LABRADOR IRON MINES HOLDINGS LIMITED

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE FISCAL YEAR ENDED MARCH 31, 2013

Dated: July 2, 2013

GENERAL

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the audited condensed consolidated financial statements and notes thereto of Labrador Iron Mines Holdings Limited ("LIM" or the "Company") for the fiscal year ended March 31, 2013.

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

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

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

This MD&A contains forward-looking statements.

INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

The Canadian Accounting Standards Board requires publicly accountable enterprises to adopt IFRS for fiscal years beginning on or after January 1, 2011. Accordingly, the Company's consolidated financial statements for the fiscal years ended March 31, 2012 and 2013 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 were the Company's first annual financial statements that comply with IFRS. As the fiscal year ending March 31, 2012 was the Company's first year of reporting under IFRS, First Time Adoption of IFRS (IFRS 1) was applicable.

OVERVIEW

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

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

The Schefferville Projects consist of the James Mine and adjacent Stage 1 deposits and Silver Yards processing facility ("Silver Yards"), the Houston property ("Houston"), which includes the Malcolm 1 deposit and, subject to further exploration and development, other iron properties in the vicinity of Schefferville. LIM's Schefferville Projects are connected by a direct railway to the Port of Sept-Iles on the Atlantic Ocean and benefit from established infrastructure, including, the town, airport, roads, hydro power and rail service.

LIM's Schefferville Projects comprise 20 different iron ore deposits, which were part of the original Iron Ore Company of Canada ("IOC") direct shipping operations conducted from 1954 to 1982 and formed part of the 250 million tonnes of historical reserves and resources previously identified by IOC. These historical resources estimates are based on work completed and estimates prepared by IOC prior to 1983 and were not prepared in accordance with NI 43-101. The IOC classification reported all resources (measured, indicated and inferred) within the total mineral resource. A Qualified Person has not completed sufficient work to classify the historical estimates as current mineral reserves. These historical results provide an indication of the potential of the properties and are relevant to ongoing exploration. However, the historical estimates should not be relied upon. The iron ore deposits which comprise the Schefferville Projects are divided into two separate portions, one within the Province of Newfoundland and Labrador and the other within the Province of Quebec.

LIM commenced initial production at its James Mine in June 2011 and through to the end of 2012, has produced 2.0 million dry tonnes of iron ore for 13 cape-size shipments sold into the Chinese spot market. The Company's mine operations are seasonal, from approximately the beginning of April to the end of November each year, with a planned winter shut down from approximately the beginning of December to the end of March each year.

During the year ended March 31, 2013, the Company accomplished many operational achievements and responded to severe market conditions with necessary decisive action.

- For fiscal 2013, the Company met its reduced production target of 1.7 million wet tonnes of iron ore production and sold a total of 1.56 million dry tonnes of iron ore products, a substantial improvement from the 385,898 dry tonnes sold in fiscal 2012. The reduction of the Company's original planned target of 2 million tonnes was in response to market conditions and weaker spot iron ore prices during the second half of calendar 2012.
- LIM demonstrated its mine site to port operational ability to produce, rail and sell over 1.5 million tonnes of from its James Mine. Prior to the decision in September to curtail production and sales due to market conditions, the Company was on track to meet its mine production and sales target of 2 million tonnes in 2012, its first full season of commercial production.
- The experience of a full-scale operating season has strengthened the Company's working relationship with its key operational stakeholders and suppliers, in particular Iron Ore Company of Canada ("IOC"), Tshiuetin Rail Transportation Inc. ("TSH") railway and Quebec North Shore and Labrador ("QNS&L") railway, local First Nations groups, its mining contractor Innu-Municipal and the Port of Sept-Iles.

- LIM accumulated valuable marketing intelligence from the completion of ten cape size shipments during 2012. The Company will leverage this marketing intelligence to strategically plan mine production and product specifications to maximize product revenue in future years.
- LIM fully established its Centre Ferro railcar repair and maintenance facility in Sept-Iles, which demonstrated its ability to successfully maintain the Company's fleet of railcars throughout the operating season and contributed to the significant improvement in the Company's rail operations compared to the 2011 start-up season.
- LIM completed the expansion of its mine camp near Silver Yards, which now accommodates 140 people. The mine camp is expected to be sufficient to fully accommodate all necessary mine site personnel for the duration of the Company's Stage 1 (Central Zone) production.
- LIM secured 5 million tonnes of ship loading capacity at the new multi-user berth being built by the Port of Sept-Iles, providing the Company with the opportunity to load cape size shipments when the multi-user berth and a suitable terminal handling facility are completed.
- LIM completed a very successful exploration season, which included extensive drilling of Houston, Malcolm, James North and James South, as well as bulk sampling historic stockpiles. The Company also completed very promising exploration work, which resulted in an initial resource of 620 million tonnes on the Elizabeth Taconite Project located near the currently producing James Mine.

Despite the many operational accomplishments, the year ended March 31, 2013 was adversely impacted by the rapid and severe drop in spot iron ore prices which occurred in August 2012 and continued through November 2012. Iron ore spot prices and transaction volumes suffered a sharp decline in August 2012, with spot prices dropping 33% during that quarter to below US$90 per tonne on a 62% Fe CFR China basis. The Company responded decisively with revised strategies in the mine, process plant and rail transport to optimize production at the lowest possible cost. In response to these challenging iron ore market conditions, the Company also undertook a critical review of its operating and capital spending and implemented the following decisive measures in 2012:

- A focus on cost reduction and cash conservation in order to prudently manage the Company's cash resources and requirements;
- Utilization of the new lower cost dry classifying system to produce sinter and lump ore only;
- All non-committed capital expenditures relating to the Silver Yards processing plant were deferred until the spring or early summer of 2013;
- Approximately $52 million of additional planned capital investment originally budgeted for 2012, and largely on the Houston Project, was deferred;
- A $30 million equity financing was completed in November 2012 and a further $29 million equity financing was completed in February 2013.

The Company believes that the cost reductions in operations, combined with the deferral of capital expenditures, were necessary steps and will ensure the Company continues to operate in a sustainable position.

Subsequent to the fiscal year-end, the Company secured a US$35 million advance payment against the sale of iron ore to be delivered in 2013 and 2014 and entered into a new two-year iron ore sales agreement with IOC.

Full scale production of iron ore re-commenced as planned in April 2013, and the Company is currently targeting production of approximately 1.75 to 2.0 million tonnes of saleable product during the 2013 operating season.

LIM has also entered into a strategic relationship arrangement with Tata Steel whereby the two companies have agreed to cooperate with each other in various aspects of their respective iron ore operations in the Labrador Trough and as part of which, subject to completion of the formal agreements, the Company will receive $30 million for the sale of a 51% interest in LIM's Howse deposit.

Resources

As at March 31, 2013, LIM has confirmed a total of approximately 59.5 million tonnes at an average grade of 56.7% iron ("Fe") of NI 43-101 compliant, measured and indicated mineral resources on the Schefferville Projects. Of this total, approximately 36.9 million tonnes are measured mineral resources and approximately 22.5 million tonnes are indicated resources. The Company has also confirmed a total of approximately 4.7 million tonnes of inferred resources at an average grade of 55.8% Fe.

In addition to the foregoing, the Company holds previously mined historical stockpiles, with a NI 43-101 compliant, indicated resource of approximately 3.5 million tonnes at an average grade of 49.1% Fe and an inferred resource of approximately 2.9 million tonnes at an average grade of 48.8% Fe. These previously-mined stockpiles are located within 15 kilometres ("km") of Silver Yards and form part of LIM's Stage 1 deposits.

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

Summary of Mineral Resource Estimates, by Deposit

As at March 31, 2013					
	Classification	**Tonnes** (x 1000)	**Fe** (%)	**SiO_2** (%)	**Mn** (%)
Deposits	Measured	36,949	57.0	11.9	1.2
	Indicated	22,504	56.2	12.9	1.0
	Total Measured & Indicated	**59,453**	**56.7**	**12.3**	**1.1**
	Total Inferred	**4,665**	**55.8**	**13.2**	**1.4**
TRX Stockpiles	**Total Indicated**	**3,545**	**49.1**	**23.4**	**0.8**
	Total Inferred	**2,896**	**48.8**	**24.5**	**0.7**
As at June 15, 2013					
	Classification	**Tonnes** (x 1000)	**Fe** (%)	**SiO_2** (%)	**Mn** (%)
Elizabeth Taconite	**Total Inferred**	**620,000**	**31.8**	**42.1**	**0.9**

The resource tables set out below are extracted from technical reports summarized in the Company's Annual Information Form ("AIF") dated June 24, 2013 and filed on SEDAR, under the heading "Item 5 – DESCRIPTION OF THE BUSINESS – Technical Reports" and incorporated into the AIF by reference. See 'Qualified Persons" below.

