# LABRADOR IRON MINES HOLDINGS LIMITED

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE YEAR ENDED MARCH 31, 2009

**Dated: June 29, 2009**

## GENERAL

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the audited Consolidated Financial Statements and Notes thereto of Labrador Iron Mines Holdings Limited (the "Company") for the year ended March 31, 2009.

At March 31, 2009, the Company had $35.2 million in cash and cash equivalents and is in healthy financial condition to weather the current worldwide economic and financial uncertainties and to carry out its planned programs to move its direct shipping iron ore Schefferville Project in Western Labrador into production.

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

This MD&A contains forward looking statements.

## OVERVIEW

The Company is a mineral resource Company focused on the development and mining of direct shipping iron ore in Western Labrador. The Company's shares are listed on the TSX under the symbol "LIM".

The Company was incorporated under the *Business Corporations Act* (Ontario) on May 17, 2007 to acquire and carry on, through a wholly owned subsidiary Labrador Iron Mines Limited ("LIM"), the business of exploring and developing a direct shipping iron ore project in the Labrador Trough, in the Province of Newfoundland and Labrador, near Schefferville, Quebec (the "Schefferville Project").

In September, 2007, the Company entered into a merger agreement whereby in consideration of the issue of an aggregate of 24,000,000 common shares, the Company acquired a 100% interest in the Schefferville Project.

In December, 2007, the Company closed an Initial Public Offering ("IPO") through the issue of 11,473,000 Units for gross proceeds of $45,892,000. In January, 2008 the Agent in the Company's IPO exercised its over-allotment option and the Company issued a further 1,720,950 Units for additional gross proceeds of $6,883,800. Each Unit comprised one common share and one-half share purchase warrant exercisable at $5.00 per share for a period of two years.

As of June 29, 2009, LIM held interests in 16 Mineral Rights Licenses issued by the Department of Natural Resources, Province of Newfoundland and Labrador, representing 227 mineral claims located in Western Labrador covering approximately 5,675 hectares. These licenses are held subject to a royalty of 3% of the selling price FOB port of iron ore produced and shipped from the properties.

The Company's Schefferville Project is located in the western central part of the Labrador Trough iron range of Western Labrador, one of the top five iron ore producing regions in the world, within the Province of Newfoundland and Labrador near the town of Schefferville, Quebec. The eight iron ore deposits forming the Project are predominantly hematite ore and comprise the James, Redmond, Houston, Knob Lake, Astray, Sawyer, Howse and Kivivic deposits.

These eight iron deposits comprising the Schefferville Project deposits were part of the original Iron Ore Company of Canada (IOC) direct shipping Schefferville operations and formed part of the 250 million tons of reserves and resources previously identified by IOC. These deposits have a historical resource of iron ore estimated to be approximately 90 million tons of high grade direct shipping iron ore, based on work carried out by the IOC prior to the closure of its Schefferville operations in 1984. The historic estimate was prepared according to the standards used by IOC and while still considered relevant is not compliant with National Instrument 43-101.

The development plan for the Schefferville Project envisions the development of the deposits in three phases, the first phase of which will be undertaken in two stages comprising the four deposits closest to existing infrastructure. The James deposit is accessible by existing gravel roads and located approximately 3 km southwest of the town of Schefferville. The Redmond deposit is located approximately 5 km south of the James deposit and can be reached by existing gravel roads. The Knob Lake deposit, located approximately 3 km southwest of the town of Schefferville and the Houston deposit located approximately 18 km southeast of Schefferville can also be reached by existing gravel roads.

During the development of the phase 1 deposits, planning will be undertaken for the future development of the more distant deposits in phases 2 and 3. The Howse and Kivivic deposits are located approximately 21 km and 40 km to the northwest of the James deposit, respectively, and both can be reached by existing gravel roads. The Astray and Sawyer deposits, located approximately 50-65 km southeast of Schefferville, do not currently have road access but can be reached by float plane or by helicopter.

The development plan for the first phase of the Schefferville Project envisages initial production from James and Redmond, two brownfield deposits with low strip ratios on which initial mining or development activities had been undertaken by IOC, using contractors followed by beneficiation using simple washing and screening. Mining and processing operations will be conducted for eight months per year, from April to November at an anticipated initial mining rate of 6,000 tonnes per day.

The material excavated is estimated to contain around 56% to 58% iron and it is expected that the beneficiation process will enhance the product grade to around 65% iron and remove unwanted silica. Two products will be produced, namely coarse lump ore and a finer sinter feed. Approximately one-quarter of the product will be lump ore. These products will be transported by the existing railroad systems to the port of Sept-Îles on the St Lawrence River for onward shipping, most likely to steel mills in Europe. The whole operation will utilize well proven, relatively basic technology and closely reflect that previously carried out by the Iron Ore Company of Canada in the same general location for almost thirty years from 1954 to 1983.

***Summer 2008 –Drilling and Bulk Sampling***

During the year ended March 31, 2009, the Company expanded its management team, initiated further activities to advance the developmental stages of the Project and awarded various contracts, including detailed exploration drilling, bulk sampling, resource estimation, metallurgical process testing, rail and port studies and engineering design, all directed with the intention to moving the Schefferville Project forward towards initial commercial production.

A reverse circulation and core drilling program commenced in July 2008 to provide data for a compliant resource estimate on the various deposits, including a reserve estimate on the phase I deposits and to assist with both short term mine planning and with longer term operational planning. This 4,500 metre program was completed in October 2008 and was supplemented by an exploration trenching program. In addition a detailed program of hydro-geological drilling comprising over 1,000 metres in 18 holes together with associated pump testing was completed. All of the assays from this drilling have been received and are being incorporated into the relevant resource estimates.

A test mining program to excavate 6,500 tonnes of bulk ore samples from the phase one deposits was carried out by RSM Mining from Labrador City. This material was crushed and screened to produce samples replicating the lump ore and sinter fines. The test mining program was successfully carried out and did not encounter any particular problems in mining or processing. Test washing was not carried out at site. Some of these samples were washed offsite to replicate the final expected products. Some of this bulk sample material was used in the metallurgical testing program and the remainder is available for market testing by potential iron ore buyers.

