May 13, 2013

## MESSAGE TO SHAREHOLDERS

New Millennium Iron Corp. ("**NML**" or the "**Company**") is pleased to report its unaudited financial and operational results for the three month period ended March 31, 2013

**The significant First Quarter events were:**

Direct Shipping Ore ("**DSO**") Project

- Advancement of the construction phase.
- Increase in scale of production and range of saleable products.
- Positive, multi-faceted framework agreement with Labrador Iron Mines Holdings Limited on resource base and rail and port logistics.
- Quebec Certificate of Authorization for Goodwood and Sunny 1 Properties.
- Senior TSMC management appointment.

Taconite Project

- Review of preliminary feasibility study report by NML, TSMC and Study Manager.

Exploration

- Positive results from 2012 drilling activity at Sheps Lake, Perault Lake, Howells River and Howells Lake, with expansion of NI 43-101 Taconite resources controlled by NML.

General

- Normal Course Issuer Bid (share buyback program).
- Appointment to Board of Directors.
- Suspension of CN study of new railway for Labrador Trough.

**The significant subsequent events were:**

General

- OTCQX listing.
- Succession planning initiative.

# MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE COMPANY'S FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*The following discussion and analysis of the financial results of New Millennium Iron Corp. (**"NML",** the **"Company", or the "Corporation"**) for the interim three month period ended March 31, 2013 should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements and related notes for the period ended March 31, 2013, and the audited consolidated financial statements and MD&A for the years ended December 31, 2012 and 2011.*

*These condensed interim financial statements, including comparatives, have been prepared using accounting policies in compliance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**").*

*All dollar figures are in Canadian dollars ("**C$**"), unless otherwise stated.*

## FORWARD LOOKING STATEMENTS

*This MD&A includes certain statements that constitute "forward-looking statements", and "forward-looking information" within the meaning of applicable securities laws ("forward-looking statements" and "forward-looking information" are collectively referred to as "forward-looking statements", unless otherwise stated). These statements appear in a number of places in this MD&A and include statements regarding our intent, or the beliefs or current expectations of NML's officers and directors. Such forward-looking statements involve known and unknown risks and uncertainties that may cause the Company's actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. When used in this MD&A, words such as "believe", "anticipate", "estimate", "project", "intend", "expect", "may", "will", "plan", "should", "would", "contemplate", "possible", "attempts", "seeks" and similar expressions are intended to identify these forward-looking statements. Forward-looking statements may relate to the Company's future outlook and anticipated events or results and may include statements regarding the Company's future financial position, business strategy, budgets, litigation, projected costs, financial results, taxes, plans and objectives. The Company has based these forward-looking statements largely on our current expectations and projections about future events and financial trends affecting the financial condition of our business. These forward-looking statements were derived utilizing numerous assumptions regarding expected growth, results of operations, performance and business prospects and opportunities that could cause NML's actual results to differ materially from those in the forward-looking statements. While the Company considers these assumptions to be reasonable, based on information currently available, they may prove to be incorrect. Accordingly, the reader is cautioned not to put undue reliance on these forward-looking statements. Forward-looking statements should not be read as a guarantee of future performance or results. To the extent any forward-looking statements constitute future-oriented financial information or financial outlooks, as those terms are defined under applicable Canadian securities laws, such statements are being provided to describe the current anticipated potential of the Company and readers are cautioned that these statements may not be appropriate for any other purpose, including investment decisions. Forward-looking statements are based on information available at the time those statements are made and/or management's good faith belief as of that time with respect to future events, and are subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in or suggested by the forward-looking statements. Material risk factors which could cause actual results to differ materially include those disclosed in NML's Annual Information Form dated March 28, 2013 which is filed on SEDAR at www.sedar.com. To the extent any forward-looking statements constitute future-oriented financial information or financial outlooks, as those terms are defined under applicable Canadian securities laws, such statements are being provided to describe the current anticipated potential of the Company and readers are cautioned that these statements may not be appropriate for any other purpose, including investment decisions. Forward-looking statements speak only as of the date those statements are made. Except as required by applicable law, the Company assumes no obligation to update or to publicly announce the results of any change to any* *forward-looking statement contained or incorporated by reference herein to reflect actual results, future events or developments, changes in assumptions or changes in other factors affecting the forward-looking statements. If NML updates any one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements. The reader should not place undue importance on forward-looking statements and should not rely upon these statements as of any other date. All forward-looking statements contained in this MD&A are expressly qualified in their entirety by this cautionary statement.*

