long life asset value. A test for recoverability is performed to determine if the estimated fair value exceeds the carrying amount of the asset. Measurement of any impairment loss is determined by the estimated fair value of the assets based on the best information available at the time, including comparable asset values in the market.

In assessing the future estimated cash flows management uses various estimates including, but not limited to, future operating and capital costs as well as future iron ore prices and estimates based upon measured, indicated and historical resources. By their very nature, there can be no assurance that these estimates will actually be reflected in the future operation of the Schefferville Projects.

Any estimate of future cash flows is subject to risks and uncertainties and it is reasonably possible that changes in estimates could occur which may affect the expected recoverability of investments in mining properties. The ultimate recoverability of amounts deferred for mineral property interests is dependent upon, among other things, obtaining the necessary permits to operate the Schefferville Projects.

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, and in respect of options vested during the quarter and six months ended September 30, 2011 based on the assumptions set out in Note 11(a) to the condensed interim consolidated financial statements.

The Black-Scholes pricing model, which is now widely used in determining the “fair value” of stock options, was developed for use in estimating the fair value of freely traded options which are fully transferable and have no vesting restrictions and in many cases does not generate a meaningful “fair value” for stock options of companies similar to LIM. The Company’s options have characteristics that are significantly different from those of traded options and changes in any of the assumptions used can materially affect fair value estimates.

Asset retirement obligations

The Company records the present value of estimated costs of legal and constructive obligations required to restore operating locations in the period in which the obligation is incurred. The nature of these restoration activities includes dismantling and removing structures, rehabilitating mines and waste sites, dismantling operating facilities, closure of plant and waste sites, and restoration, reclamation and re-vegetation of affected areas.

The obligation generally arises when the asset is installed or the ground/environment is disturbed at the production location. When the liability is initially recognized, the present value of the estimated cost is capitalized by increasing the carrying amount of the related mining asset to the extent that it was incurred prior to the production of related ore. Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognized in the consolidated statement of operations as a finance cost. Additional disturbances or changes in rehabilitation costs will be recognized as additions or charges to the corresponding assets and rehabilitation liability when they occur. For closed sites, changes to estimated costs are recognized immediately in the consolidated statement of operations.

During fiscal 2011 the Company established an asset retirement obligation relating to its mining operations. The total undiscounted amount estimated to be required to settle the Company’s reclamation and remediation obligations related to this portion of its mining operations at the end of its mine life is \$2,940,068. The present value of this estimated amount has been calculated under IFRS as \$2,978,501 as at September 30, 2011.

In determining the present value of the asset retirement obligation as at September 30, 2011, the Company has assumed a long-term inflation rate of approximately 2%, a current market discount rate of 2.77% and a mine life of up to twenty years. Elements of uncertainty in estimating this amount include changes in the projected life of mining operations, reclamation expenditures incurred during ongoing operations and reclamation and remediation requirements and alternatives.

NEW ACCOUNTING STANDARDS

Transition to IFRS from Canadian GAAP

The Canadian Accounting Standards Board declared that IFRS is to replace Canadian GAAP for publicly accountable enterprises for financial periods beginning on or after January 1, 2011.

The condensed interim consolidated financial statements for the quarter and six months ended September 30, 2011, including the relevant comparative periods, are within the Company's first year of financial statements prepared in accordance with IFRS. The IFRS accounting policies applied in the condensed interim consolidated financial statements for the quarter and six months ended September 30, 2011 are consistent with the IFRS accounting policies expected to be applied in the annual financial statements for the year ending March 31, 2012, the Company's first annual reporting period under IFRS.

The adoption of IFRS resulted in changes in accounting policies as compared with the most recent annual financial statements prepared under Canadian GAAP. The IFRS accounting policies set out in the Company's financial statements for the quarter and six months ended September 30, 2011 have been applied consistently to all periods presented. They also have been applied in the preparation of an opening IFRS statement of financial position as at April 1, 2010 (the "Transition Date"), as required by IFRS 1, *First Time Adoption of International Financial Reporting Standards*.

