



Labrador Iron Mines Holdings Limited

**Annual Meeting of
Shareholders**

September 15, 2010

**Remarks of
JOHN F. KEARNEY
Chairman and Chief Executive**

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OVERVIEW

Labrador Iron Mines Holdings is a mineral resource company focused on exploring, developing and mining direct shipping iron ore in western Labrador and north-eastern Quebec in Canada near Schefferville, Quebec.

Through its wholly-owned subsidiary Labrador Iron Mines Limited (“LIM”), the Company holds interests in 37 Mineral Rights Licenses issued by the Department of Natural Resources, Province of Newfoundland and Labrador, covering approximately 10,925 hectares.

In addition, through its wholly owned subsidiary, Schefferville Mines Inc (“SMI”), the Company holds interests in 253 Mining Rights issued by the Ministry of Natural Resources, Province of Quebec, covering approximately 10,613 hectares. SMI also holds an exclusive operating license in a mining lease covering 23 parcels totaling about 2,036 hectares.

The Schefferville Projects – Western Labrador and North-Eastern Quebec

The Company’s iron ore projects are located in the western central part of the Labrador Trough iron range, one of the major iron ore producing regions in the world. The Projects are divided into two separate portions, one within the Province of Newfoundland and Labrador, and the other within the Province of Quebec, both located near the town of Schefferville, Quebec (collectively, the “Schefferville Projects”).

The iron ore deposits forming the Schefferville Projects are predominantly hematite ore. These iron ore deposits were part of the original Iron Ore Company of Canada (“IOC”) direct shipping Schefferville operations conducted from 1954 to 1982 and formed part of the 250 million tons of historical reserves and resources previously identified by IOC.

The Company's plans for the Schefferville Projects envision the development and mining of the deposits in four stages. Stage 1, which will itself be undertaken in three phases, will comprise the deposits closest to existing infrastructure. The first phase of Stage 1 will involve mining of the James and Redmond deposits in Labrador, the second phase the Houston and Knob Lake deposits in Labrador, and the third phase the Denault, Star Creek and Malcolm deposits in Quebec.

The James deposit is accessible by existing gravel roads and is located approximately 5 km southwest of the town of Schefferville. The Redmond deposit is located approximately 10 km south of the James deposit and can be reached by existing gravel roads. The Knob Lake deposit, located approximately 3 km southwest of the town of Schefferville and the Houston deposit located approximately 20 km southeast of Schefferville can also be reached by existing gravel roads. The Denault and Star Creek deposits are located 7 km and 10 km respectively east of James and the Malcolm deposit is 8 km from James and 5 km north of Houston.

The Company has confirmed NI 43-101 compliant indicated resource of 11 million tonnes on the James and Redmond deposits and NI 43-101 compliant measured and indicated resource of 14.7 million tonnes on the Houston deposit. The remaining seventeen deposits, excluding James, Redmond and Houston, have a total combined historical resource estimated to be approximately 125 million tons based on work carried out by IOC prior to the closure of its Schefferville operations in 1984. The historical estimate was prepared according to the standards used by IOC and, while still considered relevant, is not compliant with NI 43-101.

During the mining of the Stage 1 deposits, planning will be undertaken for the future operation of the more distant deposits in Stages 2, 3 and 4. As currently envisioned Stage 2 will comprise the Howse (Labrador), Barney (Quebec) and adjacent deposits which are located about 25 km northwest of Schefferville and relatively close to existing infrastructure. The Astray and Sawyer deposits in

Labrador (Stage 3), located approximately 50 to 65 km southeast of Schefferville, do not currently have road access but can be reached by float plane or by helicopter. The Kivivic deposit in Labrador and the Eclipse deposit in Quebec are located between 40 km to 70 km northwest of Schefferville and may eventually become Stage 4, but will require substantial infrastructure and building of road access.

The Company plans to bring the historical resources on these other deposits into NI 43-101 compliant status sequentially in line with their intended phases of production, commencing with the deposits in the second phase in Stage 1.

Progress towards Production

Throughout the past year, the Company made steady progress in advancing its Schefferville Projects toward production with ongoing active programs, including drilling, metallurgical testing, environmental, permitting, engineering, purchasing and commencement of construction.

Resource Increased 50%

In December 2009, in a series of five transactions, the Company acquired control over an additional 50 million tons of direct shipping iron ore in the Province of Quebec, together with a large package of mineral claims in the Schefferville area which are considered prospective for exploration for iron ore and which also host a number of small high grade manganese deposits.

