



INITIATION | COMMENT

NOVEMBER 10, 2011

Labrador Iron Mines Holdings Limited (TSX: LIM)

New Producer, but Not Without Its Challenges

Sector Perform Above Average Risk

Price:	6.96	Price Target:	8.50
Shares O/S (MM):	54.0	Implied All-In Return:	22%
Dividend:	0.00	Market Cap (MM):	376
NAVPS:	8.54	Yield:	0.0%
		P/NAVPS:	0.8x
		Avg. Daily Volume (MM):	0.34

Event

We are initiating coverage of Labrador Iron Mines with a Sector Perform, Above Average Risk rating, and \$8.50 price target.

Investment Recommendation - Shares Fairly Valued

Labrador Iron Mines (LIM) is the newest producer of iron ore in Canada, providing investors near-term iron ore exposure and long-term resource and production growth potential. However, given relative valuations and the remaining challenges and uncertainties associated with LIM's development plans, we believe the shares are currently fairly valued.

Newest Iron Ore Producer on the Labrador Trough

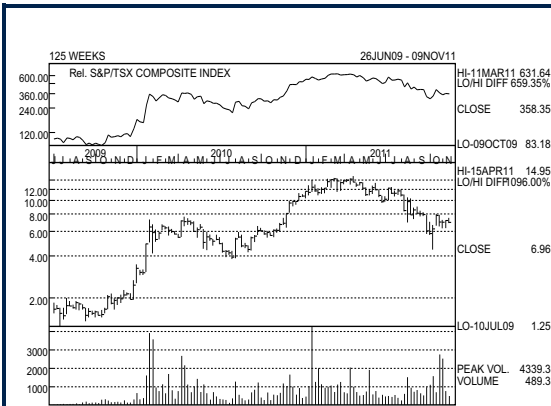
The company is engaged in developing its 100%-owned iron ore properties in the Schefferville area, located 1,150 km northeast of Montreal. These high-grade, high-quality direct shipping ore operations are the remnants of IOC's previous mining operations (1954 to 1982). LIM was established in 2007, commenced production in June 2011, and is targeting a 5.0 million production run-rate by the end of 2014.

Production & Resource Upside, but Challenges Remain

- **Existing Iron Ore Producer:** As LIM ramps up to commercial production in 2012, the company is set to join a selective group of iron ore companies in Canada that are producing iron ore.
- **Healthy Balance Sheet Supports Near-term Growth, Despite Upcoming Seasonal Shutdown:** Following its recent equity raise, LIM is well positioned to fund its near-term growth plans, with \$88 million in cash on hand as of June 30, 2011. LIM's shipping season runs from April - November.
- **Near-term Challenges Remain:** There are timing and execution risks associated with LIM's development plans, including completing a 3-phased expansion plan in 2012, securing port access in 2012 and beyond, and successfully permitting and developing two additional deposits by mid 2013.
- **Valuation:** We derive our price target of \$8.50 by applying a 1.0x multiple to our NAV of \$8.54. Our NAV assumes that LIM successfully ramps up saleable iron ore production to a sustainable run-rate of 2.5 mtpa by mid 2012 and 4.4 mtpa by the end of 2013. The shares are currently trading at a 19% discount to our base case NAV versus the peer group average of 50%.
- **Production Growth Provides Upside Potential:** We assume LIM successfully implements the first two stages of its 5-stage production plan. If we were to assume the development of the Howse complex (Stage 3) and Sawyer/Astray deposits (Stage 4), our NAV would increase to \$11.61/sh.

Priced as of prior trading day's market close, EST (unless otherwise noted).

For Required Non-U.S. Analyst and Conflicts Disclosures, see page 42.



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FY Mar	2011A	2012E	2013E	2014E
Adj EPS - FD	(0.08)	(0.07)	1.67	1.69
P/AEPS	NM	NM	4.2x	4.1x
Adj CFPS - FD	(0.08)	(0.02)	2.52	2.27
P/ACFPS	NM	NM	2.8x	3.1x
EBITDA (MM)	(4.9)	(2.3)	161.7	169.9
Adj EPS - FD	Q1	Q2	Q3	Q4
2011	(0.01)A	(0.02)A	(0.02)A	(0.03)A
2012	(0.09)A	(0.05)E	(0.05)E	0.12E
2013	0.56E	0.56E	0.55E	0.00E
2014	0.56E	0.56E	0.57E	0.00E
Adj CFPS - FD				
2011	(0.02)A	(0.02)A	(0.02)A	(0.02)A
2012	(0.08)A	(0.04)E	(0.04)E	0.14E
2013	0.84E	0.84E	0.84E	0.00E
2014	0.76E	0.76E	0.75E	0.00E

All values in CAD unless otherwise noted.

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Investment Thesis

Labrador Iron Mines (LIM) has commenced iron ore production and is set to join a selective group of Canadian iron ore producers as it ramps up to commercial production in 2012. This group includes the likes of ArcelorMittal, Cliffs Resources and Iron Ore Company of Canada. In addition to providing near-term iron ore price exposure, LIM may provide investors with significant upside through resource growth potential and its long-term production growth prospects. However, given current valuations and the remaining risks associated with achieving its medium-term growth plans, we believe the shares are currently fairly valued. These risks include:

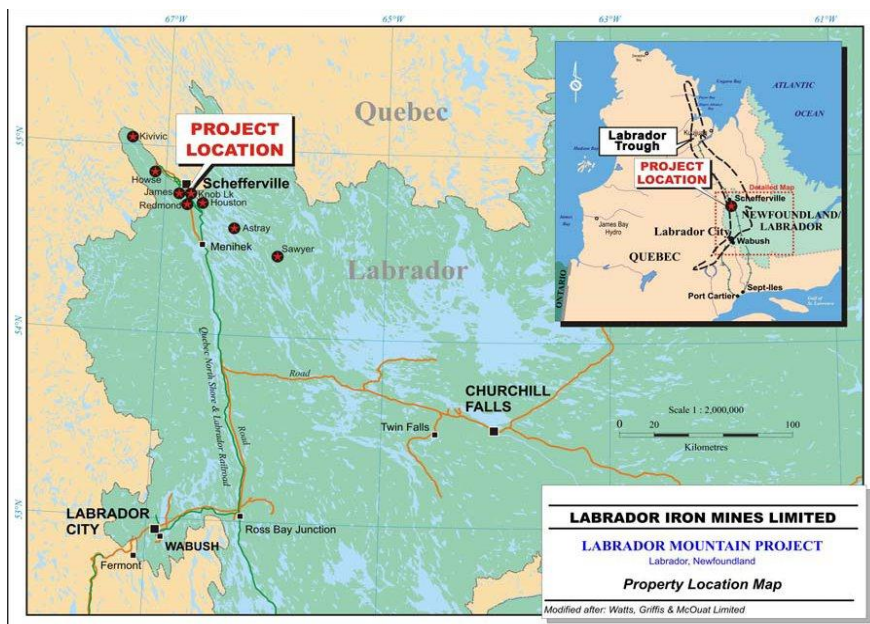
- executing a three-phased expansion plan by the end of 2012 at its Silver Yards processing facility;
- securing port access in 2012 and beyond; and
- building the Redmond processing plant and successfully permitting and developing the Houston and Redmond deposits as a stand-alone operation by mid 2013.

We derive our \$8.50 price target by applying a 1.0x multiple to our NAV of \$8.54. Our NAV assumes the successful completion of two stages of a five-stage production plan. We assume LIM successfully ramps up saleable iron ore production to a sustainable run-rate of 2.5 million tonnes per annum (mtpa) by the end of 2012 through the development of its James mine and Silver Yards processing facility. We expect LIM to fund its 2012 capex through cash on hand, following its \$121 million equity raise (9.7 million shares) earlier this year. Our NAV also assumes that LIM successfully permits and develops the Remond, Houston and Denault deposits, builds the new Redmond processing plant, and ramps up production to 4.4 mtpa of saleable iron ore by the end of 2013. Our NAV does not attribute any value for the potential development of the Howse mine and processing facility (Stage 3), mine development of Sawyer/Astray Lake (Stage 4), or development of the “North Zone” of LIM’s property (Stage 5). If we were to include Stages 1-4 into our model, our NAV would increase to \$11.61/sh. We exclude Stage 5 from our upside analysis given the economic uncertainty of these deposits.

Company Overview

LIM is principally engaged in the development of its multiple, 100%-owned, iron ore properties in the Schefferville area, collectively named the Schefferville Projects. These direct shipping ore (DSO) deposits are located in the central region of the Labrador Trough, approximately 1,150 km northeast of Montreal. The Schefferville Projects are comprised of 20 different DSO deposits, which are remnants of Iron Ore Company of Canada’s (IOC) DSO operations (1954 – 1982). LIM has confirmed a total of 39 million tonnes of measured and indicated iron ore resources, and controls other deposits with an estimated combined historical (non-43-101 compliant) resource of 125 million tons. Through a phased expansion approach, LIM is aiming to increase production at its James Mine and Silver Yards operation to 2.5 million tonnes by the end of 2012, and to ramp up annual production capacity to 5 million tonnes beginning in 2015 through the development of an additional standalone operation at its Houston and Redmond deposits. **For further details, see the *Company Description* section beginning on page 25. For a comprehensive overview of the Labrador Iron Ore Trough, please see our recently published report, *Digging into the Labrador Trough*, September 19, 2011.**

Exhibit 1: LIM - Project location



Source: Company reports

Share Price Drivers

LIM recently commenced production at its James Mine and recorded its first sale of iron ore in October 2011. The James deposit forms part of the company's Schefferville Projects, which are DSO operations that will be exploited using conventional techniques in open-pit mining. Typical grades of iron ore are 57% Fe. LIM intends to upgrade the iron ore to 64.5% Fe using semi-mobile wash plants that use basic crushing, scrubbing, and washing methods to beneficiate the ore. The final iron ore products, in the form of lump ore, sinter feed, or ultra fines, will be transported 570 km via rail from Schefferville to the Port of Sept-Iles in Quebec, and then sold into the seaborne iron ore market. Through a multi-phased development and expansion approach, LIM is targeting a production run-rate of 2.5 million tonnes of iron ore by the end of 2012 and 5.0 million tonnes by the end of 2014. **We outline in the subsections below critical success factors and risks, the company's overall strategy, potential near-term catalysts and the company's development timeline, all of which will have an effect on LIM's share price performance.**

Critical success factors and risks

- **Ramping up production and generating cash flow:** LIM is now part of a selective group of iron ore companies in Canada that are producing iron ore. The company's ability to ramp-up production and sell its iron ore product into the seaborne market allows LIM to capture current robust iron ore prices, resulting in cash flow generation and significant de-risking of the project.
- **High-grade hematite deposits that require limited processing:** LIM's DSO operations are comprised of multiple short-life deposits of hematite iron ore. These high-grade properties contain low levels of deleterious elements and afford the usage of minimal processing. We believe LIM will successfully produce and sell a saleable iron ore product.
- **Port access in 2012 and beyond remains uncertain:** LIM has an agreement in place with IOC, whereby IOC has agreed to market and sell all of LIM's 2011 iron ore product into the spot market; however, LIM has yet to finalize a solution that will provide the company access to a port and the seaborne market in 2012 and beyond. LIM is currently contemplating a few options, including loading its iron ore onto barges or lakers at the Pointe aux Basques terminal and transshipping to larger vessels within the Port of Sept-Iles or another port in Eastern Canada, or potentially negotiating the use of a third-party port. While a viable option is likely to be had, at this point there is no certainty that a solution will be reached and that LIM will be able to sell its iron ore into the seaborne market.
- **Future rail access not an overriding concern:** Our analysis suggests that there is sufficient rail capacity along the Quebec North Shore & Labrador rail line to transport 5 million tonnes of iron ore produced by LIM (see our recently published report, *Digging Into the Labrador Trough*, September 19, 2011, for full details).
- **Ability to execute expansion plans:** The staggered production schedule of the multiple deposits provides production until approximately 2028, based on LIM's Technical Report published in April 2011. While LIM has successfully commissioned the Silver Yards Processing Plant and brought the James Mine into production, multiple deposits and plants yet to be developed increase the number of unknown variables and present additional risks related to timing, costs, permitting and execution.
- **Iron ore market outlook – Near-term uncertainty, but medium-term outlook remains solid:** Following significant declines in October 2011, spot iron ore prices remain volatile and could remain under downward pressure in the near-term given a sluggish steel market and tight credit conditions in China, combined with the record supply out of Brazil and Australia. However, as we move into our forecast period from 2012-2014, we expect prices to be well supported, as supply struggles to keep up with demand and the marginal cost of iron ore production out of China remains elevated.
- **NAV sensitivity to changing iron ore prices:** LIM provides meaningful leverage to iron ore, and changes to iron ore prices could have a notable impact on our valuation and outlook. A US\$10/dmt increase in our 2012 iron ore price assumption of US\$160/dmt would add \$0.26 (16%) to our FY2013 EPS estimate of \$1.67, while a US\$10/dmt increase in our long-term iron ore price assumption of US\$70/dmt (62% Fe, CFR China) would add \$1.72 (20%) to our NAV of \$8.54. The current iron ore spot price current sits at US\$124/dmt (62% Fe, CFR China).
- **Further mine development provides additional upside to our NAV and price target:** We assume LIM successfully implements Stage 1 & 2 of its 5-Stage production growth plan; however, our NAV excludes any value derived from Stages 3 through 5. If we were to assume that LIM develops the Howse processing plant and Burney and Howse deposits (Stage 3), and that the company develops its Sawyer Lake and Astray Lake deposits (Stage 4), our base case NAV per share of \$8.54 would increase to \$11.61. See *Upside Scenario on page 16 for more details.*
- **Take-out potential:** As one of the few pure-play producers of iron ore, LIM could potentially be an attractive target for a suitor looking to acquire a producing asset located in a stable political environment. Additional resource and exploration upside could also make LIM an attractive target. We calculate an implied take-out value of \$4.20/share for LIM based on historical EV/tonne of resource transaction multiples, and an average implied take-out value of \$16.00 based on Cliffs Resources' recent acquisition of Consolidated Thompson (see the *Take-out Potential* section beginning on page 17 for further details).
- **Resource and exploration upside:** LIM has approximately 40million tonnes of NI 43-101 compliant resources. Previous figures from IOC's records documented 120 million tons of historical reserves and resources. LIM continues its efforts to prove-up these

historical resources into NI 43-101 compliant resources. Since commencing the upgrades, LIM has roughly doubled the historical resources of the James, Redmond, Houston, and Denault deposits.

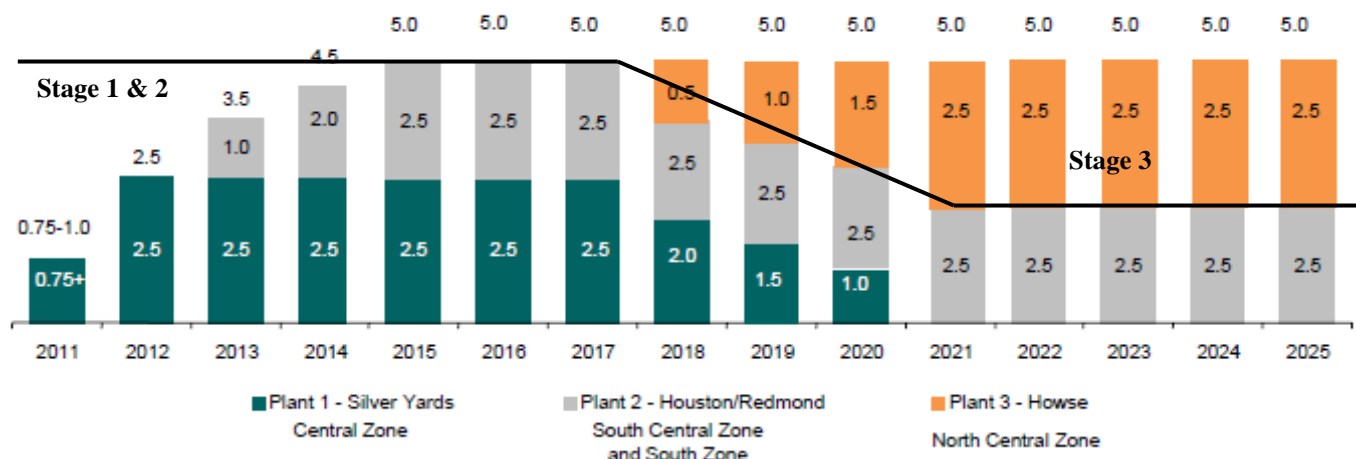
- **No existing reserves:** While it is fairly certain that iron ore is present within its properties, LIM has yet to define any iron ore reserves that demonstrate that exploitation of the existing or historical resources is economical.
- **Product demand & seasonal operations:** While LIM is producing standard sinter fines and lump products that contain low levels of deleterious elements, the product has had minimal exposure to steel mills in the international market. In addition, LIM's seasonal operations, which are expected to operate from April to November each year, could provide inconsistency in LIM's supply and revenue. We expect the overall demand for iron ore to be the largest driving force behind the demand for LIM's product, but until LIM's iron ore is accepted in the market, we believe there are some (albeit small) risks associated with the acceptance of its product. We assume in our model that LIM receives full market-rate prices for its product beginning in FY2014.

Corporate strategy

LIM is focused on growing its production capacity. The company recently commenced mining at its James Mine after successfully constructing and commissioning its Silver Yards Processing Plant in 2011, and is now running its plant at design throughput and recovery levels. Both rail and port agreements are in place for 2011, and LIM expects to ship and sell approximately 0.5-0.7 million tonnes of iron ore in 2011.

The company's near-term objective is to maximize iron ore sales before the end of its 2011 season, which runs from April to November. In the medium term, the company's objective is to produce 5.0 million tonnes of iron ore fines and lump per annum. LIM intends to hit its production targets by implementing various expansion stages at multiple iron ore deposits. A total of three separate processing plants are planned to be built by 2018, and numerous small deposits are expected to be developed in order to support LIM's production profile of 5.0 million tonnes out to 2025. LIM has already constructed its Silver Yards Processing Plant, and the Redmond Plant is expected to be built by 2013. Further exploration and in-fill drilling will also be needed to prove-up and define LIM's known iron ore deposits.

