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, 2010

Dated: November 12, 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 six months ended September 30, 2010.

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

Except where otherwise stated, the resources referred to in this document are historical and have not been confirmed in accordance with the standards in National Instrument 43-101 ("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 NI 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 exploring, developing and mining direct shipping iron ore in western Labrador and north-eastern Quebec in Canada near Schefferville, Quebec. The Company's shares are listed on the Toronto Stock Exchange under the symbol "LIM".

Through its wholly-owned subsidiary Labrador Iron Mines Limited ("LIM"), the Company holds three Mining Leases and 38 Mineral Rights Licenses issued by the Department of Natural Resources, Province of Newfoundland and Labrador, covering approximately 11,475 hectares. These Mineral Rights Licenses are held subject to a royalty of 3% of the selling price freight on board ("FOB") port of iron ore produced and shipped from the properties, subject to such royalty being not greater than $1.50 per tonne.

In addition, through its wholly owned subsidiary, Schefferville Mines Inc. ("SMI"), the Company holds interests in 278 Mining Rights issued by the Ministry of Natural Resources, Province of Quebec, covering approximately 11,579 hectares. SMI also holds an exclusive operating license in a mining lease covering 23 parcels totaling about 2,036 hectares. These mining rights and the operating license are held subject to a royalty of $2.00 per tonne of iron ore produced from the properties.

The Schefferville Projects – Western Labrador and North-Eastern Quebec

The Company's iron ore projects are located in the western central part of the Labrador Trough iron range, one of the major iron ore producing regions in the world. The iron ore projects 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 (collectively, the "Schefferville Projects"). The Company is developing and plans to mine the Schefferville Projects in four stages, with the first phase of Stage 1 comprising the James North, James South, Redmond 2B and Redmond 5 deposits, each of which is located in western Labrador.

As a result of recent progress, as set out below, the Company believes it is on track to substantially complete construction of its processing plant and accommodation camp by the end of calendar 2010 and to commence production activities in April 2011. The Company is currently targeting production of about 2 million tonnes of iron ore in calendar 2011, which assumes completion of construction, plant commissioning and a satisfactory start up in the second quarter of calendar 2011.

Permitting and Environmental Work Advanced

In the six months ended September 30, 2010 the Company made significant progress in advancing its permitting activities with the Government of Newfoundland and Labrador with respect to the first phase of Stage 1 of the Schefferville Projects, as set out below.

In June 2010 LIM received numerous permits and authorizations from the Department of Natural Resources, including the Mining Leases for the James and Redmond deposits and Surface Use Leases over the Silver Yards beneficiation area, the accommodation camp, Redmond roads and pipeline. Final approvals from the Department of Fisheries and Oceans were also received, including for the real time water monitoring program and programs encompassing surface water quality sampling.

In addition, the Environmental Protection Plan for Mine Construction and Operation, which was the final condition of the environmental assessment release, was approved by the Minister of Environment and Conservation and the Company's Development Plan for the Schefferville Area Iron Ore Mine (Western Labrador) was approved pursuant to Section 6.(1) of the Mining Act.

In July 2010 LIM received Certificates of Approval for the construction of the first phase of Stage 1 mining facilities, and approval of its Rehabilitation and Closure Plan, from the Department of Natural Resources. These approvals provide for the construction of open pit mining and treatment facilities at the James North, James South, Redmond 2B and Redmond 5 deposits, and include the beneficiation facility, ore, waste rock and overburden stockpiles, settling ponds, access roads, accommodation camp and other associated works. The approvals also include authorization for the installation and operation of power generators at the James deposit, the Silver Yards beneficiation area and the accommodation camp.

In September 2010 LIM received the Certificate of Approval for Mine Operations from the Department of Environment and Conservation for the development and operation of the first phase of Stage 1. This approval covers operations for open-pit mining at James North, James South, Redmond 2B and Redmond 5 deposits, the beneficiation facility, ore, waste rock and overburden stockpiles, settling ponds, access roads, worker's camp and other associated works.

