

Changes	Annual EPS	Annual EBITDA	Rating/Target
	2012E \$0.21 from \$0.46	2012E \$23M from \$39M	BUY rating Unchanged
	2013E \$1.81 from \$1.90	2013E \$151M from \$158M	C\$18.00 Unchanged

Labrador Iron Mines Holdings Ltd.

LIM : TSX : C\$8.66

BUY

Target: C\$18.00

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COMPANY STATISTICS:

52-week Range: C\$4.37 - 14.95
Market Cap (M): C\$467.9

EARNINGS SUMMARY:

FYE Mar	2010A	2011A	2012E	2013E	2014E
Avg Iron Ore Price (US\$/tonne):	NA	NA	122	116	120
EPS adj. fd:	0.03	-0.09	0.21	1.81	2.68
P/E (x):	NM	NM	41.1	4.8	3.2
Op CF /shr:	-0.08	-0.08	0.02	1.90	2.77
P/Op CF (x):	NM	NM	NM	4.6	3.1
Free CFPS:	-0.08	-0.08	0.02	1.89	2.75
P/FCF (x):	NM	NM	NM	4.6	3.1

SHARE PRICE PERFORMANCE:



COMPANY DESCRIPTION:

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. First production occurred during June 2011 and the company expects first shipments in August.

All amounts in C\$ unless otherwise noted.

Metals and Mining -- Base Metals and Minerals

PROJECT UPDATE POST SITE VISIT; MAINTAINING BUY RATING AND C\$18.00 TARGET PRICE

Event

We have reviewed our LIM operating and financial forecasts post FQ1/12 financial results, and last week's Analyst Site Visit. The ramp up of the plant has been impacted by a larger proportion of fines in the ore than originally expected. However, we expect the fines recovery of Phase II due September this year, and the process modifications of Phase IIIa due early next year to deliver throughput and Fe recovery as per design.

Impact

Our revised FY12E and FY13E EBITDA forecasts are C\$23 million and C\$151 million, down from C\$39 million and C\$158 million, respectively. (We are now assuming commercial production from FQ3/12, one quarter later than before). Our revised diluted FY12E and FY13E EPS are C\$0.21 and C\$1.81, respectively.

Action and valuation

We are reiterating our BUY recommendation and 12-month target price of C\$18.00, based on our NPV8 estimate of \$17.83 (down from C\$18.13). Our valuation is supported by 6.2x and 4.2x FY13E and FY14E EBITDA.

Next potential catalyst and key risks

We are forecasting a FQ2/12 EPS loss of (C\$0.10). We expect LIM's first 150,000 tonne shipment to occur in FQ2/12, but we do not expect commercial production until FQ3/12. We note that forecasting risk is particularly high for start-up.

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Figure 1: Labrador Iron Mines - financial summary

