LABRADOR IRON MINES HOLDINGS LIMITED

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE QUARTER AND NINE MONTHS ENDED DECEMBER 31, 2012

Dated: February 14, 2013

GENERAL

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the unaudited condensed interim consolidated financial statements and notes thereto of Labrador Iron Mines Holdings Limited ("LIM" or the "Company") for the quarter and nine months ended December 31, 2012.

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

The terms "iron ore" and "ore" in this document are used in a descriptive sense and should not be construed as representing current economic viability.

All currency amounts in this discussion are expressed in Canadian dollars, unless otherwise indicated. All references to tonnes are dry metric tonnes ("dmt"), unless otherwise indicated. All numerical references to years are "calendar" years, unless otherwise indicated.

The Company has a March 31 fiscal year end. Accordingly, the quarter ended December 31, 2012 was the Company's third quarter of its fiscal year ending March 31, 2013.

This MD&A contains forward looking statements.

INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

The Canadian Accounting Standards Board requires publicly accountable enterprises to adopt IFRS for fiscal years beginning on or after January 1, 2011. Accordingly, the Company's condensed interim consolidated financial statements for the quarter and nine months ended December 31, 2012 have been prepared in accordance with IFRS as published by the International Accounting Standards Board.

The Company has also presented comparative information for the quarter and nine months ended December 31, 2011 on an IFRS basis. In preparing the Company's opening statement of financial position in accordance with IFRS, the Company adjusted amounts reported previously in the Company's financial statements prepared in accordance with pre-conversion Canadian generally accepted accounting principles ("GAAP"). For further information, refer to the Company's consolidated financial statements and notes thereto for the fiscal year ended March 31, 2012.

OVERVIEW

Labrador Iron Mines is Canada's newest iron ore producer, engaged in the mining of iron ore and in the exploration and development of direct shipping iron ore projects (the "Schefferville Projects") in the central part of the prolific Labrador Trough region, one of the major iron ore producing regions in the world, situated in the Province of Newfoundland and Labrador and in the Province of Quebec, centered near the town of Schefferville, Quebec.

LIM is currently the only Canadian iron ore producer listed on the Toronto Stock Exchange, where it trades under the symbol "LIM".

The Schefferville Projects consist of the James Mine and Silver Yards processing plant ("Silver Yards"), the Houston property ("Houston") and, subject to further exploration and development, other iron properties in the vicinity of Schefferville. LIM's Schefferville Projects are connected by a direct railway to the Port of Sept-Iles on the Atlantic Ocean and benefit from established infrastructure, including, the town, airport, roads, hydro power and rail service.

The Schefferville Projects comprise 20 different iron ore deposits, which were part of the original Iron Ore Company of Canada ("IOC") direct shipping operations conducted from 1954 to 1982 and formed part of the 250 million tons of historical reserves and resources previously identified by IOC. The iron ore deposits which comprise the Schefferville Projects are divided into two separate portions, one within the Province of Newfoundland and Labrador and the other within the Province of Quebec.

At March 31, 2012, the Company had NI 43-101 compliant resources of 44.6 million tonnes in five direct shipping iron ore ("DSO") deposits comprising approximately 27.0 million tonnes of measured resource at an average grade of 56.6% Fe and 17.6 million tonnes of indicated resource at an average grade of 56.2% Fe and an additional 121 million tons of historical resources in about 15 other deposits.

Initial production at the James Mine commenced in June 2011 and achieved sales of 386,000 tonnes of iron ore in its start-up 2011 season. The Company's mine operations are seasonal, from approximately the beginning of April to the end of November each year, with a planned winter shut down from approximately the beginning of December to the end of March. Full scale production re-commenced as planned in April 2012 and the Company commenced commercial production for accounting purposes effective April 1, 2012.

For the quarter ended December 31, 2012 the Company recognized revenue of $24.7 million (free on board ("FOB") Port of Sept-Iles) on sales of 425,500 dry tonnes of iron ore with three shipments completed. For the nine months ended December 31, 2012, the Company recognized revenue of $95.8 million (FOB Port of Sept-Iles) on sales of 1,560,000 dry tonnes of iron ore with ten shipments completed.

Operations Summary

LIM commenced its first full season of production in April 2012.

The Company's operating results for the quarter and nine months ended December 31, 2012 are outlined in the table below.

	Quarter Ended December 31, 2012		**Nine Months Ended December 31, 2012**	
(all tonnes are dry metric tonnes)	**Tonnes**	**Grade % Fe**	**Tonnes**	**Grade (% Fe)**
Total Ore Mined	198,467	59.9%	1,828,398	61.3%
Waste Mined	224,548	--	3,127,158	--
Ore Processed and Screened	183,635	59.8%	954,813	58.2%
Lump Ore Produced	18,082	64.6%	98,693	61.2%
Sinter Fines Produced	149,698	61.4%	693,173	61.4%
Total Product Railed	254,136	61.8%	1,492,960	62.3%
Tonnes Product Sold	425,472	62.0%	1,559,620	62.5%
Port Product Inventory	111,009	60.9%	111,009	60.9%
Site Product Inventory	3,551	58.4%	3,551	58.4%
Site Run-of-Mine Ore inventory	446,975	56.2%	446,975	56.2%

For the 2012 operating season the Company met its reduced production target of 1.7 million wet tonnes of iron ore production and sold a total of 1.56 million dry tonnes of iron ore products. The reduction of the Company's original planned target of 2 million tonnes was in response to market conditions and weaker spot iron ore prices during the second half of 2012.

James Mine and Silver Yards

Mining operations were discontinued on November 7, 2012, as part of the normal seasonal discontinuation of operating activities. During the quarter, 423,000 dmt of ore and waste were mined at an average stripping ratio of 1.1 waste to ore. This represents a 34% reduction in the stripping ratio during the quarter, compared to the average for the first three quarters in 2012.

The dry crushing and screening process was used exclusively during the quarter, while the wet plant remained winterized. Crushing and screening operations were completed on November 7, 2012 as part of the normal seasonal discontinuation of operating activities. A new dry screening unit was delivered to the site during the quarter, for installation and use during 2013. A new contractor has been selected to operate the wet plant in 2013. Detailed planning for this operation commenced in the quarter.

Product inventory at Silver Yards was reduced to a minimum at the end of the season. Run-of-mine inventory remaining at Silver Yards will serve as initial wet plant feed during 2013, allowing for operational flexibility.

During the quarter, the mining contractor demobilized all major mining equipment in order to eliminate winter standby charges. This equipment will be re-mobilized in the spring prior to the resumption of mining operations.

On November 16, 2012, most of the seasonal contractor employees working at Silver Yards were laid off, followed by seasonal exploration employees by December 21, 2012. The Bean Lake camp was further winterized during the quarter and remains open over the winter months, serving as a construction camp for another mining company active in the area.

A permit application was submitted to the Government of Quebec with respect to reclaiming historical IOC stockpiles, transporting this ore by road to Silver Yards and processing the ore into saleable products. The Company anticipates regulatory approval for this activity in 2013. Discussion with the Government of Newfoundland and Labrador concerning regulatory approval for reclaiming historical IOC stockpiles in that province are ongoing. The surface lease for the Redmond property was secured during the quarter.

A revised Stage 1 resource estimate is anticipated to be completed by March 31, 2013, and will result in an updated NI 43-101 Technical Report filing. It is anticipated that a downward adjustment to bulk density will result in a reduction to the initial resource tonnage estimated for the James deposit. The magnitude of the adjustment to in-situ tonnage is the subject of ongoing work that will be included in a re-estimation of the mineral resources at the end of the financial year. In addition to the James and Redmond resources, the Company is evaluating the inclusion of portions of the Quebec historical IOC stockpiles, and portions of the Newfoundland and Labrador historical IOC stockpiles. An independent review of the Company's NI 43-101 compliant resource estimate for the Denault property may also be incorporated into the Stage 1 resource estimate and Technical Report. The Company's stated goal is to establish a mine plan supporting a minimum 5 year mine life at a production rate of 2 million tonnes per year of saleable product from its Stage 1 properties.

Houston Project

The Houston deposits (Stage 2 South Central Zone) are situated in Labrador about 15 km southeast of the Company's currently operating James Mine and Silver Yards Processing Plant and approximately 20 km from Schefferville, Quebec.

An updated independent mineral resource estimate of the Houston deposits, prepared as of March 31, 2012, confirmed the aggregate measured and indicated resource estimate of 23 million tonnes. The Houston deposits remain open along strike, particularly to the southeast, and further drilling was carried out during 2012 to test for possible extensions and to upgrade the inferred mineral resource. A revised resource estimate is anticipated to be completed by March 31, 2013, followed by revisions to the NI 43-101 Technical Report,. . Metallurgical test work and geotechnical work incorporating samples recovered from the 2012 drilling program are ongoing and scheduled for completion in the spring of 2013.

In 2011, the Company submitted a project registration to the Government of Newfoundland and Labrador for the first phase of development of the Houston #1 and #2 deposits, including a haul road and railway siding On March 26, 2012, the Minister of Environment and Conservation informed the Company that, in accordance with the Environmental Protection Act, the Houston 1 and 2 Deposits Mining Project was released from further environmental assessment, subject to a number of conditions. The Company has subsequently received surface and mining leases, and a construction permit for the haul road. The construction permit for the rail siding is pending. Basic engineering is complete and a civil contractor has been selected for the road and bridge construction.

