

Labrador Iron Mines Holdings Ltd.

LIM : TSX : C\$4.32

BUY**Target: C\$10.00 ↓**

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COMPANY STATISTICS:

52-week Range: C\$1.36-7.65
Market Cap (M): C\$160.5

EARNINGS SUMMARY:

| FYE Mar | 2009A | 2010E | 2011E | 2012E | 2013E |
|-----------------------------|--------|-------|-------|-------|-------|
| Iron ore fine (US\$/tonne): | NA | 59 | 110 | 91 | 91 |
| Iron ore lump (US\$/tonne): | NA | 65 | 132 | 109 | 98 |
| EPS adj. fd: | -0.01 | 0.03 | 0.09 | 1.32 | 2.16 |
| P/E (x): | NM | NM | 48.7 | 3.3 | 2.0 |
| Op CF /shr: | -0.02 | -0.08 | -0.24 | 1.34 | 2.19 |
| P/Op CF (x): | NM | NM | NM | 3.2 | 2.0 |
| Free CFPS: | (0.02) | -0.08 | -0.24 | 1.33 | 2.19 |
| P/FCF (x): | NM | NM | NM | 3.2 | 2.0 |

SHARE PRICE PERFORMANCE:**COMPANY SUMMARY:**

Labrador Iron Mines Holdings Ltd is re-activating the Schefferville iron ore project in north-western Labrador, Canada. The project contains about 140 million tonnes of historic DSO iron ore resources. Processing requirements are minimal, and transportation infrastructure is largely in place. The company expects first production in 2010.

All amounts in C\$ unless otherwise noted.

Metals and Mining -- Base Metals and Minerals**DECREASING OUR TARGET PRICE TO C\$10.00****Event**

We have reviewed our commodity price and currency forecasts. For LIM, we have decreased our average FY2012 iron ore price forecast from US\$108/t to US\$98/t, (comprising US\$91/t for fines and US\$106/t for lump). We are discounting LIM's prices against Vale prices for Fe content. Our long-term price forecast of US\$59/t is in line with prices prevailing during H2/09. Our long-term C\$/US\$ exchange rate forecast is 0.95.

Impact

Our new EBITDA forecasts are C\$6 million in FY2011E and C\$87 million in FY2012E, up from C\$27 million and C\$107 million. Our new adjusted EPS forecasts are C\$0.09 in FY2011E (ending April 2011) and C\$1.32 in FY2012E.

Action and valuation

We are maintaining our BUY recommendation, but decreasing our 12-month target price to C\$10.00 (from C\$10.80), based on our NPV12 of C\$10.00. Our valuation is supported by a multiple of 4-5x FY12E EBITDA.

Next catalyst and key risks

Ramp-up risk remains high for LIM. We note that LIM has not yet received a construction permit for the processing plant, or operating permits for the (now installed) rail spur or the mine, and that Impact Benefit Agreements with local Innu communities are still to be completed.

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Figure 1: Labrador Iron Mines' financial summary

