LABRADOR IRON MINES HOLDINGS LIMITED

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE QUARTER AND SIX MONTHS ENDED SEPTEMBER 30, 2012

Dated: November 14, 2012

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 six months ended September 30, 2012.

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 estimate as a defined current NI 43-101 resource verified by a Qualified Person, however the Company considers the historical resource estimate 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, unless otherwise indicated. All numerical references to years are "calendar" years, unless otherwise indicated.

The Company has a March 31 fiscal year end. Accordingly, the quarter ended September 30, 2012 was the Company's second quarter of its fiscal year ending March 31, 2013.

This MD&A contains forward looking statements.

INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

The Canadian Accounting Standards Board requires publicly accountable enterprises to adopt IFRS for fiscal years beginning on or after January 1, 2011. Accordingly, the Company's condensed interim consolidated financial statements for the quarter and six months ended September 30, 2012 have been prepared in accordance with IFRS as published by the International Accounting Standards Board.

The Company has also presented comparative information for the quarter and six months ended September 30, 2011 on an IFRS basis. In preparing the Company's opening statement of financial position in accordance with IFRS, the Company adjusted amounts reported previously in the Company's financial statements prepared in accordance with pre-conversion Canadian generally accepted accounting principles ("GAAP"). For further information, refer to the Company's consolidated financial statements and notes thereto for the fiscal year ended March 31, 2012.

OVERVIEW

Labrador Iron Mines is Canada's newest iron ore producer, 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 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 and Silver Yards processing plant ("Silver Yards"), the Houston property ("Houston") and, subject to further exploration and development, other iron 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, airport, roads, hydro power and rail service.

The 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 tons of historical reserves and resources previously identified by IOC. The 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.

At March 31, 2012, the Company had NI 43-101 compliant resources of 44.6 million tonnes in five direct shipping iron ore ("DSO") deposits comprising approximately 27.0 million tonnes of measured resource at an average grade of 56.6% Fe and 17.6 million tonnes of indicated resource at an average grade of 56.2% Fe and an additional 121 million tons of historical resources in about 15 other deposits.

Initial production at the James Mine commenced in June 2011 and achieved sales of 386,000 tonnes of iron ore in its start-up 2011 season. 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. Full scale production re-commenced as planned in April 2012 and the Company commenced commercial production for accounting purposes effective April 1, 2012.

For the quarter ended September 30, 2012 the Company recognized revenue of $33.0 million (free on board ("FOB") Port of Sept-Iles) on sales of 648,000 dry tonnes of iron ore with four shipments completed. For the six months ended September 30, 2012, the Company recognized revenue of $71.1 million (FOB Port of Sept-Iles) on sales of 1,134,000 dry tonnes of iron ore with seven shipments completed.

LIM is now targeting sales of approximately 1.7 million wet tonnes (1.6 million dry tonnes) of iron ore in calendar 2012.

Recent Developments

During the quarter and six month period ended September 30, 2012 the Company accomplished many operational achievements and responded to severe market conditions with necessary decisive action.

Accomplishments

The Company accomplished the following during the quarter and six months ended September 30, 2012:

- LIM demonstrated its mine site to port operational ability to produce, rail and sell up to 250,000 tonnes of iron ore product per month from its James mine. Prior to the decision in September to curtail production and sales for the remainder of 2012 due to market conditions, the Company was on track to meet its mine production and sales target of 2 million tonnes in 2012, its first full season of commercial production.

- The experience of a full scale operating season has strengthened the Company's working relationship with its key operational stakeholders and suppliers, in particular Tshiuetin Rail Transportation Inc. ("TSH") railway and Quebec North Shore and Labrador ("QNS&L") railway, local First Nations groups, its mining contractor Innu-Municipal, IOC and the Port of Sept-Iles. These enhanced working relationships forged by the experience of full scale mining and transportation activities this season will continue to be leveraged by the Company to achieve greater efficiencies and opportunities with its stakeholders and suppliers in 2013.

- LIM accumulated valuable marketing intelligence from the completion of nine cape size shipments during 2012 to date, including two shipments subsequent to quarter end. The Company will leverage this marketing intelligence to strategically plan mine production and product specifications to maximize product revenue in future years.

- LIM fully established its Centre Ferro railcar repair and maintenance facility in Sept-Iles, which demonstrated its ability to successfully maintain the Company's fleet of railcars throughout the current operating season and contributed to the significant improvement in the Company's rail operations compared to the 2011 start-up season.

- LIM completed the expansion of its mine camp near Silver Yards, which now accommodates 140 people. The mine camp is expected to be sufficient to fully accommodate all necessary mine site personnel for the duration of the Company's Stage 1 (Central Zone) production.

- LIM secured 5 million tonnes of ship loading capacity at the new multi-user berth being built by the Port of Sept-Iles, providing the Company with the opportunity to load cape size shipments when the multi-user berth and a suitable terminal handling facility are completed.

- LIM agreed to participate with CN Railway in a feasibility study to evaluate the potential development of a new railway from the northern Labrador Trough to the Port of Sept-Iles. The CN feasibility study will also evaluate a new terminal handling facility at the Port of Sept-Iles. If these CN infrastructure projects proceed, they will provide the Company with long term rail and port optionality, with associated operational efficiencies and cost savings.

- LIM completed most of the fieldwork of a very successful exploration season, which included extensive drilling of Houston, Malcolm, James North and James South, as well as bulk sampling historic stockpiles which could provide significant plant feed to Silver Yards in the coming years. The Company is also undertaking very promising exploration work on potential taconite deposits on its properties.

Decisive Response to Challenging Market Conditions

Iron ore spot prices and transaction volumes suffered a sharp decline in August 2012, with spot prices dropping 33% during the quarter to below US$90 per tonne on a 62% Fe CFR China basis. In response to these challenging iron ore market conditions, the Company undertook a critical review of its operating and capital spending for the balance of 2012 and implemented the following decisive measures in September 2012:

- A focus on cost reduction and cash conservation in order to prudently manage the Company's cash resources and requirements;
- Utilization of the new lower cost dry classifying system to produce sinter and lump ore only;
- All non-committed capital expenditures relating to the Silver Yards processing plant and development of the Houston deposits were deferred until the spring or early summer of 2013;
- The 2012 exploration program budget was reduced to $5.3 million from the original budget of $8.6 million;
- Approximately $52 million of additional planned capital investment originally budgeted for 2012, and largely on the Houston project, was deferred for consideration in the spring or early summer of 2013; and
- A $30 million equity financing was successfully completed in November 2012.

Despite the many operational accomplishments in 2012, the quarter ended September 30, 2012 was adversely impacted by the rapid and severe drop in spot iron ore prices, which saw the spot price of iron ore below US$110 per tonne (CFR China) for about one month from August 15 to September 18, 2012. The Company responded decisively with revised strategies in the mine, process plant and rail transport to optimize production at the lowest possible cost. The Company believes that the cost reductions in current operations, combined with the scale-back in 2012 production and the deferral of capital expenditures were necessary steps and will ensure the Company completes the season in a sustainable position.

Operations Summary

LIM commenced its first full season of production in April 2012.

The Company's operating results for the second quarter and six months ended September 30, 2012 are outlined in the table below.

Production for the Quarter and Six Months ended September 30, 2012				
(all tonnes are Dry Metric Tonnes)	**Quarter ended September 30, 2012**		**Six Months ended September 30, 2012**	
	Tonnes	Grade % Fe	Tonnes	Grade % Fe
Total Ore Mined	961,737	60.8	1,629,930	61.5
Direct Rail Ore portion	569,789	62.4	1,053,233	62.5
Waste Mined	1,533,211	-	2,902,609	-
Ore Processed	643,715	58.2	771,178	57.8
Lump Ore Produced	62,884	60.5	80,612	60.4
Sinter Fines Produced	508,773	61.1	543,484	61.4
Total Product Railed	706,495	62.2	1,238,824	62.4
Tonnes Product Sold	647,643	62.3	1,134,149	62.7
Port Product ending inventory	282,344	62.1	282,344	62.1
Site Product ending inventory	89,917	60.2	89,917	60.2
Site ROM Ore ending inventory	432,143	56.2	432,143	56.2

At the end of August, the Company had completed seven cape-size shipments and was on track to meet its 2012 sales target of 2.0 million dry tonnes of iron ore. However, in response to market conditions and sharply weaker spot iron ore prices experienced in August, the Company decided to scale back its planned production for the remainder of the 2012 season. Under a revised production and operational plan finalized in September, the Company now plans to achieve ten shipments before the seasonal shut down in November. As a result, the Company is now targeting 2012 sales of approximately 1.7 million wet tonnes (1.6 million dry tonnes) of iron ore.