Table 1: Financial summary, FYE March	29-Aug	Q1'12A	Q2'12E	Q3'12E	Q4'12E	2009A	2010A	2011A	2012E	2013E	2014E	2015E	2016E
Sales revenue	C\$million	-	-	74.8	-	-	-	-	74.8	278.7	385.3	502.7	468.7
Operating expenses	C\$million	4.8	5.5	41.9	1.3	2.1	2.7	5.1	46.6	131.4	168.3	244.1	287.9
EBITDA	C\$million	(4.2)	(4.9)	34.1	(1.0)	(1.6)	(2.6)	(3.8)	24.0	152.4	221.8	265.2	188.3
Net income													
Net earnings	C\$million	(4.7)	(5.2)	22.6	(1.1)	(0.4)	1.2	(4.0)	11.7	101.4	150.3	181.2	130.1
EPS (basic)	C\$ps	(0.09)	(0.10)	0.42	(0.02)	(0.01)	0.03	(0.09)	0.22	1.88	2.78	3.35	2.41
EPS (diluted)	C\$ps	(0.09)	(0.10)	0.41	(0.02)	(0.01)	0.03	(0.09)	0.21	1.81	2.68	3.23	2.32
Shares on issue - diluted	million	50.8	55.5	55.5	56.1	37.2	37.4	43.7	55.3	56.1	56.1	56.1	56.1
Cash	C\$million	87.5	58.5	74.7	59.7	35.2	48.3	7.6	59.7	75.2	213.0	400.1	537.0
Net debt (cash)	C\$million	(85.5)	(56.5)	(72.7)	(57.7)	(35.2)	(48.3)	(5.5)	(57.7)	(73.2)	(211.0)	(398.1)	(535.0)
Capex	C\$million	25.3	-0.9	19.7	14.2	11.4	14.4	27.1	58.3	90.9	17.4	0.7	0.7
Cash flow from operations	C\$million	(4.2)	(30.0)	35.9	(0.9)	(0.8)	(3.1)	(3.4)	0.9	106.0	154.5	187.1	136.9
CFPS (diluted)	C\$ps	(0.08)	(0.54)	0.65	(0.02)	(0.02)	(0.08)	(0.08)	0.02	1.90	2.77	3.35	2.45
Table 2 : Key input variables													
		Q1'12A	Q2'12E	Q3'12E	Q4'12E	2009A	2010A	2011A	2012E	2013E	2014E	2015E	2016E
ROM production	<i>million dry tonnes</i>	0.2	1.2	0.8	0.0	0.0	0.0	0.0	2.1	2.5	4.0	5.7	6.5
Production pellet fines	<i>million dry tonnes</i>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.5	0.7	0.8
Production sinter fines	<i>million dry tonnes</i>	0.0	0.2	0.2	0.0	0.0	0.0	0.0	0.4	1.5	1.9	3.0	3.4
Production lump ore	<i>million dry tonnes</i>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.3	0.4	0.6	0.7
Production DSO	<i>million dry tonnes</i>	0.1	0.3	0.3	0.0	0.0	0.0	0.0	0.7	0.5	0.5	0.0	0.0
Total product production, including DSO	<i>million dry tonnes</i>	0.1	0.5	0.5	0.0	0.0	0.0	0.0	1.2	2.5	3.2	4.4	5.0
Pellet Fines sales	<i>million dry tonnes</i>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.5	0.7	0.8
Sinter Fines sales	<i>million dry tonnes</i>	0.0	0.0	0.4	0.0	0.0	0.0	0.0	0.4	1.5	1.9	3.0	3.4
Lump ore sales	<i>million dry tonnes</i>	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.1	0.3	0.4	0.6	0.7
Direct Shipped Ore sales	<i>million dry tonnes</i>	0.0	0.2	0.2	0.0	0.0	0.0	0.0	0.3	0.5	0.5	0.0	0.0
Total product sales	<i>million dry tonnes</i>	0.0	0.2	0.6	0.0	0.0	0.0	0.0	0.8	2.5	3.2	4.4	5.0
Pellet Fines price (per tonne)	<i>US\$/dry tonne</i>	129.6	118.3	117.2	116.0	nmf	nmf	nmf	117.4	109.1	111.2	101.1	83.1
Sinter Fines price (per tonne)	<i>US\$/dry tonne</i>	139.7	131.3	126.7	125.3	nmf	nmf	nmf	127.6	118.1	117.1	106.6	87.8
Lump price (per tonne)	<i>US\$/dry tonne</i>	154.2	137.5	134.7	133.1	nmf	nmf	nmf	135.2	129.7	141.1	128.4	106.2
DSO price	<i>US\$/dry tonne</i>	121.2	113.4	109.9	108.6	nmf	nmf	nmf	110.6	102.4	120.0	103.1	84.7
Average price	<i>US\$/dry tonne</i>	na	113.4	123.7	na	nmf	nmf	nmf	121.7	115.5	119.6	108.7	71.6
Total operating costs (per ton dry con)	<i>C\$/dry tonne sold</i>	na	70.0	62.5	60.0	na	na	na	64.0	47.6	46.5	47.7	50.0
C\$/US\$ exchange rate		1.03	1.03	1.03	1.03	0.90	0.92	0.98	1.03	1.02	0.99	0.95	0.95

Source: Company reports, Canaccord Genuity estimates

FQ1/12 FINANCIAL RESULTS & PROJECT UPDATE

LIM reported FQ1/12 (CQ2/11) financial results on August 9. While not particularly meaningful for a development company, the EPS loss of (\$0.09) was below our forecast loss of (\$0.02) due to start-up expenses related to unused rail allocations. Of more relevance is the project update provided with the MD&A, and the August 25 Analyst Site Visit.

Mine and plant

The Silver Yards processing plant was commissioned in June 2011. To the end of July, a total of 305,000 tonnes of ore had been mined and trucked to the Silver Yards area. Of the 305,000 tonnes, 170,000 tonnes or 56% 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 is designed specifically to increase fines recovery, and is scheduled for commissioning in mid-September. The Phase II expansion should help to increase both throughput and recoveries. To the end of July, 100,000 tonnes of material had been fed through the plant, producing 50,000 tonnes of lump and sinter fine product, implying a weight recovery of 50%. Current weight recovery is still only 45-60%. The expected recoveries as outlined in the March 2010 Technical Report were 62%

for Phase I and 75% for Phase II. We expect the plant to move toward the Phase II recoveries of 75% once the expansion is commissioned.

As of the August 25 site visit, current plant site stockpiles included:

- 150,000 tonnes of direct-rail ore grading about 65% Fe, (in addition to the 90,000 tonnes averaging 65.3% Fe already railed to Sept-Iles). The direct-rail ore has proven to be extremely consistent, with all trains to date ranging from 65.0% to 65.5% Fe content.
- 80,000 tonnes of processed sinter fines, at a grade of about 65% Fe.
- 20,000 tonnes of processed lump, at a grade closer to 63% Fe.
- 25,000 tonnes of ROM ore for processing.

Mine and plant outlook for remainder of 2011

LIM expects to mine a total of 2.2 million tonnes of ore in 2011, including 0.8mt of direct-rail ore. The mining contractor will continue some work during the winter, most likely on stripping.

LIM also provided guidance that the Silver Yards plant will process a total of 800,000 tonnes of ore prior to the winter shutdown, which would imply a processing rate of 6,500 tonnes per day from August 1 to November 15. The initial planned processing rate for the first two lines of the plant, as currently constructed, was 6,000 tonnes per day. 6,500 tonnes was processed the day before our site visit, and this should increase once Phase II is in operation from September onward.

