LABRADOR IRON MINES HOLDINGS LIMITED

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE QUARTER AND SIX MONTHS ENDED SEPTEMBER 30, 2014

Dated: November 14, 2014

GENERAL

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the unaudited condensed interim consolidated financial statements and notes thereto of Labrador Iron Mines Holdings Limited ("LIM" or the "Company") for the quarter and six months ended September 30, 2014.

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.

LIM is listed on the Toronto Stock Exchange under the symbol "LIM".

OVERVIEW AND OUTLOOK

Labrador Iron Mines is 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 Québec, centered near the town of Schefferville, Québec.

The Schefferville Projects consist of the James Mine and adjacent Stage 1 deposits and Silver Yards processing facility ("Silver Yards"), the Stage 2 Houston property ("Houston"), which includes the Malcolm deposit, the Stage 3 Howse property ("Howse"), now held in a joint venture with Tata Steel Minerals Canada Limited ("TSMC") and, subject to further exploration and development, other iron ore properties in the vicinity of Schefferville. LIM's Schefferville Projects are connected by a direct railway to the Port of Sept-Îles on the Atlantic Ocean and benefit from established infrastructure, including the town of Schefferville, airport, roads, hydro power and rail service.

LIM completed its third year of mining operations in November 2013. From 2011 to 2013, LIM sold 23 cape-size shipments into the Chinese spot market totalling approximately 3.6 million dry tonnes of iron ore, all sourced from the Company's Stage 1 deposits and stockpiles. The Company's mine operations are seasonal, from approximately the beginning of April to the end of November each year, with a planned winter shut down from approximately the beginning of December to the end of March each year.

LIM did not recommence mining operations for the 2014 operating season, due to a combination of the prevailing low price of iron ore and an assessment of the current economics of the remaining resources of the James Mine and other Stage 1 deposits.

Since January 2014, the spot price of iron ore has fallen 45% to almost US$75 per tonne today, compared to an average price of US$135 per tonne in 2013 (62% Fe fines on a CFR China basis). Iron ore exports from Australia to China rose significantly in 2014 as the world's top iron ore producers substantially increased production, pushing prices to the lowest levels in five years and contributing to a growing global surplus.

In view of the prevailing iron ore price outlook, and based on the Company's experience over the past three operating seasons, LIM made a strategic shift in corporate focus towards establishing a lower cost operating framework, while concurrently re-negotiating the commercial terms of major contracts and seeking additional capital investment and working capital.

The Company's direct shipping iron ore projects were conceived and developed in 2010 and 2011 in an environment of much higher iron ore prices than today. For example, when certain service and supply contracts were signed in March 2011, the price of iron ore was around US$190 per tonne CFR China compared to the price on November 10, 2014 of about US$75 per tonne CFR China. To have a viable economic operation in today's iron ore price environment, LIM needs to "re-set" its projects.

In response to weak market conditions, hard decisions have been taken to preserve the long term future of LIM's iron ore operations. Major reductions in staff levels and compensation have been implemented across the Company and directors' fees have been waived. All non-essential capital expenditure has been deferred and no significant exploration activity is being undertaken.

As indications of impairment exist, particularly the significant decline in the price of iron ore in 2014 to date, the Company carried out an impairment assessment as at September 30, 2014, in accordance with the Company's accounting policies using current iron ore prices, current mining and transportation contract terms and current ocean freight from eastern Canada to China, and recorded non-cash asset impairment charges in the amount of $198.2 million as at September 30, 2014.

The impairment of long-lived assets largely results from the significant decline of iron ore prices in 2014 to date and the current adverse market conditions for iron ore. This non-cash accounting charge does not impact the Company's financial liquidity or any future operations and the adjustment to the book value is more reflective of the Company's current market capitalization.

Significant judgments and assumptions are required in making estimates of fair value and valuations are subject to variability in key assumptions including iron ore prices, currency exchange rates, discount rates, production, operating and capital costs. Any change in one or more of the assumptions used could result in a change in fair value. This fair value estimate does not give any value to higher iron ore prices, the potential to re-negotiate current contracts or reduce operating costs, the substantial in-situ resource or the exploration potential of the Company's properties.

At September 30, 2014, LIM had a very significant working capital deficit and has not met certain financial obligations. The Company urgently needs to secure additional financing arrangements in order to fund or restructure its current working capital deficit and to fund its continuing operations, planned development programs and corporate administration costs so as to continue as a going concern. A financial restructuring and refinancing is required.

The Company is currently seeking to negotiate a potential support arrangement with RBRG Gerald Metals, an existing creditor and offtake partner, that, if successfully entered into, is expected to provide working capital financing to fund the Company's ongoing corporate and standby activities and, as a separate component, potential future project development financing. It is expected that the conditions of this potential support arrangement and potential financing will include a requirement for the Company to restructure its existing liabilities, potentially by means of a plan of arrangement under the federal Companies' Creditors Arrangement Act, and to successfully negotiate more favourable commercial terms of major supply and service contracts and to suspend or defer commitments that have or otherwise would come due.

Subject to the Company concluding this potential support arrangement, and successfully meeting the conditions thereof, the Company believes it will secure sufficient working capital to operate over the next 12 months and continue as a going concern. There are no assurances that the Company will be successful in entering into this potential support arrangement or in successfully meeting the conditions thereof. There are no assurances that the Company will be successful in obtaining any required financing, or in obtaining financing on a timely basis, or on reasonable or acceptable terms, or at all.

LIM is pursuing longer term strategic initiatives aimed at necessary permanent structural reductions in operating costs and revenue deductions. These include: focusing on dry processing only for its DSO projects, maintaining product quality, improving recoveries, alternative port arrangements at Sept-Îles, sharing facilities with other companies and developing alternative destination markets with lower freight for the Company's products.

LIM is currently seeking to negotiate revised commercial terms with its major contractors and suppliers. Operating cost saving initiatives are required all across the board, including with respect to mining costs, rail transportation, fuel procurement, aviation services, hydro-electric power, human resources and manpower and corporate and administration costs. However, although such savings are considered essential to ensure the longer term economic viability of LIM's operations, there can be no guarantee that these strategic initiatives will be concluded successfully or on a timely basis.