Measured and Indicated Mineral Resource Estimates, by Deposit, as at March 31, 2013

Deposit	Classification	Tonnes (x1000)	Fe %	SiO_2 %	Mn %	P %	Al_2O_3 %
James – Fe[1]	**Indicated**	**3,480**	**56.2**	**16.3**	**0.7**	**0.02**	**0.42**
Redmond 2B – Fe	**Indicated**	**849**	**59.9**	**5.1**	**0.4**	**0.12**	**2.09**
Redmond 5 – Fe	**Indicated**	**2,084**	**55.0**	**11.0**	**1.2**	**0.05**	**0.81**
Knob Lake – Fe	Measured (M)	2,836	55.0	10.2	1.0	0.07	0.48
	Indicated (I)	2,266	54.3	11.2	1.1	0.06	0.46
	Total (M+I)	**5,102**	**54.7**	**10.6**	**1.0**	**0.07**	**0.47**
Denault – Fe	Measured	4,417	54.9	9.8	0.8	0.07	1.11
	Indicated	572	53.2	12.0	1.0	0.08	0.95
	Total (M+I)	**4,989**	**54.7**	**10.0**	**0.8**	**0.08**	**1.09**
Houston – Fe	Measured	24,385	57.9	13.1	0.8	0.06	0.75
	Indicated	5,736	56.8	14.8	0.8	0.06	0.69
	Total (M+I)	**30,121**	**57.7**	**13.4**	**0.8**	**0.06**	**0.74**
Malcolm 1 – Fe	Measured	2,374	60.2	9.8	0.8	0.05	0.51
	Indicated	6,686	57.1	12.3	0.8	0.07	0.53
	Total (M+I)	**9,060**	**57.9**	**11.6**	**0.8**	**0.06**	**0.52**
Total Resource – Fe	Measured	**34,012**	**57.4**	**12.2**	**0.8**	**0.06**	**0.76**
	Indicated	**21,673**	**56.4**	**13.1**	**0.8**	**0.06**	**0.65**
	Total (M+I)	**55,685**	**57.0**	**12.5**	**0.8**	**0.06**	**0.71**
Knob Lake – Mn	Measured	377	50.6	8.4	5.6	0.09	0.68
	Indicated	214	49.4	9.5	4.9	0.08	0.79
	Total (M+I)	**591**	**50.2**	**8.8**	**5.3**	**0.08**	**0.72**
Denault – Mn	Measured	1,448	52.1	6.0	6.4	0.08	1.09
	Indicated	362	51.7	6.6	6.5	0.07	0.97
	Total (M+I)	**1,810**	**52.0**	**6.1**	**6.4**	**0.08**	**1.07**
Houston – Mn	Measured	1,099	53.7	10.1	5.2	0.08	1.17
	Indicated	106	53.4	11.7	4.6	0.08	0.94
	Total (M+I)	**1,205**	**53.6**	**10.3**	**5.1**	**0.08**	**1.15**
Malcolm 1 – Mn	Measured	13	58.4	7.7	4.3	0.04	0.47
	Indicated	149	54.1	11.9	4.6	0.06	0.47
	Total (M+I)	**162**	**54.5**	**11.6**	**4.5**	**0.06**	**0.47**
Total Resource – Mn	Measured	**2,937**	**52.5**	**7.9**	**5.8**	**0.08**	**1.06**
	Indicated	**831**	**51.8**	**9.0**	**5.5**	**0.07**	**0.83**
	Total (M+I)	**3,768**	**52.2**	**8.3**	**5.7**	**0.08**	**0.97**
Total Resource – Fe and Mn	Measured	**36,949**	**57.0**	**11.9**	**1.2**	**0.07**	**0.78**
	Indicated	**22,504**	**56.2**	**12.9**	**1.0**	**0.06**	**0.65**
	Total (M+I)	**59,453**	**56.7**	**12.3**	**1.1**	**0.06**	**0.73**

Inferred Mineral Resource Estimates, by Deposit, as at March 31, 2013

Deposit	Classification	Tonnes (x1000)	Fe %	SiO_2 %	Mn %	P %	Al_2O_3 %
James – Fe[1]	Inferred	83	53.5	19.5	0.1	0.04	0.49
Redmond 2B – Fe	Inferred	30	57.3	5.9	0.6	0.13	4.09
Redmond 5 – Fe	Inferred	78	52.3	10.8	2.0	0.07	0.96
Knob Lake – Fe	Inferred	655	51.8	13.5	1.2	0.09	0.45
Houston – Fe	Inferred	2,707	57.5	13.7	0.9	0.07	0.74
Malcolm 1 – Fe	Inferred	520	56.4	12.9	0.8	0.06	0.44
Knob Lake – Mn	Inferred	138	49.1	9.8	4.8	0.05	0.40
Houston – Mn	Inferred	455	53.4	11.2	4.9	0.11	1.09
Total Inferred Resource – Fe & Mn		**4,666**	**55.8**	**13.2**	**1.4**	**0.07**	**0.71**

(1) As at March 31, 2013 after giving effect to depletion due to 2011 and 2012 mining operations at the James Mine and reconciliation due to revised dry bulk density measurement of the James ore.

Stockpiles Mineral Resource Estimates, by Deposit, as at March 31, 2013

TRX Stockpiles	Classification	Tonnes (x1000)	Fe %	SiO_2 %	Mn %	P %	Al_2O_3 %
Wishart	**Indicated**	**1,151**	**48.6**	**27.1**	**0.1**	**0.04**	**0.50**
	Inferred	1,280	48.2	27.5	0.1	0.04	0.50
Ferriman 1 (C&D)	**Indicated**	**2,394**	**49.3**	**21.6**	**1.2**	**0.05**	**1.01**
	Inferred	1,616	49.3	22.1	1.2	0.05	0.87
Total Resource	**Indicated**	**3,545**	**49.1**	**23.4**	**0.8**	**0.05**	**0.84**
	Inferred	**2,896**	**48.8**	**24.5**	**0.7**	**0.05**	**0.71**

Elizabeth Taconite Mineral Resource Estimate (NI 43-101 compliant) as at June 15, 2013

(George H. Wahl, P.Geo., Independent Qualified Person -G H Wahl & Associates Consulting. See “Qualified Persons” below).

Inferred Mineral Resource	Zone Solids	Million Tonnes	Fe %	Satmagan %[2]	Al_2O_3 %	CaO %	MgO %	SiO_2 %	Mn %	P %
Magnetite Taconite	200	410	32.8	29.2	0.08	1.8	2.1	43.6	0.8	0.01
Hematite Taconite	100; 300	210	29.8	3.4	0.6	0.9	2.6	39.3	1.15	0.04
Total Inferred	**100; 200; 300**	**620**	**31.8**	**20.5**	**0.3**	**1.5**	**2.3**	**42.1**	**0.9**	**0.02**

Note 1: Tonnage is based on dry tonnes. The resources are not reported within an economic pit shell. Based on a cut-off of 26% Fe for hematite taconite and 14% Satmagan for magnetite taconite.

Note 2: Satmagan: Saturation magnetization analyzer – an instrument used for measuring the magnetic material (usually in the form of % magnetite) content of the sample.

Elizabeth Taconite No. 2 Potential Tonnages and Grades [1, 2]

The Elizabeth Taconite Project comprises two adjacent deposit areas. The NI 43-101 compliant inferred mineral resource estimate in Elizabeth No. 1 is set out in the "Elizabeth Taconite Mineral Resource Estimate" table above. The following table indicates the potential tonnage identified within the Elizabeth No. 2 deposit area.

Potential Tonnage	**Zone Solids**	**Million Tonnes**	**Fe %**	**Satmagan %**	**Al_2O_3 %**	**CaO %**	**MgO %**	**SiO_2 %**	**Mn %**	**P %**
Magnetite Taconite	**400**	300 – 500	32.4	32.7	0.3	1.8	2.4	43.8	0.9	0.01
Hematite Taconite	**500**	50 – 100	29.5	1.4	0.3	1.0	4.0	34.6	1.6	0.05
Total Potential	**400; 500**	**350 – 600**	**31.9**	**27.8**	**0.3**	**1.7**	**2.65**	**42.3**	**1.0**	**0.02**

Note 1: Figures in the table of potential tonnages do not comprise NI 43-101 defined mineral resources, however, they do provide an inventory of exploration potential tonnage and grade per ore type, based on a cut-off of 26% Fe for hematite taconite and 14% Satmagan for magnetite taconite.

