

## **CENTRAL IRON ORE LIMITED**

### **Management Discussion and Analysis (Form 51-102F1) For the quarter ended September 30, 2010**

**Information as of November 29, 2010  
unless otherwise stated**

#### **Note to Reader**

The following management discussion and analysis of the financial condition and results of operations of Central Iron Ore (CIO or the Company) should be read in conjunction with the Company's annual audited financial statements for the year ended June 30, 2010, together with the notes thereto, as well as, the Company's previous financial and MD&A reports. These annual audited financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

#### **Forward-Looking Information**

This discussion includes certain statements that may be deemed "forward-looking statements." All statements in this discussion, other than statements of historical facts that address future production, reserve potential, exploration drilling, exploration activities and events or developments that the Company expects, are forward-looking statements. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in the forward-looking statements. Factors that could cause actual results to differ materially from those in forward-looking statements include market prices, exploitation and exploration successes, continued availability of capital and financing, and general economic, market or business conditions. Investors are cautioned that any such statements are not guarantees of future performance and actual results or developments may differ materially from those projected in the forward-looking statements.

#### **Business of the Company**

The Company changed its name from International Gold Mining Limited to Central Iron Ore Limited on January 18, 2010 consistent with its strategy of acquiring projects for iron ore exploration in Australia.

Since listing in mid 2007, CIO has gone about the business of aggregating mining and exploration opportunities in Australia and Tanzania as well as value adding the British King gold mine to a stage of production and identifying and acquiring a substantial portfolio of uranium exploration areas in Tanzania.

The Company has refocused its activities to acquire projects for iron ore exploration in Australia. The Company has discontinued exploration of its Tanzanian uranium assets. The Company's British King and Eureka gold mines have not been mined since it obtained shareholder approval to dispose of those assets at its 2009 Annual General Meeting.

Following the end of the financial year, the Company has entered into subscription agreements with two parties to raise CAD \$1.76 million as detailed later in this document.

## Exploration and Development Update

During the year ended June 30, 2010 the Company:

- a) Continued its sale process for its British King and Eureka gold mines.
- b) Discontinued its exploration program in Tanzania.
- c) Commenced its iron ore exploration strategy and acquired tenements.

## Summary of Projects

### BRITISH KING and EUREKA GOLD MINES

The British King and Eureka Gold Mines are not currently being mined and are under care and maintenance.

As announced on March 11, 2010, the Company entered into a non-exclusive Option and Asset Sale Agreement with Natural Resources Investments Pty Ltd ('NRI'), for sale of both mines for CAD \$4 million. NRI's non-exclusive option to purchase both mines expired on August 10, 2010.

### EXPLORATION ACTIVITIES - TANZANIA

The Company has joint venture agreements over numerous tenements in the East African Republic of Tanzania to explore for uranium. Three of these tenements are located within the large Bahi Swamp and Singida uranium provinces in Central Tanzania, adjacent to ASX listed Uranex NL's Bahi 'C1' prospect.

The details and the prospectivity of the tenements and the joint ventures are the subject of previous announcements and previous MD&A reports.

The Company has discontinued exploration activities in Tanzania and written off its previously capitalised exploration costs.

### EXPLORATION ACTIVITIES – AUSTRALIAN IRON ORE

The company continued its strategy into iron ore via applying for further tenements in the Yilgarn Iron Ore province during the year. The following three applications were lodged and pending grant.

Project	Tenement	Comment
Johnson Range	ELA77/1840	Pending Ballot
Diemals	ELA77/1805	Pending Ballot
Windarling West	ELA77/1820	Application

As part of a new iron ore strategy, on January 20, 2010 Central Iron Ore Ltd announced it had successfully applied for two new tenements that are considered prospective for the occurrence of iron ore:

Project	Tenement	Application	Area (km2)
Windarling	ELA77/1736	7/12/09	42
Perinvale North	ELA57/818	18/01/10	120
Far East	ELA77/1757	15/2/10	39
Johnson North	ELA77/1758	15/2/10	114

The applications have been made through its 100-per-cent-owned subsidiary Central West Resources Pty Ltd and are located within the Yilgarn iron ore province (YIOP). The Yilgarn province is considered highly prospective, given its history of large-scale iron ore production, with the Koolyanobbing operation (formerly Portman Ltd.) currently producing at a rate of about five million tonnes per annum of direct shipping ore (DSO).

On February 1, 2010, the Company further announced it had retained the services of a Kalgoorlie-based group of consultants who identified prospective iron areas in the Gadacie and Lake Barlee region of Western Australia prospective for iron ore exploration.

Following provision of the consultant services, Central has made three new successful exploration licence applications:

Project	Tenement	Application	Area (km <sup>2</sup> )
Walling Rock	ELA30/414	22/12/09	93
Perinvale South	ELA30/415	22/12/09	93
Diemals North	ELA17/1749	22/12/09	111

Central Iron has paid a total cash fee of \$50,000 and issue one million shares to the consultants for their services. The shares were issued on September 7, 2010 and will be escrowed for four months. The TSX Venture Exchange has approved the issue of shares to the consultants.

