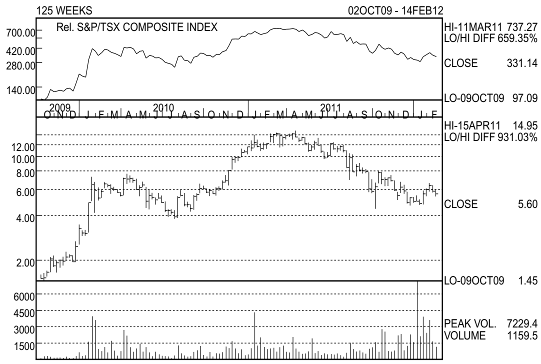


PRICE TARGET REVISION | COMMENT

FEBRUARY 15, 2012

Labrador Iron Mines Holdings Limited (TSX: LIM)

After the FQ3 2012 Call: New Guidance, Revised Estimates

Sector Perform
Above Average Risk

Price:	5.78	**Price Target:**	7.50 ↓ 8.00
		Implied All-In Return:	30%
Shares O/S (MM):	54.1	**Market Cap (MM):**	313
Dividend:	0.00	**Yield:**	0.0%
NAVPS:	7.35	**P/NAVPS:**	0.8x
		Avg. Daily Volume (MM):	0.34

Fiscal Year End March 31st
Priced as at 1:45pm ET, February 15, 2012

RBC Dominion Securities Inc.

Robin B. Kozar (Analyst)
(416) 842-7861; robin.kozar@rbccm.com

Lisa Wilkinson, P.Eng. (Associate)
(416) 842-4126; lisa.wilkinson@rbccm.com

FY Mar	2011A	2012E	2013E	2014E
Adj EPS - FD	(0.08)	(0.23)	0.73	1.34
Prev.		(0.24)	0.96	1.56
P/AEPS	NM	NM	7.9x	4.3x
Adj CFPS - FD	(0.08)	(0.30)	1.33	2.50
Prev.		(0.08)	1.71	2.11
P/ACFPS	NM	NM	4.3x	2.3x
EBITDA (MM)	(4.9)	(15.0)	75.0	140.0
Prev.		(5.3)	94.7	157.8
Adj EPS - FD	**Q1**	**Q2**	**Q3**	**Q4**
2011	(0.01)A	(0.02)A	(0.02)A	(0.03)A
2012	(0.09)A	(0.13)A	(0.03)A	0.03E
Prev.			(0.08)E	(0.02)E
2013	0.18E	0.18E	0.18E	0.18E
Prev.	0.38E	0.38E	0.21E	0.00E
2014	0.34E	0.34E	0.34E	0.34E
Prev.	0.61E	0.61E		0.00E
Adj CFPS - FD				
2011	(0.02)A	(0.02)A	(0.02)A	(0.02)A
2012	(0.08)A	(0.11)A	(0.01)A	(0.10)E
Prev.			0.17E	(0.06)E
2013	0.33E	0.33E	0.33E	0.33E
Prev.	0.67E	0.67E	0.38E	0.00E
2014	0.62E	0.62E	0.62E	0.62E
Prev.	0.82E	0.82E	0.46E	0.00E

All values in CAD unless otherwise noted.

Event

LIM reported its FQ3/12 financial results on February 14, 2012 and held a conference call on February 15, 2012.