Metallurgical test-work aimed at the design of the process circuit required to meet market specifications for the particular types of iron ore was carried out by SGS-Lakefield. The metallurgical testwork indicated that the direct shipping ore mined during the bulk sampling exercise is readily amenable to a simple washing and screening process. This process removes silica and enhances the grades of both the lump ore and the sinter fines to acceptable levels. The levels of deleterious impurities in the samples were generally low and within acceptable limits.

SNC-Lavalin, in partnership with the Labrador Innu Development Corporation, and Geostat Systems International Inc., were awarded contracts for resource and engineering studies, including detailed engineering design and specifications for the major items of plant and infrastructure.

***Rail and Port - Transportation Infrastructure***

An important aspect of LIM's planned operation is the use of the major infrastructure facilities currently in place including the railroad and the port. The railroad which connects Schefferville to the Port of Sept-Îles is currently operated in three sections, each managed by a different carrier. Under Canadian Federal legislation each operator is designated as a Common Carrier and is required to provide a suitable level of service. Tshiuetin Rail Transportation Inc. ("TSH") owns the track between Schefferville and Ross Bay Junction, where it connects to the QNS&L Railway. The railroad between Schefferville and Sept-Îles has been in continuous operation for over 50 years and TSH currently operates passenger and light freight service between Schefferville and the Sept-Îles two times per week. Some refurbishment of the rail bed, rails, ties and culverts of the TSH track to Ross Bay Junction will need to be carried out to enable it continuously carry large volumes of iron ore traffic.

During 2008 the Company successfully transported bulk sample products by rail from Schefferville to Sept-Îles over both the TSH track and the track operated by IOC's Quebec North Shore & Labrador Railway. The products that were moved were the first iron ore shipments to leave the Schefferville area by rail in over a quarter of a century.

The Port of Sept-Îles was originally built to accommodate the initial IOC operations in about 1950 and has since expanded to become Canada's most important iron ore export port shipping in excess of 20 million tonnes of iron products annually. It is managed by the Port of Sept-Îles Authority which operates its own facilities and wharves, generally through contractors. LIM has concluded agreements with the Port Authority and stevedoring contractors regarding the use of the Port Authority's wharves for the storage and ship-loading of the Company's products for 2009 and 2010.

***Marketing***

Marketing discussions have commenced with potential end users, particularly in Europe and samples have been dispatched to a number of steel mills. These discussions have indicated an encouraging level of interest in the LIM products based on the metallurgical test results and analysis of the samples supplied. The indicated high iron grades and the low level of impurities are important and should ensure that LIM will be able to market both its lump ore and its sinter fines products.

***IBA Agreement signed with Labrador Innu***

In July 2008, the Company and Innu Nation of Labrador, signed an Impact Benefit Agreement (IBA) committing to an ongoing relationship with the Innu Nation with respect to the development of the Schefferville Area Iron Ore Project in Western Labrador. The IBA is a life of mine agreement that establishes the processes and sharing of benefits that will ensure an ongoing positive relationship between

Labrador Iron Mines and the Innu Nation. In return for their consent and support of the project, the Innu Nation and their members will benefit through training, employment, business opportunities and financial participation in the project.

The Company has also signed Memoranda of Understanding with two local Aboriginal First Nations communities, the Innu Nation of Matimekush-Lac Jean (Schefferville) and the Naskapi Nation (Kawawachikamach) both located in Quebec in proximity to the Project. It is expected that both of these MOUs will be converted into substantive co-operation and benefit agreements in the near future and that a similar agreement will also be signed with the Innu communities of Uashat and Mani-Utenam, near Sept-Îles.

***Permitting and Environmental Work Advanced***

Labrador Iron Mines had initiated environmental baseline studies in the region at the start of exploration in 2005/2006. Since that time, seasonal environmental studies, including work with elders of the various nearby aboriginal communities, have been conducted to document the existing environment and to include the collection of traditional knowledge in the Environmental Assessment. These programs were ramped up in 2008 to meet the scope of the proposed development and included detailed assessments of the aquatic and terrestrial ecology, hydrology and groundwater, geochemistry and socio-economic components.

In April 2008, the Company submitted the Project Registration Application for the first phase of development of the Schefferville Area Iron Ore Project to the Department of Environment and Conservation in the Province of Newfoundland and Labrador and to the Canadian Environmental Assessment Agency (CEAA). The Project Registration documentation addresses production from the first part of phase one of the Schefferville Project, being the James North, James South and Redmond properties.

In August 2008, the Minister of Environment and Conservation requested an Environmental Impact Statement (EIS) as part of the Application process. In October 2008, the Minister published for public consultation the draft guidelines for the preparation of the EIS. Following this period of public consultation, during which the Company conducted three public meetings in Labrador and in Schefferville, the Final Guidelines were issued by the Minister on December 12, 2008. The Company, in conjunction with its consultants, carried out an extensive program to prepare the EIS based initially on the draft guidelines and then completed based on the Final Guidelines and using the extensive environmental data and studies that had been collected and undertaken by LIM over the previous three years. The EIS was submitted to the Minister on December 22, 2008 and was registered on December 23, 2008.

The Canadian Environmental Assessment Agency (CEAA) also completed its review of the Project and determined that a federal level Environmental assessment is not required. This decision was made following receipt of a determination by the Department of Fisheries and Oceans, that a Harmful Alteration, Disruption, or Destruction authorization will not be required for the Project. Other federal agencies, including Environment Canada, Transport Canada, Natural Resources Canada, Health Canada and the Canadian Transportation Agency, also completed their reviews and confirmed that they had no triggers for a federal level environmental assessment. In addition, the federal Major Projects Management Office determined that the Project does not constitute a major natural resources project.

In early March 2009 the Minister requested some additional information to supplement the EIS. This additional information is now being compiled and is expected to be submitted to the Department of Environment and Conservation in June 2009. Following this submission there will be a 50 day period for public comment and the Minister will then have up to a further 20 days to decide upon the acceptability of the EIS.

Upon release of project approval, the Company will submit the applications for the necessary operating permits and licenses. Assuming these permits and licences are issued during the third quarter of calendar 2009, the Company is planning, subject to on-going reviews of future iron ore prices, to commence initial site construction during the fall of 2009. This program, if achieved, will enable the Company to install and test its major transport facilities ahead of the commencement of commercial production, which is currently scheduled for the end of the second quarter of calendar 2010.