LIM has now received from the Government of Newfoundland and Labrador all major permits that are required to advance the first phase of Stage 1 of its Schefferville Projects in Labrador through construction and into mining operations.

Political / First Nations Developments

In early September 2010 an agreement was reached with the Innu Matimekush-Lac John to remove the barriers that had been erected in June 2010 and which had restricted normal access from the town of Schefferville to LIM's properties in Western Labrador. LIM had respected and did not try to cross the barrier, which caused delays in the ongoing exploration and development of the Company's projects.

This agreement was achieved following detailed negotiations between LIM and representatives of the Quebec Innu, including Innu Matimekush-Lac John (Schefferville) and Innu Takuaikan Uashat Mak Mani-Utenam (Sept-Iles), and following discussions and consultations between the Quebec Innu and the various Governments, including meetings in Schefferville attended by representatives of the Government of Newfoundland and Labrador and the Government of Quebec and representatives of the Federal Minister of Indian and Northern Affairs. Each of the Governments made certain commitments to the Innu towards resolving a number of issues that will help facilitate the mining projects in the Schefferville area to move forward on an ongoing basis. Under the agreement with Innu Matimekush-Lac John, which was ratified by a public meeting of the community, LIM and another mining company committed to jointly support a number of local social activities, including some education, training, health and youth programs and, with Government participation, improvements to the community arena facility in Schefferville.

Following the agreement to remove the barriers, LIM is proceeding with negotiations with the Innu Matimekush–Lac John towards concluding an Impact Benefits Agreement. LIM is also continuing with negotiations towards signing an Impact Benefits Agreement with Innu Takuaikan Uashat Mak Mani–Utenam (Sept-Iles). LIM's negotiations with both Quebec Innu communities are continuing but agreements have not yet been reached.

In September 2010 LIM entered into an Impact Benefits Agreement ("IBA") with the Naskapi Nation of Kawawachikamach (the "Naskapi Nation") with respect to the development and operation of that part of the Schefferville Project in Labrador. Under the IBA, LIM has committed to the development of the Schefferville Project in an environmentally and socially responsible manner, and to address and mitigate any environmental, cultural, economic and spiritual concerns of the Naskapi Nation. LIM has undertaken to make best efforts to employ Naskapi members in the Schefferville Project workforce and to engage Naskapi aboriginal businesses for contracts. LIM will also provide some support for education, training and social programs and provide opportunities for the Naskapi to participate in the economic development of the Schefferville Project.

For its part, the Naskapi Nation has agreed to respect the rights, licenses and permits that have been granted to LIM, to provide LIM with continuing access to its properties and not to engage in any action that is obstructive to the Schefferville Project. The Naskapi Nation has also agreed to make reasonable efforts to enter into co-operation agreements or working relationships with other First Nations with whom LIM may enter into other IBAs.

Project Description

There has been no material change to the "Project Description" included in the Company's MD&A for the quarter ended June 30, 2010.

Project Construction

Since construction commenced in early September 2010, the rate of advance to date indicates that the plant and accommodation camp for the first phase of Stage 1 are on track to be substantially completed by the end of calendar 2010.

All equipment and material required for plant is now on site, including the primary and secondary crushers, all conveyors, scrubbers, screens and stackers. The primary crusher ramp and retaining wall have been completed. All the foundations required for erection of the plant have been poured and are complete. All the piers for the conveyors have been installed, including those leading to the radial stackers and to the secondary crusher. The steel structure for the secondary screens tower is complete and the chutes, stairs and flooring for the transfer tower are all installed. All the major items of equipment have now been installed, including the primary and secondary screens, tumblers and chutes. The dome roof structure is being assembled at site and is expected to be installed by the end of November. This will enable installation of the piping, electrical and other work to be carried out.

