Anglesey Mining plc

Mineral Expert's Report

Schefferville Project

and the Labrador Properties

Newfoundland and Labrador

Canada

Prepared by SNC Lavalin

10th October 2007

INTRODUCTION

SNC Lavalin Inc. ("SNC") of 455 Rene-Levesque Blvd West, Montreal, Quebec H2Z 1Z3, Canada was retained by Anglesey Mining plc ("Company") to prepare this Mineral Experts Report on the Schefferville Project and the Labrador Properties. This Mineral Experts Report dated 10th October 2007 in respect of the Schefferville Project and the Labrador Properties is based upon the technical report entitled "*Technical Report of an Iron Project in Northwest Labrador Province of Newfoundland and Labrador*" dated October, 2007, (the "Technical Report") prepared by A.S. Kroon, P.Eng. and Daniel Dufort, P.Eng. of SNC who are "Qualified Persons" and who are independent of the Company. The Technical Report is based on work performed to May, 2007.

SNC believes that this MER meets the requirements in respect of such reports in the United Kingdom.

Labrador Iron Mines Limited ("LIM") holds title to 29 Mineral Rights Licenses issued by the Department of Natural Resources, Province of Newfoundland and Labrador, representing 140 mineral claims located in northwest Labrador covering approximately 3,500 hectares. The Properties are located in western Labrador, in the province of Newfoundland and Labrador in the vicinity of the town of Schefferville, Québec.

HISTORY

The Quebec-Labrador iron range has a tradition of mining since the early 1950's and is one of the largest iron producing regions in the world. The former direct shipping iron ore operations at Schefferville (Quebec and Labrador) operated by the Iron Ore Company of Canada ("IOCC") produced in excess of 150 million tons of lump and sinter fine ores over the period 1954-1982. The properties comprising LIM's Schefferville Project were part of the original IOCC Schefferville operations and formed part of the 250 million tons of reserves and resources identified by IOCC but were not part of IOCC's producing properties.

The first serious exploration in the Labrador Trough occurred in the late 1930's and early 1940's when Hollinger and Labrador Mining and Exploration Mining Company Limited acquired large mineral concessions in the Quebec and Labrador portions of the Trough.

Mining and shipping from the Hollinger lands began in 1954 under the management of the IOCC, a company specifically formed to exploit the Schefferville area iron deposits.

In 1954, IOCC started to operate open pit mines in Schefferville containing 56-58% Fe, and exported the direct-shipping product to steel companies in the United States and Western Europe. The properties and iron deposits that currently form LIM's Labrador Project were part of the original IOCC Schefferville area operations and the reserves and resources identified at the James, Houston, Sawyer, Astray and Howse deposits were developed under the operations of IOCC during the time they operated their direct-shipping Schefferville iron operations.

In 1963, IOCC developed the Carol Lake deposit near Labrador City and started to produce concentrates and pellets with +64% Fe, so as to satisfy the customers' requirements for higher-grade products. From 1954 to 1982, a total of some 150 million tons of ore was produced from the Schefferville area.

Hollinger, a subsidiary of Norcen Energy Ltd., was the underlying owner of the iron ore mining leases in Schefferville area of Quebec covering the IOCC operations. Following the closure of the IOCC mining operations, ownership of the leases in Quebec reverted to Hollinger and the mining rights held by IOCC in Labrador reverted to Labrador Mining & Exploration Company and later reverted to the Crown.

In the early 1990's, Hollinger was acquired by La Fosse Platinum Group Inc. (La Fosse) who conducted feasibility studies on marketing, bulk sampling, metallurgical test work and carried out some stripping of overburden at the James deposit. La Fosse sought and was granted a project release under the Environmental Assessment Act for the James deposit in June 1990 but did not go ahead with project development and the claims subsequently were permitted to lapse.

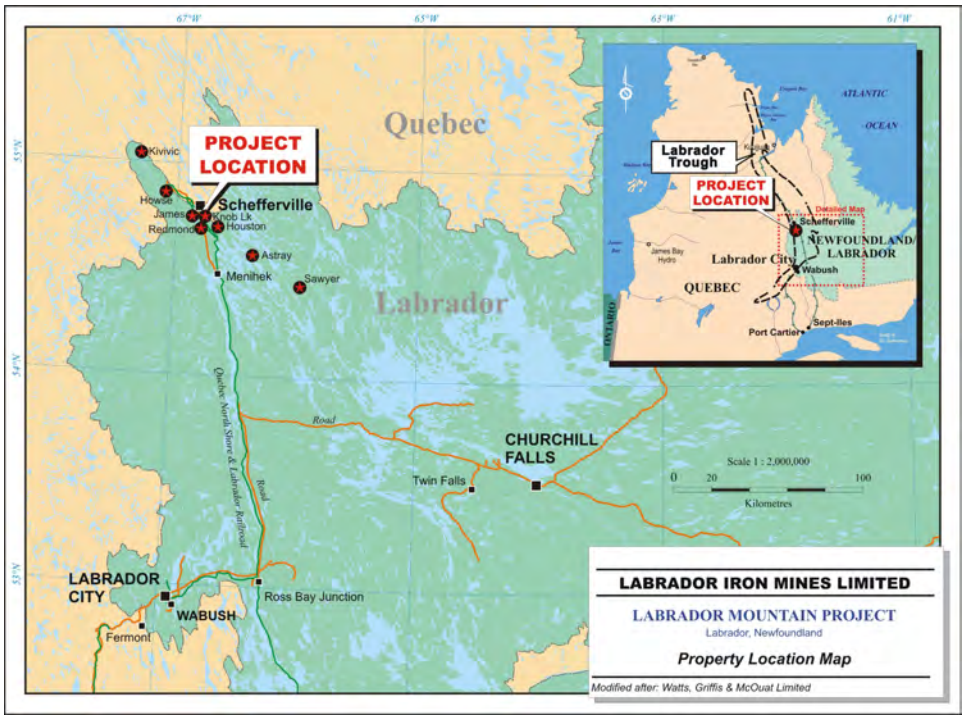
With the exception of the pre-stripping work carried out on the James deposit and the mining of the Redmond #1 orebody by IOCC (adjacent to LIM's current Redmond property), none of iron deposits within the LIM mineral claims were previously developed for production during the IOCC period of ownership.

Between September 2003 and March 2006, Fenton and Graeme Scott and Energold Minerals Inc. began staking claims over the soft iron ores in the Labrador part of the Schefferville camp. Recognizing a need