In early February 2013, the Company filed registration documents with the Government of Newfoundland and Labrador and with the Federal Canadian Environmental Assessment Agency for the second phase of development of

the Houston #1 and #2 deposits, including a wet process plant incorporating crushing, screening, washing and magnetic separation, similar in design to the Silver Yards wet process plant. This plant will be capable of upgrading lower grade ore (50% to 59% Fe) into saleable sinter and lump products.

Commencement of full construction activities for the Houston project is subject to the availability of financing and the receipt of the remaining permits. Development costs for the first phase of the Houston project are estimated to be approximately $37 million on haulage road and rail siding access, with an additional approximately $20 million of mine development costs. The Company is evaluating various potential strategic partnerships or off-take arrangements and/or credit facilities and other financing alternatives to fund these Houston development and related transportation and port infrastructure.

Development of Houston is the Company's major expansion project for the next five years. When in full production, the Houston Project is expected to more than double the Company's current iron ore production.

Health and Safety

The Company continues its focus on developing and enhancing best practices in the area of health and safety. During the quarter, a diamond driller injured a hand, resulting in a medical aid. The Company had no significant health and safety incidents during the quarter ended December 31, 2012.

Rail Transportation

Iron ore from the James Mine is transported by rail from the Silver Yards plant site, via the Company's 6 km spur line, the TSH railway and the QNS&L railway, to the Port of Sept-Iles, where the ore is unloaded and stockpiled for shipping. By the end of November 2012, a total of approximately 1.7 million wet tonnes of iron ore had been railed to the Port of Sept-Iles. Monthly railway volumes increased almost threefold from April to August with up to four train sets in operation and regularly achieving the target of one train per day during the months of July and August.

At the end of the 2012 operating season the Company had three full train sets available for operation, with 120 cars each. The modification program of an additional 142 used railcars purchased in 2012, which will comprise a fourth train set of 120 cars and spares, is continuing over the winter months. The modification program of this fourth train set is expected to be completed within budget and the first batch of these railcars has arrived in Sept-Iles. These four train sets will provide sufficient capacity to complete the Company's anticipated rail requirements for the 2013 operating season.

The Company's Centre Ferro maintenance and repair facility in Sept-Iles has been operating on a full-time basis maintaining the Company's fleet of rail cars. The Centre Ferro shop was organized by the Metallos (United Steelworkers) union during the quarter ended December 31, 2012. Negotiations towards a first collective agreement are expected to begin in March 2013.

Rail operations were completed by November 9, 2012, earlier than originally planned. High moisture content in the sinter product, due to significant rainfall in October, made the loading of the second last vessel very difficult, as the moisture content approached the transportable limit of 8%. With colder weather entering the region, freezing of sinter was considered a risk and railing of sinter was therefore discontinued. Rail operations at the end of October and early November were focused on lump iron ore, which did not experience moisture issues. At the end of the season, an inventory of approximately 111,000 tonnes of product remained at the port, available for 2013 sales. With the early suspension of rail operations, contractual take-or-pay obligations dominated the railway operating expenses for the quarter.

Sales of Iron Ore

During the quarter, the Company sold three shipments of iron ore, including two shipments of sinter fines and one shipment of lump iron ore. The sinter shipments consisted of the Centennial Harmony (164,000 dmt) and the C. Phoenix (158,500 dmt) in October. In November, the MV Shi Dai (103,000 dmt) sailed with a cargo of lump iron ore. Due to restrictions imposed by IOC on the loading of sinter, the final shipment required a mini-cape size vessel which resulted in higher ocean freight costs compared to a standard cape-size vessel.

The iron ore produced by the Company in 2012 was sold to IOC and then re-sold by IOC through the Rio Tinto marketing organization into the Chinese spot market on a shipment-by-shipment basis. The net proceeds (FOB Port of Sept-Iles) received by LIM for iron ore sold to IOC is calculated based on the actual realized price (i.e. CFR China spot price plus or minus value-in-use adjustments) of a shipment sold in China, less shipping costs and IOC's participation which includes product handling, ship loading and sales costs.

The actual realized price for a shipment of the Company's iron ore is based on the prevailing spot price in China at the time the cargo is priced, adjusted for value-in-use adjustments based on the cargo's specifications. The spot market in China is tracked daily by such organizations as Platts, which publishes a widely referenced spot price index. The typical market referenced in connection with sales of the Company's iron ore products is the Platts 62% Fe CFR China Index, which tracks the price, on a CFR China price per dry tonne basis, of sinter fine iron ore product up to 10 millimetres in size, with an iron content of 62.0%, a moisture content of 8.0%, a silica content of 4.5%, an alumina content of 2.0%, a phosphorus content of 0.075% and a sulphur content of 0.02%. To the extent a shipment's cargo deviates from the standard specifications, in terms of iron ore content, percentage of specific non-iron elements in the ore, or sizing of the product, a value-in-use adjustment to the prevailing normalized spot price may apply. Value-in-use adjustments result in the actual realized price for a cargo being at a premium or a discount compared to the reported spot price.

In 2012, the Company experienced some value-in-use adjustments in the determination of the actual realized price (on a CFR China basis) on several of its cargos. The value-in-use adjustments for the Company's DRO cargos related mainly to the mixed size nature of this product, which requires further crushing and screening by the purchaser before being used in the steelmaking process. The Company has discontinued the sale of its DRO product. The value-in-use adjustments for the Company's sinter ore shipments in 2012 related to the silica content of the cargos, which was a few percentage points higher than the standard of 4.5% silica. The Company expects the silica level to be lower when Phase 3 of the wet processing plant is fully commissioned.

The net proceeds (FOB Port of Sept-Iles) received by LIM for iron ore sold to IOC is calculated based on the actual realized price (i.e. CFR China spot price plus or minus value-in-use adjustments) of a shipment sold in China, less shipping costs and IOC's participation which includes product handling, ship loading and sales costs.

During the quarter ended December 31, 2012, the Company completed three shipments (two shipments of sinter and one shipment of lump) totaling 425,500 dry tonnes which were sold at a weighted average actual realized price (i.e. CFR China spot price less value-in-use adjustments) of approximately US$107 per tonne on a CFR China basis. The Company recognized net proceeds of $24.7 million on a FOB Sept-Iles basis after netting shipping costs and IOC's participation for product handling, ship loading and sales costs from the CFR China actual realized price for these three shipments.

During the nine months ended December 31, 2012, the Company completed ten shipments (five shipments of DRO, four shipments of sinter ore and one shipment of lump) totaling 1,560,000 dry tonnes which were sold at a weighted average actual realized price (i.e. CFR China spot price less value-in-use adjustments) of approximately US$107 per

tonne on a CFR China basis. The Company recognized net proceeds of $95.8 million on a FOB Sept-Iles basis after netting shipping costs and IOC's participation from the CFR China actual realized price for these ten shipments.

During the 2011 and 2012 operating seasons, the Company sold all of its iron ore to IOC for re-sale in the China spot market. Accordingly, the Company was dependent on IOC for product handling, loading and port infrastructure for the transportation of its iron ore products to the Chinese markets and on IOC's marketing expertise in iron ore sales. The Company has not concluded any agreements for the loading, transportation or sale of any iron ore for 2013 and is in discussions with IOC with regard to the renewal of the sales arrangements which were operable in 2011 and 2012. There can be no assurance that such sales arrangements will be negotiated or negotiated on satisfactory terms.

The Company continues to review its options for marketing its iron ore production in 2013 and future years and is evaluating the optimum route to achieve these sales, while still maintaining maximum flexibility and independence. Marketing discussions are continuing with potential customers, both in Europe and in Asia and the Company is also continuing discussions with a number of internationally recognized commodity traders with specialist knowledge of the iron and steel industry. The Company has not concluded any agreements for the sale of any iron ore in 2013 and future years.

2012 Exploration Program Update

The Company's 2012 exploration program achieved approximately 14,000 metres ("m") of drilling as a result of cost efficiencies and improved productivity. The 2012 exploration program was reduced to $5.3 million and subsequently increased to $7.0 million compared to the $8.6 million originally budgeted.

The drill programs focused on Houston, Malcolm, James North, the James South extension and historic stockpiles near Silver Yards. The main purpose of this drilling was to generate further technical information for more detailed mine planning of these deposits. The Company also completed 500 m of diamond drilling at the James North deposit for geotechnical purposes.

In addition to this drilling, a bulk sampling program of some of the historic stockpiles was completed with a view to providing supplemental plant feed to the Silver Yards processing plant. A small drilling program was also carried out involving approximately 1,500 m of diamond drilling on the Elizabeth Lake taconite target intended to evaluate the potential of this type of iron-bearing formation.

During the 2012 exploration program, the Company acquired geological information through the use of diamond drilling, which successfully recovered core samples for the first time. These samples now provide better bulk density, geotechnical, metallurgical and hydrogeological interpretations required for detailed mine planning.

The Company is on track to complete updated resource estimates by March 31, 2013, for its two major projects: (i) the James Deposit (currently in production), including the James South Extension; and (ii) the Houston deposits.

The Company is also on track to complete new and initial mineral resource estimates on the Malcolm deposit (near Houston), the historic crushed ore stockpiles in both Quebec and Labrador by March 31, 2013 and a first inferred mineral resource estimate on the Elizabeth Lake Taconite later in the spring of 2013.

