Labrador Iron Mines Limited
(Formerly Parys Mountain Mines Limited)

(A Development Stage Company)

Financial Statements
For the three months ended
June 30, 2007 and 2006, and,
For the years ended
March 31, 2007, 2006 and 2005

AUDITORS' REPORT

To the Directors of
Labrador Iron Mines Limited
(Formerly Parys Mountain Mines Limited)
(A Development Stage Company)

We have audited the balance sheets of Labrador Iron Mines Limited (Formerly Parys Mountain Mines Limited) (A Development Stage Company) as at March 31, 2007, 2006 and 2005 and the statements of operations and deficit and cash flows for each of the years in the three-year period ended March 31, 2007. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2007, 2006 and 2005 and the results of its operations and its cash flows for each of the years in the three-year period ended March 31, 2007 in accordance with Canadian generally accepted accounting principles.

Chartered Accountants
Licensed Public Accountants

TORONTO, Canada
■ , 2007

Labrador Iron Mines Limited
(Formerly Parys Mountain Mines Limited)
(A development Stage Company)
Balance Sheets
As at

	June 30, 2007 $	June 30, 2006 $	March 31, 2007 $	March 31, 2006 $	March 31, 2005 $
	(Unaudited)	(Unaudited)			
ASSETS					
Current assets					
Cash	21,157	100	27,849	-	-
Amounts receivable	9,559	2,632	12,699	-	-
	30,716	2,732	40,548	-	-
Non-current assets					
Deferred transaction costs	80,000	-	-	-	-
Mineral property interests (Note 4)	1,371,175	261,844	1,237,718	192,552	-
	1,481,891	264,576	1,278,266	192,552	-
LIABILITIES					
Current liabilities					
Accounts payable and accrued liabilities	404,051	39,000	243,571	212,707	-
Due to parent company (Note 6)	1,164,905	258,484	1,114,905	5,345	-
	1,568,956	297,484	1,358,476	218,052	-
SHARE CAPITAL AND DEFICIT					
Share capital (Note 5)	250,100	250,100	250,100	250,100	250,100
Deficit	(337,165)	(283,008)	(330,310)	(275,600)	(250,100)
	(87,065)	(32,908)	(80,210)	(25,500)	-
	1,481,891	264,576	1,278,266	192,552	-

Continuance (Note 1)
Commitments (Note 4)

Approved by the board of directors:

Signed "John F. Kearney"   , Director

Signed "Ian Cuthbertson"   , Director

See accompanying notes to the financial statements.

Labrador Iron Mines Limited
(Formerly Parys Mountain Mines Limited)
(A development Stage Company)
Statements of Operations and Deficit
For the

	Three months ended		Year ended March 31,		
	June 30, 2007 $	June 30, 2006 $	2007 $	2006 $	2005 $
	(Unaudited)	(Unaudited)			
Expenses					
Management	-	3,000	24,000	12,000	-
Office rentals	6,000	3,625	24,250	12,000	-
Administration	855	366	2,668	500	-
Professional fees	-	417	3,982	1,000	-
	6,855	7,408	54,900	25,500	-
Interest income	-	-	(190)	-	-
Net loss for the period	6,855	7,408	54,710	25,500	-
Deficit, beginning of period	330,310	275,600	275,600	250,100	250,100
Deficit, end of period	337,165	283,008	330,310	275,600	250,100
Net loss per share - basic and diluted	69	74	547	255	-
Weighted average common shares outstanding					
- basic and diluted	100	100	100	100	100

See accompanying notes to the financial statements.

Labrador Iron Mines Limited
(Formerly Parys Mountain Mines Limited)
(A development Stage Company)
Statements of Cash Flows
For the

	Three months ended		Year ended March 31,		
	June 30, 2007 $	June 30, 2006 $	2007 $	2006 $	2005 $
	(Unaudited)	(Unaudited)			
CASH FLOWS FROM OPERATING ACTIVITIES					
Net loss for the period	(6,855)	(7,408)	(54,710)	(25,500)	-
Changes in non-cash working capital:					
Decrease (increase) in amounts receivable	3,140	(2,632)	(12,699)	-	-
Increase (decrease) in accounts payable and accrued liabilities	12,080	(146,597)	40,556	25,500	-
Net cash flows from operating activities	8,365	(156,637)	(26,853)	-	-
CASH FLOWS FROM INVESTING ACTIVITIES					
Mineral property interests	(65,057)	(96,402)	(1,054,858)	(5,345)	-
CASH FLOWS FROM FINANCING ACTIVITIES					
Advances from parent company	50,000	253,139	1,109,560	5,345	-
Increase in cash	(6,692)	100	27,849	-	-
Cash, beginning of period	27,849	-	-	-	-
Cash, end of period	21,157	100	27,849	-	-
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:					
Interest paid	-	-	-	-	-
Income taxes paid	-	-	-	-	-
Change in accrued mineral property interest costs	(68,400)	27,110	(9,692)	187,207	-
Change in deferred transaction costs	(80,000)	-			

See accompanying notes to the financial statements.

