

### Labrador Iron Mines Holdings Ltd.

LIM : TSX : C\$1.97

**BUY**

**Target: C\$3.75 ↑**

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#### COMPANY STATISTICS:

52-week Range: C\$0.41-2.15  
 Market Cap (M): C\$73.2

#### EARNINGS SUMMARY:

FYE Mar	2009A	2010E	2011E	2012E
Iron ore fine (US\$/tonne):	NA	59	59	59
Iron ore lump (US\$/tonne):	NA	65	65	65
EPS adj. fd:	-0.01	-0.06	0.22	0.59
P/E (x):	NM	NM	8.8	3.3
Op CF /shr:	-0.02	-0.05	0.23	0.61
P/Op CF (x):	NM	NM	8.5	3.2
Free CFPS:	(0.02)	-0.05	0.22	0.60
P/FCF (x):	NM	NM	8.8	3.3

#### SHARE PRICE PERFORMANCE:



#### COMPANY SUMMARY:

Labrador Iron Mines Holdings Ltd plans to re-activate the Schefferville iron ore project in north-western Labrador, Canada. The project includes eight separate deposits which contain historical resources of 91 million tonnes of hematite ore. 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

### MOVING CLOSER TO PRODUCTION & WITH INCREASED RESOURCES

#### Event

We have reviewed our LIM valuation following the project update of the Q2/F10 financial results, including permitting progress and a doubling of mineral resources at the first two deposits to be mined.

#### Impact

We have decreased our NPV discount rate to 12% from 15% and are assuming first sales in summer 2010. Our FY11 (April 2010–March 2011) and FY12 EBITDA forecasts are C\$14 million and C\$34 million.

#### Action and valuation

We are maintaining our BUY recommendation with an increased target price of C\$3.75 (up from C\$3.30). Our valuation is based on our NPV12 of C\$3.65, assuming unchanged iron ore prices in 2011 and a long-term LIM average iron ore price forecast of US\$51/t, and assumed production cost of C\$38/t. We believe that risks to our 2010 iron ore price forecasts are balanced to the upside. Flexing our valuation model by considering 15% higher iron ore prices through our forecast profile, our NPV12 would increase to C\$6.80 (although we are more comfortable with our longer-term price forecasts than those of 2010), demonstrating the leverage of what we assume will be a relatively high-cost producer.

#### Next catalyst and key risks

While government acceptance of the EIS has paved the way for final project permitting, we note a tight schedule to achieve first production in mid-2010, with the northern winter and spring thaw likely to disrupt site construction efforts. We also note that rail and port contracts are still pending and that LIM has not yet reached any off-take agreements.

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**Figure 1: Labrador Iron Mines' financial summary**