LIM forecasts that 550,000 tonnes of saleable product will be produced from the expected 800,000 tonnes of ore fed through the plant, implying recoveries of 69% for all of 2011, or 71% during the remainder of 2011 (from August 1 onward).

Although the initial plant performance has been disappointing, LIM has been able to compensate with direct-rail ore. The James orebody has proven to contain more <1mm fine material than expected, but also more direct-rail ore. LIM currently estimates that about 50% of the 8.1mt resource at the James pit will be suitable for direct-rail, and the grade of this ore type has so far consistently been 65-65.5% Fe.

In total, LIM expects that between 750,000 and 1,000,000 tonnes of saleable product will be railed to Sept-Iles port during C2011. Actual volumes will likely depend more on train cycle times than plant performance, and train cycle times are controlled more by IOC than by LIM. The objective is to rail one Capesize ship load of direct-rail ore first, implying 70,000 more tonnes in addition to the 90,000 tonnes already railed. LIM then plans to rail processed ore, focusing first on sinter fines, as the lower moisture content of lump ore (2-3% compared to about 6% for sinter fines) should allow it to be railed further into the winter than the sinter fines.

LIM expects the processed sinter fines to achieve a better price than the direct-rail ore. The Fe grade is about the same for both, but the direct-rail ore is un-sized, meaning that additional downstream processing will be necessary. However, the availability of direct-rail ore should ensure that rail shipments match rail capability. LIM also noted that the locomotives needed to run two train sets should be in use by mid-September. A third train is slated to be added in C2012, to bring rail capacity to 2.5 million tonnes pa.

LIM expects a further C\$1.5 million of Phase I and II capex in C2011. The most recent C2012 capex estimate, from the FQ4/11 MD&A of June 29, was C\$35 million. About C\$10-15 million of this is likely to be spent during C2011.

Processing, and process improvements

Phase I, as built, is presented as Figure 2. We note the current choke at the secondary screens, due to the greater than expected proportion of <1mm fines in the James orebody, such that current weight recovery of 45-60% is well less than the 62% expected from Phase I. LIM continues to expect that weight recovery will increase toward 75% once Phase II is commissioned in September 2011, and that weight recovery for the high-grade ore will increase further to 80% once Phase IIIA is commissioned during C2012. Weight recovery from the low-grade (or high-silica) process line of Phase IIIB is expected to be 67%. The additions to the processing plant with each additional phase are explained below:

2011; Phase II. Construction in process, for plant commissioning expected in September:

- Addition of a desliming cyclone, density separator and pan filter. This will allow recovery of fines down to 100-150 microns, and allow secondary screens to be opened up to design size of 600 microns, (from current 300 microns).

2012; Phase IIIA. Construction expected to start late C2011, for plant commissioning and start-up expected early in C2012:

- Addition of a 3rd tumbling scrubber, a 3rd primary wet screening unit, and a 3rd secondary wet screening unit (compared to the current flow sheet as per Figure 2). This should solve the choke at secondary screening created by the greater than expected proportion of <1mm fines in the orebody, and allow redundancy elsewhere such that retention times can be increased to optimize recoveries, particularly as ROM Fe grade decreases into C2013.
- Addition of a lump ore jig, to increase the grade of the lump ore product.

2012; Phase IIIB. Construction expected to start late C2011, for plant commissioning and start-up expected in mid-C2012:

- A fourth line, to treat high-silica ore, producing only <1 millimeter fines.
- An ultra fines circuit, including magnetic separation, to produce <150 micron pellet feed, to be shared between all four process lines.

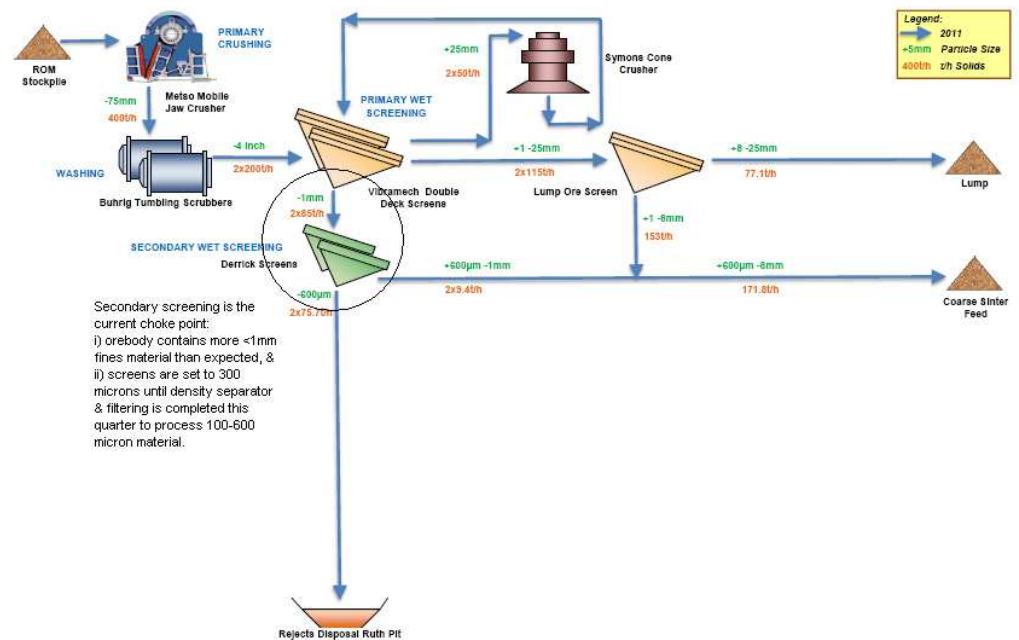
Mine and plant outlook beyond 2011

The following guidance was provided for calendar year 2012, and was largely in-line with our prior forecast:

