LABRADOR IRON MINES HOLDINGS LIMITED

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED JUNE 30, 2010

Dated: August 13, 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 months ended June 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 interests in 37 Mineral Rights Licenses issued by the Department of Natural Resources, Province of Newfoundland and Labrador, covering approximately 10,925 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.

In addition, through its wholly owned subsidiary, Schefferville Mines Inc. ("SMI"), the Company holds interests in 253 Mining Rights issued by the Ministry of Natural Resources, Province of Quebec, covering approximately 10,613 hectares. SMI also holds an exclusive operating license in a mining lease covering 23 parcels totaling about 2,036 hectares. These rights and license are held subject to a royalty of $2 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").

In the quarter ended June 30, 2010, and subsequently to date, the Company has made some significant progress in advancing its permitting activities with the Government of Newfoundland and Labrador. In June 2010, LIM received numerous permits and authorizations from the Government of Newfoundland and Labrador, including the Mining Leases for the first stage 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 the real time water monitoring program, and programs encompassing surface water quality sampling have been authorized and completed.

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 its Stage 1 mining facilities. LIM has also received 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.

The Company has not yet received the permits for the operation of the rail spur and operation of the mine as of the date hereof. LIM has submitted all required information in support of the Certificate of Approval for Mine Operation and for the Certificate of Approval for the Operation of the rail spur and is awaiting approval from the Government of Newfoundland and Labrador. The Government of Newfoundland and Labrador has engaged in consultation with potentially affected First Nations with regard to the Company's various permits and this consultation process is continuing.

The receipt of permits has taken longer than anticipated, which has resulted in a delay in the Company's originally planned construction and production timeline.

In 2008, LIM entered into a Memorandum of Understanding with the Innu Community of Matimekush-Lac John, based in Schefferville, Quebec, one of four First Nations who claim Aboriginal rights in the general Schefferville area, wherein the parties agreed to negotiate an Impact Benefit Agreement and LIM agreed to use its best efforts to employ or contract with individuals and businesses of Matimekush. LIM has been in discussions and consultations with the Chief, Council and Elders of Matimekush continuously thereafter and up to date. 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.

On June 11, 2010, the "Innu Strategic Alliance" (comprised of five Innu communities living in northeastern Quebec, including the communities of Matimekush and Uashat Mak Mani-Utenam (Sept-Iles)), as part of a campaign to have their ancestral rights in the territory called Nitassinan (which includes parts of northeastern Quebec and western Labrador) recognized by Government, set up a barrier at the edge of the town of Schefferville, in Quebec, to block normal access from the town to mining properties in Labrador as part of a land claim campaign to protect their rights and other political issues. The barricade has the effect of restricting normal access to the Company's properties and has caused delays in the ongoing exploration and development of the Company's projects.

Negotiations with the Quebec Innu towards the completion of Impact Benefit Agreements are continuing but agreements have not yet been reached. Discussions are also continuing with the Government of Quebec and with the Government of Newfoundland and Labrador. The Government of Newfoundland and Labrador has engaged in consultation with potentially affected First Nations with regard to the Company's various permits, which consultation is ongoing. To date, the Company has respected the barrier pending the issue of permits and hopes that the ongoing discussions with both the Quebec Innu and with Governments will result in satisfactory agreements whereby the barrier will be removed and the Company's projects can be operated in a positive way for the benefit of all.

The Company expects the remaining permits and approvals to be issued in the near future, and assuming normal access to the properties can be achieved, the Company plans to undertake site construction of the mine and beneficiation facilities as soon as possible and hopes to achieve plant start up before the seasonal shut down of operations at the end of November 2010. The Company is targeting full scale commercial production in April 2011 and plans production of 2 million tonnes of iron ore during that calendar year.

Project Description

There has been no material change to the "Project Description" included in the Company's MD&A for the year ended March 31, 2010.

Project Construction

LIM received the Construction Permit for laying the new rail spur track at the beginning of May 2010 and construction of the rail spur was completed in early June. The new rail spur line will be used to move to site the main components of the processing plant and the accommodation camp and subsequently will be used to move iron ore from the Silver Yards to the Tshiuetin Rail Transportation Inc. ("TSH") main line for onward transport to the Port of Sept-Iles.

A contract was signed in June 2010 for the installation of camp accommodation facilities. The new accommodation camp, which has been built offsite, will be brought to site and assembled.

A contract has been signed with a Labrador City based contractor for the mining and beneficiation activities. Once the mine operating permit has been issued, the mining contractor will be mobilized to site to commence mining activities, including stockpiling of iron ore ahead of the crusher pad.

All major items of the beneficiation plant and other infrastructure have now been procured and have been assembled at rail heads in Labrador City and Sept-Iles awaiting transport to site. Some preassembly work has taken place at Labrador City to reduce the construction time when this commences.

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, except for the following update.

Construction of the rail spur was completed in early June. LIM has submitted an application for an operating certificate for the use of the railroad and is awaiting regulatory approval. As at the date hereof, the Company has not yet received an operating permit for the use of the rail spur. A new railway loading ramp was constructed at Emeril Junction on the TSH main rail line in early August 2010 and will be used to load freight and materials delivered from Labrador City.