Investment Opinion

- **FQ3/12 EPS - Not a focus:** LIM reported EPS of ($0.03) in FQ3/12 (December quarter end) versus ($0.13) in FQ2/12 and ($0.02) in FQ3/11. For additional details see our comment "Reports FQ3/12 Results - Production Ramp-up Continues" published on February 15, 2012.
- **Guidance update:** LIM is targeting iron ore sales of 2.0 million tonnes (mt) in FY2013, 0.5 mt of which consists of direct rail ore. On the conference call, the company stated that capex for FY2012 was expected to be $107 million versus our estimate of $49 million, and that iron ore sales for FY2014 iron ore were expected to be 3.0 mt versus our estimate of 3.4 mt.
- **Balance sheet:** Based on LIM's planned capital expenditures, existing cash balance and its anticipated cash flow generation beginning in May 2012, our analysis suggests that LIM will have sufficient liquidity to fund its development plans in 2012. However, we note that a delay in first sale beyond May 2012, or a meaningful decline in iron ore prices, could result in LIM having to seek financing for working capital purposes in the first half of 2012.
- **Estimate revisions:** We have revised our model to reflect higher capex and lower sales volumes in FY2013 than we had previously been forecasting. We have also adjusted our model to reflect LIM's recently announced 2012 sales/marketing agreement with IOC. Our FY2013E EPS declines to $0.73 from $0.96 and our FY2014E EPS declines to $1.34 from $1.56. Our NAV decreases to $7.35 from $7.91. Our price target, set at 1.0x our NAV, declines from $8.00 to $7.50.
- **Investment rationale:** LIM is the newest producer of iron ore in Canada. The company provide investors with near-term exposure to iron ore and longer-term upside through resource and production growth potential. However, a number of challenges remain in order for LIM to achieve its medium term production targets. These include securing port access in 2013 and 2014, potentially building a new processing facility and successfully permitting and developing the Houston deposit. As a result of these challenges, we remain cautious in our outlook. We rate the shares Sector Perform, Above Average Risk.

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

For Required Non-U.S. Analyst and Conflicts Disclosures, see page 5.

Appendix - Labrador Iron Mines

RBC Capital Markets®

Labrador Iron Mines (TSX: LIM)

Sector Perform

Fiscal Year End March 31st

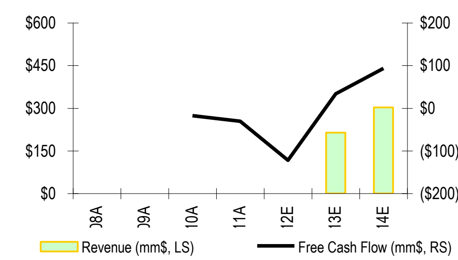
Above Average Risk

Valuation	2008A	2009A	2010A	2011A	2012E	2013E	2014E
EPS, adjusted			$0.07	($0.08)	($0.23)	$0.73	$1.34
EPS Growth			n.a.	-207.1%	n.a.	n.a.	82.7%
P/E			36.2x	n.a.	n.a.	7.9x	4.3x
CFPS			($0.07)	($0.08)	($0.30)	$1.33	$2.50
P/CFPS			n.a.	n.a.	n.a.	4.3x	2.3x
EV/EBITDA			n.a.	n.a.	n.a.	3.9x	2.1x
Dividend Per Share			$0.00	$0.00	$0.00	$0.00	$0.00
Dividend Yield (%)			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	$5.78	$5.78	$5.78

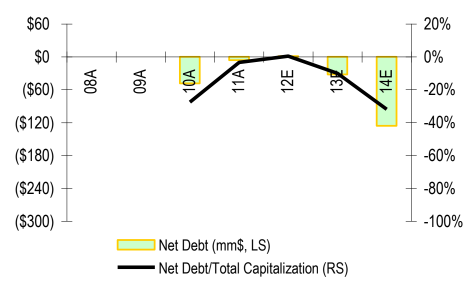
12-Month Target	**$7.50**
Analyst	**Robin B. Kozar**
	(416) 842-7861
	robin.kozar@rbccm.com
Current Share Price	$5.78
52-Week High	$14.95
52-Week Low	$4.44
Market Capitalization (million)	$313
Shares Outstanding (million)	54.1
Float (million)	54.1
Year-end	31-Mar
Reporting Currency	C$

P&L (millions)	2008A	2009A	2010A	2011A	2012E	2013E	2014E
Total Revenue			$0	$0	$0	$214	$303
Operating Costs			$1	$1	$0	$0	$0
SG&A			$0	$0	$0	$0	$0
Exploration + R&D			$1	$1	$0	$0	$0
Other Expenses			$1	$3	$15	$140	$163
EBITDA			($3)	($5)	($15)	$75	$140
DD&A			$0	$0	$4	$6	$15
EBIT			($3)	($5)	($19)	$68	$125
Net Interest Expense			$0	$0	$0	$0	$0
Others			($0)	($0)	$0	($0)	($0)
Provison for Taxes			($4)	($1)	($8)	$27	$50
Equity & Associate Interests			$0	$0	$0	$0	$0
Minority Interests			$0	$0	$0	$0	$0
Net Earnings			$1	($4)	($12)	$41	$75
Preferred Dividends & Other			$0	$0	$0	$0	$0
Net Earnings to Common			$1	($4)	($12)	$41	$75
Adjustments			$2	$0	$0	$0	$0
Adjusted Net Earnings			$3	($4)	($12)	$41	$75

