

# **LABRADOR IRON MINES HOLDINGS LIMITED**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE AND NINE MONTHS ENDED DECEMBER 31, 2010**

**Dated: February 14, 2011**

### **GENERAL**

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the unaudited interim consolidated financial statements and notes thereto of Labrador Iron Mines Holdings Limited (the "Company") for the three and nine months ended December 31, 2010.

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

Except where otherwise stated, the resources referred to in this document are historical and have not been confirmed in accordance with the standards in National Instrument 43-101 ("NI 43-101"). The terms "iron ore" and "ore" in the document are used in a descriptive sense and should not be construed as representing current economic viability.

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

### **OVERVIEW**

The Company is a mineral resource company focused on exploring, developing and mining direct shipping iron ore in western Labrador and north-eastern Quebec in Canada near Schefferville, Quebec. The Company's shares are listed on the Toronto Stock Exchange under the symbol "LIM".

Through its wholly-owned subsidiary Labrador Iron Mines Limited ("LIM"), the Company holds three Mining Leases and 52 Mineral Rights Licenses issued by the Department of Natural Resources, Province of Newfoundland and Labrador, covering approximately 15,875 hectares. These Mineral Rights Licenses are held subject to a royalty of 3% of the selling price freight on board ("FOB") port of iron ore produced and shipped from the properties, subject to such royalty being not greater than \$1.50 per tonne.

In addition, through its wholly owned subsidiary, Schefferville Mines Inc. ("SMI"), the Company holds interests in 279 Mining Rights issued by the Ministry of Natural Resources, Province of Quebec, covering approximately 11,703 hectares. SMI also holds an exclusive operating license in a mining lease covering 23 parcels totaling about 2,036 hectares. These mining rights and the operating license are held subject to a royalty of \$2.00 per tonne of iron ore produced from the properties.

#### ***The Schefferville Projects – Western Labrador and North-Eastern Quebec***

The Company's iron ore projects are located in the western central part of the Labrador Trough iron range, one of the major iron ore producing regions in the world. The iron ore projects are divided into two separate

portions, one within the Province of Newfoundland and Labrador, and the other within the Province of Quebec, both located near the town of Schefferville, Quebec (collectively, the “Schefferville Projects”).

The deposits forming the Schefferville Projects comprise twenty different iron ore deposits which were part of the original IOC direct shipping Schefferville operations conducted from 1954 to 1982 and formed part of the 250 million tons of historical reserves and resources previously identified by IOC.

The Company has confirmed a NI 43-101 compliant indicated resource of 11 million tonnes on the James and Redmond deposits and NI 43-101 compliant measured and indicated resource of 19.4 million tonnes on the Houston deposits. The remaining seventeen deposits (excluding James, Redmond and Houston), have a total combined historical resource estimated to be approximately 125 million tons based on work carried out by IOC prior to the closure of its Schefferville operations in 1984. The historical estimate was prepared according to the standards used by IOC and, while still considered relevant, is not compliant with NI 43-101. The Company plans to bring the historical resources on these other deposits into NI 43-101 compliant status sequentially in line with their intended phases of production.

*Mineral resources that are not mineral reserves do not have demonstrated economic viability and dilution factors and recovery rates and allowances for losses have not been applied. There is no certainty that mineral resources will be converted into mineral reserves. Inferred mineral resources are considered too speculative geologically to have economic considerations applied to them that would enable them to be categorized as mineral reserves.*

The Company’s plans for the Schefferville Projects envision the development and mining of the deposits in Stages. Stage 1, which will itself be undertaken in phases, comprises the deposits closest to existing infrastructure located in an area identified as the Central Zone. The first phase of Stage 1 involves mining of the James and Redmond deposits in Labrador, the second phase will involve the sequential development subject to permitting, of the Ruth, Gill and Knob Lake deposits in Labrador, and the third phase the Denault, Star Creek and Malcolm deposits in Quebec.

The James deposit is accessible by existing gravel roads and is located approximately 5 km southwest of the town of Schefferville. The Redmond deposit is located approximately 10 km south of the James deposit and can be reached by existing gravel roads. The Ruth, Gill and Knob Lake deposits are all located within approximately 10 km from the James deposit and close to the town of Schefferville and can also be reached by existing gravel roads. The Denault and Star Creek deposits are located 7 km and 10 km respectively east of James, and the Malcolm deposit is 8 km from James.

The first phase of Stage 1 comprises the James North, James South, Redmond 2B and Redmond 5 deposits, each of which is located in western Labrador and in respect of which environmental assessment has been completed and construction and operating permits have been issued by the Government of Newfoundland and Labrador. Construction of a new processing plant located at Silver yards is substantially completed.

The Houston 1, 2 and 3 deposits, situated 15 km east of LIM’s James Mine and Silver Yards processing area and about 20 km from the town of Schefferville, Quebec comprise 12 mineral rights licenses representing 112 mineral claim units that cover approximately 2,800 hectares. Exploration drilling at Houston during 2010 has significantly increased the size of the resources to almost 20 million tonnes of measured and indicated resource. As a result of this significant increase, the Houston deposits are now of sufficient tonnage that merits evaluation of a stand-alone operation. The Company intends to evaluate the development of a new separate South Central Zone, (Stage 2), possibly with its own dedicated processing plant which, subject to environmental assessment, permitting and detailed engineering, could be brought into production in 2013 a rate of 2 to 3 million tonnes of iron ore per year. This would be in addition, to LIM’s

existing processing plant at Silver Yards which, with planned enhancements and additions will have a similar design capacity, and which it is intended will be utilized for the future treatment of the Phase Two (Stage 1) Ruth, Gill and Knob Lake deposits, all subject to further resource definition, metallurgical testing, environmental assessment permitting and detailed engineering.

It is intended that during the mining of the Stage 1 deposits, planning will be undertaken for the future operation of the more distant deposits in subsequent stages. As currently envisioned Stage 3 will comprise the Howse (Labrador), Barney (Quebec) and adjacent deposits which are located in an area now defined as the North Central Zone, about 25 km northwest of Schefferville and relatively close to existing infrastructure.

The Astray and Sawyer deposits in Labrador (Stage 4), located approximately 50km to 65 km southeast of Schefferville, do not currently have road access but can be reached by float plane or by helicopter.

The Kivivic deposit in Labrador and the Eclipse deposit in Quebec are located between 40 km to 70 km northwest of Schefferville and may eventually become Stage 5, but will require substantial infrastructure and building of road access.

### ***Schefferville Area Iron Ore Mine – Phase 1 Stage 1 (James, Redmond Deposits)***

The first phase of Stage 1 includes the development of James and Redmond mineral deposits which are located in western Labrador. The James and Redmond deposits are located approximately 5 km and 15 km, respectively, southwest of the town of Schefferville.

The Company has confirmed a NI 43-101 compliant indicated resource of 11 million tonnes on the James and Redmond deposits.

#### **James Classified Resources Estimates**

Deposit	Ore Type	Classification	Tonnage	SG	% Fe	% P	% Mn	% SiO <sub>2</sub>	% Al <sub>2</sub> O <sub>3</sub>
James	NB-LNB	Indicated	5,802,000	3.49	59.60	0.029	0.69	11.05	0.48
		Inferred	35,000	3.43	57.22	0.080	0.14	11.50	0.59
	HiSiO <sub>2</sub>	Indicated	2,296,000	3.33	52.92	0.021	0.53	21.75	0.43
		Inferred	76,000	3.31	51.87	0.015	0.15	23.72	0.42
	Total	Indicated	8,098,000	3.44	57.71	0.027	0.65	14.08	0.47
		Inferred	111,000	3.35	53.56	0.036	0.14	19.88	0.47

#### **Redmond 2B Classified Resources Estimates**

Deposit	Ore Type	Classification	Tonnage	SG	% Fe	% P	% Mn	% SiO <sub>2</sub>	% Al <sub>2</sub> O <sub>3</sub>
Redmond 2B	NB-LNB	Indicated	849,000	3.71	59.86	0.120	0.37	5.05	2.09
		Inferred	30,000	3.76	57.27	0.133	0.64	5.87	4.09

#### **Redmond 5 Classified Resources Estimates**

Deposit	Ore Type	Classification	Tonnage	SG	% Fe	% P	% Mn	% SiO <sub>2</sub>	% Al <sub>2</sub> O <sub>3</sub>
Redmond 5	NB-LNB	Indicated	1,793,000	3.40	55.55	0.051	1.32	9.26	0.87
		Inferred	78,000	3.30	52.34	0.068	1.95	10.84	0.96
	HiSiO <sub>2</sub>	Indicated	291,000	3.30	51.23	0.029	0.24	21.54	0.41
		Inferred	0	0.00	0.00	0.000	0.00	0.00	0.00
	Total	Indicated	2,084,000	3.40	54.95	0.048	1.17	10.97	0.81
		Inferred	78,000	3.30	52.34	0.068	1.95	10.84	0.96

## James and Redmond Total Classified Resources Estimates

Deposit	Ore Type	Classification	Tonnage	SG	% Fe	% P	% Mn	% SiO <sub>2</sub>	% Al <sub>2</sub> O <sub>3</sub>
total	NB-LNB	Indicated	8,444,000	3.47	58.76	0.043	0.79	10.07	0.72
		Inferred	144,000	3.37	54.48	0.085	1.23	9.93	1.53
	HiSiO <sub>2</sub>	Indicated	2,587,000	3.33	52.73	0.022	0.50	21.72	0.43
		Inferred	76,000	3.31	51.94	0.015	0.15	23.75	0.42
	Total	Indicated	<b>11,031,000</b>	<b>3.43</b>	<b>57.35</b>	<b>0.038</b>	<b>0.72</b>	<b>12.80</b>	<b>0.66</b>
		Inferred	<b>220,000</b>	<b>3.35</b>	<b>53.60</b>	<b>0.061</b>	<b>0.86</b>	<b>14.71</b>	<b>1.15</b>

The ore is also classified by colour type, Blue, Red and Yellow.

