

Today's Changes	Annual EPS	Annual EBITDA	Rating/Target
	FY13E \$0.87 from \$1.08 FY14E \$1.78 from \$2.07	FY13E \$74M from \$91M FY14E \$150M from \$174M	BUY RATING UNCHANGED C\$14.50 from C\$15.00

Labrador Iron Mines Holdings Ltd.

LIM : TSX : C\$6.31

BUY

Target: C\$14.50 ↓

Gary Lampard 1.416.867.6020
glampard@canaccordgenuity.com
Adam Gofton, CFA (Associate) 1.416.869.7349
agofton@canaccordgenuity.com

COMPANY STATISTICS:

52-week Range: C\$4.44 - 14.95
Market Cap (M): C\$341.1

EARNINGS SUMMARY:

FYE Mar	2010A	2011A	2012E	2013E	2014E
Avg Iron Ore Price (US\$/tonne):	NA	NA	103	100	105
EPS adj. fd:	0.03	-0.09	-0.38	0.87	1.78
P/E (x):	NM	NM	NM	7.2	3.5
Op CF /shr:	-0.08	-0.08	-0.41	0.94	1.87
P/Op CF (x):	NM	NM	NM	6.7	3.4
Free CFPS:	-0.08	-0.08	-0.42	0.93	1.86
P/FCF (x):	NM	NM	NM	6.8	3.4

SHARE PRICE PERFORMANCE:

Labrador Iron Mines Holdings Lt (TSX: LIM)
Nov 17, 2011 Open: 6.260 High: 6.310 Vol: 41,211
Time: 10:55 Last: 6.290 Low: 6.160 Chg: -0.060 (-0.94%) ▼



Source: Interactive Data Corporation

COMPANY DESCRIPTION:

Labrador Iron Mines Holdings Ltd is re-activating the Schefferville iron ore project in northwestern 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. First production occurred during June 2011 and the first shipment departed for China in early October 2011.

All amounts in C\$ unless otherwise noted.

Metals and Mining -- Base Metals and Minerals

UPDATING OUR VALUATION FOR CY11 PERFORMANCE AND CY12 GUIDANCE

Event

We have reviewed our LIM valuation following FYQ2/12 financial results and the associated project development update, and in light of this quarter's iron ore price volatility. LIM expects about 600,000 wet tonnes of iron ore will be railed to Sept-Iles before end-CY11, and next year's production target is >2mt. Spot 62% Fe iron ore prices in China fell from US\$171/dmt on Sept 30, to a trough of US\$117/dmt on Oct 28, before recovering to US\$148/dmt today. LIM's three or four Q3/FY12 shipments are priced more or less on the day of shipment.

Impact

Our new FY13/14E EBITDA forecasts are C\$74 million and C\$150 million, down from C\$91 million and C\$174 million. LIM has disclosed that commercial production will not be reported for FY12, (otherwise we would have been forecasting current quarter - Q3/FY12 - revenue of C\$60 million from sales of 0.59mwt, about 3.1/2 capesize vessels). Our new diluted FY13/14E EPS forecasts are C\$0.87 and C\$1.78.

Action and valuation

We are reiterating our BUY recommendation but decreasing our 12-month target price to C\$14.50 (from C\$15.00), based on our NPV8 of C\$14.60, (down from C\$15.09). Our valuation is supported by 10.3x and 5.2x FY13E and FY14E EBITDA.

Next potential catalyst and key risks

Beyond the issue of iron ore price volatility, we note that quarterly earnings forecasting risk is particularly high for a company at LIM's stage of start-up.

Canaccord Genuity is the global capital markets group of Canaccord Financial Inc. (CF : TSX | CF. : AIM)

The recommendations and opinions expressed in this Investment Research accurately reflect the Investment Analyst's personal, independent and objective views about any and all the Designated Investments and Relevant Issuers discussed herein. For important information, please see the Important Disclosures section in the appendix of this document or visit Canaccord Genuity's [Online Disclosure Database](#).

