LABRADOR IRON MINES HOLDINGS LIMITED

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE AND NINE MONTHS ENDED DECEMBER 31, 2009

Dated: February 15, 2010

GENERAL

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the unaudited interim Consolidated Financial Statements and Notes thereto of Labrador Iron Mines Holdings Limited (the "Company") for the three and nine month periods ended December 31, 2009 and the Audited Consolidated Financial Statements for the year ended March 31, 2009.

At December 31, 2009, the Company had $20.7 million in cash and cash equivalents and is in sound financial condition to carry out its planned programs to move its direct shipping iron ore Schefferville Project in Western Labrador into production.

The financial information contained in the discussion of results and operations was prepared in accordance with Canadian generally accepted accounting principles. All amounts in this discussion are expressed in Canadian dollars, unless identified otherwise.

This MD&A contains forward looking statements.

Except where otherwise stated, the resources referred to in this document are historical and have not been confirmed in accordance with the standards in NI 43-101. The terms "iron ore" and "ore" in the document are used in a descriptive sense and should not be construed as representing current economic viability.

The historical resources referred to in this document are based on work completed and estimates prepared by the Iron Ore Company of Canada ("IOC") prior to 1983 and were not prepared in accordance with National Instrument 43-101. The historical resource estimate is still considered relevant and reliable. The Company is not treating the historical resource estimate as a defined current resource verified by a Qualified Person.

OVERVIEW

The Company is a mineral resource Company focused on the mining of direct shipping iron ore in Western Labrador and in the Schefferville area in Quebec. The Company's shares are listed on the TSX under the symbol "LIM".

The Company was incorporated under the *Business Corporations Act* (Ontario) on May 17, 2007 to acquire and carry on, through a wholly owned subsidiary Labrador Iron Mines Limited ("LIM"), the business of exploring and developing a direct shipping iron ore project in the Labrador Trough, in the Province of Newfoundland and Labrador, near Schefferville, Quebec (the "Schefferville Project").

During the quarter ended December 31, 2009, the Company completed a series of transactions that resulted in a substantial increase in the mineral properties in which the Company holds interests and in the historic resource base that it now has available for future exploitation. The first of these involved the swap of a number of mineral assets with New Millennium Capital Corporation announced on October 22, 2009, and the remainder the acquisition of a large package of mineral properties in the Schefferville area in the Province of Quebec announced on December 17, 2009.

LIM holds interests in Mineral Rights Licenses issued by the Department of Natural Resources, Province of Newfoundland and Labrador, covering approximately 9,875 hectares. These Licenses are held subject to a royalty of 3% of the selling price FOB port of iron ore produced and shipped from the properties.

In addition, the Company's wholly owned subsidiary, Schefferville Mines Inc ("SMI") now holds interests in 218 Mining Rights issued by the Ministry of Natural Resources, Province of Quebec, covering approximately 9,014 hectares. In addition SMI holds an exclusive operating interest in a mining lease covering 23 parcels totaling about 2,816 hectares. These rights and interest are held subject to a royalty of $2 per tonne of iron ore produced from the properties.

The Schefferville Projects – Western Labrador

The Company's Schefferville Projects are located in the western central part of the Labrador Trough iron range of Western Labrador, one of the major iron ore producing regions in the world, and are divided into two separate portions, one within the Province of Newfoundland and Labrador, and the other within the Province of Quebec, both located near the town of Schefferville, Quebec.

The iron ore deposits forming the Projects are predominantly hematite ore. These iron deposits were part of the original IOC direct shipping Schefferville operations conducted from 1954 to 1982 and formed part of the 250 million tons of reserves and resources previously identified by IOC.

On October 22, 2009, LIM entered into an agreement with New Millennium Capital Corp. ("NML") to exchange certain of their respective mineral licences in Labrador. The exchange eliminates the fragmentation of the ownership of certain mining rights in the Schefferville area and will enable both parties to separately mine and optimise their respective direct shipping ore (DSO) deposits in as efficient a manner as possible.

Under the Agreement, NML transferred to LIM 375 hectares in ten mineral licenses in Labrador and 217 hectares in six claim blocks in Quebec, which adjoin or form part of LIM's Stage One James, Houston, Redmond and Knob Lake deposits, and a small portion of LIM's Stage Three Howse deposit. LIM transferred to NML two mineral licenses in Labrador comprising part of LIM's Stage Three Kivivic 2 and Kivivic 1 deposits.

On the James and Redmond deposits in Labrador, the Company has confirmed an NI 43-101 compliant indicated resource of 11 million tonnes. The remaining eighteen deposits, excluding James and Redmond, have a historical resource estimated to be approximately 134 million tons of direct shipping iron ore, based on work carried out by the IOC prior to the closure of its Schefferville operations in 1984. The historic estimate was prepared according to the standards used by IOC and, while still considered relevant, is not compliant with National Instrument 43-101 ("NI 43-101").

The plans for the Schefferville Projects envision the mining of the deposits in four stages, the first stage of which will be undertaken in three phases, comprising the deposits closest to existing infrastructure. The first phase of Stage 1 will involve mining of the James and Redmond deposits and, the second phase the Houston and Knob Lake deposits all in Labrador.

The James deposit is accessible by existing gravel roads and located approximately 3 km southwest of the town of Schefferville. The Redmond deposit is located approximately 5 km south of the James deposit and can be reached by existing gravel roads. The Knob Lake deposit, located approximately 3 km southwest of the town of Schefferville and the Houston deposit located approximately 18 km southeast of Schefferville can also be reached by existing gravel roads.

During the mining of the Stage 1 deposits, planning will be undertaken for the future operation of the more distant deposits in Stages 2, 3 and 4. As currently envisioned Stage 2 will comprise the Howse and adjacent deposits which are relatively close to existing infrastructure. The Astray and Sawyer deposits in Labrador (Stage 3), located approximately 50-65 km southeast of Schefferville, do not currently have road access but can be reached by float plane or by helicopter. The Kivivic deposit in Labrador and some of the recently acquired deposits in Quebec are located between 40 to 70 km to the northwest of Schefferville and may eventually become Stage 4 but will require substantial infrastructure and building of road access.

The Company plans to bring the resources on these other deposits into a compliant status sequentially in line with its intended phases of production, commencing with the remaining deposits in Stage 1. The Company intends to carry out additional exploration including drilling and trenching on these deposits in line with recommendations from its consultants.

The plan for the first phase of the Schefferville Project envisages initial production from James and Redmond, two brownfield deposits with low strip ratios on which initial mining or development activities had been undertaken by IOC, using contractors, followed by beneficiation using simple washing and screening. Mining and processing operations will be conducted for eight months per year, from April to November at an anticipated initial mining rate of 6,000 tonnes per day.

The in situ ore is estimated to contain around 56% to 58% iron and it is expected that the beneficiation process will enhance the product grade to around 65% iron and remove unwanted material. Two products will be produced, namely coarse lump ore and a finer sinter feed. Approximately one-quarter of the product will be lump ore. These products will be transported by the existing railroad systems to the port of Sept-Îles on the St Lawrence River for onward shipping, most likely to steel mills in Europe or Asia. The whole operation will utilize well proven, relatively basic technology and closely reflect that previously carried out by the Iron Ore Company of Canada in the same general location for almost thirty years from 1954 to 1982.

Throughout the three and nine months ended December 31, 2009, the Company made steady progress in advancing the Schefferville Area Labrador Project towards production with ongoing active programs, including drilling, metallurgical testing, environmental permitting and marketing.

Assuming the relevant permits and licenses are issued during the first quarter of calendar 2010, the Company is currently planning, subject to on-going reviews of future iron ore prices, to commence initial site construction during the spring of 2010. This program, if achieved, will enable the Company to install and test its processing and transport facilities ahead of commercial production planned for the summer of 2010.

Site program – Summer 2009 – Drilling and Testwork

A program of reverse circulation drilling commenced at the beginning of June 2009 and was completed at the end of October. The deposits tested comprise the four deposits planned to be mined in the Company's Stage 1 plan, being James, Redmond, Knob Lake and Houston, together with some limited drilling on the more distant Stage 2 Howse deposit.

The results of this testwork formed the basis for compliant resource estimates on the James and Redmond deposits reported by the Company in a Press Release dated November 12, 2009.

The independent resource estimates were prepared by SGS Geostat Ltd., Blainville, Quebec, (Qualified Person Maxime Dupéré, P.Geo,) in accordance with NI 43-101. The classification of resources was completed using the results of drilling and trenching carried out by LIM during the 2006, 2008 and 2009 field seasons, which comprised twinning, in-fill and step-out drilling and trenching, as well as drill and trench data previously generated by IOC.

