LABRADOR IRON MINES HOLDINGS LIMITED

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE QUARTER AND NINE MONTHS ENDED DECEMBER 31, 2013

Dated: February 13, 2014

GENERAL

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the unaudited condensed interim consolidated financial statements and notes thereto of Labrador Iron Mines Holdings Limited ("LIM" or the "Company") for the quarter and nine months ended December 31, 2013.

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

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

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

This MD&A contains forward-looking statements.

INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

The Company's condensed interim consolidated financial statements for the quarters and nine months ended December 31, 2012 and 2013 have been prepared in accordance with IFRS as published by the International Accounting Standards Board.

OVERVIEW

Labrador Iron Mines is engaged in the mining of iron ore and in the exploration and development of direct shipping iron ore projects (the "Schefferville Projects") in the central part of the prolific Labrador Trough region, one of the major iron ore producing regions in the world, situated in the Menihek area in the Province of Newfoundland and Labrador and in the Province of Quebec, centered near the town of Schefferville, Quebec.

LIM is currently the only Canadian iron ore producer listed on the Toronto Stock Exchange, where it trades under the symbol "LIM".

The Schefferville Projects consist of the James Mine, the Redmond Mine and adjacent Stage 1 deposits and Silver Yards processing facility ("Silver Yards"), the Stage 2 Houston property ("Houston"), which includes the Malcolm 1 deposit, the Stage 3 Howse property ("Howse"), now held in a joint venture with Tata Steel Minerals Canada Limited ("TSMC") and, subject to further exploration and development, other iron ore properties in the vicinity of Schefferville. LIM's Schefferville Projects are connected by a direct railway to the Port of Sept-Iles on the Atlantic

Ocean and benefit from established infrastructure, including the town of Schefferville, airport, roads, hydro power and rail service.

LIM's Schefferville Projects comprise 20 different iron ore deposits, which were part of the original Iron Ore Company of Canada ("IOC") direct shipping operations conducted from 1954 to 1982 and formed part of the 250 million tonnes of historical reserves and resources previously identified by IOC. These historical resources estimates are based on work completed and estimates prepared by IOC prior to 1983 and were not prepared in accordance with NI 43-101. The IOC classification reported all resources (measured, indicated and inferred) within the total mineral resource. A Qualified Person has not completed 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. LIM's 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.

LIM commenced production at its James Mine in June 2011 and completed its third season of mining operations in November 2013. From 2011 to the end of 2013, LIM sold 23 cape-size shipments totalling approximately 3.6 million dry tonnes of iron ore into the Chinese spot market. The Company's mine operations are seasonal, from approximately the beginning of April to the end of November each year, with a planned winter shut down from approximately the beginning of December to the end of March each year.

Resources

As at March 31, 2013, LIM had NI 43-101 compliant measured and indicated mineral resources of approximately 59.5 million tonnes at an average grade of 56.7% iron ("Fe") on the Schefferville Projects. In addition, the Company holds previously-mined historical stockpiles with a NI 43-101 compliant, indicated mineral resource of approximately 3.5 million tonnes at an average grade of 49.1% Fe and an inferred resource of approximately 2.9 million tonnes at an average grade of 48.8% Fe. These previously-mined stockpiles are located within 15 kilometres ("km") of Silver Yards and form part of LIM's Stage 1 deposits.

The Company has also announced an initial independent NI 43-101 compliant inferred mineral resource estimate for the Elizabeth Taconite Project (as at June 15, 2013) of 620 million tonnes at an average grade of 31.8% Fe. Taconites require upgrading through a concentrator involving a major capital investment to produce a saleable iron ore product.

The Company also currently holds approximately 108 million tonnes in historical resources. These are all part of the 250 million tonnes of historical resources previously identified by IOC.

A feasibility study has not been conducted on any of the Schefferville Projects and the Company's decision to undertake commercial production has not been based upon a feasibility study of mineral reserves demonstrating economic and technical viability.

OPERATING RESULTS

Summary

The Company's operating results for the quarters and nine month periods ended December 31, 2013 and 2012 are summarized in the table below.

	Quarter Ended December 31, 2013		Quarter Ended December 31, 2012		Nine Months Ended December 31, 2013		Nine Months Ended December 31, 2012	
(all tonnes are dry metric tonnes)	Tonnes	Grade (%Fe)	Tonnes	Grade (%Fe)	Tonnes	Grade (%Fe)	Tonnes	Grade (%Fe)
Total Ore Mined	617,717	53.4%	198,467	59.9%	1,945,708	56.2%	1,828,398	61.3%
Waste Mined	221,980	-	224,548	-	2,022,498	-	3,127,158	-
Ore Processed and Screened	670,091	52.4%	183,635	59.8%	2,469,491	55.0%	954,813	58.2%
Lump Ore Produced	63,597	55.6%	18,082	64.6%	213,598	57.2%	98,693	61.2%
Sinter Fines Produced	374,724	56.8%	149,698	61.4%	1,330,979	59.9%	693,173	61.4%
Total Product Railed	495,472	57.0%	254,136	61.8%	1,546,134	59.2%	1,492,960	62.3%
Tonnes Product Sold	629,016	57.8%	425,472	62.0%	1,606,566	59.3%	1,559,620	62.5%
Port Product Inventory	50,576	56.0%	111,009	60.9%	50,576	56.0%	111,009	60.9%
Site Product Inventory	1,995	55.6%	3,551	58.4%	1,995	55.6%	3,551	58.4%
Site Run-of-Mine Ore inventory	263,361	54.0%	446,975	56.2%	263,361	54.0%	446,975	56.2%

Silver Yards – James Mine

LIM completed its third operating season in December 2013. The quarter was characterized by high volumes of mining, processing, railing and sales prior to the planned seasonal shutdown of the mine. Ore was extracted primarily from the James Mine and the Ferriman stockpiles, with a small portion from the Redmond Mine. Processing activities continued until mid-November and rail haulage continued until the end of November. The tenth and final shipment of the 2013 operating season departed the Port of Sept-Iles in early December.

In the third quarter of the 2013 operating season (the quarter ended December 31, 2013), the Company continued to mine ore at approximately the same monthly rate as in the second quarter, extracting an aggregate of 618,000 tonnes of ore and 222,000 tonnes of waste before the planned seasonal shutdown in November. Approximately 445,000 tonnes of ore was extracted from the James Mine during the quarter, approximately 157,000 tonnes of ore was sourced from the Ferriman stockpiles (located approximately 5 to 7 km north of Silver Yards) and approximately 16,000 tonnes of ore was extracted from the Redmond Mine (located approximately 12 km to the south of Silver Yards). During the same quarter of the previous year, all of the ore had been extracted from the James Mine. In the third quarter of the 2013 operating season, the Company mined more than triple the 198,000 tonnes of ore mined in the same quarter of the previous year, when mining activities had intentionally been curtailed early in the season for market reasons.

The iron grade of ore mined during the 2013 operating season continued to be lower than the iron grade of ore mined in previous operating seasons. Mining activity at James was from deep in the pit and exhibited a lower *in situ* iron grade and contained a greater fines component than experienced in previous operating seasons. The Ferriman plant feed was known to be lower grade, but continued to respond well to wet processing. High clay content in the Redmond material had caused clogging in the wet processing plant during the second quarter, resulting in poor recovery levels.

A total of 670,000 tonnes of plant feed were processed and screened during the third quarter, producing an aggregate of 438,000 tonnes of lump and sinter iron ore product, yielding a product recovery rate of 65%. While this product recovery rate represented an improvement over the 61% product recovery rate achieved in the preceding quarter, it

was still below the combined design plant recovery rate for the wet and dry plants of approximately 75%. The low recovery rate was attributable to a higher than anticipated amount of fines in the James plant feed extracted from deep in the pit, the high clay content of the Redmond plant feed and underperformance of the new WHIMS (wet high intensity magnetic separator).

Railway volumes continued at a strong rate during the third quarter, with four train sets of 164 railcars in operation during October and November. Each 164 railcar train set carries approximately 15,000 tonnes of product per trip. The Company railed a total of approximately 495,000 tonnes of iron ore to the Port of Sept-Iles during October and November in the third quarter, compared to approximately 723,000 tonnes in the second quarter and 328,000 tonnes railed in the first quarter. Rail operations ended as planned in mid-November and the Company did not rail any product during December. The Company did not incur significant take-or-pay volume penalties during the third quarter.