Note 2: The potential tonnage and grade in the Elizabeth No. 2 deposit area is conceptual in nature and there has been insufficient exploration to define a mineral resource. The range of tonnage has been outlined based on the lateral extent of ground and airborne magnetic and gravity anomalies, surface mapping and two drill hole intercepts which define the width and estimated grade at its southeastern extent. It is uncertain if further exploration will result in such potential being delineated, in whole or in part, as a mineral resource. Taconites require further upgrading through a concentrator involving a major capital investment to produce a saleable iron ore product.

The Company also controls other deposits with an estimated combined historical resource of approximately 108 million tonnes, which form part of the 250 million tonnes of historical reserves and resources previously identified by IOC.

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

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.

Operations Summary

LIM commenced its first season of commercial production in April 2012. The Company considers the fiscal year ended March 31, 2012 as having been a short, start-up and testing operating season during which the Schefferville Projects had not yet reached commercial production.

The Company's operating results for the fiscal years ended March 31, 2013 and 2012 are summarized in the table below.

	Fiscal Year Ended March 31, 2013		**Fiscal Year Ended March 31, 2012**	
(all tonnes are dry metric tonnes)	**Tonnes**	**Grade (% Fe)**	**Tonnes**	**Grade (% Fe)**
Total Ore Mined	1,828,398	61.3%	1,205,609	60.7%
Waste Mined	3,215,985	--	3,004,355	--
Ore Processed and Screened	954,813	58.2%	572,052	58.4%
Lump Ore Produced	98,693	61.2%	79,407	63.6%
Sinter Fines Produced	693,173	61.4%	152,735	65.0%
Total Product Railed	1,492,960	62.3%	563,569	64.9%
Tonnes Product Sold	1,559,620	62.5%	385,898	64.9%
Port Product Inventory	111,009	60.9%	177,669	64.9%
Site Product Inventory	3,551	58.4%	69,983	65.3%
Site Run-of-Mine Ore inventory	446,975	56.2%	195,117	59.0%

For fiscal 2013, the Company met its reduced production target of 1.7 million wet tonnes of iron ore production and sold a total of 1.56 million dry tonnes of iron ore products. The reduction of the Company's original planned target of 2 million tonnes was in response to market conditions and weaker spot iron ore prices during the second half of 2012.

Silver Yards – James Mine

The James Mine re-commenced full-scale operations in April 2012 and consistently achieved its planned mining rate of 28,000 tonnes per day (ore and waste) in the months of June through August until the cutbacks in September as part of the Company's cost reduction program. Complementing the Company's ramp up in production, monthly railway volumes increased almost threefold from the beginning of the season with up to four train sets in operation.

Mining and processing operations for the 2012 operating season (fiscal 2013) were shut down in early November 2012, as part of the planned seasonal discontinuation of operating activities. The seasonal shutdown occurred a few weeks earlier than would be anticipated in a typical year. This earlier shutdown was due to a combination of (i) a planned decrease in production that began in September; and (ii) inclement weather experienced in October and November, which was causing significant transportation related product freezing issues.

The wet processing plant was winterized early during the 2012 operating season, and the dry crushing and screening process was used exclusively for the remainder of the season beginning in September. Most of the seasonal contractor workers at Silver Yards were laid off by mid-November 2012, followed by the layoff of seasonal exploration workers by mid-December 2012. The Bean Lake camp remained open over the winter months and was used in part as an accommodation camp for TSMC's construction contractors.

Product inventory at Silver Yards was reduced to a minimum at the end of the 2012 operating season. The remaining run-of-mine inventory at Silver Yards from the end of the 2012 operating season is being used as initial plant feed in the 2013 operating season.

As part of its independent review of LIM's year-end resources, SGS Canada Inc. ("SGS") examined the average dry bulk density ("DBD") of ore from the James Mine, calculated from the total volume of ore extracted in 2011 and 2012 (from June 2011 to November 2012) to the total tonnes of ore railed during that period, plus ending inventories. The review calculated an average DBD of 2.85 tonnes per cubic metre ("t/m^3"), which is 18% less than the average DBD of 3.46 t/m^3 that was estimated in the previous SGS resource model.

Accordingly, SGS recommended that predicted volumes and grades for ore at the James Mine be maintained, but also recommended that predicted densities in ore blocks be reduced by another 15% (to 25%) to account for greater porosity than originally anticipated. After depletion during the 2012 operating season and the above DBD reconciliation, the measured and indicated mineral resource at the James Mine at March 31, 2013 is estimated to be 3.5 million tonnes at a grade of 56.2% Fe, compared to 6.67 million tonnes at a grade of 57.4% Fe at March 31, 2012.

The independent review of the James Mine was carried out by Maxime Dupéré, P. Geo and Michel Dagbert, both of SGS Canada Inc. who are Qualified Persons and independent of the Company within the meaning of NI 43-101.

A waste stripping program commenced in the month of March 2013 and a total of approximately 88,000 tonnes of waste was removed from the James pit. The James Mine re-commenced full-scale operations for the 2013 operating season in April 2013.

The Phase 3 expansion of the Silver Yards wet processing plant was completed and commissioned during June 2013. Phase 3 has been designed to increase the wet plant's production capacity and to recover ultra-fine material and is now operating in conjunction with the dry plant, which has been processing iron ore since April.

The Company has now substantially completed the establishment of grid power at Silver Yards. Final completion of this project is expected to be achieved in July 2013. Upon final completion of this project, the power supply for the Silver Yards processing facility and the Company's Bean Lake mine camp will be substantially converted from diesel fuel to electric power during the operating season. During the winter period, diesel fuel will continue to be required.

Houston Project

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

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

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

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

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

It is expected that initial mine development at the Houston deposit will include construction of the haulage road and railway siding, mine infrastructure and related facilities, with initial production of Houston ore coming from in-pit dry crushing and screening.

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

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

Commencement of construction activities for the Houston Project is subject to the availability of financing and the receipt of remaining permits. Development costs for the first phase of the Houston Project are estimated to be approximately $37 million on haulage road and rail siding access, with an additional approximately $20 million of mine development costs, which would enable initial production from Houston utilising in-pit dry crushing and screening. These estimates do not include the capital cost of a new wet processing plant which may be required in about the third year of Houston operations. The Company is evaluating various potential strategic options or off-take arrangements and/or credit facilities and other financing alternatives to fund the planned Houston development and related transportation and port infrastructure expenditures.

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

Other Iron Ore Deposits

Beyond 2013, it is planned that operations in Silver Yards will continue with mining the remaining portions of the James deposit and, subject to permitting and detailed engineering assessment, a number of adjacent Stage 1 (Central Zone) deposits, including the Redmond and Gill deposits and Wishart stockpiles, all in Labrador, and the Denault deposit and Ferriman stockpiles in Quebec. The Company continues to evaluate other Stage 1 (Central Zone) deposits, including Ruth and Knob Lake in Labrador, and Star Creek in Quebec.

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 (Quebec) deposits located approximately 25 km northwest of Schefferville (North Central Zone) and relatively close to existing infrastructure. The Howse deposit, located about 25 km north of LIM's James Mine and Silver Yards processing plant, has a historical resource of 28 million tonnes. In March 2013 the Company entered into a framework arrangement with Tata Steel Minerals Canada Limited, as part of which LIM and TSMC have agreed to enter into a transaction for the joint development of the Howse deposit, whereby LIM will sell a 51% interest in Howse to TSMC. In the future, TSMC may increase its interest to 70%. It is hoped that the agreement with TSMC will expedite the development of the Howse deposit and it is expected that significant cost savings and synergies can be achieved by processing Howse ore through TSMC's adjacent Timmins Area plant.

- 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 Quebec 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.

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 resource estimates.

Strategic Relationship with Tata Steel Minerals Canada Limited

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

The strategic relationship includes multi-part cooperation agreements in areas of logistics, property rationalization and various ancillary mutual support and potential off-take arrangements. As part of the logistics agreements, the companies are currently formalizing arrangements for development of the rebuilt rail line that will pass through LIM's Silver Yards facilities from TSMC's new Timmins Area processing plant to the TSH main rail line.