1. Ongoing operations

These financial statements have been prepared on the basis of accounting principles applicable to a "going concern", which assume that Labrador Iron Mines Limited (the "Company") will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. The Company is in the development stage with no history of profitability. There is no guarantee that the Company's exploration programs will yield positive results or that the Company will be able to obtain the necessary financing to carry out the exploration and development of its properties. The Company's continued operation is dependent upon its ability to obtain the financing necessary to provide adequate working capital for the foreseeable future. Management continues to actively pursue additional financing and strives to obtain and thereafter maintain profitable operations to support the validity of the "going concern" assumption. If the "going concern" assumption was not appropriate for these financial statements, then adjustments would be necessary to the carrying values of assets and liabilities, the reported revenues and expenses, and the balance sheet classifications used.

2. Nature of operations

The Company is an indirect wholly owned subsidiary of Anglesey Mining plc and is engaged in the search, evaluation and development of iron ore resources in Canada. There has been no determination whether properties in which the Company holds interests contain ore reserves which are economically recoverable. The Company's exploration and development operations are subject to government legislation, policies and controls relating to prospecting, development, production, environmental protection, mining taxes and labour standards. In order for the Company to carry out its exploration and mining activities, the Company is required to hold certain permits. There is no assurance that the Company's existing permits will be renewed or that new permits that have been applied for will be granted. Major expenditures are required to locate and establish ore reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site. The recoverability of valuations assigned to mineral properties is dependent upon discovery of economically recoverable reserves, the ability to obtain necessary financing to complete development and future profitable production or proceeds from disposition. Management reviews the carrying value of the Company's interest in each property and where necessary, mineral properties are written down to their estimated recoverable amount. Although management has made its best estimate of these factors, it is reasonably possible that certain events could adversely affect management's estimates of recoverable amounts and the need for, as well as the amount of, provision for impairment in the carrying value of mineral properties and related assets. Although the Company has taken steps to verify title to properties in which it has an interest in accordance with industry standards for the current stage of development of such properties, these procedures do not guarantee the Company's title. Property title may be subject to government licensing requirements or regulations, unregistered prior agreements or transfers or native land claims, and title may be affected by undetected defects.

3. Summary of significant accounting policies

The accounting policies of the Company are in accordance with Canadian generally accepted accounting principles and their basis of application is consistent with that of the previous year. Outlined below are those policies considered particularly significant.

3. Summary of significant accounting policies (continued)

Mineral property interests and deferred exploration expenditures
These assets are carried at historical cost. The cost of mineral property interests and related exploration and development costs are deferred. These costs will be amortized over the estimated useful life of the properties following commencement of commercial production or written off if the properties are sold, allowed to lapse, or the property shows no promise from prior exploration results, or management determines that there is a permanent and significant impairment in value. All of the Company's properties are considered to be in the exploration or development stage and none have achieved commercial production. Accordingly, any revenue generated from testing or pilot plant processing is credited to mineral property interests. The Company does not accrue the future costs to keep the properties in good standing. Administrative expenditures, not directly related to property maintenance, are charged to operations as incurred.

Asset retirement obligations
The Company is required to record a liability for the estimated future costs associated with legal obligations relating to the reclamation and closure of its mineral property interests. This amount is initially recorded at its discounted present value with subsequent annual recognition of an accretion amount on the discounted liability. An equivalent amount is recorded as an increase to mineral property interests and is amortized over the useful life of the property. Management is not aware of any asset retirement obligations.

Use of estimates
The preparation of the financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities and the reported amounts of revenue and expenses during the period. Actual results could differ from estimates. During the fiscal periods presented, management has made a number of significant estimates and valuation assumptions, including the recoverability of investments in mineral property interests, the future costs associated with environmental remediation and site restoration matters, fair value of financial instruments and valuation of tax accounts. These estimates and valuation assumptions are based on present conditions and management's planned course of action, as well as an assumption about future business and economic conditions. Should the underlying valuation assumptions and estimates change, the recorded amounts could change by a material amount.

Income taxes
The Company follows the asset and liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are determined based on differences between the financial statement carrying values and the income tax bases of assets and liabilities, and are measured using the substantively enacted income tax rates and laws that are expected to be in effect when the temporary differences are expected to reverse. The effect on future income tax assets and liabilities of a change in income tax rates is recognized in the period that includes the date of enactment or substantive enactment of the change. When the future realization of income tax assets does not meet the test of being more likely than not to occur, a valuation allowance in the amount of the potential future benefit is taken and no net asset is recognized.