***Site program – Summer 2009 – Drilling and Testwork***

A further program of reverse circulation drilling commenced on June 3, 2009. This program, which is expected to total around 6,000 metres of drilling, will include some infill drilling identified from the 2008 program, as well as comprehensive drilling on other zones that were not substantially drilled in 2008.

In addition a 3,000 metre trenching and sampling program will be carried out in conjunction with the drilling program on these previously limited tested areas. Samples will be taken from these trenches to determine the characteristics of the various mineralized zones.

LIM will continue to prepare samples in its own laboratory which has been established at the Project prior to dispatch to certified assay laboratories in other parts of Canada. Appropriate quality control procedures have been developed and approved by competent personnel.

A second program of hydro-geological drilling and testing will be carried out in 2009 to confirm expected flow rates and water quality from future mining operations. This work will enable dewatering plans including perimeter wells to be properly designed and installed in a timely manner.

Metallurgical testwork will continue during the summer aimed at improving expected recovery levels from all size fractions of mined material while maintaining the high iron and low impurity levels in the final product. This work will be associated with final design of the process flow-sheet and selection of the suitable items of plant for this flow sheet. This selection will be based on achieving the expected initial production rate, meeting the grade and product specifications, while ensuring that the plant is easily movable from deposit to deposit.

When this work is complete, together with the remaining exploration and hydro-geological studies being carried out in 2009, it will be incorporated into the final engineering and cost study. This will allow for orders to be placed with suppliers and contractors for infrastructure, mining and beneficiation facilities in sufficient time to ensure they are available to meet the mid 2010 commencement of production schedule.

On-going environmental baseline and field measurements related to both the current permit application areas as well as to future application areas will be continued. A wide-area air-borne survey for migratory and sedentary caribou around the project sites has been completed. A very small number of caribou, all believed to be migratory, were located, all at least 20 kilometres away from any potential work areas.

Assuming the relevant permits and licenses are issued during the third quarter of the 2009 calendar year, the Company is currently planning, subject to on-going reviews of future iron ore prices, to commence initial site construction during the fall of 2009. This program, if achieved, will enable the Company to install and test its major transport facilities ahead of commercial production in 2010. On this basis initial production will commence towards the end of the second quarter of calendar 2010. If the permits are not issued in time to enable initial construction during the summer and fall of 2009, then the start of initial production will be delayed further in 2010.

***Iron Ore Price Outlook***

Associated with the downturn in most major economies, there has been a considerable degree of weakness in the world-wide steel industry during the last six months with a number of major steel producers announcing significant production cut-backs and redundancy programs. This has resulted in a major decline in the spot iron ore prices from the record high prices achieved in 2008. This downturn has been particularly severe in Europe and North America.

High demand for iron ore in recent years has been driven primarily by China and south-east Asia. This demand effectively raised the price of iron ore "fines" from around US$42 per tonne FOB in 2005, to about US$50 per tonne FOB in 2006, US$55 per tonne FOB in 2007, and about US$95 per tonne FOB in 2008. Lump ore has traditionally commanded about a 25% premium to fine ore.

Benchmark iron ore pricing negotiations between the major iron ore suppliers and consuming steel manufacturers for 2009 contract prices are still not completed, although Rio Tinto has recently settled with a number of Japanese and Korean steel mills at a fines benchmark price reduction of around 33% from 2008 levels. If other settlements are agreed at the same level then the 2009 benchmark price equivalent for sinter fine product would be around US$62 per tonne and for lump ore around US$75 per tonne. These price levels will still be higher than those prevailing in 2007. It is expected that the sales price of LIM's iron ore products will largely be based on benchmark reference prices.

Beyond 2009, and therefore more relevant for LIM's initial and subsequent sales, the future of iron ore pricing will be dependent on both the rate of recovery of world-wide economies and the extent to which current and planned new production capacity has been closed or deferred, and on the speed with which this closed and deferred production can be brought back on stream. LIM has a view that for 2010, the first year of planned significant commercial production from its Schefferville Project, there will be some recovery of prices, over the reduced iron ore prices expected for 2009.

### Qualified Person

Scientific and technical information disclosed herein has been prepared under the supervision of Terence N. McKillen, P. Geo., Executive Vice President and a Director of the Company and is the Company's Qualified Person under National Instrument 43-101.

## SELECTED ANNUAL FINANCIAL DATA
**($ 000's Cdn,) except for per share data**

| | March 31, 2009 | March 31, 2008 |
|---|---|---|
| **Net (loss) Income** | **$ (352)** | **$ 1,993** |
| **(Loss) Income per share** | **$ (0.01)** | **$ 0.14** |
| **Cash and Equivalents** | **$ 35,202** | **$ 47,483** |
| **Total Assets** | **$ 177,686** | **$ 175,722** |

## RESULTS OF OPERATIONS

The Company is in the exploration and development stage and had no operations for the year ended March 31, 2009.

For the year ended March 31, 2009 the Company reported a net loss of $352,488 or $0.01 per share as compared to net income of $1,992,961 or $0.14 per share for the prior period ended March 31, 2008. The net income in 2008 was largely the result of a change in the income tax rate in that fiscal year that effectively reduced a previously recorded future income tax liability by $3,736,000.

The main components of the loss for 2009 are stock-based compensation expense of $654,613, corporate expenses of $343,401, administration of $882,116 and management costs of $248,950. The comparative period was from incorporation on May 17, 2007 to the year end of March 31, 2008. There were virtually no corporate and administrative transactions until the IPO date of December 3, 2007 and the expenses incurred in 2008 were for a four month period, while the 2009 fiscal year expenses represented a twelve month period.

The stock-based compensation expense arose on the vesting of part of the stock options granted under the Company's Stock Option Plan.

Interest income of $1,152,293 (2008 - $603,272) arose from the investment of cash which is held in highly liquid GIC's with a major Canadian financial institution.

During the year ended March 31, 2009 the Company invested $12,863,215 (2008 - $1,596,416) on its mineral properties, the principal components of which were geology, engineering, environmental, permitting and community consultation. For details refer to Note 3 to the Consolidated Financial Statements. The investment in mineral properties includes $1,198,000 (2008 - $700,000) in capitalized stock-based compensation on options granted to exploration and operations employees.