Impact of IFRS

IFRS employs a conceptual framework that is similar to Canadian GAAP, however significant differences exist in certain matters of recognition, measurement and disclosure. While the adoption of IFRS does not change the actual cash flows of the Company, the adoption does result in changes to the reported financial position and comprehensive loss of the Company. In order to allow the users of the financial statements to better understand these changes, the Company has provided reconciliations between Canadian GAAP and IFRS in Note 22 to the condensed interim consolidated financial statements. The adoption of IFRS has had no impact on the actual net cash flows of the Company, although the changes made to the statements of financial position and comprehensive loss have resulted in reclassifications (within operating, investing and financing activities) of various amounts reported on the statements of cash flows.

Set out below are the key areas where the change to IFRS has had an impact on the Company's condensed interim consolidated financial statements.

Asset retirement obligations and other non-financial liabilities

Under IFRS, the Company will be required to identify and continually update the amount of the asset retirement obligation recognized for changes in the risk-free discount rate, whereas under Canadian GAAP the existing present value of the estimated liability does not require subsequent adjustment for market interest rate changes in the credit-adjusted risk-free discount rate.

Under IFRS, constructive obligations must be considered in addition to legal obligations when determining the asset retirement obligation and other non-financial liabilities. This means that under IFRS a company must review the carrying amount of a non-financial liability such as an asset retirement obligation at each reporting date and adjust to reflect the current amount that the entity would rationally pay to settle the obligation or to transfer it to a third party as at the reporting date. Canadian GAAP only required legal obligations to be considered.

Income taxes

Under Canadian GAAP, a provision for future income taxes, with a corresponding increase in mineral property interests, was recorded for the future income tax effect arising from the temporary differences created by the difference between the attributed purchase price and the underlying income tax value when the mineral property interests were originally acquired. Under IFRS, this provision is not required and has been removed from mineral property interests as the Company determined the purchase price of the mineral property interests was a purchase of assets vs. a business acquisition. As a result, on transition to IFRS on April 1, 2010, mineral property interests decreased by \$41.7 million, future income taxes decreased by \$31.3 million and equity decreased by \$10.4 million.

Flow-through shares are securities issued to Canadian resident investors whereby the deductions for tax purposes related to resource exploration and evaluation expenditures may be claimed by the investors rather than the issuing company. As a result of the tax benefit received by the investor, flow-through shares are often issued at a premium over the prevailing market price of an issuing company's shares. Under Canadian GAAP, a deferred tax liability would be recognized on the date the Company files renunciation documents with the Canadian tax authorities assuming there is reasonable assurance the expenditures will be made.

Under IFRS, the premium received on the issuance of flow-through shares at an issue price in excess of the market value of the shares on the date of issue represents the value of a liability relating to the transfer of income tax credits forgone by the Company and owing to investors upon renunciation. As the Company fulfills its obligations by incurring the eligible expenditures, the premium from the proceeds received is expected to be recorded in operations and the related deferred tax liability and expense are expected to be recognized. Accordingly, the Company recorded a deferral of the sale of tax deductions on the issuance of flow-through shares in the first quarter ended June 30, 2011.

Impairment of non-financial assets

Under IFRS, an entity must assess at each reporting date whether there is any indication that an asset might be impaired. If any such indication exists, the entity must estimate the recoverable amount of the asset, which is defined as the higher of an asset's or cash generating units ("CGU") fair value, less costs to sell, and its value in use. Value in use is the present value of the discounted future cash flows expected to be derived from an asset or CGU. An impairment loss must be recorded if the carrying value of the asset or CGU is less than the recoverable amount of the asset or CGU. IFRS permits the reversal of previous impairment losses.

Under Canadian GAAP, the first step in recognition of an impairment loss was based on undiscounted cash flows, in contrast with a discounted future cash flow approach required under IFRS. Therefore, an impairment loss could be recognized earlier under IFRS than under Canadian GAAP. Canadian GAAP did not permit the reversal of previous impairment losses.

Share-based compensation (options)

The Company's only share based compensation to date is its stock option plan for directors, management, employees and other persons who perform ongoing services for the Company or any of its subsidiaries.