| Table 1: Financial summary, FYE March | 11-Jul | Q4'10A | Q1'11E | Q2'11E | Q3'11E | 2009A | 2010A | 2011E | 2012E | 2013E | 2014E |
|--|---------------------------|---------------|---------------|---------------|---------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Sales revenue | <i>C\$million</i> | - | - | 10.5 | 8.8 | - | - | 19.3 | 193.2 | 287.6 | 308.9 |
| Operating expenses | <i>C\$million</i> | 0.7 | 0.9 | 5.6 | 5.6 | 2.0 | 2.6 | 12.9 | 105.8 | 147.1 | 170.6 |
| EBITDA | <i>C\$million</i> | (0.7) | (0.9) | 4.9 | 3.2 | (2.2) | (2.7) | 6.3 | 87.4 | 140.4 | 138.3 |
| Net income | | | | | | | | | | | |
| Net earnings | <i>C\$million</i> | (0.4) | (0.7) | 3.4 | 2.2 | (0.4) | 1.2 | 4.0 | 60.3 | 98.7 | 99.6 |
| EPS (basic) | <i>C\$ps</i> | (0.01) | (0.02) | 0.08 | 0.05 | (0.01) | 0.03 | 0.09 | 1.39 | 2.27 | 2.29 |
| EPS (diluted) | <i>C\$ps</i> | (0.01) | (0.02) | 0.07 | 0.05 | (0.01) | 0.03 | 0.09 | 1.32 | 2.16 | 2.18 |
| Shares on issue - diluted | <i>million</i> | 38.0 | 45.3 | 45.3 | 45.6 | 37.2 | 37.4 | 45.6 | 45.6 | 45.6 | 45.6 |
| Cash | <i>C\$million</i> | 48.3 | 38.3 | 17.6 | 19.3 | 35.2 | 48.3 | 18.4 | 76.2 | 174.0 | 273.1 |
| Net debt (cash) | <i>C\$million</i> | (48.3) | (38.3) | (17.6) | (19.3) | (35.2) | (48.3) | (18.4) | (76.2) | (174.0) | (273.1) |
| Capex | <i>C\$million</i> | 4 | 9 | 9 | 1 | 11.4 | 14.4 | 19.1 | 3.4 | 2.4 | 2.4 |
| Cash flow from operations | <i>C\$million</i> | (0.8) | (0.7) | (11.7) | 2.1 | (0.8) | (3.1) | (11.2) | 60.8 | 99.8 | 101.2 |
| CFPS (diluted) | <i>C\$ps</i> | | | | | (0.02) | (0.08) | (0.24) | 1.34 | 2.19 | 2.23 |
| Table 2: Key input variables | | Q4'10A | Q1'11E | Q2'11E | Q3'11E | 2009A | 2010A | 2011E | 2012E | 2013E | 2014E |
| Production fines ore | <i>million dry tonnes</i> | - | - | 0.05 | 0.05 | - | - | 0.1 | 1.2 | 2.2 | 3.0 |
| Production lump ore | <i>million dry tonnes</i> | - | - | 0.03 | 0.03 | - | - | 0.1 | 0.8 | 0.7 | 1.0 |
| Total product production | <i>million dry tonnes</i> | - | - | 0.08 | 0.08 | - | - | 0.2 | 2.0 | 3.0 | 4.0 |
| Fines sales | <i>million dry tonnes</i> | 0.0 | 0.0 | 0.05 | 0.05 | - | - | 0.1 | 1.2 | 2.2 | 3.0 |
| Lump sales | <i>million dry tonnes</i> | 0.0 | 0.0 | 0.03 | 0.03 | - | - | 0.1 | 0.8 | 0.7 | 1.0 |
| Total product sales | <i>million dry tonnes</i> | - | - | 0.08 | 0.08 | - | - | 0.2 | 2.0 | 3.0 | 4.0 |
| Fines price (per tonne) | <i>US\$/tonne</i> | 58.7 | 0.0 | 119.6 | 100.9 | 84.0 | 58.7 | 110.3 | 90.8 | 90.8 | 72.6 |
| Lump price (per tonne) | <i>US\$/tonne</i> | 64.8 | 0.0 | 143.5 | 120.9 | 121.4 | 64.8 | 132.2 | 108.8 | 97.9 | 76.0 |
| Average product price | <i>US\$/tonne</i> | | | 129.2 | 108.9 | | | 119.0 | 98.0 | 92.6 | 73.5 |
| Total operating costs (per ton dry con) | <i>C\$/dry tonne sold</i> | 0.00 | 0.00 | 57.5 | 57.0 | | | 57.2 | 50.4 | 44.8 | 38.3 |
| C\$/US\$ exchange rate | | 0.96 | 0.97 | 0.97 | 0.98 | | 0.92 | 0.98 | 0.99 | 0.95 | 0.95 |

Source: Company reports, Canaccord Genuity estimates

OUR IRON ORE PRICE AND CURRENCY FORECASTS

We have reviewed our iron ore price and currency forecasts. Our LIM iron ore price forecast changes are presented as Figure 2. We are forecasting iron ore prices to peak in Q3/10, Figure 1 for our LIM forecast (CYQ3/10 = FYQ2/11). We are assuming product grades of 64% for fines and 63% for lump. For 2011, our C\$/US\$ forecast remains 1.00, and our long-term forecast is 0.95.

