

LABRADOR IRON MINES HOLDINGS LIMITED
MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
FOR THE INTERIM PERIOD ENDED SEPTEMBER 30, 2008

Dated: November 13, 2008

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, 2008.

At September 30, 2008, the Company had \$43.5 million in cash and current assets and is in a healthy financial condition to carry out its planned programs to move the Schefferville direct shipping iron ore project 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 of direct shipping iron ore in north-west Labrador. The Company's shares are listed on the TSX under the symbol "LIR".

The Company was incorporated under the *Business Corporations Act* (Ontario) on May 17, 2007 for the purpose of becoming the holding company for and, through a wholly owned subsidiary, Labrador Iron Mines Limited ("LIM"), to carry on 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").

On September 10, 2007, the Company entered into a merger agreement whereby in consideration of the issue of an aggregate of 24,000,000 common shares, the Company acquired a 100% interest in the Schefferville Project.

On December 3, 2007, the Company closed an Initial Public Offering ("IPO") through the issue of 11,473,000 Units for gross proceeds of \$45,892,000. On January 8, 2008 the Agent in the Company's IPO exercised its over-allotment option and the Company issued a further 1,720,950 Units for additional gross proceeds of \$6,883,800. Each Unit comprises one common share and one-half share purchase warrant exercisable at \$5.00 per share for a period of two years.

The Company's primary business is to develop and commercially exploit iron ore deposits located on the Schefferville Property, which is held through the Company's wholly-owned subsidiary LIM.

LIM holds interests in 40 Mineral Rights Licenses issued by the Department of Natural Resources, Province of Newfoundland and Labrador, representing 140 mineral claims located in northwest Labrador covering approximately 3,500 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.

During the period from September 2005 to September 30, 2007, LIM had expended \$1.4 million in conducting exploration and development work on the Schefferville Property. Such work comprised geological evaluation, sampling, geophysical surveys, trenching, drilling, bulk sampling, resource verification, assaying, metallurgical test work, preliminary mine planning, community consultation, transportation studies and other work.

Following the IPO, the Company commenced plans to complete a program of verification drilling and bulk sampling on certain of the properties and the calculation of a compliant mineral resource, leading to the undertaking of a

detailed engineering study of mining these hematite deposits to produce “direct shipping” lump and sinter fine ore, which will require mineral processing, for sale to European and Far Eastern steelmakers.

During the ensuing months, the Company expanded its management team and operating team with a number of senior appointments, initiated further activities to advance the developmental stages of the Project and awarded various contracts, including environmental baseline studies, detailed exploration drilling, bulk sampling, resource estimation, metallurgical process testing, rail and port studies and engineering design, all directed to move the Schefferville Project forward towards initial production targeted for 2009.

In April, 2008, the Company submitted the Project Registration Application for the first phase of development of the Schefferville 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 phase of the Schefferville Project, being the James North, James South and Redmond properties. These properties have been the subject of prior activity carried out by the Iron Ore Company of Canada and are already partially developed. The development plan calls for the initial production of iron ore in 2009 and building up to three million tonnes in 2012.

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 nearby communities, has 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.

On August 13th 2008 the Minister of Environment and Conservation requested an Environmental Impact Statement (EIS) as part of the Application process. On October 29th 2008 the Minister published for public consultation the draft guidelines for the preparation of the EIS. The Minister is expected to publish the final guidelines for the EIS, which will include public consultation meetings, in early December. The Company is now progressing with the work necessary to complete this EIS and expects to submit the EIS prior to year-end. When the EIS is submitted the Minister will have a period of 70 days to review the EIS, following which it should be submitted to the Cabinet for project approval. Upon release of project approval the Company will then submit the applications for the necessary operating permits. Assuming the operating permits are issued in the first or second quarter of the year, the Company plans to commence mining operations during the summer of 2009. If the permits are not issued in time to enable summer operations the start of initial production may be delayed to 2010.

SNC-Lavalin, in conjunction with Geostat and with participation by the Labrador Innu Development Corporation, was awarded a contract for a Resource and Engineering Study, including detailed engineering design and specifications for major items of plant and infrastructure. In addition metallurgical test-work aimed at the design of the process circuit required to meet market specifications for the particular types of iron ore is being carried out by SGS-Lakefield. All of these activities are well advanced and it is anticipated that the final engineering report will be received early in 2009.