<b>Table 1: Financial summary, FYE Mar</b>	<b>21-Nov</b>	<b>Q2'10A</b>	<b>Q3'10E</b>	<b>Q4'10E</b>	<b>Q1'11E</b>	<b>2008A</b>	<b>2009A</b>	<b>2010E</b>	<b>2011E</b>	<b>2012E</b>	<b>2013E</b>	<b>2014E</b>
Sales revenue	<i>C\$million</i>	-	-	-	-	-	-	-	45.7	101.5	138.3	156.6
Operating expenses	<i>C\$million</i>	0.8	0.8	0.8	0.8	2.3	2.0	2.6	32.1	67.8	106.6	123.9
EBITDA	<i>C\$million</i>	(0.8)	(0.8)	(0.8)	(0.8)	(2.3)	(2.2)	(2.9)	13.5	33.7	31.6	32.7
<b>Net income</b>												
Net earnings	<i>C\$million</i>	(0.5)	(0.8)	(0.7)	(0.8)	2.0	(0.4)	(2.3)	8.7	23.1	21.9	22.5
EPS (basic)	<i>C\$ps</i>	(0.01)	(0.02)	(0.02)	(0.02)	0.14	(0.01)	(0.06)	0.23	0.62	0.59	0.61
EPS (diluted)	<i>C\$ps</i>	(0.01)	(0.02)	(0.02)	(0.02)	0.14	(0.01)	(0.06)	0.22	0.59	0.56	0.58
Shares on issue - diluted	<i>million</i>	37.1	37.1	37.1	39.1		37.2	37.1	39.1	39.1	39.1	39.1
Cash	<i>C\$million</i>	28.4	26.2	17.9	9.6	47.5	35.2	17.9	11.7	35.2	35.4	51.4
Net debt (cash)	<i>C\$million</i>	(28.4)	(26.2)	(17.9)	(9.6)	(47.5)	(35.2)	(17.9)	(11.7)	(35.2)	(35.4)	(51.4)
Capex	<i>C\$million</i>	4	2	8	8	0.6	11.4	14.9	15.3	0.4	22.9	7.9
Cash flow from operations	<i>C\$million</i>	(0.0)	(0.8)	(0.7)	(0.8)	0.1	(0.8)	(1.9)	8.8	23.5	22.7	23.5
CFPS (diluted)	<i>C\$ps</i>					0.01	(0.02)	(0.05)	0.23	0.61	0.59	0.61
<b>Table 2: Key input variables</b>												
		<b>Q2'10A</b>	<b>Q3'10E</b>	<b>Q4'10E</b>	<b>Q1'11E</b>	<b>2008A</b>	<b>2009A</b>	<b>2010E</b>	<b>2011E</b>	<b>2012E</b>	<b>2013E</b>	<b>2014E</b>
Production fines ore	<i>million dry tonnes</i>	-	-	-	-	-	-	-	0.4	0.9	1.8	2.1
Production lump ore	<i>million dry tonnes</i>	-	-	-	-	-	-	-	0.3	0.6	0.6	0.7
Total product production	<i>million dry tonnes</i>	-	-	-	-	-	-	-	0.7	1.6	2.4	2.8
Fines sales	<i>million dry tonnes</i>	0.0	0.0	0.0	0.0	-	-	-	0.4	0.9	1.8	2.1
Lump sales	<i>million dry tonnes</i>	0.0	0.0	0.0	0.0	-	-	-	0.3	0.6	0.6	0.7
Total product sales	<i>million dry tonnes</i>	-	-	-	-	-	-	-	0.7	1.6	2.4	2.8
Fines price (per Fe%)	<i>UScents/dmtu</i>	91.8	91.8	91.8	91.8		131.2	91.8	91.8	91.8	80.3	75.4
Lump price (per Fe%)	<i>UScents/dmtu</i>	102.9	102.9	102.9	102.9		192.7	102.9	102.9	102.9	90.0	95.0
Fines price (per tonne)	<i>US\$/tonne</i>	58.7	58.7	58.7	58.7		84.0	58.7	58.7	58.7	51.4	48.3
Lump price (per tonne)	<i>US\$/tonne</i>	64.8	64.8	64.8	64.8		121.4	64.8	64.8	64.8	56.7	59.8
Average product price	<i>US\$/tonne</i>								61.2	61.2	52.7	51.2
Total operating costs (per ton dry con)	<i>C\$/dry tonne sold</i>	0.00	0.00	0.00	0.00				37.76	37.74	38.25	38.23
C\$/US\$ exchange rate		0.91	0.95	0.95	0.95			0.92	0.95	0.94	0.90	0.90

Source: Company reports, Canaccord Adams' estimates

## SCHEFFERVILLE PROJECT UPDATE

Labrador Iron Mines provided a project update in its Q2/09 MD&A on November 16. Key details are as follows:

- LIM published its first NI 43-101 compliant resource estimate on November 12 for the James and Redmond deposits, which comprise the first stage of targeted production. Indicated resources are 8.1 million tonnes grading 57.7% Fe at James and 2.9mt grading 56.4% Fe at Redmond, in excess of 2x historical resources of 4.0mt and 1.4mt. The James deposit has an additional inferred resource of 0.1 million tonnes, grading 53.6% Fe. The Redmond deposit has an additional inferred resource of 0.1 million tonnes, grading 53.7% Fe. Cut-off grades remain 50% Fe. Based on historical operations, LIM is expecting average grades across the entire project of 56-58%.