Our LIM operating forecasts are presented as Figure 4. We are assuming immaterial production for CY2010. We note that LIM has not yet received a construction permit for the processing plant, or operating permits for the (now installed) rail spur or the mine, and that Impact Benefit Agreements with local Innu communities are still to be completed.

Figure 2: Our new vs. old LIM iron ore price and C\$/US\$ assumptions, in iron ore years

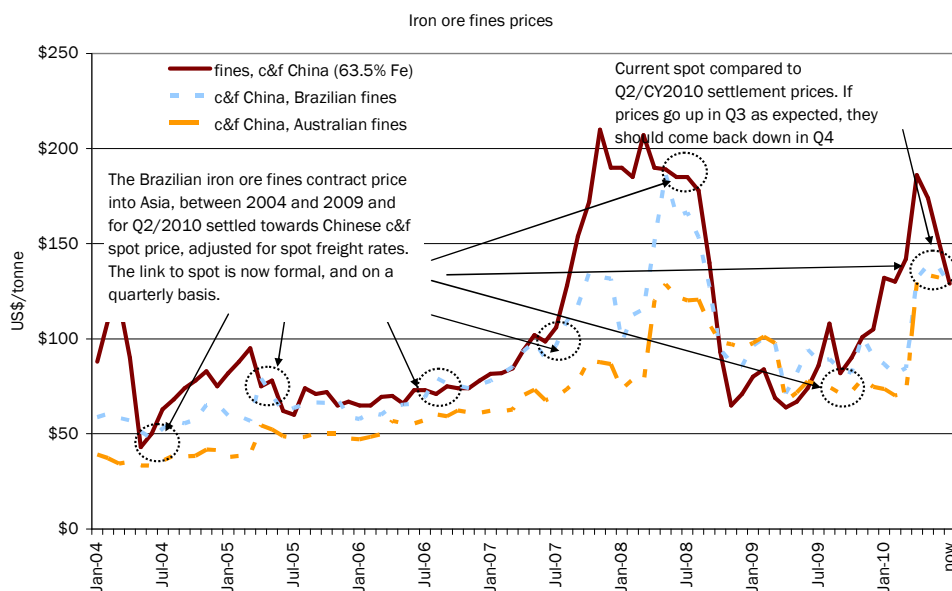
| | LIM Financial Year (e.g. FY12 is Apr 11 - Mar 12) | | | | | | |
|---------------------------------|---|--------|--------|-------|-------|-------|-------|
| | FY10 | FY11 | FY12 | FY13 | FY14 | FY15 | LT |
| Iron ore avg price US\$/t - NEW | 54.36 | 119.03 | 98.00 | 92.58 | 73.50 | 59.24 | 59.24 |
| Iron ore avg price US\$/t - OLD | 54.36 | 101.70 | 108.05 | 95.40 | 76.32 | 61.05 | 61.05 |
| % Change | | 17% | -9% | -3% | -4% | -3% | -3% |
| C\$/US\$ - NEW | 0.92 | 0.98 | 0.99 | 0.95 | 0.95 | 0.95 | 0.95 |
| C\$/US\$ - OLD | 0.92 | 1.00 | 0.99 | 0.95 | 0.95 | 0.95 | 0.95 |
| % Change | 0% | -2% | 0% | 0% | 0% | 0% | 0% |

Source: Canaccord Genuity estimates

We note recent Chinese iron ore spot prices of about US\$130/t for a 63.5% Fe product, Figure 3, such that there is now some downside risk to our new iron ore and pellet price forecasts. We are forecasting Q4/10 and 2011 prices of US\$1.81/dmtu and US\$1.63/dmtu for Vales's southern system 65% Fe sinter product.