Under IFRS, the Company treats each installment of options as a separate arrangement with its own distinct fair value measurement. Compensation cost for each tranche will be recognized over its own distinct vesting period. Under Canadian GAAP, the Company recognized share based compensation as a single pool with a fair value based on a specified vesting period.

IFRS requires that the rate of forfeiture of previously granted options be estimated every reporting period and an adjustment be made to stock based compensation expense. Under Canadian GAAP, the Company recorded forfeitures of unvested options when forfeiture occurred.

Canadian GAAP allowed the vesting of options to be recognized to operations on a straight line basis whereas IFRS requires the vesting of options to be recognized to operations on a graded vesting basis. The Company accounted for the vesting of options on a graded basis under Canadian GAAP.

Property, plant and equipment

IFRS requires a rigorous application of physical and non-physical component accounting with respect to property, plant and equipment, mandatory capitalization of interest costs on qualifying assets until the asset is ready for use, the disallowance of capitalization of asset retirement obligation accretion expense and requirements for annual review of estimates of useful life, residual value and depreciation method.

IFRS requires that depreciation expense commences when an asset is ready for use. Under Canadian GAAP, depreciation expense commenced when the asset was put into use.

RISKS AND UNCERTAINTIES

In conducting its business, the Company faces a number of risks and uncertainties. The principal risks and uncertainties faced by the Company are set out in greater detail the Company's annual information form ("AIF") dated June 29, 2011, which is filed on SEDAR. A summary of the principal risks and uncertainties which the Company faces is set out below.

Exploration, Development and Operating Risk

Resource exploration and development is a speculative business, characterized by a number of significant risks including, among other things, unprofitable efforts resulting not only from the failure to discover mineral deposits but also from finding mineral deposits that, though present, are insufficient in quantity and quality to return a profit from production. The marketability of minerals acquired or discovered by the Company may be affected by numerous factors that are beyond the control of the Company and which cannot be accurately predicted, such as market fluctuations, mineral markets and processing equipment, and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting minerals and environmental protection, the combination of which factors may result in the Company not receiving an adequate return on investment capital. Many of the claims to which the Company has a right to acquire an interest are in the exploration stage only and are without a known body of commercial ore. Development of the subject mineral properties would follow only if favourable exploration results are obtained and a positive feasibility study is completed.

No Assurance of Production or Continued Production

Mineral exploration is highly speculative in nature, involves many risks, and frequently does not lead to the discovery of commercial reserves of minerals. There can be no assurance that the Company's past or future exploration efforts will be successful, that any production therefrom will be obtained or continued, or that any such production will be profitable.

Substantial expenditures are required to establish reserves through drilling and to develop the mining and processing facilities and infrastructure at any site chosen for mining. No assurance can be given that minerals will be discovered in sufficient quantities to justify commercial operations or that funds required for development can be obtained on a

timely basis. The long-term profitability of the Company's operations will in part be directly related to the costs and success of its exploration and development programs, which may be affected by a number of factors.

Limited Experience with Mining Operations

The Company has limited experience in placing resource properties into production, and its ability to do so will be dependent upon securing the services of appropriately experienced personnel or entering into agreements with other companies or contractors that can provide such expertise. There can be no assurance that the Company will have available to it the necessary expertise or whether it will produce revenue, operate profitably or provide a return on investment in the future.

Government Regulation and Permitting

The current or future operations of the Company, including development and construction activities, require permits from various federal, provincial or territorial and local governmental authorities, and such operations are and will be governed by laws and regulations governing prospecting, development, mining, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, water use, environmental protection, land claims of local people, mine safety and other matters.

Such operations and exploration activities are also subject to substantial regulation under applicable laws by governmental agencies that will require the Company to obtain permits, licences and approvals from various governmental agencies. There can be no assurance, however, that all permits, licences and approvals that the Company may require for its operations and exploration activities will be obtainable on reasonable terms or on a timely basis or that such laws and regulations will not have an adverse effect on any mining project which the Company might undertake.