LIM has negotiated arrangements with TSH regarding inward transport of the beneficiation plant, accommodation camp and construction materials to Schefferville and Silver Yards and has negotiated freight rate terms for the transport of any ore produced in calendar 2010.

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 Corporation and Terence N. McKillen, M.Sc., P.Geo., Executive Vice President and a director of the Corporation, both of whom act as the Corporation's qualified persons under the meaning of NI 43-101.

RESULTS OF OPERATIONS

For the three month period ended June 30, 2010 the Company reported a loss of $614,689, or $0.01 per share, compared to a loss of $286,724, or $0.01 per share, for the same period in the prior year.

The main components of the loss for the first quarter were corporate and administrative expenses of $589,318, compared to corporate and administrative expenses of $337,416 for the same period in the prior year. The increase in corporate and administrative expenses is attributable to the considerable increase in the Company's activities in anticipation of the commencement of construction compared to the same period in the prior year.

During the first quarter the Company invested $1,280,012 in its mineral properties (the principal components of which were engineering, environmental permitting and transport services), compared with $1,329,464 during the same period in the prior year.

During the first quarter the Company invested $6,803,097 in property, plant and equipment compared to $96,999 invested in property, plant and equipment during the same period 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 in anticipation of the commencement of 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 June 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	Cumulative Actual up to June 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	10,768,000
Feasibility studies	2,200,000	2,680,000	2,680,000
Environmental	1,200,000	2,889,000	3,168,000
Marketing and other studies	2,100,000	1,629,000	1,629,000
General and administrative expenses	1,850,000	4,787,000	5,376,000
Reserve for infrastructure upgrades and capital expenditures	12,000,000	3,922,000	-
Infrastructure upgrades and capital expenditures - actual	-	8,078,000	15,455,000
Unallocated working capital	23,745,373	13,572,373	9,069,373
	48,595,373	48,145,373	48,145,373

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

The additional expenditures on work programs and deferred exploration up to June 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 an Impact Benefit Agreement and Memorandum of Understanding with affected First Nations, metallurgical testing and marketing studies aimed at demonstrating expected product quality and potential off take arrangements and mine planning and infrastructure design to be incorporated into the final engineering studies.

The 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

	in $000's, except per share data							
	Quarter ended September 30, 2008	Quarter ended December 31, 2008	Quarter ended March 31, 2009	Quarter ended June 30, 2009	Quarter ended September 30, 2009	Quarter ended December 31, 2009	Quarter ended March 31, 2010	Quarter ended June 30, 2010
Net income (loss)	(397)	(682)	927	(287)	(530)	2,356	(375)	(615)
Income (loss) per share	(0.01)	(0.02)	0.02	(0.01)	(0.02)	0.06	(0.01)	(0.01)
Total assets	178,431	178,199	177,686	177,156	177,060	178,194	210,033	213,093

LIQUIDITY AND CAPITAL RESOURCES

As at June 30, 2010, the Company had $41,009,256 in cash and cash equivalents with no debt and is in sound financial condition. 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 a capital lease obligation, were $4,439,284 as at June 30, 2010.

During the quarter ended June 30, 2010 the Company established a letter of credit for $351,310 as financial assurance related to the future rehabilitation of a portion of its mining operations. Subsequent to June 30, 2010 the Company established letters of credit for $2,588,758 as financial assurance related to the future rehabilitation of additional portions of its mining operations. The Company has assigned guaranteed investment certificates 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 June 30, 2010 was $152,163,042 compared to $150,883,030 at the beginning of the quarter. The increase was a result of the investment during the period of $1,280,012 of capitalized exploration and development expenditures. There were no mineral property acquisitions or disposals during the quarter.

Tests for recoverability were performed to determine if the estimated fair value exceeds the carrying amount of the Company's mineral property interests. The estimated fair value of the Company's mineral property interests was determined using projected prices of iron and also included performing a comparison of the Schefferville Projects with comparable asset values in the market. In assessing the future estimated cash flows management used various estimates including, but not limited to, estimated operating and capital costs and estimated indicated, inferred and historical resources.

As at June 30, 2010 and the date hereof, management does not consider that there has been any impairment in the value of the Company's mineral property interests.

As at June 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, operating and administrative expenses.

Notwithstanding the above, 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 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 year ended March 31, 2010, except as set out below.

As at June 30, 2010 the Company has property payment commitments totaling $1,500,000 remaining in connection with certain mineral properties in Quebec acquired in December 2009.

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, of which $2,950,000 remained outstanding as at June 30, 2010.

Contractual Obligations as at June 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	$3,058,500	$250,500	$1,002,000	$668,000	$1,138,000
Mine camp lease obligations	$2,950,000	$450,000	$1,800,000	$700,000	Nil
Total	$7,508,500	$1,700,500	$3,302,000	$1,368,000	$1,138,000

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 $179,867 had been expended up to June 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 June 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 June 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 quarter ended June 30, 2010.