The ground holding within the YIOP is over 450 square kilometres or 45,000 hectares. This marks a significant change of focus for the company. The company believes the shift towards iron ore exploration will provide a new phase of growth for the company.

For the iron ore projects, the strategy and objective of Central Iron will be to evaluate the occurrence of both magnetite ore and DSO. Exploration during the year was focused on target generation and access.

### **Swan River Heads of Agreement**

The Company announced on 13 January 2010, that it had entered into a Heads of Agreement to acquire 100% of Swan River Minerals Pty Ltd ("Swan River"). Following due diligence being carried out, the Company decided not to acquire Swan River and the Head of Agreement expired.

## MINERALS PROPERTIES (all amounts in Australian dollars)

The Company's 100% owned Eureka and British King Gold projects now consist of:

Exploration Licence	Holder	Shares Held	Status	Grant Date	Expiry Date	Area (Ha)	Annual Rent – next rental year	Minimum Annual Expenditure	Registered Encumbrances / Dealings
<b>Eureka Tenements:</b>									
M24/189	ARL	100%	Live	15/02/1988	14/02/2030	218.15	\$3,035.34	\$21,900	Bond 209889 Agreement 367H/890
M24/584	Devonport	100%	Live	25/10/2000	24/10/2021	110.50	\$1,538.46	\$11,100	Application to amend 393H/045
M24/585	Devonport	100%	Live	25/10/2000	24/10/2021	104.50	\$1,455.30	\$10,500	Application to amend 393H/045
M24/586	Devonport	100	Live	25/10/2000	24/10/2021	130.00	\$1,801.80	\$13,000	Application to amend 393H/045
<b>British King Tenements:</b>									
M37/030	IGL	100	Live	04/07/1984	03/07/2026	9.5785	\$ 138.60	\$10,000	Bond 246118 Agreement 527H/867 Application to amend 324H/889 Plaint LE38/890 to remove caveat Renewal of term LE120/045 Transfer/ devolution 11H/056
L37/162	IGL	100	Live	25/10/2006	24/10/2027	6.80	\$93.17	N/A	N/A
PLA37/7026	IGL	100	Live	16/05/2011	15/05/2011	10.00	\$22.00	\$2,000	N/A
ELA37/882	IGL	100	Live	26/03/2008	25/03/2013	1,410.0	\$5,350	\$47,000	N/A
<b>Australian Iron Tenements:</b>									
E30/0412	CW	100%	Application			2,100	\$830.06	\$20,000.00	
E30/0414	CW	100%	Application			9,300	\$3,675.98	\$31,000.00	
E30/0415	CW	100%	Application			9,300	\$3,675.98	\$31,000.00	
E37/1054	CW	100%	Application			3,300	\$1,304.38	\$20,000.00	
E57/0818	CW	100%	Application			12,000	\$4,743.20	\$40,000.00	
E77/1737	CW	100%	Application			4,200	\$1,660.12	\$20,000.00	
E77/1749	CW	100%	Application			11,100	\$4,387.46	\$37,000.00	
E77/1757	CW	100%	Application			11,400	\$4,506.04	\$38,000.00	
E77/1758	CW	100%	Application			3,900	\$1,541.54	\$20,000.00	

## CORPORATE UPDATE

### Capital Raising CAD \$1.76 million

The Company announced on 15 October, 2010 that it has entered into subscription agreements with Brooklyn Bay Pty Ltd ('Brooklyn') and Golden Sword Investments Pty Ltd ('GSI') for a CAD\$1.76 million capital raising to be affected via 2 tranches.

Brooklyn is a wholly owned subsidiary of Australian Stock Exchange listed company, Gullewa Limited ('Gullewa') which is based in Sydney, Australia. Their activities in Australia cover coal in Queensland, gold and base metals in New South Wales, geothermal in Tasmania, mineral royalties and general investment in mineral companies. The directors and consultants of Gullewa have been involved in developing the Avebury Nickel Deposit for Allegiance Mining NL and the directors of Golden Sword Investments Pty Ltd have been involved in major iron ore projects and gold exploration in Western Australia. Further information on Gullewa can be obtained at [www.gullewa.com](http://www.gullewa.com)

The details of the transaction are as follows:

### **Tranche 1 - CAD\$262,500**

CAD\$262,500 for the issue of an aggregate of 5 million shares at CAD5.25 cents per share equally to Brooklyn and GSI with an attached warrant exercisable at 10 cents up to 36 months from the issue.

Upon completion of Tranche 1, two directors, consisting of a nominee of Brooklyn and a nominee of GSI, will be appointed to the board, subject to re-election at the Annual General Meeting. Tranche 1 is subject to Exchange approval.

### **Tranche 2 – CAD\$1.5 million**

CAD\$1.5 million for the issue of 25 million shares at 6 cents per share as follows:

1. Brooklyn – 22.5 million shares
2. GSI – 2.5 million shares

Each share issued under Tranche 2 has an attached one-fifth of a warrant, each whole warrant exercisable at CAD10 cents up to 36 months from the issue date.