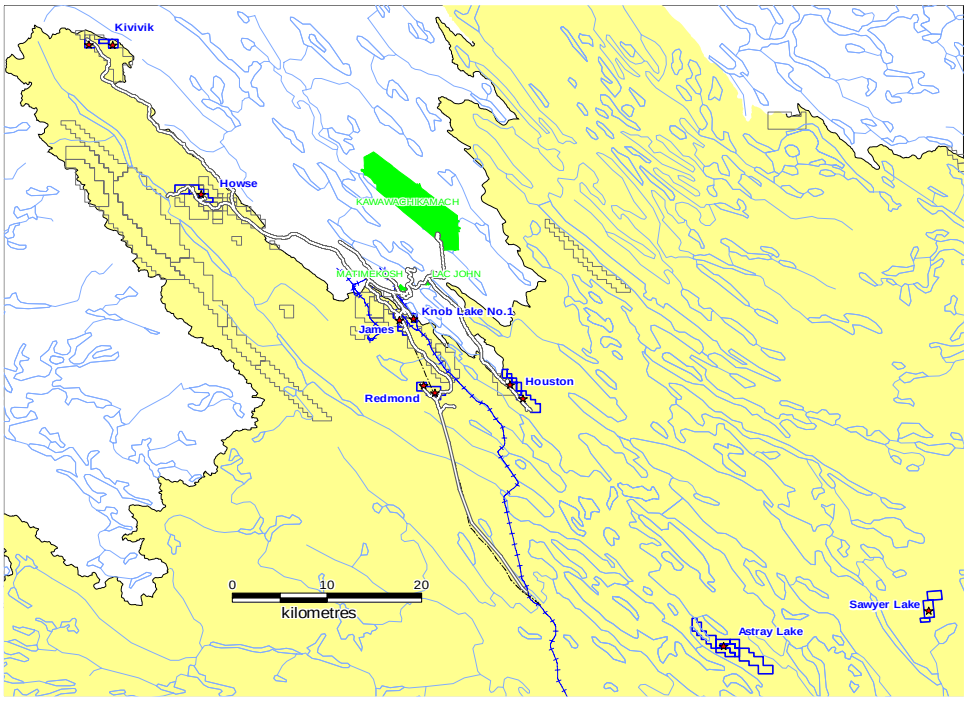
to consolidate the mineral ownership, Energold entered in to agreements with the various parties which have subsequently been assumed by LIM. New Millennium Capital Corp. has also staked some claims, including claims adjacent to the James and Houston deposits.

The location of the project and the deposits are shown in the following two figures.

Project Location Map



Deposit Location Map



GEOLOGICAL SETTING

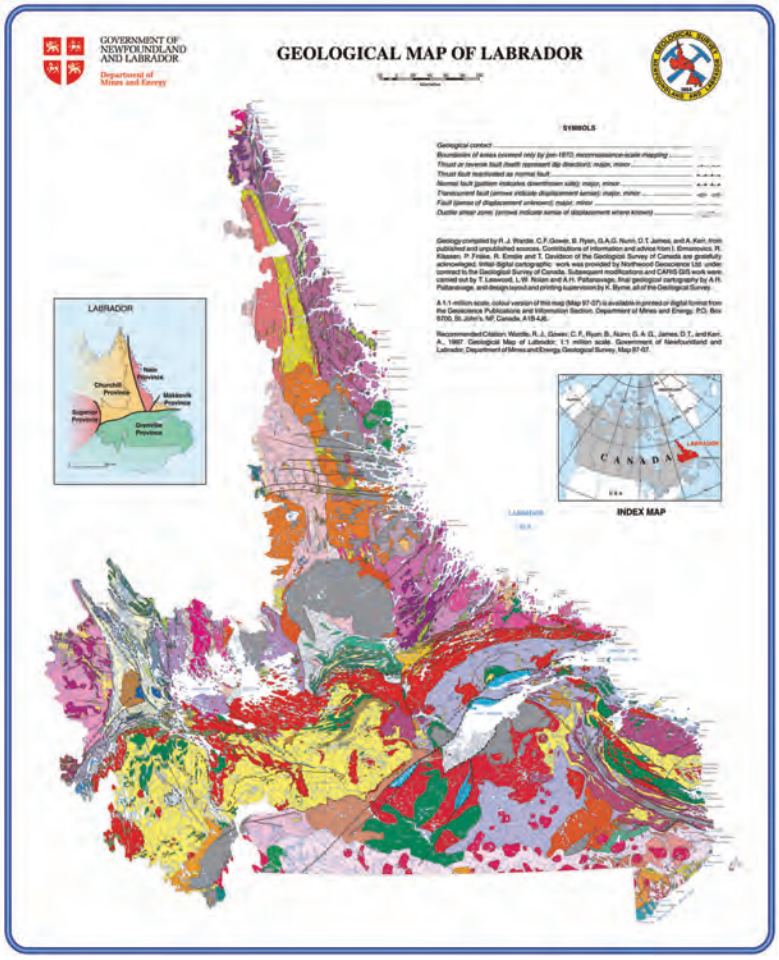
Regional Geology

At least 45 hematite-goethite ore deposits have been discovered in an area 20 km wide that extends 100 km northwest of Astray Lake, referred to as the Knob Lake Iron Range, which consists of tightly folded and faulted iron-formation exposed along the height of land that forms the boundary between Quebec and Labrador. The iron deposits occur in deformed segments of iron-formation, and the ore content of single deposits varies from one million to more than 50 million tonnes.

The Knob Lake properties are located on the western margin of the Labrador Trough adjacent to Archean basement gneisses. The Labrador Trough extends for more than 1,000 km along the eastern margin of the Superior craton from Ungava Bay to Lake Pletipi, Quebec. The belt is about 100 km wide in its central part and narrows considerably to the north and south.

The Knob Lake Range extends for 550 km south from the Koksoak River to the Grenville Front located 30 km north of Wabush Lake. The principal iron formation unit, the Sokoman Formation, part of the Knob Lake Group, forms a continuous stratigraphic unit that thickens and thins from sub-basin to sub-basin throughout the fold belt.

A general geological map of Labrador is shown below.



Local Geology

The Knob Lake Range occupies an area 100 km long by 8 km wide. The sedimentary rocks including the cherty iron formation of this area are weakly metamorphosed to greenschist facies. In the structurally complex areas, leaching and secondary enrichment have produced earthy textured iron deposits. Unaltered banded magnetite iron formation, often referred to as taconite, occurs as gently dipping beds west of Schefferville in the Howells River deposits.

The sedimentary rocks in the Knob Lake Range strike northwest, and their corrugated surface appearance is due to parallel ridges of quartzite and iron formation which alternate with low valleys of shales and slates. The Hudsonian Orogeny compressed the sediments into a series of synclines and anticlines, which are cut by steep angle reverse faults that dip primarily to the east. The synclines are overturned to the southwest with the east limits commonly truncated by strike faults.

Subsequent supergene processes converted some of the iron formations into high-grade ores, preferentially in synclinal depressions and/or down-faulted blocks.

PROPERTY DESCRIPTIONS AND MAIN TERMS OF LICENCES

The Properties are located in western Labrador, in the province of Newfoundland and Labrador in the vicinity of the town of Schefferville, Québec. LIM's holdings consist of the Astray, Howse, Houston, James, Kivivic, Knob Lake, Redmond, Sawyer and other properties held under 29 Mineral Rights Licences issued by the Department of Natural Resources, the Province of Newfoundland Labrador, representing 140 mineral claims covering a total area of approx. 3,500 ha.

These are mining claims and as such just give authority to explore. Specific permits are required to carry out this exploration work and these cover any rehabilitation that will be required. Before exploitation can commence, a detailed permit process has to be followed which will specify the various environmental, social, and rehabilitation requirements At this point in time LIM has not yet made any formal application for such development permits. All mining licences are issued for an initial 12 year term and require specific expenditure and reporting requirements. At the end of the term these licences can be further extended.

• ***Knob Lake Property*** — consists of mining claims in the Ruth Lake area covering an area of 50 ha. in one Mineral License held subject to Fonteneau's 3% royalty interest.

• ***Redmond Property*** — consists of mining claims in the Gilling Lake area covering an area of 300 ha. in one Mineral License held subject to Fonteneau's 3% royalty interest.

• ***James Property*** — consists of mining claims in the Knob Lake area covering an area of 200 ha. in two Mineral Licenses, held subject to Fonteneau's 3% royalty interest. Approximately one eighth of the James Deposit lies on an adjacent claim held by New Millennium Capital Corp.

• ***Houston Property*** — consists of mining claims in the Gilling River and Stakit Lake areas covering an area of 550 ha. in eight Mineral Licenses, which are held subject to Fonteneau's 3% royalty. Approximately one third of the Houston deposits (as currently defined) lie on adjacent claims held by New Millennium Capital Corp.