James Mine and Silver Yards

The James Mine re-commenced full-scale operations in April 2012 and consistently achieved its planned mining rate of 28,000 tonnes per day (ore and waste) in the months of June through August until the cutbacks in September as part of the Company's cost reduction program. Complementing the Company's ramp up in production, monthly railway volumes increased almost threefold from the beginning of the season with up to four train sets in operation.

The ore in the James deposits continues to be soft high grade and lends itself to simple processing. To enhance productivity and reduce costs, beginning in late August and continuing for the remainder of 2012 the Company is utilizing its dry classifying system to produce lump and sinter products. The Silver Yards wet processing plant was winterized at the end of August and will not be used for the remainder of 2012.

The dry process stream has a design capacity of 1,000 tonnes per hour (20,000 tonnes per day). The dry classifying system also complements the Company's product shift to sinter fines and some lump for the remainder of the 2012 production season. Utilization of the dry plant has resulted in some increase in silica content of the sinter fines, which has resulted in some value-in-use discounts on sales. The Company expects the silica level of its products to be lower in future years when Phase 3 of the wet processing plant is fully commissioned. The Company has discontinued the sale of direct rail ore ("DRO"), which due to its non-standard size specification was receiving a discount in the market place.

The James ore continues to be generally free digging, not requiring the use of explosives, and the higher grade experienced in the upper benches of the mine continues to be encountered as the mine gets deeper and accesses the lower levels. As previously reported, the bulk density of the James ore is lower than originally anticipated resulting in most of the deposit being of a higher grade but lower tonnage than predicted by the geological model.

A diamond drilling program in the James open pit, undertaken in August, succeeded in recovering drill core for the first time. Analysis of this diamond drill core will provide for a more accurate determination of in-situ specific gravity than was possible from chip samples previously recovered from reverse circulation drilling, or from the historical IOC regional formulas used in the initial resource estimation process. It is anticipated that a downward adjustment to specific gravity will result in a reduction to the initial resource tonnage estimated. The magnitude of the adjustment to in-situ tonnage is the subject of ongoing work that will be included in a re-estimation of the mineral resources for the James deposit at the end of the Company's fiscal year.

Construction of the Phase 3 expansion of the wet processing plant, which is designed to increase plant throughput to 12,000 tonnes per day and to improve mass yield to above 75%, was substantially complete at the end of August, with the main remaining items being the installation of electrical equipment and instrumentation work. With the suspension of capital expenditure programs relating to the Silver Yards processing plant, completion and commissioning of the Phase 3 plant expansion, originally anticipated to take place in August 2012, is now planned for the 2013 operating season.

Connection to the hydro grid power has also been deferred and is now planned for completion in 2013.

Houston Project

Ongoing drill programs and hydrological and metallurgical testing of the Houston deposits have continued in 2012 in order to generate the technical information required for detailed mine planning. All major capital expenditure programs relating to the development of Houston have been deferred. The Company is continuing to process applications for permits and regulatory approvals required for the construction of mine infrastructure and related facilities to enable the development and construction at the Houston deposits.

Commencement of full construction activities for the Houston Project is now planned for 2013, subject to market conditions, the availability of financing and the receipt of the remaining permits, with initial production of Houston ore targeted for 2014. Development costs for the first phase of the Houston project are estimated to be approximately $37 million, with an additional approximately $20 million of mine development costs now planned for 2014. The Company plans to evaluate various potential credit facilities and/or strategic partnerships or off-take arrangements to fund these Houston development expenditures.

The delay in the development of the Houston deposits will result in the Company's production target for 2013 being revised to approximately 2.0 million tonnes of iron ore, rather than the previously expected 3.0 million tonnes. When in full production, the Houston Project is expected to more than double the Company's current iron ore production and will represent the Company's main expansion project in future years.

Health and Safety

The Company continues its focus on developing and enhancing best practices in the area of health and safety. On July 14, 2012 the operations recorded the first lost time injury for the year. An equipment rollover resulted in multiple injuries to the operator, who was sent for medical treatment to Quebec City. He was subsequently released from hospital on August 15, 2012 and is expected to make a full recovery. The Company had no other significant health and safety incidents in the quarter and six months ended September 30, 2012.

Environmental Compliance

The Company continues its focus on respecting the environment and environmental regulations and is in compliance with all of its permits.

Rail Transportation

Iron ore from the James Mine is transported by rail from the Silver Yards plant site, via the Company's 6 km spur line, the TSH railway and the QNS&L railway, to the Port of Sept-Iles, where the ore is unloaded and stockpiled for shipping. By the end of September 2012, a total of approximately 1,239,000 dry tonnes of iron ore had been railed to the Port of Sept-Iles. Monthly railway volumes increased almost threefold from the beginning of the operating season.

In June 2012, the Company completed a life-of-mine agreement with TSH railway, replacing its previous annual agreement. This confidential agreement provides for a confidential tariff, with various capacity and volume commitments on the part of each of TSH and the Company. Pursuant to this long-term confidential rail transportation contract with TSH, the Company has agreed to make approximately $25 million in contributions (inclusive of the $8.5 million in upgrade contributions already made of which $3.5 million was made in 2011, $2.5 million was made in April 2012 and a further $2.5 million in July 2012), over the next four to five years towards the costs of the TSH railway upgrade program. Future contributions will be repaid to the Company over an expected period of about four years commencing in 2017, subject to the Company maintaining normal annual transportation operations on the TSH railway.

In March 2011, LIM entered into a confidential life of mine agreement with QNS&L which provides that QNS&L will carry LIM's iron ore from Emeril Junction to Sept-Iles. This confidential agreement provides for a confidential tariff, with various capacity and volume commitments on the part of each of QNS&L and the Company. Under this confidential rail transportation contract advance payments totalling $25 million were required, of which $10 million was paid in 2011 and $5 million was paid in August 2012. These advance payments were required by QNS&L to secure the locomotive equipment and infrastructure capacity to meet the Company's anticipated haulage volumes on the QNS&L railway. The remaining $10 million was due to be paid in installments of $5 million each on September 1, 2012 and October 1, 2012, and the Company is discussing with QNS&L rescheduling the timing of these remaining payments to relate to anticipated increased capacity and longer train sets required in future years.

Port Arrangements

In July 2012, LIM entered into a long term customer contract with the Port of Sept-Iles securing ship loading capacity of 5 million tonnes per year, with the right to secure additional residual capacity, in a new multi-user deep water dock in the Port of Sept-Iles. The new multi-user dock in the Pointe-Noire area of the Port of Sept-Iles is a $220 million project comprising two berths equipped with two ship loaders as well as two conveyer lines, dedicated exclusively to iron ore shipments, with an annual capacity of 50 million tonnes per year, which the Port expects to be completed by March 31, 2014. The new multi-user dock will allow users to directly load large cape size vessels. In February 2012, the Government of Canada announced that it would invest up to $55 million and would contribute to the construction of the new multi-user deep water dock in the Port of Sept-Iles.

Under the long term customer contract with the Port of Sept-Iles, the Company paid a first installment of $6.4 million towards its buy-in payment and guaranteed a second and final buy-in payment installment of $6.4 million in July 2013. These advance payments will be credited as discounts against future shipping fees until such time as the cumulative discounts amount to the Company's buy-in payments. The Company also agreed to long-term commitments with the Port of Sept-Iles in terms of annual volume of ship loading at the multi-user facility.