Four shipments of iron ore were sold in the third quarter, compared to four shipments sold in the second quarter and two shipments in the first quarter. In total during the 2013 operating season, its third year of mining operations, the Company achieved its 2013 sales target of 1.7 million wet metric tonnes of iron ore in ten cape-size ocean shipments, the same number of shipments sold during the previous operating season.

Due to the generally lower iron content of the ore extracted during the 2013 operating season and the correspondingly higher silica content of the ore, the iron ore products sold during 2013 experienced higher value-in-use price deductions than the products sold in previous operating seasons. The silica content of the Company's 2013 shipments was generally substantially higher than the benchmark standard and the iron content of some of the shipments was lower than the benchmark levels, resulting in significant silica and iron content deductions. In addition, higher value-in-use deductions related to a higher under-size component in the products were experienced during the quarter.

The Company recognizes revenue net of value-in-use adjustments, marketing discounts, ocean freight and IOC's participation. As a result of the above higher value-in-use price deductions, as well as higher marketing discounts, the weighted average actual realized price (i.e. CFR China spot price less value-in-use adjustments and marketing discounts) of the Company's products decreased from US$107 per tonne in the preceding year's third quarter to US$98 per tonne in the current year's third quarter. This was despite an improvement in the average spot price for 62% Fe iron ore (CFR China basis) from US$122 per tonne to US$135 per tonne in the respective quarters. The average spot price for 58% Fe (CFR China basis) also improved from US$112 per tonne to US$120 per tonne in the respective quarters. In addition, the spot ocean freight costs during the current year's third quarter were significantly higher than the corresponding quarter in the previous year.

Capital and Operating Costs

Under the approved budget for the 2013 operating season, all discretionary capital programs were deferred indefinitely. Only capital projects related to completion of the Phase 3 expansion of the Silver Yards wet plant, connection to grid power and enhancement of the Silver Yards rail siding continued, as completion of these programs was considered essential.

Equipment installation associated with grid power connection at Silver Yards was essentially completed by the end of the summer. The power purchase agreement with Nalcor Energy was signed in November, at which point the system was energized. The power supply for the Silver Yards processing facilities and the Bean Lake mine camp has been substantially converted from diesel fuel to lower cost electric power during the operating season. During the winter period to date, electric power has been available from Nalcor.

Sales of Iron Ore

During the quarter ended December 31, 2013, the Company completed four shipments of iron ore totaling 629,000 dry tonnes (including the sale of a stockpile of 67,000 dry tonnes of ore), which were sold to the Iron Ore Company of Canada ("IOC") at a provisional weighted average actual realized price (i.e. CFR China spot price less marketing discounts and value-in-use adjustments) of approximately US$98 per tonne on a CFR China basis. One shipment was sold as a standard grade (~62% Fe) lump product, one shipment was sold as a split cargo of lower grade (~58% Fe) sinter product and standard grade (~62% Fe) lump product and two shipments were sold as lower grade (~58% Fe) sinter product.

The discount between the Platts 62% Fe iron ore price and the Platts 58% Fe iron ore price widened during the quarter to a differential of about US$18 per tonne, reportedly as a result of large volumes of lower grade iron ore arriving in China. The Company recognized net revenue of $28.4 million during the quarter after netting shipping costs and IOC's participation from the CFR China actual realized price for these shipments.

The actual realized price for a shipment of the Company's iron ore in 2013 was based on the monthly average spot price in China in the month the cargo departs Sept-Iles, adjusted for marketing discounts and value-in-use adjustments based on the cargo's specifications, as determined by final assay at the discharge port.

The spot market in China is tracked daily by such organizations as Platts, which publishes a widely referenced spot price index. The typical markets referenced in connection with sales of the Company's iron ore products is the Platts 62% Fe CFR China Index, or the Platts 58% Fe CFR China Index, which quote the price, delivered to China on a dry tonne basis, of sinter fine iron ore product up to 10 millimetres in size, with a moisture content of 8.0%, a silica content of 4.5%, an alumina content of 2.0%, a phosphorus content of 0.075% and a sulphur content of 0.02%. To the extent a cargo deviates from the standard specifications, or contract specific specifications, in terms of iron content, percentage of specific non-iron elements in the ore, or sizing of the product, a value-in-use adjustment to the prevailing normalized spot price applies. Value-in-use adjustments usually result in the actual realized price for a cargo being at a discount compared to the reported spot price or potentially a premium to the extent that the iron grade is higher than 62.0%.

The Company experienced value-in-use adjustments in the determination of the actual realized price (on a CFR China basis) on its cargos, typically related to the silica content of the iron ore, which has usually been higher than the standard benchmark of 4.5% silica, or excessive fine fractions. The silica content of the Company's shipments in the 2013 operating season has generally been substantially higher than the standard 4.5%. The iron content of the Company's 2013 shipments was also generally lower than standard benchmark levels, resulting in iron content deductions.

In May 2013, the Company signed a two-year iron ore sales agreement with IOC for the 2013 and 2014 operating seasons. Under this sales agreement, IOC pays for the iron ore progressively, as the ore is resold, with the price calculation based on the monthly average of the market index. IOC's payments are subsequently reconciled based on IOC's net actual aggregate resale price, adjusted for product quality specification penalties as determined by final assay at the China discharge port, after ocean freight and IOC's price participation. All sales of iron ore products are subject to final assays and measurements in China (CIQ adjustments), as well as final reconciliations with the ultimate purchasers. This reconciliation process may take several months after the initial sale and could result in changes in net sales revenue realized by the Company. The monthly average pricing mechanism decreases LIM's exposure to the market volatility experienced in previous years.

In May 2013, RBRG Trading (UK) Limited ("RBR") (formerly RB Metalloyd Limited) entered into an iron ore off-take agreement with IOC under which RBR agreed to buy all of the LIM iron ore from IOC during the 2013 and 2014 operating seasons.

In May 2013, LIM entered into a financing agreement with RBR, pursuant to which RBR advanced a pre-payment of US$35 million to LIM, which is being repaid over a period of two years, credited against proceeds of LIM's committed sales of 3,500,000 wet tonnes of iron ore shipments between August 2013 and December 2014. At December 31, 2013, a total of 1,663,000 wet tonnes of iron ore had been delivered under this contract with US$14.4 million credited against the advance payment.

Completion of Joint Venture with Tata Steel Minerals Canada to Develop the Howse Deposit

In September 2013, the Company closed its previously announced joint venture with Tata Steel Minerals Canada Ltd. ("TSMC") for the exploration and development of LIM's Stage 3 Howse Deposit (North Central Zone). The Howse Deposit is located in Labrador about 25 km north of the James Mine and adjacent to TSMC's Timmins Area mines and new processing plant. The Howse Deposit has a historical resource of 28 million tonnes at a grade of 58% Fe (natural basis).

Under the terms of the joint venture agreement, TSMC and LIM have agreed to form an unincorporated joint venture (the "Joint Venture") pursuant to which Howse Minerals Limited ("HML"), a wholly owned subsidiary of TSMC, has acquired an initial 51% participating interest in the Howse Property for a total cash consideration of $30 million.

As part of the Joint Venture, LIM is conducting a $5.0 million exploration program on the Howse Property. The exploration program comprises a targeted 70 holes with up to 8,000 metres of drilling. The objective of the drill program is to convert the historical resources to NI 43-101 compliant mineral resources by mid-2014 and to collect metallurgical, geotechnical, hydrogeological, and hydrology information to complete a feasibility study in the fall of 2014. The resource estimate and feasibility study are designed to support a production decision. The drilling program was suspended during the winter and will resume in the spring in order to maximize the collection of technical data under the current budget. Registration of the Howse Project with the Government of Newfoundland and Labrador is anticipated during the first quarter of 2014.

Following completion of LIM's $5.0 million exploration program and the calculation of a new NI 43-101 resource, HML shall contribute the next $23.5 million to the Joint Venture and thereby increase its participating interest in the Howse Deposit to 70%, following which the Howse Property will be held 70% by TSMC and 30% by LIM, with each party contributing and benefitting pro rata. Commencement of mine development for the Howse Deposit is currently targeted in 2015, with commercial production in 2016.