A spot price of US\$130/t landed in China for a 63.5% dry Fe product equates to about US\$139/t for a 65% Fe product landed in China. Current spot Capesize freight rates from Brazil to China are US\$21.50/t wet, such that a US\$130/t spot price in China equates to a US\$115/t price fob Brazil, or US\$1.77/dmtu. Given the extent of the current iron ore price weakness, risks to our 2011 iron ore price forecasts are probably balancing to the downside. Deducting: i) an Fe content premium, and ii) a start-up/small producer discount would equate to about US\$100/t for LIM fines. Given the potential to place LIM's relatively small start-up volumes into Europe, we are not applying a freight rate discount for any sales to China.

Figure 3: Read-through from spot c&f price to China



Source: Bloomberg, SSI, Canaccord Genuity

Figure 4: Assumptions, by iron ore year (e.g., 2010 = April 2010 – March 2011)

| | | LIM Financial Year (e.g. FY12 is Apr 11 - Mar 12) | | | | | |
|----------------------------|-------------|---|--------|-------|-------|-------|-------|
| | | FY11 | FY12 | FY13 | FY14 | FY15 | LT |
| Sales | | | | | | | |
| - total | '000 dmt | 158 | 1,972 | 2,951 | 3,993 | 4,957 | 5,976 |
| - fine | '000 dmt | 95 | 1,183 | 2,213 | 2,995 | 3,718 | 4,482 |
| - lump | '000 dmt | 63 | 789 | 738 | 998 | 1,239 | 1,494 |
| Iron ore concentrate price | | | | | | | |
| - average | US\$/t | 119.03 | 98.00 | 92.58 | 73.50 | 59.24 | 59.24 |
| - fine | US\$/t | 110.27 | 90.81 | 90.81 | 72.65 | 58.12 | 58.12 |
| - lump | US\$/t | 132.17 | 108.78 | 97.90 | 76.04 | 62.61 | 62.61 |
| Unit operating cost | C\$/product | 57.24 | 50.44 | 44.85 | 38.35 | 38.24 | 38.24 |
| Unit G&A | C\$/dmt | 15.34 | 1.23 | 0.82 | 0.61 | 0.49 | 0.40 |
| US\$/C\$ | | 0.98 | 0.99 | 0.95 | 0.95 | 0.95 | 0.95 |

Note: dmt = dry metric tonne
Source: Canaccord Genuity estimates

OUR FORECAST CHANGES

We have also adjusted our financial forecasts for Q3/FY10 financial results. Our new FY11-13 adjusted EPS forecasts are as follows:

- F2011 – diluted EPS of C\$0.09, down from C\$0.40;
- F2012 – diluted EPS of C\$1.32, down from C\$1.63.
- F2013 – diluted EPS of C\$2.16, down from C\$2.31.

Our new F2011-F2013 operating cash flow before capex estimates are as follows:

- F2011 – C\$(0.24), down from C\$0.08;
- F2012 – C\$1.34, down from C\$1.65.
- F2013 – C\$2.19, down from C\$2.34.

Our new F2011-F2013 EBITDA estimates are as follows:

- F2011 – C\$6 million, down from C\$27 million;
- F2012 – C\$87 million, down from C\$107 million
- F2013 – C\$140 million, down from C\$149 million

The end-FY10 cash balance was C\$48 million. We are forecasting C\$18 million at end-FY2011, and C\$76m at end-FY2012.

VALUATION

We are maintaining our BUY recommendation, but decreasing our 12-month target price to C\$10.00 (from C\$10.80), which is also our NPV12 estimate.

We will likely decrease our discount rate to 10% upon construction progress and better visibility of project commissioning. Given our current capital and operating cost assumptions, NPV10 estimate would be C\$10.79.

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Once in production, we will probably change to a multiple-based target price. We present Figure 5 as an example of potential multiple valuation.