These new estimates show a significant increase in tonnage over the historical resources (not NI 43-101 compliant), previously estimated by the Iron Ore Company of Canada prior to 1982, as shown in the following table:

Indicated Resource Estimates vs Historical Resources
(at a cut off grade of 50% iron)

Deposit	**Indicated Resource** Million Tonnes	**Grade** (% Fe)	**Historical Resource** Million Tonnes
James	8.1	57.7	4.0
Redmond	2.9	56.4	1.2
Total	**11.0**	**57.4**	**5.2**

The Technical Report to support these estimates was filed on SEDAR on December 23, 2009.

Metallurgical Testing

Metallurgical testwork continued during 2009 aimed at improving expected recovery levels from all size fractions of mined material while maintaining high iron and low impurity levels in the final product.

Testwork on the properties of the lump and fines was carried out at SGA, an independent laboratory in Germany. The results and report from that testwork on the James South lump ore sample indicate a high iron content of 66.98% with favorably low content of non-ferrous metals. SGA concluded that the lump ore represents a high quality lump ore grade which will be well accepted on the European market. The results and report from that testwork on the James South sinter fines indicate an iron content of 67.23% with favorably low content of deleterious metals. SGA concluded that the high iron content and low gangue determine the high quality of this ore, and that the fines, will be well accepted in the European market. (See LIM Press Release dated November 24, 2009).

Environmental and Permitting Work Advanced

On November 5, 2009, the Minister of Environment and Conservation announced that the review of LIM's Environmental Impact Statement for the first phase of Stage 1 comprising the James and Redmond deposits had been completed. The Minister confirmed that the EIS complies with the *Environmental Protection Act* and requires no further work under the Provincial environmental assessment process. On February 12, 2010, the Minister informed the Company that under the authority of Section 67 (3) (a) of the *Environmental Protection Act*, the Government has released the Schefferville Area Iron Ore Mine (the first phase of the Project) from Environmental Assessment subject to terms and conditions which the Company believes are all achievable within the planned operating parameters .

Subsequent phases and stages of the Project will be subject to further environmental assessments.

The Company will be required to prepare an Environmental Protection Plan and submit it to the Minister of Environment and Conservation and receive the Minister's approval for the Plan prior to the start of construction. The Environmental Protection Plan will address caribou monitoring and mitigation in the vicinity of the Project, process effluent treatment and monitoring procedures, settling pond design and operation for storm water and pit dewatering discharges.

The Company will also be required to enter into a Memorandum of Understanding with the Department of Environment and Conservation for the installation of a real time water quality/quantity monitoring network, prior to the start of construction, to monitor water quality and quantity.

The Company will submit the applications and the various required Plans for the necessary operating permits, licenses and regulatory approvals. Assuming these permits, licenses and approvals are issued during the first quarter of calendar 2010, the Company is planning to commence initial site construction during the spring of 2010, ahead of the commencement of commercial production, which, subject to timely receipt of all permits and licences, is currently scheduled for the middle of calendar 2010.

Project Description

The following description of the Project is taken from a mine development plan required to be submitted to the Department of Natural Resources of the Government of Newfoundland and Labrador as part of the mine lease application process.

The Project includes the re-activation and development of James North and South, and Redmond 2B and 5 mineral deposits which are located in Western Labrador, near the community of Schefferville, Quebec. The James and Redmond deposits are located approximately 5 km and 17 km, respectively, southwest of the town of Schefferville. The beneficiation area, where ore will be crushed and washed, will be situated within an area called the Silver Yard, located approximately 1 km northeast of the James property in Labrador.

The Project has an estimated four-year operational life and is located within an area that has been previously mined and disturbed. The deposits are accessible by existing gravel roads. The James property straddles an existing road to the Redmond property to the south, and continues to the Menihek hydro electric dam, where the road is terminated.

An historical mining pit, the Ruth Pit, will be utilized as a reject fines disposal area for the washwater that originates from the Silver Yard beneficiation area.

There is an existing transmission line that was established during the historical mining operations, and it transmits power from the Menihek Generating Station, now owned by Newfoundland and Labrador Hydro. The regional grid crosses the Redmond property and is located less than 2 km away from the James property along existing roadways.

Existing roads and rail services will be used to access the Project and to transport equipment and materials to and from the site, and ore to the shipping facility located in Sept Iles, PQ.

Mine operations will involve the extraction of iron ore by developing open pit mines at James North, James South, Redmond 2B and Redmond 5 deposits. Beneficiation will take place at the Silver Yard area and a 2.5 mile rail spur will be re-established along the existing railbed to connect with the Schefferville to Sept-Iles main line.

The Project will operate under current regulations, environmental protection standards, and industry best practices.

Major features of the Project include:

- the mining of ‘direct shipping’ iron ore deposits in western Labrador in an area of previous iron ore mining;
- mining will be carried out by contractors using conventional open pit mining methods, employing drilling and blasting operations;
- additional small excavations that may be required will include borrow pits, quarries and side-hill cuts associated with the construction and maintenance of access roads, mine haulage roads, sumps and settling ponds, and railway spur line construction;
- ore will be beneficiated by crushing, washing and screening at the Silver Yard area. No chemicals will be used in the beneficiation process;
- the beneficiation building will house a primary crusher, tumbling scrubber, secondary crusher, primary screening equipment, secondary screening equipment, filtration equipment, 20 tonne crane and various chutes, conveyors, and pumps;
- the beneficiation plant will be designed to process 10,000 tonnes per day (tpd) of iron ore, however the initial processing rate will be 6,000 tpd over a period of approximately 212 days per full season;
- other buildings at the Silver Yard will include: mine dry, site offices, laboratory, maintenance shed, and warehouse facilities;
- subsequent to the washing and screening process, reject fines will be pumped via pipeline to be deposited in Ruth Pit, a flooded historical open pit, which will act as a settling pond to remove suspended solids; and
- a 4.5 mile rail spur line previously operated and abandoned will be restored, and a siding track will be laid at the Silver Yard area.

Project Construction

The first major construction activity will be the laying of the 2.5 mile rail spur from the Sept-Îles Schefferville main line to the Silver Yards area where it is planned to install the beneficiation plant. The majority of the rail hardware is now being assembled offsite into track panels to permit speedy installation in the spring. It is expected that this spur line will be complete by the end of April.

Once the spur line is complete a new accommodation camp will be brought to site and assembled. At the same time it is expected that a mining contractor will be mobilised to site to commence mining activities including stockpiling of iron ore ahead of the crusher pad. Tender documents have been sent to qualified contractors for the mining and beneficiation contracts and receipt of these tenders is awaited. A contract has been let for camp catering.

All of the major long lead items of the beneficiation plant have been ordered and a number of these items have now been delivered. The remaining items of the beneficiation plant are expected to be delivered by April and will be pre-assembled prior to transport to site for final assembly. This should then permit the beneficiation facilities to be commissioned in sufficient time to meet the mid 2010 production schedule.

Mining Operations

Once the plant is assembled and dry run stockpiled ore will be fed to the plant to allow commissioning to take place. As soon as a steady state condition has been reached saleable product of both lump ore and sinter fines will be produced. These will then be loaded into leased rail cars that will be transported to a port facility in Sept-Îles. This first train is expected to run during the third quarter of 2010.

Mining and processing operations will be conducted for eight months per year, from April to November, using conventional open pit mining methods, employing drilling and blasting operations, at an anticipated initial rate of 6,000 tonnes per day.

The initial processing rate will be 3,000 tpd over a period of approximately 212 days per year;

Subject to timely issue of permits and approvals and completion of the work plans, LIM expects to produce between 0.5 and 1.0 million tonnes of product during the 2010 season to the end of November 2010. It is anticipated that production will increase to 2.0 million tonnes for the eight month season in 2011.

Rail and Port - Transportation Infrastructure

LIM has continued to hold discussions with the relevant rail transportation companies and port operators regarding providing the necessary levels of service from 2010 onwards. There are a number of companies involved in these discussions some with inter-connecting interests and these discussions are generally progressing well.

On February 12, 2010, LIM signed an agreement with the Sept-Îles Port Authority for the use of the Pointe-Noire facilities at the port to ship LIM's iron ore products. LIM agreed a base fee schedule with the Port Authority regarding wharfage fees for iron ore loading for LIM's shipping operations beginning in mid 2010.

