NEW MILLENNIUM IRON CORP.

ANNUAL REPORT 2012

New Millennium Iron Corp.

Annual Report

December 31, 2012

NEW MILLENNIUM IRON

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Dear Shareholder,

New Millennium Iron Corp. ("**NML**") was founded in 2003 with the vision of developing several significant mining assets on the Millennium Iron Range ("**MIR**") in Eastern Quebec and Labrador. During 2012, progress continued on NML's three major iron ore project initiatives, two of which are being carried out with strategic partner and shareholder Tata Steel Limited.

2012 Highlights

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

The Direct Shipping Ore Project **("DSO Project")** through a 20% ownership interest in Tata Steel Minerals Canada Ltd. ("**TSMC**"), owner and operator of the Project:

- Advancement of construction, coupled with commencement of stripping, initial mining, crushing and screening to produce saleable ore.
- Progress on rail and port logistics arrangements.
- Change in scope of operations to increase production capacity from 4 million tonnes per year ("mtpy") to 6 mtpy.
- Developer/Miner of the Year Award for 2012 from the Newfoundland Branch of the Canadian Institute of Mining and Metallurgy.

Taconite Project

On NML's Taconite Project, final stage feasibility work under a binding Heads-of-Agreement with Tata Steel advanced on the large LabMag and KéMag deposits located in the provinces Newfoundland and Labrador and Quebec, respectively:

- Comprehensive design, engineering, technical, environmental and costing activities led by a study manager and supported by specialist consultants for each of the key areas of the study.
- Pilot plant testwork for product and flowsheet development at Studien Gesellschaft für Eisenerz Aufbereitung in Germany and at Coleraine Mineral Research Laboratory in Minnesota, USA.
- Pellet plant design and engineering in collaboration with Outotech Oyj, Espoo, Finland.
- Market study in collaboration with World Steel Dynamics, Englewood Cliffs, New Jersey, USA, along with market development for Taconite Project offtake.
- Receipt of interim feasibility study report and extension of study period into 2013.

Exploration

On NML's third project, exploration drilling continued at other MIR taconite properties that are controlled by NML and which represent potential opportunities for additional strategic partnerships:

- Increase in NML's NI 43-101 certified Taconite resource base from drilling program results at Lac Ritchie.
- Completion of extensive 2012 drilling program with focus on Perault Lake, Sheps Lake, Howells Lake and KéMag East properties, with results showing continuous and high quality mineralization from Perault Lake to KéMag.

General and Corporate

- Investment in the Sept-Îles Port Authority's new, deep water multi-user dock now under construction.
- Participation in a feasibility study by Canadian National Railway Co. ("**CN**") of new rail and terminal facilities to service the Labrador Trough.
- Appointment to Senior Management: Mr. Rock Gagnon, Vice President Process & Plant Engineering.

Subsequent Events in 2013

DSO Project

- Receipt of Quebec Certificate of Authorization for the Goodwood and Sunny 1 properties.
- Positive, multi-faceted framework agreement with Labrador Iron Mine Holdings Limited on resource properties and rail and port logistics.

Exploration

- Extensive NI 43-101 compliant resource estimates for Sheps Lake and Perault Lake and filing of the related Technical Report.
- Average drill core analysis and assay results for Howells River North and Howells Lake properties.

General and Corporate

- Filing and approval to conduct a normal course issuer bid through the facilities of the Toronto Stock Exchange.
- Suspension of CN study and re-confirmation of Taconite Project commitment to transportation of slurry concentrate through a ferroduct system.
- Appointment to Board of Directors: Ms. Cathy Bennett, St. John's, NL.
- As a result of NML's succession planning program, initiation of a search for a Chief Executive Officer to succeed Mr. Dean Journeaux, who will carry on as President and CEO for a period necessary to ensure an orderly transition.

The DSO Project

The DSO Project was established in 2010 and is owned and operated by TSMC, in which Tata Steel has an 80% interest and NML 20%.

