

Labrador Iron Mines (LIM.TO)

Rating	OUTPERFORM* [V]
Price (30 Nov 11, C\$)	6.74
Target price (C\$)	8.30 ¹
52-week price range	14.82 - 5.05
Market cap. (C\$ m)	364.27
Enterprise value (C\$ m)	361.88

*Stock ratings are relative to the relevant country benchmark.

¹Target price is for 12 months.

[V] = Stock considered volatile (see Disclosure Appendix).

Research Analysts

Nathan Littlewood

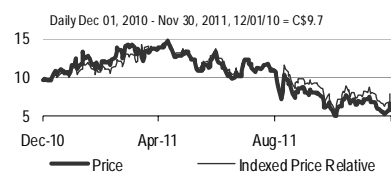
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Actions speak louder than words, for now

- **We initiate coverage on Labrador Iron Mines with a \$8.30/share target price and an OUTPERFORM rating.** Following the recent start-up of its Schefferville iron ore project, LIM.TO joined the elite ranks of the Canadian iron ore producers, and over the next few years aim to increase current production to 5mtpa.
- **We admire the action oriented culture and cash generation capabilities in the short-medium term,** but LIM.TO is very much a case of 'what you see is what you get' and 'what you get' is a relatively high cost business with a short mine life and business model that lacks long term sustainability, in our opinion. We believe that a corporate combination with peers NML.TO would generate significant short-medium term synergies, reduces LIM.TO's current cost of doing business, and provide LIM.TO the long term 'blue sky' valuation potential that it currently lacks. Our NML.TO initiation report provides further discussion on this topic, as well as pro-forma valuations.
- LIM.TO has relied on third party infrastructure and marketing arrangements with IOC in order to get its start up production to market, but we believe that these are very costly arrangements – and the company appears eager to operate independently of IOC. 2012 should see LIM.TO clarify its short-medium term port and marketing intentions, which have the potential to reduce the current cost base. During JunQ12 we expect to see LIM.TO declare commercial production.
- **Our \$8.30/share target price is derived using a DCF** with a 0.8x P/NAV multiple applied to the operational assets on the basis that the company is still very much in a stage of learning and growth. Short term, 10x PER suggests \$17/share potential, though this is unlikely to be realised with longer term support at around \$6/share based on the target 5mtpa production rate.

Share price performance



On 11/30/11 the S&P/TSX COMPS INDEX closed at 12204.11

Quarterly EPS	Q1	Q2	Q3	Q4
2011A	-0.02	-0.02	-0.02	-0.03
2012E	-0.09	-0.14	-0.53	-0.36
2013E	0.44	0.41	0.35	0.21

Financial and valuation metrics

Year	03/11A	03/12E	03/13E	03/14E
EPS (CS adj.) (C\$)	-0.09	-1.11	1.40	1.88
Prev. EPS (C\$)	—	—	—	—
P/E (x)	-74.1	-6.1	4.8	3.6
P/E rel. (%)	-430.2	-44.2	40.0	33.3
Revenue (C\$ m)	—	101.4	251.2	391.0
EBITDA (C\$ m)	-4.9	-71.3	119.5	163.0
OCFPS (C\$)	-0.08	-0.85	1.94	2.59
P/OCF (x)	-173.5	-7.9	3.5	2.6
EV/EBITDA (current)	-66.3	-4.6	2.7	2.0
Net debt (C\$ m)	-6	-2	-41	-135
ROIC (%)	-2.86	-40.92	47.47	50.26

Number of shares (m)	54.05	IC (current, C\$ m)	143.17
BV/share (Next Qtr., C\$)	2.8	EV/IC (x)	2.5
Net debt (Next Qtr., C\$ m)	-27.8	Dividend (Next Qtr., C\$)	—
Net debt/tot cap (Next Qtr., %)	-2.4	Dividend yield (%)	—

Source: Company data, Credit Suisse estimates.

Investment Thesis

The 'Actions Speak Louder than Words' philosophy

The LIM philosophy, in our opinion, seems to be that 'actions speak louder than words'. LIM does not have a reserve statement, it does not have 3 revisions on its feasibility study, and LIM.TO is still getting its heading around the economics of its own project.

What LIM does have however is an operating mine, and during JunQ2012 we expect it to be cash flow positive and declaring commercial production. As far as the Canadian iron ore industry goes, operating cash flow will put LIM.TO into a fairly exclusive group; alongside CLF, IOC and ArcelorMittal.

What makes LIM not just part of an exclusive group, but unique, is that:

- LIM.TO is the only *TSX listed and controlled* iron ore miner in Canada (LIF-U.TO also being a producer, but controlled by Rio Tinto).
- LIM.TO's progress to date has been achieved without taking on any debt, or diluting LIM.TO's project interest to a strategic partner.

A long term consolidator of the Labrador Trough?

The position of 'Labrador Trough iron ore consolidator' remains vacant, at this stage. We believe that LIM.TO has an opportunity to fill the role. LIM.TO's strategic benefits are its production, its first mover advantage, and its near term operating cash flow. LIM.TO's currency is its paper.

We believe that LIM.TO has an opportunity to use its \$16 per resource tonne paper to consolidate a number of other \$1 per resource tonne plays (see Exhibit 25), in doing so it would:

- Re-value the targets by providing them with operating cash flow to reduce dilution risk, and applying the lessons LIM.TO has learnt to date about fast track production.
- Provide existing LIM.TO shareholders with some 'blue sky' valuation potential that the story currently lacks.

The most obvious starting point for this strategy is NML.TO, and retaining NML.TO's people would address one of LIM.TO's other weaknesses: engineering smarts.

Seizing an opportunity

The reason LIM has managed to develop its projects so much more quickly than its peers, however, is not due to experience, but to the availability of infrastructure which was built for the very deposits LIM.TO is now mining. As an organisation, LIM.TO does not have a tremendous amount of collective experience in the construction, operation, or marketing of iron ore projects- although we note that this is in the process of changing with recent appointments of ex-Wabush and Baffinland management.

The project was initially under-engineered, which has led to a lot of engineering on the run. As LIM.TO learns more about the performance of the orebody through the plant, and customer requirements, the plant has been redesigned. Retrospective upgrades to the plant will continue through 2012, which are largely aimed at achieving nameplate capacity rather than exceeding it. As LIM.TO has learnt more about beneficiation yields and infrastructure solutions, cash costs have been revised upwards.

There is a learning process taking place within LIM.TO. We do not know how much longer this process will continue, but until it does we have low confidence in the production, capex, and opex guidance that the company provides.

Not yet a sustainable bulk commodity story

The challenge for this business is longevity, and how to achieve it. In an ‘LT world’ where CS predicts the iron ore price heading towards US\$90/t (CFR China), LIM.TO’s is not likely to be a business model which will prosper:

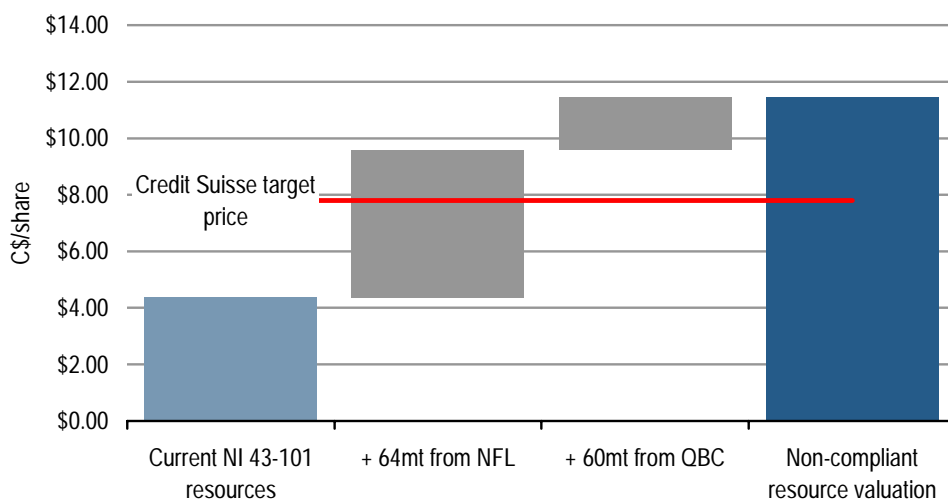
- The bulk commodities business is about economies of scale, and efficient infrastructure solutions. Currently, LIM.TO has neither.
- Current operating costs of C\$65/t do not tell the whole story. There is also C\$100mn associated with the 11mt of resources at James and Redmond, which is > C\$10/t on a saleable product basis. None of LIM.TO’s future growth beyond 2.5mtpa shares this initial C\$100mn investment – the next 2.5mtpa requires at least another C\$100mn capex. C\$130mn worth of ‘mineral property interests’ on the balance sheet = \$4/t on current NI 43-101 resources, royalties are C\$3-4/t, perhaps C\$10-15/t is paid to IOC for a marketing fee, and ‘start up costs’ associated with infrastructure take or pay arrangements are currently being capitalised. We estimate that the ‘all in’ cost of production is \$30-40/t higher than reported cash costs. Our 2012 FOB Canada fines price is ~US\$124/t, but longer term it is US\$73/t.

Inclusion of historic resources into the mine plan is critical to the valuation story

We like that LIM.TO are doers, not talkers. We like that LIM.TO has an infrastructure agreement with QNS&L for handling of its ore. But, we do not like the fact that LIM.TO has no reserves and less than 40 mt of NI 43-101 compliant resources (6 years worth of production at target 5mtpa).

On the NI 43-101 resources alone, the stock is worth a fraction of today’s share price. Inclusion of an additional 124mt of historic resources into the mine plan is critical to the valuation story, as we highlight in Exhibit 131. To date the reconciliation of historic resources has been positive, so conversion to NI43-101 compliance may be viewed as little more than a formality, however without addressing this formality we fear that LIM.TO is compromising its own investability for some readers of this report.

Exhibit 131: Valuation sensitivity to mine life extension



Source: Company data, Credit Suisse estimates

Exhibit 132: Financial Summary

Labrador Iron Mines (LIM)