Port Arrangements

In August 2012, the Company entered into an agreement with the Canadian National Railway Corporation ("CN") to work with CN and La Caisse de depot et placement du Quebec, as well as a group of mining companies, on a feasibility study to develop a new, continuous multi-user rail line from the northern Labrador Trough to the Port of Sept-Iles and to evaluate a new terminal handling facility located at the Port of Sept-Iles. The Company paid a one-time contribution of $1.5 million towards the cost of the feasibility study.

On February 12 2013, CN announced the suspension of feasibility study activities. The Company will receive a refund from CN of its $1.5 million contribution towards the feasibility study and will be given access to all of the data compiled by CN prior to suspension of the feasibility study.

The Company continues to evaluate different options for the unloading, stockpiling and ship loading of the Company's iron ore products at the Port of Sept-Iles. Rail access to Pointe Noire will require an agreement with the Arnaud Railroad which connects Pointe Noire with the QNS&L Railroad. The Company is currently in discussions with Arnaud Railroad (Cliffs Natural Resources) regarding rail access on the Arnaud railroad and has not concluded any agreement for access to or use of the Arnaud Railroad. The Company is also currently in discussions with the Sept-Iles Port Authority, and with other port operators and customers, regarding storage, reclaim and ship-loading of its iron ore products at Pointe Noire. The Company has not concluded any agreements or arrangements for the unloading, storage, reclaim or ship loading, of any iron ore utilising the new multi-user berth for 2013 or future years. There can be no assurance that arrangements on acceptable terms will be concluded or concluded on a timely basis.

First Nations

The properties comprising the Schefferville Projects are located in an area over which claims for traditional aboriginal rights are asserted by various First Nations groups, including the Innu of Matimekush-Lac John (Schefferville), the Innu Takuaikan Uashat Mak Mani-Utenam (Sept-Iles), the Naskapi Nation of Kawawachikamach (near Schefferville) and the Innu Nation of Labrador.

The Company has entered into Impact and Benefit Agreements ("IBAs") with the Innu Nation of Labrador (July 2008), the Naskapi Nation of Kawawachikamach (September 2010), the Innu of Matimekush-Lac John (Schefferville) (June 2011), the Innu Takuaikan Uashat Mak Mani-Utenam (Sept-Iles) (February, 2012) with respect to the Company's operations. On October 22, 2012 the Company hosted its regular quarterly conference with the aboriginal communities as part of ongoing communications flowing from the IBAs.

Under these agreements, the Company has agreed to the equitable participation of these First Nations groups in the Schefferville Projects and to take certain social and environmental protection measures to mitigate the impact of the Schefferville Projects. By entering into these agreements, the First Nations groups have given their consent to the Company's Projects proceeding in accordance with the applicable agreements and have agreed to provide the Company continuing and unobstructed access to and equitable enjoyment of the Company's iron ore projects and properties.

In February 2012, the Company reached a memorandum of understanding with the NunatuKavut Community Council representing the Southern Inuit of Labrador, who also assert claims for traditional aboriginal rights in Labrador. In December 2012, the memorandum of understanding was replaced by an Economic Partnership Agreement setting out the basic understandings and positions of each party and addressing such matters as environmental and cultural protection, jobs, training, aboriginal contracting and other financial aspects with respect to the Schefferville Projects.

Iron Ore Market Conditions

Iron ore spot prices suffered a sharp decline in August 2012, dropping 33% from June 30, 2012 to below US$90 per tonne on a 62% Fe CFR China basis in early September due to a number of factors that included historically high port inventories, de-stocking of plant inventories by Chinese steel mills and traders withdrawing from the spot market. Iron ore spot prices have rebounded since September 2012, especially in December 2012, and reached a high of approximately US$159 per tonne in early January 2013. The current spot price for iron ore is above US$150 per tonne on a 62% Fe CFR China basis and has risen over 70% since the market low in September 2012.

The strong recovery in iron ore Chinese spot prices has been largely driven by China's harshest winter in nearly three decades, which has significantly reduced iron ore production in China, resulting in a significant increase in Chinese demand for seaborne iron ore. China, which is the world's biggest iron ore importer, imported a record 70.94 million tonnes in December 2012, nearly 2 million tonnes above the previous record (Source: General Administration of Customs of the People's Republic of China).

The Company is of the view that a number of factors should support current Chinese iron ore spot prices over the first half of 2013, including the following:

- Declining iron ore inventories at Chinese ports and lower than typical inventory levels at Chinese steel mills;
- Chinese steel production is currently in a seasonally strong period;
- Chinese domestic iron ore supply is currently in a seasonally weak period. Chinese domestic iron ore production typically is at its trough in January, while the first calendar quarter is typically the weakest quarter of the year for iron ore supply out of Brazil and Australia as weather impacts both countries;
- The rise in iron ore prices should be capable of being absorbed by Chinese steel mills due to strong steel mill margins, which remain healthy due to flat-to-lower metallurgical coal prices and rising steel prices;
- China's harshest winter in nearly three decades has constrained domestic iron ore output during a seasonally strong period for Chinese steel production; and
- The decline of Chinese supply from India due to government export restrictions.

Certain of these near-term factors (such as cold winters in China and the cyclone season in Australia), which tend to re-appear in some form each year on a seasonal basis, usually affect the supply and price of iron ore in the January through June period. Such factors may have a positive impact on the Company's early sales revenues.

Looking forward, many of the new iron ore projects and production expansions previously planned by major companies are experiencing increased costs and delays, and many have been postponed, which is expected to reduce the long-term growth of iron ore supply. Increased production of higher marginal cost Chinese capacity is expected to be needed to meet growing iron ore demand in the medium-term. The average marginal cost of Chinese iron ore production is believed to be approximately US$120 per tonne, which provides a strong support level for future iron ore prices.

Outlook

In the near term, operations will be focused on the Company's Stage 1 deposits. The Company's Stage 1 deposits include the James Mine (currently operating) and five smaller satellite deposits and some historical stockpiles located within a 15 km radius of the James Mine and the Silver Yards processing plants.

Construction of the Phase 3 expansion of the Silver Yards wet processing plant, designed to increase plant throughput to 12,000 tonnes per day nameplate (10,000 tonnes per day operating) and to improve mass yield to above 75%, was substantially complete when capital expenditures were suspended at the end of August 2012, with the main remaining items being the installation of electrical equipment and instrumentation work. Completion and commissioning of the Phase 3 plant expansion is now planned for the 2013 operating season, with remaining capital costs now estimated at about $4.5 million. Connection to the hydro grid power was also deferred and is now planned for completion in 2013 at an estimated cost of about $2.5 million. Other improvements planned for Silver Yards in 2013 include installation of a new dry screen, purchase of contractor service equipment, upgrades to the accommodation camp and enhanced maintenance facilities at an estimated total cost of about $3 million. Proceeding with the foregoing $10 million in capital expenditures remains subject to financing. These capital expenditures are not required for the Company to commence the 2013 operating season.

In resuming its planned seasonal mining operations in the spring of 2013, the Company will incur regular operating, mining and transportation expenses for the months of April and May, 2013 before receipt of payment for its first sales of iron ore and will require working capital of approximately $40 million to fund these operating and re-start expenses and certain planned capital expenditures on Silver Yards upgrades and connection to grid power.

In February 2013, the Company issued an aggregate of 27,600,000 Units at an issue price of $1.05 per Unit pursuant to a short form prospectus for gross proceeds of $29 million. The net proceeds of the Unit financing are not sufficient to fully fund planned and anticipated expenditures in connection with the seasonal resumption of production operations in 2013 pending the commencement of cash flow from iron ore sales. Accordingly additional working capital financing or advance sales payments will be required.

The Company has been actively pursuing financing arrangements for the seasonal start-up of operations (April to June 2013). Such financings may include an operating line of credit or working capital facility, or product off-take arrangements, and/or credit or debt facilities, or a combination of financing alternatives. However, while a number of entities have provided term sheets or proposals for financings or transactions in the range of $20 to $40 million, subject to various conditions, and some have undertaken due diligence, at the present time, although discussions and negotiations are continuing, there can be no assurance that such financing arrangements or transactions can be fully completed by the beginning of the 2013 operating season.

The Company has previously stated that resumption of mining operations in April 2013 for the 2013 operating season will depend on a number of inter-related factors including the Company being reasonably confident that the forecast world iron ore prices will continue at levels of US$110 or higher on a CFR China basis at least for the 2013 operating season (April through November, 2013). The Company has been monitoring published iron ore price forecasts provided by investment and industry analysts as well as the futures market for iron ore since the seasonal shutdown of operations in November 2012. Based on this and having regard to increases in such price during December 2012, January 2013 and early February 2013, the Company believes that sufficient confidence levels exist to resume normal operations in April 2013.

The Company has a high degree of confidence that additional working capital or off-take or other financing will be secured on a timely basis to meet the requirements of the 2013 operating season based upon the term sheets received and negotiations to date with potential financing providers.

In the event additional working capital financing is not obtained, the Company could nevertheless resume operations utilizing the net proceeds of the $29 million February 2013 equity financing and other sources of funding available to the Company including trade credit. The Company's priority in this case would be to complete its first shipment of iron ore as soon as possible. Negotiation of an advance payment arrangement with a commodities dealer or bank would ensure accelerated payment of most of the sale price of such shipment. The Company believes that, in the absence of unforeseen circumstances, this can be accomplished by the end of May 2013. The operational priority for the Company is to minimize costs and ensure that sales revenue is generated as early as possible in the season. There is some discretion and flexibility as to the timing of planned capital expenditures for upgrades to the processing plant and connection to hydro and in this scenario the Company would defer as much of these expenditures as possible for as long as possible without sacrificing operational efficiencies which might negatively impact operating costs.