• ***Astray Property*** — consists of mining claims in the Astray Lake area covering an area of 1,250 ha. in six Mineral Licenses, five of which are held by Energold and one of which is held by Fenton Scott. The properties are subject to Fonteneau's 3% royalty interest.

• ***Sawyer Property*** — consists of mining claims in the Sawyer Lake area covering an area of 400 ha. in three Mineral Licenses held subject to Fonteneau's 3% royalty interest.

• ***Howse Property*** — consists of mining claims in the Howells River area covering an area of 375 ha. in two Mineral Licenses, which are held subject to Fonteneau's 3% royalty interest.

• ***Kivivic Property*** — consists of mining claims in the Kivivic Lake area covering an area of 375 ha. in six Mineral Licenses, held subject to Fonteneau's 3% royalty interest.

Main Term of Licences

Licence No.	Area	No. Units[1]	Date Recorded	Deposit
011231M	Knob Lake	4.0	2005/09/08	James
010039M	Knob Lake	4.0	2004/04/12	James
011074M	Ruth Lake	2.0	2005/07/01	Knob Lake
011201M	Gilling Lake	12.0	2005/08/25	Redmond
010040M	Gilling River	2.0	2004/04/12	Houston
010041M	Gilling River	1.0	2004/04/12	Houston
010042M	Gilling River	2.0	2004/04/12	Houston
010043M	Gilling River	1.0	2004/04/12	Houston
010835M	Stakit Lake	1.0	2005/04/21	Houston
010834M	Stakit Lake	1.0	2005/04/21	Houston
010833M	Stakit Lake	2.0	2005/04/21	Houston
010832M	Stakit Lake	12.0	2005/04/21	Houston
010883M	Kivivic Lake	3.0	2005/05/02	Kivivic
010884M	Kivivic Lake	2.0	2005/05/02	Kivivic
011121M	Kivivic Lake	4.0	2005/07/15	Kivivic
011928M	Kivivic Lake	3.0	2006/03/24	Kivivic
011930M	Kivivic Lake	1.0	2006/03/24	Kivivic
011929M	Kivivic Lake	2.0	2006/03/24	Kivivic
010879M	Howells River	9.0	2005/05/02	Howse
011307M	Howells River	6.0	2005/05/02	Howse
010874M	Astray Lake	5.0	2005/05/02	Astray Lake
010875M	Astray Lake	3.0	2005/05/02	Astray Lake
011171M	Astray Lake	6.0	2005/08/11	Astray Lake
011305M	Astray Lake	13.0	2005/10/17	Astray Lake
011306M	Astray Lake	19.0	2005/10/17	Astray Lake
010483M	Astray Lake	4.0	2004/12/17	Astray Lake
009690M	Sawyer Lake	8.0	2003/09/18	Sawyer Lake
010481M	Sawyer Lake	6.0	2004/12/17	Sawyer Lake
010482M	Sawyer Lake	2.0	2004/12/17	Sawyer Lake

1. A Unit comprises an area of 25 hectares based upon predetermined boundaries described by reference to UTM grid co-ordinates (1,000 metres universal Transverse Mercator grid). A map staked license may be issued for up to 256 coterminous map staked claims.

ACCESSIBILITY, CLIMATE, PHYSIOGRAPHY

Accessibility

The LIM properties are part of the western central part of the Labrador Trough iron range. The mineral properties are located about 1,000 km northeast of Montreal and adjacent to or within 70 km of the town of Schefferville (Quebec). There are no roads connecting the area to southern Labrador or to Quebec. Access to the area is by rail from Sept-Îles to Schefferville or by air from Montreal and Sept-Îles.

The James and Knob Lake properties are accessible by existing gravel roads and are located approximately 3 km southwest of the town of Schefferville. The Redmond deposit is located approximately 5 km south of the James deposit and can be reached by existing gravel roads. The Houston deposits are located approximately 18 km southeast of Schefferville and can also be reached by existing gravel roads. The Howse and Kivivic deposits are respectively located approximately 21 km and 40 km to the northwest of the James deposit and can be reached by existing gravel roads developed during the former IOCC operations. The Astray and Sawyer Lake deposits, approximately 50-65 km southeast of Schefferville, do not currently have road access but can be reached by float plane or by helicopter.

Climate

The Schefferville area and vicinity have a sub-arctic continental taiga climate with very severe winters. Daily average temperatures exceed 0°C for only five months a year. Daily mean temperatures for Schefferville average –24.1°C and –22.6°C in January and February respectively. Mean daily average temperatures in July and August are 12.4°C and 11.2°C, respectively. Snowfall in November, December and January generally exceeds 50 cm per month and the wettest summer month is July with an average rainfall of 106.8 mm.

Physiography

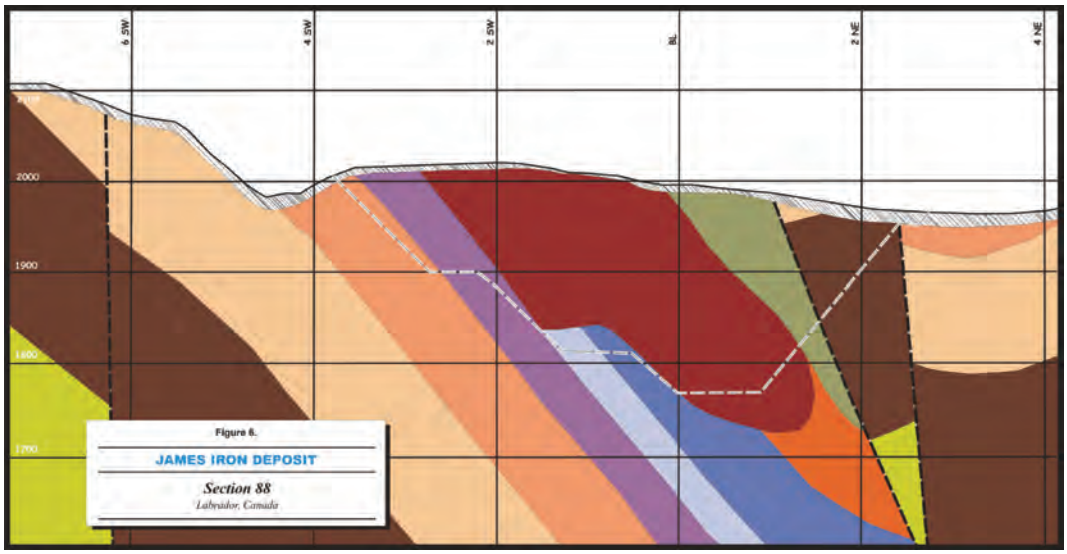
The average elevation of the properties varies from 500 m to 700 m above sea level. Generally the area slopes gently from west to northeast away from the land representing the Québec-Labrador border and towards the Howells River valley parallel to the dip of the deposits. The terrain is generally gently rolling to flat sloping north-westerly, with total relief of about 50-100 m. However, a ground magnetic field survey of the Howse property describes a contrasting steep topography that covers the north slope of a hill just to the south of the property. This hill locally rises approximately 350 m above the lakes elevation and bedrock is likely exposed in that area.

DEPOSIT TYPES

James Deposit

The iron mineralization in the James deposit consist of thin layers (<10cms thick) of fine to medium grained steel blue hematite intercalated with minor cherty silica bands <5cms thick dipping 30° to 45° to the northeast. The James mineralization has been affected by strong alteration which removed most of the cementing silica giving it a sandy friable texture.