OUTSTANDING SHARE CAPITAL

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

As at June 30, 2010 the Company had 43,490,755 common shares outstanding, 1,787,945 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	43,490,755	N/A	N/A
Stock options	1,787,945	2.00	2.05
Broker warrants	360,711	6.36	1.125

Each stock option is exercisable into one common share of the Company at an exercise price of $2.00 per share until August 31, 2012. Each stock option vests as to one-eighth thereof on the first day of each calendar quarter over a two year period commencing October 1, 2009.

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 quarter ended June 30, 2010, the Company recovered $30,015 in respect of office rent from corporations with common directors and/or officers.

The Company also made payments to corporations with common directors and/or officers, in respect of management compensation provided in the amount of $143,976 during the three months ended June 30, 2010, 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 $15,075 during the three months ended June 30, 2010.

An amount of $40,018 was receivable at June 30, 2010 from Anglesey Mining plc, the Company's largest shareholder, with respect to a portion of the issue costs of the Short Form Prospectus Financing.

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 three months ended June 30, 2010 the Company established an asset retirement obligation relating to a portion of its mining operations. The total undiscounted amount estimated to be required to settle the Company's reclamation and remediation obligations related to this portion of its mining operations is $351,310. The present value of the estimated cash flows has been estimated at $60,046 as at June 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 useful life 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, 2010 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.

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 • Draft financial statements to be prepared for senior management approval in Q3 2011 • Audit Committee review of the draft financial statements and key accounting policy decisions in Q4 2011	• Finalization of key accounting differences completed in Q4 2010
Training • Provide technical training to key finance and accounting personnel	• Ongoing training to key personnel as needed	• Specific training provided to key personnel involved with the IFRS conversion is ongoing and continued training is planned for calendar 2010
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 in Q1 2011	• Identifying changes required to financial information systems and proposal for solutions to be 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 the changes has not yet been determined pending completion of the accounting policy documentation expected by the end of Q3 2011

Set out in the Company's MD&A for the year ended March 31, 2010 are the key areas where changes in accounting policies are expected to potentially have a significant impact on the Company's consolidated financial statements. Although there has been no change in the Company's expectations of the key areas where changes in accounting policies are expected to potentially have a significant impact on the Company's consolidated financial statements, 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.

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 Innu Nation of Labrador, signed an Impacts Benefit Agreement ("IBA"), with respect to the development of the Company's iron ore project located in western Labrador. The Company has also signed a memorandum of understanding with the Naskapi Nation of Kawawachikamach 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 Impact Benefit Agreement 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 is intended to block access to mining properties in the Schefferville area “to ensure protection of their rights”.

Negotiations with the Quebec Innu towards the completion of IBAs are continuing but agreements have not yet been reached. LIM has been in discussions and consultations with the Chiefs and Councils of Matimekush and Uashat to discuss how the Company’s projects can be operated in a positive way for the benefit of all. To date, the Company has respected the barrier pending the issue of permits and hopes that the ongoing discussions with both the Quebec Innu and with Government will result in satisfactory agreements.

The Government of Newfoundland and Labrador has 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.

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 Projects and the delay or failure to reach an agreement would 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 year ended March 31, 2010, except for the following update.

The Company has been informed of threatened proceedings by the Quebec Innu Uashat mak Mani Utenam (the “Quebec Innu”) against the Government of Newfoundland and Labrador challenging the issue of permits to LIM in western Labrador. As of the date hereof the Quebec Innu has not initiated proceedings against the Government of Newfoundland and Labrador, however a risk exists that LIM could be enjoined in this threatened action.

In June 2010 the Innu Strategic Alliance set up a barricade on the road leading from the town of Schefferville, Quebec to the Company’s Stage 1 mining site in Labrador, as described under “The Schefferville Projects – Western Labrador and North-Eastern Quebec” above. The Company considers this barricade to be illegal. The Company has reserved its rights to commence legal action against the Quebec Innu for any losses suffered by the Company as a result of these actions.

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 three months ended June 30, 2010.

OUTLOOK

There has been some general worldwide softening in iron ore demand and prices during the last three months generally related to a lowering of consumption in China. This is associated with tightening of credit by the Chinese government in an attempt to prevent an economic bubble developing. This has then been reflected in lower levels of construction particularly in the real estate sector. At the same time the ongoing economic difficulties in Europe have resulted in some downturn in European domestic demand for consumer products and therefore steel and iron ore. However the last two to three weeks have seen some upturn in spot iron ore prices which may either be a result of some relaxation of credit in China or due to the normal seasonal upturn. China has recently announced that all small and inefficient blast furnaces will be permanently closed in the next months, and that only larger fuel efficient furnaces will now be built. These new furnaces will require consistent high grade feed and this is unlikely to come from Chinese domestic ore production leading to ongoing support for imported products. The Company believes that these developments will ensure that iron ore prices will remain generally strong for calendar 2011, the first year of commercial production from the Schefferville Projects, and that these satisfactory prices will continue for 2012 and beyond.

ADDITIONAL INFORMATION

Additional information regarding the Company, including the unaudited interim consolidated financial statements for the three months ended March 31, 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. 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.*