The accommodation camp at Bean Lake is also advancing rapidly with sewer and water pipes installed and pads for the kitchen/recreation complex and accommodation trailers. The majority of units, comprising the dormitories, kitchen and wash facilities are on site and are currently being installed.

At the James deposit, the timber cover over the North and South Pits, the waste rock stockpile areas and the settling ponds has been cleared, enabling construction of the mine haul road and the settling ponds to begin. Mine site preparation at the James deposit has started and it is expected that some ore will be mined this calendar year and stockpiled ahead of the primary crusher.

As a result of the progress achieved to date, the Company believes it is on track to substantially complete construction of the processing plant and accommodation camp by the end of calendar 2010.

Drilling and Testwork

The 2010 exploration program has been successfully completed with 4,500 metres of drilling and 1,400 metres of trenching having been achieved at the Denault, Ruth 8, and Houston properties. Drilling at Houston has indicated some extensions to the resource and these, together with Denault data, will be incorporated into revised resource estimates when assay results are received.

Rail and Port - Transportation Infrastructure

There has been no material change to the description of “Rail and Port - Transportation Infrastructure” included in the Company’s MD&A for the year ended March 31, 2010 and for the quarter ended June 30, 2010. The Company has been notified by the Department of Transportation and Works of the Government of Newfoundland and Labrador that it has agreed to issue an Operating Permit under the Rail Service Act for the operation of the new Rail Spur Line, which connects LIM’s Silver Yard processing site to the Main Rail Line, and is awaiting regulatory approval. 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 calendar 2011.

Qualified Persons

Scientific and technical information disclosed herein has been prepared under the supervision of D. William Hooley, B.Sc. (Eng.), FAusIMM, President, Chief Operating Officer and a director of the Company and Terence N. McKillen, M.Sc., P.Geo., Executive Vice President and a director of the Company, both of whom act as the Company’s qualified persons under the meaning of NI 43-101.

RESULTS OF OPERATIONS

For the quarter ended September 30, 2010 the Company reported a net loss of $897,421, or $0.02 per share, compared to a net loss of $530,273, or $0.02 per share, during the same period in the prior year. For the six month period ended September 30, 2010 the Company reported a loss of $1,512,110, or $0.03 per share, compared to a loss of $816,997, or $0.02 per share, for the same period in the prior year.

The main components of the loss for the quarter ended September 30, 2010 were corporate expenses of $405,511 (2009-$165,036) and administration expenses of $531,512 (2009-$468,205). During the quarter, stock based compensation expense of $186,903 was recorded, compared to $3,708 for the same period in 2009. The main components of the loss for the six month period were corporate and administration expenses of $1,526,341, compared to $970,656 for the same period in the prior year. The increase in corporate and administrative expenses in both the quarter and the six months is attributable to the considerable increase in the Company’s activities compared to the same period in the prior year.

During the quarter and six months ended September 30, 2010 the Company invested $2,014,537 and $3,294,549 respectively in its mineral properties, compared to $2,974,234 and $4,303,698 respectively invested during the same periods in the prior year.

During the quarter and six months ended September 30, 2010 the Company also invested $3,401,634 and $10,204,731 in property, plant and equipment compared to $1,513,953 and $1,610,952 during the same periods in the prior year. The substantial increase in the Company's investment in property, plant and equipment in the quarter was due to the significant investment in processing equipment and rail spur line construction materials and to the commencement of processing plant construction.

The following table shows how the proceeds from the Company's IPO completed in December 2007 have been used to March 31, 2010 and to September 30, 2010 compared to the use of proceeds set out in the Company's prospectus dated November 23, 2007 (the "IPO Prospectus").