Tranche 2 is subject to the following key conditions precedent:

1. Gullewa and GSI conducting satisfactory due diligence by 29 October 2010
2. Closing of Tranche 1
3. Shareholder approval for the issue of Tranche 1 warrants and Tranche 2 shares and warrants under Tranche 2
4. Venture exchange approval and any required Australian regulatory approval

The funds raised will be used for working capital and repayment of liabilities. Upon payment of specified liabilities in April 2011, 2 directors of the current board of the Company will resign.

### **Share Consolidation and Issued Capital**

On 19 January, 2010, the company completed consolidation of its share capital into a smaller number, on the basis that every ten shares on issue be converted into one share. On March 14 2010, the Company cancelled 200,000 shares owing to a subscriber to last year's private placement failing to pay subscription monies and issued one million shares to. As a result, at 30 June 2010 a total of 19,950,718 shares were issued and outstanding. Following the issue of 1 million shares to the consultants and the 5 million shares under Tranche 1 of the capital raising, 25,950,718 shares are currently issued and outstanding.

### **Stock Options**

On January 25, 2010, the company cancelled all existing incentive stock options and issued 2,015,000 incentive stock options to various directors, officers, employees and consultants. The options are exercisable for a 3-year period at CAD \$0.25 per share and subject to a four month hold period.

## **Risks and Uncertainties**

The Company is subject to a number of risk factors due to the nature of its business and the present stage of development. The following risk factors should be considered:

### **General**

The Company is an Australian junior mineral exploration and development company listed on the TSX Venture Exchange and engaged in the exploration and development of mineral properties located in Western Australia and Tanzania. It has not yet determined whether all of its properties contain mineral reserves that are economically recoverable. The recoverability of the amounts shown for resource assets is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its properties, and upon future profitable production or proceeds from the disposition of the properties. The Company's ability to continue its operations is dependent on its ability to secure additional financing, and while it has been successful in doing so in the past, there can be no assurance that it will be able to do so in the future. In order to continue developing its mineral properties, management is actively pursuing such additional sources of financing that may be required.

The Financial Statements and discussion and analysis of the financial condition, changes in financial condition and results of operations of the Company for the year ended June 30, 2010 do not include the adjustments that would be necessary should the Company be unable to continue as a going concern.

The amount of the Company's administrative expenditures is related to the level of financing and exploration and development activities that are being conducted, which in turn may depend on the Company's recent exploration and development experience and prospects, as well as the general market conditions relating to the availability of funding for exploration and development-stage resource companies. Consequently, the Company does not acquire properties or conduct exploration and development work on them on a pre-determined basis and as a result there may not be predictable or observable trends in the Company's business activities and comparisons of financial operating results with prior years may not be meaningful.

### **Trends**

The Company's financial success is dependent upon the discovery of commercial mineral resources which could be economically viable to develop. The sales value of any mineralization discovered by the Company is largely dependent upon factors beyond the Company's control, such as the market value of the products produced. Other than as disclosed herein, the Company is not aware of any trends, uncertainties, demands, commitments or events which are reasonably likely to have a material effect on the Company's sales or revenues, income from continuing operations, profitability, liquidity or capital resources, or that would cause reported financial information not necessarily to be indicative of future operating results or financial condition.

### **Competitive Conditions**

The resource industry is intensively competitive in all of its phases. The Company competes with other mining companies for the acquisition of mineral claims and other mining interests as well as for the recruitment and retention of qualified employees and contractors. The Company competes with many other companies that have substantially greater financial resources than the Company and our ability to compete is dependent of being able to raise additional funds as and when required.

## **Environmental Factors and Protection Requirements**

The Company currently conducts exploration and development activities in Western Australia and Tanzania. All phases of the Company's operations are subject to environmental regulation in the jurisdictions in which it operates. Environmental legislation is evolving in a manner which requires stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations. There is no assurance that regulatory and environmental approvals will be obtained on a timely basis or at all. The cost of compliance with changes in governmental regulations has the potential to reduce the profitability of operations or to preclude entirely the economic development of a property. Environmental hazards may exist on the properties which are unknown to the Company at present which have been caused by previous or existing owners or operators of the properties. The Company is currently engaged in exploration with nil to minimal environmental impact.

## **Mineral Exploration and Development**

The Company's properties are in the exploration and development stage. Development of the Company's properties will only proceed upon obtaining satisfactory exploration results. Mineral exploration and development involve a high degree of risk and few properties which are explored are ultimately developed into producing mines. There is no assurance that mineral exploration and development activities will result in the discovery of an ore body of commercial minerals on any of the Company's properties. Several years may pass between the discovery of a deposit and its exploitation. Most exploration projects do not result in the discovery of commercially mineralized deposits.

## **Operating Hazards and Risks**

Mineral exploration involves many risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. The operations in which the Company has a direct or indirect interest will be subject to all the hazards and risks normally incidental to exploration, development and production of resources, any of which could result in work stoppages and damage to persons or property or the environment and possible legal liability for any and all damage. Fires, power outages, labor disruptions, flooding, explosions, landslides and the inability to obtain suitable or adequate machinery, equipment or labor are some of the risks involved in the operation of mines and the conduct of exploration programs. Although the Company will, when appropriate, secure liability insurance in an amount which it considers adequate, the nature of these risks is such that liabilities might exceed policy limits, the liability and hazards might not be insurable, or the Company might elect not to insure itself against such liabilities due to high premium costs or other reasons, in which event the Company could incur significant costs that could have a material adverse effect upon its financial condition.

