LABRADOR IRON MINES HOLDINGS LIMITED

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE QUARTER ENDED JUNE 30, 2013

Dated: August 14, 2013

GENERAL

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the unaudited condensed consolidated financial statements and notes thereto of Labrador Iron Mines Holdings Limited ("LIM" or the "Company") for the quarter ended June 30, 2013.

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 estimates as current NI 43-101 resources. A Qualified Person has not done sufficient work to classify these estimates as current mineral resources, however the Company considers the historical resource estimates 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.

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 consolidated financial statements for the quarters ended June 30, 2012 and 2013 have been prepared in accordance with IFRS as published by the International Accounting Standards Board.

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 Menihek area 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, the Redmond Mine and adjacent Stage 1 deposits and Silver Yards processing facility ("Silver Yards"), the Stage 2 Houston property ("Houston"), which includes the Malcolm 1 deposit and, subject to further exploration and development, other iron ore 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.

LIM's 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 tonnes of historical reserves and resources previously identified by IOC. These historical resources estimates are based on work completed and estimates prepared by IOC prior to 1983 and were not prepared in accordance with NI 43-101. The IOC classification reported all resources (measured, indicated and inferred) within the total mineral resource. A Qualified Person has not completed sufficient work to classify the historical estimates as current mineral reserves. These historical results provide an indication of the potential of the properties and are relevant to ongoing exploration. However, the historical estimates should not be relied upon. 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.

LIM commenced initial production at its James Mine in June 2011 and through to the end of June 2013, has sold 15 cape-size shipments totalling 2.3 million dry tonnes into the Chinese spot market. 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 each year.

LIM is currently in its third season of operations, which re-commenced as planned in April 2013.

Resources

As at March 31, 2013, LIM had NI 43-101 compliant measured and indicated mineral resources of approximately 59.5 million tonnes at an average grade of 56.7% iron ("Fe") on the Schefferville Projects. In addition, the Company holds previously mined historical stockpiles, with a NI 43-101 compliant, indicated mineral resource of approximately 3.5 million tonnes at an average grade of 49.1% Fe and an inferred resource of approximately 2.9 million tonnes at an average grade of 48.8% Fe. These previously-mined stockpiles are located within 15 kilometres ("km") of Silver Yards and form part of LIM's Stage 1 deposits.

The Company has also announced an initial independent NI 43-101 compliant inferred mineral resource estimate for the Elizabeth Taconite Project (as at June 15, 2013) of 620 million tonnes at an average grade of 31.8% Fe. Taconites require upgrading through a concentrator involving a major capital investment to produce a saleable iron ore product.

The Company also currently holds approximately 108 million tonnes in historical resources. These are all part of the 250 million tonnes of historical reserves and resources previously identified by IOC.

A feasibility study has not been conducted on any of the Schefferville Projects and the Company's decision to undertake commercial production has not been based upon a feasibility study of mineral reserves demonstrating economic and technical viability.

OPERATING RESULTS

Summary

The Company's operating results for the quarters ended June 30, 2013 and 2012 are summarized in the table below.

	Quarter Ended June 30, 2013		**Quarter Ended June 30, 2012**	
(all tonnes are dry metric tonnes)	**Tonnes**	**Grade (% Fe)**	**Tonnes**	**Grade (% Fe)**
Total Ore Mined	345,063	56.7%	668,193	62.6%
Waste Mined	1,033,681	--	1,369,398	--
Ore Processed and Screened	545,949	56.5%	127,463	55.6%
Lump Ore Produced	10,550	57.4%	17,728	60.2%
Sinter Fines Produced	329,317	59.9%	34,711	65.6%
Total Product Railed	327,571	59.0%	532,329	62.6%
Tonnes Product Sold	328,026	59.0%	486,506	63.2%
Port Product Inventory	110,552	60.8%	223,492	62.9%
Site Product Inventory	15,848	59.1%	65,372	64.1%
Site Run-of-Mine Ore inventory	346,597	54.7%	273,503	58.8%

Silver Yards – James Mine

The James Mine re-commenced full scale production for the 2013 operating season in April 2013.

During the quarter ended June 30, 2013, the Company completed two shipments of iron ore totaling 328,000 tonnes and recognized net revenue of $17.9 million on a FOB Sept-Iles basis from these two shipments. The first shipment was a planned lower grade (~58% Fe) sinter product. The second shipment was a split cargo of lower grade (~58% Fe) and higher grade (~62% Fe) sinter products. Due to the lower Fe grade content of the majority of the product during the quarter, the iron ore was sold at a discount to the prevailing Platts 62% Fe price at a provisional weighted average realized price of approximately US$102 per tonne on a CFR China basis (after marketing discounts and value-in-use adjustments).

The Company's sale of two cape-size shipments during the first quarter was lower than the planned three cape-size shipments. The third shipment of 2013 carrying approximately 186,500 wet metric tonnes ("wmt") of about 62% Fe sinter fines was sold early in the second quarter, departing Sept-Iles on July 19.

The Company achieved lower mining, railing and shipping volumes than anticipated in the first quarter due to a number of reasons, set out below.

The Company's mine plan for the 2013 operating season included an up-front waste removal program targeting approximately 600,000 tonnes of pre-stripping in March, required to provide access to ore at the James Mine for the beginning of the operating season in April. The March 2013 waste removal program was frustrated by a combination of slower than anticipated contractor mobilization and adverse weather conditions. As a consequence, only 88,000 tonnes of waste was removed in March and a greater amount of waste removal was required during April (which also experienced adverse weather conditions) and May before the planned ore mining rate could be reached in June.

During the quarter ended June 30, 2013, approximately 345,100 tonnes of ore was mined at an average grade of 56.7% Fe and 1,033,700 tonnes of waste was removed from the James pit, compared to 668,200 tonnes mined at an average grade of 62.6% Fe and 1,369,400 tonnes of waste removed during the corresponding quarter of last year. The average grade of ore mined in the current quarter was lower than the average grade of ore mined in the first quarter of last year as the majority of the ore mined in that quarter was scheduled as higher grade direct rail ore, which did not require processing, while the ore mined in the current quarter was scheduled as lower grade ore from deeper levels in the James Mine, which requires processing and upgrading in either the dry screen plant or the wet processing plant at Silver Yards.

Processing activities at Silver Yards during April and May 2013 were limited to dry crushing and screening, prior to the start of the wet plant in June. Throughput of the dry plant averaged approximately 5,000 (wet) tonnes per day ("tpd") during the first quarter and the product recovery rate averaged approximately 67%, with the balance of material set aside for the wet processing plant.

Wet plant processing activities commenced in June, as planned, following completion of construction of the Phase 3 expansion, designed to increase the wet plant's production capacity and to recover ultra-fine material. Commissioning of Phase 3 was largely complete in June, with commissioning of the wet high intensity magnetic separator ("WHIMS") continuing through July. Plant feed was fed to the wet plant commencing June 9, with the first significant tonnage occurring on June 12. For the month of June, throughput of the wet plant averaged approximately 7,250 wet tpd, with a recovery rate of approximately 50% achieved during this commissioning month.

By the end of July, throughput of the wet plant had improved and rates of over 10,000 wet tpd were achieved on a number of days. While product recovery averaged approximately 50% in June, compared to a planned recovery rate of 75%, the subsequent completion of the WHIMS system during July has resulted in average recovery rates improving towards 70%. The WHIMS system continues in a commissioning status and is not yet running to design parameters.

Railway operations resumed in April 2013 with one train set of 164 railcars, adding a second train set of 164 railcars in May and a third train set of 164 railcars at the end of June. The Company railed a total of approximately 328,000 tonnes of iron ore to the Port of Sept-Iles in the first quarter of the 2013 operating season, compared to approximately 532,000 tonnes railed in the first quarter of the 2012 operating season. Railing volumes were below plan during the quarter, particularly in April and May, due to product availability issues as outlined.

Subsequent to the end of the first quarter, a fourth train set was added at the end of July and rail volumes have increased substantially to an average of approximately five trains per week. Each 164 railcar train set hauls approximately 16,000 tonnes of product.

As a consequence of the mining, processing and weather constraints during the first quarter, train loading, railing and shipping volumes were limited to the availability of saleable product produced. As a result, the Company incurred significant rail related volume commitment penalties during the quarter and recorded sales of only two shipments instead of three shipments as planned. The sale of the third shipment occurred shortly after the end of the quarter.

Physical operating volumes in the first quarter of the current year were lower than operating volumes in the first quarter of the previous year for a number of reasons. In the first quarter of the previous year, the mining sequence allowed for the concurrent removal of waste and ore mining (rather than the sequential removal of waste then ore), which enabled a higher volume of ore to be mined, while delayed stripping and adverse weather conditions impacted mining in the first quarter of the current year.