Exhibit 2: LIM - Growing production profile



Note: Units are iron ore, millions of tonnes.
Source: Company reports

The vision of LIM's senior management team has been to develop the various pod-like iron ore deposits in stages, through a conservative, low capex approach, with the goal of commencing production as soon as possible. In addition to management's inclination to avoid large capital budgets, the nature of the small deposits – in particular their dispersion along the Labrador Trough and their fairly short mine lives - has meant that the construction of a single extensive processing facility is not practical. The resulting plan to develop multiple processing facilities over time has also spread out costs and limited initial development capex.

We believe this quick and low-cost approach to developing its iron ore assets has both benefits and disadvantages. On the negative side, less initial capex will ultimately translate into higher operating costs in certain instances, as less efficient processes and equipment are used to mine, process, and transport the iron ore. In addition, the quick ramp-up schedule and low budget limit the opportunity to prove-up additional resources and optimize the projects. On the positive side, LIM was able to transition to a producing company in a fairly short period of time, and is now positioned to take advantage of robust pricing in the iron ore market. The company was also able to advance its development projects into production with limited dilution to existing equity holders. LIM can boast that it is currently one of only a few producers of iron ore on the Labrador Trough, joining the ranks of Iron Ore Company of Canada, ArcelorMittal, and Cliffs Resources.

Looking forward, in order to realize its growth strategy, LIM will need to monetize its existing iron ore production and successfully implement its near-term processing plant and mine expansion plans. The cash flow generated in 2012 will serve as the capital needed for LIM’s medium-term development plans, which include a 3-phase expansion at Silver Yards in 2012, and the development of the Houston deposit and processing facility by mid 2013. As a new producer of iron ore, LIM needs to engage potential customers in order to secure buyers for its product. Metallurgical test work to date indicates that the James, Redmond, and Houston deposits contain high-quality hematite iron ore grading 56-58% Fe with low levels of impurities. LIM will produce saleable iron ore products in the form of lump, fines, and ultra fines. Given historical production in this region and test work and production to date, we believe LIM will successfully produce a saleable iron ore product. Nevertheless, the steel mills will need to perform test work and bulk sampling of their own, and the final determinant of saleability will be in the demand and purchase of LIM’s iron ore product.

Following the \$121 million equity raise announced in April 2011, LIM had approximately \$87.5 million of cash on its balance sheet as of June 30, 2011. We estimate that LIM will spend nearly \$50 million in 2012 on its Schefferville Projects. With its existing cash balance and additional proceeds from the sale of iron ore in 2011 and 2012, we believe the company is well positioned to meet its near-term capex requirements.

Potential catalysts and timeline

LIM continues to grow its resource base actively through in-fill and exploration drilling. The company is also focused on ramping up production and its expansion plans, and continues to assess its mine plans and perform metallurgical tests at its iron ore deposits that comprise the Schefferville Projects. We highlight in Exhibit 3 specific milestones that we expect will have a meaningful effect on LIM’s outlook and share price in the near term.

Exhibit 3: Near-term potential catalysts

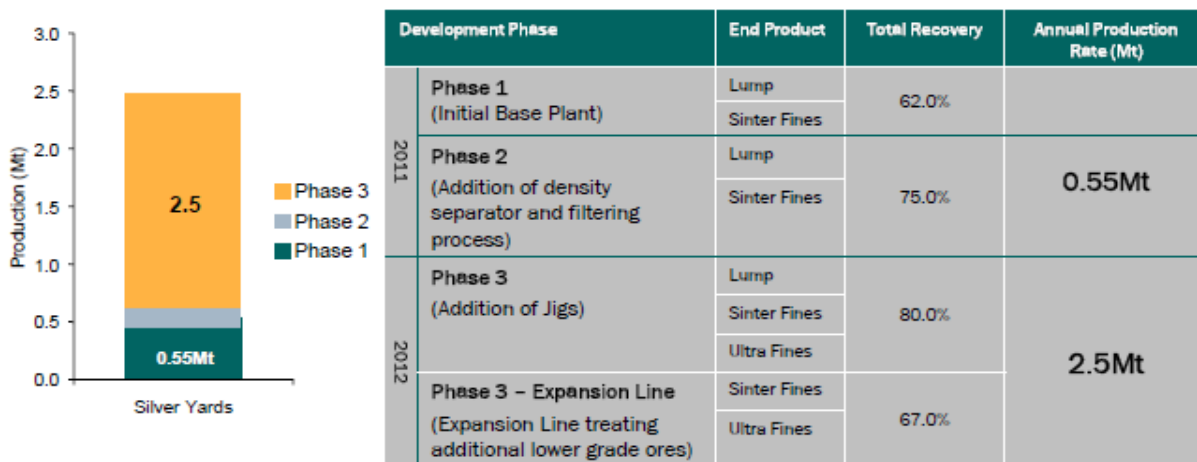
Date	Event
Early 2012	Declare commercial production at the Silver Yards processing plant
Mid 2012	Completion of Stage 1 - Phase III expansion
End of 2012	Achieve production run-rate of 2.5mtpa

Source: Company reports, RBC Capital Markets estimates

In our analysis, we assume that LIM produces 1.5 million tonnes of iron ore in 2011, the majority of which will remain in inventory until the 2012 shipping season. We assume LIM ramps up its production capacity to 2.5 million tonnes per annum by the end of 2012, and to a further 4.4 million tonnes per annum by the end of 2014. We assume LIM produces iron ore for 12 years, and that LIM is able to sell its product into the seaborne market through port access at Sept-Iles.

We estimate that LIM will pay IOC and Rio Tinto 35% of its revenue in 2011 as a fee for marketing and selling its product. We also assume that LIM’s iron ore product receives a US\$10 per dry metric tonne discount to benchmark prices in 2011 and 2012, and that this discount is removed beginning in 2013 as counterparties become familiar with LIM’s product. **We estimate a life-of-mine average cash cost of US\$53 per dry metric tonne (C\$59 per dry metric tonne) free on board (FOB), which is split roughly equally among operating costs, and rail and port expenses, and excludes royalty expenses.**

Exhibit 4: LIM’s three-phase growth plan (within Stage 1) to reach a 2.5 mtpa production run-rate



Source: Company reports

Comparative Analysis

We compare LIM to the following developing and/or producing iron ore companies in RBC's global coverage universe:

Alderon Iron Ore (ADV), Afferro Mining (AFF), Atlas Iron (AGO), Champion Minerals (CHM), Gindalbie Metals (GBG), Labrador Iron Ore Royalty Fund (LIF), Mount Gibson (MGX), Murchison Metals (MMX), Northern Iron (NFE), and Northland Resources (NAU). We compare LIM with its peer group based on the following:

- Production trends (Exhibits 5-7);
- Resource comparisons (Exhibits 8-9);
- Costs (Exhibits 10-12);
- Commodity price leverage (Exhibit 13); and
- Valuation metrics (Exhibits 14-15).

Summary results

Compared to RBC's coverage universe peer group, LIM's production and revenue growth trends are in line with other junior iron ore producers; however, **LIM's 43-101 compliant resources and projected mine life are noticeably smaller than the companies in its peer group.** This is in part due to LIM's extensive holding of historical, non-compliant resources that total approximately 125 million tons which LIM has yet to delineate. Nevertheless, LIM's resource base and short mine life stack up less favourably compared to its peers. In terms of iron ore quality, **LIM produces a high-grade iron ore that contains low levels of impurities.** LIM is the only producer on the Labrador Trough with a resource base that consists of high-grade hematite (approximately 57% Fe). LIM is also the only current producer which has a DSO operation that requires limited processing to achieve a high-grade end product.

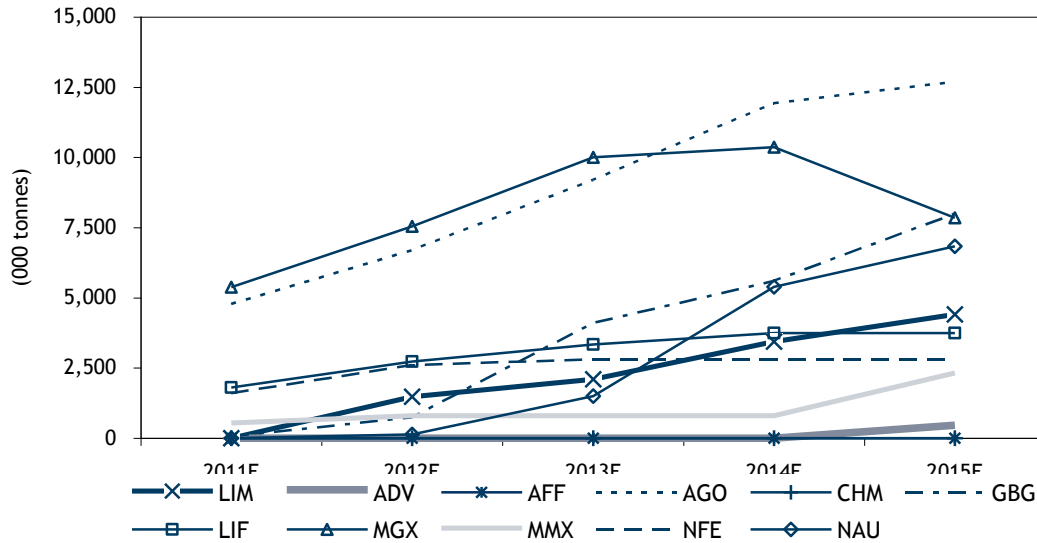
The company ranks as one of the highest-cost producers within its peer group. Conversely, its capex per tonne of iron ore produced during the life of mine is at the low end of the range. On a global scale, we estimate that LIM's average life-of-mine cash costs places it in the sixty-seventh percentile (third quartile) of the cost curve.

From a valuation perspective, the shares appear relatively expensive. On a P/NAV basis, LIM is trading at a 19% discount to our NAV, but well above the group average discount of 50%. On an EV/tonne of contained iron ore in resources, the shares appear relatively expensive as well, trading at 10.3x versus the group average of 4.0x.

Production trends

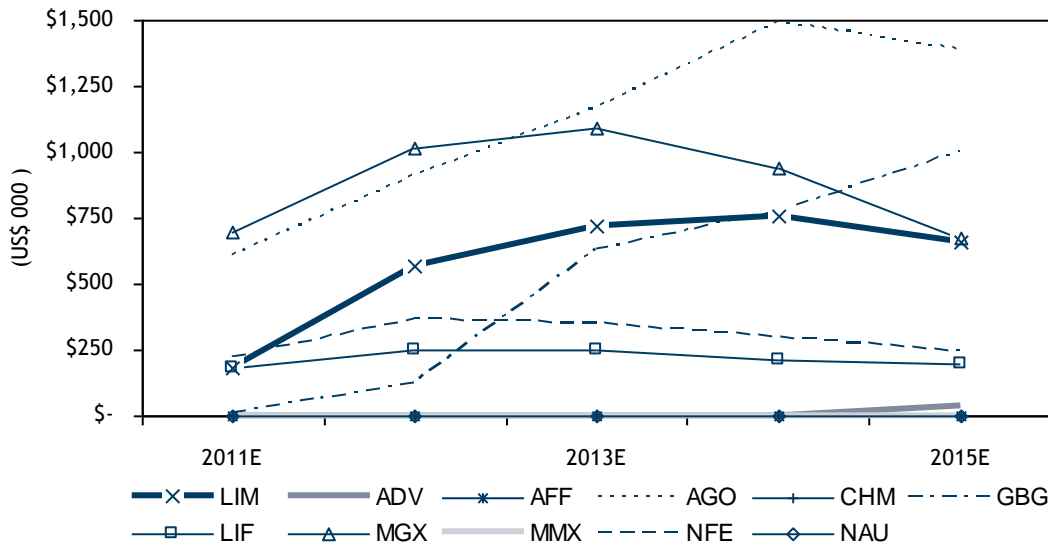
With iron ore production capacity expected to ramp up to 4.4 million tonnes per annum in 2015, LIM's production profile is in line with other junior iron ore producers. Similarly, our revenue growth forecasts are comparable to other junior iron ore producers in RBC's global coverage universe. Our estimated 12-year mine life is less than its peer group's average of 27 years.

Exhibit 5: LIM's iron ore production profile in line with other junior iron ore producers
 Estimated attributable iron ore production (000 tonnes)



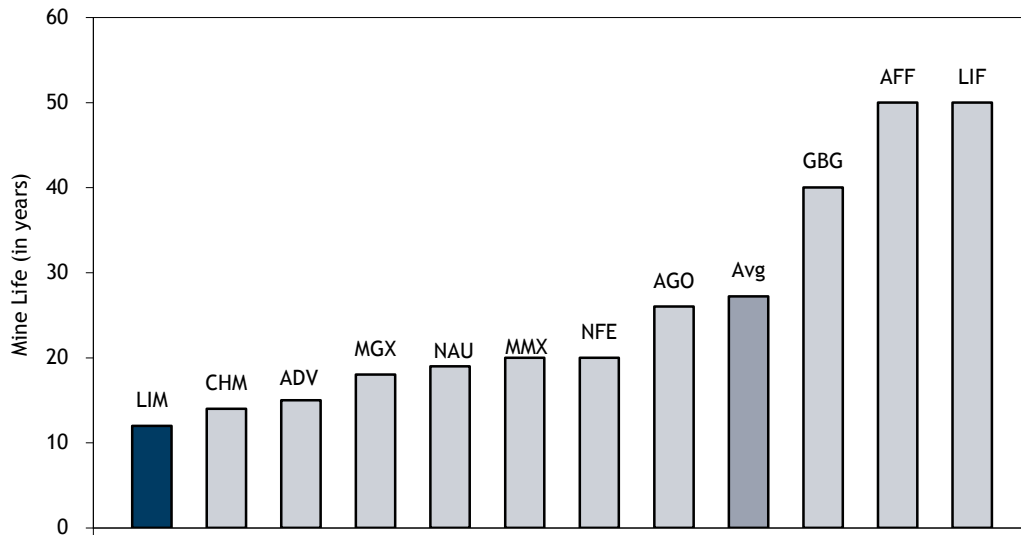
Source: Company reports, RBC Capital Markets estimates

Exhibit 6: RBC's forecasted revenue for LIM in line with other junior iron ore producers estimated total attributable revenue (US\$ 000)



Source: Company reports, RBC Capital Markets estimates

Exhibit 7: LIM's projected 12-year mine life of is less than the peer group's 27-year average
 Estimated life-of-mine production (years)

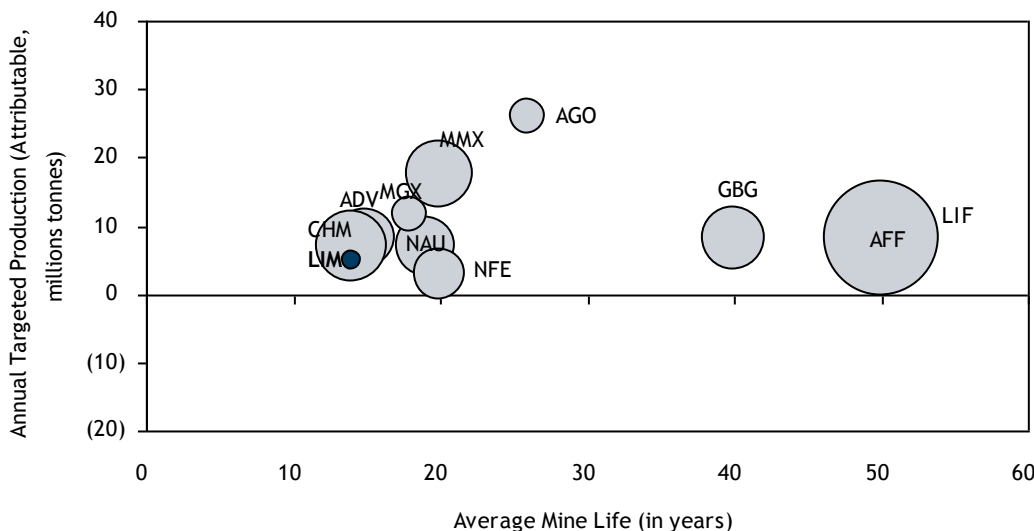


Source: Company reports, RBC Capital Markets estimates

Resource comparisons

LIM's Schefferville Project currently contains no proven iron ore reserves. The assets host a 43-101 compliant resource estimate of 40.9 million tonnes across the four most advanced projects: James, Redmond, Houston, and Denault. The projects contain 120 million tons of historical resources identified by IOC between 1950 and 1982. To date, the resources of the four deposits that have been reclassified to current NI 43-101 standards have more than doubled compared to the historical estimates. The company is confident that it will be able to prove-up these historical resources through in-fill drilling. In June 2011, the company announced a 14,500 m in-fill drill program on several deposits.

Exhibit 8: LIM resource base is relatively small compared to its peers as significant historical resources need to be proven up
 Estimated mine life, annual targeted production, and attributable iron ore resources



Note: Size of bubble reflects the relative size of contained iron in attributable resources.
 Source: Company reports, RBC Capital Markets estimates

LIM produces a high-grade iron ore that is low in impurities and has low loss on ignition (LOI) levels. Like many other producing and development assets on the Labrador Trough, LIM's iron ore product compares favourably against others in the seaborne market.