3. Summary of significant accounting policies (continued)

Loss per share
Basic loss per share is calculated using the weighted average number of shares outstanding. Diluted loss per share is calculated using the treasury stock method. In order to determine diluted loss per share, the treasury stock method assumes that any proceeds from the exercise of dilutive stock options and warrants would be used to repurchase common shares at the average market price during the period, with the incremental number of shares being included in the denominator of the diluted loss per share calculation. The diluted loss per share calculation excludes any potential conversion of options and warrants that would increase earnings per share or decrease loss per share.

Foreign currency translation
Transactions in foreign currencies have been translated into Canadian dollars using the temporal method. Under this method, monetary assets and liabilities are translated at the year-end exchange rate. Non-monetary assets have been translated at the historical rate of exchange prevailing at the date of the transaction. Expenses have been translated at the average rate of exchange during the year. Realized and unrealized foreign exchange gains and losses are included in operations.

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. The fair value of the options is recognized over the vesting period as compensation expense and contributed surplus. When options are exercised, the proceeds received, together with any related amount in contributed surplus, will be credited to capital stock.

4. Mineral property interests

The Company holds an 80% interest in the Schefferville Project. The Schefferville Project comprises a series of iron ore deposits located in western Labrador in the Province of Newfoundland and Labrador, near the town of Schefferville, Quebec. The properties comprise 29 Mineral Rights Licences issued by the Department of Natural Resources, Province of Newfoundland and Labrador, containing 140 mineral claims and covering approximately 3,500 hectares. Fourteen Mineral Rights Licences containing 54 mineral claims are registered in the name of the Company and fifteen Mineral Rights Licences containing 86 mineral claims in which the Company holds option interests are registered in the names of the appointees of the underlying optionor Fonteneau Resources Limited.

Under an agreement dated September 30, 2005 the Company was granted the right and option to earn a 70% interest in the Schefferville Project by carrying out exploration, completing a feasibility study prior to September 30, 2006 and committing to put one or more of the properties into production. The Company incurred the required expenditures, delivered the feasibility study and committed to put the properties into production in accordance with the feasibility study and thereby earned the 70% interest in the Schefferville Project.

On September 30, 2006 the Company acquired a further 10% joint venture interest in the Schefferville Project from Energold Minerals Inc., a company with a common director, in consideration of assuming certain obligations of Energold relating to the properties, and thereby increased its interest in the Schefferville Project to 80%.

At the same date the fourteen Mineral Rights Licences representing 86 mineral claims were transferred to the Company by Energold, subject to the Agreement and royalty described below, and title to these Mineral Rights Licences was transferred to and registered in the name of the Company.

On October 1, 2006 the Company entered into an agreement (the “Schefferville Agreement”) under which, the Company, as operator, is obligated to incur 100% of the development and capital expenditures to put the properties into commercial production, at which point the other parties are entitled to participate in 20% (subsequently

4. Mineral property interests (Continued)

increased to 22.5%) of the production and product and are obligated to pay 20% (subsequently increased to 22.5%) of all operating and ongoing and capital costs, incurred after the commencement of commercial production, provided that the Company has the right to recover the development and capital costs incurred by the Company from and after September 30, 2005 (without interest) from 90% of the net revenue generated by the Project.

The Company has the right at the time of arranging production financing for the first mine to be developed on the properties to acquire the 20% (subsequently increased to 22.5%) interest for a price to be fixed and determined by reference to the net present value of that interest as calculated from the feasibility study upon which such production financing is or was based. In addition, the holders of the 22.5% interest have the right, but not the obligation, to participate pro rata with the Company in any public flotation of the Company or of the Schefferville Project.

Pursuant to an underlying Option Agreement with Fonteneau Resources Limited dated September 15, 2005 as amended June 30, 2007, all of the properties comprising the Schefferville Project are held subject to a royalty (the "Fonteneau Royalty") in the amount of 3% of the selling price (FOB Port) of iron ore produced and shipped from the properties, such royalty being payable quarterly in arrears.

Under the Option Agreement the Company, as assignee and nominee of Energold has earned a 20% interest in the Fonteneau Properties and has elected to earn a further 80% interest in the Fonteneau Properties by committing to put the Properties into production and by arranging production financing for the first one million tons of production from one or more of the Fonteneau Properties, all subject to the Schefferville Agreement and subject to the Fonteneau Royalty.

Under the Option Agreement in the event that prior to September 30, 2008 the Company has not arranged production financing for the first one million tons of production from one or more of the properties, the Company shall be deemed to have earned only a 20% interest in the Fonteneau Properties and Fonteneau may arrange a sale, joint venture or disposition of the Fonteneau Properties or any of them to a third party, with the net proceeds or consideration of such disposition to be distributed 80% to Fonteneau and 20% to the Company.