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

The cooperation agreement is also expected to include respective participation in developing infrastructure at the Port of Sept-Iles, with the objective of establishing access and terminal facilities for both companies to the Port's new deep sea multi-user dock.

As part of the strategic relationship, LIM and TSMC have agreed to enter into a transaction for the development of LIM's Howse deposit, whereby LIM will sell a 51% interest in LIM's Howse deposit to TSMC for $30 million. In the future, TSMC may increase its interest to 70% by spending $25 million in the Howse project. The Howse deposit is located about four km from TSMC's Timmins Area mining and processing facilities and it is expected that significant cost savings and synergies can be achieved by processing Howse ore through TSMC's adjacent Timmins Area plant.

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

The definitive agreements to formalize the strategic arrangements with TSMC are subject to ongoing negotiations and have not yet been completed and there can be no assurance that such agreements will be completed or completed in full.

Transportation

Iron ore from the James Mine is transported by rail from the Silver Yards processing facility, via the Company's six 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-Iles, where the ore is unloaded and stockpiled for shipping. The Company railed a total of approximately 1.6 million wet tonnes of iron ore to the Port of Sept-Iles in the 2012 operating season. Monthly railway volumes increased almost threefold from April to August with up to four train sets in operation and often achieved the target of one train per day during the peak months of July and August.

At the end of the 2012 operating season, the Company had three full train sets in operation, each consisting of 120 railcars.

The Company's Centre Ferro maintenance and repair facility in Sept-Iles operated on a full-time basis during the 2012 operating season maintaining the Company's fleet of rail cars. The hourly work force was reduced at the end of the 2012 operating season as rail operations wound down. For the 2013 operating season, a reduced hourly work force is being employed at Centre Ferro, as the fleet of newly built railcars being leased by the Company in 2013 requires only minimal maintenance work.

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

There were no railway operations during the fourth quarter ended March 31, 2013. Rail operations re-commenced for the 2013 operating season when the first loaded iron ore train departed from the Silver Yards plant to the Port of Sept-Iles in early April 2013. The Company began the 2013 operating season with one train set of 164 railcars in April, added a second train set of 164 railcars in May and a third train set of 164 railcars at the end of June. It is planned that a fourth train set may possibly be introduced later in the operating season. The railcars currently in use by LIM are newly built rotary dumper compatible ore gondolas leased from TSMC.

During 2012, TSH continued to carry out upgrade work on its Menihek rail line following a cash investment in 2012 by LIM of $5 million (in addition to a cash investment by LIM of $3.5 million in 2011) and similar investments by TSMC. This ongoing TSH rail upgrade work will need to be continued to ensure that the tonnages planned for future years can be efficiently transported and will require continuing cash investment by the two mine operating companies and TSH, and potentially by governments.

As part of its long-term confidential rail transportation contract with TSH, LIM has agreed to make contributions towards the costs of this upgrade program up to a total amount of an additional $16.5 million over the next four years. The full amount of this $16.5 million of future upgrade contributions will be repaid to the Company over an expected period of about four years commencing in 2017, subject to LIM maintaining normal annual transportation operations on the TSH railway. This $16.5 million in future repayable contribution to TSH is in addition to $8.5 million in non-repayable upgrade contributions LIM has already advanced to TSH. The Company has also paid TSH a refundable capacity reservation deposit of $1.5 million. The Company is committed to minimum annual tonnages over its operating season.

The Company is responsible for providing the locomotives for LIM's ore haulage on the TSH railway. LIM has a contract with Western Labrador Rail Services ("WLRS") (a division of Genesee and Wyoming) to provide such locomotives, which are operated on LIM's rail spur by WLRS personnel and are operated on the TSH railway by TSH personnel.

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 $15 million has been paid, and $10 million remains to be paid. These advance payments were required by QNS&L to secure the locomotive equipment and infrastructure capacity to meet LIM's shipment volumes. These advance payments will be repaid to the Company by QNS&L by means of a special credit of $3.50 per wet metric tonne hauled, commencing July 2012. The Company is committed to minimum tonnages per month over the anticipated eight month annual operating season. QNS&L provides the locomotives and operating personnel for LIM's ore haulage on the QNS&L railway.

The port handling arrangements for the shipment of LIM's iron ore production for 2015 and future years remain subject to ongoing evaluation and finalization. The Company is one of several mining companies that have entered into a long-term contract with the Sept-Iles Port Authority for capacity at a new multi-user dock in the Pointe-Noire area of the Port of Sept-Iles. The multi-user dock is a $220 million project (of which the users are funding $110 million by way of refundable advance payments) comprising two berths equipped with two ship loaders as well as two conveyer lines. The multi-user dock is expected to have an annual capacity of up to 50 million tonnes per year, of which the Company has reserved 5 million tonnes of annual capacity. Under the long-term user agreement, the Company paid $6.4 million in 2012 as a first installment of an advance payment and a final advance payment installment of $6.4 million is due in July 2013. The Company has also entered into long-term take or-pay volume commitments with respect to the new multi-user dock. The Port expects the multi-user dock to be completed in 2014.

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

All iron ore railed to Sept-Iles in 2012 was sold to the Iron Ore Company of Canada. The Company has signed a new two year iron ore sales agreement with IOC for the sale to IOC of all iron ore produced in the 2013 and 2014 operating seasons under which all product sold to IOC will be handled by IOC through its port facilities at Sept-Iles.

Sales of Iron Ore

During fiscal 2013, the Company completed ten shipments (five shipments of direct railing ore ("DRO", four shipments of sinter ore and one shipment of lump ore) totaling 1.56 million dry tonnes, which were sold to IOC at a weighted average actual realized price (i.e. CFR China spot price less value-in-use adjustments) of approximately US$107 per tonne on a CFR China basis. The Company recognized net proceeds of $95.7 million on a FOB Sept-Iles basis after netting shipping costs and IOC's participation from the CFR China actual realized price for these ten shipments.

All shipments except for the tenth shipment were in standard cape size vessels of approximately 160,000 dmt. Due to loading restrictions, the tenth shipment was in a mini-cape size vessel of approximately 103,000 dmt, which resulted in higher ocean freight costs per tonne compared to a standard cape-size vessel.

The iron ore produced by the Company in fiscal 2013 was sold to IOC and then re-sold by IOC through the Rio Tinto marketing organization into the Chinese spot market on a shipment-by-shipment basis. The net proceeds (FOB Port of Sept-Iles) received by LIM for iron ore sold to IOC was calculated based on the actual realized price (i.e. CFR China spot price minus value-in-use adjustments) of a shipment sold in China, less shipping costs and IOC's participation, which included product handling, ship loading and sales costs. Under the sales agreement in place with IOC in 2012 and 2011, the price calculated was based on the daily China spot price, subject to varying selling discounts, and consequently the sales price of the Company's iron ore experienced unpredictable variations based on prevailing market conditions.

Iron ore spot prices suffered a sharp decline in August 2012, dropping 33% from June 30, 2012 to below US$90 per tonne on a 62% Fe CFR China basis in early September due to a number of factors that included historically high port inventories, de-stocking of plant inventories by Chinese steel mills and traders withdrawing from the spot market. Non-standard or off-specification products, including the Company's direct rail ore, proved difficult to sell, resulting in delays and/or lower than expected prices. Spot iron ore spot prices rebounded materially between November and January and reached a high of approximately US$159 per tonne on a 62% Fe CFR China basis in early January 2013.

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

In the 2012 operating season, the Company experienced some value-in-use adjustments in the determination of the actual realized price (on a CFR China basis) on several of its cargos. The value-in-use adjustments for the Company's DRO cargos related mainly to the mixed size nature of this product, which requires further crushing and screening by the purchaser before being used in the steelmaking process. The value-in-use adjustments for the Company's sinter ore shipments in the 2012 operating season related to the silica content of the cargos, which was a few percentage points higher than the standard of 4.5% silica. The Company expects the silica level to be lower in fiscal 2014 subsequent to commissioning of Phase 3 of the wet processing plant in June 2013.

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

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

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

2012 Exploration Program

The Company's 2012 exploration program achieved approximately 14,000 metres ("m") of drilling. The drill programs focused on Houston, Malcolm, James North, the James South extension and historic stockpiles near Silver Yards. The main purpose of this drilling was to expand and extend the size of these deposits and generate further technical information on these deposits. At March 31, 2013, LIM's total measured and indicated mineral resource (excluding stockpiles) totaled 59.5 million tonnes, a 33% increase from March 31, 2012.