Ore Types	Ore Colours	T Fe%	T Mn%	SiO <sub>2</sub> %	Al <sub>2</sub> O <sub>3</sub> %
NB (Non-Bessemer)	Blue, Red, Yellow	>=55	<3.5	<10	<5
LNB (Lean non-Bessemer)	Blue, Red, Yellow	>=50	<3.5	<18	<5
HiSiO <sub>2</sub> (High Silica)	Blue	>=50	<3.5	18-30	<5
HMN (High Manganiferous)	Blue, Red, Yellow	(Fe+Mn) >=50	>=6	<18	<5
LMN (Low Manganiferous)	Blue, Red, Yellow	(Fe+Mn) >=50	3.5-6	<18	<5

The *in situ* James ore is classified in two categories, with 5.8 million tonnes of Non-Bessemer (NB – LNB) grading 59.6% Fe and 2.3 million tonnes of ore containing higher silica grading 53% Fe and 22% silica. Redmond 5 also contains 291,000 tonnes of higher silica ore grading 51.23% Fe and 21.5% silica. It is intended that the beneficiation process will remove unwanted material and enhance the product grade to marketable standards of at least 62% contained iron.

The independent resource estimates for James and Redmond were prepared by SGS Geostat Ltd. of Blainville, Quebec (Qualified Person Maxime Dupéré, P.Geo.) in accordance with NI 43-101. See Technical Report filed on SEDAR December 18, 2009.

### ***Environmental and Permitting***

In November 2009, the Minister of Environment and Conservation of the Province of Newfoundland and Labrador announced that the review of LIM's Environmental Impact Statement ("EIS") for the first phase of Stage 1, comprising the James and Redmond deposits, had been completed. In February 2010, the Minister informed the Company that under the authority of Section 67(3)(a) of the *Environmental Protection Act*, the Government had released the Schefferville Area Iron Ore Mine (the first phase of Stage 1 of the Schefferville Projects) from environmental assessment, subject to a number of terms and conditions.

The Mining Leases for the James and Redmond properties have been issued by the Province of Newfoundland and Labrador. In addition LIM has received Surface Use Leases for all those additional areas required for the construction and operation of the James and Redmond deposits, including the Silver Yards beneficiation area and the Rail Spur Line. The Company has received from the Government of Newfoundland and Labrador all major permits that are required to advance the first phase of Stage 1 of its Schefferville Projects in Labrador into mining operation.

Subsequent phases and stages of the Schefferville Projects will be subject to further environmental assessments and will require licences and/or leases and further operating permits. A continuing program of environmental work will be undertaken on those deposits designated for the next phases and stages of the Projects.

## ***Project Description***

The following description relates only to the first phase of Stage 1 of the Schefferville Projects. The first phase will be followed by other phases and stages as further resource definition, metallurgical testing and detailed engineering design, environmental studies and project approvals are completed and obtained.

The plan for the first phase of Stage 1 of the Schefferville Projects envisages initial production from James and Redmond, two brownfield deposits with low strip ratios on which initial mining or development activities had been undertaken by IOC and is located within an area that has been previously mined. The deposits are accessible by existing gravel roads. The James property straddles an existing road to the Redmond property to the south, and continues to the Menihek hydroelectric dam, where the road is terminated.

Mining and processing operations will be conducted using contractors for eight months per year, from April to November at an anticipated initial mining rate of 6,000 tonnes per day, increasing later to 10,000 tonnes per day, followed by beneficiation using washing and screening.

Major features of the first phase of Stage 1 include:

- the mining of “direct shipping” iron ore deposits in western Labrador in an area of previous iron ore mining;
- mining will be carried out by contractors using conventional open pit mining methods, employing drilling and blasting operations;
- ore will be beneficiated by crushing, washing and screening at the Silver Yards area. No chemicals will be used in the beneficiation process;
- the Silver Yards beneficiation plant currently includes a primary crusher, tumbling scrubber, secondary crusher, primary screening equipment, secondary screening equipment, and various chutes, conveyors, and pumps. Additional equipment will be added during 2011 and 2012 to improve recoveries and increase production;
- the beneficiation plant has been designed to process 10,000 tonnes per day (tpd) of iron ore, with the initial processing rate at 6,000 tpd, over a period of approximately 212 to 240 days per full season depending on weather conditions;
- subsequent to the washing and screening process, reject fines will be pumped via pipeline to be deposited in Ruth Pit, a flooded historical open pit, which will act as a settling pond to remove suspended solids.

The first phase of Stage 1, the James and Redmond deposits, has an estimated four-year operational life and will be followed by other phases, including development of the Ruth, Gill and Knob Lake deposits, and the Houston Deposits, as further resource definition, metallurgical testing and detailed engineering design and environmental studies and project approvals are completed and obtained.

An accommodation camp, which can accommodate approximately 70 people, has been substantially completed at Bean Lake about 2km from Silver Yards. The camp catering contract has been finalized and workers are expected to begin occupying the Bean Lake camp in March 2011.

There is an existing power transmission line, established during the historical mining operations, which transmits power from the Menihek Generating Station, now owned by Newfoundland and Labrador Hydro,

to the town of Schefferville. The regional grid crosses the Redmond property and is located less than 1 km away from the Silver Yards beneficiation area along existing roadways. Diesel power will be used for the Silver Yards and Bean Lake camp during the first year pending hook up to the grid.

### ***Metallurgical Testing***

Metallurgical testwork on the properties of the lump and fines generated from the James higher grade blue ore was carried out at SGA, an independent laboratory in Germany in 2009.

SGA reported the following chemical analysis for the two samples: (Blue Ore)

	<b>Total Fe (%)</b>	<b>SiO<sub>2</sub> (%)</b>	<b>Al<sub>2</sub>O<sub>3</sub> (%)</b>	<b>P (%)</b>	<b>Mn (%)</b>
<b>James Deposit</b>					
Lump	66.98	1.81	0.17	0.02	0.09
Sinter (+0.3mm)	67.23	1.49	0.17	0.02	0.09

The results and report from that testwork on the James South lump ore sample indicate a high iron content of 66.98% with favorably low content of non-ferrous metals. SGA concluded that the lump ore represents a high quality lump ore grade which will be well accepted in the European market. The results and report from that testwork on the James South sinter fines indicate an iron content of 67.23% with favorably low content of deleterious metals. SGA concluded that the high iron content and low gangue content determine the high quality of this ore, and that the fines will be well accepted in the European market.

In 2009 a sample of -300 microns was sent to Outotec (USA) Inc., in Jacksonville, Florida for Wet Gravity Separation and Magnetic Separation using HGMS Magnet test work. This study indicated that it is possible to produce an iron product containing less than 5% silica using wet gravity separation by the means of Floatex Density Separator. Testing using a SLon magnetic separator to recover Fe from the Floatex overflow combined with the gravity tail produced a product containing 65.1% Fe.

Ongoing metallurgical testwork was carried out during 2010 aimed at improving expected recovery levels from the lower grade blue ore and the ores with high silica content while maintaining high iron and low impurity levels in the final product.

In 2010 LIM contracted FLSmidth Minerals to perform tests on the Density Separator product for James deposit samples to confirm feasibility of using pan filters to decrease the moisture content. The results of this test program showed that filter cake with moisture of less than 8% is achievable.

In addition in 2010 composite samples from the James deposit were submitted for mineralogical characterization at SGS Lakefield to aid with the metallurgical beneficiation program. Emphasis was placed on the locking/liberation characteristics of the Fe-oxides and the silicates minerals, particularly of the coarse sizes. Each sample was screened into five size fractions and each fraction was submitted for QEMSCAN<sup>TM</sup> analysis. The analysis showed that quartz and other silicates accumulate with decreasing size, generally in the +106 µm and -300/+106 µm size fractions. The mineral release curves also display that, for the finer material (-300 µm), a good liberation is achieved between 100 µm and 200 µm (~80% liberation)

LIM is currently conducting further test programs on the installation of additional process equipment to increase product grades and ore the treatment of the high silica ore. These results are expected in May 2011.