Year ending 31 Mar

In CADmn, unless otherwise stated

Profit & Loss	03/10A	03/11A	03/12E	03/13E	03/14E
Sales revenue	0.0	0.0	101.4	251.2	391.0
EBITDA	-2.7	-4.9	-71.3	119.5	163.0
Depr. & Amort.	0.1	0.0	7.6	15.6	25.8
EBIT	-2.8	-4.9	-78.9	103.9	137.2
Associates	0.0	0.0	0.0	0.0	0.0
Net interest	-0.1	-0.1	-0.1	-1.5	-3.6
Reported PBT	-2.7	-4.8	-78.8	105.3	140.8
Income tax	-3.9	-0.8	-18.7	29.5	39.4
Profit after tax	1.2	-4.0	-60.1	75.8	101.4
Minorities	0.0	0.0	0.0	0.0	0.0
Preferred dividends	0.0	0.0	0.0	0.0	0.0
Normalised NPAT	1.2	-4.0	-60.1	75.8	101.4
Analyst adjustments	0.0	0.0	0.0	0.0	0.0
Unusual item after tax	0.0	0.0	0.0	0.0	0.0
Reported NPAT	1.2	-4.0	-60.1	75.8	101.4
Balance Sheet	03/10A	03/11A	03/12E	03/13E	03/14E
Cash & equivalents	48.3	7.6	2.4	41.4	135.4
Inventories	0.0	0.2	38.0	22.3	35.3
Receivables	0.7	1.3	11.4	11.1	17.6
Other current assets	0.0	0.9	1.7	1.7	1.7
Current assets	49.0	10.0	53.5	76.5	189.9
Property, plant & equip.	7.9	36.7	83.6	134.0	153.9
Intangibles	0.0	0.0	0.0	0.0	0.0
Other non-current assets	153.1	137.6	24.4	24.4	24.4
Non-current assets	161.1	174.3	108.1	158.4	178.3
Total assets	210.0	184.3	161.6	234.9	368.2
Payables	2.1	14.9	19.0	9.3	14.7
Interest bearing debt	0.0	1.7	0.0	0.0	0.0
Other liabilities	32.3	3.1	4.6	4.6	4.6
Total liabilities	34.4	19.7	23.6	13.9	19.3
Net assets	175.6	164.6	137.9	221.0	348.9
Ordinary equity	161.5	164.6	126.5	209.8	331.3
Minority interests	0.0	0.0	0.0	0.0	0.0
Preferred capital	0.0	0.0	0.0	0.0	0.0
Total shareholder funds	175.6	164.6	137.9	221.0	348.9
Net debt	-48.3	-5.9	-2.4	-41.4	-135.4
Cashflow	03/10A	03/11A	03/12E	03/13E	03/14E
EBIT	-2.8	-4.9	-78.9	103.9	137.2
Net interest	0.0	0.0	-0.1	1.4	2.9
Depr & Amort	0.1	0.0	7.6	15.6	25.8
Tax paid	0.0	0.0	11.1	-6.5	-37.1
Working capital	-0.6	0.1	14.6	-6.3	14.1
Other	0.2	1.4	-0.5	-3.2	-3.2
Operating cashflow	-3.1	-3.4	-46.1	104.9	139.7
Capex	0.0	0.0	-14.1	-65.9	-45.7
Capex - expansionary	0.0	0.0	-10.0	-57.0	-30.0
Capex - maintenance	0.0	0.0	-4.1	-8.9	-15.7
Acquisitions & Invest	-14.4	-27.1	-51.0	0.0	0.0
Asset sale proceeds	0.0	0.0	0.0	0.0	0.0
Other	-2.1	-12.3	-9.5	0.0	0.0
Investing cashflow	-16.5	-39.3	-74.6	-65.9	-45.7
Dividends paid	0.0	0.0	0.0	0.0	0.0
Equity raised	32.8	2.6	115.8	0.0	0.0
Net borrowings	0.0	0.0	0.0	0.0	0.0
Other	0.0	-0.5	-0.3	0.0	0.0
Financing cashflow	32.8	2.1	115.5	0.0	0.0
Total cashflow	13.1	-40.7	-5.2	39.0	94.0
Adjustments	0.0	0.0	0.0	0.0	0.0
Net Change in Cash	13.1	-40.7	-5.2	39.0	94.0

Share Price: C\$6.74 1/12/2011 11:33

Rating OUTPERFORM

Target Price C\$ 8.30
vs Share price % 23.15



LIM.TO commenced production of a small hematite iron operation in 2H2011, and aims to ramp up production to 5mtpa through 2012 and 2013. 'The project' includes around 20 satellite deposits that were once mined by IOCC, but were abandoned in the early 1980's. As of October 2011, LIM is the only iron ore producer listed on the TSX.

Earnings 03/10A 03/11A 03/12E 03/13E 03/14E

Equiv. FPO (period avg.)	mn	37.4	43.7	54.0	54.0	54.0
EPS (Normalised)	c	3.1	-9.1	-111.3	140.4	187.7
EPS Growth	%		-391.9	-1,124.1	226.2	33.7
DPS	c	0.0	0.0	0.0	0.0	0.0
Dividend Payout	%	0.0	0.0	0.0	0.0	0.0
Free CFPS	c	-8.4	-7.9	-92.9	177.7	229.5

Valuation

P/E	x	216.4	-74.1	-6.1	4.8	3.6
EV/EBIT	x	-126.3	-72.5	-4.5	3.4	2.6
EV/EBITDA	x	-131.5	-72.5	-5.0	3.0	2.2
Dividend Yield	%	0.0	0.0	0.0	0.0	0.0
FCF Yield	%	-1.2	-1.2	-13.8	26.4	34.0
Price to Book	x	1.6	1.8	2.9	1.7	1.1

Returns

Return on Equity	%	0.7	-2.4	-47.5	36.1	30.6
Profit Margin	%			-59.3	30.2	25.9
Asset Turnover	x	0.0	0.0	0.6	1.1	1.1
Equity Multiplier	x	1.3	1.1	1.3	1.1	1.1
Return on Assets	%	0.6	-2.2	-37.2	32.3	27.5
Return on Invested Cap.	%	0.9	-2.6	-44.4	41.6	46.3

Gearing

Net Debt to Net debt + Equity %		Net Cash	Net Cash	Net Cash	Net Cash	Net Cash
Net Debt to EBITDA	x	17.7	1.2	0.0	Net Cash	Net Cash
Int Cover (EBITDA/Net Int.)	x	30.2	35.4	841.8	-81.4	-45.4
Int Cover (EBIT/Net Int.)	x	31.4	35.4	931.4	-70.8	-38.2
Capex to Sales	%			13.9	26.2	11.7
Capex to Depreciation	%					

Assumptions & Operations 03/10A 03/11A 03/12E 03/13E 03/14E

Iron Ore (62% IODEX)	US\$/t CF	79.1	131.9	168.9	152.5	140.0
Equity Iron Ore Sales	mt	0.00	0.00	0.26	1.95	3.23

Projects & Mines	Net Asset Value			Valuation	
	C\$mn	C\$/sh	multiple	C\$mn	C\$/sh
Schefferville	554	10.26	0.85 x	471	8.72
Sub-Total	554	10.26	0%	471	8.72
Corporate	C\$mn	C\$/sh	multiple	C\$mn	C\$/sh
Net Cash / (debt)	2	0.04	1.00 x	2	0.04
Corporate	-25	-0.46	1.00 x	-25	-0.46
Sub-Total	-22	-0.42	0%	-22	-0.42
Total	532	9.84	0	449	8.30

- Shares on issue (mn)	54.0	- Current share price	6.74
- Target P / NAV	0.85 x	- Current P/NAV	0.70 x
- WACC (nominal)	10.0%		

Source: Company data, Credit Suisse estimates

Valuation

Summary

The LIM valuation process is a reasonably straightforward one; LIM.TO is very much a case of what you see is what you get. The company essentially has one project; 'Schefferville' comprising of 20 satellite deposits, which it targets to be producing at 2.5mtpa by end 2012 followed by a number of 'cookie cutter' expansion steps which expand to, or maintain, production at 5mtpa.

Our modelling assumes a modest delay to the 5mtpa target, as summarised in Exhibit 148, but more importantly we assume a mine life of ~ 100mt, which is well in excess of the current NI 43-101 compliant resources of just 39mt. The sensitivity to this mine life assumption is summarised in Exhibit 136.

Net Present Value

Exhibit 133: NAV and risk weighted valuation

Projects & Mines	Net Asset Value			Valuation	
	C\$m	C\$/sh	multiple	C\$m	C\$/sh
Schefferville	554	10.26	0.85 x	471	8.72
Sub-Total	554	10.26		471	8.72
Corporate	C\$m	C\$/sh	multiple	C\$m	C\$/sh
Net Cash / (debt)	2	0.04	1.00 x	2	0.04
Corporate	-25	-0.46	1.00 x	-25	-0.46
Sub-Total	-22	-0.42		-22	-0.42
Total	532	9.84		449	8.30

Notes:

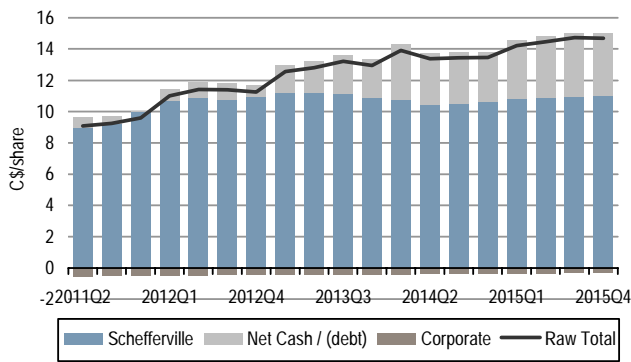
- Shares on issue (mn)	54.0	- Current share price	6.74
- Target P / NAV	0.85 x	- Current P/NAV	0.70 x
- WACC (nominal)	10.0%	- Valuation upside	23%

Source: Company data, Credit Suisse estimates

Our 1 year forward NAV based valuation for LIM uses a 0.85x P/NAV, on the basis that in 12 months time we expect to see 1 x 2.5mtpa module fully commissioned and construction should be imminent on the other. Notionally $(2.5 \times 100\% + 2.5 \times 70\%) / 5 = 85\%$.

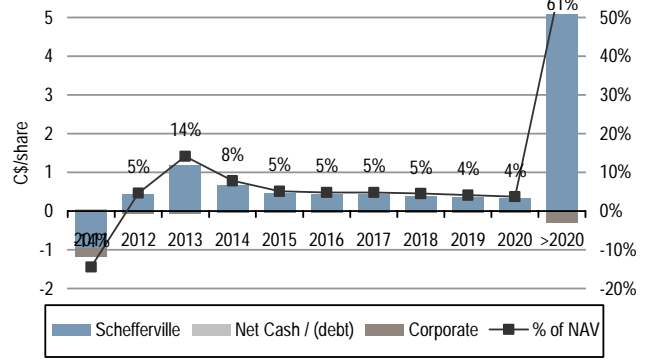
Our 5 year rolling NAV model shows a steady increase in net asset value due mainly to the cash accumulation against a relatively low capital intensity business model.

Exhibit 134: 5 year rolling NAV



Source: Company data, Credit Suisse estimates

Exhibit 135: Contributions to 2011 raw NAV



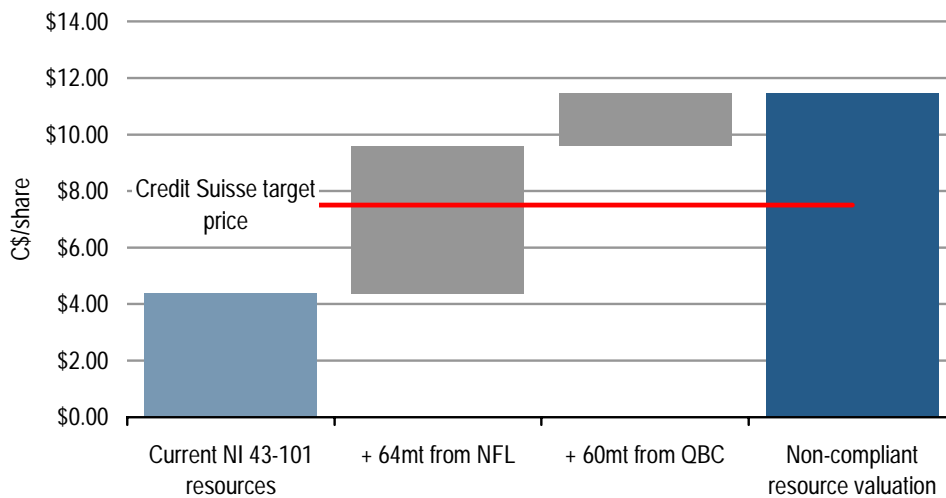
Source: Company data, Credit Suisse estimates

From a valuation perspective, LIM.TO is a ‘here and now’ story. Roughly 28% of our current NAV is ‘derived from’ 2011 – mainly from the balance sheet. Relative to its peers, LIM.TO’s current deposits have shorter mine lives and are therefore less sensitive to long term price assumptions. Only 28% of our current NAV sits > 2020 – this is in contrast to their Schefferville neighbours, New Millennium, for which we have 119% of the NAV being generated > 2020.

