LABRADOR IRON MINES HOLDINGS LIMITED

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2020

Dated: November 26, 2020

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 (collectively, with its subsidiaries, the "Company") for the three and six months ended September 30, 2020.

All currency amounts in this discussion are expressed in Canadian dollars, unless otherwise indicated. All references to tonnes are dry metric tonnes ("dmt"), unless otherwise indicated. All numerical references to years are "calendar" years, unless otherwise indicated.

This MD&A contains forward-looking statements.

OVERVIEW

Labrador Iron Mines Holdings Limited ("LIMH"), through its majority owned subsidiaries Labrador Iron Mines Limited ("LIM") and Schefferville Mines Inc. ("SMI"), is engaged in the exploration and development of iron ore projects in the central part of the Labrador Trough region, one of the major iron ore producing regions in the world, situated in the Menihek area in the Province of Newfoundland and Labrador and in the Province of Quebec, centered near the town of Schefferville, Quebec.

LIM owns extensive iron ore resources as well as mineral exploration claims in Newfoundland and Labrador and in Quebec (collectively, the "Schefferville Projects"). LIM holds measured and indicated DSO mineral resources of approximately 55 million tonnes at an average grade of 56.8% Fe and inferred resources of 5.0 million tonnes at an average grade of 55.6% Fe on its Schefferville Projects. LIM also holds approximately 50 million tonnes in historical resources in various deposits. [See "Qualified Persons and Technical Reports" section below].

In addition, LIM holds the Elizabeth Taconite Project, which has an inferred mineral resource estimate (as at June 15, 2013) of 620 million tonnes at an average grade of 31.8% Fe.

LIM's original plan for its Schefferville Projects envisioned the development and mining of its various deposits in stages. Stage 1 involved development of the James deposit which commenced mining in 2011. In the three-year period of 2011, 2012 and 2013 LIM produced a total of 3.6 million dry metric tonnes of iron ore from the James Mine, all of which was railed to Sept-Iles and sold in 23 cape-size shipments into the China spot market.

LIM's current focus is now on planning activities related to the development of its Stage 2 Houston deposits and, subject to securing development financing, LIM is working to commence production of direct shipping iron ore from the Houston deposits at the earliest opportunity.

As the appropriate next step to advance the Houston Project , LIM has engaged Roscoe Postle Associates Inc. (RPA), now part of SLR Consulting Ltd. (SLR), to complete an independent Preliminary Economic Assessment (PEA) and a current NI 43-101 compliant technical report on the Houston deposit to be used for consideration of possible financing options to advance the Houston Project. The PEA is expected to be completed around the end of 2020.

IRON ORE MARKET CONDITIONS

For the past two years the iron ore price has often exceeded US$100/tonne (62% Fe/CFR China). This has been a function of both supply disruptions but also steady and increasing demand from China, which demand shows no signs of declining.

In January 2020, the price temporarily declined to approximately US$80/tonne, due to the initial impact of the Covid-19 pandemic, which caused a short-term curb in China's steel production due to public health measures. By mid-February 2020, however, China's steel production began to increase again, based on significant government stimulus programs (geared primarily towards transportation and civic infrastructure and industrial parks) and an improving domestic public health situation. By July 2020, China was on track to break its previous annual record of steel production and associated iron ore imports. China's industrial output in September surpassed all expectations, with daily run-rates for steel hitting all-time highs as state spending accelerated and the nation's producers fed rising demand in sectors like construction and automobiles.

On the supply side in 2020, Brazil was particularly hard-hit by the Covid-19 pandemic which, exacerbated by earlier dam failures, interrupted the country's iron ore production resulting in a tight supply in the global iron ore market.

The cumulative impact of robust demand in China and tight supply led to a significant increase in the price of iron ore during the first three quarters of 2020. In September 2020, the price reached US$130/tonne, the highest in more than six years.

Although the price has eased somewhat in October and November, market commentators are generally confident that continuing strong demand from China will support a robust iron ore market. Going forward, a significant global economic recovery driven by Covid-19 recovery stimulus programs expected worldwide in 2021 should create strong demand for steel production and a supportive price floor for iron ore in the US$100/tonne range.