### ***Silver Yards Beneficiation Plant***

The beneficiation area, where ore will be crushed, washed and screened, is situated within an area called the Silver Yards, located approximately 1 km northeast of the James property in Labrador.

The first phase of the beneficiation and processing plant has now been constructed and erected at the Silver Yards site, including the primary and secondary crushers, screens, scrubbers, stackers and conveyers. All the civil and concrete work has been finished and the plant piping is substantially complete. Installation of the electrical cabling and some piping work will be completed during the winter 2011. Once installation of the plant is completed dry run stockpiled ore will be fed to the plant to allow commissioning to take place, which is scheduled to begin, subject to weather conditions, in April 2011. Some high grade lump ore may be directly shipped without further processing during the start-up months.

The ore which contains higher levels of silica ( $\text{SiO}_2$ ) will not be processed in the first year of operations but will be stockpiled for treatment later when the plant is expanded with the addition of a third processing line. This expansion line is expected to be in operation for the 2012 operating season.

The Silver Yards beneficiation plant has a design capacity to process 10,000 tonnes of ore per day, with a planned initial processing rate of 6,000 tonnes per day, increasing to 10,000 tonnes per day once commissioning is confirmed. The planned annual seasonal processing schedule will cover a period of seven to eight months, or approximately 210 to 240 days per year, from April to November, depending on weather conditions.

### ***Plant Upgrade and Expansion***

The Silver Yards plant as currently installed has the equipment to crush, wash and screen to recover about 65% of the contained iron in the Non-Bessemer ore, which will be produced as two products, one course lump ore and the second a sinter feed. It is expected that initially the lump ore will represent about one third of the product.

Once the basic processing plant is commissioned a series of plant upgrades and expansions will be undertaken.

The Company plans to install a fines recovery system during 2011. This will include installation of a hydrosizer and pan filter. This system will be installed during the summer months and is expected to be operational in September 2011. The installation of this system is expected to increase overall recoveries to about 75% and the plant output by approximately 13% by the production of a third product – sinter extra fine, which can be sold separately or blended with the coarse sinter fines product.

LIM is also currently reviewing plans to install additional process equipment in the Silver Yards Plant to beneficiate the lower grade and the (-100  $\mu\text{m}$ ) ore and to increase the products grades This would include installation of jigs and also a Wet High Intensity Magnetic Separator (WHIMS) to further process the (-100  $\mu\text{m}$ , +25  $\mu\text{m}$ ) overflow of the hydrosizer and the underflow of the secondary de-sliming cyclone. This would produce a fourth ultra-fine product which would be sold as a pellet feed. Installation of that additional equipment upgrade would improve the grade of the lump and coarse sinter feed products, while at the same time improving recoveries to about 80% while increasing the capacity of the plant by approximately 6%. If confirmed, the installation of this additional equipment could commence in the fall of 2011 to be ready for commissioning in the spring of 2012.

In addition the Company is planning to install a new separate processing line in the Silver Yards plant which would process about one million tonnes per year. Subject to a planned metallurgical test program this expansion will include equipment to produce sinter feed, sinter fines and pellet feed products. When installed, this line will be used to process the ore with the higher silica grades. That new line is expected to have an approximate recovery of ~ 67% and will increase the total Silver Yards treatment capacity by an additional one million tonnes per year.

### ***Mining Operations***

Most of the James North pit area has now been stripped of overburden and cleared by the mining contractor. It is estimated that about 300,000 tonnes of material had been moved by February 10, 2011. Development of the first mining bench in the north end of the James pit has begun to prepare a mining face in the higher grade blue ore, which will be the first ore to be mined, and some of which may be directly shipped with only minimal crushing and without further processing. The waste rock has proved to be free digging and mine development is currently ahead of schedule.

The ore haul road from the James Mine to the Silver Yards processing site has now been completed and is operational. The various ore and waste rock stockpile areas have been prepared, as have the temporary and permanent ore storage pads. Ore mined from the initial development, together with the stockpiles of ore from previous bulk sampling programs, will be delivered to the plant ahead of the primary crusher ready for processing.

The first James mine settling pond has been constructed to enable pit dewatering. Two additional dewatering wells will be drilled, to supplement the wells drilled in 2009, with pump and piping installation and dewatering of the James pit to commence in the spring of 2011. Site clearing and grubbing at the James South pit is being completed during the winter months.

Full scale mining operations are planned to commence in April 2011, and will continue for eight months until November, at an anticipated initial mining rate starting at 6,000 tonnes of ore per day, increasing to 10,000 tonnes of ore per day, using conventional open-pit mining methods and eventually employing standard drilling and blasting operations.

### ***Transportation Infrastructure***

Existing roads and rail services are used to access the Schefferville Projects and to transport equipment and materials to and from the site. The existing rail services were extensively utilized during the latter part of 2010 to successfully transport all of the mining equipment and plant components to Schefferville. It is intended that the lump and sinter ore products will be transported by the existing railroad systems to the port of Sept-Iles on the St. Lawrence River for onward shipping, most likely to steel mills in Europe or Asia.

During 2010, a new 4.5 km rail spur line was laid by LIM connecting the Silver Yards area, where LIM has installed the beneficiation plant, to the Sept-Iles -Schefferville main rail line.

In 2009, the Company signed a Rail Co-operation Agreement with New Millennium Capital Corp. (“NML”) which provides the framework under which both LIM and NML have agreed to co-operate in the development of the transportation facilities for their direct shipping iron ore projects in the Schefferville area and which will enable each company to rebuild the necessary rail infrastructure in their respective operating areas, including the construction of passing tracks and sidings in common areas.

The approximately 560 km (355 mile) main rail line between Schefferville and Sept-Iles, which was originally constructed for the shipment of iron ore from the Schefferville area, has been in continuous operation for over fifty years. The Québec North Shore and Labrador Railway (“QNS&L”), now a wholly-owned subsidiary of IOC, was established in 1954 by IOC to haul iron ore from Schefferville area mines to the port of Sept-Îles. After the shutdown of its Schefferville operations in 1982, QNS&L maintained a passenger and freight service between Sept-Îles, Labrador City and Schefferville up to 2005. In 2005, QNS&L sold the section of the railway known as the Menihék Division (208 km) between Ross Bay Junction and Schefferville to Tshuétin Rail Transportation Inc. (“TSH”).

TSH owns and operates the approximately 200 km (130 mile) main line track between Schefferville and Ross Bay Junction where it connects to IOC’s QNS&L Railroad, which continues the remaining approximately 360 km (225 miles) to Sept-Iles.

TSH is owned equally by a consortium of three local Aboriginal First Nations, Naskapi Nation of Kawawachikamach, Nation Innu Matimekush-Lac John and Innu Takuaikan Uashatmak Mani-Utenam (collectively, the “TSH Shareholders”). The mandate of TSH is to maintain the passenger and light freight traffic between Sept-Îles and Schefferville. TSH currently operates passenger and light freight service between Schefferville and Sept-Iles twice per week.

LIM has entered into a Memorandum of Understanding with TSH in 2007 pursuant to which LIM and TSH agreed to work together towards concluding a Transportation Services Agreement under which TSH will provide rail transportation and other related infrastructure services to LIM to transport the iron ore products. As provided in the MOU, the transportation of iron ore cars requires the unanimous consent of the TSH shareholders pursuant to a unanimous shareholders’ agreement dated August 23, 2004 among such parties. Such consent will be necessary in order for LIM to transport iron ore from the Properties to the port of Sept-Îles.

The TSH Menihék section of the railway will require some upgrading and rehabilitation to carry iron ore between Schefferville and Ross Bay Junction. Some refurbishment of the rails, ties and culverts will need to be carried out to enable the line to continuously carry large volumes of iron ore traffic. TSH has developed a rail upgrade programme, to be carried out over a seven year period, and is in discussions with the Federal Government and with the Government of Quebec with regard to the financing of this upgrade. The Company has been asked to support this effort and to make some financial contributions to the cost of the upgrade. The Company and NML have also agreed to collaborate to determine the most expedient means to refurbish the TSH Railway main line to standards required to carry out the transportation of minerals extracted from the direct shipping ore deposits.

QNS&L operates the railway from Ross Bay Junction to Sept-Îles and this southern section of the railway currently carries the iron ore products from the Labrador City, Wabush and Bloom Lake iron mines to the port of Sept-Îles for each of IOC, Wabush Mines and Consolidated Thompson respectively.

At the Port of Sept-Îles (Arnaud Junction) the QNS&L railroad connects to the Arnaud Railroad (Chemin de fer Arnaud (CFA)), owned by Wabush Mines, which runs approximately 34 km around the bay to the terminal at Pointe-Noire.