Originally designed to produce 4.2 mtpy of high grade sinter feed and pellet feed from an innovative processing plant housed under a weather proof structural dome, the Project underwent a scoping change in 2012 and will now supply not only those products on a year round basis as planned, but also a seasonal sinter fines product using simple mining and dry screening techniques.

Mining, crushing and screening activity began at the DSO Project in September 2012 and is on track to produce 2 million tonnes in 2013. The processing plant for higher grade products is expected to be commissioned during the fourth quarter of 2013, and combined screened and processed production is expected to ramp up to 4 million tonnes in 2014. The targeted level for the combined product streams is 6 mtpy, which TSMC aims to reach in 2015. The new increment of production will enhance NML's investment in the DSO Project.

Shipping activity is expected to begin during this year's summer period and we are excited about the prospect of NML achieving the transitional milestone from explorer/developer to producer/shipper.

The Taconite Project

The Taconite Project, on which a bankable feasibility study will be completed shortly, also with Tata Steel as a partner through a heads-of-agreement signed in March 2011, involves development of either or a combination of the LabMag or KéMag deposits, each of which could support a large-scale iron ore pelletizing complex with capacity greater than that of existing Labrador Trough producers, and a range of product qualities capable of servicing iron making through either the blast furnace or direct reduction route.

Building on New Millennium's and Tata's technical expertise, the Taconite Project would be innovative and competitive, aiming for 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 Taconite Project would use large-scale and technologically advanced equipment. When coupled with the full range of vessel sizes to be handled by the new multi-user dock under construction at Sept-Iles, Québec, in which both NML and TSMC are participants, the Taconite Project should be a highly competitive new source of supply for iron and steel makers worldwide.

Tata Steel and NML are actively pursuing one or more partners for investment and offtake.

The timing of an investment decision on the Taconite Project is subject to finalization of the feasibility study and expected to be sometime in 2013.

Exploration Program

Beyond the DSO and Taconite projects, NML has further development potential through its other land holdings in the MIR, and over the period 2011 to 2013 we will have carried out for our own account exploration drilling and analysis to evaluate several taconite anomalies with new partnerships in mind. In this regard, it was announced in April 2012 that the Lac Ritchie deposit had been identified as containing 3.3 billion tonnes of Indicated Resources and 1.4 billion tonnes of Inferred Resources.

As drilling progressed during the year, positive results emerged from the Perault Lake, Sheps Lake and Howells Lake areas. These showed the presence of continuous mineralization from Perault Lake to KéMag, and, from this very large base, the potential for high quality products.

In a recent report, Credit Suisse ranked NML among the world's largest holders of attributable resources as measured in terms of contained iron tonnes. As highlighted in the numerous presentations we make to diverse audiences each year, NML's MIR offers long term potential on a scale equivalent to the similar Mesabi Range in the US State of Minnesota.

Market Commentary

According to the World Steel Association's statistics, world crude steel production was 1.548 billion metric tons (Mt) for all of 2012, which represented an increase of 1.2% over 2011 and set a new record.

The growth came mainly from Asia and North America as production in the EU-27 and South America actually fell in 2012 from 2011 levels. In Asia and globally, the driving force remains China, where crude steel production was 716.5 Mt in 2012, an increase of 3.1% over 2011, and the country's share of global production increased to 46.3% from 45.4% a year earlier.

During the first quarter of 2012, the Chinese government announced a lower targeted GDP growth rate of 7.5%, which raised concerns in both the commodities and financial markets over a lower trajectory for Chinese steel output. This set the tone for a period of market volatility through the remainder of 2012 and into 2013 that has seen wide swings in the price of iron ore.

Longer term, steel intensity demographics continue to support growth projections for steel demand, particularly in China and India, and these underlying forces will drive the need for more iron ore supply even through market fluctuations such as those now being experienced. How quickly new supply can come on stream and at what cost is the main issue for iron ore markets. As previously stated, we are fortunate to have such a high caliber strategic partner in Tata Steel and our projects are being designed to have a cost structure that can withstand the steel industry's inevitable cyclicality.

