LABRADOR IRON MINES HOLDINGS LIMITED

**MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2011**

Dated: June 29, 2011

GENERAL

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the audited consolidated financial statements and notes thereto of Labrador Iron Mines Holdings Limited (the "Company") for the year ended March 31, 2011.

The financial information contained in the discussion of results and operations was prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). All amounts in this discussion are expressed in Canadian dollars, unless otherwise identified.

This MD&A contains forward looking statements.

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

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

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

OVERVIEW

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

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

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

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

- Labrador Iron Mines Limited ("LIM") holds three mining leases and 54 mineral rights licences in Newfoundland and Labrador, covering approximately 16,050 hectares in western Newfoundland and Labrador. The James and Redmond Mines and Houston properties are included in this portion. The licences in this portion are subject to a royalty in favour of former holders of 3% (to a maximum of $1.50 per tonne) of the selling price freight on board ("FOB") port of iron ore produced and shipped from such properties; and

- Schefferville Mines Inc. ("SMI") holds interests in 268 mining rights in Quebec, covering approximately 11,035 hectares. SMI also holds 22 mining leases (2,039 Hectares) in 23 parcels totaling approximately 2,036 hectares. All of these rights and licences are subject to a royalty in favour of former holders of $2.00 per tonne of iron ore produced and shipped from these properties.

Overview of the Schefferville Projects

The Schefferville Projects comprise 20 different iron ore deposits, which were part of the IOC direct shipping ore operations conducted from 1954 to 1982 and formed part of the 250 million tonnes of historical reserves and resources previously identified by Iron Ore Company of Canada ("IOC").

The Company has confirmed a total of approximately 39.6 million tonnes of NI 43-101 compliant measured and indicated mineral resources on the Schefferville Projects, of which approximately 23.2 million tonnes are measured mineral resources and approximately 16.4 million tonnes are indicated mineral resources.

Area	**Classification**	**Tonnes (x1000)**	**Fe%**	**P%**	**Mn%**	**SiO_2%**	**Al_2O_3%**
James	Indicated	8,098	57.7	0.03	0.7	14.1	0.5
	Inferred	111	53.6	0.04	0.1	19.9	0.5
Redmond 2B	Indicated	849	59.9	0.12	0.4	5.1	2.1
	Inferred	30	57.3	0.13	0.6	5.9	4.1
Redmond 5	Indicated	2,084	55.0	0.05	1.2	11.0	0.8
	Inferred	78	52.3	0.07	2.0	10.8	1.0
Houston	Measured	18,700	57.7	-	1.0	12.8	-
	Indicated	3,470	55.6	-	1.0	16.5	-
	Inferred	690	54.9	-	0.8	18.2	-
Denault	Measured	4,456	55.1	0.08	2.4	7.5	1.1
	Indicated	1,928	54.2	0.07	2.3	9.0	1.0
	Inferred	369	53.9	0.07	2.7	9.4	0.9
Total	**Measured**	**23,156**	**57.2**	**0.06**	**1.3**	**11.8**	**0.9**
	Indicated	**16,429**	**56.6**	**0.05**	**1.0**	**13.1**	**0.7**
	Measured+Indicated	**39,585**	**57.0**	**0.06**	**1.2**	**12.3**	**0.8**
	Inferred	**1,278**	**54.4**	**0.06**	**1.4**	**15.1**	**0.8**

Certain Technical information in this MD&A is summarized or extracted from the Technical Report dated April 15, 2011 and entitled "Technical Report Silver Yards Direct Shipping Iron Ore Projects in Western Labrador Province of Newfoundland and Labrador and North Eastern Québec Province of Québec Canada" by Justin Taylor, P.Eng., DRA Americas Inc., and Maxime Dupéré, P.Geo., SGS Canada Inc. and filed on SEDAR April 19, 2011 and the Technical Report dated March 25, 2011 and entitled "Technical Report Mineral Resource Estimation of the Houston Property Mineral Deposit for Labrador Iron Mines Limited" by Maxime Dupéré, P.Geo., SGS Canada Inc. and filed on SEDAR March 25, 2011. Messrs. Taylor and Dupéré, the individuals responsible for the Silver Yards Report and Mr. Dupéré, the individual responsible for the Houston Report, are each a "qualified person" as such term is defined in National Instrument 43-101 – Standards of Disclosure for Mineral Projects ("NI 43-101").

In addition, the Company controls other deposits with an estimated combined historical resource of approximately 125 million tonnes. These historical resources were not part of IOC's producing properties. These historical resources estimates are based on work completed and estimates prepared by IOC prior to 1983, they are not current and were not prepared in accordance with National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* ("NI 43-101"). The IOC classification reported all resources (measured, indicated and inferred) within the total mineral resource. A qualified person has not done sufficient work to classify the historical estimates as current mineral reserves. These historical results provide an indication of the potential of the properties and are relevant to ongoing exploration. However, the historical estimates should not be relied upon.

The Company's plans for the Schefferville Projects envision the development and mining of the deposits in stages. A feasibility study has not been conducted on any of the Schefferville Projects. Stage 1, which will itself be undertaken in phases, comprises the deposits closest to existing infrastructure located at Silver Yards in an area identified as the Central Zone. The first phase of Stage 1 involves mining of the James and Redmond deposits in Labrador; the second phase of Stage 1 will involve the sequential development, subject to permitting, of the Ruth Lake, Gill and Knob Lake deposits (Historical) in Labrador; and the third phase of Stage 1 will involve the Denault resource, and the Star Creek, Lance Ridge, Squaw Woolett 1 and Fleming 9 deposits (Historical) in Quebec.

It is intended that during the mining of the Stage 1 deposits, planning will be undertaken for the future operation of the other deposits in subsequent stages as follows:

- Stage 2 comprising the evaluation of the Houston deposits as a stand-alone operation as a consequence of the significantly increased mineral resource estimate resulting from the 2010 exploration drilling at the Houston 1, 2 and 3 deposits, situated 15 km southeast of the James deposit at Silver Yards and approximately 20 km from Schefferville (South Central Zone). The Houston deposits are now considered of sufficient tonnage to merit this evaluation;

- Stage 3 comprising the Howse (Labrador) and Barney (Quebec) deposits (Historical) located about 25 km northwest of Schefferville (North Central Zone) and relatively close to existing infrastructure;

- Stage 4 comprising the Astray and Sawyer deposits (Historical) in Labrador, located approximately 50 km to 65 km southeast of Schefferville (South Zone) and presently accessible by float plane or by helicopter; and

- Stage 5 comprising the Kivivic deposit (Historical) in Labrador and the Eclipse Partington and Trough deposits (Historical) in Quebec located between 40 km to 70 km northwest of Schefferville (North Zone). However, there is currently insufficient detailed information available on these deposits to make any long-term estimate of future production schedules. Substantial additional exploration, infrastructure and road access will be required for the development of this stage.