# OVERALL PERFORMANCE

## Overview of Business

The Corporation controls the emerging Millennium Iron Range, located in the Province of Newfoundland and Labrador and in the Province of Quebec, which holds one of the world's largest undeveloped magnetic iron ore deposits. In the same area, the Corporation and Tata Steel Limited ("**Tata Steel")**, one of the largest steel producers in the world, are advancing a direct shipping ore project ("**DSO Project**") to near term production. Tata Steel Limited owns approximately 26.3% of New Millennium and is the Corporation's largest shareholder and strategic partner.

Tata Steel exercised its exclusive option to participate in the DSO Project and has a commitment to take the resulting production at world prices. The DSO Project is owned and operated by Tata Steel Minerals Canada Limited ("**TSMC**"), which in turn is 80% owned by Tata Steel and 20% owned by NML. The DSO Project contains 64.1 million tonnes of Proven and Probable Mineral Reserves at an average grade of 58.8% Fe, 21.0 million tonnes of Measured and Indicated Mineral Resources at an average grade of 59.2% Fe, 10.3 million tonnes of Inferred Resources at an average grade of 58.3% Fe and about 25.0 - 30.0 million tonnes of historical resources that are not currently in compliance with NI 43-101. A qualified person has not done sufficient work to classify the historical estimate as current mineral resources or mineral reserves, and as such the historical estimate should not be relied upon.

The Millennium Iron Range ("**MIR**") currently hosts two advanced projects: The LabMag Project contains 3.5 billion tonnes of Proven and Probable reserves at a grade of 29.6% Fe plus 1.0 billion tonnes of Measured and Indicated resources at an average grade of 29.5% Fe and 1.2 billion tonnes of Inferred resources at an average grade of 29.3% Fe; the KéMag Project contains 2.1 billion tonnes of Proven and Probable reserves at an average grade of 31.3% Fe, 0.3 billion tonnes of Measured and Indicated resources at an average grade of 31.3 % Fe and 1.0 billion tonnes of Inferred resources at an average grade of 31.2% Fe. Tata Steel also exercised its exclusive right to negotiate and settle a proposed transaction in respect of the LabMag Project and the KéMag Project.

The Millennium Iron Range also hosts other large taconite deposits. One is the Lac Ritchie property located at the north end of the Range. The initial 2011 drilling of 40 holes in this property revealed Indicated Resources of 3.330 billion tonnes at an average grade of 30.3% Fe, and Inferred Resources of 1.437 billion tonnes at an average grade of 30.9% Fe. Taconite deposits are also located south of the LabMag deposit in the Millennium Iron Range. The initial 2012 drilling of 23 holes in the Sheps Lake property and of 50 holes in the Perault Lake property revealed Indicated Resources of 3.580 billion tonnes at an average grade of 31.22%, and Inferred Resources of 795 million tonnes at an average grade of 30.56%.

The Corporation's mission is to add shareholder value through the responsible and expeditious development of the Millennium Iron Range and other mineral projects to create a new large source of raw materials for the world's iron and steel industries. For further information, please visit www.NMLiron.com, www.tatasteel.com and www.tatasteelcanada.com.

Dean Journeaux, Eng., and Thiagarajan Balakrishnan, P. Geo., are the Qualified Persons as defined in National Instrument 43-101 who have reviewed and verified the scientific and technical mining disclosure contained in this MD&A.

# RESULTS OF OPERATIONS

## TSMC's DSO Project

### Progress Report

The DSO Project, in which NML has a 20% interest through TSMC, has advanced to the production stage and is undergoing several value-adding enhancements. With its innovative process plant under a rigid-frame, structural dome, the DSO Project will be the first year round operation in the Schefferville area. Weight and iron recoveries will be high and transportation costs optimized through the twelve month spread of deliveries.

A scoping change was made to the Project in 2012, adding scale and broadening the product range. A seasonal, mobile dry crushing and screening facility was successfully commissioned to supplement eventual production from the process plant. The combined saleable product streams will reach a steady state level of 6.0 million tonnes per year by 2015, versus the original design of 4.2 million tonnes per year from just the process plant. Initial shipping of the screened ore is expected this summer.