Conclusion

I am grateful for the support received from all our shareholders, partners, consultants, and from our strong team of hard working and dedicated employees. I am inspired by Bob Martin's vision at inception of the company that the enormous resources of the Labrador Trough would enable us to develop one of the largest iron ore companies in Canada. We started production of iron ore last year, screened ore from existing pits. First shipments are expected in Q3 with a ramp up of the plant during Q4.

We at NML are all very excited about the development of our projects with our partner, Tata Steel. As our projects move ahead and we continue to grow, the market will increasingly recognize the enormous value that the Company possesses.

We therefore are confident of a bright future for our Company and for our shareholders.

Yours truly,

NEW MILLENNIUM IRON CORP.

(signed) "Dean Journeaux"

Dean Journeaux
President and Chief Executive Officer
April 23, 2013

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

*Reference is made to the audited Consolidated Financial Statements of New Millennium Iron Corp. (**"NML",** the **"Company", or the "Corporation"**) for the year ended December 31, 2012 ("**FYE 2012**") and the year ended December 31, 2011 ("**FYE 2011**"), upon which the following discussion is based. The Consolidated Financial Statements and the notes thereto 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

Dedication of the DSO Project, in which NML has a 20% interest through TSMC, took place in September 2011 and construction began during Winter 2011/2012. By the end of 2012, an important milestone in NML's history had been reached with the commencement of stripping followed by initial mining, crushing and screening to produce saleable iron ore.

The DSO Project is innovative and designed to have both direct shipping and processed ore product streams. With its 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.

Activities in 2012 and Outlook (also see **Subsequent Events**):

Following extensive preparation of the plant site pad due to unstable ground conditions early in 2012, installation and grounding of the dome prefabricated foundations began along with erection of the dome trusses, which showed visible progress over the summer months. Meanwhile, engineering and procurement activity had also started and was advancing.

Having received the necessary permits from the Government of Newfoundland and Labrador to mine deposits located in the Timmins area close to the processing plant site, TSMC started mining in early September and set up a portable dry crushing and screening plant as an interim step to generate immediately available shippable product while preparing the mines for an orderly start-up of the plant in 2013. Production in 2012 was approximately 250,000 tonnes of sinter fines and 50,000 tonnes of lump ore.

Contracts were awarded for drilling and blasting as well as mining and hauling of the ore to the plant and to load rail cars. Mine development continued through Winter 2012/2013 and TSMC is on track to produce 2 million tonnes ("**mt**") in 2013. The Project's initial annual nameplate capacity of 4.2 mt of Sinter Fines and Super Fines is expected to be reached in 2014. However, TSMC is also developing plans to increase production to 6 mt annually in 2015 to maximize utilization of the current facilities.

Delivery of the major processing equipment started in Q4 2012 and will continue through the first half of 2013, with mechanical completion of the plant targeted for the end of Q3 2013.

Logistics (also see **General** and **Subsequent Events**):

The Project has complex mine-to-port logistics. The milestone achievements and remaining initiatives are summarized below:

- MOU regarding the rail tariff with TSH. TSMC invested $4.0 million for track rehabilitation in 2011, and a further $4.5 million was being invested in 2012,
- QNS&L transportation agreement concluded,
- Agreement reached with KéRail, an independent operator, for a 20 km spur from the plant yard limit to Schefferville,
- 505 ore cars delivered (100 tonne capacity each),
- Access to deep water dock under construction at Sept-Îles, Québec, to ship 5 mt per year, for which TSMC has agreed to invest $12 million,
- Negotiations are underway to conclude an interim transportation arrangements for the last leg of the logistics chain between Arnaud Junction near Sept-Îles and the Port of Sept-Îles to an existing terminal at Pointe-Noire until the deep water dock is available, expected in mid-2014.

Capital Cost Estimate

During the feasibility study (as of February 2011), the gross capital outlay for the Project, including leasing and financing, was estimated at US$428.5 million or (C$475 million at that time) for 4 mt per year of products. TSMC's current estimate to complete the Project to produce 4.2 mt per year of Sinter Fines and Super Fines is about C$560 million, including estimated requirements for working capital and escalation, but excluding estimated requirements for equipment leasing and mine closure rehabilitation.