	As disclosed in the IPO Prospectus	Cumulative Actual up to March 31, 2010	September 30, 2010
	$	$	$
Gross Proceeds	52,775,800	52,775,800	52,775,800
Commission	(3,430,427)	(3,430,427)	(3,430,427)
Expenses of the IPO	(750,000)	(1,200,000)	(1,200,000)
Net Proceeds	48,595,373	48,145,373	48,145,373
Use of Net Proceeds			
Work programs	5,500,000	10,588,000	11,750,000
Feasibility studies	2,200,000	2,680,000	2,680,000
Environmental	1,200,000	2,889,000	3,363,000
Marketing and other studies	2,100,000	1,629,000	1,629,000
General and administrative expenses	1,850,000	4,787,000	6,510,000
Reserve for infrastructure upgrades and capital expenditures	12,000,000	3,922,000	-
Infrastructure upgrades and capital expenditures - actual	-	8,078,000	18,877,000
Unallocated working capital	23,745,373	13,572,373	3,336,373
	48,595,373	48,145,373	48,145,373

The Company expended more on most line items than contemplated in the IPO Prospectus, including environmental and other studies where more work was required by regulators than originally anticipated, including the preparation of an Environmental Impact Statement and a revision thereto, and which extended for a longer period of time than anticipated. 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 additional expenditures on work programs and deferred exploration up to September 30, 2010 enabled the completion of major drilling and trenching programs which led to the preparation of new resource estimates 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 two IBAs and a Memorandum of Understanding with affected First Nations, metallurgical testing and marketing studies aimed at demonstrating expected product quality and potential off take arrangements, mine planning and infrastructure design and plant and camp procurement and construction.

The Company completed a financing in March 2010 by way of a short form prospectus, raising gross proceeds of $35,057,300 (the "Short Form Prospectus Financing"). As at the date of this MD&A, no meaningful reconciliation of the anticipated use of proceeds of the Short Form Prospectus Financing and the actual use of proceeds is provided, as such proceeds have for the most part not yet been spent.

SUMMARY OF QUARTERLY RESULTS

($000s, except per share data)

	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	Quarter ended March 31, 2010	Quarter ended June 30, 2010	Quarter ended September 30, 2010
Net income (loss)	(682)	927	(287)	(530)	2,356	(375)	(615)	(897)
Income (loss) per share	(0.02)	0.02	(0.01)	(0.02)	0.06	(0.01)	(0.01)	(0.02)
Total assets	178,199	177,686	177,156	177,060	178,194	210,033	213,093	213,297

LIQUIDITY AND CAPITAL RESOURCES

As at September 30, 2010, and as at the date hereof, the Company is in sound financial condition. As at September 30, 2010 the Company had $35,276,574 in cash and cash equivalents and no debt. The cash and cash equivalents are invested in investment grade short-term money market instruments and deposits with a major Canadian bank. Current liabilities, consisting of accounts payable, accrued liabilities and the current portion of the capital lease obligation, were $5,159,734 as at September 30, 2010. The increase in current liabilities compared to March 31, 2010 is as a result of the procurement and construction activities.

During the six months ended September 30, 2010 the Company established letters of credit for $2,940,068 as financial assurance related to reclamation and remediation of the first phase of Stage 1 of its mining operations. The Company has assigned guaranteed investment certificates, included in cash equivalents, to its bank in the aggregate principal amount of its letters of credit as security for the letters of credit.

The carrying value of the Company's mineral property interests as at September 30, 2010 was $154,715,034 compared to $150,883,030 at the beginning of the six month period. The increase was a result of the investment during the period of $3,832,004 of capitalized exploration and development expenditures. There were no mineral property acquisitions or disposals during the six month period.

As at September 30, 2010, and as at the date of this MD&A, the Schefferville Projects were still in the exploration and development stage and, as a result, the Company has had no source of revenue, other than interest income, since inception. The Company has depended upon its cash resources raised in its IPO, and more recently in the Short Form Prospectus Financing, to fund its exploration, development, project construction, operating and administrative expenses.

The Company believes that it has sufficient funding from its IPO and the Short Form Prospectus Financing to complete the commissioning of the first phase of Stage 1 of its iron ore mining projects and to commence shipments of iron ore to begin generating operating cash flows.