The acquisition of these Quebec properties, particularly those close to the town of Schefferville, will help extend the life of Stage 1 and will have a positive effect on the overall project development plan and mine life and defer the time at which capital expenditure to develop the more distant Stage 3 and 4 deposits needs to be made.

Exploration Program 2009 – Drilling and Testwork

A program of reverse circulation drilling was carried out in 2009. The deposits tested comprise the four deposits planned to be mined in the Company's Stage 1 plan, being James, Redmond, Knob Lake and Houston, together with some limited drilling on the more distant Stage 2 Howse deposit. The results of this testwork formed the basis for NI 43-101 compliant resource estimates on the James, Redmond and Houston deposits, which comprise the first stage of planned production and now total over 25 million tonnes of indicated resource.

James and Redmond Indicated Resource Estimates (at a cut off grade of 50% iron)

| Deposit | NI 43-101 compliant Resource Million Tonnes | Grade (% Fe) |
|----------------|----------------------------------------------------------------|-------------------------|
| James | 8.1 | 57.7 |
| Redmond | 2.9 | 56.4 |
| Total | 11.0 | 57.4 |

**Houston Measured and Indicated Resource Estimate
(at a cut off grade of 50% iron)**

| | NI 43-101 compliant Resource Million Tonnes | Grade (% Fe) |
|------------------|--------------------------------------------------------|-------------------------|
| Measured | 8.0 | 59.7 |
| Indicated | 6.7 | 58.8 |
| Total | 14.7 | 59.3 |

These new estimates show a significant increase in tonnage over the historical resources (not NI 43-101 compliant), previously estimated by IOC prior to 1982.

This new estimate for Houston includes high silica ore not previously included in historical resources (not NI 43-101 compliant), previously estimated by IOC prior to 1982.

Metallurgical Testing 2009

Metallurgical testwork continued during the year aimed at improving expected recovery levels from all size fractions of mined material while maintaining high iron and low impurity levels in the final product. Testwork on the properties of the lump and fines was carried out at SGA, an independent laboratory in Germany. SGA reported the following chemical analysis for the two samples:

| | Total Fe (%) | SiO₂ (%) | Al₂O₃ (%) | P (%) | Mn (%) |
|----------------------|---------------------|----------------------------|----------------------------------------|--------------|---------------|
| James Deposit | | | | | |
| Lump | 66.98 | 1.81 | 0.17 | 0.02 | 0.09 |
| Sinter (+0.3mm) | 67.23 | 1.49 | 0.17 | 0.02 | 0.09 |

The results and report from that testwork on the James South lump ore sample indicate a high iron content of 66.98% with favorably low content of non-ferrous metals. SGA concluded that the lump ore represents a high quality lump ore grade which will be well accepted in the European market.

The results and report from that testwork on the James South sinter fines indicate an iron content of 67.23% with favorably low content of deleterious metals. SGA concluded that the high iron content and low gangue content determine the high quality of this ore, and that the fines will be well accepted in the European market.

Environmental Assessment Successfully Completed in under 2 Years

The Project Description was filed with Government in May 2008 and a revised Environmental Impact Statement ("EIS") for the first phase of Stage 1, comprising the James and Redmond deposits was filed in August 2009. In November, 2009, the Minister of Environment and Conservation of the Province of Newfoundland and Labrador announced that the review of LIM's EIS had been completed. The Minister confirmed that the EIS complies with the *Environmental Protection Act* and required no further work under the Provincial environmental assessment process.

In February, 2010, the Minister informed the Company that under the authority of Section 67(3) (a) of the *Environmental Protection Act*, the Government had released the Schefferville Area Iron Ore Mine (the first phase of the Schefferville Projects) from environmental assessment.

All Major Permits Received

In the six months since February 2010, the Company has made significant progress in advancing its permitting activities with the Government of Newfoundland and Labrador.

The Construction Permit for the Silver Yards Spur Line Railroad was issued in May 2010.

In June 2010, LIM received numerous permits and authorizations from the Government of Newfoundland and Labrador, including the Mining Leases for the first stage James and Redmond deposits and Surface Use Leases over the Silver Yards beneficiation area, the accommodation camp, Redmond roads and pipeline. Final approvals from the Department of Fisheries and Oceans were also received, including the real time water monitoring program, and programs encompassing surface water quality sampling have been authorized and completed.

