LABRADOR IRON MINES HOLDINGS LIMITED

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2009

Dated: November 11, 2009

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 six month periods ended September 30, 2009 and the Audited Consolidated Financial Statements for the year ended March 31, 2009.

At September 30, 2009, the Company had $28.4 million in cash and cash equivalents and is in healthy 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.

OVERVIEW

The Company is a mineral resource Company focused on the development and mining of direct shipping iron ore in Western Labrador. 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").

LIM holds interests in 34 Mineral Rights Licenses issued by the Department of Natural Resources, Province of Newfoundland and Labrador, covering approximately 8,400 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.

The Company's Schefferville Project is 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, within the Province of Newfoundland and Labrador, near the town of Schefferville, Quebec. The eight iron ore deposits forming the Project are predominantly hematite ore and comprise the James, Redmond, Houston, Knob Lake, Astray, Sawyer, Howse and Kivivic deposits.

These eight iron deposits were part of the original Iron Ore Company of Canada (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. These eight deposits have a historical resource estimated to be approximately 90 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 development plan for the Schefferville Project envisions the development of the deposits in three phases, the first phase of which will be undertaken in two stages, comprising the four deposits closest to existing infrastructure. The first stage of Phase 1 will involve the development of the James and Redmond deposits and the second stage the Houston and Knob Lake deposits. 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 development of the phase 1 deposits, planning will be undertaken for the future development of the more distant deposits in phases 2 and 3. The Astray and Sawyer deposits (Phase 2), 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 Howse and Kivivic deposits (Phase 3) are located approximately 21 km and 40 km to the northwest of the James deposit, respectively, and both can be reached by existing gravel roads.

The development 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 ore excavated 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. 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 six months ended September 30, 2009, the Company made steady progress in advancing the Schefferville 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 fourth quarter of the 2009 calendar year, the Company is currently planning, subject to on-going reviews of future iron ore prices, to commence initial site construction during the winter of 2009-10. This program, if achieved, will enable the Company to install and test its major transport facilities ahead of commercial production planned for 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. A total of 4,830 metres of reverse circulation drilling in 72 drill holes was completed on five separate deposits and resulted in 1,735 samples being sent for assay. This drilling was supported by 1,525 meters of trenching in 31 trenches yielding a further 543 samples for assay. The deposits tested comprise the four deposits planned to be mined in the Company's Phase 1 development plan, being James, Redmond, Knob Lake and Houston, together with some limited drilling on the more distant Phase 3 Howse deposit.

LIM prepared the samples for assay in its own laboratory, which had been established at the Project site, prior to dispatch to certified assay laboratories in other parts of Canada. Appropriate quality control procedures have been developed and approved by competent personnel.

The results of this testwork, together with the results from the 2006 and 2008 programs, were combined with historical data generated by the Iron Ore Company of Canada during its 30 year operational occupation of the Schefferville area, to form the basis for compliant resource estimates on the James and Redmond deposits prepared by SGS Geostat and 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	**New 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**

A second program of hydro-geological drilling and testing was carried out in 2009 to confirm expected flow rates and water quality from future mining operations at the James deposit. This work comprised three large diameter pumping wells totaling 271 meters in depth together with a further nine monitoring wells totaling 696 meters in depth. Pumping tests were subsequently carried out on the wells and the results are currently being analyzed. This work will enable dewatering plans including any potential additional perimeter wells to be properly designed and installed in a timely manner.

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 sintering properties of the fines was carried out at an independent laboratory in Germany, and the results and report from that testwork are awaited. This work will be incorporated with final design of the process flow-sheet and selection of the suitable items of plant. This selection will be based on achieving the expected initial production rate, meeting the grade and product specifications, while ensuring that the plant is easily movable from deposit to deposit.

All of the exploration, hyrogeological, and metallurgical testwork, together with open-pit planning and infrastructure design, is being incorporated into the final engineering and cost study. This will allow for orders to be placed with suppliers and contractors for infrastructure, mining and beneficiation facilities in sufficient time to ensure they are available to meet the mid 2010 commencement of production schedule.