Generalized Cross Section — James Deposit
(Source: Labrador Iron Mines Limited)



Knob Lake Deposit

Despite the proximity of Knob Lake deposit to James deposit, the mineralization in Knob Lake is different. The deposit at Knob Lake is capped by a medium grade very hard siliceous hematite mineralization dipping 35°-45° to the northeast. The overall texture of the underlying mineralization is softer and moderately unconsolidated, similar to that in Houston deposit.

Houston Deposit

The Houston deposit comprises three separate bodies that are referred to as Houston 1, Houston 2S and Houston 3 deposits. Iron mineralization of potential direct shipping quality extends NW-SE for 5 kilometres by 150 metres in its wider zone. The Houston deposit consists of hard and friable banded blue and red hematite that locally becomes massive.

Redmond Deposit

The Redmond deposits are developed along a northwest trending synclinal that extends to the south to the Redmond No.1 deposit and to the north to the Wishart mine. The Redmond deposits are small rounded medium Fe grade mineralized bodies.

Astray Lake Deposit

The Astray Lake deposit is a northeast dipping undefined iron deposit located approximately 500 m northeast from the eastern shore of Astray Lake and on the west side of a steeply sided NW-SE trending ridge.

The surface outline of the deposit has a northwest-southeast alignment consistent with the distribution of the iron formation generally located along the ridges. Some of the hematite jasper iron formation is brecciated and ore is developed where hard blue hematite cements this breccia or replaces silica in the banded iron formation.

Due to the hard nature of the mineralized iron formation and its differential erosion with respect to other rock units, iron ore mineralization tends to be on or about the hilltops. Consequently it is believed that the Astray Lake mineralization will favor a significant amount of lump ore compared to the other "soft ore" deposits.

Sawyer Lake Deposit

The Sawyer Lake deposit is a medium-sized iron deposit located approximately 1.6 km northwest of Sawyer Lake. The surface outline of the deposit is irregular and is generally discordant with the highly contorted banding of the fold. Cross-sections outlining the ore mass, however, show that it has an inverted "V" shape or saddle reef-like structure, suggesting that hematite enrichment followed bedding over the crest of the small anticline. The ore appears massive and consists of dark grey-blue hard microcrystalline hematite with minor amounts of silica (2%) as an impurity.

The Sawyer Lake iron deposit does not fit the two most common models for iron formation in the Labrador Trough. It differs from the Knob Lake deposits in that the ore is very hard dense blue hematite with practically no goethite present and like Astray Lake, is therefore expected to produce a greater quantity of lump ore than the other "soft ore" deposits.

Howse and Kivivic Deposits

The geological database for the Howse and Kivivic deposits is more limited than for the other deposits. Howse was one of the last deposits to be discovered by IOCC. IOCC drilled some 110 reverse circulation drill holes on the Howse deposit but the results of these drilling programs have not yet been investigated. The property is located under a thick layer of overburden (~ 10-20 metres) that makes surface exploration difficult.

MINERALIZATION

The earthy bedded iron deposits are a residually enriched type within the Sokoman iron formation that formed after two periods of intense folding and faulting, followed by the circulation of meteoric waters in the fractured rocks. The enrichment process was caused largely by leaching and the loss of silica,

resulting in a strong increase in porosity. This produced a friable, granular and earthy-textured iron ore. The siderite and silica minerals were altered to hydrated oxides of goethite and limonite. The second stage of enrichment included the addition of secondary iron and manganese which appear to have moved in solution and filled pore spaces with limonite-goethite. The types of iron ores developed in the deposits are directly related to the original mineral facies. The predominant blue granular ore was formed from the oxide facies of the middle iron formation. The yellowish-brown ore, composed of limonite-goethite, formed from the carbonate-silicate facies, and the red painty hematite ore originated from mixed facies in the argillaceous slaty members.

Only the direct shipping ore is considered beneficiable to produce lumps and sinter feed and will be part of the resources for the LIM project. The direct shipping ore was classified by IOCC in six categories based on their chemical, mineralogical and textural compositions.

The blue ores, which are composed mainly of the minerals hematite and martite, are generally coarse grained and friable. They are usually found in the middle section of the iron formation.

The yellow ores, which are made up of the minerals limonite and goethite, are located in the lower section of the iron formation. These ores have the unfavorable characteristic of retaining high moisture content.

The red ore is predominantly a red earthy hematite. It forms the basal layer that underlies the lower section of the iron formation. Red ore is characterized by its clay and slate-like texture.

EXPLORATION

Past and Recent Exploration

Most exploration on the properties was carried out by IOCC until the closure of their operation in 1982. Most data used in the evaluation of the current status of the resource and reserve evaluation is provided in the documents, sections and maps produced by IOCC or by consultants working for them. The recent program of exploration was carried out by LIM during 2005 and 2006.

A short program of bulk sampling was carried out in 2006. Bulk sampling was completed in two stages. The first stage consisted of trenching and sampling mineralization from the Houston 1 deposit, the second stage consisted of trenching and sampling mineralization from the James deposit.

Ongoing Exploration

Ongoing exploration on LIM's properties in the Schefferville area will essentially focus at two or three different levels depending upon the proposed development schedule for the particular deposit.

At the James and Houston deposits that are currently at the most advanced stage, additional verification reverse circulation drilling will be required to enable the classification of mineable reserves and resources to be made compliant with current standards. In addition, further bulk sampling for metallurgical testing is necessary prior to adoption of the final process flow sheet.

At Houston, the long and sinuous southern extension to the mineralized zone may also be investigated by a program of trenching and verification reverse circulation drilling.

The nearby deposits at Redmond and Knob Lake will require also verification reverse circulation drilling to establish and/or verify any existing resource estimates for mineable reserves as well as bulk sampling for metallurgical test work.

It is proposed that the Howse and Kivivic deposits be initially investigated by detailed gravity surveys as a means of evaluating the high grade ore deposits. Eventually diamond and reverse circulation drilling programs will be necessary to verify and upgrade the IOCC resources estimates to mineable reserves.

Detailed gravity and magnetometer surveys may be helpful at Astray Lake and Sawyer Lake to evaluate possible extensions of the known deposits. A combination of trenching and reverse circulation drilling will be necessary to evaluate and classify the existing resource estimates and for eventual upgrade to a mineable reserve. Trenching programs will be necessary for preliminary metallurgical test work.

DRILLING

Diamond drilling of the Schefferville iron deposits has been a problem historically in that the alternating hard and soft ore zones tend to preclude good core recovery. Traditionally IOCC used a combination of reverse circulation drilling, diamond drilling and trenching to generate data for reserve and resource calculation.

A large number of original IOCC data have been recovered and reviewed by LIM. The systematic drilling has been carried out on sections 100 feet (30 metres) apart. A large number of trenches have been sampled.

LIM carried out a program of diamond drilling between July 21st and August 26th of 2006 on the James, Knob Lake No.1, Houston and Astray Lake deposits using Cartwright Drilling Inc. of Goose Bay. A total of 605 metres in 11 holes were completed.

SAMPLING METHOD AND APPROACH

During the time that IOCC operated in the area, sampling of the exploration targets were by trenches and test pits as well as by drilling. In the test pits and trenches geological mapping determined the lithologies and the samples were taken over 10 feet (= 3.0 metres). The results were plotted on vertical cross sections.

The first exploration phase by LIM consisted of trench sampling of the James deposit and the Houston deposit and a short diamond drilling program on the James deposit, the Houston deposit, the Knob Lake deposit and on the Astray Lake deposit.

Sampling of core was carried out in 1.5 m sections. Individual samples were confined to no more than one lithological type, in which case shorter samples of not less than 0.6 m and/or longer samples of not more than 2.1 m were taken. Samples were split using a conventional manual core splitter. Half of the core was bagged and labeled. Due to the strongly broken nature of most of the core, splitting core was not always necessary, in this case small pieces of core were hand picked making sure of homogeneously selecting half of the core.