In the year ended March 31, 2009 the Company also invested $1,030,325 in the purchase of equipment, service buildings and vehicles.

## SUMMARY OF QUARTERLY RESULTS

| | ($000's) | ($000's) | ($000's) | ($000's) | ($000's) | ($000,s) |
|---|---|---|---|---|---|---|
| | Quarter ended December 31, 2007 (Amended) | Quarter ended March 31, 2008 | Quarter ended June 30, 2008 | Quarter ended September 30, 2008 | Quarter ended December 31, 2008 | Quarter ended March 31, 2009 |
| Net income (loss) | $ 3,819 | $ (1,625) | $ (200) | $ (397) | $ (682) | $ 927 |
| Income (loss) per share | $ 0.10 | $ (0.06) | $ (0.003) | $ (0.011) | $ (0.019) | $ 0.02 |
| Total assets | $ 169,301 | $ 175,722 | $ 176,092 | $ 178,431 | $ 178,199 | $ 177,686 |

The income reported in the quarter ended December 31, 2007 included a future income tax recovery arising from changes in the statutory income tax rate. The loss in the quarter ended March 31, 2008 included stock-based compensation expenses of $1.75 million arising on the grant of stock options during that quarter. The income in the quarter ended March 31, 2009 included a reallocation of stock-based compensation expense to mineral properties and a revision to future income tax recovery.

## LIQUIDITY AND CAPITAL RESOURCES

At March 31, 2009, the Company held $35.2 million in cash and cash equivalents and is in healthy financial condition. The cash is invested in short-term money market instruments or deposits with major banks. Current liabilities, comprising accounts payable, were $1.07 million. The Company has no borrowings or debt and has no externally imposed capital requirements.

The carrying value of the Company's mineral property interests at March 31, 2009 was $141 million compared to $128 million at March 31, 2008. The increase was as a result of the investment during the year of $12.9 million of capitalized exploration and development expenditures. The carrying value of the mineral property interests was originally calculated upon the acquisition of such properties in 2007 for 24,000,000 shares, which were valued at the IPO price of $3.56 per share, and includes an offset of $40.8 million to a future income tax liability. (See Note 3 to Consolidated Financial Statements). The carrying value of mineral properties is not necessarily indicative of the realizable value of such properties if they were to be offered for sale at this time.

The Company's share price declined significantly in the quarter ended March 31, 2009. Although the price of the Company's shares has declined significantly from the IPO price, particularly in the period ended March 31, 2009, management carried out an assessment utilizing current prices of iron ore, and does not consider that there has been a permanent impairment in value of the Company's mineral property interests. The Company will keep this matter under review pending clarity on the future long term price of iron ore.

Originally, upon the IPO, the carrying value of mineral properties included an amount of $40.8 million which represented the future income tax effect arising from the temporary differences between the purchase price and the underlying income tax value of the mineral property interests acquired. (See Note 3 to Consolidated Financial Statements). A corresponding amount is recorded as Future Income Tax liability. Subsequent to the date of the acquisition, two changes in the statutory income tax rate in the period ended December 31, 2007 effectively reduced the future income tax liability related to the carrying value of mineral properties by $3.4 million to $37.4 million. Following subsequent adjustments, the balance of the Future Income Tax liability as at March 31, 2009 was $35.7 million. (See Note 10(b) to Consolidated Financial Statements).

The Schefferville Property is in the exploration and development stage and, as a result, the Company has no source of operating revenue. The Company depends upon its cash resources and interest income to fund its exploration, development, operating and administrative expenses. In December 2007, the Company raised through the IPO the financial resources to undertake the currently planned activities and believes it has sufficient funding to undertake its planned exploration and development programs, and place the first one million tons from the phase one deposits (the Fonteneau Properties) into production.

The estimated capital cost to put the first phase of the Schefferville Project into production has not yet been determined pending completion of the Engineering Study, acceptance of the EIS and receipt of project approval, completion of the Engineering Study and the final production decision on the scale of operations to be conducted from 2010 onwards.

Additional funds may be required to place phase two of the Schefferville properties into commercial production. The only sources of future funds available to the Company are the sale of equity capital of the Company, interest earned on invested capital, any cash flow generated in the first phase of operations, or the sale by the Company of an interest in any of its properties in whole or in part. The ability of the Company to arrange such financing in the future will depend in part upon the prevailing capital market conditions as well as the business performance of the Company. There can be no assurance that the Company would be successful in obtaining any additional required funding necessary to conduct additional development work or to expand production on the properties.

Market conditions, and hence the investment interest in the shares of junior resource companies, have changed significantly since the Company completed its IPO in December 2007. If additional financing is raised by the issuance of shares from treasury of the Company, control of the Company may change and shareholders may suffer dilution. If adequate financing is not available, the Company may be required to delay, reduce the scope of, or eliminate one or more activities or relinquish certain of its property interests. Failure to obtain additional financing on a timely basis could cause the Company to lose or reduce its interests in some or all of the properties and reduce or terminate its operations.

## OFF BALANCE SHEET TRANSACTIONS

The Company has no off balance sheet transactions.

## OBLIGATIONS AND CONTRACTUAL COMMITMENTS

The Company has committed to put phase one of the Schefferville Project (the Fonteneau Properties) into production and through the IPO of $52.8 million has arranged the production financing for the first one million tons of production from one or more of the Fonteneau Properties. At March 31, 2009, the Company held cash and cash equivalents of $35.2 million, which is considered sufficient to place the first phase of the Schefferville Project into production.

The Company has entered into an Impact Benefits Agreement (IBA) with the Innu Nation of Labrador. The IBA is a life of mine agreement which establishes the processes and the sharing of benefits that will ensure an ongoing positive relationship between the company and the Innu Nation. In return for their consent and support of the Project, the Innu Nation and their members will benefit through employment, training, business opportunities and financial participation in the Project. The Company has also signed Memoranda of Understanding with each of the Innu Nation of Matimekush-Lac John and with the Naskapi Nation reflecting the agreements of the parties to negotiate more detailed cooperation and benefit agreements.

