

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, 2017

Dated: November 24, 2017

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 (the "Company") for the quarter and six months ended September 30, 2017.

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 business of mining of iron ore and the exploration and development of direct shipping iron ore projects (the "Schefferville 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 commenced mining operations in 2011 and in the three year period of 2011, 2012 and 2013 produced a total of 3.6 million dry metric tonnes of iron ore, all of which was sold in 23 cape-size shipments into the China spot market. LIM did not undertake any mining operations in any of 2014, 2015 or 2016, and has not recommenced mining operations in 2017, primarily due to the low iron ore price environment in those years.

LIM owns extensive iron ore resources, processing plant equipment and rail infrastructure and facilities in its Schefferville Projects. The capital investment to put LIM's Houston project 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 is positioned to pursue development of the Houston Project and resume mining operations as soon as economic conditions warrant.

Ongoing Operational and Corporate Activities

Notwithstanding the challenging environment during the past several years, LIM continues to conduct a variety of necessary operational and corporate activities with the objective of preserving its assets, maintaining its mineral properties on a standby basis, fulfilling environmental and regulatory obligations, securing additional working capital and development financing and controlling costs.

All capital expenditure and exploration programs continue to be suspended, other than fulfilling such minimum field work required for claims maintenance purposes.

LIM continues to fulfill its environmental regulatory requirements, which principally relate to maintaining acceptable water quality and fish habitat conditions in the lakes and tributaries surrounding the James Mine. The James Mine open pit is now flooded with natural water, as planned, and water is discharging by way of a reclaimed tributary.

LIM has established a rehabilitation provision relating to its Stage 1 mining operations. The total undiscounted cost estimate expected to complete the Company's remaining reclamation and remediation obligations related to this portion of its mining operations is \$2.3 million. The Company has restricted cash set aside as financial assurance for this rehabilitation program.

Progressive rehabilitation work at the James Mine carried out during 2016 was inspected by the Government of Newfoundland and Labrador in 2017. The rehabilitation work included placement of overburden and organic material on the settling pond area, waste rock stockpile and treat rock stockpile. In addition, the Company completed vegetation work in the James Mine area and a geotechnical study to assess the waste rock stability. Following completion and subsequent inspection of this rehabilitation work, \$0.1 million of restricted cash was released by the Government in April 2017 and an additional \$0.3 million of restricted cash was released in August 2017.

During 2017 LIM completed a geotechnical assessment of the waste rock disposal areas associated with the James Mine. At Silver Yards, assessments for contaminated materials were completed and a minor quantity of soil was removed for disposal at a registered facility. The dry processing plant was completely removed from the site. Some of the equipment from the wet processing plant was dismantled for sale and shipped by rail to Sept-Iles as part of LIM's asset disposal program. This equipment included the jaw and cone crusher, diesel generators, conveyors, scrubbers and pumps. Used railway ties were sold to a local company. The final report related to fulfilling the requirements of the Metal Mines Effluent Regulations ("MMER") is being prepared for completion in early 2018.

As part of its water quality management program the Company regularly collects and monitors water samples from a variety of bodies of water in the vicinity of the former James Mine. Included in these sample locations are the reclaimed tributary from the James Mine, Bean Lake and the Redmond Creek Fish Habitat. The water sampling and monitoring program is scheduled to continue until 2018. At Redmond Creek, in addition to monitoring fish population and food supply, the physical stability of the natural habitat is also being monitored. Results to date are positive with Brook trout using the habitat for spawning, rearing and overwintering. The sampling program at Redmond Creek will conclude at the end of 2017 which should result in the release of the restricted cash securing this rehabilitation program.

From a corporate perspective, the Company has been focused on its financial restructuring efforts, which culminated in approval and implementation of the Plan of Arrangement in December 2016, as described below. In addition, the Company is pursuing the sale of certain non-core assets and equipment and has suspended all capital expenditure and exploration activities. The Company has also significantly reduced corporate overhead and, combined with the limited cost of site maintenance and standby activities, has succeeded in reducing its ongoing costs significantly.