NAV Sensitivities

Proving up historical resources into the mine plan is critical to the valuation story

Exhibit 136: Valuation sensitivity to mine life extension



Source: Company data, Credit Suisse estimates

One of the most important drivers and sensitivities to our LIM.TO valuation is the mine life assumption. The company’s current NI 43-101 resources of around 40mt suggest a resource life of less than 6 years after allowing for beneficiation yield and ramp up to 5mtpa. There are currently no reserves. However, over and above the above NI 43-101 compliant resources, LIM.TO’s property has historically held:

- Newfoundland & Labrador: 64.4mt at 58% Fe and 7.1% silica, and
- Quebec: 60.5mt at 55.4% Fe and 6.1% silica

Based on positive resource reconciliation to date, we have a high level of confidence that LIM.TO will prove these resources into NI 43-101 tonnes with time. We do not get the

impression from management that this resource conversion process is a particularly high priority however.

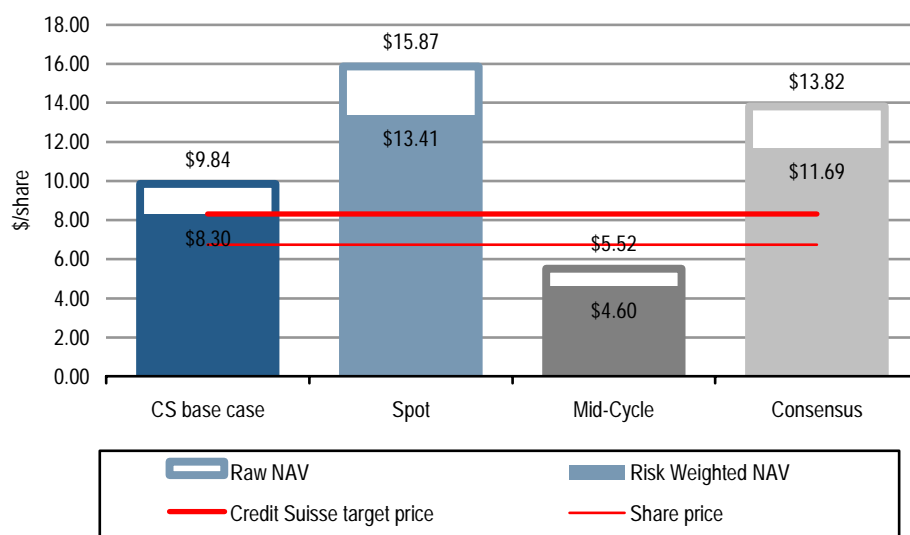
Our published NAV assumes a LOM of 100mt, and the NAV sensitivity to inclusion of these additional resources into the mine plan is illustrated in Exhibit 136.

Sensitivity analysis under alternative price decks

We maintain four different ‘macro’ scenarios in our models; CS assumptions (official house forecasts), Spot (US\$140/t CFR), Mid-Cycle (CS LT price run from today into perpetuity) and Consensus (based on the Consensus Economics quarterly broker survey). Our NAV under each of these scenarios is summarised below.

Consensus and Spot commodity price scenarios both offer upside to our more conservative house price deck.

Exhibit 137: NAV sensitivities under various macro scenarios

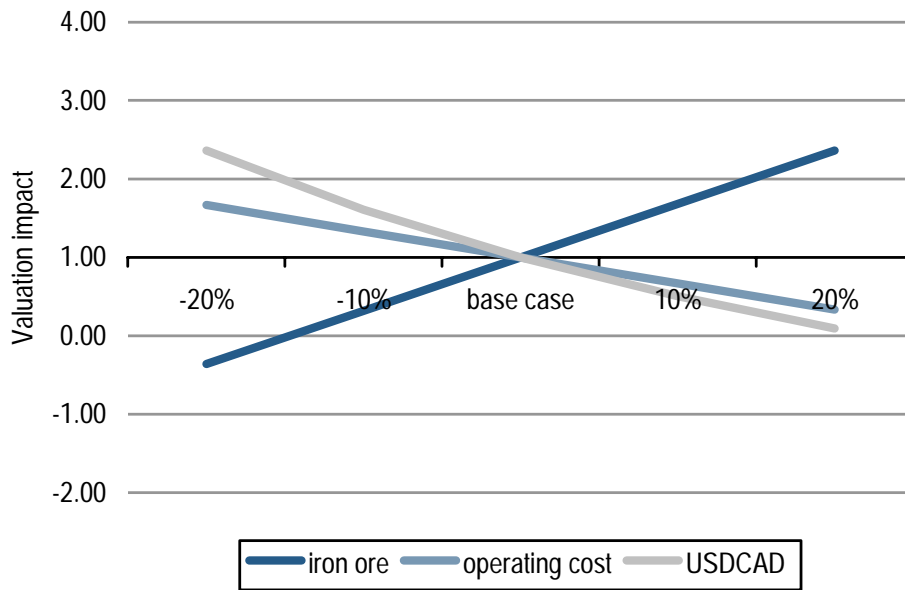


Source: Company data, Credit Suisse estimates

Sensitivity to key macro drivers is summarised in Exhibit 138.

- LIM.TO's relatively short mine life do not offer a lot of leverage to the iron ore price assumption
- We noted out low confidence in managements (and our own) operating cost forecasts due to the under-engineered nature of this business, and ‘learning on the job’ approach. A 20% increase in operating costs almost entirely erodes our NAV and makes the business worthless on our current price deck.

Exhibit 138: NAV sensitivities

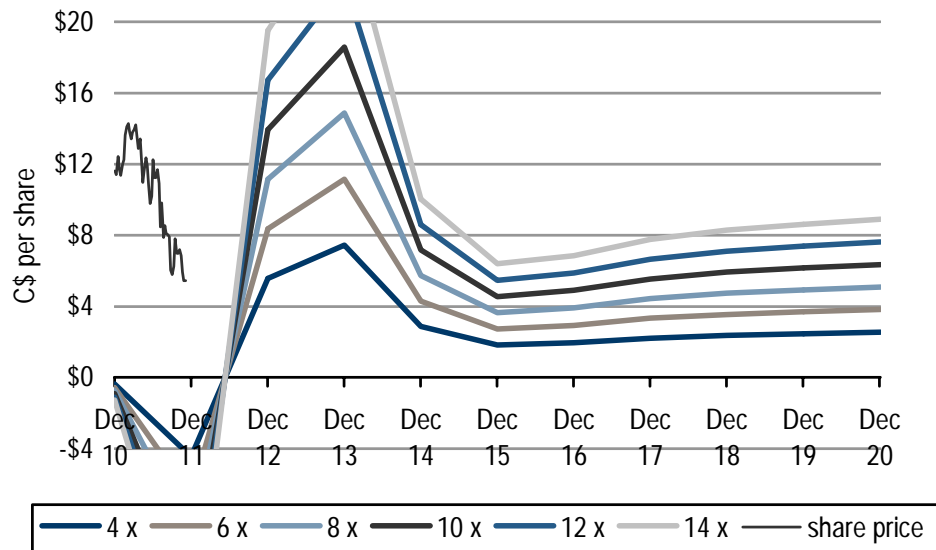


Source: Company data, Credit Suisse estimates

Earning multiples

Our PER model (Exhibit 139) suggests that beyond the FY13 iron ore price induced spike, this company will generate around \$0.60/share in earnings supporting an \$4.80-6.00/share valuation on a 8-10x multiple, which we feel is appropriate.

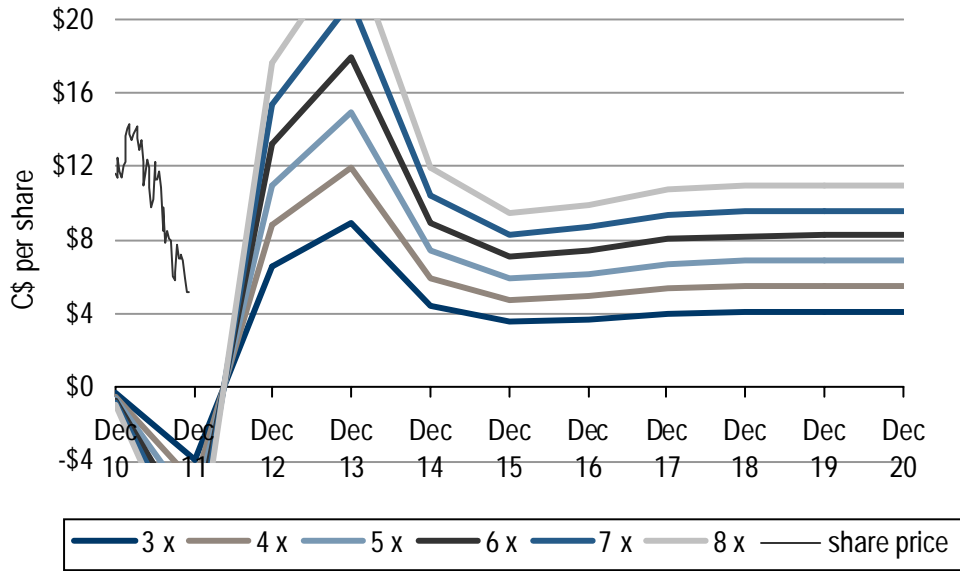
Exhibit 139: PER bands



Source: Company data, Credit Suisse estimates

LIM.TO does not have, and will not have, a particularly complicated balance sheet based on its current business model. We can use the EBITDA multiples in Exhibit 140 to arrive at a similar valuation range.

Exhibit 140: EBITDA bands

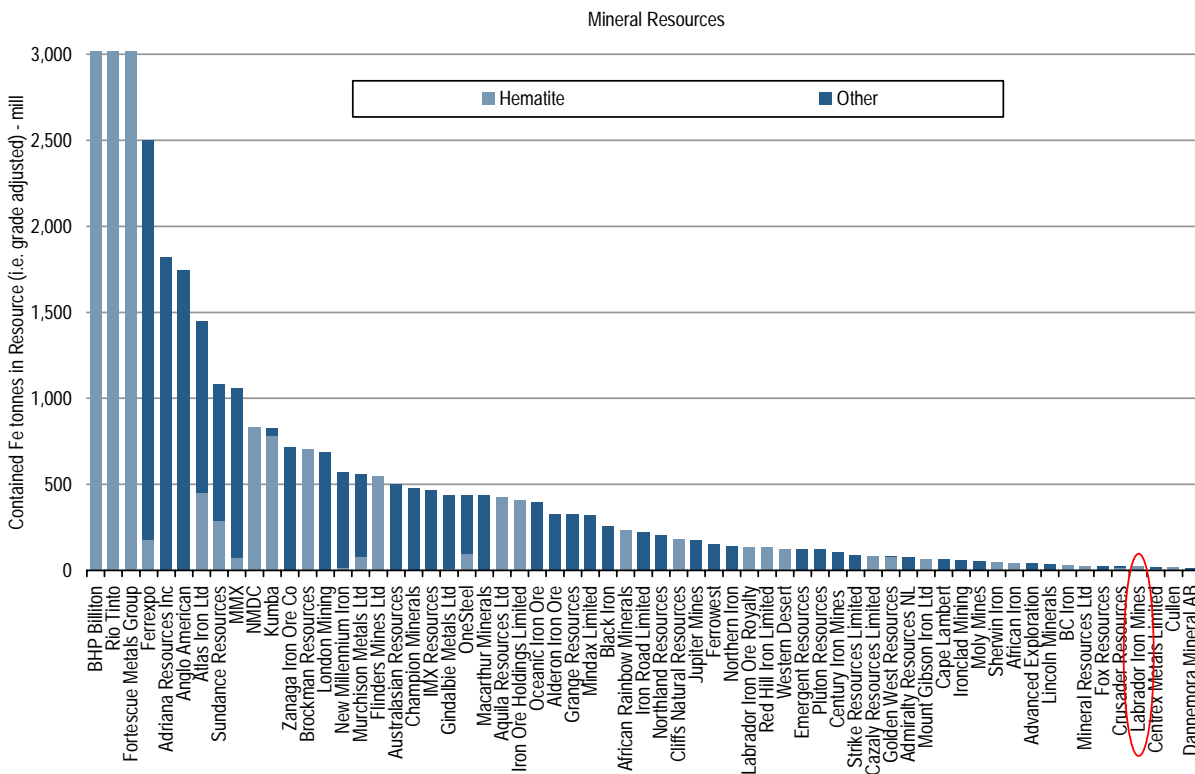


Source: Company data, Credit Suisse estimates

Comparable Company Analysis

Exhibit 141 puts LIM.TO's resource inventory into context. Whilst we entirely appreciate that LIM.TO may not need a NI 43-101 compliant reserve statement, or a larger resource statement, to profitably mine the deposits, we are concerned that without addressing these things the company may be limiting its investor audience.