Figure 1: Labrador Iron Mines' financial summary

Table 1: Financial summary, FYE March	17-Nov	Q2'12A	Q3'12E	Q4'12E	Q1'13E	2009A	2010A	2011A	2012E	2013E	2014E	2015E	2016E
Sales revenue	C\$million	-	-	-	55.0	-	-	-	-	200.0	337.2	454.2	439.2
Operating expenses	C\$million	7.2	7.6	1.1	36.0	2.1	2.7	5.1	5.9	128.7	192.0	255.1	287.4
EBITDA	C\$million	(6.8)	(6.8)	(1.1)	19.7	(2.2)	(2.7)	(4.9)	(19.0)	74.3	150.1	205.7	159.3
Net income													
Net earnings	C\$million	(7.0)	(7.5)	(1.0)	13.0	(0.4)	1.2	(4.0)	(20.1)	48.8	99.8	138.5	107.9
EPS (basic)	C\$ps	(0.13)	(0.14)	(0.02)	0.24	(0.01)	0.03	(0.09)	(0.38)	0.90	1.85	2.56	2.00
EPS (diluted)	C\$ps	(0.13)	(0.14)	(0.02)	0.23	(0.01)	0.03	(0.09)	(0.38)	0.87	1.78	2.47	1.93
Shares on issue - diluted	million	54.0	55.4	55.4	55.4	37.2	37.4	43.7	55.2	56.1	56.1	56.1	56.1
Cash	C\$million	37.9	46.0	36.0	25.9	35.2	48.3	7.6	36.0	15.5	95.4	239.9	354.7
Net debt (cash)	C\$million	(36.0)	(44.2)	(34.2)	(24.0)	(35.2)	(48.3)	(5.5)	(34.2)	(13.6)	(93.5)	(238.0)	(352.8)
Capex	C\$million	29.8	-5.6	9.2	24.2	11.4	14.4	27.1	58.7	73.3	24.8	0.6	0.6
Cash flow from operations	C\$million	(20.5)	2.5	(0.8)	14.0	(0.8)	(3.1)	(3.4)	(23.0)	52.4	104.1	144.5	114.8
CFPS (diluted)	C\$ps	(0.38)	0.05	(0.01)	0.25	(0.02)	(0.08)	(0.08)	(0.41)	0.94	1.87	2.59	2.06
Table 2 : Key input variables													
ROM production	million dry tonnes	0.6	0.9	0.0	0.8	0.0	0.0	0.0	1.60	2.3	4.0	5.7	6.5
Production pellet fines	million dry tonnes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00	0.2	0.5	0.7	0.8
Production sinter fines	million dry tonnes	0.1	0.1	0.0	0.3	0.0	0.0	0.0	0.18	1.1	1.9	3.0	3.4
Production lump ore	million dry tonnes	0.1	0.0	0.0	0.1	0.0	0.0	0.0	0.08	0.2	0.4	0.6	0.7
Production DSO	million dry tonnes	0.2	0.3	0.0	0.2	0.0	0.0	0.0	0.54	0.5	0.5	0.0	0.0
Total product production, including DSO	million dry tonnes	0.3	0.4	0.0	0.5	0.0	0.0	0.0	0.80	2.0	3.2	4.4	5.0
Pellet Fines sales	million dry tonnes	0.0	0.00	0.0	0.0	0.0	0.0	0.0	0.00	0.2	0.5	0.7	0.8
Sinter Fines sales	million dry tonnes	0.0	0.16	0.0	0.3	0.0	0.0	0.0	0.16	1.1	1.9	3.0	3.4
Lump ore sales	million dry tonnes	0.0	0.08	0.0	0.1	0.0	0.0	0.0	0.08	0.2	0.4	0.6	0.7
Direct Shipped Ore sales	million dry tonnes	0.0	0.32	0.0	0.2	0.0	0.0	0.0	0.32	0.5	0.5	0.0	0.0
Total product sales	million dry tonnes	0.0	0.56	0.0	0.5	0.0	0.0	0.0	0.56	2.0	3.2	4.4	5.0
Total product sales	million wet tonnes	0.0	0.59	0.0	0.6	0.0	0.0	0.0	0.59	2.1	3.4	4.7	5.3
Pellet Fines price (per tonne)	US\$/dry tonne			99.2	96.5	nmf	nmf	nmf	nmf	94.3	97.1	91.1	77.8
Sinter Fines price (per tonne)	US\$/dry tonne		83.6	108.4	105.1	nmf	nmf	nmf	83.6	102.6	102.5	96.3	82.2
Lump price (per tonne)	US\$/dry tonne		121.1	116.2	112.2	nmf	nmf	nmf	121.1	113.5	124.3	116.5	99.8
DSO price	US\$/dry tonne		108.5	93.8	91.0	nmf	nmf	nmf	108.5	88.9	104.5	92.7	79.1
Average price	US\$/dry tonne	0.0	103.0	na	101.5	nmf	nmf	nmf	103.0	99.7	104.7	98.3	84.0
Total operating costs	C\$/dry tonne sold	0.0	65.0	65.0	60.0	na	na	na	65.0	57.4	54.0	50.2	50.0
C\$/US\$ exchange rate		1.02	0.96	1.00	1.00	0.90	0.92	0.98	1.00	1.00	0.99	0.95	0.95

Source: Company reports, Canaccord Genuity estimates

Q2/FY12 FINANCIAL RESULTS AND PROJECT UPDATE

LIM reported Q2/FY12 (Q3/CY11) financial results on November 14, 2011. While not particularly meaningful for a development company, the EPS loss of (C\$0.13) was below our forecast loss of (C\$0.08) due to higher than forecast start-up expenses. Of more relevance is the project update that was provided with the MD&A.

Mine and Plant

The Silver Yards processing plant was commissioned in June 2011. To the end of September, a total of 723,000 dry tonnes of ore had been mined and trucked to the Silver Yards area (612,600 dry tonnes during Q2/FY12). Of the 723,000 dry tonnes, 212,000 dry tonnes or 29% of the total has been designated as direct rail ore and has an average grade of 65% Fe.

The ramp up of the plant has been impacted by a larger proportion of fines in the ore than originally expected. The Phase II expansion which was completed during the quarter was designed specifically to increase fines recovery. To the end of September, 328,000 dry tonnes of material had been fed through the plant, producing 180,000 dry tonnes of lump and sinter fine product, with weight recovery of 55%. The expected

recoveries as outlined in the April 2011 Technical Report were 62% for Phase I and 75% for Phase II.

Mine and Plant Outlook for Remainder of 2011

LIM now expects to mine a total of 1.6 million dry tonnes of ore during 2011, down from the prior guidance of 2.0 million dry tonnes from September, we believe more a function of both processing capability prior to the winter shutdown and of rail availability, than of mining capability. The mining contractor will continue work during winter. At least part of the reason for the decrease in mining tonnage is to avoid unnecessary handling costs. LIM will now focus on stripping to have mining faces exposed so that ore can be mined and sent directly to the plant or train (if DRO) rather than having to re-handle material from stockpiles.