Originally as part of LIM's planned Stage 3, the Howse Deposit was expected to be developed about 2020. The Joint Venture with TSMC is expected to expedite the start of production by 2016 and should also result in significant cost savings and synergies due to the accessibility of the Howse Deposit to TSMC's year round processing plant.

2013 Exploration Program Update

The Company's 2013 exploration program achieved just over 12,000 m of diamond and reverse circulation drilling, including the drilling conducted at the Howse Project. The 2013 exploration program was carried out largely in the final quarter of 2013, with many assay results still pending as at the date hereof.

The diamond drilling programs focused on the Houston 1 and 2 deposits, the Howse Project, the Gill Mine, Redmond 5, and the Bean Lake deposits. A Reverse Circulation (RC) rig was used to carry some detailed test work on the Ferriman stockpiles, near Silver Yards.

Houston Project

The Houston Project is planned to form the core of LIM's operations for at least the next ten years. The Houston deposits (Stage 2 South Central Zone) are situated in Labrador about 15 km southeast of the Company's James Mine and Silver Yards processing plants and approximately 20 km from Schefferville, Quebec.

An updated independent mineral resource estimate of the Houston deposits, prepared as of March 31, 2013, confirmed the aggregate measured and indicated resource estimate of 31.3 million tonnes at an average grade of 57.5% Fe.

The Company has also identified a measured and indicated mineral resource estimate for its Malcolm 1 deposit of 9.2 million tonnes grading 57.8% Fe, which has more than tripled the previous historical resource estimate. The Malcolm 1 deposit is located approximately 4 km from Houston and is considered to be its northwest extension.

Together, the Houston and Malcolm deposits are estimated to contain 40.6 million tonnes grading 57.6% Fe and currently comprise LIM's planned Stage 2 direct shipping iron ore ("DSO") operations, estimated at a 50% Fe cut-off grade (*"Technical Report Mineral Resource Update of the Houston and Malcolm 1 Property, Labrador West Area, Newfoundland and Labrador and North Eastern Quebec Canada, for Labrador Iron Mines Holdings Limited*" dated effective April 24, 2013 by Maxime Dupéré, P.Geo. of SGS Canada Inc. and Justin Taylor P.Eng. of DRA Americas Inc.) The Houston deposits have an average in-situ grade of ~57% Fe that is expected to be upgradable to a 60% to 62% Fe iron product. In addition, the Houston ore is harder than James and will result in the production of a larger proportion of lump product. The Houston-Malcolm deposits are expected to produce consistent saleable product of about 2.0 million tonnes per year for a 12 to 15 year mine life.

LIM has recently revised its initial development plan for Houston and now plans, at least for the initial years of Houston production, to haul Houston ore to the Silver Yards process and rail loading facilities with, potentially, processing by on-site dry screening only in 2014. This revised plan will reduce the initial capital cost of Houston by deferring the originally proposed new plant. It will be necessary to finish the construction of a new haulage road, approximately eight km long, to connect Houston to the current road close to the Redmond Mine. The overall one-way haulage distance from Houston to Silver Yards is approximately 20 km.

Development of the Houston Project is subject to the availability of financing. The Company is evaluating various financing alternatives or off-take arrangements, and/or other potential strategic options, to fund the planned first phase Houston development and related transportation expenditures.

Transportation – Rail and Port

The Company's iron ore is transported by rail from the Silver Yards processing facilities, via the Company's six km spur line to the Tshiuetin Rail Transportation Inc. ("TSH") railway, which connects to the Quebec North Shore and Labrador ("QNS&L") railway at Emeril Junction and travels to the Port of Sept-Iles, where the train sets carrying the Company's iron ore are unloaded and the product is stockpiled for shipping.

Under the Company's confidential rail transportation contracts signed with QNS&L in 2011 and with TSH in 2012, the Company is committed to minimum tonnages per month over each eight month annual operating season.

The Company began the 2013 operating season with one train set of 164 railcars in April and added a second train set of 164 railcars in May, a third train set of 164 railcars at the end of June and a fourth train set of 164 railcars at the end of July. Each 164 railcar train set hauls approximately 15,000 tonnes of product. The 2013 railcar fleet consisted of three train sets of newly built rotary dumper compatible ore gondolas supplied by TSMC and one train set of rotary dumper compatible ore gondolas leased from IOC. These rotary dumper compatible ore gondolas

allowed for longer train sets and enabled efficient unloading at the Port. LIM's fleet of retrofitted (non-rotary dumper compatible) railcars owned by the Company were not used during the 2013 operating season but are available for future use as required.

The Company railed a total of approximately 495,000 tonnes of iron ore to the Port of Sept-Iles during October and November in the third quarter of the 2013 operating season, maintaining the same monthly haulage rate as the second quarter. For the full 2013 operating season, the Company railed approximately 1,546,000 tonnes of product to Port, an increase compared to the approximately 1,493,000 tonnes of product railed during the previous operating season. Despite a slow start in the first quarter, the total volume of ore hauled during the 2013 operating season represented a record annual rail haulage volume for the Company.

As part of its long-term confidential rail transportation contract with TSH, LIM has agreed to make contributions towards the costs of the TSH upgrade program on its Menihek rail line up to a total amount of an additional $16.5 million over the next four years. During 2013, TSH continued to carry out upgrade work following a cash investment by LIM of $5.0 million in 2012 (in addition to a cash investment by LIM of $3.5 million in 2011) and similar investments by TSMC. The Company contributed a further $1.0 million to the TSH upgrade program in September 2013. The Company's remaining capital commitment towards the TSH upgrade program over the next four years is $15.5 million.

All iron ore railed to Sept-Iles in 2013 and 2014 is being sold to IOC. The Company signed a two year iron ore sales agreement with IOC for the sale to IOC of all iron ore produced in the 2013 and 2014 operating seasons, under which all product sold to IOC is being handled by IOC through its port facilities at Sept-Iles.

The port handling arrangements for the shipment of LIM's iron ore production for 2015 and future years remain subject to ongoing evaluation and finalization. The Company is one of several mining companies that have entered into a long-term contract with the Sept-Iles Port Authority for capacity at a new multi-user dock in the Pointe-Noire area of the Port of Sept-Iles. The multi-user dock is a $220 million project (of which the users are funding $110 million by way of refundable advance payments) comprising two berths equipped with two ship loaders as well as two conveyer lines which the Port reports is on budget and on schedule for completion in mid-2014. The multi-user dock is expected to have an annual capacity of up to 50 million tonnes per year, of which the Company has reserved 5 million tonnes of annual capacity.

Under the long-term user agreement, the Company paid $6.4 million in 2012 as a first installment of an advance payment and agreed to a final advance payment installment of $6.4 million. The Company has deferred payment of this final installment pending resolution of land access and product handling facility arrangements between the Port Authority and Cliffs Natural Resources in the Pointe-Noire area and is working closely with the Sept-Iles Port Authority to resolve these arrangements. The Company has also agreed to long-term take or-pay volume commitments with respect to the new multi-user dock.

In February 2013, CN Rail announced the discontinuation of its port terminal and railway initiative for Sept-Iles and the Labrador Trough. LIM, as a participant in the CN Rail consortium, received a full refund of $1.5 million, as well as all baseline environmental and technical data prepared by CN Rail. Subsequently, LIM has completed a scoping-level (+/-30%) study of a multi-user port terminal at Point Noire capable of handling and delivering 10 million tonnes per annum of iron ore products to the Port's multi-user dock. The proposed terminal is to be located to the west of Cliffs' property and a surface lease application for the required land was filed with the Québec Ministry of Natural Resources. The proposed terminal will require conveyor access across Cliffs' land to the new multi-user dock. Further development of this port terminal project is contingent on agreements with the Port Authority, the Government of Québec, Cliffs Natural Resources and other companies, and on completion of engineering,

permitting and financing. LIM assumes that it will be expected to invest some capital in any new terminal at Pointe Noire and that the project will be substantially financed by third parties.