Each of TSH, QNS&L and CFA are Common Carriers as such term is defined under the *Canada Transportation Act* (“CTA”). Federal railway companies that are Common Carriers must by law issue tariffs in respect of the movement of traffic at the request of a shipper, and must meet statutory “level of service” obligations to all shippers, detailed in sections 113 to 116 of the CTA.

LIM is in advanced negotiations with each of TSH, QNS&L and CFA with regard to the transportation of LIM's iron ore products in 2011 and future years. However, **the Company has not yet concluded agreements with the relevant rail companies for the transportation and handling of the Company's planned production of iron ore.**

LIM plans to lease rotary gondola ore cars each with a capacity of about 100 tonnes and 50 cubic metres (1800 cu. ft.), with a car body suitable for a gross rail load of about 130 tonnes (286,000 lbs.). It is anticipated that three car sets will be required to transport LIM's iron ore tonnage in an eight month period in calendar 2011. Each car set will consist of 120 railcars. The total LIM railcar fleet will range from approximately 360 to 400 railcars. The total railcar cycle time from the Silver Yards site to Pointe-Noire for the loaded movement and empty return of a train is expected to be approximately 68 hours.

The locomotives between the Silver Yards and Emeril Yard will be shared with TSH in a run through operation. This train will be powered by two robotized SD40 locomotives equipped with Locotrol and PDD (proximity detection devices), which locomotives will also be leased by LIM.

**The Company has not yet concluded leasing agreements with the equipment leasing companies for the leasing of railcars or locomotives.**

### ***Port – Shipping Facilities***

The Port of Sept-Iles, situated 650 kilometres down river from Quebec City on the North Shore of the Gulf of St. Lawrence on the Atlantic Ocean, is a large natural harbour, more than 80 metres in depth, which is open to navigation year round. The Port of Sept-Iles is an international marine hub, and nearly 80% of its merchandise traffic, mostly iron ore, is destined for international markets. The Port of Sept-Iles is the most important port for the shipment of iron ore in North America, serving the Quebec and Labrador mining industry. Each year approximately 23 million tonnes of merchandise is handled, comprised mainly of iron ore.

In February 2010 LIM signed an agreement with the Sept-Iles Port Authority for the use of the Pointe-Noire facilities at the Port to ship LIM's iron ore products. LIM agreed to a base fee schedule with the Port Authority regarding wharfage fees for iron ore loading for LIM's shipping operations.

The Company is evaluating a number of different options for its Sept-Îles operations including use the facilities of Wabush Mines or other facilities of the Sept-Îles Port Authority. The Company is in negotiations with Wabush Mines and with Port Authority with regard to handling and loading LIM's iron ore products at Pointe-Noire. At the Wabush facilities, some modifications and additions to existing conveyers and equipment will be required to handle LIM's iron ore products.

It is expected that Pier #30, which is the property of the Port Authority and currently utilized by Wabush Mines on a senior berthing privilege basis, will be used for loading ships. The extension of Pier #30 (Pier #31) is currently utilized by Consolidated Thompson to load self-unloading laker vessels which then tranship to cape size ships in the deeper waters of the bay. Alternatively, LIM's ships could be loaded at the nearby Pier #40, which is operated by the Port Authority. Presently, Pier #30 can accommodate ships up to 150,000 DWT, while Pier #40 can accommodate ships up to 60,000 DWT. It is anticipated that ships to be loaded with LIM's DSO Products will range in size from 60,000 DWT to 140,000 DWT.

There are two ships loaders on Pier #30/#31, one owned and operated by Wabush Mines and the other owned and operated by Consolidated Thompson. On January 11, 2011 Cliffs Resources Inc., the parent of Wabush

Mines, announced the acquisition of Consolidated Thompson which, if and when completed will result in Cliffs/Wabush having duplicate ore handling facilities, including two ship loaders which should have excess capacity.

The Company is currently in negotiations with the Sept-Iles Port Authority and Wabush Mines, and with other port operators, regarding rail transportation, storage, reclaim and ship-loading of its iron ore products. **The Company has not yet concluded agreements with the relevant rail companies or port operators for the transportation and handling of the Company's planned production of iron ore.**

***Houston Project – Stage 2 - South Central Zone***

The Houston 1, 2 and 3 deposits comprise 12 mineral rights licenses representing 112 mineral claim units that cover approximately 2,800 hectares, situated 15 km east of LIM's James Mine and Silver Yards processing area and about 20 km from the town of Schefferville, Quebec.

Drilling at Houston during 2010 has significantly increased the size of the resources to the point where a stand-alone stage development is now contemplated. The new resource estimate of 19.49 million tonnes of measured and indicated resources represents a significant increase over previous estimates.

The updated resource estimate for the Houston deposits is based on an additional 1,804 metres of drilling in 26 holes and 625 samples carried out by LIM in 2010. The majority of the additional resource has resulted from the drilling of a new mineralized zone located between the Houston 1 and 2 deposits, as well as in-fill drilling within the deposit outlines during 2010. The Houston deposits remain open along strike particularly to the southeast and further drilling is planned on Houston 3 during 2011.

The classification of resources was completed using the results of drilling and trenching carried out by LIM during the 2006 to 2010 field seasons, which comprised twinning, in-fill and step-out drilling and trenching, as well as drill and trench data previously obtained by IOC. LIM's resource definitions include ores having a higher grade of silica (Hi-SiO<sub>2</sub>) ( $\geq 50\%$  Fe  $\leq 30\%$  SiO<sub>2</sub> dry basis). The original IOC ore definition was:  $\geq 50\%$  Fe,  $\leq 18\%$  SiO<sub>2</sub> dry basis.

The new estimate, prepared in accordance with NI 43-101, represents an increase in tonnage of over 25% from the previous NI 43-101 estimate announced in April 2010 and more than double the historical resource (not NI 43-101 compliant) previously estimated by the IOC prior to 1982. The new resource also includes about one million tonnes of manganiferous ore (Mn) grading about 54.4% Fe and 5% manganese.

*The Houston Deposits –Resource Summary – February 2011*

Class	43-101 (February 2011)				43-101 (April 2010)				Historical 1982				
	Tonnes	Fe	Mn	SiO <sub>2</sub>	Tonnes	Fe	Mn	SiO <sub>2</sub>	Tonnes	Fe	Mn	SiO <sub>2</sub>	
	x 1000	%	%	%	x 1000	%	%	%	x 1000	%	%	%	
Fe Ore	M+IND	18,582	58.7	0.7	12.2	14,684	59.3	0.6	11.3	9,114	57.4	-	7.1
	INF	1,014	56.3	1.0	15.9	1,498	57.0	0.8	14.7	-	-	-	-
Mn Ore	M+IND	917	54.4	5.4	9.2	831	54.3	5.5	9.1	-	-	-	-
	INF	10	53.2	4.5	11.5	47	54.0	4.6	10.3	-	-	-	-
TOTAL	M+IND	19,499	58.3	0.9	12.3	15,515	59.0	0.9	11.2	9,114	57.4	-	7.1
	INF	1,024	55.8	1.0	16.5	1,545	56.9	0.9	14.5	-	-	-	-

Houston Deposits - NI 43-101 Compliant Direct Shipping Resources – Feb 2011

Classification	Area	Ore Type	Tonnes (x 1000)	Fe%	Mn%	SiO2%
Measured + Indicated	Houston 1	LNB-NB	4,970.6	61.1	0.7	8.8
		HiSiO2	1,277.7	52.8	0.6	21.1
		LMN-HMN	510.8	54.8	5.4	8.8
		<b>Total</b>	<b>6,759.1</b>	<b>59.0</b>	<b>1.0</b>	<b>11.1</b>
	Houston 2N	LNB-NB	55.2	60.2	0.6	11.6
		HiSiO2	116.9	52.4	0.6	22.8
		LMN-HMN	9.0	44.8	10.7	13.4
		<b>Total</b>	<b>181.1</b>	<b>54.4</b>	<b>1.1</b>	<b>18.9</b>
	Houston 2S	LNB-NB	5,989.0	60.3	0.7	10.1
		HiSiO2	2,565.5	52.6	0.8	21.5
		LMN-HMN	144.2	56.0	4.8	9.5
		<b>Total</b>	<b>8,698.7</b>	<b>58.0</b>	<b>0.8</b>	<b>13.4</b>
	Houston 3	LNB-NB	3,013.6	59.4	0.9	10.0
		HiSiO2	593.8	52.6	0.7	20.9
		LMN-HMN	253.0	52.6	5.3	10.2
		<b>Total</b>	<b>3,860.4</b>	<b>57.9</b>	<b>1.2</b>	<b>11.7</b>
	<b>Total</b>			<b>19,499.3</b>	<b>58.3</b>	<b>0.9</b>
Inferred	Houston 1	LNB-NB	80.7	58.2	0.6	13.0
		HiSiO2	86.9	52.4	0.5	20.4
		LMN-HMN	4.2	54.7	4.2	10.6
		<b>Total</b>	<b>171.9</b>	<b>55.2</b>	<b>0.7</b>	<b>16.7</b>
	Houston 2N	LNB-NB	-	-	-	-
		HiSiO2	0.4	50.8	0.8	24.3
		LMN-HMN	-	-	-	-
		<b>Total</b>	<b>0.4</b>	<b>50.8</b>	<b>0.8</b>	<b>24.3</b>
	Houston 2S	LNB-NB	335.9	59.4	1.0	12.0
		HiSiO2	298.1	52.5	1.3	21.2
		LMN-HMN	-	-	-	-
		<b>Total</b>	<b>634.0</b>	<b>56.2</b>	<b>1.1</b>	<b>16.3</b>
	Houston 3	LNB-NB	107.6	58.3	1.0	12.4
		HiSiO2	104.3	52.6	0.6	21.6
		LMN-HMN	5.3	50.6	4.3	12.8
		<b>Total</b>	<b>217.2</b>	<b>55.3</b>	<b>0.9</b>	<b>16.8</b>
	<b>Total</b>			<b>1,023.5</b>	<b>55.8</b>	<b>1.0</b>