A deep water port, situated 650 kilometres down river from Quebec City on the North Shore of the Gulf of St. Lawrence on the Atlantic Ocean, the Port of Sept-Iles is a large natural harbour, more than 80 metres in depth, which is open to navigation year round. The Port is an international marine hub, at the heart of the main maritime routes between North America, Europe and Asia, and nearly 80% of its merchandise traffic, mostly iron ore, is destined for international markets.

The Port of Sept-Îles is the most important port for the shipment of iron ore in North America, serving the Quebec and Labrador mining industry. Each year nearly 23 million tonnes of merchandise is handled, comprised mainly of iron ore.

The Company is currently in negotiations with port operators regarding rail transportation, storage, reclaim and ship-loading of its iron ore products. The Company has not yet concluded agreements with the relevant rail companies or port operators for the transportation and handling of the Company's planned production of iron ore in 2010.

In October 2009, the Company signed a Rail Co-operation Agreement with New Millennium Capital Corp. ("NML") regarding the reconstruction of the "Timmins Extension" rail spur line which will run from the TSH Railroad main rail line near Schefferville, a distance of approximately 2.5 miles to LIM's planned processing center at Silver Yards and on a further approximately 13 miles to NML's planned processing center at the Timmins mining area.

The Rail Co-operation Agreement provides the framework under which both LIM and NML have agreed to co-operate in the development of the transportation facilities for their direct shipping iron ore (DSO) projects in the Schefferville area and which will enable each company to rebuild the necessary rail infrastructure in their respective operating areas, including the construction of passing tracks and sidings in common areas.

The Timmins Extension rail line will be laid on a 16 mile long existing rail bed that extends from Mile 353 on the TSH main line to the Timmins train turning circle. The Timmins Extension spur line, which passes from Labrador into Quebec and back into Labrador, was previously used for iron ore mining operations. The rails and ties were removed when the previous mining operations ceased in 1982 but the rail bed itself remains in place. Reconstruction of the Timmins Extension will only require relaying new rails and ties and replacement of some ballast.

Each of LIM and NML will enter into the requisite agreements with third parties to design and construct their respective portions of the Timmins Extension to standards required to transport the iron ore to be extracted from their DSO deposits. LIM intends to commence construction on the first 2.5 miles connecting to LIM's Silver Yards planned processing area immediately upon the issue of the necessary permits.

Under the Rail Co-operation Agreement the parties jointly agree to apply to Government authorities for all required rights of way and/or surface rights and for the grant to each party of the rights on a specific portion of the Timmins Extension, along with rights of access to, construction on and use of such specific portions as are mutually granted by one party to the other party.

The Parties have agreed to negotiate and enter into a Rail Operating Agreement which will provide the terms of access to and use of the Timmins Extension and the tariff to be paid by each party with respect to its use of the portion of rail line for which the other party holds the rights of way and have also agreed to collaborate to determine the most expedient means to refurbish the TSH

Railway main line to standards required to carry out the transportation of minerals extracted from the DSO deposits.

Marketing

Marketing discussions have continued with potential end users, and samples have been dispatched to a number of steel mills. These discussions have indicated an encouraging level of interest in the LIM products based on the metallurgical test results and analysis of the samples supplied. The indicated high iron grades and the low level of impurities are important and should ensure that LIM will be able to market both its lump ore and its sinter fines products.

In addition to the European interest there is significant Chinese interest in seeking iron ore from Eastern Canada. The growing Chinese demand for iron ore, coupled with the slower than expected development in new iron ore mines closer to China, has begun to make Eastern Canada a viable source for this market. Discussions continue with a number of Chinese customers and importers as well as a number of European producers.

For 2010 LIM anticipates that it will sell all its production into the spot market and will utilize the services of a trading company for this process.

LIM has not yet concluded any agreements for the sale of any iron ore to be produced in 2010.

Iron Ore Price Outlook

The viability of the Company's Schefferville Project is dependent on the sale price of iron ore.

High demand for iron ore in recent years has been driven primarily by China and south-east Asia. This demand effectively raised the price of iron ore "fines" from around US$42 per tonne FOB in 2005, to about US$50 per tonne FOB in 2006, US$55 per tonne FOB in 2007, and about US$95 per tonne FOB in 2008. Lump ore has traditionally commanded about a 25% premium to fine ore.

During the last calendar quarter of 2008 and the first quarter of 2009, associated with the downturn in most major economies, there was a considerable degree of weakness in the world-wide steel industry with a number of major steel producers announcing significant production cut-backs and redundancy programs. This downturn was particularly severe in Europe and North America and resulted in a decline in the spot iron ore prices from the record high prices achieved in 2008.

During the 2009 benchmark price negotiations Rio Tinto settled with a number of Japanese and Korean steel mills at a fines benchmark price of approximately US$65 per tonne, representing a reduction of around 33% from 2008 levels. Negotiations with the Chinese industry represented by the China Iron & Steel Association failed to agree on a 2009 benchmark price and China effectively bought iron ore at the Rio Tinto benchmark price.

The future of iron ore pricing will be dependent on both the rate of recovery of world-wide economies and the extent to which current and planned new production capacity has been closed or deferred, and on the speed with which this closed and deferred production can be brought back on stream.

It is reported that the major iron ore suppliers and Baosteel, representing the Chinese industry, have now commenced negotiations over the 2010 price. It is reported that Rio Tinto and BHP are asking for a 40% increase in the contract price while the Chinese mills are unwilling to accept an increase of more than 30%. Industry commentators are forecasting that the 2010 benchmark, if eventually set, will be at a level of between 25% and 40% higher than the US$65 per tonne settled by Rio Tinto with Japanese and Korean steel mills in 2009. This would represent a sinter fines price of between US$80/tonne and US$90/ tonne for 63% Fe fines.

There has been some strengthening of spot iron ore prices in January 2010 though these have weakened slightly in early February as the impact of the potential Chinese credit restrictions are being assimilated. Nevertheless demand particularly from China continues to grow but may be somewhat muted during the Chinese Spring Holidays.

Quebec Iron Ore Properties

In December, 2009, the Company's wholly owned subsidiary **Schefferville Mines Inc** ("SMI"), acquired from Hollinger North Shore Exploration Inc. ("Hollinger"), subject to the approval of the Government of Quebec, a 100% exclusive operating interest in the remaining properties which are part of the original Mining Lease dated February 9, 1953, issued to Hollinger by the Minister of Mines of the Province of Quebec under a Special Act of the Quebec Parliament enacted in 1946 entitled "An Act to promote mining and industrial development within New Quebec", as amended by Quebec Mining Lease #14366 dated June 11, 1962 and registered on April 26, 1972.

The iron ore properties are part of the former operations carried on, under a sub-lease from Hollinger, by the Iron Ore Company of Canada in the Schefferville region between 1954 and 1982 and comprise interests in a number of separate deposits identified and partially developed by IOC, which collectively contain an estimated historical resource (non NI 43-101 compliant) of approximately 50 million tons of direct shipping iron ore (DSO).

Two of these iron ore properties, estimated to contain a combined historical resource of about 5 million tons of iron ore, are located close to existing infrastructure near the town of Schefferville and close to LIM's planned Stage One DSO mining operations in Western Labrador.

Another two of the properties, estimated to contain a combined historical resource of approximately 10 million tons of iron ore, are located approximately 20 kilometres northwest of the town of Schefferville, with existing road access, and may form an expansion of LIM's Stage Two operations.

Two more properties, estimated to contain a historical resource of approximately 30 million and 5 million tons of iron ore, respectively, are located approximately 35 kilometers north of LIM's Kivivic Property and could potentially form the basis for a new Stage Four operation. These properties are relatively remote and do not have any road access or other infrastructure.

The 1953 Hollinger Mining Lease, as amended, remains valid under its current term to 2013 and in accordance with and subject to its provisions and the provisions of the Act is renewable for a further twenty years to 2033. The lease covers areas aggregating approximately 2,800 hectares and includes fourteen separate properties some of which contain all or parts of various known mineral deposits. SMI has the option to take a Sublease of the properties from Hollinger, subject to the approval of the Government of Quebec.

The Operating License and/or Sublease from Hollinger to SMI, has been granted (subject to the approval of the Lieutenant–Governor in Council of the Province of Quebec) subject to the reservation of a Royalty payable by SMI to Hollinger in Trust in the amount of $2.00 (Two Canadian Dollars) per tonne of iron ore shipped from any Hollinger property or deposit, such royalty to be payable FOB Port of Sept- Îles, which Royalty is to be distributed by Hollinger to the shareholders of Hollinger pursuant to pre-existing agreements.