Iron Ore Market Conditions

The spot price of iron ore (CFR China 62% Fe basis, prior to any value-in-use adjustments) averaged approximately US$135 per tonne in the quarter ended December 31, 2013, an improvement over an average of US$122 per tonne in the same quarter of the prior year. Although demand in China remains favourable, as inventories at ports and steel prices continue to support the seaborne trade, benchmark prices for 62% Fe iron ore in the Chinese market have declined to approximately US$120 per tonne in early 2014 and the immediate outlook is somewhat uncertain. The Company anticipates a modest rebound in the price of iron ore after Chinese New Year celebrations, and is budgeting for an average price of US$125 per tonne during 2014. The Company is anticipating a foreign exchange rate of US$0.90 per Canadian dollar for budget purposes.

Robust steel production and iron ore demand from emerging economies and in particular from China have underpinned the rise in iron ore prices over the past seven years. In addition, supply constraints, such as falling ore grades at major mines and increasing capital expenditures to build new capacity, have resulted in iron ore production consistently falling short of market expectations.

Growth in iron ore demand has been dominated by China, whose steel production and consumption (rate of steel usage per capita) has been steadily increasing over the past decade. The country's rapidly increasing steel intensity (steel usage per capita) has been driven by rapid economic growth and continued urbanization, leading to significant increases in the rate of residential construction, durable goods production and public infrastructure development.

There was significant price volatility in iron ore prices in 2012 and early 2013 due to apparent changes in Chinese stock levels and there may be further volatility in the future. The Company is of the view that the long term iron prices will remain firm due to the following factors:

- strong steel and iron ore demand growth from China, which will continue to be supported by Chinese Government stimulus spending as well as structural factors, such as the urbanization of China's population;
- strong demand growth in the medium to long-term from the United States and emerging markets including Brazil, India, Russia, CIS countries, southeast Asia and the Middle East;
- efforts to increase the average grade of steel production, which necessitates the use of high-grade iron ore, will increase China's demand for higher grade iron ore imports;
- long-term supply constraints, as many of the new projects and production expansions previously planned by major companies are experiencing increased costs and delays or have been postponed, which is expected to delay or reduce the long-term growth of iron ore supply; and
- supply growth will continue to fall significantly short of market expectations.

Iron ore supply growth has consistently fallen below market expectations due to a number of factors including:

- the increase in capital costs by over 400% over the last decade;
- the substantial increase in operating costs;
- new projects have increasingly required high-cost greenfield infrastructure development;
- governments have demanded higher ownership stakes and taxes;
- labour supply has been severely limited; and
- governments have focused increasingly on environmental concerns.

The largest three iron ore producers (Rio Tinto, BHP Billiton and Vale) continue to face significant capital and operating cost inflation which has resulted in the deferral of many new projects and mine expansions. In addition, a significant portion of the forecasted increase in industry capacity is expected to come from higher risk jurisdictions such as Africa where higher geopolitical risk requires higher returns to warrant capital investment.

In the longer-term, the cost curve plays an integral role in establishing an effective 'floor' for iron ore prices. Higher marginal cost Chinese capacity is expected to be needed to meet growing iron ore demand in the medium term. The estimated average marginal cost of Chinese iron ore production is widely reported at approximately US$120 per tonne, which provides a strong support level for long term iron ore prices (China import 62% Fe fines on a CFR China basis).

Outlook

During the 2013 operating season, the Company achieved its 2013 sales target of a total of approximately 1.7 million wet metric tonnes of iron ore in ten cape-size ocean shipments. However, this sales volume was achieved at the expense of product quality. For the nine months ended December 31, 2013, the Company reported a net loss of $84.7 million, negative cash flow from operations of $33.4 million and an ending working capital deficit of $27.1 million. During 2013 operations, as mining went deeper in the James mine open pit, both the grade and the consistency of the ore began to fall and this created difficulties in plant throughput and in product quality. As a result, there was an overall shortfall in iron ore quality in 2013, which resulted in negative cash generation during the 2013 operating season. Clearly, this situation cannot continue.

These ore quality problems in 2013, together with significant capital investment, put considerable strain on LIM's cash resources and the Company now needs new external investment to enable the Company to continue mining operations in the 2014 season, to bring the bigger and long life Houston Project into production and to meet its corporate and administrative expenses.

LIM's mining operations are seasonal (April to November), with a planned winter closure from December to March. Detailed planning for the upcoming 2014 operating season is currently underway, with a major focus on cost reduction and product quality. This includes a critical assessment of the economics of continuing to extract the remaining resources from the down-dip extensions of the higher grade portions of the James Mine and its potential southern extension. In this context, the Company is keeping a careful watch on the iron ore price which since January 1, 2014 has declined to approximately US$120 per dmt (CFR China) from an average of US$135 per dmt in the quarter ended December 31, 2013. This planning and assessment of various operating scenarios for the 2014 season is currently ongoing.

As part of the planning process, LIM is also currently evaluating development of the Houston Project in 2014, including a revised lower capital development plan, which would see Houston production trucked to Silver Yards for treatment and rail loading, at least in the initial years with, potentially, processing by on-site dry screening only in 2014. The initial mine development at the Houston deposit would include construction of a haulage road, mine infrastructure and related facilities.

The initial capital investment to develop the Houston Project is expected to be approximately $20 million for the new road, including a bridge over a river crossing, and initial mine development, with the possibility of installing a new rail siding near Houston at a capital cost of approximately $5 million. When in full production, the Houston Project is expected to produce approximately 2.0 million tonnes of iron ore products annually over a 12 to 15 year mine life.

Development of the Houston Project in 2014 is subject to the availability of new financing and completion of detailed engineering and planning. The Company is currently evaluating various financing alternatives or off-take arrangements, and/or other potential strategic options, to fund the planned first phase Houston development and related transportation expenditures. There are no assurances that the Company will be successful in obtaining the required financing and, if the Company is unable to obtain such financing, the development of the Houston Project will be postponed.

As part of its plan to substantially reduce operating costs, the Company is seeking to negotiate revised and improved terms with its major contractors and rail and port infrastructure providers prior to commencement of the 2014 operating season. Operating cost saving initiatives are underway with respect to mining equipment rates, fuel procurement, aviation services, hydro-electric power, exploration costs, winter cost management, rail car leasing rates, human resources and man power and corporate and administration costs. The Company has implemented major reductions in staff levels across the organisation. All non-essential capital expenditure has been deferred and no significant exploration activity is planned for 2014.

The Company is also pursuing longer term strategic initiatives aimed at necessary permanent structural reductions in operating costs and revenue deductions. These include increasing sales volumes, while maintaining product quality, improving recoveries, potentially owner mining, re-negotiation of mining contracts and railway tariffs, alternative port arrangements at Sept-Iles, sharing facilities with TSMC and developing alternative destination markets for the Company’s products. These strategic initiatives have targeted potential reductions in operating costs and revenue deductions of a minimum of $20 per tonne of saleable product. However, although such reductions are considered essential to ensure the longer term economic viability of LIM’s operations, there can be no guarantee that these strategic initiatives will be concluded successfully or on a timely basis.

The Company will need to secure additional financial arrangements in order to fund its current working capital deficit, 2014 start-up working capital, planned capital development programs and corporate administration costs so as to continue as a going concern. In resuming its planned seasonal mining operations in the spring of 2014, the Company will incur regular winter stand-by costs from December 2013 to March 2014 and seasonal start-up mining, processing, rail and transportation and site administration expenses for the spring, before receipt of payment for its first shipment anticipated by mid-summer 2014. The Company estimates that it will require working capital of at least $30 million to fund these operating expenses and, potentially, a further approximately $20 million to fund Houston capital development.

The Company is currently negotiating certain financing alternatives and, subject to the Company completing these financings currently under negotiation, the Company believes it will have sufficient working capital to continue to operate over the next year. In the meantime, and pending completion of any financing, the Company will endeavor to prudently manage its cash resources in order to ensure the integrity of its properties and to meet all regulatory requirements. However, there are no assurances that the Company will be successful in obtaining any required financing, or in obtaining financing on a timely basis or on reasonable or acceptable terms and, as part of this process, the Company is continually evaluating the current situation with respect to the timing and risk associated with potential financing proposals. If the Company is unable to obtain adequate additional financing on a timely basis, the Company will not be able to resume its planned mining operations and may be required to curtail all operations and development activities.