The Company does not believe that there are any significant environmental obligations requiring material capital outlays in the immediate future and anticipates that such obligations will only arise when full scale development of the Schefferville Project commences. As the Schefferville Project is still in the exploration and development stage and no significant environmental impact has occurred to date, the Company does not currently consider that expenditures required to meet any ongoing environmental obligations at the Schefferville Project are material to the results or to the financial condition of the Company at this time. However, these costs may become material in the future and will be reviewed at that time.

The Company is committed to rental payments under a long term lease of its office premises until 2019. Minimum rental commitments remaining under this lease approximate $3,476,000, which will be partly offset by cost sharing with associated companies. Rental commitments for successive financial years ended March 31, are approximately as follows:

| | | |
|---|---|---|
| 2010 | $ | 334,000 |
| 2011 | | 334,000 |
| 2012 | | 334,000 |
| 2013 | | 334,000 |
| 2014 and beyond | | 2,140,000 |
| | $ | 3,476,000 |

**FINANCIAL INSTRUMENTS**

The Company's policy is to invest its cash balances in investment grade short term deposits or guaranteed investment certificates with major Canadian banks. This has been the Company's investment policy since completion of the IPO in 2007 and has not been changed as a result of recent and current economic conditions. The Company has never had any asset backed financial instruments. The Company monitors these investments and is satisfied with the credit rating and liquidity of its banks.

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

At March 31, 2009 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. At March 31, 2009, the Company did not hold any balances in foreign currencies that would give rise to exposure to foreign exchange risk.

The Company has included disclosure concerning some of the risk factors relating to its financial instruments in Note 7 to the Consolidated Financial Statements for the year ended March 31, 2009.

**OUTSTANDING SHARE CAPITAL**

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

At March 31, 2009 the Company had 37,148,451 common shares outstanding. The Company also had outstanding 6,596,975 share purchase warrants, 857,607 broker warrants (expiring June 3, 2009) and 3,350,000 stock options as at March 31, 2009.

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

| Securities | Number | Weighted average exercise price $ | Weighted average remaining life (years) |
|---|---|---|---|
| Common shares | 37,148,451 | N/A | N/A |
| Stock options | 3,350,000 | 4.10 | 3.5 |
| Warrants | 6,596,975 | 5.00 | 0.7 |

Each stock option and warrant is exercisable for one common share of the Company.

## TRANSACTIONS WITH RELATED PARTIES

The Schefferville Project was acquired through a series of underlying agreements and arrangements, some of which are with companies who have directors and/or officers that are also directors and/or officers of the Company or with companies that are controlled by directors and/or officers of the Company. The common shares of the Company issued to acquire the Schefferville Project were issued to corporations controlled by directors and/or officers of the Company or with which such corporations had directors and/or officers in common with the Company. (See Note 6 to the Consolidated Financial Statements).

The Company recovered $61,625 in respect of office rent from corporations with common directors and/or officers. The Company also made payments to directors and officers of the Company, and or to corporation controlled by directors or officers or to corporations with common directors and/or officers, in respect of director's fees and management compensation and administrative services.

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

## CRITICAL ACCOUNTING ESTIMATES

The Company's critical accounting policies are described in Note 2 to the Consolidated Financial Statements for the year ended March 31, 2009. Management considers the following to be the most critical in understanding the judgments involved in preparing the Company's financial statements and the uncertainties that could impact its results of operations, financial conditions and future cash flows.

### Mineral property interests and deferred exploration expenditures

The Company's mineral properties were acquired in exchange for shares in the Company, and the properties were valued at the fair market value of the shares, based on the price of shares sold in the IPO. The carrying value of mineral property interests also includes an amount corresponding to a future income tax liability and the fair value of the capitalized stock option compensation awarded to exploration or project personnel.

The cost of mineral property interests and related exploration and development costs are deferred. These costs will be amortized over the estimated useful life of the properties following commencement of commercial production or written off if the properties are sold, allowed to lapse, or the property shows no promise from exploration results, or management determines that there is a permanent and significant impairment in value.

All of the Company's properties are considered to be in the exploration or development stage and none have achieved commercial production. Any revenue generated from testing or pilot plant processing is credited to mineral property interests. The Company does not accrue future costs to keep the properties in good standing. Administrative expenditures, not directly related to mineral property interests charged to operations as incurred.

**Stock-based compensation**

The Company records compensation cost based on the fair value method of accounting for stock-based compensation. The fair value of stock options is determined using the Black-Scholes option pricing model. The fair value of the options is recognized over the vesting period as compensation expense with a corresponding increase in contributed surplus. Stock compensation awarded to exploration or project personnel is capitalized to mineral property interests. When options are exercised, the proceeds received, together with any related amount recognized in contributed surplus, will be recorded in share capital.

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 "value" for stock options for junior resource companies. 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. The current value of options held by directors and employees is now significantly lower than the value originally assigned using the Black Scholes model.

**Income taxes**

The Company follows the asset and liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are determined based on differences between the financial statements carrying values and the income tax bases of assets and liabilities, and are measured using the substantively enacted income tax rates and laws that are expected to be in effect when the temporary differences are expected to reverse. At March 31, 2009, the Company had recorded a future income tax liability of $35.7 million.

The effect on future income tax assets and liabilities of a change in income tax rates (such as occurred in the third quarter ended December 31, 2007) is recognized in the period that includes the date of enactment or substantive enactment of the change. When the future realization of income tax assets does not meet the test of being more likely than not to occur, a valuation allowance in the amount of the potential future benefit is taken and no net asset is recognized.

**Use of estimates**

The preparation of the financial statements in conformity with Canadian generally accepted accounting principles 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 year. Actual results could differ from estimates. During the fiscal periods presented, management has made a number of significant estimates and valuation assumptions, including the recoverability of investments in mineral property interests, fair value of stock options and valuation of tax accounts. These estimates and valuation assumptions are based on present conditions and management's planned course of action, as well as assumptions about future business and economic conditions. Should future business and economic conditions deteriorate, or the underlying valuation assumptions and estimates change, the recorded amounts could change by a material amount.

**Asset retirement obligations**

The Company will be required to record a liability for the estimated future costs associated with legal obligations relating to the reclamation and closure of its mineral properties. This amount will be initially recorded in the period in which it is identified at its discounted present value, with subsequent annual recognition of an accretion amount on the discounted liability. An equivalent amount will be recorded as an increase to mineral property interests and will be amortized over the useful life of the property. Management is not currently aware of any significant asset retirement obligation of the Company and no such amount has been recorded.