Exhibit 9: LIM possesses high grade assets with low levels of impurities
Product summary for iron ore projects on the Labrador Trough

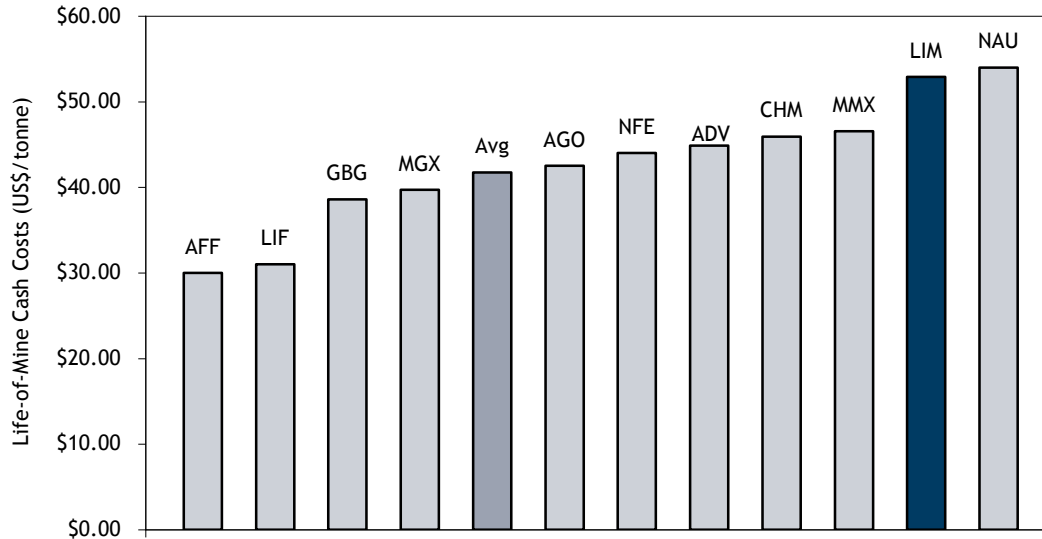
Company	Project	Ownership	Product	Product Grade % Fe	Impurities			
					Silica (SiO ₂)	Alumina (Al ₂ O ₃)	Phos (P)	Sulphur (S)
Typical Maximum Specifications					5.50%	1.0%	0.07%	0.05%
Adriana Resources	Lac Otelnuik	40%	Pellet	67.8%	2.9%	0.1%	0.009%	0.02%
Alderon Resource	Kami	100%	Concentrate	65.5%	4.5%	0.2%	0.010%	0.1%
ArcelorMittal	QCM	100%	Pellets / Con	66.1%	4.9%			
	Baffinland	70%	Lump / Fines	66.2%	1.8%	1.3%	0.025%	0.07%
Century Iron Mines	Duncan Lake	65%	Pellet / Con	65% - 69%	5.5%	0.2%	0.020%	
	Attikamagen	60%		40.4%	0.4%	0.058%		
	Sunny Lake	100%						
Champion Minerals	Fire Lake North	82.5%	Concentrate	65.1%	6.9%	0.5%	0.040%	
	Bellechasse	82.5%	Concentrate	65.0%				
	Harvey-Tuttle	82.5%	Concentrate	65.0%				
	Moire Lake	82.5%	Concentrate	65.0%				
	Attikamagen	40%			40.4%	0.4%	0.058%	
Cliffs Resources	Wabush	100%	Pellets	66.0%				
	Bloom Lake	75%	Concentrate	65.5%				
	Lamelee & Pepler	100%						
Labrador Iron Mines	James	100%	Fines / Lump	64.5%	4.0%	0.2%	0.020%	< 0.01%
	Redmond	100%	Fines / Lump	64.5%	4.0%	0.2%	0.020%	< 0.01%
	Houston	100%	Fines / Lump	64.5%	4.0%	0.2%	0.020%	< 0.01%
	Denault	100%						
Labrador Iron Ore Royalty	Carol Lake	15.1%	Pellet / Con	65.0%	1.2 - 4.7%	0.2%	0.010%	
New Millennium	DSO	20%	Lump / Fines	64.5%	SiO ₂ + Al ₂ O ₃ < 4.5%		0.013%	<.005%
	LabMag	36%	pellets	66.8%	3.6%		0.005%	<.005%
	KeMag	36%	Pellet / Con	66.8%	3.8%	0.1%	0.004%	<.005%
Oceanic Iron Ore	Roberts Lake	100%	Concentrate	66.5%	4.5%			
	Morgan Lake	100%						
	Hopes Advance	100%						

Source: Company reports

Costs

We forecast a life-of-mine cash cost of US\$52.91/tonne (C\$59.45/tonne) for the Schefferville Projects. Our forecast places the project as one of the higher-cost producer among its peer group, and over 27% higher than the group average of US\$41.72/tonne (excludes LIM, calculated using our long-term foreign exchange forecasts of CAD/USD \$0.82 and AUD/USD \$0.75). While LIM’s operations benefit from having little or no beneficiation as DSO deposits, the generally high transportation costs result in the overall high costs when compared to other projects on an FOB-port basis. Approximately 50% of LIM’s costs are attributable to transportation.

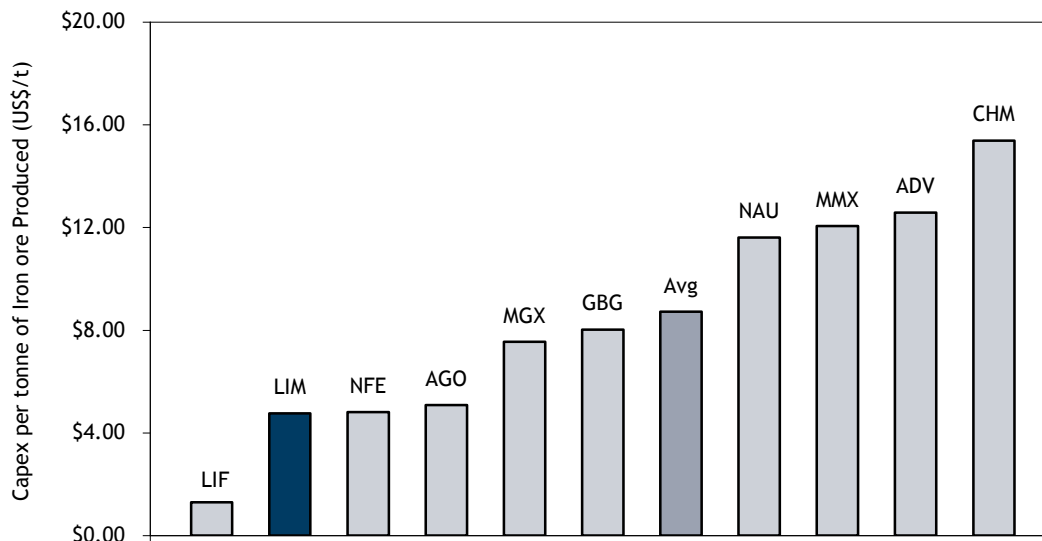
Exhibit 10: LIM is expected to be one of the highest-cost producers among its peers
 Estimated life-of-mine cash cost (US\$/tonne)



Source: Company reports, RBC Capital Markets estimates

Development capex of US\$4.76 per tonne of incremental iron ore produced during the life of mine at the Schefferville Projects is well below the group average (excluding LIM) of US\$8.72. This is in large part due to the nature of LIM’s assets (DSO operations), its low capex approach to building its operations, and the existing infrastructure that limited spending on rail. Thus, despite having relatively short mine lives, LIM’s capex per tonne of contained iron ore produced over the life-of-mine compares favourably to the group.

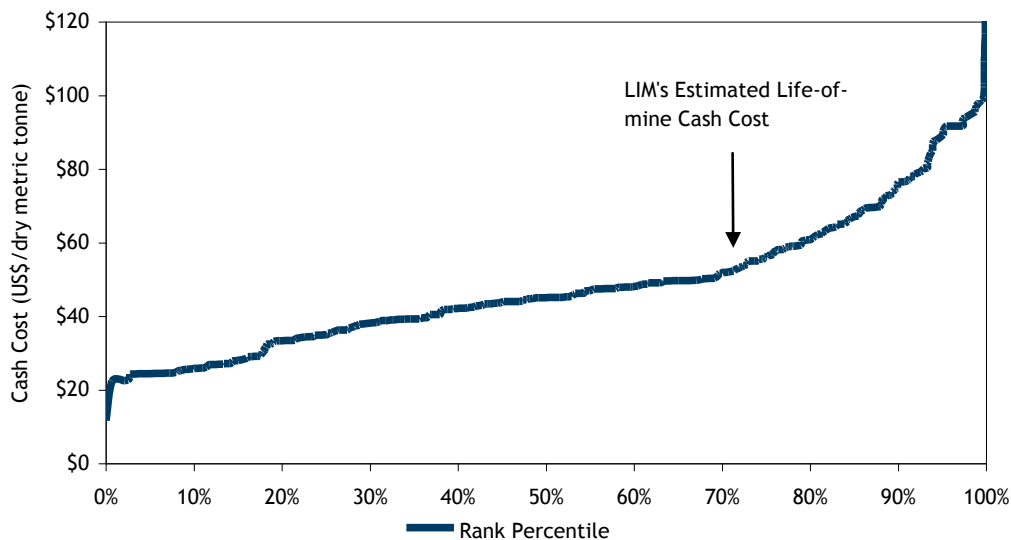
Exhibit 11: LIM’s capex per tonne of contained iron ore produced one of the lowest amongst its peers
 Development/expansion capex per tonne of contained iron ore produced during the life of mine (US\$)



Source: Company reports, RBC Capital Markets estimates

Our forecast LOM average cash cost of US\$52.91/tonne places the Schefferville Projects in the seventy-second percentile of the industry iron ore cost curve (2015 FOB iron ore cash costs). Despite being a generally high-cost producer, our analysis suggests the Schefferville Projects provide positive cash flow throughout our forecast period. We forecast a long-term iron ore fines price of US\$70.00 per dry metric tonne (62% FE, CFR China).

Exhibit 12: Expected cash cost places LIM in the sixty-seventh percentile of the industry cost curve 2015E FOB iron ore cost curve (US\$ per dry metric tonne)



Source: AME, RBC Capital Markets estimates

Commodity price leverage

While changes to our iron ore price assumptions have a meaningful impact on our NAV estimate, LIM provides less leverage to long-term iron ore prices versus others in RBC's coverage universe. This is primarily due to the company's relatively short mine life.

Exhibit 13: LIM provides less leverage to iron ore prices than its peers
NAV leverage to long-term iron ore prices

		Current NAV	NAV change to US\$10/dmt increase in LT iron ore prices	% Increase
Alderon Resources	C\$	\$7.26	\$5.76	79.3%
Afferro Mining	US\$	\$4.65	\$1.48	31.9%
Atlas Iron	A\$	\$4.44	\$1.84	41.4%
Champion Minerals	C\$	\$5.11	\$5.02	98.3%
Gindalbie Metals	A\$	\$1.13	\$0.40	35.0%
Labrador Iron Mines	C\$	\$8.54	\$1.72	20.2%
Labrador Iron Ore Royalty	C\$	\$39.19	\$3.71	9.5%
Mount Gibson	A\$	\$3.18	\$0.12	3.9%
Murchison Metals	A\$	\$1.36	\$0.53	38.9%
Northern Iron	A\$	\$2.96	\$0.49	16.4%
Northland Resources	C\$	\$2.54	\$2.61	102.9%
Average				43.4%
Average (excluding LIM)				45.8%

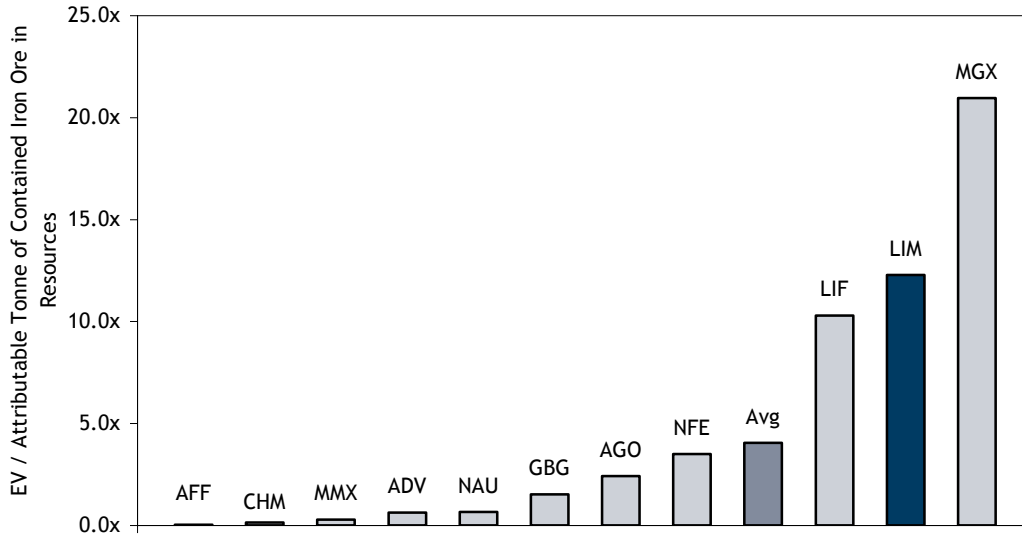
Source: RBC Capital Markets estimates

Valuation comparison

We compared LIM to its peer group based on EV/tonne of iron ore in resource and P/NAV. We have excluded an analysis based on P/E, P/CF, and EV/EBITDA multiples given that we do not expect LIM to generate positive earnings until FY2013, and believe that an NAV approach better reflects LIM’s current position within its mining development cycle.

On an EV/tonne of contained iron ore in resources, the shares appear relatively expensive. This result is not surprising given LIM’s relatively small resource base. We note that as LIM further upgrades the 120 million tons of historic resources into NI compliant 43-101 resources, this ratio should improve. Nonetheless, at 12.3x EV/tonne of contained iron ore in resource, LIM is well ahead of the group average of 4.0x.

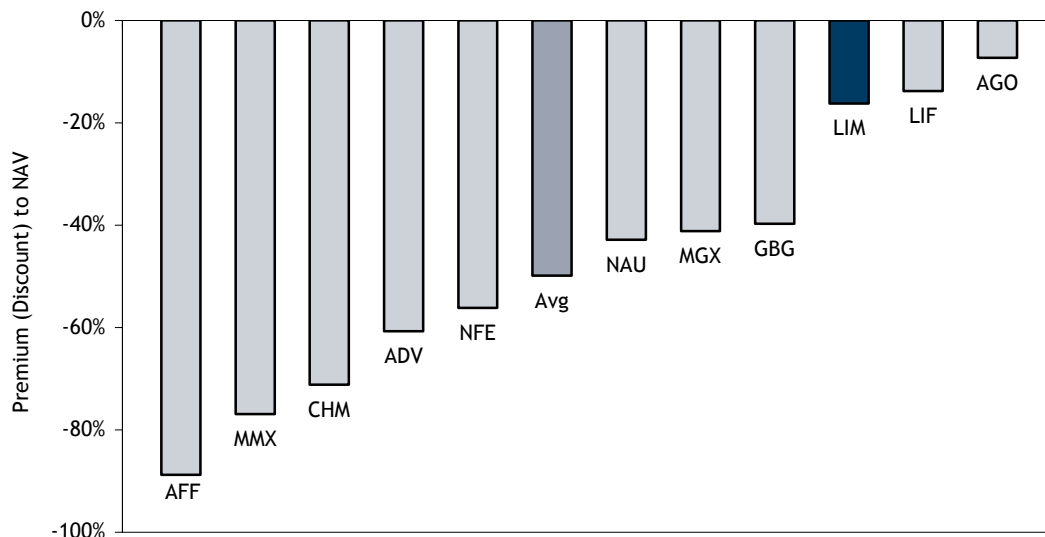
Exhibit 14: LIM appears expensive based on EV per tonne of iron ore in resource due to its small resource base
EV/t of contained iron ore in attributable resources



Source: Thomson ONE, RBC Capital Markets estimates

On a P/NAV basis, LIM is trading at a 19% discount to our NAV, but well above the group average discount of 50% (excluding LIM).

Exhibit 15: LIM is trading at a discount to NAV, but well above the group average
P/NAV multiple comparison



Source: Thomson ONE, RBC Capital Markets estimates

Valuation

We value Labrador Iron Mines using a discounted cash flow approach. We derive our \$8.50 price target by applying a 1.0x multiple to our NAV of \$8.54 per share, calculated at an 8% real discount rate. We believe an NAV approach is an appropriate valuation metric as LIM transitions from a development company into a commercial producer in early 2012. **Given the implied return to our target and relative valuations, we rate the shares Sector Perform, Above Average Risk.**

We have assumed in our model that LIM sells 0.5 million tonnes of iron ore product in 2011 through its agreement with IOC, and successfully ramps up its production run rate to 2.5 million tonnes by the end of 2012 and to 4.4 million tonnes by the end of 2014. **We note that our NAV calculation is based on LIM successfully implementing the first two stages of its five-stage production plan**, which includes the ramp-up of its Silver Yards processing plant, building an additional wash plant near the Redmond deposit, and the successful development of the iron ore deposits located in the company's Central and South Central zones (James, Redmond, Denault, Houston, Malcolm, and seven other smaller deposits located within 20 km of the Silver Yards plant). For further details on LIM's Staged development plan, see Appendix I.

We currently attribute zero value for Stages 3 – 5 of LIM's production plan given the uncertainty surrounding the development of these assets. **We note, however, that successful development of Stages 1 – 4 would boost our NAV from \$8.54 to \$11.61** (see our *Upside Scenario* section that follows on page 16 for further details).

In our view, LIM provides investors with exposure to a current iron ore producer which has near-term iron ore leverage and long-term resource and production growth upside potential. The shares, however, appear fully valued on our valuation metrics, and given the remaining challenges associated with mine development and expanding production over the medium term, including timing, permitting and execution, combined with uncertainty over port access in 2012 and beyond, we believe the shares are currently fairly valued.

Key assumptions that we use in our analysis and valuation of LIM include:

- Long-term benchmark fines iron ore price of US\$70/tonne (62%, CFR China). We provide our medium-term price forecasts in Exhibit 23.
- LIM pays IOC 35% of its revenue in 2011 in exchange for IOC's efforts in marketing and selling LIM's product into the spot market.
- Average life-of-mine cash cost of US\$53/tonne FOB port, excluding royalties.
- Long-term CAD/USD foreign exchange rate of \$0.82, which is consistent with the foreign exchange rate used across RBC's diversified mining coverage universe.
- A discount rate of 8%, which is in line with RBC's diversified metals and mining coverage universe.
- Saleable iron ore production of 1.5 million tonnes in fiscal 2012, 2.1 million tonnes in fiscal 2013, and 3.4 million tonnes in fiscal 2014, and a full production run-rate of 4.4 million tonnes per annum beginning in fiscal 2015.

