



# Anglesey Mining plc

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LSE:AYM

## *Proposed Initial Public Offering in Canada of Labrador Iron Ore Project*

Anglesey Mining Plc is pleased to announce that it is proposing to arrange an Initial Public Offering in Canada in order to fund its Labrador Iron ore operations.

A preliminary prospectus was filed in respect of the proposed Initial Public Offering (IPO) with the Ontario Securities Commission in Toronto and certain other Canadian provincial securities regulators on 12 September 2007.

### **Background**

Under an agreement dated 30 September 2005, Anglesey Mining plc (the Company), through its wholly owned subsidiary Labrador Iron Mines Limited (LIM), obtained an option to earn a 70% joint venture interest in the Schefferville Project (the Project) by carrying out exploration and completing a preliminary feasibility study. During the period from September 2005 to June 2007 LIM carried out exploration, development and other work on the Project, including geological evaluation, sampling, geophysical surveys, trenching, drilling, bulk sampling, resource verification, assaying, metallurgical test work, preliminary mine planning, community consultation, transportation studies and other work leading to the completion of a preliminary feasibility study. Subsequently LIM's interest in the joint venture was increased to 80% and, as part of the arrangements, was recently adjusted to 77.5%.

### **The Schefferville Project**

The Project consists of interests in 29 Mineral Rights Licences in the Province of Newfoundland and Labrador representing 140 mineral claims covering 3,500 hectares.

The Licences are located in the prolific Labrador Trough region of Labrador and Quebec, known for its world class iron deposits, including Rio Tinto's (Iron Ore Company of Canada "IOCC") Carol Lake mine; Wabush Mine owned by Mittal Arcelor, Stelco and Cleveland-Cliffs; and Quebec Cartier Mining Company's Mount Wright Mine as well as the Bloom Lake development project of Consolidated Thompson and the large LabMag and K-Mag projects under development by New Millennium. Canada is one of the top five exporters of iron ore in the world with most of this production centred in the Labrador Trough.

This is a brownfield development project with 28 years of historic production in the surrounding area previously operated by IOCC, which is reported to have produced in excess of 150 million tons of iron ore between 1954 and 1982. Extensive infrastructure is in place in and around Schefferville, including a rail line connecting to the sea port of Sept Isle.

The Project contains a historical resource estimate of approximately 100 million tons. This resource, established by IOCC, is currently not compliant with the standards prescribed by Canadian National Instrument 43-101. A drilling program of approximately Cdn\$2 million is planned with the objective of confirming the historical resource in accordance with such standards. A further Cdn\$3.3 million is budgeted for the completion of a feasibility study aimed at evaluation of the development of the Project to initially produce 2.0 million tonnes per annum of saleable product by mid 2009, with full production of 3.5 million tonnes anticipated by 2010. Estimated initial capital expenditure to reach commercial production is approximately US\$30 million.

Management is currently advancing the Project to production to take advantage of the strong international demand and high prices which currently prevail in the iron ore market. The deposits in the Schefferville Project are predominantly high grade direct shipping hematite lump and sinter iron ore, highly sought after by many of the European and Far East steelmakers. The Board believes that the fundamentals of the direct shipping iron ore market will remain strong for the foreseeable future. This view is based upon several factors, including the strength of iron ore and steel prices that have recently been seen in the market as a result of supply and demand imbalances. Prices have increased by in excess of 100% over the last two years and are expected to remain robust.

### **Reasons for the Initial Public Offering**

In conjunction with Canaccord Capital Corporation, the Company undertook a review of alternative markets that might be appropriate to raise monies to finance the future development of the Schefferville Project.

Following this review it was determined that the Canadian market is more likely to provide a higher valuation of the Labrador properties and greater access to the funds required to develop the Project and commence commercial production. In addition, the Board believes that a Canadian listed public company with locally based management carrying out operations in Labrador will provide greater likelihood of success for these activities.

The review, together with the Board's view of current and expected commodity prices, has led the Board to conclude that an IPO in Canada is in the best interests of the Company and its shareholders, with the resultant opportunity to provide substantial funding for the Project with limited dilution of the Company's interests in the Labrador properties.

## Proposals

As part of the arrangements it is proposed that the holding of the properties will be restructured, with the existing joint venture agreements under which the Company holds its interest being converted into a corporate vehicle. Following these changes and the IPO, a new Canadian company, which is to be named Labrador Iron Mines Holdings Limited (LIM Holdings), will hold through its subsidiary all of the rights formerly belonging to the joint venture parties and will hold or have the right to acquire a 100% interest in all of the properties, subject to a 3% royalty (with certain limitations) and subject to a requirement to arrange production financing for the first one million tons of production from the properties by 30 September 2008.

Subject to customary conditions, Canaccord Capital Corporation has agreed to act as agent to LIM Holdings and to offer for sale to the public, on a commercially reasonable efforts basis, units of LIM Holdings, each unit comprising one share and one half share purchase warrant, with each full warrant entitling the holder to purchase one common share in the capital of LIM Holdings for a period of 24 months.

Completion of the financing will provide funding for LIM Holdings up to and beyond the feasibility stage of the exploration and development of the Labrador Properties. The amount of financing anticipated to be raised as a result of the IPO, and the percentage share capital of LIM Holdings which will need to be issued to raise such an amount, will not be determined until the IPO is completed. The Directors are, however, confident that the amount raised will be significantly in excess of the Company's investment in the Labrador properties to date and the Board will not proceed with the IPO unless they consider that it is in the best interests of shareholders.

Following the IPO, although there will be dilution of the Company's net interest in the Project, the Company will hold a significant equity interest in LIM Holdings, the new publicly traded company, which will provide a means for the Company's interest to be easily valued. The executives of LIM Holdings are anticipated to be John Kearney, chairman and chief executive officer; Bill Hooley, president and chief operating officer and Terence McKillen, executive vice president. Richard Lister, Eric Cunningham, Matthew Coon Come and Gerry Gauthier are expected to serve as non executive directors.

## Circular and Extraordinary General Meeting

Due to the size and nature of the transaction with regard to the Company's business, the Listing Rules of the Financial Services Authority require that the restructuring of the Company's interests in the Labrador properties and the completion of the IPO be approved by the shareholders of Anglesey Mining plc prior to their completion. The Company intends to call an Extraordinary General Meeting to seek such approvals. A Circular to shareholders dealing with these matters is in the course of preparation and will be sent to all shareholders together with formal notice of the EGM.

The Directors are being advised by Canaccord Adams Limited, which has been appointed as sponsor and financial advisor to the Company for the purposes of the Circular. The Company has also retained SNC-Lavalin Inc. of Montreal, one of the world's leading consulting engineering firms, to prepare a Mineral Experts Report, incorporating an independent technical evaluation report of the Project, which will be included in the Circular to be sent to shareholders.

The Board believes that the completion of these proposals will be a very positive step forward for the Company enabling it to create value for its holding in the Labrador Iron Properties at a time of very high iron ore prices. The IPO will pave the way for the rapid development of the Schefferville Project into a productive and profitable iron ore operation with a long life and excellent potential for expansion in the future.

### For further information:

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