The deposits with historical resources have an estimated combined historical resource of approximately 125 million tonnes 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. The historical resources were prepared according to the standards used by IOC prior to 1983 and, while still considered relevant, were 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 resources are not current and are not compliant with the categories set out in NI 43-101. The Company plans to bring the historical resources, on these other deposits, into NI 43-101 compliant status sequentially in line with their intended phases of production. The historical estimate should not be relied upon. Further exploration programs have been recommended for all the remaining deposits in Stages 1 to 5 to convert historic resources to current compliant mineral resources estimates.

Mineral resources that are not mineral reserves do not have demonstrated economic viability and dilution factors and recovery rates and allowances for losses have not been applied. There is no certainty that mineral resources will be converted into mineral reserves. Inferred mineral resources are considered too speculative geologically to have economic considerations applied to them that would enable them to be categorized as mineral reserves.

Operations

Mining

Preliminary mining operations at the James Mine commenced in April 2011. All of the James North pit area has been stripped of overburden and cleared and has exposed over 400 metres of ore along strike. Over 1,100 grade control holes have been completed and assayed to date towards detailed information for mining grade control. Development of the first mining bench in the north end of the James pit has exposed a mining face in the higher grade blue ore, which is the first ore being mined, and a significant tonnage of this material will be directly shipped without further processing. The waste rock has proven to be largely free digging and mine development is currently ahead of schedule

Ore mining operations commenced in June 2011. Approximately 120,000 tonnes of iron ore have been stockpiled to date. Ore mining will continue for the season until November at a mining rate of approximately 15,000 tonnes of ore per day, using conventional open-pit mining methods and, where necessary employing standard drilling and blasting practices. Overburden and waste mining and some ore mining will continue through the winter period. Ore mined will be classed into three products for direct shipping, plant feed, and stockpiling for treatment in 2012.

The first James mine settling pond has been constructed to enable pit dewatering. A number of additional dewatering wells are being drilled, to supplement the wells drilled in 2009, with pump and piping installation and dewatering of the James mine currently underway. Site clearing and grubbing at the James South pit was completed during the winter months and the ore body is now exposed.

The ore haul road from the James mine to the Silver Yards processing site has been completed. The various ore and waste rock stockpile areas have been prepared, as have the temporary and permanent ore storage pads. Ore mined from the initial development, together with the stockpiles of ore from previous bulk sampling programs have been delivered to the plant area ahead of the primary crusher ready for processing. Some higher grade blue ore will be designated as direct shipping ore and will not be put through the beneficiation plant.

Silver Yards Plant

The beneficiation area, where Stage 1 ore will be crushed, washed and screened, is situated within an area called the Silver Yards approximately 1 km northeast of the James mine.

The first phase of the Silver Yards plant has been constructed and commissioned including the primary and secondary crushers, screens, scrubbers, stackers and conveyers. Overall the commissioning process was trouble free and took no longer than planned. The plant is now operating largely to specification though a number of small teething problems are being fixed as they occur. Residual material from the plant is being pumped to the old Ruth Pit where it is being disposed of under water in accordance with the development plan and various operating permits.

The Silver Yards plant has a planned initial processing rate of 6,000 tonnes per day, increasing to 10,000 tonnes per day. It is expected that the plant will continue to operate through to November. In future years the planned annual seasonal processing schedule will cover a period of seven to eight months, or approximately 210 to 240 days per year, from April to November or December, depending on weather conditions.

The ore which contains higher levels of silica will not be processed in the first year of operations but will be stockpiled for treatment later when the plant is expanded with the addition of a third processing line.

The first ore train, loaded with direct shipping ore, departed Silver Yards for Sept-Iles on June 29, 2011. This train represents the first commercial iron ore train movement from the Schefferville area in almost 30 years.

Plant Upgrade and Expansion

The Silver Yards plant as initially built has the equipment to crush, wash and screen to recover about 65% of the contained iron. The Company is currently installing a fines recovery system and this is expected to become operational during August 2011. This will include installation of a hydrosizer and pan filter. The installation of this system is expected to increase overall recoveries to about 75% and increase the plant output by approximately 13%.

The Company plans to install additional processing equipment in the Silver Yards plant to beneficiate the lower grade and the ultra-fine ore and to increase products grades. This would include installation of an additional circuit to further process the overflow of the hydrosizer and the underflow of the secondary de-sliming cyclone. Installation of this additional equipment would improve the grade of the lump and coarse sinter feed products, while at the same time improving recoveries to about 80% while increasing the capacity of the plant by approximately 6%. If confirmed, the installation of this additional equipment could commence in the fall of 2011 to be ready for commissioning in the spring of 2012.

In addition the Company is planning to install a new separate processing line in the Silver Yards plant. Subject to a planned metallurgical test program, this expansion will include equipment to produce sinter feed, sinter fines and pellet feed products. When installed, this line will be used to process the ore with the higher silica grades. This new line is expected to have a recovery of approximately 67% and will increase the total Silver Yards treatment capacity by an additional one million tonnes per year. This new line is expected to be commissioned in the spring of 2012.

Rail Transportation

The 560 km main rail line between Schefferville and Sept-Iles was originally constructed for the shipment of iron ore from the Schefferville area and has been in continuous operation for over fifty years. The 200 km northern section of the railway known as the Menihek Division between Schefferville and Emeril Junction has been owned since 2005 by Tshiuetin Rail Transportation Inc. (“TSH”), which currently operates passenger and light freight service between Schefferville and Sept-Iles twice per week.

On February 21, 2011, the Company signed a memorandum of understanding (“MOU”) with Tshiuetin Rail Transportation Inc. (“TSH”), for the transportation of iron ore over the Menihek Division with an agreed tariff rate for calendar year 2011. The operation is expected to run for approximately 240 days in a typical year, initially with an average of two trains every three days. LIM will provide the locomotives, which will be operated by TSH on the Menihek Division.

Under the MOU, TSH and LIM have agreed to co-operate, and to co-operate with others, on sourcing funding for the needed rehabilitation of the TSH Railway. To expedite the rehabilitation program LIM has made an agreed $3.5 million contribution, with expenditures to be approved and managed by a Partners Committee comprised of two representatives of TSH and two representatives of LIM. Pursuant to this MOU, LIM also advanced a $750,000 capacity reservation deposit to TSH.