Permitting and Environmental Work Advanced

Labrador Iron Mines had initiated environmental baseline studies in the region at the start of exploration in 2005/2006. Since that time, seasonal environmental studies, including work with elders of the various aboriginal communities, have been conducted to document the existing environment and to include the collection of traditional knowledge in the Environmental Assessment. These programs were ramped up in 2008 to meet the scope of the proposed development and included detailed assessments of the aquatic and terrestrial ecology, hydrology and groundwater, geochemistry and socio-economic components.

In April 2008, the Company submitted the Project Registration Application for the first stage of development of the Schefferville Area Iron Ore Project to the Department of Environment and Conservation in the Province of Newfoundland and Labrador and to the Canadian Environmental Assessment Agency (CEAA). The Project Registration documentation addresses production from the first part of phase one of the Schefferville Project, being the James North, James South and Redmond properties.

In August 2008, the Minister of Environment and Conservation requested an Environmental Impact Statement (EIS) as part of the Application process. In October 2008, the Minister published for public consultation the draft guidelines for the preparation of the EIS. Following this period of public consultation, during which the Company conducted three public meetings in Labrador and in Schefferville, the Final Guidelines were issued by the Minister on December 12, 2008. The Company, in conjunction with its consultants, carried out an extensive program to prepare the EIS based initially on the draft guidelines and then completed based on the Final Guidelines and using the extensive environmental data and studies that had been collected and undertaken by LIM over the previous three years. The EIS was submitted to the Minister on December 22, 2008 and was registered on December 23, 2008.

The Canadian Environmental Assessment Agency (CEAA) completed its review of the Project and determined that a federal level environmental assessment is not required. This decision was made following receipt of a determination by the Department of Fisheries and Oceans, that a Harmful Alteration, Disruption, or Destruction authorization will not be required for the Project. Other federal agencies, including Environment Canada, Transport Canada, Natural Resources Canada, Health Canada and the Canadian Transportation Agency, also completed their reviews and confirmed that they had no triggers for a federal level environmental assessment. In addition, the federal Major Projects Management Office determined that the Project does not constitute a major natural resources project.

In March 2009, the Minister of Environment and Conservation requested some additional information to supplement the EIS. This additional information was compiled and a Revised Environmental Impact Statement submitted to the Department of Environment and Conservation in August 2009. On November 5, 2009, the Minister announced that the review of the Environmental Impact Statement 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. The Minister advised the Company that she will be making a recommendation for consideration by the Government of Newfoundland and Labrador on release of the Project from further environmental assessment.

Upon release of Project approval, the Company will submit the applications for the necessary operating permits and licenses. Assuming these permits and licences are issued during the fourth quarter of calendar 2009, the Company is planning to commence initial site construction during the winter of 2009-10, ahead of the commencement of commercial production, which is currently scheduled for the middle of calendar 2010.

On-going environmental baseline and field measurements related to both the current permit application areas as well as to future application areas continued during 2009. A wide-area air-borne survey for migratory and sedentary caribou around the project sites has been completed. Only a very small number of caribou, all believed to be migratory, were located, all at least 20 kilometres away from any potential work areas.

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 discussion are generally progressing well. The Company has not yet concluded agreements with the relevant rail companies for the transportation of the Company's products 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 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 commenced with potential end users, particularly in Europe 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.

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. 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.

During the quarter ended September 30, 2009 there has been renewed growth in production of steel and therefore demand for iron ore worldwide. Whilst European and American steel demand has increased slightly, there has been a substantial increase in production in China.

Benchmark iron ore pricing negotiations between the major iron ore suppliers and consuming steel manufacturers for 2009 contract prices are still not totally completed. Rio Tinto has settled with a number of Japanese and Korean steel mills at a fines benchmark price reduction of around 33% from 2008 levels. The equivalent price for sinter fine product would be around US$62 per tonne and for lump ore around US$75 per tonne. These price levels are higher than those prevailing in 2007.

Despite a return to the negotiating table, China and the major Australian and Brazilian iron ore producers have still not been able to settle a benchmark iron ore price for the year ending March 2010. It is reported that these talks are now looking to set a price for calendar 2010 instead. China is reportedly seeking a benchmark price lower than that set by the major producers with the Japanese and Korean customers for 2009, whilst these producers are seeking an increase on that price to at least match the current spot price. It is unclear whether any agreement will be possible and if not, the spot market will continue to develop as a means of pricing longer term delivery contracts.