Ore Types	Ore Colours	T_Fe%	T_Mn%	SiO2%	Al2O3%
NB (Non-bessemer)	Blue, Red, Yellow	>=55	<3.5	<10	<5
LNB (Lean non-bessemer)	Blue, Red, Yellow	>=50	<3.5	<18	<5
HiSiO2 (High Silica)	Blue	>=50	<3.5	18-30	<5
HMN (High Manganiferous)	Blue, Red, Yellow	(Fe+Mn) >=50	>=6	<18	<5
LMN (Low Manganiferous)	Blue, Red, Yellow	(Fe+Mn) >=50	3.5-6	<18	<5

- A variable specific gravity (density) was used for the modeled ore blocks using the following equation previously calculated by LIM based upon 229 specific gravity tests:  $SG = (2.3388 + Fe \times 0.0258) \times 0.9$
- Blue ores, which are composed mainly of the minerals hematite and martite, are generally coarse grained and friable. They are usually found in the middle section of the iron formation.
- Yellow ores, which are made up of the minerals limonite and goethite, are located in the lower section of the iron formation in a unit referred to as the “silicate carbonate iron formation” or SCIF.
- Red ore is predominantly a red earthy hematite. It forms the basal layer that underlies the lower section of the iron formation. Red ore is characterized by its clay and slate-like texture.

The resource estimate for Houston was prepared internally and verified by Terence N. McKillen, P. Geo., Executive Vice President and a Director of the Company, who is a Qualified Person in accordance with NI 43-101.

As a result of this significant increase, the Houston deposits are now of sufficient tonnage that merits evaluation of a stand-alone operation. The Company intends to evaluate the development of a new separate South Central Zone, as Stage 2 of its Schefferville Area Projects, possibly with its own dedicated processing plant which, subject to environmental assessment, permitting and detailed engineering, could be brought into production in 2013 at a rate of 2 to 3 million tonnes of iron ore per year.

### ***2010 Exploration Program***

The 2010 exploration program completed 4,500 metres of drilling and 1,400 metres of trenching at the Denault, Ruth 8, and Houston properties. Drilling at Denault has indicated some extensions to that deposit which will be incorporated into revised resource estimates for the Denault deposit when the results have been analysed.

During the 2010 exploration season an airborne gravity and magnetic survey was flown over four claim blocks of LIM's Schefferville area properties centered on the Howse, Houston/Redmond, Astray and Sawyer Lake areas. High gravity anomalies associated with lower magnetism are considered prospective for DSO deposits. In total 1895.7 line kms was flown for the gravity and magnetic surveys. A total of 473.6 line kms were surveyed over the Howse area, 851.8 kms over Houston/Redmond areas, 354.6 kms over Astray and 215.7 line kms over the Sawyer Lake area.

An interim interpretation and evaluation of the processed and plotted airborne gravity gradiometer and magnetic data has confirmed the utility of the survey in detecting and outlining iron deposits and identified a number of new drill targets with the potential to expand currently known resources.

The Howse Block, near the northern limit of LIM's current exploration and development activity, contains a number of well-defined anomalies in at least five separate belts, as well the potential for extensions and/or new deposits.

Several of the new targets identified will be tested in 2011 using reverse circulation or diamond drilling.

### ***Political / First Nations Developments***

In December 2010 the Company signed an Agreement in Principle with the Innu of Uashat and Mani-Utenam (the "Innu of Uashat") which stipulates the principal terms to be included in a Final Agreement regarding the impacts and benefits of the Company's mining projects to be concluded in March, 2011.

In September 2010 the Company entered into an Impact Benefits Agreement ("IBA") with the Naskapi Nation of Kawawachikamach with respect to the development and operation of that part of the Schefferville Project in Labrador.

In early September 2010 an agreement was reached with the Innu Matimekush-Lac John to remove the barriers that had been erected in June 2010 and which had restricted normal access from the town of Schefferville to the Company's properties in Western Labrador. The Company is continuing its negotiations with the Innu Matimekush-Lac John towards signing an IBA, and hopes to be able to conclude this IBA in the near term.

The Company previously entered into an IBA with the Innu Nation of Labrador in 2008.

## ***Marketing***

Marketing discussions have continued with potential customers, both in Europe and in Asia. Chinese consumers, in particular, are showing a growing interest in seeking iron ore from Canada, driven by continued strong demand and a desire to diversify from their traditional sources of supply.

The Company continues to review its options for marketing its planned iron ore production and is evaluating the optimum route to achieve these sales, while still maintaining maximum flexibility and independence. In particular the Company has had detailed discussions with a number of internationally recognized commodity traders with specialist knowledge of the iron and steel industry and expects to finalize marketing arrangements with one of these for the sales of its initial 2011 ore production. It is expected that iron ore products produced in 2011 will be sold into the spot market on a “FOB Sept-Iles” basis.

**LIM has not yet concluded any agreements for the sale of any iron ore.**

## ***Iron Ore Price***

The viability and profitability of the Company’s Schefferville Projects is dependent on the sale price of iron ore.

High demand for iron ore in recent years has been driven primarily by China and south-east Asia. This demand effectively raised the price of iron ore “fines” from around US\$42 per tonne FOB in 2005, to about US\$50 per tonne FOB in 2006, to about US\$55 per tonne FOB in 2007, and to about US\$95 per tonne FOB in 2008.

During the last quarter of calendar 2008 and the first quarter of calendar 2009, associated with the downturn in most major economies, there was a considerable degree of weakness in the world-wide steel industry. This downturn was particularly severe in Europe and North America and resulted in a decline in the spot iron ore prices from the record high prices achieved earlier in 2008.

During 2009 negotiations with the Chinese industry represented by the China Iron & Steel Association failed to agree on a 2009 benchmark price and China effectively bought iron ore at spot, which began to rise during the second half of the year reaching around US\$105 per tonne FOB by the end of calendar 2009. These prices generally increased during 2010 reaching around US\$145 per tonne FOB by the end of March 2010 and reaching US\$175 per tonne FOB in mid April 2010, before falling back slightly later in the year.

Negotiations regarding setting a traditional benchmark price continued during the last months of 2009 and the first months of 2010 but eventually broke down. The major suppliers and consumers have now each reached separate agreements but all based around a quarterly pricing mechanism using average spot prices during a preceding three month period. In early 2011, the world-wide iron-ore market remains very positive with recent spot prices for 62% Fe sinter fines approaching US\$190 per tonne (CFR China).

Despite efforts by the Chinese government to slow down some aspects of growth of the Chinese economy, including restricting credit and raising base interest rates, demand for iron continues to grow. This demand, coupled with some recent interruptions in supply from Australia and Brazil, has driven iron ore prices to an all-time high. This is expected to slow somewhat in future months as the effects of bad weather in both Brazil and Australia return to normal and if, as expected, some Indian export restrictions are lifted.

The current increases in iron ore costs will inevitably lead to increases in steel prices, which may lead to reduced levels in steel demand in subsequent periods. In the short to medium term demand is expected to remain strong and prices are forecast to only retract marginally. In the longer term as major new production capacity comes on line in Brazil and Australia, the balance between supply and the continuing increasing demand is likely to remain close. The extent to which demand continues to exceed supply will be influenced by new and increased growth from other markets, including south-east Asia, and renewed growth in Europe led by Germany, and by the level at which new iron ore supply from West Africa may emerge.

The consensus of current forecasts is that iron ore supply and demand will remain generally in balance until around 2015, with prices only dropping 10-15% in that period, followed by a supply surplus, with prices declining somewhat thereafter. The Company is of the opinion that iron ore prices will remain strong for both calendar 2011 and calendar 2012.