In August 2012, LIM entered into an agreement with the Canadian National Railway Corporation ("CN") to work with CN and La Caisse de depot et placement du Quebec, as well as a group of mining companies, on a feasibility study evaluating the development of a new, continuous multi-user railway from the northern Labrador Trough to the Port of Sept-Iles. The feasibility study will also evaluate a new terminal handling facility located at the Port of Sept-Iles. The Company paid a one-time contribution of $1.5 million towards the cost of the CN feasibility study.

The CN feasibility study will examine the cost and engineering parameters of the proposed rail network and associated infrastructure. To advance the project timeline, CN has coordinated the timely start of upfront applications for regulatory approvals and permitting requirements for the project. This will also allow for appropriate consultation with First Nations, local communities and other stakeholders.

The development of a new multi-user terminal handling facility at the Port of Sept-Iles would complement the planned development of the new multi-user dock at the Port, in which the Company is participating. A new railway in the Labrador Trough region would provide optionality for long-term rail capacity, with the potential to provide greater efficiencies.

LIM has not concluded any arrangements for the ship loading or sale of any iron ore beyond 2012. The Company is currently in discussions with various companies involved with the Port regarding rail transportation, storage, reclaim and ship-loading of its iron ore products at the Port. There can be no assurance that arrangements on acceptable terms will be concluded or concluded on a timely basis.

Sales of Iron Ore

In February 2012, the Company entered into an agreement with IOC for the sale of all of LIM's 2012 iron ore production, on financial and operational terms similar to the sales agreement with IOC for its 2011 production. Under the confidential sales contract with IOC, the iron ore was delivered to Asian markets and resold by IOC's marketing organization on the spot market on a shipment-by-shipment basis.

The actual realized price for a shipment of the Company's iron ore is based on the prevailing spot price in China at the time the cargo is priced, adjusted for value-in-use adjustments based on the cargo's specifications. The spot market in China is tracked daily by such organizations as Platts, which publishes a widely referenced spot price index. The typical market referenced in connection with sales of the Company's iron ore products is the Platts 62%

Fe CFR China Index, which tracks the price, on a CFR China price per dry tonne basis, of sinter fine iron ore product up to 10 millimetres in size, with an iron content of 62.0%, 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 shipment's cargo deviates from the standard specifications, in terms of iron ore 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 may apply. Value-in-use adjustments result in the actual realized price for a cargo being at a premium or a discount compared to the reported spot price.

In 2012, the Company experienced some value-in-use adjustments in the determination of the actual realized price (on a CFR China basis) on several of its cargos. The value-in-use adjustments for the Company's DRO cargos related mainly to the mixed size nature of this product, which requires further crushing and screening by the purchaser before being used in the steelmaking process. The Company has discontinued the sale of its DRO product. The value-in-use adjustments for the Company's sinter ore shipments in 2012 related to the silica content of the cargos, which was a few percentage points higher than the standard of 4.5% silica. The Company expects the silica level to be lower in future years when Phase 3 of the wet processing plant is fully commissioned.

The net proceeds (FOB Port of Sept-Iles) received by LIM for iron ore sold to IOC is calculated based on the actual realized price (i.e. CFR China spot price plus or minus value-in-use adjustments) of a shipment sold in China, less shipping costs and IOC's participation which includes product handling, ship loading and sales costs.

During the quarter ended September 30, 2012, the Company completed four cape size shipments (two shipments of DRO and two shipments of sinter ore) totaling 648,000 dry tonnes which were sold at a weighted average actual realized price (i.e. CFR China spot price less value-in-use discounts) of approximately US$96 per tonne on a CFR China basis. The Company recognized net proceeds of $33.0 million on a FOB Sept-Iles basis after netting shipping costs and IOC's participation for product handling, ship loading and sales costs from the CFR China actual realized price for these four shipments.

During the six months ended September 30, 2012, the Company completed seven cape size shipments (five shipments of DRO and two shipments of sinter ore) totaling 1,134,000 dry tonnes which were sold at a weighted average actual realized price (i.e. CFR China spot price less value-in-use discounts) of approximately US$107 per tonne on a CFR China basis. The Company recognized net proceeds of $71.1 million on a FOB Sept-Iles basis after netting shipping costs and IOC's participation from the CFR China actual realized price for these seven shipments. Several of the Company's cargos have been sold by IOC to repeat customer steel companies in China.

Subsequent to September 30, 2012, to the date hereof, the Company completed two additional cape size shipments of sinter ore for a total of nine shipments so far in 2012. The Company anticipates one more shipment of lump ore product before the end of November, for a total of ten shipments in 2012 totaling approximately 1.6 million dry tonnes of product sales for the year. The Company's tenth shipment is expected to be a cape size vessel of approximately 100,000 tonnes of lump ore. The Company will continue to report proceeds from its aggregate sales of iron ore on a quarterly basis.

The Company continues to review its options for marketing its iron ore production in future years and is evaluating the optimum route to achieve these sales, while still maintaining maximum flexibility and independence. Marketing discussions are continuing with potential customers, both in Europe and in Asia and the Company is also continuing discussions with a number of internationally recognized commodity traders with specialist knowledge of the iron and steel industry. The Company has not concluded any agreements for the sale of any iron ore beyond 2012.

2012 Exploration Program Update

As of the end of September 2012, approximately 9,400 metres ("m") of reverse circulation ("RC") and core diamond drilling had been completed in the 2012 exploration program. The 2012 exploration budget was reduced to $5.3 million from the $8.6 million originally budgeted. Although exploration spending has been reduced, the overall 2012 exploration program is expected to achieve approximately 13,500 m of drilling as a result of cost efficiencies and improved productivity.

The drill programs have focused on Houston, Malcolm, James North, the James South extension and historic stockpiles near Silver Yards. As at the end of September, 5,600 m of RC drilling had been completed at Houston, Malcolm and the historic stockpiles and 3,300 m of diamond drilling had been completed at Houston and the James South extension. The main purpose of this drilling is to generate further technical information for more detailed mine planning of these deposits. The Company had also completed 500 m of diamond drilling at the James North deposit for geotechnical purposes.

In addition to this drilling, a bulk sampling program of some of the historic stockpiles has been initiated with a view to providing supplemental plant feed to the Silver Yards processing plant. The final drilling program being carried out this season involves approximately 1,500 m of diamond drilling on the Elizabeth Lake taconite target intended to evaluate the potential of this type of iron-bearing formation.

Iron Ore Market Conditions and Outlook

Iron ore spot prices suffered a sharp decline in August, 2012, dropping 33% from June 30, 2012 to below US$90 per tonne on a 62% Fe CFR China basis in early September. The sharp decline below US$110, which lasted from August 15 to September 18, was unexpected and was variously reported as being due to a number of factors that included de-stocking of plant inventories by Chinese steel mills, partly due to tighter credit conditions, and traders withdrawing from the spot market, coupled with historically high port inventories. The Platts Index averaged US$113 for the quarter ended September 30, 2012.

Despite recent volatility, management believes the underlying fundamentals of the iron ore market have not changed. The most important use of iron ore is as a primary input in steel production. Global steel production in the first nine months of calendar 2012 remained strong and in line with the same period in 2011. Global crude steel demand is expected to increase by 4.5% in 2013 according to the World Steel Association. The Company believes that plant destocking by Chinese steel producers cannot continue indefinitely as Chinese steel prices stabilize and buyers return to the market.

Recent announcements by the Chinese Government of stimulus spending will support continued growth in demand for steel and iron ore in China. China's National Development and Reform Commission is reported to have approved new infrastructure projects, including highways, subways and airports and other public works, totalling between 800 billion and one trillion yuan over the next several years. However, China appears to be moving cautiously as its large spending in response to the 2008 global crisis fuelled inflation. At that time, China's stimulus spending led to the spot price of iron ore increasing from a low of US$60 per tonne CFR China in March 2009 to reach a high of US$186 within just over one year in April 2010, from where it retreated to about US$117 per tonne in July 2010 before recovering strongly to a high of US$192 in March 2011.