## NEW ACCOUNTING STANDARDS

The Company adopted several new standards which are applicable to the financial disclosures and results of operations for annual periods beginning April 1, 2008, including CICA Handbook Section 1535 "*Capital Disclosures*"; Section 3862 and 3863, "*Financial Instruments – Disclosures and Presentation*". The adoption of these accounting standards did not have any material effect on the financial position or performance of the Company.

### International Financial Reporting Standards

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February of 2008, the AcSB announced that 2011 is the changeover date for publicly accountable enterprises to use IFRS. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of April 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended March 31, 2011.

The Company has developed a three phase changeover plan to adopt IFRS by April 1, 2011 as follows:

- Phase 1 – Scope and Plan: This first phase involves the development of an initial project plan and structure, the identification of differences between IFRS and existing Canadian GAAP, and an assessment of their applicability and the expected impact on the Company.

- Phase 2 – Design and Build: The second phase includes the detailed review, documentation and selection of accounting policy choices relating to each IFRS standard. This phase will also include assessing the impact of the conversion on business activities, including the effect on information technology and data systems, income tax, internal controls over financial reporting, and disclosure controls. In this phase, accounting policies will be finalized, first-time adoption exemptions and exceptions will be considered, and draft financial statements and note disclosures will be prepared.

- Phase 3 – Implement and Review: The final phase involves the actual implementation of IFRS standards. This phase will involve the finalization of IFRS conversion impacts, approval and implementation of accounting policies, implementation and testing of new processes, systems and controls, and the execution of detailed training where required.

As at March 31, 2009, the first phase of the Company's IFRS project was started. This phase of the project is expected to be complete by June 30, 2009. Phase 2 of the project is expected to be complete by December 31, 2009. The final phase, phase 3 is expected to be complete by March 31, 2010. The project completion is geared for the start of the March 31, 2011 fiscal year to facilitate the preparation of interim financial statements for the purpose of comparison to the corresponding interim period for the year ended March 31, 2012. Any first time adoption exemptions and exceptions that are agreed upon during phase 2 due to be completed by December 31, 2009 will be incorporated in the accounting policies in the comparative financial statements for the March 31, 2011 fiscal year.

### Sections 1582, Business Combinations, 1601, Consolidations and 1602, Non-controlling Interests

In January 2009, the CICA issued these new sections to replace Section 1581, "Business Combinations" and Section 1600, "Consolidated Financial Statements." Section 1582 will apply to a transaction in which the acquirer obtains control of one or more businesses (as defined in the Section). Most assets acquired and liabilities assumed, including contingent liabilities that are considered to be improbable, will be measured at fair value. A bargain purchase will result in the recognition of a gain. Acquisition costs will be expensed. Any non-controlling interest will be recognized as a separate component of shareholders' equity and net income will be allocated between the controlling and noncontrolling interests. These new standards will apply to fiscal years beginning on or after January 1, 2011. The Company does not believe that these new

Sections will have an impact on its financial statements unless the Company enters into a business acquisition subsequent to January 1, 2011.

**Section 3064, Goodwill and Intangible Assets**

In February 2008, the CICA issued the new Section 3064 to replace Section 3062, "Goodwill and Other Intangible Assets" and establish standards for the recognition, measurement and disclosure of goodwill and intangible assets. In addition, the CICA issued amendments to Section 1000 "Financial Statement Concepts" and Accounting Guideline 11, "Enterprises in the Development Stage" and withdrew Section 3450, "Research and Development Costs," Emerging Issue Committee (EIC) Abstract 27, "Revenues and Expenditures during the Pre-operating Period" is no longer applicable for companies that have adopted CICA 3064. The mandatory effective date is for annual and interim financial statements for years beginning on/after October 1, 2008 (i.e. April 1, 2009). The Company does not believe that Section 3064 will have a significant impact on its financial statements under current operating conditions.

## NORMAL COURSE ISSUER BID

The Company is of the view that the recent market prices of its common shares do not properly reflect the underlying value of the Company's assets. As a result, the Company obtained TSX approval to conduct a normal course issuer bid pursuant to which the Company may purchase up to a maximum of 684,140 common shares in the capital of the Company, representing approximately 10.0% of the public float of the Company as at September 30, 2008. As of March 31, 2009, the Company had repurchased 45,500 shares at a cost of $43,026 all of which shares have been returned to treasury and cancelled.

Purchases pursuant to the Bid will be made from time to time through the facilities of the Toronto Stock Exchange (TSX) for a period of up to one year from October 2, 2008. Pursuant to TSX policies, daily purchases made by the Company under the Bid may not exceed 21,126 shares, representing 50% of the average daily trading volume of 42,253 shares on the TSX over the nine months prior to October 2, 2008, subject to certain prescribed exceptions. Common shares purchased will be paid for with cash available from the Company's working capital. All common shares purchased pursuant to the Bid will be cancelled and returned to treasury. No insiders of the Company intend to participate in the Bid.

## 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 the Company's Prospectus dated November 23, 2007 and in the Company's Annual Information Form (both available on SEDAR) and are summarized below.

***Exploration Development and Operating Risks***

Exploration for minerals and development of mining operations involve many risks, most of which are outside the Company's control. There can be no assurance that any mineral production will be obtained or continued from the Company's properties, or that any such production will be profitable. In addition to the normal and usual risks of exploration and mining, the area of Western Labrador near Schefferville is situated in a remote location and does not have road access to other parts of Canada. The only means to transport iron ore from the Schefferville Project is by rail and refurbishment of the tracks, rails and culverts will have to be carried out.

The Company's future operations will require rail transportation from the Schefferville region to the Port of Sept-Îles and ship berthing, storage and loading facilities at such port. There can be no assurance that the Company will be successful in negotiating such arrangements or in negotiating them on economically feasible terms. Failure to negotiate such arrangements could render the Schefferville Project unviable.