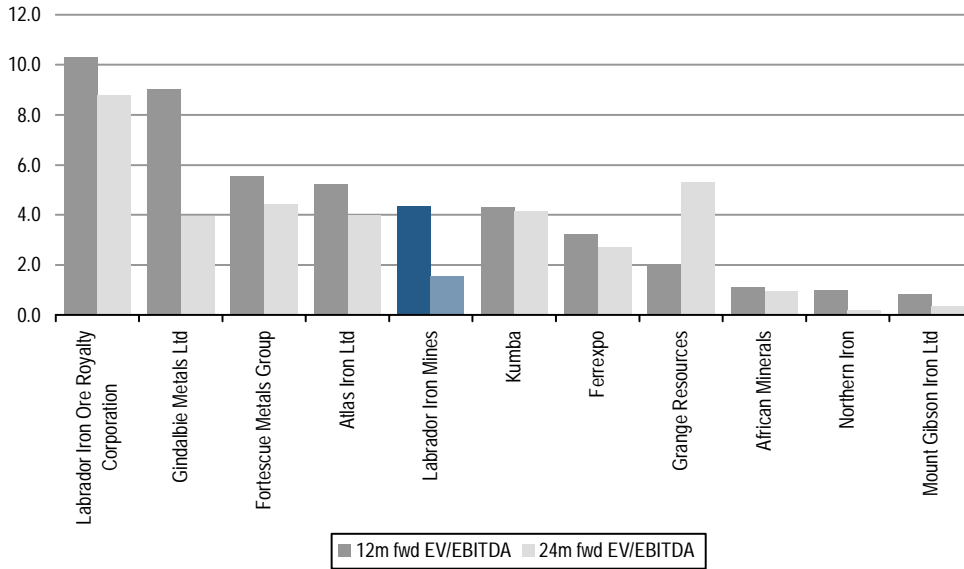
Exhibit 141: Mineral Inventory back of global iron ore comparables



Source: Company data, Credit Suisse estimates

Exhibit 142: EV/EBITDA comparables

Global comps: Filtered for a) pure play iron ore and b) Developer or Producer status

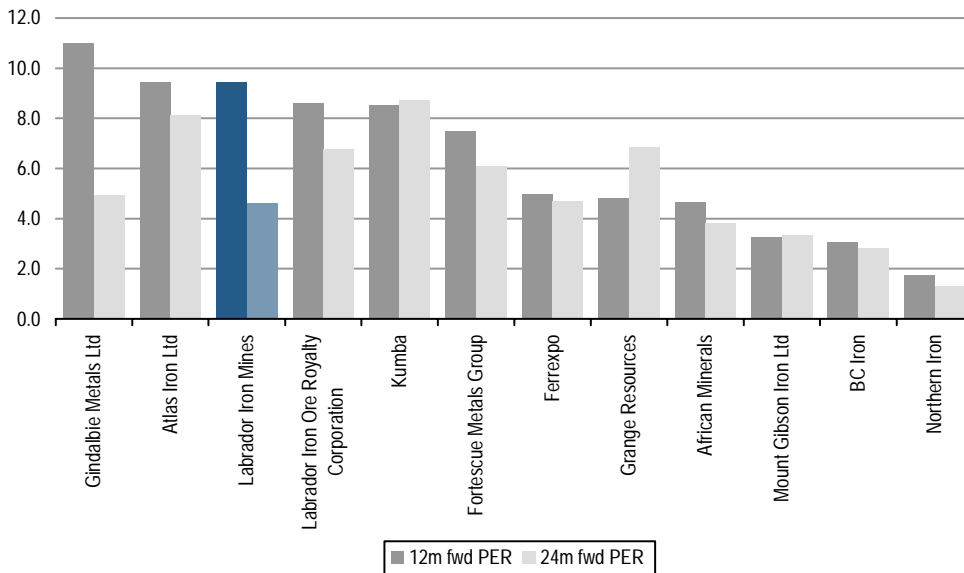


Source: IBES

Exhibit 142 and Exhibit 143 provide a comparable company analysis from our global database of iron ore names, which have been filtered for a) pure play iron ore and b) at either developer or producer status. Relative to this peer group, we believe LIM.TO is fairly priced, or arguably a little cheap on a consensus EV/EBITDA basis.

Exhibit 143: PER comparables

Global comps: Filtered for a) pure play iron ore and b) Developer or Producer status



Source: IBES

LIM.TO as the Labrador Trough consolidator

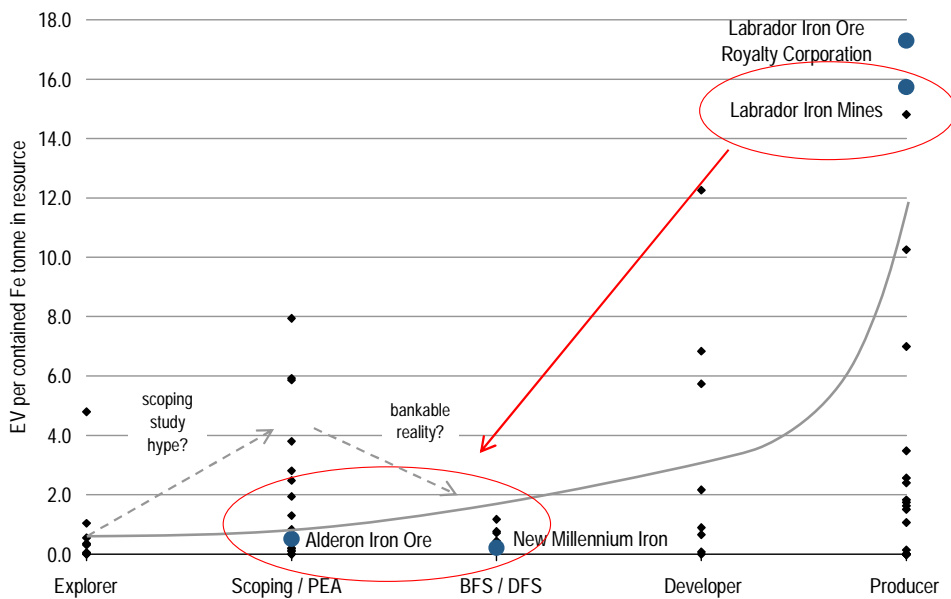
The opportunity

In our opinion, LIM.TO's greatest assets are its production, its first mover advantage, its experience in dealing with infrastructure providers, and the lessons it has learnt in the process. However these rare assets are being devalued by the day, as:

- LIM.TO's peers go through the learning process that it has already experienced, making LIM.TO's experiences less unique.
- Global iron ore supply catches up with demand, potentially taking prices down to a level at which LIM.TO's business model becomes uneconomic.

With the right corporate smarts, we believe that LIM.TO has an opportunity to leverage the premium its paper currently attracts in order to play consolidator of the Labrador Trough, essentially buying \$1 per contained Fe tonne paper with \$16 per contained Fe tonne paper.

Exhibit 144: Can LIM.TO use \$16/t paper to buy \$1/t paper?



Source: Company data, Credit Suisse estimates

The LIM.TO we see today reminds us of an Atlas Iron (AGO.AX) we watched in 2008.

- At the time AGO.AX had 39mt of DSO resources, and just 15mt of reserves.
- Pardoo, AGO.AX's first operation, had just over 7mt of reserves which gave it 3-4 years worth of production at a 2mtpa scale.
- AGO.AX was, and remains, a third party infrastructure model. It currently uses trucks to transport ore to a third party port.
- AGO.AX used its 'producer premium' to start doing deals. It bought Warwick Resources, Aurox Resources, Giralia Resources and FerrAus Limited.
- Today, AGO.AX has 1,034 mt of DSO hematite resources, 242mt of reserves, it is targeting > 46mtpa of production as it transforms from a low capex start up model to a higher capex, and rail dependent, mid-tier player.

- Today, AGO.AX is the second largest 'pure play' iron ore miner listed on the ASX, after Fortescue Metals Group.

The challenge

Although we can see this as a very real opportunity, we are less convinced that LIM.TO feels the same about it. We certainly can't observe the same long term corporate ambition in LIM.TO that we could see in AGO.AX.

There are no doubt others, namely Chinese steel mills, who may have had similar ideas about the Labrador Trough.

- Whilst it would certainly be difficult to realise a vision like this without an appetite for the iron ore and deep pockets to pay for it, Tata Steel's (or Corus') geographic advantage in the short term should not be over looked.
- A Chinese customer of the Labrador Trough will forever be burdened with a significant freight disadvantage.
- Tata Steel on the other hand plans to use its Labrador Trough production exposure to feed its Corus operations in Europe. The freight penalty to Europe is far less severe.

Please refer to our New Millennium report, and specifically the valuation section, where we have discussed a corporate combination of LIM.TO and NML.TO in more detail.

Company-Specific Risks

Investment in any mining company brings with it operational risks, commercial risks, and development risk.

A few of the risks we regard as being more company-specific include:

Examples of **Operational and Development Risks**

- LIM.TO does not currently have a reserve statement. Whilst we appreciate that there has been good reconciliation to historic reserves and that from an operations perspective one may not be required, the company's financial projections and cost estimates have not been subject to the same level of review and assessment as those of its peers.
- LIM.TO currently relies on provision of third party services for rail/transport, port/loading and sales/marketing. We have low visibility on the current commercial arrangements, and even less on how these arrangements might work in the future. LIM.TO's current rail and marketing arrangements with IOC expire at end 2011, and to date replacement or renewed agreements have not been announced.
- LIM.TO's operation is relatively more exposed to weather (or temperature) than that of its peers. LIM.TO's processing plant is not enclosed in a building.
- Being located in North America, further from growth markets, **this operation is more sensitive to seaborne freight rates** than most of its global peers. Credit Suisse forecasts a long term freight rate which is lower than today's spot, but if our freight forecasts are too low either in the short or medium term, this will adversely impact IOC realised price forecasts and undermine the global competitiveness of this operation.