If the Company is unable to complete a potential financial restructuring and obtain adequate additional financing on a timely basis, which may require commercial relief on certain major contracts, the Company will be required to curtail all its operations and development activities and may be required to liquidate its assets under a formal process. 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 from the going concern basis.

HOUSTON PROJECT

The Company's operating activities during 2014 have been focused on developing the Houston project so as to be in a position to begin mining production from Houston when market conditions permit, subject to completion of financing and negotiation of major contracts.

Houston is planned to form the core of LIM's activities for at least the next ten years. Houston is situated in Labrador about 15 kilometres ("km") southeast of the James Mine and Silver Yards processing plants. Together with the Malcolm Deposit, considered to be its northwest extension, the Houston deposits are estimated to contain a National Instrument 43-101 ("NI 43-101") resource of 40.6 million tonnes grading 57.6% iron ("Fe"). When in full production, the Houston-Malcolm deposits are expected to produce consistent saleable product of about 2 to 3 million tonnes per year, with an initial mine life of 8 to 10 years.

The development plan for Houston is relatively simple. The major component consists of constructing an 8 km gravel road, including a bridge over a river crossing. The new road will connect to an existing road located near Redmond Mine, which leads to the Silver Yards facility. The overall one-way distance by road from Houston to Silver Yards is approximately 20 km. Including initial mine development, the initial capital investment to develop the Houston Mine is expected to be approximately $20 million.

The Houston development plan was recently revised in response to lower iron ore prices and in order to reduce up-front capital. The revised plan is based on lower-cost dry crushing and screening only, with deferral of the originally proposed wet plant. The Silver Yards wet plant will be maintained in standby condition and may be re-commissioned to process lower grade plant feed from Houston and, potentially, production from other deposits in later years.

It is also planned to construct a new rail siding near the Houston Mine. When the rail siding is complete, it will be used in conjunction with the Silver Yards rail siding to increase train loading capacity to up to approximately 3 million tonnes per year, and will reduce the operating cost of overland haulage from the Houston mine to the rail head.

Development of the Houston Project is subject to the availability of financing. There are no assurances that the Company will be successful in obtaining the required financing and if the Company is unable to obtain such financing, the development of Houston will be postponed.

OPERATIONS SUMMARY

The Company's operating results for the quarters and six months ended September 30, 2014 and 2013 are summarized in the table below.

	Quarter Ended September 30, 2014		**Quarter Ended September 30, 2013**		**Six Months Ended September 30, 2014**		**Six Months Ended September 30, 2013**	
(all tonnes are dry metric tonnes)	**Tonnes**	**Grade (%Fe)**	**Tonnes**	**Grade (%Fe)**	**Tonnes**	**Grade (%Fe)**	**Tonnes**	**Grade (%Fe)**
Total Ore Mined	-	-	982,929	57.8%	-	-	1,327,992	57.5%
Waste Mined	-	-	766,837	-	-	-	1,800,518	-
Ore Processed and Screened	-	-	1,253,451	55.4%	-	-	1,799,400	55.7%
Lump Ore Produced	-	-	139,451	57.9%	-	-	150,001	57.8%
Sinter Fines Produced	-	-	626,937	61.7%	-	-	956,255	61.1%
Total Product Railed	-	-	723,091	60.7%	-	-	1,050,662	60.2%
Total Product Sold	-	-	652,296	60.8%	-	-	980,321	60.2%
Port Product Inventory	-	-	183,594	60.6%	-	-	183,594	60.6%
Site Product Inventory	1,995	55.6%	59,145	57.3%	1,995	55.6%	59,145	57.3%
Site Run-of-Mine Ore Inventory	263,361	54.0%	256,297	56.3%	263,361	54.0%	256,297	56.3%

The Company did not conduct any mining, processing or railing activities during the quarter and six months ended September 30, 2014. During calendar 2014, the Company's focus has been on developing the Houston Mine to be in a position to begin mining production from Houston when market conditions permit, subject to completion of financing and negotiation of major contracts. In addition, the Company's focus during the quarter and six months ended September 30, 2014 was on corporate activities related to seeking additional capital investment and working capital and negotiating the commercial terms of major service and supply contracts.

In May 2013, the Company signed a two-year iron ore sales agreement with the Iron Ore Company of Canada ("IOC"). Under this sales agreement, IOC agreed to buy all of the LIM iron ore produced during the 2013 and 2014 operating seasons. The Company did not complete any iron ore product sales during the quarter or six months ended September 30, 2014.

In May 2013, RBRG Trading (UK) Limited ("RBRG") (formerly RB Metalloyd Limited) entered into an iron ore off-take agreement with IOC under which RBRG agreed to buy all of the LIM iron ore from IOC during the 2013 and 2014 operating seasons.

In May 2013, LIM entered into a financing agreement with RBRG, pursuant to which RBRG advanced a pre-payment of US$35 million to LIM, to be repaid over a period of two years, credited against proceeds of LIM's committed sales of 3,500,000 wet tonnes of iron ore shipments beginning in August 2013. As at December 31, 2013 and September 30, 2014, a total of 1,663,000 wet tonnes of iron ore had been delivered under this contract with US$14.4 million credited against the advance payment. The Company is currently seeking to negotiate with RBRG a suspension and extension of the delivery schedule and associated financing repayment timetable for the volume of product previously expected to be shipped in 2014.

In April 2014, RBRG and Gerald UK Limited announced that they had agreed to merge, creating a new Ferrous & Raw Materials division, RBR Gerald (UK) Limited, within the Gerald Group, which is headquartered in Stamford, Connecticut, USA.

Silver Yards – James Mine, Redmond Mine and Ferriman Stockpiles

The Company did not restart mining operations in April 2014. This decision was based on a number of interrelated factors, including the prevailing low price of iron ore in 2014, the expected costs of extracting the remaining ore in the James Mine, the availability of seasonal start-up working capital and the incomplete status of financing negotiations and contract negotiations for mining, transportation and port services. The other Stage 1 deposits and related infrastructure, including the wet processing plant, are being maintained in standby condition for the time being, which will allow for a potential restart in future years when economic conditions improve.

A rehabilitation program was completed on the James Mine during 2014. Perimeter berms were constructed at all accessible locations around the open pit and the settling ponds area has been reclaimed. Diversion ditches were also built to better manage surface water run-off in the area.