It is contemplated that a definitive agreement with TSH will be concluded which will address calendar 2012 and subsequent years which may include additional contributions by LIM towards the cost of the TSH rehabilitation program. There can be no assurance, however, that an agreement on acceptable terms will be concluded.

At Emeril Junction, the Menihek Division connects to the Quebec North Shore and Labrador Railway ("QNS&L"), a wholly-owned subsidiary of IOC, which continues the remaining approximately 360 km to Sept-Iles. On March 10, 2011, LIM entered into a life of mine, confidential rail transportation contract with QNS&L for the transportation of LIM's products from the end of the Menihek Division to Sept-Iles. This contract provides for a confidential tariff, with various capacity and volume commitments on the part of each party. Payments totaling $25 million ($5 million already paid, $5 million in October 2011, and a final $15 million in June 2012) have been committed by LIM to secure the locomotive equipment and infrastructure capacity to meet anticipated increases in production and shipment volumes under this contract. These advances will be repaid by means of a special credit of $3.50 per tonne hauled, commencing July 2012. LIM is committed to minimum volume tonnages at an average cost of approximately $2 million per month over the anticipated eight month annual operating seasons.

LIM has signed a rail services agreement with Western Labrador Rail Services ("WLRS"), a wholly owned subsidiary of Genesee & Wyoming Inc. WLRS will provide, operate and maintain up to five SD 40-3 locomotives which will be used to haul LIM's iron ore from Silver Yards, over the TSH Railway, to Emeril Junction. The first three SD 40-3 locomotives have arrived and have been positioned at Silver Yards. WLRS will also operate the LIM's yard and rail spur which connects LIM's Silver Yards processing facility to the main Schefferville to Emeril Junction rail line.

LIM has purchased a fleet of 400 previously used railcars of which the first consignment of 132 rail cars has been delivered to Sept-Iles where modifications are being carried out. Modifications are now complete on more than half of the first consignment. This process has taken longer than anticipated due to the modifications required to meet local operating conditions. A further 128 cars are being shipped to Sept-Iles and the first fleet of 260 cars is expected to be modified and progressively delivered to Silver Yards by August.

The first ore train, loaded with direct shipping ore, departed Silver Yards for Sept-Iles on June 29, 2011. This train represents the first commercial iron ore train movement from the Schefferville area in almost 30 years.

Port

LIM has signed a MOU with the Sept-Iles Port Authority for the use of the Pointe aux Basques terminal for handling and ship loading of LIM's iron ore for the 2011 season and potentially beyond. LIM has also signed an agreement with a port terminal operator for the unloading, stacking and ship loading of iron ore at Pointe aux Basques. LIM will have exclusive use of the Pointe aux Basques terminal for iron ore shipments.

Use of the Pointe aux Basques facilities will require train shunting and unloading in the adjacent rail yard and loading the iron ore onto barges or lakers and transhipping to larger vessels within the deeper waters of the bay or to another port. The port handling arrangements are currently being finalized. Some work is still on-going to complete infrastructure facilities at the port. Iron ore will continue to be delivered to the port by train in increasing volumes, and inventory stockpiles will be built to sufficient size to enable efficient shipping of this ore to the ultimate customers. It is expected that the first shipment of iron ore will be loaded at the Port of Sept Iles in early to mid-August.

Houston Deposits

As a result of the significantly increased mineral resource estimate resulting from the 2010 exploration drilling at the Houston 1, 2 and 3 deposits, situated 15 km southeast of the James deposit at Silver Yards and about 20 km from Schefferville, Québec, the Houston deposits are now considered of sufficient tonnage to merit evaluation as a stand-alone operation.

The Company has confirmed a NI 43-101 compliant total measured and indicated mineral resource of approximately 22.2 million tonnes on the Houston deposit with an average grade of 58.3% iron and 0.9% manganese, consisting of approximately 18.7 million tonnes of measured mineral resource grading 57.7% iron and 1.0% manganese and approximately 3.5 million tonnes of indicated mineral resource grading 55.6% iron and 1.0% manganese.

The Company intends to evaluate the development of a new separate Stage 2 operation for the Houston deposit (and possibly the Malcolm deposit), which may include a dedicated processing plant which, subject to environmental assessment, permitting and detailed engineering, could be brought into production commencing in 2013 at an eventual rate of 2 to 3 million tonnes per year. This would be in addition to the existing processing plant at Silver Yards which, with planned enhancements and additions, will have a similar design capacity.

Further exploration on the Houston property, especially to the south of Houston 3 (20 holes totalling 2,000 metres), to fully evaluate the additional resource will be undertaken in the summer of 2011. This will include some additional infill drilling to evaluate the deeper, down dip, potential of the Houston 1 deposit (eight holes totalling 800 metres) and the Houston 2 deposit (eight holes totalling 800 metres), as well as some further drilling between the Houston 2 and 3 deposits and to the north of the Houston 1 deposit. In addition, programs of environmental data collection, metallurgical testing, road route evaluation and detailed metallurgical, engineering and design studies will be undertaken at Houston.

2011 Exploration Program

The Company has commenced its largest ever exploration program on its Schefferville Area Projects, almost exclusively aimed at confirming and potentially extending the resources previously identified by the Iron Ore Company of Canada. A total of 17,500 metres of drilling is planned for the 2011 season, using four drill rigs, and a further 4,000 metres of exploration trenching will be carried out.

The principal targets will be deposits that will comprise Stage 1 subsequent to James and Redmond, and to further work on the Stage 2 deposits at Houston. The deposits to be explored will be Knob Lake, Ruth Lake 8, Gill, Star Creek and Denault for Stage 1, and Houston 1, 2 and 3 plus Malcolm for Stage 2. Some additional definition drilling will be also carried out on the James and Redmond deposits

It is planned to carry out further airborne geophysical surveys to continue to identify extensions to current deposits as well as potential new targets. In addition it is planned to carry out some field exploration of a number of the more distant deposits in Quebec. This work will be used in planning further exploration in the following season.

Political / First Nations

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

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

In December 2010, the Company signed an Agreement in Principle ("AIP") with the Innu Takuaikan Uashat Mak Mani–Utenam (Sept-Iles), which stipulates the principal terms to be included in an IBA. Negotiations with the Innu Takuaikan Uashat Mak Mani–Utenam Quebec towards the completion of an IBA have been concluded, and it is expected that the agreement will be submitted to the community of Takuaikan Uashat Mak Mani–Utenam for ratification later in the year.

Marketing

Marketing discussions have continued with potential customers, both in Europe and in Asia. Chinese consumers, in particular, are showing an increasing interest in seeking iron ore from Canada, driven by continued strong demand and a desire to diversify from their traditional sources of supply. Canadian iron ore is generally regarded favorably on world markets with its relatively high iron grades and low levels of deleterious elements.