Failure to comply with applicable laws, regulations, and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations and, in particular, environmental laws.

Amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in exploration expenses, capital expenditures or production costs or reduction in levels of production at producing properties or require abandonment or delays in development of new mining properties.

To the best of the Company's knowledge, it is operating in compliance with all applicable rules and regulations.

Environmental Risks and Hazards

The Company's activities are subject to extensive national, provincial, and local laws and regulations governing environmental protection and employee health and safety. The Company is required to obtain governmental permits and provide bonding requirements under environmental laws. All phases of the Company's operations are subject to environmental regulation. These regulations mandate, among other things, the maintenance of water quality standards and land reclamation. They also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner, which will require stricter standards and enforcement, increased fines and penalties for non-compliance, and more stringent environmental

assessments of proposed projects. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations.

The ultimate amount of reclamation to be incurred for the planned mining operations at the Schefferville Projects is uncertain. Although the Company makes provision for reclamation obligations when these arise, it cannot be assured that these provisions will be adequate to discharge its obligations for these costs. Environmental hazards may exist on the properties in which the Company holds interests which have been caused by previous owners or operators of the properties. As environmental protection laws and administrative policies change, the Company will revise the estimate of its total obligations and may be obliged to make further provisions or provide further security for mine reclamation cost.

Environmental laws and regulations are complex and have tended to become more stringent over time. These laws are continuously evolving. Any changes in such laws, or in the environmental conditions at the Schefferville Projects, could have a material adverse effect on the Company's financial condition, liquidity or results of operations. The Company is not able to predict the impact of any future changes in environmental laws and regulations on its future financial position due to the uncertainty surrounding the ultimate form such changes may take.

Existing and possible future environmental legislation, regulations and actions could cause additional expense, capital expenditures, restrictions and delays in the activities of the Company, the extent of which cannot be predicted. Before production can commence at the Schefferville Projects, the Company must obtain regulatory approval, permits and licenses and there is no assurance that such approvals will be obtained. No assurance can be given that new rules and regulations will not be enacted or made, or that existing rules and regulations will not be applied, in a manner which could limit or curtail production or development.

Failure to comply with applicable environmental and health and safety laws can result in injunctions, damages, suspension or revocation of permits and imposition of penalties. There can be no assurance that the Company has been or will be at all times in complete compliance with all such laws, regulations and permits, or that the costs of complying with current and future environmental and health and safety laws and permits will not materially adversely affect the Company's business, results of operations or financial condition. Amendments to current laws, regulations and permits governing operations and activities of mining and exploration companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in exploration expenses, capital expenditures or production costs, or require abandonment or delays in development of mining properties.

Legal and Title Risks

Title to mineral properties and mining rights involves certain inherent risks including difficulties in identification of the actual location of specific properties. The Company relies on contracts with third parties and on title opinions by legal counsel who base such opinions on the laws of Newfoundland and Labrador and/or Quebec and the federal laws of Canada applicable therein. Although the Company has investigated title to all of its mineral properties for which it holds contractual interests or mineral licenses, the Company cannot give assurance that title to such properties will not be challenged or impugned or become the subject of title claims by First Nation groups or other parties.

Although the Company has exercised the usual due diligence with respect to determining title to and interests in the properties which comprise the Schefferville Projects, there is no guarantee that such title to or interests in such properties will not be challenged or impugned and title insurance is generally not available. The Company's mineral property interests may be subject to prior unregistered agreements or transfers or native land claims and title may be

affected by, among other things, undetected defects or competing interests. Surveys have not been carried out on many of the properties which comprise the Schefferville Projects in accordance with the laws of Newfoundland and Labrador and Quebec; therefore, their existence and area could be in doubt. The Company can give no assurance as to the validity of title of the Company to those lands or the size of such mineral lands.

Insurance and Uninsured Risks

The Company's business is subject to a number of risks and hazards generally, including adverse environmental conditions, industrial accidents, labour disputes, unusual or unexpected geological conditions, ground or slope failures, cave-ins, changes in the regulatory environment and natural phenomena such as inclement weather conditions, floods and earthquakes. Such occurrences could result in damage to mineral properties or production facilities, rail locomotives, railcars or other transportation or shipping facilities, personal injury or death, environmental damage to the Company's properties or the properties of others, delays in development or mining, monetary losses and possible legal liability.