The Company's expectation, which is consistent with consensus research opinions, is that a recovery in iron ore prices is likely due to the re-stocking by Chinese steel mills, traders moving back into the iron ore spot market as well as economic stimulus programs from China, Europe and the U.S. Towards the end of September 2012, spot

prices had recovered to approximately US$110 per tonne on a 62% Fe CFR China basis, as market sentiment shifted in the Chinese market in response to announced stimulus programs and to ongoing depletion in inventories at the steel makers' facilities. Subsequent to September 2012, spot prices have continued to improve, and by early November have reached approximately US$120 per tonne on a 62% Fe CFR China basis.

Looking forward, many of the new iron ore projects and production expansions previously planned by major companies are experiencing increased costs and delays, and many have been postponed, which is expected to reduce the long-term growth of iron ore supply. Increased production of higher marginal cost Chinese capacity is expected to be needed to meet growing iron ore demand in the medium-term. The average marginal cost of Chinese iron ore production is believed to be approximately US$120 per tonne, which provides a strong support level for future iron ore prices.

Outlook

The total 2012 saleable production target has been revised to approximately 1.6 million dry tonnes of iron ore, which includes DRO of mixed size, sinter fines and lump ore. Cash operating costs, consisting of mining, processing, rail and transportation and general and administrative costs, are expected to be approximately $70 per tonne of product sold, unloaded at the Port of Sept-Iles, including non-recurring charges.

By mid-November, the Company has completed its mining operations and is winding down its dry processing and rail operations. The Company expects to complete its shipping season with a tenth shipment in November.

The Company undertook decisive action in September 2012 in response to the drop in spot iron ore prices in August 2012. The Company revised its mine, processing and rail transport strategies for the remainder of 2012 to optimize production at the lowest possible cost. The Company believes that the cost reductions in current operations, combined with the scale-back in production, the deferral of capital expenditures and the completion of a $30 million equity financing in November 2012 will ensure the Company completes the 2012 season in a sustainable position to resume operations in 2013.

Resumption of mining operations in April 2013 for the 2013 operating season will depend on a number of inter-related factors including the Company being reasonably confident that the forecast iron ore spot price will continue at levels of US$110 per tonne or higher on a 62% Fe CFR China basis, at least for the 2013 operating season. The Company will continue to monitor published iron ore price forecasts provided by investment and industry analysts as well as the futures market throughout the non-operating winter period (January to March 2013) to determine its confidence level for the decision to undertake operations in April 2013. Subject to acceptable iron ore market and financial conditions, the Company is currently targeting approximately 2 million tonnes of saleable iron ore production in 2013.

Qualified Persons and Technical Reports

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, Vice President Exploration of the Company, both of whom act as the Company's qualified persons within the meaning of NI 43-101.

A technical report entitled "*Revised 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 March 31, 2012 and revised October 24, 2012, by Maxime Dupere, 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, was filed on SEDAR and may be viewed under the Company's profile at www.sedar.com.

A technical report entitled "*Mineral Resource Update of the Houston Property, Labrador West Area, Newfoundland and Labrador, Canada for Labrador Iron Mines Holdings Limited*" dated March 31, 2012 by Maxime Dupere, 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, was filed on SEDAR and may be viewed under the Company's profile at www.sedar.com.

RESULTS OF OPERATIONS

Second Quarter Ended September 30, 2012

For the second quarter ended September 30, 2012, the Company reported a loss of $31.7 million, or $0.47 per share, including a depletion and depreciation charge of $14.4 million, or $0.21 per share, compared to a loss of $7.0 million, or $0.13 per share, during the same quarter of the previous year.

The Company recognized revenue of $33.0 million (FOB Port of Sept-Iles) on sales of approximately 648,000 dry tonnes of iron ore in four shipments completed during the second quarter. The Company's revenue for the second quarter was negatively impacted by a decline of 33% in the spot price of iron ore (on a CFR China basis, before value-in-use adjustments and before ocean freight and IOC allocation) during the quarter due to a number of factors in the sea-borne iron ore market that included de-stocking of plant inventories by Chinese steel mills, traders withdrawing from the spot market and historically high port inventories.

There was no revenue recognized in the same quarter of the previous year, as there were no sales completed during that period.

Cash operating costs, consisting of mining, processing, rail and transportation and site administration costs, for the quarter were approximately $70 per tonne of product sold, unloaded at the Port of Sept-Iles. Included in this amount is a charge equal to approximately $7 per tonne of product sold during the quarter, representing the full season's wet processing plant commissioning costs being charged to the second quarter. This charge was taken because the Company winterized its wet processing plant in August 2012 and will be utilizing a dry screening process for the remainder of the 2012 operating season.

Three cargo shipments sold in August 2012 were sold at net prices (FOB Port of Sept-Iles) below the Company's cash operating costs per tonne of product sold.

Royalties during the second quarter were equal to US$1.50 per tonne of iron ore product sold during the quarter. There were no royalties during the same quarter of the previous year, as there were no product sales during that quarter.

The Company recorded a depletion and depreciation charge of $14.4 million during the second quarter. This represents a period charge, primarily on a units-of-production basis, of the cost of the James mine (including capitalized stripping and dewatering), Silver Yards processing plant, transportation equipment, and infrastructure and site administration properties associated with the operations of the James mine operations. The largest component of the depletion and depreciation charge was depletion of the James mine (including capitalized stripping and dewatering), which is being depleted on a units of production basis using the measured and indicated resources of the James deposit as the denominator. There was no comparable depletion and depreciation charged in the same quarter of the previous year, as the Company's mining operations were still in a start-up phase during that period.

During the second quarter, the Company incurred corporate and administrative costs of approximately $2.5 million, an increase of $1.2 million over corporate and administration costs of approximately $1.3 million in the same quarter of the previous year. The increase is attributable to an increase in the scale and scope of the Company's activities, including additional head office and regional office costs, increases in staff and associated costs, higher travel costs, additional insurance costs and additional social development and information technology expenditures.

As the Company was in full scale mining operations during the second quarter, no start-up expenses were recorded during this period. The Company had incurred start-up costs of $5.6 million in the same quarter of the previous year, as the Company's mining operations were still in a start-up phase during that period.

During the second quarter, the Company invested approximately $5.8 million in property, plant and equipment, compared to approximately $25.7 million invested during the same quarter of the previous year. The $5.8 million invested during the second quarter consisted mainly of investments in Phase 3 of the Silver Yards processing plant, grid connection infrastructure and expansion of the Company's mine accommodation camp.

During the second quarter, the Company also advanced $2.5 million to TSH railway as a non-repayable contribution to the TSH railway's capital upgrade program. The Company has advanced a total of $8.5 million to TSH railway's capital upgrade program as at September 30, 2012. The Company has agreed to make a further $16.5 million in aggregate upgrade contributions to TSH Railway over the next four or five years (for a combined total of $25 million in upgrade contributions). Future contributions (i.e. $16.5 million in anticipated future upgrade contributions) will be repaid to the Company over an expected period of about four years commencing in 2017, subject to the Company maintaining normal annual transportation operations on the TSH railway.

During the second quarter, the Company also advanced $5 million to QNS&L railway as an installment towards its advance payments required to secure locomotive and infrastructure capacity to meet the Company's anticipated long term haulage volumes on the QNS&L railway. Combined with previous advance payments, the Company has advanced a total of $15 million to QNS&L railway as at September 30, 2012, and $10 million of additional advanced payments are still required. The Company's advance payments to QNS&L are recoverable as a credit of $3.50 per wet metric tonne railed.

During the second quarter, the Company paid a preliminary installment of $6.4 million to the Port of Sept-Iles to secure ship loading capacity of 5 million tonnes per year in a new multi-user deep water dock in the Port of Sept-Iles dedicated exclusively to iron ore shipments. The Company also guaranteed a final buy-in payment installment of an additional $6.4 million payable in July 2013. These buy-in payments will be credited as discounts against future shipping fees until such time as the cumulative discounts amount to the Company's buy-in payments.