SCHEFFERVILLE PROJECTS

The Schefferville Projects comprise numerous different iron ore deposits of varying sizes divided into separate portions, one within the Province of Newfoundland and Labrador and the other within the Province of Quebec, which were all part of the original Iron Ore Company of Canada ("IOC") direct shipping operations which reported producing in excess of 150 million tons of lump and sinter fine ore between 1954 and 1982, and formed part of the 250 million tons of historical reserves and resources previously identified by IOC.

The Company's Schefferville Projects are connected by a direct rail line to the Port of Sept-Iles on the Atlantic Ocean and benefit from established infrastructure, including, the town, airport, roads, hydro power and rail service.

The Company's original plans for its Schefferville Projects envisioned the development and mining of the various deposits in stages. Stage 1 comprised the deposits closest to existing infrastructure located at or near LIM's Silver Yards processing site, near Menihek in Labrador, and involved mining of the James and Redmond deposits.

Mining of the James deposit commenced in 2011 and in the three-year period of 2011, 2012 and 2013 LIM produced a total of 3.6 million dry metric tonnes of iron ore, all of which was railed to Sept-Iles and sold in 23 cape-size shipments into the China spot market.

LIM has not undertaken mining operations since 2013, primarily due to volatile iron ore market conditions, but maintains its properties on a stand-by care and maintenance basis and, subject to securing financing, plans to resume mining operations when economic conditions warrant.

LIM's current focus is now on planning activities related to the development of its Stage 2 Houston deposits and, subject to securing development financing, LIM is working to commence production of direct shipping iron ore from the Houston deposits at the earliest opportunity.

ONGOING OPERATIONAL ACTIVITIES

The Company continues to conduct the expenditures required to maintain its mineral claims in good standing, although a number of non-core mineral claims have been dropped or surrendered. LIM's former James Mine and the Silver Yards processing facility have been in progressive reclamation since the termination of mining at the James Mine at the end of 2013. LIM has now substantially completed its environmental regulatory requirements relating to rehabilitation of the former James Mine, Redmond Mine and the Silver Yards processing site and related infrastructure.

A rehabilitation program of top-soil spreading with seeding and re-vegetation was completed during the summer of 2020, which cost approximately $150,000 in contractor costs.

LIM followed the instructions and advice of Provincial and Federal health authorities, as well as industry-wide best practice guidelines, to help limit the spread of Covid-19 and protect local communities. In June 2020, the Minister of Natural Resources announced measures to assist the mining, and mineral exploration industries in Newfoundland and Labrador during the Covid-19 global pandemic, including deferring rental and fee payments and waiving mineral expenditure requirements for 2020. The measures include deferral of rental and fee payments associated with land tenure issued under the Mineral Act until December 31, 2020 and waiver of mineral assessment expenditure requirements for mineral licences for one year – from March 18, 2020 to March 17, 2021. LIM's obligations deferred as a result of this relief include mining and surface lease rentals and mineral licence renewal fees. Additionally, LIM's mineral expenditure requirement planned for 2020 has been waived.

The Province of Quebec also announced Covid-related relief measures to assist the mining and minerals industry in Quebec. All claim renewals and work commitments have been waived for one year beginning April 9, 2020. This measure will waive Schefferville Mines Inc. expenditure requirements and will keep SMI's mineral claims in Quebec in good standing until 2021.

HOUSTON IRON ORE PROPERTY

The Houston property ("Houston"), is situated in Labrador about 25 km southeast of the town of Schefferville. Together with the Malcolm Deposit, considered to be its northwest extension, the Houston deposits are estimated to contain a resource of 40.6 million tonnes grading 57.6% iron ("Fe"). [Refer to "Qualified Persons" section below.]

The capital investment to put Houston into production is relatively modest, and the lead time for development relatively short, compared with most other iron ore projects under development in the Labrador Trough. Subject to securing financing, the Company plans to pursue development of the Houston Project and resume mining operations when economic conditions warrant.

Development of the Houston Project will require development financing, and to assist in securing such financing and as the appropriate next step to advance the project, LIM has engaged Roscoe Postle Associates Inc. (RPA), now part of SLR Consulting Ltd. (SLR), to complete an independent Preliminary Economic Assessment (PEA) and a current NI 43-101 Technical Report on the Houston Project to be used for consideration of possible financing options to advance the Houston Project.