LIM currently expects to mine in excess of 2 million tonnes of ore in 2011, which is partially a construction/start-up year. Assuming satisfactory plant commissioning and smooth start-up, and based on projected recoveries (expected to start initially at about 65% and increasing to about 75% with the installation of the fines recovery equipment), and assuming an operating season of about 210 days, (subject to weather conditions, this is expected to yield shipments of about 1.5 million tonnes of iron ore, prior to seasonal shutdown of operations at the end of November 2011.

With the high level of iron ore prices currently prevailing and with the progress made to date in constructing the mine and beneficiation plant, and will mine operations expected to commence in April 2011, the outlook for the Company is positive. There are still a number of commercial agreements to be resolved as noted above, particularly including rail and port arrangements. Providing these agreements can be resolved in a timely and satisfactory manner the Company can look forward to the commencement of commercial production around the middle of calendar 2011.

### **Qualified Persons**

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

### **RESULTS OF OPERATIONS**

For the quarter ended December 31, 2010 the Company reported a loss of \$995,200, or \$0.02 per share, compared to net income of \$2,356,601, or \$0.06 per share, during the same period in the prior year. For the nine month period ended December 31, 2010 the Company reported a loss of \$2,507,310, or a loss \$0.06 per share, compared to net income of \$1,539,604, or earnings of \$0.04 per share, for the same period in the prior year.

The main reason for the significant variance from net income during the quarter and nine months ended December 31, 2009 compared to a loss in the same periods ended December 31, 2010 relates to a future income tax recovery of \$3,153,656 recognized during the quarter ended December 31, 2009 based on changes in the Ontario tax rate. As a result of this change, the Company's expected future income tax rate in Ontario decreased from 29% to 25%, resulting in the recognition of the substantial future income tax recovery during that period. During the quarter ended December 31, 2010 the Company reported a future income tax recovery of \$279,150.

The main components of the loss for the quarter ended December 31, 2010 were corporate and administration expenses of \$785,229 (2009-\$641,208) and stock-based compensation of \$330,083 (2009-\$16,575). The main components of the loss for the nine month period were corporate and administration expenses of \$2,311,570, compared to corporate and administration expenses of \$1,611,874 for the same period in the prior year.

During the quarter and nine months ended December 31, 2010 the Company invested \$5,040,338 and \$8,334,887 respectively in its mineral property interests, compared to \$1,607,373 and \$5,911,071 respectively invested during the same periods in the prior year. The substantial increase in the Company's investment in its mineral property interests relates to the significant mine development activities undertaken during the quarter and nine months ended December 31, 2010 in anticipation of the commencement of production in 2011.

During the quarter and nine months ended December 31, 2010 the Company also invested \$5,022,643 and \$15,227,374 in property, plant and equipment, compared to \$2,598,817 and \$4,209,769 invested in property, plant and equipment during the same periods in the prior year. The substantial increase in the Company's investment in property, plant and equipment in the quarter and nine months was due to the significant investment in processing plant equipment and rail spur line materials and the related construction costs.

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

	As disclosed in the IPO Prospectus	Cumulative Actual up to	
		March 31, 2010	December 31, 2010
	\$	\$	\$
Gross Proceeds	52,775,800	52,775,800	52,775,800
Commission	(3,430,427)	(3,430,427)	(3,430,427)
Expenses of the IPO	(750,000)	(1,200,000)	(1,200,000)
Net Proceeds	48,595,373	48,145,373	48,145,373
<b>Use of Net Proceeds</b>			
Work programs	5,500,000	10,588,000	11,750,000
Feasibility studies	2,200,000	2,680,000	2,680,000
Environmental	1,200,000	2,889,000	3,363,000
Marketing and other studies	2,100,000	1,629,000	1,629,000
General and administrative expenses	1,850,000	4,787,000	6,510,000
Reserve for infrastructure upgrades and capital expenditures	12,000,000	3,922,000	-
Infrastructure upgrades and capital expenditures - actual	-	8,078,000	22,213,373
Unallocated working capital	23,745,373	13,572,373	-
<b>Total</b>	<b>48,595,373</b>	<b>48,145,373</b>	<b>48,145,373</b>

The Company expended more on most line items than contemplated in the IPO Prospectus, including environmental and other studies where more work was required by regulators than originally anticipated, including the preparation of an Environmental Impact Statement and a revision thereto, and which extended

for a longer period of time than anticipated. More exploration drilling, trenching and sampling was carried out on the Stage 1 deposits, part of which will be used in mine planning, and less on the Stage 2 and Stage 3 deposits. These variances are not expected to significantly impact the Company's ability to achieve its business objectives or milestones.

The cumulative additional expenditures on work programs and deferred exploration up to December 31, 2010 enabled the completion of major drilling and trenching programs which led to the preparation of new resource estimates in compliance with NI 43-101, the undertaking of major environment and permitting studies which led to the completion of the provincial environment assessment process, extensive community consultation and negotiations which led to the signing of two IBAs and two Memoranda of Understanding with affected First Nations, metallurgical testing and marketing studies, mine planning and infrastructure design, plant and camp procurement and construction and mine development.

The Company completed a financing in March 2010 by way of a short form prospectus (the "Short Form Prospectus"), raising gross proceeds of \$35,057,300 (the "Short Form Prospectus Financing"). The following table shows how the proceeds from the Short Form Prospectus Financing have been used to March 31, 2010 and to December 31, 2010 compared to the use of proceeds set out in the Short Form Prospectus.

	As disclosed in the Short Form Prospectus	Cumulative Actual up to March 31, 2010	December 31, 2010
Gross Proceeds	\$35,057,300	\$35,057,300	\$35,057,300
Commission	\$2,103,438	\$2,103,438	\$2,103,438
Expenses of the Short Form Prospectus	\$250,000	\$300,000	\$300,000
Net Proceeds	<b>\$32,703,862</b>	<b>\$32,653,862</b>	<b>\$32,653,862</b>
<b>Use of Net Proceeds</b>			
Installment payments due in 2010 for acquisition of Quebec Properties	\$750,000	-	\$750,000
Exploration Expenditures – Labrador Properties	\$3,379,500	-	\$2,113,212
Exploration Expenditures – Quebec Properties	\$2,146,000	-	\$905,662
Development and environmental expenditures on Stage 2 properties other than the James and Redmond Properties	\$4,000,000	-	-
Environmental reclamation bond	\$2,000,000	-	\$2,940,068 <sup>1</sup>
Initial mining, beneficiation and pre-shipping costs	\$10,000,000	-	-
Working capital and general corporate purposes	\$10,428,362	-	\$935,084
Unspent net proceeds	-	\$32,653,862	\$25,009,836 <sup>1</sup>
<b>Total</b>	<b>\$32,703,862</b>	<b>\$32,653,862</b>	<b>\$32,653,862</b>

<sup>1</sup> Included in cash and cash equivalents

The amount required as an environmental reclamation bond (satisfied by the Company by letters of credit), was higher than anticipated at the time of the Short Form Prospectus. Otherwise, the Company's expenditures from the proceeds of the Short Form Prospectus have generally been consistent to date with the

amounts contemplated in the Short Form Prospectus. As at December 31, 2010 and the date hereof, most of the proceeds of the Short Form Prospectus Financing still remain to be spent. Actual expenditures on initial mining and other development costs were funded with proceeds from the earlier IPO Prospectus.

## SUMMARY OF QUARTERLY RESULTS

(\$000s, except per share data)

	Quarter ended March 31, 2009	Quarter ended June 30, 2009	Quarter ended September 30, 2009	Quarter ended December 31, 2009	Quarter ended March 31, 2010	Quarter ended June 30, 2010	Quarter ended September 30, 2010	Quarter ended December 31, 2010
Net income (loss)	927	(287)	(530)	2,356	(375)	(615)	(897)	(995)
Income (loss) per share	0.02	(0.01)	(0.02)	0.06	(0.01)	(0.01)	(0.02)	(0.02)
Total assets	177,686	177,156	177,060	178,194	210,033	213,093	213,297	217,575

## LIQUIDITY AND CAPITAL RESOURCES

As at December 31, 2010, and as at the date hereof, the Company is in sound financial condition. As at December 31, 2010 the Company had \$27,949,904 in cash and cash equivalents and no debt. The cash and cash equivalents are invested in investment grade short-term money market instruments and deposits with a major Canadian bank. Current liabilities, consisting of accounts payable, accrued liabilities and the current portion of the capital lease obligation, were \$8,450,881 as at December 31, 2010. The increase in current liabilities compared to previous quarter end dates is a result of the substantial construction activities undertaken in the quarter ended December 31, 2010. During the nine months ended December 31, 2010, the Company generated \$1,548,274 from the exercise of stock options and broker warrants.