The 2012 exploration drill program for the Houston 1, 2 and 3 deposits consisted of 24 RC holes totaling 1,468 m and 42 HQ triple-tube diamond drill holes totaling 4,504 m. The resources at the Houston 1, 2 and 3 deposits continued to expand. The updated measured and indicated mineral resource estimate of 31.3 million tonnes represents a 37% increase over the March 2012 estimate. The Houston deposits remain open along strike, particularly to the southeast and further drilling is planned to test for possible extensions. A new measured and indicated mineral resource estimate for its Malcolm 1 deposit of 9.2 million tonnes grading 57.8% Fe, more than tripled the previous historical resource estimate.

In addition to this drilling, a bulk sampling program of some of the historic stockpiles was completed resulting in a confirmed NI 43-101 indicated resource of approximately 3.5 million tonnes with an average grade of 49.1% Fe and an inferred resource of approximately 2.9 million tonnes with an average grade of 48.8% Fe.

An exploration drilling program was also carried out involving approximately 1,500 m of diamond drilling on the Elizabeth taconite target in Labrador, just west of Silver Yards, intended to evaluate the potential of this type of iron-bearing formation. This exploration identified a large iron orebody hosted within the Elizabeth Taconite Project, leading to its first independent NI 43-101 inferred mineral resource estimate of 620 million tonnes.

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

The Company's 2012 exploration program provided the data to complete new and updated resource estimates, effective March 31, 2013, for the James and other Stage 1 deposits, the Houston and Malcolm Stage 2 deposits, as well as an initial mineral resource estimate on the historic crushed ore stockpiles in both Quebec and Labrador. In addition, a first mineral resource estimate on the Elizabeth taconite was also estimated, effective June 15, 2013.

The updated resource estimates, effective March 31, 2013 and June 15, 2013, are summarized in the "Resource" section above and set out in the Technical Reports described under the "Qualified Persons" below.

First Nations

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

The Company has entered into Impact and Benefit Agreements ("IBAs") with the Innu Nation of Labrador (July 2008), the Naskapi Nation of Kawawachikamach (September 2010), the Innu of Matimekush-Lac John (Schefferville) (June 2011), the Innu Takuaikan Uashat Mak Mani-Utenam (Sept-Iles) (February, 2012) with respect to the Company's operations. In July 2012, the Company hosted its first IBA implementation meeting with the aboriginal communities as part of ongoing communications flowing from the IBAs. These meetings are held quarterly, with subsequent meetings held in October 2012, January 2013 and early May 2013.

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

In December 2012, the Company entered into an Economic Partnership Agreement with the NunatuKavut Community Council, representing the Southern Inuit of Labrador, who also assert claims for traditional aboriginal rights in Labrador. The Economic Partnership Agreement sets out the basic understandings and positions of each party and addresses such matters as environmental and cultural protection, jobs, training, aboriginal contracting and other financial aspects with respect to the Schefferville Projects.

2013 Outlook

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

The James Mine re-commenced full-scale operations for the 2013 operating season in April 2013. A waste stripping program had commenced in the month of March 2013 and a total of approximately 88,000 tonnes of waste was removed from the James pit.

Construction of the Phase 3 expansion of the Silver Yards wet processing plant was completed and commissioned in June 2013 and is now operating in conjunction with the dry plant, which has been processing ore since April. Phase 3 has been designed to increase the wet plant's production capacity and to recover ultra-fine material. A new, experienced plant operations contractor has been selected to operate the wet plant in 2013. A new dry screening unit was delivered to the site during the fall of 2012 and is now installed and in use for the 2013 operating season.

The Company has also substantially completed the establishment of grid power at Silver Yards. Final completion of this project is expected to be achieved in July 2013. Upon final completion of this project, the power supply for the Silver Yards processing facility and the Company's Bean Lake mine camp will be substantially converted from diesel fuel to electric power during the operating season. During the winter period, diesel fuel will continue to be required.

The Company began the 2013 operating season with one train set of 164 cars in April, added a second train set of 164 cars in May and a third train set at the end of June. It is planned that a fourth train set may possibly be introduced later in the operating season.

In May 2013, the Company signed a new two-year iron ore sales agreement with IOC for the 2013 and 2014 operating seasons.

In resuming its seasonal mining operations in April of 2013, the Company incurred regular operating, mining and transportation expenses for the months of April and May, 2013 which were funded from working capital before receipt of payment for its first sales of iron ore in June 2013.

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

On June 7, 2013, the first shipment of iron ore for 2013, a Cape-size vessel carrying 174,360 wet metric tonnes of LIM iron ore, sailed from the Port of Sept-Îles, bound for China. This first shipment consisted of sinter fines largely comprised of stockpiled material at the mine site and some port inventory, at a planned average grade of about 58% Fe. On June 27, 2013, the second shipment of 2013 carrying approximately 177,500 wmt, comprising approximately 77,500 tonnes of sinter fines at an average grade of about 58% Fe and 100,000 tonnes of sinter fines at an average grade of about 62% Fe, sailed from the Port. Subsequent shipments during 2013 will be sinter fines and lump ore at a planned average grade of approximately 62% Fe. These shipments will consist of iron ore from the James Mine, made up of a mixture of higher grade dry screened ore and lower grade material that will be upgraded at the Silver Yards wet processing plant. The Company has previously stated that resumption of mining operations in April 2013 for the 2013 operating season would depend on a number of inter-related factors including the Company's confidence in the continuation of favorable market conditions, particularly the iron ore benchmark price maintaining in the range of at least US$110 to US$120 per tonne on a 62% CFR China basis throughout the 2013 operating season (April through November, 2013).

The Company has also put in place a limited price protection program with a major international bank to protect against a drop in the price of iron ore below US$105 per tonne down to US$90 per tonne during the months of August through October 2013.The Company has purchased put options on a total of 825,000 tonnes of iron ore over the period August to October 2013, exercisable at a CFR China price of US$105 per tonne. The Company has also sold matching put options exercisable at US$90 per tonne on the same number of tonnes over the same period.

In addition, in order to mitigate the risk of significant ocean freight cost escalation, through an RB Metalloyd contract of affreightment ("COA"), the Company has agreed to fixed freight costs to northern China on seven vessels during 2013.

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

The Company is currently targeting approximately 1.75 to 2 million tonnes of saleable iron ore production in 2013 at the rate of approximately two shipments per month from June to November inclusive. Cash operating costs in 2013, consisting of mining, processing, rail and transportation and site general and administrative costs, unloaded at the Port of Sept-Iles are targeted to be in the range of $65 to $70 per tonne of product sold.

The planned 2013 exploration program will consist mainly of delineation diamond drilling with a target of approximately 14,000 m of core recovery. The planned drill programs will focus on Howse, Gill, Malcolm 1 and other identified targets.

Iron Ore Market Conditions

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

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

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

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

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

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

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

In the longer-term, the cost curve plays an integral role in establishing an effective 'floor' for iron ore prices. Higher marginal cost Chinese capacity is expected to be needed to meet growing iron ore demand in the medium term. The average marginal cost of Chinese iron ore production is approximately US$120/tonne, which provides a strong support level for future iron ore prices (China import 62% Fe fines).

Qualified Persons

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

Technical Report entitled "*Technical Report: Schefferville Area Direct Shipping Iron Ore Projects Resource Update in Western Labrador and North Eastern Quebec, Canada for Labrador Iron Mines Holdings Limited*" dated effective April 12, 2013 by Maxime Dupéré, P.Geo. and Michel Dagbert, Eng. of SGS Canada Inc. and Justin Taylor P.Eng. of DRA Americas Inc., all of whom are Qualified Persons and independent persons of the Company within the meaning of NI 43-101, filed on SEDAR, which may be viewed under the Company's profile at www.sedar.com.

Technical Report entitled "*Technical Report Mineral Resource Update of the Houston and Malcolm 1 Property, Labrador West Area, Newfoundland and Labrador and North Eastern Quebec Canada, for Labrador Iron Mines Holdings Limited*" dated effective April 24, 2013 by Maxime Dupéré, P.Geo. of SGS Canada Inc. and Justin Taylor P.Eng. of DRA Americas Inc., both of whom are Qualified Persons and independent persons of the Company within the meaning of NI 43-101, filed on SEDAR, which may be viewed under the Company's profile at www.sedar.com.