Processing volumes in the first quarter of the current year was significantly higher than processing volumes in the first quarter of the previous year, as the majority of the ore mined in the first quarter of the previous year was direct rail ore, which was not processed, and the dry screening equipment was not operational. Processing volumes in the first quarter of the current year consisted of both dry crushing and screening of run of mine material beginning in early April and wet processing beginning in June. Processing volumes in the first quarter of the previous year was limited to wet processing in the second half of the quarter at approximately 50% throughput capacity.

During the first quarter of the current year, product railed was limited to the volume of product available from dry and wet processing. Rail volumes were higher in the first quarter of the previous year because of the availability of a significant amount of direct rail ore mined in that quarter, which made up most of the product railed.

The Company sold two shipments of product in the first quarter of the current year compared to three shipments in the first quarter of the previous year. In both periods, the volume of product shipped was a function of the volume of product railed to Port during the respective quarters, which was greater in the first quarter of the previous year.

By the first week of August, with completion of all construction and commissioning activities at the Silver Yards plant and the addition of a fourth train set, mining and railing volumes were achieving operating plan objectives, while processing performance was improving.

Cost Control Measures

Operating costs during the first quarter were $35.6 million, and included rail and transportation costs of $16.1 million, which included take-or-pay volume expenses of $6.2 million. It is anticipated that with increased volumes railed in the second and third quarters, these take-or-pay penalties should not re-occur and a portion of these take-or-pay charges may be recovered at the end of the operating season based on the seasonal increase in rail volumes during the summer months.

Based on the sale of approximately 328,000 tonnes of iron ore in two shipments during the quarter, the reported operating costs of $35.6 million was equivalent to about $109 per tonne of iron ore sold (delivered to the Port, which includes mining processing, transportation and site expenses). This reported cost includes rail take-or-pay transportation penalties of $6.2 million, or $19 per tonne sold. The sale of the third shipment of 186,500 wmt occurred early in the second quarter but a substantial portion of the operating costs of that shipment had been incurred in the first quarter. If the sale of the third shipment had been recorded in the first quarter as planned, it would have substantially reduced operating costs for the quarter expressed on a per tonne sold basis.

The Company recognizes its cost structure is too high and is taking decisive measures to reduce both capital and operating costs. The key to reducing operating costs is to maintain and increase production volumes of iron ore. It is expected that as production volumes increase during the remaining months of the operating season, a significant reduction in operating unit costs will be achieved in the second and third quarters.

In addition, operating cost saving initiatives were undertaken or are underway with respect to mining equipment rates, human resources and staffing, fuel procurement, aviation services, hydro-electric power, exploration costs, winter cost management, rail car leasing rates, James Mine pit dewatering and waste rock mining. As negotiations with contractors and service providers are largely completed, the benefits of these cost saving initiatives are

anticipated during the remaining three quarters of the fiscal year ending March 31, 2014. The Company is targeting savings in the range of an extra $5 to $10 per tonne of saleable product as a result of these initiatives.

Under the approved budget for the fiscal year ending March 31, 2014, all discretionary capital programs were deferred indefinitely. Only capital related to completion of the Phase 3 expansion to the Silver Yards wet plant and connection to grid power continued, as completion of these programs was essential to achieving planned cost containment and sales volumes.

Equipment installation associated with the grid power connection at Silver Yards is now complete. Energizing this system is anticipated later in August and is subject to completion of a definitive power purchase agreement with Nalcor Energy. Upon final completion of this project, the power supply for the Silver Yards processing facility and the Company's Bean Lake mine accommodation camp will be substantially converted from diesel fuel to lower cost electric power during the operating season. During the winter period, diesel fuel will continue to be required, although some electric power may be available depending on domestic consumption in the town of Schefferville, which has priority of service.

In the longer term, the Company continues to pursue strategic initiatives aimed at permanent structural reductions in operating costs and in revenue deductions. These include increasing sales volumes, mining without the use of contractors, re-negotiation of railway tariffs, alternative port arrangements at Sept-Iles, the strategic alliance with Tata Steel Minerals Canada and developing alternative destination markets for the Company's products.

These strategic initiatives have targeted potential reductions in operating costs and revenue deductions of a minimum of $20 per tonne of saleable product and may take several years to accomplish in their entirety. However, there can be no guarantee that these strategic initiatives will be concluded successfully or on a timely basis.

Mining Plans

During the quarter ended June 30, 2013, the Company mined 345,063 tonnes of ore and 1,033,681 tonnes of waste from the James Mine and anticipates mining an estimated total of 1,450,000 wmt of ore at the James Mine during this operating year. The Company now plans to mine out the James Mine at the end of this operating season, rather than in the first quarter of next year as originally planned, as the remaining ore does not economically justify additional stripping or dewatering during the winter months.

Mining of the Redmond Mine, the Company's second Stage 1 deposit located approximately 12 km to the south of Silver Yards, commenced in July. It is anticipated that 450,000 wmt of ore will be mined at Redmond this year to supplement both the dry and wet process plants at Silver Yards. In addition, bulk samples totaling about 120,000 wmt are planned for the Ferriman stockpiles, located 5 to 7 km north of Silver Yards.

The Company anticipates a low strip ratio at its Redmond Mine operations during the 2013 operating year and no waste removal activities relating to the Ferriman stockpiles. Consequently, the Company anticipates low waste removal costs for the balance of the 2013 operating season. The savings from reduced waste removal are expected to offset the cost of hauling ore from Redmond and Ferriman to Silver Yards.

Combined with opening inventories of run of mine ore and saleable product, the above revised mine plan is anticipated to provide sufficient plant feed to achieve production of approximately 1.7 million tonnes of iron ore products in ten shipments during 2013.

Beyond 2013, it is planned that operations in Silver Yards will continue with mining at the Redmond Mine and a number of adjacent Stage 1 (Central Zone) deposits, including, subject to permitting and detailed engineering assessment, the Gill deposit and Wishart stockpiles, in Labrador, and the Ferriman stockpiles in Quebec. The

Company continues to evaluate other Stage 1 (Central Zone) deposits, including Ruth and Knob Lake in Labrador, together with Denault and Star Creek in Quebec.

Important Requirements Addressed for the 2013 Operating Season

During the first quarter, the Company secured a US$35 million advance payment against the committed sales of 3,500,000 wmt of iron ore to be delivered in 2013 and 2014 and entered into a new two-year iron ore sales agreement with the Iron Ore Company of Canada.

Also during the quarter, the Company put in place a limited price protection program to address potential iron ore market volatility, purchasing put options on 825,000 tonnes of iron ore over the period August to October 2013, exercisable at a CFR China price of US$105 per tonne.

In addition, in order to mitigate the risk of significant ocean freight cost escalation, the Company arranged to fix freight costs to northern China on seven vessels during 2013 through a contract of affreightment with RB Metalloyd.

Sales of Iron Ore

During the quarter ended June 30, 2013, the Company completed two shipments of iron ore totaling 328,000 dry tonnes, which were sold to the Iron Ore Company of Canada ("IOC") at a provisional weighted average actual realized price (i.e. CFR China spot price less marketing discounts and value-in-use adjustments) of approximately US$102 per tonne on a CFR China basis. The Company recognized net revenue of $17.9 million on a FOB Sept-Iles basis after netting shipping costs and IOC's participation from the CFR China actual realized price for these two shipments.

The actual realized price for a shipment of the Company's iron ore in 2013 is based on the monthly average spot price in China in the month the cargo departs Sept-Iles, adjusted for marketing discounts and 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 markets referenced in connection with sales of the Company's iron ore products is the Platts 62% Fe CFR China Index, or the Platts 58% Fe CFR China Index, which quote the price, delivered to China on a dry tonne basis, of sinter fine iron ore product up to 10 millimetres in size, with 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 each 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 applies. Value-in-use adjustments usually result in the actual realized price for a cargo being at a discount compared to the reported spot price or potentially a premium to the extent that the iron ore grade is higher than 62.0%.

The Company has experienced value-in-use adjustments in the determination of the actual realized price (on a CFR China basis) on its cargos, typically related to the silica content of the iron ore, which is usually higher than the standard benchmark of 4.5% silica. The silica content of the first two shipments in 2014 was substantially higher than the standard 4.5% due to the fact that the product was of low iron grade as a consequence of not being processed through the wet washing plant, which became operational only later in the quarter.