Net asset value

Our calculation of LIM's NAV of C\$8.54 per share is summarized in Exhibit 16. We currently ascribe a C\$398 million (C\$7.36 per share) value for Stage 1 and 2 of LIM's Schefferville Projects, with the remainder of our NAV attributable to cash on LIM's balance sheet net of debt and SG&A expenses. Looking forward, our NAV increases each consecutive year out to fiscal 2016 despite the decline in our iron ore price assumptions over the same time period. Our NAV increases due to LIM's growing production profile.

Exhibit 16: NAVPS expected to grow at a 11% CAGR between our current estimate and 2015 as LIM ramps up production
LIM's Net Asset Value (\$million, unless otherwise indicated)

(March 31st Fiscal Year End)	Current	2012E	2013E	2014E	2015E	2016E
Schefferville Projects	\$398	\$434	\$471	\$399	\$342	\$279
Gross Asset Value	\$398	\$434	\$471	\$399	\$342	\$279
Debt	(\$2)	\$1	\$1	\$0	\$0	\$0
Cash	\$88	\$74	\$175	\$257	\$339	\$415
Corporate O/H	(\$22)	(\$22)	(\$23)	(\$21)	(\$19)	(\$16)
Net Asset Value	\$461	\$488	\$625	\$635	\$662	\$678
Basic Shares Outstanding (millions)	54.0	53.9	53.9	53.9	53.9	53.9
NAV per share (C\$)	\$8.54	\$9.05	\$11.60	\$11.80	\$12.30	\$12.59
Current Share Price (C\$)	\$6.96	\$6.96	\$6.96	\$6.96	\$6.96	\$6.96
Current Premium/(Discount) To NAV	-18%	-23%	-40%	-41%	-43%	-45%

Other Assumptions:

After Tax Discount Rate	8.0%
Overall Effective Tax Rate	39.4%

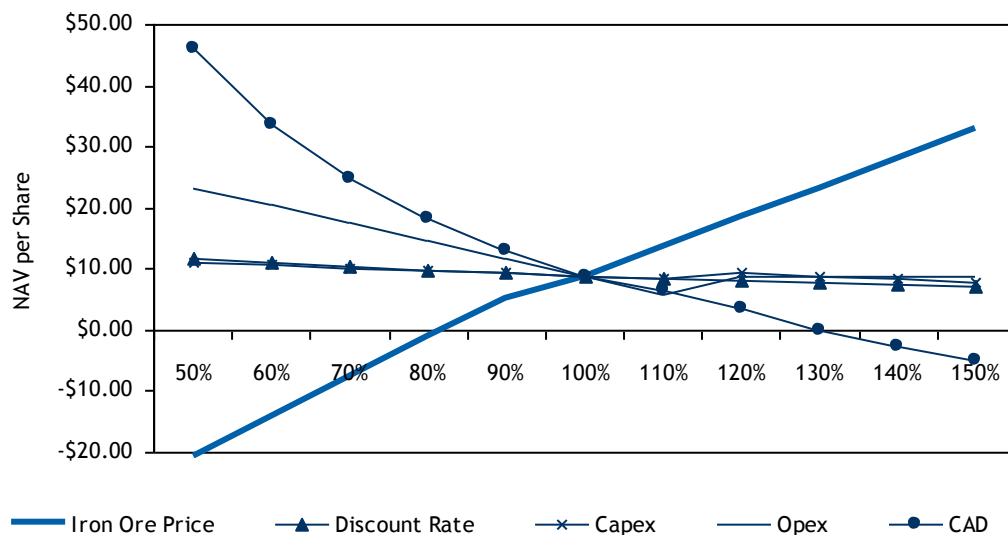
Priced as of market close November 9, 2011.
Source: Thomson ONE, RBC Capital Markets estimates

Valuation sensitivity

We calculate our NAV using an 8% discount rate, which is the rate consistently used for all the diversified mining companies across RBC's global platform. As illustrated in Exhibit 17, changes in iron ore prices have the largest impact on our NAV calculation. Exhibit 18 provides the sensitivity of our NAV based on absolute changes in our long-term iron ore price and discount rate.

Exhibit 17: Greatest NAV effect from iron ore prices and FX rates

NAV sensitivity based on the percentage change in various inputs: iron ore prices, discount rates, FX rates, opex, and capex



Source: RBC Capital Markets estimates



Exhibit 18: Changes to our long-term iron ore price assumption and discount rate has a significant impact on our NAV
NAV sensitivity to varying long-term iron ore prices and discount rates

		Iron Ore Fines (US\$/dmt, CFR China)									
		\$50.00	\$55.00	\$60.00	\$65.00	\$70.00	\$75.00	\$80.00	\$85.00	\$90.00	\$95.00
Discount Rate (%)	4%	\$5.24	\$6.40	\$7.56	\$8.72	\$9.88	\$11.04	\$12.20	\$13.36	\$14.52	\$15.68
	5%	\$5.21	\$6.28	\$7.36	\$8.44	\$9.51	\$10.59	\$11.67	\$12.75	\$13.82	\$14.90
	6%	\$5.17	\$6.17	\$7.17	\$8.17	\$9.17	\$10.17	\$11.17	\$12.17	\$13.17	\$14.17
	7%	\$5.12	\$6.05	\$6.98	\$7.91	\$8.84	\$9.78	\$10.71	\$11.64	\$12.57	\$13.50
	8%	\$5.07	\$5.94	\$6.80	\$7.67	\$8.54	\$9.40	\$10.27	\$11.14	\$12.00	\$12.87
	9%	\$5.02	\$5.82	\$6.63	\$7.44	\$8.25	\$9.05	\$9.86	\$10.67	\$11.48	\$12.28
	10%	\$4.96	\$5.71	\$6.47	\$7.22	\$7.97	\$8.73	\$9.48	\$10.23	\$10.98	\$11.74
	11%	\$4.90	\$5.61	\$6.31	\$7.01	\$7.71	\$8.42	\$9.12	\$9.82	\$10.52	\$11.23
	12%	\$4.84	\$5.50	\$6.16	\$6.81	\$7.47	\$8.12	\$8.78	\$9.44	\$10.09	\$10.75

Source: RBC Capital Markets estimates

Upside Scenario

We have assumed under our base case analysis that LIM successfully implements Stages 1 and 2 of its production plan. We currently attribute zero value for Stages 3 – 5 of LIM's production plan given the uncertainty surrounding the development of these assets. However, if LIM were to eventually construct a third processing facility, and develop nearby iron ore deposits within its property, this could add further upside to our NAV estimate. **Under this upside scenario, our NAV would increase from \$8.54 to \$11.61 per share.**

Exhibit 19 provides our NAV calculation under three varying iron ore price scenarios, and for both our base case and upside case. The base case iron ore price assumptions are RBC's current iron ore price forecasts, and are provided below the sensitivity table. For simplicity, we have assumed a downside iron ore price scenario equivalent to a 20% reduction in our price forecasts over life-of-mine, and our upside iron ore price scenario equates to a 20% lift in our iron ore price deck.

We have ran these price scenarios along with both our base case production profile (Stages 1 – 2) as well as our upside production case scenario (Stages 1 – 4, inclusive). Under our upside production case scenario, our forecasted annual production increases from 4.4 to 5.0 mtpa and LIM's estimated mine extends from 12 to 17 years. As illustrated in Exhibit 19, our NAV is significantly impacted under the varying price and production outcomes.

Exhibit 19: Iron ore price assumptions and LIM's production profile have a dramatic impact on our NAV calculation
NAV sensitivity to varying iron ore prices and production profile

Price Scenario	Production Assumption	
	Base Case	Upside
	Stage (1-2)	Stage (1-4)
Downside (-20%)	\$3.03	\$3.12
Base Case	\$8.54	\$11.61
Upside (+20%)	\$14.07	\$20.05

Price Scenario - Iron Ore Fines Price Assumptions (US\$/dmt, 62% Fe, CFR China):

Calendar Year	2010A	2011E	2012E	2013E	2014E	2015E	Long-term
Downside (-20%)	\$125	\$170	\$131	\$112	\$88	\$80	\$56
Base Case *	\$125	\$170	\$164	\$140	\$110	\$100	\$70
Upside (+20%)	\$125	\$170	\$197	\$168	\$132	\$120	\$84

Source: RBC Capital Markets estimates

Take-out Potential

LIM's Schefferville Projects are located in the central region of the Labrador Trough along a 120 km strike straddling the border of Newfoundland and Labrador and Quebec. The 20 deposits that comprise the Schefferville Projects are located approximately 200 km north of Wabush. The area was largely staked and controlled by IOC in the 1950s, and LIM's deposits are remnants of IOC's Schefferville operations that were in place from 1954 to 1982.

While many new development projects have arisen, LIM is one of the few producers of iron ore on the Labrador Trough, which we believe makes the company a potential acquisition target for a suitor looking to gain near-term iron ore exposure through an asset based in Canada. The Schefferville Projects have the attractive feature of having no off-take agreements, further exploration upside and the possibility of an accelerated ramp-up schedule. In our view, a suitor with a strong balance sheet would likely be able to increase or optimize current production and expansion plans.

Implied take-out value based on historical transactions

We have calculated an implied take-out value for LIM based on:

- Historical global iron ore transactions; and
- Acquisition metrics for Cliffs Resources' recent purchase of Consolidated Thompson (CLM), initially announced January 2011.

Both analyses have advantages and drawbacks. Historical multiples draw on a large pool of transactions, lowering sample bias versus the single CLM transaction. However, using CLM acquisition metrics provides a broader scope of comparative transaction multiples including P/E, P/CF, EV/EBITDA, whereas historical transaction multiples are based solely on EV/t of reserves and resources which ignores differences in asset quality and operating costs.

Historical transaction multiples suggest a LIM take-out price of approximately \$4.20 per share, well below the current share price of \$6.96. The implied value is driven by the relatively small resource base that LIM has defined. If we were to include all of IOC's historical 125 mt of resources, which we believe would be an overly optimistic approach, our implied take-out value for LIM would climb only to about \$9.60 per share, implying 36% upside to the current share price. Exhibit 20 provides a summary of the historical transaction multiples in the global seaborne market and the implied value for LIM.

Exhibit 20: Historical take-out valuations imply limited share price upside potential for LIM based on current resources

	Development Projects	Producing Assets	Total	Average Take-out Multiples	
				EV/t in Resource	EV/t of Contained Fe in Resource
Magnetite Deposits	14	2	16	\$1.50	\$3.90
Hematite Deposits	22	6	28	\$3.40	\$6.10
Average				\$2.60	\$5.20

	Resources (mt)	Fe %	Contained Resources	Implied LIM Take-out Value (per share)	
				\$3.40 EV/t in Resource	\$6.10 EV/t of Cont. Fe in Resource
Current Resources	40.9	57%	23.3	\$4.16	\$4.22
IOC Historic Resource	125	57%	71.3	\$9.45	\$9.63

Source: RBC Capital Markets estimates

Using CLM take-out multiples provides much more favourable results for LIM's potential upside. On average, we calculated a take-out value of \$16.03 per LIM share and a range of \$10.28 – \$19.41 based on CLM's P/E, P/CF, EV/EBITDA, P/NAV and EV/tonne of contained resource take-out multiples. Details are provided in Exhibit 21.

Exhibit 21: LIM shares provide significant upside based on recent Consolidated Thompson take-out multiples
 Implied share price upside from CLF's bid for CLM

	CLM Acquisition Date 12-Jan-2011	Implied Multiple	LIM Estimates *	Implied LIM Value
CLM Share Price	\$13.38			
Bid Price	\$17.25			
CLM Consensus EPS	\$1.67	10.4x	\$1.67	\$17.29
CLM Consensus CFPS	\$2.30	7.5x	\$2.52	\$18.89
CLM Consensus EBITDA per share	\$2.66	6.5x	\$2.99	\$19.41
NAV *	\$10.31	1.7x	\$8.54	\$14.29
EV/t of contained resource	\$20.15			\$10.28
Average				\$16.03

*RBC CM forecasts.

Source: RBC Capital Markets estimates

Acquisitions and Strategic Investments in the Labrador Trough

In the past five years, corporate activity in iron ore has picked up markedly. Chinese off-takers, anxious about securing their steel requirements, have stepped in as a major source of financing and partnering primarily for juniors. The Labrador Trough has been no exception. There have been a number of strategic investors that have injected financing into development and exploration companies in return for equity stakes and off-take agreements, including WISCO, one of the big-three integrated steel producers in China. We think this trend will continue, with a number of junior companies likely to seek financing and off-take agreements over the next year or two in order to develop their projects.

Exhibit 22: Precedent Transactions in Labrador Trough

Announcement Date	Acquirer	Target	Project (Ownership)	Transaction Type	Strategic Investor	Transaction Details	Equity Financing	Off-Take (Y/N)	Off-Take Agreement
Strategic Investments / JV Agreements									
9-Jun-09	-	Consolidated Thompson	Bloom Lake, Lamalee, Pepller Lake	JV / Equity Injection	WISCO	US\$240mm for 19.9% equity interest and 25% JV to develop Bloom Lake	No	Y	50% from Bloom Lake and ROFR on additional off-take at Lamalee and Pepller
1-Sep-10	-	(Advanced Exploration 51% / Roche Bay plc 49%)	Roche Bay	Equity Injection	Shandong Fulun Steel Company	C\$2.8mm with conditional off-take (upon exercise of warrants)	C\$2.8mm unit PP (Share/Full Wt)	Y	19% upon full exercise of warrants
14-Sep-10	-	New Millenium	KeMag (100% NML) / LabMag (80% NML / 20% NNK First Nations)	JV	Tata Steel	Reimbursement of 80% of NML costs to date; arrange funding for up to C\$300mm and commit to 100% off-take for 80% earn-in (64% of costs at LabMag). Tata will develop the Feasibility Study and NML will have a 20% free carry interest	No	Y	100% Off-Take
27-Sep-10	-	(Advanced Exploration 51% / Roche Bay plc 49%)	Roche Bay	JV / Equity Injection	XinXing Pipes Group	C\$5.3mm for 19% equity interest + C\$20mm exploration fund + C\$30mm WC + C\$1bn funding for production - for 50% equity interest	Yes	Y	50% LOM
17-Jan-11	-	Adriana Resources	-	JV / Equity Injection	WISCO	C\$120mm for 19.9% and 60% interest in JV. Obtain financing for at least 70% of development costs (as per DFS)	C\$28.4mm PP to WISCO	N	WISCO interested in Off-Take
21-Feb-11	-	Century Iron Mines	-	Equity Injection	WISCO	C\$60mm for 24.99% equity interest (following QT)	C\$32.5mm sub. Receipt financing - QT	Y	ROFR on first 40% LOM production; and ROFR for purchase of additional 20%
21-Feb-11	-	Century Iron Mines	-	Equity Injection	MinMetals	C\$12mm for 5% equity interest (following QT)	-	Y	ROFR on 10% of production from Duncan Lake - to be sold at same price as WISCO
15-Mar-11	-	Century Iron Mines	-	Off-Take	Prosperity Materials Macao Commercial Offshore Ltd.	US\$10mm prepayment for off-take totalling 1MT over 3 year period commencing 2011. Capped at 50% remaining annual ore after satisfying WISCO and MinMetals	No	Y	1MT over 3 years starting in 2011 (after satisfying WISCO/MinMetals)
31-Aug-11	-	Century Iron Mines	Sunny Lake (100%)	JV	WISCO	WISCO Resources will invest \$40 million in exchange for a 40% voting and participating interest in projects held in JV; Comprised of \$20mm within 15 days and \$20mm in one year. Followed by \$40mm each for the Attikamagen and Sunny lake, respectively. Aggregate consideration of \$120mm	No	-	Established in February 2011
31-Aug-11	-	Century Iron Mines	Attikamagen (60% earn-in / 40% CHM)	JV	WISCO	-	No	-	-
31-Aug-11	-	Century Iron Mines	Duncan Lake (65% earn-in / 35% Augyva)	JV	WISCO	-	-	-	-
M&A Transactions									
21-Apr-08	Consolidated Thompson	Quinto Mining Corp	-	-	-	0.20 Share Exchange Ratio - C\$122mm	-	-	-
11-Aug-10	ArcelorMittal/Nunavut Iron Ore Acquisition	Baffinland Iron Mines	-	-	-	C\$1.50/sh and C\$0.10/wt (2007) - C\$490mm	-	-	-
11-Jan-11	Cliffs	Consolidated Thompson	-	-	-	C\$17.25/sh cash - C\$4.4bn	-	-	-

Source: Company reports

Financial Analysis & Company Snapshot

Exhibits 23-27 detail our forecasted financial statements and analysis for LIM to FY2016. Earnings are forecast to increase to \$1.69 per share in FY2014 from (\$0.08) per share in FY2011, as LIM ramps up production at its Schefferville Projects.

We assume that LIM produces 1.5 million tonnes of iron ore in fiscal 2012, 2.1 million in fiscal 2013, and 3.5 million tonnes in fiscal 2014 prior to a ramp up to 4.4 million tonnes in fiscal 2015. We assume that the initial trial iron ore from the Schefferville Projects is sold at a US\$10/tonne discount to benchmark iron ore price for the first two years of production as counterparties become familiar with LIM's product.