### *Permitting*

The Schefferville Project is located in a remote area in Western Labrador adjacent to the boundary with the Province of Québec. The Company is required to obtain various permits to carry on its activities and is subject to various reclamation and environmental conditions. While the Company has all necessary permits to complete the exploration work, resource definition work and feasibility and engineering studies, additional permits will be required to bring the Schefferville Project to production.

The Company submitted the Project Registration Application for the first phase of the Schefferville Project to the Department of Environment and Conservation in the Province of Newfoundland and Labrador and to the Canadian Environmental Assessment Agency and subsequently submitted an Environmental Impact Statement to the Department which is currently under review and the Company had been requested to provide further information.

There can be no assurance that the necessary permits will be obtained within a reasonable time or at all. If the necessary permits are not issued within a reasonable time the Company may be delayed in achieving its planned commencement of initial production in 2010. To the extent such approvals are required and not obtained; the Company may be curtailed or prohibited from proceeding with planned development of its Schefferville Project or other mineral properties or from commencing or continuing its mining operations.

### *Environmental*

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. 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 Project 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 on 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 are 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. Any changes in such laws could cause additional expense, capital expenditures, restrictions and delays in the activities of the Company and 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 on the Schefferville Project, 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.

***Political and First Nations***

The Company conducts its operations in Western Labrador in the Province of Newfoundland and Labrador in an area which is subject to conflicting First Nations land claims. There are a number of First Nations peoples living in the Quebec-Labrador peninsula with overlapping claims to treaty or aboriginal land rights. Generally, the Government of Newfoundland and Labrador views acceptance by both the Federal Government and the Government of Newfoundland and Labrador of such a claim for the purposes of comprehensive land claim negotiations as a necessary, but not a sufficient, condition of a "credible claim." Aboriginal claims to lands, and the conflicting claims to traditional rights between aboriginal groups, may have an impact on the Company's ability to develop the Schefferville Project. The boundaries of the traditional territorial claims by these groups, if established, may impact on the Labrador area, including the areas which constitute the Schefferville Project. 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.

Section 35 of the *Constitution Act, 1982* recognizes and affirms existing aboriginal and treaty rights. There have also been significant judicial decisions which have impacted the relationship of Aboriginal peoples with government. Government activities cannot infringe upon aboriginal rights unless there is proper justification. When development is proposed in an area to which an aboriginal group asserts aboriginal rights and titles, and a credible claim to such rights and titles has been made out, a developer may be required to conduct consultations concerning the proposed development with the aboriginal group that may be affected by the project.

Consultations can vary depending on the nature of the aboriginal right affected and the degree of impact. The results of the consultations may conclude that the interests of the aboriginal group be accommodated wherever appropriate Obligations can range from information sharing to provisions for the participation of the aboriginal group in the development, and compensation for impacts. Consultation must be meaningful with the view to accommodating the interests of the aboriginal group affected.

The Labrador Innu, as represented by the Innu Nation are the only aboriginal party with a land claim that has been accepted by the Government of Newfoundland Labrador. The Innu of Labrador claim aboriginal rights and title to land and resources in Western Labrador in an area which includes the proposed Schefferville Project area. The claim has been accepted by the Governments of Canada and Newfoundland and Labrador. The Government of Newfoundland and Labrador, together with the Government of Canada, entered into a framework agreement with the Innu of Labrador in March 2006 as a first step in the process towards reaching a treaty. The land claim framework agreement provides a road map for the next stage in treaty negotiations. In September 2008, the Government of Newfoundland and Labrador and the Innu Nation of Labrador, signed the Tshash Petapen (New Dawn) Agreement which resolves key issues relating to matters between the Province and the Innu Nation and will facilitate the finalization of the Innu Rights Agreement. The New Dawn Agreement deals with subjects such as land title, aboriginal harvesting rights, access to resources, aboriginal participation in resource management and financial compensation

The Labrador Métis Nation has asserted a land claim in parts of Labrador but does not appear to include the Schefferville Project area. However, this land claim has not been accepted for negotiation by the Governments of Canada or Newfoundland and Labrador.

There are other Innu groups based in Québec (including Schefferville, Kawawachikamach and Sept-Îles) who claim aboriginal rights in Labrador. Their claims have not been accepted for negotiation by the Government of Newfoundland and Labrador. However, their claims in Québec have been accepted for negotiation by the Governments of Canada and Québec. These claim areas include the area of the Schefferville Project and the Québec Innu may be regarded as having overlapping credible land claims in the Schefferville Project area.

No land claim settlement agreement has been reached between Canada or the Province of Newfoundland and Labrador with the Naskapi First Nation, located at Kawawachikamach, Quebec, about 25 kilometers northeast of Schefferville, with respect to asserted claims in Labrador.

The Innu of Quebec, located at Matimakush near Schefferville, and at the communities of Uashat and Mani-Utenam, near Sept-Îles Quebec, assert aboriginal rights to traditional lands which include parts of Labrador. No land claim settlement agreements have been reached between Canada or the Province of Newfoundland and Labrador with the Innu of Quebec.

The Company has initiated a program of community consultation and intends to negotiate and enter into memoranda of understanding and later collaboration agreements with First Nations communities living in or adjacent to, or having an interest in or claims to, historical lands or treaty or aboriginal rights in the Schefferville Project area, or who may be impacted by the Schefferville Project.

On July 24, 2008, the Company and Innu Nation of Labrador, representing the Sheshatshiu Innu First Nation and the Mushuau Innu First Nation, respectively, living in the communities of Sheshatshiu and Natuashish, Labrador, signed an Impact Benefit Agreement (IBA), committing to an ongoing relationship between the Innu Nation and Labrador Iron Mines with respect to the development of the Company's iron ore project located in Western Labrador. The IBA is a life of mine agreement that establishes the processes and sharing of benefits that will ensure an ongoing positive relationship between Labrador Iron Mines and the Innu Nation. In return for their consent and support of the project, the Innu Nation and their members will benefit through training, employment, business opportunities and financial participation in the project.

The Company has also signed Memoranda of Understanding with each of the Naskapi Nation of Kawawachikamach and the Innu Nation of Matimekush-Lac John (Schefferville), both located in Quebec close to the Project. It is expected that both of these will be converted into substantive co-operation and benefit agreements in the near future and that a similar agreement will also be concluded with the communities of Uashat and Mani-Utenam, near Sept-Îles Quebec.

