LABRADOR IRON MINES HOLDINGS LIMITED

(A Development Stage Company)

Unaudited Interim Consolidated Financial Statements

Third Quarter

December 31, 2009

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INDEX	**PAGES**

LABRADOR IRON MINES HOLDINGS LIMITED
(A Development Stage Company)
Unaudited Interim Consolidated Balance Sheet
AS AT

	December 31, 2009 $	March 31, 2009 $ *(As restated Note 3)*
ASSETS		
Current assets		
Cash and cash equivalents	20,676,705	35,201,989
Accounts receivable and prepaid expenses	337,770	537,015
	21,014,475	35,739,004
Non current assets		
Mineral property interests (Note 4)	149,797,277	140,797,497
Long-term prepaid expenses (Note 11)	2,255,000	155,000
Property, plant and equipment (Note 5)	5,127,127	994,332
	178,193,879	177,685,833
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	2,354,605	1,067,424
Long term payables (Note 4)	1,000,000	-
Future income taxes	32,330,121	35,695,000
	35,684,726	36,762,424
SHAREHOLDERS' EQUITY		
Share capital (Note 6(a))	128,545,307	128,545,307
Warrants (Note 6(b))	-	6,327,781
Contributed surplus (Note 6(d))	14,058,769	7,684,848
Accumulated comprehensive income	-	-
Deficit	(94,923)	(1,634,527)
	142,509,153	140,923,409
	178,193,879	177,685,833

Commitments and contingencies (Notes 4 and 10)

APPROVED ON BEHALF OF THE BOARD:

Signed “John F. Kearney"
Director

Signed “Terence N. McKillen”
Director

See accompanying notes to the unaudited interim consolidated financial statements

LABRADOR IRON MINES HOLDINGS LIMITED

(A Development Stage Company)

Unaudited Interim Consolidated Statements of Operations, Comprehensive Loss and Deficit FOR THE

	Three months ended December 31, 2009 $	Three months ended December 31, 2008 $	Nine months ended December 31, 2009 $	Nine months ended December 31, 2008 $
Expenses				
Professional fees	48,757	52,560	233,522	196,461
Depreciation	37,949	17,531	76,974	28,061
Corporate expenses	27,791	217,403	362,263	391,019
Management costs	50,000	50,058	150,000	141,724
Directors' fees	11,500	12,500	50,500	54,500
Administration	613,417	199,721	1,249,611	463,081
Stock-based compensation	16,575	498,562	20,283	1,085,125
Loss before the undernoted	805,989	1,048,335	2,143,153	2,359,971
Interest earned	8,934	262,785	106,998	971,943
Loss before income taxes	(797,055)	(785,550)	(2,036,155)	(1,388,028)
Future income tax recovery	3,153,656	103,061	3,575,759	108,313
Net income (loss) for the period	2,356,601	(682,489)	1,539,604	(1,279,715)
Other comprehensive income	-	-	-	-
Comprehensive income (loss) for the period	2,356,601	(682,489)	1,539,604	(1,279,715)
Deficit, beginning of period (As restated Note 3)	(2,451,524)	(1,879,265)	(1,634,527)	(1,282,039)
Deficit, end of period (As restated Note 3)	(94,923)	(2,561,754)	(94,923)	(2,561,754)
Net income (loss) per share - Basic and diluted	0.06	(0.02)	0.04	(0.04)
Weighted average number of shares outstanding	37,148,451	37,193,951	37,148,451	37,193,951

See accompanying notes to the unaudited interim consolidated financial statements.

LABRADOR IRON MINES HOLDINGS LIMITED
(A Development Stage Company)
Unaudited Interim Consolidated Statements of Cash Flows
FOR THE