Along with adding production capability, TSMC is building further operating and cost efficiencies into the Project through a multi-faceted framework agreement with neighboring producer Labrador Iron Mines Holdings Limited ("**LIM"**) that involves cooperation in transport and port infrastructure development as well as transactions for development of LIM's Howse deposit and TSMC's Timmins 4 deposit. Both companies will enjoy the benefit of cost synergies from the rationalization of various aspects of their respective iron ore operations. The companies are developing the definitive agreements that will formalize the framework agreement.

An important feature of the LIM agreement is that the DSO Project's rail line will now be shorter by starting near the Project's Timmins Area processing plant and going through LIM's Silver Yard facilities to the initial stage of main line connection to the Port of Sept-Îles. Until the new multi-user dock there is commissioned in 2014, an interim stockpiling and ship loading arrangement will be made.

Construction of the processing complex and ancillary facilities is progressing well. Commissioning of the process plant and first production are planned for Q4 2013 with the ramping up to full capacity planned over the course of 2014.

With the DSO Project transitioning to supplier status, TSMC has assembled a strong operating team committed to successful Project delivery and recently announced the appointment of Mr. Gino Lévesque as Senior Vice President, Projects and Logistics, reporting to Mr. Rajesh Sharma, Managing Director and CEO of TSMC. Originally from Sept-Îles, Mr. Lévesque has strong ties to the community and brings experience and knowledge of iron ore projects and operations in the Labrador Trough. From 2008 to 2012, he held senior roles at Cliffs Natural Resources Inc., including as Vice President Eastern Canadian Iron Ore.

### Quebec Certificate of Authorization for Goodwood and Sunny 1 Properties

On January 30, 2013, it was announced that TSMC's application to mine direct shipping ore on the Goodwood and Sunny 1 (Project 2A) properties in Nunavik had been approved by the Government of Quebec pursuant to a decision of the Kativik Environmental Quality Commission. The Certificate of Authorization dated January 11, 2013 stipulates that TSMC must start work within three years from the date of release. This marked completion of the Certificates of Authorization for the first ten years of mining for the DSO Project in Quebec. TSMC has already obtained the environmental releases and permits for its properties in Newfoundland and Labrador.

## TACONITE PROJECT

The Taconite Project involves large-scale development of the LabMag and KéMag deposits to produce pellets and concentrate, and is in the final feasibility stage also with Tata Steel as a partner through a Binding Heads-of-Agreement signed in March 2011. Building on NML's and Tata Steel's technical expertise, the Project aims to be innovative and competitive, targeting a favourable position on the global cost curve for pellet producers. Natural advantages include a low stripping ratio and magnetite ore, which reduces energy costs in the pelletizing process. The Project would use large-scale and technologically advanced equipment.

At the end of December 2012, NML announced that an interim feasibility study report had been submitted by the Study Manager along with a request for a further period to complete its internal corporate review process, including technical aspects and finalization of the capital cost estimates. In light of the Taconite Project's great scale, NML and TSMC agreed and are now jointly working with the Study Manager to finalize the report before presenting it to their respective Boards.

## EXPLORATION OF OTHER PROPERTIES

Beyond the DSO and Taconite projects, New Millennium has the opportunity to further develop the potential of its land holdings in the MIR. In 2011, a program was initiated involving drilling and analysis to evaluate the resource potential of two MIR taconite anomalies in particular -- Lac Ritchie and Perault Lake -- both of which are 100% owned by New Millennium, as well as to explore possible continuation of the KéMag deposit towards LabMag in the area of Howells Lake. The Lac Ritchie results were announced in April 2012 (NR 1211), and the program carried forward into 2012 with further highly positive results.

### Significant Resource Estimation for Sheps Lake and Perault Lake Properties

On February 11, 2013, NML announced the resource estimation for the Perault Lake and 80% owned Sheps Lake (Naskapi LabMag Trust through LabMag Limited Partnership owns the other 20%) properties. Data collected from the drilling programs on each resulted in total NI 43-101 compliant mineral resource estimates, at a cut-off grade of 18% DTWR, of 3.58 billion tonnes of Indicated Mineral Resources and an additional 795 million tonnes of Inferred Mineral Resources. In accordance with NI 43-101 requirements, a Technical Report in respect of these mineral resource estimates was filed on SEDAR on March 21, 2013.