The first shipment of iron ore during the quarter ended June 30, 2013, was a planned lower grade (~58% Fe) sinter product. The second shipment was a split cargo of lower grade (~58% Fe) and higher grade (~62% Fe) sinter products. Due to the lower Fe grade which results in a higher silica content, the majority of the product during the quarter was sold at a discount to the prevailing Platts 58% Fe price.

Subsequent shipments during 2013 will be sinter fines and lump ore at a planned average grade of about 62% Fe. These shipments will consist of iron ore from the James Mine, the Redmond Mine and the Ferriman stockpiles, made up of a mixture of higher grade dry screened ore and average grade material that will be upgraded at the Silver Yards wet processing plant. These shipments are expected to have lower silica than was experienced with the first two shipments.

Subsequent to quarter end, the third shipment of 2013 carrying approximately 186,500 wmt of about 62% Fe sinter fines departed Sept-Iles on July 19, and the fourth shipment of 2013 carrying approximately 175,000 wmt of a combined cargo of about 128,000 wmt of 62% Fe sinter fines and 47,000 wmt of 62% Fe lump departed on August 9, 2013.

In May 2013, the Company signed a new two-year iron ore sales agreement with IOC for the 2013 and 2014 operating seasons. Under LIM's new sales agreement, IOC will pay for the iron ore progressively, as the ore is resold, with the price calculation based on the monthly average of the market index, IOC payments will be later reconciled based on IOC's net actual aggregate resale price, adjusted for any product quality specification premiums or penalties, after ocean freight and IOC's price participation. This monthly average pricing mechanism should decrease LIM's exposure to the market volatility experienced in the 2011 and 2012 operating seasons.

In May 2013, RB Metalloyd Limited ("RBM") entered into an iron ore off-take agreement with IOC under which RBM has agreed to buy all of the LIM iron ore from IOC during the 2013 and 2014 operating seasons on an FOB Sept-Iles basis.

In May 2013, LIM entered into a financing agreement with RBM, pursuant to which RBM advanced a pre-payment of US$35 million to LIM, which will repaid over a period of two years, credited against the proceeds of LIM's committed sales of 3,500,000 tonnes of iron ore shipments between August 2013 and December 2014.

Strategic Relationship with Tata Steel Minerals Canada Limited

In March 2013, the Company entered into a framework arrangement with Tata Steel Minerals Canada Limited ("TSMC"), a subsidiary of Tata Steel Limited, to establish a strategic relationship between LIM and TSMC whereby the two companies have agreed to cooperate with each other in various aspects of their respective iron ore operations in the Labrador Trough subject to entering into definitive agreements to formalize the arrangement.

The strategic relationship includes multi-part cooperation agreements in areas of logistics, property rationalization and various ancillary mutual support and potential off-take arrangements.

As part of the logistics agreements, the companies are currently formalizing arrangements for construction of the rebuilt rail line that will run from TSMC's new Timmins Area processing plant through LIM's Silver Yards facilities to the TSH main rail line and which will also provide modifications and upgrades to LIM's Silver Yard rail facilities.

Pending the construction of the new rail line to TSMC's Timmins Area plant, the Company has agreed to load a limited number of trains for Tata at LIM's Silver Yards facility under a cooperative arrangement whereby the companies have agreed to pool their train-sets to improve the overall efficiency of the rail system to Sept-Iles. Loading of Tata trains at Silver Yards began towards the end of the first quarter.

LIM and TSMC also agreed to continue their cooperation on the upgrade of the TSH railway and on other areas of future logistics operations such as camp accommodations, the sharing of ore railcars, flat bed freight railcars and railcar maintenance facilities.

As part of the strategic relationship, LIM and TSMC have agreed to enter into a joint venture for the development of LIM's Howse deposit, whereby LIM will sell a 51% interest in LIM's Howse deposit to TSMC for $30 million.

The Howse deposit (Stage 3 North Central Zone) has a historical resource of 28 million tonnes and is located about 25 km north of LIM's James Mine and Silver Yards processing plant and about four km from TSMC's Timmins Area mining and processing facilities. It is expected that significant cost savings and synergies can be achieved by processing Howse ore through TSMC's adjacent Timmins Area plant and it is hoped that the proposed joint venture with TSMC on the Howse project will expedite the development of the Howse deposit.

LIM will agree to invest $5 million on exploration drilling of the Howse deposit during 2013 and thereafter, TSMC may increase its interest to 70% by spending $25 million on the Howse project.

The arrangements with TSMC are also expected to include co-operation in establishing infrastructure at the Port of Sept-Iles, with the objective of securing access and terminal facilities for both companies at the Port's new deep sea multi-user dock.

The multi-part cooperation arrangement with TSMC has the potential to provide significant cost synergies, position LIM to address key logistics and infrastructure issues and expedite the development of the Howse deposit. In addition, subject to completion of the joint venture agreement on the Howse deposit, LIM will receive a cash injection of $30 million, which will be used by LIM to fund its working capital, capital expenditure and exploration requirements for the 2013 operating season.

The definitive agreements to formalize the strategic arrangements with TSMC are subject to ongoing detailed negotiations, which are taking much longer than anticipated by LIM, and have not yet been completed. There can be no assurance that such agreements will be completed or completed in full or in a timely manner.

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 plants and approximately 20 km from Schefferville, Quebec.

Following additional exploration drilling carried out during 2012, an updated independent mineral resource estimate of the Houston deposits, prepared as of March 31, 2013, confirmed the aggregate measured and indicated resource estimate of 31.3 million tonnes at an average grade of 57.5% Fe, a substantial increase from the total of 22.9 million tonnes at 57.2% Fe reported as of March 31, 2012.

The Company has also identified a new measured and indicated mineral resource estimate for its Malcolm 1 deposit of 9.2 million tonnes grading 57.8% Fe, which has more than tripled the previous historical resource estimate. The Malcolm 1 deposit is located approximately 4 km from Houston and is considered to be its northwest extension. Together, the Houston and Malcolm deposits are estimated to contain 40.6 million tonnes grading 57.6% Fe and currently comprise LIM's planned Stage 2 DSO operations.

The independent review of the Houston deposits and the Malcolm 1 deposit was carried out by Maxime Dupéré, P. Geo of SGS Canada Inc. who is a Qualified Person and independent of the Company within the meaning of NI 43-101.

In March 2012, the Minister of Environment and Conservation of the Government of Newfoundland and Labrador informed the Company that, in accordance with the *Environmental Protection Act*, the first phase of the Houston 1 and 2 Deposits Mining Project, including the haulage road and railway siding, was released from further environmental assessment, subject to a number of conditions.

In February 2013, the Company filed registration documents with the Government of Newfoundland and Labrador and with the Federal Canadian Environmental Assessment Agency ("CEAA") for the second phase of development of the Houston 1 and 2 deposits, which includes the construction of a wet process plant incorporating crushing, screening, washing and magnetic separation. This plant will be capable of upgrading lower grade ore (50% to 59% Fe) into saleable sinter and lump products.

In April 2013, CEAA notified LIM that a Federal Environmental Assessment was not required and in May 2013, the Minister of Environment and Conservation released this second phase of the Houston Project from the provincial environmental assessment process, subject to a number of conditions. This environmental release of the second phase of the Houston Project allowed the Company to complete the applications for permits and regulatory approvals required for the construction of the wet processing plant for the Houston Project.

It is expected that all permits and regulatory approvals for Phase 1 will be secured by the fall 2013.

The initial mine development at the Houston deposit will include construction of the haulage road and railway siding, mine infrastructure and related facilities at an estimated cost of approximately $37 million, and would take about one year to complete.

An additional approximately $20 million of development costs would be required in year two to expand production utilising a dedicated dry crushing and screening plant.

The second phase of the Houston Project would involve construction of a new 10,000 tpd wet processing plant, which would be constructed in about the third year of Houston operations.

Commencement of construction activities for the Houston Project is subject to the availability of financing and the receipt of remaining permits. The Company is evaluating various potential strategic options or off-take arrangements and/or credit facilities and other financing alternatives to fund the planned first phase Houston development and related transportation and port infrastructure expenditures.

When in full production, the Houston Project is expected to produce about 2.5 million tonnes of iron ore annually.

Transportation

The Company's iron ore is transported by rail from the Silver Yards processing facilities, via the Company's six km spur line to the Tshiuetin Rail Transportation Inc. ("TSH") railway, which connects to the Quebec North Shore and Labrador ("QNS&L") railway at Emeril Junction and travels to the Port of Sept-Iles, where the train sets carrying the Company's iron ore are unloaded and the product is stockpiled for shipping.