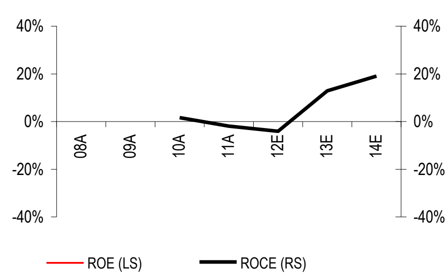
Chart priced as of market close February 14, 2012



Cash Flow (millions)	2008A	2009A	2010A	2011A	2012E	2013E	2014E
Net Earnings			$1	($4)	($12)	$41	$75
DD&A			$0	$0	$4	$6	$15
Deferred Taxes			($4)	($1)	($8)	$27	$50
Working Capital & Other			($0)	$1	$0	$0	$0
Operating Cash Flow			($3)	($3)	($15)	$75	$140
CAPEX			($14)	($27)	($107)	($41)	($46)
Repayment of Long-term Debt & Investment			$0	$0	$0	$0	$0
Preferred Dividends			$0	$0	$0	$0	$0
Free Cash Flow			($18)	($31)	($122)	$33	$94
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)	($8)	$33	$93



Balance Sheet (millions)	2008A	2009A	2010A	2011A	2012E	2013E	2014E
Cash & Short-term Investments			$48	$8	($0)	$33	$126
Total Current Assets			$49	$10	$2	$35	$128
Property, Plant & Equipment			$151	$164	$267	$302	$333
Total Assets			$210	$225	$321	$389	$513
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	$43	$69	$119
Minority Interests			$0	$0	$0	$0	$0
Common Shareholders' Equity			$176	$174	$278	$319	$394
Exchangeable Debentures			$0	$0	$0	$0	$0
Total Liabilities & Shareholders' Equity			$210	$225	$321	$389	$513



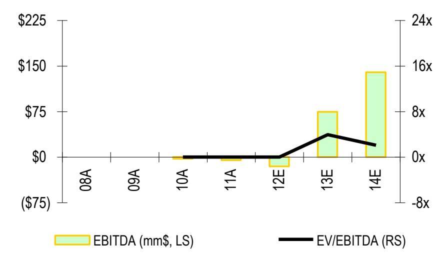
RBC Capital Markets®

Labrador Iron Mines (TSX: LIM)

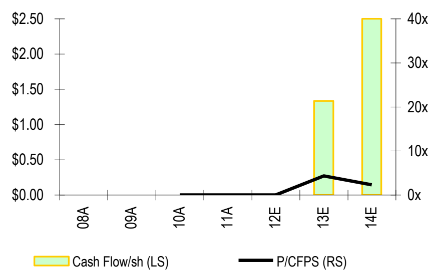
Sector Perform - Above Average Risk

12-Month Target **$7.50**

Ratio Analysis	2008A	2009A	2010A	2011A	2012E	2013E	2014E
Sales Growth (%)			n.a.	n.a.	n.a.	n.a.	41.4%
EBITDA/Sales (%)			n.a.	n.a.	n.a.	34.8%	46.1%
EBIT/Sales (%)			n.a.	n.a.	n.a.	31.9%	41.2%
Net Earnings/Sales (%)			n.a.	n.a.	n.a.	19.2%	24.8%
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%	0.4%	-10.1%	-31.9%
Net Debt/ Total Capitalization			-27.5%	-3.3%	0.4%	-10.1%	-31.9%
Return on Assets (ROA)			1.3%	-1.6%	-3.6%	10.6%	14.6%
Return on Equity (ROE)			1.6%	-2.0%	-4.2%	12.9%	19.0%
Return on Capital Employed (ROCE)			1.6%	-2.0%	-4.1%	12.8%	19.0%