RESULTS OF OPERATIONS

Quarter Ended December 31, 2013

The Company recognized net revenue from mining operations of $28.4 million on sales of approximately 629,000 tonnes of iron ore in four shipments in the quarter ended December 31, 2013, compared to net revenue of $24.7 million on sales of approximately 425,000 tonnes of iron ore in three shipments during the third quarter of the previous year. The increase in net revenue is attributable to a higher volume of sales and a higher CFR China spot price of iron ore, offset by higher value-in-use adjustments, higher marketing discounts and higher ocean freight costs quarter-over-quarter. The Company's product sales during the current year's third quarter experienced value-in-use penalties related to silica content, iron content and sizing specifications, which deviated from benchmark standards. The Company's net revenue is recognized net of deduction of VIU adjustments, marketing discounts, ocean freight and IOC's participation.

The Company reported a loss of $31.3 million, or $0.25 per share in the quarter ended December 31, 2013, compared to a loss of $16.1 million, or $0.19 per share, during the previous year's third quarter. The loss in the current year's third quarter included a depletion and depreciation charge of $11.3 million, or $0.09 per share, compared to depletion and depreciation of $5.1 million or $0.06 per share charged during the third quarter of the previous year. Compared to the previous year's third quarter loss, the higher net revenue (reflecting higher sales volumes and a higher CFR China basis spot price, offset by higher value-in-use adjustments, higher ocean freight costs and higher marketing discounts), was offset by higher processing costs and a higher charge for depletion and depreciation.

The increase in processing costs from $3.8 million in the third quarter of the previous year to $12.2 million in the third quarter of the current year was primarily a function of the more than three-fold increase in volume of ore processed and screened, from approximately 184,000 tonnes to approximately 670,000 tonnes in the respective quarters.

Rail and transportation costs of $20.3 million during the third quarter of the current year were reasonably consistent with rail and transportation costs of $18.1 million during the third quarter of the previous year, after taking into consideration the increase in volume of ore haulage during the current year's third quarter. Take-or-pay volume penalties were not significant in the current year's third quarter.

The Company recorded a depletion and depreciation charge of $11.3 million during the quarter ended December 31, 2013, an increase from $5.1 million charged during the third quarter of the previous year. Depletion and depreciation represents a period charge, primarily on a units-of-production basis, of the cost of Stage 1 mining assets, the Silver Yards processing plant, transportation equipment and infrastructure and site properties associated with Stage 1 operations. The increase in the depletion and depreciation charge in the current year's third quarter compared to the previous year's third quarter is due to higher mining volumes from the James Mine.

During the quarter ended September 30, 2013, the Company invested approximately $2.5 million in property, plant and equipment, compared to approximately $7.0 million invested during the third quarter of the previous year. The reduction represents a concerted effort to limit capital expenditures to only essential capital projects. The $2.5 million in capital expenditures in the current year's third quarter related mainly to enhancement work performed on the rail siding at Silver Yards.

Nine Months Ended December 31, 2013

The Company recognized net revenue from mining operations of $86.6 million on sales of approximately 1,607,000 tonnes of iron ore in ten shipments in the nine months ended December 31, 2013, compared to net revenue of $95.8 million on sales of approximately 1,560,000 tonnes of iron ore in ten shipments during the corresponding nine month period of the previous year. The decrease in net revenue is attributable to increased penalties, marketing discounts and higher ocean freight, partially offset by higher iron ore prices. The Company's net revenue is recognized net of deduction of ocean freight and IOC's participation.

The Company reported a loss of $84.7 million, or $0.67 per share in the nine months ended December 31, 2013, compared to a loss of $58.4 million, or $0.79 per share, in the nine months ended December 31, 2012. The loss in the nine months of the current year included a depletion and depreciation charge of $37.6 million, or $0.30 per share, compared to $29.3 million or $0.40 per share charged during the comparable nine month period of the previous year. The loss in the current year's nine month period also included a gain on the sale of a joint venture interest in the Company's Howse deposit of $9.6 million, or $0.08 per share.

Compared to the previous year's nine month period, the Company recognized lower net revenue, higher processing costs and a non-recurring charge on the value of put option contracts, offset somewhat by a one-time gain on the sale of a joint venture interest in the Howse deposit recognized in the current year's nine month period.

The increase in processing costs from $15.0 million in the previous year's nine month period to $35.8 million in the current year's nine month period is primarily a function of the increase in volume of ore processed and screened from approximately 955,000 tonnes to approximately 2,470,000 tonnes in the respective periods.

Rail and transportation costs of $57.5 million during the current year's nine month period were relatively consistent with the $59.3 million of rail and transportation costs during the previous year's nine month period, reflecting similar rail haulage volumes and improved railcar lease rates.

The Company recorded a depletion and depreciation charge of $37.6 million during the nine months ended December 31, 2013, compared to $29.3 million charged as depletion and depreciation during the same nine month period of the previous year. The increase in the depletion and depreciation charge is mainly a reflection of an increase in the depletion rate of the James mine due to higher volumes mined and a change in estimate of the remaining life of the James mine.

The Company recorded a financing charge of $3.6 million during the nine months ended December 31, 2013, representing the reduction in the carrying value of iron ore put options entered into in May 2013. No such charge was applicable during the similar nine month period of the previous year.

During the nine months ended December 31, 2013, the Company invested approximately $16.2 million in property, plant and equipment, compared to approximately $29.5 million invested during the similar nine months of the previous year. The reduction represents a concerted effort to limit capital expenditures to only essential capital projects. Non-essential capital projects have been suspended or deferred. The $16.2 million in capital expenditures in the current year's nine month period related mainly to the Phase 3 expansion of the Silver Yards wet processing plant, investment in grid power connection infrastructure and modifications and enhancements to the rail siding at Silver Yards.

In May 2013, the Company completed an advance payment off-take financing with RBR for gross cash proceeds of US$35.0 million which is being repaid over a period of two years, credited against proceeds of LIM's committed sales of 3,500,000 wmt of iron ore shipments between August 2013 and December 2014. At December 31, 2013, a total of 1,663,000 wmt of iron ore had been delivered under this contract with US$14.4 million credited to the advance payment.

SUMMARY OF QUARTERLY RESULTS

	Quarter Ended							
($000s, except per share data)	March 31, 2012	June 30, 2012	Sept 30, 2012	Dec 31, 2012	March 31, 2013	June 30, 2013	Sept 30, 2013	Dec 31, 2013
Net (loss)	(1,331)	(10,584)	(31,712)	(16,110)	(71,269)	(28,507)	(24,928)	(31,304)
(Loss) per share	(0.02)	(0.16)	(0.47)	(0.19)	(0.65)	(0.23)	(0.20)	(0.25)
Total assets	379,754	374,852	359,381	358,789	296,359	321,288	288,270	249,150

The increase in loss and loss per share in the quarter ended June 30, 2012 relates largely to the commencement of depletion and depreciation of mining, transportation and processing assets during the quarter as full scale production began, resulting in a $9.8 million depletion and depreciation charge during the quarter compared to no comparable depletion and depreciation charge in previous quarters. The increase in loss in the quarter ended September 30, 2012 relates to a significant decline in the price of iron ore during the quarter, which had a significantly negative impact on operating results for the quarter. The loss in the quarter ended September 30, 2012 also includes a depletion and depreciation charge of $14.4 million for the quarter. The loss in the quarter ended March 31, 2013 includes a non-cash write-down of mineral property interests and accounts receivable totaling in aggregate of $61.2 million. The losses in the quarters ended June 30, and September 30, 2013 were impacted by higher value-in-use penalties, higher processing costs and higher depletion and depreciation charges compared to the comparable quarters in the previous year. The loss in the quarter ended September 30, 2013 includes a gain on sale of mineral property of $9.6 million.

LIQUIDITY AND CAPITAL RESOURCES

As at December 31, 2013, the Company had current assets of $39.3 million, including inventories with a carrying value of $4.7 million and accounts receivable and prepaid expenses of $20.9 million. At December 31, 2013, the Company had $7.6 million in unrestricted cash and cash equivalents and an additional $9.7 million in restricted cash. Subsequent to the end of the quarter, the Company received $10.0 million in cash proceeds in respect of iron ore sales completed in December. The Company's cash and cash equivalents are invested in an investment grade short-term money market fund and deposits with a major Canadian bank.

Current liabilities, consisting of accounts payable and accrued liabilities, finance lease obligations, rehabilitation provisions and a deferred revenue liability of $21.3 million, were in aggregate $66.4 million at December 31, 2013.