- Total ore mined of 2.5 million tonnes;
 - Total ore processed of between 2.6 and 2.8 million tonnes (implying ore that was stockpiled in 2011 will be processed in 2012);
 - Weight recoveries of 71-77% to yield 2.0 million tonnes of product from the Silver Yards plant;
 - An additional 0.5 million tonnes of direct rail ore, bringing total saleable production to 2.5 million tonnes.
-

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 H2/13.

Figure 2: Current flow sheet, showing the choke at the secondary screens



Source: August 25 Investor Analyst Tour

Sales offtake

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 the Asian markets and sold by IOC's marketing organization on the spot market. The terms of the agreement are confidential. Please see our *Daily Letter* titled "*Offtake signed with IOC; reiterate BUY rating, trimming target price to C\$18.00,*" published on August 15, 2011 for further details on the offtake agreement.

Capital and operating costs

Phase I of the plant was essentially complete as of June 30, 2011. A further C\$1.5 million of capex is expected for Phase II. The previous capital cost estimate for Phase III of \$35 million was not reiterated in the Q2 MD&A. Current disclosure is that LIM will evaluate the expansion later in C2011. We expect the expansion to proceed.

Capital expenditure guidance relating to Houston consisting of project studies costing \$5 million and mine site development costing \$5 million remains unchanged. We note capex guidance from a March 2011 Technical Report of a further C\$35 million for the plant site, and C\$8-10 million for a second rail spur.

LIM maintained its average life of mine operating cost guidance of \$50/tonne, with FY12 being higher than average.

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 of Uashat and Mani-Utenam. An agreement in principle was signed in December 2010, and the Uashaunnuat have agreed that they will not do anything to delay, block or hinder LIM’s projects. LIM expects the completion of this IBA by the end of C2011.

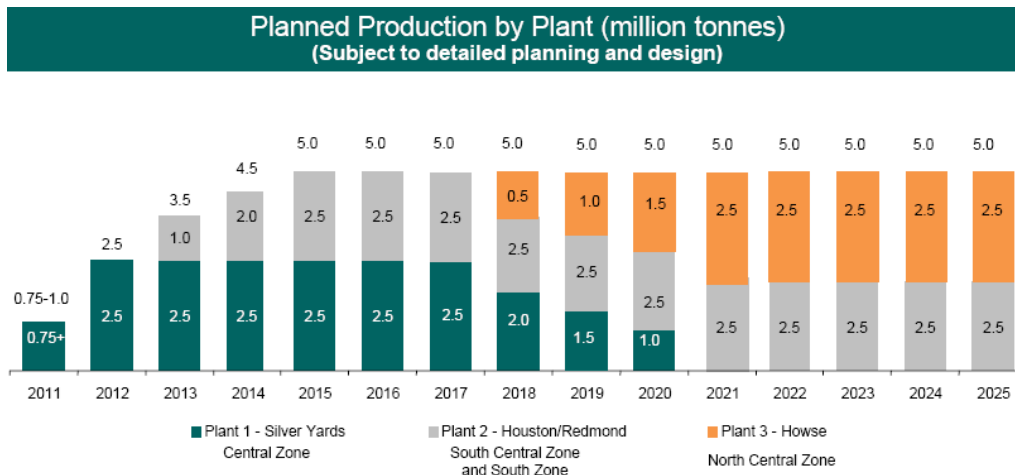
PRODUCTION GROWTH

LIM’s planned production ramp up is as per Figure 3. A slight change to previous guidance is that first production from Plant 3 at Howse has been pushed back from 2015 to 2018, and production from Plant 2 at Houston / Redmond has been increased to maintain 5 million tpa.

We are assuming the same production profile from C2012 for our financial forecasts, and capex of:

- C\$45 million to achieve Silver Yards capacity of 2.5mtpa, to reflect some inflation and the modest increases in scope relative to the C\$35m guidance from June;
- C\$60 million to achieve Houston / Redmond capacity of 2.5mtpa, to reflect some inflation relative to the C\$50 million estimate of a March 2011 Technical Report;
- C\$45 million to achieve Howse capacity of 2.5mtpa. Cost savings from re-locating some of the processing plant at Silver Yards should be offset by higher infrastructure costs.

Figure 3: LIM’s planned production profile



Source: August 25 Investor Analyst Visit

OUR NEW OPERATING ASSUMPTIONS

Our new and old operating assumptions are presented as Figures 4 and 5.