The Operating License and/or Sublease from Hollinger has been granted subject to all existing registered liens directly related to the Hollinger properties. SMI has agreed to assume the obligation to settle or purchase these liabilities, and has the right to manage and defend any claims or disputes, provided that any payments made by SMI in settlement of such liabilities in excess of CAN $1.5 million will be deemed as advance payments and credited against the Royalty otherwise payable to Hollinger.

The properties are subject to some outstanding litigation of various disputes, including legal claims for breach of contract by Hollinger, under which certain third parties may, separately, claim interests in or ownership of the properties. Such third parties may seek to join SMI or LIM in this litigation.

Under the Operating License SMI as the Operator will be entitled to exclusively occupy the lands for the purposes of carrying out, on behalf of itself and Hollinger, all exploration, development or mining works as SMI considers necessary or desirable for the proper working and development of the properties and the deposits thereon, together with the use of all surface buildings and improvements thereon as SMI may require. SMI shall be solely responsible for all capital and operating costs necessary to carry out the work on the properties and shall be entitled to receive all revenue from the sale of any and all mineral products mined and sold from the properties, subject to the payment of the royalty described above.

SMI as the Operator will undertake the necessary programs of work to maintain the Hollinger properties in good standing and to facilitate the early development of iron ore production from one or more of the existing Hollinger deposits with the objective to achieve commercial production (deemed to be production at an annual rate of 500,000 tonnes of iron ore) to commence by December 31, 2011 or as soon thereafter as practically possible, always subject to receipt of all necessary government approvals, environmental and operating permits. Such programs would include, but not necessarily be limited to, scoping studies, environmental baseline studies and applications for environmental and operating permits.

In a second transaction, SMI acquired from Fonteneau Resources Inc. seventeen separate mining claims covering a total of approximately 800 hectares in the Province of Quebec, some of which adjoin parts of the Hollinger land package, and are considered prospective for DSO. The properties are subject to a royalty of $2.00 per tonne of iron ore payable FOB from the Port of Sept Îles. LIM made advance royalty payments totaling $2 million which will be credited against any future royalty payments on any of these properties.

SMI will undertake the necessary programs of work to maintain these Fonteneau Quebec Properties in good standing and to use its best efforts to facilitate the early development of iron ore production from one or more of such properties. Such programs would include, but not necessarily be limited to, scoping studies, environmental baseline studies and applications for mine permits.

SMI also entered into an Exploration and Development Agreement on ninety seven other mining claims in Quebec, totaling approximately 2,500 hectares, which are considered prospective for exploration for iron ore. These claims are located approximately 100 kilometers north of Schefferville, within the Labrador Trough, and are considered to have high regional exploration potential for iron ore. These remote properties have no road access or other infrastructure. Limited historical information is available on these properties.

Under the Exploration and Development Agreement SMI made a payment of $250,000 on signing, with further payments of $250,000 payable on June 30, 2010 and $500,000 payable on each of December 31, 2010, June 30, 2011 and December 31, 2011, provided that SMI may prepay any of the above amounts at any time at its sole discretion. SMI is obligated to maintain the properties in good standing through December 31, 2011 and to carry out minimum programs of reconnaissance and exploration on the properties. These claims are also subject to a royalty of $2.00 per tonne of iron ore and 3% of any other minerals payable FOB Port.

Manganese Properties

In two separate transactions completed in the quarter ended December 31, 2009, through its wholly owned subsidiaries Labrador Iron Mines Limited and Schefferville Mines Inc., the Company acquired approximately 4,200 hectares in mineral claims located partly in Labrador and partly in Quebec, giving the Company a very large land package in the vicinity of the town of Schefferville on which a number of manganese deposits have been identified. In addition, these manganese properties also contain some historical DSO resources.

These claims were acquired in part from MRB & Associates and in part from Fonteneau Resources Inc. and are subject to a royalty of 3% of the FOB value of manganese ore and $2.00 per ton of iron ore shipped from the Port of Sept-Îles. The Company made payments totaling $200,000 for the acquisition of technical data and to cover 2009 assessment work.

These newly acquired claim holdings contain fourteen occurrences or deposits of manganese located within the Sokoman, Ruth and Wishart geological formations. Historic reports indicate these deposits have manganese content that range from 5% to 55% manganese. It is expected that these deposits can be beneficiated to commercial grades of around 48% manganese by a similar washing and screening process to that planned for LIM’s DSO deposits.

Qualified Person

Scientific and technical information disclosed herein has been prepared under the supervision of Terence N. McKillen, P. Geo., Executive Vice President and a Director of the Company, the Company’s Qualified Person under NI 43-101.

RESULTS OF OPERATIONS

For the quarter ended December 31, 2009 the Company reported net income of $2,356,601, or $0.06 per share, as compared to a net loss of $682,489, or $0.02 per share, during the same period in the prior year. For the nine month period ended December 31, 2009 the Company reported net income of $1,539,604, or $0.04 per share, as compared to a net loss of $1,279,715, or $0.04 per share, during the same period in the prior year.

The main component of income for the quarter ended December 31, 2009 was a future income tax recovery of $3,153,656 (2008-$103,061). During the quarter, there was stock based compensation expense of $16,575 compared to $498,562 for the same period in 2008. The main components of income for the nine month period ended December 31, 2009 was future income tax recovery of $3,575,759 (2008-$108,313) offset by administration expenses of $1,249,611 (2008-$463,081). During the nine month period, there was stock based compensation expense of $20,283 compared to $1,085,125 for the same period in 2008.

The future income tax recoveries were based on changes in the Ontario tax rate that were substantially enacted on November 16, 2009. As a result of this change, the Company's expected future income tax rate in Ontario decreased from 29% to 25%.

The increases in administration expenses in both the three and nine months ended December 31, 2009 were due to a general level of increased corporate activity, higher insurance premiums and increased investor and public communications.

In its quarter ended December 31, 2009, the Company restated 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, which 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, considering the guidance in the CICA Handbook Emerging Issues Committee EIC-94, *Accounting for Corporate Transaction Costs*, 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 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.

During the quarter and nine months ended December 31, 2009 the Company invested $1,607,373 and $5,911,071 respectively on its mineral properties, (the principal components of which were property acquisition payments, exploration, engineering, environmental permitting and transport services), compared with $3,939,372 and $10,172,498 respectively during the same periods in the prior year.

Mineral Property Interests and Deferred Exploration Expenditures for the three and nine months ended December 31, 2009:

	Three Months Ended December 31, 2009 $	Nine Months Ended December 31, 2009 $
Balance, beginning of period	145,104,079	140,797,497
Additions:		
Community	53,155	226,715
Engineering	231,135	663,695
Environment and permits	368,410	766,423
Exploration	765,868	3,895,069
Transport services	151,590	309,184
Travel and accommodations	100,067	112,837
Stock-based compensation	22,973	25,857
	1,693,198	5,999,780
Property acquisitions	3,000,000	3,000,000
Balance, end of period	149,797,277	149,797,277

In the quarter ended December 31, 2009 the Company also invested $2,598,817 in the purchase of equipment, service buildings and vehicles, compared to $742,572 for the same period in the prior year. In the nine month period ended December 31, 2009 the Company's investment in property, plant and equipment amounted to $4,209,769 compared to $985,082 for the same period in the prior year. The substantial increases in the period ended December 31, 2009 were due to the investment in processing equipment, rail spur line construction and pumping facilities in anticipation of the commencement of production.

The following table shows how the net proceeds from the Company's Initial Public Offering completed in December 2007 have been used to March 31, 2009 and to December 31, 2009 compared to the use of proceeds discussed in the Company's Prospectus dated November 23, 2007.

Use of Funds	As disclosed in Prospectus November 23 2007	Cumulative Actual Up To March 31 2009	Cumulative Actual Up To December 31 2009
Work Programs	$ 5,500,000	$ 5,810,000	$ 9,113,000
Feasibility Studies	$ 2,200,000	$ 2,680,000	$ 2,730,000
Environmental	$ 1,200,000	$ 1,820,000	$ 2,788,000
Marketing and other studies	$ 2,100,000	$ 1,400,000	$ 2,400,000
General and Administrative Expenses	$ 1,850,000	$ 1,780,000	$ 3,282,000
Total	$ 12,850,000	$ 13,490,000	$ 20,313,000
Infrastructure upgrades and capital expenditures	$ -	$ 1,040,000	$ 5,238,000
Reserve for infrastructure upgrades and capital expenditures	$ 12,000,000	$ 10,970,000	$ 6,770,000
Unallocated Working Capital	$ 23,250,000	$ 22,610,000	$ 15,790,000

The anticipated use of proceeds as set out in the Prospectus dated November 23, 2007 contemplated two phases totaling $12,850,000, the major components of which were field work programs (exploration and site programs) $5.5 million; environmental and other studies - $1.2 million; feasibility studies - $2.2 million; marketing $2.1 million; and general and administrative expenses $1.85 million. The actual net proceeds of the financing were approximately $48.1 million as the expenses of the financing were $1.2 million as compared to the anticipated expenses of approximately $750,000.