It is expected that iron ore products produced in 2011 will be sold into the spot market on a "FOB Sept-Iles" basis. The Company continues to review its options for marketing its planned iron ore production and is evaluating the optimum route to achieve these sales, while still maintaining maximum flexibility and independence. In particular the Company has had detailed discussions with a number of internationally recognized commodity traders with specialist knowledge of the iron and steel industry and expects to finalize marketing arrangements with one of these for the sales of its initial 2011 ore production.

The Company has not yet concluded any agreements for the sale of any iron ore.

Iron Ore Price

The viability and profitability of the Company's Schefferville Projects is dependent on the sale price of iron ore.

The world-wide iron-ore market remains positive though spot prices for 62% Fe sinter fines have fallen from highs of around US$190 per tonne (CFR China) during the first quarter of calendar 2011 to around US$170 per tonne in recent weeks. High demand for iron ore in recent years has been driven primarily by China. Current efforts by the Chinese government to slow down some aspects of growth of the Chinese economy, including restricting credit and raising base interest rates, has likely been the reason for some slowing in Chinese purchases and hence the recent reduction in spot prices. These reduced purchases have reportedly resulted in some levels of destocking. There are signs that this destocking is now being reversed which should lead to stronger prices in months to come.

The recent medium term increases in iron ore costs will inevitably lead to continuing increases in steel prices, which under normal circumstances would lead to reduced levels in steel demand in subsequent periods. However the Chinese economy appears likely to shrug off these fundamentals as it continues to grow. Demand for steel and therefore for iron ore appears likely to remain strong, and is likely to continue to grow in the coming years. In the short to medium term, with demand remaining strong, prices are forecast to only retract marginally. In the longer term as major new production capacity comes on line in Brazil and Australia, the balance between supply and the continuing increasing demand is likely to remain close.

The extent to which demand continues to exceed supply will be influenced by new and increased growth from other markets, including south-east Asia, and renewed growth in Europe led by Germany, and particularly by the level at which new iron ore supply from West Africa may emerge. There are now signs that some of this new African production will take longer to come on stream than previously forecast thereby extending the period during which demand is expected to equal or exceed supply.

The latest consensus of current forecasts indicate that iron ore supply and demand will remain generally in balance until around 2015 to 2016, with prices only dropping 10-15% in that period, possibly followed by a supply surplus, with prices declining somewhat thereafter. The Company is of the opinion that iron ore prices will remain strong around current levels for both calendar 2011 and calendar 2012.

Qualified Persons

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

SELECTED ANNUAL FINANCIAL DATA

($000's except for per share data)

	March 31, 2009	March 31, 2010	March 31, 2011
(Loss) before income taxes	(1,136)	(2,748)	(4,804)
Net income (loss)	(352)	1,165	(3,971)
Net income (loss) per share	(0.01)	0.03	(0.09)
Cash and cash equivalents	35,202	48,299	7,564
Total assets	177,686	210,034	225,155
Total long-term liabilities	35,695	34,424	50,719
Cash dividends declared per share	-	-	-

RESULTS OF OPERATIONS

For the year ended March 31, 2011 the Company reported a loss of $3,971,651, or $0.09 per share, compared to net income of $1,164,772, or $0.03 per share, during the prior year.

The variance in the results of operations between fiscal 2011 and the prior year relates mainly to changes in corporate and administration expenses, stock based compensation and future income taxes. The Company's corporate and administrative expenses were in aggregate $1,171,483 higher in fiscal 2011 compared to the prior year, reflecting a significant increase in the activities of the Company during fiscal 2011, including a higher employee head count, higher travel costs, higher insurance costs and higher information technology costs.

Stock-based compensation of $1,106,764 in fiscal 2011, compared to $85,973 in the prior year, reflecting the granting of stock options during 2011.

The Company recorded a future income tax recovery of $832,407 in fiscal 2011 compared to a future income tax recovery of $3,912,647 in the prior year. The future income tax recovery in fiscal 2011 relates to the Company's tax rate applied to its loss for tax purposes.

During fiscal 2011 the Company invested $12,192,150 in its mineral property interests, compared to $7,403,537 invested during the prior year. In both years the Company invested substantially in its mineral property interests in the development of its iron ore projects.

During fiscal 2011 the Company also invested $14,869,430 in property, plant and equipment, compared to $7,037,601 invested in the prior year. The substantial investment in property, plant and equipment during fiscal 2011 related mainly to the Company's construction of the processing plant, accommodation camp and rail spur line in Silver Yards during the year.

Financings

In December 2007 the Company completed its IPO, raising gross proceeds of $52,775,800. The following table shows how the proceeds from the Company's IPO in December 2007 were spent up to March 31, 2010 and March 31, 2011, compared to the anticipated use of proceeds set out in the IPO prospectus (the "IPO Prospectus").

	As disclosed in the IPO Prospectus	Cumulative Actual up to	
		March 31, 2010	March 31, 2011
	$	$	$
Gross Proceeds	52,775,800	52,775,800	52,775,800
Commission	(3,430,427)	(3,430,427)	(3,430,427)
Expenses of the IPO	(750,000)	(1,200,000)	(1,200,000)
Net Proceeds	48,595,373	48,145,373	48,145,373
Use of Net Proceeds			
Work programs	5,500,000	10,588,000	11,750,000
Feasibility studies	2,200,000	2,680,000	2,680,000
Environmental	1,200,000	2,889,000	3,363,000
Marketing and other studies	2,100,000	1,629,000	1,629,000
General and administrative expenses	1,850,000	4,787,000	6,510,000
Reserve for infrastructure upgrades and capital expenditures	12,000,000	3,922,000	-
Infrastructure upgrades and capital expenditures - actual	-	8,078,000	22,213,373
Unallocated working capital	23,745,373	13,572,373	-
Total	**48,595,373**	**48,145,373**	**48,145,373**

The Company expended more on most line items than contemplated in the IPO Prospectus, including environmental and other studies where more work was required by regulators than originally anticipated, including the preparation of an Environmental Impact Statement and a revision thereto, and which extended for a longer period of time than anticipated. More exploration drilling, trenching and sampling was carried out on the Stage 1 deposits, part of which was used in mine planning, and less on the Stage 2 and Stage 3 deposits.

The cumulative additional expenditures on work programs enabled the completion of major drilling and trenching programs which led to the preparation of new resource estimates in compliance with NI 43-101, the undertaking of major environment and permitting studies which led to the completion of the provincial environment assessment process, extensive community consultation and negotiations which led to the signing of three IBAs and an AIP with affected First Nations, metallurgical testing and marketing studies, mine planning and infrastructure design, plant and camp procurement and construction and mine development.