James and Redmond account for just 6% of the total historical resource, Figure 2. Nonetheless, NI 43-101 resource estimates higher than historical resource estimates is a positive development. The higher resource estimate is from a combination of a higher specific gravity than expected, a greater use of high-silica material (given that the ore was not historically washed), and step-out drilling.

- The summer 2009 drilling program totalled 4,830 metres of reverse circulation drilling in 72 holes on five of the eight project deposits. NI 43-101 compliant resource estimates for Houston and Sawyer Lake may be released early in 2010.

**Figure 2: Historical IOCC, and new NI 43-101 resources for the Schefferville project**

(in '000 tonnes)		Historical resources 1983	NI 43-101 resource 2009
James	M&I	About 7/8 of 4,486	8,100
Houston	M&I	About 2/3 of 9,090	n.a.
Redmond	M&I	1,357	2,900
Knob Lake	M&I	3,662	n.a.
Sawyer Lake	Inferred	12,000	n.a.
Astray Lake	Inferred	3,909 - 7,818	n.a.
Howse	Inferred	28,288	n.a.
Kivivic	Inferred	26,258	n.a.
<b>Total</b>		<b>85-89,000</b>	<b>91-95,000</b>

Note: Partial ownership of James and Houston has been resolved following the swap arrangement with NML. Source: SNC Lavalin Technical Report of October 2007 for historical estimates, Nov 12 press release for 2009 estimates.

- LIM and New Millennium Capital Corp (NML : TSX : C\$0.63) on October 22 announced a rationalization of their mining rights, by exchanging certain mineral licences so as to eliminate the fragmentation of ownership of some of these mining rights. Based on the agreement, LIM will receive from NML mineral licences that adjoined or formed part of James, Houston, Redmond, Knob Lake and Howse, and in return NML will receive licences comprising part of LIM's Kivivic deposit. The mineral licences exchanged by each company represent approximately 13 million tonnes of iron ore, based on historical estimates. The companies also agreed to cooperate in the development of the transportation facilities for their respective projects.
- Sintering test work of fines has been performed at an independent laboratory in Germany, and results are expected soon.
- Marketing discussions are continuing with potential customers in Europe and have recently broadened to include potential customers in China.
- The Newfoundland & Labrador Minister of Environment and Conservation announced on November 5 that its review of the Environmental Impact Statement was completed, confirming its compliance with the *Environmental Protection Act*. Release of project approval should follow, and we expect all operating permits and licences will be obtained within the next four or five months.
- Initial site construction is planned during the winter of 2009-2010, principally the installation of 4km of rail track on an existing rail bed, to connect the James site to the existing rail line, pending government approval to advance this part of the work prior to final permitting.
- Tentative scheduling includes site mobilization of the mining/general contractor in May for first production/shipments in July. Major items of process plant and equipment, including sections of the rail track, will be pre-fabricated off site. Commercial production is "scheduled for the middle of CY2010".
- Rail transportation and port usage discussions are progressing, with agreements still pending.
- LIM has yet to determine a Phase I capital cost estimate, pending receipt of project approval and release, completion of the engineering study, and final decisions on the scale of operations. However, planned expenditures to end-March 2010 include C\$7.7 million of capex.

- The company also provided an update on the use of funds since its IPO in December 2007, Figure 3. Despite the higher than expected spending thus far, the company believes its cash balance of C\$28.4 million will be sufficient to finance the first phase of the Schefferville project into production.