To December 31, 2009, the Company had expended proceeds of approximately $25.5 million, the major components of which were site work programs $9.1 million; environmental and community $2.7 million; marketing and metallurgical testing $2.4 million; feasibility studies $2.7 million, general and administrative expenses $3.3 million; and infrastructure and capital $5.2 million.

The field work programs were concentrated on the Stage 1, James, Redmond, Houston and Knob Lake deposits, with some exploration work on the Astray and Howse deposits and only gravity and magnetic surveys of the Stage 3 Kivivic deposits.

The expenditures on mineral properties and deferred exploration up to December 31, 2009 enabled the completion of major drilling and trenching programs which led to the preparation of new resources estimated in compliance with NI 43-101; the undertaking of major environment and permitting studies which led to the completion of the provincial environment assessment process; extensive community consultation and negotiations which led to the signing of an Impact Benefit Agreement and MOU's with affected First Nations; metallurgical testing and marketing studies aimed at demonstrating expected product quality and potential off take arrangements; and mine planning and infrastructure design to be incorporated into the final engineering studies.

The Prospectus had included in the use of funds a reserve for infrastructure upgrades and capital expenditures of $12 million, of which approximately $5.2 million was expended by December 31, 2009. It is anticipated the investment on infrastructure upgrades and capital expenditures will increase in 2010 following the issue of permits.

In summary the Company expended more on each category than contemplated in Use of Proceeds anticipated in the 2007 Prospectus, the major increase being in environmental and other studies where significantly more work was required by regulators, including the preparation of an Environmental Impact Statement and a revision thereto, and which extended for a longer period of time. More exploration drilling, trenching and sampling was carried out on the Stage 1 deposits, part of which will be used in mine planning, and less on the Stage 2 and Stage 3 deposits. These variances are not expected to significantly impact the Company's ability to achieve its business objectives or milestones.

The Company's plan for the Schefferville Project is generally on track and proceeding generally in accordance with expectations. Completion of the environment assessment process took longer then originally expected and this delayed the initiation of construction and infrastructure originally planned for 2009.

SUMMARY OF QUARTERLY RESULTS

	($000's)	($000's)	($000's)	($000's)	($000's)	($000,s)	($000,s)	($000,s)
	Quarter ended March 31, 2008	Quarter ended June 30, 2008	Quarter ended September 30, 2008	Quarter ended December 31, 2008	Quarter ended March 31, 2009	Quarter ended June 30, 2009	Quarter ended September 30, 2009	Quarter ended December 31, 2009
Net income (loss)	$ 2,113	$ (200)	$ (397)	$ (682)	$ 927	$ (287)	$ (530)	$ 2,356
Income (loss) per share	$ 0.06	$ (0.01)	$ (0.01)	$ (0.02)	$ 0.02	$ (0.01)	$ (0.02)	$ 0.06
Total assets	$ 175,722	$ 176,092	$ 178,431	$ 178,199	$ 177,686	$ 177,156	$ 177,060	$ 178,194

The income in the quarter ended March 31, 2008 included stock-based compensation expenses of $1.75 million arising on the grant of stock options during that quarter. The income in the quarter ended March 31, 2009 included a reallocation of stock-based compensation expense to mineral properties and a revision to future income tax recovery. The income in the quarter ended December 31, 2009 included a future income tax recovery of $3.15 million.

LIQUIDITY AND CAPITAL RESOURCES

At December 31, 2009, the Company held $20.7 million in cash and cash equivalents and is in sound financial condition. The cash is invested in short-term money market instruments or deposits with major banks. Current liabilities, comprising accounts payable relating primarily to the completion of the 2009 exploration program, were $2.4 million. The Company has no borrowings or debt and has no externally imposed capital requirements.

The carrying value of the Company's mineral property interests at December 31, 2009 was $149.8 million compared to $140.8 million at March 31, 2009 and both values include an income tax asset of $40.8 million. The increase was as a result of the investment during the nine month period of $6.0 million of capitalized exploration and development expenditures and $3 million on property acquisitions. The balance of the future income tax liability as at December 31, 2009 was $32.3 million, down from $35.7 million at March 31, 2009 as a result of a future income tax recovery which arose in the third quarter.

The carrying value of the mineral property interests was originally calculated upon the acquisition of such properties in 2007 for 24,000,000 shares, which were valued at the IPO price of $3.56 per share, and includes an offset of $40.8 million to a future income tax liability. (See Note 4 to unaudited interim Consolidated Financial Statements). The carrying value of mineral properties is not necessarily indicative of the realizable value of such properties if they were to be offered for sale at this time.

As of March 31, 2009 and December 31, 2009, management carried out assessments of the carrying value of mineral property interests, and does not consider that there has been any impairment in value of the Company's mineral property interests. In management's opinion the long term outlook for iron ore remains strong.

Test for recoverability were performed to determine if the estimated fair value exceed the carrying amount of the asset. The estimated fair value of the assets was determined assuming that iron ore production commences in 2010 and utilizing current prices of iron ore and based on the best information available, including comparable asset values in the market, and the use of other valuation techniques. In assessing the future estimated cash flows management used various estimates including, but not limited to, estimated operating and capital costs and estimated indicated and inferred resources.

By their very nature, there can be no assurance that these estimates will actually be reflected in the future operation of the Schefferville Project. The ultimate recoverability of amounts deferred for mineral property interests is dependent upon, amongst other things obtaining the necessary permits to operate the Schefferville Project.

By December 31, 2009 the planned exploration and testwork expenditure for the 2009 program had been made. In addition capital expenditures associated with the rail spur, engineering design and beneficiation plant purchase and construction had commenced. Approximately $5.2 million had been expended to December 31, 2009, and it is expected that ongoing capital expenditures will total approximately $4.5 million from the end of December 2009 through to the end of the Company's financial year at March 31, 2010.

The Schefferville Property is in the exploration and development stage and, as a result, the Company has no source of operating revenue. The Company depends upon its cash resources and interest income to fund its exploration, development, operating and administrative expenses. In December 2007, the Company raised through the IPO the financial resources to undertake the currently planned activities and believes it has sufficient funding to undertake its planned exploration and development programs, and place the first one million tons from stage 1 of the phase one deposits into production.

Additional funds may be required for ongoing working capital and to place the stage one and/or stage two of the Schefferville project into commercial production. The only sources of future funds available to the Company are the sale of equity capital of the Company, interest earned on invested capital, any cash flow generated in the first phase of operations, or the sale by the Company of an interest in any of its properties in whole or in part. The ability of the Company to arrange such financing in the future will depend in part upon the prevailing capital market conditions as well as the business performance of the Company. There can be no assurance that the Company would be successful in obtaining any additional required funding necessary to conduct additional development work or to expand production on the properties.

Market conditions, and hence the investment interest in the shares of junior resource companies, have experienced significant volatility since the Company completed its IPO in December 2007. If additional financing is raised by the issuance of shares from treasury, shareholders may suffer dilution and control of the Company may change. If adequate financing is not available, the Company may be required to delay, reduce the scope of, or eliminate one or more activities or relinquish certain of its property interests. Failure to obtain additional financing on a timely basis could inhibit the Company's ability to continue as a going concern or cause the Company to lose or reduce its interests in some or all of the properties and reduce or terminate its operations.

The Company's financial statements have been prepared on the basis of accounting principles applicable to a going concern which assumes that the Company will realize its assets and discharge it liabilities in the normal course of business. Management believes that the Company has sufficient cash to continue its operations at the planned levels. However, the business of mining involves a high degree of risk and uncertainties, including geological and operating risk surrounding financing, marketing of products and sale prices of iron ore.

OFF BALANCE SHEET TRANSACTIONS

The Company has no off balance sheet transactions.

OBLIGATIONS AND CONTRACTUAL COMMITMENTS

The Company has committed to put phase one of the Schefferville Project (the Fonteneau Properties) into production and through the IPO of $52.8 million has arranged the production financing for the first one million tons of production from one or more of the Fonteneau Properties.