Under the Company's confidential rail transportation contracts signed with QNS&L in 2011 and with TSH in 2012, the Company is committed to minimum tonnages per month over each eight month annual operating season.

Rail operations re-commenced for the 2013 operating season when the first loaded iron ore train departed from the Silver Yards plant to the Port of Sept-Iles in early April. The Company began the 2013 operating season with one train set of 164 railcars in April, added a second train set of 164 railcars in May and a third train set of 164 railcars at the end of June. A fourth train set was added at the end of July. The railcars currently in use by LIM consist of three train sets of newly built rotary dumper compatible ore gondolas supplied by TSMC and one train set of rotary dumper compatible ore gondolas leased from IOC. The rotary dumper compatible ore gondolas allow for longer train sets and enable highly efficient unloading at port. LIM's fleet of retrofitted (non-rotary dumper compatible) railcars owned by the Company is also available as required.

The Company railed a total of approximately 328,000 tonnes of iron ore to the Port of Sept-Iles in the first quarter of the 2013 operating season, compared to approximately 532,000 tonnes railed in the first quarter of the 2012 operating season. Railing volumes were below plan, particularly in April and May, due to product availability issues at the mine site.

By the end of July, rail volumes had increased substantially to an average of approximately five trains completed per week, utilizing four train sets. Each 164 railcar train set hauls approximately 16,000 tonnes of product. The five trains per week haulage volume level is planned to be maintained during the balance of the operating year and is dependent on weather conditions, as sinter fines are susceptible to freezing in the late autumn.

As part of its long-term confidential rail transportation contract with TSH, LIM has agreed to make contributions towards the costs of the TSH upgrade program on its Menihek rail line up to a total amount of an additional $16.5 million over the next four years. During 2012, TSH continued to carry out upgrade work following a cash investment by LIM of $5 million in 2012 (in addition to a cash investment by LIM of $3.5 million in 2011) and similar investments by TSMC. The Company has not committed to any specific TSH upgrade program in 2013 as the anticipated increase in volumes on this rail line will not materialize as early as planned and the rail line is currently operating satisfactorily.

All iron ore railed to Sept-Iles in 2013 and 2014 is being sold to IOC. The Company signed a two-year iron ore sales agreement with IOC for the sale to IOC of all iron ore produced in the 2013 and 2014 operating seasons, under which all product sold to IOC will be handled by IOC through its port facilities at Sept-Iles.

The port handling arrangements for the shipment of LIM's iron ore production for 2015 and future years remain subject to ongoing evaluation and finalization. The Company is one of several mining companies that have entered into a long-term contract with the Sept-Iles Port Authority for capacity at a new multi-user dock in the Pointe-Noire area of the Port of Sept-Iles. The multi-user dock is a $220 million project (of which the users are funding $110 million by way of refundable advance payments) comprising two berths equipped with two ship loaders as well as two conveyer lines which the Port reports is on budget and on schedule for completion in mid-2014. The multi-user dock is expected to have an annual capacity of up to 50 million tonnes per year, of which the Company has reserved 5 million tonnes of annual capacity.

Under the long-term user agreement, the Company paid $6.4 million in 2012 as a first installment of an advance payment and agreed to a final advance payment installment of $6.4 million. The Company has agreed to defer payment of this final advance installment pending resolution of land access and product handling facility arrangements in the Pointe-Noire area of the Port and is working closely with the Sept-Iles Port Authorities to resolve these arrangements. The Company has also entered into long-term take or-pay volume commitments with respect to the new multi-user dock.

In February 2013, CN Rail announced the discontinuation of its port terminal and railway initiative for Sept-Iles and the Labrador Trough. LIM, as a participant in the CN Rail consortium, received a full refund of $1.5 million, as well as all baseline environmental and technical data prepared by CN Rail. During the first quarter, LIM completed a scoping-level (+/-30%) study of a multi-user port terminal at Point Noire capable of handling and delivering 10 million tonnes per annum of iron ore products to the Port's multi-user dock. A surface lease application for the required land has been filed with the Quebec Ministry of Natural Resources. Further development of this port terminal project is contingent on completion of engineering, permitting and financing.

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 (which is planned to be mined out this year), the Redmond Mine (which will be in production

during the balance of this year and 2014) and four smaller satellite deposits and some historical stockpiles, all located within a 15 km radius of the Silver Yards processing plants.

Combined with opening inventories of run of mine ore and saleable product, the above revised mine plan is anticipated to provide sufficient plant feed to achieve production of approximately 1.7 million tonnes of iron ore in ten shipments during 2013.

Subsequent to quarter end, the third shipment of 2013 carrying approximately 186,500 wmt of about 62% Fe sinter fines departed, on July 19, and the fourth shipment of 2013 carrying approximately 175,000 wmt of a combined cargo of about 62% Fe sinter fines and 62% Fe lump departed on August 9.

By the first week of August, with completion of all construction and commissioning activities at the Silver Yards wet plant and the addition of a fourth train set, mining and railing volumes, were achieving operating plan objectives, while product recovery in the wet plant was improving.

Planned shipments for the balance of 2013 will be sinter fines and lump ore at a planned average grade of about 62% Fe. These shipments will consist of iron ore from the James Mine, the Redmond Mine and the Ferriman stockpiles, made up of a mixture of higher grade dry screened ore and lower grade material that will be upgraded at the Silver Yards wet processing plant.

The planned 2013 exploration program will focus on Howse and Gill deposits and will consist mainly of delineation diamond drilling with a target of approximately 14,000 metres ("m") of core recovery (8,000 m for Howse and 6,000 m for Gill).

The operational priorities for the Company for its 2013 operating season are to maximize production and sales volumes and minimize costs. The Company has implemented cost reduction and cash conservation measures across all aspects of the Company's operations. These include deferral of all non-essential capital expenditures, curtailment of corporate travel, negotiation of a new contract with the main mining contractor and engagement of a new operator for the processing plant. The Company has also instituted a hiring freeze, a workforce reduction and reductions in corporate expenditures.

With the increase in production and railing volumes, the minimization in take-or-pay transportation penalties and the implementation of the cost savings initiatives, cash operating costs (mining, processing, rail and transportation and general and administrative costs per tonne unloaded at the Port) during the remaining three quarters of the fiscal year ending March 31, 2014, are expected to be substantially lower than in the first quarter.

Iron Ore Market Conditions

The price of iron ore (CFR China 62% Fe) averaged approximately US$130 per tonne in the quarter ended June 30, 2013, compared to approximately US$140 per tonne in the same quarter of 2012. Iron ore market conditions through July and August 2013 have been favourable compared to the significant decline experienced in the same period of 2012. Benchmark prices for 62% Fe iron ore in the Chinese market have remained above US$130 per tonne in recent weeks. Demand in China remains favourable, as inventories at ports and steel prices continue to support the seaborne trade.

Robust steel production and iron ore demand from emerging economies and in particular from China have underpinned the rise in iron ore prices over the past seven years. In addition, supply constraints, such as falling ore grades at major mines and increasing capital expenditures to build new capacity, have resulted in iron ore production consistently falling short of market expectations.

Growth in iron ore demand has been dominated by China, whose steel production and consumption (rate of steel usage per capita) has been steadily increasing over the past decade. The country's rapidly increasing steel intensity (steel usage per capita) has been driven by rapid economic growth and continued urbanization, leading to significant increases in the rate of residential construction, durable goods production and public infrastructure development.

There has been significant price volatility in iron ore prices over the past year due to apparent changes in Chinese stock levels and there may be further short term volatility in the future. Nevertheless the Company is of the view that the long term iron prices will remain firm due to the following factors:

- strong steel and iron ore demand growth from China, which will continue to be supported by Chinese Government stimulus spending as well as structural factors, such as the urbanization of China's population;
- strong demand growth in the medium to long-term from the United States and emerging markets including Brazil, India, Russia, CIS countries, southeast Asia and the Middle East;
- efforts to increase the average grade of steel production, which necessitates the use of high-grade iron ore, will increase China's demand for higher grade iron ore imports;
- long-term supply constraints, as many of the new projects and production expansions previously planned by major companies are experiencing increased costs and delays or have been postponed, which is expected to delay or reduce the long-term growth of iron ore supply; and
- supply growth will continue to fall significantly short of market expectations.

Iron ore supply growth has consistently fallen below market expectations due to a number of factors including:

- the increase in capital costs by over 400% over the last decade;
- the substantial increase in operating costs;
- new projects have increasingly required high-cost greenfield infrastructure development;
- governments have demanded higher ownership stakes and taxes;
- labour supply has been severely limited; and
- governments have focused increasingly on environmental concerns.