The cost increases can be largely attributed to the following major factors: Changes to the Project's scope, including the selection of a steel fabricated dome structure; unexpected soil conditions at the beneficiation plant construction site; increased EPCM cost and increased cost of construction. Cost escalation expected to complete the Project has now been included for inputs such as equipment, fuel and construction costs. NML will be required to contribute 20% of the equity portion relating to the initial capital costs in excess of C$300 million, or approximately C$16 million, based on expected financing of the Project with 30% equity and 70% debt.

Resource Enhancement (also see **Subsequent Events**)

There were positive developments during the year with respect to the DSO Project's resource base.
First, the results of a ground gravity survey carried out in 2011 on strong gravity anomalies with coinciding weak magnetic anomalies validated the findings of an Airborne Magnetometer and Gravity survey carried out in 2010 and identified high priority targets that TSMC further investigated in 2012. These targets are in the vicinity of the DSO Project's Area 3 Timmins concentrator area, where new discoveries could provide operating cost benefits.

Also, the results of the 2011 drilling program carried out by TSMC were announced. Three deposits were drilled in the Project's Area 4 at Goodwood. The drilling consisted of 40 exploration holes for a total of 1,991 meters and resulted in a 28% increase in Indicated as well as a 43% increase in the Inferred resource classifications. This notable increase of NI 43-101 compliant resources gives TSMC the option to potentially increase the Project's life or consider a higher production rate.

Impact and Benefit Agreements

The Project affects four First Nations and TSMC has executed Impact and Benefit Agreements (**"IBA"**) with each. The first IBA with the Naskapi Nation of Kawawachikamach was concluded in 2010, and IBAs with the Nation Innu Matimekush-Lac John of Quebec and the Innu Nation of Labrador were concluded in 2011. Conclusion of an IBA with the ITUM of Sept-Îles took place in February 2012.

CIM Award

In recognition of the Project's achieving first production, NML and TSMC together were named Developer/Miner of the Year for 2012 by the Newfoundland Branch of the Canadian Institute of Mining and Metallurgy ("**CIM**").

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.

Activity in 2012 centered on completing the Project's feasibility study under a Study Manager supported by consultants in the specialist areas, including mining, beneficiation, ferroduct transportation and pelletizing among others. The feasibility study comprised a number of simultaneous activities, including work on geology and resources, mine planning, metallurgical testwork, engineering, transportation and port logistics, and marketing for offtake opportunities to supplement Tata Steel's expected supply requirements from the Project.

Considerable progress was made across all fronts. Pilot plant tests at the leading Studien Gesellschaft für Eizenerz-Aufbereitung ("**SGA**") laboratory in Germany yielded high quality products suitable for both blast furnace iron making and direct reduction. Concentrates were pelletized at SGA in a pot grate furnace in collaboration with Outotec, a leading developer of solutions for processing minerals and metals, and chosen to provide pellet plant engineering for the feasibility study. These tests provided parameters for the design of the indurating machine. Additional pilot plant tests were carried out at Coleraine Mineral Research Laboratory in Minnesota, which has a long history of work on taconite ore.

On the commercial side, World Steel Dynamics, Englewood Cliffs, New Jersey, carried out a market study for the Project. The firm is well known in both the iron and steel market and capital markets.

At the end of December, the Company 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 Tata Steel agreed and completion of the study is now expected in mid-2013.

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 program carried forward into 2012 with highly positive results.

Lac Ritchie

At Lac Ritchie, 40 holes for a total of 3,810 meters were drilled in 2011 and analytical work was completed during the first quarter of 2012. In early April the results were unveiled and expanded NML's resource base, bringing 3.330 billion tonnes of Indicated Mineral Resources and an additional 1.437 billion tonnes of Inferred Mineral Resources as shown in Table 1 below.