A reverse circulation and core drilling program commenced in July 2008 to provide data for a compliant resource estimate on the various deposits, including a reserve estimate on the Phase One Properties, and to assist with both short term mine planning and with longer term operational planning. This 4,500 meter program was completed in October 2008 and was supplemented by an exploration trenching program. Samples prepared in the Company’s own laboratory have been sent to SGS-Lakefield for assay and when these are received they will be incorporated into the relevant resource estimates. In addition a detailed program of hydro-geological drilling comprising over 1,000 meters in 18 holes together with associated pump testing was completed.

A test mining program to excavate 6,500 tonnes of bulk ore samples from the Phase One deposits was carried out by RSM Mining from Labrador City. This material was crushed and screened to produce samples proximating to the lump ore and sinter ore. Some of this bulk sample material is being used in the metallurgical testing program and the remainder is available for market testing by potential iron ore buyers. The test mining program was successfully carried out and did not encounter any particular problems in mining or processing. Test washing was not carried out at site.

To support the transfer of the bulk sample iron ore to the Port of Iles the Company leased ten 90 tonnes gondola ore cars and also rented five ballast cars from Tshuetin Rail Transportation Inc. (“TSH”). TSH currently operates a

passenger and light freight service between Schefferville and the Port of Sept-Iles. The gondola cars will become part of the future leased transport fleet that will include additional ore cars as well as main line and shunting locomotives.

On July 24, 2008, the Company and Innu Nation of 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 direct shipping hematite 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 plans the commencement of commercial production of iron ore from the deposits located on the Schefferville Property at the earliest opportunity and, subject to receipt of permits, is working to bring Phase One of the Project into production in 2009. The development plan calls for relatively low production volumes in 2009 building up to three million tonnes per annum by 2012. Any significant delay in obtaining permits could delay the commencement of initial production in 2009.

There has been some softening in spot iron ore prices in recent weeks as a result of reduced Chinese imports that appears to be associated with a measure of de-stocking and general economic weakness worldwide. Benchmark iron ore pricing negotiations for 2009 contract prices are expected to be concluded during the first half of 2009. It is likely that there will be some reduction in prices from the current levels. LIM's future pricing will largely be based on these benchmark prices. High demand for iron ore in recent years has been driven primarily by Chinese and south-east Asian demand. This demand, coupled with the 85% year over year benchmark price increase negotiated in 2008 by the Australian iron ore producers, effectively raised the price of iron ore fines from around \$42 per tonne FOB in 2005 to around \$95 per tonne FOB in 2008. Lump ore should generally command about a 25% premium to fine ore.

Terence N. McKillen, P. Geo., Vice President and a Director of the Company is the Company's Qualified Person under Canadian National Instrument 43-101 and has reviewed this document.

REVIEW OF FINANCIAL RESULTS

The Company is in the exploration and development stage and had no operations for the period ended September 30, 2008.

For the three and six month periods ended September 30, 2008 the Company reported net losses of \$397,293 and \$597,226 respectively, the main components of which were, stock-based compensation expense of \$355,490 and \$586,563 for the three and six month periods ended September 30, 2008, and administration of \$187,389 and \$263,360 for the three and six month periods, offset in part by interest income of \$330,092 for the three month period and \$709,158 for the six month period ended September 30, 2008.

The stock compensation expense arose on the vesting of part of the stock options granted in prior periods under the Company's Stock Option Plan to directors and management.

Interest income of \$330,092 and \$709,158 for the three and six month periods, arose from the investment of cash in highly liquid GIC's with a major Canadian financial institution.

During the three and six month periods ended September 30, 2008 the Company invested \$5,223,635 and \$6,568,801 respectively, (including \$172,854 and 335,675 respectively in stock-based compensation on options granted to exploration and operating employees) on its mineral properties, the principal components of which were geology, engineering, environmental, permitting and community consultation. For details refer to Note 3 to the interim Consolidated Financial Statements.