The Schefferville Agreement and certain of the underlying agreements (but not including the Option Agreement) through which the Company has acquired its property interests are with companies who have directors and/or officers that are also directors and/or officers of the Company, or with companies that are controlled by directors and/or officers of the Company. The underlying Option Agreement with Fonteneau Resources Limited is at arm's length to the Company.

4. Mineral property interests (continued)

Balance, April 1, 2004 and March 31, 2005	$ -
Expenditures:	
Geology	160,995
Travel and accommodation	26,874
Other	4,683
Balance, March 31, 2006	192,552
Expenditures:	
Geology	17,086
Engineering	41,230
First nations affairs	10,976
Balance, June 30, 2006	261,844
Expenditures:	
Drilling	461,812
Geology	111,350
Environmental	101,897
Engineering	47,831
Metallurgy	47,000
Logistics	37,208
First nations affairs	62,230
Travel and accommodation	39,288
Other	67,258
Balance, March 31, 2007	1,237,718
Expenditures:	
Drilling	11,537
Geology	25,103
Metallurgy	39,256
First nations affairs	5,652
Travel and accommodation	1,909
Other	50,000
Balance, June 30, 2007	1,371,175

5. Share capital

	No.	$
Authorized		
Unlimited common shares		
Issued, June 30, 2007 and 2006 and March 31, 2007, 2006 and 2005		
Common shares	100	250,100

6. Related party transactions and balances

See Note 4.

Amount due to parent company is unsecured, non-interest bearing, and has no fixed terms of repayment.

Rent expense in the amount of $6,000 and $3,625 for the three months ended June 30, 2007 and 2006 and $24,250 for the year ended March 31, 2007 (2006 - $12,000, 2005 – Nil) was paid to a corporation that has directors in common with the Company.

Included in accounts payable and accrued liabilities at June 30, 2007 is $107,404 (2006 - $34,375), and at March 31, 2007 is $79,787 (2006 - $212,707; 2005 - Nil) owing to related parties.

Related party transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

7. Financial instruments

Fair value
Canadian generally accepted accounting principles require that the Company disclose information about the fair value of its financial assets and liabilities. Fair value estimates are made at the balance sheet date, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties in significant matters of judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates. The carrying amounts for cash, amounts receivable and accounts payable and accrued liabilities on the balance sheets approximate fair value because of the limited term of the instruments. The fair value of amounts due to parent company cannot reasonably be determined as there is no comparable market data.

Commodity Price Risk
The future profitability of the Company is directly related to the market price of iron ore.

Foreign Exchange Risk:
The Company conducts some of its financing activities in currencies other than the Canadian dollar. The Company is therefore subject to gains or losses due to fluctuations in these currencies relative to the Canadian dollar.

8. Income Taxes

The provision for income taxes differs from the amount that would have resulted by applying Canadian federal and provincial statutory tax rates of 36% (2005 –36%).

	June 30, 2007 (Unaudited)	June 30, 2006 (Unaudited)	March 31, 2007	March 31, 2006	March 31, 2005
	$	$	$	$	$
Loss before income taxes	6,855	7,408	54,710	25,500	-
Expected income tax benefit based on statutory rates	2,500	2,700	19,700	9,200	-
Adjustments to benefit resulting from:					
Valuation allowance	(2,500)	(2,700)	(19,700)	(9,200)	-
	-	-	-	-	-

The tax effects of temporary differences that give rise to future income tax assets and liabilities are as follows:

	June 30, 2007 (Unaudited)	June 30, 2006 (Unaudited)	March 31, 2007	March 31, 2006	March 31, 2005
	$	$	$	$	$
income tax assets (liabilities)					
Non capital losses	31,400	11,900	28,900	9,200	-
Valuation allowance	(31,400)	(11,900)	(28,900)	(9,200)	-
	-	-	-	-	-

The Company has non-capital loss carry-forwards for Canadian income tax purposes of approximately $56,000 which expire in 2027.

9. Subsequent event

Subsequent to June 30, 2007 the Company received a further advance of $250,000 from its parent company. In addition the other parties to the Schefferville Agreement also contributed $250,000 to fund ongoing exploration and development on the properties as a result of which the other parties combined interest in the project was increased to 22.5% and the Company's interest was adjusted to 77.5% (See Note 4 above).

On September 10, 2007, the Company entered into a merger agreement with Labrador Iron Mines Holdings Limited and its wholly owned subsidiary (collectively "Holdings") whereby the amalgamated company will hold a 100% interest in the Schefferville Project described in Note 4. This amalgamation is a condition for Holdings to complete its initial public offering.