## **Economics of Developing Mineral Properties**

Substantial expenditures are required to establish reserves through drilling, to develop processes to extract minerals and to develop the mining and processing facilities and infrastructure at any site chosen for mining. Although substantial benefits may be derived from the discovery of a major mineralized deposit, no assurance can be given that minerals will be discovered in sufficient quantities to justify commercial operations or that the funds required for development can be obtained on a timely basis. The marketability of any minerals acquired or discovered may be affected by numerous factors which are beyond the Company's control and which cannot be predicted, such as market fluctuations, the proximity and capacity of milling facilities, mineral markets and processing equipment, and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals, and environmental protection. Depending on the price of minerals produced, the Company may determine that it is impractical to commence or continue commercial production.

## **Commodity Prices**

The Company's revenues, if any, are expected to be in large part derived from the mining and sale of minerals or interests related thereto. The price of various minerals have fluctuated widely, particularly in recent years, and is affected by numerous factors beyond the Company's control including international economic and political conditions, expectations of inflation, international currency exchange rates, interest rates, global or regional consumptive patterns, speculative activities, levels of supply and demand, increased production due to new mine developments and improved mining and production methods, availability and costs of mineral substitutes, mineral stock levels maintained by producers and others and inventory carrying costs. The effect of these factors on the price of various minerals, and therefore the economic viability of the Company's operations cannot accurately be predicted.

## **Currency Risk**

The Company's revenues and expenses will be incurred in Australian dollars, though its financings are completed in Canadian dollars. Although the Company has taken certain steps to help mitigate foreign currency fluctuations, there is no assurance that the activities or products are or will continue to be effective. Accordingly, the inability of the Company to obtain or to put in place effective hedges could materially increase exposure to fluctuations in the value of the Canadian dollar relative to the Australian dollar. This could adversely affect the Company's financial position and operating results.

## **Title**

There is no guarantee that title to properties in which the Company has a material interest will not be challenged or impugned. The Company's mineral property interests may be subject to prior unregistered agreements or transfers, and title may be affected by undetected defects. No native title claims were lodged by the due date, which has enabled the Company to apply for mining leases.

## **Governmental Regulation**

Operations, development and exploration on the Company's properties are affected to varying degrees by: (i) government regulations relating to such matters as environmental protection, health, safety and labour; (ii) mining law reform; (iii) restrictions on production, price controls, and tax increases; (iv) maintenance of claims; (v) tenure; and (vi) expropriation of property. There is no assurance that future changes in such regulations, if any, will not adversely affect the Company's operations. Changes in such regulations could result in additional expenses and capital expenditures, availability of capital, competition, reserve uncertainty, potential conflicts of interest, title risks, dilution, and restrictions and delays in operations, the extent of which cannot be predicted. If any of the Company's projects are advanced to the development stage, those operations will also be subject to various laws and regulations concerning development, production, taxes, labour standards, environmental protection, mine safety and other matters. In addition, new laws or regulations governing operations and activities of mining companies could have a material adverse impact on any project in the mine development stage that the Company may possess.

## Management and Directors

The Company is dependent on a relatively small number of directors: Andrew Spinks, David Taylor, Bruce Burrell; and officers.

### Conflicts of Interest

Certain officers and directors of the Company are officers and/or directors of, or are associated with, other natural resource companies that acquire interests in mineral properties. Such associations may give rise to conflicts of interest from time to time. The directors are required by law, however, to act honestly and in good faith with a view to the best interests of the Company and its shareholders and to disclose any personal interest which they may have in any material transaction which is proposed to be entered into with the Company and to abstain from voting as a director for the approval of any such transaction.

### Limited Operating History: Losses

The Company has experienced losses in previous years of its operations. There can be no assurance that the Company will operate profitably in the future, if at all. As at September 30, 2010 the Company's deficit was \$17,243,263.

### Price Fluctuations: Share Price Volatility

In recent years, the securities markets in the United States and Canada have experienced a high level of price and volume volatility, and the market price of securities of many mineral exploration companies have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. This has been particularly exacerbated by current global economic conditions. In particular, during the quarter ended September 30, 2010, the closing per share price of the Company's shares fluctuated from a high of \$0.10 to a low of \$0.065 post consolidation. There can be no assurance that continual fluctuations in price will not occur.