The Silver Yards plant was shut down for the season in early November and is expected to restart in April 2012 (weather dependent). LIM estimates a total of "about" 500,000 dry tonnes of ore were fed through the Silver Yards plant during CY2011 yielding "around" 260,000 dry tonnes of product, implying a weight recovery of 52%. The estimates are due to commissioning problems with the belt scales, particularly for the ore feed. However, despite data issues, LIM believes that weight recoveries were 75% during the last few weeks of operation, as per design, after commissioning of Phase II. LIM noted that the Silver Yards processing plant "frequently achieved over 8,000 tonnes per day in September and October". Design throughput is 10,000tpd.

The 260,000 dry tonnes of production from the Silver Yards plant is slightly below the most recent guidance of 300-500,000 dry tonnes of saleable product, from 500-800,000 dry tonnes of ore processed through the plant during CY2011. However, LIM expects to make up the shortfall from the plant with increased DRO. LIM now expects that 600,000 wet tonnes of saleable product will be railed to Sept-Iles port during CY2011 which is in line with previous guidance of 500-700,000 wet tonnes.

600,000 wet tonnes implies three full capsize shipments of about 170,000 wet tonnes plus an additional ½ shipment. We expect that two of the capsize shipments will be DRO, one will be sinter fines, and the half-shipment will be lump. To date, LIM has had two shipments depart for China from Sept-Iles. The first shipment was DRO and was priced when the CFR China spot price was approximately US\$176/tonne. However, the second shipment of sinter fines was priced after the CFR China spot iron ore price had fallen to approximately US\$130/tonne.

Mine and Plant Outlook Beyond 2011

The following guidance was provided for calendar year 2012:

- Total ore mined of 2.0 to 2.5 million dry tonnes (down from previous guidance of 2.5 million dry tonnes).
 - Total ore processed of between 1.8 and 2.0 million dry tonnes (down from previous guidance of between 2.6 and 2.8 million tonnes);
 - Weight recoveries of 75-83% to yield 1.5 million dry tonnes of product from the Silver Yards plant;
 - An additional 0.5 million dry tonnes of direct rail ore, bringing total saleable production to 2.0 million dry tonnes.
-

We note that LIM expects end-CY11 stockpiles to total 600,000 dry tonnes, including 200,000 dry tonnes of direct-rail ore. Given the guidance of 1.6 million dry tonnes being mined during CY2011, we expect that the stockpile at end-CY11 could actually be closer to 700-750,000 dry tonnes. With the phase II expansion now complete and given this stockpile, we believe the plant is well positioned for calendar year 2012.

LIM also noted that subject to permitting, first ore throughput from the Houston mine through a second plant located in Redmond is being targeted for H2/CY13. Development of the Houston mine and Redmond plant will permit the expansion of annual production to 4 to 5 million tonnes of product by 2015.

Sales off-take

LIM announced an offtake agreement with IOC on August 15 for the sale and shipping of all of its 2011 iron ore production. The iron ore will be delivered to Asian markets and sold by IOC's marketing organization on the spot market. Terms of the agreement are confidential. Port handling arrangements and off-take for 2012 onward remain subject to ongoing evaluation. We currently assume that the IOC agreement is extended one year further to the end of CY2012.

Capital and Operating Costs

Phase I and II of the Silver Yards plant are now complete. It is anticipated that Silver Yards upgrades for Phase III will cost C\$20 million in CY2012, less than the prior estimate of C\$35 million. There are also an additional C\$20 million of capital expenditures related to a rail agreement with QNS&L, of which C\$5 million is due in October 2011 and C\$15 million is due in June 2012.

We currently estimate that Redmond/Houston will cost C\$65 million to bring into development, split C\$20 million in CY2012 and C\$45 million in CY2013. Capital expenditure guidance relating to Houston in the Q2/FY11 MD&A consisting of project studies costing C\$5 million and mine site development costing C\$5 million remains unchanged. We note capex guidance from an April 2011 Technical Report of a further C\$35 million for the plant site, and C\$8-10 million for a second rail spur.

LIM now anticipates cash costs to be in the range of C\$65/dry tonne for 2011. LIM also disclosed that cash costs are expected to remain 20% above the original forecast of C\$50/dry tonne until optimal volumes are achieved. LIM's previous cash cost guidance was for a life of mine average of C\$50/dry tonne, with 2011 being higher than average because it is a start-up year.

Impact Benefit Agreements

There are a total of four Innu communities with which LIM needs to negotiate IBAs, of which three are now concluded. The outstanding IBA is with the Innu Takuaikan Uashat Mak Mani-Utenam. An agreement in principle was signed in December 2010, which stipulates that nothing will be done to delay, block or hinder LIM's projects. Negotiations with the Innu Takuaikan Uashat Mak Mani-Utenam have now concluded and it is anticipated that the agreement will be submitted to the community for ratification in late 2011.

OUR NEW OPERATING ASSUMPTIONS

Our new and old operating assumptions are presented as Figure 2 and Figure 3.

Figure 2: Our New LIM operating assumptions, by LIM FY

		LIM Financial Year (e.g. FY12 is Apr 11 - Mar 12)					
		FY11	FY12	FY13	FY14	FY15	LT
Production							
- total (including direct shipped ore)	'000 dmt	0	797	2,007	3,222	4,391	4,854
- pellet fines	'000 dmt	0	0	171	459	741	819
- sinter fines	'000 dmt	0	180	1,117	1,877	3,028	3,347
- lump	'000 dmt	0	78	219	386	622	688
Sales							
- total	'000 dmt	0	555	2,007	3,222	4,391	4,854
- pellet fines	'000 dmt	0	0	171	459	741	819
- sinter fines	'000 dmt	0	162	1,117	1,877	3,028	3,347
- lump	'000 dmt	0	76	219	386	622	688
- DRO	'000 dmt	0	318	500	500	0	0
Iron ore concentrate price							
- average	US\$/dmt	n.a.	103	100	105	98	72
- pellet fines	US\$/dmt	n.a.		94	97	91	66
- sinter fines	US\$/dmt	n.a.	84	103	103	96	70
- lump	US\$/dmt	n.a.	121	114	124	117	85
- DSO	US\$/dmt	n.a.	108	89	105	93	79
Unit operating cost*	C\$/dmt	n.a.	65	57	54	50	50
US\$/C\$		0.98	1.00	1.00	0.99	0.95	0.95

*Including QNS&L rebate of \$3.50/tonne.