Financial Restructuring under CCAA

On November 10, 2016 the Company proposed a Plan of Compromise and Arrangement (the "Plan" or "Plan of Arrangement") to creditors, the principal purposes of which were to convert the debts of the Company and its subsidiaries into equity. The Plan was approved by creditors on December 6, 2016 and sanctioned by the Court on December 14, 2016. On December 19, 2016, the Plan was implemented and upon implementation, most of the Company's debts were extinguished in exchange for equity.

Upon implementation of the Plan, 36,041,304 newly issued common shares of LIMH, representing a 22% equity interest in LIMH, were issued to creditors with claims against LIMH, and 49,000,000 newly issued common shares of LIM, representing a 49% non-controlling equity interest in LIM, were issued to creditors with claims against LIM

or SMI. LIMH retains a 51% equity interest in LIM. Creditors with claims against LIM or SMI also received 35,000,000 common shares of Houston Iron Royalties Limited (“RoyaltyCo”), representing a 100% equity interest in RoyaltyCo.

The Plan was designed to create a framework to permit the Company to sustain itself pending the recovery of iron ore prices, and provide creditors an opportunity to recover their debts through equity participation in the future profits of the Company’s business.

Requirement for Working Capital and Development Financing

Due to its limited working capital at September 30, 2017 and the capital requirements of developing the Houston Project, the Company needs to secure additional financing.

The Company intends to fund its ongoing site standby and general corporate and administrative activities from the proceeds of sale of surplus non-core assets. If the Company is unable to generate sufficient proceeds from the sale of surplus non-core assets or otherwise obtain adequate financing, the Company will 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’s ability to develop the Houston Project will be dependent on completing additional development financing. 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 Houston Project.

Failure to continue as a going concern would require that the Company’s assets and liabilities be restated on a liquidation basis, which would differ from the going concern basis.

HOUSTON AND OTHER IRON ORE PROPERTIES

LIM’s Schefferville Projects consist principally of the Houston Project (“Houston”), which includes the Houston deposit and the Malcolm deposit, and the Elizabeth Taconite Project. Both of these projects have current technical reports compliant with NI 43-101. In addition, LIM holds valid mineral exploration claims to numerous other exploration properties in both Newfoundland and Labrador and Quebec. Required assessment reports have been filed with the respective government agencies supporting such claims.

The Schefferville Projects comprise 20 different iron ore deposits of varying sizes, which were part of the original Iron Ore Company of Canada (“IOC”) direct shipping operations conducted from 1954 to 1982 and formed part of the 250 million tonnes of historical reserves and resources previously identified by IOC, divided into two separate portions, one within the Province of Newfoundland and Labrador and the other within the Province of Quebec.

LIM holds NI 43-101 compliant measured and indicated mineral resources of approximately 54.8 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, including Houston. [NI 43-101 compliant technical report, entitled “*Technical Report: Schefferville Area Phase 1 DSO Iron Projects Resource Update, Western Labrador – NE Quebec, Canada*” dated effective June 27, 2014, reports resources as at March 31, 2014. Refer to “Qualified Persons” section below.]

LIM also holds approximately 80 million tonnes in historical resources previously identified by IOC. Approximately 28% of these original deposits have been upgraded or converted into NI 43-101 compliant resources through contemporary work programs, leaving 58 million tonne as historical IOC estimates. LIM has a strong track record of

upgrading and growing historical resources and has been successful in more than doubling the Company's historical resources upon conversion to a NI 43-101 compliant resource.

Planning for the development of the Houston Project continues, although such planning is limited to the use of internal resources.

Houston is planned to form the core of LIM's activities for the foreseeable future. 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 National Instrument 43-101 ("NI 43-101") resource of 40.6 million tonnes grading 57.6% iron ("Fe"). LIM has identified a higher-grade component of this resource, 20 million tonnes at an average grade of 62% Fe, at a 58% cut-off grade, that is amenable to dry crushing and screening. The initial mine plan will focus on this higher-grade component. In the future, if market conditions warrant, the lower grade portion of the deposit can benefit from a wet process similar to that employed at Silver Yards. The revised development plan is based on lower-cost dry crushing and screening only. 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. The Houston deposits also contain harder ore than the James open pit mine and are anticipated to produce a larger proportion of premium lump product.