## Market Conditions

### Global Economy

Economic recovery continued to strengthen during the first half of 2010. Global activity expanded at an annual rate of about 5¼ percent—about ½ percent higher than anticipated in the July World Economic Outlook (WEO) Update. A surge in inventory and, lately, fixed investment accounted for a dramatic rise in manufacturing and global trade. Low consumer confidence and reduced household incomes and wealth are holding consumption down in many advanced economies. Growth in these economies reached only about 3½ percent during the first half of 2010, a low rate considering that they are emerging from the deepest recession since World War II. Their recoveries will remain fragile for as long as improving business investment does not translate into higher employment growth. However, household spending is doing well in many emerging market economies, which expanded by close to 8 percent and where investment is propelling job creation. At the same time, financial stability suffered a major setback, prices in many stock exchanges fell, led initially by financial stocks and by European markets. Heavy selling of the sovereign debt of vulnerable euro area economies rattled the banking system, triggering a systemic crisis. This added to existing worries about the sustainability of the recovery and caused a broader decline in stocks. Risk premiums on corporate bonds widened, and corporate bond issues slowed to a trickle in May. Issuance in emerging markets also dropped sharply. Since the beginning of the summer, however, financial conditions have improved again.

(Source: IMF World Economic Outlook, October, 2010, [www.imf.org](http://www.imf.org))

## **Gold Market**

The gold price had a strong performance during Q2 2010, ending the quarter at US\$1,244.00/oz, on the London PM fix, compared with US\$1,115.50/oz at the end of Q1 2010. This represented an increase of 11.5%, its largest quarter-on-quarter gain since Q1 2008. Not surprisingly, the average gold price in Q2 2010 rose by almost US\$90/oz to US\$1,196.74/oz, from US\$1,109.12/oz the previous quarter. Throughout the quarter, gold followed an upward trend, on several occasions breaking record highs and reaching US\$1,261.00/oz on the London PM fix on 28 June. While the price of gold has fallen to the US\$1,200.00/oz level in July trading, the trend remains well supported and gold's performance is underpinned by the multiple factors that affect its demand and supply. Investors bought 273.8 net tonnes of gold via exchange traded funds (ETFs) in Q2 2010 as market participants sought cost effective ways to harness gold's investment benefits. Gold in the ETFs that we monitor reached a record 2,041.8 tonnes (worth US\$81.6 billion). Similarly, the US Mint reported sales in excess of US\$480 million over the quarter; evidence suggests a similar trend in bullion sales in Europe and China. Net long positions on gold futures contracts, a proxy for more speculative investment, rose as well.

(Source: World Gold Council Gold Investment Digest, July, 2010, [www.gold.org](http://www.gold.org))

## **Uranium Market**

The uranium spot price is currently trading at US\$45.50/lb, up 14% from 3 months ago (US\$40.75/lb) and compares with US\$44.50/lb at the start of the year. The Fund Implied Price (FIP) is US\$47.50/lb, which compares with US\$46.00/lb Jan '10. The FIP has generally been a good leading indicator of near term spot price performance.

The gradual downward drift in spot and contract prices over the past 12 months reflects in part the tremendous growth in new mine supply from Kazakhstan's ISR projects. Recent price influences driving the spot market up to US\$48/lb are not entirely clear, though traders point to purchases from major producers. Utility purchases remain discretionary though timing of demand from long term Chinese inventory build remains a factor and will continue to influence short term market trends, as will, increasingly, Japanese and Indian utility purchases. WNA expects the market to remain in modest surplus through 2013/14.

Currently there are 440 nuclear power reactors in operation and 59 under construction. There are 493 new nuclear reactors planned or proposed globally as of Aug '10, up from 435 Dec '09 (+13%). A total of 84 new reactors are scheduled to be commissioned by 2017. Since Dec '09 the largest increases in announced planned and proposed new nuclear reactors are in India, increasing from 38 to 60 (+22, up 58%); and China increasing from 125 to 153 (+28, up 22%).

(Source: Resource Capital Research -- September Quarter 2010: Global Uranium Companies, September, 2010)

## Iron Ore Market

The iron ore market has stabilised, after a volatile period extending from the GFC to the collapse of the annual benchmark pricing system and the introduction of quarterly iron ore contracts in 2Q10. Iron ore indices have gained significantly year on year (e.g. iron ore Fe fines contract price +133.5%) but have been level for the past quarter. Spot iron ore price indices are relatively flat quarter on quarter, and month-on-month (range 0% to -5.8% for September over August).

Steel prices and tonnages have shown a similar trend to iron ore prices, down quarter-on-quarter (indices range -5.9% to -11.7%) but flat or rising month-on-month (-1.3% to 4.7%). China has increased iron ore production in the past 12 months - we forecast a 21.2% rise to 1027mt for CY10.

Specifically, prices gained in 2Q10, due to global economic regrowth, and levelled out or fell in 3Q10 as growth moderated. This affected the trailing quarterly iron ore price index, which gained 23% for 3Q10 to ~US\$147/t FOB (at 62% Fe) and dropped 13.3% for 4Q10, to ~US\$127/t. This is more than double the 2009 yearly contract price of US\$60/t. Based on September spot prices (current price is US\$141/t CFB China 62% Fe) the quarterly price should remain steady in 1Q11, or fall slightly (by <6%). These movements broadly reflect changes in global steel supply. It is clear that shorter-term iron ore contracts have brought the markets for steel and its raw materials into closer step. Crude steel production is forecast to be 1389mt in 2010, an 18.4% increase on 2009.