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

Figure 3: Our Previous LIM operating assumptions, by LIM FY

		LIM Financial Year (e.g. FY12 is Apr 11 - Mar 12)					
		FY11	FY12	FY13	FY14	FY15	LT
Production							
- total (including direct shipped ore)	'000 dmt	0	1,060	1,971	3,222	4,391	4,854
- pellet fines	'000 dmt	0	0	156	459	741	819
- sinter fines	'000 dmt	0	308	1,101	1,877	3,028	3,347
- lump	'000 dmt	0	67	213	386	622	688
Sales							
- total	'000 dmt	0	475	1,971	3,222	4,391	4,854
- pellet fines	'000 dmt	0	0	156	459	741	819
- sinter fines	'000 dmt	0	134	1,101	1,877	3,028	3,347
- lump	'000 dmt	0	23	213	386	622	688
- DSO	'000 dmt	0	318	500	500	0	0
Iron ore concentrate price							
- average	US\$/dmt	n.a.	112	100	105	98	72
- pellet fines	US\$/dmt	n.a.		94	97	91	66
- sinter fines	US\$/dmt	n.a.	123	103	103	96	70
- lump	US\$/dmt	n.a.	129	113	124	117	85
- DSO	US\$/dmt	n.a.	106	89	105	93	79
Unit operating cost*	C\$/dmt	n.a.	63	48	47	48	50
US\$/C\$		0.98	1.01	1.00	0.99	0.95	0.95

*Including QNS&L rebate of \$3.50/tonne.

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

Key changes are as follows:

- We have increased cash costs from FY12 to FY15 to reflect LIM's new guidance that cash costs will remain 20% above the original C\$50/ dry tonne forecast until optimal production levels are reached. Our new FY12 to FY15 cash costs (after QNS&L rebates) are C\$65/dmt, C\$57/dmt, C\$54/dmt, C\$50/dmt, up from our previous estimates of C\$63/dmt, C\$48/dmt, C\$47/dmt and C\$48/dmt.
- Our average iron ore realized price during FYQ3/12 has decreased to US\$103/dmt from US\$112/dmt to reflect this quarter's iron ore prices, and in

particular that LIM's second shipments was priced when the CFR China iron ore spot prices were at their lows at the beginning of November.

- Our FY13 capital expenditure estimate has decreased to C\$73 million (from C\$90 million) to reflect lower spending for the Phase III expansion at Silver Yards.

OUR FORECAST CHANGES

Our forecast changes are as follows. Part of our FY12 decreases are due to a delay to our assumption of commercial production from Q3/FY12 to Q1/FY13, as advised by LIM with the Q2 financials: Our new FY12-14 EPS forecasts are:

- F2012 – diluted EPS of negative (C\$0.38), down from C\$0.02;
- F2013 – diluted EPS of C\$0.87, down from C\$1.08.
- F2014 - diluted EPS of C\$1.78, down from \$2.07.

Our new FY12-FY14 operating cash flow before capex estimates are as follows:

- F2012 – negative (C\$0.41), down from negative (C\$0.18);
- F2013 – C\$0.94, down from C\$1.16.
- F2014 - C\$1.87, down from C\$2.16.

Our new FY12-FY14 EBITDA estimates are as follows:

- F2012 – negative (C\$19 million), down from C\$7 million.
- F2013 – C\$74 million, down from C\$91 million.
- F2014 - C\$150 million, down from C\$174 million.

We are forecasting a Q3/FY12 diluted EPS loss of (C\$0.14). We are assuming that commercial production will not be reported until Q1/FY13. However, we expect shipments of 600,000 wet tonnes during Q3/FY12 at an average realized price of US\$103 per dry tonne, and an average cost of C\$65 per dry tonne. Should this occur, and were LIM to report revenue and COGs, we would be forecasting Q3/FY12 revenue of C\$60 million, and diluted EPS of +C\$0.16.

We note a cash balance of C\$38 million at end-June (excluding C\$7m of restricted cash). We expect the cash balance to trough at C\$16 million at end-March 2013.

VALUATION

We are reiterating our BUY recommendation but decreasing our 12-month target price to C\$14.50 (down from C\$15.00) based on our NPV8 estimate of C\$14.60 (down from previous C\$15.09). Once in commercial production, we will probably change to a multiple-based target price. We present Figure 4 as an example of potential multiple valuation. On an EV/EBITDA basis, on a two-to-three year timeframe, we can foresee a C\$11.00-16.50 share price range at a 4x multiple, or a C\$14.00-20.00 range at a 5x multiple. We note that the EV/EBITDA multiple valuation method is extremely sensitive to iron ore price forecasts as presented in Figure 5.

If iron ore spot prices in China were to stay flat for the next two years at current US\$155/dry tonne, (for 63.5% Fe product), we could foresee a share price of up to C\$17.50 at a 5x EV/EBITDA multiple.