At December 31, 2013 the Company had an ending working capital deficit of $27.1 million which included the deferred revenue liability of $21.3 million. The Company had no current or long-term bank debt at December 31, 2013.

The Company has entered into finance lease agreements for its Bean Lake mine accommodation camp and is committed to minimum lease payments under these finance lease agreements. Under its rail transportation agreements, the Company is committed to minimum take or pay tonnages per month over its eight month annual operating season.

In May 2013, the Company completed an advance payment off-take financing with RBR for gross cash proceeds of US$35.0 million which is being repaid over a period of two years, credited against proceeds of LIM's committed sales of 3,500,000 wmt of iron ore shipments between August 2013 and December 2014. At December 31, 2013, a total of 1,663,000 wmt of iron ore had been delivered under this contract with US$14.4 million credited against the advance payment.

In September 2013, the Company closed its previously announced joint venture with Tata Steel Minerals Canada Ltd. (“TSMC”) for the exploration and development of LIM’s Stage 3 Howse Deposit. LIM received $30.0 million from TSMC for the sale of a controlling interest in the Howse Deposit, which was used to fund working capital, capital expenditure and exploration requirements for the 2013 operating season.

As part of the co-operation arrangements, TSMC advanced the Company a non-interest bearing loan of $2.0 million to undertake modifications to its Silver Yards rail siding to facilitate the construction and operation of the extended rail line from Silver Yards to TSMC’s Timmins Area plant. An additional $3.0 million non-interest bearing loan is expected to be advanced by TSMC, which will also be used by the Company to complete the modifications to the Company’s Silver Yards rail siding. The Company has agreed to transfer ownership of its rail spur main line (but not the Company’s Silver Yards rail siding) to a third party rail operator, which will own and operate the Timmins extension rail line for $5.0 million which will be used to repay the foregoing $5.0 million loan to TSMC.

In resuming its planned seasonal mining operations in the spring of 2014, the Company will incur regular winter stand-by costs up to the end of March 2014 and seasonal start-up mining, processing, rail and transportation and site administration expenses for the spring before receipt of payment for its first shipment by mid-summer 2014. Resumption of mining operations in April 2014 for the 2014 operating season will depend on a number of interrelated factors including the Company securing a working capital financing facility or facilities by the end of March 2014 and the Company being successful in negotiating revised and improved terms with its major contractors and port and rail infrastructure providers prior to commencement of the 2014 operating season.

The Company will need to secure additional financial arrangements in order to fund its current working capital deficit, 2014 start-up working capital, planned capital development programs and corporate administration costs, so as to continue as a going concern. The Company estimates that it will require working capital of at least $30 million to fund operating expenses and, potentially, a further approximately $20 million to fund Houston capital development. The Company is actively pursuing additional financing arrangements prior to the seasonal start-up of operations in the first quarter of its 2015 fiscal year (April to June 2014). Such financing may include off-take arrangements, a joint venture or a strategic partnership on the Houston project, a combination of these alternatives, or potentially other financing arrangements.

There are no assurances that the Company will be successful in obtaining any required financing, or in obtaining financing on a timely basis or on reasonable or acceptable terms. If the Company is unable to obtain adequate additional financing, the Company would be required to curtail operations and development activities.

The Company has not achieved profitable operations and has an accumulated deficit since inception. There can be no assurance that the Company will be able to achieve positive cash flows or profitability.

The carrying amount of the Company’s mineral property interests at December 31, 2013 was $85.7 million, compared to $105.9 million at the beginning of the fiscal year.

At December 31, 2013, the net book value of property, plant and equipment was $101.6 million.

OFF BALANCE SHEET ARRANGEMENTS

The Company has no off balance sheet arrangements.

OBLIGATIONS AND CONTRACTUAL COMMITMENTS

Contractual Obligations as at December 31, 2013	Payments Due by Period			
	Total	**Less than 1 year**	**Later than 1 year, not later than 5 years**	**After 5 years**
Office lease obligations	$2,844,667	$502,000	$2,008,000	$334,667
Mine camp lease obligations	$2,766,750	$1,161,000	$1,605,750	-
Equipment supply, port and transportation contracts and social development and training contributions	$168,194,800	$39,675,100	$99,951,200	$28,568,500
Total	**$173,806,217**	**$41,338,100**	**$103,564,950**	**$28,903,167**

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

The mine camp lease obligations are the minimum lease payments due on the Bean Lake mine accommodation camp near Silver Yards.

The contractual obligations under equipment supply, port and rail transportation contracts relate to future locomotive supply, rail and port infrastructure required payments and committed future minimum volume tonnages under agreements with WLRS, QNS&L, TSH and the Port of Sept-Iles. Under a long-term user agreement with the Sept-Iles Port Authority, the Company paid $6.4 million in 2012 as a first installment of an advance payment and agreed to a final advance payment installment of $6.4 million in July 2013. The Company has deferred payment of this final installment pending resolution of land access and product handling facility arrangements between the Port Authority and Cliffs Resources in the Pointe-Noire area and is working closely with the Sept-Iles Port Authority to resolve these arrangements. Social development and training relates to contributions under IBAs entered into with various First Nations communities.

FINANCIAL INSTRUMENTS

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

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

As at December 31, 2013, 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 December 31, 2013, the Company did not hold any balances in foreign currencies, other than United States dollars.

The Company has included disclosure concerning some of the risk factors relating to its financial instruments in Note 23 to its consolidated financial statements for the fiscal year ended March 31, 2013.

OUTSTANDING SHARE CAPITAL

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

As at December 31, 2013, the Company had 126,200,807 common shares, 1,553,750 stock options, 2,042,500 broker warrants, 13,800,000 share purchase warrants and 799,310 deferred share units 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	126,200,807	N/A	N/A
Stock options	1,553,750	$5.02	3.0
Broker warrants	2,042,500	$1.03	0.4
Share purchase warrants	13,800,000	$1.35	2.0
Deferred share units	799,310	N/A	N/A

Of the stock options currently outstanding, 243,750 options have an exercise price of $6.27 per share and expire on September 14, 2015; 70,000 options have an exercise price of $11.65 per share and expire on February 9, 2016; 25,000 options have an exercise price of $10.18 per share and expire on June 23, 2016; 100,000 options have an exercise price of $6.80 and expire on September 22, 2016; 40,000 options have an exercise price of $6.81 and expire on November 10, 2016; 200,000 options have an exercise price of $6.35 and expire on November 30, 2016; 112,500 options have an exercise price of $6.20 and expire on February 9, 2017; and 762,500 options have an exercise price of $3.00 and expire on July 2, 2017.

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

All 13,800,000 of the share purchase warrants outstanding have an exercise price of $1.35 per share and expire on February 13, 2016.

Of the broker warrants currently outstanding, 662,500 broker warrants have an exercise price of $1.00 per share and expire on May 6, 2014; and 1,380,000 broker warrants have an exercise price of $1.05 per unit (each, a "Unit") and expire on August 13, 2014. Each Unit consists of one common share and one half of a common share purchase warrant. Each common share purchase warrant is exercisable into one common share at an exercise price of $1.35 per share until February 13, 2016.

The deferred share units represent stock-based compensation paid to independent directors under the Company's Deferred Share Unit Plan.

TRANSACTIONS WITH RELATED PARTIES

During the nine months ended December 31, 2013, the Company recovered $90,045 (December 31, 2012 - $90,045) in respect of office rent from corporations with common directors and/or officers. As at December 31, 2013, $28,829 (March 31, 2013 - $34,366) is included in accounts receivable.

During the nine months ended December 31, 2013, the Company also made payments to companies with common directors and/or officers in the amount of $436,500 (December 31, 2012 - $502,817) as compensation for management services provided. At December 31, 2013, $18,834 (March 31, 2013 - $76,833) in management compensation remained payable to these related companies.

During the nine months ended December 31, 2013, the Company also incurred legal fees (professional fees and financing costs) in respect of services provided by a professional corporation controlled by an officer in the amount of $93,560 (December 31, 2012 - $276,640). As at December 31, 2013, $Nil (March 31, 2013 - $30,800) in legal fees remained payable to this related party.

CRITICAL ACCOUNTING ESTIMATES

Commercial Production

The Company commenced commercial production for accounting purposes effective April 1, 2012. The fiscal year ended March 31, 2012 was considered to have been a start-up and testing year.