**Figure 3: Budgeted vs. actual capital spending as of September 30, 2009**

Intended Use of Funds	As disclosed in Prospectus		Cumulative Actual Up To	
		November 23, 2007	March 31, 2009	September 30, 2009
Work Programs	\$	5,500,000	\$ 5,810,000	\$ 8,560,000
Feasibility Studies	\$	2,200,000	\$ 2,680,000	\$ 2,730,000
Environmental	\$	1,200,000	\$ 1,820,000	\$ 2,420,000
Marketing and other studies	\$	2,100,000	\$ 1,400,000	\$ 2,300,000
General and Administrative Expenses	\$	1,850,000	\$ 1,780,000	\$ 2,600,000
Total	\$	12,850,000	\$ 13,490,000	\$ 18,610,000
Infrastructure upgrades and capital expenditures	\$	-	\$ 1,040,000	\$ 2,640,000
Reserve for infrastructure upgrades and capital expenditures	\$	12,000,000	\$ 10,970,000	\$ 9,370,000
Unallocated Working Capital	\$	23,250,000	\$ 22,610,000	\$ 17,490,000

Source: Company report

## OUR OPERATING AND FINANCIAL FORECAST

Our key operating and financial forecasts are presented as Figure 1. We are assuming first production in July 2010, and total CY2010 (and FY11) production and sales of 0.7 million tonnes, ramping to full Phase I capacity of 2.8mtpa by CY2013 (FY14). We are assuming total remaining Phase I capex of C\$24 million, including project bonding. At this stage, we are assuming a Phase II expansion to 4.7mtpa for CY2014 (FY15) at additional capex of C\$30 million.

Our LIM iron ore price and cost forecasts are presented as Figure 4. Our LIM iron ore price forecasts are based off our Vale northern system lump and fines forecasts for sales to Europe. Typically, Canadian prices to Europe enjoy a small premium over Vale's prices, to reflect a shorter shipping distance. We are assuming 1% premium for LIM. We then discount our LIM price forecasts by 10% in the early years of production, and 5% beyond 2013 once a customer base is established. (We justify the 5% discount as a small-company discount, but also note the potential for sales to China as well as or instead of Europe, and note that Vale's current Asian prices are discounted about 10% against its European prices, with the annual discount typically reflecting different customer freight costs.)

We are assuming unchanged iron ore prices for Vale in 2010. However, we note that spot iron ore prices landed in China are now above US\$100/t, Figure 5, and that current spot freight rates suggest that Brazilian contract prices could increase by 4% to match current spot Chinese prices even before accounting for the higher grade and quality of Brazilian ores, and that Australian contract prices could increase even more, by 34%.

Given this disparity, we think it likely that the Australian iron ore producers will continue to promote spot pricing or maybe quarterly pricing based on the spot market, while we would expect Vale to try to leverage Australian producers' demands to negotiate higher contract prices with Japanese, South Korean and European customers. Ultimately, we believe LIM iron ore prices will be linked to Vale's prices.

We conclude that risks to our forecast of unchanged LIM prices for 2010 are balanced to the upside. Hence we are flexing our valuation model by considering 15% higher iron ore prices in 2010.

Beyond 2010, we are also assuming unchanged average LIM iron ore prices of US\$61.16/t in CY2011, followed by a 16% decline to US\$51.17/t by CY2013. We are assuming a long-term LIM iron ore price of US\$51.17/t. For our valuation flex, we are considering a 15% higher iron ore price across our forecast profile.

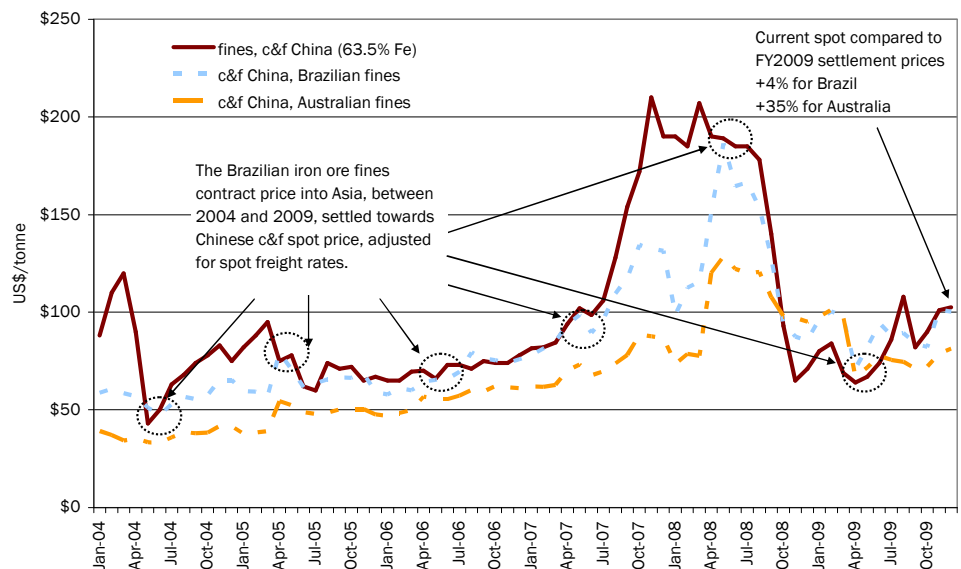
**Figure 4: Assumptions, by iron ore year (e.g., 2010 = April 2010 – March 2011, =FY11 for LIM)**