This strategy would be contingent upon the Company's confidence in the continuation of favourable market conditions, particularly the iron ore benchmark price maintaining in the range of at least US$110 to US$120 per tonne on a 62% CFR China basis throughout the operating season. The Company is considering a hedging program to protect it against a drop in the price below this range. The current spot price for iron ore is above US$150 on a 62% Fe CFR China basis and has risen over 70% since the market low in September 2012. The Company currently intends to commence the 2013 operating season at the beginning of April, and plans a pre-stripping program in advance.

The Company is currently targeting approximately 1.7 to 2 million wet tonnes of saleable iron ore production in 2013. Cash operating costs in 2013, consisting of mining, processing, rail and transportation and site general and administrative costs, are not expected to be materially outside the range of $65 to $70 per tonne of product sold, unloaded at the Port of Sept-Iles.

Qualified Persons and Technical Reports

Scientific and technical information disclosed herein has been prepared under the supervision of Rod Cooper, P.Eng., President and Chief Operating Officer and Michel Cormier, Geol.Eng., Vice President Exploration of the Company, both of whom act as the Company's qualified persons within the meaning of NI 43-101.

A technical report entitled "*Revised Technical Report: Schefferville Area Direct Shipping Iron Ore Projects Resource Update in Western Labrador and North Eastern Quebec, Canada for Labrador Iron Mines Holdings Limited*" dated effective March 31, 2012 and revised October 24, 2012, by Maxime Dupere, P.Geo of SGS Canada Inc. and Justin Taylor P.Eng. of DRA Americas Inc., both of whom are Qualified Persons and independent persons of the Company within the meaning of NI 43-101, was filed on SEDAR and may be viewed under the Company's profile at www.sedar.com.

A technical report entitled "*Mineral Resource Update of the Houston Property, Labrador West Area, Newfoundland and Labrador, Canada for Labrador Iron Mines Holdings Limited*" dated March 31, 2012 by Maxime Dupere, P.Geo of SGS Canada Inc. and Justin Taylor P.Eng. of DRA Americas Inc., both of whom are Qualified Persons and independent persons of the Company within the meaning of NI 43-101, was filed on SEDAR and may be viewed under the Company's profile at www.sedar.com.

RESULTS OF OPERATIONS

Third Quarter Ended December 31, 2012

For the third quarter ended December 31, 2012, the Company reported a loss of $16.1 million, or $0.19 per share, including a depletion and depreciation charge of $5.1 million, or $0.06 per share, compared to a loss of $1.7 million, or $0.03 per share, during the same quarter of the previous year, and compared to a loss of $31.7 million, or $0.47 per share, including a depletion and depreciation charge of $14.4 million, or $0.21 per share, during the second quarter ended September 30, 2012.

The Company recognized revenue of $24.7 million (FOB Port of Sept-Iles) on sales of approximately 425,500 tonnes of iron ore in three shipments completed during the third quarter. The Company realized net proceeds of $32.8 million from sales of 386,000 tonnes of iron ore in three shipments completed during the same quarter of the previous year.

Cash operating costs, consisting of mining, processing, rail and transportation and site administration costs, for the quarter were approximately $77 per tonne of product sold, unloaded at the Port of Sept-Iles. Transportation costs for the quarter included a charge of $3.4 million, or $8 per tonne of product sold, relating to rail and train unloading take-or-pay volume penalties. The Company transported less product to port during the quarter than originally planned due partly to the decision to reduce production for the balance of 2012 because of the sharp decrease in the price of iron ore in August and September and partly because of heavy rainfall followed by freezing conditions in October and November. Rail operations were completed by November 9, 2012, earlier than originally planned. High moisture content in the sinter product, due to significant rainfall in October, made the loading of the second last vessel very difficult, as the moisture content approached the transportable limit of 8%. With colder weather entering the region, freezing of sinter was considered a risk and railing of sinter was therefore discontinued. With the early suspension of rail operations, contractual take-or-pay obligations dominated the railway operating expenses for the quarter.

Royalties during the third quarter were equal to US$1.50 per tonne of product sold during the quarter. Royalties during the same quarter of the previous year were also equal to US$1.50 per tonne of product sold.

The Company recorded a depletion and depreciation charge of $5.1 million during the third quarter. This represents a period charge, primarily on a units-of-production basis, of the cost of the James mine (including capitalized stripping and dewatering), Silver Yards processing plant, transportation equipment, and infrastructure and site administration properties associated with the operations of the James mine operations. The largest component of the depletion and depreciation charge was depletion of the James mine (including capitalized stripping and dewatering), which is being depleted on a units of production basis using the measured and indicated resources of the James deposit as the denominator. The depletion and depreciation charge during the third quarter is significantly less than the depletion and depreciation charge in the previous two quarters because of significantly less units-of-production activity during the third quarter. There was no comparable depletion and depreciation charged in the same quarter of the previous year, as the Company's mining operations were still in a start-up phase during that period.

During the third quarter, the Company incurred corporate and administrative costs of approximately $1.6 million, representing an increase of $0.4 million over corporate and administration costs of approximately $1.2 million in the same quarter of the previous year. The increase is attributable to an increase in the scale and scope of the Company's activities, including additional head office and regional office costs, increases in staff and associated costs, higher travel costs, additional insurance costs and additional social development and information technology expenditures.

As the Company was in full scale mining operations during the third quarter, no start-up expenses were recorded during this period. The Company had incurred start-up costs of $0.5 million in the same quarter of the previous year, as the Company's mining operations were still in a start-up phase during that period.

During the third quarter, the Company invested approximately $13.5 million in property, plant and equipment, compared to approximately $14.6 million invested during the same quarter of the previous year. The $13.5 million invested during the third quarter consisted mainly of investments in Phase 3 of the Silver Yards processing plant, grid connection infrastructure and expansion of the Company's mine accommodation camp.

Nine Months Ended December 31, 2012

For the nine months ended December 31, 2012, the Company reported a loss of $58.4 million, or $0.79 per share, including a depletion and depreciation charge of $29.3 million, or $0.40 per share, compared to a loss of $13.3 million, or $0.25 per share, during the same period of the previous year.

The Company recognized revenue of $95.8 million (FOB Port of Sept-Iles) on sales of approximately 1,560,000 tonnes of iron ore in ten shipments completed during the current nine month period. The Company's revenue for the nine month period was negatively impacted by a decline of 33% in the spot price of iron ore (on a CFR China basis, before value-in-use adjustments and before ocean freight and IOC allocation) during the July to September period.

The Company realized net proceeds of $32.8 million from sales of 386,000 tonnes of iron ore in three shipments completed during the same nine month period of the previous year.

Cash operating costs, consisting of mining, processing, rail and transportation and site administration costs, for the nine months were approximately $72 per tonne of product sold, unloaded at the Port of Sept-Iles. Transportation costs for the nine months included charges totaling $7 million, or $4.50 per tonne of product sold during the nine month period, relating to rail and train unloading take-or-pay volume penalties and a one off charge related to the Pointe aux Basque port facility.

Royalties during the current nine month period were equal to US$1.50 per tonne of product sold during the quarter. Royalties during the same nine month period of the previous year were also equal to US$1.50 per tonne of product sold.

The Company recorded a depletion and depreciation charge of $29.3 million during the current nine month period. This represents a period charge, primarily on a units-of-production basis, of the cost of the James mine (including capitalized stripping and dewatering), Silver Yards processing plant, transportation equipment, and infrastructure and site administration properties associated with the operational activities of the James mine. There was no such comparable depletion and depreciation charged in the same nine month period of the previous year, as the Company's mining operations were still in a start-up phase during that period.

The Company incurred corporate and administrative costs of approximately $6.9 million during the current nine month period, representing an increase of $3.3 million over corporate and administration costs of approximately $3.6 million in the same nine month period of the previous year. The increase is attributable to an increase in the scale and scope of the Company's activities, including additional head office and regional office costs, increases in staff and associated costs, higher travel costs, additional insurance costs and additional social development and information technology expenditures.

As the Company was in full scale mining operations during the current nine month period, no start-up expenses were recorded during this period. The Company had incurred start-up costs of $9.6 million in the same nine month period of the previous year, as the Company's mining operations were still in a start-up phase during that period.

During the current nine month period, the Company invested approximately $38.4 million in property, plant and equipment, compared to approximately $61.5 million invested during the same nine month period of the previous year. The $38.4 million invested during the current nine month period consisted mainly of investments in Phase 3 of the Silver Yards processing plant, grid connection infrastructure and expansion of the Company's mine accommodation camp.

During the current nine month period, the Company also advanced a total of $5 million ($2.5 million in April and $2.5 million in July) to TSH railway as non-repayable contributions to the TSH railway's capital upgrade program.

During the current nine month period, the Company also advanced $5 million to QNS&L railway as an installment towards its advance payments required to secure locomotive and infrastructure capacity to meet the Company's anticipated long term haulage volumes on the QNS&L railway.