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

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

The amount required as an environmental reclamation bond (satisfied by letters of credit), was higher than anticipated at the time of the 2010 Prospectus. Otherwise, the Company's expenditures from the proceeds of the 2010 Prospectus have to date been relatively consistent with the amounts anticipated in the 2010 Prospectus.

Subsequent to March 31, 2011 the Company completed an additional equity financing by way of a short form prospectus (the "2011 Prospectus"), raising gross proceeds of $121,250,500 (the "2011 Prospectus Financing"). No meaningful reconciliation of the anticipated use of proceeds in the 2011 Prospectus Financing to the actual use of proceeds is provided as at the date hereof.

SUMMARY OF QUARTERLY RESULTS

($000s, except per share data)

	Quarter ended June 30, 2009	Quarter ended September 30, 2009	Quarter ended December 31, 2009	Quarter ended March 31, 2010	Quarter ended June 30, 2010	Quarter ended September 30, 2010	Quarter ended December 31, 2010	Quarter ended March 31, 2011
Net income (loss)	(287)	(530)	2,356	(375)	(615)	(897)	(995)	(1,465)
Income (loss) per share	(0.01)	(0.02)	0.06	(0.01)	(0.01)	(0.02)	(0.02)	(0.02)
Total assets	177,156	177,060	178,194	210,033	213,093	213,297	217,575	225,155

The loss recorded in the fourth quarter of fiscal 2011 was higher than the loss recorded in the same period of the prior year mainly due to an increase in corporate and administrative expenses, reflecting a significant increase in the activities of the Company, including a higher employee head count, higher travel costs, higher insurance costs and higher information technology costs, but was only slightly larger than the loss recorded in the previous quarter ended December 31, 2010.

The total assets of the Company increased by approximately $15 million from the end of the fourth quarter of the prior year to the end of the fourth quarter of fiscal 2011, mainly due to an increase in mineral property interests of approximately $13 million, an increase in property plant and equipment of approximately $29 million, an increase in restricted cash of approximately $3 million and an increase in long-term prepaid expenses of approximately $9.5 million, offset by a reduction in cash and cash equivalents of approximately $41 million.

LIQUIDITY AND CAPITAL RESOURCES

The Company is in sound financial condition. As at March 31, 2011 the Company had $7,563,670 in cash and cash equivalents, (not including restricted cash), and had no debt. Subsequent to March 31, 2011 the Company completed the 2011 Prospectus Financing, raising gross proceeds of $121,250,500. The Company's cash and cash equivalents are invested in investment grade short-term money market instruments and deposits with a major Canadian bank. Current liabilities, consisting of accounts payable, accrued liabilities and the current portion of the capital lease obligation, were $15,321,680 as at March 31, 2011. The increase in current liabilities compared to the previous year end is a result of the substantial construction and mine development activities undertaken in fiscal 2011 and which were ongoing at year-end.

During fiscal 2011 LIM established letters of credit for $2,940,068 as financial assurance related to reclamation and remediation of the first phase of Stage 1 of its mining operations. LIM has assigned guaranteed investment certificates, included in restricted cash equivalents, to its bank in the aggregate principal amount of its letters of credit as security for the letters of credit.

The carrying value of the Company's mineral property interests as at March 31, 2011 was $163,773,350, compared to $150,883,030 at the beginning of the year. The increase was a result of the addition during the year of $12,890,320 of capitalized exploration and development expenditures. There were no mineral property acquisitions or disposals during the year, although installment payments of $750,000 were paid during the year towards the balance owing from the acquisition of the Company's Quebec properties in 2009.

At March 31, 2011 the Company evaluated the carrying value of its mineral properties. Tests for recoverability were performed to determine if the estimated fair value exceeds the carrying amount of the

Company’s mineral property interests. As at March 31, 2011, management does not consider that there has been any impairment in the value of the Company’s mineral property interests.

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

The Company has had no source of revenue, other than interest income, since inception. The Company has depended on its cash resources raised in its IPO, and in the subsequent 2010 Prospectus Financing and 2011 Prospectus Financing, to fund its exploration, development, project construction, operating and administrative expenses. The Company expects to commence earning revenue from the sale of iron ore in the second quarter of fiscal 2012.

The capital cost required to complete plant construction and mine development after March 31, 2011 is estimated to be approximately $7 million. During calendar 2011 the Company plans to add additional equipment to the Silver Yards plant to improve recoveries at an estimated additional cost of $3 million. The Company also expects to make capital contributions towards completion of its rail and port operations. Later in calendar 2011 the Company will evaluate upgrading the plant to enable the treatment of lower grade ore, which will also increase the capacity of the plant for the 2012 season. The capital investment required for the plant upgrade has not yet been determined but is expected to be in the region of $35 million.

The Company is in the process of preparing a detailed mine plan and operating and capital cost estimates for the development of the Houston deposits. Planned site development and access infrastructure work at Houston during 2011 is budgeted at $5.0 million. The initial capital cost of the Houston mine project for mine site preparation and overburden removal is estimated to be approximately $2 million, with all mine operating equipment supplied by the mining contractor. An additional $3 million is estimated or the cost of the new haul road to Houston. Additional capital expenditures will be required in future years as the other Houston deposits are developed into production. These estimates do not include the capital cost of a new dedicated processing plant.

The Company believes it has sufficient funding to complete construction and commissioning of the first phase of Stage 1 of its direct shipping iron ore mining projects and to commence shipments of iron ore to begin generating operating cash flow.

OFF BALANCE SHEET ARRANGEMENTS

The Company has no off balance sheet arrangements.

OBLIGATIONS AND CONTRACTUAL COMMITMENTS

During fiscal 2010 the Company acquired interests in certain mineral properties located in Quebec for total consideration of $3,000,000. As at March 31, 2011, installments of $1,000,000 remained payable ($500,000 payable on each of June 30, 2011 and December 31, 2011).

Contractual Obligations	Payments Due by Period				
	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Property purchase payments	$1,000,000	$1,000,000	-	-	-
Office lease obligations	$2,808,000	$334,000	$1,002,000	$668,000	$804,000
Mine camp lease obligations	$2,600,000	$600,000	$1,800,000	$200,000	-
Equipment supply and Transportation contracts	$98,000,000	$20,500,000	$61,500,000	$4,600,000	$11,400,000
Total	$104,408,000	$22,434,000	$64,302,000	$5,468,000	$12,204,000

The contractual obligations for equipment supply and transportation contracts relate to the supply of locomotive equipment and capacity reservation advances under agreements with each of Western Labrador Rail Services, Tshiuetin Rail Transportation Inc. and Quebec North Shore and Labrador Railway and committed minimum take or pay volume tonnages.