Figure 4: 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	1,183	2,485	3,222	4,391	4,854
- pellet fines	'000 dmt	0	0	207	459	741	819
- sinter fines	'000 dmt	0	410	1,489	1,877	3,028	3,347
- lump	'000 dmt	0	88	288	386	622	688
Sales							
- total	'000 dmt	0	773	2,485	3,222	4,391	4,854
- pellet fines	'000 dmt	0	0	207	459	741	819
- sinter fines	'000 dmt	0	390	1,489	1,877	3,028	3,347
- lump	'000 dmt	0	83	288	386	622	688
- DSO	'000 dmt	0	300	500	500	0	0
Iron ore concentrate price							
- average	US\$/dmt	n.a.	122	116	120	109	72
- pellet fines	US\$/dmt	n.a.	117	109	111	101	66
- sinter fines	US\$/dmt	n.a.	128	118	117	107	70
- lump	US\$/dmt	n.a.	135	130	141	128	85
- DSO	US\$/dmt	n.a.	111	102	120	103	85
Unit operating cost*	C\$/dmt	n.a.	64	48	47	48	50
US\$/C\$		0.98	1.03	1.02	0.99	0.95	0.95

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

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

Figure 5: 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	1,314	2,446	3,433	4,397	4,860
- pellet fines	'000 dmt	0	0	222	498	747	825
- sinter fines	'000 dmt	0	579	1,377	2,020	3,028	3,347
- lump	'000 dmt	0	235	347	415	622	688
Sales							
- total	'000 dmt	0	694	2,446	3,433	4,397	4,860
- pellet fines	'000 dmt	0	0	223	498	747	825
- sinter fines	'000 dmt	0	288	1,377	2,020	3,028	3,347
- lump	'000 dmt	0	106	346	415	622	688
- DSO	'000 dmt	0	300	500	500	0	0
Iron ore concentrate price							
- average	US\$/dmt	n.a.	130	119	120	109	72
- pellet fines	US\$/dmt	n.a.	118	109	111	101	66
- sinter fines	US\$/dmt	n.a.	125	115	117	107	70
- lump	US\$/dmt	n.a.	155	143	141	128	85
- DSO	US\$/dmt	n.a.	127	117	120	103	85
Unit operating cost*	C\$/dmt	n.a.	64	48	47	48	50
US\$/C\$		0.98	1.03	1.02	0.99	0.95	0.95

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

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

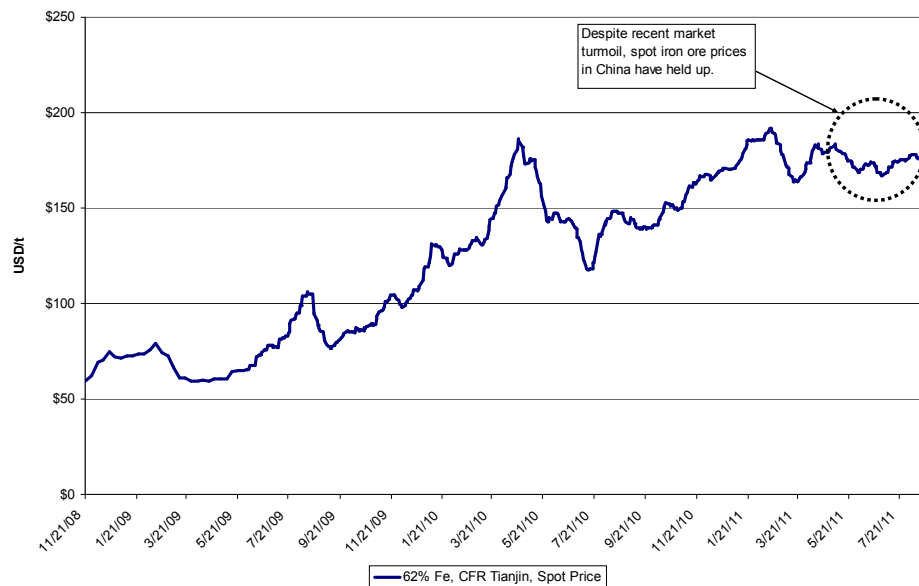
Key changes are as follows:

- We have increased our FY12 sales forecast from 0.69 Mt to 0.77 Mt, and we are maintaining our FY13 sales forecast of 2.5 million tonnes.
- We have lowered our FY12 forecast weight recovery from 66% to 62%, (comprised of a decrease in our lump recovery from 19% to 11%, partially offset by an increase in our sinter fines recovery from 47% to 51%).
- We have lowered our FY13 forecast weight recovery from 76% to 75%, (but have maintained our forecast weight recovery of 77% beyond FY13).

- We have increased our FY12 sinter fines grade from 64% to 65% Fe. We have decreased our FY12 lump ore grade from 65% to 63% Fe.
- We are assuming a sales price discount of 15% to account for IOC's offtake agreement, and a further 10% for direct-rail sales to account for the additional processing required in China. We have assumed a second year of IOC offtake during C2012. In effect, our assumed 15% IOC "commission" amounts to a discounted sale price of US\$23/t in FY12, and US\$22/t in FY13, compared to the sales prices we would have calculated against our forecasts of landed price in China for a 63.5% Fe product, Fe premia / discounts, and lump premia.
- We have not decreased our FY12 and FY13 unit cost forecasts from US\$64/t and US\$48/t, even though some of the costs which would have accrued to LIM will now accrue to IOC, as long as the current offtake agreement remains in place. Our cost assumptions are now slightly more conservative than before – given the operational inefficiencies of LIM's previously announced Port aux Basques port option, savings could be as much as C\$10/t - not inappropriate considering the process plant modifications directed toward longer retention times.
- We have maintained our unit cost forecasts of \$50/t for the remainder of the mine life (before accounting for haulage rebates from QNS&L of \$3.50/t), in-line with company guidance.
- We are assuming FY12 product grades of 65% for direct-rail ore, 65% for sinter fines, and 63% for lump ore, in line with production to date.
- We are assuming FY11 sales of 0.77 million dry tonnes, compared to current guidance of 0.75-1.0 million tonnes of product railed to Sept-Iles. Average moisture content could be around 5%.