The development plan for Houston is relatively simple. The major component consists of constructing an 8 kilometre ("km") gravel road, including a 30 metre bridge over the Gilling River. The new road will connect to an existing road located near Redmond Mine, which leads to the Silver Yards facilities. The overall one-way distance by road from Houston to Silver Yards is approximately 20 km. It is also planned to construct a new rail siding near the Houston Mine. When the rail siding is complete, it will reduce the operating cost of overland haulage from the Houston Mine to the rail head.

LIM has existing life-of-mine rail agreements with Quebec North Shore and Labrador Railway ("QNS&L") and Tshiuetin Rail Transportation Inc. ("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 the Company's mining operations resume.

Development of the Houston Project is subject to the availability of financing. There are no assurances that LIM will be successful in obtaining the required financing and if LIM is unable to obtain such financing, the development of Houston will be postponed.

LIM also holds the Elizabeth Taconite Project ("Elizabeth"), which has a NI 43-101 compliant inferred mineral resource estimate (as at June 15, 2013) of 620 million tonnes at an average grade of 31.8% Fe. [Refer to "Qualified Persons" section below.] The Elizabeth Taconite Project is an early stage exploration project located approximately four km west of the James Mine. The property location is advantageous, situated next to the former producing Wishart Mine and has direct access to existing roads, rail bed and power line corridor.

Taconites require upgrading through a concentrator involving a major capital investment to produce a saleable iron ore product. Nevertheless, Elizabeth represents an opportunity for LIM to develop a major new taconite operation in the Schefferville region of the Labrador Trough.

A feasibility study has not been conducted on any of the Schefferville Projects and the Company'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.

Qualified Persons

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.

The historical resources referred to in this document are based on work completed and estimates prepared by IOC prior to 1983 and were not prepared in accordance with NI 43-101. The Company is not treating the historical resource estimates as current NI 43-101 resources. A Qualified Person has not done sufficient work to classify these estimates as current mineral resources; however, the Company considers the historical resource estimates to be relevant and reliable.

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.

Iron Ore Market Conditions

Iron ore is the main raw material used in the steel making process. China is the world’s largest steel producer and iron ore consumer, forging 50% of the world’s steel and consuming more than 75% of the world's seaborne iron ore trade. Fundamental demand for steel within China remains high, driven by credit stimulus and spending on railways and other infrastructure. Despite strong demand, however, the iron ore market has been characterized by extreme price volatility in recent years, as seaborne supply has, at times, overtaken demand in China.

Historically, the price of iron ore reached an all-time high of US\$191 per tonne (62% Fe CFR China basis) in February of 2011 and a low of US\$37 per tonne in December of 2015. Driven by increased Chinese demand, the price of iron ore doubled in 2016, reaching a two-year high of US\$80 per tonne by the end of 2016. In early 2017 the price continued to rise, peaking at US\$97 per tonne in February, its highest level since mid-2014. During the first six months of the current fiscal year the price has ranged between a low of US\$55 per tonne and a high of about US\$80 per tonne. The current price in November 2017 is US\$62 per tonne. The steep decline in the price of iron ore in the period since 2013 has been attributed to the substantial increase in production by the world’s top iron ore producers in Australia and Brazil.

The current consensus forecast for the remainder of 2017 and 2018 is in the US\$60 to US\$70 per tonne range. There is less consensus on longer term forecasts, however. Analysts generally expect steel production and steel margins to remain robust, which should provide strong underlying demand fundamentals for iron ore. China will continue to record economic growth and build new infrastructure which will require more steel and thus more iron ore. Supply

dynamics, however, continue to be the wildcard, as the world's largest iron ore producers have a history of demonstrating poor production discipline, sacrificing price and revenue on the altar of market share.