During the second quarter the Company also advanced $1.5 million to CN to participate in a feasibility study evaluating the development of a new, continuous multi-user railway from the northern Labrador Trough to the Port of Sept-Iles. The CN feasibility study will also evaluate a new terminal handling facility located at the Port of Sept-Iles.

Six Months Ended September 30, 2012

For the six months ended September 30, 2012, the Company reported a loss of $42.3 million, or $0.63 per share, including a depletion and depreciation charge of $24.1 million, or $0.36 per share, compared to a loss of $11.7 million, or $0.22 per share, during the same period of the previous year.

The Company recognized revenue of $71.1 million (FOB Port of Sept-Iles) on sales of approximately 1,134,000 dry tonnes of iron ore in seven shipments completed during the current six month period. The Company's revenue for the six month period was negatively impacted by a decline of 33% in the spot price of iron ore (on a CFR China

basis, before value-in-use adjustments and before ocean freight and IOC allocation) during the July to September period.

There was no revenue recognized in the same six month period of the previous year, as there were no sales completed during that period.

Royalties during the current six month period were equal to US$1.50 per tonne of iron ore product sold during the quarter. There were no royalties during the same six month period of the previous year, as there were no product sales during that period.

The Company recorded a depletion and depreciation charge of $24.1 million during the current six month period. This represents a period charge, primarily on a units-of-production basis, of the cost of the James mine (including capitalized stripping and dewatering), Silver Yards processing plant, transportation equipment, and infrastructure and site administration properties associated with the operational activities of the James mine. There was no such comparable depletion and depreciation charged in the same six month period of the previous year, as the Company's mining operations were still in a start-up phase during that period.

The Company incurred corporate and administrative costs of approximately $5.2 million during the current six month period, an increase of $2.8 million over corporate and administration costs of approximately $2.4 million in the same six month period of the previous year. The increase is attributable to an increase in the scale and scope of the Company's activities, including additional head office and regional office costs, increases in staff and associated costs, higher travel costs, additional insurance costs and additional social development and information technology expenditures.

As the Company was in full scale mining operations during the current six month period, no start-up expenses were recorded during this period. The Company had incurred start-up costs of $9.1 million in the same six month period of the previous year, as the Company's mining operations were still in a start-up phase during that period.

During the current six month period, the Company invested approximately $24.9 million in property, plant and equipment, compared to approximately $46.9 million invested during the same six month period of the previous year. The $24.9 million invested during the current six month period consisted mainly of investments in Phase 3 of the Silver Yards processing plant, grid connection infrastructure and expansion of the Company's mine accommodation camp.

During the current six month period, the Company also advanced a total of $5 million ($2.5 million in April and $2.5 million in July) to TSH railway as non-repayable contributions to the TSH railway's capital upgrade program.

During the current six month period, the Company also advanced $5 million to QNS&L railway as an installment towards its advance payments required to secure locomotive and infrastructure capacity to meet the Company's anticipated long term haulage volumes on the QNS&L railway.

During the current six month period, the Company paid a preliminary installment of $6.4 million to the Port of Sept-Iles to secure ship loading capacity of 5 million tonnes per year in a new multi-user deep water dock in the Port of Sept-Iles dedicated exclusively to iron ore shipments. The Company also guaranteed a final buy-in payment installment of an additional $6.4 million payable in July 2013.

During the current six month period the Company also advanced $1.5 million to CN to participate in a feasibility study evaluating the development of a new, continuous multi-user railway from the northern Labrador Trough to the Port of Sept-Iles.

Financings

2011 Prospectus Financing

In April, 2011, the Company completed an equity financing by way of a short form prospectus (the "2011 Prospectus"), raising gross proceeds of $121,250,500 (the "2011 Prospectus Financing"). The following table sets out how the proceeds from the 2011 Prospectus Financing were spent, compared to the anticipated use of proceeds set out in the 2011 Prospectus.

	As disclosed in the 2011 Prospectus	**Actual expenditures, up to September 30, 2012**
Gross Proceeds, including from over-allotment option exercised	$121,250,500	$121,250,500
Underwriting fee	$6,062,525	$6,062,525
Other expenses of the 2011 Prospectus Financing	$200,000	$466,454
Net Proceeds	**$114,987,975**	**$114,721,521**
Use of Net Proceeds		
Silver Yards plant upgrades:		
• Phase 2 plant upgrade for fines recovery enhancement in 2011	$3,000,000	$2,891,309
• Phase 3 plant upgrade for increased capacity, products upgrade and high silica in 2012	$35,000,000)	$14,658,750
Rail infrastructure upgrade contribution and capacity advances due in 2011	$10,000,000	$10,000,000
Houston project: Detailed mine design and engineering studies concerning separate processing plant evaluation and development and access infrastructure work	$5,000,000	$1,584,897
Development expenditures on other deposits, including metallurgical, engineering, environmental studies and permitting work	$2,000,000	$1,339,250
Exploration expenditures on James, Redmond, Gill, Ruth Lake 8, and Knob Lake deposits, including 7,000 metres of drilling and 4,000 metres of trenching	$4,750,000	$4,928,538
Exploration expenditures on Houston 1, 2 and 3 deposits, including 3,600 metres of RC drilling	$2,000,000	$3,028,963
Exploration expenditures on Denault deposit, including 2,500 metres of RC drilling	$1,600,000	$731,179
Exploration expenditures on other deposits	$5,000,000	$1,121,347
Working capital and general corporate purposes	$46,637,975	$74,437,288 (1)
Total	**$114,987,975**	**$114,721,521**

Notes:

(1) The amount of $74,437,288 used for working capital and general corporate purposes is made up of the following:

a)	Working capital and general corporate expenses:	$8,550,805
b)	Stripping and dewatering at the James mine:	$18,922,687
c)	Additional transportation infrastructure and equipment, including acquisition of railcars (originally intended to be leased), rail spur extension costs and purchase of light vehicles:	$21,052,444
d)	Property, plant and equipment for completion of Phase 1 construction and commissioning Silver Yards plant:	$5,937,281
e)	Mineral property interest expenditures relating to the James mine consisting of development work including metallurgical, engineering and environmental studies:	$10,371,373
f)	Start-up costs consisting of non-refundable transportation related expenses incurred prior to establishing full scale rail transportation to port:	$9,602,698

The Silver Yards plant upgrade for fines recovery enhancement (Phase 2) anticipated in the 2011 Prospectus was completed within budget.

Capital expenditure programs relating to the Silver Yards processing were suspended during the second quarter. Construction of the Phase 3 expansion of the process plant is substantially complete, with the main remaining items being the installation of electrical equipment and instrumentation work. Commissioning of the Phase 3 plant is now planned for April and May 2013 as part of the seasonal start-up.

The amount spent for rail infrastructure upgrade contributions and capacity advances in 2011 was consistent with the $10 million anticipated in the 2011 Prospectus.

The majority of the development expenditures on Houston and other deposits anticipated in the 2011 Prospectus have been deferred.

Subsequent to the 2011 Financing, the Company decided to purchase, rather than lease, its fleet of railcars.

The Company incurred $9.6 million in previously unanticipated transportation related start-up expenses during fiscal 2012.

Ongoing drill programs and hydrological and metallurgical testing will be continued in 2012 in order to generate technical information required for detailed mine planning.

Payment for the operating costs associated with mining, processing and transporting the Company's iron ore production in fiscal 2012 and certain mineral property interest expenditures in fiscal 2012 were also funded in part by the proceeds from the sale of iron ore shipments.

March 2012 Prospectus Financing

On March 20, 2012, the Company completed an equity financing by way of a short form prospectus (the "March 2012 Prospectus"), raising gross proceeds of $71,625,000 (the "March 2012 Prospectus Financing"). The following table sets out how the proceeds from the March 2012 Prospectus Financing were spent compared to the anticipated use of proceeds set out in the 2012 Prospectus.