OUR IRON ORE PRICE FORECASTS

Our iron ore price forecasts are based on the forward curve for landed iron ore prices in China. We make adjustments to the China CFR price to reflect Fe grade, shipping differentials, lump premia, and a discount for direct-rail (i.e. un-sized) ore. We have marked our iron ore price forecast to market based on the forward curve as of June 30, 2011. We present spot prices and our forecasts as Figure 6, noting that spot prices have remained extremely strong despite the economic uncertainties of 2012.

Figure 6: Iron ore spot price, 62% Fe CIF Tianjin, China

Source: Bloomberg

OUR FORECAST CHANGES

Our forecast changes are as follows. Part of our FY12E decreases are due to our delay in assumed commercial production from FQ2/12 to FQ3/12: Our revised FY12-14 EPS forecasts are:

- FY12E – diluted EPS of C\$0.21, down from C\$0.46;
- FY13E – diluted EPS of C\$1.81, down from C\$1.90.
- FY14E - diluted EPS of C\$2.68, down from \$2.86.

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

- FY12E – C\$0.02, down from C\$0.22;
- FY13E – C\$1.90, down from C\$1.96.
- FY14E - C\$2.77, down from C\$2.95.

Our revised FY12-FY14 EBITDA estimates are as follows:

- FY12E – C\$23 million, down from C\$39 million.
- FY13 – C\$151 million, down from C\$158 million.
- FY14 - C\$ 222 million, down from C\$236 million.

We are forecasting a FQ2/12 diluted EPS loss of (C\$0.10). We are assuming that commercial production will not be reported until FQ3/12. However, we expect one Capesize shipment of 150,000 dry tonnes of direct-rail ore during Q2, for revenue of US\$113 per dry tonne, and average cost of C\$70 per dry tonne, plus a further C\$3.45 million of start-up expenses, (which may include both unused rail allocations and expenses related to unused stevedoring services at Port aux Basques). Should this occur, and were LIM to report revenue and COGs, we would be forecasting FQ2/12 diluted EPS of +C\$0.01.

We note a cash balance of C\$88 million at end-June (excluding C\$7 million of restricted cash). We expect the cash balance to trough at C\$58 million at end-September 2011.

VALUATION

We are reiterating our BUY recommendation and 12-month target price of C\$18.00 based on our NPV8 estimate of C\$17.83, (down from previous C\$18.13). Once in commercial production, we may change to a multiple-based target price. We present Figure 7 as an example of potential multiple valuation. On an EV/EBITDA basis, on a two-to-three year timeframe, we can foresee a C\$12.00-17.50 share price range at a 4x multiple, or a C\$15.00-21.00 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 8. If iron ore spot prices in China were to stay flat for the next two years at current US\$187/tonne, (for 63.5% Fe product), we could foresee a share price of up to C\$20.00 at a 5x EV/EBITDA multiple.

Figure 7: Labrador Iron Mines potential multiple valuation (FY11 is year ending March 2011)

Multiple valuation FYE March	2008	2009	2010	2011	2012E	2013E	2014E	2015E	2016E	2017E
Sales (mt)				0.0	0.8	2.5	3.2	4.4	5.0	5.0
EPS	0.14	(0.01)	0.03	(0.09)	0.21	1.81	2.68	3.23	2.32	1.38
...at a multiple of				8.0	8.0	8.0	8.0	8.0	8.0	8.0
P/E valuation is				(0.73)	1.69	14.46	21.43	25.83	18.55	11.05
CFPS	0.01	(0.02)	(0.08)	(0.08)	0.02	1.90	2.77	3.35	2.45	1.51
...at a multiple of				6.0	6.0	6.0	6.0	6.0	6.0	6.0
P/CF valuation is				(0.47)	0.11	11.38	16.59	20.08	14.71	9.08
Average valuation				(0.60)	0.90	12.92	19.01	22.95	16.63	10.07
net cash per share, start of year		1.34	0.95	1.27	0.13	1.03	1.30	3.76	7.09	9.53
plus cash from warrants & options				0.27	0.21	0.21	0.21	0.21	0.21	0.21
multiple valuation plus the cash				0.94	1.24	14.16	20.53	26.93	23.94	19.81
EBITDA	C\$m			-4.9	22.8	151.0	221.8	265.2	188.3	109.2
...EV at a multiple of 4x	C\$m			-19.8	91.3	604.2	887.2	1060.6	753.2	437.0
...net cash	C\$m			48.3	5.5	57.7	73.2	211.0	398.1	535.0
...cash from options and warrz	C\$m			11.9	11.9	11.9	11.9	11.9	11.9	11.9
...market capitalisation	C\$m			40.4	108.7	673.7	972.3	1283.5	1163.2	983.8
Share price (fully diluted)	C\$m			0.72	1.94	12.01	17.33	22.87	20.73	17.53
...EV at a multiple of 5x	C\$m			-24.7	114.1	755.2	1109.0	1325.8	941.5	546.2
...net cash	C\$m			48.3	5.5	57.7	73.2	211.0	398.1	535.0
...cash from options and warrz	C\$m			11.9	11.9	11.9	11.9	11.9	11.9	11.9
...market capitalisation	C\$m			35.5	131.5	824.8	1194.1	1548.7	1351.5	1093.1
Share price (fully diluted)	C\$m			0.63	2.34	14.70	21.28	27.60	24.08	19.48