In general, Canadian iron ore production is at a competitive disadvantage to the world's top iron ore producers in Australia and Brazil, due to the high cost of operating in the Labrador Trough. Canada is on the opposite side of the world from the main iron ore market in China. Australia and Brazil not only have a huge ocean freight advantage shipping to China, but the operating costs of the large Australian and Brazilian producers are significantly lower than Canadian costs.

To compete globally with the major iron ore producing regions in the rest of the world, and to operate economically in this market environment, it will be necessary to bring down costs of Canadian iron ore production, including LIM's Schefferville Projects. It is difficult to compete globally if more than two thirds of operating costs are incurred on power, rail transportation, port costs and ocean freight.

In 2016 the Government of Quebec provided a government financial investment of \$175 million to Tata Steel Minerals Canada to support the achievement at Schefferville of a direct shipping iron ore project (DSO project). This investment was made by the Government of Quebec as part of its Plan Nord with the objective of promoting, amongst others, transshipment activities in the Port of Sept-Iles where Tata Steel Minerals Canada is the first mining company to use the former Wabush and Bloom Lake rail and port assets in the Pointe Noire area of the Port, acquired during 2016 from Cliffs by Société Ferrovaire et Portuaire de Pointe Noire, a public private partnership established by the Government of Quebec. The Pointe Noire terminal facilities include a rotary car dumper, two stacker reclaimer units, and two additional berths that can accommodate handi-max and pana-max vessels.

The port handling arrangements for the future shipment of LIM's iron ore production remain subject to ongoing evaluation and finalization. LIM continues to evaluate different options for the unloading, stockpiling and ship loading of LIM's iron ore products at the Port of Sept-Iles, including the potential use of the Port's new multi-user deep water berth (50 million tonnes per year) in the Port of Sept-Iles. Use of such facility would require negotiation of a new agreement with the Port.

RESULTS OF OPERATIONS

LIM did not conduct any mining, processing or railing activities during the quarter or six months ended September 30, 2017. Rather, the focus was on site activities related to property care and maintenance and progressive reclamation. The former James Mine and the Silver Yards processing facility have been in a progressive reclamation stage from 2014 through 2017.

Quarter Ended September 30, 2017

On a consolidated basis, the Company reported a net loss of \$0.02 million, or \$0.00 per share during the quarter ended September 30, 2017, compared to a net loss of \$0.5 million, or \$0.00 per share, in the same quarter of the previous year. The net loss of \$0.02 million in the current quarter was mainly attributable to site costs of \$0.2 million and corporate and administrative costs of \$0.3 million, offset by impairment reversals of \$0.4 million relating to previously impaired equipment reclassified as held for sale at the equipment's expected net recoverable value.

Site activities during the quarter consisted mainly of property maintenance, reclamation, environmental monitoring and site standby activities. The Company's environmental monitoring activities relate principally to monitoring water quality and fish habitat conditions in the lakes and tributaries surrounding the James Mine. Site costs during the quarter have been partly offset by third party income earned by the Company at its rail car repair facility in Sept-Iles, Quebec.

Corporate and administrative costs remained low, reflecting a reduction in staff levels and a previous rationalization of office space and related costs.

The Company made no capital expenditures on property, plant and equipment or its mining properties during the quarter. The Company continues to conduct the minimum expenditures required to maintain its mineral claims in good standing. A number of non-core mineral claims have been dropped or surrendered.

Six months ended September 30, 2017

On a consolidated basis, the Company reported a net loss of \$0.6 million, or \$0.00 per share during the six months ended September 30, 2017, compared to a net loss of \$1.3 million, or \$0.01 per share, in the same period of the previous year. The net loss of \$0.6 million in the current six month period was mainly attributable to site costs of \$0.4 million and corporate and administrative costs of \$0.6 million, offset by impairment reversals of \$0.4 million relating to previously impaired equipment reclassified as held for sale at the equipment's expected net recoverable value.

Site activities during the six month period consisted mainly of property maintenance, reclamation, environmental monitoring and site standby activities.

Corporate and administrative costs remained low, reflecting a reduction in staff levels and a previous rationalization of office space and related costs.