Figure 4: Labrador Iron Mines potential multiple valuation (FY2011 is year ending March 2011)

Multiple valuation	FYE March	2008	2009	2010	2011	2012E	2013E	2014E	2015E	2016E	2017E
Sales (mt)					0.0	0.6	2.0	3.2	4.4	5.0	5.0
EPS		0.14	(0.01)	0.03	(0.09)	(0.38)	0.87	1.78	2.47	1.93	1.16
...at a multiple of					8.0	8.0	8.0	8.0	8.0	8.0	8.0
P/E valuation is					(0.73)	(3.03)	6.97	14.25	19.77	15.40	9.31
CFPS		0.01	(0.02)	(0.08)	(0.08)	(0.41)	0.94	1.87	2.59	2.06	1.30
...at a multiple of					6.0	6.0	6.0	6.0	6.0	6.0	6.0
P/CF valuation is					(0.47)	(2.49)	5.65	11.20	15.53	12.35	7.78
Average valuation					(0.60)	(2.76)	6.31	12.73	17.65	13.88	8.55
net cash per share, start of year			1.34	0.95	1.27	0.13	0.62	0.24	1.67	4.25	6.29
plus cash from warrants & options					0.26	0.21	0.20	0.20	0.20	0.20	0.20
multiple valuation plus the cash					0.93	-2.42	7.13	13.17	19.52	18.33	15.04
EBITDA	C\$m				-4.9	-19.0	74.3	150.1	205.7	159.3	95.1
...EV at a multiple of 4x	C\$m				-19.8	-76.1	297.3	600.2	822.6	637.2	380.4
...net cash	C\$m				48.3	5.5	34.2	13.6	93.5	238.0	352.8
...cash from options and warrants	C\$m				11.4	11.4	11.4	11.4	11.4	11.4	11.4
...market capitalisation	C\$m				39.9	-59.1	342.9	625.3	927.6	886.6	744.6
Share price (fully diluted)	C\$m				0.71	-1.06	6.12	11.15	16.55	15.82	13.28
...EV at a multiple of 5x	C\$m				-24.7	-95.1	371.6	750.3	1028.3	796.5	475.5
...net cash	C\$m				48.3	5.5	34.2	13.6	93.5	238.0	352.8
...cash from options and warrants	C\$m				11.4	11.4	11.4	11.4	11.4	11.4	11.4
...market capitalisation	C\$m				35.0	-78.2	417.2	775.3	1133.2	1045.9	839.7
Share price (fully diluted)	C\$m				0.62	-1.39	7.44	13.83	20.22	18.66	14.98

Source: Canaccord Genuity estimates

Figure 5: Labrador Iron Mines Sensitivity to FY13 and FY14 Iron Ore Prices, (highlighting the current spot price)

Year	FYE Mar 2013						FYE Mar 2014					
Iron Ore Fines Price (dmt, 63.5% CIF China)	\$100	\$125	\$145*	\$155**	\$175	\$200	\$100	\$125	\$134*	\$155**	\$175	\$200
LIM Equivalent Avg Iron Ore Price (dmt, FOB Sept-Iles)	\$63	\$83	\$100	\$107	\$123	\$143	\$69	\$91	\$105	\$117	\$135	\$157
EBITDA	\$2	\$41	\$74	\$89	\$121	\$161	\$34	\$105	\$150	\$190	\$247	\$318
Implied share price (diluted) at 4x EBITDA	\$0.93	\$3.77	\$6.12	\$7.19	\$9.47	\$12.32	\$2.00	\$7.56	\$11.16	\$14.21	\$18.65	\$24.20
Implied share price (diluted) at 5x EBITDA	\$0.95	\$4.51	\$7.45	\$8.79	\$11.63	\$15.19	\$2.61	\$9.43	\$13.83	\$17.61	\$23.06	\$29.87
Implied share price (diluted) at 6x EBITDA	\$0.98	\$5.25	\$8.77	\$10.38	\$13.80	\$18.07	\$3.23	\$11.31	\$16.51	\$21.00	\$27.46	\$35.53

*Canaccord Genuity Forecast

**Spot price at Nov 17, 2011.

Source: Canaccord Genuity estimates

Investment risks

There are risks associated with Labrador Iron Mines' 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

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	2011A	2012E	2013E	2014E	2015E	2016E		
Sales Revenue	-	-	-	-	200	337	454	439		
Other income	-	-	-	-	-	-	-	-		
Gross costs	2	3	5	4	126	187	249	280		
EBITDA	(2)	(3)	(5)	(19)	74	150	206	159		
Deprec'n & Amort'n	0	0	0	2	3	5	7	7		
EBIT	(2)	(3)	(5)	(21)	71	145	199	152		
Net Interest	1	0	0	1	0	1	3	6		
Profit Before Tax	(1)	(3)	(5)	(20)	72	146	202	158		
Income Tax	(1)	(4)	(1)	-	23	46	64	50		
Minorities	-	-	-	-	-	-	-	-		
Adjusted (core) net income	(0)	1	(4)	(20)	49	100	139	108		
EPS	(0.01)	0.03	(0.09)	(0.38)	0.90	1.85	2.56	2.00		
Diluted EPS	(0.01)	0.03	(0.09)	(0.38)	0.87	1.78	2.47	1.93		
Dividend per share	-	-	-	-	-	-	-	-		
Exceptional profit after tax	-	-	-	-	-	-	-	-		
Reported profit after tax	(0)	1	(4)	(20)	49	100	139	108		