OFF BALANCE SHEET ARRANGEMENTS

The Company has no off balance sheet arrangements.

OBLIGATIONS AND CONTRACTUAL COMMITMENTS

There has been no material change to the description of Obligations and Contractual Commitments included in the Company's MD&A for the quarter ended September 30, 2010, except as set out below.

The Company entered into a long term capital lease of an accommodation camp in June 2010, requiring monthly payments totaling $3,000,000 over five years, with a purchase option of $100,000 thereafter, of which, in aggregate, $2,900,000 remained outstanding as at September 30, 2010.

Contractual Obligations as at September 30, 2010	**Payments Due by Period**				
	Total	**Less than 1 year**	**1-3 years**	**4-5 years**	**After 5 years**
Property purchase payments	$1,500,000	$1,000,000	$500,000	Nil	Nil
Office lease obligations	$2,975,000	$334,000	$1,002,000	$668,000	$971,000
Mine camp lease obligations	$2,900,000	$600,000	$1,800,000	$500,000	Nil
Total	$7,375,000	$1,934,000	$3,302,000	$1,168,000	$971,000

The Company is also obligated to spend $5,054,000 in Canadian exploration expenses ("CEE") by December 31, 2011 as a result of the issuance of flow-through shares in the Short Form Prospectus Financing in March 2010, of which $735,260 had been expended up to September 30, 2010. The Company is also obligated to renounce the CEE to subscribers of the flow-through shares.

FINANCIAL INSTRUMENTS

The Company's treasury policy is to invest its cash and cash equivalents in investment grade short-term money market instruments and deposits with a major Canadian bank. The Company monitors these investments and is satisfied with the credit rating and liquidity of its bank. 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 instruments.

As at September 30, 2010 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. As at September 30, 2010 and as the date hereof, the Company did not hold any balances in foreign currencies.

The Company has included disclosure concerning some of the risk factors relating to its financial instruments in Note 7 to its consolidated financial statements for the six months ended September 30, 2010.

OUTSTANDING SHARE CAPITAL

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

As at September 30, 2010 the Company had 43,558,380 common shares outstanding, 2,010,320 stock options outstanding and 360,711 broker warrants outstanding.

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

Security	Number	Weighted average exercise price $	Weighted average remaining life (years)
Common shares	43,595,260	N/A	N/A
Stock options	1,985,940	2.79	2.26
Broker warrants	360,711	6.36	0.99

Of the stock options currently outstanding, 1,683,440 options are exercisable at an exercise price of $2.00 per share until August 31, 2012, 290,000 options are exercisable at an exercise price of $6.27 per share until September 14, 2015 and 12,500 options are exercisable at an exercise price of $7.30 per share until November 9, 2015.

All stock options vest as to one-eighth on the first day of each calendar quarter over a two year period commencing on the grant date.

Each broker warrant is exercisable into one common share of the Company at an exercise price of $6.36 per share until September 25, 2011.

TRANSACTIONS WITH RELATED PARTIES

During the six months ended September 30, 2010, the Company recovered $60,030 (2009 - $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 the amount of $232,750 (2009 - $205,000) during the six months ended September 30, 2010, as compensation for management services provided, a portion of which was capitalized to mineral property interests.

The Company also incurred legal fees in respect of services provided by an officer in the amount of $15,715 (2009 - $17,250) during the six months ended September 30, 2010.

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 between the transacting parties.

CRITICAL ACCOUNTING ESTIMATES

There has been no material change to the description of "Critical Accounting Estimates" included in the Company's MD&A for the year ended March 31, 2010, except as set out below.

Asset Retirement Obligations (Environmental Estimates)

The Company is required to record a liability for the estimated future costs associated with legal obligations relating to the reclamation and closure of its mineral properties and certain property, plant and equipment. This amount is 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 is recorded as an increase to mineral property interests and is amortized over the useful life of the asset. Various assumptions are 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.