The Company is obligated to spend $5,054,000 in Canadian exploration expenses (“CEE”) by December 31, 2011 as a result of the issuance of flow-through shares in the 2010 Prospectus Financing, of which $3,905,223 had been expended up to March 31, 2011.

The Company will also be obligated to spend $10,000,500 in CEE by December 31, 2012 as a result of the issuance of flow-through shares in the 2011 Prospectus Financing, none of which has been expended as of the date hereof.

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

FINANCIAL INSTRUMENTS

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

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

As at March 31, 2011 the carrying amounts and fair value of the Company’s financial instruments were considered to be the same, primarily because of the short term nature and liquidity of these instruments. As at March 31, 2011, and as of the date hereof, the Company did not hold any balances in foreign currencies.

The Company has included disclosure concerning some of the risk factors relating to its financial instruments in Note 9 to its consolidated financial statements for the year ended March 31, 2011.

OUTSTANDING SHARE CAPITAL

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

As at March 31, 2011 the Company had 44,189,891 common shares outstanding, 1,739,200 stock options and 145,320 broker warrants outstanding.

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

Security	Number	Weighted average exercise price	Weighted average remaining life (years)
Common shares	53,855,791	N/A	N/A
Stock options	1,633,750	$3.53	2.0
Broker warrants	623,655	$11.07	1.1

Of the stock options currently outstanding, 1,220,000 options are exercisable at a price of $2.00 per share until August 31, 2012, 268,750 options are exercisable at a price of $6.27 per share until September 14, 2015, 12,500 options are exercisable at a price of $7.30 per share until November 9, 2015 and 132,500 options are exercisable at a price of $11.65 per share until February 9, 2016.

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

Of the broker warrants currently outstanding, 145,320 broker warrants, which were issued pursuant to the 2010 Prospectus Financing, are exercisable at a price of $6.36 per share until September 25, 2011, and 478,335 broker warrants, which were issued pursuant to the 2011 Prospectus Financing, are exercisable at a price of $12.50 per share until October 26, 2012.

TRANSACTIONS WITH RELATED PARTIES

During fiscal 2011 the Company recovered $120,060 (2010 - $176,633) in respect of office rent from corporations with common directors and/or officers.

The Company also made payments to companies with common directors and/or officers in the amount of $513,700 (2010 - $489,737) during fiscal 2011, as compensation for management services provided, a portion of which was capitalized to mineral property interests. At March 31, 2011, $305,758 (2010 - $160,000) in management compensation remained payable to these companies.

The Company also incurred legal fees in respect of services provided by an officer in the amount of $69,422 (2010 - $162,800) during fiscal 2011. As at March 31, 2011 $18,920 (2010 - $104,000) in legal fees remained payable to this related party.

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

CRITICAL ACCOUNTING ESTIMATES

Use of estimates

The preparation of the financial statements in conformity with Canadian generally accepted accounting principles 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 fiscal year. Actual results could differ from estimates. During the fiscal years presented, management has made a number of significant estimates and valuation assumptions, including the recoverability of investments in mineral property interests, the fair value of stock options and the valuation of tax accounts. These estimates and valuation assumptions are based on historical experience, present conditions and management's planned course of action, as well as assumptions about future business and economic conditions. The use of different assumptions could result in different estimates. Should future business and economic conditions deteriorate, or the underlying valuation assumptions and estimates change, the recorded amounts could change by a material amount.

Mineral property interests and deferred exploration expenditures

The Company's mineral properties were acquired in exchange for common shares of the Company, and the properties were valued at the fair market value of the common shares, based on the issue price of the common shares in the IPO in 2007. The carrying value of mineral property interests also includes an amount corresponding to a future income tax liability and the fair value of the capitalized stock option compensation awarded to exploration or project personnel.

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

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

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

Stock-based compensation

The Company records compensation cost based on the fair value method of accounting for stock-based compensation. The fair value of stock options is determined using the Black-Scholes option pricing model, and in respect of options vested during fiscal 2011 based on the assumptions set out in Note 7(c) to the consolidated financial statements for the year ended March 31, 2011.

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 for junior resource companies. 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.

Income taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are determined based on differences between the financial statement carrying values and the income tax bases of assets and liabilities, and are measured using the substantively enacted income tax rates and laws that are expected to be in effect when the temporary differences are expected to reverse.

The effect on future income tax assets and liabilities of a change in income tax rates is recognized in the period that includes the date of enactment or substantive enactment of the change. When the future realization of income tax assets does not meet the test of being more likely than not to occur, a valuation allowance in the amount of the potential future benefit is taken and no net tax asset is recognized.

Asset Retirement Obligations (Environmental Estimates)

The Company is required to record a liability for the estimated future costs associated with legal obligations relating to the reclamation and closure of its mineral properties and certain property, plant and equipment. This amount is initially recorded in the period in which it is identified at its discounted present value, with subsequent annual recognition of an accretion amount on the discounted liability. An equivalent amount is recorded as an increase to mineral property interests and is amortized over the useful life of the asset. Various assumptions are used in determining the liability, including the terms and conditions of any permit, current mine plans and future retirement costs. These estimates require judgments as to the nature, cost and timing of the work to be completed and may change with changes to costs, environmental laws and remediation requirements and practices.

During fiscal 2011 the Company established an asset retirement obligation relating to its mining operations. The total undiscounted amount estimated to be required to settle the Company's reclamation and remediation obligations related to this portion of its mining operations at the end of its mine life is $2,940,068. The present value of this estimated amount has been calculated at $1,892,943 as at March 31, 2011.

In determining the present value of the asset retirement obligation, the Company has assumed a long-term inflation rate of 2%, a credit-adjusted discount rate of 11% and a mine life of up to twenty years. Elements of uncertainty in estimating this amount include changes in the projected life of mining operations, reclamation expenditures incurred during ongoing operations and reclamation and remediation requirements and alternatives.

NEW ACCOUNTING STANDARDS

International Financial Reporting Standards ("IFRS")

In February 2008, the CICA Accounting Standards Board confirmed that publicly accountable enterprises would be required to apply, and report in accordance with IFRS, in full and without modification, effective in fiscal years beginning on or after January 1, 2011. The Company's transition date of April 1, 2010 will require the preparation of the Company's financial statements for the year ending March 31, 2012 under IFRS and the conversion, for comparative purposes, of the Company's previously reported balance sheet as at March 31, 2010 (i.e. operating balance sheet as at April 1, 2010), and our interim and consolidated statements of operations, comprehensive loss and deficit and cash flows for the year ended March 31, 2011 from Canadian GAAP to an IFRS basis.