The largest three iron ore producers (Rio Tinto, BHP Billiton and Vale) continue to face significant capital and operating cost inflation which has resulted in the deferral of many new projects and mine expansions. In addition, a significant portion of the forecasted increase in industry capacity is expected to come from higher risk jurisdictions such as Africa where higher geopolitical risk requires higher returns to warrant capital investment.

In the longer-term, the cost curve plays an integral role in establishing an effective 'floor' for iron ore prices. 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 approximately US$120/tonne, which provides a strong support level for future iron ore prices (China import 62% Fe fines on a CFR China basis).

RESULTS OF OPERATIONS

Quarter Ended June 30, 2013

The Company recognized net revenue from mining operations of $17.9 million on sales of approximately 328,000 tonnes of iron ore in two shipments in the quarter ended June 30, 2013, compared to net revenue of $38.0 million on sales of approximately 487,000 tonnes of iron ore in three shipments during the first quarter of the previous year. The decline in net revenue is attributable to the completion of one less shipment of iron ore in the current year's first quarter and a decline in the weighted average actual realized CFR China price of iron ore from US$122 per tonne in the previous year's first quarter to US$102 in the current year's first quarter.

The Company's net revenue is recognized on an FOB Port of Sept-Iles basis and is net of deduction of ocean freight and IOC's participation.

The Company reported a loss of $28.5 million, or $0.23 per share in the quarter ended June 30, 2013, compared to a loss of $10.6 million, or $0.16 per share, during the previous year's first quarter. The loss in the current year's first quarter included a depletion and depreciation charge of $5.6 million, or $0.05 per share, compared to $9.8 million or $0.14 per share charged during the first quarter of the previous year

The variance in the results of operations relates largely to an operating loss (before depletion and depreciation) of $18.2 million in the current year's first quarter, compared to an operating profit (before depletion and depreciation) of $1.7 million in the previous year's first quarter.

The increase in processing costs from $2.0 million in the previous year's first quarter to $10.2 million in the current year's first quarter is primarily a function of the increase in volume of ore processed and screened from approximately 127,500 tonnes to approximately 546,000 tonnes in the respective periods.

Rail and transportation costs of $16.1 million during the first quarter included take-or-pay volume expenses of $6.2 million, which penalties are expensed as incurred in accordance with the Company's accounting policies. It is anticipated that a portion of these take-or-pay charges may be recovered at the end of the operating season based on the seasonal increase in rail volumes during the summer months.

The Company recorded a depletion and depreciation charge of $5.6 million during the quarter ended June 30, 2013, a decline from $9.8 million charged during the first quarter of the previous year. Depletion and depreciation represents a period charge, primarily on a units-of-production basis, of the cost of Stage 1 mining assets, the Silver Yards processing plant, transportation equipment and infrastructure and site properties associated with Stage 1 operations. The decline in the depletion and depreciation charge compared to the previous year's first quarter is due to a lower volume of mining and a reduction in the carrying balance of mineral property interests subsequent to a non-cash write down in mineral property interests effective March 31, 2013.

The Company recorded a financing charge of $1.5 million during the quarter ended June 30, 2013, representing the period end reduction in value of the iron ore put options entered into in May 2013.

During the quarter ended June 30, 2013, the Company added approximately $8.4 million in property, plant and equipment, compared to approximately $14.3 million added during the first quarter of the previous year. The reduction represents a concerted effort to limit capital expenditures to only essential capital projects. Non-essential capital projects have been suspended or deferred. The $8.4 million in capital expenditures in the first quarter related mainly to Phase 3 of the Silver Yards wet processing plant and investment in grid connection infrastructure.

In May 2013, the Company completed an advance payment off-take financing with RBM for gross cash proceeds of US$35.0 million which shall be repaid over a period of two years, credited against the proceeds of LIM's committed sales of 3,500,000 wmt of iron ore shipments between August 2013 and December 2014.

Financings

February 2013 Prospectus Financing

On February 13, 2013, the Company completed an equity financing by way of a short form prospectus (the "February 2013 Prospectus"), raising gross proceeds of $28,980,000 (the "February 2013 Prospectus Financing"). The following table sets out how the proceeds from the February 2013 Prospectus Financing have been spent up to June 30, 2013 compared to the anticipated use of proceeds set out in the February 2013 Prospectus.

	As disclosed in the February 2013 Prospectus	**Actual expenditures, up to June 30, 2013**
Gross Proceeds, including proceeds of over-allotment option	$28,980,000	$28,980,000
Underwriting fee	$1,449,000	$1,449,000
Other expenses of the February 2013 Prospectus Financing	$300,000	$395,089
Net Proceeds	**$27,231,000**	**$27,135,911**
Use of Net Proceeds		
Pre-stripping, mining and processing costs, including payments to the Company's mining contractor in connection with the seasonal resumption of production operations in April 2013:	$6,000,000	$12,277,306
Transportation costs, including rail tariff payments and rail capacity reservation payments of $10 million in connection with seasonal resumption of production operations:	$16,000,000	$13,739,810
General corporate purposes including supplementing working capital, and, if required, general and administrative costs for the January to March 2013 winter season arising from unbudgeted transaction costs relating to the working capital or off-take financing negotiations:	$5,231,000	$1,118,795
Total:	**$27,231,000**	**$27,135,911**

Cash Resources and Outlays from January 1, 2013 to June 30, 2013

The following table sets out the Company's actual cash resources and outlays from January 1, 2013 to June 30, 2013 compared to the estimated cash resources and outlays for the same period set out in the February 2013 Prospectus.

Cash Resources and Outlays from January 1, 2013 to June 30, 2013		
	As estimated in the February 2013 Prospectus	***Actual***
Opening Cash	$10,000,000	$10,198,304
Cash inflows		
Cash Resources[(1)]	$10,850,000	$20,950,000
Financing Proceeds[(2)]	$26,800,000	$62,650,000
Total cash inflows	$37,650,000	$83,600,000
Cash Outlays		
Site Operating Expenditures[(3)]	($10,900,000)	($48,460,000)
General Corporate	($4,250,000)	($6,249,920)
Exploration	($1,500,000)	($3,090,000)
Capital Expenditures	($8,000,000)	($8,730,000)
Total cash outflows	($24,650,000)	($66,529,920)
Ending Cash	$23,000,000	$27,268,384

Notes:
(1) Includes cash receipts from the sale of product, collection of camp rental and government tax rebates.

(2) Includes the net proceeds of the February 2013 Financing, the proceeds of broker warrant exercises and the proceeds of the Advance Payment.

(3) Includes cash payment of mining, processing, transportation and site costs.

SUMMARY OF QUARTERLY RESULTS

	Quarter Ended							
($000s, except per share data)	Sept 30, 2011	Dec 31, 2011	March 31, 2012	June 30, 2012	Sept 30, 2012	Dec 31, 2012	March 31, 2013	June 30, 2013
Net (loss)	(6,993)	(1,678)	(1,331)	(10,584)	(31,712)	(16,110)	(71,269)	(28,507)
(Loss) per share	(0.13)	(0.03)	(0.02)	(0.16)	(0.47)	(0.19)	(0.65)	(0.23)
Total assets	296,605	304,443	379,754	374,852	359,381	358,789	296,359	321,288

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 the 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 also includes a depletion and depreciation charge of $14.4 million for the quarter. The loss and loss per share in the quarter ended March 31, 2013 includes a non-cash write-down of mineral property interests and accounts receivable totaling in aggregate $61.2 million.

LIQUIDITY AND CAPITAL RESOURCES

As at June 30, 2013, the Company had current assets of $67.9 million, including inventories with a carrying value of $11.0 million and accounts receivable and prepaid expenses of $26.2 million. At June 30, 2013, the Company had $27.3 million in unrestricted cash and cash equivalents and an additional $8.6 million in restricted cash. 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 current portion of deferred revenue, finance lease obligations and rehabilitation provision, were in aggregate $67.2 million at June 30, 2013.

The Company had no current or long-term bank debt at June 30, 2013. The Company has entered into finance lease agreements for its Bean Lake mine accommodation camp 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. In May 2013 the Company completed an advance payment off-take financing with RBM for gross cash proceeds of US$35.0 million which shall be repaid over a period of two years, credited against the proceeds of LIM's committed sales of 3,500,000 wmt of iron ore shipments between August 2013 and December 2014.

In March 2013, the Company entered into a framework arrangement with TSMC to establish a strategic relationship between LIM and TSMC whereby the two companies have agreed to cooperate with each other in various aspects of their respective iron ore operations in the Labrador Trough. Subject to completion of the definitive joint venture agreement, LIM will receive $30.0 million from TSMC for the sale of a 51% interest in the Howse deposit which will be used to fund working capital, capital expenditure and exploration requirements for the 2013 operating season.