RPA is a world-leading mining advisory business with teams in Toronto, Quebec, Vancouver, Denver, and London, and includes geological, mining and metallurgical consultants who have provided expertise and advice on every continent to clients in the mining industry for more than 35 years. RPA/SLR is uniquely qualified to carry out this work as it has extensive relevant iron ore experience on many projects in Canada (including Schefferville and

Labrador) and in other parts of the world. In 2019 RPA was acquired by SLR Consulting Ltd, a global leader in environmental and advisory solutions.

The revised development plan is based on lower-cost dry crushing and screening only. LIM has identified a higher-grade component of this resource, of about 20 million tonnes, that is amenable to dry crushing and screening. The initial mine plan will focus on this higher-grade component. The Houston deposits also contain harder ore than the James mine and are anticipated to produce a larger proportion of premium lump product. When in full production, the Houston-Malcolm deposits are expected to produce consistent saleable product of about 2 million tonnes per year, with an initial mine-life of 10 years.

In 2012, following the submission of a project registration to the Government of Newfoundland and Labrador for the development of the Houston #1 and #2 deposits, including a haul road and a new railway siding, the Minister of Environment and Conservation informed the Company that, in accordance with the Environmental Protection Act, the Houston 1 and 2 Deposits Mining Project was released from further environmental assessment, subject to a number of conditions.

The Closure and Rehabilitation Plan for the Houston 1 and Houston 2 deposits has been approved to allow for initial development. In order to fully develop the Company's Houston Project, the Closure and Rehabilitation Plan for the Houston 3 deposit must be approved by the Newfoundland Department of Natural Resources. The Malcolm deposit, included in the Houston project, has not been permitted by the Province of Quebec and is proposed to be developed in the second half of the project timeline.

LIM has existing life-of-mine rail agreements with Quebec North Shore and Labrador Railway ("QNS&L") and TSH for the transport of iron ore across the 235 km TSH railway and the 350 km QNS&L railway to the Port of Sept-Iles. These agreements are currently suspended until LIM's mining operations resume. LIM is also seeking additional amendments to be effective when the suspended contracts are reactivated. There are no assurances that LIM will be successful in negotiating such additional amendments to the commercial terms of its major contracts on reasonable or acceptable terms, or at all.

The port handling arrangements for the future shipment of LIM's iron ore production remain subject to ongoing evaluation and finalization. The Company continues to evaluate different options for the unloading, stockpiling and ship loading of the Company's iron ore products at the Port of Sept-Iles. These potential options include renewal of a port access agreement with IOC, use of the Société Ferrovaire et Portuaire de Pointe Noire ("SFPPN", a public private partnership) port assets (which include the Wabush yard, dumper and loader, the Bloom Lake dumper and loader and the Arnaud Railway which connects that part of the Port to the QNS&L railroad) and/or use of the Port's new multi-user deep water dock and/or other facilities in the Port of Sept-Iles. Use of such facilities would require negotiation of a new agreement(s) with IOC, SFPPN and/or the Port.

Development of the Houston Project is subject to the availability of development financing, and securing such financing requires market confidence that an improved level of iron ore prices will be sustained. There are no assurances that the Company will be successful in obtaining the required financing and if it is unable to obtain such financing, the development of Houston will be postponed.

ELIZABETH TACONITE PROPERTY

The Elizabeth taconite deposit ("Elizabeth"), is located approximately four km west of LIM's former James Mine. During the 2011 and 2012 field seasons, LIM's exploration efforts and drill programs identified a large iron orebody, leading to its first independent Inferred mineral resource estimate (as at June 15, 2013) comprising two adjacent deposit areas. Approximately 620 million inferred tonnes at an average grade of 31.8% Fe have been estimated in Elizabeth No. 1 and a potential 350 million to 600 million tonnes at an average grade 31.9% Fe have been estimated in Elizabeth No. 2. [Refer to "Qualified Persons" section below.]

The initial Elizabeth target measures approximately four km long and is made of magnetite and hematite dominant zones. There is significant potential for resource expansion as the deposit remains open along strike to the northwest and southeast.

Elizabeth represents an opportunity to develop a major new taconite operation in the Schefferville region of the Labrador Trough. The Elizabeth property location is advantageous, and has direct access to existing roads, rail bed and power line corridor.

Taconites require upgrading through a concentrator involving a major capital investment which would produce a high-grade saleable iron ore product higher than 68% Fe, which would attract premium prices in the current iron ore market.

Development of the Elizabeth Project would be subject to the availability of development and construction financing. There are no assurances that LIM would be successful in obtaining the required financing for the further development and potential construction of the Elizabeth Project.