SUMMARY OF QUARTERLY RESULTS

(\$000s, except per share data)	Quarter Ended							
	Dec 31, 2015	Mar 31, 2016	June 30, 2016	Sept 30, 2016	Dec 31, 2016	Mar 31, 2017	June 30, 2017	Sept 30, 2017
Net income (loss)	(2,044)	2,375	(806)	(493)	72,067	(19,655)	(588)	(21)
Earnings (loss) per share	(0.02)	0.02	(0.01)	(0.00)	0.55	(0.14)	(0.00)	(0.00)
Total assets	10,692	8,758	8,050	7,238	24,498	4,888	4,554	4,498

Net income in the quarter ended March 31, 2016 included an unrealized foreign exchange gain of \$3.1 million. Net income in the quarter ended December 31, 2016 included a restructuring recovery of \$47.1 million and a net impairment reversal of \$25.5 million. Net loss in the quarter ended March 31, 2017 included an impairment in the carrying value of mineral properties of \$20.0 million.

LIQUIDITY AND CAPITAL RESOURCES

On November 10, 2016, the Company proposed a Plan of Arrangement to creditors, the principal purposes of which were to convert the debts of the company into equity. On December 19, 2016, the Plan was implemented and the Company exited CCAA proceedings. As a result of Plan implementation, most of the Company's debts were extinguished in exchange for equity.

As at September 30, 2017, the Company had current assets of \$2.2 million, consisting of \$0.3 million in unrestricted cash, \$0.3 million in restricted cash, \$0.5 million in accounts receivable and prepaid expenses and \$1.1 million in assets held for sale. As at September 30, 2017 the Company also held \$2.2 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, a deposit on the sale of equipment and rehabilitation provisions, were in aggregate \$1.1 million at September 30, 2017.

The Company's working capital at September 30, 2017 was \$1.0 million. The Company has no current or long-term bank debt.

The Company intends to fund its ongoing site standby and general corporate and administrative activities from the proceeds of sale of surplus non-core assets. The Company needs to generate sufficient proceeds from such sales or complete an alternative financing to continue as a going concern. In addition, the Company will be required to secure development financing to fund its planned development of the Houston Project.

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 develop the Houston Project is dependent on completing such additional development financing. 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 Houston Project.

There are no assurances that the Company will be successful in generating sufficient proceeds from the sale of surplus non-core assets or an alternative financing to continue as a going concern. If the Company is unable 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 would 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, and the ongoing commitments under such agreements, with various First Nations communities in accordance with the terms of such agreements until LIM's mining operations resume.

LIM has suspended its mine camp lease obligations to provide for a two year period (beginning June 1, 2016) during which time LIM retains an option to reinstate the lease for a further two year period.

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.

The Company terminated its multi-user berth agreement with the Sept-Iles Port Authority (the "Port") by disclaiming the agreement under the CCAA. In addition, the Company and the Port agreed to liquidate the Company's fleet of railcars, on which the Port held a security interest for the second installment of a buy-in payment owed to the Port. The liquidation of the fleet of railcars was completed in March 2017, with the net proceeds of the liquidation remitted to the Port.

The Naskapi Nation of Kawawachikamach submitted a claim in the amount of \$3.0 million against LIM as part of the CCAA process, which claim was rejected and remains contested, and is being dealt with pursuant to dispute

resolution provisions of the Plan to be resolved by the Court. 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, 2017, 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, 2017, 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 25 to its condensed interim consolidated financial statements for the quarter ended September 30, 2017.

OUTSTANDING SHARE CAPITAL

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

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

Security	Number	Weighted average exercise price	Weighted average remaining life (years)
Common shares	162,364,427	N/A	N/A
Deferred share units	1,077,362	N/A	N/A

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 April 1, 2014.