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.

In order to protect against volatility in the iron ore market, the Company entered into a limited price protection program with a major international bank under which the Company purchased put options on a total of 825,000 tonnes of iron ore over the period August to October 2013, exercisable at a CFR price of US$105 per tonne. The Company has also sold matching put options to the same bank exercisable at a price of US$90 per tonne on a matching basis on the same volume of iron ore over the same period. The effect of the price protection program is that the Company would receive a minimum of US$105 per tonne so long as the price of iron ore in these months is not less than US$90 per tonne.

The carrying amount of the Company's mineral property interests at June 30, 2013 was $111.8 million, compared to $105.9 million at the beginning of the fiscal year.

At June 30, 2013 the net book value of property, plant and equipment was $112.5 million.

OFF BALANCE SHEET ARRANGEMENTS

The Company has no off balance sheet arrangements.

OBLIGATIONS AND CONTRACTUAL COMMITMENTS

Contractual Obligations as at June 30, 2012	Payments Due by Period			
	Total	**Less than 1 year**	**Later than 1 year, not later than 5 years**	**After 5 years**
Office lease obligations	$3,095,000	$502,000	$2,008,000	$585,000
Mine camp lease obligations	$3,347,000	$1,161,000	$2,186,000	—
Equipment supply, port and transportation contracts and social development and training contributions	$180,402,000	$37,326,000	$112,118,000	$30,958,000
Total	**$186,844,000**	**$38,989,000**	**$116,312,000**	**$31,543,000**

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 Bean Lake mine 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. Social development and training relates to contributions under IBAs entered into with various First Nations communities.

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, $2.6 million of which had been expended as at June 30, 2013.

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 June 30, 2013, the carrying amounts and fair value of the Company's financial instruments were considered to be the same, primarily because of the short term nature and liquidity of these instruments. As at June 30, 2013, 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 23 to its consolidated financial statements for the fiscal year ended March 31, 2013.

OUTSTANDING SHARE CAPITAL

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

As at June 30, 2013 the Company had 126,200,807 common shares, 1,716,875 stock options, 2,705,000 broker warrants, 13,800,000 share purchase warrants and 259,264 deferred share units 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	126,200,807	N/A	N/A
Stock options	1,716,875	$5.17	3.3
Broker warrants	2,705,000	$2.08	0.6
Share purchase warrants	13,800,000	$1.35	2.4
Deferred share units	414,367	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 820,625 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 share purchase 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 quarter ended June 30, 2013, the Company recovered $29,181 (June 30, 2012 - $30,015) in respect of office rent from corporations with common directors and/or officers. As at June 30, 2013, $21,339 (March 31, 2013 - $34,366) is included in accounts receivable.

During the quarter ended June 30, 2013, the Company also made payments to companies with common directors and/or officers in the amount of $150,000 (June 30, 2012 - $133,400), as compensation for management services provided. All of the management compensation in the quarters ended June 30, 2013 and 2012 was expensed. At June 30, 2013, $87,667 (March 31, 2013 - $76,833) in management compensation remained payable to these related companies.

During the quarter ended June 30, 2013, the Company also incurred legal fees (professional fees and financing costs) in respect of services provided by a professional corporation controlled by an officer in the amount of $66,920 (June 30, 2012 - $56,884). As at June 30, 2013, $66,920 (March 31, 2013 - $30,800) in legal fees remained payable to this related party.

CRITICAL ACCOUNTING ESTIMATES

Commercial Production

The Company commenced commercial production for accounting purposes effective April 1, 2012. The fiscal year ended March 31, 2012 was considered to have been a start-up and testing year.

Revenue Recognition

Commencing effective April 1, 2012, revenue has been 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 are typically considered to have been 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 reporting period. 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 amount 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 stock-based 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 June 30, 2013 based on the assumptions set out in Note 10(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.

The Company has established a rehabilitation provision relating to its current Stage 1 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 $3,975,067. The present value of this estimated amount has been calculated under IFRS as $4,003,441 as at June 30, 2013.

In determining the present value of the rehabilitation provision as at June 30, 2013, the Company has assumed a long-term inflation rate of approximately 1.4%, a current market discount rate ranging from 1.1% to 2.5% 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 condensed interim consolidated financial statements for the three months ended June 30, 2013, other than as set out in Note 4 to the condensed interim consolidated financial statements for the three months ended June 30, 2013.

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 in the Company's annual information form ("AIF"), which is filed on SEDAR. A summary of the principal risks and uncertainties which the Company faces is set out below.

No Assurance of Profitable Production

Resource exploration and 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 claims to which the Company has a right to acquire an interest are in the exploration stage only and are without a known body of commercial ore.

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 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.

Mining operations, such as those at the James deposit and anticipated at Houston, 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. Processing 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.

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.

The successful commercial development of the Company`s properties will depend 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. There can be no assurance that the Company will be successful in obtaining any required financing or in obtaining financing on reasonable or acceptable terms.

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

Financing and Going Concern

The successful development of the Company's properties will depend upon the Company's ability to obtain financing through private placement financing, public financing, the joint venturing of projects, bank financing or other means. There is no assurance that the Company will be successful in obtaining the required financing.

Securities of junior resource companies have experienced substantial volatility in the past, often based on factors unrelated to the financial performance or prospects of the companies involved. These factors include macroeconomic developments worldwide and global and market perceptions of the attractiveness of particular industries. The share price of the Company is likely to be significantly affected by short-term changes in iron ore prices. Other factors unrelated to the Company's performance that may have an effect on the price of its shares include the following: the extent of analytical coverage available to investors concerning the Company's business may be limited if investment banks with research capabilities do not follow the Company's securities; lessening in trading volume and general market interest in the Company's securities may affect an investor's ability to trade significant numbers of common shares; the size of Company's public float may limit the ability of some institutions to invest in the Company's securities; and a substantial decline in the price of the common shares that persists for a significant period of time could cause the Company's securities to be delisted from an exchange, further reducing market liquidity.

As a result of any of these factors, the market price of the Company's shares at any given point in time may not accurately reflect the Company's long-term value. Securities class action litigation often has been brought against

companies following periods of volatility in the market price of their securities. The Company may in the future be the target of similar litigation. Securities litigation could result in substantial costs and damages and divert management's attention and resources.

The Company will need to generate additional financial resources in order to fund its planned exploration and development programs and its corporate administration costs. There is a risk that additional financing will not be available to the Company on a timely basis or on acceptable terms. There are no assurances that the Company will continue to be able to obtain additional financial resources and/or achieve positive cash flows or profitability. The Company has not achieved profitable operations, has an accumulated deficit since inception and expects to incur further losses in the development of its business. If the Company is unable to obtain adequate additional financing, the Company may be required to curtail operations and its exploration and development activities. Failure to continue as a going concern would require that the Company's assets and liabilities be restated on a liquidation basis which would differ significantly from the going concern basis.

The ongoing development of the Company's properties, including its Stage 2 Houston Project, will require substantial additional capital investment. Failure to generate sufficient cash flow from current operations, and/or secure additional financing, could result in delaying or indefinite postponement of development or production of these properties. There can be no assurance that such cash flow will be generated or such additional financing will be available when needed or that, if available, the terms of such financing will be on terms favorable to the Company.

Fluctuating Iron Ore Prices, Put Options and Ocean Freight Rates

The viability of the Company's Schefferville Projects is dependent on the sale price of iron ore which has fluctuated considerably over the last 18 months.

Factors beyond the control of the Company may affect the marketability of iron ore or other metals. Metal prices, including iron ore prices, are subject to significant fluctuation and are affected by a number of factors which are beyond the control of the Company. The principal risk factors include: diminished demand which may arise if rates of economic growth in China and India decline or are not sustained; increases in supply resulting from the discovery and/or the development of new sources of iron ore by the world's largest iron ore producers, or supply interruptions due to changes in government policies in iron ore consuming nations, war, or international trade embargoes. The effect of these factors on the Company's operations cannot be predicted.

In order to protect against volatility in the iron ore market, subsequent to the fiscal year end, the Company has entered into a limited price protection program with a major international bank under which the Company has purchased put options on a total of 825,000 tonnes of iron ore over the period August to October 2013, exercisable at a CFR price of US$105 per tonne. The Company has also sold matching put options to the same bank exercisable at a price of US$90 per tonne on a matching basis on the same volume of iron ore over the same period. The effect of the price protection program is that the Company would receive a minimum of US$105 per tonne so long as the price of iron ore in these months is not less than US$90 per tonne.