REQUIREMENT FOR WORKING CAPITAL AND DEVELOPMENT FINANCING

From a corporate perspective, the Company is cognizant that its operations will need to be funded on a stand-by basis. The Company is funding its ongoing site standby and general corporate and administrative activities from the proceeds of sale of surplus non-core assets and the release of restricted cash. If the Company is unable to generate sufficient proceeds from the sale of surplus non-core assets or the release of restricted cash, or otherwise obtain adequate financing, the Company may be required to curtail all its operations and activities.

While the ability to continue corporate and site standby activities over the next 12 months is not dependent on securing additional development financing, the Company will need to secure additional financing to continue as a going concern due to its limited working capital at September 30, 2020. Even if the Company is successful in funding its general working capital needs, if the Company is unable to obtain additional development financing on a timely basis or on reasonable or acceptable terms, then the Company will be unable to pursue development of its iron ore projects.

QUALIFIED PERSONS AND TECHNICAL REPORTS

Scientific and technical information disclosed herein has been prepared under the supervision of Rod Cooper, P.Eng., Chief Operating Officer of the Company who is a Qualified Person within the meaning of NI 43-101.

Technical Report entitled "*Technical Report: Schefferville Area Phase 1 DSO Iron Projects Resource Update, Western Labrador – NE Quebec, Canada*" dated effective June 27, 2014 by Maxime Dupéré, P.Geo. of SGS Canada Inc., who is a Qualified Person and independent person of the Company within the meaning of NI 43-101, filed on SEDAR, may be viewed under the Company's profile at www.sedar.com.

Technical Report entitled "*Technical Report Mineral Resource Update of the Houston and Malcolm 1 Property, Labrador West Area, Newfoundland and Labrador and North Eastern Quebec Canada, for Labrador Iron Mines Holdings Limited*" dated effective April 24, 2013 by Maxime Dupéré, P.Geo. of SGS Canada Inc. and Justin Taylor

P.Eng. of DRA Americas Inc., both of whom are Qualified Persons and independent persons of the Company within the meaning of NI 43-101, filed on SEDAR, may be viewed under the Company's profile at www.sedar.com.

Technical Report entitled *"Mineral Resource Technical Report Elizabeth Taconite Project Labrador"* dated effective June 15, 2013 by George H. Wahl, P.Geo., GH Wahl & Associates Consulting who is a Qualified Person and independent of the Company and within the meaning of NI 43-101, filed on SEDAR, may be viewed under the Company's profile at www.sedar.com.

A feasibility study has not been conducted on any of the Schefferville Projects and LIM's decision to undertake commercial production has not been based upon a feasibility study of mineral reserves demonstrating economic and technical viability. Mineral resources, unlike reserves, do not have demonstrated economic viability.

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.

The deposits with historical resources only have estimated historical resources based on work carried out by IOC prior to the closure of its Schefferville operations in 1984. The historical resources were not part of IOC's producing properties. This historical estimate was prepared according to the standards used by IOC prior to 1983 and, while still considered relevant, was not prepared in accordance with NI 43-101. The IOC classification reported all resources (measured, indicated, and inferred) within the total mineral resource. These historical estimates are not current and are not compliant with the categories set out in NI 43-101 and should not be relied upon.

RESULTS OF OPERATIONS

The former James Mine and the Silver Yards processing facility have been in a progressive reclamation stage since 2014. The Company did not conduct any mining activities in the three and six months ended September 30, 2020. Rather, the Company's focus was on activities required to maintain its mineral properties in good standing. These activities continue to be funded by the sale of surplus assets and the release of restricted cash. The Company made no capital expenditures on property, plant and equipment on its mining properties during the three and six months ended September 30, 2020.

Three months ended September 30, 2020

On a consolidated basis, the Company reported net income of $0.25 million, or $0.00 per share during the three months ended September 30, 2020, compared to a net loss of $0.36 million, or $0.00 per share, during the same period of the previous year.

The net income of $0.25 million in the current three month period was mainly attributable to site management costs of $0.08 million and corporate and administrative costs of $0.10 million, offset by a rehabilitation provision recovery of $0.17 million and assignment of rights income of $0.25 million. The net loss of $0.36 million in the same period in the previous year was mainly attributable to site management costs of $0.20 million and corporate and administrative costs of $0.17 million.