During the summer of 2014, a new dry materials landfill was constructed near the Redmond Mine after a Certificate of Approval was issued by the Minister of Environment and Conservation. Construction of the dry materials landfill is expected to reduce future reclamation costs. Also during the summer, the Company completed seeding of the Redmond Creek fish habitat facility, which is a 1500 m^2 spawning and rearing habitat for brook trout. An independent report found the facility to be in excellent condition and that brook trout were using the habitat.

In September 2014, LIM completed an expansion and modifications of the Silver Yards rail siding. The expansion, which was fully funded by joint venture partner TSMC, will facilitate larger loading capacity and ensure that Silver Yards remains independent of the run-through rail line extension to the Timmins area and the Howse Project.

Joint Venture with Tata Steel Minerals Canada to Develop the Howse Deposit

In September 2013, the Company entered into a joint venture with Tata Steel Minerals Canada Ltd. ("TSMC") for the exploration and development of LIM's Stage 3 Howse Deposit (North Central Zone). The Howse Deposit is located in Labrador about 25 km north of the James Mine and adjacent to TSMC's Timmins Area mines and new processing plant. The Howse Deposit has a historical resource of 28 million tonnes at a grade of 58% Fe (natural basis).

Under the terms of the joint venture agreement, TSMC and LIM agreed to form an unincorporated joint venture (the "Joint Venture") pursuant to which Howse Minerals Limited ("HML"), a wholly owned subsidiary of TSMC, acquired an initial 51% participating interest in the Howse Deposit for a total cash consideration of $30 million.

As part of the Joint Venture, LIM committed to conduct a $5.0 million exploration program on the Howse Deposit. As at September 30, 2014, $3.8 million of this exploration program had been completed.

Following completion of LIM's $5.0 million exploration program and the calculation of a new NI 43-101 resource, HML shall contribute the next $23.5 million to the Joint Venture and thereby increase its participating interest in the Howse Deposit to 70%, following which the Howse Property will be held 70% by TSMC and 30% by LIM, with each party contributing and benefitting pro rata.

The Joint Venture Agreement includes provisions regarding various "put" or "call" or "drag along" rights of each party's respective interest in the Howse property at fair market value in certain circumstances, including in the event of certain defaults by either party or in the event of a change in control of the Company.

Originally as part of LIM's planned Stage 3, the Howse Deposit was expected to be developed by about 2020. The Joint Venture with TSMC is expected to expedite the start of production to 2016 and should also result in significant cost savings and synergies due to the accessibility of the Howse Deposit to TSMC's new year-round processing plant at Timmins. TSMC, the operator, is targeting a 3 million tonne per year direct shipping iron ore operation with development of an open pit and initial production anticipated in 2016 followed by full commercial production in 2017.

The new rail line connecting TSMC's processing plant to the Company's existing rail siding at Silver Yards was completed during the summer of 2014 and is now operational. This work included the upgrade and rehabilitation of the Company's track from Silver Yards to the Knob Lake junction, providing supplies of used rail steel, which was utilized in part to complete the Silver Yards rail siding expansion.

The Company's $5.0 million Howse exploration program, which commenced in late 2013, comprised of 19 drill holes: six diamond and 13 reverse circulation ("RC") holes totaling 2,014 metres ("m"). Of the 19 holes drilled, 17 holes returned ore-type intersections, with consistent results over the entire area drilled. Of note, hole HW-DD14-05 returned 84.1 m grading 65.9% Fe and HW-DD13-01A returned 79.5 m grading 64.52% Fe (cut-off grade of 58.0% Fe), demonstrating significant widths of high-grade direct shipping hematite mineralization.

Following the suspension of the 2013 exploration program in the winter, a second exploration program commenced in the summer of 2014 in order to maximize the collection of technical data under the current budget. A further 3,500 m of diamond and RC drilling is being completed. The Company's remaining financial commitment for the 2014 Howse exploration program is fully funded by TSMC.

The objective of the exploration program is to carry out infill drilling to define its first NI 43-101 compliant resource and to collect metallurgical, geotechnical, hydrogeological, and hydrology information in support of a Preliminary Economic Assessment ("PEA"). The PEA is scheduled for completion by early 2015, leading to the completion of a Feasibility Study later in 2015.

An environmental assessment process on the Howse Deposit is also advancing in 2014 and 2015, designed to support a production decision. Project Registration Notices were submitted to the provincial and federal governments earlier in the year. The federal government has referred the Project for Environmental Assessment and Environmental Impact Statement (EIS) Guidelines were issued in June 2014. TSMC plans to complete the EIS by early 2015.

Transportation – Rail and Port

The Company did not rail or ship any iron ore product during the quarter or six months ended September 30, 2014.

Under the Company's confidential rail transportation contracts signed with the Quebec North Shore & Labrador ("QNS&L") Railway in 2011 and with the Tshiuetin Rail Transportation ("TSH") Railway in 2012, the Company committed to minimum tonnages per month over each eight month annual operating season. The Company is currently seeking to negotiate revisions to the commercial terms of its rail agreements. There is no assurance that such negotiations will be successful or that any such revised commercial terms will be achieved.

As part of its long-term confidential rail transportation contract with TSH, LIM has agreed to make contributions towards the costs of the TSH upgrade program on its Menihek rail line up to a total amount of an additional $16.5 million over four years. During 2013, TSH continued to carry out upgrade work following a cash investment by LIM of $5.0 million in 2012 (in addition to a cash investment by LIM of $3.5 million in 2011) and similar investments by TSMC. The Company contributed a further non-refundable $1.0 million to the TSH upgrade program in September 2013. The Company's remaining capital commitment towards the TSH upgrade program is $15.5 million. During the summer of 2014, in conjunction with TSMC and TSH, the Company conducted a preliminary review of the long-term capital requirements for the TSH railway and it is anticipated that the capital requirements towards the TSH upgrade program can be significantly reduced.

The Company signed a two year iron ore sales and port handling 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 is handled by IOC through its port facilities at Sept-Îles. The Company did not produce any iron ore product during 2014 and no iron ore product will be sold to IOC or handled through IOC's port facilities at Sept-Îles in 2014.

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-Îles Port Authority for capacity at a new multi-user dock in the Pointe-Noire area of the Port of Sept-Îles. 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. The Port reports that the project is now scheduled for completion in the summer of 2015.