On an EV/EBITDA basis, on a one- to two-year timeframe, we can foresee a C\$8.00-14.00 share price range at a 4x multiple, or a C\$10.00-17.00 range at a 5x multiple

Figure 5: Labrador Iron Mines potential multiple valuation (FY2011 is year ending March 2011)

| Multiple val FYE March | 2008 | 2009 | 2010E | 2011E | 2012E | 2013E | 2014E | 2015E | 2016E | 2017E |
|---|------|--------|--------|-------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Sales (mt) | | | | 0.2 | 2.0 | 3.0 | 4.0 | 5.0 | 6.0 | 6.0 |
| EPS | 0.14 | (0.01) | 0.03 | 0.09 | 1.32 | 2.16 | 2.18 | 1.63 | 1.99 | 2.03 |
| ...at a multiple of | | | | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 |
| P/E valuation is | | | | 0.53 | 7.92 | 12.97 | 13.09 | 9.79 | 11.93 | 12.17 |
| CFPS | 0.01 | (0.02) | (0.08) | (0.24) | 1.34 | 2.19 | 2.23 | 1.69 | 2.05 | 2.09 |
| ...at a multiple of | | | | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 |
| P/CF valuation is | | | | (1.43) | 8.05 | 13.17 | 13.35 | 10.11 | 12.33 | 12.56 |
| Average valuation | | | | (0.45) | 7.99 | 13.07 | 13.22 | 9.95 | 12.13 | 12.36 |
| net cash per share, start of year | | 1.34 | 0.95 | 1.27 | 0.40 | 1.67 | 3.81 | 5.98 | 7.62 | 9.37 |
| plus cash from warrants & options | | | | 0.13 | 0.13 | 0.13 | 0.13 | 0.13 | 0.13 | 0.13 |
| multiple valuation plus the cash | | | | 0.95 | 8.52 | 14.87 | 17.16 | 16.06 | 19.88 | 21.87 |
| EBITDA | C\$m | | | 6.3 | 87.4 | 140.4 | 138.3 | 98.7 | 119.7 | 119.7 |
| ...EV at a multiple of 4x | C\$m | | | 25.4 | 349.6 | 561.7 | 553.3 | 394.9 | 478.8 | 478.8 |
| ...net cash | C\$m | | | 48.3 | 18.4 | 76.2 | 174.0 | 273.1 | 347.7 | 427.8 |
| ...cash from options and warrants | C\$m | | | 5.9 | 5.9 | 5.9 | 5.9 | 5.9 | 5.9 | 5.9 |
| ...market capitalisation | C\$m | | | 79.6 | 373.8 | 643.8 | 733.2 | 673.9 | 832.4 | 912.5 |
| Share price (fully diluted) | C\$m | | | 1.75 | 8.22 | 14.16 | 16.13 | 14.82 | 18.31 | 20.07 |
| ...EV at a multiple of 5x | C\$m | | | 31.7 | 437.0 | 702.1 | 691.7 | 493.6 | 598.5 | 598.5 |
| ...net cash | C\$m | | | 48.3 | 18.4 | 76.2 | 174.0 | 273.1 | 347.7 | 427.8 |
| ...cash from options and warrants | C\$m | | | 5.9 | 5.9 | 5.9 | 5.9 | 5.9 | 5.9 | 5.9 |
| ...market capitalisation | C\$m | | | 85.9 | 461.2 | 784.2 | 871.5 | 772.6 | 952.1 | 1032.2 |
| Share price (fully diluted) | C\$m | | | 1.89 | 10.14 | 17.25 | 19.17 | 16.99 | 20.94 | 22.70 |

