LABRADOR IRON MINES HOLDINGS LIMITED

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE FISCAL YEAR ENDED MARCH 31, 2012

Dated: June 19, 2012

GENERAL

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the audited consolidated financial statements and notes thereto of Labrador Iron Mines Holdings Limited ("LIM" or the "Company") for the fiscal year ended March 31, 2012.

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

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

All currency amounts in this discussion are expressed in Canadian dollars, unless otherwise indicated. All numerical references to years are "calendar" years, unless otherwise indicated. All references to tonnes are dry metric tonnes, 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 fiscal year ended March 31, 2012 have been prepared in accordance with IFRS as published by the International Accounting Standards Board.

The Company's consolidated financial statements for the fiscal year ending March 31, 2012 are the Company's first annual financial statements that comply with IFRS. As this is the Company's first year of reporting under IFRS, First Time Adoption of IFRS (IFRS 1) is applicable.

The Company has also presented comparative information for the fiscal year ended March 31, 2011 on an IFRS basis. In accordance with IFRS 1, the Company has applied IFRS retrospectively as of April 1, 2010 (the "Transition Date") for comparative purposes. In preparing the Company's opening statement of financial position in accordance with IFRS, the Company has adjusted amounts reported previously in the Company's financial statements prepared in accordance with pre-conversion Canadian generally accepted accounting principles ("GAAP"). For further information, refer to the Company's consolidated financial statements and notes thereto for the fiscal year ended March 31, 2012.

OVERVIEW

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

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

The Schefferville Projects consist of the James Mine and Silver Yards processing plant (“Silver Yards”), the Houston property (“Houston”) and, subject to further exploration and development, other iron properties in the vicinity of Schefferville. LIM’s Schefferville Projects are connected by a direct rail line 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.

Initial production commenced at the James Mine in June 2011 and achieved sales of 400,000 tonnes of iron ore in its first start up 2011 season. Full scale production re-commenced on April 2, 2012 and LIM is targeting production and sale of two million tonnes or iron ore in calendar 2012, leading on to the development of the Houston deposits, with the objective of ramping up production towards five million tonnes of iron ore per year by 2015.

At March 31, 2012, the Company had NI 43-101 compliant resources of 44.6 million tonnes in five DSO deposits and an additional 121 million tonnes of historical resources in about 15 other deposits.

The Schefferville Projects comprise 20 different iron ore deposits, which were part of the original Iron Ore Company of Canada (“IOC”) direct shipping operations conducted from 1954 to 1982 and formed part of the 250 million tonnes of historical reserves and resources previously identified by IOC. The iron ore deposits which comprise the Schefferville Projects are divided into two separate portions, one within the Province of Newfoundland and Labrador and the other within the Province of Québec. Each portion is held by a separate, wholly-owned subsidiary of the Company as follows:

- Labrador Iron Mines Limited (“LIM”) holds three mining leases, nine surface leases covering approximately 1,545 hectares and 55 mineral rights licences in Newfoundland and Labrador, covering approximately 16,475 hectares in western Newfoundland and Labrador. These licences are subject to a royalty in favour of former holders of 3% (to a maximum of US$1.50 per tonne) of the selling price free on board (“FOB”) port of iron ore produced and shipped from such properties; and

- Schefferville Mines Inc. (“SMI”) holds interests in 298 mining rights in Québec, covering approximately 12,097 hectares. SMI also holds an exclusive operating licence in 22 mining leases covering 23 parcels totalling approximately 2,036 hectares. All of these rights and licences are subject to a royalty in favour of the former holders of US$2.00 per tonne of iron ore produced and shipped from these properties.

Resources

NI 43-101 Compliant Resources

The resources that comprise the Schefferville Projects consist of both historical and NI 43-101 compliant resources.

The Company has confirmed a total of approximately 44.6 million tonnes at an average grade of 56.5% Fe of NI 43-101 compliant measured and indicated mineral resources on the Schefferville Projects. Of this total, approximately 27.0 million tonnes are measured mineral resources and approximately 17.6 million tonnes are indicated iron ore resources.

Area - Ore	Classification	Tonnes (x1000)	Fe%	SiO_2%	Mn%
James – Fe[1]	Indicated	6,670	57.4	14.6	0.7
	Inferred	103	53.4	19.7	0.1
Redmond 2B - Fe	Indicated	849	59.9	5.1	0.4
	Inferred	30	57.3	5.9	0.6
Redmond 5 - Fe	Indicated	2,084	55.0	11.0	1.2
	Inferred	78	52.3	10.8	2.0
Knob Lake - Fe	Measured	2,838	55.0	10.2	1.0
	Indicated	2,264	54.3	11.2	1.1
	Inferred	724	52.3	13.4	1.2
Knob Lake - Mn	Measured	383	50.5	8.5	5.6
	Indicated	230	49.4	10.2	4.8
	Inferred	145	50.6	10.3	4.8
Houston - Fe	Measured	18,640	57.5	13.6	0.8
	Indicated	3,440	56.6	14.6	0.0
	Inferred	3,737	56.5	15.9	0.5
Houston - Mn	Measured	660	53.3	10.8	5.0
	Indicated	140	52.7	11.5	5.1
	Inferred	3	55.6	10.7	5.0
Denault - Fe	Measured	4,456	55.1	7.5	2.4
	Indicated	1,928	54.2	9.0	2.3
	Inferred	369	53.9	9.4	2.7
Total	**Measured**	**26,977**	**56.6**	**12.1**	**1.3**
	Indicated	**17,605**	**56.2**	**12.6**	**0.9**
	Measured+Indicated	**44,582**	**56.5**	**12.3**	**1.1**
	Inferred	**5,189**	**55.4**	**14.9**	**0.9**

Note: Extracted from technical reports summarized in the Company's Annual Information Form ("AIF") under the heading "Item 5 – DESCRIPTION OF THE BUSINESS – Technical Reports" and incorporated into the AIF by reference.

(1) After giving effect to depletion due to mining operations.

The Company's plans for the Schefferville Projects envision the development and mining of the various deposits in stages. Stage 1, which is being undertaken in phases, comprises the deposits closest to existing infrastructure located at or near Silver Yards in an area identified as the Central Zone. The first phase of Stage 1 involves mining of the James and Redmond deposits in Labrador. Mining of the James deposit commenced in 2011. The second phase of Stage 1 will involve the sequential development, subject to detailed assessment, mine planning and permitting, of the

Ruth Lake, Gill and Knob Lake deposits in Labrador; and the third phase of Stage 1 will potentially involve the development, subject to detailed assessment, mine planning and permitting, of the Denault, Star Creek, Lance Ridge, Squaw Woolett and Fleming 9 deposits in Québec.

Stage 2, which will also be undertaken in phases, comprises deposits in an area identified as the South Central Zone located about 20 km south of Schefferville, and will involve the development, subject to assessment and permitting, of the Houston, Malcolm and any other adjacent deposits. Development of the first phase of Houston has begun and it is expected to start production in the second half of 2013.

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.