		Iron ore year					
		2010E	2011E	2012E	2013E	2014E	LT
Sales							
- total	'000 dmt	710	1,577	2,360	2,754	4,721	4,721
- fine	'000 dmt	426	946	1,770	2,065	3,541	3,541
- lump	'000 dmt	284	631	590	688	1,180	1,180
Iron ore concentrate price							
- average	US\$/t	61.16	61.16	52.72	51.17	51.17	51.17
- fine	US\$/t	58.73	58.73	51.39	48.28	48.28	48.28
- lump	US\$/t	64.80	64.80	56.70	59.85	59.85	59.85
Unit operating cost	C\$/product	37.76	37.74	38.25	38.23	38.23	38.21
Unit G&A	C\$/dmt	3.93	1.77	1.18	1.01	0.59	0.59
US\$/C\$		0.95	0.94	0.90	0.90	0.90	0.90

Note: dmt = dry metric tonne

Source: Canaccord Adams estimates

**Figure 5: Iron ore fines prices**



Source: Bloomberg, Canaccord Adams

## OUR FORECAST CHANGES

Our F2010-F2012 adjusted EPS forecasts are as follows:

- F2010 – diluted EPS of (C\$0.06), down from (C\$0.04);
- F2011 – diluted EPS of C\$0.22, down from C\$0.26;
- F2012 – diluted EPS of C\$0.59, down from C\$0.61.

Our F2010-F2012 operating cash flow before capex estimates are as follows:

- F2010 – (C\$0.05), down from (C\$0.04);
- F2011 – C\$0.23, down from C\$0.27;
- F2012 – C\$0.61, down from C\$0.63.

Our F2011-F2012 EBITDA estimates are as follows:

- F2011 – C\$13.5 million, down from C\$15.1 million;
- F2012 – C\$33.7 million, up from C\$33.3 million.

Were we to increase our iron ore price forecast profile by a flat 15%, our forecasts would be as follows:

Adjusted diluted EPS forecasts would be:

- F2010 – diluted EPS of (C\$0.06), unchanged
- F2011 – diluted EPS of C\$0.34, an increase of C\$0.12;
- F2012 – diluted EPS of C\$0.86, an increase of C\$0.27.

Our operating CFPS forecasts would be:

- F2010 – (C\$0.05), unchanged;
- F2011 – C\$0.35, an increase of C\$0.12;
- F2012 – C\$0.88, an increase of C\$0.27.

Our EBITDA forecasts would be:

- F2011 – C\$20.3 million, a 50% increase;
- F2012 – C\$48.8 million, a 45% increase.

## VALUATION

We are maintaining our BUY recommendation with an increased 12-month target price of C\$3.75 (up from C\$3.30), based on NPV.

Our NPV12 is C\$3.65 (up from our previous NPV15 of C\$3.21). We have lowered our discount rate to 12% from 15% following the acceptance of the EIS and subsequently lower project completion risk. We continue to believe project development can be comfortably funded from the balance sheet, and we do not believe Labrador Iron Mines has short-term liquidity concerns. Our NPV10 would be C\$4.00, and we will likely decrease our discount rate to 10% upon construction progress and better visibility of project commissioning.