Source: Canaccord Genuity estimates

Figure 6: Financial summary and ratios

| Labrador Iron Mines | | LIM.CN | | | | | FY end-March |
|--------------------------------------|---------|---------|--------|---------|---------|---------|--------------|
| Profit & Loss | | | | | | | |
| In CAD '000s unless otherwise stated | | | | | | | |
| Year to March | 2009A | 2010A | 2011E | 2012E | 2013E | 2014E | |
| Sales Revenue | - | - | 19,266 | 193,224 | 287,555 | 308,928 | |
| Other income | - | - | - | - | - | - | |
| Gross costs | 2,044 | 2,563 | 12,917 | 105,829 | 147,137 | 170,590 | |
| EBITDA | (2,241) | (2,726) | 6,349 | 87,395 | 140,418 | 138,337 | |
| Deprec'n & Amort'n | 48 | 112 | 79 | 986 | 1,475 | 1,997 | |
| EBIT | (2,289) | (2,838) | 6,270 | 86,409 | 138,943 | 136,340 | |
| Net Interest | 1,152 | 90 | 333 | 1,593 | 5,109 | 9,033 | |
| Profit Before Tax | (1,136) | (2,748) | 6,603 | 88,002 | 144,051 | 145,373 | |
| Income Tax | (784) | (3,913) | 2,558 | 27,749 | 45,376 | 45,793 | |
| Minorities | - | - | - | - | - | - | |
| Adjusted (core) net income | (352) | 1,165 | 3,203 | 59,489 | 97,990 | 98,896 | |
| EPS | (0.01) | 0.03 | 0.09 | 1.39 | 2.27 | 2.29 | |
| Diluted EPS | (0.01) | 0.03 | 0.09 | 1.32 | 2.16 | 2.18 | |
| Dividend per share | - | - | - | - | - | - | |
| Exceptional profit after tax | - | - | 843 | 764 | 685 | 685 | |
| Reported profit after tax | (352) | 1,165 | 4,045 | 60,253 | 98,675 | 99,581 | |

Source: Company data, Canaccord Genuity estimates

| Cash Flow, proforma | | | | | | |
|--|----------|----------|----------|----------|----------|----------|
| In CAD '000s unless otherwise stated | | | | | | |
| Year to March | 2009A | 2010A | 2011E | 2012E | 2013E | 2014E |
| Cashflow from operations | (2,241) | (2,726) | 6,349 | 87,395 | 140,418 | 138,337 |
| Net dividends from investments / to minorities | - | - | - | - | - | - |
| Exploration expensed (incl. in CF from ops.) | - | - | - | - | - | - |
| Maintenance capex | - | - | (300) | (400) | (400) | (400) |
| Net interest | (1,152) | (90) | (333) | (1,593) | (5,109) | (9,033) |
| Tax paid | - | - | (2,558) | (27,749) | (45,376) | (45,793) |
| Other operating c-flow | 2,569 | (315) | (14,334) | 3,186 | 10,217 | 18,066 |
| Operating cashflow | (824) | (3,132) | (11,176) | 60,839 | 99,750 | 101,177 |
| Expansion capex | (11,445) | (14,441) | (18,750) | (3,000) | (2,000) | (2,000) |
| Net acquisitions | - | - | - | - | - | - |
| Exploration capitalised | - | - | - | - | - | - |
| Other investing cash flow | 30 | (2,100) | - | - | - | - |
| Investment cash flow | (11,414) | (16,541) | (18,750) | (3,000) | (2,000) | (2,000) |
| Net capital raisings | (43) | 32,659 | - | - | - | - |
| Net borrowings | - | - | - | - | - | - |
| Distributions paid | - | - | - | - | - | - |
| Other financing cash flow | - | 111 | - | - | - | - |
| Financing cash flow | (43) | 32,770 | - | - | - | - |
| Forex | - | - | - | - | - | - |
| Net Cash Flow | (12,281) | 13,097 | (29,926) | 57,839 | 97,750 | 99,177 |