The biggest factor in the post GFC recovery – the urbanisation of China and India – is ongoing and should drive reasonable growth in the iron ore and steel markets for the foreseeable future. Long-term prices will be tied to iron ore production versus steel usage of the main consumers. RCR's long term forecast is for US\$50/t FOB at 62% Fe for fines, with a 20% lump premium.

A basket of 59 Australian listed iron ore juniors (plus FMG) have strongly outperformed the S&P/ASX200: prices gained an average 31% in the past 12 months (ASX200 -2.5%), 30% over the past three months, and 14% over the past 1 month (ASX200 4.1%). The companies' share prices, on average, are 34% below their 12-month highs but 92% above their 12-month lows.

This is due as much to broader economic recovery as any local influence, such as the partial scrapping of the RSPT. Canadian listed stocks have also performed strongly, with 50 companies showing an average 12 month increase of 62% including a 3 month rise of 34%, and sitting 30% below yearly highs.

(Source: Resource Capital Research, Iron Ore Company Review; Exploration, Development & Production, September, 2010)

## SELECTED FINANCIAL INFORMATION

The following table sets forth selected financial information of the Company for, and as at the end of, each of the last three financial years of the Company up to and including June 30, 2010. This financial information is derived from the financial statements of the Company. The Company prepares financial information according to Canadian Generally Accepted Accounting Principles ("GAAP") and all information is reported in Australian \$.

	2010	2009	2008
Income from continuing operations	65,128	90,115	1,356,733
Net loss for the year	(2,039,258)	(1,356,524)	(1,575,587)
Net loss per share	(0.13)	(0.01)	(0.01)
Total Assets	3,819,446	4,180,950	4,484,393
Total Long-term financial liabilities	0	0	0

## RESULTS OF OPERATIONS AND FINANCIAL CONDITION

(all amounts in Australian dollars)

The Company has not recognized any revenue or incurred any loss from discontinued operations or extraordinary items since becoming a reporting issuer.

During the last 3 financial years, the company has consistently reported net losses. The most significant factor affecting losses during the last 3 financial years is continuing administrative expenses, which includes consulting, professional fees, salaries, management fees, office and miscellaneous expenses and stock based compensation. Other factors affecting losses include amortization and exploration and development costs. During the year ended 30 June 2010, the Company wrote off its Tanzania assets in the amount of \$324,581.

Apart from a profit of \$1,136,786 from the sale of shares in Macarthur Minerals Limited in 2008, income is predominantly derived from interest income. Interest income is dependent upon interest rates and the amount of financing raised each year by the Company. Interest rates will vary due to market conditions and the Company has no control over the fluctuation of rates.

No cash dividends have been declared or paid since the date of incorporation and the Company has no present intention of paying dividends on its common shares. The Company anticipates that all available funds will be invested to finance the growth of its business.

### ***Exploration and Development Expenses***

For the last quarter ended September 30, 2010 the Company expended \$21,525 on exploration and development activities. This compares with negligible expenditure for the corresponding quarter ended September 30, 2009. These costs have increased compared to the previous financial year owing to increased field work. An amount of \$67,782 relating to discontinuation of exploration in Tanzania was written back to property investigation costs.

Expensed and capitalized exploration and development costs, on a property by property basis are as follows:

Australian \$	September 30, 2010	September 30, 2009
<b>Expenses</b>		
British King mine	16,281	1,517
Eureka mine	-	22,254
Iron ore	5,244	-
Tanzania	(67,782)	-
<b>Capitalized expenses</b>		
British King mine	-	799
Eureka mine	-	933
Tanzania	-	-

### ***Administrative Expenses***

For the quarter ended September 30, 2010 the Company incurred administrative expenses of \$194,724 compared to \$200,415 for the quarter ended September 30, 2009, a decrease of 3%. Overall, administrative costs decreased in comparison to the previous financial year owing to the increase in stock based compensation.

### ***Income***

Income is normally comprised of consulting fees, rents and interest income. For the quarter ended September 30, 2010 the Company earned income from interest of \$1,111 and rents of \$12,227, compared to income of \$5,852 for the quarter ended September 30, 2009. Interest income is dependent upon interest rates and the amount of financing raised each year by the Company. Interest rates will vary due to market conditions and the Company has no control over the fluctuation of rates.

### ***Income Taxes***

No provision has been made for income tax liability the quarter ended September 30, 2010 and September 30, 2009.

### ***Net Losses***

The net loss for the quarter ended September 30, 2010 was \$181,386 compared with the net loss for the corresponding quarter ended September 30, 2009 of \$194,563. Net loss was less for the quarter ended September 30, 2010, mainly owing to the write off of the Tanzanian assets.

### ***Change in Financial Position***

At September 30, 2010 the Company had total assets of \$3,778,236 compared to \$3,819,446 at September 30, 2009. Net assets decreased owing mainly to the write off on the Tanzanian assets. The Company had a cash balance of \$128,414 at September 30, 2010 compared to a cash balance of \$188,700 at September 30, 2009.