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As discussed above, we believe that risks to our forecast of unchanged iron ore prices for 2010 are balanced to the upside. Were we to increase our iron ore price forecast profile by a flat 15%, our NPV12 would be C\$6.80, and our NPV10 would be C\$7.48.

We note too valuation upside should further NI 43-101 resource definition continue to add to historical resource estimates.

Given the variability of iron ore assets and the lack of comparable direct-shipping companies once LIM Holdings is in production, we are not using comparable P/E or P/CF multiples to determine our valuation. However, we present Figures 6 and 7 as examples of potential multiple valuation; Figure 6 is based on our current iron ore price forecast profile, and Figure 7 on 15% higher price forecasts. We believe that our NPV estimates are well supported by multiple valuations on a 2 to 3 year view.

**Figure 6: LIM potential multiple valuation (FY2011 is year ending March 2011), using our current iron ore price forecasts**

Multiple valuation	FYE March	2008	2009E	2010E	2011E	2012E	2013E	2014E	2015E	2016E	2017E
EPS		0.14	(0.01)	(0.06)	0.22	0.59	0.56	0.58	1.03	1.06	1.08
...at a multiple of					5.0	5.0	5.0	5.0	5.0	5.0	5.0
P/E valuation is					1.12	2.96	2.80	2.88	5.13	5.29	5.38
CFPS		0.01	(0.02)	(0.05)	0.23	0.61	0.59	0.61	1.09	1.12	1.14
...at a multiple of					5.0	5.0	5.0	5.0	5.0	5.0	5.0
P/CF valuation is					1.16	3.06	2.95	3.06	5.43	5.59	5.68
Average valuation					1.14	3.01	2.88	2.97	5.28	5.44	5.53
net cash per share, start of year			1.34	0.95	0.48	0.30	0.90	0.91	1.31	2.39	3.31
plus cash from warrants & options					0.10	0.10	0.10	0.10	0.10	0.10	0.10
<b>multiple valuation plus the cash</b>					<b>1.72</b>	<b>3.40</b>	<b>3.88</b>	<b>3.98</b>	<b>6.70</b>	<b>7.93</b>	<b>8.93</b>
EBITDA	C\$m				13.5	33.7	31.6	32.7	58.0	58.1	58.1
...EV at a multiple of 4x	C\$m				54.1	134.9	126.5	130.6	231.9	232.3	232.3
...net cash	C\$m				11.7	35.2	35.4	51.4	93.5	129.3	143.3
...market capitalisation	C\$m				65.8	170.1	161.9	182.1	325.4	361.7	375.7
Share price (fully diluted)	C\$m				<b>1.68</b>	<b>4.35</b>	<b>4.14</b>	<b>4.66</b>	<b>8.32</b>	<b>9.25</b>	<b>9.61</b>
...EV at a multiple of 5x	C\$m				67.6	168.7	158.1	163.3	289.9	290.4	290.4
...net cash	C\$m				11.7	35.2	35.4	51.4	93.5	129.3	143.3
...market capitalisation	C\$m				79.3	203.9	193.5	214.7	383.4	419.7	433.7
Share price (fully diluted)	C\$m				<b>2.03</b>	<b>5.21</b>	<b>4.95</b>	<b>5.49</b>	<b>9.81</b>	<b>10.73</b>	<b>11.09</b>

Source: Canaccord Adams estimates

**Figure 7: LIM potential multiple valuation (FY2011 is year ending March 2011), were we to increase iron ore price forecasts by 15%**