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

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

	March 31, 2011	**March 31, 2012**	**March 31, 2013**
(Loss) before income taxes	(4,847)	(16,963)	(131,468)
Net income (loss)	(4,011)	(14,672)	(129,675)
Net income (loss) per share	(0.09)	(0.27)	(1.56)
Cash and cash equivalents	7,564	71,064	16,227
Total assets	184,280	379,754	296,359
Total long-term liabilities	4,399	3,785	4,763
Cash dividends declared per share	—	—	—

RESULTS OF OPERATIONS

Fiscal Year Ended March 31, 2013

For the fiscal year ended March 31, 2013, the Company recognized revenue from mining operations of $95.7 million (FOB Port of Sept-Iles) on sales of approximately 1.56 million dry tonnes of iron ore in ten shipments completed during fiscal 2013. This revenue is recognized on an FOB Port of Sept-Iles basis and is net of deduction of ocean freight and IOC's participation.

The Company realized net proceeds of $32.8 million from sales of 386,000 tonnes of iron ore in three shipments completed during fiscal 2012.

The Company's revenue for the 2013 fiscal year was negatively impacted by a decline of 33% in the spot price of iron ore (on a CFR China basis, before value-in-use adjustments and before ocean freight and IOC participation) during the period from August to October 2012.

For the fiscal year ended March 31, 2013, the Company reported a loss of $129.7 million, or $1.56 per share, compared to a loss of $14.7 million, or $0.27 per share, during the previous fiscal year.

The variance in the results of operations relates largely to an operating loss (before depletion and depreciation) of $28.9 million in fiscal 2013, depletion and depreciation of $29.7 million charged in fiscal 2013 and write-downs totaling $61.2 million comprising a write-down of mineral property interests of $58.1 million and a $3.1 million provision against certain doubtful receivables charged in fiscal 2013.

In the previous year, no operating loss or depletion and depreciation charges were recorded, prior to the commencement of commercial production for accounting purposes on April 1, 2012.

Operating costs in fiscal 2013, consisting of mining, processing, rail, transportation and site and camp operating costs, including winter costs and March 2013 waste stripping activities, totaled approximately $121 million, or approximately $77.50 per tonne of product sold. Transportation costs include all charges for train loading and unloading, locomotive and rail car leasing and maintenance costs and tariffs and for the fiscal year included charges totaling $7 million ($4.50 per tonne of product sold during the fiscal year), relating to rail and train unloading take-or-pay volume penalties and a one-off charge related to the Pointe aux Basque port facility. Royalties during fiscal 2013 and 2012 were equal to US$1.50 per tonne of product sold.

The Company recorded a depletion and depreciation charge of $29.7 million during fiscal 2013. This represents a period charge, primarily on a units-of-production basis, of the cost of the James Mine (including capitalized stripping and dewatering), Silver Yards processing plant, transportation equipment, and infrastructure and site properties associated with the operational activities of the James Mine. There was no such comparable depletion and depreciation charged in fiscal 2012, as the Company's mining operations were still in a start-up phase during fiscal 2012.

At March 31, 2013, in accordance with its accounting policies, the Company completed an assessment of the carrying amount of its mineral property interests based on a combination of factors including net present value estimates and arms-length transaction value methodologies. Having regard particularly to the reduction in the resources in the James Mine, as at March 31, 2013, as a result of depletion during 2012 and adjustments following a reconciliation of the dry bulk density calculations to account for greater porosity than originally anticipated, which resulted in a shorter than anticipated mine-life, the carrying amount of the Stage 1 mineral property interests relating primarily to the James Mine, which included an amount of $22.5 million relating to previously capitalized stripping and dewatering costs prior to the commencement of commercial production, were written down by an aggregate non-cash amount of $58.9 million. At March 31, 2013 the carrying amount of the Company's mineral property interests was $105.9 million and the net book value of property, plant and equipment was $108.9 million. The net present value estimates were made using a number of assumptions including a long-term iron ore price of US$115 per tonne (CFR China 62% Fe sinter fine) and a discount rate of 10%. Net present value estimates are highly sensitive to changes in the inherent inputs and assumptions.

The Company incurred corporate and administrative costs of approximately $8.4 million during fiscal 2013, representing an increase of $2.0 million over corporate and administration costs of approximately $6.4 million in the previous fiscal year. The increase is attributable to an increase in the scale and scope of the Company's activities, including additional head office and regional office costs, increases in staff and associated costs, higher travel costs, additional insurance costs and additional information technology expenditures.

The Company had incurred start-up costs of $9.6 million in fiscal 2012, as the Company's mining operations were still in a start-up phase during that fiscal year. No start-up expenses were recorded during the fiscal year ended March 31, 2013.

During fiscal 2013, the Company invested approximately $39.9 million in property, plant and equipment, compared to approximately $55.1 million invested during the previous fiscal year. The $39.9 million invested during fiscal 2013 consisted mainly of investments in Phase 3 of the Silver Yards processing plant, grid connection infrastructure and expansion of the Company's mine accommodation camp.

During fiscal 2013, the Company advanced a total of $5 million to TSH railway as non-repayable contributions to the TSH railway's capital upgrade program, and also advanced $0.75 million to TSH railway as a refundable capacity reservation deposit.

During fiscal 2013, the Company also advanced $5 million to QNS&L railway as an installment towards its advance payments required to secure locomotive and infrastructure capacity to meet the Company's anticipated long term haulage volumes on the QNS&L railway.

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

Financings

November 2012 Prospectus Financing

On November 6, 2012, the Company completed an equity financing by way of a short form prospectus (the "November 2012 Prospectus"), raising gross proceeds of $30,000,000 (the "November 2012 Prospectus Financing"). The following table sets out how the proceeds from the November 2012 Prospectus Financing have been spent up to March 31, 2013 compared to the anticipated use of proceeds set out in the November 2012 Prospectus.

	As disclosed in the November 2012 Prospectus	**Actual expenditures, up to March 31, 2013**
Gross Proceeds	$30,00,000	$30,00,000
Underwriting fee	$1,500,000	$1,500,000
Other expenses of the November 2012 Prospectus Financing	$300,000	$321,215
Net Proceeds	**$28,200,000**	**$28,178,785**
Use of Net Proceeds		
Capital and infrastructure expenditures committed following the commencement of the Company's 2013 fiscal year including acquisition of dry screening and crushing equipment, camp expansion and installation of enterprise software system:	$3,200,000	$3,200,000
Mining and processing costs including payments to the Company's mining contractor to the end of the 2012 operating season:	$10,000,000	$10,000,000
Transportation costs, including tariff payments to TSH and QNS&L, to the end of the 2012 operating season:	$10,000,000	$10,000,000
Working capital and general corporate purposes:	$5,000,000	$4,978,785
Total:	**$28,200,000**	**$28,178,785**

February 2013 Prospectus Financing

On February 13, 2013, the Company completed an equity financing by way of a short form prospectus (the "February 2013 Prospectus"), raising gross proceeds of $28,980,000 (the "February 2013 Prospectus Financing"). The following table sets out how the proceeds from the February 2013 Prospectus Financing have been spent up to March 31, 2013 compared to the anticipated use of proceeds set out in the February 2013 Prospectus.

	As disclosed in the February 2013 Prospectus	**Actual expenditures, up to March 31, 2013**
Gross Proceeds, including proceeds of over-allotment option	$28,980,000	$28,980,000
Underwriting fee	$1,449,000	$1,449,000
Other expenses of the February 2013 Prospectus Financing	$300,000	$395,089
Net Proceeds	**$27,231,000**	**$27,135,911**
Use of Net Proceeds		
Pre-stripping, mining and processing costs, including payments to the Company's mining contractor in connection with the seasonal resumption of production operations in April 2013:	$6,000,000	$9,000,000
Transportation costs, including rail tariff payments and rail capacity reservation payments of $10 million in connection with seasonal resumption of production operations:	$16,000,000	$1,000,000
General corporate purposes including supplementing working capital, and, if required, general and administrative costs for the January to March 2013 winter season arising from unbudgeted transaction costs relating to the working capital or off-take financing negotiations:	$5,231,000	$909,337
Unspent net proceeds	—	$16,226,574
Total:	**$27,231,000**	**$27,135,911**

Cash Resources and Outlays from January 1, 2013 to March 31, 2013

The following table sets out the Company's actual cash resources and outlays from January 1, 2013 to March 31, 2013 compared to the estimated cash resources and outlays for the same period set out in the February 2013 Prospectus.