	As disclosed in the March 2012 Prospectus	Actual expenditures, up to September 30, 2012
Gross Proceeds	$71,625,000	$71,625,000
Underwriting fee	$3,581,250	$3,581,250
Other expenses of the 2012 Prospectus Financing	$400,000	$421,883
Net Proceeds	**$67,643,750**	**$67,621,867**
Use of Net Proceeds		
Railway Equipment and Infrastructure:		
• Transportation and modification of railcars	$3,000,000	$600,000
• Locomotive and infrastructure payment to QNS&L due in 2012	$15,000,000	$5,000,000
Silver Yards Upgrades and Improvements:		
• Construction of infrastructure and installation equipment to connect to existing hydroelectric grid	$8,300,000	$5,855,000
• Plant enclosure and related expense	$5,500,000	-
Houston Project Development:		
• Access road construction/upgrade including culverts and bridge construction	$19,000,000	$917,073
• Ongoing Environmental permitting and related environmental studies	$1,000,000	$208,927
Exploration Expenditures:		
• Additional drilling of Stage 2 Houston, Malcolm, Gill, Ruth and Denault deposits	$3,900,000	-
• Drilling of Stage 3 Barney and Howse deposits	$3,000,000	-
• Drilling, bulk sampling and metallurgical test work on taconite and manganese mineralization and stock piles	$2,000,000	-
• Support costs	$1,775,000	-
Working capital and general corporate purposes:	$5,168,750	$55,040,867 [(1)]
Total	**$67,643,750**	**$67,621,867**

Notes:

(1) Increased expenditures in this area were due to the need to fund operating costs and product inventories as a result of shortfalls in revenues resulting from a sharp decline in iron ore prices. The amount of $55,040,867 used for working capital and general corporate purposes is made up of the following:

(a)	Capacity reservation payment to the Port of Sept-Iles:	$6,395,500
(b)	Capacity upgrade and maintenance contributions and capacity reservation deposit	$5,750,000

	to TSH:	
(c)	One-time contribution to CN feasibility study:	$1,500,000
(d)	Mining, processing, transportation and site administration expenses:	$36,154,367
(e)	Royalties:	$741,000
(f)	General corporate expenses:	$4,500,000

The modification program of 142 used railcars purchased in 2012 remains ongoing as at September 30, 2012. The modification program is expected to be completed within budget and the railcars are anticipated to be transported to Sept-Iles and enter ore haulage service in the 2013 operating season.

The Company previously anticipated payment of $15 million of advance payments to QNS&L in 2012. As at September 30, 2012, $5 million of this amount had been paid. The Company is in discussions with QNS&L concerning a possible deferral of the $10 million balance of this advance payment obligation to a future year, to more closely coincide with the timing of QNS&L's infrastructure investment to be funded by the balance of the advance payments.

Connection of the Silver Yards plant to hydro grid power has been deferred, along with the associated spending, to the spring of 2013.

The Company has indefinitely deferred the Silver Yards plant enclosure capital project.

All major capital expenditure programs relating to the development of the Houston Project have been deferred. The Company will continue to process applications for permits and regulatory approvals required for the construction of mine infrastructure and related facilities to enable the development and construction of the Houston deposits. Commencement of full construction activities of Houston is now planned for 2013, subject to continuous assessment of market conditions and receipt of remaining permits.

The exploration program detailed in the 2012 Prospectus is expected to be undertaken in 2013 and is anticipated to be funded by operating cash flows.

SUMMARY OF QUARTERLY RESULTS

($000s, except per share data)

	Quarter ended Dec 31, 2010	Quarter ended March 31, 2011	Quarter ended June 30, 2011	Quarter ended Sept 30, 2011	Quarter ended Dec 31, 2011	Quarter ended March 31, 2012	Quarter ended June 30, 2012	Quarter ended Sept 30, 2012
Net (loss)	(1,289)	(623)	(4,670)	(6,993)	(1,678)	(1,331)	(10,584)	(31,712)
(Loss) per share	(0.03)	(0.01)	(0.09)	(0.13)	(0.03)	(0.02)	(0.16)	(0.47)
Total assets	176,798	184,280	305,385	296,605	304,443	379,754	374,852	359,381

The increase in the loss and loss per share in the quarters ended June 30, 2011 and September 30, 2011 compared to previous quarters relates mainly to start-up costs of approximately $3.5 million and $5.6 million incurred respectively during those quarters. Such start-up costs were less significant during the quarter ended December 31, 2011 and were not incurred thereafter. 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 and loss per share in the quarter ended September 30, 2012 relates to a significant decline in the price of iron ore

during this quarter, which had a significantly negative impact on operating results for the quarter. The loss and loss per share in the quarter ended September 30, 2012 includes a depletion and depreciation charge of $14.4 million for the quarter.

The increase in total assets in the three quarters subsequent to March 31, 2011 relates to the completion of the 2011 Prospectus Financing during April 2011 for gross proceeds of approximately $121 million. The increase in total assets at March 31, 2012 and thereafter relates to the completion of the March 2012 Prospectus Financing for gross proceeds of approximately $71.6 million.

LIQUIDITY AND CAPITAL RESOURCES

As at September 30, 2012, the Company had current assets of $58.2 million, including inventories with a carrying value of $21.5 million and accounts receivable and prepaid expenses of $34.5 million. At September 30, 2012, the Company had $0.9 million in unrestricted cash and cash equivalents and an additional $7.6 million in restricted cash. Subsequent to quarter end the Company completed an equity financing for gross cash proceeds of $30 million. 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, the premium liability recognized on the issuance of flow-through shares and the current portion of finance lease obligations and rehabilitation provision, were in aggregate $60.9 million at September 30, 2012. The Company had a working capital deficiency of $2.6 million as at September 30, 2012. Subsequent to quarter end the Company completed an equity financing for gross cash proceeds of $30 million.

In response to challenging market conditions, particularly the sharp decline in spot iron ore prices during the month of August 2012, the Company undertook a critical review of its operating and capital spending for the balance of 2012 and implemented the following measures in September 2012:

- A focus on cost reduction and cash conservation in order to prudently manage the Company's cash resources and requirements;
- Utilization of a new lower cost dry classifying system to produce sinter and lump ore only;
- All non-committed capital expenditures relating to the Silver Yards processing plant and development of the Houston deposits were deferred until the spring or early summer of 2013;
- The 2012 exploration program budget was reduced to $5.3 million from the original budget of $8.6 million;
- Approximately $52 million of additional planned capital investment originally budgeted for 2012, and largely on the Houston project, was deferred for consideration in the spring or early summer of 2013; and
- A $30 million equity financing was completed in November 2012.

The Company's original 2012 budget for its capital investment programs totaled approximately $112 million, of which $54 million has been spent or committed to date and $6 million has been permanently cancelled.

Despite the many operational achievements in 2012, the quarter ended September 30, 2012 was adversely impacted by the rapid drop in spot iron ore prices, which saw the spot price of iron ore below US$110 per tonne (CFR China) for about one month from August 15 to September 18, 2012. The Company responded decisively with revised strategies in the mine, process plant and rail transport to optimize production at the lowest possible cost. The

Company believes that the cost reductions in current operations, combined with the scale-back in production and the deferral of capital expenditures were necessary to ensure the completion of operations for the 2012 season.

The focus in the immediate short-term is on reducing operating and capital costs and managing cash. In response to market conditions and weaker spot iron ore prices, the Company scaled back its planned production for the remainder of the 2012 season.

The Company currently has no current or long term bank debt. The Company has entered into finance lease agreements for its mine camp at the Schefferville Project 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. The Company has also committed to incur, prior to December 31, 2012, a total of $10 million of qualifying “Canadian Exploration Expenses”, of which approximately $9.4 million had been incurred at September 30, 2012, leaving a balance of approximately $0.6 million to be incurred before December 31, 2012.