	Three months ended December 31, 2009 $	Three months ended December 31, 2008 $	Nine months ended December 31, 2009 $	Nine months ended December 31, 2008 $
Cash flows from operating activities				
Net income (loss) for the period	2,356,601	(682,489)	1,539,604	(1,279,715)
Items not involving cash				
Stock-based compensation	16,575	498,562	20,283	1,085,125
Depreciation	37,949	17,531	76,974	28,061
Future income tax (recovery)	(3,153,656)	(103,061)	(3,575,759)	(108,313)
	(742,531)	(269,457)	(1,938,898)	(274,842)
Changes in non-cash working capital	(1,164,435)	(479,161)	(365,546)	1,763,014
Cash flows from operating activities	(1,906,966)	(748,618)	(2,304,444)	1,488,172
Cash flows from investing activities				
(Increase) in mineral property interests	(1,607,373)	(3,939,372)	(5,911,071)	(10,172,498)
Decrease (increase) in long-term prepaid expenses	(1,650,000)	-	(2,100,000)	3,484
Property, plant and equipment purchases	(2,598,817)	(742,572)	(4,209,769)	(985,082)
Cash flows from investing activities	(5,856,190)	(4,681,944)	(12,220,840)	(11,154,096)
Cash flow from financing activities				
Repurchase of common shares	-	(43,027)	-	(43,027)
Cash flow from financing activities	-	(43,027)	-	(43,027)
Change in cash and cash equivalents	(7,763,156)	(5,473,589)	(14,525,284)	(9,708,951)
Cash and cash equivalents, beginning of period	28,439,861	43,247,839	35,201,989	47,483,201
Cash and cash equivalents, end of the period	20,676,705	37,774,250	20,676,705	37,774,250
Cash and cash equivalents consist of:				
Cash (cheques issued in excess of cash)	(476,667)	287,531	(476,667)	287,531
Cash equivalents	21,153,372	37,486,719	21,153,372	37,486,719
	20,676,705	37,774,250	20,676,705	37,774,250
Supplemental disclosure of cash flow information				
Interest paid	-	-	-	-
Income taxes paid	-	-	-	-
Stock-based compensation recorded to mineral property interests	22,973	195,497	25,857	531,173
Future income tax liability related to stock-based compensation in mineral property interests	7,351	68,424	8,274	23,948
Change in accrued mineral property interests	2,851,972	-	2,851,972	-

See accompanying notes to the unaudited interim consolidated financial statements.

1. NATURE OF OPERATIONS

Labrador Iron Mines Holdings Limited (the "Company") was incorporated on May 17, 2007 under the Ontario Business Corporations Act. On December 3, 2007, the Company completed an Initial Public Offering and its shares were listed on the Toronto Stock Exchange. The Company is engaged in the evaluation and development of iron ore resources in Canada. The Company is in the development stage, as defined by the Canadian Institute of Chartered Accountants ("CICA") Accounting Guideline 11 as the Schefferville Project is not in production.

These unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles applicable to a going concern. The application of the going concern basis 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. It is not possible to predict whether financing efforts will be successful or if the Company will attain profitable levels of operations.

These unaudited interim consolidated financial statements do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying unaudited interim consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying unaudited interim consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP") for interim financial statements and follow the same accounting policies and methods of application as the audited consolidated financial statements of the Company for the year ended March 31, 2009, except as disclosed below. They do not include all of the information and disclosures required by Canadian GAAP for annual financial statements. In the opinion of management, all adjustments considered necessary for fair presentation have been included in these unaudited interim consolidated financial statements. Operating results for the period ended December 31, 2009 are not necessarily indicative of the results that may be expected for the full year ended March 31, 2010. For further information, see the Company's consolidated financial statements including the notes thereto for the year ended March 31, 2009.

New accounting pronouncements:

Credit risk and the fair value of financial assets and financial liabilities:
In January 2009, the CICA approved EIC 173 Credit Risk and the Fair Value of Financial Assets and Financial Liabilities. This guidance clarified that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities including derivative instruments. This guidance is applicable to fiscal periods ending on or after January 12, 2009. The Company is continually evaluating its counterparties and their credit risks. The adoption of this guidance did not have a significant impact on the Company's consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New accounting pronouncements:

Impairment Testing of Mineral Exploration Properties, Emerging Issue Committee 174
On March 27, 2009, the CICA approved EIC-174 "Mining Exploration Costs." This guidance clarified that an entity that has initially capitalized exploration costs has an obligation in the current and subsequent accounting periods to test such costs for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. The Company has adopted this standard effective March 31, 2009. The adoption of this guidance did not have a significant impact on the Company's consolidated financial statements.

Section 3064, Goodwill and Intangible Assets
In February 2008, the CICA issued the new Section 3064 to replace Section 3062, "Goodwill and Other Intangible Assets" and establish standards for the recognition, measurement and disclosure of goodwill and intangible assets. In addition, the CICA issued amendments to Section 1000 "Financial Statement Concepts" and Accounting Guideline 11, "Enterprises in the Development Stage" and withdrew Section 3450, "Research and Development Costs", The Company adopted Section 3064 effective April 1, 2009. The adoption of this section did not have a significant impact on the Company's consolidated financial statements.