Source: Company data, Canaccord Genuity estimates

Cash Flow, proforma										
In CAD '000s unless otherwise stated										
Year to March	2009A	2010A	2011A	2012E	2013E	2014E	2015E	2016E		
Cashflow from operations	(2)	(3)	(5)	(19)	74	150	206	159		
Net dividends from investments / to minorities	-	-	-	-	-	-	-	-		
Exploration expensed (incl. in CF from ops.)	-	-	-	-	-	-	-	-		
Maintenance capex	-	-	-	(0)	(0)	(1)	(1)	(1)		
Net interest	(1)	(0)	(0)	(1)	(0)	(1)	(3)	(6)		
Tax paid	-	-	-	-	(23)	(46)	(64)	(50)		
Other operating c-flow	3	(0)	2	(3)	2	1	6	11		
Operating cashflow	(1)	(3)	(3)	(23)	52	104	145	115		
Expansion capex	(11)	(14)	(27)	(59)	(73)	(24)	-	-		
Net acquisitions	-	-	-	-	-	-	-	-		
Exploration capitalised	-	-	-	-	-	-	-	-		
Other investing cash flow	0	(2)	(12)	(5)	-	-	-	-		
Investment cash flow	(11)	(17)	(39)	(64)	(73)	(24)	-	-		
Net capital raisings	(0)	33	(0)	121	-	-	-	-		
Net borrowings	-	-	-	-	-	-	-	-		
Distributions paid	-	-	-	-	-	-	-	-		
Other financing cash flow	-	0	2	(6)	-	-	-	-		
Financing cash flow	(0)	33	2	115	-	-	-	-		
Forex	-	-	-	-	-	-	-	-		
Net Cash Flow	(12)	13	(41)	28	(21)	80	145	115		

Source: Company data, Canaccord Genuity estimates

Balance Sheet										
In CAD '000s unless otherwise stated										
As at 31-March	2009A	2010A	2011A	2012E	2013E	2014E	2015E	2016E		
Cash & equivalents	35	48	8	36	15	95	240	355		
Other current assets	1	1	2	14	14	14	14	14		
Property, plant & equipment	142	159	200	212	283	303	297	290		
Exploration	-	-	-	-	-	-	-	-		
Other assets	0	2	-	-	-	-	-	-		
Total assets	178	210	225	289	338	438	577	685		
Current liabilities	1	2	15	24	24	24	24	24		
Non-current liabilities	36	32	35	4	4	4	4	4		
Minorities	-	-	-	-	-	-	-	-		
Other liabilities	-	-	-	-	-	-	-	-		
Net assets	141	176	174	260	310	410	548	656		
Total equity	141	176	174	260	310	410	548	656		
Gearing (nd/nd+e) %	-33%	-38%	-3%	-15%	-5%	-30%	-77%	-116%		
Working capital	35	47	(5)	28	7	87	232	347		
Net debt	(35)	(48)	(6)	(34)	(14)	(94)	(238)	(353)		

Source: Company data, Canaccord Genuity estimates

Ratios										
In percentage points unless otherwise stated										
Year to March	2009A	2010A	2011A	2012E	2013E	2014E	2015E	2016E		
Profitability										
Return on equity	-0.3%	0.7%	-2.3%	-9.3%	17.1%	27.7%	28.9%	17.9%		
Return on assets	-0.2%	0.6%	-1.8%	-7.8%	15.6%	25.7%	27.3%	17.1%		
Return on invested capital	-0.2%	0.6%	-2.0%	-9.2%	18.4%	29.4%	30.2%	18.5%		
Return on capital employed	-0.2%	0.6%	-1.9%	-8.5%	16.9%	27.4%	28.6%	17.8%		
EBITDA margin	na	na	na	na	37.2%	44.5%	45.3%	36.3%		
EBIT margin	na	na	na	na	35.6%	43.1%	43.8%	34.6%		
Net profit margin	na	na	na	na	24.4%	29.6%	30.5%	24.6%		
Effective tax rate	na	na	na	na	31.9%	31.6%	31.5%	31.5%		
Leverage										
Net Interest Cover (times)	na	na	na	na	na	na	na	na		
Current Ratio (times)	33.5	23.1	0.7	2.1	1.2	4.6	10.7	15.5		
Other										
Shares in issue (diluted)	37	37	44	55	56	56	56	56		
Free Cashflow (\$ / share)	(0.02)	(0.08)	(0.08)	(0.42)	0.93	1.86	2.58	2.05		
Cashflow after capex (\$ / share)	(0.33)	(0.47)	(0.70)	(1.48)	(0.37)	1.43	2.58	2.05		
Cashflow before capex (\$ / share)	(0.02)	(0.08)	(0.08)	(0.41)	0.94	1.87	2.59	2.06		
Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%		

Source: Company data, Canaccord Genuity estimates

Source: Company reports, Canaccord Genuity estimates

APPENDIX: IMPORTANT DISCLOSURES

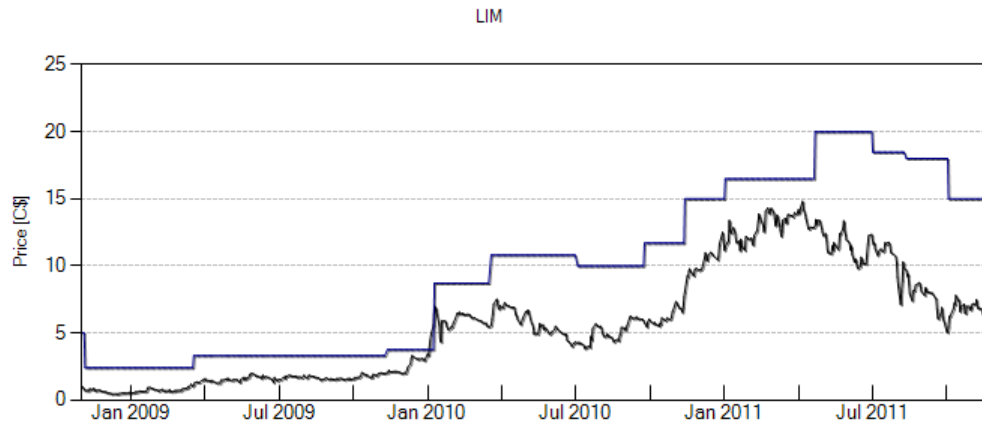
Analyst Certification:

Each authoring analyst of Canaccord Genuity whose name appears on the front page of this investment research hereby certifies that (i) the recommendations and opinions expressed in this investment research accurately reflect the authoring analyst's personal, independent and objective views about any and all of the designated investments or relevant issuers discussed herein that are within such authoring analyst's coverage universe and (ii) no part of the authoring analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by the authoring analyst in the investment research.