NML engaged SGS Canada Inc. to model the Lac Ritchie deposit based on available drill hole results from 2011 and to complete a mineral resource estimate in compliance with National Instrument 43-101. NML will integrate these results into its own geological software system for future open pit design and mine planning.

Table 1: Summary of Lac Ritchie Property Mineral Resource Estimate

Resource Classification	Tonnes (in millions)	Total Fe%	DTWR%	Concentrate Fe%	Concentrate SiO_2%
Indicated	3,330	30.3	27.9	67.6	4.5
Inferred	1,437	30.9	27.0	67.6	4.5

2012 Drilling Program

Over the period March 2 – October 22, 2012, NML carried out drilling at several of its properties in the Millennium Iron Range ("**MIR**") as detailed in Table 2 below. The drilling program comprised 153 holes for a total of 17,312.6 meters. The areas drilled in 2012 are shown in Figure 1.

Table 2 – 2012 MIR Drilling Program

Property/Area	Location	No. of holes	Total m
Perault Lake	MIR	48	3,890.8
Sheps Lake	MIR	23	1,920.1
Howells River N	MIR	10	1,114.5
Howells Lake	MIR	43	6,561.7
KéMag East	MIR	24	3,315.5
Lac Keough	East of MIR	1	102.0
Lac Thérèse	East of MIR	1	102.0
Wishart Creek	East of MIR	3	306.0
Total		153	17,312.6

The half drill core samples, on average 6 meters in length were sent to Midland Research Center, an Independent Laboratory at Nashwauk, Minnesota, USA for testing and analysis. The core is assayed for total iron. The magnetite concentrate is produced using the Davis Tube method and given as Davis Tube Weight Recovery percent. The magnetite concentrate is assayed for iron and silica. Some selected samples are analyzed for other elements.

Perault Lake and Sheps Lake Areas

At the Perault Lake property and at the 80% owned Sheps Lake Property (Naskapi LabMag Trust through LabMag Limited Partnership ("**LLP**") owns the other 20%), 48 holes and 22 holes, respectively, were drilled for a total of 3,891 and 1,918 meters, respectively. The combined total area of Sheps Lake and Perault Lake is approximately 17.25 km² with an average thickness of 60 m, where the taconite is un-altered giving excellent Davis Tube concentrate recoveries with very low concentrate silica values (less than 2.00%) and high Fe values (>70.00%). These results highlight the potential for the production of direct reduction ("**DR**") grade pellet feed from these properties, along with high quality blast furnace grade pellet feed.

Howells Lake Area

Drilling was also carried out in the Howells Lake area, comprising the 100% NML owned Howells Lake property and the 80% owned Howells River North property (also 20% owned by Naskapi LabMag trust through LLP). The area outlined for drilling, based on a 2010 airborne magnetic survey, is approximately 7.0 km long and 3.5 km wide. In 2006, NML drilled one hole in the central part of the area, which indicated that continuation of the stratigraphic units was likely. The 2012 drilling results from Howells Lake and Howells River North confirmed that the taconite occurring in this area is a stratigraphic continuation of the LabMag deposit and also connects to the KéMag deposit.