Future accounting changes:

International Financial Reporting Standards ("IFRS"):
In February 2008, the CICA Accounting Standards Board ("AcSB") confirmed that the use of International Financial Reporting Standards ("IFRS") will be required in 2011 for public companies in Canada (IFRS will replace Canadian GAAP for public companies). The official changeover date will apply for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company is currently assessing the impact of the implementation of IFRS and has developed a changeover plan.

Business combinations, consolidated financial statements and non-controlling interests:
In January 2009, the CICA issued these new sections to replace Section 1581, "Business Combinations" and Section 1600, "Consolidated Financial Statements." Section 1582 will apply to a transaction in which the acquirer obtains control of one or more businesses (as defined in the Section). Most assets acquired and liabilities assumed, including contingent liabilities that are considered to be improbable, will be measured at fair value. A bargain purchase will result in the recognition of a gain. Acquisition costs will be expensed. Any non-controlling interest will be recognized as a separate component of shareholders' equity and net income will be allocated between the controlling and non-controlling interests. These new standards will apply to fiscal years beginning on or after January 1, 2011. The Company does not believe that these new Sections will have an impact on its consolidated financial statements.

Consolidations and Non-Controlling Interests
CICA Handbook Sections 1601 "Consolidations" and Section 1602 "Non-Controlling Interests" Replace Section 1600 "Consolidated Financial Statements". Section 1602 provides the Canadian equivalent to International Accounting Standard 27 – "Consolidated and Separate Financial Statements", for non-controlling interests. The Company expects to adopt this standard on January 1, 2011.

3. RESTATEMENT

Stock based compensation expense amounting to $3,275,000 relating to certain stock options granted as part of the Initial Public Offering of the Company in 2007, was originally classified as an issuance cost related to the Initial Public Offering and recorded to share capital and warrants in the year-ended March 31, 2008. The Company has subsequently determined that this expense would have been more appropriately classified as an operating expense for the year-ended March 31, 2008. This change in accounting treatment has resulted in an increase in share capital of $2,915,000 and an increase in warrants of $360,000 at March 31, 2008 and 2009; an increase in contributed surplus of $360,000 at December 31, 2009; and an increase in deficit of $3,275,000 at March 31, 2008, March 31, 2009 and December 31, 2009. This change in accounting treatment also resulted in an additional loss of $3,275,000 for the year ended March 31, 2008, being a restated loss of $1,282,039 compared to income of $1,992,961 previously reported. Total shareholders' equity remains unchanged as a result of this restatement.

4. MINERAL PROPERTY INTERESTS

The Company holds a 100% 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.

Pursuant to an underlying Agreement with Fonteneau Resources Limited dated September 15, 2005 as amended June 30, 2007, and further amended August 11, 2009, all of the properties comprising the Schefferville Project (the "Fonteneau Properties") 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.

During the quarter ended December 31, 2009, the Company, through a new wholly owned subsidiary, Schefferville Mines Inc., acquired interests in additional mineral properties located in Quebec for a total consideration of $2,900,000 of which $1,150,000 was paid on signing and $1,750,000 remains payable in installment amounts to December 31, 2011, of which $750,000 is due in the next 12 months and $1,000,000 is due in two installments of $500,000 each on June 30, 2011 and December 31, 2011. The Company also acquired additional manganese properties in Labrador for a consideration of $100,000.

These additional properties are held subject to a royalty of $2.00 per tonne of iron ore and 3% of FOB value of any other metals, shipped from the properties, such royalty being payable quarterly in arrears. An advance royalty payment of $2,000,000 was paid on signing which will be credited against future royalties payable on certain of the properties acquired.

On December 15, 2009, the Company acquired, subject to all regulatory and government consents and approvals, an exclusive operating interest in certain properties held under a 1953 Quebec Mining Lease. The 1953 Lease remains valid under its current term to 2013 and, subject to its provisions and the provisions of its governing Act, is renewable for a further term of 20 years to 2033. Under the operating agreement the Company has the option, subject to approval of the Government of Quebec, to take a sublease of the properties. The operating agreement is held subject to the payment of a royalty of $2.00 per tonne of iron ore shipped from the area of the Mining Lease. The Company has agreed to assume certain existing liabilities and liens related to the properties. Any amounts paid in respect of such liabilities and liens in excess of $1,500,000 will be deemed to be an advance royalty payment. Amounts totaling $800,000 had been paid at December 31, 2009.