The Company's transition to IFRS consists of three phases: (i) an initial diagnostic phase; (ii) an impact analysis, evaluation and solution development phase; and (iii) an implementation and review phase. The Company is in the third phase of the transition project.

Key Activities	Timing	Current Status
Financial Statement Preparation • Analyze and select ongoing policies where alternatives are permitted including IFRS 1 exemptions • Quantify key differences between IFRS and the Company's application of Canadian GAAP • Prepare IFRS consolidated financial statements including first-time adoption reconciliations	• Quantification of impact of key differences on opening balance sheet by Q1 2012 reporting deadline • Draft financial statements to be prepared for senior management approval in Q1 2012 reporting deadline • Review of the draft financial statements and key accounting policy decisions in Q Q1 2012 reporting deadline	• Finalization of key accounting differences completed in fiscal 2010 • Finalization of accounting policy changes and IFRS 1 elections completed in Q4 fiscal 2011 • Quantification of preliminary balance sheet completed in Q4 fiscal 2011 • Quantification of key differences in fiscal year 2011 completed, subject to review
Training • Provide technical training to key finance and accounting personnel	• Ongoing training of key personnel as needed	• Specific training courses attended in fiscal 2011 by key personnel involved in IFRS conversion process
Business Activities • The Company has limited business activities at the time	• Upon commencement of mining operations, the Company will adopt accounting policies that comply with IFRS and reflect the nature of operations	• The Company will continue to monitor its business activities to determine whether there are changes that will require review under the IFRS conversion process
Financial Information Systems • Identify changes required to financial information systems and implement solutions • Determine and implement solution for capturing financial information under Canadian GAAP and IFRS (for comparative purposes)	• Changes to the financial information systems to be identified and implemented by end of Q4 2011 • Solution for capturing financial information under Canadian GAAP and IFRS completed in Q1 2011	• A review of the Company's information systems determined that no significant adjustments were required
Control Environment • Maintain effective Disclosure Controls & Procedures ("DC&P") and Internal Controls over Financial Reporting ("ICFR") throughout the IFRS conversion project	• Assessment of DC&P and ICFR will be performed throughout 2010 and 2011 as the accounting policy changes are being documented and finalized	• Amendments to specific processes and controls finalized

Set out below are the key areas where changes in accounting policies are expected to potentially have an impact on the Company's consolidated financial statements. The list and components below should not be regarded as a complete list of changes that will result from the transition to IFRS.

Asset retirement obligations

Under IFRS, constructive obligations must be considered in addition to legal obligations when determining the asset retirement obligation ("ARO"). Canadian GAAP only requires legal obligations to be considered. The Company will be required to identify and continually update the amount of the ARO liability recognized for changes in the discount rate whereas under Canadian GAAP, the existing present value of the estimated liability does not require subsequent adjustment for market interest changes in the discount rates. IFRS requires that an entity review the carrying amount of a non-financial liability at each balance sheet date and adjust to reflect the current amount that the entity would rationally pay to settle the present obligation or to transfer it to a third party on the balance sheet date.

Income taxes

A provision for future income taxes of $48 million, with a corresponding increase in mineral property interests, was recorded for the future income tax effect arising from the temporary differences created by the difference between the attributed purchase price and the underlying income tax value when the mineral property interests were acquired. Under IFRS, this provision is not required and should be removed from mineral property interests. As a result, on transition to IFRS on April 1, 2010, mineral property interests is expected to decrease by $48 million, future income taxes is expected to decrease by $31 million and equity is expected to decrease by $17 million.

In accordance with IFRS interpretations, the premium received on flow-through shares in excess of the market value of the shares on the date of issue represents the value of the liability relating to the transfer of income tax credits forgone and owing to investors upon renunciation. As the Company fulfills its obligations by incurring the eligible expenditures, the premium from the proceeds received is expected to be recorded in operations and the related deferred tax liability and expense are expected to be recognized.

Impairment of Non-Financial Assets

Under IFRS, an entity must assess at each reporting date whether there is any indication that an asset might be impaired. If any such indication exists, the entity must estimate the recoverable amount of the asset, which is defined as the higher of an asset's or cash generating units ("CGU") fair value, less costs to sell, and its value in use. Value in use is the present value of the discounted future cash flows expected to be derived from an asset or CGU. An impairment loss must be recorded if the carrying value of the asset or CGU is less than the recoverable amount of the asset or CGU. The first step in recognition of an impairment loss under Canadian GAAP is based on undiscounted cash flows, which does not exist under IFRS. Therefore an impairment loss could be recognized under IFRS earlier than under Canadian GAAP. IFRS permits the reversal of previous impairment losses.

Share-based compensation

The Company recognizes share-based compensation as a single pool with a fair value based on a specified vesting period. Under IFRS, the Company will treat each installment as a separate arrangement with its own distinct fair value measurement. Compensation cost for each tranche will be recognized over its own distinct vesting period under IFRS.

While there is convergence between IFRS and Canadian GAAP in that share-based payments are recognized as an expense, there are a number of measurement differences. Under Canadian GAAP, the Company records forfeitures on unvested stock options as they occur. Unlike Canadian GAAP, IFRS requires that the rate of forfeiture be estimated every reporting period and an adjustment be made to stock based compensation expense. Canadian GAAP also allows the vesting of employee stock options to be recognized to operations on a straight-line basis whereas IFRS requires the use of a graded vesting model.

Property, plant and equipment

Key differences with respect to property, plant and equipment include component accounting which must be more rigorously applied to physical and non-physical components, the mandatory capitalization of interest costs, the disallowance of capitalization of asset retirement obligation accretion expense and requirements for annual review of estimates of useful life, residual value and depreciation method. Depreciation expense commences when an asset is ready for use whereas under Canadian GAAP, depreciation expense commences when an asset is put into use.

RISKS AND UNCERTAINTIES

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

Exploration, Development and Operating Risk

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

No Assurance of Production

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

Substantial expenditures are required to establish reserves through drilling and to develop the mining and processing facilities and infrastructure at any site chosen for mining. Although substantial benefits may be derived from the discovery of a major mineralized deposit, no assurance can be given that minerals will be discovered in sufficient quantities to justify commercial operations or that funds required for development can be obtained on a timely basis. The long-term profitability of the Company's operations will in part be directly related to the costs and success of its exploration and development programs, which may be affected by a number of factors.