Under the long-term user agreement, the Company paid $6.4 million in 2012 as a first installment of an advance payment and agreed to a final advance payment installment of $6.4 million. The Company has deferred payment of this final installment pending resolution of land access and product handling facility arrangements between the Port Authority and subsidiaries of Cliffs Natural Resources ("Cliffs") in the Pointe-Noire area of the Port and is working closely with the Sept-Îles Port Authority to resolve these arrangements. The Company has also agreed to long-term take-or-pay volume commitments with respect to the new multi-user dock, when the multi-user dock is fully operational.

Iron Ore Market Conditions

Since January 2014, the price for 62% Fe iron ore has declined 45% to about US$75 per tonne, compared to an average price of US$135 per tonne in 2013 (62% Fe fines on a CFR China basis).

Iron ore exports from Australia to China increased significantly in the first half of 2014, pushing spot prices to the lowest levels in five years and contributing to a growing global surplus. Inventories at Chinese ports reached record levels increasing supply and leading to lower prices.

The explanation for the increase in supply is that the world's big four iron ore producers significantly increased production this year. Iron ore output from Vale, Rio Tinto, BHP Billiton and Fortescue is forecast to rise 15% this year, adding about 130 million tonnes and port inventories in China have risen to over 100 million tonnes.

The immediate market outlook for iron ore is uncertain. Chinese steel mills and traders are being pressed to sell inventories as banks demand loan repayments. Robust steel production and iron ore demand from China have underpinned the iron ore price over the past seven years. Chinese steel production continues to increase and China will need to import more iron ore to replace the shutdown of domestic production, which should help iron ore price stability.

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 needed to meet growing iron ore demand in China in the medium term. Lower prices will force the closure of higher cost domestic Chinese producers. As higher-cost mines in China close, demand for seaborne supply will also increase. It is reported that China buys 67% of seaborne iron ore supply. The resultant shortfall in Chinese domestic production is currently being displaced by lower cost Australian imports.

The average marginal cost of Chinese iron ore production provides a level of support for long term iron ore prices. The estimated average marginal cost of Chinese iron ore production was widely reported at approximately US$120 per tonne in 2013, but already with the closure of some high cost Chinese production is now reported to have decreased to approximately US$100 per tonne in mid-2014.

Growth in iron ore demand has been dominated by China, whose steel production and consumption 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, public infrastructure development and durable goods production. Economic growth in China will continue unabated, even if from time to time China uses economic policies to avoid overheating. This continuing growth in demand, coupled with the expected flat supply position by 2016-2017, should return supply-demand to a balanced situation similar to the situation prevailing throughout 2013 when iron ore prices averaged around US$135 per tonne.

There was significant price volatility in iron ore prices over the past few years. We are seeing this again in 2014 due to increased supply and changes in Chinese inventory levels, and there will likely be further volatility in the future. Demand for steel, and thus for iron ore, is expected to remain strong in China and will increase in the rest of the world. Meanwhile, higher cost Chinese production will close and outside China many fourth quartile projects will shut down.

To compete globally with the rest of the world, it will be necessary to bring down costs of Canadian iron ore production. Canada is on the opposite side of the world from the main iron ore market in China. Australia not only has a huge ocean freight advantage shipping to China, but Australian operating costs are generally lower than Canadian costs. It is difficult to compete globally if more than two thirds of operating costs are incurred on power, transport and ocean freight. To operate economically in this market environment, iron ore projects in Canada, including the Company's projects, need to reduce costs to be competitive.

Mineral Resources

As at March 31, 2014, LIM had NI 43-101 compliant measured and indicated mineral resources of approximately 54.8 million tonnes at an average grade of 56.8% Fe on the Schefferville Projects. In addition, the Company holds previously-mined stockpiles with a NI 43-101 compliant, indicated mineral resource of approximately 3.5 million tonnes at an average grade of 49.1% Fe and an inferred resource of approximately 2.9 million tonnes at an average grade of 48.8% Fe. These previously-mined stockpiles are located within 15 km of Silver Yards and form part of LIM's Stage 1 deposits.

LIM's Schefferville Projects comprise 20 different iron ore deposits, which were part of the original IOC direct shipping operations conducted from 1954 to 1982 and formed part of the 250 million tonnes of historical reserves and resources previously identified by IOC. The Company holds approximately 108 million tonnes in historical resources previously identified by IOC. LIM's iron ore deposits which comprise the Schefferville Projects are divided into two separate portions, one within the Province of Newfoundland and Labrador and the other within the Province of Québec.

These 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 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.

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

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

Elizabeth represents an opportunity for LIM to develop a major new taconite operation in the Schefferville region of the Labrador Trough. During the 2011 and 2012 field seasons, LIM's exploration and drill programs identified a large iron ore body, leading to an independent NI 43-101 mineral resource estimate comprising two adjacent deposit areas. Approximately 620 million inferred tonnes at an average grade of 31.8% Fe have been estimated in Elizabeth No. 1 and a potential 350 million to 600 million tonnes at an average grade 31.9% Fe have been estimated in Elizabeth No. 2.

The initial Elizabeth target measures approximately four km long and is made of magnetite and hematite dominant zones. There is significant potential for resource expansion as the deposit remains open along strike to the northwest and southeast. Airborne and ground geophysics have also highlighted the Gagnon taconite target, located in Québec, a few km from the Elizabeth Taconite Project.

There appear to be some competitive advantages for the Elizabeth Project, compared to other proposed iron ore projects in the Labrador Trough. The property location is advantageous, situated in Labrador approximately 2 km from LIM's Silver Yards facilities, next to the former producing Wishart Mine and about 5.5 km from the town of Schefferville. The Project benefits from direct access to existing roads, rail bed and power line corridor, in addition to LIM's existing infrastructure at Silver Yards.

Conceptually, the Elizabeth Taconite Project is being planned as an open pit with a mining capacity of 18 mtpa over an expected 30-year mine life using the Elizabeth No. 1 deposit's 620 million tonnes as a starting point for planning and design. Over the projected life-of-mine, total production from Elizabeth would be about 170 million tonnes, which equates to approximately 5 million tonnes of iron ore concentrate per year.

