LABRADOR IRON MINES HOLDINGS LIMITED

(A Development Stage Company)

Interim Consolidated Financial Statements

(Unaudited – prepared by management)

First Quarter

For the period ended June 30, 2009

In accordance with National Instrument 51-102, issued by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited interim financial statements for the period ended June, 30, 2009

LABRADOR IRON MINES HOLDINGS LIMITED

(A Development Stage Company)

Interim Consolidated Financial Statements

(unaudited – prepared by management)

First Quarter

For the three months ended June 30, 2009

LABRADOR IRON MINES HOLDINGS LIMITED

(A Development Stage Company)

Consolidated Balance Sheets

	As at June 30, 2009 (Unaudited) $	As at March 31, 2009 (Audited) $
ASSETS		
Current assets		
Cash and cash equivalents	33,411,155	35,201,989
Accounts receivable and prepaid expenses	382,125	537,015
	33,793,280	35,739,004
Non current assets		
Mineral property interests (Note 3)	142,126,961	140,797,497
Long-term prepaid expenses	155,000	155,000
Property, plant and equipment (Note 4)	1,081,216	994,332
	177,156,457	177,685,833
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	965,995	1,067,424
Future income taxes (Note 10(b))	35,553,777	35,695,000
	36,519,772	36,762,424
SHAREHOLDERS' EQUITY		
Share capital (Note 5(a))	125,630,307	125,630,307
Warrants (Note 5(b))	5,048,000	5,967,781
Contributed surplus (Note 5(d))	8,604,629	7,684,848
Accumulated comprehensive income	-	-
Retained earnings	1,353,749	1,640,473
	140,636,685	140,923,409
	177,156,457	177,685,833

Commitments and contingencies (Notes 1, 3 and 9)

APPROVED ON BEHALF OF THE BOARD:

Signed "John. F. Kearney"
Director

Signed "Terence N. McKillen"
Director

LABRADOR IRON MINES HOLDINGS LIMITED

(A Development Stage Company)

Consolidated Statements of Operations and Comprehensive (Loss) Income and Retained Earnings

	For the three month period ended	
	June 30, 2009	June 30, 2008
	$	$
Expenses		
Professional fees	70,320	117,826
Depreciation	10,115	3,264
Corporate expenses	169,437	119,198
Management costs	50,000	16,667
Directors' fees	15,000	15,000
Administration	167,979	60,636
Stock-based compensation (Note 5(c))	-	231,073
Loss before the undernoted	482,851	563,664
Interest earned	54,904	379,066
Loss before income taxes	427,947	184,598
Future income tax recovery (Note 10(a))	141,223	15,335
Net loss for the period	286,724	199,933
Other comprehensive income	-	-
Comprehensive loss for the period	286,724	199,933
Retained earnings, beginning of period	1,640,473	1,992,961
Retained earnings, end of period	1,353,749	1,793,028
Net loss per share – Basic and diluted	0.01	0.01
Weighted average number of shares outstanding – Basic and diluted	37,148,451	37,193,951

See accompanying notes to the consolidated financial statements.

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

	For the three month period ended	
	June 30, 2009	**June 30, 2008**
	$	$
Cash flows from operating activities		
Net (loss) for the period	(286,724)	(199,933)
Items not involving cash		
Stock-based compensation	-	231,073
Depreciation	10,115	3,264
Future income tax recovery	141,223	15,335
Changes in non-cash working capital	(228,985)	238,709
Cash flows from operating activities	(364,371)	288,448
Cash flows from investing activities		
(Increase) in mineral property interests	(1,329,464)	(1,015,749)
Decrease (increase) in long-term prepaid expenses	-	4,635
Property, plant and equipment purchases	(96,999)	(74,732)
Cash flows from investing activities	(1,426,463)	(1,085,846)
Change in cash and cash equivalents	(1,790,834)	(797,398)
Cash and cash equivalents, beginning of the period	35,201,989	47,483,201
Cash and cash equivalents, end of the period	33,411,155	46,685,803
Cash and cash equivalents consist of:		
Cash	460,027	209,771
Cash equivalents	32,951,128	46,476,032
	33,411,155	46,685,803

See accompanying notes to the 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 search, 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.

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a "going concern", which assume that 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 business of mining and exploring for minerals involves a high degree of risk and there is no guarantee that the Company's exploration and development 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 mineral property interests.