Silver Yards – James Mine

Mining at James commenced in June 2011 and in accordance with LIM's seasonal mining plan continued until December. A total of approximately 1,200,000 tonnes of ore and about 3,000,000 tonnes of waste were mined at an average rate of approximately 16,000 tonnes per day. Of the total production to the end of December, approximately 440,000 tonnes were direct rail ore, at an average grade of approximately 65% iron, of which approximately 340,000 tonnes were shipped by rail directly to the Port of Sept-Îles without further processing.

The James ore has been generally free digging and was mined with only minor use of explosives. The grade of the James ore encountered in the upper benches of the mine is, on average, in excess of expectations, while the bulk density of the ore appears to be lower. Indications to date are that the James deposits appear to be of a higher grade but lower tonnage than predicted by the geological resource model.

The Company considers the 2011 operating season as having been a short, start-up and testing year during which the Schefferville Projects had not yet reached commercial production. No mining activities, other than waste stripping, took place during the quarter ended March 31, 2012.

Production for June 1, 2011 to March 31, 2012 *(all tonnes are Dry Metric Tonnes)*		
	Tonnes	Grade % Fe
Total Ore Mined	1,205,609	60.7
Direct Rail Ore portion	438,441	64.9
Waste Mined	3,004,355	--
Ore Processed	572,052	58.4
Lump Ore Produced	79,407	63.6
Sinter Fines Produced	152,735	65.0
Total Product Railed	563,569	64.9
Tonnes Product Sold	385,898	64.9
Port Product Inventory	177,669	64.9
Site Product Inventory	69,983	65.3
Site ROM Ore inventory	195,117	59.0

Following commissioning and start-up in June 2011, the Silver Yards processing plant gradually improved its performance and frequently achieved over 8,000 tonnes per day in September and October prior to its seasonal shutdown in November 2011. By the end of the 2011 operating season, approximately 570,000 tonnes of ore had been fed to the plant, yielding approximately 230,000 tonnes of lump and sinter fine products.

During the quarter ended March 31, 2012, a waste stripping program commenced in the month of March and a total of 149,348 tonnes of waste was removed from James. The James Mine re-commenced full-scale operations on April 2, 2012.

The Phase 2 expansion of the Silver Yards plant was completed during the fall of 2011. This second phase expansion was designed specifically to deal with the fine material, of which there was more than originally expected, and resulted in an improved throughput and recovery rate later in the year.

The Silver Yards processing facility operates on a seasonal, weather dependent basis and no processing activities took place during the quarter ended March 31, 2012. Subsequent to the end of the fiscal year the Silver Yards processing facility re-commenced for the 2012 operating season in mid-May 2012.

Procurement and construction for the planned Phase 3 expansion of the Silver Yards processing plant to increase its production capacity and to recover ultra-fine material commenced towards the end of 2011 and is now well advanced. It is expected that the plant expansion will be completed in the summer of 2012. This expansion is intended to increase plant throughput to 12,000 tonnes per day and improve weight recovery to above 75%. The total revised Phase 3 project budgeted cost is approximately $25 million, of which approximately $17 million had yet to be expended as of March 31, 2012. In addition, a camp expansion, establishing grid power, various water management enhancements and other upgrade work on the Silver Yards plant are anticipated during 2012, at an aggregate additional investment of approximately $22 million.

Houston Project

Planning is underway for the development of a new separate Stage 2 operation for the Houston deposits (South Central Zone), which is becoming the Company's major expansion project for the next five years. The Houston deposits are situated in Labrador about 15 km southeast of the Company's currently operating James Mine and Silver Yards Processing Plant and approximately 20 km from Schefferville, Québec.

An updated independent mineral resource estimate of the Houston deposits, prepared as of March 31, 2012, confirmed the measured and indicated resource estimate of 23 million tonnes, compared to 22 million tonnes previously reported and increased the inferred resource to 3.7 million tonnes from the 690,000 tonnes previously reported. The Houston deposits remain open along strike, particularly to the southeast, and further drilling is planned for 2012 to test for possible extensions and to upgrade the inferred resource.

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

In 2011, the Company submitted a project registration to the Government of Newfoundland and Labrador for the development of the Houston #1 and #2 deposits, including a haul road and railway siding. On March 26, 2012, the Minister of Environment and Conservation informed the Company that, in accordance with the *Environmental Protection Act*, the Houston 1 and 2 Deposits Mining Project was released from further environmental assessment, subject to a number of conditions.

Receiving environmental approval from the Government of Newfoundland and Labrador for the Stage 2 Houston Project represents another major step in the Company's development plans. This environmental release of the Houston Project will allow the Company to complete the applications for permits and regulatory approvals required for the construction of mine infrastructure and related facilities to enable the commencement of development and construction at the Houston deposits planned for summer of 2012.

In May 2012, following the receipt of initial permits, the Company awarded a contract to commence forestry work along the access road alignment. Subject to receipt of the remaining permits, it is expected that initial mine development at the Houston deposit, including construction of the haulage road, and a railway siding will commence in the summer and fall of 2012. The Company expects initial production of Houston ore, including in-pit dry crushing and screening, will commence in the second half of 2013.

Development costs for the first phase of the Houston project are estimated to be up to approximately $35 million, with all mine operating equipment supplied by the mining contractor. Additional capital expenditures will be required in future years as the other Houston deposits are developed into production. These estimates do not include the capital cost of a potential new dedicated processing plant for the Houston project which will be evaluated in 2012. The development of the Houston project is expected to be the Company's major capital investment and expansion activity from 2012 through to 2015.

Other Iron Ore Deposits

Beyond 2012, it is planned that operations in Silver Yards will continue with mining the remaining portions of the James deposits and, subject to permitting and detailed engineering assessment, a number of adjacent Stage 1 (Central Zone) deposits, including Ruth Lake, Gill and Knob Lake, all in Labrador, and Star Creek and Denault in Québec.

It is intended that during the mining and development of the Stage 1 and Stage 2 deposits, planning will be undertaken for the future operation of the other deposits in subsequent stages as follows:

- Stage 3 comprising the Howse (Labrador) and Barney (Québec) deposits located approximately 25 km northwest of Schefferville (North Central Zone) and relatively close to existing infrastructure;
- Stage 4 comprising the Astray and Sawyer deposits in Labrador, located approximately 50 km to 65 km southeast of Schefferville (South Zone) and currently accessible by float plane or by helicopter; and
- Stage 5 comprising the Kivivic deposit in Labrador and the Eclipse, Partington and Trough deposits in Québec located between 40 km to 70 km northwest of Schefferville (North Zone).

The resources that comprise Stages 3, 4 and 5 of the Schefferville Projects consist of non NI 43-101 compliant historical resources. There is currently insufficient detailed information available on these deposits to make any long-term estimate of future production schedules. Substantial additional exploration, infrastructure and road access will be required for the development of these stages.

Currently the Company holds approximately 121 million tonnes in historical resources. These are all part of the 250 million tonnes of historical reserves and resources previously identified by IOC. The 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 done sufficient work to classify the historical estimates as current mineral resources or 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 Company plans to bring the historical resources on these other deposits into NI 43-101 compliant status sequentially in line with their intended phases of production. Further exploration programs have been recommended for all the remaining deposits in Stages 1 to 4 to convert historical resources to current compliant mineral resources estimates.