Revenue Recognition

Commencing effective April 1, 2012, revenue has been recognized when all of the following criteria have been met: (i) the significant risks and rewards of ownership of the product have been transferred to the buyer; (ii) neither continuing managerial involvement to the degree usually associated with ownership, nor effective control over the product sold, has been retained; (iii) the amount of revenue can be measured reliably; (iv) the collectability of the proceeds is probable; and (v) the costs associated with the sale can reliably be measured. All of these criteria are typically considered to have been met with respect to a shipment of the Company's iron ore when the vessel carrying the iron ore has departed the Port of Sept-Iles.

Use of estimates

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

Mineral property interests and deferred exploration expenditures

The Company evaluates the carrying amount 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 stock-based compensation cost based on the fair value method of accounting for stock-based compensation. The fair value of stock options is determined using the Black-Scholes option pricing model, and in respect of options vested during the quarter ended December 31, 2013 based on the assumptions set out in Note 10(a) to the condensed interim consolidated financial statements.

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

Rehabilitation Provisions

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

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

The Company has established a rehabilitation provision relating to its current Stage 1 mining operations. The total undiscounted amount that is expected 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 $3,975,067. The present value of this estimated amount has been calculated under IFRS as $4,024,993 as at December 31, 2013.

In determining the present value of the rehabilitation provision as at December 31, 2013, the Company has assumed a long-term inflation rate of approximately 1.4%, a current market discount rate ranging from 1.1% to 2.5% 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

The Company is not aware of any new accounting standards that have a material impact on the Company's condensed interim consolidated financial statements for the three and nine months ended December 31, 2013, other than as set out in Note 4 to the condensed interim consolidated financial statements for the three months and nine months ended December 31, 2013.

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 in the Company's annual information form ("AIF"), which is filed on SEDAR. A summary of the principal risks and uncertainties which the Company faces is set out below.

Financing and Going Concern

During the three months ended December 31, 2013, the Company had a net loss of $31,303,875, negative cash flows from operations of $11,031,649 and an ending working capital deficit of $27,095,327.

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

The Company will need to generate additional financial resources in order to fund its current working capital deficit of approximately $27.1 million, its continuing operations and planned development programs and corporate administration costs. There is a risk that additional financing will not be available to the Company on a timely basis or on acceptable terms. There are no assurances that the Company will continue to be able to obtain additional financial resources and/or achieve positive cash flows or profitability. The Company has not achieved profitable operations, has an accumulated deficit since inception and expects to incur further losses in the development of its business. If the Company is unable to obtain adequate additional financing, the Company will be required to curtail operations and its exploration and development activities. Failure to continue as a going concern would require that the Company's assets and liabilities be restated on a liquidation basis which would differ significantly from the going concern basis.

The ongoing development of the Company's properties, including its Stage 2 Houston Project, will require substantial additional capital investment. Failure to secure additional financing, and/or generate sufficient cash flow from operations, could result in delaying or indefinite postponement of development or production of these properties. There can be no assurance that such cash flow will be generated or such additional financing will be available when needed or that, if available, the terms of such financing will be on terms favorable to the Company.

No Assurance of Profitable Production

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

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

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

Mining operations, such as those at the James and Redmond deposits and anticipated at Houston and other Stage 1 deposits, generally involve a high degree of risk. Such operations are subject to all of the hazards and risks normally encountered in the exploration for, and the development and production of, iron ore, including unusual and unexpected geologic formations, seismic activity, rock bursts, cave-ins, flooding and other conditions involved in the drilling and removal of material, any of which could result in damage to, or destruction of, mines and other producing facilities, damage to life or property, environmental damage and possible legal liability. Processing operations are subject to hazards such as equipment failure, changes in ore characteristics, such as rock hardness, and mineralogy which may impact production rates and iron ore recovery, or failure of retaining dams which may result in environmental pollution and consequent liability.

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

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

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

Fluctuating Iron Ore Prices and Ocean Freight Rates

The viability of the Company's Schefferville Projects is dependent on the sale price of iron ore in the seaborne market, which has fluctuated considerably over the last two years. The main destination for the seaborne iron ore market is currently China, so bulk carrier ocean freight rates to China are also a significant cost that affects the profitability and viability of the Company. All sales of iron ore products are subject to final assays and measurements in China (CIQ adjustments), as well as final reconciliations with the ultimate purchasers. This reconciliation process may take several months after the initial shipment and could result in changes in net sales revenue realized by the Company.

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

Factors beyond the control of the Company also affect ocean freight rates. Supply and demand for ocean going vessels, fuel costs and foreign currency exchange rates, among other factors, can contribute to significant ocean freight rate volatility. An increase in ocean freight rates would have a negative impact on the Company's operating results.

Uncertainty in the Estimation of Mineral Resources

There is a degree of uncertainty to the calculation of mineral resources and corresponding grades being mined or dedicated to future production. Until mineral resources are actually mined and processed, the quantity of mineral resources and corresponding grades must be considered as estimates only. In addition, the quantity of mineral resources may vary depending on, among other things, metal prices. Any material change in quantity of mineral resources, grade or stripping ratio may affect the economic viability of the Schefferville Projects. In addition, there can be no assurance that iron ore recoveries in small scale laboratory tests will be duplicated in larger scale tests under on-site conditions or during production. Fluctuation in iron ore prices, results of drilling, metallurgical testing and production and the evaluation of mine plans subsequent to the date of any estimate may require revisions of such estimates. The volume and grade of iron ore mined and processed and recovery rates may not be the same as currently anticipated. Any material reductions in estimates of mineral resources, or of the Company's ability to extract iron ore, could have a material adverse effect on the Company's results of operations and financial condition.

Uncertainty Relating to Inferred Mineral Resources

There is a risk that inferred mineral resources cannot be converted into mineral reserves as the ability to assess geological continuity is not sufficient to demonstrate economic viability. Due to the uncertainty which may attach to inferred mineral resources, there is no assurance that inferred mineral resources will be upgraded to resources with sufficient geological continuity to constitute proven and probable mineral reserves as a result of continued exploration.

Need for Additional Mineral Reserves and Mineral Resources

Because mines have limited lives, the Company will be required to continually replace and expand its mineral resources as its mines produce iron ore. The life-of-mine estimates in respect of the James (Stage 1), Houston - Malcolm (Stage 2) and Howse (Stage 3) deposits may not be correct. The Company's ability to maintain or increase its annual production of iron ore in the future will be dependent in significant part on its ability to bring new mines into production and to expand mineral resources at existing mines. The Company does not report any mineral reserves.

Transportation and Port Infrastructure

Mining, processing, development and exploration activities depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges, power sources and water supply are important determinants which affect capital and operating costs. The Company's 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.

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

In June 2012, the Company signed a confidential, life-of-mine agreement with TSH for the transportation of iron ore over the Menihek Division. During 2011 and 2012, TSH carried out some upgrade work on its Menihek Division rail line following a cash investment by both the Company and TSMC. This ongoing TSH rail upgrade will require continuing cash investment by the two mine operating companies and TSH, and potentially by governments to ensure that the tonnages planned for future years can be efficiently transported. As part of its long-term confidential rail transportation contract with TSH, LIM has agreed to make contributions towards the costs of this upgrade program to a total amount of an additional $15.5 million over the next four years in addition to $9.5 million in non-repayable upgrade contributions LIM has already advanced to TSH. The full amount of this $15.5 million of future upgrade contributions will be repaid to the Company over an expected period of about four years commencing in 2017, subject to LIM maintaining normal annual transportation operations on the TSH railway.

The port handling arrangements for the shipment of LIM's iron ore production for 2015 and future years remain subject to ongoing evaluation and finalization. The Company continues to evaluate different options for the unloading, stockpiling and ship loading of the Company's iron ore products at the Port of Sept-Iles. These include the potential use of the Port's proposed new multi-user deep water dock and/or other facilities of the Sept-Iles Port Authority.