Samples from the trenching are 5 metres in length and were collected using a rock hammer. Samples consisted of a mixture of soft sandy ore and broken fragments were rarely bigger than 12.7 cm. The sampling was undertaken as a verification of results obtained by IOCC.

Samples collected from drill core and trenching were shipped to ALS Chemex Labs in Sudbury, Ontario using ALS Chemex code ME-ICP87 for iron ore assay and analyses. Following sample preparation, sample aliquots were sent by ALS Chemex to their laboratory in Brisbane, Australia for verification assaying.

SAMPLE PREPARATION, ANALYSIS AND SECURITY

With the exception of a short drilling campaign carried out by LIM in 2006, all drilling and sampling of the iron deposits covered in this report has been done by IOCC during the time that they owned and produced direct shipping iron ore from adjacent and nearby properties. The trench sampling and geological interpretation of the zones was also performed by IOCC. The sample preparation, analysis and security in place during the operations of IOCC is not specifically known but it can be assumed that it was done following acceptable industry practice and the standards for an experienced mining company at that time.

DATA VERIFICATION

The majority of data used in the current review is derived from historic data of IOCC (documents recovered from IOCC files and from plans and sections on which the geology and assay results have been plotted). The reserve and resource estimates contained therein are therefore non-compliant with current Canadian standards. This geological and assay data will be used to guide the proposed confirmation exploration by reverse circulation drilling and bulk sampling from trenches.

The program of exploration and data verification recommended in this report will enable verification of the historic data.

MINERAL PROCESSING AND METALLURGICAL TESTING

Lakefield Research Laboratories

During February 1989 three mineralized samples comprising approximately 12.7 tonnes of James ore were treated at Lakefield Research Laboratories, Lakefield, Ontario.

The washing results were used to evaluate James deposit mineralization as part of the open pit evaluation and provided an indication of the Lump, Fines and Tailings products quality.

Midrex Tests

In 1989 Midrex Technologies, Inc. of Charlotte, North Carolina sampled and tested lump ore samples from James, Sawyer Lake and from Houston 1 deposit for standard raw material evaluation purposes. All lump ore samples were estimated by Midrex to be suitable for commercial production using its technology.

Centre de Recherches Minérales

In 1990, a bulk sample of mineralized material from the James deposit weighing approximately three tonnes was transported to Centre de Recherches Minerales (CdRM), Quebec City, for testing, on behalf of La Fosse Platinum Group Inc.

2006 Bulk sampling by LIM

Bulk samples from trenches at the James and Houston deposits were collected during the summer of 2006. Three bulk samples of some 400 kg each were collected from the James trench and four bulk samples of some 600 kg each were collected from the Houston deposit trench for testing. The testing for compressive strength, crusher index and abrasion index were done at SGS Lakefield. The composite crushing, dry and wet screen analysis, washing and classification tests were done at "rpc — The Technical Solutions Centre" in Fredericton, New Brunswick. An additional five composite samples from the different ore zones in the trench were collected and tested in the ALS Chemex Lab in Sudbury for chemical testing.

The bulk sampling tests produced data for rock hardness and work indices for crushing and grinding, average density data for the various ore zones as well as chemical data. The specific density tests have shown that there is a possibility that the average SG is higher than the 3.5 kg/t which was used in the IOCC calculations.

MINERAL RESOURCE AND MINERAL RESERVES ESTIMATES

Summary

The mineral resources shown in this report are not yet compliant with current Canadian standards. They are predominantly based on estimates made by IOCC in 1982. IOCC categorized their estimates as "reserves". SNC has adopted the principle that these should be categorized at "historical resources" as defined in Canada. All estimates were based on geological interpretations on cross sections and the calculations were done manually. A recent computerized estimate was prepared for LIM in 2006 by Wardrop Engineering Inc. for the James deposit using the data shown on vertical cross sections prepared by IOCC for their reserve calculations.

All resource estimates quoted in this section of the report are based on prior data and reports prepared by IOCC. These historical estimates are not current and do not meet current definition standards and are reported here for historical purposes only. A qualified person has not done sufficient work to classify the historical estimate as current mineral resources. The historical estimates should not be relied upon. These historical results provide an indication of the potential of the properties and are relevant to ongoing exploration.

The historic reserves were for DSO (direct shipping ore) which was ore that was sold directly to the customer in its raw state. The only processing done was the crushing to 4-inch size in the mine screening plant and, in case of wet ore, reduction of moisture content in the drying plant in Sept-Îles. The classification used in the IOCC reports are as follows:

• **Measured**: The ore is measured accurately in three dimensions. All development and engineering evaluations (economics, ore testing) are complete. The deposit is physically accessible and has a complete pit design. The reserve is economic and is marketable under current conditions.

• **Indicated**: Development and engineering evaluations (economics, ore testing) are complete. Deposits in this category do not meet all the criteria of measured ore.

• **Inferred**: Only preliminary development and evaluation are completed. Deposits may not be mineable because of location, engineering considerations, economics and quality.

It should be noted that the following estimates are based on economics of 1983 and that although the geological, mineralogical and processing data will be the same today, economics and market conditions will have changed and therefore the terms and classification is now for resources and not for reserves as was used by IOCC.

There is no reason to conclude that IOCC utilized other than best industry practices. It is reasonable, therefore, to conclude that such historic resources can be easily brought to compliance with current requirements with a program of verification as recommended herein. The first step for this study is the confirmation of the resources for the properties and to make the resource estimates compliant with current standards.

The following table shows the summary of the historic IOCC mineral resource estimates of deposits of LIM's project.

Summary of Historic IOCC Mineral Resource Estimates — 1983

LIM Property	(000's) tons
James[1,4]	4,486
Knob Lake[1] 1	3,662
Redmond[1] 2B + 5	1,357
Houston[1,5] 1, 2S + 3	9,090
Howse[2]	28,288
Kivivic[2] 1 + 2	26,258
Astray Lake[3]	3,909-7,818
Sawyer Lake[3]	12,000

Notes: [1] The tonnages shown are Measured and Indicated resources (or by IOCC classification Measured and Indicated reserves);

Notes: [2] The tonnages shown are Inferred resources (or by IOCC classification Inferred reserves);

Notes: [3] The tonnages shown are Inferred resources (or by IOCC classification Inferred reserves), estimated for Astray Lake based on 200, 300 and 400 feet vertical projections and for Sawyer Lake projections from a surface mapping exercise;

Notes: [4] The tonnages shown for the James deposit represent 100% of the potential resources. Approximately 1/8th of the resource lies on an adjacent claim held by New Millennium Capital Corp.;

Notes: [5] The 9.09 Mt IOCC tonnage for combined Houston properties reflects 100% ownership. LIM currently owns approximately 6.0 Mt of this resource. The balance of the resource lies on adjacent claims held by New Millennium Capital Corp.

Note: [6] The terms "measured", "Indicated" and "inferred" used in this Table and the notes above describing resources and reserves have the meaning given to them in the IOCC reports described above which meanings are not necessarily the same as those prescribed under current standards.

Note [7] The grade of IOCC's direct shipping iron ore operations in Schefferville were historically reported to have been between 56-58% Fe. It is expected based on historical operations and as reported in IOCC records that the grade of LIM's deposits will be in a similar range. It is not possible to give precise grades for each of the deposits until the resources have been verified and brought to compliance with current standards.

In July 2006, Wardrop Engineering (Wardrop) conducted a preliminary resource model estimate on the James deposit for LIM. The estimation was based on historical geology interpretation on vertical sections by IOCC. The reported resource was considered indicative of potential for the property.