SUMMARY OF QUARTERLY RESULTS

	(\$000's) Quarter ended December 31, 2007 (Amended)	(\$000's) Quarter ended March 31, 2008	(\$000's) Quarter ended June 30, 2008	(\$000's) Quarter ended September 30, 2008
Net income (loss)	\$ 3,819 *	\$ (1,625)	\$ (200)	\$ (397)
Income (loss) per share	\$ 0.10	\$ (0.06)	\$ (0.003)	\$ (0.011)
Total assets	\$ 169,301	\$ 175,369	\$ 176,092	\$ 178,431

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

LIQUIDITY AND CAPITAL RESOURCES

At September 30, 2008, the Company had \$43.5 million in cash and current assets and is in a healthy financial condition. Current liabilities, comprising accounts payable, were \$2.68 million. The cash is invested in short-term money market instruments or deposits with major banks.

The carrying value of the Company's mineral property interests at September 30, 2008 was \$134.5 million. 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.

Originally the carrying value of mineral properties included an amount of \$40.8 million which represented the future income tax effect arising from the temporary differences between the purchase price and the underlying income tax value of the mineral property interests acquired. A corresponding amount is recorded as Future Income Tax liability. Subsequent to the date of the transaction, two changes in the statutory income tax rate in the period ended December 31, 2007 effectively reduced the future income tax liability related to the carrying value of mineral properties by \$3.4 million to \$37.4 million. Following subsequent adjustments, the balance of the Future Income Tax liability as at September 30, 2008 was \$35.9 million. (See Note 9(b) to interim Consolidated Financial Statements).

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 an exploration and development program, prepare a detailed engineering study on the Schefferville Project and place the first one million tons from the phase one deposits (the Fonteneau Properties) into production. However, there can be no assurance that the Company will be successful in obtaining any additional required funding necessary to conduct additional exploration or development work, or to expand production on the properties.

Additional funds may be required to place the phase two of the Schefferville properties into commercial production. The only sources of future funds presently available to the Company are the sale of equity capital of the Company, interest earned on invested capital, 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. If additional financing is raised by the issuance of shares from treasury of the Company, control of the Company may change and shareholders may suffer dilution. 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 rights to certain of its property interests. Failure to obtain additional financing on a timely basis could cause the Company to lose or reduce its interests in some or all of the properties and reduce or terminate its operations.

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. (See Note 3 to the interim Consolidated Financial Statements).

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 reported in the Company's filings at that time.

The Company is committed to rental payments under a long term lease of its office premises which expires in 2019. Minimum rental commitments remaining under this lease approximate \$3,643,000, which will be partly offset by cost sharing with associates companies.

Rental commitments for successive financial years ended March 31, are approximately as follows:

2009	\$	167,000
2010		334,000
2011		334,000
2012		334,000
2013 and beyond		2,474,000
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	\$	3,643,000

FINANCIAL INSTRUMENTS

The balance sheet carrying amounts for cash, accounts receivable, accounts payable and accrued liabilities approximate fair value due to their short-term nature. Due to the use of subjective judgments and uncertainties in the determination of fair values, these values should not be interpreted as being realizable in an immediate settlement of the financial instruments.

OUTSTANDING SHARE CAPITAL

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

At September 30, 2008 the Company had 37,193,951 common shares outstanding. The Company also had outstanding 6,596,975 share purchase warrants, 857,607 broker warrants and 3,350,000 stock options as at September 30, 2008.

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	37,193,951	N/A	N/A
Stock options	3,350,000	4.10	4.5
Broker Warrants	857,607	4.00	1.0
Warrants	6,596,975	5.00	1.4

Each stock option and warrant is exercisable for one common share of the Company. The broker warrants are exercisable for Units comprising one common share and one-half share purchase warrant.

TRANSACTIONS WITH RELATED PARTIES

The Schefferville Project was acquired through a series of underlying agreements and arrangements, some of which are with companies who have directors and/or officers that are also directors and/or officers of the Company or with companies that are controlled by directors and/or officers of the Company. The common shares of the Company issued to acquire the Schefferville Project were issued to corporations controlled by directors and/or officers of the Company or with which such corporations had directors and/or officers in common with the Company. (See Note 3 to the interim Consolidated Financial Statements).