In addition, the Environmental Protection Plan for Mine Construction and Operation, which was the final condition of the environmental assessment release, was approved by the Minister of Environment and Conservation and the Company's Development Plan for the Schefferville Area Iron Ore Mine (Western Labrador) was approved pursuant to Section 6.(1) of the Mining Act.

In July 2010 LIM received Certificates of Approval for the construction of its Stage 1 mining facilities. LIM has also received approval of its Rehabilitation and Closure Plan from the Department of Natural Resources. These approvals provide for the construction of open pit mining and treatment facilities at the James North, James South, Redmond 2B and Redmond 5 deposits, and include the beneficiation facility, ore, waste rock and overburden stockpiles, settling ponds, access roads, accommodation camp and other associated works. The approvals also include authorization for the installation and operation of power generators at the James deposit, the Silver Yards beneficiation area and the accommodation camp.

On September 8, 2010 the Company received the Certificate of Approval for Mine Operations from the Department of Environment and Conservation of the Government of Newfoundland and Labrador. The Approval covers operations for open-pit mining at James North, James South, Redmond 2B and Redmond 5 deposits; a beneficiation facility; ore, waste rock and overburden stockpiles; settling ponds; access roads; worker's camp and other associated works.

The Company was also notified by the Department of Transportation and Works of the Government of Newfoundland and Labrador that it has agreed to issue an Interim Operating Permit under the Rail Service Act for LIM's recently installed Rail Spur Line, which will facilitate rail transportation of goods and material directly to LIM's Silver Yard site for mine and plant construction.

The Company has now received from the Government of Newfoundland and Labrador all the major permits that are required to advance the Phase 1 Project through construction and into mine operations. The Government of Newfoundland and Labrador has engaged in consultation with potentially affected First Nations with regard to the Company's various permits and this consultation process is continuing. The Company has agreed that any permits or approvals may be modified, if required, as a result of that consultation process.

The receipt of permits has taken longer than anticipated, in part because of the consultation process, which has resulted in a delay in the Company's originally planned construction and production timeline.

Aboriginal / First Nations Negotiations

The Company conducts its operations in western Labrador in the Province of Newfoundland and Labrador and in north-eastern Quebec, which areas are subject to conflicting First Nations land claims. There are a number of First Nations peoples living in the Quebec-Labrador peninsula with overlapping claims to treaty or asserted aboriginal land rights.

The **Labrador Innu**, as represented by the Innu Nation, is the only aboriginal party with a land claim that has been accepted by the Government of Newfoundland and Labrador.

In July 2008, the Company and Innu Nation of Labrador signed an IBA, committing to an ongoing relationship between the Innu Nation of Labrador and the Company with respect to the development of the Company's iron ore project located in western Labrador.

In September 2008, the Government of Newfoundland and Labrador and the Innu Nation of Labrador, signed the Tshash Petapen Agreement (the "New Dawn Agreement") which resolves key issues relating to matters between the Province and the Innu Nation and will facilitate the finalization of the Innu Rights Agreement, which will include the Government of Canada.

The **Innu of Quebec**, located at Matimekush-Lac Jean near Schefferville, and at the communities of Uashat mak Mani-Utenam, near Sept-Iles, assert aboriginal rights to traditional lands which include parts of Quebec and Labrador. The claims have not been accepted by the Government of Newfoundland and Labrador. Members of the Innu Uashat Takuaiakan mak Mani-Utenam, near Sept-Iles, Quebec, claim ownership of some registered trap lines in the Schefferville area.

The Innu of Matimekush-Lac John and Uashat mak Mani Utenam are two of five Innu communities living in northeastern Quebec who in 2009 formed the "Innu Strategic Alliance" seeking to have their ancestral rights on their traditional lands which extend on both sides of Quebec-Labrador border recognized by Governments. The Innu Alliance seeks to exercise their traditional rights to hunt in a territory called "Nitassinan", and specifically the parts located within the borders of Labrador, and have objected to the "New Dawn" agreement signed between the Innu Nation of Labrador and the Government of Newfoundland and Labrador under which compensation in respect of the Churchill Hydroelectric Projects will be paid to the Labrador Innu. The Quebec Innu were not included in that agreement.