Limited Experience with Mining Operations

The Company has limited experience in placing resource properties into production, and its ability to do so will be dependent upon 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.

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.

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

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

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

Environmental Risks and Hazards

The Company’s activities are subject to extensive national, provincial, and local laws and regulations governing environmental protection and employee health and safety. The Company is required to obtain governmental permits and provide bonding requirements under environmental laws. All phases of the Company’s operations are subject to environmental regulation. These regulations mandate, among other things, the maintenance of water quality standards and land reclamation. They also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner, which will require stricter standards and enforcement, increased fines and penalties for non-compliance, and more stringent environmental assessments of proposed projects. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations.

The ultimate amount of reclamation to be incurred for the planned mining operations at the Schefferville Projects is uncertain. Although the Company 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.

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.

Political and Aboriginal / First Nations

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

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

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

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

There can be no assurance that the Company will be successful in reaching any agreement with any First Nations groups who may assert aboriginal rights or may have a claim which affects the Company’s properties or may be impacted by the Schefferville Projects.

Infrastructure

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

Management

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

Ability to Attract and Retain Qualified Personnel

The Company is dependent on the services of key executives, including the Chairman and Chief Executive Officer, the Chief Financial Officer, the President and Chief Operating Officer, and the Executive Vice President and a small number of other skilled, experienced executives and personnel. Due to the relatively small size of the Company, the loss of these persons or the Company’s inability to attract and retain additional highly skilled or experienced employees may adversely affect its business and future operations.

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

Fluctuating Mineral Prices

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

Foreign Currency Exchange

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

INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

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

There were no significant changes to the Company's internal control over financial reporting during the year ended March 31, 2011.

DISCLOSURE CONTROLS AND PROCEDURES

The Company's disclosure controls and procedures are designed to provide reasonable assurances that material information is gathered and reported to senior management, including the CEO and CFO as appropriate, to permit timely decisions regarding public disclosure.

Management, including the CEO and CFO evaluated the effectiveness of the Company's disclosure controls and procedures at March 31, 2011. Based on this evaluation, the CEO and CFO concluded that as of March 31, 2011 the Company's disclosure controls and procedures were effective to provide reasonable assurance that material information required to be disclosed in reports filed or submitted by the Company is recorded, processed, summarized and reported within the appropriate time periods.

It should be noted that while the Company's CEO and CFO believe that the Company's disclosure controls and procedures provide a reasonable level of assurance and that they are effective, they do not expect that the disclosure controls and procedures can prevent all errors or mistakes. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

There were no significant changes to the Company's disclosure controls and procedures during the year ended March 31, 2011.

OUTLOOK

Ore mining operations commenced at the James Mine in June 2011 and will continue until November at a mining rate of approximately 15,000 tonnes of ore per day. The Silver Yards processing plant is now operating satisfactorily, following commissioning and start-up in June 2011, at a planned initial processing rate of 6,000 tonnes per day, which will be incrementally increased to 10,000 tonnes per day. The first ore train was loaded with direct shipping iron ore and departed Silver Yards for the Port of Sept-Iles on June 29, 2011.

The Company has experienced some delays with delivery of its rail cars and in finalizing port and shipping logistics, and this has had the effect of delaying the first shipment and sale of iron ore. The port handling arrangements are currently being finalized. Some work is still on-going to complete infrastructure facilities at the port. Iron ore will continue to be delivered to the port by train in increasing volumes, and inventory stockpiles will be built to sufficient size to enable efficient shipping of this ore to the ultimate customers. It is expected that the first shipment of iron ore will be loaded at the Port of Sept Iles in early to mid-August.

It is estimated that a total of around 2.5 million tonnes of ore will be mined from the James Mine during the current financial year and, subject to weather conditions, that approximately one million tonnes of saleable product will be railed to the Port of Sept-Iles. It is expected that the majority of this product will be sold on a spot basis during this financial year. In addition to these sales it is expected that around a further one million tonnes of both direct shipping and processed ore will be held in inventory at Silver Yards and available for shipping and sale in calendar 2012.

The average life of mine operating costs for the James and Redmond deposits were estimated to be in the range of approximately $50 per tonne. The year 2011 is considered to be a short start-up year and initial unit operating costs for the 2012 fiscal year will be higher than the anticipated average. Total operating cash costs will be dependent on final port and shipping arrangements which have not been completed.

The Company is currently finalising plans for the expansion of the Silver Yards plant that should add about one million tonnes per annum to annual production capacity and, subject to no unexpected construction delays, should come on stream in the first half of 2012.

As a result of the significantly increased mineral resource estimate resulting from the 2010 exploration drilling, the Houston deposits are now considered of sufficient tonnage to merit evaluation as a stand-alone operation. The Company intends to evaluate the development of a new separate Stage 2 operation for the Houston deposit, which may include a dedicated processing plant which, subject to environmental assessment, permitting and detailed engineering, could be brought into production commencing in 2013 at an eventual rate of 2 to 3 million tonnes per year. This would be in addition to the existing processing plant at Silver Yards which, with planned enhancements and additions, will have a similar design capacity.

The Company is in a strong financial position that will allow it to fund its working capital requirements for 2011 production ramp-up and enable it to fund its exploration and expansion plans.

ADDITIONAL INFORMATION

Additional information regarding the Company, including the AIF dated June 29, 2011, is available under the Company's profile on SEDAR at www.sedar.com.

FORWARD LOOKING STATEMENTS

This Management's Discussion and Analysis contains certain forward-looking statements relating to, but not limited to, the Company's expectations, intentions, plans and beliefs. Forward-looking information can often be identified by forward-looking words such as "anticipate", "believe", "expect", "goal", "plan", "intend", "estimate", "may" and "will" or similar words suggesting future outcomes, or other expectations, beliefs, plans, objectives, assumptions, intentions or statements about future events or performance. Forward-looking information may include reserve and resource estimates, estimates of future production, unit costs, costs of capital projects and timing of commencement of operations, and is based on current expectations that involve a number of business risks and uncertainties. Factors that could cause actual results to differ materially from any forward-looking statement include, but are not limited to, failure to establish estimated resources and reserves the grade and recovery of ore which is mined varying from estimates, capital and operating costs varying significantly from estimates, delays in obtaining or failures to obtain required governmental, environmental or other project approvals, delays in the development of projects changes in exchange rates, fluctuations in commodity prices, inflation and other factors. Forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results to differ materially from expected results. There can be no assurance that the Company will be successful in reaching any agreement with any First Nations groups who may assert aboriginal rights or may have a claim which affects the Company's properties or may be impacted by the Schefferville Projects. 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.