The Sheps Lake and Perault Lake results further establish the Millennium Iron Range as one of the most prolifically mineralized iron ore districts in the world, adding to NML's capacity for growth and long-term value creation.

### Howells River North and Howells Lake Update

On March 26, 2013, NML announced the completed drilling results for the Howells River North and Howells Lake properties with average core analysis and hole-by-hole assay information, all of which confirmed that the taconite formation occurring in this area is a stratigraphic continuation of the LabMag deposit that connects to the KéMag deposit.

## GENERAL CORPORATE INFORMATION

### NORMAL COURSE ISSUER BID

On January 21, 2013, NML announced that it had filed for and received the necessary approvals to conduct a normal course issuer bid ("**NCIB**") through the facilities of the Toronto Stock Exchange ("**TSX**").

The TSX accepted NML's notice to conduct the NCIB to purchase outstanding common shares on the open market, in accordance with the rules of the TSX. As approved by the TSX, NML is authorized during the period from January 23, 2013 to January 22, 2014, or until such earlier time as the NCIB is completed or terminated at NML's option, to purchase up to 5,000,000 common shares representing approximately 2.8% of its issued and outstanding common shares (179,471,645 outstanding on the date of the announcement). On any trading day, NML will not purchase more than 46,091 common shares, other than through block purchase exceptions.

All common shares acquired under the NCIB will be cancelled. During Q1 2013 and the twelve months preceding January 23, 2013, NML did not repurchase any common shares.

NML's management believes that from time to time the market price of the Corporation's common shares may not reflect their underlying value and that, at such times, the purchase of common shares for cancellation will increase the proportionate interest of, and be advantageous to, all remaining shareholders. In addition, the purchases by NML under the NCIB may increase liquidity to the Corporation's shareholders wishing to sell their common shares.

### Board Appointment

On February 5, 2013, NML announced that Ms. Cathy Bennett had joined the Board of Directors. Ms. Bennett, a well-known entrepreneur and business leader from Newfoundland and Labrador, is CEO and owner of Bennett Group of Companies, which has a wide range of activities, including industrial construction and fabrication; unique flexible turnkey executive offices, global recruitment and a restaurant division with eight McDonald's franchises in the St. John's area. Ms. Bennett serves on the boards of the Shaw Group of Companies based in Halifax as well as Bell Aliant. She previously served as a Director for four years and later as Chair of Nalcor Energy. She was President of the St. John's Board of Trade in 2007 and has held a number of other important civic posts at the provincial, Atlantic regional and national levels. Ms. Bennett is also a strong supporter of various humanitarian efforts, having devoted time and resources to over 100 non-profit organizations.

## GENERAL

### Suspension of CN Study

In September 2012, NML signed an agreement with CN to participate in the feasibility study of a new railway and terminal handling facility that would connect mining projects in the Labrador Trough with the deep-water port at Sept-Îles. Caisse de depot et placement du Québec, CN's partner in the venture, also provided funding along with other mining companies.

CN suspended the study in February 2013, citing the lack of critical volumes necessary to support the initiative due to anticipated delays with mine development projects in the Trough, diverging needs of the miners and the decision by some miners not to join the CN study group.

On February 21, 2013, NML announced that it had received a Termination Notice of Transporter from CN pursuant to the Collaboration Framework Agreement ("**CFA**") made effective August 31, 2012, and CN subsequently reimbursed NML its Evaluation Payment paid under the CFA. NML also re-confirmed that the Taconite Project did not rely on the construction of new rail lines or the development schedules of other projects needed to make the rail option viable, and would continue to have as its base case the lower cost transportation of slurry concentrate through a ferroduct system.

# SUBSEQUENT EVENTS

### OTCQX Listing

On April 10, 2013, NML announced that its common shares had begun trading in the United States on the OTCQX International under the symbol "NWLNF". The OTCQX is the premier marketplace on OTC Markets Group's highly visible electronic trading venue in the U.S. and the OTCQX International tier is designed for non-U.S. companies listed on qualified international stock exchanges. NML expects to benefit from its trading on the OTCQX International by gaining greater exposure, accessibility and liquidity in the United States.