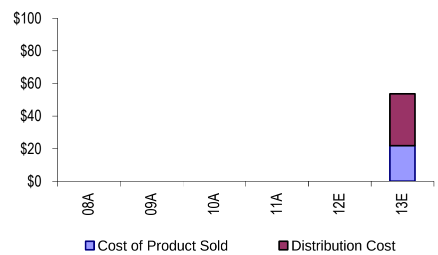
Commodity & FX Assumptions	2008A	2009A	2010A	2011A	2012E	2013E	2014E
Fines Benchmark Price (64% Fe, CFR China)				$155	$181	$153	$135
Lump Benchmark Price (65% Fe, CFR China)				$164	$202	$172	$152
Fines Realized Price (US$/t, FOB Canada)					$132	$107	$101
Lump Realized Price (US$/t, FOB Canada)					$155	$128	$119
Weighted Avg Realized Iron Ore Price (US$/t, FOB Canada)					n.a.	$104	$99
CAD/USD				$0.98	$1.00	$0.97	$0.97



Saleable Production (millions tonn	2008A	2009A	2010A	2011A	2012E	2013E	2014E
Total Saleable Iron Ore Production				0.0	0.9	1.5	3.0

Cash Costs (US$/tonne, FOB Port)	2008A	2009A	2010A	2011A	2012E	2013E	2014E
Mining & processing					$0.00	$21.75	$21.36
SG&A and other					n.a.	$6.18	$5.56
Rail & port handling					n.a.	$31.83	$28.68
Total cash cost					$0.00	$59.76	$55.60

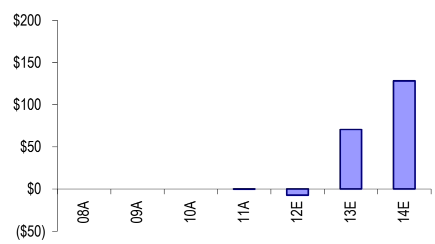
Cash Cost (C$/tonne)



Operating Profits By Operations (million)	2008A	2009A	2010A	2011A	2012E	2013E	2014E
Schefferville Projects				($0)	($7)	$70	$128

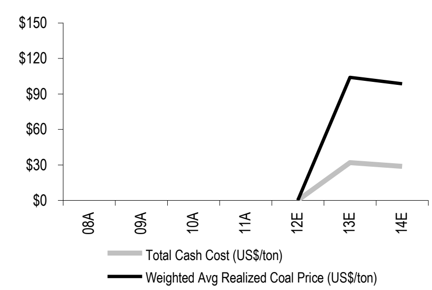
Estimated Earnings Leverage	2008A	2009A	2010A	2011A	2012E	2013E	2014E
US$10 Increase in Fines Iron Ore Benchmark Price					($0.00)	$0.13	$0.25
US$10 Increase in Lump Iron Ore Benchmark Price					$0.00	$0.04	$0.03
Combined US$10/t Increase in Iron Ore Prices					($0.00)	$0.16	$0.28
US $0.05 Increase in US$/C$					$0.00	($0.10)	($0.15)

Operating Profit (mm$)



Estimated NAV Break-Down (at 8%)	millions C$	C$/sh	% Assets
Schefferville Projects	$398	$7.35	100.0%
Gross Asset Value	**$398**	**$7.35**	**100%**
Net Corporate Overheads & CAPEX	($20)	($0.38)	
Net Debt	$20	$0.37	
Net Asset Value	**$397**	**$7.35**	

Estimated NAV Leverage to		Valuation (1.0x NAV)	
US$10 Increase in Fines Iron Ore Benchmark Pric	$1.33	**Stage 1 - 2**	**$7.35**
US$10 Increase in Lump Iron Ore Benchmark Pric	$0.48	**Stage 1 - 3**	**$10.45**
Combined US$10/t Increase in Iron Ore Prices	$1.81	**Stage 1 - 4**	**$11.61**
US $0.05 Increase in US$/C$	($0.70)		
		12-month Target	**$7.50**
		Price/NAV	**0.79x**