Examples of **Commercial and Financial Risks**

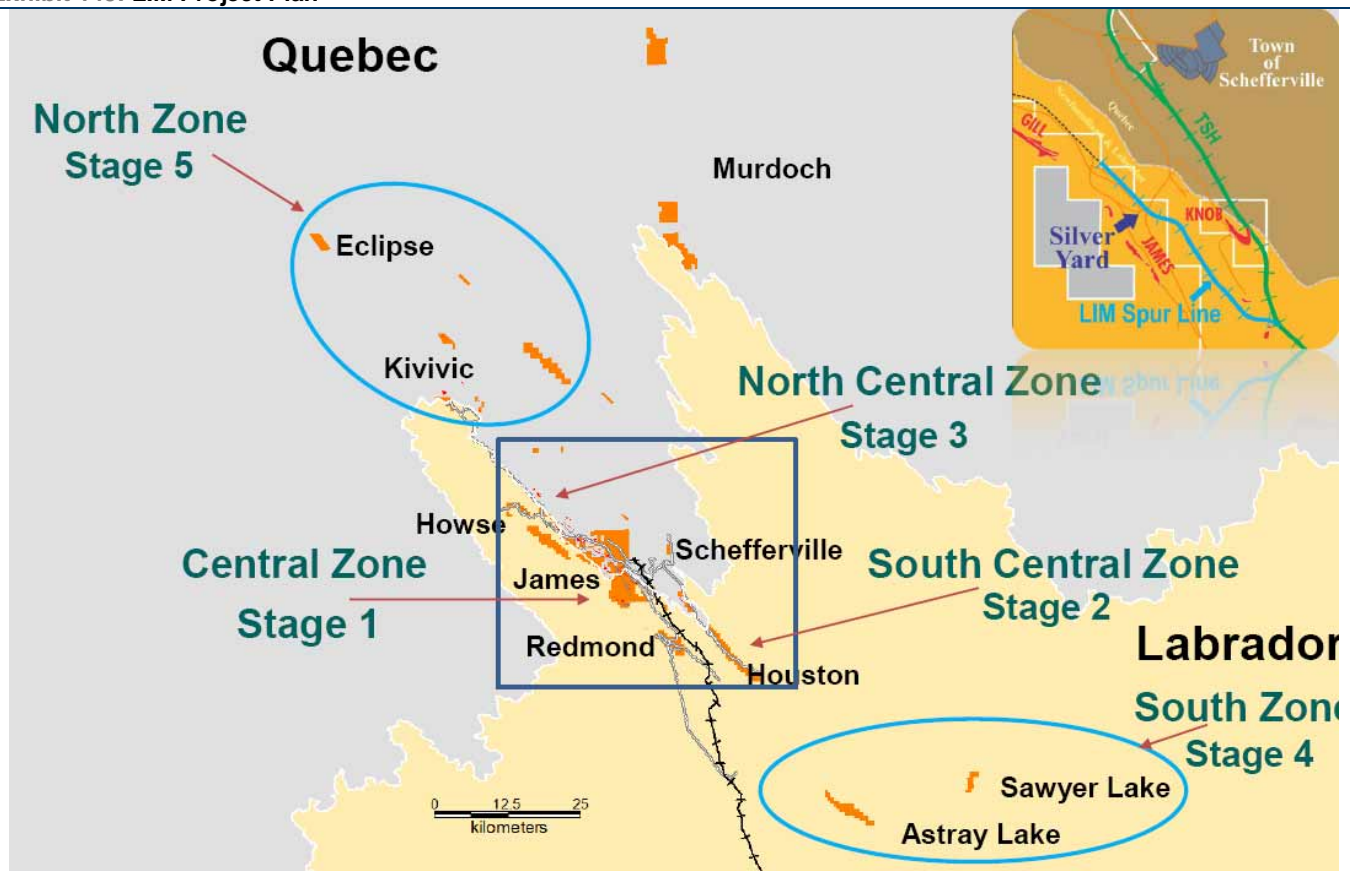
- Although LIM.TO has a LOM rail agreement with IOC/QNS&L for the transport of its ore, this is a commitment for tonnage only, not price. The pricing will be renegotiated every few years, and we expect that as competition for rail access increases so will LIM.TO's access price.
- LIM.TO's long term logistics solution is still evolving. We do not know what LIM.TO's long term material handling, port, and marketing arrangements will look like – and neither does LIM.TO.
- LIM.TO has no debt and no debt facilities in place. It plans to fully fund its expansion aspirations with operating cash flows. A collapse in the iron ore price will quickly erode this OCF, potentially leaving the business balance sheet constrained.

Asset Review

Overview

LIM will be developing 20 satellite deposits – most of which are brownfield ex-IOC sites that were abandoned in the early 1980's. IOC walked away from these operations due to decreasing silica levels and reducing iron grades, but in today's market with new iron ore appetites evolving and various processing options now economically viable these assets are seeing a new lease of life. LIM plans to develop and mine the deposits in four stages, starting with those located closest to existing infrastructure (James is the source of current production).

Exhibit 145: LIM Project Plan



Source: Company data

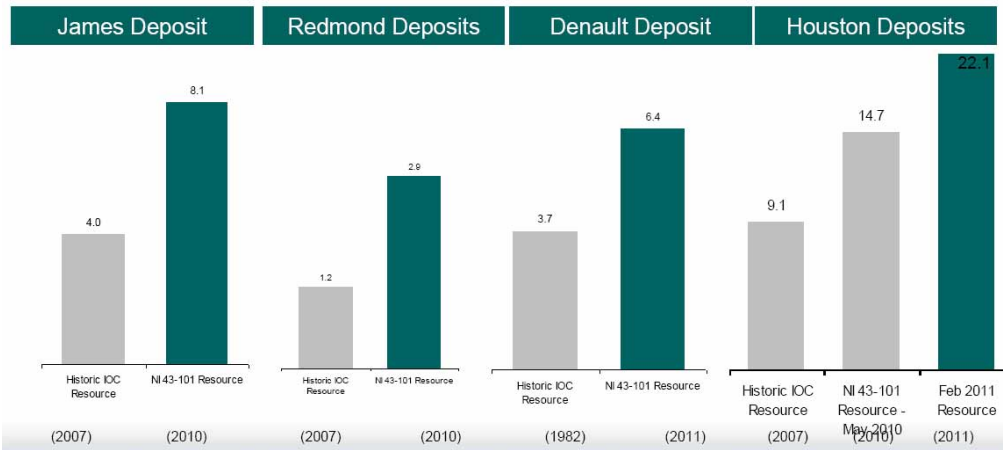
LIM currently has just 41mt of N 43-101 compliant resources at 56.7% Fe and 12.09% silica. In addition to this 41mt, historical IOC resources on the other properties were:

- Newfoundland & Labrador: 64.4mt at 58% Fe and 7.1% silica
- Quebec: 60.5mt at 55.4% Fe and 6.1% silica
- Total: 124.9mt at 56.7% Fe and 6.6% silica

It should only be a matter of process for LIM to do the necessary work to convert these historical resources into NI 43-101 compliant resources. At the individual deposit level we can see that a combination of a) step out drilling (more tonnage) and b) higher silica cut off levels have resulted in substantial increases (Exhibit 146). We understand that iron cut off levels have not changed however.

LIM.TO's current resources on the below deposits are 114% higher than the historic IOC resources. Extrapolating this same level of success to the other 124.9mt of IOC resource suggests there could be *potential* for 268mt of NI 43-101 resources, although we would consider 114% increase in all historic resources a fairly bullish target.

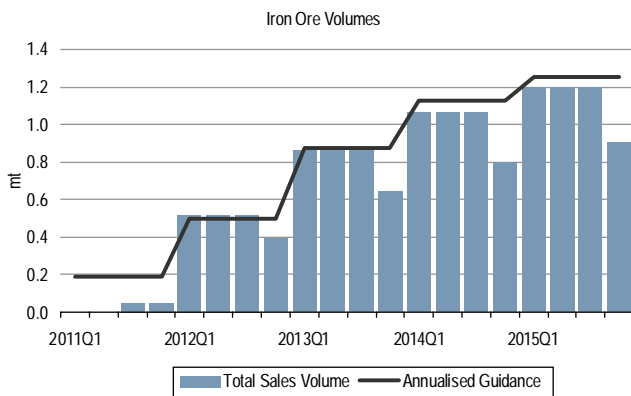
Exhibit 146: Growth of historic resources



Source: Company data

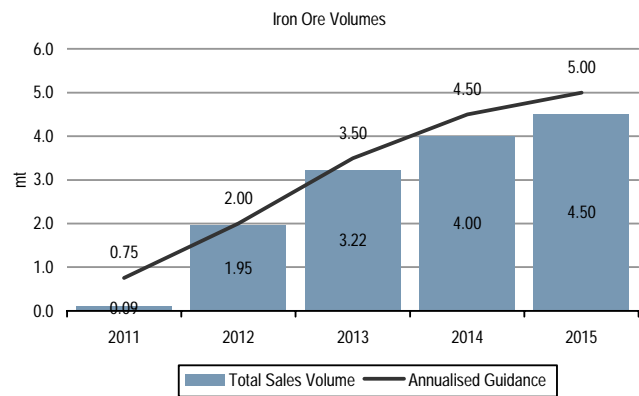
Products & Pricing

Exhibit 147: Quarterly Sales forecasts



Source: Company data, Credit Suisse estimates

Exhibit 148: Annual Sales forecasts



Source: Company data, Credit Suisse estimates

Our ramp-up assumptions imply a modest delay relative to guidance

Our sales volume modelling assumes:

- A modest shortfall relative to ramp up guidance, with a 12-18mth delay in achieving the LT target run rate.
- We assume that LT production gets to 5mtpa (from 2016).
- We model 20% of full year sales in MarQ (LIM.TO's Q4) and the balance evenly spread over the rest of the year. This is weather related.

Like most aspects of this project, the product mix and product specifications are still evolving as LIM continues to learn about its ore bodies, how best to process them, and what their customers actually want.

During our August 2011 visit to the site we saw a small ~ 170kt stockpile of genuine DSO material (which LIM calls "DRO", an invented term), and two larger stockpiles of

beneficiated lump and sinter fines (which LIM calls “DSO”, even though it is beneficiated material).

- The lump is a relatively fine grained +8 – 25mm. Iron content is an attractive 65%, and all impurities are at levels low enough that price penalties are not a concern. All else being equal, we would expect LIM.TO’s lump to attract a modest price premium.
- The fines are apparently grading around 64% Fe with all impurities being higher than the lump – most notably silica (5%) as a result of the smaller size fractions included. Although being higher impurities than the lump, it is probably only the silica level that would be of (modest) concern to customers when assessing VIU.

The deposit is currently being mined at above resource grade, with ROM feed averaging 60-61%. Longer term the head grade will fall below current resource grades to 55-57%, and as a result finished product grades are also expected to reduce to perhaps 62-63%. From a Value in Use (VIU) perspective, the grade premium will erode as a result, and pricing could come under pressure due to the relatively fine particle sizing of LIM.TO’s product. There will be a limit to the amount of LIM.TO’s fines a steel mill can put into its sinter bed without impacting sinter productivity.

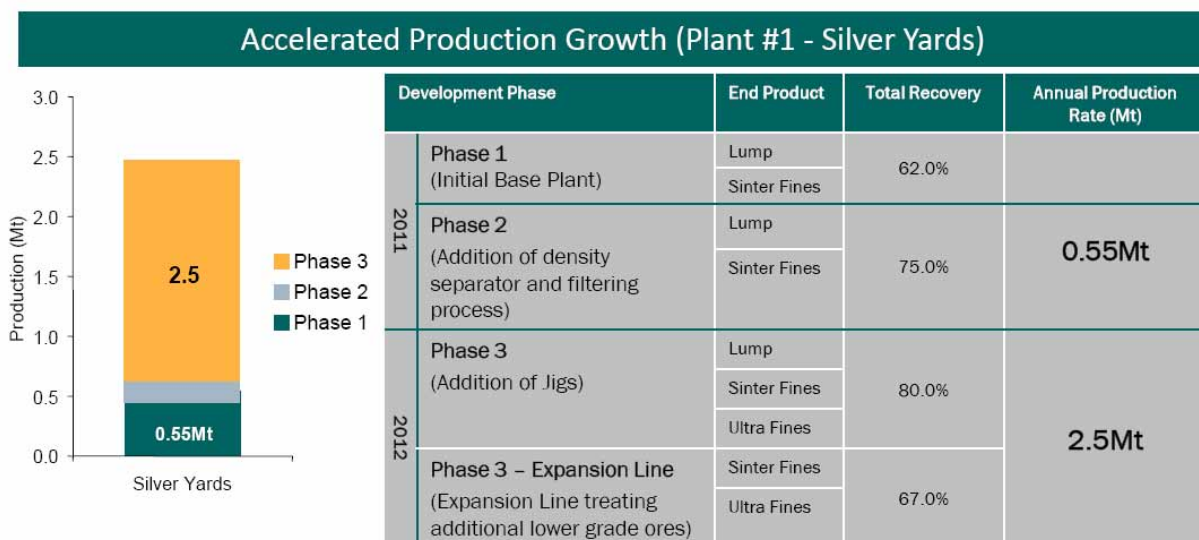
SepQ11 downgraded CY12 sales guidance from 2.5 to 1.8 - 2.0mt

LIM.TO’s recent SepQ11 results downgraded CY12 guidance from 2.5 to 1.8-2.0mt. The shortfall seems to be primarily a result of lower than expected train wagon availability. LIM is using used rail wagons that come fitted for a rotary dumper, but the internal braces need to be removed and replaced with external ones so that LIM.TO can unload the wagons using an excavator. The union does not permit skilled workers to be flown in, and the refurbishment process has been much slower than anticipated.