During the current nine month period, the Company paid a preliminary installment of $6.4 million to the Port of Sept-Iles to secure ship loading capacity of 5 million tonnes per year in a new multi-user deep water dock in the Port of Sept-Iles dedicated exclusively to iron ore shipments. The Company also guaranteed a final buy-in payment installment of an additional $6.4 million payable in July 2013.

During the current nine month period the Company also advanced $1.5 million to CN to participate in a feasibility study evaluating the development of a new, continuous multi-user railway from the northern Labrador Trough to the Port of Sept-Iles. Due to CN's suspension of this feasibility study in February 2013, the Company will be reimbursed its $1.5 million contribution.

Financings

November 2012 Prospectus Financing

On November 6, 2012, the Company completed an equity financing by way of a short form prospectus (the "November 2012 Prospectus"), raising gross proceeds of $30,000,000 (the "November 2012 Prospectus Financing"). The following table sets out how the proceeds from the November 2012 Prospectus Financing have been spent up to December 31, 2012 compared to the anticipated use of proceeds set out in the November 2012 Prospectus.

	As disclosed in the November 2012 Prospectus	**Actual expenditures, up to December 31, 2012**
Gross Proceeds	$30,00,000	$30,00,000
Underwriting fee	$1,500,000	$1,500,000
Other expenses of the 2012 Prospectus Financing	$300,000	$321,215
Net Proceeds	**$28,200,000**	**$28,178,785**
Use of Net Proceeds		
Capital and infrastructure expenditures committed following the commencement of the Company's 2013 fiscal year including acquisition of dry screening and crushing equipment, camp expansion and installation of enterprise software system:	$3,200,000	$2,297,143
Mining and processing costs including payments to the Company's mining contractor to the end of the operating season in December, 2012:	$10,000,000	$6,783,718
Transportation costs, including tariff payments to TSH and QNS&L, to the end of the operating season in December, 2012:	$10,000,000	$8,899,620
Working capital and general corporate purposes:	$5,000,000	-
Unspent net proceeds:	-	$10,198,304
Total:	**$28,200,000**	**$28,178,785**

SUMMARY OF QUARTERLY RESULTS

($000s, except per share data)

	Quarter ended March 31, 2011	Quarter ended June 30, 2011	Quarter ended Sept 30, 2011	Quarter ended Dec 31, 2011	Quarter ended March 31, 2012	Quarter ended June 30, 2012	Quarter ended Sept 30, 2012	Quarter ended Dec 31, 2012
Net (loss)	(623)	(4,670)	(6,993)	(1,678)	(1,331)	(10,584)	(31,712)	(16,110)
(Loss) per share	(0.01)	(0.09)	(0.13)	(0.03)	(0.02)	(0.16)	(0.47)	(.0.19)
Total assets	184,280	305,385	296,605	304,443	379,754	374,852	359,381	358,789

The increase in the loss and loss per share in the quarters ended June 30, 2011 and September 30, 2011 compared to previous quarters relates mainly to start-up costs of approximately $3.5 million and $5.6 million incurred respectively during those quarters. Such start-up costs were less significant during the quarter ended December 31, 2011 and were not incurred thereafter. The increase in loss and loss per share in the quarter ended June 30, 2012 relates largely to the commencement of depletion and depreciation of mining, transportation and processing assets during the quarter as full scale production began, resulting in a $9.8 million depletion and depreciation charge during the quarter compared to no comparable depletion and depreciation charge in previous quarters. The increase in loss

and loss per share in the quarter ended September 30, 2012 relates to a significant decline in the price of iron ore during this quarter, which had a significantly negative impact on operating results for the quarter. The loss and loss per share in the quarter ended September 30, 2012 includes a depletion and depreciation charge of $14.4 million for the quarter.

The increase in total assets in the three quarters subsequent to March 31, 2011 relates to the completion of the 2011 Prospectus Financing during April 2011 for gross proceeds of approximately $121 million. The increase in total assets at March 31, 2012 and thereafter relates to the completion of the March 2012 Prospectus Financing for gross proceeds of approximately $71.6 million.

LIQUIDITY AND CAPITAL RESOURCES

As at December 31, 2012, the Company had current assets of $48.5 million, including inventories with a carrying value of $12.8 million and accounts receivable and prepaid expenses of $24.1 million. At December 31, 2012, the Company had $10.2 million in unrestricted cash and cash equivalents and an additional $7.6 million in restricted cash. Subsequent to quarter end, in February 2013, the Company completed an equity financing for gross cash proceeds of $29.0 million. The Company's cash and cash equivalents are invested in an investment grade short-term money market fund and deposits with a major Canadian bank.

Current liabilities, consisting of accounts payable and accrued liabilities, the premium liability recognized on the issuance of flow-through shares and the current portion of finance lease obligations and rehabilitation provision, were in aggregate $47.8 million at December 31, 2012.

Subsequent to quarter end, in February 2013, the Company completed an equity financing for gross cash proceeds of $29.0 million.

In response to challenging market conditions, particularly the sharp decline in spot iron ore prices during the month of August 2012, the Company undertook a critical review of its operating and capital spending for the balance of 2012 and the fiscal year ending March 31, 2013 and implemented the following measures:

- Focused on cost reduction and cash conservation in order to prudently manage the Company's cash resources and requirements;
- Utilization of the new lower cost dry classifying system during the fall of 2012 to produce sinter and lump ore only;
- All uncommitted capital expenditure programs relating to the Silver Yards processing plant and development of the Houston deposits were deferred;
- The 2012 exploration program was reduced to $5.3 million (subsequently increased to $7.0 million) from the original budget of $8.6 million;
- Approximately $56 million of additional planned capital investment originally budgeted for 2012, and largely related to the Houston project, was deferred; and
- A $30 million equity financing was completed in November 2012 and a $29 million equity financing was completed in February 2013.

The Company's original 2012 budget for its capital investment programs totaled approximately $112 million. As at December 31, 2012, $42 million had been spent, $8 million remained for the balance of the fiscal year (of which $5 million is accrued in accounts payable at December 31, 2012) and $6 million was permanently cancelled. The

remaining approximately $56 million of capital expenditure relates mainly to the Stage 2 Houston project which has been deferred and will only be incurred if and when financing is in place for the Houston project.

Despite the many operational achievements in 2012, the second half of the year, including the quarter ended December 31, 2012, was adversely impacted by the rapid drop in spot iron ore prices in the second half of 2012. The Company responded with revised strategies in the mine, process plant and rail transport to optimize production at the lowest possible cost. The Company believes that the cost reductions in operations, combined with the scale-back in production, the deferral of capital expenditures and the completion of the $30 million equity financing in November 2012 enabled the Company to successfully complete its operating season in 2012.

The Company is actively pursuing financing arrangements to fund various planned expenditures including capital expenditures and infrastructure advances in 2013. Such financings may include an operating line of credit or working capital facility, or product off-take arrangements, and/or credit or debt facilities, or a combination of financing alternatives. However, while a number of entities have provided term sheets or proposals for financings or transactions in the range of $20 to $40 million, subject to various conditions, and some have undertaken due diligence, at the present time, although discussions and negotiations are continuing, there can be no assurance that such financing arrangements or transactions will be successfully completed.

For 2013 and following years, operations will be focused on the Company's Stage 1 deposits. The Company's Stage 1 deposits include six smaller satellite deposits and some historical stockpiles located within a 15 km radius of the James Mine and the Silver Yards processing plants.

The Company currently has no current or long term bank debt. The Company has entered into finance lease agreements for its mine camp at the Schefferville Project and is committed to minimum lease payments under these finance lease agreements. Under its rail transportation agreements the Company is committed to minimum take or pay tonnages per month over its eight month annual operating season.

The Company is actively pursuing and intends to secure working capital financing arrangements prior to the seasonal startup of operations in the first quarter of its 2014 fiscal year (April to June 2013). Such financing may include debt, an operating line of credit or product off-take arrangements or a combination of these alternatives.

The Company regularly monitors conditions in the iron ore market and, in particular, price trends for iron ore. Proposed capital expenditures are therefore reviewed on a regular basis in comparison to budgeted and projected operational cash flow in order to prudently manage cash balances.

The Company plans to fund any capital expenditures planned in fiscal 2014 through a combination of anticipated operating cash flow and potential debt facilities.

The carrying value of the Company's mineral property interests, under IFRS, at December 31, 2012 was $161.0 million, compared to $161.1 million at the beginning of the quarter. The net decrease in the carrying value is a result of the excess of depletion of the James mine, including capitalized stripping, over the capitalized mine development costs during the period.

As at December 31, 2012, the Company evaluated the carrying value of its mineral properties. Tests for recoverability were performed to determine if the estimated fair value exceeds the carrying amount of the Company's mineral property interests. Management does not consider that there has been any impairment in the value of the Company's mineral property interests. In assessing the future estimated cash flows, management used various estimates including, but not limited to, estimated operating and capital costs, estimated production, estimated

iron ore prices and estimated measured, indicated, inferred and historical resources. By their very nature, there can be no assurance that these estimates will actually be achieved or reflect the actual future operations of the Schefferville Projects.

OFF BALANCE SHEET ARRANGEMENTS

As at December 31, 2012 the Company had no off balance sheet arrangements.