Source: Company data, Canaccord Genuity estimates

Source: Company reports, Canaccord Genuity estimates

| Balance Sheet | | | | | | |
|--------------------------------------|----------|----------|----------|----------|-----------|-----------|
| In CAD '000s unless otherwise stated | | | | | | |
| As at 31-March | 2009A | 2010A | 2011E | 2012E | 2013E | 2014E |
| Cash & equivalents | 35,202 | 48,299 | 18,373 | 76,212 | 173,962 | 273,139 |
| Other current assets | 537 | 677 | 15,677 | 15,677 | 15,677 | 15,677 |
| Property, plant & equipment | 141,792 | 158,803 | 177,774 | 180,188 | 181,113 | 181,516 |
| Exploration | - | - | - | - | - | - |
| Other assets | 155 | 2,255 | 2,255 | 2,255 | 2,255 | 2,255 |
| Total assets | 177,686 | 210,034 | 214,079 | 274,332 | 373,007 | 472,588 |
| Current liabilities | 1,067 | 2,119 | 2,119 | 2,119 | 2,119 | 2,119 |
| Non-current liabilities | 35,695 | 32,305 | 32,305 | 32,305 | 32,305 | 32,305 |
| Minorities | - | - | - | - | - | - |
| Other liabilities | - | - | - | - | - | - |
| Net assets | 140,923 | 175,610 | 179,655 | 239,907 | 338,583 | 438,163 |
| Total equity | 140,923 | 175,610 | 179,655 | 239,907 | 338,583 | 438,163 |
| Gearing (nd/nd+e) % | -33% | -38% | -11% | -47% | -106% | -166% |
| Working capital | 34,672 | 46,857 | 31,931 | 89,770 | 187,520 | 286,697 |
| Net debt | (35,202) | (48,299) | (18,373) | (76,212) | (173,962) | (273,139) |

Source: Company data, Canaccord Genuity estimates

| Ratios | | | | | | |
|--|--------|--------|--------|--------|--------|--------|
| In percentage points unless otherwise stated | | | | | | |
| Year to March | 2009A | 2010A | 2011E | 2012E | 2013E | 2014E |
| Profitability | | | | | | |
| Return on equity | -0.3% | 0.7% | 1.8% | 28.4% | 33.9% | 25.5% |
| Return on assets | -0.2% | 0.6% | 1.5% | 24.4% | 30.3% | 23.4% |
| Return on invested capital | -0.2% | 0.6% | 1.5% | 24.8% | 30.7% | 23.6% |
| Return on capital employed | -0.2% | 0.6% | 1.5% | 24.6% | 30.5% | 23.5% |
| EBITDA margin | na | na | 33.0% | 45.2% | 48.8% | 44.8% |
| EBIT margin | na | na | 32.5% | 44.7% | 48.3% | 44.1% |
| Net profit margin | na | na | 16.6% | 30.8% | 34.1% | 32.0% |
| Effective tax rate | na | na | 38.7% | 31.5% | 31.5% | 31.5% |
| Leverage | | | | | | |
| Net Interest Cover (times) | na | na | na | na | na | na |
| Current Ratio (times) | 33.5 | 23.1 | 16.1 | 43.4 | 89.5 | 136.3 |
| Other | | | | | | |
| Shares in issue (diluted) | 37,171 | 37,352 | 45,639 | 45,639 | 45,639 | 45,639 |
| Free Cashflow (\$ / share) | (0.02) | (0.08) | (0.24) | 1.33 | 2.19 | 2.22 |
| Cashflow after capex (\$ / share) | (0.33) | (0.47) | (0.66) | 1.27 | 2.14 | 2.17 |
| Cashflow before capex (\$ / share) | (0.02) | (0.08) | (0.24) | 1.34 | 2.19 | 2.23 |
| Dividend yield | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |

Source: Company data, Canaccord Genuity estimates

Source: Company data, Canaccord Genuity estimates

Investment risks

There are risks associated with the share price achieving our target price and our financial forecasts. Metals prices may not match our forecasts, and exchange rate fluctuations may impact company earnings. Further, there are operating risks involved in all mining operations. Technical, environmental, regulatory and political risks can all impact financial estimates and valuation.