The Innu Alliance has engaged in various political activities, including a demonstration at the Parliament of Canada in November 2009, a caribou hunt in Labrador in February 2010 and visits to the House of Assembly of Newfoundland and Labrador. At various times, the Innu Strategic Alliance has stated that, in order to have their ancestral rights, including the caribou hunt recognized, the Quebec Innu would if necessary seek to block natural resource development projects in Labrador and Quebec, such as the Churchill hydro electric project in Labrador, the La Romaine hydro electric project in Quebec and mining projects near Schefferville.

As part of this campaign the Quebec Innu in June 2010 set up a barricade in Schefferville to block access to mining properties in the Schefferville area. The barricade had the effect of restricting normal access to the Company's properties and caused delays in the ongoing exploration and development of the Company's projects.

In early September 2010, the Company reached agreement with the Innu Matimekush-Lac John (Schefferville) to remove the barriers that had restricted normal access from the town of Schefferville to adjacent mining properties and to commence IBA negotiations.

This agreement to remove the barriers was achieved following discussions and consultations between the Quebec Innu and the various Governments, including meetings in Schefferville attended

by representatives of the Government of Newfoundland and Labrador and the Government of Quebec and representatives of the Federal Minister of Indian and Northern Affairs. Each of the Governments has made certain commitments to the Innu towards resolving a number of issues that will help facilitate the mining projects in the Schefferville area to move forward on an ongoing basis.

LIM will proceed with negotiations with the Innu Matimekush–Lac John towards concluding an Impact Benefits Agreement. LIM is also continuing negotiations towards signing an Impact Benefits Agreement with Innu Takuaikan Uashat Mak Mani–Utenam who have initiated legal action against the Government of Newfoundland and Labrador regarding the Crown's duty of consultation with respect to the permitting of LIM's Project.

It should be emphasized that no formal IBA or other agreements have yet been signed between LIM and either Innu Uashat or Innu Matimekush and several outstanding issues remain to be resolved between the Company and the Innu. The Company has committed to negotiate in good faith and to respect the rights of the Innu, however, there can be no assurance that the Company will be successful in reaching a final agreement with any First Nations group who may assert aboriginal rights or may have a claim which affects the Company's properties or may be potentially impacted by the Schefferville Projects.

The **Naskapi Nation** located at Kawawachikamach, Quebec, about 25 kilometers northeast of Schefferville, has concluded a settlement agreement with Canada and the Province of Quebec with respect to land claims in Quebec in proximity to Schefferville Projects area. In 1978 the Naskapi entered into a comprehensive land claim agreement, called the Northeastern Quebec Agreement, which resolved these claims in and to parts of Quebec including in the Schefferville Projects area.

The Naskapi Nation asserts rights in and to part of Labrador including the Schefferville Projects area, but this claim has not been accepted by Government of Canada or by Newfoundland and Labrador.

In 2008, the Company signed a memorandum of understanding with the Naskapi Nation of Kawawachikamach and on September 9, 2010, the Company and the Naskapi Nation signed an Impact Benefits Agreement ("IBA") with respect to the development and operation of the Company's Schefferville Iron Ore Project in Western Labrador.

Under the IBA Agreement, Labrador Iron Mines has committed to the development of the Project in an environmentally and socially responsible manner, and to address and mitigate any environmental, cultural, economic and spiritual concerns of the Naskapi Nation. LIM has undertaken to make best efforts to employ Naskapi members in the Project workforce and to engage Naskapi aboriginal businesses for Project contracts. LIM will also provide some support for education, training and social programs and provide opportunities for the Naskapi to participate in the economic development of the Project.

For its part, the Naskapi Nation has agreed to respect the rights, licenses and permits that have been granted to LIM, to provide the Company with continuing access to its properties and not to engage in any action that is obstructive to the Project. The Naskapi have also agreed to make reasonable efforts to enter into co-operation agreements and/or working relationships with other First Nations with whom LIM may enter into other IBA agreements.

Project Description

The plan for the first phase of Stage 1 of the Schefferville Projects envisages initial production from James and Redmond, two brownfield deposits with low strip ratios on which initial mining or development activities had been undertaken by IOC.

Mining and processing operations will be conducted using contractors for eight months per year, from April to November at an anticipated initial mining rate of 6,000 tonnes per day followed by beneficiation using simple washing and screening. The operation will utilize well proven, relatively basic technology and will closely reflect that previously carried out by IOC in the same general location for almost thirty years from 1954 to 1982.