In anticipation of no longer meeting the minimum listing criteria of the Toronto Stock Exchange (the "TSX"), to save the substantial listing costs associated with a TSX listing and to maintain restructuring flexibility, the Company voluntarily delisted its common shares and share purchase warrants from the TSX, effective February 23, 2015. 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, 2017 were Energold Minerals Inc. (“Energold”), a corporation controlled by John F. Kearney, Buchans Minerals Corporation (“Buchans”) and Conquest Resources Limited (“Conquest”), public companies in which John F. Kearney, Neil J.F. Steenberg and Danesh Varma serve as directors and officers, and SteenbergLaw Professional Corporation (“SteenbergLaw”), a legal professional services corporation controlled by Neil J.F. Steenberg.

During the six months ended September 30, 2017, the Company had an office sharing arrangement with Buchans pursuant to which the Company paid office rent of \$45,000 (2016 - \$55,000). At September 30, 2017, \$7,200 (March 31, 2017 - \$7,200) remained receivable from Conquest relating to a previous year’s office sharing arrangement with Conquest.

During the six months ended September 30, 2017, the Company incurred management compensation costs payable to Energold in the amount of \$54,000 (2016 - \$100,000) for management services provided. At September 30, 2017, an aggregate of \$18,000 (March 31, 2017 - \$27,000) in management compensation remained payable to Energold. The amount payable is unsecured and non-interest bearing.

During the six months ended September 30, 2017, the Company incurred professional fees in respect of legal services provided by SteenbergLaw in the amount of \$5,334 (2016 - \$99,646). At September 30, 2017, \$1,661 (March 31, 2017 - \$15,400) in professional fees remained payable by the Company to SteenbergLaw.

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.

Stock-based compensation

The Company records stock-based compensation cost based on the fair value method of accounting for stock-based compensation. The fair value of stock options is determined using the Black-Scholes option pricing model.

The 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 the Company. 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.

Rehabilitation Provisions

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 current Stage 1 mining operations. The total undiscounted estimated cost expected to complete the Company’s reclamation and remediation obligations related to this portion of its mining operations at the end of its mine-life is \$2,421,234. The present value of this estimated amount has been calculated under IFRS as \$2,408,006 as at September 30, 2017.

In determining the present value of the rehabilitation provision as at September 30, 2017, the Company has assumed a long-term inflation rate of 1.5%, a discount rate of 1.7% and a project life of up to 20 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

The Company is not aware of any new accounting standards that have a material impact on the Company's condensed interim consolidated financial statements for the quarter ended September 30, 2017.

RISKS AND UNCERTAINTIES

In conducting its business, the Company faces a number of risks and uncertainties. A summary of the principal risks and uncertainties which the Company faces is set out below.

Financing and Going Concern

As at September 30, 2017, the Company had an ending working capital balance of \$1.0 million.

The continued operation and successful development of the Company's properties depends upon the Company's ability to obtain financing through private placement financing, public financing, advance payment for product, 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 deposit, 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 would 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.

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 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 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, 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. The price of iron ore declined significantly in 2014 and has remained weak for the past three years, despite volatile periods of improvement in the last year. 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 profitability and viability of the Company.

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.

Factors beyond the control of the Company also 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. An increase in ocean freight rates would have a negative impact on the Company's operating results.

Uncertainty in the Estimation of Mineral Resources

There is a degree of uncertainty to the calculation of mineral resources and corresponding grades being mined or dedicated to future production. Until mineral resources are actually mined and processed, the quantity of mineral resources and corresponding grades must be considered as estimates only. In addition, the quantity of mineral resources may vary depending on, among other things, metal prices. Any material change in quantity of mineral resources, grade or stripping ratio may affect the economic viability of the Schefferville Projects. In addition, there can be no assurance that iron ore recoveries in small scale laboratory tests will be duplicated in larger scale tests under on-site conditions or during production. Fluctuation in iron ore prices, results of drilling, metallurgical testing and production and the evaluation of mine plans subsequent to the date of any estimate may require revisions of such estimates. 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. Mineral resources, unlike mineral reserves, do not have demonstrated economic viability.

Uncertainty Relating to Inferred Mineral Resources

Due to the uncertainty which may attach to inferred mineral resources, there is no assurance that inferred mineral resources will be upgraded to measured and indicated resources as a result of continued exploration, or that measured and indicated resources will be converted into proven and probable mineral reserves.