Exhibit 23: Exchange rate and commodity assumptions

(Fiscal year end March 31st)		2011A	2012E	2013E	2014E	2015E	2016E	CAGR (2012E-2016E)
Iron Ore Fines (64% Fe)								
Benchmark Price (62% Fe, CFR China)	US\$/dmt	\$145	\$175	\$156	\$133	\$108	\$100	-13.1%
Differential	US\$ per 1% variation in Fe	\$5.22	\$5.12	\$5.00	\$4.75	\$4.00	\$4.00	-6.0%
Fines Benchmark Price (64% Fe, CFR China)	US\$/dmt	\$155.18	\$185.65	\$165.83	\$142.00	\$115.50	\$108.00	-12.7%
Humidity of LIM product	%	2.5%	6.5%	6.5%	6.5%	6.5%	6.5%	0.0%
Freight Cost Canada - China	US\$/wmt	(30.22)	(26.50)	(25.00)	(25.00)	(25.00)	(24.14)	-2.3%
Premium/(Discount)	US\$/wmt	\$0.00	(\$10.00)	(\$10.00)	\$0.00	\$0.00	\$0.00	n.a.
Iron Ore Fines , LIM Realized Price	(\$US/tonne, FOB Canada)	\$121.08	\$137.09	\$120.05	\$107.77	\$82.99	\$76.84	-13.5%
Iron Ore Lump (65% Fe)								
IRON ORE - LUMP - 62% Fe	(US\$/dmt FOB Aus)	\$149	\$192	\$171	\$145	\$120	\$112	-12.5%
Differential	US\$ per 1% variation in Fe	\$5.22	\$5.12	\$5.00	\$4.75	\$4.00	\$4.00	-6.0%
Lump Benchmark Price (65% Fe, CFR China)	US\$/dmt	\$164.46	\$206.90	\$185.55	\$159.15	\$131.90	\$124.40	-11.9%
Humidity of LIM product	%	2.5%	5.0%	5.0%	5.0%	5.0%	5.0%	0.0%
Freight Cost Canada - China	US\$/wmt	(27.00)	(26.50)	(25.00)	(25.00)	(25.00)	(24.14)	-2.3%
Premium/(Discount)	US\$/wmt	\$0.00	(\$10.00)	(\$10.00)	\$0.00	\$0.00	\$0.00	n.a.
Iron Ore Lump , LIM Realized Price	(\$US/tonne, FOB Canada)	\$133.35	\$160.05	\$141.27	\$126.19	\$100.31	\$94.04	-12.4%

Source: Platts, RBC Capital Markets estimates

Following the recent equity raised by the company of \$114.7 million (net of fees and costs), which closed in April 2011, LIM had \$88 million in cash on its balance sheet. Total capex in fiscal 2011 and fiscal 2012, to ramp up the Silver Yards Plant, is estimated at \$74 million plus an additional \$60 million capex spread over two years for the construction of the Redmond processing plant. With a cash balance of \$88 million and iron ore sales to commence imminently, the company is well positioned to meet its remaining capex requirements in order to achieve its near-term growth plans.

We forecast cash flow from operations to increase to \$141.2 million in fiscal 2013 from (\$1) million in fiscal 2012, driven by the commencement of commercial production and sales from LIM's Schefferville Projects. Our forecasts then point to a decline in fiscal 2016 operating cash flow to \$92.4 million as the result of a decline as indicated in our iron ore price forecast.

Balance Sheet Stress Test

Our analysis suggests that LIM will be able to finance \$85 million of capex in fiscal 2013-2014 through cash on hand and internally generated cash flow. Within our analysis we assume that LIM will successfully sell its iron ore product into the seaborne market. While the company's cash balance should support LIM's near-term growth plans, the company will need to generate free cash flow from its operations in order to finance production growth over the medium to long term, including the construction of a third processing facility to support further mine development (Stages 3 – 4 of LIM's production plan). **We estimate that if iron ore fines prices were to decline to US\$86/dmt (62% Fe, CFR) in 2012 and remain there indefinitely, LIM would have insufficient funds to pursue further organic growth opportunities, which in turn would limit the potential upside to our NAV.**

Exhibit 24: Company Snapshot



RBC Capital Markets®

Labrador Iron Mines (TSX: LIM)

Fiscal Year End March 31st

Valuation	2008A	2009A	2010A	2011A	2012E	2013E	2014E
EPS, adjusted			\$0.07	(\$0.08)	(\$0.07)	\$1.67	\$1.69
EPS Growth			n.a.	-207.1%	n.a.	n.a.	1.3%
P/E			36.2x	n.a.	n.a.	4.2x	4.1x
CFPS			(\$0.07)	(\$0.08)	(\$0.02)	\$2.52	\$2.27
P/CFPS			n.a.	n.a.	n.a.	2.8x	3.1x
EV/EBITDA			n.a.	n.a.	n.a.	1.8x	1.7x
Dividend Per Share	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Dividend Yield (%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Franking (%)	-	-	-	-	-	-	-
Weighted Average Share Outstanding, F.D. (million)			37.4	43.7	53.6	56.0	56.0
Average Share Price	\$4.20	\$2.47	\$2.71	\$7.89	\$6.96	\$6.96	\$6.96
P&L (millions)	2008A	2009A	2010A	2011A	2012E	2013E	2014E
Total Revenue			\$0	\$0	\$64	\$332	\$362
Operating Costs			\$1	\$1	\$1	\$1	\$1
SG&A			\$0	\$0	\$0	\$0	\$0
Exploration + R&D			\$1	\$1	\$1	\$1	\$1
Other Expenses			\$1	\$3	\$65	\$168	\$190
EBITDA			(\$3)	(\$5)	(\$2)	\$162	\$170
DD&A			\$0	\$0	\$4	\$6	\$12
EBIT			(\$3)	(\$5)	(\$6)	\$156	\$158
Net Interest Expense			\$0	\$0	\$0	\$0	\$0
Others			(\$0)	(\$0)	(\$0)	(\$0)	(\$0)
Provision for Taxes			(\$4)	(\$1)	(\$2)	\$62	\$63
Equity & Associate Interests			\$0	\$0	\$0	\$0	\$0
Minority Interests			\$0	\$0	\$0	\$0	\$0
Net Earnings			\$1	(\$4)	(\$4)	\$93	\$95
Preferred Dividends & Other			\$0	\$0	\$0	\$0	\$0
Net Earnings to Common			\$1	(\$4)	(\$4)	\$93	\$95
Adjustments			\$2	\$0	\$0	\$0	\$0
Adjusted Net Earnings			\$3	(\$4)	(\$4)	\$93	\$95
Cash Flow (millions)	2008A	2009A	2010A	2011A	2012E	2013E	2014E
Net Earnings			\$1	(\$4)	(\$4)	\$93	\$95
DD&A			\$0	\$0	\$4	\$6	\$12
Deferred Taxes			(\$4)	(\$1)	(\$2)	\$40	\$19
Working Capital & Other			(\$0)	\$1	\$1	\$1	\$1
Operating Cash Flow			(\$3)	(\$3)	(\$1)	\$141	\$127
CAPEX			(\$14)	(\$27)	(\$47)	(\$40)	(\$45)
Repayment of Long-term Debt & Investment			\$0	\$0	\$0	\$0	\$0
Preferred Dividends			\$0	\$0	\$0	\$0	\$0
Free Cash Flow			(\$18)	(\$31)	(\$48)	\$101	\$82
Common Dividends			\$0	\$0	\$0	\$0	\$0
Dividends Paid to Minority Interests			\$0	\$0	\$0	\$0	\$0
Issuance/Buyback of Common Shares			\$35	\$0	\$121	\$0	\$0
Other Financing Activities			(\$2)	\$2	(\$7)	(\$0)	(\$0)
Acquisition/Disposal of Assets			\$0	\$0	\$0	\$0	\$0
Other Investing Activities			(\$2)	(\$12)	\$0	\$0	\$0
Net Change in Cash			\$13	(\$41)	\$67	\$101	\$82
Balance Sheet (millions)	2008A	2009A	2010A	2011A	2012E	2013E	2014E
Cash & Short-term Investments			\$48	\$8	\$74	\$175	\$257
Total Current Assets			\$49	\$10	\$76	\$177	\$259
Property, Plant & Equipment			\$151	\$164	\$206	\$238	\$270
Total Assets			\$210	\$225	\$334	\$467	\$581
Short-term Borrowing & Debt Due in One Year			\$0	\$0	\$0	\$0	\$0
Total Current Liabilities			\$2	\$15	\$15	\$15	\$15
Long-term Debt			\$0	\$2	\$1	\$1	\$0
Total Liabilities			\$34	\$51	\$48	\$88	\$106
Minority Interests			\$0	\$0	\$0	\$0	\$0
Common Shareholders' Equity			\$176	\$174	\$286	\$380	\$474
Exchangeable Debentures			\$0	\$0	\$0	\$0	\$0
Total Liabilities & Shareholders' Equity			\$210	\$225	\$334	\$467	\$581

Sector Perform

Above Average Risk

\$8.50

12-Month Target

Analyst

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Current Share Price

\$6.96

52-Week High

\$14.95

52-Week Low

\$4.44

Market Capitalization (million)

\$376

Shares Outstanding (million)

54.0

Float (million)

54.0

Year-end

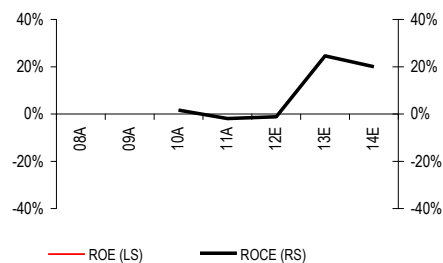
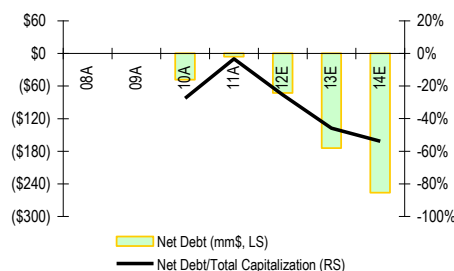
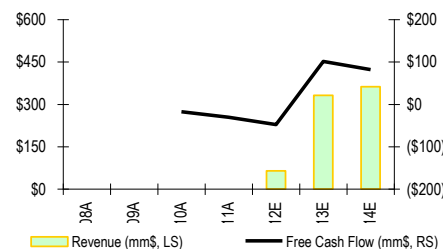
31-Mar

Reporting Currency

C\$



Chart priced as of market close November 9, 2011



Labrador Iron Mines (TSX: LIM)

Ratio Analysis	2008A	2009A	2010A	2011A	2012E	2013E	2014E
Sales Growth (%)			n.a.	n.a.	n.a.	414.6%	9.1%
EBITDA/Sales (%)			n.a.	n.a.	-3.6%	48.7%	46.9%
EBIT/Sales (%)			n.a.	n.a.	-9.5%	46.9%	43.5%
Net Earnings/Sales (%)			n.a.	n.a.	-5.5%	28.2%	26.1%
Effective Tax Rate			142.4%	17.3%	40.0%	40.0%	40.0%
Net Interest Coverage (EBIT/Interest Charges)			n.a.	n.a.	n.a.	n.a.	n.a.
Net Debt/Equity			-27.5%	-3.4%	-25.5%	-45.9%	-54.0%
Net Debt/ Total Capitalization			-27.5%	-3.3%	-25.4%	-45.8%	-54.0%
Return on Assets (ROA)			1.3%	-1.6%	-1.1%	20.0%	16.3%
Return on Equity (ROE)			1.6%	-2.0%	-1.2%	24.6%	20.0%
Return on Capital Employed (ROCE)			1.6%	-2.0%	-1.2%	24.6%	19.9%

Commodity & FX Assumptions	2008A	2009A	2010A	2011A	2012E	2013E	2014E
Fines Benchmark Price (64% Fe, CFR China)				\$155	\$186	\$166	\$142
Lump Benchmark Price (65% Fe, CFR China)				\$164	\$207	\$186	\$159
Fines Realized Price (US\$/t, FOB Canada)					\$137	\$120	\$108
Lump Realized Price (US\$/t, FOB Canada)					\$160	\$141	\$126
Weighted Avg Realized Iron Ore Price (US\$/t, FOB Canada)					\$128	\$116	\$105
CAD/USD				\$0.98	\$1.02	\$1.00	\$1.00

Saleable Production (millions tonn)	2008A	2009A	2010A	2011A	2012E	2013E	2014E
Total Saleable Iron Ore Production				0.0	1.5	2.1	3.4

Cash Costs (US\$/tonne, FOB Port)	2008A	2009A	2010A	2011A	2012E	2013E	2014E
Cost of product sold					\$66	\$54	\$51
Distribution costs					\$8	\$6	\$6
Total cash cost					\$73	\$61	\$56

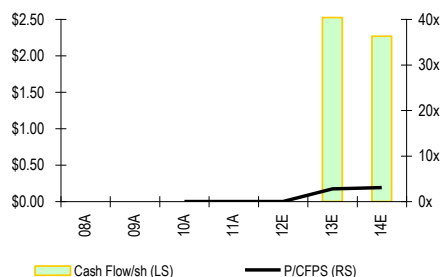
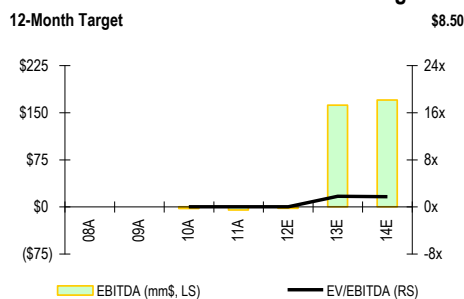
Operating Profits By Operations (million)	2008A	2009A	2010A	2011A	2012E	2013E	2014E
Schefferville Projects				(\$0)	(\$1)	\$162	\$165

Estimated Earnings Leverage	2008A	2009A	2010A	2011A	2012E	2013E	2014E
US\$10 Increase in Fines Iron Ore Benchmark Price					\$0.02	\$0.20	\$0.28
US\$10 Increase in Lump Iron Ore Benchmark Price					\$0.00	\$0.06	\$0.03
Combined US\$10/t Increase in Iron Ore Prices					\$0.03	\$0.26	\$0.32
US \$0.05 Increase in US\$/C\$					(\$0.02)	(\$0.17)	(\$0.18)

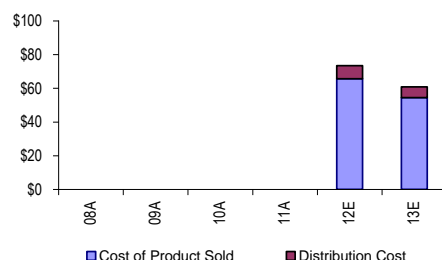
Estimated NAV Break-Down (at 8%)	millions C\$	C\$/sh	% Assets
Schefferville Projects	\$398	\$7.36	100.0%
Gross Asset Value	\$398	\$7.36	100%
Net Corporate Overheads & CAPEX	(\$22)	(\$0.40)	
Net Debt	\$86	\$1.58	
Net Asset Value	\$462	\$8.54	

Estimated NAV Leverage to	Valuation (1.0x NAV)
US\$10 Increase in Fines Iron Ore Benchmark Pric	\$1.27
US\$10 Increase in Lump Iron Ore Benchmark Pric	\$0.45
Combined US\$10/t Increase in Iron Ore Prices	\$1.72
US \$0.05 Increase in US\$/C\$	(\$0.66)
	12-month Target
	\$8.50
	Price/NAV
	0.8x

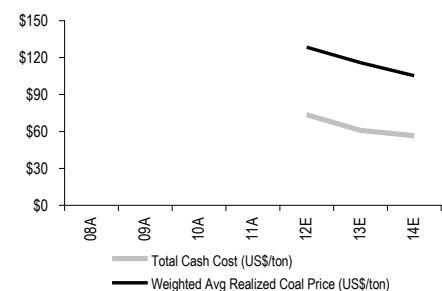
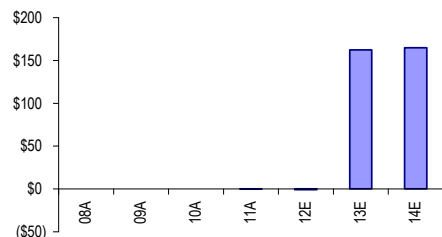
Sector Perform - Above Average Risk



Cash Cost (C\$/tonne)



Operating Profit (mm\$)



Priced as of market close, November 9, 2011.
Source: Company reports, RBC Capital Markets estimates

Exhibit 25: Income statement and cash flow data (millions C\$ except per share amounts)

(Fiscal year end March 31st)	2011A	2012E	2013E	2014E	2015E	2016E	CAGR (2012E-2016E)
Adjusted Net Earnings	(\$3.5)	(\$3.6)	\$93.4	\$94.7	\$66.7	\$59.2	n.a.
Adjusted Net Earnings per share	(\$0.08)	(\$0.07)	\$1.73	\$1.76	\$1.24	\$1.10	n.a.
Adjusted Net Earnings per share fully diluted	(\$0.08)	(\$0.07)	\$1.67	\$1.69	\$1.19	\$1.06	n.a.
Operating Cash Flow	(\$3.5)	(\$1.0)	\$141.2	\$127.0	\$97.9	\$92.4	n.a.
OCF per share	(\$0.08)	(\$0.02)	\$2.62	\$2.36	\$1.82	\$1.72	n.a.
OCF per share, fully diluted	(\$0.08)	(\$0.02)	\$2.52	\$2.27	\$1.75	\$1.65	n.a.
Operating Cash Flow net of working cap.	(\$3.4)	(\$1.0)	\$141.2	\$127.0	\$97.9	\$92.4	n.a.
OCF net of working cap. per share	(\$0.08)	(\$0.02)	\$2.62	\$2.36	\$1.82	\$1.72	n.a.
OCF net of working cap. per share, fully diluted	(\$0.08)	(\$0.02)	\$2.52	\$2.27	\$1.75	\$1.65	n.a.
Free Cash Flow	(\$30.5)	(\$48.1)	\$101.3	\$81.9	\$82.8	\$76.5	n.a.
FCF per share	(\$0.70)	(\$0.93)	\$1.88	\$1.52	\$1.54	\$1.42	n.a.
FCF per share, fully diluted	(\$0.70)	(\$0.90)	\$1.81	\$1.46	\$1.48	\$1.37	n.a.
EBIT	(\$5.1)	(\$6.2)	\$155.5	\$157.7	\$111.0	\$98.6	n.a.
EBIT per share	(\$0.12)	(\$0.12)	\$2.89	\$2.93	\$2.06	\$1.83	n.a.
EBITDA	(\$4.9)	(\$2.3)	\$161.7	\$169.9	\$127.8	\$118.8	n.a.
EBITDA per share	(\$0.11)	(\$0.05)	\$3.00	\$3.16	\$2.37	\$2.21	n.a.
Common Dividends	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	n.a.
Dividend per share	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	n.a.