During the six months ended September 30, 2010 the Company established an asset retirement obligation relating to its mining operations. The total undiscounted amount estimated to be required to settle the Company's currently anticipated reclamation and remediation obligations associated with the eventual closure of the Company's mining operations at the end of their mine life is $2,940,068. The present value of this estimated amount has been calculated at $500,164 as at September 30, 2010.

In determining the present value of the asset retirement obligation, the Company has assumed a long-term inflation rate of 2%, a credit-adjusted discount rate of 11% and a weighted average mine life, varying with the specific asset, of up to twenty years. Elements of uncertainty in estimating this amount include changes in the projected life of mining operations, reclamation expenditures incurred during ongoing operations and reclamation and remediation requirements and alternatives.

NEW ACCOUNTING STANDARDS

There has been no material change to the description of "New Accounting Standards" included in the Company's MD&A for the year ended March 31, 2010, except as set out below.

International Financial Reporting Standards ("IFRS")

In February 2008, the CICA Accounting Standards Board confirmed that publicly accountable enterprises would be required to apply, and report in accordance with IFRS, in full and without modification, effective in fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the conversion, for comparative purposes, of our previously reported balance sheet as at March 31, 2010 and our interim and consolidated statements of income and cash flows for the year ended March 31, 2011 from Canadian GAAP to an IFRS basis.

The Company's transition to IFRS consists of three phases: (i) an initial diagnostic phase; (ii) an impact analysis, evaluation and solution development phase; and (iii) an implementation and review phase. The Company is in the second phase of the transition project having completed the first phase at the end of the fourth quarter of fiscal 2010 (March 2010)

Key Activities	Timing	Current Status
Financial Statement Preparation • Analyze and select ongoing policies where alternatives are permitted including IFRS 1 exemptions • Quantify key differences between IFRS and the Company's application of Canadian GAAP • Prepare IFRS consolidated financial statements including first-time adoption reconciliations	• Quantification of impact of key differences on opening balance sheet by Q4 2011(March 2011) • Draft financial statements to be prepared for senior management approval in Q3 2011 (December 2010) • Audit Committee review of the draft financial statements and key accounting policy decisions in Q4 2011 (March 2011)	• Finalization of key accounting differences completed in Q4 2010 (March 2010)
Training • Provide technical training to key finance and accounting personnel	• Ongoing training of key personnel as needed	• Specific training provided to key personnel involved with the IFRS conversion is ongoing and continued training is planned for calendar 2011
Business Activities • The Company has limited business activities at the time	• Upon commencement of mining operations, the Company will adopt accounting policies that comply with IFRS and reflect the nature of operations	• The Company will continue to monitor its business activities to determine whether there are changes that will require review under the IFRS conversion process
Financial Information Systems • Identify changes required to financial information systems and implement solutions • Determine and implement solution for capturing financial information under Canadian GAAP and IFRS (for comparative purposes)	• Changes to the financial information systems to be identified and implemented by end of Q4 2011 • Solution for capturing financial information under Canadian GAAP and IFRS completed in Q1 2011	• Identifying changes required to financial information systems and proposal for solutions delivered in Q2 2011 • Implementation of reporting tool to facilitate the capture of financial information under both Canadian GAAP and IFRS
Control Environment • Maintain effective Disclosure Controls & Procedures ("DC&P") and Internal Controls over Financial Reporting ("ICFR") throughout the IFRS conversion project	• Assessment of DC&P and ICFR will be performed throughout 2010 and 2011 as the accounting policy changes are being documented and finalized	• The exact nature of any changes has not yet been determined pending completion of the accounting policy documentation expected by the end of Q3 2011 (December 2010)

The key areas where changes in accounting policies are expected to potentially have an impact on the Company's consolidated financial statement were set out in the Company's MD&A for the year ended March 31, 2010. There has been no change in the Company's expectations of the key areas where changes in accounting policies are expected to potentially have an impact on the Company's consolidated financial statements, but the list and components set out in the Company's MD&A for the year ended March 31, 2010 should not be regarded as a complete list of changes that will result from the transition to IFRS. The Company's assessment of the impact of these changes on the Company's consolidated financial statements is still in progress but these changes are not expected to be significant.