These put option contracts purchased by the Company entitle the Company to sell iron ore to the other contract party at the agreed exercise price. The matching put option contracts sold by the Company require the Company to sell iron ore to other contract party at the agreed exercise price if the contract party exercises such matching put options. Such put options do not prevent the Company from selling its iron ore products at higher market prices, which may prevail at the time such products are actually sold. The cost of put options increases the Company's costs. There are counterparty risks associated with put option contracts arising from the possible failure or inability of an option counterparty to fully comply with its contractual obligations. Any default by an option counterparty could require

the Company to sell its iron ore products at a market price which would be lower than the option price and therefore, could negatively impact the Company's operations, financial condition and results of operations.

In order to mitigate the risk of significant ocean freight cost escalation, the Company has agreed to fixed freight costs to northern China on seven vessels during 2013 through a contract of affreightment with RBM.

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, the Company will be required to continually replace and expand its mineral resources as its mines produce iron ore. The life-of-mine estimates in respect of the James (Stage 1) and Houston - Malcolm (Stage 2) deposits may not be correct. 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.

Transportation and Port Infrastructure

Mining, processing, development and exploration activities depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges, power sources and water supply are important determinants which affect capital and operating costs. The Company's future operations will require rail transportation from the Schefferville region to a sea port and ship berthing, storage and loading facilities at such port. Although the Company has negotiated agreements covering rail transportation to the port of Sept-Iles and berthing, storage and loading facilities at Sept-Iles, there can be no assurance that such arrangements will continue to be on economically feasible terms. Failure of such arrangements or the inability to renegotiate same on economically feasible terms could render the Schefferville Projects unviable. Unusual or infrequent weather phenomena, terrorism, sabotage, government or other interference in the maintenance or provision of such infrastructure could adversely affect the Company's operations, financial condition and results of operations.

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, 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 Wabush Mines, which runs approximately 34 km around the bay to the port terminal at Pointe-Noire.

In June 2012, the Company signed a confidential, life-of-mine agreement with TSH for the transportation of iron ore over the Menihek Division. During 2011 and 2012, TSH carried out some upgrade work on its Menihek Division rail line following a cash investment by both the Company and TSMC. This ongoing TSH rail upgrade will require continuing cash investment by the two mine operating companies and TSH, and potentially by governments to ensure that the tonnages planned for 2013 and expansion in future years can be efficiently transported. As part of its long-term confidential rail transportation contract with TSH, LIM has agreed to make contributions towards the costs of this upgrade program to a total amount of an additional $16.5 million over the next four years in addition to $8.5 million in non-repayable upgrade contributions LIM has already advanced to TSH. The full amount of this $16.5 million of future upgrade contributions will be repaid to the Company over an expected period of about four years commencing in 2017, subject to LIM maintaining normal annual transportation operations on the TSH railway.

The port handling arrangements for the shipment of LIM's iron ore production for 2015 and future years remain subject to ongoing evaluation and finalization. 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. These include the potential use of the Port's proposed new multi-user deep water dock and/or other facilities of the Sept-Iles Port Authority.

Pursuant to its July 2012 long term customer contract with the Port of Sept-Iles, the Company has secured ship loading capacity of 5 million tonnes per year, with the right to secure additional residual capacity, at this new multi-user facility. Under this contract, the Company has paid a preliminary instalment of $6.4 million towards its buy-in payment and guaranteed a final buy-in payment instalment of $6.4 million, which was due in July 2013. The Company has agreed to defer payment of the final advance payment installment of $6.4 million, pending resolution of land access and product handling facility arrangements in the Pointe-Noire area of the Port. The Company continues to cooperate with the Sept-Iles Port Authority to resolve these issues and is in ongoing discussions with the Sept-Iles Port Authority, and with other port operators, regarding rail transportation, storage, reclaim and ship-loading and trans-shipment of its iron ore products in the Port. There can be no assurance that arrangements on acceptable terms will be concluded or concluded on a timely basis.

Ability to Attract and Retain Qualified Personnel

The Company is dependent on the services of key executives, including the Chairman and Chief Executive Officer ("CEO"), the President and Chief Operating Officer ("COO"), the Chief Financial Officer ("CFO"), the Senior Vice President Operations ("SVP") and a number of other skilled and experienced executives and personnel. Due to the relatively small size of the Company, the loss of these persons or the Company's inability to attract and retain additional highly skilled or experienced employees may adversely affect its business and future operations.

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 may be exacerbated as a result of 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.

Recruiting and retaining qualified personnel is critical to the Company's success. The number of persons skilled in the acquisition, exploration and development of mining properties is limited and competition for such persons is intense. As the Company's business activity grows, additional key financial, administrative and mining personnel as well as additional operations staff will be required. Although the Company believes it will be successful in attracting, training and retaining qualified personnel, there can be no assurance of such success. If the Company is not successful in attracting, training and retaining qualified personnel, the efficiency of operations could be affected.

Government Regulation and Permitting

The current or future operations of the Company, including development activities and commencement of production on its properties, require permits from various federal, provincial or territorial and local governmental authorities, and such operations are and will be governed by laws and regulations governing prospecting, development, mining, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, water use, environmental protection, land claims of local people, mine safety and other matters.

Such operations and exploration activities are also subject to substantial regulation under applicable laws by governmental agencies that will require the Company to obtain permits, licences and approvals from various governmental agencies. There can be no assurance, however, that all permits, licences and approvals that the Company may require for its operations and exploration activities will be obtainable on reasonable terms or on a timely basis or that such laws and regulations will not have an adverse effect on any mining project which the Company might undertake.

Failure to comply with applicable laws, regulations, and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations and, in particular, environmental laws.

Amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in exploration expenses, capital expenditures or production costs or reduction in levels of production at producing properties or require abandonment or delays in development of new mining properties.

To the best of the Company's knowledge, it is operating in compliance with all applicable rules and regulations.

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. There are a number of First Nations peoples living in the Quebec-Labrador peninsula with overlapping claims to asserted aboriginal land rights. Aboriginal claims to lands, and the conflicting claims to traditional rights between aboriginal groups are not currently governed by any existing treaty rights and may have an impact on the Company's ability to develop the Schefferville Projects. The boundaries of the traditional territorial claims by these groups, if established, may impact on the areas which constitute the Schefferville Projects. Mining licenses and their renewals may be affected by land and resource rights negotiated as part of any settlement agreements entered into by governments with First Nations.

There are a number of Innu groups based in Quebec (including Schefferville and Sept-Iles) who assert aboriginal rights in Quebec and Labrador. The Innu of Quebec, located at Matimekush-Lac Jean near Schefferville, and at the communities of Uashat Takuaikan mak Mani-Utenam, near Sept-Iles, assert aboriginal rights to traditional lands

which include parts of Quebec and Labrador. Members of the Innu Uashat Takuaikan mak Mani-Utenam, near Sept-Iles, Quebec, claim ownership of some registered trap lines in the Schefferville area.

The Innu of Matimekush-Lac John and Uashat Takuaikan mak Mani Utenam are two of five Innu communities living in northeastern Quebec who in 2009 formed the "Innu Strategic Alliance" seeking to have their ancestral rights on their traditional lands which extend on both sides of Quebec-Labrador border recognized by Governments. At various times, the Innu Strategic Alliance has stated that, in order to have their ancestral rights, including the caribou hunt recognized, the Quebec Innu would if necessary seek to block natural resource development projects in Labrador and Quebec, such as the Churchill hydroelectric project in Labrador, the La Romaine hydro-electric project in Quebec and mining projects near Schefferville. In June 2010, the Innu Strategic Alliance set up a barricade on the road leading from the town of Schefferville to the mining projects of two companies, including the Company, "to ensure protection of their rights". This barricade was removed by the Innu in early September 2010.

There can be no assurance that the Company will be successful in its agreements and relationships 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.

Environmental Risks and Hazards

The Company's activities are subject to extensive national, provincial, and local laws and regulations governing environmental protection and employee health and safety. The Company is required to obtain governmental permits and provide bonding requirements under environmental laws. All phases of the Company's operations are subject to environmental regulation. These regulations mandate, among other things, the maintenance of water quality standards and land reclamation. They also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner, which will require stricter standards and enforcement, increased fines and penalties for non-compliance, and more stringent environmental assessments of proposed projects. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations.

The ultimate amount of reclamation to be incurred for the planned mining operations at the Schefferville Projects is uncertain. Although the Company will make provision for reclamation obligations when these arise, it cannot be assured that these provisions will be adequate to discharge its obligations for these costs. Environmental hazards may exist on the properties in which the Company holds interests which have been caused by previous owners or operators of the properties. As environmental protection laws and administrative policies change, the Company will revise the estimate of its total obligations and may be obliged to make further provisions or provide further security for mine reclamation cost.