Transportation

Iron ore from the James Mine is transported by rail from the Silver Yards plant site, via LIM's 6 km spur line, the Tshiuetin Rail Transportation Inc. ("TSH") railway and the Quebec North Shore and Labrador ("QNS&L") railway, to the Port of Sept-Îles, where the ore is unloaded and stockpiled for shipping. During the short 2011 start-up season, a total of approximately 565,000 tonnes of iron ore was railed to the Port of Sept-Îles.

There were no railway operations during the fourth quarter ended March 31, 2012. Subsequent to the fiscal year end, railway operations re-commenced for the 2012 season when the first loaded iron ore train departed from the Silver Yards plant to the Port of Sept-Îles on April 4, 2012.

During 2011, the Company operated one train throughout the summer and added a second train in September. To enable increased railing capacity in 2012, two additional trains have been introduced, for a total of four trains consisting of 120 railcars each. The Company has established its Centre Ferro maintenance and repair facility in Sept-Îles and it is now operating on a full time basis to maintain the fleet of rail cars.

During 2011, TSH carried out some upgrade work on its Menihek rail line following a cash investment by LIM of $3.5 million and a similar investment by Tata Steel Canada. This upgrade work will need to be continued to ensure that the tonnages planned for 2012 and expansion in future years can be efficiently transported. In April 2012 LIM made another contribution of $2.5 million towards this upgrade program and has agreed to make a further contribution of $2.5 million in July 2012. This ongoing TSH rail upgrade will require continuing cash investment by the two mine operating companies and TSH, and potentially by governments.

Discussions on funding the planned TSH rehabilitation and upgrades are continuing. The Company expects that as part of its long-term confidential rail transportation contract with TSH, LIM will agree to make contributions towards the costs of this upgrade program to a total amount of about $25 million over the next four to five years and that these 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 Company provides the locomotives, which are provided to LIM by Western Labrador Rail Services (a division of Genesee and Wyoming), and operated on the TSH rail line by TSH. The Company has also paid TSH a refundable capacity reservation deposit of $1.5 million of which $750,000 was paid in 2011 and $750,000 in April 2012.

Under the Company's confidential rail transportation contract signed with QNS&L in 2011, advance payments by the Company totaling $25 million were required, of which $10 million was paid in 2011 and $15 million is due in June 2012, to secure the locomotive equipment and infrastructure capacity to meet anticipated increases in production and shipment volumes. These advance payments will be repaid to the Company by QNS&L by means of a special credit of $3.50 per tonne hauled, commencing July 2012. The Company is committed to minimum tonnages per month over the anticipated eight month annual operating season.

All iron ore railed to Sept Iles in 2011 was sold to the Iron Ore Company of Canada. The Company has signed a second iron ore sales agreement with IOC for the sale to IOC of all iron ore produced in 2012 under which all product sold to IOC will be handled by IOC through its port facilities at Sept Iles. The Company will have no requirement to install and operate such port facilities for its own use during 2012 and did not operate any such port facilities in 2011.

The port handling arrangements for the shipment of LIM's iron ore production for 2013 and future years remain subject to ongoing evaluation and finalization. On February 13, 2012, the Government of Canada announced that it will invest up to $55 million and will contribute to the construction to a new multi-user deep water dock at Pointe-Noire in the Port of Sept-Îles dedicated exclusively to iron ore shipments. The new multi-user dock in the Pointe-

Noire area of the Port, which is being proposed and sponsored by the Sept-Îles Port Authority, is a $220 million project comprising two berths equipped with two ship loaders as well as two conveyer lines, with an annual capacity of 50 million tonnes per year, which the Port expects to be completed by March 31, 2014. It is anticipated that under the Port's plan potential users of the new multi-user deep water dock will be asked to enter into long-term take or-pay commitment contracts with the Port and will be asked to make some financial contribution to the capital costs of the construction.

The Company will continue evaluating several different options for the unloading, stockpiling and ship loading of its iron ore products at the Port of Sept-Îles. These include the potential use of the Port's proposed new multi-user deep water dock and/or other facilities of the Sept-Îles Port Authority. The Company is currently in discussions with the Sept-Îles 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.

Sales of Iron Ore

During the 2012 fiscal year the Company completed three shipments totaling 386,000 tonnes of pre-commercial production iron ore. The Company received net proceeds of $32 million from these three shipments which was credited against mineral property interests.

Under the confidential sales contract with IOC, the iron ore was delivered to Asian markets and resold by IOC's marketing organization on the spot market. The sale price received by LIM for iron ore sold to IOC was based on the actual realized price to Chinese customers, less participation, handling, loading, shipping and sales costs.

In February 2012, the Company entered into a new agreement with IOC for the sale of all of LIM's 2012 iron ore production. This 2012 confidential sales contract with IOC is similar, in operational and financial terms, to LIM's 2011 sales agreement with IOC.

The Company continues to review its options for marketing its iron ore production in future years and is evaluating the optimum route to achieve these sales, while still maintaining maximum flexibility and independence. Marketing discussions are continuing with potential customers, both in Europe and in Asia. The Company is also continuing discussions with a number of internationally recognized commodity traders with specialist knowledge of the iron and steel industry. The Company has not concluded any agreements for the sale of any iron ore beyond 2012.

2011 Exploration Programs

In its 2011 exploration programs, LIM completed 8,369 metres of reverse circulation drilling in 140 holes drilled on its projects in Labrador and 2,799 metres of reverse circulation drilling in 51 holes drilled on properties in Quebec.

The 2011 drilling programs continued to increase the size of the Houston deposit and a new NI 43-101 mineral resource estimate was calculated for the Knob Lake deposit, both located in western Labrador. The 2011 exploration programs continued to confirm not only the reliability of the historical resource estimates but also identified previously unknown mineralization that has significantly increased the total resources at some of the Company's deposits.

The main objectives of the 2011 exploration programs carried out on LIM's properties in Labrador were to expand the Houston resource to support its development as LIM's next Stage 2 project and to test a number of the smaller deposits (Central Zone- Knob Lake, Ruth, Gill) all located in the vicinity of Silver Yards which, in the future, could be developed as satellite feeder deposits to LIM's existing Silver Yards Processing facility.

At Houston, the objectives were to test the area between Houston 1 and 2, test the down dip extension of the known iron enrichment along the eastern margin of Houston 1 and also complete a bulk sampling program of 360 tonnes extracted from the Houston 1 and 2 deposits to test the amenability of the Houston ore to upgrading.

At the Knob Lake deposit a new mineral resource estimate of 5.7 million tonnes in the measured and indicated categories was reported, which is a significant increase over the previous historical estimate of 3.7 million tonnes. The Knob Lake deposit is located about 3 km from LIM's Silver Yards beneficiation plant and, subject to permitting, may be included in Stage 1 of LIM's DSO iron ore operations at a later date. The new estimate, independently prepared by SGS-Geostat in accordance with NI 43-101, shows a total measured and indicated mineral resource of 5.72 million tonnes at an average grade of 54.2% Fe and 8% SiO_2 and represents an increase in tonnage of 42% and a 12% increase in grade relative to the historical resource (non NI 43-101 compliant) previously estimated by IOC prior to 1982.