The recoverability of the carrying value of mineral property interests and the Company's continued existence is dependent upon the preservation of its interests in the underlying properties, the development of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise additional financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material writedowns of the carrying values.

Although the Company has taken steps to verify title to the 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, undetected defects, unregistered claims, native land claims, and non-compliance with regulatory and environmental requirements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") consistently applied, except as disclosed below. Significant accounting policies are summarized below.

Basis of consolidation
These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Labrador Iron Mines Limited, LabRail Inc. and 7056605 Canada Inc. All significant intercompany transactions and balances have been eliminated.

Financial Instruments
Financial assets and liabilities, including derivative instruments, are initially recognized and subsequently measured based on their classification as "held-for-trading", "available-for-sale" financial assets, "held-to-maturity", "loans and receivables", or "other" financial liabilities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments (Continued)

In accordance with these standards, the Company has classified its financial instruments as follows:

Assets/Liabilities	Classification	Measurement
Cash and cash equivalents	Held-for-trading	Fair value
Accounts receivable	Loans and receivable	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost

Held-for-trading financial instruments are measured at their fair value with changes in fair value recognized in net (loss) income for the period. Available-for-sale financial assets are measured at their fair value and changes in fair value are included in other comprehensive income until the asset is removed from the balance sheet in the case of unrealized losses, or until such losses are determined to be other than temporary. Held-to-maturity investments, loans and receivables and other financial liabilities are measured at amortized cost using the effective interest rate method. Derivative instruments, including embedded derivatives, are measured at their fair value with changes in fair value recognized in net income for the period, unless the instrument is a cash flow hedge and hedge accounting applies, in which case changes in fair value are recognized in other comprehensive income.

Cash and cash equivalents
Cash and cash equivalents include cash and highly liquid investments with original maturities of three months or less. The Company invests cash in term deposits maintained in high credit quality institutions.

Comprehensive (loss) income
Comprehensive (loss) income, composed of net (loss) income and other comprehensive (loss) income, is defined as the change in shareholders' equity from transactions and other events from non-owner sources. Other comprehensive (loss) income for the Company includes unrealized gains and losses on available-for-sale securities and changes in the fair market value of derivatives designated as cash flow hedges, all net of related income taxes. The components of comprehensive (loss) income are disclosed in the statement of operations and comprehensive (loss) income. Cumulative changes in other comprehensive (loss) income are included in accumulated other comprehensive (loss) income ("AOCI") which is presented as a separate category in shareholders' equity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Mineral property interests and deferred exploration expenditures
Where properties are acquired in exchange for the Company's shares, the properties are valued at the fair market value of the shares at the time of issuance. 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 future costs to keep the properties in good standing. Administrative expenditures, not directly related to property maintenance, are charged to operations as incurred.

The Company reviews its exploration properties to determine if events or changes in circumstances have transpired which indicate that the carrying value of its assets may not be recoverable. The recoverability of costs incurred on the exploration properties is dependent upon numerous factors including exploration results, environmental risks, commodity risks, political risks, and the Company's ability to attain profitable production. It is reasonably possible, based on existing knowledge, that changes in future conditions in the near-term could require a change in the determination of the need for, and amount of, any write down.

Property, plant and equipment
Property, plant and equipment is recorded at cost less accumulated amortization. Amortization is provided based on the following annual rates and methods:

Service buildings	5% declining balance
Computer equipment	30% declining balance
Field equipment	30% declining balance
Office equipment	30% declining balance
Vehicles	30% declining balance

Leasehold improvements are amortized over the eleven-year term of the lease.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Asset retirement obligations
Management is not currently aware of any significant asset retirement obligation of the Company. The Company will be 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 will be initially recorded in the period in which it is identified at its discounted present value with subsequent annual recognition of an accretion amount on the discounted liability. An equivalent amount will be recorded as an increase to mineral property interests and will be amortized over the useful life of the property.

Use of estimates
The preparation of the consolidated financial statements in conformity with GAAP 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. 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, warrants and stock-based compensation. 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.

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 decrease loss per share. As at June 30, 2009 and 2008, all outstanding convertible securities were anti-dilutive and therefore excluded from the diluted loss per share calculations.

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 exchange rate at the time of the transaction. Realized and unrealized foreign exchange gains and losses are included in operations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 estimated 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. Compensation expense is charged to operations, mineral property interests, or capital transaction costs, as applicable. When options are exercised, the proceeds received, together with any related amount in contributed surplus, will be credited to capital stock.