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) 11/21/2008	Lampard	Buy	2.40	8) 10/01/2010	Lampard	Buy	11.70
2) 04/02/2009	Lampard	Buy	3.30	9) 11/19/2010	Lampard	Buy	15.00
3) 11/23/2009	Lampard	Buy	3.75	10) 01/07/2011	Lampard	Buy	16.50
4) 01/19/2010	Lampard	Buy	8.70	11) 04/26/2011	Lampard	Buy	20.00
5) 03/29/2010	Lampard	Buy	10.80	12) 07/05/2011	Lampard	Buy	18.50
6) 07/12/2010	Lampard	Buy	10.00	13) 08/15/2011	Lampard	Buy	18.00
7) 08/16/2010	Lampard	Buy	10.00	14) 10/05/2011	Lampard	Buy	15.00

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

Distribution of Ratings:

Global Stock Ratings
(as of 4 November 2011)

Rating	Coverage Universe		IB Clients	
	#	%	#	%
Buy	494	63.3%	36.4%	
Speculative Buy	83	10.6%	68.7%	
Hold	192	24.6%	18.2%	
Sell	12	1.5%	16.7%	
	781	100%		

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 17 November 2011

Company	Disclosure
Labrador Iron Mines Holdings Ltd.	1A, 2, 3, 7
1	The relevant issuer currently is, or in the past 12 months was, a client of Canaccord Genuity or its affiliated companies. During this period, Canaccord Genuity or its affiliated companies provided the following services to the relevant issuer: A. investment banking services. B. non-investment banking securities-related services. C. non-securities related services.
2	In the past 12 months, Canaccord Genuity or its affiliated companies have received compensation for Corporate Finance/Investment Banking services from the relevant issuer.
3	In the past 12 months, Canaccord Genuity or any of its affiliated companies have been lead manager, co-lead manager or co-manager of a public offering of securities of the relevant issuer or any publicly disclosed offer of securities of the relevant issuer or in any related derivatives.
4	Canaccord Genuity acts as corporate broker for the relevant issuer and/or Canaccord Genuity or any of its affiliated companies may have an agreement with the relevant issuer relating to the provision of Corporate Finance/Investment Banking services.
5	Canaccord Genuity or any of its affiliated companies is a market maker or liquidity provider in the securities of the relevant issuer or in any related derivatives.
6	In the past 12 months, Canaccord Genuity, its partners, affiliated companies, officers or directors, or any authoring analyst involved in the preparation of this investment research has provided services to the relevant issuer for remuneration, other than normal course investment advisory or trade execution services.
7	Canaccord Genuity intends to seek or expects to receive compensation for Corporate Finance/Investment Banking services from the relevant issuer in the next six months.
8	The authoring analyst, a member of the authoring analyst's household, or any individual directly involved in the preparation of this investment research, has a long position in the shares or derivatives, or has any other financial interest in the relevant issuer, the value of which increases as the value of the underlying equity increases.
9	The authoring analyst, a member of the authoring analyst's household, or any individual directly involved in the preparation of this investment research, has a short position in the shares or derivatives, or has any other financial interest in the relevant issuer, the value of which increases as the value of the underlying equity decreases.
10	Those persons identified as the author(s) of this investment research, or any individual involved in the preparation of this investment research, have purchased/received shares in the relevant issuer prior to a public offering of those shares, and such person's name and details are disclosed above.
11	A partner, director, officer, employee or agent of Canaccord Genuity and its affiliated companies, or a member of his/her household, is an officer, or director, or serves as an advisor or board member of the relevant issuer and/or one of its subsidiaries, and such person's name is disclosed above.
12	As of the month end immediately preceding the date of publication of this investment research, or the prior month end if publication is within 10 days following a month end, Canaccord Genuity or its affiliate companies, in the aggregate, beneficially owned 1% or more of any class of the total issued share capital or other common equity securities of the relevant issuer or held any other financial interests in the relevant issuer which are significant in relation to the investment research (as disclosed above).
13	As of the month end immediately preceding the date of publication of this investment research, or the prior month end if publication is within 10 days following a month end, the relevant issuer owned 1% or more of any class of the total issued share capital in Canaccord Genuity or any of its affiliated companies.
14	Other specific disclosures as described above.

Canaccord Genuity is the business name used by certain subsidiaries of Canaccord Financial Inc., including Canaccord Genuity Inc., Canaccord Genuity Limited, and Canaccord Genuity Corp.

The authoring analysts who are responsible for the preparation of this investment research are employed by Canaccord Genuity Corp. a Canadian broker-dealer with principal offices located in Vancouver, Calgary, Toronto, Montreal, or Canaccord Genuity Inc., a US broker-dealer with principal offices located in Boston, New York, San Francisco and Houston or Canaccord Genuity Limited., a UK broker-dealer with principal offices located in London and Edinburgh (UK).