Pursuant to its July 2012 long term customer contract with the Port of Sept-Iles, the Company has secured ship loading capacity of 5 million tonnes per year, with the right to secure additional residual capacity, at this new multi-user facility. Under this contract, the Company paid a preliminary instalment of $6.4 million towards its buy-in payment and guaranteed a final buy-in payment instalment of $6.4 million. The Company has deferred payment of the final advance payment installment of $6.4 million, pending resolution of land access and product handling facility arrangements in the Pointe-Noire area of the Port. The Company continues to cooperate with the Sept-Iles Port Authority to resolve these issues and is in ongoing discussions with the Sept-Iles Port Authority, and with other port operators, regarding rail transportation, storage, reclaim and ship-loading and trans-shipment of its iron ore products in the Port. There can be no assurance that arrangements on acceptable terms will be concluded or concluded on a timely basis.

Ability to Attract and Retain Qualified Personnel

The Company is dependent on the services of key executives, including the Chairman and Chief Executive Officer ("CEO"), the President and Chief Operating Officer ("COO"), the Chief Financial Officer ("CFO"), the Senior Vice President Operations ("SVP") and a number of other skilled and 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.

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

Recruiting and retaining qualified personnel is critical to the Company's 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.

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.

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 hydroelectric project in Labrador, the La Romaine hydro-electric project in Quebec and mining projects near Schefferville. In June 2010, the Innu Strategic Alliance set up a barricade on the road leading from the town of Schefferville to the mining projects of two companies, including the Company, "to ensure protection of their rights". This barricade was removed by the Innu in early September 2010.

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

Environmental Risks and Hazards

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

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

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

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

Failure to comply with applicable environmental and health and safety laws can result in injunctions, damages, suspension or revocation of permits and imposition of penalties. There can be no assurance that the Company has

been or will be at all times in complete compliance with all such laws, regulations and permits, or that the costs of complying with current and future environmental and health and safety laws and permits will not materially adversely affect the Company's business, results of operations or financial condition. Amendments to current laws, regulations and permits governing operations and activities of mining and exploration companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in exploration expenses, capital expenditures or production costs, or require abandonment or delays in development of mining properties.

Legal and Title Risks

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

Although the Company has exercised the usual due diligence with respect to determining title to and interests in the properties which comprise the Schefferville Projects, there is no guarantee that such title to or interests in such properties will not be challenged or impugned and title insurance is generally not available. The Company's mineral property interests may be subject to prior unregistered agreements or transfers or native land claims and title may be affected by, among other things, undetected defects. Surveys have not been carried out on any of the Schefferville Projects in accordance with the laws of Newfoundland and Labrador and Quebec; therefore, their existence and area could be in doubt. Until competing interests in the mineral lands have been determined, the Company can give no assurance as to the validity of title of the Company to those lands or the size of such mineral lands.

Factors Beyond Company's Control

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

Insurance and Uninsured Risks

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

Although the Company will purchase insurance to protect against certain risks in such amounts as it considers reasonable, such insurance may not cover all the potential risks associated with a mining company's operations. The Company may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as environmental pollution or other hazards as a result of exploration and production is not generally available to the Company or to other companies in the mining industry on acceptable terms. The Company might also become subject to liability for pollution or other hazards which may not be insured

against or which the Company may elect not to insure against because of premium costs or other reasons. Losses from these events may cause the Company to incur significant costs that could have a material adverse effect upon its financial performance and results of operations.

Lags

The Company is unable to predict the amount of time which may elapse between the date when any new mineral deposit may be discovered, the date upon which such discovery may be deemed to be economic pursuant to a feasibility study and the date when production will commence from any such discovery.

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.

Price Volatility of Publicly Traded Securities

Securities of junior resource companies have experienced substantial volatility in the past, often based on factors unrelated to the financial performance or prospects of the companies involved. These factors include macroeconomic developments worldwide and global and market perceptions of the attractiveness of particular industries. The share price of the Company is likely to be significantly affected by short-term changes in iron ore prices or in the Company's financial condition or results of operations as reflected in quarterly earnings reports.

Other factors unrelated to the Company's performance that may have an effect on the price of its shares include the following: the extent of analytical coverage available to investors concerning the Company's business may be limited if investment banks with research capabilities do not follow the Company's shares; lessening in trading volume and general market interest in the Company's shares may affect an investor's ability to trade significant numbers of common shares; the size of Company's public float may limit the ability of some institutions to invest in the Company's shares; and a substantial decline in the price of the shares that persists for a significant period of time could cause the Company's shares to be delisted from an exchange, further reducing market liquidity. As a result of any of these factors, the market price of the Company's shares at any given point in time may not accurately reflect the Company's long-term value.

Securities class action litigation often has been brought against companies following periods of volatility in the market price of their securities. The Company may in the future be the target of similar litigation. Securities litigation could result in substantial costs and damages and divert management's attention and resources.

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.

Conflicts of Interest

Certain of the directors and officers of the Company also serve as directors and/or officers of, or have significant shareholdings in, other companies involved in natural resource exploration and development and consequently there exists the possibility for such directors and officers to be in a position of conflict. Any decision made by any of such

directors and officers involving the Company will be made in accordance with their duties and obligations to deal fairly and in good faith with a view to the best interests of the Company and its shareholders. In addition, each of the directors is required to declare and refrain from voting on any matter in which such directors may have a conflict of interest in accordance with the procedures set forth in the *Business Corporations Act* (Ontario) and other applicable laws.

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

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

Under the laws of the Province of Ontario, the directors of the Company are required to act honestly, in good faith and in the best interests of the Company. In determining whether or not the Company will participate in a particular program and the interest therein to be acquired by it, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at that time.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

The CEO and 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 IFRS.

The Company has adopted appropriate 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, 2013 and concluded that as of that date they were effective to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

There were no changes to the Company's internal control over financial reporting during the quarter ended December 31, 2013, that have materially affected, or are reasonably likely to materially affect, the Company's internal control of financial reporting.

ADDITIONAL INFORMATION

Additional information regarding the Company, including the AIF, the audited consolidated financial statements for the fiscal year ended March 31, 2013 and the unaudited condensed interim consolidated financial statements for the three and nine months ended December 31, 2013, is available under the Company's profile on SEDAR at www.sedar.com.

Qualified Persons

Scientific and technical information disclosed herein has been prepared under the supervision of Rod Cooper, P.Eng., President and Chief Operating Officer and Michel Cormier, Geol. Eng., Vice President Exploration of the Company, both of whom act as the Company's Qualified Persons within the meaning of NI 43-101.

Technical Report entitled *"Technical Report: Schefferville Area Direct Shipping Iron Ore Projects Resource Update in Western Labrador and North Eastern Quebec, Canada for Labrador Iron Mines Holdings Limited*" dated effective April 12, 2013 by Maxime Dupéré, P.Geo. and Michel Dagbert, Eng. of SGS Canada Inc. and Justin Taylor P.Eng. of DRA Americas Inc., all of whom are Qualified Persons and independent persons of the Company within the meaning of NI 43-101, filed on SEDAR, which may be viewed under the Company's profile at www.sedar.com.

Technical Report entitled *"Technical Report Mineral Resource Update of the Houston and Malcolm 1 Property, Labrador West Area, Newfoundland and Labrador and North Eastern Quebec Canada, for Labrador Iron Mines Holdings Limited*" dated effective April 24, 2013 by Maxime Dupéré, P.Geo. of SGS Canada Inc. and Justin Taylor P.Eng. of DRA Americas Inc., both of whom are Qualified Persons and independent persons of the Company within the meaning of NI 43-101, filed on SEDAR, which may be viewed under the Company's profile at www.sedar.com.

Technical Report entitled *"Mineral Resource Technical Report Elizabeth Taconite Project Labrador"* dated effective June 15, 2013 by George H. Wahl, P.Geo., GH Wahl & Associates Consulting who is a Qualified Person and independent of the Company and within the meaning of NI 43-101, filed on SEDAR, which may be viewed under the Company's profile 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 iron ore prices, inflation and other factors. Forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results to differ materially from expected results. There can be no assurance that the Company will be successful in maintaining any agreement with any First Nations groups who may assert aboriginal rights or may have a claim which affects the Company's properties or may be impacted by the Schefferville Projects. Shareholders and prospective investors should be aware that these statements are subject to known and unknown risks uncertainties and other factors that could cause actual results to differ materially from those suggested by the forward-looking statements. Shareholders are cautioned not to place undue reliance on forward-looking information. By its nature, forward-looking information involves numerous assumptions, inherent risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and various future events will not occur. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking information whether as a result of new information, future events or other such factors which affect this information, except as required by law.