For 2013 and following years, and subject to market conditions, operations will be focused on the Company’s Stage 1 deposits. The Company’s Stage 1 deposits include six smaller satellite deposits and some historical stockpiles located within a 15 km radius of the James Mine and the Silver Yards processing plants. In resuming its planned seasonal mining operations in the spring of 2013, the Company will incur regular mining, processing, rail and transportation and site administration expenses for the months of April and May 2013 before receipt of payment for its first shipment anticipated in June 2013 and expects to require working capital of approximately $40 million to fund these operating expenses.

The Company is actively pursuing and intends to secure working capital financing arrangements prior to the seasonal startup of operations in the first quarter of its 2014 fiscal year (April to June 2013). Such financing may include debt, an operating line of credit or product off-take arrangements or a combination of these alternatives.

Resumption of mining operations in April 2013 for the 2013 operating season will depend on a number of inter-related factors including the Company being reasonably confident that the forecast iron ore spot price will continue at levels of US$110 or higher on a CFR China basis at least for the 2013 operating season, the Company securing a working capital financing facility or facilities of about $40 million by the end of March 2013 and the Company being satisfied that its anticipated cash operating costs (consisting of mining, processing, rail and transportation and site administration expenses) per tonne of iron ore delivered to the Port of Sept-Iles will not be materially more than approximately $65 per tonne.

The Company regularly monitors conditions in the iron ore market and, in particular, price trends for iron ore. Proposed capital expenditures are therefore reviewed on a regular basis in comparison to budgeted and projected operational cash flow in order to prudently manage cash balances.

The Company plans to fund any capital expenditures planned in fiscal 2014 through a combination of anticipated operating cash flow and potential debt facilities.

The carrying value of the Company’s mineral property interests, under IFRS, at September 30, 2012 was $161.1 million, compared to $173.9 million at the beginning of the quarter. The decrease in the carrying value is a result of the Company beginning the amortization of its James mine, including capitalized stripping, coinciding with the commencement of full scale mining operations on April 1, 2012.

As at September 30, 2012, the Company evaluated the carrying value of its mineral properties. Tests for recoverability were performed to determine if the estimated fair value exceeds the carrying amount of the Company’s mineral property interests. Management does not consider that there has been any impairment in the value of the Company’s mineral property interests. In assessing the future estimated cash flows, management used

various estimates including, but not limited to, estimated operating and capital costs, estimated production, estimated iron ore prices and estimated measured, indicated, inferred and historical resources. By their very nature, there can be no assurance that these estimates will actually be achieved or reflect the actual future operations of the Schefferville Projects.

OFF BALANCE SHEET ARRANGEMENTS

As at September 30, 2012 the Company had no off balance sheet arrangements.

OBLIGATIONS AND CONTRACTUAL COMMITMENTS

Contractual Commitments as at September 30, 2012	Payments Due by Period Following September 30, 2012				
	During First Year	During Second and Third Year	During Fourth and Fifth Year	After Fifth Year	Total
Office lease obligations	$502,000	$1,004,000	$1,004,000	$1,004,000	$3,514,000
Mine camp lease obligations	$1,104,000	$1,858,000	$732,000	$0	$3,694,000
Equipment supply, port and transportation contracts	$52,005,918	$87,735,826	$3,625,000	$24,350,000	$167,716,744
Total	**$53,611,918**	**$90,597,826**	**$5,361,000**	**$25,354,000**	**$174,924,744**

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

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

The contractual obligations 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.

As at September 30, 2012, the Company is also committed to spend a remaining $0.6 million in Canadian exploration expenses by December 31, 2012 as a result of the issuance of flow-through shares in the 2011 Prospectus Financing, The Company has also committed to spend $10.7 million in Canadian exploration expenses by December 31, 2013 as a result of the issuance of flow-through shares in the March 2012 Prospectus Financing, the full amount of which remained unspent as at September 30, 2012.

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

FINANCIAL INSTRUMENTS

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

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

As at September 30, 2012, the carrying amounts and fair value of the Company's financial instruments were considered to be the same, primarily because of the short term nature and liquidity of these instruments. As at September 30, 2012, the Company did not hold any balances in foreign currencies, other than United States dollars.

The Company has included disclosure concerning some of the risk factors relating to its financial instruments in Note 20 to its consolidated financial statements for the fiscal year ended March 31, 2012.

OUTSTANDING SHARE CAPITAL

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

As at September 30, 2012, the Company had 67,763,307 common shares, 1,824,375 stock options, 1,140,835 broker warrants and 58,032 deferred share units outstanding.

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

Security	Number	Weighted average exercise price	Weighted average remaining life (years)
Common shares	97,763,307	N/A	N/A
Stock options	1,824,375	$4.09	5.3
Broker warrants	2,162,500	$2.32	1.3
Deferred share units	85,092	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, 12,500 options have an exercise price of $7.30 and expire on November 9, 2015, 132,500 options have an exercise price of $11.65 per share and expire on February 9, 2016, 65,000 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, 152,500 options have an exercise price of $6.20 and expire on February 9, 2017 and 878,125 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.

Of the broker warrants currently outstanding, 662,500 broker warrants have an exercise price of $5.30 per share and expire on September 20, 2013 and 1,500,000 broker warrants have an exercise price of $1.00 per share and expire on May 6, 2014.

TRANSACTIONS WITH RELATED PARTIES

During the six months ended September 30, 2012, the Company recovered $60,030 (September 30, 2011 - $58,474) in respect of office rent from corporations with common directors and/or officers. At September 30, 2012, $7,626 is included in accounts receivable (March 31, 2012 - $10,910).

During the six months ended September 30, 2012, the Company also made payments to companies with common directors and/or officers in the amount of $358,208 (September 30, 2011 - $333,047) as compensation for management services provided. All of the management compensation in the six months ended September 30, 2012 was expensed. At September 30, 2012, $57,267 in management compensation remained payable to these related companies (March 31, 2012 - $175,000).

During the six months ended September 30, 2012, the Company also incurred legal fees (professional fees and share issue costs) in respect of services provided by a professional corporation controlled by an officer in the amount of $118,190 (September 30, 2011 - $180,896). At September 30, 2012, $40,906 in legal fees remained payable to this related party (March 31, 2012 - $105,961).

CRITICAL ACCOUNTING ESTIMATES

Revenue Recognition

Prior to reaching commercial production, the proceeds from shipments of iron ore, net of the mining, processing, transportation and other associated costs of such shipments, were credited against mineral property interests.

Commencing effective April 1, 2012, revenue is 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 will typically be 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 fiscal year. Actual results could differ from estimates. During the periods presented, management has made a number of significant estimates and valuation assumptions, including the recoverability of investments in mineral property interests, the fair value of stock options and the valuation of capital lease obligations and asset retirement obligations. These estimates and valuation assumptions are based on historical experience, present conditions and management's planned course of action, as well as assumptions about future business and economic conditions. The use of different assumptions could result in different estimates. Should future business and economic conditions deteriorate, or the underlying valuation assumptions and estimates change, the recorded amounts could change by a material amount.

Mineral property interests and deferred exploration expenditures

The Company evaluates the carrying value of its mineral properties and equipment when events or changes in circumstances warrant and tests for recoverability of the long life asset value. A test for recoverability is performed

to determine if the estimated fair value exceeds the carrying amount of the asset. Measurement of any impairment loss is determined by the estimated fair value of the assets based on the best information available at the time, including comparable asset values in the market.

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

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

Stock-based compensation

The Company records compensation cost based on the fair value method of accounting for stock-based compensation. The fair value of stock options is determined using the Black-Scholes option pricing model, and in respect of options vested during the quarter ended September 30, 2012 based on the assumptions set out in Note 11(a) to the condensed interim consolidated financial statements.

The Black-Scholes pricing model, which is now widely used in determining the "fair value" of stock options, was developed for use in estimating the fair value of freely traded options which are fully transferable and have no vesting restrictions and in many cases does not generate a meaningful "fair value" for stock options of companies similar to 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.

During fiscal 2011, the Company established a rehabilitation provision relating to its 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 $2,940,067. The present value of this estimated amount has been calculated under IFRS as $3,002,398 as at September 30, 2012.