First phase drill programs were completed at the Ruth Lake 8 and Gill deposits. At the Ruth Lake deposit, located close to the Silver yards plant, the drilling was successful in determining the general location of the historical resource (410,000 tonnes – not NI 43-101 compliant). Further work is planned to confirm this resource and to target additional Fe-enriched areas 600 metres to the north which are not listed in historical resources but appear on resource maps.

At the Gill deposit, drilling has confirmed the general location of the historical resources (4.6 M tonnes not NI 43-101 compliant) towards the north and central areas. The historical mapping data is not available. Drilling towards the south end of Gill was halted at the end of the season in December 2011 but is planned to be continued in 2012.

The main objectives of the 2011 exploration programs on LIM's properties in Quebec were to carry out some further drilling on the Denault deposits, initiate a first phase program on Star Creek and conduct a regional exploration program in and around the Malcolm deposit.

In 2011, LIM drilled an additional ten holes (618 m) on Denault 1 and carried out a further 444 metres of drilling in sixteen holes on Denault 2 and 3. LIM also drilled 350 metres in seven holes on the Star Creek Property, which was the first drilling program carried out by LIM on this property.

LIM's 2011 program at the Malcolm 1 deposit, located in Quebec, approximately 12 km southeast of the town of Schefferville, was the initial work carried out by LIM on this property as no historical drilling data is available. Fourteen out of the first series of eighteen holes on Malcolm returned ore-type intersections.

The most interesting feature observed in the drilling to date is that the Malcolm 1 mineralization appears to be mainly hard blue hematite which indicates the presence of higher grade iron ore. Malcolm 1 will be the main focus of LIM's 2012 drilling program.

First Nations

The properties comprising the Schefferville Projects are located in an area over which claims for traditional aboriginal rights are asserted by various First Nations groups, including the Innu of Matimekush-Lac John (Schefferville), the Innu Takuaikan Uashat Mak Mani-Utenam (Sept-Îles), the Naskapi Nation of Kawawachikamach (near Schefferville) and the Innu Nation of Labrador. The TSH rail line is owned equally by a consortium of three local Aboriginal First Nations, the Naskapi Nation of Kawawachikamach, the Innu of Matimekush-Lac John and the Innu Takuaikan Uashatmak Mani-Utenam.

In February 2012, the Company signed an impact benefits agreement ("IBA") with the Innu Takuaikan Uashat Mak Mani-Utenam (Sept-Îles) replacing an Agreement in Principle signed in December 2010. The Company had previously entered into an IBA with each of the Innu Nation of Matimekush-Lac John (June 2011), the Naskapi Nation of Kawawachikamach (September 2010) and the Innu Nation of Labrador (July 2008) with respect to the development and operation of the Schefferville Projects. The two IBAs with each of the Naskapi Nation and the Innu Nation of Labrador currently cover that portion of the Company's projects located in Labrador and it is expected that these two agreements will be amended and extended to cover all of the Company's Schefferville Area Projects.

These IBAs are life of mine agreements which establish the processes and the sharing of benefits that are intended to ensure an ongoing positive relationship between the Company and the respective First Nations groups. In return for their consent and support, the First Nations groups and their members will benefit through employment, training, business opportunities and financial participation in the Schefferville Projects.

In February 2012, the Company reached a memorandum of understanding with the NunatuKavut Community Council representing the Southern Inuit of Labrador, who also assert claims for traditional aboriginal rights in Labrador, setting out the basic understandings and positions of each party and addressing such matters as environmental and cultural protection, jobs, training, aboriginal contracting and other financial aspects with respect to the Schefferville Projects, as a first step towards negotiating a co-operation agreement later in 2012.

Project Site Staffing

Staffing of operations in remote sites, including in north-western Labrador and in the Schefferville area, remains a challenge due to both the location and particularly to the overall shortage of trained and experienced personnel throughout the resource sector. These shortages apply across the entire recruitment spectrum from journeymen, through technicians, qualified trades and to professional resource staff. A number of new mine and expansion projects by other companies in the western Labrador and Quebec area will inevitably increase demand for labour and will impact employee recruitment and retention by the Company and its contractors. LIM has attempted to mitigate this by the introduction of training programs and the construction of a high quality accommodation camp on site, with individual en suite rooms, each equipped with TV and internet access. Nevertheless the widespread adoption of fly-in fly-out arrangements and the roster pressures only increase the number of employees required in the tight market. The inevitable outcome will be an increase in overall labor costs.

2012 Outlook

On April 2, 2012, the James Mine commenced its first full-year of full-scale mining operations. Mining will continue through to November, using conventional open-pit mining methods and, where necessary, employing standard drilling and blasting practices. At the end of May 2012, the mine was operating at a rate of 17,000 tonnes per day (ore and waste), ramping up to a planned mining rate of 28,000 tonnes per day (ore and waste). For 2012, total ore mined is expected to be about 3.0 million tonnes, together with approximately 3.5 million tonnes of waste.

The Silver Yards processing plant re-started in mid-May 2012. The Phase 3 expansion program, which includes the installation of a second washing and screening plant and a new magnetic separator to enhance the recovery of fines material, is expected to be completed in mid-summer. This expansion is expected to increase plant throughput to 12,000 tonnes per day, or an annual throughput of 2.0 million tonnes per year, and is also expected to improve weight recoveries to approximately 75% to 80%.

The total 2012 saleable production target is 2 million tonnes of iron ore, which includes direct rail ore of mixed size, lump iron ore, sinter fines and ultra fines products. Operating costs for products delivered to the Port of Sept-Îles are expected to be in the range of $60 to $65 per dry metric tonne, including mining, processing, general and administrative costs, railway costs and train unloading.

The Company has expanded its available railway capacity, from two operating trains in April to four operating trains by May 15, approximately one month ahead of the original schedule. The four trains will ensure the timely transportation of LIM's iron ore product to the Port of Sept-Îles and moves the Company closer to fulfilling its "a train a day" objective in 2012. During the months of April and May, the Company railed a total of 327,691 wet tonnes of run-of-mine stockpile to the Port of Sept-Îles.

Moving forward, an average of two shipments of iron ore are anticipated each month during the operating year.

Following on the success of the 2011 exploration programs, a 2012 budget of approximately $8.6 million has been set to support LIM's aggressive drilling efforts planned for the summer of 2012. Drill programs, principally at Houston and Malcolm, as well as a number of other deposits, will focus on generating further technical information required for more detailed mine planning.

In addition to this drilling, a bulk sampling program of some historic stockpiles will be initiated with a view to providing supplemental plant feed to the Silver Yards processing plant and metallurgical test work aimed at evaluating historical manganese resources will also be carried out with a view to ascertaining compatibility with the Silver Yards processing plant flow sheet.

In a new initiative to the main focus on direct shipping (DSO) iron ore, LIM plans an initial core drill program on recently identified taconite iron mineralization on LIM's mineral claims which will be supported by geophysical programs. The Schefferville/Menihek area has a number of taconite deposits being explored by other companies and these deposits, which usually average about 30% Fe, can often show very significant tonnages.