Multiple valuation	FYE March	2008	2009E	2010E	2011E	2012E	2013E	2014E	2015E	2016E	2017E
EPS		0.14	(0.01)	(0.06)	0.34	0.86	0.94	1.01	1.77	1.82	1.86
...at a multiple of					5.0	5.0	5.0	5.0	5.0	5.0	5.0
P/E valuation is					1.72	4.32	4.69	5.07	8.86	9.11	9.30
CFPS		0.01	(0.02)	(0.05)	0.35	0.88	0.97	1.05	1.83	1.88	1.92
...at a multiple of					5.0	5.0	5.0	5.0	5.0	5.0	5.0
P/CF valuation is					1.76	4.42	4.85	5.25	9.16	9.41	9.61
Average valuation					1.74	4.37	4.77	5.16	9.01	9.26	9.45
net cash per share, start of year			1.34	0.95	0.48	0.42	1.29	1.68	2.52	4.35	6.03
plus cash from warrants & options					0.10	0.10	0.10	0.10	0.10	0.10	0.10
<b>multiple valuation plus the cash</b>					<b>2.32</b>	<b>4.89</b>	<b>6.16</b>	<b>6.94</b>	<b>11.63</b>	<b>13.71</b>	<b>15.58</b>
EBITDA	C\$m				20.3	48.8	52.2	56.0	98.0	98.0	98.0
...EV at a multiple of 4x	C\$m				81.2	195.3	208.7	224.1	392.2	392.2	392.2
...net cash	C\$m				16.4	50.6	65.6	98.7	169.9	235.6	280.4
...market capitalisation	C\$m				97.6	245.9	274.2	322.8	562.1	627.8	672.5
Share price (fully diluted)	C\$m				<b>2.50</b>	<b>6.29</b>	<b>7.01</b>	<b>8.26</b>	<b>14.37</b>	<b>16.05</b>	<b>17.20</b>
...EV at a multiple of 5x	C\$m				101.5	244.2	260.9	280.1	490.2	490.2	490.2
...net cash	C\$m				16.4	50.6	65.6	98.7	169.9	235.6	280.4
...market capitalisation	C\$m				117.9	294.7	326.4	378.8	660.1	725.8	770.6
Share price (fully diluted)	C\$m				<b>3.02</b>	<b>7.54</b>	<b>8.35</b>	<b>9.69</b>	<b>16.88</b>	<b>18.56</b>	<b>19.71</b>

Source:

Figure 8: Financial summary and ratios

Labrador Iron Mines	LIR.CN					FY end-March				
<b>Profit &amp; Loss</b>										
In CAD '000s unless otherwise stated										
<b>Year to March</b>	<b>2008</b>	<b>2009E</b>	<b>2010E</b>	<b>2011E</b>	<b>2012E</b>					
Sales Revenue	-	-	-	45,694	101,542					
Other income	-	-	-	-	-					
Gross costs	2,307	2,044	2,567	32,062	67,810					
EBITDA	(2,307)	(2,241)	(2,910)	13,518	33,733					
Deprec'n & Amort'n	0	48	39	355	789					
EBIT	(2,307)	(2,289)	(2,949)	13,163	32,944					
Net Interest	603	1,152	186	205	952					
Profit Before Tax	(1,704)	(1,136)	(2,763)	13,369	33,896					
Income Tax	(3,697)	(784)	(422)	4,643	10,784					
Minorities	-	-	-	-	-					
Adjusted (core) net income	1,993	(352)	(2,341)	8,726	23,111					
EPS	0.14	(0.01)	(0.06)	0.23	0.62					
Diluted EPS	0.14	(0.01)	(0.06)	0.22	0.59					
Dividend per share	-	-	-	-	-					
Exceptional profit after tax	-	-	-	-	-					
Reported profit after tax	1,993	(352)	(2,341)	8,726	23,111					

Source: Company data, Canaccord Adams estimates

**Cash Flow, proforma**

In CAD '000s unless otherwise stated

<b>Year to March</b>	<b>2008</b>	<b>2009E</b>	<b>2010E</b>	<b>2011E</b>	<b>2012E</b>
Cashflow from operations	(2,307)	(2,241)	(2,910)	13,518	33,733
Net dividends from investments / to minorities	-	-	-	-	-
Exploration expensed (incl. in CF from ops.)	-	-	-	-	-
Maintenance capex	-	-	-	(300)	(400)
Net interest	(603)	(1,152)	(186)	(205)	(952)
Tax paid	-	-	-	(4,643)	(10,784)
Other operating c-flow	3,024	2,569	1,174	411	1,903
Operating cashflow	114	(824)	(1,922)	8,781	23,500
Expansion capex	(559)	(11,445)	(14,915)	(15,000)	-
Net acquisitions	-	-	-	-	-
Exploration capitalised	-	-	-	-	-
Other investing cash flow	(185)	30	(450)	-	-
Investment cash flow	(744)	(11,414)	(15,365)	(15,000)	-
Net capital raisings	48,114	(43)	0	-	-
Net borrowings	-	-	-	-	-
Distributions paid	-	-	-	-	-
Other financing cash flow	-	-	-	-	-
Financing cash flow	48,114	(43)	0	-	-
Forex	-	-	-	-	-
Net Cash Flow	47,483	(12,281)	(17,286)	(6,219)	23,500