The first phase includes the development of James North and James South, and Redmond 2B and Redmond 5 mineral deposits which are located in western Labrador. The James and Redmond deposits are located approximately 5 km and 17 km, respectively, southwest of the town of Schefferville.

The first phase of Stage 1 has an estimated four-year operational life and is located within an area that has been previously mined. The deposits are accessible by existing gravel roads. The James property straddles an existing road to the Redmond property to the south, and continues to the Menihok hydro electric dam, where the road is terminated.

The beneficiation area, where ore will be crushed and washed, will be situated within an area called the Silver Yards, located approximately 1 km northeast of the James property in Labrador. A historical mining pit, the Ruth Pit, will be utilized as a reject fines disposal area for the washwater that originates from the Silver Yards beneficiation area.

The *in situ* ore is estimated to contain around 56% to 58% iron and it is expected that the beneficiation process will enhance the product grade to approximately 65% iron and remove unwanted material. Two products will be produced, namely coarse lump ore and a finer sinter feed. Approximately one-quarter of the product will be lump ore.

These products will be transported by the existing railroad systems to the port of Sept-Iles on the St. Lawrence River for onward shipping, most likely to steel mills in Europe or Asia.

Major features of the first phase of Stage 1 include:

- ore will be beneficiated by crushing, washing and screening at the Silver Yards area. No chemicals will be used in the beneficiation process;
- the beneficiation facility will include a primary crusher, tumbling scrubber, secondary crusher, primary screening equipment, secondary screening equipment, filtration equipment, 20 tonne crane and various chutes, conveyors, and pumps;
- the beneficiation plant will be designed to process 10,000 tonnes per day (tpd) of iron ore, however the initial processing rate will be 6,000 tpd over a period of approximately 212 days per full season;
- subsequent to the washing and screening process, reject fines will be pumped via pipeline to be deposited in Ruth Pit, a flooded historical open pit, which will act as a settling pond to remove suspended solids;

The planned annual processing schedule will be over a period of approximately 212 days per year from May to November.

Project Construction

The first major construction activity was the laying of the 4.5 km rail spur from the Sept-Iles - Schefferville main line to the Silver Yards area where LIM plans to install the beneficiation plant. LIM received the Construction Permit for laying the new rail spur track at the beginning of May 2010 and construction of the rail spur was completed in early June. The majority of the rail hardware was assembled offsite into track panels to permit timely installation.

The new rail spur line will be used to move to site the main components of the processing plant and the accommodation camp and subsequently will be used to move iron ore from the Silver Yards to the Tshiuetin Rail Transportation Inc. ("TSH") main line for onward transport to the Port of Sept-Iles. A new railway loading ramp was constructed at Emeril Junction on the TSH main rail line in early August 2010 and will be used to load freight and materials delivered from Labrador City.

A contract was signed in June 2010 for the installation of camp accommodation facilities. The new accommodation camp, which has been built offsite, will be brought to site and assembled.

The process and camp components have all been ordered and the majority of the components have now been delivered to the rail head.

All major items of the beneficiation plant and other infrastructure have been procured and have been assembled at rail heads in Labrador City and Sept-Iles for onward transport to site. Some preassembly work has taken place at Labrador City.

A contract has been signed with a Labrador City based contractor for the mining and beneficiation activities. The mining contractor has been mobilized to site to commence site preparation activities.

Exploration program –2010 – Drilling and Testwork

A new exploration program of reverse circulation drilling and trenching is underway. This program will target both extensions to existing resources in Labrador previously drilled by LIM, other deposits in Labrador not previously drilled by LIM but included in the IOC historical resources, as well as on a number of the Quebec deposits and properties acquired in December 2009.

There will be up to 1,000 metres of drilling carried out in Labrador and up to 3,000 metres in Quebec. This will be supported by up to 1,700 metres of trenching in Labrador and up to 1,000 metres in Quebec.

In Labrador the primary targets will be additions to James, Redmond and Houston, and new targets at Ruth Lake and Gill. In Quebec the principal target will be Denault with some additional work at Star Creek and Malcolm.

Rail and Port - Transportation Infrastructure

The approximately 355 mile main rail line between Schefferville and Sept-Iles, which was originally constructed for the shipment of iron ore from the Schefferville area, has been in continuous operation for over fifty years.