James Property

The estimates of the resources for the James deposit have been calculated with the data developed by IOCC during their exploration of the property. The strike length of the James deposit is some 1000 metres and two ore zones have been recognized. The zones have been drilled with 121 (reverse circulation and diamond) drill holes. The drilling and structural mapping was done on sections 100 feet (30 metres) apart.

Knob Lake Property

The Knob Lake deposit is shown on eight original IOCC sections some 100 feet (30 metres) apart which represents a strike length of about 500 metres. Not all sections within this strike length have yet been recovered. Some 25 drill holes have been drilled on this property which includes one hole drilled by LIM. Details of the IOCC resource estimate will be verified in the future program through drilling and sampling.

Redmond 2B and 5 Property

Only the Redmond 5 property has been shown on the ten recovered original IOCC sections which are 100 feet (30 metres) apart. This represents a strike length of some 300 metres. Data of some 30 drill holes are shown on the sections but no detailed verification has yet been made. Details of the IOCC resource estimate will be verified in the future program through drilling and sampling.

Houston 1, 2S and 3 Property

The Houston Properties (1, 2S and 3) have a strike length of some 800 metres, 1000 metres and 2400 metres respectively. LIM has some 29 sections, 100 feet (30 metres) apart, of the Houston 1 deposit from the files of IOCC, showing the different ore zones and the drilling information of some 25 drill holes. The IOCC information on the Houston 2S deposit is shown on some 23 sections also 100 feet (30 metres) apart which show the results of some 20 drill holes. Details of the IOCC resource estimate will be verified in the future program through drilling and sampling.

Astray Lake and Sawyer Lake Properties

The current interpretation of the Astray Lake deposit is based on a compilation map dated November 1950. The map shows several mineralized rock sample results over a strike length of some 500 metres each. The Sawyer Lake deposit covers some 6.5 ha over an approximate strike length of 300 metres and is of irregular shape located on top of a hill. Rock samples were taken and showed high grade massive hematite mineralization.

Howse and Kivivic Properties

The Howse deposit has been drilled by IOCC but the detailed information has not yet been fully analyzed by LIM. LIM carried out a field exploration program of rock and old drill cutting sampling, mapping and surveying of old drill holes. It is reasonable to believe that the resource estimate from IOCC was developed on some drilling/trenching results, details of which are not currently available).

OTHER RELEVANT DATA AND INFORMATION

The Knob Lake Iron Range is well known for the hematite-goethite iron deposits and this region has been exploited for some 30 years by IOCC. Following the verification of the historical resources of IOCC, the LIM Project will attempt to reactivate the area and determine the potential economics of any new exploitation. The project should not be considered as a "Greenfield" exploration project but as a potential Development Project. The current and forecasted "direct shipping" iron markets are encouraging for this exercise.

INTERPRETATION AND CONCLUSIONS

The review of the data that was made available to SNC-Lavalin for LIM's project related to a renewed development of the iron deposits in Labrador near Schefferville, has shown that there is more than sufficient merit for an exploration program to verify the resources estimated by IOCC. The results of the program will support the undertaking of a feasibility study, which will among other things, bring the historic estimates of resources to comply with the requirements of current standards.

IOCC has worked in the same areas of Quebec and Labrador between 1954 and 1982 and produced some 150 million tons of "lump and direct shipping" iron ore and carried out exploration to extend the life of these operations to well after 1982. When the economic conditions changed and the market for that ore was not longer attractive, the mines closed. However, the explored deposits remained ready for exploitation when favorable market conditions would return and the economics of new mines could be demonstrated. Some of these deposits are now owned, wholly or partially, by LIM and a feasibility study will have to be produced to demonstrate economic viability of the restart of the iron ore production. The resource estimates for the properties comprising LIM's project were established by IOCC, an experienced iron ore operator, during the 20+ year period that IOCC successfully operated mines in the Schefferville area which were developed on the basis of similar resource estimates. There is no reason to conclude that IOCC utilized other than best industry practices. It is reasonable, therefore, to conclude that such historic resources can be easily brought to compliance with current requirements with a program of verification as recommended herein. The first step for this study is the confirmation of the resources for the properties and to make the resource estimates compliant.

The resources from four deposit sites (James, Knob Lake, Houston and Redmond) are the closest to the existing Schefferville infrastructure. Most infrastructure is already in place and relative low capital expenditures will be required to restore and revamp the old structures and rail yards. The production of the "direct shipping" ore requires only a simple process of screening, crushing and, in some cases, washing and the capital cost of building such a processing plant near Schefferville would be relatively low.

This plant would be able to be used for the possible production of some 15-18 million tonnes. It has been estimated that if the resources are confirmed a production plan of 5 to 6 years can be assumed. Following this production phase the plant can be moved closer to the other deposits. A first phase of confirmation exploration will be needed to confirm and supplement the old data produced by IOCC for these four sites. Details of the program are shown in the next section.

The other four deposits (Astray Lake and Sawyer Lake as well as Howse and Kivivik) are all considerably further from Schefferville and require more infrastructure development and higher capital expenditures. The knowledge of these deposits is also less detailed and more exploration will be required to bring these historic inferred resources to a current compliance indicated classification. When these resources are demonstrated to exist the feasibility of producing from these deposits can be better evaluated.

RECOMMENDATIONS

Introduction

Following the review of all supplied data and the interpretation and conclusions of this review it is recommended that a three-phase exploration program should be started. It is expected that this program will be commenced during the 2007 summer season. The continuation of each phase of the program depends on the exploration results obtained and on the evaluation of the new data. The three phases are related to the projection of the possible iron production scenarios that are made possible because of the exploration results. The following phases are proposed with only the first phase outlined and budgeted in detail.

Phase I

Confirm resource data for James, Houston, Knob Lake and Redmond deposits and make the resource estimates compliant through reverse circulation drilling and trench sampling. Magnetometer and gravity surveys as well as some trenching and sampling of the Astray Lake and Sawyer Lake deposits scheduled for a second production period. Gravity surveys and general exploration of the Howse and Kivivic deposits scheduled to be mined as a third production period. A program of reverse circulation drilling will be used to confirm the interpretation of the IOCC grades and geological formations. The trench sampling will provide material for process testing recommended to be carried out to optimize the selection of a final process flow sheet.

The Phase I program and budget required to bring the resource and reserve estimates of the various deposits to be compliant with current standards are as follows:

James Deposit

Two trenches to be excavated mapped and sampled, in the Northern Ore Body. Two reverse circulation drill holes each some 100 metres deep.

Two trenches to be excavated mapped and sampled in the Southern Ore Body. Two reverse circulation drill holes each some 100 metres deep.

Estimated budget for James Deposit:

Trenches	400 metres @ $250/m	$100,000
Drilling	400 metres @ $200/m	$ 80,000
Total James Deposit		$180,000

Knob Lake Deposit

It is proposed to excavate one trench that must be mapped and sampled. Two reverse circulation drill holes are recommended each some 100 metres deep.

Estimated budget for Knob Lake Deposit:

Trench	100 metres @ $250/m	$25,000
Drilling	200 metres @ $200/m	$40,000
Total Knob Lake Deposit		$65,000

Redmond Deposits

To confirm the resources reported by IOCC, one drill hole on the Redmond 2B deposit and two on the Redmond 5 deposit would be required. The reverse circulation drill holes are expected to be some 100 metres and 70 metres deep respectively. One trench on should be excavated, mapped and sampled.