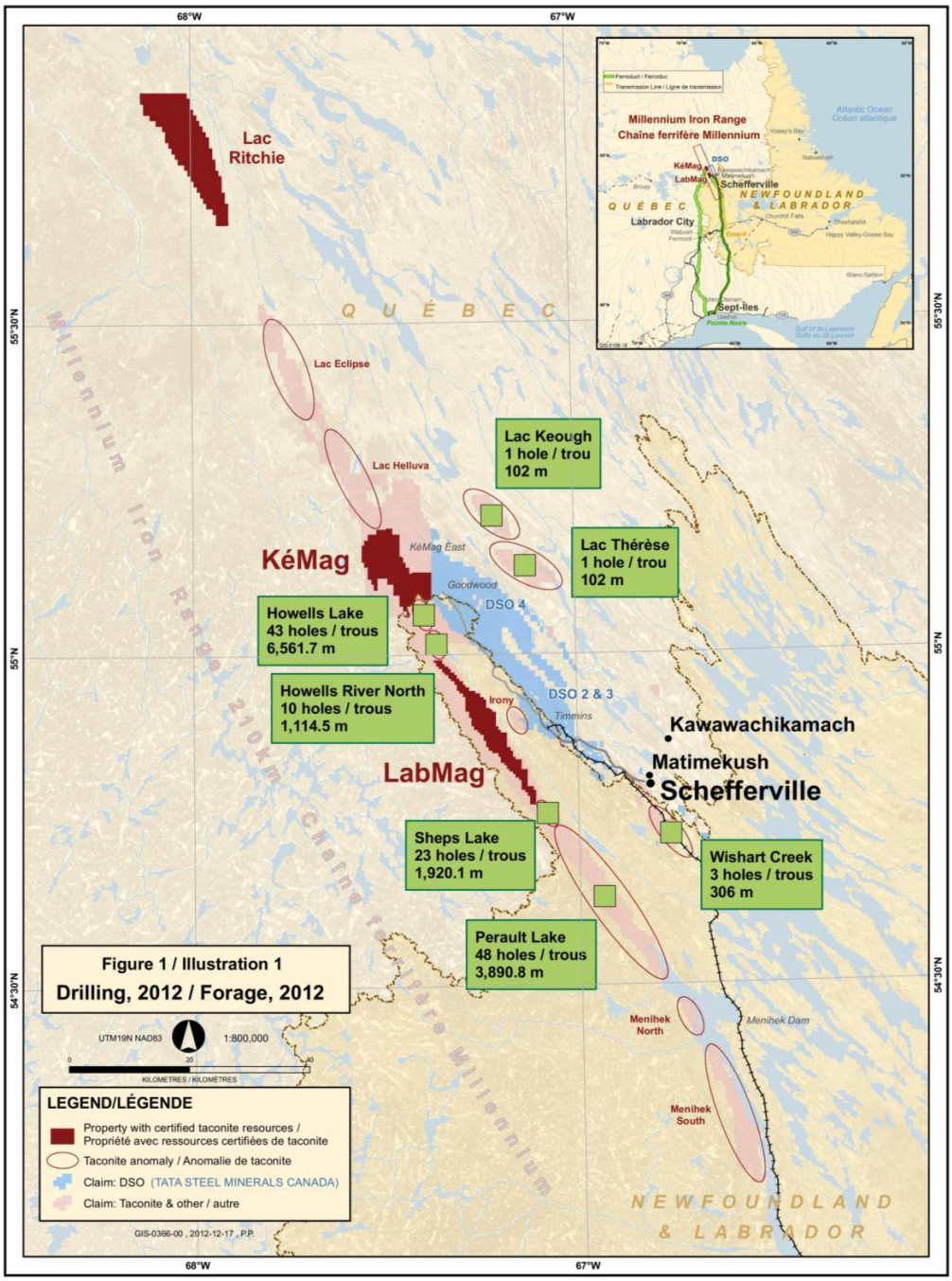
NI 43-101 Compliant Resource Estimate

The 2012 drilling results from the Perault Lake, Sheps Lake and Howells Lake areas showed not only the presence of continuous mineralization from Perault Lake to KéMag, but also high quality and that the Howells Lake, Sheps Lake and Perault Lake areas each has the potential to become a major deposit in its own right. NML advised that it would undertake a resource estimate in order to obtain NI 43-101 compliant status for these properties.

KéMag East and Other Properties

The 2010 airborne magnetic survey outlined an anomaly approximately 13 km long and 1 km wide on the east side of Lac Harris and Lac Gillespie. This area represents a folded and faulted sequence of the taconite formation separated by a thrust fault from the KéMag deposit. There were 24 holes for a total of 3,315.5 meters drilled in this area as part of the 2012 program. In addition, limited drilling was carried out to explore the taconite potential at Lac Keough, Lac Thérèse and Wishart Creek. Results of analyses for all these areas were pending at year's end.