OBLIGATIONS AND CONTRACTUAL COMMITMENTS

Contractual Commitments as at December 31, 2012	**Payments Due by Period Following December 31, 2012**				
	During First Year	**During Second and Third Year**	**During Fourth and Fifth Year**	**After Fifth Year**	**Total**
Office lease obligations	$502,000	$1,004,000	$1,004,000	$878,500	$3,388,500
Mine camp lease obligations	$1,161,000	$1,822,000	$691,500	-	3,674,500
Equipment supply, port and transportation contracts	$55,929,150	$102,480,309	$3,625,000	$23,775,000	$185,809,459
Total	**$57,592,150**	**$105,306,309**	**$5,320,500**	**$24,653,500**	**$192,872,459**

The office lease obligations are the minimum monthly lease payments due on the Company's head office in Toronto, Ontario.

The mine camp lease obligations are the minimum monthly lease payments due on the Company's accommodation camp near Silver Yards.

The contractual obligations under equipment supply, port and rail transportation contracts relate to future locomotive supply, rail and port infrastructure required payments and committed future minimum volume tonnages under agreements with WLRS, QNS&L, TSH and the Port of Sept-Iles.

In addition to the amounts set out in the above table, the Company is committed to spend $10.7 million in Canadian exploration expenses by December 31, 2013 as a result of the issuance of flow-through shares in the March 2012 Prospectus Financing, $9.1 million of which remained unspent as at December 31, 2012.

In addition to the amounts set out in the above table, the Company has entered into IBAs with the Innu Nation of Labrador, the Innu of Matimekush-Lac John, the Naskapi Nation of Kawawachikamach and the Innu Takuaikan Uashat Mak Mani-Utenam. These IBAs are life of mine agreements which establish the processes and the sharing of benefits that will ensure an ongoing positive relationship between the Company and the respective First Nations groups. In return for their consent and support, the First Nations groups and their members will benefit through employment, training, business opportunities and financial participation in the Schefferville Projects.

FINANCIAL INSTRUMENTS

The Company's treasury policy is to invest its cash and cash equivalents in an investment grade short-term money market fund 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 statement of financial position date based on relevant market information and information about the financial instruments.

As at December 31, 2012, 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 December 31, 2012, the Company did not hold any balances in foreign currencies, other than United States dollars.

The Company has included disclosure concerning some of the risk factors relating to its financial instruments in Note 20 to its consolidated financial statements for the fiscal year ended March 31, 2012.

OUTSTANDING SHARE CAPITAL

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

As at December 31, 2012, the Company had 97,763,307 common shares, 1,736,875 stock options, 2,162,500 broker warrants and 155,090 deferred share units outstanding.

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

Security	Number	Weighted average exercise price	Weighted average remaining life (years)
Common shares	126,200,807	N/A	N/A
Stock options	1,736,875	$5.14	3.9
Warrants	13,800,000	$1.35	3.0
Broker warrants	2,705,000	$2.08	1.2
Deferred share units	155,090	N/A	N/A

Of the stock options currently outstanding, 243,750 options have an exercise price of $6.27 per share and expire on September 14, 2015; 12,500 options have an exercise price of $7.30 and expire on November 9, 2015; 82,500 options have an exercise price of $11.65 per share and expire on February 9, 2016; 65,000 options have an exercise price of $10.18 per share and expire on June 23, 2016; 100,000 options have an exercise price of $6.80 and expire on September 22, 2016; 40,000 options have an exercise price of $6.81 and expire on November 10, 2016; 200,000 options have an exercise price of $6.35 and expire on November 30, 2016; 152,500 options have an exercise price of $6.20 and expire on February 9, 2017; and 840,625 options have an exercise price of $3.00 and expire on July 2, 2017.

All stock options vest as to one-eighth on the first day of each quarter following their grant date.

All 13,800,000 of the warrants outstanding have an exercise price of $1.35 per share and expire on February 13, 2016.

Of the broker warrants currently outstanding, 662,500 broker warrants have an exercise price of $5.30 per share and expire on September 20, 2013; 662,500 broker warrants have an exercise price of $1.00 per share and expire on May 6, 2014; and 1,380,000 broker warrants have an exercise price of $1.05 per unit (each, a "Unit") and expire on August 13, 2014. Each Unit consists of one common share and one half of a common share purchase warrant. Each common share purchase warrant is exercisable into one common share at an exercise price of $1.35 per share until February 13, 2016.

TRANSACTIONS WITH RELATED PARTIES

During the nine months ended December 31, 2012, the Company recovered $90,045 (December 31, 2011 - $88,489) in respect of office rent from corporations with common directors and/or officers. At December 31, 2012, $8,617 is included in accounts receivable (March 31, 2012 - $10,910).

During the nine months ended December 31, 2012, the Company also made payments to companies with common directors and/or officers in the amount of $502,817 (December 31, 2011 - $403,673) as compensation for management services provided. All of the management compensation in the nine months ended December 31, 2012 was expensed. At December 31, 2012, $21,859 in management compensation remained payable to these related companies (March 31, 2012 - $175,000).

During the nine months ended December 31, 2012, the Company also incurred legal fees (professional fees and share issue costs) in respect of services provided by a professional corporation controlled by an officer in the amount of $276,640 (December 31, 2011 - $190,240). At December 31, 2012, $85,000 in legal fees remained payable to this related party (March 31, 2012 - $105,961).

CRITICAL ACCOUNTING ESTIMATES

Revenue Recognition

Prior to reaching commercial production, the proceeds from shipments of iron ore, net of the mining, processing, transportation and other associated costs of such shipments, were credited against mineral property interests.

Commencing effective April 1, 2012, revenue is recognized when all of the following criteria have been met: (i) the significant risks and rewards of ownership of the product have been transferred to the buyer; (ii) neither continuing managerial involvement to the degree usually associated with ownership, nor effective control over the product sold, has been retained; (iii) the amount of revenue can be measured reliably; (iv) the collectability of the proceeds is probable; and (v) the costs associated with the sale can reliably be measured. All of these criteria will typically be met with respect to a shipment of the Company's iron ore when the vessel carrying the iron ore has departed the Port of Sept-Iles.

Use of estimates

The preparation of the financial statements in conformity with IFRS 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 fiscal year. Actual results could differ from estimates. During the periods presented, management has made a number of significant estimates and valuation assumptions, including the recoverability of investments in mineral property interests, the fair value of stock options and the valuation of capital lease obligations and asset retirement obligations. These estimates and valuation assumptions are based on historical experience, present conditions and management's planned course of action, as well as assumptions about future business and economic conditions. The use of different assumptions could result in

different estimates. Should future business and economic conditions deteriorate, or the underlying valuation assumptions and estimates change, the recorded amounts could change by a material amount.

Mineral property interests and deferred exploration expenditures

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

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

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

Stock-based compensation

The Company records compensation cost based on the fair value method of accounting for stock-based compensation. The fair value of stock options is determined using the Black-Scholes option pricing model, and in respect of options vested during the quarter ended December 31, 2012 based on the assumptions set out in Note 11(a) to the condensed interim consolidated financial statements.

The Black-Scholes pricing model, which is now widely used in determining the “fair value” of stock options, was developed for use in estimating the fair value of freely traded options which are fully transferable and have no vesting restrictions and in many cases does not generate a meaningful “fair value” for stock options of companies similar to the Company. 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.

Rehabilitation provisions

The Company records the present value of estimated costs of legal and constructive obligations required to restore operating locations in the period in which the obligation is incurred. The nature of these restoration activities includes dismantling and removing structures, rehabilitating mines and waste sites, dismantling operating facilities, closure of plant and waste sites, and restoration, reclamation and re-vegetation of affected areas.

The obligation generally arises when the asset is installed or the ground/environment is disturbed at the production location. When the liability is initially recognized, the present value of the estimated cost is capitalized by increasing the carrying amount of the related mining asset to the extent that it was incurred prior to the production of related ore. Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognized in the consolidated statement of operations as a finance cost. Additional disturbances or changes in rehabilitation costs will be recognized as additions or charges to the corresponding assets and rehabilitation liability

when they occur. For closed sites, changes to estimated costs are recognized immediately in the consolidated statement of operations.

During fiscal 2011, the Company established a rehabilitation provision relating to its mining operations. The total undiscounted amount that is expected to settle the Company's reclamation and remediation obligations related to this portion of its mining operations at the end of its mine life is $2,940,067. The present value of this estimated amount has been calculated under IFRS as $3,011,571 as at December 31, 2012.

In determining the present value of the rehabilitation provision as at December 31, 2012, the Company has assumed a long-term inflation rate of approximately 2%, a current market discount rate of approximately 1.4% and a mine 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

The Company is not aware of any new accounting standards that have a material impact on the Company's interim consolidated financial statements for the quarter and nine months ended December 31, 2012.

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 greater detail the Company's annual information form ("AIF") dated June 19, 2012, which is available under the Company's profile on SEDAR at www.sedar.com. A summary of the principal risks and uncertainties which the Company faces is set out below.

No Assurance of Profitable Production

Resource development is a speculative business, characterized by a number of significant risks including, among other things, unprofitable efforts resulting not only from the failure to discover mineral deposits but also from finding mineral deposits that, though present, are insufficient in quantity and quality to return a profit from production. The marketability of minerals acquired or discovered by the Company may be affected by numerous factors that are beyond the control of the Company and which cannot be accurately predicted, such as market fluctuations, mineral markets and processing equipment, and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting minerals and environmental protection, the combination of which factors may result in the Company not receiving an adequate return on investment capital. Many of the mining claims in which the Company has an interest are in the exploration stage only and are without a known body of commercial ore.