Environmental laws and regulations are complex and have tended to become more stringent over time. These laws are continuously evolving. Any changes in such laws, or in the environmental conditions at the Schefferville Projects, could have a material adverse effect on the Company's financial condition, liquidity or results of operations. The Company is not able to predict the impact of any future changes in environmental laws and regulations on its future financial position due to the uncertainty surrounding the ultimate form such changes may take.

Existing and possible future environmental legislation, regulations and actions could cause additional expense, capital expenditures, restrictions and delays in the activities of the Company, the extent of which cannot be predicted. Before production can commence at the Schefferville Projects, the Company must obtain regulatory approval, permits and licenses and there is no assurance that such approvals will be obtained. No assurance can be given that new rules and regulations will not be enacted or made, or that existing rules and regulations will not be applied, in a manner which could limit or curtail production or development.

Failure to comply with applicable environmental and health and safety laws can result in injunctions, damages, suspension or revocation of permits and imposition of penalties. There can be no assurance that the Company has been or will be at all times in complete compliance with all such laws, regulations and permits, or that the costs of complying with current and future environmental and health and safety laws and permits will not materially adversely affect the Company's business, results of operations or financial condition. Amendments to current laws, regulations and permits governing operations and activities of mining and exploration companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in exploration expenses, capital expenditures or production costs, or require abandonment or delays in development of mining properties.

Legal and Title Risks

Title to mineral properties and mining rights involves certain inherent risks including difficulties in identification of the actual location of specific properties. The Company relies on contracts with third parties and on title opinions by legal counsel who base such opinions on the laws of Newfoundland and Labrador and Quebec and the federal laws of Canada applicable therein. Although the Company has investigated title to all of its mineral properties for which it holds contractual interests or mineral licenses, the Company cannot give assurance that title to such properties will not be challenged or impugned or become the subject of title claims by First Nation groups or other parties.

Although the Company has exercised the usual due diligence with respect to determining title to and interests in the properties which comprise the Schefferville Projects, there is no guarantee that such title to or interests in such properties will not be challenged or impugned and title insurance is generally not available. The Company's mineral property interests may be subject to prior unregistered agreements or transfers or native land claims and title may be affected by, among other things, undetected defects. Surveys have not been carried out on any of the Schefferville Projects in accordance with the laws of Newfoundland and Labrador and Quebec; therefore, their existence and area could be in doubt. Until competing interests in the mineral lands have been determined, the Company can give no assurance as to the validity of title of the Company to those lands or the size of such mineral lands.

Factors Beyond Company's Control

The exploration and development of mineral properties and the marketability of any minerals contained in such properties will be affected by numerous factors beyond the control of the Company. These factors include government regulation, high levels of volatility in market prices, availability of markets, availability of adequate transportation and processing facilities and the imposition of new or amendments to existing taxes and royalties. The effect of these factors cannot be accurately predicted.

Insurance and Uninsured Risks

The Company's business is subject to a number of risks and hazards generally, including adverse environmental conditions, industrial accidents, labour disputes, unusual or unexpected geological conditions, ground or slope failures, cave-ins, changes in the regulatory environment and natural phenomena such as inclement weather conditions, floods and earthquakes. Such occurrences could result in damage to mineral properties or production facilities, personal injury or death, environmental damage to the Company's properties or the properties of others, delays in development or mining, monetary losses and possible legal liability.

Although the Company will purchase insurance to protect against certain risks in such amounts as it considers reasonable, such insurance may not cover all the potential risks associated with a mining company's operations. The Company may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as environmental pollution or other hazards as a result of exploration and

production is not generally available to the Company or to other companies in the mining industry on acceptable terms. The Company might also become subject to liability for pollution or other hazards which may not be insured against or which the Company may elect not to insure against because of premium costs or other reasons. Losses from these events may cause the Company to incur significant costs that could have a material adverse effect upon its financial performance and results of operations.

Lags

The Company is unable to predict the amount of time which may elapse between the date when any new mineral deposit may be discovered, the date upon which such discovery may be deemed to be economic pursuant to a feasibility study and the date when production will commence from any such discovery.

Management

The success of the Company is currently largely dependent on the performance of its directors and officers. There is no assurance the Company can maintain the services of its directors and officers or other qualified personnel required to operate its business. The loss of the services of these persons could have a material adverse effect on the Company and its prospects.

Price Volatility of Publicly Traded Securities

Securities of exploration and mining companies have experienced substantial volatility in the past, often based on factors unrelated to the financial performance or prospects of the companies involved. These factors include macroeconomic developments in North America and globally, and market perceptions of the relative attractiveness of particular industries. The Company's share price is also likely to be significantly affected by short-term changes in metal prices or in the Company's financial condition or results of operations as reflected in quarterly earnings reports. Other factors unrelated to the Company's performance that may have an effect on the price of the the Company Shares include the following:

- the extent of analyst coverage available to investors concerning the Company's business may be limited if investment banks with research capabilities do not follow its securities;
- limited trading volumes and general market interest in the Company's securities may affect an investor's ability to trade the Company's shares;
- the relatively small number of publicly held shares may limit the ability of some institutions to invest in the Company's securities; and
- a substantial decline in the Company's share price that persists for a significant period of time could cause its securities to be delisted from any stock exchange upon which they are listed, further reducing market liquidity.

As a result of any of these factors, the market price of the Company's shares at any given point in time may not accurately reflect the Company's long-term value.

Foreign Currency Exchange

Exchange rate fluctuations may affect the costs that the Company incurs in its operations. The Company's financing activities have been denominated in Canadian dollars, while prices for iron ore are generally quoted in U.S. dollars. The appreciation of the U.S. dollar against the Canadian dollar, if it occurs, may have a significant impact on the Company's financial position and results of operations in the future.

Conflicts of Interest

Certain of the directors and officers of the Company also serve as directors and/or officers of, or have significant shareholdings in, other companies involved in natural resource exploration and development and consequently there exists the possibility for such directors and officers to be in a position of conflict. Any decision made by any of such directors and officers involving the Company will be made in accordance with their duties and obligations to deal fairly and in good faith with a view to the best interests of the Company and its shareholders. In addition, each of the directors is required to declare and refrain from voting on any matter in which such directors may have a conflict of interest in accordance with the procedures set forth in the *Business Corporations Act* (Ontario) and other applicable laws.

To the extent that such other companies may participate in ventures in which the Company may participate, the directors of the Company may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. In the event that such a conflict of interest arises at a meeting of the Company's directors, a director who has such a conflict will abstain from voting for the approval of such participation or such terms.

From time to time several companies may collectively participate in the acquisition, exploration and development of natural resource properties thereby allowing for their participation in larger programs, permitting involvement in a greater number of programs and reducing financial exposure in respect of any one program. It may also occur that a particular company will assign all or a portion of its interest in a particular program to another of these companies due to the financial position of the company making the assignment. Under the laws of the Province of Ontario, the directors of the Company are required to act honestly, in good faith and in the best interests of the Company. In determining whether or not the Company will participate in a particular program and the interest therein to be acquired by it, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at that time.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

The CEO and 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, 2013 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 June 30, 2013, 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, 2013 and the unaudited condensed interim consolidated financial statements for the quarter ended June 30, 2013, is available under the Company's profile on SEDAR at www.sedar.com.

Qualified Persons

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.

Technical Report entitled *"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 April 12, 2013 by Maxime Dupéré, P.Geo. and Michel Dagbert, Eng. of SGS Canada Inc. and Justin Taylor P.Eng. of DRA Americas Inc., all of whom are Qualified Persons and independent persons of the Company within the meaning of NI 43-101, filed on SEDAR, which may be viewed under the Company's profile at www.sedar.com.

Technical Report entitled *"Technical Report Mineral Resource Update of the Houston and Malcolm 1 Property, Labrador West Area, Newfoundland and Labrador and North Eastern Quebec Canada, for Labrador Iron Mines Holdings Limited*" dated effective April 24, 2013 by Maxime Dupéré, 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, filed on SEDAR, which may be viewed under the Company's profile at www.sedar.com.

Technical Report entitled *"Mineral Resource Technical Report Elizabeth Taconite Project Labrador"* dated effective June 15, 2013 by George H. Wahl, P.Geo., GH Wahl & Associates Consulting who is a Qualified Person and independent of the Company and within the meaning of NI 43-101, filed on SEDAR, which may be viewed under the Company's profile 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.