Figure 1 – 2012 Drilling Areas



GENERAL CORPORATE INFORMATION

On November 1st 2012, NML announced the appointment of Mr. Rock Gagnon as Vice President, Process and Plant Engineering. Mr. Gagnon has 19 years of experience in design and operation of mineral processing plants, and in process design for ferrous, base and precious metals. He previously worked as an independent consultant, assisting New Millennium Iron Corp, TSMC and other firms, including Kudremukh Iron Ore Company. Earlier in his career, Mr. Gagnon worked for COREM in Quebec City and Met-Chem Canada as principal metallurgist for a number of projects worldwide.

GENERAL

Infrastructure Initiatives

NML undertook several infrastructure initiatives in 2012 for its iron ore projects. These included investment in the Sept-Îles Port Authority's new multi-user dock facility now under construction, and participation in a feasibility study by Canadian National Railway Co. ("**CN**") of new rail and terminal facilities to service the Labrador Trough.

Multi-User Dock at Sept-Îles

On February 13, 2012, the Port of Sept-Îles (Québec) announced the financial support of the Canadian federal government for the construction in the Bay of Sept-Îles at Pointe-Noire of a new state-of-the-art, multi-user deep water dock capable of loading up to very large size iron ore vessels. The Sept-Îles harbour is an ideal location for year round shipping and has a long history of servicing steelmakers in North America, Europe, the Middle East/North Africa and the Asia/Pacific.

The facility's Phase I is designed to have a total capacity of 50 million metric tons and is expected to cost C$220 million. It is being financed by the Port of Sept-Îles, the Government of Canada and commitments from potential end-users. Construction is expected to be completed in 2014.

On July 18, 2012, NML announced the signing of an agreement with the Sept-Îles Port Authority providing NML with access to a minimum of 15 million metric tons of annual shipping capacity from the new dock facility. NML is investing $38.4 million for its interest, payable in two instalments over a one year period, the first of which was paid at time of signing. NML's investment is from available funds. As a result of this investment, NML will receive favourable shipping rates at the dock facility. NML has a take-or-pay obligation based on a discounted rate applied on 50% of the reserved capacity. NML is entitled under the agreement to transfer all or a portion of its annual capacity and the associated take-or-pay obligation to other users of the dock. The term of the contract is 20 years, with NML having the option to renew for four further five year terms.

NML also has indirect participation in the new dock through its interest in TSMC, which agreed to invest $12 million for 5 million metric tons of annual capacity.

These investments are expected to give NML's projects access to the global iron ore marketplace through a world-class shiploading system capable of handling a full range of iron ore carriers.

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 dépôt et placement du Québec was CN's partner in the venture and also funding the study, along with other mining companies. Although NML's Taconite Project is focused on moving concentrated ore to the pelletizing stage in slurry form via a ferroduct system similar to those well established in Brazil and elsewhere, participation in the CN study was aimed at enabling NML to fully assess the transportation options for the development of its very large resource base in the Millennium Iron Range. CN suspended the study in February 2013 (see **Subsequent Events**).

SUBSEQUENT EVENTS

TSMC'S DSO PROJECT

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.

Positive Agreements with Labrador Mine Holdings Limited

On March 12, 2013, it was announced that TSMC had entered into a multi-faceted framework agreement with Labrador Iron Mines Holdings Limited ("**LIM**") that would favourably impact the DSO Project. The agreement 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 stated their intention to enter into definitive agreements to formalize the framework agreement in due course.

Summary of Agreements

The multi-part cooperation agreements are summarized as follows:

- The companies agreed to cooperate to develop the rail line that will start near TSMC's Timmins Area processing plant and go through LIM's Silver Yard facilities to the TSH main line.
- The companies shall also coordinate their respective participation in developing infrastructure at the Port of Sept-Îles with the objective of establishing common access and terminal facilities to the Port's new deep sea multi-user dock.
- The companies have agreed to enter into transactions regarding the development of LIM's Howse deposit and TSMC's Timmins 4 deposit. The Howse deposit, containing 28 million tonnes of historical resources, is four kilometers from TSMC's Timmins processing plant. TSMC will acquire a 51% interest in LIM's Howse deposit, and LIM may earn up to a 100% interest in TSMC's Timmins 4 deposit having resource of 1.7 million tonnes to LIM for consideration of $3 million recoverable from sales.
- As part of the proposed agreement, and subject to fulfillment of certain conditions precedent, LIM will receive a cash injection of $30 million. In future, TSMC has an option to infuse up to C$25 million in the Howse project to further increase its interest in the Howse deposit to 70%.