New Accounting Standards

The CICA has issued several new standards which the Company has adopted commencing April 1, 2008.

Section 1535 – "Capital Disclosures"

This Section establishes standards for disclosing information about a company's capital and how it is managed. Under this standard the Company will be required to disclose the following, based on the information provided internally to the Company's key management personnel:

(i) qualitative information about its objectives, policies and processes for managing capital;
(ii) summary quantitative data about what it manages as capital;
(iii) whether during the period it complied with any externally imposed capital requirements to which the Company is subject; and
(iv) when the Company has not complied with such externally imposed capital requirements (if any), the consequences of such non-compliance.

The adoption of this accounting standard had no effect on the financial position or performance of the Company. Disclosures required by this standard have been included in these consolidated financial statements.

Section 3862 and 3863 – "Financial Instruments – Disclosures and Presentation"

The new disclosure standards require companies to provide disclosure of quantitative and qualitative information in their financial statements that enable users to evaluate (a) the significance of financial instruments for the Company's financial position and performance; and (b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and management's objectives, policies and procedures for managing such risks. Companies will be required to disclose the measurement basis or bases used, and the criteria used to determine classification for different types of instruments.

The Section requires specific disclosures to be made, including the criteria for:

(i) designating financial assets and liabilities as held for trading;
(ii) designating financial assets as available-for-sale; and
(iii) determining when impairment is recorded against the related financial asset or when an allowance account is used.

The adoption of these accounting standards had no effect on the financial position or performance of the Company. Disclosures required by these standards have been included in these consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Standards (Continued)

International Financial Reporting Standards
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.

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, "Emerging Issue Committee (EIC) Abstract 27, "Revenues and Expenditures during the Pre-operating Period" is no longer applicable for companies that have adopted CICA 3064. The mandatory effective date is for annual and interim financial statements for years beginning on/after October 1, 2008 (i.e. April 1, 2009). The Company does not believe that Section 3064 will have a significant impact on its financial statements under current operating conditions.

Sections 1582, Business Combinations, 1601, Consolidations and 1602, 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 noncontrolling 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.

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.

3. MINERAL PROPERTY INTERESTS

The Schefferville Project was acquired during the period ended March 31, 2008 for the issuance of 24,000,000 common shares of the Company, valued at $3.56 per common share, based on the IPO price of the common shares of the Company.

The purchase price was allocated as follows:

Purchase price		
24,000,000 common shares @ $3.56 per share	$	85,440,000
Purchase price allocation		
Current assets		262,920
Mineral properties		126,337,866
Current liabilities		(361,814)
Future income tax liability		(40,798,972)
	$	85,440,000

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 Option Agreement with Fonteneau Resources Limited dated September 15, 2005 as amended June 30, 2007, 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.

3. MINERAL PROPERTY INTERESTS (Continued)

The Schefferville Project was acquired by the Company through a series of underlying agreements and arrangements, some of which 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 24,000,000 common shares of the Company issued to acquire the Schefferville Project were issued to companies controlled by directors and/or officers of the Company or with which such companies had directors and/or officers in common with the Company.
Increases in mineral property interests for the three month period ended June 30, 2009 are as follows:

	Three months ended June 30, 2009 $	Twelve months ended March 31, 2009 $
Balance, beginning of period	140,797,497	127,934,282
Additions:		
Community outreach	21,109	334,808
Engineering	126,307	1,979,839
Environment and permits	200,592	1,597,170
Exploration	845,782	4,611,665
Feasibility	10,080	1,323,626
Geology	-	327,228
Stock-based compensation	-	1,698,000
Transport services	56,050	728,403
Travel and accommodations	69,544	262,476
Total additions	1,329,464	12,863,215
Balance, end of period	142,126,961	140,797,497

4. PROPERTY, PLANT AND EQUIPMENT

		June 30, 2009	
	Cost $	Accumulated Depreciation $	Net Book Value $
Service buildings	905,396	27,904	877,492
Computer equipment	52,715	12,678	40,037
Field equipment	63,258	4,896	58,362
Leasehold improvements	26,484	2,249	24,235
Office equipment	21,889	2,890	18,999
Vehicles	70,227	8,136	62,091
	1,139,969	58,753	1,081,216

4. PROPERTY, PLANT AND EQUIPMENT (continued)

	March 31, 2009		
	Cost	Accumulated Depreciation	Net Book Value
	$	$	$
Service buildings	905,396	24,131	881,265
Computer equipment	52,715	11,418	41,297
Field equipment	13,258	3,315	9,943
Leasehold improvements	26,484	2,048	24,436
Office equipment	19,390	2,458	16,932
Vehicles	25,727	5,268	20,459
	1,042,970	48,638	994,332