Qualified Persons

Scientific and technical information disclosed herein has been prepared under the supervision of Rod Cooper, P.Eng., President and Chief Operating Officer who is a Qualified Person within the meaning of NI 43-101.

Technical Report entitled "*Technical Report: Schefferville Area Phase 1 DSO Iron Projects Resource Update, Western Labrador – NE Québec, Canada*" dated effective June 27, 2014 by Maxime Dupéré, P.Geo. of SGS Canada Inc., who is a Qualified Person and independent person of the Company within the meaning of NI 43-101, filed on SEDAR, 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 Québec 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, 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, may be viewed under the Company's profile at www.sedar.com.

The historical resources referred to in this document are based on work completed and estimates prepared by the Iron Ore Company of Canada prior to 1983 and were not prepared in accordance with 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.

RESULTS OF OPERATIONS

Quarter Ended September 30, 2014

The Company did not ship any iron ore product during the quarter ended September 30, 2014. Accordingly, the Company recognized no net revenue from mining operations during the quarter, compared to net revenue of $40.3 million on sales of approximately 648,000 tonnes of iron ore in four shipments recognized during the same quarter of the previous year.

The Company reported a net loss of $204.7 million, or $1.62 per share, in the quarter compared to a net loss of $24.9 million, or $0.20 per share, during the same quarter of the previous year.

The net loss during the most recent quarter included non-cash asset impairment charges of $198.2 million related to mineral property interests, property, plant and equipment, inventories, accounts receivable and prepaid expenses, and advances. The net loss during the same quarter of the previous year did not include any impairment charge.

Excluding impairment charges, the net loss during the most recent quarter of $6.5 million was mainly attributable to mine site standby costs and development costs, depreciation and depletion, corporate and administrative costs and an unrealized foreign exchange loss. Site standby costs were reduced significantly compared to previous quarters, reflecting the fact that dewatering activities have been discontinued. The depletion and depreciation charge relates primarily to the depreciation of the Company's fleet of railcars, which are depreciated on a straight line basis (as opposed to a units-of-production basis). Corporate and administrative costs have been reduced significantly compared to previous quarters, reflecting a reduction in staff levels and compensation at the end of the most recent fiscal year. The foreign exchange loss reflects an unrealized currency translation adjustment with respect to the Company's deferred revenue liability, which is repayable in U.S. currency. The Canadian dollar depreciated relative to the U.S. dollar during the quarter.

During the quarter ended September 30, 2014, the Company invested $0.8 million in property, plant and equipment, compared to approximately $5.3 million invested during the same quarter of the previous year. The current quarter's capital expenditures related mainly to an expansion of the Silver Yards rail siding and the construction of a landfill.

The expansion of the Silver Yards rail siding was entirely funded by TSMC. Construction of the landfill is expected to reduce future reclamation costs.

Impairment of Carrying Values

In accordance with the Company's accounting policies, as indications of impairment exist, particularly the significant decline in the price of iron ore, the Company carried out an impairment assessment as at September 30, 2014, to determine whether the carrying value of the assets has been impaired.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. As outlined in its accounting policies, the Company uses the fair value less cost of disposal to determine recoverable amount as it believes that this will generally result in a value greater than or equal to the value in use. When there is no binding sales agreement, fair value less costs of disposal is estimated by various valuation methods including the discounted future cash flows expected to be derived from a project and an estimate of value of exploration potential, less an estimated amount for costs to sell based on similar past transactions.

The inputs used in the fair value measurement constitute Level 3 inputs under the fair value hierarchy. Key estimates and judgments used in the fair value less cost of disposal calculation are estimates of production levels, operating costs and capital expenditures reflected in the project's life of mine plans, the value of in situ minerals, exploration potential and land holdings, as well as economic factors beyond management's control, such as metal prices, discount rates and foreign exchange rates.

Significant judgments and assumptions are required in making estimates of fair value. It should be noted that the valuations are subject to variability in key assumptions including, but not limited to, long-term iron ore prices, currency exchange rates, discount rates, production, operating and capital costs. A change in one or more of the assumptions used to estimate fair value could result in a change in fair value. This fair value estimate does not give any value to the potential to reduce operating costs, higher metal prices, the substantial in-situ resource or the exploration potential of the property.

Estimated cash flows, based on expected future production, operating costs and capital costs estimates, commodity prices and exchange rate assumptions, along with an estimate of value of exploration potential, are included in the determination of fair value.

Following completion of the impairment analysis, the Company recorded non-cash asset impairment charges of $198.2 million related to mineral property interests, property, plant and equipment, inventories, accounts receivable and prepaid expenses, and advances.

The impairment assessment relating to mineral property interests indicated the Company's mineral deposits to be uneconomic at currently prevailing iron ore prices and existing contract terms. Accordingly, the Company recorded an impairment charge equal to the full carrying value of each of its mineral property interests.

The impairment charge relating to property, plant and equipment relates mainly to the Company's Silver Yards processing plant facilities, existing rail siding and existing fleet of railcars. The Company does not expect to utilize the Silver Yards processing plant under current or reasonably foreseeable market conditions. Accordingly, the Company has recorded an impairment charge reflecting the full carrying value of the processing plant facilities. An impairment charge equal to the full value of the ore stockpile at Silver Yards has also been recorded as this stockpile requires processing in the wet plant.

The Company has recorded an impairment charge to adjust the carrying value of the Silver Yards rail siding to the value of the consideration to be received on the transfer of the surface rights of a portion of the rail line to a third party rail operating company. The carrying value of the Company's fleet of railcars has been reduced to an estimate of their net recoverable value.

The impairment charge relating to advances relates to the remaining unamortized value of non-refundable infrastructure advances that were being amortized over the life of a rail contract. The impairment charge relating to prepaid expenses relates to prepaid royalties for certain deposits not considered to be economic at currently prevailing iron ore prices.

A previously recognized impairment loss is reversed if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. Where an impairment loss is subsequently reversed, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years.

Six Months Ended September 30, 2014

The Company did not ship any iron ore product during the six months ended September 30, 2014. Accordingly, the Company recognized no net revenue from mining operations during the six month period, compared to net revenue of $58.2 million on sales of approximately 980,000 tonnes of iron ore in six shipments recognized during the same period of the previous year.