Certain of the additional properties are subject to pre-existing litigation by third parties against the previous holders of the properties claiming rights to or ownership of such properties.

4. MINERAL PROPERTY INTERESTS (Continued)

Increases in mineral property interests for the three and nine month periods ended December 31, 2009 and for the year ended March 31, 2009 are as follows:

	Three months ended December 31, 2009 $	Nine months ended December 31, 2009 $	Year Ended March 31 2009 $
Balance, beginning of period	145,104,079	140,797,497	127,934,282
Additions:			
Community	53,155	226,715	334,808
Engineering	231,135	663,695	1,979,839
Environment and permits	368,410	766,423	1,597,170
Exploration	765,868	3,895,069	4,938,893
Feasibility	-	-	1,323,626
Transport services	151,590	309,184	728,403
Travel and accommodations	100,067	112,837	262,476
Stock-based compensation	22,973	25,857	1,698,000
	1,693,198	5,999,780	12,863,215
Property acquisitions	3,000,000	3,000,000	-
Balance, end of period	149,797,277	149,797,277	140,797,497

5. PROPERTY, PLANT AND EQUIPMENT

	Net book value March 31, 2009 $	Additions $	Depreciation $	Net book value December 31, 2009 $
Service buildings	881,265	35,705	29,414	887,556
Computer equipment	41,297	3,381	12,289	32,389
Field equipment	9,943	50,000	11,723	48,220
Leasehold improvements	24,436	-	1,806	22,630
Mining equipment	-	1,158,114	-	1,158,114
Pumping facilities	-	2,021,669	-	2,021,669
Office equipment	16,932	2,484	4,724	14,692
Silver yard track	-	821,620	-	821,620
Vehicles	20,459	116,796	17,018	120,237
	994,332	4,209,769	76,974	5,127,127

6. SHARE CAPITAL

(a) Common shares

Authorized
Unlimited common shares

Issued	Shares \#	Amount $
Balance December 31, 2009 and March 31, 2009 (As restated Note 3)	37,148,451	128,545,307

(b) Share purchase warrants

As at December 31 2009, the Company had no outstanding share purchase warrants as 857,607 warrants expired on June 3, 2009 and 6,596,975 warrants expired on December 3, 2009. On expiry, the estimated grant date fair value of these warrants was reclassified to contributed surplus.

(c) Stock options

On August 7, 2007, the Company granted 2,950,000 options to purchase common shares pursuant to the Stock Option Plan at an exercise price of $4.00. These options vested as to 50% on the date that the IPO was completed and 50% one year thereafter. These options had an expiry date of August 6, 2012, and an estimated grant date fair value of $6,726,000. On March 11, 2008, the Company granted 400,000 options to purchase common shares pursuant to the Stock Option Plan at an exercise price of $4.85. These options vest over a period of two years. These options had an expiry date of March 11, 2013, and an estimated grant date fair value of $848,000.

On, September 15, 2009, at the Annual Meeting of the Company, shareholders approved the cancellation of all 3,350,000 outstanding stock options, exercisable at $4.00 and $4.85 per share, to be replaced with 1,675,000 stock options all having an exercise price of $2.00 per share, and all with an expiry date of August 31, 2012, and vesting as to one-eighth thereof quarterly over a period of two years. As the estimated fair value of the replacement options was less than the fair value of the cancelled options at the grant date of the replacement options, no incremental cost related to the replacement options was recorded.

On September 15, 2009, the Board of Directors also approved the grant of an additional 280,000 options to employees at an exercise price of $2.00 per share, all with an expiry date of August 31, 2012, and all vesting as to one-eighth thereof quarterly over a period of two years. These options have a grant date estimated fair value of $ 316,400 calculated using the Black-Scholes option pricing model based on the following assumptions: risk-free interest rate of 3.69%, expected life of 3 years, expected dividend rate of 0%, and current volatility of 133%.

The stock based compensation expense related to the vesting during the period ended December 31, 2009 of one-eighth of the new issue of 280,000 options which has been recorded as to $25,857 as a mineral property interest capitalized cost and $20,283 as an operating expense for a total for the nine months ended December 31, 2009 of $46,140.

6. SHARE CAPITAL (Continued)

(c) Stock options (Continued)

At December 31, 2009, the total number of options outstanding under the Company's Stock Option Plan was 1,955,000, all exercisable at $2.00 per share and all with an expiry date of August 31, 2012.