The Company incurred expenses of \$21,600 in respect of rent to companies in which directors or officers of the Company were also directors or officers. The Company also made payments to directors and officers, and or to companies controlled by directors or officers, of the Company in respect of director's fees and management compensation and administrative services. These transactions with related parties were within the normal course of business and have been recorded at the exchange amounts, being the amounts agreed to be the transacting parties.

CRITICAL ACCOUNTING ESTIMATES

The Company's critical accounting policies are described in Note 2 to the interim Consolidated Financial Statements for the period ended September 30, 2008. 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.

Mineral property interests and deferred exploration expenditures

Where properties are acquired in exchange for Company's shares, the properties are valued at the fair market value of the shares. The cost of mineral property interests and related exploration and development costs are deferred. These costs will be amortized over the estimated useful life of the properties following commencement of commercial production or written off if the properties are sold, allowed to lapse, or the property shows no promise from exploration results, or management determines that there is a permanent and significant impairment in value. All of the Company's properties are considered to be in the exploration or development stage and none have achieved commercial production accordingly any revenue generated from testing or pilot plant processing is credited to mineral property interests. The Company does not accrue future costs to keep the properties in good standing. Administrative expenditures, not directly related to mineral property interests charged to operations as incurred.

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. The fair value of the options is recognized over the vesting period as compensation expenses and contributed surplus. Stock compensation awarded to exploration or project personal is capitalized to mineral property interests. When options are exercised, the proceeds received, together with any related amount in contributed surplus, will be credited to capital stock.

The Black-Scholes model was developed for use in estimating the fair value of freely traded options which are fully transferable and have no vesting restrictions. 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. The effect on future income tax assets and liabilities of a change in income tax rates (such as occurred in the fourth quarter of the period ended March 31, 2008) 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.

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 present conditions and management's planned course of action, as well as an assumption about future business and economic conditions. Should the underlying valuation assumptions and estimates change, the recorded amounts could change by a material amount.

Asset retirement obligations

The Company will be required to record a liability for the estimated future costs associated with legal obligations relating to the reclamation and closure of its mineral property interests. This amount will be initially recorded in the period in which it is identified at its discounted present value with subsequent annual recognition of an accretion amount on the discounted liability. An equivalent amount will be recorded as an increase to mineral property interests and will be amortized over the useful life of the property. Management is not currently aware of any significant asset retirement obligation of the Company.

NEW ACCOUNTING STANDARDS

The CICA has issued several new standards which are applicable to the financial disclosures and results of operations of the Company for interim and annual periods beginning April 1, 2008. The Company adopted the requirements in the interim period beginning April 1, 2008.

Section 1535 – “Capital Disclosures”

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

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

The adoption of this accounting standard did not have any effect on the financial position or performance of the Company

Section 3031 – “Inventories”

This Section prescribes the accounting treatment for inventories and provides guidance on the determination of costs and its subsequent recognition as an expense, including any write-down to net realizable value. It also provides guidance on the cost formulas that are used to assign costs to inventories. The Company currently has no inventories consequentially the adoption of this policy had no effect on the financial position or performance of the Company.

Section 3862 – “Financial Instruments – Disclosures”

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

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

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

The adoption of this accounting standard had no effect on the financial position or performance of the Company.

International Financial Reporting Standards

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

NORMAL COURSE ISSUER BID

The Company has obtained TSX approval to conduct a normal course issuer bid (the “Bid”) pursuant to which the Company may purchase up to a maximum of 684,140 common shares in the capital of the Company representing approximately 10.0% of the public float of the Company as at September 30, 2008. The Company is of the view that the recent market prices of the common shares of the Company do not properly reflect the underlying value of the Company’s assets. No insiders of the Company intend to participate in the Bid.

The Bid may be carried out from October 2, 2008 for a period of up to one year. Pursuant to TSX policies, daily purchases made by the Company under the Bid may not exceed 21,126 shares, which is 50% of the average daily trading volume of 42,253 shares on the TSX over the past six months, subject to certain prescribed exceptions. Purchases pursuant to the Bid will be made from time to time through the facilities of the Toronto Stock Exchange. Common shares purchased will be paid for with cash available from the Company’s working capital. All common shares purchased pursuant to the Bid will be cancelled and returned to treasury. To date, no purchase of common shares have taken place.