Source: Company reports, RBC Capital Markets estimates

Exhibit 26: Margin analysis

(Fiscal year end March 31st)	2011A	2012E	2013E	2014E	2015E	2016E	CAGR (2012E-2016E)
Net Earnings/Revenue	n/a	-5.5%	28.2%	26.1%	17.5%	16.0%	n.a.
EBIT/Revenue	n/a	-9.5%	46.9%	43.5%	29.2%	26.6%	n.a.
EBITDA/Revenue	n/a	-3.6%	48.7%	46.9%	33.6%	32.1%	n.a.
Distribution Payout Ratio	n/a	n/a	0.0%	0.0%	0.0%	0.0%	n.a.

Source: Company reports, RBC Capital Markets estimates

Exhibit 27: Balance sheet analysis (million C\$, except per share amounts)

(Fiscal year end March 31st)	2011A	2012E	2013E	2014E	2015E	2016E	CAGR (2012E-2016E)
Cash	\$7.6	\$74.2	\$175.1	\$256.7	\$339.1	\$415.2	53.8%
Total common shareholders' equity	\$174.4	\$286.1	\$379.5	\$474.2	\$540.8	\$600.0	20.3%
Working Capital	(\$5.6)	\$61.1	\$162.0	\$243.6	\$326.0	\$402.5	60.2%
Net Working Capital	(\$13.1)	(\$13.2)	(\$13.1)	(\$13.1)	(\$13.2)	(\$12.7)	-0.8%
Total Debt	\$0.0	\$1.2	\$0.8	\$0.4	\$0.0	\$0.0	n.a.
Total Net Debt	(\$7.6)	(\$73.1)	(\$174.3)	(\$256.2)	(\$339.1)	(\$415.2)	54.4%
Total Debt & Minority Interest	\$0.0	\$1.2	\$0.8	\$0.4	\$0.0	\$0.0	n.a.
Total Net Debt & Minority Interest	(\$7.6)	(\$73.1)	(\$174.3)	(\$256.2)	(\$339.1)	(\$415.2)	54.4%
Total Assets	\$225.2	\$334.0	\$467.4	\$580.7	\$660.3	\$730.8	21.6%
Capital Employed	\$174.4	\$287.2	\$380.3	\$474.6	\$540.8	\$600.0	20.2%
Market Capitalization							
High	\$632.8	\$376.1	\$376.1	\$376.1	\$376.1	\$376.1	0.0%
Low	\$168.8	\$376.1	\$376.1	\$376.1	\$376.1	\$376.1	0.0%
Close	\$605.0	\$376.1	\$376.1	\$376.1	\$376.1	\$376.1	0.0%
average	\$348.7	\$376.1	\$376.1	\$376.1	\$376.1	\$376.1	0.0%
Enterprise Value							
High	\$625.2	\$290.5	\$290.5	\$290.5	\$290.5	\$290.5	0.0%
Low	\$161.2	\$290.5	\$290.5	\$290.5	\$290.5	\$290.5	0.0%
Close	\$597.4	\$290.5	\$290.5	\$290.5	\$290.5	\$290.5	0.0%
average	\$341.1	\$290.5	\$290.5	\$290.5	\$290.5	\$290.5	0.0%
Book Value Per Common Share	\$3.9	\$5.3	\$7.0	\$8.8	\$10.0	\$11.1	20.3%
Total Debt/Equity	0.0%	0.4%	0.2%	0.1%	0.0%	0.0%	n.a.
Total Debt/Total Capitalization	0.0%	0.4%	0.2%	0.1%	0.0%	0.0%	n.a.
Total Net Debt/Total Capitalization	-4.3%	-25.4%	-45.8%	-54.0%	-62.7%	-69.2%	28.4%
ROA	-1.6%	-1.1%	20.0%	16.3%	10.1%	8.1%	n.a.
ROE	-2.0%	-1.2%	24.6%	20.0%	12.3%	9.9%	n.a.
ROCE	-2.0%	-1.2%	24.6%	19.9%	12.3%	9.9%	n.a.

Source: Company reports, RBC Capital Markets estimates

Company Description

History - The evolution of Labrador Iron Mines

Labrador Iron Mines Holdings Limited (LIM) is a Canadian iron ore exploration, development, and mining company. The company was established in 2007 and is the newest producer of iron ore in the Labrador Trough, having commenced iron ore production in June 2011. LIM is domiciled in Canada with its head office in Toronto. The company trades on the TSX under the ticker LIM and has a market capitalization of approximately \$400 million.

The properties which comprise LIM's Schefferville project were first introduced to LIM's senior executives in 2005, beginning with Sawyer and Astray Lakes. Thereafter a land position along the Knob Lake iron range was accumulated, initially contemplated for Anglesey Mining (a public company listed on the London Stock Exchange, controlled by LIM's current management team). However, with the Toronto market deemed to be more receptive to these assets, Labrador Iron Mines Holdings IPO'd on the TSX in December 2007 and concurrently acquired the assets from Anglesey in exchange for 24 million common shares, which today represents 33% of LIM's current shares outstanding. John Kearney, Chairman and CEO of LIM, acts as the Chairman to Anglesey Mining.

LIM is principally engaged in the production and development of its multiple, 100%-owned, iron ore properties in the Schefferville area, collectively named the Schefferville Projects. These direct shipping ore (DSO) properties are located in the central region of the Labrador Trough, approximately 220 km north of Labrador City and 1,150 km northeast of Montreal. The Schefferville Projects are comprised of 20 different DSO deposits, which are remnants of Iron Ore Company of Canada's (IOC) DSO operations, which operated from 1954 to 1982. LIM has confirmed a total of approximately 40 million tonnes of measured and indicated iron ore resources grading 57% Iron (Fe) at its James, Redmond, Houston, and Denault deposits. In addition, LIM controls other deposits with an estimated combined historical (non-43-101 compliant) resource of 125 million tonnes. In the long term, approximately one-quarter of LIM's final product is expected to be coarse lump ore with the remainder being sinter fines and ultra fines. Most iron ore mined will undergo limited processing and upgrading, resulting in a final lump or fines product grading 64.5% Fe. Saleable iron ore will be transported by rail to the port at Sept-Iles for onward shipping, most likely to steel mills in Europe or Asia. Due to issues relating to the moisture content of the iron ore freezing in rail cars, LIM's raiing and shipping will operate seasonally from April to November each year. Scaled back mining is expected to continue in the winter months, effectively making LIM a seasonal operator.

LIM commenced production at its James Mine in June 2011, shipped its first iron ore train from the Silver Yards processing plant to the port at Sept-Iles in late June 2011, and announced its first shipment of iron ore in October 2011. LIM has rail agreements in place with both Tshuettin Railway and Quebec North Shore & Labrador Railway to transport its iron ore product 585 km from Silver Yards to the Port of Sept-Iles. LIM also has a short-term agreement in place with IOC whereby IOC has agreed to sell LIM's 2011 iron ore production into the spot market in exchange for an undisclosed fee. By the end of the 2011 season, LIM expects to mine 2.0 million tonnes of ore from James Mine and to feed 0.5-0.8 million tonnes of ore through its Silver Yards wash plant, resulting in 0.3-0.5 million tonnes of high-grade saleable lump ore and sinter fines products. LIM expects to ship an additional 0.2 million tonnes of direct rail product to the port, resulting in a total tonnage of 0.5-0.7 million tonnes of iron ore being delivered to the port in 2011. The remaining 1.0 million tonnes of run-of-mine ore is expected to be held in inventory for direct shipping or processing in 2012.

As of June 30, 2011 LIM had raised a total of approximately \$208 million for the Schefferville Projects, spent about \$120 million on its development plan, and had \$87.5 million in unrestricted cash and zero debt on its balance sheet. Through a phased expansion approach, LIM is aiming to increase production at its James Mine and Silver Yards operation to 2.5 million tonnes by the end of 2012, and to ramp up annual production capacity to 5 million tonnes beginning in 2015 through the development of an additional standalone operation at its Houston and Redmond deposits.

Acquisition of additional properties

On December 17, 2009, LIM announced the acquisition of an additional 50 million tons of direct shipping iron ore in Quebec along with a large package of mineral claims in the Schefferville area through a series of four transactions.

Hollinger North transaction: Through a new wholly owned subsidiary, Schefferville Mines Inc. (SMI), LIM acquired from Hollinger North Shore Exploration Inc. a 100% exclusive operating interest in the remaining properties, which are part of the original mining lease issued to Hollinger in 1953. The Hollinger lease remains valid under its current terms to 2013, is renewable for a further 20 years, covers an area of approximately 2,800 hectares, and includes 14 separate properties. The properties were subject to some outstanding litigation of various disputes, including claims for breach of contract by Hollinger.

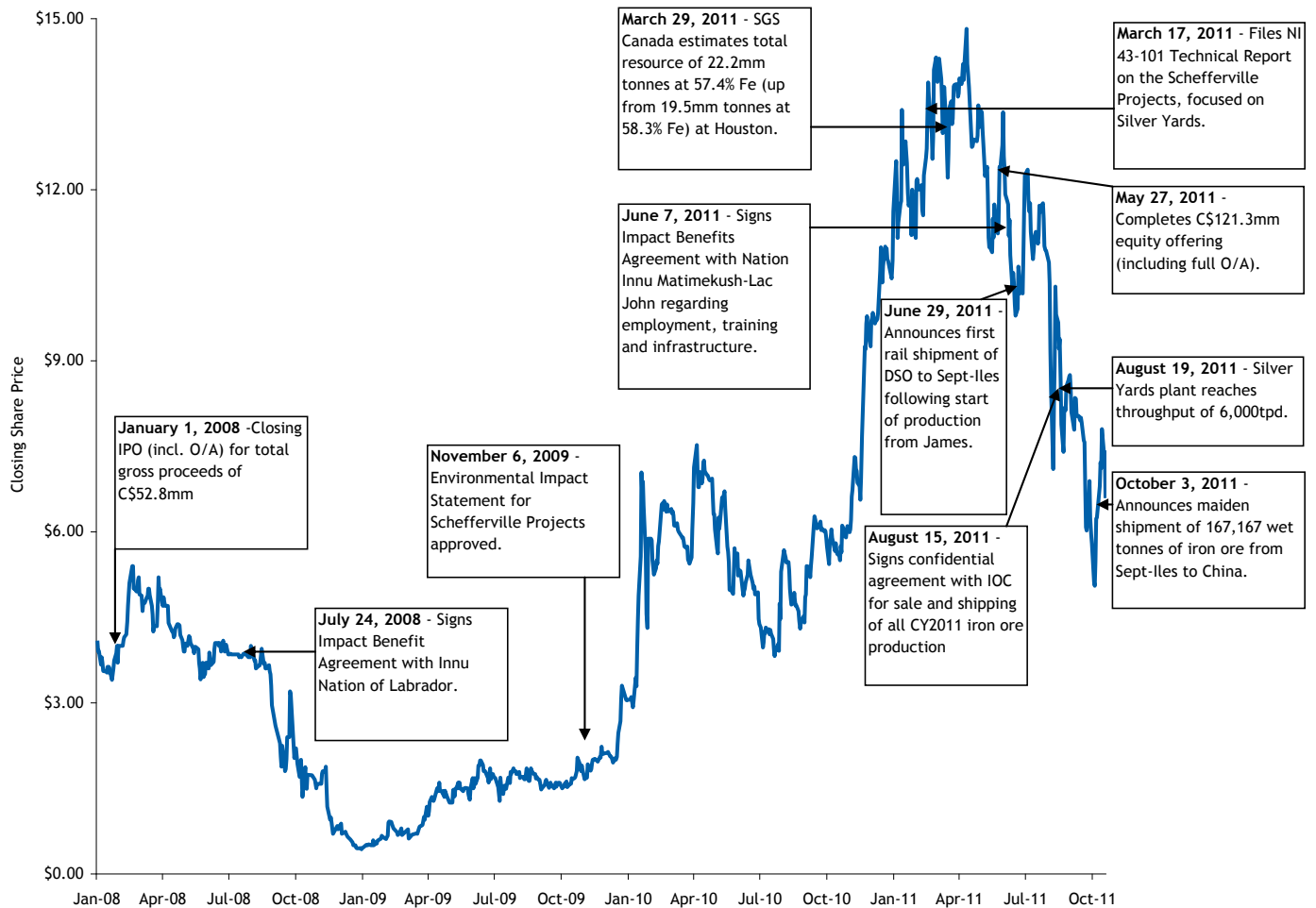
Under the agreement, SMI has the option to take a sublease of the properties subject to the approval of the Government of Quebec. Under its Operating Agreement with Hollinger, SMI will be responsible for all capital and operating costs to bring the deposits into production and will be required to pay Hollinger a royalty of \$2.00 per tonne of iron ore shipped from the Port of Sept Îles. SMI also agreed to assume responsibility for certain outstanding liens, judgments and other obligations of approximately \$1.5 million.

Fonteneau transaction: SMI acquired from Fonteneau Resources Inc. 17 mining claims covering 800 hectares in Quebec, some of which adjoin the Hollinger land package, and are prospective for DSO. The properties are subject to a royalty of \$2.00 per tonne of iron ore shipped from the Port of Sept Îles. LIM made advance royalty payments of \$2 million to be credited against future royalty payments.

MRB and Fonteneau transactions: Through its wholly owned subsidiaries, LIM acquired approximately 4,200 hectares in mineral claims located partly in Labrador and partly in Quebec from MRB & Associates and from Fonteneau Resources Inc. These claim holdings contain 14 occurrences or deposits of manganese located within the Sokoman, Ruth, and Wishart geological formations. These deposits have historical manganese content that ranges from 5% to 55% Manganese (Mn), and it is expected that these deposits can be beneficiated to commercial grades of nearly 48% Mn by a similar washing and screening process to that planned for LIM's other ore deposits. These new claims are subject to a royalty of 3% of the FOB value of manganese ore and \$2.00 per tonne of iron ore shipped from the Port of Sept Îles.

Exploration and development agreement: SMI entered into an exploration and development agreement on 2,500 hectares of prospective mining claims in Quebec. These claims are located approximately 100 km north of Schefferville, within the Labrador Trough, and are considered to have high regional exploration potential for iron ore. Under the agreement, SMI agreed to make a payment of \$250,000 on signing; \$250,000 payable on June 30, 2010; \$500,000 payable on each of December 31, 2010, June 30, 2011, and December 31, 2011; is obligated to maintain the properties in good standing until December 31, 2011; and must carry out minimum programs of reconnaissance and exploration on the properties. These claims will be subject to a \$2.00 per tonne royalty payment.

Exhibit 28: Historical share price and events



Source: Bloomberg, Company reports

Capital structure and shareholder structure

On April 5, 2011, LIM announced a \$110 million public offering of common shares consisting of \$100,000,000 in common shares and \$10,000,500 in flow-through shares of the company, at a price of C\$12.50 per common share and C\$15.00 per flow-through share. Subsequently, the syndicate of underwriters elected to purchase 900,000 additional common shares at \$12.50 per shares under its over-allotment option, resulting in total gross proceeds from the offering of \$121,250,500. Following completion of the deal, LIM had 53,855,791 common shares issued and outstanding.

Exhibit 29: LIM capital structure (as of June 30, 2011)

	Number of Shares (millions)
Basic Shares Outstanding	53.9
Options	1.8
Warrants	0.6
Fully Diluted Shares Outstanding	56.3

Source: Company reports

The two largest shareholders of LIM collectively own 52.2% of LIM's shares outstanding. Anglesey Mining owns 32.9% of LIM and is a UK-based publicly traded company with a 100% interest in Parys Mountain zinc-copper-lead deposit in north Wales. John Kearney, Chairman and CEO of LIM, acts as the chairman to Anglesey Mining. Mr. Kearney has direct ownership of 1.6 million shares of LIM. One institutional investor owns 19.3% of LIM.

Exhibit 30: LIM shareholder structure

	Number of Shares (millions)	Percent
Anglesey Mining	18	33%
Institutional Investor	10	19%
Management	3	6%
Public Shareholders	23	42%
Total Basic Shares Outstanding	54	100%

Source: Company reports

Exhibit 31: LIM's common shares issued

	Number of shares	Value
September 30, 2007	1	\$1
Shares issued upon amalgamation	24,000,000	\$85,440,000
Initial public offering	11,473,000	\$34,454,872
December 31, 2007	35,473,001	\$119,894,873
Exercise of over-allotment option	1,720,950	\$5,889,308
March 31, 2008	37,193,951	\$125,784,181
Normal course issuer bid repurchases	(45,500)	(\$43,026)
December 30, 2008	37,148,451	\$125,741,155
Normal course issuer bid - excess of BV over repurchase price	0	(\$110,848)
March 31, 2009	37,148,451	\$125,630,307
Restatement	0	\$2,915,000
December 31, 2009	37,148,451	\$128,545,307
Exercise of options	55,500	\$181,254
Common and flow-through shares issued	6,166,000	\$35,057,300
Broker warrants	0	(\$2,946,669)
March 31, 2010	43,369,951	\$160,837,192
Exercise of options	111,555	\$311,789
Exercise of warrants	9,249	\$87,496
June 30, 2010	43,490,755	\$161,236,477
Exercise of options	67,625	\$191,706
September 30, 2010	43,558,380	\$161,428,183
Exercise of options	280,806	814,072
Exercise of broker warrants	88,328	\$835,583
December 31, 2010	43,927,514	\$163,077,838
Exercise of options	135,314	2,104,675
Exercise of warrants	127,063	(161,049)
March 31, 2011	44,189,891	\$165,021,464
Common and flow-through shares issued	9,566,700	\$111,162,704
Exercise of options	99,200	\$219,750
June 30, 2011	53,855,791	\$276,403,918
Exercise of options	83,750	\$188,850
Exercise of broker warrants	93,170	\$592,561
Current Share Count	54,032,711	\$277,185,329

Source: Company reports

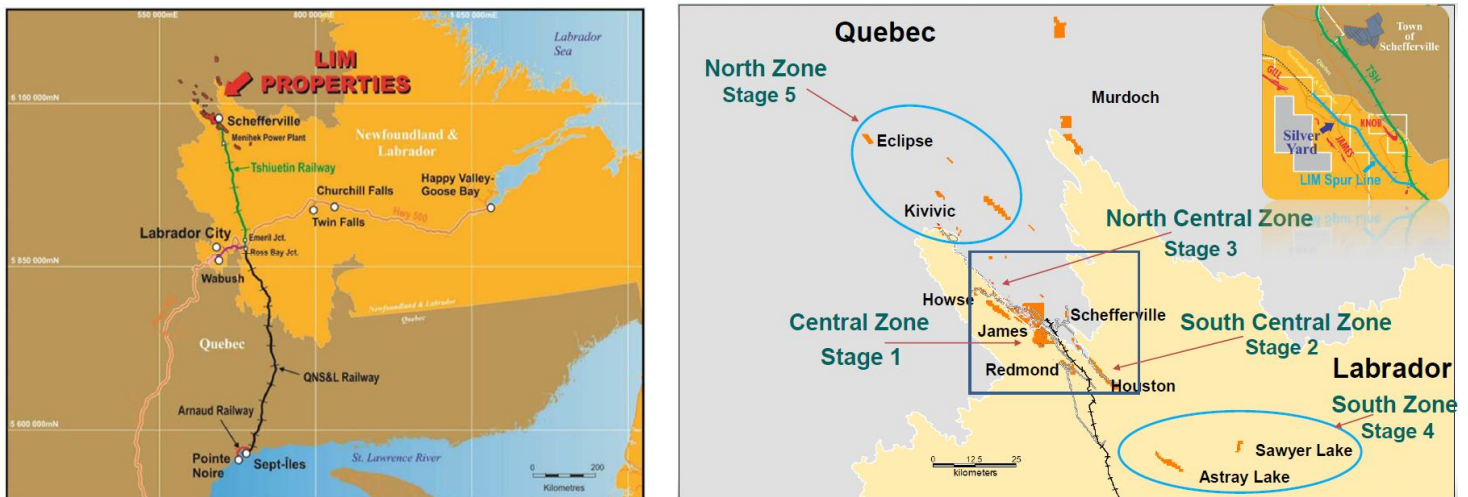
Asset description - The Schefferville Projects

(We provide an overview of LIM's assets and current mine plan below. For further details, please see Appendix II.)