Source: Canaccord Genuity estimates

Figure 8: Labrador Iron Mines sensitivity to FY12E and FY13E iron ore prices

Year	FYE Mar 2012							FYE Mar 2013						
	Iron Ore Fines Price (dmt, 63.5% CIF China)	\$125	\$150	\$173*	\$187.5**	\$200	\$225	\$250	\$125	\$150	\$157.5*	\$187.5**	\$200	\$225
LIM Equivalent Avg Iron Ore Price (dmt, FOB Sept-Iles)	\$87	\$106	\$122	\$136	\$146	\$165	\$185	\$88	\$108	\$116	\$138	\$148	\$168	\$188
EBITDA	\$2	\$14	\$23	\$32	\$38	\$50	\$62	\$86	\$134	\$151	\$206	\$231	\$279	\$327
Implied share price (diluted) at 4x EBITDA	\$0.42	\$1.28	\$1.94	\$2.57	\$3.00	\$3.86	\$4.71	\$7.00	\$10.63	\$12.01	\$16.09	\$17.91	\$21.54	\$25.18
Implied share price (diluted) at 5x EBITDA	\$0.45	\$1.52	\$2.34	\$3.13	\$3.67	\$4.74	\$5.81	\$8.53	\$13.02	\$14.70	\$19.77	\$22.01	\$26.51	\$31.01
Implied share price (diluted) at 6x EBITDA	\$0.48	\$1.77	\$2.75	\$3.70	\$4.34	\$5.63	\$6.92	\$10.05	\$15.41	\$17.39	\$23.44	\$26.12	\$31.48	\$36.84

*Canaccord Genuity Forecast

**Spot price at Aug 29, 2011.

Source: Canaccord Genuity estimates

Investment risks

There are potential 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 all have the potential to impact financial estimates and valuation.

Figure 9: Financial summary and ratios

Labrador Iron Mines		LIM.CN							
Profit & Loss		FY end-March							
In CAD '000s unless otherwise stated									
Year to March	2009A	2010A	2011A	2012E	2013E	2014E	2015E	2016E	
Sales Revenue	-	-	-	75	279	385	503	469	
Other income	-	-	-	-	-	-	-	-	
Gross costs	2	3	5	45	128	163	238	280	
EBITDA	(2)	(3)	(5)	23	151	222	265	188	
Deprec'n & Amort'n	0	0	0	2	4	5	7	7	
EBIT	(2)	(3)	(5)	21	147	217	259	181	
Net Interest	1	0	0	1	1	3	6	9	
Profit Before Tax	(1)	(3)	(5)	22	148	219	264	190	
Income Tax	(1)	(4)	(1)	10	47	69	83	60	
Minorities	-	-	-	-	-	-	-	-	
Adjusted (core) net income	(0)	1	(4)	12	101	150	181	130	
EPS	(0.01)	0.03	(0.09)	0.22	1.88	2.78	3.35	2.41	
Diluted EPS	(0.01)	0.03	(0.09)	0.21	1.81	2.68	3.23	2.32	
Dividend per share	-	-	-	-	-	-	-	-	
Exceptional profit after tax	-	-	-	-	-	-	-	-	
Reported profit after tax	(0)	1	(4)	12	101	150	181	130	

Source: Company data, Canaccord Genuity estimates

Cash Flow, proforma		LIM.CN							
In CAD '000s unless otherwise stated									
Year to March	2009A	2010A	2011A	2012E	2013E	2014E	2015E	2016E	
Cashflow from operations	(2)	(3)	(5)	23	151	222	265	188	
Net dividends from investments / to minorities	-	-	-	-	-	-	-	-	
Exploration expensed (incl. in CF from ops.)	-	-	-	-	-	-	-	-	
Maintenance capex	-	-	-	(0)	(1)	(1)	(1)	(1)	
Net interest	(1)	(0)	(0)	(1)	(1)	(3)	(6)	(9)	
Tax paid	-	-	-	(10)	(47)	(69)	(83)	(60)	
Other operating c-flow	3	(0)	2	(11)	4	5	12	18	
Operating cashflow	(1)	(3)	(3)	1	106	154	187	137	
Expansion capex	(11)	(14)	(27)	(58)	(90)	(17)	-	-	
Net acquisitions	-	-	-	-	-	-	-	-	
Exploration capitalised	-	-	-	-	-	-	-	-	
Other investing cash flow	0	(2)	(12)	(5)	-	-	-	-	
Investment cash flow	(11)	(17)	(39)	(64)	(90)	(17)	-	-	
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)	52	16	138	187	137	