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 part year ended March 31, 2008 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, 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 Schefferville 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-Iles 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 of north-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 has submitted the Project Registration Application for the first phase of the Schefferville Project to the Department of Environment and Conservation in the Province of Newfoundland and Labrador and to the Canadian Environmental Assessment Agency (CEAA) and is currently completing an Environmental Impact Statement. There can be no assurance that the necessary permits will be obtained 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 production by 2009. To the extent such approvals are required and not obtained, the Company may be curtailed or prohibited from proceeding with planned development of its Schefferville Project or other mineral properties 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. Environmental legislation is 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. 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 have tended to become more stringent over time. These laws are continuously evolving. Any changes in such laws, or in the environmental conditions at the Schefferville Project, could have a material adverse effect on the Company's financial condition, liquidity or results of operations. The Company is not able to determine 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 licences 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. 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 territories claims by these groups, if established, may impact on the Labrador area, including the areas which constitute the Schefferville Project. Mining licences and their renewals may be affected by land and resource rights negotiated as part of any settlement agreements entered into by the Governments with First Nations.

The Government of Newfoundland and Labrador, together with the Government of Canada, entered into a framework agreement in March 2006 with the Innu in Labrador 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 upcoming treaty negotiations. It outlines the subjects to be negotiated such as land title, aboriginal harvesting rights, access to resources, aboriginal participation in resource management and financial compensation. 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.

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

The Innu of Quebec, located at Matimakush near Schefferville, and at the communities of Uashat and Mani-Utenam, near Sept-Iles 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 and the Innu of Quebec.

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

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 direct shipping hematite iron ore project located in northwestern 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.

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

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.

Currency risk

The Company is exposed to currency risk as the price of iron ore is generally 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.

Title risk

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 the Properties, there is no guarantee that such title to or interests in the 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 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 have evaluated and continue to evaluate the design of internal controls over financial reporting. During this 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.

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

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 have evaluated the effectiveness of the Company’s disclosure controls and procedures as of September 30, 2008. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that as of the end of the period covered by this Management Discussion and Analysis the Company’s disclosure controls and procedures, as defined in Multilateral Instrument 52-109 – Certification of Disclosure in Issuer’s Annual and Interim Filings, 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.

OUTLOOK

Management believes that the fundamentals of the iron ore market will remain generally strong for the foreseeable future. This view is based upon several factors including Chinese and south-east Asia demand. Iron ore prices have increased by in excess of 100% over the last two years, and, despite the recent lowering in Chinese demand, are expected to remain robust.

There has been some softening in spot iron ore prices in recent weeks as a result of reduced Chinese imports that appears to be associated with a measure of de-stocking and general economic weakness worldwide. Benchmark pricing negotiations for 2009 contract prices are expected to be concluded during the first half of 2009. It is likely that there may be some reduction in iron ore prices from the current levels.

The prices of iron ore and steel are impacted by many factors, ultimately reflected in worldwide supply and demand. Factors influencing management's opinion that iron ore prices will continue to be generally robust include Asian demand for steel, particularly in India and China, combined with perceived lagging world production over the next several years, driven both by the global slowdown and by reduced production estimates from a number of the major suppliers. These supply and demand factors support management's opinion that the price of steel and, consequently, iron ore, will continue to be strong. This demand coupled with the increase in the benchmark price of iron ore negotiated by the Australian iron ore producers for 2008, has effectively raised the price of iron ore fines from around \$42 per tonne FOB in 2005 to around \$95 per tonne FOB in 2008.

The Company plans the commencement of commercial production of iron ore from the deposits located on the Schefferville Property at the earliest opportunity and, subject to permitting, is working to bring Phase One of the Project into production in 2009. The development plan calls for the initial production of iron ore in 2009 and building up to three million tonnes in 2012.

ADDITIONAL INFORMATION

Additional information regarding the Company is available on SEDAR at www.sedar.com and on the Company's website 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.