LIM.TO physically owns around 400 rail cars, around two-thirds of which are now in service, and LIM.TO’s agreement with QNS&L allows for 124 wagon consists.

The recent delivery of a second train has addressed the rail constraint somewhat, but the operation is now constrained by ambient temperatures (see Exhibit 152).

Exhibit 149: Silver Yards processing plant upgrades



Source: Company data

The plant has a nameplate capacity of around 0.55mtpa until mid 2012, when the Phase 3 upgrade takes place (Exhibit 149).

RIO marketing arrangement – estimated cost is at least 10% of FOB price in 2011

LIM does not have any in house iron ore marketing experience, and for 2011 LIM has engaged IOC as not only infrastructure provider but also marketing agent. Effectively LIM.TO sells its ore to IOC unloaded at the port, and IOC then pays to load the LIM.TO ore material onto ships and sells LIM.TO's material as its own, on the spot market. The commercial charges associated with this arrangement are confidential, but we estimate that LIM is paying *at least* 10% of FOB revenue on the basis that:

- During our August 2011 site visit management indicated that using IOC as a marketing agent and having access to its capesize facilities was roughly economically equivalent to doing the marketing themselves but having to use smaller vessels with higher freight.
- The difference between a panamax and capesize vessel Canada to China is roughly \$10-12/t. The panamax option uses a different berth, and requires transshipping, adding perhaps \$3/t. $11 + 3 = 14$.
- The spot price of iron ore in August, when this deal was announced, was roughly \$175/t CFR China, or perhaps \$145/t FOB. $14 \text{ divided by } 145 = 10\%$.

Although our estimates may not be precise, we believe that LIM.TO is very keen to bypass the IOC marketing arrangement and sell direct to Tier 2/3 steel mills or with the help of a trader/broker.

Although it has not said as much, we believe that LIM.TO is likely to be targeting a new offtake deal in early 2012 that by-passes IOC. The market has not been told what the old arrangements were (though we have estimated them above) and is unlikely to be told the details of the new arrangements are, so when and if this announcement comes it may not be fully appreciated. If our estimates are correct however, bypassing IOC could probably result in an 8-10% realised price improvement. Our modelling assumes that the marketing fee drops from 10% in CY11 to 2% thereafter. Unfortunately the alternative marketing arrangement does not really reduce all in costs, because the marketing fee is replaced by a higher port/loading charge, as discussed further below.

Mining and Processing

Mining

By end 2011, total mined ore production should be around 1.6 mtpa, having been scaled back due to the rail constraints further downstream. Mining and process plant operation is outsourced to a contractor running a fleet of 45 – 80 tonne excavators and 40 – 100 tonne articulated and rigid dump trucks.

The stage 1 strip ratio (James and Redmond deposits) is around 1.2:1, so initial material movements required to meet the 2.5mtpa sales target will be in the order of 7.3mtpa after adjusting for a 75% beneficiation yield, increasing to perhaps 14-15mtpa on a consistent strip ratio. We have low visibility on the longer term strip ratio, but we anticipate an increase to 1.5:1 longer term in our modelling which implies a 16.7mtpa earthmoving operation longer term.

One of the nice things about this operation is that as a result of its weathered nature and leached out silica, the material is currently all free dig – i.e. drill and blast is not required. This represents a saving of perhaps \$0.50 – 1/t mined.

During IOC's operation of these assets, the yellow limonitic ores, lower grade TRX ores and high silica ores (HISI) were separated and stockpiled. LIM is planning to upgrade the Silver Yards beneficiation plant in 2012 to process the high silica, lower grade, and yellow ores to produce saleable products.

Overburden, waste stripping and iron ore stockpiling will continue to some extent on a 12 month basis.

The fragmented and poddy nature of the LIM resources implies a relatively high development intensity, and also that as the operational foot print spreads, haulage and site maintenance costs are likely to increase more quickly than they would for a more concentrated deposit.

Processing

LIM.TO is currently producing two types of product:

- 'Direct Rail Ore'. Material which has not been beneficiated, and one tonne out of the ground means one tonne on the ship. Direct Rail Ore (DRO) is LIM.TO's own terminology that distinguishes DRO from beneficiated ore. CY12 guidance = 0.5mt of this material.
- 'Direct Shipped Ore'. Material which has been beneficiated as described below. One tonne out of the ground means 0.55 – 0.75t on the ship. Although LIM.TO calls this 'DSO' material their use of this terminology is inaccurate in our opinion because the material is *not direct shipped; it is beneficiated first*. CY12 guidance = 1.3 – 1.5mt of this material.

After reviewing and verifying historical IOC data, LIM has relied on a combination of IOC RC drilling, trenching and bulk sampling for resource definition and metallurgical design. The absence of significant diamond drilling has meant that understanding of ore granularity, or particle sizing, was poor.

Since commencing mining LIM has learnt that the ore is much finer than anticipated. Recoveries were consequently much lower (around 50-55%). This is being remedied in two phases:

- Phase 2: additional of a hydro sizer, or floatex density separator, and an FLSmidth Pan Filter to dry the product to a moisture < 8%. This intermediate step has a relatively low capex and opex impact, but we understand that following installation in October 2011, November recoveries have improved to around nameplate 75%.
- Phase 3: will add the first example of WHIMS (wet high intensity separation) in the Labrador Trough. WHIMS exploits the mildly magnetic properties of hematite with high intensity (and high energy) magnetic separation.

Together the Phase 2 and Phase 3 expansions are expected to increase the total capital cost of the plant to \$80mn (from current \$50mn) and the total cost of the project to \$150mn including \$70mn worth of infrastructure. ($150/2.5 = \$60$ per annual tonne).

The existing Silver Yard beneficiation plant adjacent the James deposit is the first of two facilities that are likely to be required to meet the 5mtpa target. Ore beneficiation is planned to run from April to November each year, although this is weather dependent. Of course to produce 2.5mtpa in 7 months requires a plant with instantaneous capacity of closer to 4.3mtpa.

Transport and Logistics

Existing infrastructure in this region gave LIM a huge advantage – from both a capital cost and schedule perspective. Access roads, water supply and sewage facilities were already available, as was access to an airport (Schefferville), railway and shipping port. Much of this existing infrastructure was put in place by IOC for these very deposits during the 1950's.

Exhibit 150: James deposit, Silver Yard OPF, ore stockpile and rail loading facilities

Source: Company

Rail – near term requires an 8.5mth rail window per year

Some upgrades have been required. The first major construction activity was re-establishing a 4.5 kilometre spur line to connect the processing site to the Schefferville-Sept-Îles main line. Installation of the new track along the existing rail bed was completed in 2010 and then used to bring in the main components of the processing plant and accommodation camp.

Although the infrastructure has facilitated an expedient start-up, it has not facilitated what we would consider an optimised (or cheap to operate) logistics solution.

- Beneficiated and direct shippable ores are stockpiled parallel to the rail spur adjacent to the ore processing facility.
- A FEL (Front End Loader) is used to load each of the wagons on what is currently an 85-95 car consist. Each wagon takes roughly 4 minutes to load. Typically iron ore would be loaded with a purpose built hopper/train loader which is capable of loading each wagon in roughly 75 seconds. Once current wagon availability has been addressed, the consists are meant to be increasing to 124 cars and longer term LIM.TO hopes 240 will be permitted.
- The wagons have a net payload of 100 tonnes, and 119 tonnes gross, which is equivalent to an axle loading of just under 30 tonnes. As far as we know the world's heaviest rail network is owned by Fortescue Metals Group in Australia's Pilbara region – which has a 40 tonne axle load capacity.

- After leaving the site, the trains pass LIM.TO's own spur, the Tshuetin and QNS&L railways to Sept Iles (see Appendix 1 for further detail about these railways). The current agreements with TSH and QNS&L for accessing their respective lines are **Life Of Mine volume arrangements, but pricing is re-negotiated every few years.**
- From the mine to the end of the Tshuetin Railway a contractor supplies the locomotive services, but QNS&L requires that QNS&L operate the locos on their own line, so for the time being at least the locos have to be decoupled and switched. Although QNS&L is the operator of this rail service, LIM will be making advanced payments totaling \$25mn to cover the purchase by QNS&L of the new locos. This advance payment will be 'repaid' by QNS&L to LIM commencing July 2012 in the form of a \$3.50 per tonne haulage discount. i.e. LIM gets a \$3.50 haulage discount on the first 7.14 mt.
- A summary of LIM.TO's train movements and capacities is provided in Exhibit 151. In order to achieve 2.5mtpa and ensure that the rail capacity is matched with the mine/plant capacity. Improvements are required in terms of pay load per train (which shouldn't be a challenge) and cycle time per train (requires co-operation from IOC/QNS&L).

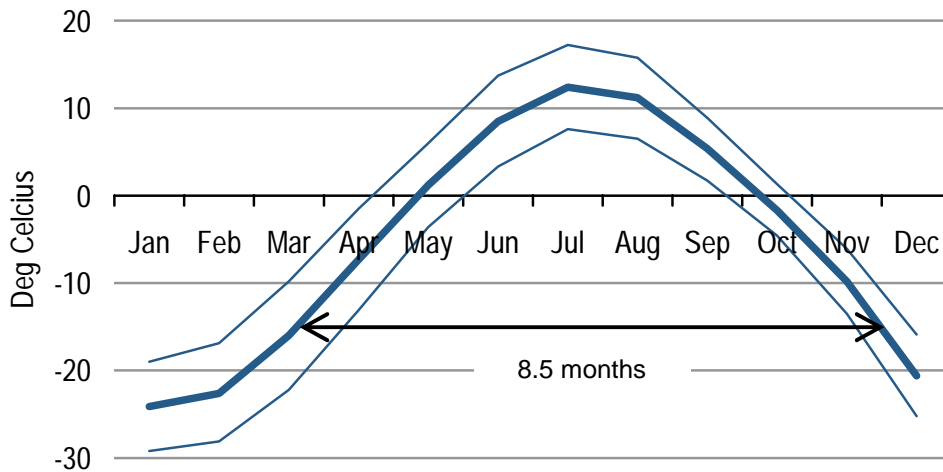
Exhibit 151: Summary of LIM.TO's train capacity

		SepQ11	DecQ11	MarQ12	JunQ12	SepQ12	DecQ12
Available train sets	no	1	2	2	3	3	3
capacity per train	tonnes	10,000	10,000	10,000	11,500	11,500	11,500
cycle time per train	days	4	4	4	3.5	3.5	3.5
train cycles	per week	1.75	3.50	3.50	6.00	6.00	6.00
train cycles	per year	91	182	182	312	312	312
quarterly rail capacity (ignoring weather)	mtpa	0.91	1.82	1.82	3.588	3.588	3.588
available months p.a.	no	8.5	8.5	8.5	8.5	8.5	8.5
full year capacity (weather dependent)		0.64	1.29	1.29	2.54	2.54	2.54

Source: Company data, Credit Suisse estimates

- The other critical assumption behind the above math is the available rail months per year. Unlike NML.TO, LIM.TO is not drying its ore prior to loading, so in order to avoid having the ore freeze in the wagons, LIM.TO can only rail during warmer periods. Our calculations suggest that with 3 trains, as are expected from 1 April 2012, LIM.TO needs an 8.5mth rail window per year. Exhibit 152 puts this into context, and demonstrates that the average temperatures in Schefferville at the edges of this period are around -15 deg C. Temperature is obviously critical to LIM.TO's rail capacity, and with only 3 trains it would appear that 2.5mtpa is ambitious.