5. SHARE CAPITAL

(a) Common shares

Authorized
Unlimited common shares

Issued	Shares #	Amount $
Balance, March 31, 2008	37,193,951	125,784,181
Repurchases - normal course issuer bid (i)	(45,500)	(43,026)
Excess of book value of shares over repurchase price (i)	-	(110,848)
Balance, March 31, 2009	37,148,451	125,630,307
	-	-
Balance June 30, 2009	37,148,451	125,630,307

(i) Normal course issuer bid
The Company obtained TSX approval to conduct a normal course issuer bid pursuant to which the Company may purchase up to a maximum of 684,140 common shares in the capital of the Company representing approximately 10% of the public float of the Company. As of June 30, 2009, the Company had repurchased 45,500 shares at a cost of $43,026. The excess of the average book value over the cost to repurchase these shares amounting to $110,848 has been charged to contributed surplus.

(ii) Escrow shares
As at June 30, 2009, all common shares that were held in escrow have been released. These shares were part of the consideration issued to related parties in consideration for the acquisition of the Schefferville Project (Note 3).

(iii) The Company issued 24,000,000 common shares at a price of $3.56 per share, based on the IPO price of the common shares of the Company, as consideration for the acquisition of the Schefferville Project (See Note 3).

(iv) On December 3, 2007 the Company completed its Initial Public Offering ("IPO") of 11,473,000 units at a price of $4.00 per unit for gross proceeds of $45,892,000. On January 8, 2008 the Agent in the IPO exercised an over-allotment option to purchase an additional 1,720,950 units for gross proceeds of $6,883,800.

5. SHARE CAPITAL (Continued)

(a) Common shares (Continued)

Each unit is comprised of one common share 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 December 3, 2007 at a price of $5.00 per share. The share portion of the unit was valued at $3.56. Each half warrant attached to the unit was valued at $0.44.

The fair value of the warrants was estimated using the Black-Scholes option pricing model based on the following assumptions: risk-free interest rate of 3.6%, expected life of 2 years, expected dividend rate of 0%, and expected volatility of 60%.

(v) As part of the Agent's compensation, the Company issued the Agent 857,607 non-assignable warrants (the "Compensation Warrants") to purchase units at an exercise price of $4.00 per unit for a period of 18 months from the closing date of the IPO. The fair value of the Compensation Warrants was estimated at $919,781 using the Black-Scholes option pricing model based on the following assumptions: risk-free interest rate of 3.6%, expected life of 18 months, expected dividend rate of 0%, and expected volatility of 60%. The above mentioned warrants expired on June 3, 2009 when the amount was transferred from Warrants to Contributed Surplus.

(b) Share purchase warrants

As at June 30 2009, the Company had the following outstanding share purchase warrants:

Warrants	Estimated Grant Date Fair Value	Exercise Price	Expiry Date
6,596,975	$5,048,000	$5.00 per share	December 3, 2009

During the quarter ended June 30, 2009, 857,607 non-assignable warrants to purchase units at an exercise price of $4.00, expired.
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(c) Stock options

The Company operates a Stock Option Plan for directors, officers, management, employees and other persons who perform ongoing services for the Company or any of its subsidiaries. The purpose of the plan is to attract, retain and motivate these parties by providing them with the opportunity, through share options, to acquire a proprietary interest in the Company and to benefit from its growth.

The maximum number of common shares reserved for issuance upon the exercise of options cannot exceed 10% of the total number of common shares outstanding immediately prior to such an issuance. The options are non-assignable and may be granted for a term not exceeding ten years. The exercise price of the options is fixed by the Board of Directors at the market price of the shares at the time of grant, subject to all applicable regulatory requirements.

5. SHARE CAPITAL (Continued)

(c) Stock options (Continued)

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 expire on August 6, 2012, and had an estimated grant date fair value of $6,726,000. The estimated fair value was calculated using the Black-Scholes option pricing model based on the following assumptions: risk-free interest rate of 3.7%, expected life of 4.67 years, expected dividend rate of 0%, and expected volatility of 80%.

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 expire on March 11, 2013, and had an estimated grant date fair value of $848,000. The estimated fair value was calculated using the Black-Scholes option pricing model based on the following assumptions: risk-free interest rate of 3%, expected life of 5 years, expected dividend rate of 0%, and expected volatility of 78%.