Schefferville Projects

The flagship Schefferville Projects comprise an aggregate of 20 iron ore deposits located along a 120 km strike length stretching across Quebec, and Newfoundland and Labrador. The town of Schefferville is located near the middle of the strike length. The property forms part of the Labrador Trough, an iron ore belt that extends from northern Quebec down through western Labrador in Canada. The trough spans a distance of roughly 1,100 km and runs along the eastern margin of the geological Superior Craton in Eastern Canada. Historically, the region has produced and is known for its iron ore mining. The former direct shipping iron ore operations at Schefferville (originally known as Knob Lake) operated by IOC produced in excess of 150 million tons of lump and sinter fine ores between 1954 and 1982. At the time of closure, a resource of approximately 250 million tons of iron ore remained in individual deposits in Labrador and Quebec, which were located in proximity to the previously operated mines.

Exhibit 32: LIM's property location



Source: Company reports

The company has not completed a feasibility study on any of the projects. To date, only the James and Redmond deposits have been permitted and planned using a detailed mine design. LIM has indicated that further mine plans will be conducted for the additional deposits on a continued basis as further geological data are collected.

LIM has outlined a five-stage plan to grow and sustain its production at 5.0 million tonnes per annum out to 2025. The current focus is on Stage I, which itself has three phases. Phase 1, which involved construction of the Silver Yards processing site, was recently completed. Phase 2, which involves the addition of density separator and filtering processes, is expected to be completed by 2011 year-end. An expansion line treating additional lower grade ores encompasses Phase 3 of the Stage 1 expansion, and is expected to be implemented by mid-2012 and to increase annual production capacity to 2.5 million tonnes per annum.

Mine life and production profile

Production commenced at the James deposit in June 2011, following start-up of operations in April 2011. Management is currently targeting production of 0.5 – 0.7 million tonnes in 2011, increasing to a run-rate of 2.5 million by the end of 2012, and expanding to 5.0 million by the end of 2015 and beyond. Management has suggested a mine life extending until 2025, based on current NI 43-101 resources and historical resources.

Mining and processing

The deposits will be open-pit mined using conventional truck and excavator mining methods, and contract mining. LIM anticipates operating from April to November each year, with two 12-hour shifts per day. Detailed metallurgical testing and permitting will be advanced in the order outlined in the preliminary mine plan in the April 2011 technical report.

Run-of-mine (ROM) iron ore is being transported via truck to the process plant to be washed (beneficiated). Lump and sinter fines will be produced following washing and screening at the plant. In 2011, however, only the higher-grade blue ore will be treated while the higher-silica blue and yellow ore will be stockpiled. Ore mined during the first two phases will be processed at the Silver Yards Plant

located approximately 3 km from Schefferville and 1 km from the James deposit. The company has indicated that late processing of Houston ore in Stage 2 will require an additional plant, known as the Redmond Plant due to its proximity to Redmond, whereas another facility known as the Howse Plant will process ore in the late stages of Stage 3.

Management is currently targeting mine production of 2.2 million tonnes in 2011 from the James deposit, following commencement of operations in April and production in June 2011. LIM estimates that aggregate saleable production in its start-up year 2011 at 0.5 – 0.7 million tonnes in 2011, ramping up to 2.5 million tonnes in 2012 and 5 million tonnes per annum in 2015 and beyond.

Recovery rates and dilution

Although the company has not completed feasibility studies on the projects, early-stage detailed mining plans have indicated a mineable recovery of 80-85% at both James and Redmond. The preliminary mine plans also account for a 5% loss and 5% dilution factor.

Processing plants

Silver Yards

The first phase of production from James will treat ore at the Silver Yards Processing Plant, which is fully constructed and is ramping up to nameplate capacity. As of late September 2011, the plant throughput rate is at 7,000 tonnes per day and ramping up to its nameplate capacity of 10,000 tonnes per day. LIM has reported lower recoveries than expected in the mine primarily due to a greater proportion of fines than expected. The company is resolving these issues with stockpiling excess fines.

Redmond Plant

The second Stage of production will process ore at the Redmond Plant. The plant and complex will be constructed at a cost of approximately US\$60 million during two years starting in 2013. Ore processed from the Houston, Malcolm, and Sawyer Astray deposits will be treated at the Redmond Plant prior to shipment to Sept-Iles. Production from these deposits is forecasted to commence in late 2014.

Howse Plant

Management has suggested the need for a third plant to be built to service the Howse and Barney deposits, commencing in late 2015. We have estimated a capital cost of US\$60 million over two years for this additional process plant.

Transport and shipping

Currently, all ore mined from the Schefferville Projects is shipped to the Port of Sept-Iles, where shipping and sales into Asia are currently governed by the purchase agreement with IOC encompassing all sales in 2011. In total, LIM's iron ore travels roughly 585 km along three rail lines before reaching the port of Sept-Iles, including its newly constructed spur line (6 km), the Tshiuetin Rail Transportation (220 km), and Quebec North Shore & Labrador Railway (360 km).

The railway between Schefferville and Sept-Iles was originally constructed by Iron Ore Company of Canada in the 1950s. The northern section of the railway connecting Schefferville to Emeril Junction is now operated by Tshiuetin Rail Transportation (TSH), a company owned by a consortium of First Nations. IOC initially owned and operated this portion of the rail line, but subsequent to the closing of its iron ore operations in Schefferville in 1982, the rail line no longer hauled iron ore from the Schefferville area. However, the rail line maintained subsidized passenger and freight service for local First Nation communities along this portion of the rail system, known as the Menihuk Subdivision, up until December 1, 2005, when it was sold to TSH for total consideration of \$1.00. The TSH rail line is still available and has been in continuous operation for 50 years. The southern section of the railway that connects Emeril Junction and the port of Sept-Iles continues to be owned and operated by IOC through its 100%-owned subsidiary Quebec North Shore & Labrador Railway (QNS&L). Today, the QNS&L rail line transports iron ore for Labrador Iron Mines and Cliffs Resources, in addition to its own haulage needs. Under Canadian federal legislation each rail operator is designated as a Common Carrier and is obliged to provide a suitable level of service. LIM has agreements in place with both of these carriers.

The Port of Sept-Iles was originally developed for the initial IOC operations in the late 1940s and has continued and grown since that time. Today it handles over 30 million tonnes of iron products annually. LIM has signed a MOU with the Sept-Iles Port Authority for the use of the Pointe aux Basques terminal for handling and ship loading of LIM's iron ore for the 2011 season and potentially beyond. LIM has also signed an agreement with a port terminal operator for the unloading, stacking and ship loading of iron ore at Pointe aux Basques. LIM will have exclusive use of the Pointe aux Basques terminal for iron ore shipments, which can handle Laker vessels with a maximum capacity of 35,000 wet metric tonnes.

Cash costs

We estimate an average life-of-mine FOB cash cost of US\$53/tonne (C\$59/tonne) at the Schefferville Projects, excluding royalties. Roughly half of the estimated cash cost is associated with transport and port handling, with the other half attributed to iron ore mining and processing. Our cash cost estimates place the Schefferville Projects in the seventy-second percentile of the global iron ore cash cost curve (see Exhibit 12), and 27% above the group-weighted average of US\$42/tonne (see Exhibit 10). Despite the higher anticipated costs relative to other iron ore producers, we expect LIM to generate positive cash flow throughout our forecast period.

Capital requirements

We are forecasting FY2012 capex of US\$47 million, and we expect LIM to spend an additional US\$40 million in FY2013 and US\$45 million in FY2014 to increase its production capacity to 2.5 million tonnes per annum by the end of calendar year 2012, construct the Redmond plant, and to bring the Houston mine into production by the end of FY2014. Our analysis suggests that LIM will have sufficient cash on hand to fund its near-term growth program.

Royalties

The properties are subject to a royalty payable to Fonteneau Resources, as per the option and joint venture agreement, under which a royalty of 3% (to a maximum of US\$1.50/tonne) of the selling price FOB port per tonne of iron ore produced from the James, Redmond, and Houston properties. The company is also subject to a royalty of US\$2.00/tonne of iron ore produced and shipped from the Quebec projects.

Power

Currently, the Silver Yards Plant, and all power needs at the mine deposits, are diesel powered. Phase II of the Stage 1 expansion involves tapping into the Menihek hydro plant, which was built by IOC with the capability of two 5MW Westinghouse generators and one 12MW unit, located approximately 35 km from the site. The company will construct a substation in close proximity to the plant. Established infrastructure includes power lines crossing the properties.

Water

The water required for beneficiation in the plant will be sourced from the Ruth pit. Also, water used for washing will be piped through an above-ground pipeline to Ruth Lake for discharge.

Exploration and development

A 14,500 m RC drill program commenced in June 2011 that is focused on testing the James South extension, continuity drilling between Redmond 2 and 2B, and 43-101 in-fill drilling at Malcolm, Denault, Knob Lake, and Houston.

Management and Directors

Management

John F. Kearney - Chairman and Chief Executive Officer

Mr. Kearney has more than 35 years of experience in the mining industry. He is currently president of the Northwest Territories and Nunavut Chamber of Mines, a director of the Mining Association of Canada, a member of the Prospectors and Developers Association of Canada and the Canadian Institute of Mining and Metallurgy, and Chairman of Anglesey Mining Plc.

Bill Hooley - Director, President and Chief Operating Officer

Mr. Hooley is the current chief executive of Anglesey Mining plc, and the former managing director of Micon International from 2000 to 2005. He has held various management and executive positions with mining and service companies throughout the UK and Australia.

Terrence N. McKillen - Director and Executive Vice President

Mr. McKillen is a professional geologist, and he is the current director, president, and CEO of Xtierra Inc., Conquest Resources Limited and CEO of Minco plc. Mr. McKillen is a registered Professional Geoscientist in the provinces of Ontario and Newfoundland and Labrador, with more than 40 years of experience in mining.

Danesh K. Varma - Chief Financial Officer

Mr. Varma is currently a director of Anglesey Mining plc, and Minco plc, in addition to acting as CFO of Minco, Conquest Resources Limited, and Xtierra Inc. Mr. Varma is a chartered accountant in Canada, England, and Wales with more than 20 years of experience.

Neil Steenberg - Corporate Secretary

Mr. Steenberg currently operates an independent business law practice. Currently, Mr. Steenberg is a director and Secretary of Xtierra Inc. and Conquest Resources Ltd. He has more than 25 years of experience in the practice of securities and mining law.

Nathaniel Chouinard - Senior Vice President - Project Development

Mr. Chouinard formerly worked in corporate development, operating strategy, and as a manager for mining for the African operations at IAMGOLD for the past five years. Mr. Chouinard has more than 15 years of mining experience.

Aiden Carey - Senior Vice President - Operations

Richard Pinkerton - Vice President - Finance

Mr. Pinkerton brings 10 years of experience in investment banking and five years with PricewaterhouseCoopers LLP. He is currently a director on several junior resource companies.

Directors

Richard Lister - Director

Mr. Lister has more than 40 years of experience in the mining, metallurgical, and chemical industries. He was previously a Director of several junior resource companies.

Gerald J. Gauthier - Director

Since 2008, Mr. Gauthier has acted as COO of Xtierra Inc. Mr. Gauthier is a mining engineer with former experience as the chief operating officer for Nevsun Resources, vice president of Glencairn Gold Corp., and CEO of United Keno Hill Mines.

Matthew Coon Come - Director

Mr. Coon Come is the Grand Chief of the Crees of Northern Quebec, and a board member of the Grand Council of the Crees (Eeyou Istchee), the Cree Regional Authority, and the founding director of the First Nations Bank of Canada.

Eric W. Cunningham - Director

Mr. Cunningham was formerly a director of Aurora Energy and held various positions with Sherritt Gordon Mines. Mr. Cunningham holds a Bachelor of Science in Geology from Rhodes University, South Africa and has been engaged as an independent mining consultant since 1996.

Appendix I: Production Plan

Stage 1 - Central Zone (Silver Yards Plant - James, Redmond, Denault, etc.)

The first stage of development is currently producing direct rail ore from the deposits within close proximity to the Silver Yards Processing Plant.

Deposits

Stage 1A – Consists of mining the James and Redmond deposits.

Stage 1B – Consists of the staged development of Ruth Lake 8, Gill and Knob Lake 1 deposits, provided they are successfully permitted and planned.

Stage 1C – Continued sequential development of Star Creek, Squaw Woollett, Lance Ridge, and Fleming 9 deposits.

All of these deposits are located within 10-20 km of the Silver Yards Plant and can be accessed by existing roads, requiring some upgrades to the road conditions.

Stage 2 - South Central Zone (Redmond Plant - Houston, Malcolm)

Preliminary guidance from the company suggests a second plant will be constructed at the Redmond deposit of similar capacity to the Silver Yards Plant. Capital expenditures are estimated at US\$60 million. The Redmond Processing Plant will be fed ore from the Houston deposit, starting in 2013 prior to adding feed from the Malcolm deposit in 2019 for approximately four years, based on historical resources.

Stage 3 - Howse Plant (Howse Plan - Barney, Howse)

Due to the expansive nature of the strike length, a third processing plant will be built in close proximity to the Howse deposit and will begin production at partial nameplate capacity in 2018, with feed from the Barney deposit. Throughput will be ramped up in 2021 until the end of mine life in 2029 as feed from Howse comes online. The capital required for this plant is approximately \$60 million. An agreement to construct a rail spur to join with New Millennium Capital Corp. and Tata Steel has been arranged.

Stage 4 - South Zone

After extracting ore from the Malcolm and Houston deposits, the company will focus on the Sawyer Lake and Astray Lake South deposits. Ore from these deposits will be transported to the Redmond plant for processing. These deposits are currently isolated without road access; however, float plane or helicopters enable transport to and from site. In order to develop these deposits, further met testing is required, and the construction of a 60 km haul road will need to be approved and permitted. Although detailed met work has not been completed, the company does not expect that any modifications to the Redmond Plant will be required.

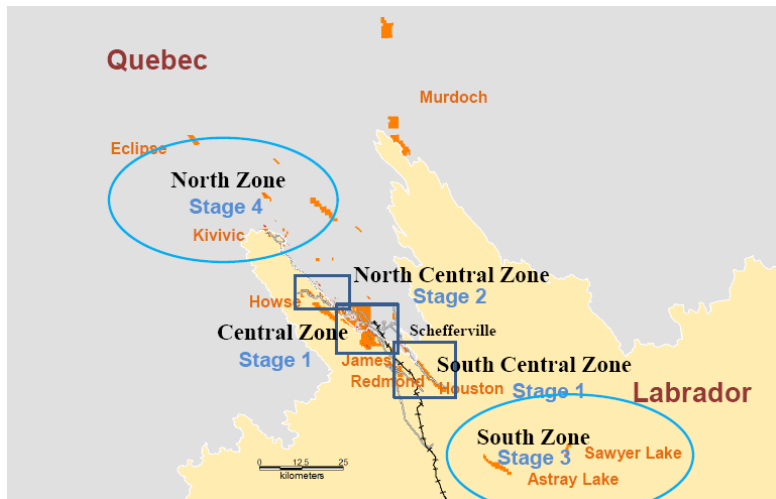
Stage 5 - North Zone

The four deposits forming the North Zone are Kivivc, Trough, Partington, and Eclipse, located between 40 and 85 km north of Schefferville in remote areas bereft of infrastructure. Significant work will be required to provide road access in addition to further exploration and test work to assess the economic viability of these deposits. The company has not provided any preliminary production numbers for these deposits in the April 2011 technical report.

Appendix II: Overview of Most Advanced Deposits

LIM is a junior iron ore company that is focused on bringing its Schefferville Projects into production in several stages. The James deposit recently commenced production in June 2011, and several other deposits are forecasted by LIM to come into production to ramp up to 5.0 million tonnes per annum by 2015. Exhibit 33 provides an outline of LIM's projects. Exhibit 34 summarizes LIM's reserves and resources by commodity and deposit. Currently, NI 43-101 compliant resources are only present at four deposits: James, Redmond, Houston, and Denault. LIM is currently exploring the 120 million tons of historical resources previously delineated by IOC.