### CEO Succession Planning

In July 2011, principal founder of NML Robert Martin stepped down as President and Chief Executive Officer ("**CEO**") and was succeeded by Dean Journeaux, also a co-founder. As part of the Company's orderly succession plan, NML has searched privately for a Chief Operating Officer with the capability to become CEO. To expand the search for candidates, NML recently appointed a worldwide executive search agency. Internal and external candidates are being considered. Following the hiring of his successor and retirement, Mr. Journeaux will continue contributing to NML in a senior capacity.

## FINANCIAL CONDITION

The following discussion of the Corporation's financial performance is based on the unaudited Condensed Interim Consolidated Financial Statements as of March 31, 2013 ("**financial statements**") set forth herein. As discussed in Note 2 to the financial statements, they are prepared in accordance with International Accounting Standard 34, Interim Financial Reporting, as issued by the IASB.

These financial statements should be read in conjunction with the Company's December 31, 2012 audited consolidated financial statements ("**FYE 2012**").

Management is required to make estimates and assumptions that effect the reported amounts of assets and liabilities at the date of the financial statements and revenue and expenses for the period then ended.

The unaudited Interim Consolidated Statement of Financial Position as of March 31, 2013 indicates cash and cash equivalents of $25,412,158, short-term investments of $38,858,313, sales taxes, other receivables and prepaid expenses of $2,692,624, and the current portion of tax credits and mining duties receivable of $9,122,677 resulting in total current assets of $76,085,772, an increase of $775,113 from FYE 2012. The non-current assets are comprised of the long-term portion of tax credits and mining duties receivable of $1,365,480, mineral exploration and evaluation assets of $55,741,517, other assets of $19,286,838, deposits on contracts of $1,317,009, property and equipment of $737,954 and long-term investments of $31,542,605. The total assets are $186,077,175 which is a decrease of $3,288,055 from FYE 2012.

The Company's current liabilities at March 31, 2013 are its trade and other payables of $4,850,737, and advances from Tata Steel of $4,135,984 for a total of $8,986,721, a decrease of $3,284,769 from FYE 2012. Non-current liabilities consist of an amount due to Naskapi/LabMag Trust of $285,324 for total liabilities of $9,272,045 which is a decrease of $3,284,769 from FYE 2012. Equity attributable to shareholders of the parent company is $176,566,779, a decrease of $2,286 from FYE 2012, and is comprised of share capital of $177,163,322, contributed surplus of $17,243,995, less the deficit of $17,840,538. The non-controlling interest of $238,351 remains unchanged from FYE 2012, for total equity of $176,805,130.

For the three months ended March 31, 2013, the Company realized a net loss of $2,001,421, or $0.01 per share, compared to a net loss of $2,192,428 or $0.01 per share for the comparative period in 2012. This loss represents operating expenses of $2,302,875, (2012 - $2,797,246), net of service fee revenue of $105,721 (2012 – $289,593), investment income of $193,683 (2012 - $315,225) and other income $2,050

(2012 - Nil). The decrease in the period's operating expenses is mainly due to a decrease in stock-based compensation expense from $1,779,958 in Q1 2012 to $1,203,159 in Q1 2013.

The Company expects to continue incurring losses until it begins receiving dividends from TSMC relating to DSO Properties mining operations. These losses are expected to be funded by the current cash, investments and then if necessary, through equity financing or investments by strategic partners.

As at March 31, 2013, the deferred income tax assets, which arose as a result of applying the capital and non-capital losses carried forward to taxable income, have not been recognized in the accounts due to uncertainty regarding their utilization.

All costs associated with mineral properties, totalling $55,741,517 as outlined in Note 9 to the March 31, 2013 financial statements, have been classified as mineral exploration and evaluation assets. The expenditures are divided between the properties as follows: LabMag Property $25,306,188, KéMag Property $14,651,715, Lac Ritchie Property $2,387,024, Perault Lake Property $4,746,840, Sheps Lake Property $1,122,078 and Other Properties $7,527,672. The cost centers for these capitalized expenditures are: mineral licenses $2,799,446, drilling $33,601,357, resource evaluation $31,381,970, environmental $16,236,488, and amortization of property and equipment $102,288. These expenditures are partially offset by tax credits and mining duties of $11,781,793 and the Tata Steel payments of $16,598,239. The non-controlling interest of $238,351 relates to LabMag Limited Partnership whose main property is the LabMag Property. The carrying value of the mineral exploration and evaluation assets are reviewed by the Company on a quarterly basis by reference to the project economics, including the timing of the exploration and evaluation work, the work programs and exploration results achieved by the Company. At March 31, 2013, the Company believes that the carrying values of the properties are less than their net recoverable amounts and as such there has been no impairment of value on any of these properties.