The rehabilitation provision recovery in the current period reflects the difference between the actual rehabilitation costs incurred during the period compared to the originally estimated rehabilitation costs that formed the basis of the rehabilitation liability discharged.

The Company assigned certain rights in a rail siding to a third party during the current period and received preliminary cash consideration of $0.25 million, leading to assignment of rights income of $0.25 million being recognized during the period.

Corporate and administrative costs continue to decline, reflecting a minimal staff level.

The Company continues to conduct the expenditures required to maintain its core mineral claims in good standing, although such expenditures were minimal during the current three month period as a result of Covid-19-related relief measures in both Newfoundland and Labrador and Quebec.

Six months ended September 30, 2020

On a consolidated basis, the Company reported net income of $0.13 million, or $0.00 per share during the six months ended September 30, 2020, compared to a net loss of $0.63 million, or $0.00 per share, during the same period of the previous year.

The net income of $0.13 million in the current six month period was mainly attributable to site management costs of $0.10 million and corporate and administrative costs of $0.19 million, offset by a rehabilitation provision recovery of $0.17 million and assignment of rights income of $0.25 million. The net loss of $0.63 million in the same period of the previous year was mainly attributable to site management costs of $0.30 million and corporate and administrative costs of $0.33 million.

The rehabilitation provision recovery in the current period reflects the difference between the actual rehabilitation costs incurred during the period compared to the originally estimated rehabilitation costs that formed the basis of the rehabilitation liability discharged.

The Company assigned certain rights in a rail siding to a third party during the current period and received preliminary cash consideration of $0.25 million, leading to assignment of rights income of $0.25 million being recognized during the period.

Corporate and administrative costs continue to decline, reflecting a minimal staff level.

SUMMARY OF QUARTERLY RESULTS

	Quarter Ended							
($000s, except per share data)	Dec 31, 2018	March 31, 2019	June 30, 2019	Sept 30, 2019	Dec 31, 2019	March 31, 2020	June 30, 2020	Sept 30, 2020
Net income (loss)	124	(441)	(265)	(364)	(220)	408	(117)	250
Earnings (loss) per share	0.00	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	0.00
Total assets	2,796	2,561	2,492	2,533	2,107	1,897	1,738	1,687

Net income in the quarter ended December 31, 2018 included a rehabilitation provision recovery of $0.29 million. Net income in the quarter ended March 31, 2020 included a gain of $0.70 million on the sale of property. Net income in the quarter ended September 30, 2020 included a rehabilitation provision recovery of $0.17 million and assignment income of $0.25 million.

LIQUIDITY AND CAPITAL RESOURCES

As at September 30, 2020, the Company had current assets of $0.72 million, consisting of $0.255 million in unrestricted cash, $0.435 million in restricted cash and $0.03 million in accounts receivable. As at September 30, 2020, the Company also held $0.95 million in non-current restricted cash. 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.

Current liabilities, which consisted mainly of accounts payable and accrued liabilities and a rehabilitation provision, were in aggregate $0.67 million at September 30, 2020.

The Company had positive working capital of $0.053 million at September 30, 2020. The Company had no current or long-term bank debt as at September 30, 2020, other than a $0.04 million interest-free loan under the Canada Emergency Business Account program (a Covid-19-related relief program by the Government of Canada).

The Company continues to fund its ongoing site standby and general corporate and administrative activities from the proceeds of sale of surplus non-core assets and the release of restricted cash. The Company needs to generate sufficient proceeds from such activities or secure alternative financing to continue as a going concern. LIM expects the release of approximately $300,000 of restricted cash set aside as financial assurance for rehabilitation performed during 2020.

While the ability to continue corporate and site standby activities over the next 12 months is not dependent on securing additional development financing, the Company's ability to further explore and develop any of its projects is dependent on completing such additional development financing. The Company will need to secure development financing to fund the development of the Houston Project. If the Company is unable to obtain additional development financing on a timely basis or on reasonable or acceptable terms, then the Company will be unable to pursue its Houston Project.

There are no assurances that the Company will be successful in generating sufficient proceeds from the sale of surplus non-core assets, the release of restricted cash or the completion of an alternative financing to continue as a going concern. If the Company is unable to obtain adequate additional financing or liquidity in the immediate term, the Company will be required to curtail all its operations and activities and may be required to conduct a liquidation process. Failure to continue as a going concern would require that the Company's assets and liabilities be restated on a liquidation basis, which may differ from the going concern basis.