Exhibit 33: Schefferville Projects' locations



Source: Company reports

Exhibit 34: LIM reserves and resources

	Tonnes '000's	Total Fe %	Contained Iron '000 t
Measured & Indicated Resources			
James	8,098	57.7%	4,673
Redmond 2B	849	59.9%	509
Redmond 5	2,084	55.0%	1,146
Houston	22,170	57.0%	12,637
Denault	6,384	54.8%	3,498
Sub-Total Measured and Indicated	39,585	56.7%	22,463
Inferred Resources			
James	111	53.6%	59
Redmond 2B	30	57.3%	17
Redmond 5	78	52.3%	41
Houston	690	54.9%	379
Denault	369	53.9%	199
Sub-Total Inferred	1,278	54.4%	695
Total MI&I Resources	40,863	56.7%	23,158

Source: Company reports, RBC Capital Markets estimates

Exhibit 35: Historical mineral resources of LIM's existing properties

	Tons '000's	Total Fe %	Contained Iron '000 t
Deposits			
Knob Lake 1	3,662	49.1%	1,798
Gill Mine	595	50.5%	300
Green Lake	366	21.4%	78
Ruth Lake 8	410	23.3%	96
Wishart Mine	207	53.7%	111
Wishart 2	554	52.0%	288
Fleming 6	802	48.3%	387
Fleming 7S	1,946	56.0%	1,090
Fleming 9	417	54.1%	226
Lance Ridge	1,370	53.9%	738
Squaw-Wollett 1	2,303	54.9%	1,264
Sunny 3	460	57.8%	266
Star Creek 1	1,492	51.0%	761
Star Creek 3	63	55.2%	35
Malcolm 1	2,879	56.2%	1,618
Barney 1	6,281	53.9%	3,385
Howse	28,228	58.0%	16,372
Astray Lake	7,818	65.6%	5,129
Sawyer Lake	12,000	61.8%	7,416
Kivivic 1	6,583	54.0%	3,555
Eclipse	37,159	56.3%	20,921
Partington 2	3,377	55.2%	1,864
Trough 1	1,969	48.8%	961
Sub-Total Historical Resources	120,941	56.8%	68,659

Source: Company reports

1) James Project

The James deposits—James North and James South—are located in Labrador in the province of Newfoundland and Labrador, approximately 3 km southwest of the town of Schefferville, Quebec. The deposits are comprised of one mineral rights license representing 28 mineral claims covering approximately 700 hectares. The project is composed of three areas of mineral enrichment—the main deposit, a manganese occurrence and a minor and isolated iron occurrence located approximately 150 m south of the main deposit. The main deposit is approximately 880 m by 80 m wide and 100 m deep of direct shipping grade and contains most of the James property resources. The James Project is situated within 12 km north of LIM's Redmond Project.

Exhibit 36: James Project



Source: Company reports

Reserves and resources

The James Project has an 8.1 million tonne Measured and Indicated resource (57.7% Fe) and 0.1 million tonnes of Inferred resources (53.6%).

Mine life

Management expects the life of Phase 1A, composed of the James and Redmond Projects, to be five years.

Production Profile

Production from the James Mine commenced in June 2011, extracting approximately 300,000 tonnes of ore that was trucked to the Silver Yards for processing by July month-end. The company also announced the maiden shipment of ore to port at the end of June 2011, totalling approximately 50,000 tonnes of ore to be stockpiled at port by July 2011.

Mining and processing

The James iron ore project is mined using a contractor, seasonally from April to November. Management employed an initial mining rate of 6,000 tonnes per day, increasing to 10,000 tonnes per day using conventional open-pit mining methods and eventually employing standard drilling and blasting operations. LIM is currently processing in excess of 7,000 tonnes per day at its Silver Yards beneficiation plant, and is ramping up to its nameplate 10,000 tonnes per day capacity. During the April to November period, management anticipates a processing schedule of approximately 212-240 days per year, depending on weather conditions.

To date, 167,167 wet tonnes have been shipped to China, as per the agreement with IOC for the sale and shipping of all of LIM's calendar year 2011 production.

Transport and shipping

The James Project is located within reach of existing infrastructure, including electrical power lines and a railway terminal and proposed rail loading yard. The area can be reached by existing gravel roads, by rail from Sept-Iles in Schefferville, and by air from Montreal and Sept-Iles via Wabush. The property straddles an existing road to the Redmond property to the south and continues to the Menihek hydro electric dam.

The James Project will also benefit from Phase 1 infrastructure, including a recently constructed beneficiation plant, rail line, and Silver Yards facilities, located approximately 1 km northeast of the James property. LIM recently completed its ore haul road from the James property to the Silver Yards processing site. In August 2011, LIM signed an agreement with IOC encompassing the shipment and sale of full 2011 production. The shipment and sale contract de-risks the project, and ensures that IOC matches with appropriate

buyers and their requirements. Iron ore will be delivered to Asia and sold in the spot market by IOC marketing company. The contract sale price between LIM and IOC will be the actual realized prices to Chinese customers, less shipping, handling, loading, and sales costs.

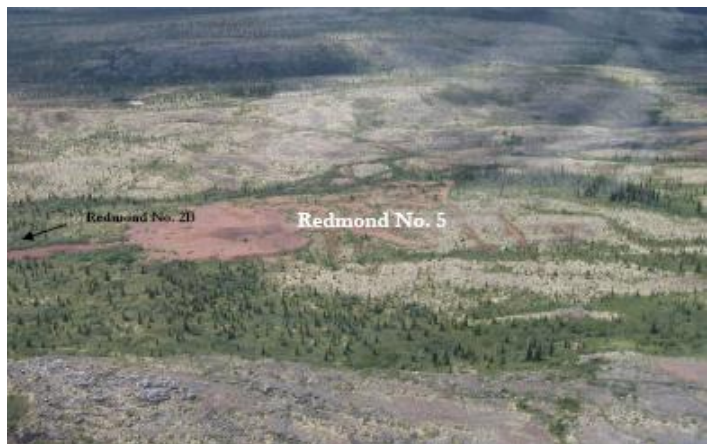
Royalty

Any iron ore produced from the James Project is subject to a 3% royalty on its FOB selling price, subject to a maximum royalty of \$1.50 per tonne.

2) Redmond Project

The Redmond deposits—Redmond 2B and Redmond 5—are located in Labrador approximately 12 km southeast and southwest of the town of Schefferville, respectively. The deposits are comprised of two mineral rights licenses representing 45 mineral claims covering approximately 1,125 hectares. The Redmond Project is situated 12 km east of LIM's James Project.

Exhibit 37: Redmond Project



Source: Company reports

Reserves and resources

The Redmond 2B deposit has a 0.8 million tonnes Measured and Indicated resource (59.9% Fe) and 0.03 million tonnes of Inferred resources (57.3%). The Redmond 5 deposit has a 2.1 million tonnes Measured and Indicated resource (55.0% Fe) and 0.08 million tonnes of Inferred resources (52.3%).

Mine Life

Management is currently targeting production from Redmond to commence in 2013 and expects a three-year mine life, as part of the Phase 1A of development.

Production profile

LIM is forecasting first shipment of iron ore in 2013 following the permitting of the operation and construction of the Redmond Processing Plant. We note that ore mined from Redmond will be processed at Silver Yards rather than at the Redmond plant.

Mining and processing

Material from the Redmond deposits will be processed at the Silver Yards beneficiation plant. The Redmond 2b and Redmond 5 deposits will use Redmond 1 as a settling pond for pit dewatering.

Transport and shipping

The Redmond Project is located within reach of existing infrastructure, including electrical power lines, and a railway terminal and proposed rail loading yard. The area can be reached by existing gravel roads, by rail from Sept-Iles in Schefferville, and by air from Montreal and Sept-Iles via Wabush. The property straddles an existing road to the James property to the north and continues to the Menihek hydro electric dam, where the road is terminated.

The Redmond Project will also benefit from Phase 1 infrastructure, including a recently constructed beneficiation plant, rail line, and the Silver Yards facilities, located approximately 1 km northeast of the Redmond property. Processed ore will be transported by rail to the port of Sept-Iles on the St. Lawrence River for onward shipping, most likely to steel mills in Europe or Asia.

Royalty

Any iron ore produced from the James Project is subject to a 3% royalty on its FOB selling price, subject to a maximum royalty of \$1.50 per tonne.

3) Denault Project

The Denault Project is located in the western central part of the Labrador Trough iron range in the province of Quebec, about 1,140 km northeast of Montreal and 20 km southeast of the town of Schefferville. The deposit is comprised of one mineral rights license representing one mineral claim covering approximately 119 hectares. The Denault deposit is situated approximately 5 km east of LIM's James Project.

Reserves and resources

The Denault Project has a 6.4 million tonne Measured and Indicated resource (54.8% Fe) and 0.4 million tonnes of Inferred resources (53.9%).

Mine life

Management is currently targeting a mine life of four years, commencing in 2013.

Production profile

We believe the operation will commence commercial production in 2013.

Mining and processing

The Denault iron ore deposit will be mined using conventional open-pit mining methods and treated at the Silver Yards Processing Plant.

Transport and shipping

The Denault property covers an area of 1.2km², hosting a strike length of 130m by 450m located 5km west of the James deposit. The deposit can be divided into three separate areas of mineralization, namely Denault 1, 2 and 3 which are eastward dipping and open at depth, to the northwest and southeast. The property is fully accessible by a year round gravel road traversing the property that allows ore to be mined using conventional truck and shovel methods and trucked to the Silver Yards plant prior to rail shipment to Sept-Iles.

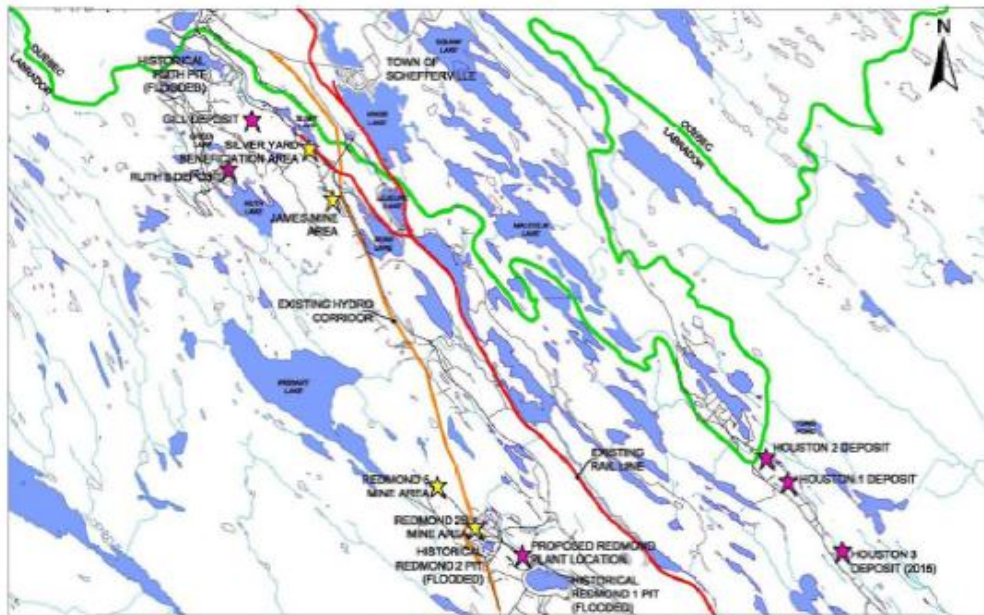
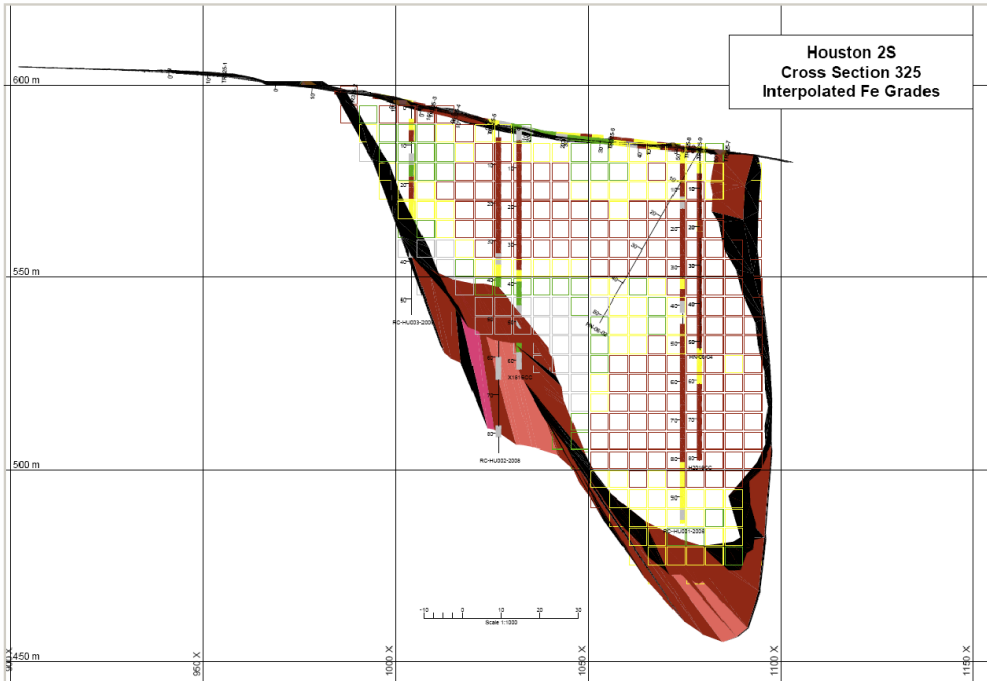
Royalty

Any iron ore produced from the Denault Project is subject to a 3% royalty on its FOB selling price, subject to a maximum royalty of \$1.50 per tonne.

4) Houston Project

The Houston Project is located in the western central part of the Labrador Trough iron range in the province of Newfoundland and Labrador, about 1,140 km northeast of Montreal and 20 km southeast of the town of Schefferville. The deposit is comprised of four mineral rights licenses representing 66 mineral claims covering approximately 675 hectares. The project area is composed of what appears to be at least three separate areas of iron enrichment: Houston 1, Houston 2S, and Houston 3. The Houston deposit is situated approximately 8 km east of LIM's Redmond Project.

Exhibit 38: Houston Project



Source: Company reports

Reserves and resources

The Houston project has a 22.2 million tonne Measured and Indicated resource (57.0% Fe) and 0.7 million tonnes of Inferred resources (54.9%).

Mine life

Management is currently targeting production to operate for nine years, commencing in 2013.

Production profile

We believe the operation will commence commercial production in 2013.

Mining and processing

The Houston iron ore deposit will be mined using conventional open-pit mining methods and treated at the newly constructed Redmond Processing Plant, which is estimated to cost approximately \$60 million to construct.

Transport and shipping

The Houston Project is located within reach of existing infrastructure, including electrical power lines, and a railway terminal and a proposed rail loading yard. The area can be reached by existing gravel roads, by rail from Sept-Iles in Schefferville, and by air from Montreal and Sept-Iles via Wabush. Furthermore, LIM anticipates constructing a new 10 km all-weather road between Houston and the Redmond Mine sites. The Houston Project will also benefit from existing Phase 1 infrastructure, including a beneficiation plant, rail line, and Silver Yards facilities. A new processing plant, known as the Redmond plant, will be constructed to treat ore from the Houston deposit.

Royalty

Any iron ore produced from the Houston Project is subject to a 3% royalty on its FOB selling price, subject to a maximum royalty of \$1.50 per tonne.

Valuation

We value Labrador Iron Mines using a discount cash flow approach. We derive our \$8.50 price target by applying a 1.0x multiple to our NAV of \$8.54 per share. We believe an NAV approach is the appropriate valuation metric as LIM transitions from a development company into commercial producer in early 2012.

Price Target Impediment

Higher-than-expected operating costs, a delay in production ramp-up, or the inability to secure future port access would negatively affect our outlook. Changes to iron ore prices and foreign exchange rates could also pose risks to our outlook.

Company Description

Labrador Iron Mines is primarily engaged in developing its 100%-owned iron ore properties in the Schefferville area, located 1,150 km northeast of Montreal. These high-grade, high-quality direct shipping ore operations are located in the central region of the trough and are the remnants of IOC's previous mining operations that took place from 1954 to 1982. LIM was established in 2007 and commenced iron ore production in June 2011.

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Sector Perform (SP): Returns expected to be in line with sector average over 12 months.

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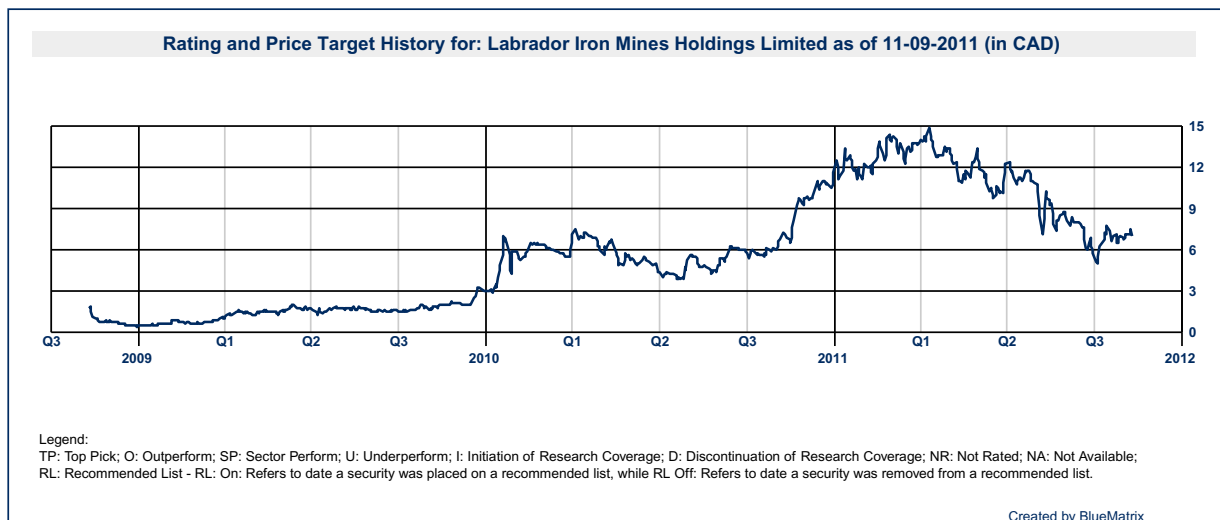
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			Count	Percent
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