## SUMMARY OF QUARTERLY RESULTS

The following table sets out selected unaudited quarterly financial information of the Company for the eight quarters ended March 31, 2013. This information is derived from unaudited quarterly financial statements prepared by management. The Company's condensed interim consolidated financial statements are prepared in accordance with IFRS and expressed in Canadian dollars.

| | **Mar-13** | **Dec-12** | **Sept-12** | **Jun-12** | **Mar-12** | **Dec-11** | **Sept-11** | **Jun-11** |
|---|---|---|---|---|---|---|---|---|
| Investment Income | 193,683 | 228,842 | 247,373 | 300,231 | 315,225 | 252,073 | 258,075 | 249,844 |
| Net Income (Loss) | (2,001,421) | (2,187,017) | (3,086,419) | (1,596,355) | (2,192,428) | 28,564,955 (2) | (1,849,133) | (2,808,553) |
| Income (Loss) Per Share(1) | (0.01) | (0.01) | (0.02) | (0.01) | (0.01) | 0.16 | (0.01) | (0.02) |
| Diluted income per share(1) | - | - | - | - | - | 0.16 | - | - |

(1) The effect of the exercise of stock options and warrants would be anti-dilutive for the purposes of calculating the fully diluted earnings per share for all periods prior to and subsequent to the three months ended December 31, 2011.
(2) The net income for the three months ended December 31, 2011, was the result of the gain on sale of the DSO Properties during the quarter in the amount of $31,162,000.

## FIRST QUARTER RESULTS

The most significant items comparing the results of operations in the first quarter of 2013 versus the same period in 2012 is a decrease in general and administrative expenses to $2,303,000 in Q1 2013 from $2,797,000 in Q1 2012. This decrease in expenses is offset by a decrease in service fee revenue to $106,000 from $290,000 in Q1 2012 and a decrease in investment income to $194,000 from $315,000 in Q1 2012.

The most significant items affecting general and administrative expenses are a decrease in stock-based compensation to approximately $1,203,000 compared with approximately $1,780,000 in Q1 2012, a decrease in Q1 2013 of service fee expense to approximately $72,000 for which the corresponding expense in Q1 2012 is approximately $199,000, and a decrease in professional fees in Q1 2013 to approximately $219,000 compared with approximately $313,000 in Q1 2012. The decrease in investment income is due to lower levels of investments held during Q1 2013 versus Q1 2012 and an overall decrease in interest rates. The service fee revenue decreased as TSMC is utilizing less of NML's resources as they build up their own team.

As a result, the Company's net loss for the first quarter ended March 31, 2013 totalled approximately $2,001,000 (loss of $0.01 per share) compared to a net loss of approximately $2,192,000 (loss of $0.01 per share) for the comparative period in 2012.

## USE OF ACCOUNTING ESTIMATES AND JUDGMENTS

The information is provided in Note 3 of the financial statements.

## STANDARDS ISSUED BUT NOT YET EFFECTIVE

The information is provided in Note 4 of the financial statements.

## FINANCIAL INSTRUMENTS

All financial instruments are recognized when the Company becomes a party to the contractual provisions of the financial instrument and are initially measured at fair value plus transaction costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value. Financial assets are derecognized when the contractual right to the cash flows from the financial assets expire, or when the financial asset and all substantial risks and rewards are transferred.

An extended description of the Company's financial instruments and their fair values is provided in Note 17 of 2012 annual financial statements.

## FINANCIAL RISK MANAGEMENT, OBJECTIVES AND POLICIES

In the normal course of operations, the Company is exposed to various financial risks. The Company does not enter into financial instrument agreements including derivative financial instruments for speculative purposes. Please refer to Note 13 accompanying financial statements for an extended description of the Company's main financial risks and policies.

## CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The information is provided in Note 16 of the financial statements.

## LIQUIDITY AND CAPITAL RESOURCES

### Working Capital

Working capital at March 31, 2013 of $67,099,051 represents an increase of $4,059,882 from the FYE 2012 total of $63,039,169. This increase in working capital is mainly due to an increase in the current portion of tax credits and mining duties receivable and a decrease of trade and other payables offset by the usage of cash and cash equivalents and short-term investments for its investment in the exploration and evaluation of its mineral assets as well as funding its operational loss for the period.

The Company's working capital has been mainly invested in guaranteed investment certificates, treasury bills, a promissory note and bonds with relatively short maturities all either issued by or guaranteed by Canadian Federal and Provincial governments or their crown corporations. These investments have been classified as cash equivalents and as short-term investments. NML used its cash and cash equivalents and short-term investments from December 31, 2012 to pay its trade and other payables, fund its operations and the continuing exploration and evaluation of its mineral assets. The Company intends to use a portion of its cash and cash equivalents and short term investments in order to fund its portion of the Taconite Feasibility Study, perform new drilling projects in the taconite anomalies located in the Millennium Iron Range, pay for the second instalment of the Port agreement, and pay future corporate operating expenses.

### Capital Expenditures

There was $329,715 of acquisitions of property and equipment during the first three months of 2013 compared to $36,880 in the corresponding period in 2012. This acquisition is for the purchase of land to be used in operations in Schefferville, Quebec.

### Capital Resources

At March 31, 2013, NML has paid up capital of $177,163,322 (December 31, 2012 - $175,877,147) representing 180,229,146 (December 31, 2012 – 179,221,646) common shares and contributed surplus of $17,243,995 (December 31, 2012 - $16,531,035) that is partially offset by a deficit of $17,840,538 (December 31, 2012 - $15,839,117) resulting in total equity attributable to shareholders of the Company of $176,566,779 (December 31, 2012 - $176,569,065). In addition there is a non-controlling interest of $238,351 (December 31, 2012 – $238,351) resulting in total equity of $176,805,130 (December 31, 2012 - $176,807,416).

## Commitments

Please refer to Note 17 of the accompanying financial statements for a summary of the Company's commitments.

# TRANSACTIONS WITH RELATED PARTIES

Please refer to Note 15 of the accompanying financial statements for a summary of the Company's transactions with related parties and the related period end balances.

# CONTROLS AND PROCEDURES OVER FINANCIAL REPORTING

In compliance with the Canadian Securities Administrators' National Instrument 52-109, the Company has filed certificates signed by the Chief Executive Officer ("**CEO**") and the Chief Financial Officer ("**CFO**") that, among other things, report on the design and effectiveness of disclosure controls and procedures, and the design and effectiveness of internal control over financial reporting.

## Disclosure Control and Procedures

The CEO and the CFO have designed disclosure controls and procedures, or have caused them to be designed under their supervision, in order to provide reasonable assurance that:

- material information relating to the Company has been made known to them; and
- information required to be disclosed in the Company's filings is recorded, processed, summarized and reported within the time periods specified in securities legislation.

An evaluation was carried out, under the supervision of the CEO and the CFO, of the design and effectiveness of the disclosure controls and procedures. Based on this evaluation, the CEO and the CFO concluded that the disclosure controls and procedures are effective at March 31, 2013.

## Internal Control over Financial Reporting

The CEO and the CFO have also designed internal control over financial reporting, or have caused them to be designed under their supervision, in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for financial reporting purposes in accordance with IFRS.

An evaluation was carried out, under the supervision of the CEO and the CFO, of the design and operating effectiveness of most critical aspects of our internal control over financial reporting. Based on this evaluation, the CEO and the CFO concluded that the internal controls over financial reporting are effective at March 31, 2013, using the criteria set forth by the Committee of Sponsoring Organizations (COSO) of the Treadway Commission on Internal Control – Integrated Framework. The remaining aspects of our internal control over financial reporting will be evaluated during the coming quarters.

## Changes to Internal Control over Financial Reporting

No changes were made to our internal control over financial reporting during the quarter ended March 31, 2013, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

# MARKET REVIEW AND OUTLOOK

According to the World Steel Association's statistics, world crude steel production was 389 million metric tons (Mt) for the first three months of 2013, which represented an increase of 2.3% over the first three months of 2012.