OFF BALANCE SHEET ARRANGEMENTS

The Company has no off balance sheet arrangements.

OBLIGATIONS AND CONTRACTUAL COMMITMENTS

The Company has suspended its principal rail transportation contracts and any ongoing financial commitments under such transportation contracts until LIM's mining operations resume.

The Company has suspended its impact benefit agreements with various First Nations communities, including a suspension of the ongoing commitments in accordance with the terms of such agreements, until LIM's mining operations resume.

Notwithstanding that LIM has suspended or terminated its major commercial contracts, the Company is also seeking additional amendments to be effective when the suspended contracts are reactivated. There are no assurances that LIM will be successful in negotiating such additional amendments to the commercial terms of its major contracts on reasonable or acceptable terms, or at all.

In 2016, the Naskapi Nation of Kawawachikamach submitted a claim in the amount of $3.0 million against LIM as part of the Company's CCAA process, which claim was rejected and remains contested, and is being dealt with pursuant to dispute resolution provisions of the Plan of Arrangement approved by the Court in December 2016. The Company has not recognized the unresolved claim as a liability as the outcome of the claim is not determinable at this time and the full amount of the unresolved claim is treated as a contingent liability.

FINANCIAL INSTRUMENTS

The Company's treasury policy is to invest its cash and cash equivalents in investment grade short-term money market funds 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 statement of financial position date based on relevant market information and information about the financial instruments.

As at September 30, 2020, 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, 2020, 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 condensed interim consolidated financial statements for the three and six months ended September 30, 2020.

OUTSTANDING SHARE CAPITAL

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

The following is the outstanding share capital of the Company as at September 30, 2020 and the date of this MD&A.

Security	**Number**
Common shares	162,364,427
Deferred share units	1,077,362

The deferred share units represent stock-based compensation previously granted to independent directors under the Company's Deferred Share Unit Plan. The grant of new deferred share units was waived by directors and suspended effective March 31, 2014.

The Company did not have any share purchase options or share purchase warrants outstanding as at September 30, 2020 and the date of this MD&A.

The common shares of the Company trade under the symbol LBRMF on the "No Information" tier of the OTC Pink Open Market. The Company continues in good standing as a Reporting Issuer in all the Provinces of Canada, and in compliance with all of the requirements of the Securities Acts and Securities Regulations in Canada. All public filings of the Company may be inspected under the Company's profile on SEDAR at www.sedar.com.

Additionally, the Company intends to seek a new stock exchange listing on either the TSX or an alternative stock exchange at an appropriate time.

TRANSACTIONS WITH RELATED PARTIES

The related parties with which the Company transacted during the six months ended September 30, 2020 were Energold Minerals Inc. ("Energold"), a corporation controlled by John F. Kearney, and Buchans Resources Limited ("Buchans"), a company in which John F. Kearney serves as an officer and director, and Steenberglaw Professional Corporation ("Steenberglaw"), a legal professional services corporation controlled by Neil J.F. Steenberg. John F. Kearney serves as an officer and director of the Company and Neil J.F. Steenberg serves as an officer of the Company.

During the six months ended September 30, 2020, the Company incurred costs payable to Energold in the amount of $15,000 (2019 - $15,000) for administrative service. As at September 30, 2020, $50,000 (2019 - $20,000) remained payable for such services. During the six months ended September 30, 2019 Energold advanced $250,000 to the Company on an interest-free, temporary basis, which was fully repaid in March 2020.

During the six months ended September 30, 2020, the Company had an office sharing arrangement with Buchans pursuant to which the Company incurred office rent costs of $18,000 (2019 - $18,000). As at September 30, 2020, $36,000 (2019 - $21,000) of office rent remained payable.

During the six months ended September 30, 2020, the Company incurred professional fees in respect of legal services provided by Steenberglaw in the amount of $2,436 (2019 - $1,680). As at September 30, 2020, $2,436 (2019 - $1,680) was payable with respect to legal fees.

The amounts payable by the Company to related parties are unsecured and non-interest bearing.

These related party transactions were in the normal course of operations and are measured at fair value, which is the amount of consideration established and agreed to by the related parties. It is management's estimation that these transactions were undertaken at market rates under the same or similar terms and conditions as transactions with non-related parties.