In determining the present value of the rehabilitation provision as at September 30, 2012, the Company has assumed a long-term inflation rate of approximately 2%, a current market discount rate of approximately 1.4% 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 interim consolidated financial statements for the quarter and six months ended September 30, 2012.

RISKS AND UNCERTAINTIES

In conducting its business, the Company faces a number of risks and uncertainties. The principal risks and uncertainties faced by the Company are set out in greater detail the Company's annual information form ("AIF") dated June 19, 2012, which is available under the Company's profile on SEDAR at www.sedar.com. A summary of the principal risks and uncertainties which the Company faces is set out below.

No Assurance of Profitable Production

Resource 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 mining claims in which the Company has an interest are in the exploration stage only and are without a known body of commercial ore.

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

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.

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 further 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.

The successful commercial development of the Company's properties depends 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. Based on the Company's cash flow forecasts and projections for the remainder of the current fiscal year to March 31, 2013, in the light of current and anticipated economic and iron ore market conditions, the Company believes that it has the underlying assets and adequate resources to continue in business as a going concern for the foreseeable future. The validity of the going concern basis is dependent on finance being available for the continuing working capital requirements of the Company. The assumption of a going concern is dependent upon the Company achieving profitable operations to generate sufficient cash flows to fund continuing operations, or in the absence of adequate cash flows from operations, obtaining additional financing to support operations for the foreseeable future. The Company has not concluded any agreements for the sale of any iron ore beyond 2012. There can be no assurance the Company will attain profitable levels of operations or that that the Company will be successful in obtaining any required financing or in obtaining financing on reasonable or acceptable terms.

Availability of Qualified Personnel

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

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 is likely to exacerbate with the major 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.

Transportation and Port Infrastructure

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 owned by IOC, 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 Cliffs Wabush Mines, which runs approximately 34 km around the bay to the port terminal at Pointe-Noire.

During 2011, TSH carried out some upgrade work on its Menihek Division railway following a cash investment by both the Company and Tata Steel Canada. This upgrade work will need to be continued to ensure that the tonnages planned for 2012 and expansion in future years can be efficiently transported. This ongoing TSH rail upgrade will require continuing cash investment by the two mine operating companies and TSH, and potentially by governments.

In July 2012, the Company completed a life-of-mine agreement with TSH railway, replacing its previous annual agreement. Pursuant to this long-term confidential rail transportation contract with TSH, the Company has agreed to make contributions towards the costs of the TSH Menihek railway upgrade program to a total of approximately $25 million (inclusive of the $8.5 million in upgrade contributions already made of which $2.5 million was made in April 2012 and a further $2.5 million in July 2012) over the next four to five years. Future contributions will be repaid to the Company over an expected period of about four years commencing in 2017, subject to the Company maintaining normal annual transportation operations on the TSH railway.

On March 10, 2011, the Company entered into a life of mine, confidential rail transportation contract with QNS&L for the transportation of the Company's products from the end of the Menihek Division at Emeril Junction to Sept-Iles. Under the QNS&L rail transportation contract, advance payments totaling $25 million were required, of which $10 million was paid in 2011 and $5 million in August 2012, to secure the locomotive equipment and infrastructure capacity to meet the Company's anticipated haulage volumes on the QNS&L railway. The remaining $10 million was due to be paid in installments of $5 million each on September 1 and October 1, 2012 and the Company is discussing with QNS&L the rescheduling of these remaining payments to relate to anticipated increased capacity and longer train sets required in future years. There can be no assurance that arrangements on acceptable terms will be concluded or concluded on a timely basis.

The Company continues to evaluate several different options for the unloading, stockpiling and ship loading of the Company's iron ore products at the Port of Sept-Iles. These include the potential use of the Port's new multi-user deep water dock and/or other facilities of the Sept-Iles Port Authority expected to be operational in 2014. In July 2012, the Company entered into an agreement with the Sept-Iles Port Authority to secure loading capacity at the Port's proposed new multi-user deep water dock. The Company is currently in discussions with the Sept-Iles Port Authority, and with other rail and port operators, regarding rail transportation, storage, reclaim and ship-loading of its iron ore products in the Port. The Company has not concluded any agreements for the ship loading, shipment or sale of any iron ore beyond 2012.

The Company's current iron ore production is sold to IOC and re-sold by IOC in the Chinese spot market on a CFR China basis. The net sales price received by the Company for the sale of its iron ore is after the payment for ocean freight shipping costs from the Port of Sept Iles to China. The cost of ocean freight has fluctuated widely in recent years and is affected by many factors beyond the control of the Company including, but not limited to, international economic and industrial trends, changes in global demand, currency exchange fluctuations, expectations for the level of demand in the consuming and emerging economies, particularly China, interest rates, global and local economic activity, speculative activities and changes in the world wide supply of shipping vessels, including, in particular, the demand for and supply of cape-size ocean going ships and/or the construction of new ships. There can be no assurance that the cost of ocean freight, including bunker sea fuel, will not increase to a level which would make the transportation of iron ore from eastern Canada to China or other parts of Asia uneconomic.

Development and Operating Risks

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

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 based on proven and probable mineral reserves, the Company will be required to continually replace and expand its mineral resources as its mines produce iron ore. The life-of-mine estimates included in the Company's AIF in respect of the James and Houston deposits may not ultimately be realized. 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.

Demand for and Market Price of Iron Ore

The Company's revenues are primarily derived from the sale of iron ore and changes in the demand for and market price of iron ore has affected and may affect the future profitability of the Company's operations and financial condition.

The price of iron ore has fluctuated widely in recent years and is affected by factors beyond the control of the Company including, but not limited to, international economic and industrial trends, changes in global demand, currency exchange fluctuations, expectations for the level of demand in the consuming and emerging economies, particularly China, interest rates, global and local economic activity, speculative activities and changes in the world wide supply of iron ore due to mine expansions and/or new mine developments, particularly in Australia, Brazil and Africa.

Economic and industrial development, including infrastructure and housing construction, in China driven by Chinese economic and monetary policy, are expected to be the key factors driving the demand for, and the price of, iron ore in the current and future years and any weakness in the Chinese economy would affect the profitability of the Company's operations and financial condition.

The rate of global economic growth has slowed over the past two years particularly in Asia and the United States while growth has been negative in Europe as a result of that region's sovereign debt crisis which has created downward pressure on the world demand for steel and its principal raw material, iron ore. As a result the world price of iron ore has experienced significant declines over the past year and particularly in recent months. Unless this trend is reversed the future profitability of the Company's operations and financial condition will be negatively impacted.

Current Global Financial and Economic Condition

Financial markets globally have recently been subject to increased volatility and numerous financial institutions have either gone into bankruptcy or have had to be rescued by governmental authorities. Access to financing has been negatively impacted by liquidity crises throughout the world. These factors may impact the ability of the Company to obtain loans and other credit facilities in the future and, if obtained, on terms favorable to the Company. If these increased levels of volatility and market turmoil continue, the Company may not be able to secure appropriate debt or equity financing, any of which could affect the trading price of the Company's securities in an adverse manner.

The Company's securities may experience price volatility

Securities markets have a high level of price and volume volatility, and the market price of securities of many companies have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. Factors unrelated to the financial performance or prospects of the Company include macroeconomic developments in North America and globally and market perceptions of the attractiveness of particular industries. There can be no assurance that continued fluctuations in mineral prices will not occur. As a result of any of these factors, the market price of the securities of the Company at any given point in time may not accurately reflect the long term value of the Company.

In the past, following periods of volatility in the market price of a company's securities, shareholders have instituted class action securities litigation against those companies. Such litigation, if instituted, could result in substantial cost and diversion of management attention and resources, which could significantly harm profitability and the reputation of the Company.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") of the Company are responsible for designing internal controls over financial reporting, or causing them to be designed under their supervision, in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with 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, 2012 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 September 30, 2012, 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, 2012 and the unaudited condensed interim consolidated financial statements for the quarter ended September 30, 2012, is available under the Company's profile on SEDAR at www.sedar.com.

FORWARD LOOKING STATEMENTS

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