The Company reported a net loss of $208.7 million, or $1.65 per share in the six month period, compared to a net loss of $53.4 million, or $0.42 per share, during the same period of the previous year.

The net loss during the six month period included non-cash asset impairment charges of $198.2 million related to mineral property interests, property, plant and equipment, inventories, accounts receivable and prepaid expenses, and advances. Excluding impairment charges, the net loss for the six months was $10.5 million. The net loss during the same period of the previous year did not include any impairment charge.

During the current year's six month period, the Company invested $0.8 million in property, plant and equipment, compared to approximately $13.7 million invested during the same period of the previous year.

SUMMARY OF QUARTERLY RESULTS

	Quarter Ended							
($000s, except per share data)	Dec 31, 2012	March 31, 2013	June 30, 2013	Sept 30, 2013	Dec 31, 2013	Mar 31, 2014	June 30, 2014	Sept 30, 2014
Net (loss)	(16,110)	(71,269)	(28,507)	(24,928)	(31,304)	(20,478)	(3,976)	(204,709)
(Loss) per share	(0.19)	(0.65)	(0.23)	(0.20)	(0.25)	(0.15)	(0.03)	(1.62)
Total assets	358,789	296,359	321,288	288,270	249,150	224,568	219,444	18,084

The loss in the quarter ended March 31, 2013 includes a non-cash impairment of mineral property interests and accounts receivable totaling in aggregate of $61.2 million. The losses in the quarters ended June 30, and September 30, 2013 were impacted by higher value-in-use penalties, higher processing costs and higher depletion and depreciation charges. The loss in the quarter ended September 30, 2013 includes a gain on sale of mineral property of $9.6 million. The loss in the quarter ended December 31, 2013 includes a depletion and depreciation charge of $11.3 million. The decrease in loss in the quarter ended June 30, 2014 is attributable to the Company conducting only site standby and corporate activities during the quarter. The increase in loss in the quarter ended September 30, 2014 is mainly attributable to non-cash impairment charges of $198.2 million charged during the quarter.

LIQUIDITY AND CAPITAL RESOURCES

As at September 30, 2014, the Company had current assets of $5.5 million, consisting of $2.7 million in unrestricted cash and cash equivalents, $1.2 million in current restricted cash, inventories with a carrying value of $0.1 million and accounts receivable and prepaid expenses of $1.5 million. The Company's cash and cash equivalents are invested in an investment grade short-term money market fund and deposits with a major Canadian bank.

Current liabilities, consisting of accounts payable and accrued liabilities, finance lease obligations, rehabilitation provisions, a rail construction advance and deferred revenue, were in aggregate $64.6 million at September 30, 2014.

At September 30, 2014, the Company had a working capital deficit of $59.1 million compared to a working capital deficit of $8.7 million at March 31, 2014. The Company had no current or long-term bank debt at September 30, 2014, however the Company had a repayable deferred revenue liability of $22.4 million.

In May 2013, through its wholly owned subsidiary, the Company completed an advance payment off-take financing with RBRG for gross cash proceeds of US$35.0 million which was repayable over a period of two years, credited against proceeds of LIM's committed sales of 3,500,000 wmt of iron ore shipments. Repayment of this financing is secured by a charge over the Ferriman and Wishart low grade stockpiles and is guaranteed by the parent Company. At December 31, 2013 and September 30, 2013, a total of 1,663,000 wmt of iron ore had been delivered under this contract with US$14.4 million credited against the advance payment. The remaining commitment of 1.8 million tonnes was due to be delivered and a remaining balance of US$20.6 million was to be repaid during 2014. This product delivery commitment has not been met and repayment of the balance of the advance payment has not been made. Demand for payment has been made by RBRG together with claims for interest and penalties. The Company has not agreed to any interest or penalties and is currently seeking to negotiate an extension of the delivery schedule for the volume of product previously expected to be shipped in 2014 and to restructure the associated financing. See discussion below. There is no assurance that such negotiations will be successful or that any such deferrals or restructuring will be achieved.

In September 2013, the Company closed its previously announced joint venture with TSMC for the exploration and development of LIM's Stage 3 Howse Deposit. LIM received $30.0 million from TSMC for the sale of a controlling interest in the Howse Deposit, which was used to fund working capital, capital expenditure and exploration programs during the 2013 operating season as well as the 2014 exploration program. The joint venture agreement with TSMC includes provisions regarding various "put" or "call" or "drag along" rights of each party's respective interest in the Howse property in certain circumstances at fair market value, including in the event of certain defaults by either party or in the event of a change in control of the Company.

As part of the co-operation arrangements, TSMC has advanced the Company a non-interest bearing loan of $5.0 million to undertake modifications to its Silver Yards rail siding to facilitate the construction and operation of the extended rail line from Silver Yards to TSMC's Timmins Area plant. The proceeds of this loan have been used by the Company to complete the modifications to the Company's Silver Yards rail siding. The Company has agreed to transfer surface rights of its rail spur main line (but not the Company's Silver Yards rail siding) to a third party rail operator for $5.0 million, which will be used to repay the foregoing $5.0 million loan to TSMC. The third party operator will operate the Timmins extension rail line subsequent to the transfer.

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 is currently seeking to negotiate revisions to the commercial terms of its rail agreements. There is no assurance that such negotiations will be successful or that any such revised commercial terms will be achieved.

At September 30, 2014, LIM had a very significant working capital deficit and is in arrears of certain financial obligations. The Company urgently needs to secure additional financing arrangements in order to fund or restructure its current working capital deficit and to fund its continuing operations, planned development programs and corporate administration costs so as to continue as a going concern. A financial restructuring and refinancing is required.

The Company is currently seeking to negotiate a potential support arrangement with RBRG Gerald Metals, an existing creditor and offtake partner, that, if successfully entered into, is expected to provide working capital financing to fund the Company's ongoing corporate and standby activities and, as a separate component, potential future project development financing. It is expected that the conditions of this potential support arrangement and potential financing will include a requirement for the Company to restructure its existing liabilities, potentially by means of a plan of arrangement under the federal Companies' Creditors Arrangement Act, and to successfully negotiate more favourable commercial terms of certain major contracts and to suspend or defer commitments that have or otherwise would come due.