The Company has entered into an Impact Benefits Agreement (IBA) with the Innu Nation of Labrador. The IBA is a life of mine agreement which establishes the processes and the sharing of benefits that will ensure an ongoing positive relationship between the Company and the Innu Nation. In return for their consent and support of the Project, the Innu Nation and their members will benefit through employment, training, business opportunities and financial participation in the Project. The Company has also signed Memoranda of Understanding with each of the Innu Nation of Matimekush-Lac John and with the Naskapi Nation reflecting the agreements of the parties to negotiate more detailed cooperation and benefit agreements.

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.

The Company does not believe that there are any significant environmental obligations requiring material capital outlays in the immediate future and anticipates that such obligations will only arise when full scale mining of the Schefferville Project commences. As the Schefferville Project is still in the exploration and construction stage, and no significant environmental impact has occurred to date, the Company does not currently consider that expenditures required to meet any ongoing environmental obligations at the Schefferville Project are material to the results or to the financial condition of the Company at this time. However, these costs may become material in the future and will be reviewed at that time.

At December 31, 2009, the Company had issued orders for the beneficiation plant and infrastructures totaling $1.49 million of which $0.45 million had been pre-paid at that date.

Subsequent to December 31, 2009, the Company entered into an equipment agreement under which 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 five years.

	Payments Due by Period				
Contractual Obligations	**Total**	**Less than 1 year**	**1-3 years**	**4-5 years**	**After 5 years**
Property Purchase Payments	$1,750,000	$750,000	$1,000,000	Nil	Nil
Operating Lease Obligation	$3,225,500	$83,500	$1,002,000	$668,000	$1,472,000
Plant and Infrastructure Orders	$1,040,000	$1,040,000	Nil	Nil	Nil
Total	$6,015,500	$1,873,500	$2,002,000	$668,000	$1,472,000

FINANCIAL INSTRUMENTS

The Company's policy is to invest its cash balances in investment grade short term deposits or guaranteed investment certificates with major Canadian banks. This has been the Company's investment policy since completion of the IPO in 2007 and has not been changed as a result of changes in economic conditions. The Company monitors these investments and is satisfied with the credit rating and liquidity of its banks. The Company has never held any asset backed financial instruments.

The Company has designated its cash and cash equivalents as held for trading, which are measured at fair value. Fair value estimates of financial assets are made at the balance sheet date based on relevant market information and information about the financial instrument. These estimates involve uncertainties and are subjective in nature.

At December 31, 2009 the carrying amounts and fair value of the Company's financial instruments were considered to be the same, primarily because of the short term nature and liquidity of these instruments. At December 31, 2009, the Company did not hold any balances in foreign currencies that would give rise to exposure to foreign exchange risk.

The Company has included disclosure concerning some of the risk factors relating to its financial instruments in Note 8 to the Interim unaudited interim Consolidated Financial Statements for the period ended December 31, 2009.

OUTSTANDING SHARE CAPITAL

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

At December 31, 2009 the Company had 37,148,451 common shares outstanding. The Company also had outstanding 1,955,000 stock options as at December 31, 2009. Each stock option vests as to one-eighth thereof on the first day of each calendar quarter over a two year period commencing October 1, 2009.

Subject to the end of the period, 55,500 employee stock options were exercised.

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

Securities	Number	Weighted average exercise price $	Weighted average remaining life (years)
Common shares	37,203,951	N/A	N/A
Stock options	1,899,500	2.00	2.67

Each stock option is exercisable for one common share of the Company.

TRANSACTIONS WITH RELATED PARTIES

For the quarter ended December 31, 2009, the Company recovered $49,824 and for the nine months ended December 31, 2009 the Company recovered $149,670 in respect of office rent from corporations with common directors and/or officers, of which $16,045 was outstanding at December 31, 2009.

The Company also made payments to corporations with common directors and/or officers, in respect of management compensation, administrative services and legal services provided in the amount of $75,000 for the quarter and $225,000 for the nine month period ended December 31, 2009. The Company incurred legal fees in respect of services provided by an officer in the amount of $22,279 for the nine month period ended December 31, 2009.

The transactions with related parties were within the normal course of business and have been recorded at the exchange amounts, being the amounts agreed to be the transacting parties.

CRITICAL ACCOUNTING ESTIMATES

The Company's significant accounting policies are described in Note 2 to the unaudited Interim Consolidated Financial Statements for the period ended December 31, 2009. Management considers the following to be the most critical in understanding the judgments involved in preparing the Company's financial statements and the uncertainties that could impact its results of operations, financial conditions and future cash flows.

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. 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, fair value of stock options and valuation of tax accounts. These estimates and valuation assumptions are based on historical experience, present conditions and management's planned course of action, as well as assumptions about future business and economic conditions. The use of different assumptions could result in different estimates. Should future business and economic conditions deteriorate, or the underlying valuation assumptions and estimates change, the recorded amounts could change by a material amount.

Mineral property interests and deferred exploration expenditures

The Company's mineral properties were acquired in exchange for shares in the Company, and the properties were valued at the fair market value of the shares, based on the price of shares sold in the IPO in November 2007. The carrying value of mineral property interests also includes an amount corresponding to a future income tax liability and the fair value of the capitalized stock option compensation awarded to exploration or project personnel.

The Company evaluates the carrying value of its mineral properties and equipment when events or changes in circumstances warrant and tests for recoverability of the long life asset value. A test for recoverability is performed to determine if the estimated fair value exceeds the carrying amount of the asset. Measurement of any impairment loss is determined by the estimated fair value of the assets based on the best information available, including comparable asset values in the market, and the use of valuation techniques.

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

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

Stock-based compensation

The Company records compensation cost based on the fair value method of accounting for stock-based compensation. The fair value of stock options is determined using the Black-Scholes option pricing model, and in respect of options vested during the period ended December 31, 2009 based on the assumptions set out in Note 6(c) to the unaudited interim financial statements for that period.

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

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 statements 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. At December 31, 2009, the Company had recorded a future income tax liability of $32.3 million.

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.

Asset retirement obligations (environmental estimates)

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 properties. 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. No significant asset retirement obligation has arisen to date and no such amount has been recorded. However, an amount will be estimated and recorded in the periods commencing April 1, 2010 when site operations commence and environmental rehabilitation obligations can be estimated. Various assumptions will be used in determining the liability including the terms and conditions of any permit, current mine plans and future retirement costs. These estimates require judgments as to the nature, cost and timing of the work to be completed and may change with changes to costs, environmental laws and remediation requirements and practices.

NEW ACCOUNTING STANDARDS

The Company adopted several new standards which are applicable to the financial disclosures and results of operations for annual periods beginning April 1, 2008, including CICA Handbook Section 1535 *"Capital Disclosures"*; Section 3862 and 3863, "*Financial Instruments – Disclosures and Presentation*". The adoption of these accounting standards did not have any material effect on the financial position or performance of the Company.

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.

International Financial Reporting Standards

In February of 2008, the Canadian Accounting Standards Board ("AcSB") announced that 2011 is the changeover date for publicly accountable enterprises to use IFRS in place of Canadian generally accepted accounting principles. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date for the Company of April 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the fiscal year beginning April 1, 2010.

The Company has developed a three phase changeover plan to adopt IFRS by April 1, 2011 as follows:

- Phase 1 – Scope and Plan: This first phase involves the development of an initial project plan and structure, the identification of differences between IFRS and existing Canadian GAAP, and an assessment of their applicability and the expected impact on the Company.

- Phase 2 – Design and Build: The second phase includes the detailed review, documentation and selection of accounting policy choices relating to each IFRS standard. This phase will also include assessing the impact of the conversion on the Company's information technology and data systems, internal controls over financial reporting, and disclosure controls. In this phase, accounting policies will be finalized, first-time adoption exemptions and exceptions will be considered, and draft financial statements and note disclosures will be prepared. An assessment will be made of necessary training or educational requirements for accounting staff.

- Phase 3 – Implement and Review: The final phase involves the actual implementation of IFRS standards. This phase will involve the finalization of IFRS conversion impacts, approval and implementation of accounting policies, implementation and testing of new processes, systems and controls, and the execution of detailed training where required.

The Company has commenced work to assess the impact of the transition to IFRS on the Company's accounting policies and to establish a plan to implement IFRS. A number of key accounting areas where IFRS differs from current accounting policies and accounting alternatives in those areas are being reviewed. These areas include:

- First time adoption of IFRS where there may be relief from the retrospective application of IFRS standards.
- Income tax recognition of deferred tax liabilities.
- Components approach to depreciation under which costs are allocated to significant parts of an asset and each part is separately depreciated.