During the nine months ended December 31, 2010 the Company established letters of credit for \$2,940,068 as financial assurance related to reclamation and remediation of the first phase of Stage 1 of its mining operations. The Company has assigned guaranteed investment certificates, included in cash equivalents, to its bank in the aggregate principal amount of its letters of credit as security for the letters of credit.

The carrying value of the Company's mineral property interests as at December 31, 2010 was \$161,144,950 compared to \$150,883,030 at the beginning of the nine month period. The increase was a result of the investment during the nine month period of \$10,261,920 of capitalized exploration and development expenditures. There were no mineral property acquisitions or disposals during the nine month period although installment payments of \$750,000 were paid during the nine-month period towards the balance owing from the acquisition of the Company's Quebec properties in 2009.

As at December 31, 2010, and as at the date of this MD&A, the Schefferville Projects were still in the exploration and development stage and, as a result, the Company has had no source of revenue, other than interest income, since inception. The Company has depended upon its cash resources raised in its IPO, and in the subsequent Short Form Prospectus Financing, to fund its exploration, development, project construction, operating and administrative expenses.

The capital cost required to complete plant construction and mine development is estimated at about \$5 million. During 2011 the Company plans to add additional equipment to the Silver Yards plant to improve

recoveries at an estimated additional cost of \$2.5 million. Later in the year the Company plans to upgrade the plant to enable the treatment of lower grade ore and which will also increase the output capacity of the plant for the 2012 season. The capital investment required for the plant upgrade has not yet been determined but is expected to be in the region of \$15 million. The Company also expects to make some capital contributions towards completion of its rail and port operations.

The Company believes that it has sufficient funding to complete construction and commissioning of the first phase of Stage 1 of its direct shipping iron ore mining projects and to commence shipments of iron ore to begin generating operating cash flow but will require additional capital to fund the contemplated plant upgrade and expansion programs. The Company is also considering a number of alternatives to finance its mine working capital requirements pending achieving “commercial production” and the commencement of receipt of revenue, expected towards the end of June 2011.

## OFF BALANCE SHEET ARRANGEMENTS

The Company has no off balance sheet arrangements.

## OBLIGATIONS AND CONTRACTUAL COMMITMENTS

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

### Contractual Obligations as at December 31, 2010

### Payments Due by Period

	<b>Total</b>	<b>Less than 1 year</b>	<b>1-3 years</b>	<b>4-5 years</b>	<b>After 5 years</b>
Property purchase payments	\$1,000,000	\$1,000,000	Nil	Nil	Nil
Office lease obligations	\$2,891,500	\$334,000	\$1,002,000	\$668,000	\$887,500
Mine camp lease obligations	\$2,750,000	\$600,000	\$1,800,000	\$350,000	Nil
<b>Total</b>	<b>\$6,641,500</b>	<b>\$1,934,000</b>	<b>\$2,802,000</b>	<b>\$1,018,000</b>	<b>\$887,500</b>

The Company is also obligated to spend \$5,054,000 in Canadian exploration expenses (“CEE”) by December 31, 2011 as a result of the issuance of flow-through shares in the Short Form Prospectus Financing in March 2010, of which \$3,018,874 had been expended up to December 31, 2010. The Company has renounced the CEE to subscribers of the flow-through shares.

## FINANCIAL INSTRUMENTS

The Company’s treasury policy is to invest its cash and cash equivalents in investment grade short-term money market instruments and deposits with a major Canadian bank. The Company monitors these investments and is satisfied with the credit rating and liquidity of its bank. The Company has never held any asset backed financial instruments.

The Company has designated its cash and cash equivalents as held for trading, which are measured at fair value. Fair value estimates of financial assets are made at the balance sheet date based on relevant market information and information about the financial instruments.

As at December 31, 2010 the carrying amounts and fair value of the Company’s financial instruments were considered to be the same, primarily because of the short term nature and liquidity of these instruments. As at December 31, 2010 and as the date hereof, the Company did not hold any balances in foreign currencies.

The Company has included disclosure concerning some of the risk factors relating to its financial instruments in Note 7 to its consolidated financial statements for the period ended December 31, 2010.

## **OUTSTANDING SHARE CAPITAL**

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

As at December 31, 2010 the Company had 43,927,514 common shares outstanding, 1,732,765 stock options outstanding and 281,632 broker warrants outstanding.

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

Security	Number	Weighted average exercise price \$	Weighted average remaining life (years)
Common shares	44,040,266	N/A	N/A
Stock options	1,865,265	3.36	2.28
Broker warrants	279,320	6.36	0.74

Of the stock options currently outstanding, 1,324,825 options are exercisable at an exercise price of \$2.00 per share until August 31, 2012, 273,750 options are exercisable at an exercise price of \$6.27 per share until September 14, 2015, 12,500 options are exercisable at an exercise price of \$7.30 per share until November 9, 2015 and 132,500 options are exercisable at an exercise price of \$11.65 per share until February 9, 2016.

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

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

## **TRANSACTIONS WITH RELATED PARTIES**

During the nine months ended December 31, 2010, the Company recovered \$90,045 (2009 - \$149,670) in respect of office rent from corporations with common directors and/or officers.

The Company also made payments to corporations with common directors and/or officers in the amount of \$334,020 (2009 - \$225,000) during the nine months ended December 31, 2010, as compensation for management services provided, a portion of which was capitalized to mineral property interests.

The Company also incurred legal fees in respect of services provided by an officer in the amount of \$40,950 (2009 - \$22,279) during the nine months ended December 31, 2010.

The transactions with related parties were within the normal course of business and have been recorded at the exchange amounts, being the amounts agreed to between the transacting parties.

## **CRITICAL ACCOUNTING ESTIMATES**

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

## **Asset Retirement Obligations (Environmental Estimates)**

The Company is required to record a liability for the estimated future costs associated with legal obligations relating to the reclamation and closure of its mineral properties and certain property, plant and equipment. This amount is initially recorded in the period in which it is identified at its discounted present value, with subsequent annual recognition of an accretion amount on the discounted liability. An equivalent amount is recorded as an increase to mineral property interests and is amortized over the useful life of the asset. Various assumptions are used in determining the liability, including the terms and conditions of any permit, current mine plans and future retirement costs. These estimates require judgments as to the nature, cost and timing of the work to be completed and may change with changes to costs, environmental laws and remediation requirements and practices.

During the nine months ended December 31, 2010 the Company established an asset retirement obligation relating to its mining operations. The total undiscounted amount estimated to be required to settle the Company's reclamation and remediation obligations related to this portion of its mining operations at the end of its mine life is \$2,940,068. The present value of this estimated amount has been calculated at \$1,806,108 as at December 31, 2010.

In determining the present value of the asset retirement obligation, the Company has assumed a long-term inflation rate of 2%, a credit-adjusted discount rate of 11% and a 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**

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

### **International Financial Reporting Standards ("IFRS")**

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

The Company's transition to IFRS consists of three phases: (i) an initial diagnostic phase; (ii) an impact analysis, evaluation and solution development phase; and (iii) an implementation and review phase. The Company is in the third phase of the transition project.

<b>Key Activities</b>	<b>Timing</b>	<b>Current Status</b>
<b>Financial Statement Preparation</b> <ul style="list-style-type: none"> <li>Analyze and select ongoing policies where alternatives are permitted including IFRS 1 exemptions</li> <li>Quantify key differences between IFRS and the Company's application of Canadian GAAP</li> <li>Prepare IFRS consolidated financial statements including first-time adoption reconciliations</li> </ul>	<ul style="list-style-type: none"> <li>Quantification of impact of key differences on opening balance sheet by Q4 2011(March 2011)</li> <li>Draft financial statements to be prepared for senior management approval in Q4 2011 (March 2011)</li> <li>Audit Committee review of the draft financial statements and key accounting policy decisions in Q4 2011 (March 2011)</li> </ul>	<ul style="list-style-type: none"> <li>Finalization of key accounting differences completed in Q4 2010 (March 2010)</li> </ul>
<b>Training</b> <ul style="list-style-type: none"> <li>Provide technical training to key finance and accounting personnel</li> </ul>	<ul style="list-style-type: none"> <li>Ongoing training of key personnel as needed</li> </ul>	<ul style="list-style-type: none"> <li>Specific training provided to key personnel involved with the IFRS conversion is ongoing and continued training is planned for calendar 2011</li> </ul>
<b>Business Activities</b> <ul style="list-style-type: none"> <li>The Company has limited business activities at the time</li> </ul>	<ul style="list-style-type: none"> <li>Upon commencement of mining operations, the Company will adopt accounting policies that comply with IFRS and reflect the nature of operations</li> </ul>	<ul style="list-style-type: none"> <li>The Company will continue to monitor its business activities to determine whether there are changes that will require review under the IFRS conversion process</li> </ul>
<b>Financial Information Systems</b> <ul style="list-style-type: none"> <li>Identify changes required to financial information systems and implement solutions</li> <li>Determine and implement solution for capturing financial information under Canadian GAAP and IFRS (for comparative purposes)</li> </ul>	<ul style="list-style-type: none"> <li>Changes to the financial information systems to be identified and implemented by end of Q4 2011</li> <li>Solution for capturing financial information under Canadian GAAP and IFRS completed in Q1 2011</li> </ul>	<ul style="list-style-type: none"> <li>Identifying changes required to financial information systems and proposal for solutions delivered in Q2 2011</li> <li>Implementation of reporting tool to facilitate the capture of financial information under both Canadian GAAP and IFRS</li> </ul>
<b>Control Environment</b> <ul style="list-style-type: none"> <li>Maintain effective Disclosure Controls &amp; Procedures ("DC&amp;P") and Internal Controls over Financial Reporting ("ICFR") throughout the IFRS conversion project</li> </ul>	<ul style="list-style-type: none"> <li>Assessment of DC&amp;P and ICFR will be performed throughout 2010 and 2011 as the accounting policy changes are being documented and finalized</li> </ul>	<ul style="list-style-type: none"> <li>The exact nature of any changes has not yet been determined pending completion of the accounting policy documentation expected by the end of Q4 2011 (March 2011)</li> </ul>

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

Company's assessment of the impact of these changes on the Company's consolidated financial statements is still in progress but these changes are not expected to be significant.