It is expected that the sales price of LIM's iron ore products will largely be based on benchmark reference prices. LIM has a view that for 2010, the first year of planned commercial production from its Schefferville Project, there will be some recovery of prices, over the reduced iron ore prices prevailing in 2009.

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.

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.

RESULTS OF OPERATIONS

The Company is in the exploration and development stage and had no source of operating revenue for the three or six months ended September 30, 2009.

For the quarter ended September 30, 2009 the Company reported a net loss of $530,273, or $0.02 per share, as compared to a net loss of $397,293, or $0.01 per share, during the same period in the prior year. For the six month period ended September 30, 2009 the Company reported a net loss of $816,997, or $0.02 per share, as compared to a net loss of $597,226, or $0.02 per share, during the same period in the prior year.

The main components of the loss for the quarter ended September 30, 2009 were corporate expenses of $165,036 (2008-$69,322), and administration expenses of $468,205 (2008-$187,389). During the quarter, there was stock based compensation expense of $3,708 compared to $355,490 for the same period in 2008. The main components of the loss for the six month period ended September 30, 2009 were corporate expenses of $334,472 (2008-$173,616), and administration expenses of $636,184 (2008-$263,360). During the six month period, there was stock based compensation expense of $3,708 compared to $586,563 for the same period in 2008.

The increases in both corporate and administration expenses in both the three and six months ended September 30, 2009 were due to a general level of increased corporate activity, higher insurance premiums and increased investor and public communications.

During the quarter and six months ended September 30, 2009 the Company invested $2,977,118 and $4,306,582 respectively on its mineral properties, (the principal components of which were exploration, engineering, environmental permitting and transport services), compared with $5,223,635 and $6,568,801 respectively during the same periods in the prior year.

Mineral Property Interests and Deferred Exploration Expenditures for the three and six months ended:

	Three Months Ended September 30, 2009 $	**Six Months Ended September 30, 2009 $**
Balance, beginning of period	142,126,961	140,797,497
Additions:		
Community	173,560	194,669
Engineering	432,560	568,946
Environment and permits	398,013	598,606
Exploration	1,799,737	2,645,519
Transport services	157,594	213,644
Travel and accommodations	12,770	82,314
Stock-based compensation	2,884	2,884
Total additions	2,977,118	4,306,582
Balance, end of period	145,104,079	145,104,079

In the quarter ended September 30, 2009 the Company also invested $1,513,953 in the purchase of equipment, service buildings and vehicles, compared to $167,778 for the same period in the prior year. In the six month period ended September 30, 2009 the Company's investment in property, plant and equipment amounted to $1,610,867 compared to $242,510 for the same period in the prior year. The substantial increases in the period ended September 30, 2009 was due to the investment in mining equipment 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 September 30, 2009 compared to the use of proceeds discussed in the Company's Prospectus dated November 23, 2007.

Intended Use of Funds	As disclosed in Prospectus		Cumulative Actual Up To			
		November 23, 2007		March 31, 2009		September 30, 2009
Work Programs	$	5,500,000	$	5,810,000	$	8,560,000
Feasibility Studies	$	2,200,000	$	2,680,000	$	2,730,000
Environmental	$	1,200,000	$	1,820,000	$	2,420,000
Marketing and other studies	$	2,100,000	$	1,400,000	$	2,300,000
General and Administrative Expenses	$	1,850,000	$	1,780,000	$	2,600,000
Total	$	12,850,000	$	13,490,000	$	18,610,000
Infrastructure upgrades and capital expenditures	$	-	$	1,040,000	$	2,640,000
Reserve for infrastructure upgrades and capital expenditures	$	12,000,000	$	10,970,000	$	9,370,000
Unallocated Working Capital	$	23,250,000	$	22,610,000	$	17,490,000

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 program) $5.5 million; environmental and other studies; $1.2 million; feasibility studies $2.2 million; marketing $2.1 million, and general and administrative expenses $1,850,000. 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 March 31, 2009, the Company had expended proceeds of approximately $14.53 million, the major components of which were work programs $5.81 million; environmental and other studies $1.82 million; feasibility studies $2.68 million, marketing $1.40 million and general and administrative expenses $1.78 million together with $1.04 million on infrastructure and capital.