Need for Additional Mineral Reserves and Mineral Resources

Because mines have limited lives, the Company will be required to continually replace and expand its mineral resources as its mines produce iron ore. The life-of-mine estimates may not be correct. The Company's ability to maintain or increase production of iron ore in the future will be dependent in significant part on its ability to bring new mines into production and to expand mineral resources. The Company does not report any mineral reserves.

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 sea port 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.

In January 2016, as part of the Cliffs' CCAA proceedings, the Court approved the sale of Cliffs' port assets at the Pointe Noire area of the Port of Sept-Iles to Investissement Quebec, the investment arm of the Government of Quebec, for a purchase price of \$68 million plus the assumption of environmental liabilities. The port assets were subsequently transferred to Société Ferrovaire et Portuaire de Pointe Noire, (a public private partnership). Cliffs' port assets include the Wabush yard, dumper and loader, the Bloom Lake dumper and loader, the Wabush Pellet Plant and the Arnaud Railway which connects that part of the Port to the QNSL railroad of IOC, which in turn connects the Port to Labrador City and, via the TSH railway, to Schefferville.

On July 26, 2016, the Government of Quebec announced the award of a government financial contribution of \$175 million to Tata Steel Minerals Canada to support the achievement at Schefferville of a direct shipping iron ore project (DSO project) which will help Plan Nord succeed by promoting, amongst others, transshipment activities in the Port of Sept-Iles where Tata Steel Minerals Canada is the first mining company to use the rail and port assets of the Pointe Noire area, acquired by Société Ferrovaire et Portuaire de Pointe Noire.

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 same on economically feasible terms could render the Schefferville Projects unviable.

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 include the potential use of the Port's new multi-user deep water dock and/or other facilities in the port of Sept-Iles. Use of such facility would require negotiation of a new agreement with the Port.

Ability to Attract and Retain Qualified Personnel

The operation of the Company is currently largely dependent on the performance of its directors and officers. 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.

The Company is dependent on the services of key executives, including the Chairman and Chief Executive Officer, the Chief Operating Officer, the Chief Financial Officer and the Senior Vice President Operations, some of whom are currently engaged on a part-time basis only. Due to the relatively small size of the Company, the loss of any of these persons or the Company's inability to retain these personnel or attract and retain additional highly skilled or experienced employees would adversely affect its business and future operations.

In common with all other mining operations in Canada and worldwide, the Company is competing for limited available skilled manpower, including professional, technical and trades personnel. The demand for skilled personnel in the Labrador Trough region may increase the Company's costs of operating which could have a material adverse effect on the Company's results of operations and financial condition.

Recruiting and retaining qualified personnel is critical to the Company's business. The number of persons skilled in the acquisition, exploration and development of mining properties is limited and competition for such persons is often

intense. Upon resumption of mining operations, 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 for future operations, 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.

Government Regulation and Permitting

The current or future operations of the Company, including development activities and commencement of production on its properties, 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. 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 Closure and Rehabilitation Plan for the Houston 1 and Houston 2 deposits has been approved to allow for initial development. 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.

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.

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 Takuaiakan mak Mani-Utenam, near Sept-Iles, assert aboriginal rights to traditional lands which include parts of Quebec and Labrador. Members of the Innu Uashat Takuaiakan 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 Takuaiakan 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 hydroelectric 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 the Company, “to ensure protection of their rights”. This barricade was removed by the Innu in early September 2010.

The Company entered into Impact Benefit Agreements or Economic Development Agreements (collectively, “IBAs”) with the Innu Nation of Labrador (July, 2008), the Naskapi Nation of Kawawachikamach (September, 2010), the Innu of Matimekush-Lac John (Schefferville) (June, 2011), and the Innu Takuaiakan Uashat Mak Mani-Utenam (Sept-Iles) (February, 2012) with respect to the development and operation of the Schefferville Projects. The Company also entered into an Economic Partnership Agreement (December, 2012) with the NunatuKavut Community Council, representing the Southern Inuit of Labrador.