At September 30, 2010 the Company had a net working capital deficiency of \$1,210,934 compared with a net working capital deficiency of \$892,129 at September 30, 2009. The increase in the net working capital deficiency results from decreased cash.

## SUMMARY OF QUARTERLY INFORMATION (all amounts in Australian dollars)

The following table sets forth a comparison of revenues and earnings for the previous 8 quarters ending with September 30, 2010. This financial information is derived from the financial statements of the Company. The Company prepares financial information according to Canadian Generally Accepted Accounting Principles ("GAAP") and all information is reported in Australian \$.

Australian \$	Quarter to Sept 30, 2010	Quarter to June 30, 2010	Quarter to March 31, 2010	Quarter to Dec 31, 2009	Quarter to Sept 30, 2009	Quarter to June 30, 2009	Quarter to Mar 31, 2009	Quarter to Dec 31, 2008
Income from continuing operations	13,338	19,021	12,779	27,478	5,852	(935)	1,329	55,617
Net profit/loss for the period	181,386	(1,298,506)	(140,829)	(405,360)	(194,563)	(365,881)	(157,070)	(277,863)
Net profit/loss per basic and diluted share	(0.01)	(0.13)	(0.01)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)

The Company has not recognized any revenue or incurred any loss from discontinued operations or extraordinary items since becoming a reporting issuer.

During the eight quarters, the company has consistently reported net losses. The most significant factor affecting quarterly losses during the last 8 quarters is continuing administrative expenses, which includes amortization, consulting fees, interest, professional fees, listing and filing fees, expenses office and miscellaneous, property investigation costs, salaries and management fees and travel and accommodation costs.

Income is predominantly derived from interest income. Interest income is dependent upon interest rates and the amount of financing raised each year by the Company. Interest rates will vary due to market conditions and the Company has no control over the fluctuation of rates.

This last quarter it wrote back \$67,782 relating to discontinuation of exploration in Tanzania.

No cash dividends have been declared or paid since the date of incorporation and the Company has no present intention of paying dividends on its common shares. The Company anticipates that all available funds will be invested to finance the growth of its business.

### LIQUIDITY AND CAPITAL RESOURCES

The Company has limited financial resources and there is no assurance that additional funding will be available to allow the Company to acquire, explore and develop mineral properties. Failure to obtain additional financing could result in delay or indefinite postponement of further exploration. The Company may, in the future, be unable to meet its obligations under agreements to which it is a party and the Company may consequently have its interest in the properties subject to such agreements jeopardized. Furthermore, if other parties to such agreements do not meet their share of such costs, the Company may be unable to finance the cost required to complete recommended programs.

The Company is dependent on raising funds by the issuance of shares or disposing of interests in its mineral properties (by options, joint ventures or outright sales) in order to finance further acquisitions, undertake exploration and development of mineral properties and meet general and administrative expenses in the immediate and long term. There can be no assurance that the Company will be successful in raising their required financing.

Apart from the initiatives discussed above, the Company is not aware of any trends, commitments or events that may affect its liquidity in the foreseeable future. The Company has not made any commitments for capital expenditures. Material increases or decreases in the Company's liquidity will be substantially determined by the success or failure of raising additional funds through private placements and its planned exploration programs.

At September 30, 2010, the Company has net working capital deficiency of \$1,210,934.

The Company will meet its future cash commitments through further capital raisings.

## **COMMITMENTS**

At balance sheet date the Company had commitments to pay \$31,843 for an operating lease on office space expiring in 2011. This office space is sub-let to another company which reduces costs.

Certain future exploration expenditures are required to be undertaken by the Company as a minimum retention for exploration permits. These expenditures were set out in Note 7 to the Annual Financial Statements for September 30, 2010.

Apart from the above, the Company has no other material commitments at this time.

## **OFF-BALANCE SHEET ARRANGEMENTS**

The Company has not engaged in any off-balance sheet arrangements such as obligations under guarantee contracts, a retained or contingent interest in assets transferred to an unconsolidated entity, any obligation under derivative instruments or any obligation under a material variable interest in an unconsolidated entity that provides financing, liquidity, market risk or credit risk support to the Company or engages in leasing, hedging or research and development services with the Company.

## **ACCOUNTING POLICIES**

Accounting policies are listed in Note 2 to the Financial Statements for September 30, 2010.

## **RELATED PARTY TRANSACTIONS**

The Company entered into the following transactions with related parties:

- a) Paid or accrued \$44,975 (2009 - \$10,000) in consulting fees, wages, office and miscellaneous expenses to directors of the company and Macarthur Minerals Limited, a related party by way of common directors.

Included in accounts payable is \$14,250 (2009 - \$14,250) due to directors and former directors.

Included in non-current liabilities - loans payable at September 30, 2010 was \$203,124 (2009 - \$194,825) owed to companies owned by directors and former directors of the Company. The Company paid or accrued \$19,170 (2009 - \$18,781) in interest expense related to the loans payable due to related parties.

These transactions were in the normal course of operations and, in management's opinion, were undertaken with the same terms and conditions as transactions with unrelated parties.