Exhibit 152: Schefferville max, average and minimum monthly temperatures



Source: www.climate.weatheroffice.gc.ca

Port

LIM.TO's **2011 port arrangement** is as follows:

- LIM does not have a car dumper at the port, as is normal bulks practice, but rather uses an excavator to 'dig' the material out of the wagon (hence the need for modifications we mentioned earlier). This is both unusual and opex inefficient.

Exhibit 153: Excavator unloading a train at IOC's stockyard at Sept Iles



Source: Company

- The unloaded material is formed into stockpiles in IOC's stockyard at Sept Iles, at which point it becomes IOC property (at least for 2011), and reported cash costs end at this point (i.e. loading not included).
- For the remainder of 2011 under the existing IOC sales agreement, LIM will access IOC's capsize capable berth at Sept Iles.

LIM.TO's **2012 port arrangements** are likely to be:

- Rather than the unloaded ore becoming IOC property, it is likely that this material will be loaded into a truck from the IOC stockyard area, and then stockpiled at the Pointe-Aux-Basques terminal.

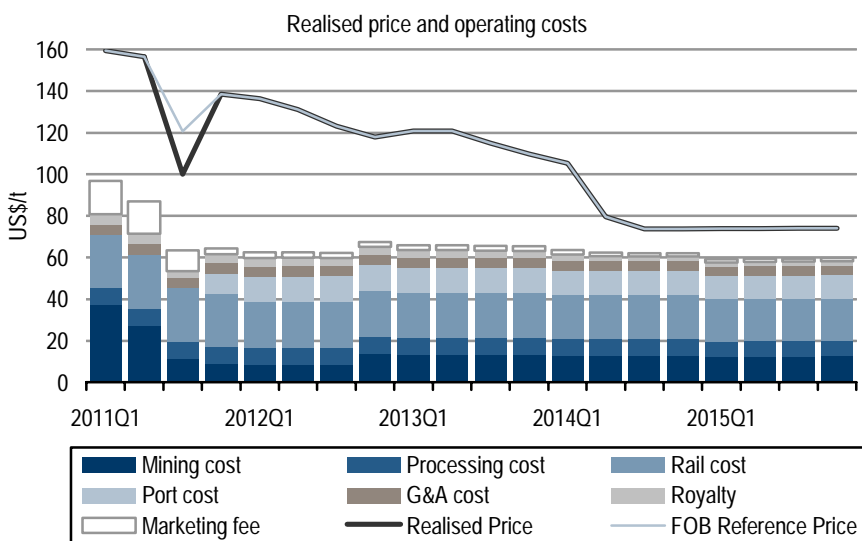
- A contractor with shiploading capabilities will be used to recover ore from the stockpiles, and load it onto a barge.
- The Pointe-Aux-Basques terminal only has a draft of 9m, and on LIM.TO's limited 2012 tonnage it does not make sense to hire out (on a full time basis) transshipping facilities, so LIM.TO is likely to be barging the ore to Quebec City, where it will be unloaded onto shore, and then reloaded onto a large capesize vessel.
- We consider LIM.TO's proposed 2012 port/loading arrangements to be very logistically complicated, involving 2 more unloading/loading steps than would normally be involved in a more optimised bulk commodity business. Recall our remarks at the front of this report about the value to be created and destroyed through logistics. The fact that LIM.TO is willing to go to this much effort to avoid selling its ore via IOC, tells us that the 10% marketing fee we estimated in the 'Products & Pricing' is if anything conservative estimate.
- Although the above does not sound like an efficient way to get ore onto a boat, we understand from a bargaining and negotiations (with IOC) perspective why LIM.TO needs to at least look like it has an alternative route to market.

LIM.TO's **longer term port arrangements** are still evolving:

- The port handling arrangements for 2012 and future years remain subject to ongoing evaluation and finalization.
- A car dumper is being considered longer term, which might cost LIM.TO \$30-50mn.
- If LIM.TO ends up doing their own marketing in 2012 and onwards, it will incur additional cost to load the vessels but save the IOC marketing fee.
- Longer term, LIM anticipates that it will be able to utilise the new multi-user wharf planned by the Port Authority and, when built, this should enable the loading of cape size vessels. This is a >2014 story.

Operating Costs

Exhibit 154: Realised price and operating costs



Source: Company data, Credit Suisse estimates

Our indicative operating cost assumptions are illustrated above (Exhibit 154) relative to the company's guidance (Exhibit 155). Of particular note:

- Opex guidance does not include the IOC marketing fee or royalties.
- Exhibit 155 shows a big increase in 'port' costs from 2012. The increase is because LIM.TO is currently selling the ore on an unloaded (but not loaded onto ship) basis to IOC. IOC carries the vessel loading cost. From 2012 we assume LIM.TO does its own marketing, so it therefore pays the loading cost.
- The increase in port costs is offset by a reduction in marketing fees.
- We model a LOM strip ratio of 1.5:1 from MarQ13 (LIM.TO's 2012Q4) but a lower figure near term – this drives an increase in mining costs as shown.
- The realised price is lower than our qtrly average FOB reference in the current DecQ11 due to LIM.TO's shipping having unfortunately coincided with the recent trough in iron ore prices.

Exhibit 155: Operating Cost guidance

	2012-2017 guidance	2011 guidance (+10%)
	C\$/t	C\$/t
Mining & Hauling	12	13.2
Processing	8	8.8
Transportation & Port	25	27.5
General and administration	5	5.5
Marketing fees		
Total	50	55

Source: Company data, Credit Suisse estimates

Royalties

Under the terms of an Option and Joint Venture Agreement dated September 15, 2005 between Fonteneau Resources Limited ("Fonteneau") and Energold as subsequently amended on properties in Labrador, and which agreement which was subsequently assigned to LIM, a royalty in the amount 3% of the selling price FOB port per tonne of iron ore produced and shipped from any of the properties in Labrador is payable to Fonteneau. This royalty shall be capped at:

- US\$1.50 per tonne on the Central Zone properties, (James, Knob Lake 1, Redmond, Gill and Houston)
- US\$1.00 per tonne on the South Zone properties (Sawyer and Astray)
- US\$0.50 per tonne on the North Central Zone (Howse property) and the North Zone (Kivivic property)

Capital Costs

By the time the Phase 3 expansion is complete at Silver Yards, this project will have cost around \$100mn, consisting of:

- \$6mn buildings, camp, and office equipment
- \$23mn transportation, infrastructure and equipment (rail and rolling stock)
- \$50mn beneficiation plant and equipment
- \$20mn capitalised stripping and dewatering

The above provides access to 11mt of resources (>\$10/t on a saleable product basis).

The Houston/Redmond and Howse production frontiers will each cost an incremental \$100mn (real terms) to establish, but have slightly more accessible tonnage. The capital

intensity per resource tonne appears to be \$5 – 10/t. Although this is a low capital cost business, it is by no means a low capital *intensity* business.

Longer term LIM.TO's historic resources such as Eclipse, Sawyer and Astray become increasingly difficult to access – with their access being complicated by either topography or the surrounding lakes (see Exhibit 204).

LIM.TO and the Tata Steel/NML.TO JV are making capital contribution payments to railway owners TSH, such that this railway can be refurbished in order to accommodate LIM.TO's 5mtpa and NML/Tata's 4.2mtpa.

Resources

LIM.TO has the smallest NI 43-101 resource base of any of the stocks under coverage. Note the below detailed resource statement shows slightly more total tonnage (21mt) than the company's latest depletion adjusted update (39.5mt) however the latter does not include Fe and impurity grades hence we have used the earlier resource statement below.

Exhibit 156: Resources

		Ore mt	Total Fe %	Total Fe mt	Mn %	SiO2 %	P %	Al2O3 %
James	Indicated	8.098	57.7	4.67	0.65	14.08	0.027	0.500
	Inferred	0.111	53.6	0.06	0.14	19.88	0.036	0.500
	Total	8.209	57.6	4.73	0.6	14.2	0.027	0.500
Redmond 2B	Indicated	0.849	59.9	0.51	0.37	5.05	0.120	2.090
	Inferred	0.03	57.3	0.02	0.64	5.87	0.133	4.090
	Total	0.879	59.8	0.53	0.4	5.1	0.120	2.158
Redmond 5	Indicated	2.084	55.0	1.15	1.17	10.97	0.048	0.810
	Inferred	0.087	52.3	0.05	1.95	10.84	0.068	0.960
	Total	2.171	54.9	1.19	1.2	11.0	0.049	0.816
Houston	Measured & Indicated	22.17	57.0	12.64	1	12.8	0.064	0.700
	Inferred	0.69	54.9	0.38	1	16.55	0.055	0.500
	Total	22.86	56.9	13.02	1.0	12.9	0.064	0.694
Denault	Measured & Indicated	6.384	54.8	3.50	2.3	8	0.076	1.000
	Inferred	0.369	53.9	0.20	2.7	9.4	0.069	0.900
	Total	6.753	54.8	3.70	2.3	8.1	0.076	0.995
Total	Measured & Indicated	39.585	56.7	22.46	1.2	12.3	0.060	0.750
	Inferred	1.287	54.4	0.70	1.47	14.15	0.060	0.680
	Total	40.872	56.7	23.16	1.14	12.09	0.060	0.748

Source: Company data

In addition to the above NI 43-101 compliant resources, historical IOC resources on the other properties were:

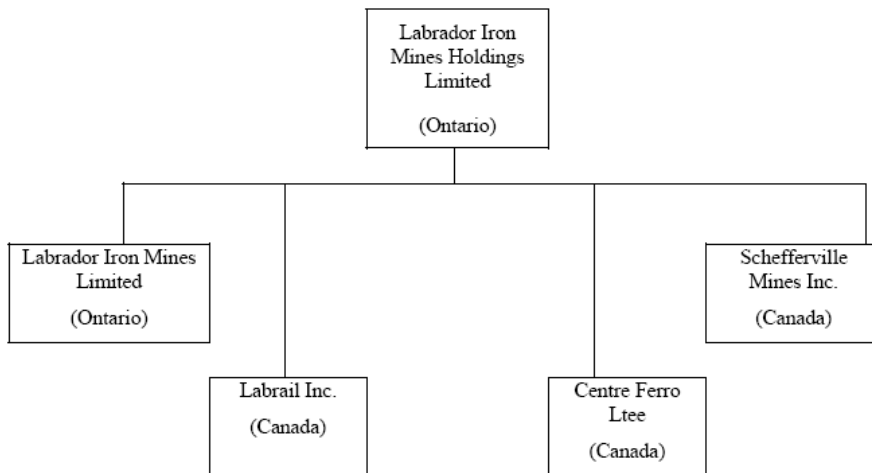
- Newfoundland & Labrador: 64.4mt at 58% Fe and 7.1% silica
- Quebec: 60.5mt at 55.4% Fe and 6.1% silica
- Total: 124.9mt at 56.7% Fe and 6.6% silica
- NI 43-101 compliant plus historic resources would give LIM.TO a large resource base than NML.TO.

As we noted in Exhibit 136, inclusion of these resources into the mine plan is a critical part of the LIM.TO valuation story. Without including these resources in the mine plan our valuation would be a fraction of the current share price.

Corporate Company Structure

The corporate structure is fairly simple, as summarised below.