CRITICAL ACCOUNTING ESTIMATES

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 reporting period. 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, property, plant and equipment, 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

The Company evaluates the carrying amount of its mineral properties 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 a discounted cash flow methodology and estimates of comparable asset values in the market. Where an impairment is subsequently reversed, the carrying amount of the asset is increased to the lesser of the revised estimate of recoverable amount and the carrying amount that would have been recorded had no impairment been previously recognized.

Estimated cash flows based on expected future production, operating costs and capital costs estimates, and forecasts of commodity prices and exchange rate assumptions are included in the determination of fair value. 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.

Significant judgments and assumptions are required in making estimates of fair value. It should be noted that the valuations are subject to variability in key assumptions including, but not limited to, forecasts of iron ore prices, currency exchange rates, discount rates, production, operating and capital costs. A change in one or more of the assumptions used to estimate fair value could result in a change in fair value.

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 development financing.

Rehabilitation Provision

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.

The Company has established a rehabilitation provision relating to its Stage 1 mining operations. The present value of this rehabilitation provision has been estimated under IFRS as approximately $1.27 million as at September 30, 2020.

In determining the present value of the rehabilitation provision as at September 30, 2020, the Company has assumed an inflation rate of 2% and a discount rate of 1.46%. 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

The Company is not aware of any new accounting standards that have a material impact on the Company's consolidated financial statements for three and six months ended September 30, 2020.

RISKS AND UNCERTAINTIES

In conducting its business, the Company faces a number of risks and uncertainties. These risks and uncertainties are described in detail in the Company's MD&A for the year ended March 31, 2020. A summary of some of the principal risks and uncertainties which the Company faces is set out below.

Financing and Going Concern

As at September 30, 2020, the Company had positive working capital of only $0.053 million.

The continued operation and successful development of the Company's properties depends upon the Company's ability to obtain financing through the sale of assets, private placement financing, public financing, advance from shareholders, the joint venturing of projects, bank financing or other means. There is no assurance that the Company will be successful in obtaining such required financing.

Several conditions discussed below create a material uncertainty about the Company's ability to continue as a going concern. The Company will need to generate additional financial resources or liquidity to address its ongoing working capital requirements. The Company’s planned development programs, including development of the Houston Project, will require additional initial mine development financing and additional working capital.

There is a significant risk that additional financing will not be available to the Company on a timely basis or on acceptable terms.

There are no assurances that the Company will continue to be able to obtain additional financial resources and/or achieve positive cash flows or profitability. The Company has not achieved profitable operations, has an accumulated deficit since inception and expects to incur further losses in the development of its business. If the Company is unable to obtain adequate additional financing the Company will be required to curtail standby activities and all exploration and development activities and may be required to liquidate its assets. Failure to continue as a going concern would require that the Company’s assets and liabilities be restated on a liquidation basis which may differ significantly from the going concern basis.

The ongoing development of the Company’s properties, including its Houston Project, will require substantial additional capital investment. Failure to secure additional financing would result in delaying or indefinite postponement of development or production of these properties. There can be no assurance that such additional financing will be available when needed or that, if available, the terms of such financing will be on terms favourable to the Company.

Covid-19 Pandemic

The Company’s operations could be significantly adversely affected by Covid-19 which was declared a pandemic by the World Health Organization on March 11, 2020. The Covid-19 pandemic is presenting unprecedented challenges to individual health, communities, jobs, businesses and economies. The Company cannot predict the impact the Covid-19 pandemic will have on its operations. In addition, this widespread health crisis has adversely affected the economies and financial markets of many countries, resulting in an economic and financial downturn that could further affect the Company’s ability to finance its operations.

No Assurance of Profitable Production

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 Company’s mineral claims are in the exploration stage only and are without a known body of commercial mineralization.

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.

Mining operations, such as those experienced at the James Mine and anticipated at Houston or other deposits, generally involve a high degree of risk. Such operations are subject to all of the hazards and risks normally encountered in the exploration for, and the development and production of, iron ore, including unusual and unexpected geologic formations, seismic activity, rock bursts, cave-ins, flooding and other conditions involved in the drilling and removal of material, any of which could result in damage to, or destruction of, mines and other producing facilities, damage to life or property, environmental damage and possible legal liability. Processing operations are subject to hazards such as equipment failure, changes in ore characteristics, such as rock hardness, and mineralogy which may impact production rates and iron ore recovery, or failure of retaining dams which may result in environmental pollution and consequent liability.