Labrador Iron Mines Holdings Limited

(A Development Stage Company)

Consolidated Financial Statements
For the period from Incorporation (May 17, 2007) to June 30, 2007

AUDITORS' REPORT

To the Directors of
Labrador Iron Mines Holdings Limited
(A Development Stage Company)

We have audited the consolidated balance sheet of Labrador Iron Mines Holdings Limited (A Development Stage Company) as at June 30, 2007 and the consolidated statement of cash flows for the period from incorporation (May 17, 2007) to June 30, 2007. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2007 and its statement of cash flows for the period from incorporation (May 17, 2007) to June 30, 2007 in accordance with Canadian generally accepted accounting principles.

Chartered Accountants
Licensed Public Accountants

TORONTO, Canada
■, 2007

Labrador Iron Mines Holdings Limited
(A Development Stage Company)
Consolidated Balance Sheet
As at June 30, 2007

	$
ASSETS	
Current assets	
Cash	1
SHAREHOLDERS' EQUITY	
Share capital (Note 4)	1

APPROVED ON BEHALF OF THE BOARD:

"John F. Kearney", Director

"Terence N. McKillen", Director

See accompanying notes to the consolidated financial statements.

LABRADOR IRON MINES HOLDINGS LIMITED
STATEMENT OF CASH FLOWS
FOR THE PERIOD FROM INCORPORATION (MAY 17, 2007)
TO JUNE 30, 2007

	$
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from share issuance	1
Increase in cash, being cash, end of period	1

See accompanying notes to the consolidated financial statements.

1. Ongoing operations

These financial statements have been prepared on the basis of accounting principles applicable to a "going concern", which assume that Labrador Iron Mines Holdings Limited (the "Company") will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. The Company is in the development stage with no history of profitability. There is no guarantee that the Company's future exploration programs will yield positive results or that the Company will be able to obtain the necessary financing to carry out future exploration and development activities. The Company's continued operation is dependent upon its ability to obtain the financing necessary to provide adequate working capital for the foreseeable future. Management continues to actively pursue financing and strives to obtain and thereafter maintain profitable operations to support the validity of the "going concern" assumption. If the "going concern" assumption was not appropriate for these financial statements, then adjustments would be necessary to the carrying values of assets and liabilities, the reported revenues and expenses, and the balance sheet classifications used.

2. Nature of operations

The Company was incorporated on May 17, 2007 under the Ontario Business Corporations Act. The anticipated principal business of the Company is the acquisition, exploration and development of mineral property interests. There has been no determination whether the mineral property interests in which the Company's expects to earn an interest contain ore reserves which are economically recoverable. The Company's expected exploration and development operations are subject to government legislation, policies and controls relating to prospecting, development, production, environmental protection, mining taxes and labour standards. In order for the Company to carry out its expected exploration and mining activities, the Company is required to hold certain permits. There is no assurance that the Company's existing permits will be renewed or that new permits that have been applied for will be granted. Major expenditures are required to locate and establish ore reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site. The recoverability of valuations assigned to mineral properties is dependent upon discovery of economically recoverable reserves, the ability to obtain necessary financing to complete development and future profitable production or proceeds from disposition. Management reviews the carrying value of the Company's interest in each property and where necessary, exploration properties are written down to their estimated recoverable amount. Although management has made its best estimate of these factors, it is reasonably possible that certain events could adversely affect management's estimates of recoverable amounts and the need for, as well as the amount of, provision for impairment in the future carrying value of exploration properties and related assets. Although the Company has taken steps to verify title to properties in which it expects to hold an interest in accordance with industry standards for the current stage of development of such properties, these procedures do not guarantee the Company's title. Property title may be subject to government licensing requirements or regulations, unregistered prior agreements or transfers or native land claims, and title may be affected by undetected defects.

3. Summary of significant accounting policies

The accounting policies of the Company are in accordance with Canadian generally accepted accounting principles. Outlined below are those policies considered particularly significant.

Mineral property interests and deferred exploration expenditures

These assets are carried at historical cost. The cost of mineral property interests and related exploration and development costs are deferred. These costs will be amortized over the estimated useful life of the properties

3. Summary of significant accounting policies (continued)

following commencement of commercial production or written off if the properties are sold, allowed to lapse, or the property shows no promise from prior exploration results, or management determines that there is a permanent and significant impairment in value. The mineral property interests in which the Company expects to earn an interest are considered to be in the exploration or development stage and none have achieved commercial production. Accordingly, any revenue generated from testing or pilot plant processing is credited to mineral property interests. The Company does not accrue the future costs to keep the properties in good standing. Administrative expenditures, not directly related to property maintenance, are charged to operations as incurred.

Asset retirement obligations
The Company is required to record a liability for the estimated future costs associated with legal obligations relating to the reclamation and closure of its mineral property interests. This amount is initially recorded at its discounted present value with subsequent annual recognition of an accretion amount on the discounted liability. An equivalent amount is recorded as an increase to mineral property interests and is amortized over the useful life of the property. Management is not aware of any asset retirement obligations.