To September 30, 2009, the Company had expended proceeds of approximately $21.25 million, the major components of which were site work programs $8.5 million; environmental and community $2.4 million, marketing and metallurgical testing $2.3 million, feasibility studies $2.7 million, general and administrative expenses $2.6 million, and infrastructure and capital $2.6 million.

The field work programs were concentrated on the Phase 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 Phase 3 Kivivic deposits.

The expenditures on mineral properties and deferred exploration to September 30, 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 and cost study.

The Prospectus had included in the use of funds a reserve for infrastructure upgrades and capital expenditures of $12 million, of which only approximately $1.04 million was expended by March 31, 2009 and $2.64 million by September 30, 2009. It is anticipated the investment on infrastructure upgrades and capital expenditures will increase in 2010 following the issue of permits.

The estimated capital cost to put the first stage of the Schefferville Project into production has not yet been determined pending receipt of project approval and release, completion of the engineering study, and the final production decision on the scale of operations to be conducted from 2010 onwards.

In summary the Company expended more on each category than contemplated in Use of Proceeds from the financing, 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 Phase 1 deposits, part of which will be used in mine planning, and less on the Phase 2 and Phase 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 development of the Schefferville Project is generally on track and proceeding generally in accordance with expectations. Completion of the environment assessment process has taken longer then originally expected and this has delayed the initiation of construction and infrastructure originally planned for 2009.

Assuming the relevant permits and licenses are issued during the fourth quarter of the 2009 calendar year, the Company is currently planning, subject to on-going reviews of future iron ore prices, to commence initial site construction during the winter of 2009-10. This program, if achieved, will enable the Company to install and test its major transport facilities ahead of commercial production planned for 2010.

SUMMARY OF QUARTERLY RESULTS

	($000's)	($000's)	($000's)	($000's)	($000's)	($000,s)	($000,s)	($000,s)
	Quarter ended December 31, 2007 (Amended)	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
Net income (loss)	$ 3,819	$ (1,625)	$ (200)	$ (397)	$ (682)	$ 927	$ (287)	$ (530)
Income (loss) per share	$ 0.10	$ (0.06)	$ (0.01)	$ (0.011)	$ (0.019)	$ 0.02	$ (0.01)	$ (0.02)
Total assets	$ 169,301	$ 175,722	$ 176,092	$ 178,431	$ 178,199	$ 177,686	$ 177,156	$ 177,020

The income reported in the quarter ended December 31, 2007 included a future income tax recovery arising from changes in the statutory income tax rate. The loss 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.

LIQUIDITY AND CAPITAL RESOURCES

At September 30, 2009, the Company held $28.4 million in cash and cash equivalents and is in healthy 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 2009 exploration program, were $1.7 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 September 30, 2009 was $145 million compared to $141 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 six month period of $4.3 million of capitalized exploration and development expenditures. The balance of the future income tax liability as at September 30, 2009 was $35.2 million.

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 3 to unaudited interim Consolidated Financial Statements). The Company's share price declined significantly in the quarter ended March 31, 2009 and rallied somewhat during the subsequent period, reaching a high of $2.15 in October 2009, but is still significantly lower than the IPO price. 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 September 30, 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 September 30, 2009 most of the planned exploration and testwork expenditure for the 2009 program had been made. It is expected that a further amount of approximately $650,000 will be expended to December 31, 2009. In addition capital expenditures associated with the rail spur, engineering design and beneficiation plant purchase and construction will commence once the operating permits are in place. It is expected that these will total approximately $7,700,000 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.

The estimated capital cost to put the first stage of the Schefferville Project into production has not yet been determined pending completion of the Engineering Study, and receipt of project approval and release, and the final production decision on the scale of operations to be conducted from 2010 onwards. At September 30, 2009, the Company held cash and cash equivalents of $28.4 million, which is considered sufficient to place the first phase of the Schefferville Project into production.

Additional funds may be required to place the phase one and/or phase 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 changed significantly 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 enables a high degree of risk including geological and operating risk and uncertainties, 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.

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 development of the Schefferville Project commences. As the Schefferville Project is still in the exploration and development 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.