Source: Company data, Canaccord Genuity estimates

Balance Sheet		LIM.CN							
In CAD '000s unless otherwise stated									
As at 31-March	2009A	2010A	2011A	2012E	2013E	2014E	2015E	2016E	
Cash & equivalents	35	48	8	60	75	213	400	537	
Other current assets	1	1	2	10	10	10	10	10	
Property, plant & equipment	142	159	200	222	309	322	316	309	
Exploration	-	-	-	-	-	-	-	-	
Other assets	0	2	-	-	-	-	-	-	
Total assets	178	210	225	318	421	571	752	883	
Current liabilities	1	2	15	23	23	23	23	23	
Non-current liabilities	36	32	35	4	4	4	4	4	
Minorities	-	-	-	-	-	-	-	-	
Other liabilities	-	-	-	-	-	-	-	-	
Net assets	141	176	174	291	394	544	725	855	
Total equity	141	176	174	291	394	544	725	855	
Gearing (nd/nd+e) %	-33%	-38%	-3%	-25%	-23%	-63%	-122%	-167%	
Working capital	35	47	(5)	49	64	202	389	526	
Net debt	(35)	(48)	(6)	(58)	(73)	(211)	(398)	(535)	

Source: Company data, Canaccord Genuity estimates

Ratios		LIM.CN							
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%	5.0%	29.6%	32.1%	28.5%	16.5%	
Return on assets	-0.2%	0.6%	-1.8%	4.3%	27.4%	30.3%	27.4%	15.9%	
Return on invested capital	-0.2%	0.6%	-2.0%	5.0%	31.5%	33.5%	29.5%	16.9%	
Return on capital employed	-0.2%	0.6%	-1.9%	4.6%	29.2%	31.8%	28.3%	16.4%	
EBITDA margin	na	na	na	30.5%	54.2%	57.6%	52.8%	40.2%	
EBIT margin	na	na	na	28.4%	52.9%	56.3%	51.4%	38.6%	
Net profit margin	na	na	na	15.6%	36.4%	39.0%	36.0%	27.8%	
Effective tax rate	na	na	na	47.1%	31.7%	31.5%	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	3.1	3.8	9.8	18.0	24.0	
Other									
Shares in issue (diluted)	37	37	44	55	56	56	56	56	
Free Cashflow (\$ / share)	(0.02)	(0.08)	(0.08)	0.02	1.89	2.75	3.33	2.44	
Cashflow after capex (\$ / share)	(0.33)	(0.47)	(0.70)	(1.04)	0.28	2.46	3.33	2.44	
Cashflow before capex (\$ / share)	(0.02)	(0.08)	(0.08)	0.02	1.90	2.77	3.35	2.45	
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

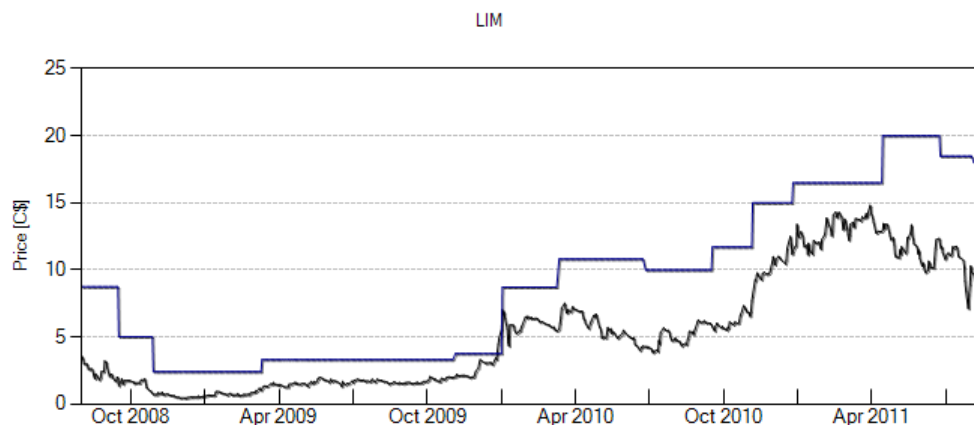
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Site Visit:

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) 10/10/2008	Lampard	Buy	5.00	8) 08/16/2010	Lampard	Buy	10.00
2) 11/21/2008	Lampard	Buy	2.40	9) 10/01/2010	Lampard	Buy	11.70
3) 04/02/2009	Lampard	Buy	3.30	10) 11/19/2010	Lampard	Buy	15.00
4) 11/23/2009	Lampard	Buy	3.75	11) 01/07/2011	Lampard	Buy	16.50
5) 01/19/2010	Lampard	Buy	8.70	12) 04/26/2011	Lampard	Buy	20.00
6) 03/29/2010	Lampard	Buy	10.80	13) 07/05/2011	Lampard	Buy	18.50
7) 07/12/2010	Lampard	Buy	10.00	14) 08/15/2011	Lampard	Buy	18.00

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

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(as of 3 August 2011)

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Speculative Buy	79	10%	65.8%	
Hold	222	28%	18.9%	
Sell	12	2%	25.0%	
	791	100%		

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