The Company has been actively pursuing financing arrangements for the seasonal start-up of operations in the first quarter of its 2014 fiscal year (April to June 2013). Such financings may include an operating line of credit or working capital facility, or product off-take arrangements, and/or credit or debt facilities, or a combination of financing alternatives. However, while a number of entities have provided term sheets or proposals for financings or transactions in the range of $20 to $40 million, subject to various conditions, and some have undertaken due diligence, at the present time, although discussions and negotiations are continuing, there can be no assurance that such financing arrangements or transactions can be fully completed by the beginning of the 2013 operating season.

In the event additional working capital financing is not obtained, the Company could nevertheless resume operations utilizing the net proceeds of the Offering and other sources of funding available to the Company including trade

credit. Management of the Company believes that, in the absence of unforeseen circumstances the net proceeds of the Offering combined with the proceeds of the private placement referred to above and available trade credit are expected to be sufficient to fund regular operations to the end of May 2013 at which time an advance payment arrangement with a commodities dealer or bank would ensure accelerated payment of most of the sale price of such shipload. There can be no assurance that such advance payment arrangement can be completed.

Mineral exploration is highly speculative in nature, involves many risks, and frequently does not lead to the discovery of commercial reserves of minerals. There can be no assurance that the Company's past or future exploration efforts will be successful, or that any such production therefrom will be obtained, continued or be profitable.

A feasibility study has not been conducted on any of the Schefferville Projects and the Company's decision to undertake commercial production from the James and Houston deposits has not been based upon a feasibility study of mineral reserves demonstrating economic and technical viability. Accordingly, there is an increased risk of economic or technical failure as the volume and grade of iron ore mined and processed and recovery rates may not be the same as currently anticipated. Any material reductions in estimates of mineral resources, or of the Company's ability to extract iron ore, could have a material adverse effect on the Company's results of operations and financial condition.

Substantial expenditures are required to establish reserves through drilling and to develop the mining and processing facilities and infrastructure at any site chosen for mining. No assurance can be given that minerals will be discovered in sufficient quantities to justify further commercial operations or that funds required for development can be obtained on a timely basis. The long-term profitability of the Company's operations will in part be directly related to the costs and success of its exploration and development programs, which may be affected by a number of factors.

Commencement of full construction activities for the Houston project is subject to the availability of financing and the receipt of the remaining permits. The Company is evaluating various potential strategic partnerships or off-take arrangements and/or credit facilities and other financing alternatives to fund Houston development and related transportation and port infrastructure expenditures. There can be no assurance the Company will be successful in obtaining the required financing or in obtaining such financing on reasonable or acceptable terms in which case the construction of the Houston project may be delayed.

The successful commercial development of the Company's properties depends upon the Company's ability to generate cash flow and/or to obtain financing through private placement financing, public financing, joint venturing of projects, bank financing, commodity financing or other means. Based on the Company's cash flow forecasts and projections for the remainder of the current fiscal year to March 31, 2013, in the light of current and anticipated economic and iron ore market conditions, the Company believes that it has the underlying assets and adequate resources to continue in business as a going concern for the foreseeable future. The validity of the going concern basis is dependent on finance being available for the continuing working capital requirements of the Company. The assumption of a going concern is dependent upon the Company achieving profitable operations to generate sufficient cash flows to fund continuing operations, or in the absence of adequate cash flows from operations, obtaining additional financing to support operations for the foreseeable future. The Company has not concluded any agreements for the sale of any iron ore for 2013 or future years. There can be no assurance the Company will attain profitable levels of operations or that that the Company will be successful in obtaining any required financing or in obtaining financing on reasonable or acceptable terms.

Availability of Qualified Personnel

The Company has limited experience in placing resource properties into production, and its ability to do so will be dependent upon securing the services of appropriately experienced personnel or entering into agreements with other companies or contractors that can provide such expertise. There can be no assurance that the Company will have available to it the necessary expertise or whether it will produce revenue, operate profitably or provide a return on investment in the future.

In common with all other mining operations in Canada and worldwide, the Company is competing for limited available skilled manpower, including professional, technical and trades personnel, which is likely to exacerbate with the major expansions announced by other companies operating in the Labrador Trough region. The increased demand for skilled personnel may increase the Company's costs of operating which could have a material adverse effect on the Company's results of operations and financial condition.

The Company's rail maintenance and repair facility in Sept-Iles was organized by the Metalicos (United Steelworkers) union in the quarter ended December 31, 2012. Negotiations towards a first collective agreement are scheduled to begin in February 2013. Failure to reach an acceptable collective agreement and any resulting labour action could have a negative impact on the costs and efficiency of the Company's rail operations and the Company's results of operations.

Transportation and Port Infrastructure

The Company's iron ore product is transported via a 560 km railway line between Schefferville and the Port of Sept Iles. This railway line is comprised of two sections, the Menihek Division railway line owned by TSH, which runs approximately 200 km between Schefferville and Emeril Junction, and the QNS&L railway line owned by IOC, which continues the remaining approximately 360 km to Sept Iles. At Sept Iles (Arnaud Junction), the QNS&L railway line connects to the Arnaud Railroad (Chemin de fer Arnaud) owned by Cliffs Wabush Mines, which runs approximately 34 km around the bay to the port terminal at Pointe-Noire.

During 2011, TSH carried out some upgrade work on its Menihek Division rail line following a cash investment by both the Company and Tata Steel Canada. This upgrade work will need to be continued to ensure that the tonnages planned for 2012 and expansion in future years can be efficiently transported. This ongoing TSH rail upgrade will require continuing cash investment by the two mine operating companies and TSH, and potentially by governments.

In July 2012, the Company completed a life-of-mine agreement with TSH railway, replacing its previous annual agreement. Pursuant to this long-term confidential rail transportation contract with TSH, the Company has agreed to make contributions towards the costs of the TSH Menihek rail line upgrade program to a total of approximately $25 million (inclusive of the $8.5 million in upgrade contributions already made of which $2.5 million was made in April 2012 and a further $2.5 million in July 2012) over the next four to five years. Future contributions will be repaid to the Company over an expected period of about four years commencing in 2017, subject to the Company maintaining normal annual transportation operations on the TSH railway.

On March 10, 2011, the Company entered into a life of mine, confidential rail transportation contract with QNS&L for the transportation of the Company's products from the end of the Menihek Division at Emeril Junction to Sept-Iles. Under the QNS&L rail transportation contract, advance payments totaling $25 million were required, of which $10 million was paid in 2011 and $5 million in August 2012, to secure the locomotive equipment and infrastructure capacity to meet the Company's anticipated haulage volumes on the QNS&L rail line. The remaining $10 million was due to be paid in installments of $5 million each on September 1 and October 1, 2012 and the Company is discussing with QNS&L the rescheduling of these remaining payments to relate to anticipated increased capacity

and longer train sets required in future years. There can be no assurance that rescheduling arrangements of these remaining payments on acceptable terms will be concluded or concluded on a timely basis.

The Company continues to evaluate different options for the unloading, stockpiling and ship loading of the Company's iron ore products at the Port of Sept-Iles. In July 2012, the Company entered into an agreement with the Sept-Iles Port Authority to secure loading capacity at the Port's proposed new multi-user deep water dock which is currently under construction at Pointe Noire and which the Port Authority expects to be operational in 2014. Rail access to Pointe Noire will require an agreement with the Arnaud Railroad (CFA) which connects Pointe Noire with the QNS&L Railroad at Arnaud Junction located at the other side of the bay of Sept-Iles. The Company is currently in discussions with Arnaud Railroad (Cliffs Natural Resources) regarding rail access on the Arnaud railroad and has not concluded any agreement for access to or use of the Arnaud Railroad. The Company is also currently in discussions with the Sept-Iles Port Authority, and with other port operators and customers, regarding storage, reclaim and ship-loading of its iron ore products at Pointe Noire. The Company has not concluded any agreements or arrangements for the unloading, storage, reclaim or ship loading, of any iron ore utilising the new multi-user dock for 2013 or future years. There can be no assurance that arrangements on acceptable terms will be concluded or concluded on a timely basis. Failure to reach satisfactory arrangements for rail connection to Pointe Noire or for the unloading, storage , reclaim and ship loading of iron ore in the Port of Sept-Iles , or the delay in establishing such facilities, may prevent the shipment of the Company's iron ore and would have a negative impact on the Company's operations.

The Company's current iron ore production is sold to IOC and re-sold by IOC in the Chinese spot market on a CFR China basis. The net sales price received by the Company for the sale of its iron ore is after the payment for ocean freight shipping costs from the Port of Sept-Iles to China. The cost of ocean freight has fluctuated widely in recent years and is affected by many factors beyond the control of the Company including, but not limited to, international economic and industrial trends, changes in global demand, currency exchange fluctuations, expectations for the level of demand in the consuming and emerging economies, particularly China, interest rates, global and local economic activity, speculative activities and changes in the world wide supply of shipping vessels , including, in particular, the demand for and supply of cape-size ocean going ships and/or the construction of new ships. There can be no assurance that the cost of ocean freight, including bunker sea fuel, will not increase to a level which would make the transportation of iron ore from eastern Canada to China or other parts of Asia uneconomic.