Number of Options Outstanding	Number of Options Exercisable	Exercise Price	Expiry Date	Estimated Grant Date Fair Value	Expensed/ Capitalized to Dec, 31, 2009
1,955,000	244,375	$2.00	Aug. 31, 2012	$7,890,400	$7,620,140

(d) Contributed surplus

Contributed surplus transactions for the period ended December 31, 2009 were as follows:

Balance, March 31, 2009	$ 7,684,848
Stock-based compensation on grant of options to employees	46,140
Expiry of broker warrants	919,781
Expiry of share purchase warrants	5,408,000
Balance, end of period	$ 14,058,769

7. RELATED PARTY TRANSACTIONS

During the nine month period ended December 31, 2009, the Company recovered $149,670 in respect of office rent from corporations with common directors and/or officers. At December 31, 2009, included in accounts receivable and prepaid expenses was $16,045 relating to office rent from corporations with common directors and/or officers.

The Company also made payments to companies with common directors and/or officers, in respect of management compensation and administrative services provided in the amount of $225,000. The Company incurred legal fees in respect of services provided by an officer in the amount of $22,279.

Transactions with related parties were within the normal course of operations and have been recorded at the exchange amounts, being the amounts agreed to by the transacting parties.

8. FINANCIAL INSTRUMENTS

Fair value
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 and cash equivalents, accounts receivable and accounts payable and accrued liabilities on the balance sheet approximate fair value because of the limited term of the instruments.

Financial risk management
This section provides disclosures relating to the nature and extent of the Company's exposure to risks arising from financial instruments, including credit risk, liquidity risk, foreign currency risk, interest rate risk and commodity price risk and how the Company manages those risks.

i) Credit risk
The Company considers that financial assets are exposed to credit risk. Cash and cash equivalents are valued at $20.7 million as at December 31, 2009. Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company does not currently generate any revenue from sales to customers nor does it hold derivative type instruments that would require a counterparty to fulfill a contractual obligation. The Company has never held any asset backed paper instruments. The Company seeks to place its cash and cash equivalents with reputable financial institutions. Accordingly, the Company believes that it is exposed to minimal credit risks at the current time, although concerns surrounding financial institutions globally have increased the risk of a credit default by a major bank impacting the Company. At December 31, 2009, the Company's cash and cash equivalents were invested in major Canadian financial institutions.

The carrying amount of financial assets represents the Company's maximum credit exposure.

ii) Liquidity risk
Liquidity risk encompasses the risk that the Company cannot meet its financial obligations as they fall due. As at December 31, 2009, the Company had working capital of $18.6 million. Accordingly, the Company is able to meet its current obligations and has minimal liquidity risk.

iii) Foreign currency risk
The majority of the Company's cash flows and financial assets and liabilities are denominated in Canadian dollars, which is the Company's functional and reporting currency. Foreign currency risk is limited to the portion of the Company's business transactions denominated in currencies other than the Canadian dollar. For the quarter ended December 31, 2009, the Company had no sales and no significant expenses denominated in a currency other than the Canadian dollar, but incurred certain development costs related to its property in currencies other than the Canadian dollar.

The future expected sale of iron ore will be denominated in U.S. dollars and, as a result, fluctuations in the U.S. dollar exchange rate relative to the Canadian dollar could create volatility in the Company's cash flows and the reported amounts for sales in its consolidated statement of operations and comprehensive income, both on a period-to-period basis and compared with operating budgets and forecasts.

Additional earnings volatility arises from the translation of monetary assets and liabilities denominated in currencies other than the Canadian dollar at the rates of exchange at each balance sheet date, the impact of which is reported as a foreign exchange gain or loss in the consolidated statement of operations and comprehensive income.

8. FINANCIAL INSTRUMENTS (Continued)

iii) Foreign currency risk (continued)

The Company's objective in managing its foreign currency risk is to minimize its net exposures to foreign currency cash flows by holding cash and cash equivalents in Canadian dollars. The Company will monitor the values of net foreign currency cash flow and balance sheet exposures and from time-to-time may use derivative financial instruments such as forward foreign exchange contracts to economically hedge a portion of any foreign currency cash flows. The Company does not use forward foreign exchange contracts for speculative purposes.