## **RISKS AND UNCERTAINTIES**

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

### ***Political and Aboriginal / First Nations***

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

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

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

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

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

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

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

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

Negotiations with the Quebec Innu towards the completion of IBAs are continuing but final agreements have not yet been reached. In December 2010 the Company signed an Agreement in Principle with the Innu of Uashat which stipulates the principal terms to be included in an IBA targeted to be concluded in March 2011.

LIM will seek to conclude negotiations on the IBA agreements with each of Matimekush and Uashat, and to further develop a harmonious and long term working relationship with all aboriginal partners, but there can be no assurance that the Company will be successful in reaching an agreement with the any of the Quebec Innu. Any delay or failure to reach an agreement could have an adverse impact on the Company's ability to develop the Schefferville Projects.

### ***Legal and Title Risks***

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

In December 2010 following signing of the Agreement in Principle the Innu TakuaiKAN Uashat Mak Mani–Utenam (Sept-Iles) withdrew their legal action against the Government of Newfoundland and Labrador in the Supreme Court of Newfoundland and Labrador (Trial Division). Their previously filed legal action had claimed that the Government of Newfoundland and Labrador failed to consult the Uashaunnuat with regard to LIM's project, and failed to reasonably accommodate their interests, as required under the Constitution.

### **INTERNAL CONTROLS OVER FINANCIAL REPORTING**

The Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") are responsible for designing internal controls over financial reporting, or causing them to be designed under their supervision, in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian generally accepted accounting principles ("GAAP").

The Company has adopted basic systems of internal controls over financial reporting. The CEO and CFO evaluated the effectiveness of the Company's internal control over financial reporting at March 31, 2010 and concluded that as of that date it was effective to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP.

There were no significant changes to the Company's internal control over financial reporting during the quarter ended December 31, 2010.

## **ADDITIONAL INFORMATION**

Additional information regarding the Company, including the unaudited interim consolidated financial statements for the nine months ended December 31, 2010 and the audited consolidated financial statements, MD&A and AIF for the year ended March 31, 2010 are available under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

## **FORWARD LOOKING STATEMENTS**

*This Management's Discussion and Analysis contains certain forward-looking statements relating to, but not limited to, the Company's expectations, intentions, plans and beliefs. Forward-looking information can often be identified by forward-looking words such as "anticipate", "believe", "expect", "goal", "plan", "intend", "estimate", "may" and "will" or similar words suggesting future outcomes, or other expectations, beliefs, plans, objectives, assumptions, intentions or statements about future events or performance. Forward-looking information may include reserve and resource estimates, estimates of future production, unit costs, costs of capital projects and timing of commencement of operations, and is based on current expectations that involve a number of business risks and uncertainties. Factors that could cause actual results to differ materially from any forward-looking statement include, but are not limited to, failure to establish estimated resources and reserves the grade and recovery of ore which is mined varying from estimates, capital and operating costs varying significantly from estimates, delays in obtaining or failures to obtain required governmental, environmental or other project approvals, delays in the development of projects changes in exchange rates, fluctuations in commodity prices, inflation and other factors. Forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results to differ materially from expected results. There can be no assurance that the Company will be successful in reaching any agreement with any First Nations groups who may assert aboriginal rights or may have a claim which affects the Company's properties or may be impacted by the Schefferville Area project. Shareholders and prospective investors should be aware that these statements are subject to known and unknown risks uncertainties and other factors that could cause actual results to differ materially from those suggested by the forward-looking statements. Shareholders are cautioned not to place undue reliance on forward-looking information. By its nature, forward-looking information involves numerous assumptions, inherent risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and various future events will not occur. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking information whether as a result of new information, future events or other such factors which affect this information, except as required by law.*

**FORM 52-109F2  
CERTIFICATION OF INTERIM FILINGS  
FULL CERTIFICATE**

I, **John F. Kearney, Chief Executive Officer of Labrador Iron Mines Holdings Limited** certify the following:

1. **Review:** I have reviewed the interim financial statements and interim MD&A (together, the "interim filings") of **Labrador Iron Mines Holdings Limited** (the "issuer") for the interim period ended **December 31, 2010**.

2. **No misrepresentations:** Based on my knowledge, having exercised reasonable diligence, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings.

3. **Fair presentation:** Based on my knowledge, having exercised reasonable diligence, the interim financial statements together with the other financial information included in the interim filings fairly present in all material respects the financial condition, results of operations and cash flows of the issuer, as of the date of and for the periods presented in the interim filings.

4. **Responsibility:** The issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as those terms are defined in National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*, for the issuer.

5. **Design:** Subject to the limitations, if any, described in paragraphs 5.2 and 5.3, the issuer's other certifying officer(s) and I have, as at the end of the period covered by the interim filings

(a) designed DC&P, or caused it to be designed under our supervision, to provide reasonable assurance that

(i) material information relating to the issuer is made known to us by others, particularly during the period in which the interim filings are being prepared; and

(ii) information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

(b) designed ICFR, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.

5.1 **Control framework:** The control framework the issuer's other certifying officer and I used to design the issuer's ICFR is based on the COSO Framework (*Internal Control – Integrated Framework*).

5.2 **ICFR – material weakness relating to design:** N/A.

5.3 **Limitation on scope of design:** N/A.

6. **Reporting changes in ICFR:** The issuer has disclosed in its interim MD&A any change in the issuer's ICFR that occurred during the period beginning on **October 1, 2010** and ended on **December 31, 2010** that has materially affected, or is reasonably likely to materially affect, the issuer's ICFR.

Date: **February 14, 2011**

(signed) "*John F. Kearney*"

John F. Kearney  
Chief Executive Officer

**FORM 52-109F2  
CERTIFICATION OF INTERIM FILINGS  
FULL CERTIFICATE**

I, **Danesh Varma, Chief Financial Officer of Labrador Iron Mines Holdings Limited** certify the following:

1. **Review:** I have reviewed the interim financial statements and interim MD&A (together, the "interim filings") of **Labrador Iron Mines Holdings Limited** (the "issuer") for the interim period ended **December 31, 2010**.

2. **No misrepresentations:** Based on my knowledge, having exercised reasonable diligence, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings.

3. **Fair presentation:** Based on my knowledge, having exercised reasonable diligence, the interim financial statements together with the other financial information included in the interim filings fairly present in all material respects the financial condition, results of operations and cash flows of the issuer, as of the date of and for the periods presented in the interim filings.

4. **Responsibility:** The issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as those terms are defined in National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*, for the issuer.

5. **Design:** Subject to the limitations, if any, described in paragraphs 5.2 and 5.3, the issuer's other certifying officer(s) and I have, as at the end of the period covered by the interim filings

(a) designed DC&P, or caused it to be designed under our supervision, to provide reasonable assurance that

(i) material information relating to the issuer is made known to us by others, particularly during the period in which the interim filings are being prepared; and

(ii) information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

(b) designed ICFR, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.

5.1 **Control framework:** The control framework the issuer's other certifying officer and I used to design the issuer's ICFR is based on the COSO Framework (*Internal Control – Integrated Framework*).

5.2 **ICFR – material weakness relating to design:** N/A.

5.3 **Limitation on scope of design:** N/A.

6. **Reporting changes in ICFR:** The issuer has disclosed in its interim MD&A any change in the issuer's ICFR that occurred during the period beginning on **October 1, 2010** and ended on **December 31, 2010** that has materially affected, or is reasonably likely to materially affect, the issuer's ICFR.

Date: **February 14, 2011**

(signed) "*Danesh Varma*"

Danesh Varma  
Chief Financial Officer