There can be no assurance that the Company will be successful in reaching any agreement with any First Nations groups who may assert aboriginal rights or may have a claim which affects the Company's Properties or may be impacted by the Schefferville Project, including the Naskapi First Nation and/or the Innu of Quebec.

***Metal Prices and Market Sentiment***

The prices of metals, including iron and steel, fluctuate widely and are affected by many factors outside the Company's control. The relative price of metals and future expectations for such prices, have a significant impact on the market sentiment for investment in mining and mineral exploration companies. Metal price fluctuations may be either exacerbated or mitigated by international currency fluctuations which affect the sales revenue received in terms of the domestic currency in which such metals are produced. The Company relies on equity financings for its working capital requirements and to fund its exploration, development and permitting activities. There is no assurance that any additional financing will be available to the Company or that it will be available on acceptable terms.

***Currency risk***

When in production, the Company will be exposed to currency risk as the price of iron ore is generally quoted and denominated in U.S. dollars. Changes in the U.S. dollar/Canadian dollar exchange rate may result in a decrease or increase in foreign exchange gains or losses. The Company does not use derivative instruments to reduce its exposure to foreign currency risk.

***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 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 due diligence with respect to determining title to and interests in its mineral properties, there is no guarantee that such title to or interests in the mineral 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 mineral properties in accordance with the laws of Newfoundland and Labrador and therefore their exact location and area could be in doubt. The Company can give no assurance as to the validity of title of the Company to its mineral properties or the size of such mineral properties.

## INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Chief Executive Officer and Chief Financial Officer 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 generally accepted accounting principles.

The Company has adopted basic systems of internal controls over financial reporting. The Chief Executive Officer and the Chief Financial Officer have evaluated the design of internal controls over financial reporting as of March 31, 2009. During this process, management identified certain potential deficiencies in internal controls over financial reporting. These deficiencies are not considered to be significant. The design of a control system must reflect that there are staffing and financial resource constraints, and that the benefits of controls must be considered relative to their costs to the Company. Due to the limited number of staff at the Company, it is not feasible or cost effective to achieve "ideal" segregation of duties. These matters and their related risks are not uncommon in a company of this size and stage of growth and are not considered to be significant. The Company has taken such action as it considered appropriate to minimize any potential risks from these potential deficiencies, including increased senior management review. The Company anticipates hiring additional accounting and administrative staff as the Company grows and commences production.

The Company's management, including the Chief Executive Officer and Chief Financial Officer, believe that any system of internal control over financial reporting, including those systems determined to be effective, and no matter how well conceived and operated, has inherent limitations and can provide only reasonable, not absolute, assurance that the objectives of the control system are met with respect to financial statement preparation and presentation. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error, mistake or faulty communication. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of the control. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and may not be detected.

**DISCLOSURE CONTROLS AND PROCEDURES**

Disclosure controls and procedures are designed to provide reasonable assurances that material information is gathered and reported to senior management, including the Chief Executive Officer and Chief Financial Officer as appropriate, to permit timely decisions regarding public disclosure. Management, including the Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of the Company's disclosure controls and procedures as of March 31, 2009. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that as of the end of the period covered by this Management Discussion and Analysis the Company's disclosure controls and procedures, as defined in Multilateral Instrument 52-109 – Certification of Disclosure in Issuer's Annual and Filings, were effective to provide reasonable assurance that material information required to be disclosed in reports filed or submitted by the Company is recorded, processed, summarized and reported within the appropriate time periods.

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

**OUTLOOK**

The immediate and medium-term outlook for the minerals industry is uncertain. There has been a considerable degree of weakness in the world-wide steel industry during the last six months caused by the global slowdown and falling steel demand. This has resulted in a major reduction in iron ore prices as reflected in the recent settlement between Rio Tinto and the Japanese steel mills. The timing and extent of the downturn and the subsequent recovery will be influenced both by the success in the new national infrastructure initiatives currently being implemented in both China and in the western countries, and in the level of confidence in the success of such initiatives both by steel producers and by end-user consumers. It is likely to be some months before a meaningful picture of any economic recovery develops.

Management believes that the long-term fundamentals of the iron ore market will remain generally strong for most of the expected life of the Company's planned operations. This view is based upon several factors including an expected recovery in Chinese and south-east Asia demand. Chinese iron ore imports to date in 2009 are higher than in 2008 while domestic Chinese production is falling. Iron ore prices are expected to remain robust once global demand returns to more stable levels. In the meantime levels of demand for iron ore products are likely to remain depressed. Currently this does not significantly affect LIM as production is not targeted until 2010. Beyond 2009 the future of iron ore pricing will be dependent on the rate of recovery of world-wide economies. LIM is of the view that for 2010, the first year of planned significant commercial production from its Schefferville Project, as global demand turns positive, there will be some recovery of iron ore prices, over the reduced prices expected for 2009.

**ADDITIONAL INFORMATION**

Additional information regarding the Company, including the Audited Financial Statements, Management's Discussion and Analysis and Annual Information Form for the year ended March 31, 2009 and the Company's Prospectus dated November 23, 2007, is available under the Company's profile on SEDAR at www.sedar.com and on the Company's website at www.labradorironmines.ca.

## FORWARD LOOKING STATEMENTS

*This management's discussion and analysis contains certain forward-looking statements relating to, but not limited to, the Company's expectations, intentions, plans and beliefs. Forward-looking information can often be identified by forward-looking words such as "anticipate", "believe", "expect", "goal", "plan", "intend", "estimate", "may" and "will" or similar words suggesting future outcomes, or other expectations, beliefs, plans, objectives, assumptions, intentions or statements about future events or performance. Forward-looking information may include reserve and resource estimates, estimates of future production, unit costs, costs of capital projects and timing of commencement of operations, and is based on current expectations that involve a number of business risks and uncertainties. Factors that could cause actual results to differ materially from any forward-looking statement include, but are not limited to, failure to establish estimated resources and reserves the grade and recovery of ore which is mined varying from estimates, capital and operating costs varying significantly from estimates, delays in obtaining or failures to obtain required governmental, environmental or other project approvals, delays in the development of projects changes in exchange rates, fluctuations in commodity prices, inflation and other factors. Forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results to differ materially from expected results. 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.*