Estimated budget for Redmond Deposits:

Trench	400 metres @ $250/m	$100,000
Drilling	170 metres @ $200/m	$ 34,000
Total Redmond Deposits		$134,000

Houston Lake Deposits

These three deposits form the largest amount of resources in the area close to Schefferville. Houston 1, the most southern deposit, should be drilled with three reverse circulation drill holes each about 100 metres deep on. Two 300 metres long trenches should be excavated, mapped and sampled.

Two reverse circulation drill holes should be drilled on the Houston 2S deposit on each some 100 to 120 metres deep. Two 200 metres long trenches should be excavated and must be mapped and sampled.

Detailed information for the Houston 3 deposit has not yet been studied but it is anticipated that one reverse circulation drill hole of some 100 metres deep and one 200 metres long trench will be sufficient to confirm these resources.

Estimated budget for Houston Deposits:

Trenches	900 metres @ $250/m	$225,000
Drilling	620 metres @ $200/m	$124,000
Total Houston Deposits		$349,000

The interpretation and results of the above drilling and sampling programs should be sufficient to convert the IOCC resources estimate for these deposits into an estimate compliant with current standards.

Other Phase I recommended exploration for the four other deposits, for the four deposits will consist of gravity surveys, magnetometer surveys, trenching, mapping and sampling.

Budget Estimate for Phase I Confirmation Exploration

Description	Cost
Mobilization/Demobilization Contractors	$ 50,000
RC Drilling, Sampling, Transport and Assaying	$ 278,000
Trenches, Sampling, Transport and Assaying	$ 450,000
Trenches other area (Excavation by hand) Allowance	$ 100,000
Gravity and Magnetic Surveys	$ 400,000
Geologists (office and field)	$ 150,000
Bulk sampling	$ 100,000
Field Accommodation etc.	$ 150,000
Equipment/Helicopter Rentals	$ 75,000
Office, drafting, etc.	$ 50,000
Consultants	$ 100,000
Mining plans etc.	$ 100,000
Total Estimated Cost Phase I Confirmation Exploration	$2,003,000

Phase II

Additional reverse circulation drilling and trench sampling of the Astray Lake and Sawyer Lake deposits and confirmation of the resources estimated during Phase I. Reverse circulation drilling and trenching of the Howse and Kivivic deposits and estimate of resources. This exploration phase can be carried out while production of the James, Houston, Knob Lake and Redmond deposits is in progress.

Phase III

Continued exploration of the Astray Lake and Sawyer Lake deposits as well as the Howse and Kivivic deposits to ascertain sufficient reserves for continued iron production.

Feasibility Study

Subsequent to the confirmation exploration program a complete feasibility study has to be prepared to determine the viability of the project for the renewed iron production. The feasibility study will have to emphasize not only the volume and value of the resources and the production costs, but in particular on the environmental requirements of the region, the transport of the iron ore to the harbour for shipment to markets and on the demands of local communities and the social issues.

The environmental base line studies are started and will continue and discussions with Federal and Provincial authorities are to be held to obtain the various permits.

The negotiations with rail transportation companies will have to be held and agreements for ore transport to be signed. Detailed studies for the rehabilitation of the existing rail yards and rail tracks have to be carried out, as well as the determination and negotiations for the availability and use of harbour unloading and ship loading facilities.

Budget Estimate for Feasibility Study

Description	Cost
Metallurgical Testing	$ 300,000
Marketing	$ 350,000
Railway Study and Estimates	$ 350,000
Environmental Studies	$ 860,000
Community and Social Studies	$ 250,000
Feasibility Study	$ 1,000,000
Total	$3,310,000

OTHER INFORMATION

Introduction

Due to the fact that the same area has been mined for iron over a period of almost 30 years by a well established iron production company that still operates mines in the Labrador-Quebec Area, the project should not be considered a "green-field project". With the iron ore prices having increased considerably, the potential of these deposits now owned by LIM, appear to be encouraging. The following are some observations and estimates that illustrate that the exploration of these properties could be considered as exploration of a Development Property that after a relatively short program could enter the production phase.

The short-term strategy will be to establish the operation on the best-known deposits of James and Houston close to Schefferville and consolidate the regional position of LIM. It is assumed that contractors will carry out all mining and materials handling operations. It is also likely that LIM will arrange for washing and screening of the iron ore. It is planned to operate the plant on a 12-hour/day basis in April and November and for a 24-hour (two shift) operation for the months of May to October resulting in a total production period of eight months.

Mining

The initial production can commence with only minimal additions to the current existing infrastructure. It is the intention of LIM to outsource as much of the direct production operations, including camp maintenance and light fleet operation, to experienced contractors and facility operators as is practical both from an operating and from a financial standpoint. All mining operations will be by conventional open pit mining methods. Relatively low stripping ratios of waste over ore will be mined during the life of the operations.

The working period is assumed to start in April and to continue to November with a work stoppage of four months. The contractor will mobilize every year in the beginning of April to fix roads and service

lines, assure adequate supplies and rehabilitate the operating pits to a working condition after winter. The owner will perform all mine planning, survey and resource/grade control with their own personnel. The mining contractor will provide all equipment to drill, blast, load and haul ore, waste rock and top soils to the designated locations. Because of the short distance from the James and Knob Lake deposits ore transport to the processing and shipping site would most likely not require an additional haulage fleet because the mining trucks could be used. From the Houston property and later from Redmond, semi-trailer units will haul the ore to the processing site. The waste will be hauled to the specific waste dump sites. For the Astray Lake and Sawyer Lake deposits, there will be a barge loading and unloading cycle in addition to the truck hauling.

The planned production schedule of the various pits over the expected life of the project is shown below.

Planned Production Schedule for the Total Expected life of the Project

Deposit	Production million tonnes annually																
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
James	1.3	1.3	1.0	0.3													
Houston			1.3	1.3	2.0	1.4											
Knob Lake		1.2	1.2	1.2													
Redmond				0.7	0.7												
Sawyer						0.6	1.5	1.5	1.0	0.4							
Astray					0.8	1.5	2.0	2.0	2.0	2.0	1.7						
Howse									0.5	0.9	1.6	3.3	3.3	3.3	3.3	3.3	3.3
Kivivik								2.0	2.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	1.0
Total	1.3	2.5	3.5	3.5	3.5	3.5	3.5	5.5	5.5	6.3	6.3	6.3	6.3	6.3	6.3	6.3	4.3

Processing

It is believed that "direct shipping" iron ore produced by IOCC needed none or only very little processing and that only crushing and screening was performed before the ore was loaded on trains to be transported to Sept-Îles. Wet screening to wash out the fines, was not performed. Some testing has been carried out in the past which showed that most of the ore was "self draining" so that there was only a low moisture ore shipped in case of washing.