APPENDIX: IMPORTANT DISCLOSURES

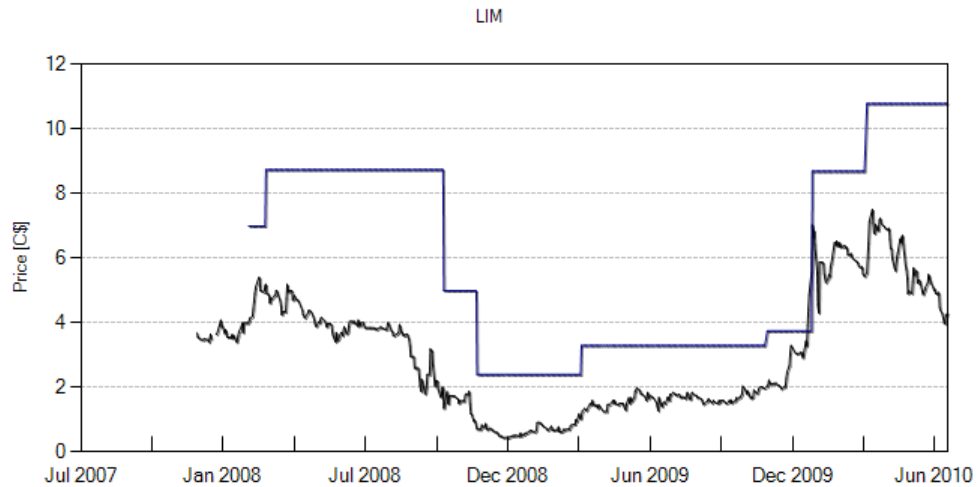
Analyst Certification:

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Site Visit:

An analyst has visited Labrador Iron Mines Holdings Ltd.’s material operations in Labrador. Partial payment or reimbursement was received from the issuer for the related travel costs.

Price Chart:*



| Date | Analyst | Rating | Target Price | Date | Analyst | Rating | Target Price |
|---------------|---------|--------|--------------|---------------|---------|--------|--------------|
| 1) 02/07/2008 | Lampard | Buy | 7.00 | 5) 04/02/2009 | Lampard | Buy | 3.30 |
| 2) 02/28/2008 | Lampard | Buy | 8.75 | 6) 11/23/2009 | Lampard | Buy | 3.75 |
| 3) 10/10/2008 | Lampard | Buy | 5.00 | 7) 01/19/2010 | Lampard | Buy | 8.70 |
| 4) 11/21/2008 | Lampard | Buy | 2.40 | 8) 03/29/2010 | Lampard | Buy | 10.80 |

*Price charts assume event 1 indicates initiation of coverage or the beginning of the measurement period.

Distribution of Ratings:

Global Stock Ratings
(as of 2 July 2010)

| Rating | Coverage Universe | | IB Clients | |
|-----------------|-------------------|--------|------------|-------|
| | # | % | # | % |
| Buy | 424 | 61.0% | 36 | 36.8% |
| Speculative Buy | 75 | 10.8% | 62 | 62.7% |
| Hold | 184 | 26.5% | 20 | 20.1% |
| Sell | 12 | 1.7% | 0 | 0.0% |
| | 695 | 100.0% | | |

Canaccord Ratings System:

BUY: The stock is expected to generate risk-adjusted returns of over 10% during the next 12 months.

HOLD: The stock is expected to generate risk-adjusted returns of 0-10% during the next 12 months.

SELL: The stock is expected to generate negative risk-adjusted returns during the next 12 months.

NOT RATED: Canaccord Genuity does not provide research coverage of the relevant issuer.

“Risk-adjusted return” refers to the expected return in relation to the amount of risk associated with the designated investment or the relevant issuer.

Risk Qualifier:

SPECULATIVE: Stocks bear significantly higher risk that typically cannot be valued by normal fundamental criteria. Investments in the stock may result in material loss.

Canaccord Research Disclosures as of 12 July 2010

| Company | Disclosure |
|-----------------------------------|---|
| Labrador Iron Mines Holdings Ltd. | 1A, 2, 3, 7 |
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