The stock-based compensation expense of the vested options has been recorded as follows: $3,275,000 as a cost of the IPO; $700,000 as a mineral property interest cost; and $1,746,387 as an expense in the period ended June 30, 2008.

The stock-based compensation expense related to the vesting of previously issued options for the quarter ended June 30, 2009 has been recorded as to $1,198,000 as a mineral property interest capitalized cost and $654,613 as an operating expense.

There were no stock option transactions during the quarter ended June 30, 2009.

As at June 30, 2009, the following stock options were outstanding:

Exercise Price $	Grant Date Fair Value $	Number of Options Outstanding #	Number of Options Exercisable #	Expiry Date	Expensed/ Capitalized to June 30, 2009 $
4.00	6,726,000	2,950,000	2,950,000	August 6, 2012	6,726,000
4.85	848,000	400,000	400,000	March 11, 2013	848,000
	7,574,000	3,350,000	3,350,000		7,574,000

(d) Contributed surplus

The contributed surplus balance results from the following transactions for the periods ended June 30, 2009 and March 31, 2009:

	June 30 2009 $	March 31 2009 $
Balance, beginning of period	7,684,848	5,721,387
Stock-based compensation on grant of options to employees	-	1,852,613
Issuer bid share buyback excess of book value over purchase price (Note 5(a)(i))	-	110,848
Expiry of broker warrants	919,781	
Balance, end of period	8,604,629	7,684,848

6. RELATED PARTY TRANSACTIONS

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.

During the three month period ended June 30, 2009, the Company recovered $49,888 in respect of office rent from corporations with common directors and/or officers.

The Company also made payments to directors and officers of the Company, and or to corporations controlled by directors or officers or to corporations with common directors and/or officers, in respect of director's fees and management compensation and administrative services.

7. 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 $33.4 million as at June 30, 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 June 30, 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.

7. FINANCIAL INSTRUMENTS (Continued)

c) Financial risk management (Continued)

ii) Liquidity risk

Liquidity risk encompasses the risk that the Company cannot meet its financial obligations as they fall due. As at June 30, 2009, the Company had working capital of $32.8 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 June 30, 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.

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 June 30, 2009, the Company was not exposed to any significant foreign currency risk.

7. FINANCIAL INSTRUMENTS (Continued)

c) Financial risk management (Continued)

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 $390,000 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 June 30, 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.

8. 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.

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 June 30, 2009. The Company is not subject to externally imposed capital requirements.

9. COMMITMENTS AND CONTINGENCIES

(a) 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 $3,392,500, including $250,500 due in 2010. Minimum rental commitments for successive years approximate the following:

2010	$	250,500
2011		334,000
2012		334,000
2013		334,000
2014 and beyond		2,140,000
	$	3,392,500

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.

(b) 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 Properties. The Company has initiated 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.

(c) 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.

10. INCOME TAXES

(a) Provision for income taxes

The major items causing the Company's income tax expense to differ from the Canadian combined federal and provincial statutory rate of 33.5% (2008 - 33.5%) were:

	For the first quarter ended June 30, 2009	For the first quarter ended June 30, 2008
Loss before income taxes	$ 427,947	$ 184,598
Expected income tax recovery at statutory rates	141,223	60,917
Adjustments resulting from:		
Stock-based compensation	-	(76,252)
Future income tax recovery	$ 141,223	$ 15,335

(b) Future income tax balances

The future income tax liability initially arose due to the difference between the purchase price and the underlying income tax values of the mineral property interests acquired (Note 3).

The tax effect of temporary differences that give rise to future income tax assets and liabilities in Canada at June 30, 2009 and March 31, 2009 are as follows:

	June 30 2009 $	March 31 2009 $
Future income tax assets (liabilities)		
Non-capital losses	865,223	724,000
Mineral property interests	(37,271,000)	(37,271,000)
Capital losses	143,000	143,000
Share issue costs	852,000	852,000
Valuation allowance	(143,000)	(143,000)
Future income tax liability (net)	(35,553,777)	(35,695,000)

(c) As at June 30, 2009, the Company has approximately $2,678,000 of non-capital losses in Canada and approximately $14,500,000 of development and exploration expenditures which under certain circumstances can be used to reduce the taxable income of future years. The non-capital losses expire as follows: 2028 –$900,000; 2029 - $1,350,000.