Source: Company data, Canaccord Adams estimates

**Balance Sheet**

In CAD '000s unless otherwise stated

<b>As at 31-March</b>	<b>2008</b>	<b>2009E</b>	<b>2010E</b>	<b>2011E</b>	<b>2012E</b>
Cash & equivalents	47,483	35,202	17,916	11,696	35,196
Other current assets	107	537	344	344	344
Property, plant & equipment	127,946	141,792	156,670	171,615	171,227
Exploration	-	-	-	-	-
Other assets	185	155	605	605	605
Total assets	175,722	177,686	175,535	184,261	207,373
Current liabilities	277	1,067	1,674	1,674	1,674
Non-current liabilities	35,979	35,695	35,273	35,273	35,273
Minorities	-	-	-	-	-
Other liabilities	-	-	-	-	-
Net assets	139,466	140,923	138,589	147,315	170,426
Total equity	139,466	140,923	138,589	147,315	170,426
Gearing (nd/nd+e) %	-52%	-33%	-15%	-9%	-26%
Working capital	47,313	34,672	16,586	10,367	33,867
Net debt	(47,483)	(35,202)	(17,916)	(11,696)	(35,196)

Source: Company data, Canaccord Adams estimates

**Ratios**

In percentage points unless otherwise stated

<b>Year to March</b>	<b>2008</b>	<b>2009E</b>	<b>2010E</b>	<b>2011E</b>	<b>2012E</b>
<b>Profitability</b>					
Return on equity	1.4%	-0.3%	-1.7%	6.1%	14.5%
Return on assets	1.1%	-0.2%	-1.3%	4.9%	11.8%
Return on invested capital	1.1%	-0.2%	-1.3%	4.9%	11.9%
Return on capital employed	1.1%	-0.2%	-1.3%	4.9%	11.9%
EBITDA margin	na	na	na	29.6%	33.2%
EBIT margin	na	na	na	28.8%	32.4%
Net profit margin	na	na	na	19.1%	22.8%
Effective tax rate	na	na na	na	34.7%	31.8%
<b>Leverage</b>					
Net Interest Cover (times)	na	na	na	na	na
Current Ratio (times)	171.9	33.5	10.9	7.2	21.2
<b>Other</b>					
Shares in issue (diluted)	13,906	37,171	37,148	39,103	39,103
Free Cashflow (\$ / share)	0.01	(0.02)	(0.05)	0.22	0.60
Cashflow after capex (\$ / share)	(0.03)	(0.33)	(0.45)	(0.16)	0.60
Cashflow before capex (\$ / share)	0.01	(0.02)	(0.05)	0.23	0.61
Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%

Source: Company data, Canaccord Adams estimates

Source: Company reports, Canaccord Adams' 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.

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**Site Visit:** An analyst has visited the issuer'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	4) 11/21/2008	Lampard	Buy	2.40
2) 02/28/2008	Lampard	Buy	8.75	5) 04/02/2009	Lampard	Buy	3.30
3) 10/10/2008	Lampard	Buy	5.00				

\*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 November 2009)

Rating	Coverage Universe		IB Clients
	#	%	%
Buy	364	56.9%	27.7%
Speculative Buy	70	10.9%	52.9%
Hold	186	29.1%	17.2%
Sell	20	3.1%	5.0%
	640	100.0%	

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Company	Disclosure
Labrador Iron Mines Holdings Ltd.	7

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