A feasibility study has not been conducted on any of the Schefferville Projects and the Company's plan to undertake commercial production from the Houston deposits has not been based upon a feasibility study of mineral reserves demonstrating economic and technical viability. Accordingly, there is an increased risk of economic or technical failure as the volume and grade of iron ore mined and processed and recovery rates may not be the same as currently anticipated. Any material reductions in estimates of mineral resources, or of the Company's ability to extract iron ore, could have a material adverse effect on the Company's results of operations and financial condition.

The successful commercial development of the Company's properties will depend upon the Company's ability to obtain financing through private placement financing, public financing, joint venturing of projects, bank financing, commodity financing or other means. The Company has not achieved profitable operations, has an accumulated deficit since inception and expects to incur further losses in the development of its business. There can be no assurance that the Company will be successful in obtaining any required financing or in obtaining financing on reasonable or acceptable terms.

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

Fluctuating Iron Ore Prices and Ocean Freight Rates

The viability of the Company's Schefferville Projects is dependent on the sale price of iron ore in the seaborne market. Factors beyond the control of the Company may affect the marketability of iron ore or other metals.

Metal prices, including iron ore prices, are subject to significant fluctuation and are affected by a number of factors which are beyond the control of the Company. The principal risk factors include: diminished demand which may arise if rates of economic growth in China and India decline or are not sustained; increases in supply resulting from the development of new sources of iron ore or expansion of existing operations by the world's largest iron ore producers, or supply interruptions due to changes in government policies in iron ore consuming nations, war, or international trade embargoes. The effect of these factors on the Company's operations cannot be predicted.

The main destination for the seaborne iron ore market is currently China and bulk carrier ocean freight rates to China are a significant cost that affects the net prices received from the sale of iron ore. Factors beyond the control of the Company affect ocean freight rates. Supply and demand for ocean going vessels, fuel costs and foreign currency exchange rates, among other factors, can contribute to significant ocean freight rate volatility.

Transportation and Port 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 operations require rail transportation from the Schefferville region to a seaport and ship berthing, storage and loading facilities at such port.

The Company's iron ore product is transported via a 560 km railway line between Schefferville and the Port of Sept-Iles. This railway line is comprised of two sections, the Menihek Division railway line owned by TSH, which runs approximately 200 km between Schefferville and Emeril Junction, and the QNS&L railway line, which continues the remaining approximately 360 km to Sept-Iles. At Sept-Iles (Arnaud Junction), the QNS&L railway line connects to the Arnaud Railroad (Chemin de fer Arnaud), which runs approximately 34 km around the bay to the port terminal at Pointe-Noire.

LIM has existing life-of-mine rail agreements with Quebec North Shore and Labrador Railway and Tshiuetin Rail Transportation Inc. for the transport of iron ore to the Port of Sept-Iles. These agreements are currently suspended until LIM's mining operations resume. LIM is also seeking additional amendments to be effective when the suspended contracts are reactivated. There are no assurances that LIM will be successful in negotiating such additional amendments to the commercial terms of its major contracts on reasonable or acceptable terms, or at all.

The port handling arrangements for the future shipment of LIM's iron ore production remain subject to ongoing evaluation and finalization. The Company continues to evaluate different options for the unloading, stockpiling and ship loading of the Company's iron ore products at the Port of Sept-Iles. These potential options include renewal of a port access agreement with the IOC, use of the SFPPN port assets and/or the Port's new multi-user deep water dock and/or use of other facilities in the port of Sept-Iles. Use of such facilities would require negotiation of a new agreement(s) with IOC, SFPPN and/or the Port.

Although the Company has previously negotiated agreements covering rail transportation to the Port of Sept-Iles and berthing, storage and loading facilities at Sept-Iles, the Company needs to renegotiate these agreements and re-set these arrangements. There can be no assurance that such renegotiations will be successful. There can be no assurance that reductions in capital requirements under these contracts can be achieved. Failure of such arrangements or the inability to renegotiate them on economically feasible terms could render the Schefferville Projects unviable.

ADDITIONAL INFORMATION

Additional information regarding the Company is available under the Company's profile on SEDAR at www.sedar.com, including the unaudited condensed interim consolidated financial statements for the three and six months ended September 30, 2020 and the audited consolidated financial statements for the year ended March 31, 2020.

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 iron ore 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.*