Iron Ore Price Outlook

Iron ore prices strengthened from a low of approximately USD$115 per dry metric tonne, 62% Fe CFR China basis, in October 2011 to over USD$150 in the first quarter of 2012. Moving into the second quarter of 2012, prices have softened to approximately USD$135 by mid-June. Port inventories in China remain high, while Chinese steelmakers are experiencing a squeezing of operating margins. The spot market remains very volatile with little sign of resurgence in construction activity. Recent comments from the Chinese government do suggest economic stimulus in the near term is underway, including authorization of multi-billion dollar steelworks and a reduction in interest rates. Several market commentators continue to see a strengthening in iron ore prices in the second half of 2012 and are anticipating prices to rise to the USD$140 to USD$150 range. General market concerns over the level of debt in Europe, and an apparent drift into recession there, continue to overhang perceptions for global growth in steel demand. Indications of a recovery in North America are sporadic and as yet, markets do not appear fully convinced of the potential strengthening of industrial demand for steel.

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

SELECTED ANNUAL FINANCIAL DATA
($000's except for per share data)

	March 31, 2010	March 31, 2011	March 31, 2012
(Loss) before income taxes	(2,748)	(4,847)	(16,963)
Net income (loss)	1,165	(4,011)	(14,672)
Net income (loss) per share	0.03	(0.09)	(0.27)
Cash and cash equivalents	48,299	7,564	71,064
Total assets	168,364	184,280	379,754
Total long-term liabilities	1,000	4,399	3,785
Cash dividends declared per share	-	-	-

RESULTS OF OPERATIONS

Fiscal Year Ended March 31, 2012

For the fiscal year ended March 31, 2012, the Company reported a loss of $14.7 million, or $0.27 per share, compared to a loss of $4.0 million, or $0.09 per share, during the prior fiscal year.

The variance in the results of operations relates largely to transportation related start-up costs of approximately $9.6 million expensed during the current fiscal year and an increase of $1.2 million of depreciation due to an increase in property, plant and equipment in use.

During the 2012 fiscal year, the Company completed three shipments totaling 386,000 tonnes of pre-commercial production iron ore. The Company received proceeds of $32 million from these three shipments. There were no such shipments in the previous fiscal year.

During the 2012 fiscal year, the Company invested approximately $70.5 million in its mineral property interests. This investment was mainly development, stripping and operating expenditures on the James deposit and exploration drilling on other deposits. The equivalent investment in the prior fiscal year was $12.2 million which did not include any operating expenditures.

During the 2012 fiscal year, the Company also invested approximately $55.1 million in property, plant and equipment, compared to approximately $14.9 million invested during the prior fiscal year. Of this total of $55.1 million, approximately $31 million was invested in the Silver Yards beneficiation plant, including, in part, the purchase, transportation and installation of Phase 2 and Phase 3 equipment; approximately $19.4 million was invested in transportation infrastructure and equipment and approximately $1.5 million was invested in buildings and office equipment.

Financings

2011 Prospectus Financing

During the quarter ended June 30, 2011 the Company completed an equity financing by way of a short form prospectus (the "2011 Prospectus"), raising gross proceeds of $121,250,500 (the "2011 Prospectus Financing"). The following table sets out how the proceeds from the 2011 Prospectus Financing have been spent up to March 31, 2012 compared to the anticipated use of proceeds set out in the 2011 Prospectus.

	As disclosed in the 2011 Prospectus	**Actual expenditures, up to March 31, 2012**
Gross Proceeds, including from over-allotment option exercised	$121,250,500	$121,250,500
Underwriting fee	$6,062,525	$6,062,525
Other expenses of the 2011 Prospectus Financing	$200,000	$466,454
Net Proceeds	**$114,987,975**	**$114,721,521**
Use of Net Proceeds		
Silver Yards plant upgrades:		
• Phase 2 plant upgrade for fines recovery enhancement in 2011	$3,000,000	$2,891,309
• Phase 3 plant upgrade for increased capacity, products upgrade and high silica in 2012	$35,000,000(1)	$7,910,084
Rail infrastructure upgrade contribution and capacity advances due in 2011	$10,000,000	$10,000,000
Houston project: Detailed mine design and engineering studies concerning separate processing plant evaluation and development and access infrastructure work	$5,000,000	$1,584,897
Development expenditures on other deposits, including metallurgical, engineering, environmental studies and permitting work	$2,000,000	-
Exploration expenditures on James, Redmond, Gill, Ruth Lake 8, and Knob Lake deposits, including 7,000 metres of drilling and 4,000 metres of trenching	$4,750,000	$2,716,726
Exploration expenditures on Houston 1, 2 and 3 deposits, including 3,600 metres of RC drilling	$2,000,000	$1,583,931
Exploration expenditures on Denault deposit, including 2,500 metres of RC drilling	$1,600,000	$697,536
Exploration expenditures on other deposits	$5,000,000	$1,041,293
Working capital and general corporate purposes	$46,637,975	$81,185,954 (2)
Unspent net proceeds	-	5,109,791
Total	**$114,987,975**	**$114,721,521**

Notes:

(1) Silver Yards plant upgrade for fines recovery enhancement (Phase 2) anticipated in the 2011 Prospectus has been completed within budget. The total budget for the Phase 3 project has been revised to approximately $25 million.

(2) This amount is made up of the following:

a)	Working capital and general corporate expenses:	$15,299,471
b)	Stripping and dewatering at the James mine:	$18,922,687
c)	Additional transportation infrastructure and equipment, including acquisition of railcars (originally intended to be leased), rail spur	$21,052,444

	extension costs and purchase of light vehicles:	
d)	Property, plant and equipment for completion of Phase 1 construction and commissioning Silver Yards plant:	$5,937,281
e)	Mineral property interest expenditures relating to the James mine consisting of development work including metallurgical, engineering and environmental studies:	$10,371,373
f)	Start-up costs consisting of non-refundable transportation related expenses incurred prior to establishing full scale rail transportation to port:	$9,602,698

The Silver Yards plant upgrade for fines recovery enhancement (Phase 2) anticipated in the 2011 Prospectus was completed within budget.

Work on the Silver Yards plant upgrade for increased capacity and products upgrade (Phase 3) commenced in late 2011 and is ongoing. The total budget for the Phase 3 project has been revised downwards to approximately $25 million, of which approximately $8 million had been spent up to March 31, 2012. This project is expected to be completed in the summer of 2012 within the revised budget.

The amount spent for rail infrastructure upgrade contributions and capacity advances in 2011 was consistent with the $10 million anticipated in the 2011 Prospectus.

The majority of the development expenditures on Houston and other deposits anticipated in the 2011 Prospectus are expected to be incurred later in 2012 and 2013.

Subsequent to the 2011 Financing, the Company decided to purchase, rather than lease, its fleet of railcars.

The Company incurred $9,602,698 in previously unanticipated transportation related start-up expenses during fiscal 2012.

Payment for the operating costs associated with mining, processing and transporting the Company’s iron ore production in fiscal 2012 and certain mineral property interest expenditures in fiscal 2012 were also funded in part by the proceeds from the sale of iron ore shipments.

2012 Prospectus Financing

On March 20, 2012 the Company completed an additional equity financing by way of a short form prospectus (the “2012 Prospectus”), raising gross proceeds of $71,625,000 (the “2012 Prospectus Financing”). No reconciliation of the anticipated use of proceeds of the 2012 Prospectus Financing and the actual use of proceeds as at March 31, 2012 has been provided, as such proceeds had not yet been spent as at March 31, 2012.