Under the IBAs and the Economic Partnership Agreement, the Company agreed to use its efforts to provide employment and training opportunities for members of these communities and business opportunities for local aboriginal-owned and operated businesses. The Company also agreed to provide these aboriginal groups with a financial participation in the Schefferville Projects based, in part, on iron ore production. The Company further agreed to take certain social and environmental protection measures to mitigate the impact of the Schefferville Projects on local communities. Through the IBAs and Economic Partnership Agreement, the First Nations groups have consented to the Company’s projects and have agreed to provide the Company continuing and unobstructed access to, and equitable enjoyment of, the iron ore projects and its properties. The Naskapi Nation of Kawawachikamach submitted a claim under its Economic Development Agreement against LIM as part of the CCAA process, which claim was rejected and remains contested, and is being dealt with pursuant to dispute resolution provisions of the Plan to be resolved by the Court.

The Company has suspended its impact benefit agreements, and the ongoing financial commitments under such agreements, with various First Nations communities in accordance with the terms of such agreements until the Company’s mining operations resume. There can be no assurance that the Company will be successful in maintaining these agreements and its relationships 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.

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. In particular, a carbon tax on the emission of carbon dioxide from the burning of fossil fuels is likely to be implemented at both the provincial and federal level in the next few years.

The ultimate amount of reclamation to be incurred for the planned mining operations at the Schefferville Projects is uncertain. Although the Company will make 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 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. Surveys have not been carried out on any of the Schefferville Projects in accordance with the laws of Newfoundland and Labrador and Quebec; therefore, their existence and area could be in doubt. Until competing interests in the mineral lands have been determined, 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.

Factors Beyond Company's Control

The exploration and development of mineral properties and the marketability of any minerals contained in such properties will be affected by numerous factors beyond the control of the Company. These factors include government regulation, high levels of volatility in market prices, availability of markets, availability of adequate transportation and processing facilities and the imposition of new or amendments to existing taxes and royalties. The effect of these factors cannot be accurately predicted.

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, 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 will purchase 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. 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.

Foreign Currency Exchange

Exchange rate fluctuations may affect the costs that the Company incurs in its operations. The Company's equity financing activities and operating costs have been denominated in Canadian dollars, while the Company's advance payment off-take financing activities and iron ore sales have been denominated in U.S. dollars. The appreciation of the U.S. dollar against the Canadian dollar, may have a significant impact on the Company's financial position and results of operations in the future.

Conflicts of Interest

Certain of the directors and officers of the Company also serve as directors and/or officers of, or have significant shareholdings in, other companies involved in natural resource exploration and development and consequently there exists the possibility for such directors and officers to be in a position of conflict. Any decision made by any of such directors and officers involving the Company will be made in accordance with their duties and obligations to deal fairly and in good faith with a view to the best interests of the Company and its shareholders. In addition, each of the directors is required to declare and refrain from voting on any matter in which such directors may have a conflict of

interest in accordance with the procedures set forth in the *Business Corporations Act* (Ontario) and other applicable laws.

To the extent that such other companies may participate in ventures in which the Company may participate, the directors of the Company may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. In the event that such a conflict of interest arises at a meeting of the Company's directors, a director who has such a conflict will abstain from voting for the approval of such participation or such terms.

From time to time several companies may collectively participate in the acquisition, exploration and development of natural resource properties thereby allowing for their participation in larger programs, permitting involvement in a greater number of programs and reducing financial exposure in respect of any one program. It may also occur that a particular company will assign all or a portion of its interest in a particular program to another of these companies due to the financial position of the company making the assignment.

Under the laws of the Province of Ontario, the directors of the Company are required to act honestly, in good faith and in the best interests of the Company. In determining if the Company will participate in a particular program and the interest therein to be acquired by it, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at that time.

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 quarter and six months ended September 30, 2017, the audited consolidated financial statements and MD&A for the year ended March 31, 2017 and the Annual Information Form for the year ended March 31, 2014.

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.