Although the Company purchases insurance to protect against certain risks in such amounts as it considers reasonable, such insurance may not cover all the potential risks associated with a mining company's operations or rail transport operations. The Company may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as environmental pollution or other hazards as a result of exploration and production is not generally available to the Company or to other companies in the mining industry on acceptable terms. The Company might also become subject to liability for pollution or other hazards which may not be insured against or which the Company may elect not to insure against because of premium costs or other reasons. Losses from these events may cause the Company to incur significant costs that could have a material adverse effect upon its financial performance and results of operations.

Political and Aboriginal / First Nations

The Company conducts its operations in western Labrador in the Province of Newfoundland and Labrador and in north-eastern Quebec, which areas are subject to conflicting First Nations land claims. There are a number of First Nations peoples living in the Quebec-Labrador peninsula with overlapping claims to asserted aboriginal land rights. Aboriginal claims to lands, and the conflicting claims to traditional rights between aboriginal groups are not currently governed by any existing treaty rights and may have an impact on the Company's ability to develop the Schefferville Projects. The boundaries of the traditional territorial claims by these groups, if established, may impact on the areas which constitute the Schefferville Projects. Mining licenses and their renewals may be affected by land and resource rights negotiated as part of any settlement agreements entered into by governments with First Nations.

There are a number of Innu groups based in Quebec (including Schefferville, and Sept-Iles) who assert aboriginal rights in Quebec and Labrador. The Innu of Quebec, located at Matimekush-Lac Jean near Schefferville, and at the communities of Uashat Takuaikan mak Mani-Utenam, near Sept-Iles, assert aboriginal rights to traditional lands which include parts of Quebec and Labrador. Members of the Innu Uashat Takuaikan mak Mani-Utenam, near Sept-Iles, Quebec, claim ownership of some registered trap lines in the Schefferville area.

The Innu of Matimekush-Lac John and Uashat Takuaikan mak Mani Utenam are two of five Innu communities living in northeastern Quebec who in 2009 formed the "Innu Strategic Alliance" seeking to have their ancestral rights on their traditional lands which extend on both sides of Quebec-Labrador border recognized by Governments. At various times, the Innu Strategic Alliance has stated that, in order to have their ancestral rights, including the caribou hunt recognized, the Quebec Innu would if necessary seek to block natural resource development projects in

Labrador and Quebec, such as the Churchill hydro electric project in Labrador, the La Romaine hydro electric project in Quebec and mining projects near Schefferville.

In June 2010, the Innu Strategic Alliance set up a barricade on the road leading from the town of Schefferville to the mining projects of two companies, including LIM, “to ensure protection of their rights”. This barricade was removed by the Innu in early September 2010.

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 Projects.

Infrastructure

Mining, processing, development and exploration activities depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges, power sources and water supply are important determinants which affect capital and operating costs. The Company’s iron ore operations require rail transportation from the Schefferville region to the port of Sept-Iles and storage, loading and ship berthing facilities at such port. Although the Company has negotiated agreements covering rail transportation to the port of Sept-Iles and handling, storage and loading facilities at Sept-Iles, there can be no assurance that such arrangements will continue or continue on economically feasible terms. Discontinuation or failure of such arrangements or the inability to renegotiate same on economically feasible terms could render the Schefferville Projects unviable. Unusual or infrequent weather phenomena, terrorism, sabotage, government or other interference in the maintenance or provision of such infrastructure could adversely affect the Company’s operations, financial condition and results of operations.

Management

The success of the Company is currently largely dependent on the performance of its directors and officers and a small number of key personnel. There is no assurance the Company can maintain the services of its directors and officers or other qualified personnel required to operate its business. The loss of the services of these persons could have a material adverse effect on the Company and its prospects.