The Company is committed to rental payments under a long term lease of its office premises until 2019. Minimum rental commitments remaining under this lease approximate $3,309,000, which will be partly offset by cost sharing with associated companies. Rental commitments for successive financial years ended March 31, are approximately as follows:

2010	$ 167,000
2011	334,000
2012	334,000
2013	334,000
2014 and beyond	2,140,000
	$ 3,309,000

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 recent and current economic conditions. The Company has never had any asset backed financial instruments. The Company monitors these investments and is satisfied with the credit rating and liquidity of its banks.

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 September 30, 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 September 30, 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 7 to the Interim unaudited interim Consolidated Financial Statements for the period ended September 30, 2009.

OUTSTANDING SHARE CAPITAL

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

At September 30, 2009 the Company had 37,148,451 common shares outstanding. The Company also had outstanding 6,596,975 share purchase warrants, and 1,955,000 stock options as at September 30, 2009.

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	37,148,451	N/A	N/A
Stock options	1,955,000	2.00	2.9
Warrants	6,596,975	5.00	0.2

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

TRANSACTIONS WITH RELATED PARTIES

The Company recovered $99,776 in respect of office rent from corporations with common directors and/or officers. 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 $227,350.

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. No amounts were outstanding at September 30, 2009.

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 September 30, 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 September 30, 2009 based on the assumptions set out in Note 5(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 September 30, 2009, the Company had recorded a future income tax liability of $35.5 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.

Section 3064, Goodwill and Intangible Assets

In February 2008, the CICA issued the new Section 3064 to replace Section 3062, "Goodwill and Other Intangible Assets" and establish standards for the recognition, measurement and disclosure of goodwill and intangible assets. In addition, the CICA issued amendments to Section 1000 "Financial Statement Concepts" and Accounting Guideline 11, "Enterprises in the Development Stage" and withdrew Section 3450, "Research and Development Costs," The mandatory effective date is for annual and interim financial statements for years beginning on/after October 1, 2008 (i.e. for the Company April 1, 2009). The Company does not believe that adoption of Section 3064 has a significant impact on its financial statements under current operating conditions.

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.

Sections 1582, Business Combinations, 1601, Consolidations and 1602, Non-controlling Interests

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

NORMAL COURSE ISSUER BID

The Company obtained TSX approval to conduct a normal course issuer bid pursuant to which the Company may purchase, for a period of up to one year from October 2, 2008, up to a maximum of 684,140 common shares in the capital of the Company, representing approximately 10.0% of the public float of the Company as at September 30, 2008. 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. 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.

The Company submitted an Environmental Impact Statement for the first stage of the Schefferville Project to the Department of Environment and Conservation in the Province of Newfoundland and Labrador. On November 5, 2009, the Minister of Environment and Conservation advised the Company that the review of the Environmental Impact Statement had been completed and that she will be making a recommendation for consideration by the Government of Newfoundland and Labrador on release of the Project from further environmental assessment.

No license permit, approval or other authorization can be issued until the Project has been released from further environmental assessment. There can be no assurance that the necessary permits 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.

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 in an area which is 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. 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." 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.

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 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 but does not appear to include the Schefferville Project area. However, this land claim has not been accepted for negotiation by the Governments of Canada or Newfoundland and Labrador.

There are other Innu groups based in Québec (including Schefferville, Kawawachikamach and Sept-Îles) who claim aboriginal rights in 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 area of the Schefferville Project and the Québec Innu may be regarded as having overlapping credible land claims in the Schefferville Project area.

No land claim settlement agreement has been reached between Canada or the Province of Newfoundland and Labrador with the Naskapi First Nation, located at Kawawachikamach, Quebec, about 25 kilometers northeast of Schefferville, with respect to asserted claims in Labrador. The Naskapi Nation 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.

The Innu of Quebec, located at Matimakush 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 Labrador. No land claim settlement agreements have been reached between Canada or the Province of Newfoundland and Labrador with the Innu of Quebec.

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 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 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.

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 September 30, 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 September 30, 2009.

OUTLOOK

The immediate and medium-term outlook for the minerals industry remains somewhat uncertain. There has been a strengthening in the world-wide steel industry during the last six months as western countries come slowly out of recession and with continuing growth in Chinese demand. 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 and south-east Asia 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, albeit at perhaps at a slower rate than witnessed during 2005-2008.

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 and the Company's Prospectus dated November 23, 2007, 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.