A more detailed review of the impact of IFRS on the Company's financial statements is in progress and is expected to be completed by March 31, 2010. The Company will continue to monitor changes in IFRS during the implementation process and intends to update the critical accounting policies and procedures to incorporate any changes required by converting to IFRS and the impact of these changes on its financial reporting.

There will be changes in the Company's accounting policies related to the adoption of IFRS and these changes may materially impact the Company's financial statements.

NORMAL COURSE ISSUER BID

The Company's normal course issuer bid expired October 2, 2009. As of September 30, 2009, the Company had repurchased 45,500 shares at a cost of $43,026 all of which shares have been returned to treasury and cancelled.

RISKS AND UNCERTAINTIES

In conducting its business, the Company faces a number of risks and uncertainties. The principal risks and uncertainties faced by the Company are set out in the Company's Prospectus dated November 23, 2007 and in the Company's Annual Information Form for the year ended March 31, 2009 (both available on SEDAR) and are summarized below.

Exploration Development and Operating Risks

Exploration for minerals and development of mining operations involve many risks, most of which are outside the Company's control. There can be no assurance that any mineral production will be obtained or continued from the Company's properties, or that any such production will be profitable. In addition to the normal and usual risks of exploration and mining, the area of Western Labrador near Schefferville is situated in a remote location and does not have road access to other parts of Canada. The only means to transport iron ore from the Schefferville Project is by rail and refurbishment of the tracks, rails and culverts will have to be carried out.

The Company's future operations will require rail transportation from the Schefferville region to the Port of Sept-Îles and ship berthing, storage and loading facilities at such port. The Company has not finalized any commercial arrangements for the transporation, handling or shipping of its planned production of iron ore. There can be no assurance that the Company will be successful in negotiating such arrangements or in negotiating them on economically feasible terms. Failure to negotiate such arrangements could render the Schefferville Project unviable.

Permitting

The Schefferville Project is located in a remote area in Western Labrador adjacent to the boundary with the Province of Québec. The Company is required to obtain various permits to carry on its activities and is subject to various reclamation and environmental conditions. While the Company has all necessary permits to complete the exploration work, resource definition work and feasibility and engineering studies, additional permits will be required to bring the Schefferville Project to production.

On November 5, 2009, the Minister of Environment and Conservation advised the Company that the review of the Company's Environmental Impact Statement for the first phase of Stage 1 comprising the James and Redmond deposits had been completed and that she would be making a recommendation for consideration by the Government of Newfoundland and Labrador on release of the Project from further environmental assessment. On February 12, 2010, the Minister informed the Company that under authority of Section 67(3) (a) of the *Environmental Protection Act*, the Lieutenant-Governor in Council has released the Schefferville Area Iron Ore Mine from further environmental assessment, subject to a number of terms and conditions.

The Company plans to submit the applications for the necessary operating permits, licenses and approvals. There can be no assurance that the necessary permits and approvals will be issued within a reasonable time or at all. If the necessary permits are not issued within a reasonable time the Company may be delayed in achieving its planned commencement of initial production in 2010. To the extent such approvals are required and not obtained, the Company may be curtailed or prohibited from proceeding with the planned development of its Schefferville Project or from commencing or continuing its mining operations.

Subsequent phases and stages of the Project will be subject to further environmental assessments.

Environmental

The Company's activities are subject to extensive national, provincial and local laws and regulations governing environmental protection and employee health and safety. The Company is required to obtain governmental permits and provide bonding requirements under environmental laws. All phases of the Company's operations are subject to environmental regulation. These regulations mandate, among other things, the maintenance of water quality standards and land reclamation. They also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations.

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

Environmental laws and regulations are complex and are evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, and more stringent environmental assessments of proposed projects. Any changes in such laws could cause additional expense, capital expenditures, restrictions and delays in the activities of the Company and have a material adverse effect on the Company's financial condition, liquidity or results of operations. The Company is not able to predict the impact of any future changes in environmental laws and regulations on its future financial position due to the uncertainty surrounding the ultimate form such changes may take.

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

Failure to comply with applicable environmental and health and safety laws can result in injunctions, damages, suspension or revocation of permits and imposition of penalties. There can be no assurance that the Company has been or will be at all times in complete compliance with all such laws, regulations and permits, or that the costs of complying with current and future environmental and health and safety laws and permits will not materially adversely affect the Company's business, results of operations or financial condition. Amendments to current laws, regulations and permits governing operations and activities of mining and exploration companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in exploration expenses, capital expenditures or production costs, or require abandonment or delays in development of mining properties.

Political and First Nations

The Company conducts its operations in Western Labrador in the Province of Newfoundland and Labrador and intends to conduct future operations in the Schefferville area of Quebec, which areas are subject to conflicting First Nations land claims. There are a number of First Nations peoples living in the Quebec-Labrador peninsula with overlapping claims to treaty or aboriginal land rights. Aboriginal claims to lands, and the conflicting claims to traditional rights between aboriginal groups, may have an impact on the Company's ability to develop the Schefferville Project. The boundaries of the traditional territorial claims by these groups, if established, may impact on the Labrador area, including the areas which constitute the Schefferville Project. Mining licenses and their renewals may be affected by land and resource rights negotiated as part of any settlement agreements entered into by Governments with First Nations.

Section 35 of the *Constitution Act, 1982* recognizes and affirms existing aboriginal and treaty rights. There have also been significant judicial decisions which have impacted the relationship of Aboriginal peoples with government. Government activities cannot infringe upon aboriginal rights unless there is proper justification. When development is proposed in an area to which an aboriginal group asserts aboriginal rights and titles, and a credible claim to such rights and titles has been made out, a developer may be required to conduct consultations concerning the proposed development with the aboriginal group that may be affected by the project. Generally, the Government of Newfoundland and Labrador views acceptance by both the Federal Government and the Government of Newfoundland and Labrador of such a claim for the purposes of comprehensive land claim negotiations as a necessary, but not a sufficient, condition of a "credible claim."

Consultations can vary depending on the nature of the aboriginal right affected and the degree of impact. The results of the consultations may conclude that the interests of the aboriginal group be accommodated wherever appropriate. Obligations can range from information sharing to provisions for the participation of the aboriginal group in the development, and compensation for impacts. Consultation must be meaningful with the view to accommodating the interests of the aboriginal group affected.

The Labrador Innu, as represented by the Innu Nation are the only aboriginal party with a land claim that has been accepted by the Government of Newfoundland Labrador. The Innu of Labrador claim aboriginal rights and title to land and resources in Western Labrador in an area which includes the proposed Schefferville Project area. The claim has been accepted by the Governments of Canada and of Newfoundland and Labrador. The Government of Newfoundland and Labrador, together with the Government of Canada, entered into a framework agreement with the Innu of Labrador in March 2006 as a first step in the process towards reaching a treaty. The land claim framework agreement provides a road map for the next stage in treaty negotiations. In September 2008, the Government of Newfoundland and Labrador and the Innu Nation of Labrador, signed the Tshash Petapen (New Dawn) Agreement which resolves key issues relating to matters between the Province and the Innu Nation and will facilitate the finalization of the Innu Rights Agreement. The New Dawn Agreement deals with subjects such as land title, aboriginal harvesting rights, access to resources, aboriginal participation in resource management and financial compensation.

The Labrador Métis Nation has asserted a land claim in parts of Labrador which may include the Schefferville Project area. However, this land claim has not been accepted for negotiation by the Governments of Canada or of Newfoundland and Labrador.

There are a number of Innu groups based in Québec (including Schefferville, Kawawachikamach and Sept-Îles) who claim aboriginal rights in Quebec and Labrador. Their claims have not been accepted for negotiation by the Government of Newfoundland and Labrador. However, their claims in Québec have been accepted for negotiation by the Governments of Canada and Québec. These claim areas include the areas of the Schefferville Project and these Québec Innu may be regarded as having overlapping credible land claims in the Schefferville Project area.

The Naskapi Nation located at Kawawachikamach, Quebec, about 25 kilometers northeast of Schefferville, has concluded a settlement agreement with Canada and the Province of Quebec with respect to land claims in Quebec in proximity to Schefferville Project Area. In 1978 the Naskapi entered into a comprehensive land claim agreement – Northeastern Quebec Agreement-which resolved these claims in and to parts of Quebec including in the Schererville Area.