RISKS AND UNCERTAINTIES

The principal risks and uncertainties faced by the Company are set out in greater detail the Company's IPO Prospectus, the Company's Short Form Prospectus dated March 19, 2010 and in the Company's Annual Information Form for the year ended March 31, 2010, and a summary of principal risks and uncertainties which the Company faces is set out in the Company's Management's Discussion and Analysis for the year ended March 31, 2010. An abridged summary of certain risks is set out below.

Political and Aboriginal / First Nations

The Company conducts its operations in western Labrador in the Province of Newfoundland and Labrador and in north-eastern Quebec, which areas are subject to conflicting First Nations land claims. The Labrador Innu, as represented by the Innu Nation, is the only aboriginal party with a land claim that has been accepted by the Government of Newfoundland and Labrador. In 2008 the Company and the Innu Nation signed an IBA with respect to the development of the Company's iron ore project located in western Labrador. The Company also signed an IBA in September 2010 with the Naskapi Nation located in Quebec close to the Schefferville Projects.

LIM has been in negotiations towards IBAs with the Innu Community of Matimekush-Lac John and with the Innu of Uashat. In March 2008 LIM entered into a Memorandum of Understanding with the Innu Community Matimekush-Lac John, wherein the parties agreed to negotiate an IBA and LIM agreed to use its best efforts to employ or contract with individuals and businesses of Matimekush.

In April 2010, following the provision of Federal Government negotiation funding to Matimekush, detailed negotiations took place between LIM and the nominated Negotiator/Legal Advisors for Matimekush. In May 2010 LIM proposed a comprehensive package of jobs, contracts, social benefits, infrastructure grants and revenue sharing, which addressed all of the demands made by Matimekush.

The Innu of Matimekush-Lac John (Schefferville) and Uashat mak Mani Utenam (Sept-Iles) are two of five Innu communities living in eastern Quebec who in 2009 formed the "Innu Strategic Alliance" seeking to have their asserted ancestral and aboriginal rights on their traditional lands which extend on both sides of Quebec-Labrador border recognized by Governments. The Innu Strategic Alliance have objected to the "New Dawn" agreement signed between the Innu Nation of Labrador and the Government of Newfoundland and Labrador under which compensation in respect of the Churchill hydroelectric projects will be paid to the Labrador Innu. The Quebec Innu were not included in that agreement.

The Innu Strategic Alliance has engaged in various political activities, including a demonstration at the Parliament of Canada in November 2009, a caribou hunt in Labrador in February 2010 and visits to the House of Assembly of Newfoundland and Labrador. At various times, the Innu Strategic Alliance has stated that, in order to have their ancestral rights, recognized, the Quebec Innu would if necessary seek to block natural resource development projects in Labrador and Quebec, such as the Churchill hydroelectric project in Labrador, the La Romaine hydro electric project in Quebec and mining projects near Schefferville.

As part of this campaign, in June 2010 the Quebec Innu set up a barricade in Schefferville which was intended to block access to mining properties in the Schefferville area "to ensure protection of their rights". The barricade had the effect of restricting normal access to the Company's properties and caused delays in the ongoing exploration and development of the Company's projects.

The Government of Newfoundland and Labrador engaged in a consultation process with potentially affected First Nations with regard to the Company's permits, which consultation is ongoing. The Federal Minister of Indian and Northern Affairs proposed creating a forum for talks between the Innu residing both in Quebec and in Newfoundland and Labrador regarding their overlapping land claims and the Minister has appointed a special representative to act as facilitator to help resolve the overlapping land claim issues. Discussions are also continuing with the Government of Quebec and with the Government of Newfoundland and Labrador.