Subject to the Company concluding this potential support arrangement and successfully meeting the conditions thereof, the Company believes it will secure sufficient working capital to operate over the next 12 months and continue as a going concern. The Company estimates that it will require approximately $5 million for site standby and corporate costs and approximately $20 million to fund the first phase of Houston capital development. Subject to completing these financing and restructuring arrangements, the Company believes it will have sufficient working capital to continue to operate over the next year and continue as a going concern.

There are no assurances that the Company will be successful in entering this potential support arrangement or in successfully meeting the conditions thereof. There are no assurances that the Company will be successful in obtaining any required financing, or in obtaining financing on a timely basis, or on reasonable or acceptable terms, or at all.

If the Company is unable to complete a potential financial restructuring, possibly under formal court proceedings, and obtain adequate additional financing on a timely basis, and adequate commercial relief on certain major contracts, the Company will be required to curtail all its operations and development activities and may be required to liquidate its assets under a formal process.

OFF BALANCE SHEET ARRANGEMENTS

The Company has no off balance sheet arrangements.

OBLIGATIONS AND CONTRACTUAL COMMITMENTS

Contractual Obligations as at September 30, 2014	Payments Due by Period			
	Total	**Less than 1 year**	**Later than 1 year, not later than 5 years**	**After 5 years**
Office lease obligations	$2,832,000	$576,000	$2,256,000	-
Mine camp lease obligations	$1,546,000	$761,000	$785,000	-
Equipment supply, port and transportation contracts and social development and training contributions	$156,460,000	$37,741,000	$95,405,000	$23,314,000
Total	**$160,838,000**	**$39,078,000**	**$98,446,000**	**$23,314,000**

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

The mine camp lease obligations are the minimum 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-Îles.

Under a long-term user agreement with the Sept-Îles Port Authority, the Company paid $6.4 million in 2012 as a first installment of an advance payment and agreed to a final advance payment installment of $6.4 million. The Company has deferred payment of this final installment pending resolution of land access and product handling facility arrangements between the Port Authority and Cliffs Resources in the Pointe-Noire area and is working closely with the Sept-Îles Port Authority to resolve these arrangements.

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

FINANCIAL INSTRUMENTS

The Company's treasury policy is to invest its cash and cash equivalents in investment grade short-term money market funds 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 September 30, 2014, 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 September 30, 2014, 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, 2014.

OUTSTANDING SHARE CAPITAL

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

As at September 30, 2014, the Company had 126,323,123 common shares, 1,151,875, stock options, 13,800,000 share purchase warrants and 1,077,362 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	126,323,123	N/A	N/A
Stock options	1,151,875	$4.75	2.1
Share purchase warrants	13,800,000	$1.35	1.3
Deferred share units	1,077,362	N/A	N/A

Of the stock options currently outstanding, 200,000 options have an exercise price of $6.27 per share and expire on September 14, 2015; 12,500 options have an exercise price of $10.18 per share and expire on June 23, 2016; 100,000 options have an exercise price of $6.80 and expire on September 22, 2016; 40,000 options have an exercise price of $6.81 and expire on November 10, 2016; 200,000 options have an exercise price of $6.35 and expire on November 30, 2016; 20,000 options have an exercise price of $6.20 and expire on February 9, 2017; and 579,375 options have an exercise price of $3.00 and expire on July 2, 2017.

All stock options currently outstanding have fully vested.

All 13,800,000 of the share purchase warrants outstanding have an exercise price of $1.35 per share and expire on February 12, 2016.

The deferred share units represent stock-based compensation previously granted to independent directors under the Company’s Deferred Share Unit Plan. The grant of new deferred share units was waived by directors effective April 1, 2014.

TRANSACTIONS WITH RELATED PARTIES

During the six months ended September 30, 2014, the Company recovered $61,639 (September 30, 2013 – $56,796) in respect of office rent from corporations with common directors and/or officers. As at September 30, 2014, $54,106 (March 31, 2014 - $48,791) is included in accounts receivable.

During the six months ended September 30, 2014, the Company made payments to companies with common directors and/or officers in the amount of $130,843 (September 30, 2013 – $305,750) as compensation for management services provided. At September 30, 2014, $704,250 (March 31, 2014 – $620,587) in management compensation remained payable to these related companies.

During the six months ended September 30, 2014, the Company incurred legal fees in respect of services provided by a professional corporation controlled by an officer in the amount of $43,480 (September 30, 2013 – $86,000). At September 30, 2014, $43,380 (March 31, 2014 – $36,960) in legal fees remained payable to this related party.

CRITICAL ACCOUNTING ESTIMATES

Commercial Production

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

Revenue Recognition

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

Use of estimates

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

Mineral property interests and deferred exploration expenditures

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

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

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

Stock-based compensation

The Company records stock-based compensation cost based on the fair value method of accounting for stock-based compensation. The fair value of stock options is determined using the Black-Scholes option pricing model, and in respect of options vested during the year ended March 31, 2014 based on the assumptions set out in Note 10(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 $4,132,368. The present value of this estimated amount has been calculated under IFRS as $3,967,122 as at September 30, 2014.

In determining the present value of the rehabilitation provision as at September 30, 2014, the Company has assumed a long-term inflation rate of approximately 1.4%, a current market discount rate ranging from 1.1% to 2.5% and a mine-life of up to 20 years. Elements of uncertainty in estimating this amount include changes in the projected life of mining operations, reclamation expenditures incurred during ongoing operations and reclamation and remediation requirements and alternatives.

NEW ACCOUNTING STANDARDS

The Company is not aware of any new accounting standards that have a material impact on the Company's condensed interim consolidated financial statements for the quarter and six months ended September 30, 2014.

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.

Financing and Going Concern

During the fiscal year ended March 31, 2014, the Company reported a net loss of $105.2 million, negative cash flows from operations of $37.1 million and had an ending working capital deficit of $8.7 million. During the six months ended September 30, 2014, the Company had a net loss of $208.7 million, negative cash flows from operations of $6.3 million and an ending working capital deficit of $59.1 million.

The continued operation and successful development of the Company's properties depends upon the Company's ability to obtain financing through private placement financing, public financing, advance payment for product, 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.