Tshuetin Rail Transportation Inc (“TSH”), a consortium of three local Aboriginal First Nations, owns and operates the approximately 130 mile main line track between Schefferville and Ross Bay Junction where it connects to IOC’s Quebec North Shore and Labrador (“QNS&L”) Railroad which runs the remaining approximately 225 miles to Sept-Iles. TSH currently operates passenger and light freight service between Schefferville and Sept-Iles twice per week. Some refurbishment of the rails, ties and culverts of the TSH main line track will need to be carried out to enable it to continuously carry large volumes of iron ore traffic.

LIM has negotiated arrangements with TSH regarding inward transport of the beneficiation plant, accommodation camp and construction materials to Schefferville and Silver Yards and had negotiated freight rate terms for the transport of any ore produced in calendar 2010.

In 2009, the Company signed a Rail Co-operation Agreement with New Millennium Capital Corp. (“NML”) regarding the reconstruction of the “Timmins Extension” rail spur line which will run from the TSH Railroad main rail line near Schefferville approximately 2.5 miles to LIM’s planned processing center at Silver Yards and on a further approximately 13 miles to NML’s planned processing center at the Timmins mining area.

In February 2010 LIM signed an agreement with the Sept-Iles Port Authority for the use of the Pointe-Noire facilities at the port to ship LIM’s iron ore products. LIM agreed to a base fee schedule with the Port Authority regarding wharfage fees for iron ore loading for LIM’s shipping operations.

The Port of Sept-Iles, situated 650 kilometres down river from Quebec City on the North Shore of the Gulf of St. Lawrence on the Atlantic Ocean, is a large natural harbour, more than 80 metres in depth, which is open to navigation year round. The Port of Sept-Iles is an international marine hub, and nearly 80% of its merchandise traffic, mostly iron ore, is destined for international markets.

The Port of Sept-Iles is the most important port for the shipment of iron ore in North America, serving the Quebec and Labrador mining industry. Each year approximately 23 million tonnes of merchandise is handled, comprised mainly of iron ore. On September 13, 2010, the Prime Minister announced further financial support for revitalizing the Port of Sept-Iles which will promote economic growth in Sept-Iles and the surrounding regions.

The Company has not yet concluded agreements with the relevant rail companies or port operators for the transportation and handling of the Company’s planned production of iron ore.

Marketing

Marketing discussions have continued with potential end users, and samples have been dispatched to a number of steel mills. These discussions have indicated an encouraging level of interest in the LIM products based on the metallurgical test results and analysis of the samples supplied. The indicated high iron grades and the low level of impurities are important and should ensure that LIM will be able to market both its lump ore and its sinter fines products.

LIM has not yet concluded any agreements for the sale of any iron ore.

Iron Ore Price Outlook

During 2009 benchmark price negotiations Rio Tinto settled with a number of Japanese and Korean steel mills at a fines benchmark price of approximately US\$65 per tonne FOB, representing a reduction of around 33% from 2008 levels. Negotiations with the Chinese industry represented by the China Iron & Steel Association failed to agree on a 2009 benchmark price and China effectively bought iron ore at the Rio Tinto benchmark price.

The spot price began to rise during the second half of the year from about US\$60 per tonne in September 2009, reaching around US\$105 per tonne FOB by the end of calendar 2009. These prices generally increased during the first quarter of calendar 2010 reaching around US\$145 per tonne FOB by the end of March 2010 and peaking at US\$175 per tonne FOB in mid April 2010, before falling back to about US\$140 per tonne.

Negotiations regarding setting a traditional benchmark price continued during the last months of 2009 and the first months of 2010 but eventually broke down. The major suppliers and consumers each reached separate agreements but all based around a quarterly pricing mechanism using average spot prices during a preceding three month period. For the second quarter of calendar 2010 this appears to be around US\$120 per tonne FOB and US\$140 per tonne FOB for the third quarter.

This mechanism, whilst seemingly accepted by Asian buyers, is much criticized in Europe and may be subject to a range of anti-competition arguments. Steel production in Europe has recovered from the lows of late calendar 2008 and has now reached within 15% of the early calendar 2008 peak.

The Company is of the opinion that iron ore prices will remain strong for both calendar 2010 and calendar 2011 to meet expected demand led by China, and whilst there may be some reduction in the subsequent years, the Company does not believe we are likely to see a return to calendar 2008 lows.

The Company plans to commence full scale production in April 2011 and is targeting production of 2 million tonnes of iron ore during that calendar year.