Use of estimates
The preparation of the financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities and the reported amounts of revenue and expenses during the year. Actual results could differ from estimates.

Income taxes
The Company follows the asset and liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are determined based on differences between the financial statement carrying values and the income tax bases of assets and liabilities, and are measured using the substantively enacted income tax rates and laws that are expected to be in effect when the temporary differences are expected to reverse. The effect on future income tax assets and liabilities of a change in income tax rates is recognized in the period that includes the date of enactment or substantive enactment of the change. When the future realization of income tax assets does not meet the test of being more likely than not to occur, a valuation allowance in the amount of the potential future benefit is taken and no net asset is recognized.

Loss per share
Basic loss per share is calculated using the weighted average number of shares outstanding. Diluted loss per share is calculated using the treasury stock method. In order to determine diluted loss per share, the treasury stock method assumes that any proceeds from the exercise of dilutive stock options and warrants would be used to repurchase common shares at the average market price during the period, with the incremental number of shares being included in the denominator of the diluted loss per share calculation. The diluted loss per share calculation excludes any potential conversion of options and warrants that would increase earnings per share or decrease loss per share.

Foreign currency translation
Transactions in foreign currencies have been translated into Canadian dollars using the temporal method. Under this method, monetary assets and liabilities are translated at the year-end exchange rate. Non-monetary assets have been translated at the historical rate of exchange prevailing at the date of the transaction. Expenses have been translated at the average rate of exchange during the year. Realized and unrealized foreign exchange gains and losses are included in operations.

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. The fair value of the options is recognized over the vesting period as compensation expense and contributed surplus. When options are exercised, the proceeds received, together with any related amount in contributed surplus, will be credited to capital stock.

4. Share capital

	No.	$
Authorized		
Unlimited common shares		
Issued		
Common shares	1	1

5. Financial instruments

Fair value
Canadian generally accepted accounting principles require that the Company disclose information about the fair value of its financial assets and liabilities. Fair value estimates are made at the balance sheet date, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties in significant matters of judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates. The carrying amounts for current assets and liabilities on the balance sheets approximate fair value because of the limited term of the instruments.

Commodity Price Risk
The future profitability of the Company is directly related to the market price of iron ore.

Foreign Exchange Risk:
The Company conducts some of its financing activities in currencies other than the Canadian dollar. The Company is therefore subject to gains or losses due to fluctuations in these currencies relative to the Canadian dollar.

5. SUBSEQUENT EVENTS

On July 30, 2007, the Company entered into an acquisition agreement with 3222594 Canada Inc. ("3222594") and Kensam Enterprises Inc. ("Kensam") whereby in consideration of 5,400,000 Class A shares of the Company's subsidiary, the Company acquired from 3222594 and Kensam a 22.5% interest in the Schefferville Project.

On September 10, 2007, the Company entered into a merger agreement with Labrador Iron Mines Limited ("LIM") which provides that LIM will amalgamate with the Company's wholly owned subsidiary. Upon the amalgamation becoming effective, the existing Class A shares of the Company's subsidiary will be exchanged for common shares of the Company and the existing common shares of LIM will be exchanged for common shares of the Company. As a result of the amalgamation becoming effective, the Company will hold a 100% interest in the Schefferville Project currently held as to 77.5% by LIM and 22.5% by Kensam.

On ■, the Company entered into an agreement in relation to a proposed initial public offering ("IPO") of ■ units at a price of $ ■ per unit. Each unit is comprised of one common share of the Company and one-half of one common share purchase warrant. Each warrant entitles the holder to purchase one common share of the Company for a period of 24 months from the date of closing of the IPO at a price of $ ■. The closing of the IPO is conditional upon the closing of the above-noted amalgamation.

In August 2007, the Company granted 2,950,000 options expiring in August 2012 exercisable at a price equal to the offering price of the IPO.

LABRADOR IRON MINES HOLDINGS LIMITED
(A Development Stage Company)

Unaudited Pro Forma Financial Statements

June 30, 2007

COMPILATION REPORT ON THE UNAUDITED PRO FORMA FINANCIAL STATEMENTS

To the Directors of
Labrador Iron Mines Holdings Limited

We have read the accompanying unaudited pro forma balance sheet as at June 30, 2007 and the unaudited pro forma statement of operations for the year ended June 30, 2007 of Labrador Iron Mines Holdings Limited ("Holdings") and have performed the following procedures:

1. Compared the figures in the columns captioned “Labrador Iron Mines Holdings Limited” to the audited financial statements of Holdings as at June 30, 2007 and for the period from incorporation (May 17, 2007) to June 30, 2007, and found them to be in agreement.