## **INTERNAL CONTROLS OVER FINANCIAL REPORTING**

The Company's size and the number of staff impact the Company's internal controls. Due to the limited number of staff, it is not possible to achieve complete segregation of duties. Similarly, the Company must engage accounting assistance with respect to complex, non-routine accounting issues, Canadian GAAP matters, tax compliance and reporting for its international operations.

Notwithstanding these weaknesses, the Company's internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements and that information is timely and accurately disclosed consistent with Canadian securities laws and regulations.

Although the identified weaknesses may be considered to increase the risk that a material misstatement in the Company's financial statements would not be prevented or detected, neither has resulted in a material misstatement in the financial statements.

The CEO and the CFO oversee all material transactions and related accounting records. The audit committee of the Company, with management, reviews the financial statements of the Company, on a quarterly basis.

While management and the board of directors of the Company work to mitigate the risk of a material misstatement in the Company's financial reporting, the Company's control system, no matter how well designed or implemented, can only provide reasonable, but not absolute, assurance of detecting, preventing and deterring errors and fraud.

## **FINANCIAL INSTRUMENTS**

Fair value estimates of financial instruments are made at a specific point of time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matter of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

The carrying value of cash, sundry receivables, and accounts payable and accrued liabilities and amounts due to related parties approximate their fair market value because of the short-term nature of these instruments.

## **INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")**

In February 2008 the Canadian Accounting Standards Board ("AcSB") confirmed the date for publicly-listed companies to use IFRS replacing Canadian GAAP for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Therefore the Company will be required to adopt IFRS for its fiscal year commencing April 1, 2011, and the transition plan will require in 2011 the restatement for comparative purposes onto the IFRS basis of amounts and disclosures reported by the Company for its prior fiscal years, those ended March 31, 2011 and 2010. The Company has commenced the development of an IFRS implementation plan to prepare for this transition, and is currently in the process of analyzing the key areas where changes to current accounting policies may be required.

While an analysis will be required for all current accounting policies, the initial key areas of assessment will include:

- Exploration and development expenditures;
- Property, plant and equipment (measurement and valuation);
- Stock-based compensation;
- Functional currencies;
- Accounting for income taxes; and
- First-time adoption of International Financial Reporting Standards (IFRS 1).

As the analysis of each of the key areas progresses, other elements of the Company's IFRS implementation plan will also be addressed, including the implication of changes to accounting policies and processes; financial statement note disclosures; information technology; internal controls; contractual arrangements; and employee training.

The following table summarizes the expected timing of activities related to the Company's transition to IFRS.

Initial analysis of key areas for which changes to accounting policies may be required.	Complete
Detailed analysis of all relevant IFRS requirements and identification of areas requiring accounting policy changes or those with accounting policy alternatives.	Complete
Assessment of first-time adoption (IFRS 1) requirements and alternatives.	Complete
Final determination of changes to accounting policies and choices to be made with respect to first-time adoption alternatives.	By November 30, 2010
Resolution of the accounting policy change implications on information technology, internal controls and contractual agreements.	By November 30, 2010
Management and employee education and training.	Throughout the transition process
Quantification of the Financial Statements impact of changes in accounting policies.	By November 30, 2010

#### **OUTSTANDING SHARE DATA AS OF OCTOBER 28, 2010:**

Authorized and issued share capital:

<b>Class</b>	<b>Par Value</b>	<b>Authorized Common shares (No par value)</b>	<b>Issued</b>
Common	No par value	Unlimited	25,950,718

As at November 29, 2010, there were 2,015,000 stock options and 5,910,514 warrants outstanding.

#### **COMPETENT PERSON'S STATEMENT**

Technical aspects of this MD&A were prepared and verified by William Donald Goode, a member of the AusIMM. He is the qualified person as required by National Instrument 43-101, and is the technical person responsible for this MD&A. The qualified person has verified the data disclosed in this MD&A.

Mr. Goode is a graduate of the West Australian School of Mines in Mining Geology and Mine Surveying and holds a current Underground Supervisor's Certificate of Competency. He has more than 45 years' experience in geology, mining and mineral exploration, including resource calculations. His experience covers gold, silver, base metals and uranium exploration and mining in Australia and Asia.

He has previously held the position of Chief Geologist at Lake View and Star's Fimiston underground gold mine and was assistant Chief Geologist for Great Boulder Mine's three underground nickel mines, where he gained extensive experience in nickel exploration. He was Chief Mine Geologist for Metals Exploration in the Philippines (1974-76) and Australia.

Since 1981, he has worked as a consulting geologist and owned and operated underground gold mines. During this period, he conducted resource calculations for several major international mining companies. Mr. Goode also has industry experience in financing and prospect identification, ranging from the development to the pre-mining feasibility stage.

**OTHER INFORMATION**

The Company's website address is [www.internationalgoldmining.com](http://www.internationalgoldmining.com). Other information relating to the Company may be found on SEDAR at [www.sedar.com](http://www.sedar.com).

**BY ORDER OF THE BOARD**

*"Andrew Spinks"*

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Andrew Spinks, Director  
President and CEO

*"Bruce Burrell"*

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Bruce Burrell  
Director