Cash Resources and Outlays from January 1, 2013 to March 31, 2013		
	As estimated in the February 2013 Prospectus	***Actual***
Opening Cash	$10,000,000	$10,198,304
Cash inflows		
Cash Resources(1)	$10,850,000	$9,311,705
Financing Proceeds(2)	$26,800,000	$27,973,411
Total cash inflows	$37,650,000	$37,285,116
Cash Outlays		
Site Operating Expenditures(3)	($10,900,000)	($20,387,294)
General Corporate	($4,250,000)	($3,660,255)
Exploration	($1,500,000)	($2,838,287)
Capital Expenditures	($8,000,000)	($4,371,010)
Total cash outflows	($24,650,000)	($31,256,846)
Ending Cash	$23,000,000	$16,226,574

Notes:

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

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

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

SUMMARY OF QUARTERLY RESULTS

	Quarter Ended							
($000s, except per share data)	June 30, 2011	Sept 30, 2011	Dec 31, 2011	March 31, 2012	June 30, 2012	Sept 30, 2012	Dec 31, 2012	March 31, 2013
Net (loss)	(4,670)	(6,993)	(1,678)	(1,331)	(10,584)	(31,712)	(16,110)	(71,269)
(Loss) per share	(0.09)	(0.13)	(0.03)	(0.02)	(0.16)	(0.47)	(0.19)	(0.65)
Total assets	305,385	296,605	304,443	379,754	374,852	359,381	358,789	296,359

The increase in loss and loss per share in the quarter ended June 30, 2012 relates largely to the commencement of depletion and depreciation of mining, transportation and processing assets during the quarter as full scale production began, resulting in a $9.8 million depletion and depreciation charge during the quarter compared to no comparable depletion and depreciation charge in previous quarters. The increase in loss and loss per share in the quarter ended September 30, 2012 relates to a significant decline in the price of iron ore during the quarter, which had a significantly negative impact on operating results for the quarter. The loss and loss per share in the quarter ended September 30, 2012 also includes a depletion and depreciation charge of $14.4 million for the quarter. The loss and loss per share in the quarter ended March 31, 2013 includes a non-cash write-down of mineral property interests and accounts receivable totaling in aggregate $61.2 million.

LIQUIDITY AND CAPITAL RESOURCES

As at March 31, 2013, the Company had current assets of $41.2 million, including inventories with a carrying value of $11.0 million and accounts receivable and prepaid expenses of $12.6 million. At March 31, 2013, the Company had $16.2 million in unrestricted cash and cash equivalents and an additional $7.7 million in restricted cash. The Company's cash and cash equivalents are invested in an investment grade short-term money market fund and deposits with a major Canadian bank.

Current liabilities, consisting of accounts payable and accrued liabilities, the current portion of finance lease obligations and rehabilitation provision, were in aggregate $28.8 million at March 31, 2013.

On November 6, 2012, the Company completed an equity financing by way of a short form prospectus raising gross proceeds of $30,000,000 and on February 13, 2013, completed an equity financing by way of a short form prospectus raising gross proceeds of $28,980,000. A conditional private placement with Anglesey Mining plc, a major shareholder and insider of the Company, for proceeds of up to $3,195,000, announced as part of the February 2013 financing was not completed due to market conditions.

Subsequent to fiscal year end, in May 2013, the Company completed an advance payment off-take financing with RB Metalloyd for gross cash proceeds of US$35.0 million which shall be repaid over a period of two years, credited against the proceeds of LIM's committed sales of 3,500,000 tonnes of iron ore shipments between July 2013 and December 2014.

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

The Company had no current or long-term bank debt at March 31, 2013. The Company has entered into finance lease agreements for its Bean Lake mine accommodation camp and is committed to minimum lease payments under these finance lease agreements. Under its rail transportation agreements, the Company is committed to minimum take or pay tonnages per month over its eight month annual operating season.

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

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

The carrying amount of the Company's mineral property interests at March 31, 2013 was $105.9 million, compared to $173.9 million at the beginning of the fiscal year. The net decrease in the carrying amount is a result of the excess of depletion of the James Mine over the capitalized mine development costs during the fiscal year and a non-cash write-down of $58.1 million recorded in the carrying amount of the Stage 1 mineral property interests.

At March 31, 2013 net book value of property, plant and equipment was $108.9 million.

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**	**Later than 1 year, not later than 5 years**	**After 5 years**
Office lease obligations	$3,221,000	$502,000	$2,008,000	$711,000
Mine camp lease obligations	$3,638,000	$1,161,000	$2,477,000	—
Equipment supply, port and transportation contracts and social development and training contributions	$187,630,000	$46,821,000	$109,276,000	$31,533,000
Total	**$194,489,000**	**$48,484,400**	**$113,761,000**	**$32,244,000**

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

The mine camp lease obligations are the minimum monthly lease payments due on the Bean Lake mine accommodation camp near Silver Yards.

The contractual obligations under equipment supply, port and rail transportation contracts relate to future locomotive supply, rail and port infrastructure required payments and committed future minimum volume tonnages under agreements with WLRS, QNS&L, TSH and the Port of Sept-Iles. Social development and training relates to contributions under Impact and Benefit Agreements entered into with various First Nations communities.

In addition to the amounts set out in the above table, the Company is committed to spend $10.7 million in Canadian exploration expenses by December 31, 2013 as a result of the issuance of flow-through shares in the March 2012 Prospectus Financing, $2.3 million of which had been expended as at March 31, 2013.

FINANCIAL INSTRUMENTS

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

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

As at March 31, 2013, the carrying amounts and fair value of the Company's financial instruments were considered to be the same, primarily because of the short term nature and liquidity of these instruments. As at March 31, 2013, the Company did not hold any balances in foreign currencies, other than United States dollars.

The Company has included disclosure concerning some of the risk factors relating to its financial instruments in Note 23 to its consolidated financial statements for the fiscal year ended March 31, 2013.

OUTSTANDING SHARE CAPITAL

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

As at March 31, 2013 the Company had 126,200,807 common shares, 1,716,875 stock options, 2,705,000 broker warrants, 13,800,000 share purchase warrants and 259,264 deferred share units outstanding.

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

Security	Number	Weighted average exercise price	Weighted average remaining life (years)
Common shares	126,200,807	N/A	N/A
Stock options	1,716,875	$5.17	3.5
Broker warrants	2,705,000	$2.08	0.8
Share purchase warrants	13,800,000	$1.35	2.6
Deferred share units	259,264	N/A	N/A

Of the stock options currently outstanding, 243,750 options have an exercise price of $6.27 per share and expire on September 14, 2015; 12,500 options have an exercise price of $7.30 and expire on November 9, 2015; 82,500 options have an exercise price of $11.65 per share and expire on February 9, 2016; 65,000 options have an exercise price of $10.18 per share and expire on June 23, 2016; 100,000 options have an exercise price of $6.80 and expire on September 22, 2016; 40,000 options have an exercise price of $6.81 and expire on November 10, 2016; 200,000 options have an exercise price of $6.35 and expire on November 30, 2016; 152,500 options have an exercise price of $6.20 and expire on February 9, 2017; and 820,625 options have an exercise price of $3.00 and expire on July 2, 2017.

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

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

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

TRANSACTIONS WITH RELATED PARTIES

During the fiscal year ended March 31, 2013, the Company recovered $120,060 (March 31, 2012 - $118,504) in respect of office rent from corporations with common directors and/or officers. As at March 31, 2013, $34,366 (March 31, 2012 - $10,910) is included in accounts receivable.

During the fiscal year ended March 31, 2013, the Company also made payments to companies with common directors and/or officers in the amount of $718,300 (March 31, 2012 - $674,812), as compensation for management services provided. All of the management compensation in the fiscal years ended March 31, 2013 and 2012 was expensed. At March 31, 2013, $76,833 (March 31, 2011 - $175,000) in management compensation remained payable to these related companies.

During the fiscal year ended March 31, 2013, 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 $310,680 (March 31, 2012 - $285,141). As at March 31, 2013, $30,800 (March 31, 2012 - $105,961) in legal fees remained payable to this related party.