SUMMARY OF QUARTERLY RESULTS

($000s, except per share data)

	Quarter ended June 30, 2010	Quarter ended Sept 30, 2010	Quarter ended Dec 31, 2010	Quarter ended March 31, 2011	Quarter ended June 30, 2011	Quarter ended Sept 30, 2011	Quarter ended Dec 31, 2011	Quarter ended March 31, 2012
Net (loss)	(880)	(1,219)	(1,289)	(623)	(4,670)	(6,993)	(1,678)	(1,331)
(Loss) per share	(0.02)	(0.03)	(0.03)	(0.01)	(0.09)	(0.13)	(0.03)	(0.02)
Total assets	171,600	173,874	176,798	184,280	305,385	296,605	304,443	379,754

The increase in the quarterly loss and loss per share in the quarters ended June 30, 2011 and September 30, 2011 compared to other quarters relates almost entirely to start-up costs of approximately $3.5 million and $5.6 million incurred respectively during those quarters. Such start-up costs were less significant during the quarter ended December 31, 2011 and were not incurred during the quarter ended March 31, 2012.

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

LIQUIDITY AND CAPITAL RESOURCES

As at March 31, 2012, the Company had current assets of $103.5 million, including inventories with a carrying value of $15.6 million and accounts receivable and prepaid expenses of $15.5 million. At March 31, 2012, the Company had a total of $71.1 million in unrestricted cash and cash equivalents and an additional $8.9 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 premium liability recognized on the issuance of flow-through shares and the current portion of the capital lease obligations, were in aggregate $42.9 million at March 31, 2012. The Company had working capital of $60.6 million as at March 31, 2012. The Company has no debt.

The increases in inventories, accounts receivable and accounts payable at March 31, 2012 compared to previous fiscal year ends reflect the start-up of mining operations and increased operational activity in fiscal 2012.

During fiscal 2012 the Company began to generate proceeds from shipments of iron ore. During the fiscal year, the Company received proceeds of $32 million from the sale of pre-commercial production iron ore. As at March 31, 2012, the Company had a stockpile of approximately 178,000 tonnes of saleable iron ore at port, which was sold subsequent to the fiscal year end.

The Company plans to fund its operating and capital expenditures in fiscal 2013 through a combination of existing working capital and anticipated operating cash flow. The Company is also evaluating various potential working capital credit facilities.

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

The carrying value of the Company's mineral property interests, under IFRS, at March 31, 2012 was $173.9 million, compared to $129.1 million at March 31, 2011. Investments in mineral property interests in fiscal 2012 were offset, in part, by the proceeds of pre-commercial production sales of iron ore.

As at March 31, 2012, the Company evaluated the carrying value of its mineral properties. Tests for recoverability were performed to determine if the estimated fair value exceeds the carrying amount of the Company's mineral property interests. Management does not consider that there has been any impairment in the value of the Company's mineral property interests. In assessing the future estimated cash flows, management used various estimates including, but not limited to, estimated operating and capital costs, estimated production, estimated iron ore prices and estimated indicated, inferred and historical resources. By their very nature, there can be no assurance that these estimates will actually be achieved or reflect the actual future operations of the Schefferville Projects.

OFF BALANCE SHEET ARRANGEMENTS

The Company has no off balance sheet arrangements.

OBLIGATIONS AND CONTRACTUAL COMMITMENTS

Contractual Obligations as at March 31, 2012	**Payments Due by Period**				
	Total	**Less than 1 year**	**1-3 years**	**4-5 years**	**After 5 years**
Office lease obligations	$3,718,000	$502,000	$1,506,000	$1,004,000	$706,000
Mine camp lease obligations	$2,000,000	$600,000	$1,400,000	-	-
Equipment supply, port and transportation contracts	$112,900,000	$39,300,000	$62,700,000	$4,600,000	$6,300,000
Total	**$118,618,000**	**$40,402,000**	**$65,606,000**	**$5,604,000**	**$7,006,000**

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 Company's accommodation camp near Silver Yards.

The contractual obligations for equipment supply, port and transportation contracts relate to the supply of locomotive equipment, train unloading facilities at the port, rail carrier capacity reservation advances and committed minimum volume tonnages under agreements with WLRS, IOC, QNS&L and TSH.

The Company is obligated to spend $5,109,791 in Canadian exploration expenses by December 31, 2012 as a result of the issuance of flow-through shares in the 2011 Prospectus Financing,

The Company is obligated to spend $10,675,000 in Canadian exploration expenses by December 31, 2013 as a result of the issuance of flow-through shares in the 2012 Prospectus Financing, the full amount of which remained unspent as at March 31, 2012.

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

FINANCIAL INSTRUMENTS

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

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

As at March 31, 2012, the carrying amounts and fair value of the Company's financial instruments were considered to be the same, primarily because of the short term nature and liquidity of these instruments. As at March 31, 2012, the Company did not hold any balances in foreign currencies, other than United States dollars and a term deposit for Euro 1.0 million purchased as collateral for a Euro denominated letter of credit required pursuant to an equipment purchase contract.

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

OUTSTANDING SHARE CAPITAL

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

As at March 31, 2012 the Company had 67,333,307 common shares outstanding, 2,118,438 stock options and 1,140,835 broker warrants outstanding.

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

Security	Number	Weighted average exercise price	Weighted average remaining life (years)
Common shares	67,388,307	N/A	N/A
Stock options	2,063,438	$4.63	2.1
Broker warrants	1,140,835	$8.32	0.9

Of the stock options currently outstanding, 1,052,188 options have an exercise price of $2.00 per share and expire on August 31, 2012, 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, 132,500 options have an exercise price of $11.65 per share and expire on February 9, 2016, 77,500 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 and 205,000 options have an exercise price of $6.20 and expire on February 9, 2017.

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

Of the broker warrants currently outstanding, 478,335 broker warrants have an exercise price of $12.50 per share and expire on October 26, 2012, and 662,500 broker warrants have an exercise price of $5.30 per share and expire on September 20, 2013.

TRANSACTIONS WITH RELATED PARTIES

During the fiscal year ended 31, 2012, the Company recovered $118,504 (March 31, 2011 - $120,060) in respect of office rent from corporations with common directors and/or officers. As at March 31, 2012, $10,910 (March 31, 2011 - $Nil) is included in accounts receivable.

During the fiscal year ended March 31, 2012, the Company also made payments to companies with common directors and/or officers in the amount of $674,812 (March 31, 2011 - $513,700), as compensation for management services provided. All of the management compensation in the fiscal year ended March 31, 2012 was expensed. Management compensation of $119,150 in the fiscal year ended March 31, 2011 was capitalized. At March 31, 2012, $175,000 (March 31, 2011 - $305,758) in management compensation remained payable to these related companies.

During the fiscal year ended March 31, 2012, the Company also incurred legal fees (professional fees and share issue costs) in respect of services provided by a professional corporation controlled by an officer in the amount of $285,141 (March 31, 2011 - $69,422). As at March 31, 2012, $105,961 (March 31, 2011 - $18,920) in legal fees remained payable to this related party.