In early September 2010 an agreement was reached with the Innu Matimekush–Lac John to remove the barriers that had restricted normal access from the town of Schefferville to adjacent mining properties in Labrador. Under the agreement, LIM and another mining company committed to jointly support a number of local social activities, including some education, training, health and youth programs and, with Government participation, improvements to the community arena facility in Schefferville.

Negotiations with the Quebec Innu towards the completion of IBAs are continuing but agreements have not yet been reached. LIM will seek to conclude negotiations on the IBA agreements with each of Matimekush and Uashat, and to further develop a harmonious and long term working relationship with all aboriginal partners, but there can be no assurance that the Company will be successful in reaching an agreement with the any of the Quebec Innu. Any delay or failure to reach an agreement could have an adverse impact on the Company's ability to develop the Schefferville Projects.

Legal and Title Risks

There has been no material change to the description of "Legal and Title Risks" included in the Company's MD&A for the quarter ended June 30, 2010, except for the following update.

The Innu Takuaikan Uashat Mak Mani–Utenam (Sept-Iles) have initiated legal action against the Government of Newfoundland and Labrador, in the Supreme Court of Newfoundland and Labrador (Trial Division), for failing to consult the Uashaunnuat with regard to LIM's project, and reasonably accommodate their interests, as required under the Constitution, and asking for LIM's licences to be quashed. A risk exists that LIM could be enjoined in this action and/or that this legal action could jeopardize the permits issued to LIM by the Government of Newfoundland and Labrador.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") 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 Canadian generally accepted accounting principles ("GAAP").

The Company has adopted basic systems of internal controls over financial reporting. The CEO and CFO evaluated the effectiveness of the Company's internal control over financial reporting at March 31, 2010 and concluded 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.

There were no significant changes to the Company's internal control over financial reporting during the quarter ended September 30, 2010.

OUTLOOK

The last quarter ended September 30, 2010 saw some strengthening in the price of iron ore, with prices reaching over US$150 per tonne (62% iron sinter fines CFR Chinese ports). Shipping rates from eastern North America to China in cape-size vessels is currently around $40 per tonne giving an indicated effective FOB price of around US$110 per tonne. The traditional annual benchmark pricing mechanism for iron ore has now been more or less abandoned with more and more iron ore being traded against a prior one month spot average determination.

The level of demand in China for all commodities, and in particular iron ore for steel production remains strong, although China is attempting to temper domestic growth through credit tightening. The real level of apparent demand is, however, somewhat impacted by the high levels of stocks at ports, reportedly now over 90 million tonnes, and in vessels waiting unloading. Analysts' consensus seems to suggest that these new higher stock levels reflect a revised norm, with prices forecast to hold at or above current levels well into 2011, although some weakening in prices is possible.

Worldwide iron ore demand is expected to continue to grow through 2012, continuously driven by China, while demand in Europe for iron and steel appears to be flat, but with some small increase forecast for 2011. The commissioning of planned new production capacity has yet to catch up with demand growth and this demand should continue to provide an underpinning for the price of iron ore, at least in the medium term. These forecasts should work positively for the Company with first sales of lump ore and sinter fines expected towards the end of the second calendar quarter of 2011 into what appears will be a positive iron ore market.

The Company plans to commence production activities in April 2011 and is currently targeting production of about 2 million tonnes of iron ore in calendar 2011, which assumes completion of construction, plant commissioning and a satisfactory start-up of mining and processing operations in the second quarter of calendar 2011.

ADDITIONAL INFORMATION

Additional information regarding the Company, including the unaudited interim consolidated financial statements for the six months ended September 30, 2010 and the audited consolidated financial statements, MD&A and AIF for the year ended March 31, 2010 are available under the Company's profile on SEDAR at www.sedar.com.

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. 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 Area project. 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.