Several conditions discussed below create a material uncertainty about the Company's ability to continue as a going concern. The Company will need to conduct a financial restructuring, potentially by means of a plan of arrangement under the federal Arrangement Act, and generate additional financial resources in order to address its working capital deficit of approximately $59.1 million as of September 30, 2014, its current standby and environmental maintenance activities at Silver Yards and planned development programs, including development of the Houston deposit, and corporate administration costs.

There is a significant risk that a successful financial restructuring may not be achieved and 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 successfully complete a financial restructuring and obtain adequate additional financing, the Company will be required to curtail standby activities and its exploration and development activities and may be required to liquidate its assets under a formal process. 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 Houston Project, will require substantial additional capital investment. Failure to secure additional financing, and/or generate sufficient cash flow from operations, would 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.

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 mineralization.

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 and Redmond deposits and anticipated at Houston and other Stage 1 deposits, generally involve a high degree of risk. Such operations are subject to all of the hazards and risks normally encountered in the exploration for, and the development and production of, iron ore, including unusual and unexpected geologic formations, seismic activity, rock bursts, cave-ins, flooding and other conditions involved in the drilling and removal of material, any of which could result in damage to, or destruction of, mines and other producing facilities, damage to life or property, environmental damage and possible legal liability. 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. 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. 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.

Fluctuating Iron Ore Prices and Ocean Freight Rates

The viability of the Company's Schefferville Projects is dependent on the sale price of iron ore in the seaborne market, which has fluctuated considerably over the last two years. The main destination for the seaborne iron ore market is currently China, so bulk carrier ocean freight rates to China are also a significant cost that affects the profitability and viability of the Company. All sales of iron ore products are subject to final assays and measurements in China (CIQ adjustments), as well as final reconciliations with the ultimate purchasers. This reconciliation process may take several months after the initial shipment and could result in changes in net sales revenue realized by the Company.

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 development of new sources of iron ore or expansion of existing operations 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.

Factors beyond the control of the Company also affect ocean freight rates. Supply and demand for ocean going vessels, fuel costs and foreign currency exchange rates, among other factors, can contribute to significant ocean freight rate volatility. An increase in ocean freight rates would have a negative impact on the Company's operating results.

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 may not be correct. The Company's ability to maintain or increase 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. The Company does not report any mineral reserves.

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-Îles and berthing, storage and loading facilities at Sept-Îles, 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-Îles. This railway line is comprised of two sections, the Menihek Division railway line owned by TSH, which runs approximately 200 km between Schefferville and Emeril Junction, and the QNS&L railway line, which continues the remaining approximately 360 km to Sept-Îles. At Sept-Îles (Arnaud Junction), the QNS&L railway line connects to the Arnaud Railroad (Chemin de fer Arnaud) owned by Wabush Mines (Cliffs Resources), 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 future years can be efficiently transported. As part of its 2012 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 $15.5 million over the next four years in addition to $9.5 million in non-repayable upgrade contributions LIM has already advanced to TSH. The full amount of this $15.5 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. During the summer of 2014, in conjunction with TSMC and TSH, the Company conducted a preliminary review of the long-term capital requirements for the TSH railway and it is anticipated that the capital requirements towards the TSH upgrade program can be significantly reduced. There can be no assurance that such reductions in capital requirements can be achieved.

The port handling arrangements for the shipment of LIM's iron ore production for 2015 and future years remain subject to ongoing evaluation and finalization. The Company continues to evaluate different options for the unloading, stockpiling and ship loading of the Company's iron ore products at the Port of Sept-Îles. These include the potential use of the Port's proposed new multi-user deep water dock and/or other facilities of the Sept-Îles Port Authority.

Pursuant to its July 2012 long-term customer contract with the Port of Sept-Îles, 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 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. The Company has deferred payment of the final advance payment installment of $6.4 million, pending resolution of land access and product handling facility arrangements in the Pointe-Noire area of the Port. The Company continues to cooperate with the Sept-Îles Port Authority to resolve these issues and is in ongoing discussions with the Sept-Îles Port Authority, and with other port operators, regarding rail transportation, storage, reclaim and ship-loading and trans-shipment of its iron ore products in the Port. There can be no assurance that arrangements on acceptable terms will be concluded or concluded on a timely basis.

Ability to Attract and Retain Qualified Personnel

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

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

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

Government Regulation and Permitting

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

Such operations and exploration activities are also subject to substantial regulation under applicable laws by governmental agencies that will require the Company to obtain permits, licences and approvals from various governmental agencies. There can be no assurance, however, that all permits, licences and approvals that the Company may require for its operations and exploration activities will be obtainable on reasonable terms or on a timely basis or that such laws and regulations will not have an adverse effect on any mining project which the Company might undertake. In order to develop the Company's Houston project, the Closure and Rehabilitation Plan must be approved by the Newfoundland Department of Natural Resources.

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 Québec, which areas are subject to conflicting First Nations land claims. There are a number of First Nations peoples living in the Québec-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 Québec (including Schefferville and Sept-Îles) who assert aboriginal rights in Québec and Labrador. The Innu of Québec, located at Matimekush-Lac Jean near Schefferville, and at the communities of Uashat Takuaikan mak Mani-Utenam, near Sept-Îles, assert aboriginal rights to traditional lands which include parts of Québec and Labrador. Members of the Innu Uashat Takuaikan mak Mani-Utenam, near Sept-Îles, Québec, 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 Québec who in 2009 formed the "Innu Strategic Alliance" seeking to have their ancestral rights on their traditional lands which extend on both sides of Québec-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 Québec Innu would if necessary seek to block natural resource development projects in Labrador and Québec, such as the Churchill hydroelectric project in Labrador, the La Romaine hydro-electric project in Québec 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 Québec 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 Québec; 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 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 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 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 shares; lessening in trading volume and general market interest in the Company's shares 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 shares; and a substantial decline in the price of the shares that persists for a significant period of time could cause the Company's shares 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.

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, 2014 and concluded that as of that date they were effective to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

There were no changes to the Company’s internal control over financial reporting during the quarter ended September 30, 2014, that have materially affected, or are reasonably likely to materially affect, the Company’s internal control of financial reporting.

ADDITIONAL INFORMATION

Additional information regarding the Company, including the Annual Information Form, the audited consolidated financial statements for the fiscal year ended March 31, 2014 and the unaudited condensed interim consolidated financial statements for the quarter and six months ended September 30, 2014, 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 iron ore 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.