Ability to Attract and Retain Qualified Personnel

Recruiting and retaining qualified personnel is critical to the Company’s success. The number of persons skilled in the acquisition, exploration, development and operation of mining properties is limited and competition for such persons is intense. As the Company’s business activity grows, additional key financial, administrative and mining personnel as well as additional operations staff will be required. Although the Company believes it will be successful in attracting, training and retaining qualified personnel, there can be no assurance of such success. If the Company is not successful in attracting, training and retaining qualified personnel, the efficiency of operations could be affected.

Staffing of operations in remote sites, including north-western Labrador, is a challenge due to both the remote location and to the shortage of trained and experienced personnel throughout the resource sector. The widespread adoption of fly-in fly-out arrangements and the roster schedule increase the number of employees required in a tight market.

Fluctuating Mineral Prices

Factors beyond the control of the Company may affect the marketability of iron ore or other metals. Metal prices are subject to significant fluctuation and are affected by a number of factors which are beyond the control of the

Company. The principal factors include: diminished demand which may arise if current rates of economic growth in India and China are not sustained; supply interruptions due to changes in government policies in iron ore consuming nations, war, or international trade embargoes; increases in supply resulting from the alleviation of professional and skilled labour shortages experienced by the world's largest iron ore producers; and, increases in supply resulting from the discovery and/or the development of new sources of iron ore. The effect of these factors on the Company's operations cannot be predicted.

Foreign Currency Exchange

Exchange rate fluctuations may affect the costs that the Company incurs in its operations. The Company's financing activities have been denominated in Canadian dollars, while prices for iron ore are generally quoted in U.S. dollars. Fluctuations in the exchange rate of the Canadian dollar against the U.S. dollar may have a significant impact on the Company's financial position and results of operations in the future.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") of the Company are responsible for designing internal controls over financial reporting, or causing them to be designed under their supervision, in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP until the Transition Date and IFRS thereafter.

The Company has adopted basic systems of internal controls over financial reporting. The CEO and CFO evaluated the effectiveness of the Company's internal control over financial reporting at March 31, 2011 and concluded that as of that date they were effective to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP until the Transition Date, and IFRS thereafter.

There were no changes to the Company's internal control over financial reporting during the quarter ended September 30, 2011, that has materially affected, or is reasonably likely to materially affect the Company's internal control of financial reporting.

ADDITIONAL INFORMATION

Additional information regarding the Company, including the Annual Information Form dated June 29, 2011, and audited Financial Statements and MD&A for the year ended March 31, 2011, is available under the Company's profile on SEDAR at www.sedar.com.

FORWARD LOOKING STATEMENTS

This Management's Discussion and Analysis contains certain forward-looking statements relating to, but not limited to, the Company's expectations, intentions, plans and beliefs. Forward-looking information can often be identified by forward-looking words such as "anticipate", "believe", "expect", "goal", "plan", "intend", "estimate", "may" and "will" or similar words suggesting future outcomes, or other expectations, beliefs, plans, objectives, assumptions, intentions or statements about future events or performance. Forward-looking information may include reserve and resource estimates, estimates of future production, unit costs, costs of capital projects and timing of commencement of operations, and is based on current expectations that involve a number of business risks and uncertainties. Factors that could cause actual results to differ materially from any forward-looking statement include, but are not limited to, failure to establish estimated resources and reserves the grade and recovery of ore which is mined varying from estimates, capital and operating costs varying significantly from estimates, delays in obtaining or failures to obtain required governmental, environmental or other project approvals, delays in the development of projects, changes in exchange rates, fluctuations in commodity prices, inflation and other factors. Forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results to differ materially from expected results. There can be no assurance that the Company will be successful in maintaining 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 Projects. Shareholders and prospective investors should be aware that these statements are subject to known and unknown risks uncertainties and other factors that could cause actual results to differ materially from those suggested by the forward-looking statements. Shareholders are cautioned not to place undue reliance on forward-looking information. By its nature, forward-looking information involves numerous assumptions, inherent risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and various future events will not occur. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking information whether as a result of new information, future events or other such factors which affect this information, except as required by law.