In the event that this is compendium investment research (covering six or more relevant issuers), Canaccord Genuity and its affiliated companies may choose to provide specific disclosures of the subject companies by reference, as well as its policies and procedures regarding the dissemination of investment research. To access this material or for more information, please send a request to Canaccord Genuity Research, Attn:

Disclosures, P.O. Box 10337 Pacific Centre, 2200-609 Granville Street, Vancouver, BC, Canada V7Y 1H2 or disclosures@canaccordgenuity.com.

The authoring analysts who are responsible for the preparation of this investment research have received (or will receive) compensation based upon (among other factors) the Corporate Finance/Investment Banking revenues and general profits of Canaccord Genuity. However, such authoring analysts have not received, and will not receive, compensation that is directly based upon or linked to one or more specific Corporate Finance/Investment Banking activities, or to recommendations contained in the investment research.

Canaccord Genuity and its affiliated companies may have a Corporate Finance/Investment Banking or other relationship with the company that is the subject of this investment research and may trade in any of the designated investments mentioned herein either for their own account or the accounts of their customers, in good faith or in the normal course of market making. Accordingly, Canaccord Genuity or their affiliated companies, principals or employees (other than the authoring analyst(s) who prepared this investment research) may at any time have a long or short position in any such designated investments, related designated investments or in options, futures or other derivative instruments based thereon.

Some regulators require that a firm must establish, implement and make available a policy for managing conflicts of interest arising as a result of publication or distribution of investment research. This investment research has been prepared in accordance with Canaccord Genuity's policy on managing conflicts of interest, and information barriers or firewalls have been used where appropriate. Canaccord Genuity's policy is available upon request.

The information contained in this investment research has been compiled by Canaccord Genuity from sources believed to be reliable, but (with the exception of the information about Canaccord Genuity) no representation or warranty, express or implied, is made by Canaccord Genuity, its affiliated companies or any other person as to its fairness, accuracy, completeness or correctness. Canaccord Genuity has not independently verified the facts, assumptions, and estimates contained herein. All estimates, opinions and other information contained in this investment research constitute Canaccord Genuity's judgement as of the date of this investment research, are subject to change without notice and are provided in good faith but without legal responsibility or liability.

Canaccord Genuity's salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients and our proprietary trading desk that reflect opinions that are contrary to the opinions expressed in this investment research. Canaccord Genuity's affiliates, principal trading desk, and investing businesses may make investment decisions that are inconsistent with the recommendations or views expressed in this investment research.

This investment research is provided for information purposes only and does not constitute an offer or solicitation to buy or sell any designated investments discussed herein in any jurisdiction where such offer or solicitation would be prohibited. As a result, the designated investments discussed in this investment research may not be eligible for sale in some jurisdictions. This investment research is not, and under no circumstances should be construed as, a solicitation to act as a securities broker or dealer in any jurisdiction by any person or company that is not legally permitted to carry on the business of a securities broker or dealer in that jurisdiction. This material is prepared for general circulation to clients and does not have regard to the investment objectives, financial situation or particular needs of any particular person. Investors should obtain advice based on their own individual circumstances before making an investment decision. To the fullest extent permitted by law, none of Canaccord Genuity, its affiliated companies or any other person accepts any liability whatsoever for any direct or consequential loss arising from or relating to any use of the information contained in this investment research.

For Canadian Residents: This Investment Research has been approved by Canaccord Genuity Corp., which accepts sole responsibility for this Investment Research and its dissemination in Canada. Canadian clients wishing to effect transactions in any Designated Investment discussed should do so through a qualified salesperson of Canaccord Genuity Corp. in their particular jurisdiction.

For United Kingdom Residents: This investment research is distributed in the United Kingdom, as third party research by Canaccord Genuity Limited, which is authorized and regulated by the Financial Services Authority. This research is for distribution only to persons who are Eligible Counterparties or Professional Clients only and is exempt from the general restrictions in section 21 of the Financial Services and Markets Act 2000 on the communication of invitations or inducements to engage in investment activity on the grounds that it is being distributed in the United Kingdom only to persons of a kind described in Article 19(5) (Investment Professionals) and 49(2) (High Net Worth companies, unincorporated associations etc) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended). It is not intended to be distributed or passed on, directly or indirectly, to any other class of persons. This material is not for distribution in the United Kingdom to retail clients, as defined under the rules of the Financial Services Authority.

For United States Residents: Canaccord Genuity Inc., a US registered broker-dealer, accepts responsibility for this Investment Research and its dissemination in the United States. This Investment Research is intended for distribution in the United States only to certain US institutional investors. US clients wishing to effect transactions in any Designated

Investment discussed should do so through a qualified salesperson of Canaccord Genuity Inc. Analyst(s) preparing this report that are not employed by Canaccord Genuity Inc are resident outside the United States and are not associated persons or employees of any US regulated broker-dealer. Such analyst(s) may not be subject to Rule 2711 restrictions on communications with a subject company, public appearances and trading securities held by a research analyst account.

For European Residents: If this Investment Research is intended for disclosure in any jurisdiction other than the United Kingdom, the US or Canada, then the relevant rules and regulatory requirements of that jurisdiction will apply.

Additional information is available on request.

Copyright © Canaccord Genuity Corp. 2011. – Member IIROC/Canadian Investor Protection Fund

Copyright © Canaccord Genuity Limited 2011. – Member LSE, authorized and regulated by the Financial Services Authority.

Copyright © Canaccord Genuity Inc. 2011. – Member FINRA/SIPC

All rights reserved. All material presented in this document, unless specifically indicated otherwise, is under copyright to Canaccord Genuity Corp., Canaccord Genuity Limited, and Canaccord Genuity Inc. None of the material, nor its content, nor any copy of it, may be altered in any way, or transmitted to or distributed to any other party, without the prior express written permission of the entities listed above.