NOTE: Priced as of 1:45pm ET, February 15, 2012

Source: Company reports, RBC Capital Markets estimates

Valuation

We value Labrador Iron Mines using a discount cash flow approach. We derive our $7.50 price target by applying a 1.0x multiple to our NAV of $7.35 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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Ratings
Top Pick (TP): Represents analyst's best idea in the sector; expected to provide significant absolute total return over 12 months with a favorable risk-reward ratio.
Outperform (O): Expected to materially outperform sector average over 12 months.
Sector Perform (SP): Returns expected to be in line with sector average over 12 months.
Underperform (U): Returns expected to be materially below sector average over 12 months.
Risk Qualifiers (any of the following criteria may be present):
Average Risk (Avg): Volatility and risk expected to be comparable to sector; average revenue and earnings predictability; no significant cash flow/financing concerns over coming 12-24 months; fairly liquid.
Above Average Risk (AA): Volatility and risk expected to be above sector; below average revenue and earnings predictability; may not be suitable for a significant class of individual equity investors; may have negative cash flow; low market cap or float.
Speculative (Spec): Risk consistent with venture capital; low public float; potential balance sheet concerns; risk of being delisted.

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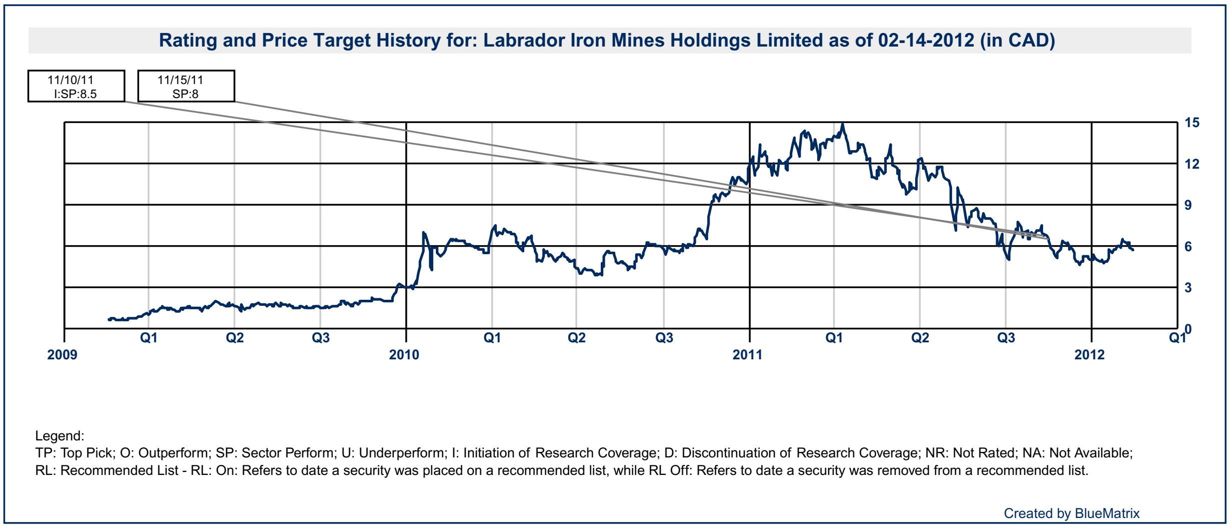
For the purpose of ratings distributions, regulatory rules require member firms to assign ratings to one of three rating categories - Buy, Hold/Neutral, or Sell - regardless of a firm's own rating categories. Although RBC Capital Markets' ratings of Top Pick/Outperform, Sector Perform and Underperform most closely correspond to Buy, Hold/Neutral and Sell, respectively, the meanings are not the same because our ratings are determined on a relative basis (as described above).

Distribution of Ratings
RBC Capital Markets, Equity Research

			Investment Banking Serv./Past 12 Mos.	
Rating	Count	Percent	Count	Percent
BUY[TP/O]	778	52.00	225	28.92
HOLD[SP]	647	43.20	146	22.57
SELL[U]	72	4.80	5	6.94



References to a Recommended List in the recommendation history chart may include one or more recommended lists or model portfolios maintained by a business unit of the Wealth Management Division of RBC Capital Markets, LLC. These Recommended Lists include a former list called the Prime Opportunity List (RL 3), a former list called the Private Client Prime Portfolio (RL 4), the Guided Portfolio: Prime Income (RL 6), the Guided Portfolio: Large Cap (RL 7), Guided Portfolio: Dividend Growth (RL 8), the Guided Portfolio: Midcap 111 (RL9), and the Guided Portfolio: ADR (RL 10). The abbreviation 'RL On' means the date a security was placed on a Recommended List. The abbreviation 'RL Off' means the date a security was removed from a Recommended List.

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