As at December 31, 2009, the Company was not exposed to any significant foreign currency risk.

iv) Interest rate risk

Included in the loss for the year in these consolidated financial statements is investment income on the Company's cash and cash equivalents. If interest rates throughout a twelve month period had been 100 basis points (1%) lower (higher) then net loss would have been approximately $210,000 higher (lower). The Company does not have any debt obligations which expose it to interest rate risk.

v) Commodity price risk

The future profitability of the Company is directly related to the market price of iron ore. As the Company is not yet in mining operations, there were no sales during the quarter ended December 31, 2009. However, fluctuations in the iron ore price could create volatility in the Company's future cash flows and the future reported amounts for sales in its consolidated statement of operations and comprehensive income, both on a period-to-period basis and compared with operating budgets and forecasts. In addition, a drop in actual iron ore prices or expected long-term iron ore prices could impact the Company's ability to raise the additional financing required to complete the development of its property and development could also be halted if iron ore prices fall below expected operating costs.

9. CAPITAL MANAGEMENT

The Company manages its cash and cash equivalents, common shares, stock options, and share purchase warrants as capital. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. As the Company is in the exploration and development stage, its principal sources of funds for its operations is from the issuance of common shares. The issuance of common shares requires approval from the Board of Directors. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the Company's management to sustain future development of the business. It is the Company's objective to safeguard its ability to continue as a going concern, so that it can continue to explore and develop its Schefferville Project for the benefit of its stakeholders. The Company uses stock options primarily to retain and provide future incentives to key employees and members of the management team. The granting of stock options is primarily determined by the Board of Directors.

The Company's mineral property interests are in the exploration and development stages; as such the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will utilize its existing working capital and seek to raise additional amounts as needed.

9. CAPITAL MANAGEMENT (Continued)

The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes to the Company's approach to capital management during the quarter ended December 31, 2009. The Company is not subject to externally imposed capital requirements.

10. COMMITMENTS AND CONTINGENCIES

(a) The Company has committed to put phase one of the Schefferville Project (the "Fonteneau Properties") into production and has arranged production financing for the first one million tons of production from one or more of the Fonteneau Properties.

(b) The Company has undertaken a program of community consultation and intends to negotiate and enter into memoranda of understanding and later, impact benefits agreements, with Aboriginal First Nations communities living in or adjacent to, or having an interest in or claims to, historic land or treaty rights in the Schefferville Project area or who may be impacted by the Schefferville Project.

In July 2008, the Company signed an Impact Benefit Agreement with the Innu Nation of Labrador. The IBA is a life of mine agreement that establishes the processes and sharing of benefits that will ensure an ongoing positive relationship between the Company and the Innu Nation of Labrador. The Innu Nation and their members will benefit through training, employment, business opportunities and financial participation in the Project.

The Company has signed Memoranda of Understanding with the Innu Nation of Matimekush-Lac John (Schefferville) and with the Naskapi Nation (Kawawachikamach) reflecting the agreement of the parties with respect to community support for the development of the Project and the parties commitment to negotiate more detailed co-operation agreements.

(c) During the quarter ended December 31, 2009, the Company acquired interests in certain mineral properties located in Quebec for a consideration of $2,000,000 of which $250,000 was paid on signing and $1,750,000 remains payable in installment amounts to December 31, 2011, of which $250,000 is due on June 30, 2010; $500,000 on December 31, 2010 and $1,000,000 due in two installments of $500,000 each dated June 30, 2011 and December 31, 2011. (See Note 4.)

(d) The Company is committed to a minimum amount of rental payments under a long-term lease for its office premises, which expires on August 31, 2019. Minimum rental commitments remaining under this lease approximate $3,225,500, including $83,500 due in fiscal 2010. Minimum rental commitments for successive years approximate the following:

2010	$ 83,500
2011	334,000
2012	334,000
2013	334,000
2014 and beyond	2,140,000
	$ 3,225,500

The Company expects to recover a portion of these lease commitments from companies with common directors and officers that are sharing a part of the office premises.

11. LONG TERM PREPAID EXPENSES

Long-term prepaid expenses consist of the following amounts:

Prepaid royalties (Note 4)	$ 2,100,000
Rent deposit	155,000
	$ 2,255,000

12. SUBSEQUENT EVENTS

Subsequent to December 31, 2009, 55,500 employee stock options to purchase common shares of the Company were exercised for total proceeds of $111,000.

Subsequent to December 31, 2009, the Company entered into an equipment agreement. The Company is committed to a minimum amount of rental payments under a long-term lease which expires in fiscal 2015. Minimum rental commitments remaining under this agreement approximate $3,000,000, including $600,000 due within one year. The Company has the option to purchase the leased equipment for $1,030,000 at the end of three years or $100,000 at the end of 5 years.