2. Compared the figures in the columns captioned “Labrador Iron Mines Limited” to the unaudited financial statements of Labrador Iron Mines Limited (“LIM”) as at June 30, 2007 and for the period then ended and to the audited financial statements of LIM for the year ended March 31, 2007 respectively, and found them to be in agreement.

3. Made enquiries of certain officials of Holdings who have responsibility for financial and accounting matters about:

   a) the basis for determination of the pro forma adjustments; and

   b) whether the unaudited pro forma financial statements comply as to form in all material respects with the securities acts of the provinces and territories of Canada (the “Acts”) and related regulations.

   The officials:

   a) described to us the basis for determination of the pro forma adjustments; and

   b) stated the unaudited pro forma financial statements comply as to form in all material respects with the Acts and related regulations.

4) Read the notes to the unaudited pro forma financial statements, and found them to be consistent with the basis described to us for determination of the pro forma adjustments.

5) Recalculated the application of the pro forma adjustments to the aggregate of the amounts in the columns captioned “Labrador Iron Mines Holdings Limited” and “Labrador Iron Mines Limited” as at June 30, 2007, for the year ended March 31, 2007, and for the three-month period ended June 30, 2007 and found the amounts in the column captioned “Pro forma” to be arithmetically correct.

These pro forma financial statements are based on management assumptions and adjustments which are inherently subjective. The foregoing procedures are substantially less than either an audit or a review, the objective of which is the expression of assurance with respect to management's assumptions, the pro forma adjustments, and the application of the adjustments to the historical financial information. Accordingly, we express no such assurance. The foregoing procedures would not necessarily reveal matters of significance to the pro forma balance sheet, and we therefore make no representation about the sufficiency of the procedures for the purposes of a reader of such statements.

Chartered Accountants
Licensed Public Accountants

TORONTO, Ontario
■, 2007

LABRADOR IRON MINES HOLDINGS LIMITED
(A Development Stage Company)

Unaudited Pro Forma Balance Sheet

As at June 30, 2007

	Labrador Iron Mines Holdings Limited $	Labrador Iron Mines Limited $	Pro Forma Adjustments $	Note 3	Pro Forma $
Assets					
Current:					
Cash	1	21,157	•	a	•
Amounts receivable	-	9,559	•		•
	1	30,716	•		•
Mineral property and interests	-	1,371,175	•	b	•
Deferred transaction costs	-	80,000	•	b	•
			•	c	
	1	1,481,891	•		•
Liabilities					
Current:					
Accounts payable and accrued liabilities	-	404,051	•		•
Due to parent company	-	1,164,905	(1,164,905)	b	-
	-	1,568,956	•		•
Shareholders' Equity					
Capital Stock	1	250,100	(250,100)	b	•
			•	a	
			•	c	
Deficit	-	(337,165)	337,165	b	-
	1	(87,065)	•		•
	1	1,481,891	•		•

See accompanying notes to the unaudited pro forma financial statements.

LABRADOR IRON MINES HOLDINGS LIMITED
(A Development Stage Company)

Unaudited Pro Forma Statement of Operations

For the year ended March 31, 2007

	Labrador Iron Mines Holdings Limited $	Labrador Iron Mines Limited $	Pro Forma Adjustments $	Note 3	Pro Forma $
Expenses:					
Management	-	24,000	-		24,000
Office rentals	-	24,250	-		24,250
Administration	-	2,668	-		54,183
Professional fees	-	3,982	-		3,982
	-	54,900	-		54,900
Interest income	-	(190)	-		(190)
Net loss	**-**	**54,710**	**-**		**54,710**
Loss Per Share	**0.00**				•
Weighted Average Number of Shares outstanding	**1**				•

See accompanying notes to the unaudited pro forma financial statements.

LABRADOR IRON MINES HOLDINGS LIMITED
(A Development Stage Company)

Unaudited Pro Forma Statement of Operations

For the three months ended June 30, 2007

	Labrador Iron Mines Holdings Limited $	Labrador Iron Mines Limited $	Pro Forma Adjustments $	Note 3	Pro Forma $
Expenses:					
Management	-	-	-		-
Office rentals	-	6,000	-		6,000
Administration	-	855	-		855
Professional fees	-	-	-		-
Net loss	**-**	**6,855**	**-**		**6,855**
Loss Per Share	**0.00**				•
Weighted Average Number of Shares outstanding	**1**				•

See accompanying notes to the unaudited pro forma financial statements.

1. Basis of presentation

The unaudited pro forma balance sheet of Labrador Iron Mines Holdings Limited ("Holdings") as at June 30, 2007 and the unaudited pro forma statement of operations for the period ended June 30, 2007 have been prepared for inclusion in the Prospectus of Holdings relating to the completion of an Initial Public Offering (“IPO”) of Holdings described in Note 2.