Development and Operating Risks

Mining operations, such as those at the James deposits and anticipated at Houston and other deposits, generally involve a high degree of risk. Such operations are subject to all of the hazards and risks normally encountered in the exploration for, and the development and production of, iron ore, including unusual and unexpected geologic formations, seismic activity, rock bursts, cave-ins, flooding and other conditions involved in the drilling and removal of material, any of which could result in damage to, or destruction of, mines and other producing facilities, damage to life or property, environmental damage and possible legal liability. Milling operations are subject to hazards such as equipment failure, changes in ore characteristics, such as rock hardness, and mineralogy which may impact production rates and iron ore recovery, or failure of retaining dams which may result in environmental pollution and consequent liability.

Uncertainty in the Estimation of Mineral Resources

There is a degree of uncertainty to the calculation of mineral resources and corresponding grades being mined or dedicated to future production. Until mineral resources are actually mined and processed, the quantity of mineral resources and corresponding grades must be considered as estimates only. In addition, the quantity of mineral resources may vary depending on, among other things, metal prices. Any material change in quantity of mineral

resources, grade or stripping ratio may affect the economic viability of the Schefferville Projects. In addition, there can be no assurance that iron ore recoveries in small scale laboratory tests will be duplicated in larger scale tests under on-site conditions or during production. Fluctuation in iron ore prices, results of drilling, metallurgical testing and production and the evaluation of mine plans subsequent to the date of any estimate may require revisions of such estimates. The volume and grade of iron ore mined and processed and recovery rates may not be the same as currently anticipated. Any material reductions in estimates of mineral resources, or of the Company's ability to extract iron ore, could have a material adverse effect on the Company's results of operations and financial condition.

Uncertainty Relating to Inferred Mineral Resources

There is a risk that inferred mineral resources cannot be converted into mineral reserves as the ability to assess geological continuity is not sufficient to demonstrate economic viability. Due to the uncertainty which may attach to inferred mineral resources, there is no assurance that inferred mineral resources will be upgraded to resources with sufficient geological continuity to constitute proven and probable mineral reserves as a result of continued exploration.

Need for Additional Mineral Reserves and Mineral Resources

Because mines have limited lives based on proven and probable mineral reserves, the Company will be required to continually replace and expand its mineral resources as its mines produce iron ore. The life-of-mine estimates included in the Company's AIF in respect of the James and Houston deposits may not ultimately be realized. The Company's ability to maintain or increase its annual production of iron ore in the future will be dependent in significant part on its ability to bring new mines into production and to expand mineral resources at existing mines.

Ability to Continue Operations

The ability of the Company to advance its business objectives for the future is dependent upon its ability to generate operating revenues in excess of its costs of operation. This is contingent, in part, upon continued world demand for the Company's iron ore products and prevailing market prices for such products to persist at levels in excess of the Company's cost of production.

In the unlikely event that prevailing market conditions are such that the Company is unable to sustain full scale mining operations, the Company would not be able to generate operating revenues and would be compelled to confine its operations to essential development and exploration activities. In addition, all regulatory requirements would need to be fulfilled with respect to permit conditions and site environmental monitoring in order to maintain the assets in a condition where resumption of production could be considered at the appropriate time.

Negotiation of a suspension or deferral of the 'take-or-pay' capacity reservation commitments under the rail contracts with TSH and QNS&L would also be required to preserve the Company's cash resources through the remainder of 2013.

Although current market conditions are considered by the Company to be favourable for successful mining and processing operations by the Company for 2013 there can be no assurance that such conditions will not deteriorate to the point where consideration of the suspension of regular operations will have to be contemplated.

Reliance on Others and Factors Beyond the Company's Control

The exploration and development of the Company's mineral properties and the marketability of iron ore products produced from such properties will be affected by numerous factors beyond the control of the Company. These factors include availability of markets for iron ore products produced by the Company, variability in Chinese

economic growth and the resulting impact on Chinese demand for iron ore, high levels of volatility in market prices for iron ore, availability of adequate rail, port and shipping transportation, government regulation and the imposition of new or amendments to existing taxes and royalties. The effect of these factors cannot be accurately predicted.

During the 2011 and 2012 operating seasons, the Company sold all of its iron ore to IOC for re-sale in the China spot market, accordingly the Company was dependent on IOC for product handling, loading and port infrastructure for the transportation of its iron ore products to the Chinese markets and on IOC's marketing expertise in iron ore sales. The Company has not concluded any agreements for the loading, transportation or sale of any iron ore for 2013 and is in discussions with IOC with regard to the renewal of the sales arrangements which were operable in 2011 and 2012. There can be no assurance that such sales arrangements will be negotiated or negotiated on satisfactory terms.

The Company continues to review its options for the marketing of its iron ore production in future years and is evaluating the optimum route to achieve these sales, while still maintaining maximum flexibility and independence. Marketing discussions are continuing with potential customers, both in Europe and in Asia. The Company is also continuing discussions with a number of internationally recognized commodity traders with specialist knowledge of the iron and steel industry concerning possible sales arrangements.

There can be no assurance that arrangements on acceptable terms will be concluded or concluded on a timely basis. In the absence of an alternative port, loading, transportation and sales solution, failure to reach a satisfactory agreement with IOC for 2013 would have a negative impact on the Company's results of operations.

Demand for and Market Price of Iron Ore

The Company's revenues are primarily derived from the sale of iron ore and changes in the demand for and market price of iron ore has affected and may affect the future profitability of the Company's operations and financial condition.

The price of iron ore has fluctuated widely in recent years and is affected by factors beyond the control of the Company including, but not limited to, international economic and industrial trends, changes in global demand, currency exchange fluctuations, expectations for the level of demand in the consuming and emerging economies, particularly China, interest rates, global and local economic activity, speculative activities and changes in the world wide supply of iron ore due to mine expansions and/or new mine developments, particularly in Australia, Brazil and Africa.

Economic and industrial development, including infrastructure and housing construction, in China driven by Chinese economic and monetary policy, are expected to be the key factors driving the demand for, and the price of, iron ore in the current and future years and any weakness in the Chinese economy would affect the profitability of the Company's operations and financial condition.

The rate of global economic growth has slowed over the past two years particularly in Asia and the United States while growth has been negative in Europe as a result of that region's sovereign debt crisis which has created downward pressure on the world demand for steel and its principal raw material, iron ore. As a result the world price of iron ore has experienced significant volatility over the past year and particularly with a sharp decline in the months of August and September, 2012. The Company estimates that sales prices based on a spot price for iron ore of at least US$110 per dry tonne on a 62% Fe CFR China basis will be required in order to produce its iron ore products on a cash break even basis. If currently prevailing prices, which are higher than this level, are not maintained the future profitability of the Company's operations and financial condition would be negatively impacted.

Current Global Financial and Economic Condition

Financial markets globally have recently been subject to increased volatility and numerous financial institutions have either gone into bankruptcy or have had to be rescued by governmental authorities. Access to financing has been negatively impacted by liquidity crises throughout the world. These factors may impact the ability of the Company to obtain loans and other credit facilities in the future and, if obtained, on terms favorable to the Company. If these increased levels of volatility and market turmoil continue, the Company may not be able to secure appropriate debt or equity financing, any of which could affect the trading price of the Company's securities in an adverse manner.

The Company's securities may experience price volatility

Securities markets have a high level of price and volume volatility, and the market price of securities of many companies have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. Factors unrelated to the financial performance or prospects of the Company include macroeconomic developments in North America and globally and market perceptions of the attractiveness of particular industries. There can be no assurance that continued fluctuations in mineral prices will not occur. As a result of any of these factors, the market price of the securities of the Company at any given point in time may not accurately reflect the long term value of the Company.

In the past, following periods of volatility in the market price of a company's securities, shareholders have instituted class action securities litigation against those companies. Such litigation, if instituted, could result in substantial cost and diversion of management attention and resources, which could significantly harm profitability and the reputation of the Company.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") of the Company 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 IFRS.

The Company has adopted appropriate 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, 2012 and concluded that as of that date they were effective to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

There were no changes to the Company's internal control over financial reporting during the quarter ended December 31, 2012, that have materially affected, or are reasonably likely to materially affect, the Company's internal control of financial reporting.

ADDITIONAL INFORMATION

Additional information regarding the Company, including the AIF, the audited consolidated financial statements for the fiscal year ended March 31, 2012 and the unaudited condensed interim consolidated financial statements for the quarter ended December 31, 2012, is available under the Company's profile on SEDAR at www.sedar.com.

FORWARD LOOKING STATEMENTS

This Management's Discussion and Analysis contains certain forward-looking statements relating to, but not limited to, the Company's expectations, intentions, plans and beliefs. Forward-looking information can often be identified by forward-looking words such as "anticipate", "believe", "expect", "goal", "plan", "intend", "estimate", "may" and "will" or similar words suggesting future outcomes, or other expectations, beliefs, plans, objectives, assumptions, intentions or statements about future events or performance. Forward-looking information may include reserve and resource estimates, estimates of future production, unit costs, costs of capital projects and timing of commencement of operations, and is based on current expectations that involve a number of business risks and uncertainties. Factors that could cause actual results to differ materially from any forward-looking statement include, but are not limited to, failure to establish estimated resources and reserves, the grade and recovery of ore which is mined varying from estimates, capital and operating costs varying significantly from estimates, delays in obtaining or failures to obtain required governmental, environmental or other project approvals, delays in the development of projects, changes in exchange rates, fluctuations in commodity prices, inflation and other factors. Forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results to differ materially from expected results. There can be no assurance that the Company will be successful in maintaining 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. 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.