Exhibit 157: LIM.TO corporate structure



Source: Company data

At 30 September 2011, LIM.TO's share capital consisted of:

- **54,052,057 commons shares** on issue
- **1.825mn options** with a weighted average exercise price of \$4.41/share, as summarised in Exhibit 158 and Exhibit 159
- **478,335 warrants**, with a weighted average exercise price of \$12.50/share and expiring 26 October 2012, as summarised in Exhibit 160

Exhibit 158: Options activity for 6 months ended 30 September 2011

	Number	Weighted Avg Exercise Price	Value (\$mn)
Outstanding, beginning of period	1,739,200	3.45	6.00
Grant	277,500	8.96	2.49
Exercised	-185,262	2.23	-0.41
Forfeited	-6,250	2.00	-0.01
Outstanding, end of period	1,825,188	4.41	8.05

Source: Company data

Exhibit 159: Options exercisable as at 30 September 2011

Expiry Date	Options Outstanding			Options Exercisable		
	Number	Weighted Avg Exercise Price	Value (\$mn)	Number	Weighted Avg Exercise Price	Value (\$mn)
31/08/2012	1,138,938	2.00	2.28	1,138,938	2.00	2.28
14/09/2015	263,750	6.27	1.65	118,750	6.27	0.74
9/11/2015	12,500	7.30	0.09	,4688	7.30	0.03
9/02/2016	132,500	11.65	1.54	33,125	11.65	0.39
23/06/2016	177,500	10.18	1.81	22,187	10.18	0.23
22/09/2016	100,000	6.80	0.68		6.80	0.00
	1,825,188	4.41	8.05	1,317,688	2.80	3.69

Source: Company data

Exhibit 160: Warrants activity for 6 months ended 30 September 2011

	Number	Weighted Avg Exercise Price	Value (\$mn)
Outstanding, beginning of period	145,320	6.36	0.92
Grant	478,335	12.50	5.98
Exercised	-104,704	6.36	-0.67
Forfeited	-40,616	6.36	-0.26
Outstanding, end of period	478,335	12.5	5.98

Source: Company data

Balance Sheet

At 30 September 2011, LIM.TO's balance sheet had:

- No debt, and no debt facilities in place
- A cash balance of \$38mn, down from \$88mn three months prior

We believe that LIM.TO's balance sheet resilience will be severely tested over the next few months. LIM.TO will sell \$50-60mn worth of iron ore during DecQ11, and will probably be relying on a very swift payment from IOC. Were it not for these receipts a continuation of the SepQ cash burn rate of \$50mn per quarter would see it net cash negative before the end of CY11.

Although there seems to be available space on site to mine and process more ore, stockpiling ore would represent an investment in working capital which LIM.TO does not seem to be willing to make. Mine production volumes and waste removal expectations for the full year have both been reduced.

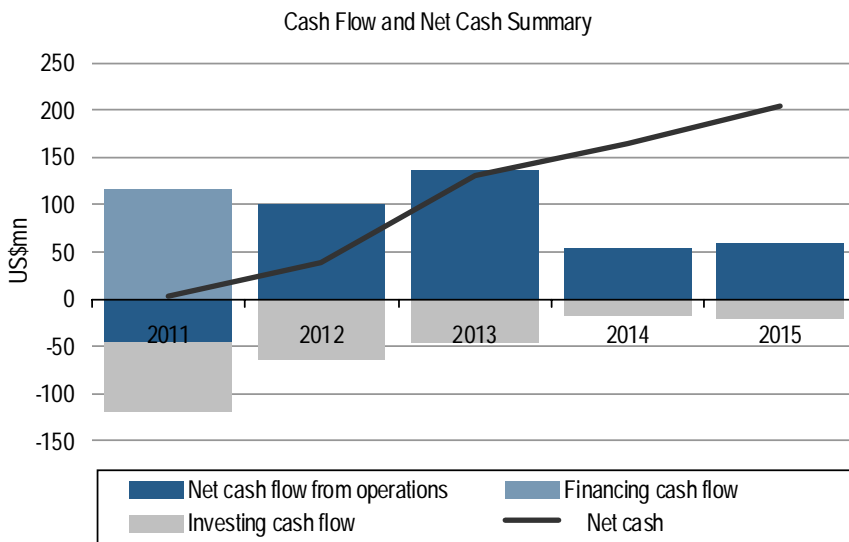
Cash Flows

LIM.TO's balance sheet will be stretched during the current DecQ11, but we believe it can be bridged without the need for external financial assistance.

- September 20 cash balance was \$38mn, and the SepQ burn rate was about \$50mn with no revenues received.
- LIM.TO's outgoings will reduce during the DecQ11, as operations are scaled back for the winter, and we'd expect to see an expenditure of around \$35-40mn.
- Iron ore sales via IOC are paid roughly 2 weeks after shipping, and during the DecQ11 we expect LIM.TO to receive payment for 3 out of its 4 cargoes, for receipts of around \$60mn.

Even if its balance sheet is currently keeping management awake at night, there are a number of preferred avenues over equity or debt. These include potential advanced payments with marketing agents, or offtake agreements.

Exhibit 161: Cash Flow summary



Source: Company data, Credit Suisse estimates

Management

LIM.TO’s board and senior management have a broad and diverse range of experiences, and although there appears to be a reasonable level of mining experience amongst them. In recent times LIM.TO has strengthened the senior operating experience within the group, with the appointment of Mr Rodney Cooper, who prior to a brief stint as a mining research analyst was the VP Operations and COO of Baffinland Iron Mines.

Chairman & CEO Mr John Kearney, and Mr Bill Hooley who is now a Director but until recently also COO, are both employees of Anglesey Mining – LIM.TO’s largest shareholder.

We expect, and hope, that as LIM.TO continues to grow its board it will look to recruit new Directors with operational iron ore experience in Canada.

LIM.TO has 3 members each on the following committees:

- An Audit Committee
- A Compensation Committee
- A Health and Safety Committee

Exhibit 162: Key Personnel

Name	Position	Profession	Description	Canadian Iron Ore experience
John F. Kearney	Chairman & CEO	MBA, CS	Mr. Kearney has 37 years experience in the mining industry. He is also Chairman or Director of a number of public companies including Canadian Zinc Corporation and Anglesey Mining plc. He is also currently President of the Northwest Territories and Nunavut Chamber of Mines, a Director of the Mining Association of Canada, and a member of the Prospectors and Developers Association of Canada, Canadian Institute of Mining and Metallurgy and the Law Society of Ireland.	
Rod Cooper	President and Chief Operating Officer		Mr Rod Cooper is currently Vice President and Senior Analyst - Mining with Dundee Securities, a position that he has occupied for two years. Prior to that he served for four years as Vice President Operations and Chief Operating Officer with Baffinland Iron Mines Corporation during its major development activities on the Mary River iron ore project on Baffin Island. Previously Mr Cooper has had a distinguished career in the mining sector with such other companies as Kinross, Homestake and Echo Bay in increasingly senior technical, operational and corporate management roles, including Vice President Technical Services with Kinross and Mine Superintendent, Eskay Creek Mine, with Homestake.	Baffinland
Terence N. McKillen	Director & Executive Vice President	Geologist	Mr. McKillen is a professional geologist and has 40 years of experience in the mining industry. He is currently Director, President and CEO of Xtierra Inc., Conquest Resources Limited and Chief Executive of Minco plc.	
Bill Hooley	Director	Mining Engineer	Mr. Hooley is currently Chief Executive of Anglesey Mining plc. He is a professionally qualified mining engineer and has 40 years of experience in the global mineral industry. Previously, he was Managing Director of Micon International Ltd. from 2000 to 2005. In addition, he held various management and executive posts with mining and service companies in the UK and Australia from 1975 to 1999.	
Richard Lister	Director		Mr. Lister has over 40 years of experience in the mining, metallurgical and chemical industries. He has served as President and CEO of Zemex Corporation, Vice Chairman of Dundee Bancorp Inc., Chairman and President of Campbell Resources Inc. He holds degrees of Bachelor of Science, a Master of Science and a Doctor of Philosophy from the University of Toronto. He was also a Director of Coal Corporation and Anatolia Minerals Development Limited.	
Gerald J. Gauthier	Director	Mining Engineer	Mr. Gauthier is a mining engineer and since September 2008 has been Chief Operating Officer of Xtierra Inc. From August 2005 to June 2008, he was Chief Operating Officer of Nevsun Resources Ltd. From June 2004 until August 2005 he was a mining consultant and from December 2002 until April 2004, he was Vice-President, Mining of Glencairn Gold Corp. Mr. Gauthier has served as President and CEO of United Keno Hill Mines Limited prior to 2001, President, COO Santa Cruz Gold Inc. prior to 1999, and formerly Senior Vice-President Operations Lac Minerals Limited.	
Matthew Coon Come	Director		Mr. Matthew Coon Come is Grand Chief of the Crees of Northern Quebec and a Board Member of the Grand Council of the Crees (Eeyou Istchee) and the Cree Regional Authority. He was National Chief of the Assembly of First Nations from 2000 to 2003 and previously was Grand Chief of the Grand Council of the Crees in Qubec for 12 years from 1987 to 1999. Earlier he served two terms as Chief of the Mistassini First Nation. Mr. Coon Come is a Founding Member of the Board of Compensation of the Cree Nation and has been a director of Creeco; AirCreebec, Cree Regional Intercompany Enterprise Company and Cree Construction Company and Chairman of Cree Housing Corporation and James Bay Native Development Corporation. He was a founding director of the First Nations Bank of Canada. In 1998 he was awarded the Goldman Prize (Environmental Award) in recognition of his leadership marshalling local, national and international environmental, human rights and tribal communities to create a strong coalition to stop the Great Whale hy	
Eric W. Cunningham	Director	Geologist	Mr. Cunningham has been engaged as an independent mining consultant since 1996. He has been a director of Aurora Energy Resources Inc. since April 2006 and was formerly a director of Viceroy Exploration Ltd. Mr. Cunningham was the joint owner of the Golden Kopje Mine in Zimbabwe from 1997 to 2001 and general manager and director of Trillion Resources Inc. He also was Manager of Wright Engineers, and held various positions with Sherritt Gordon Mines. Mr. Cunningham holds a B.Sc in Geology from Rhodes University in South Africa.	

Source: Company data, Credit Suisse estimates

Ownership

LIM.TO is reasonably well owned by board and management, together holding around 4.55% of the common shares, with CEO John Kearney the most significant at just over 3%. LIM.TO's largest single shareholder is Anglesey Mining Plc, which owns 32.914% of the company, followed by passport Capital with 19.33%.

Exhibit 163: Top 20 shareholders (as at 30 September 2011)

Holder Name	% O/S
Anglesey Mining Plc	32.91
Passport Capital LLC	19.33
KEARNEY JOHN FRANCIS	3.02
I. G. Investment Management Ltd.	2.35
Front Street Capital, Inc.	1.90
Sentry Select Capital Management	1.59
MCKILLEN TERENCE N	1.48
Hesperian Capital Management Ltd.	1.45
Fiera Sceptre, Inc. Investment Management	1.21
Morgan, Meighen & Associates Ltd.	0.81
Pyramis Global Advisors LLC	0.57
Connor, Clark & Lunn Investment Management Ltd.	0.51
RBC Global Asset Management, Inc.	0.47
UBS Global Asset Management (Canada) Co.	0.43
Dimensional Fund Advisors, Inc.	0.42
Canada Pension Plan Investment Board	0.39
BMO Asset Management, Inc.	0.39
Carmignac Gestion SA	0.34
The Vanguard Group, Inc.	0.18
Middlefield Capital Corp.	0.18

Source: FactSet

Anglesey Mining

Anglesey Mining is a LSE listed mining company owning not only 33% of LIM.TO but also 100% of the Parys Mountain project in Wales, UK. LIM.TO was formed as a spin off of Anglesey Mining in order to focus on the iron ore interests.

Parys Mountain is a Cu-Pb-Zn deposit with resources of 7.76mt grading 2% Cu, 2.9% Pb and 4.9% Zn. A detailed review of the resources and development options for Parys Mountain has been undertaken during 2011. At this stage we do not know the outcome of this review.