CRITICAL ACCOUNTING ESTIMATES

Commercial Production

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

Revenue Recognition

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

Commencing effective April 1, 2012, revenue has been recognized when all of the following criteria have been met: (i) the significant risks and rewards of ownership of the product have been transferred to the buyer; (ii) neither continuing managerial involvement to the degree usually associated with ownership, nor effective control over the product sold, has been retained; (iii) the amount of revenue can be measured reliably; (iv) the collectability of the proceeds is probable; and (v) the costs associated with the sale can reliably be measured. All of these criteria 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 amount of its mineral properties and equipment when events or changes in circumstances warrant and tests for recoverability of the long life asset value. A test for recoverability is performed to determine if the estimated fair value exceeds the carrying amount of the asset. Measurement of any impairment loss is determined by the estimated fair value of the assets based on the best information available at the time, including comparable asset values in the market.

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

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

Stock-based compensation

The Company records stock-based compensation cost based on the fair value method of accounting for stock-based compensation. The fair value of stock options is determined using the Black-Scholes option pricing model, and in respect of options vested during the fiscal year ended March 31, 2013 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 the Company. The Company’s options have characteristics that are significantly different from those of traded options and changes in any of the assumptions used can materially affect fair value estimates.

Rehabilitation Provisions

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

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

The Company has established a rehabilitation provision relating to its current Stage 1 mining operations. The total undiscounted amount that is expected to settle the Company's reclamation and remediation obligations related to this portion of its mining operations at the end of its mine life is $2,940,067. The present value of this estimated amount has been calculated under IFRS as $2,971,470 as at March 31, 2013.

In determining the present value of the rehabilitation provision as at March 31, 2013, the Company has assumed a long-term inflation rate of approximately 2%, a current market discount rate of approximately 1.4% and a mine life of up to twenty years. Elements of uncertainty in estimating this amount include changes in the projected life of mining operations, reclamation expenditures incurred during ongoing operations and reclamation and remediation requirements and alternatives.

Subsequent to March 31, 2013, the Company established an additional rehabilitation provision relating to an additional development phase of its Stage 1 mining project. The total undiscounted amount that is expected to settle the Company's reclamation and remediation obligations related to this additional development phase of its Stage 1 mining project is $1,035,000.

NEW ACCOUNTING STANDARDS

The Company is not aware of any new accounting standards that have a material impact on the Company's consolidated financial statements for the fiscal year ended March 31, 2013.

RISKS AND UNCERTAINTIES

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

No Assurance of Profitable Production

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

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

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

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

The successful commercial development of the Company`s properties will depend upon the Company's ability to generate cash flow and or to obtain financing through private placement financing, public financing, joint venturing of projects, bank financing, commodity financing or other means. There can be no assurance that the Company will be successful in obtaining any required financing or in obtaining financing on reasonable or acceptable terms.

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

Financing and Going Concern

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

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

As a result of any of these factors, the market price of the Company's shares at any given point in time may not accurately reflect the Company's long-term value. Securities class action litigation often has been brought against companies following periods of volatility in the market price of their securities. The Company may in the future be the target of similar litigation. Securities litigation could result in substantial costs and damages and divert management's attention and resources.

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

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

Fluctuating Iron Ore Prices, Put Options and Ocean Freight Rates

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

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

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

These put option contracts purchased by the Company entitle the Company to sell iron ore to the other contract party at the agreed, fixed price. The matching put option contracts sold by the Company require the Company to sell iron ore to other contract party at the agreed, fixed price. Such put options do not prevent the Company from selling its iron ore products at higher market prices, which may prevail at the time such products are actually sold. The cost of put options increase the Company's cost of sales. There are counterparty risks associated with put option contracts arising from the possible failure or inability of an option counterparty to fully comply with its contractual obligations. Any default by an option counterparty could require the Company to sell its iron ore products at a market price which would be lower than the option price and therefore, could negatively impact the Company's operations, financial condition and results of operations.

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

Uncertainty in the Estimation of Mineral Resources

There is a degree of uncertainty to the calculation of mineral resources and corresponding grades being mined or dedicated to future production. Until mineral resources are actually mined and processed, the quantity of mineral resources and corresponding grades must be considered as estimates only. In addition, the quantity of mineral resources may vary depending on, among other things, metal prices. Any material change in quantity of mineral resources, grade or stripping ratio may affect the economic viability of the Schefferville Projects. In addition, there can be no assurance that iron ore recoveries in small scale laboratory tests will be duplicated in larger scale tests under on-site conditions or during production. Fluctuation in iron ore prices, results of drilling, metallurgical testing and production and the evaluation of mine plans subsequent to the date of any estimate may require revisions of such estimates. The volume and grade of iron ore mined and processed and recovery rates may not be the same as currently anticipated. Any material reductions in estimates of mineral resources, or of the Company's ability to extract iron ore, could have a material adverse effect on the Company's results of operations and financial condition.

Uncertainty Relating to Inferred Mineral Resources

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

Need for Additional Mineral Reserves and Mineral Resources

Because mines have limited lives, the Company will be required to continually replace and expand its mineral resources as its mines produce iron ore. The life-of-mine estimates in respect of the James (Stage 1) and Houston - Malcolm (Stage 2) deposits may not be correct. The Company's ability to maintain or increase its annual production of iron ore in the future will be dependent in significant part on its ability to bring new mines into production and to expand mineral resources at existing mines.

Transportation and Port Infrastructure

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

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

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

Pursuant to its July 2012 long term customer contract with the Port of Sept-Iles, the Company has secured ship loading capacity of 5 million tonnes per year, with the right to secure additional residual capacity, at this new multi-user facility. Under this contract, the Company has paid a preliminary instalment of $6.4 million towards its buy-in payment and guaranteed a final buy-in payment instalment of $6.4 million in July 2013. These advance payments will be credited as discounts against future port wharfage and shipping fees until such time as the cumulative discounts amount to the Company's buy-in payments. The Company also entered into long-term commitments with the Port Sept-Iles in terms of annual volume of ship loading at the multi-user facility. The Company continues to evaluate different options for the unloading, stockpiling and ship loading of the Company's iron ore products at the Port of Sept-Iles. These include the potential use of the Port's proposed new multi-user deep water dock and/or other facilities of the Sept-Iles Port Authority. The Company is currently in discussions with the Sept-Iles Port Authority, and with other port operators, regarding rail transportation, storage, reclaim and ship-loading and trans-shipment of its iron ore products in the Port. There can be no assurance that arrangements on acceptable terms will be concluded or concluded on a timely basis.

Ability to Attract and Retain Qualified Personnel

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

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

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

Government Regulation and Permitting

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

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

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

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

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

Political and Aboriginal / First Nations

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

There are a number of Innu groups based in Quebec (including Schefferville and Sept-Iles) who assert aboriginal rights in Quebec and Labrador. The Innu of Quebec, located at Matimekush-Lac Jean near Schefferville, and at the communities of Uashat Takuaikan mak Mani-Utenam, near Sept-Iles, assert aboriginal rights to traditional lands which include parts of Quebec and Labrador. Members of the Innu Uashat Takuaikan mak Mani-Utenam, near Sept-Iles, Quebec, claim ownership of some registered trap lines in the Schefferville area.

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

There can be no assurance that the Company will be successful in its agreements and relationships with any First Nations groups who may assert aboriginal rights or may have a claim which affects the Company’s properties or may be impacted by the Schefferville Projects.

Environmental Risks and Hazards

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

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

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

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

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

Legal and Title Risks

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

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

Factors Beyond Company's Control

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

Insurance and Uninsured Risks

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

Although the Company will purchase insurance to protect against certain risks in such amounts as it considers reasonable, such insurance may not cover all the potential risks associated with a mining company's operations. The Company may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as environmental pollution or other hazards as a result of exploration and production is not generally available to the Company or to other companies in the mining industry on acceptable terms. The Company might also become subject to liability for pollution or other hazards which may not be insured against or which the Company may elect not to insure against because of premium costs or other reasons. Losses from these events may cause the Company to incur significant costs that could have a material adverse effect upon its financial performance and results of operations.

Lags

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

Management

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

Price Volatility of Publicly Traded Securities

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

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

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

Foreign Currency Exchange

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

Conflicts of Interest

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

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

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

INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

The Company has adopted appropriate systems of internal controls over financial reporting. The CEO and CFO evaluated the effectiveness of the Company's internal control over financial reporting at March 31, 2013 and concluded that as of that date they were effective to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

There were no changes to the Company's internal control over financial reporting during the fiscal year ended March 31, 2013, 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, 2013. Based on this evaluation, the CEO and CFO concluded that as of March 31, 2013 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, 2013.

ADDITIONAL INFORMATION

Additional information regarding the Company, including the AIF and audited consolidated financial statements for the fiscal year ended March 31, 2013, 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.