CRITICAL ACCOUNTING ESTIMATES

Commercial Production

The fiscal year ending March 31, 2012 was considered to be a start-up and testing year and the Schefferville Projects were not considered to have yet reached commercial production during fiscal 2012. The Company anticipates it will commence commercial production during fiscal 2013.

Revenue Recognition

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

Upon commencing commercial production, the Company will recognize revenue in the Statement of Operations and Comprehensive Income. Revenue will be 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. The Company anticipates that all of these criteria will typically be met with respect to a shipment of the Company’s iron ore when the vessel carrying the iron ore has departed the Port of Sept-Iles.

Use of estimates

The preparation of the financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities and the reported amounts of revenue and expenses during the fiscal year. Actual results could differ from estimates. During the periods presented, management has made a number of significant estimates and valuation assumptions, including the recoverability of investments in mineral property interests, the fair value of stock options and the valuation of capital lease obligations and asset retirement obligations. These estimates and valuation assumptions are based on historical experience, present conditions and management's planned course of action, as well as assumptions about future business and economic conditions. The use of different assumptions could result in different estimates. Should future business and economic conditions deteriorate, or the underlying valuation assumptions and estimates change, the recorded amounts could change by a material amount.

Mineral property interests and deferred exploration expenditures

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

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

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

Stock-based compensation

The Company records compensation cost based on the fair value method of accounting for stock-based compensation. The fair value of stock options is determined using the Black-Scholes option pricing model, and in respect of options vested during the fiscal year ended March 31, 2012 based on the assumptions set out in Note 11(a) to the 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 LIM. The Company’s options have characteristics that are significantly different from those of traded options and changes in any of the assumptions used can materially affect fair value estimates.

Rehabilitation Provisions

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

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

During fiscal 2011 the Company established a rehabilitation provision relating to its mining operations. The total undiscounted amount that is expected to settle the Company's reclamation and remediation obligations related to this portion of its mining operations at the end of its mine life is $3,416,203. The present value of this estimated amount has been calculated under IFRS as $3,074,820 as at March 31, 2012.

In determining the present value of the rehabilitation provision as at March 31, 2012, the Company has assumed a long-term inflation rate of approximately 2%, a current market discount rate of 2.66% 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

Transition to IFRS from Canadian GAAP

The Canadian Accounting Standards Board declared that IFRS would replace Canadian GAAP for publicly accountable enterprises for financial periods beginning on or after January 1, 2011.

The consolidated financial statements for the fiscal year ended March 31, 2012, including the relevant comparative information, are the Company's first fiscal year of consolidated financial statements prepared in accordance with IFRS.

The adoption of IFRS resulted in changes in accounting policies as compared with the most recent annual financial statements prepared under Canadian GAAP. The IFRS accounting policies set out in the Company's financial statements for the fiscal years ended March 31, 2012 and March 31, 2011 have been applied consistently to all periods presented. They also have been applied in the preparation of an opening IFRS statement of financial position as at April 1, 2010 (the "Transition Date"), as required by IFRS 1, *First Time Adoption of International Financial Reporting Standards*.

Impact of IFRS

IFRS employs a conceptual framework that is similar to Canadian GAAP, however significant differences exist in certain matters of recognition, measurement and disclosure. While the adoption of IFRS does not change the actual cash flows of the Company, the adoption does result in changes to the reported financial position and comprehensive loss of the Company. In order to allow the users of the financial statements to better understand these changes, the Company has provided reconciliations between Canadian GAAP and IFRS in Note 22 to the consolidated financial statements. The adoption of IFRS has had no impact on the actual net cash flows of the Company, although the changes made to the statements of financial position and comprehensive loss have resulted in reclassifications (within operating, investing and financing activities) of various amounts reported on the statements of cash flows.

Set out below are the key areas where the change to IFRS has had an impact on the Company's consolidated financial statements.

Asset retirement obligations and other non-financial liabilities
Under IFRS, the Company will be required to identify and continually update the amount of the asset retirement obligation recognized for changes in the risk-free discount rate, whereas under Canadian GAAP the existing present value of the estimated liability does not require subsequent adjustment for market interest rate changes in the credit-adjusted risk-free discount rate.

Under IFRS, constructive obligations must be considered in addition to legal obligations when determining the asset retirement obligation and other non-financial liabilities. This means that under IFRS a company must review the carrying amount of a non-financial liability such as an asset retirement obligation at each reporting date and adjust to reflect the current amount that the entity would rationally pay to settle the obligation or to transfer it to a third party as at the reporting date. Canadian GAAP only required legal obligations to be considered.

Income taxes
Under Canadian GAAP, a provision for future income taxes, with a corresponding increase in mineral property interests, was recorded for the future income tax effect arising from the temporary differences created by the difference between the attributed purchase price and the underlying income tax value when the mineral property interests were originally acquired. Under IFRS, this provision is not required and has been removed from mineral property interests as the Company determined the purchase price of the mineral property interests was a purchase of assets vs. a business acquisition. As a result, on transition to IFRS on April 1, 2010, mineral property interests decreased by $41.7 million, future income taxes decreased by $31.3 million and equity decreased by $10.4 million.

Flow-through shares are securities issued to Canadian resident investors whereby the deductions for tax purposes related to resource exploration and evaluation expenditures may be claimed by the investors rather than the issuing company. As a result of the tax benefit received by the investor, flow-through shares are often issued at a premium over the prevailing market price of an issuing company's shares. Under Canadian GAAP, a deferred tax liability would be recognized on the date the Company files renouncement documents with the Canadian tax authorities assuming there is reasonable assurance the expenditures will be made.

Under IFRS, the premium received on the issuance of flow-through shares at an issue price in excess of the market value of the shares on the date of issue represents the value of a liability relating to the transfer of income tax credits forgone by the Company and owing to investors upon renunciation. As the Company fulfills its obligations by incurring the eligible expenditures, the premium from the proceeds received is expected to be recorded in operations and the related deferred tax liability and expense are expected to be recognized. Accordingly, the Company recorded a deferral of the sale of tax deductions on the issuance of flow-through shares in the quarter ended June 30, 2011 and the quarter ended March 31, 2012. The premium from the proceeds received in the quarter ended June 30, 2011 has been recorded in operations and the related deferred tax liability and expense have been recognized in the quarter ended March 31, 2012.

Impairment of non-financial assets
Under IFRS, an entity must assess at each reporting date whether there is any indication that an asset might be impaired. If any such indication exists, the entity must estimate the recoverable amount of the asset, which is defined as the higher of an asset's or cash generating units ("CGU") fair value, less costs to sell, and its value in use. Value in use is the present value of the discounted future cash flows expected to be derived from an asset or CGU. An impairment loss must be recorded if the carrying value of the asset or CGU is less than the recoverable amount of the asset or CGU. IFRS permits the reversal of previous impairment losses.

Under Canadian GAAP, the first step in recognition of an impairment loss was based on undiscounted cash flows, in contrast with a discounted future cash flow approach required under IFRS. Therefore, an impairment loss could be recognized earlier under IFRS than under Canadian GAAP. Canadian GAAP did not permit the reversal of previous impairment losses.