The growth came mainly from China with an increase of 9.1% over the first three months of 2012, as the change in output was mixed in other Asian countries, while the EU-27, other Europe, North America and South America were all down from comparable 2012 levels. The overall reporting countries' crude steel capacity utilization rate was 79.4% at the end of March, down by 2.1% from March 31, 2012.

Steelmaking overcapacity continues in China and producers' margins remain under pressure, while European steelmakers also must deal with overcapacity.

During the quarter, the iron ore market was influenced by seasonal events, including the impact of tropical cyclone activity on Western Australian operations and reduced winter month domestic production in China. These factors contributed to the volatility that continues to characterize the iron ore market and pricing globally.

Longer term, steel intensity demographics continue to support growth projections for steel demand, particularly in China and India, and these underlying forces are expected to drive the need for more iron ore supply even through market fluctuations such as those experienced over the past year. How quickly new supply can come on stream and at what cost is the main issue for iron ore markets.

# DISCLOSURE OF OUTSTANDING SHARE DATA

The following information relates to share data of the Company as at March 31, 2013.

**1. Share capital**

(a) Authorized:

Unlimited number of common voting shares.
Unlimited number of preferred shares, without nominal or par value, issuable in series.

(b) Issued as of March 31, 2013: The Corporation has 180,229,146 common shares issued ($177,163,322).

(c) Issued as of May 13, 2013: The Corporation has 180,219,146 common shares issued ($177,153,772).

**2. Options**

The Corporation has adopted an incentive stock option plan whereby options may be granted from time to time to directors, officers, employees and consultants to the Corporation with shares reserved for issuance as options not to exceed 10% of the issued and outstanding common shares.

As of May 13, 2013, there were 17,096,500 common shares reserved for issuance pursuant to the exercise of stock options (March 31, 2013 – 14,084,500) as follows:

| Number of Outstanding Options | Exercise Price | Expiry Date |
|---:|:---:|---|
| 70,000 | $1.75 | June 1, 2013 |
| 1,470,000 | $0.37 | January 20, 2014 |
| 33,000 | $0.65 | October 9, 2014 |
| 3,262,500 | $0.90 | June 30, 2015 |
| 36,000 | $0.87 | August 31, 2015 |

| Number of Outstanding Options | Exercise Price | Expiry Date |
| --- | --- | --- |
| 42,000 | $3.52 | February 8, 2016 |
| 3,100,000 | $3.36 | April 1, 2016 |
| 175,000 | $3.16 | April 29, 2016 |
| 52,000 | $2.48 | May 16, 2016 |
| 48,000 | $2.48 | July 18, 2016 |
| 72,000 | $2.65 | July 26 , 2016 |
| 32,000 | $1.61 | October 18, 2016 |
| 135,000 | $1.65 | November 1, 2016 |
| 110,000 | $1.16 | November 28, 2016 |
| 350,000 | $1.43 | December 6, 2016 |
| 160,000 | $1.23 | December 20, 2016 |
| 38,000 | $1.65 | January 4, 2017 |
| 37,000 | $1.72 | January 11, 2017 |
| 70,000 | $2.02 | January 24, 2017 |
| 90,000 | $2.48 | March 7, 2017 |
| 65,000 | $2.08 | April 5, 2017 |
| 100,000 | $1.93 | April 11, 2017 |
| 56,000 | $2.03 | April 16, 2017 |
| 48,000 | 1.59 | July 2, 2017 |
| 3,645,000 | 1.35 | July 27, 2017 |
| 66,000 | 1.30 | September 10, 2017 |
| 80,000 | 1.45 | September 18, 2017 |
| 200,000 | 1.57 | October 4, 2017 |
| 40,000 | 1.04 | December 10,2017 |
| 52,000 | 1.62 | January 8, 2018 |
| 350,000 | 1.17 | February 5, 2018 |
| 3,012,000 | 0.89 | April 24, 2018 |

**3. Warrants**

At May 13, 2013, there were no common shares reserved for issuance pursuant to the exercise of outstanding warrants (March 31, 2013 – Nil).

# ADDITIONAL INFORMATION

Additional information relating to the Company is available on SEDAR at www.sedar.com