The Nasapki assert rights in and to part of Labrador including the Project area, but this claim has not been accepted by Government of Canada or Newfoundland and Labrador. No land claim settlement agreement has been reached between Canada or the Province of Newfoundland and Labrador with the Naskapi Nation with respect to asserted claims in Labrador.

The Innu of Quebec, located at Matimakush-Lac Jean near Schefferville, and at the communities of Uashat and Mani-Utenam, near Sept-Îles Quebec, assert aboriginal rights to traditional lands which include parts of Quebec and Labrador. These claims were accepted by the Government of Canada in 1979 and by the Government of Quebec in 1980 and negotiations have taken place with regard to the Quebec part of the claim. The claims have not been accepted by the Government of Newfoundland and Labrador. No land claim settlement agreements have been reached between Canada or the Province of Newfoundland and Labrador with the Innu of Quebec.

Members of the Innu Takuaikan Mak Mani-Utenam, near Sept-Iles, Quebec, claim ownership of some registered trap lines in the Schefferville Project Area.

The Company has undertaken a program of community consultation and has entered into, or intends to negotiate and enter into, memoranda of understanding and later collaboration agreements with First Nations communities living in or adjacent to, or having an interest in or claims to, historical lands or treaty or aboriginal rights in the Schefferville Project area, or who may be impacted by the Schefferville Project.

On July 24, 2008, the Company and Innu Nation of Labrador, representing the Sheshatshiu Innu First Nation and the Mushuau Innu First Nation, respectively, living in the communities of Sheshatshiu and Natuashish, Labrador, signed an Impact Benefit Agreement (IBA), committing to an ongoing relationship between the Innu Nation and Labrador Iron Mines with respect to the development of the Company's iron ore project located in Western 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 Labrador Iron Mines and the Innu Nation. In return for their consent and support of the project, the Innu Nation and their members will benefit through training, employment, business opportunities and financial participation in the project.

The Company has also signed Memoranda of Understanding with each of the Naskapi Nation of Kawawachikamach and the Innu Nation of Matimekush-Lac John (Schefferville), both located in Quebec close to the Project. It is expected that both of these will be converted into substantive co-operation and benefit agreements in the near future and that a similar agreement will also be concluded with the communities of Uashat and Mani-Utenam, near Sept-Îles Quebec.

There can be no assurance that the Company will be successful in reaching any agreement with any First Nations groups who may assert aboriginal rights or may have a claim which affects the Company's Properties or may be impacted by the Schefferville Project, including the Naskapi First Nation and/or the Innu of Quebec.

Metal Prices and Market Sentiment

The prices of metals, including iron and steel, fluctuate widely and are affected by many factors outside the Company's control. The relative price of metals and future expectations for such prices, have a significant impact on the market sentiment for investment in mining and mineral exploration companies. Metal price fluctuations may be either exacerbated or mitigated by international currency fluctuations which affect the sales revenue received in terms of the domestic currency in which such metals are produced. The Company relies on equity financings for its working capital requirements and to fund its exploration, development and permitting activities. There is no assurance that any additional financing will be available to the Company or that it will be available on acceptable terms.

Nature of Operations and Going Concern

The Company is in the development stage, as defined by the Canadian Institute of Chartered Accountants ("CICA") Accounting Guideline 11 as the Scheffervile Project is not yet in production.

The Company's financial statements have been prepared on the basis of accounting principles applicable to a going concern which assumes that the Company will realize its assets and discharge its liabilities in the normal course of business. Management has carried out an assessment of the going concern assumption and has concluded that the Company has sufficient cash and cash equivalents (as well as no debt obligations outside of normal course accounts payable and accrued liabilities) to continue operating at current levels for the ensuing twelve months. Accordingly, these financial statements do not reflect the adjustments to the carrying value of assets and liabilities, or the impact on the statement of operations and balance sheet classifications that would be necessary were the going concern assumption not appropriate.

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, obtaining the necessary permits to operate a mine, the achievement of profitable operations, and 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 write downs of the carrying values.

Currency risk

When in production, the Company will be exposed to currency risk as the price of iron ore is generally quoted and denominated in U.S. dollars. Changes in the U.S. dollar/Canadian dollar exchange rate may result in a decrease or increase in foreign exchange gains or losses. The Company does not use derivative instruments to reduce its exposure to foreign currency risk.

Legal and Title risks

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

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

Certain of the Quebec properties acquired by the Company in December 2009, including the properties held under the 1953 Quebec Mining Lease, are subject to some outstanding litigation between certain third parties and Hollinger relating to various disputes, including legal claims for breach of contract and/or specific performance by Hollinger, under which such third parties may, separately, claim interests in or ownership of these properties. Such third parties may seek to join SMI or LIM or the Company in this litigation. Such claims are considered to be without merit or legal foundation and, if perused, will be vigorously defended but may negatively impact the Company's ownership of or interests in such properties.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Chief Executive Officer and Chief Financial Officer are responsible for designing internal controls over financial reporting, or causing them to be designed under their supervision, in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

The Company has adopted basic systems of internal controls over financial reporting. The Chief Executive Officer and the Chief Financial Officer evaluated the effectiveness of the Company's internal control over financial reporting at March 31, 2009 and determined that as of that date it was effective to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. During this evaluation process, management identified certain potential deficiencies in internal controls over financial reporting. These deficiencies are not considered to be significant.

The design of a control system must reflect that there are staffing and financial resource constraints, and that the benefits of controls must be considered relative to their costs to the Company. Due to the limited number of staff at the Company, it is not feasible or cost effective to achieve "ideal" segregation of duties. These matters and their related risks are not uncommon in a company of this size and stage of growth and are not considered to be significant. The Company has taken such action as it considered appropriate to minimize any potential risks from these potential deficiencies, including increased senior management review. The Company anticipates hiring additional accounting and administrative staff as the Company grows and commences production.

There was no significant change to the Company's internal control over financial reporting during the three months ended December 31, 2009.

The Company's management, including the Chief Executive Officer and Chief Financial Officer, believe that any system of internal control over financial reporting, including those systems determined to be effective, and no matter how well conceived and operated, has inherent limitations and can provide only reasonable, not absolute, assurance that the objectives of the control system are met with respect to financial statement preparation and presentation. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error, mistake or faulty communication. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of the control. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and may not be detected.

DISCLOSURE CONTROLS AND PROCEDURES

The Company's disclosure controls and procedures are designed to provide reasonable assurances that material information is gathered and reported to senior management, including the Chief Executive Officer and Chief Financial Officer as appropriate, to permit timely decisions regarding public disclosure.

Management, including the Chief Executive Officer and Chief Financial Officer evaluated the effectiveness of the Company's disclosure controls and procedures at March 31, 2009. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer concluded that as of March 31, 2009 the Company's disclosure controls and procedures were effective to provide reasonable assurance that material information required to be disclosed in reports filed or submitted by the Company is recorded, processed, summarized and reported within the appropriate time periods.

It should be noted that while the Company's Chief Executive Officer and Chief Financial Officer believe that the Company's disclosure controls and procedures provide a reasonable level of assurance and that they are effective, they do not expect that the disclosure controls and procedures can prevent all errors or mistakes. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

There were no significant changes to the Company's disclosure controls and procedures during the three months ended December 31, 2009.

OUTLOOK

The immediate and medium-term outlook for the minerals industry remains somewhat more positive than previously. There has been a strengthening in the world-wide steel industry during the last nine months as western countries come slowly out of recession and with continuing growth in Chinese demand. Industry analysts are forecasting an increase in 2010 benchmark iron ore prices of between 25% and 40% over the 2009 prices. Nevertheless it is by no means certain that there will not be some set-backs in the overall recovery process.

However management believes that the long-term fundamentals of the iron ore market will remain generally strong for most of the expected life of the Company's planned operations. This view is based upon several factors including an expected continuation of Chinese, Korean and Japanese demand. Iron ore prices are expected to become more robust once global demand is confirmed and returns to more stable levels. For 2010 and beyond the future of iron ore pricing will be dependent on the rate of recovery of world-wide economies. LIM remains of the view that for 2010, the first year of planned commercial production from its Schefferville Project, and beyond, that iron ore prices will continue to increase before stabilizing around 2012 to 2013.

ADDITIONAL INFORMATION

Additional information regarding the Company, including the Audited Financial Statements, Management's Discussion and Analysis and Annual Information Form for the year ended March 31, 2009, the Company's Prospectus dated November 23, 2007, and the Company's Material Change Report dated December 23, 2009, is available under the Company's profile on SEDAR at www.sedar.com and on the Company's website at www.labradorironmines.ca.

FORWARD LOOKING STATEMENTS

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