Share-based compensation (options)
The Company's only share based compensation to date is its stock option plan for directors, management, employees and other persons who perform ongoing services for the Company or any of its subsidiaries.

Under IFRS, the Company treats each installment of options as a separate arrangement with its own distinct fair value measurement. Compensation cost for each tranche will be recognized over its own distinct vesting period. Under Canadian GAAP, the Company recognized share based compensation as a single pool with a fair value based on a specified vesting period.

IFRS requires that the rate of forfeiture of previously granted options be estimated every reporting period and an adjustment be made to stock based compensation expense. Under Canadian GAAP, the Company recorded forfeitures of unvested options when forfeiture occurred.

Canadian GAAP allowed the vesting of options to be recognized to operations on a straight line basis whereas IFRS requires the vesting of options to be recognized to operations on a graded vesting basis. The Company accounted for the vesting of options on a graded basis under Canadian GAAP.

Property, plant and equipment
IFRS requires a rigorous application of physical and non-physical component accounting with respect to property, plant and equipment, mandatory capitalization of interest costs on qualifying assets until the asset is ready for use, the disallowance of capitalization of asset retirement obligation accretion expense and requirements for annual review of estimates of useful life, residual value and depreciation method.

IFRS requires that depreciation expense commences when an asset is ready for use. Under Canadian GAAP, depreciation expense commenced when the asset was put into use.

RISKS AND UNCERTAINTIES

In conducting its business, the Company faces a number of risks and uncertainties. The principal risks and uncertainties faced by the Company are set out in greater detail the Company's annual information form ("AIF") dated June 19, 2012, which is filed on SEDAR. A summary of the principal risks and uncertainties which the Company faces is set out below.

No Assurance of Profitable Production

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

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

Substantial expenditures are required to establish reserves through drilling and to develop the mining and processing facilities and infrastructure at any site chosen for mining. No assurance can be given that minerals will be discovered in sufficient quantities to justify 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.

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 not concluded any agreements for the sale of any iron ore beyond 2012.

Availability of Qualified Personnel

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

In common with all other mining operations in Canada and worldwide, the Company is competing for limited available skilled manpower, including professional, technical and trades personnel, which is likely to exacerbate with the major expansions announced by other companies operating in the Labrador Trough region. Staffing of operations in remote sites, including north-western Labrador, is a challenge due to both the remote location and to the shortage of trained and experienced personnel throughout the resource sector. The widespread adoption of fly-in fly-out arrangements and the roster schedule increase the number of employees required in a tight market. 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, development and operation 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.

Transportation and Port Infrastructure

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

In February 2011, the Corporation signed a memorandum of understanding with TSH for the transportation of iron ore over the Menihek Division for the calendar year 2011. The Company provides the locomotives, which are leased to the Company from Western Labrador Rail Services (a division of Genesee and Wyoming) and operated on the Menihek Division rail line by TSH. During 2011, TSH carried out some upgrade work on its Menihek Division rail line following a cash investment by both the Company and Tata Steel Canada. This upgrade work will need to be continued to ensure that the tonnages planned for 2012 and expansion in future years can be efficiently transported. In April 2012 LIM made another contribution of $ 2.5 million towards this upgrade program and has agreed to make a further contribution of $2.5 million in July 2012. This ongoing TSH rail upgrade will require continuing cash investment by the two mine operating companies and TSH, and potentially by governments. Discussions on the funding the planned rehabilitation and upgrades are continuing. The Company expects that as part of a long-term confidential rail transportation contract and tariff agreement with TSH, LIM will agree to make contributions towards the costs of this upgrade program to a total amount of about $25 million over the next four to five years and that these 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. It is contemplated that a definitive transportation and tariff agreement will be concluded with TSH for 2012 and future years; however, there can be no assurance that an agreement on acceptable terms will be concluded.

On March 10, 2011, the Company entered into a life of mine, confidential rail transportation contract with QNS&L for the transportation of the Corporation's products from the end of the Menihek Division at Emeril Junction to Sept-Îles.

The Company continues to evaluate several different options for the unloading, stockpiling and ship loading of the Corporation's iron ore products at the Port of Sept-Îles. These include the potential use of the Port's proposed new multi-user deep water dock and/or other facilities of the Sept-Îles Port Authority. The Company is currently in discussions with the Sept-Îles 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.

Development and Operating Risks

Mining operations, such as those at the James Mine 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, , cave-ins, flooding and other conditions involved in the drilling and removal of material, any of which could result in damage to, or destruction of, mines and other producing facilities, damage to life or property, environmental damage and possible legal liability. Milling operations are subject to hazards such as equipment failure, changes in ore characteristics, such as rock hardness, and mineralogy which may impact production rates and iron ore recovery, or failure of retaining dams which may result in environmental pollution and consequent liability.

Exploration, Development and Operating Risk

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.

Fluctuating Iron Ore Prices

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.

Government Regulation and Permitting

The current or future operations of the Company, including development and construction activities, 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.

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 makes 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 further 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/or 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 or competing interests. Surveys have not been carried out on many of the properties which comprise the Schefferville Projects in accordance with the laws of Newfoundland and Labrador and Quebec; therefore, their existence and area could be in doubt. 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.

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, rail locomotives, railcars or other transportation or shipping 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 purchases 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 or rail transport 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.

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 hydro electric 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 LIM, "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.

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 iron ore operations require rail transportation from the Schefferville region to the port of Sept-Iles and storage, loading and ship berthing facilities at such port. Although the Company has negotiated agreements covering rail transportation to the port of Sept-Iles and handling, storage and loading facilities at Sept-Iles, there can be no assurance that such arrangements will continue or continue on economically feasible terms. Discontinuation or 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.

Management

The success of the Company is currently largely dependent on the performance of its directors and officers and a small number of key personnel. 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.

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. Fluctuations in the exchange rate of the Canadian dollar against the U.S. dollar may have a significant impact on the Company's financial position and results of operations in the future.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

The Company has adopted appropriate systems of internal controls over financial reporting. The CEO and CFO evaluated the effectiveness of the Company’s internal control over financial reporting at March 31, 2012 and concluded that as of that date they were effective to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

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

DISCLOSURE CONTROLS AND PROCEDURES

The Company’s disclosure controls and procedures are designed to provide reasonable assurances that material information is gathered and reported to senior management, including the CEO and CFO as appropriate, to permit timely decisions regarding public disclosure.

Management, including the CEO and CFO evaluated the effectiveness of the Company’s disclosure controls and procedures at March 31, 2012. Based on this evaluation, the CEO and CFO concluded that as of March 31, 2012 the Company’s disclosure controls and procedures were effective to provide reasonable assurance that material information required to be disclosed in reports filed or submitted by the Company is recorded, processed, summarized and reported within the appropriate time periods.

It should be noted that while the Company's CEO and CFO believe that the Company’s disclosure controls and procedures provide a reasonable level of assurance and that they are effective, they do not expect that the disclosure controls and procedures can prevent all errors or mistakes. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

There were no significant changes to the Company’s disclosure controls and procedures during the fiscal year ended March 31, 2012.

ADDITIONAL INFORMATION

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

FORWARD LOOKING STATEMENTS

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