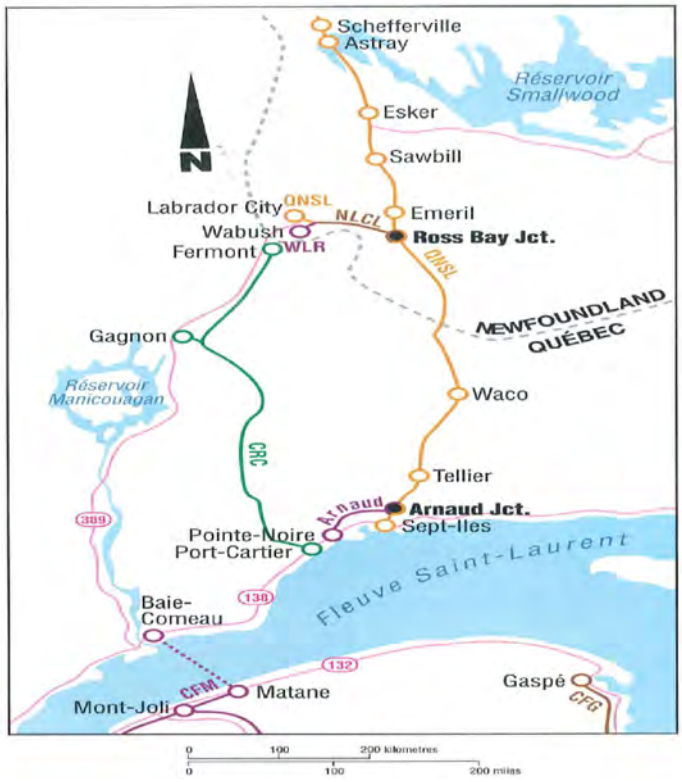
LIM intends to evaluate washing and screening of the ore to improve quality and grade of products and to ensure a greater degree of consistency in the production of lump ore and sinter fines. IOCC did not wash the ores during historical operations at Schefferville. The capital and operating costs of this processing have been included in the cost estimates. It is expected that a washing and screening process will remove low grade and silica material and should increase the grades of the final products by about 10-15% of mined grade.

Transport and Shipping

The only means to transport iron ore from Schefferville to sea-ports is by rail. The railway originally constructed by IOCC is still available and in operation. It is operated by Tshiuetin Rail Transportation Inc. (TRTI). TRTI owns the railway track from Schefferville to Ross Bay Junction but operates from Schefferville to Sept-Îles for passenger and light freight traffic. No iron ore is currently hauled on the TRTI section of the track. An independent preliminary study of the TRTI railway was carried out for LIM in August 2006 by Hatch Mott MacDonald (Hatch) which concluded that the Menihek Subdivision was

in very good condition despite more than 20 years of under capitalization. However, some refurbishing of the tracks, rails and culverts will have to be carried out through a recommended multi-year repair and replacement program. LIM will have to negotiate an agreement with TRTI and also the Quebec North Shore & Labrador Railway (QNS&L) to reach Sept-Îles.

Map of Existing Railway Systems



LIM plans to rehabilitate the old IOCC loading area at Schefferville called the Silver Yards. The ore storage, processing facility and product storage based on side-loading the rail cars, are to be established on the Silver Yards area to handle James, Houston, Knob Lake and Redmond ores.

Access to any of the three facilities at Sept-Îles for handling iron ore pellets or concentrates in the area needs to be negotiated with owners IOCC, Wabush Mines or Quebec Cartier Mining Company or a new facility has to be built. Port Cartier is presently not accessible by rail from Schefferville. Ship loading with existing port installations is assumed to be possible.

Infrastructure

Schefferville was established by the IOCC in 1954 to support their mining operations in the area. The township has the infrastructure to fulfill the needs of LIM in regards to: roads, power and water supply, buildings and sewage facilities.

The Menihek power plant located 35 km southeast from Schefferville is the only provider of electric power to the area. The power plant is sufficient to supply the power that LIM would require for the early development sites close to Schefferville (James, Knob Lake and Redmond). In the case of the establishment of the other excavation sites (Houston, Astray Lake, Sawyer Lake, Howse and Kivivic), portable generators could be used.

Most of the existing roads that provide access to the different properties designated for early development exist and will only need minor clean-up.

Three processing sites are envisioned for the total life of the project; the first near Schefferville, the second near Astray Lake and the third one near Howse and Kivivic. All processing sites will have a workshop, a warehouse, and a fuelling station near by. General services and infrastructures will be shared with the contractor. LIM will establish an administrative office in Schefferville to house the engineering, geology and supervisors to control contracted activities.

Environment

Although all of LIM's properties are located in the province of Newfoundland and Labrador, they will utilize, to some extent, present connecting roads on the Quebec side of the border and most probably the services available from the town of Schefferville and the surrounding communities located in the province of Quebec.

The Schefferville area is located at an inter-provincial boundary area and work that is conducted which crosses the border will result in the involvement of both Quebec and Newfoundland and Labrador regulatory agencies, as well as Canadian Federal agencies. Transportation routes, power lines and possibly water circulation lines may cross the provincial border. The construction of a road or rail route/spur is subject to an environmental assessment under the Environmental Quality Act. Schefferville is exempt from the James Bay and northern Quebec Agreement and falls under the jurisdiction of the Quebec Environment Quality Act.

Once approval from the ministry is obtained applications for permits need to be submitted and approval obtained before construction and installation can proceed.

LIM has been collecting seasonal baseline data since mid-2006 and has entered into preliminary discussions with Federal and Provincial regulators with respect to permit applications and specific requirements for project designation.

Each mine site will be closed after depletion of mineable reserves and restored according to regulations. The aim is to carry out the final closures without continued monitoring requirements. The rehabilitation measures as established in the rehabilitation and closure plans are to be started as early as practical during operating mine life leaving the final closure activities to a minimum.

Community and Social Issues

LIM has established an active community relations program since mid-2005 and an ongoing effort is made to work very closely with the four First Nations to focus on developing and maintaining productive working relations, and ensuring a good understanding of the proposed project.

Regular meetings are held with the different groups and a Memorandum of Understanding (MOU) is under discussion which will focus on the identification of issues to be included in a formal Impact Benefits Agreement.

Benefits of the project

The successful start up of LIM's direct shipping iron ore project will likely be the first positive economic stimulus to the northwest Labrador (and Quebec) economies in 30 years. It should lead to 20+ years of economic stability.

The project will develop deposits of iron ore not previously worked by IOCC but which were evaluated by IOCC and were part of IOCC's reserves and resources at the time of closure of its operations in the area in 1982. The James, Houston, Knob Lake and Redmond deposits are located within reach of existing infrastructure, including road access, adjacent to electrical power lines and close to the railway terminal and proposed loading yard.

Cost effective and reliable rail transportation is going to be a key component of any direct shipping iron ore operations. The TRTI railway company is already owned by a consortium of First Nations and provides an ideal basis upon which to develop other transportation solutions for the project.

In the construction phase the project could generate up to 300 jobs with that number falling to about 150 on an ongoing production basis. The economic impact of such employment and contracting business on the surrounding communities could be very positive and lead to the development of other support and service sector jobs and the consistent and planned development and growth of the town of Schefferville and surrounding communities.

PART V — GLOSSARY OF THE TECHNICAL TERMS USED IN THE MINERAL EXPERT'S REPORT

ºC	Degree Celsius
cm	Centimetre
diamond drill	a machine designed to rotate under pressure, using an annular diamond studded cutting tool to produce a more or less continuous sample of the material that is drilled
Fe	Iron
ha	Hectares
k	Kilo (thousand)
kg	Kilogram
km	Kilometre
m	Metre
m^3	Cubic Metre
mm	Millimetre
mineralization	a natural aggregate of one or more minerals, which has not been delineated to the extent that sufficient average grade or dimensions can be reasonably estimated or called a "deposit" or "ore"
mo.	Month
strike length	longest horizontal dimension of a body or zone of mineralization
t	metric Tonne

Conversion table

The following table sets forth certain standard conversions from the Standard Imperial units to the International System of Units (or metric units).

To Convert From	To	Multiply By
Feet	Metres	0.3048
Metres	Feet	3.2808
Miles	Kilometres	1.6093
Kilometres	Miles	0.6214
Acres	Hectares	0.4047
Hectares	Acres	2.4711
Grams	Ounce (troy)	0.03215
Ounce (troy)	Grams	31.1035
Tonnes	Short tons	1.10231
Short tons	Tonnes	0.90718
Long tons	Kilograms	1016.046
Tonnes	Long tons	0.98421
Long tons	Tonnes	1.016046