The unaudited pro forma balance sheet and unaudited pro forma statement of operations have been prepared by management in accordance with the accounting policies as disclosed in the June 30, 2007 audited consolidated financial statements of Holdings and the March 31, 2007 audited financial statements of Labrador Iron Mines Limited ("LIM"). The pro forma adjustments as described in Note 3 are based on available information and certain estimates and assumptions.

The unaudited pro forma financial statement information is not intended to be indicative of the results that would actually have occurred, or the results expected in future periods, had the events reflected herein occurred on the dates indicated. Actual amounts recorded upon consummation of the transaction contemplated by Holdings will differ from those recorded in the unaudited pro forma financial statement information.

Management of Holdings believes that the assumptions used provide a reasonable basis for presenting all of the significant effects of the transaction and that the pro forma adjustments give appropriate effect to those assumptions and are appropriate applied in the unaudited pro forma balance sheet and unaudited pro forma statement of operations.

The unaudited pro forma balance sheet as at June 30, 2007 has been prepared from the audited consolidated balance sheet of Holdings as at June 30, 2007 and the audited balance sheet of LIM as at March 31, 2007, after giving pro forma effect to the concurrent acquisition of LIM by Holdings as though it had occurred on March 31, 2007 and the completion of Holdings’ IPO, based on the assumptions in Note 3.

The unaudited pro forma statement of operations for the year ended March 31, 2007 has been prepared from the audited consolidated statements of operations of Holdings for the period from incorporation (May 17, 2007) to June 30, 2007 and the audited statements of operations of LIM for the year ended March 31, 2007, after giving pro forma effect to the acquisition of LIM by Holdings as if it had occurred on April 1, 2006, based on the assumptions in Note 3.

The unaudited pro forma statement of operations for the three-month period ended June 30, 2007 has been prepared from the audited consolidated statements of operations of Holdings for the period from incorporation (May 17, 2007) to June 30, 2007 and the unaudited statements of operations of LIM for the three-month period ended June 30, 2007, after giving pro forma effect to the acquisition of LIM by Holdings as if it had occurred on April 1, 2007, based on the assumptions in Note 3.

These pro forma financial statements should be read in conjunction with the audited consolidated financial statements of Holdings for the period from incorporation (May 17, 2007) to June 30, 2007, and the audited financial statements of LIM as at March 31, 2007and for the year then ended.

2. Property acquisition and Initial Public Offering ("IPO")

On July 31, 2007, Holdings entered into an acquisition agreement with Kensam Enterprises Inc. ("Kensam") whereby in consideration of 5,400,000 Class A shares of the Holdings' subsidiary, Holdings acquired from Kensam a 22.5% interest in certain mineral property interests.

On September 10, 2007, Holdings entered into a merger agreement with Labrador Iron Mines Limited ("LIM") which provides that LIM will amalgamate with Holdings' wholly owned subsidiary to form a new company. Upon the amalgamation becoming effective, the existing Class A shares of Holdings' subsidiary will be exchanged for common shares of Holdings and the existing common shares of LIM will be exchanged for common shares of Holdings. As a result of the amalgamation becoming effective, Holdings will hold a 100% interest in certain mineral property interests currently held as to 77.5% by LIM and 22.5% by Kensam.

The closing of the transaction is subject to:

i) Regulatory approvals, including approval of the Toronto Stock Exchange;
ii) Approval from the shareholders of Anglesey Mining plc; and
iii) Other customary conditions.

3. Pro forma assumptions and adjustments

Pro forma adjustments to balance sheet

The unaudited pro forma balance sheet reflects the following adjustments as if the acquisition and IPO had occurred on June 30, 2007:

(a) An increase in cash of $ ■ with a corresponding increase in capital stock, to reflect the completion of an Initial Public Offering ("IPO") by Holdings of ■ shares at an estimated price of $ ■ less estimated costs of $ ■ .

(b) An increase in mineral property interests of $ ■ , a decrease in advances to parent company of $1,164,905, and a corresponding increase in capital stock to reflect the acquisition of LIM by Holdings upon completion of an amalgamation and the issuance of 18,600,000 common shares of Holdings to the previous shareholder of LIM.

(c) An increase in mineral property interests of $ ■ and a corresponding increase in capital stock to reflect the acquisition of the additional property interests by Holdings from Kensam by the issuance of 5,400,000 common shares of Holdings to the previous owners of the additional property interest.

LABRADOR IRON MINES HOLDINGS LIMITED
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Notes to the Unaudited Pro Forma Financial Statements

June 30, 2007

4. Pro forma loss per share

The pro forma loss per share are based on the weighted average number of share outstanding as follows:

Weighted average number of Holdings common shares	1
Property acquisition (Note ■)	■
IPO (Note ■)	■
	■