For TSMC, acquisition of 51% and possibly 70% of the Howse deposit will result in a net addition of resources located only about four kilometers from the year-round processing plant site under construction in the Timmins area. The DSO Project will also derive important cost efficiencies from the Silver Yard rail route and shared infrastructure at Sept-Îles.

EXPLORATION

Significant Resource Estimation for Sheps Lake and Perault Lake Properties

On February 11, 2013, NML announced the resource estimation for the Sheps Lake and Perault Lake 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

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 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 February 2013, CN suspended its 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 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 also that CN would be reimbursing 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.

FINANCIAL CONDITION

The following discussion of the Corporation's financial performance is based on the audited Consolidated Financial Statements as of December 31, 2012 ("**financial statements**") set forth herein. As discussed in Note 2 to the financial statements, they are prepared in accordance with IFRS.

The significant accounting policies applied in the preparation of these financial statements are set out in Note 2 of the financial statements and have been consistently applied to all periods presented.

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 audited Consolidated Statement of Financial Position as of December 31, 2012 indicates cash and cash equivalents of $8,514,976, short-term investments of $59,332,129, sales taxes, other receivables and prepaid expenses of $3,097,908, the current portion of tax credits and mining duties receivable of $4,365,646 resulting in total current assets of $75,310,659, a decrease of $40,697,098 from December 31, 2011. The non-current assets are comprised of long-term portion of tax credits and mining duties receivable of $5,820,468, mineral exploration and evaluation assets of $54,141,322, property and equipment of $482,069, deposits on contracts of $2,813,384, long term investment in TSMC of $31,542,605 and other assets of $19,253,723. The total assets are $189,364,230 which is an increase of $3,814,212 from FYE 2011.

The Company's liabilities at December 31, 2012 are its trade and other payables of $7,755,190, and advance from Tata Steel of $4,516,300 which are classified as current liabilities for a total of $12,271,490 an increase of $5,477,439 from FYE 2011. Non-current liabilities consist of an amount due to Naskapi/LabMag Trust of $285,324 for total liabilities of $12,556,814 which is an increase of $5,477,439 from FYE 2011. Equity attributable to shareholders of the Company is $176,569,065, a decrease of $1,663,227 from FYE 2011, and is comprised of share capital of $175,877,147, contributed surplus of $16,531,035, less the deficit of $15,839,117. The non-controlling interest is $238,351 which remains unchanged from FYE 2011, for a total equity of $176,807,416.

Working capital at FYE 2012 of $63,039,169 is a decrease of $46,174,537 from the FYE 2011 total of $109,213,706. This decrease in working capital is mainly due to the Company's usage of current assets for its investment in the exploration and evaluation of its mineral assets, payment of the first installment of the Port agreement described above in the general section that was recorded as other assets in the consolidated statement of financial position, and its operational loss for the period.

The Company's working capital has been mainly invested in guaranteed investment certificates, treasury bills 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 short-term investments. NML used its cash and cash equivalents from FYE 2011 to pay its trade and other payables, pay the first instalment for the Port agreement, 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 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. During the year, there was $18,222,515 of capitalized mineral exploration and evaluation asset expenditures, net of Québec tax

credits, Québec mining duties and the payments made by Tata Steel that are in exchange for an option to own a portion of the Taconite Projects. As at December 31, 2012, 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.

For the year ended December 31, 2012, the Company realized a net loss of $9,062,219, or $0.05 per share, compared to a net income of $21,136,320 or $0.12 per share for the comparative period in 2011. This income represents service fee revenue of $740,468 (2011 – $1,708,944), operating expenses of $10,902,593, (2011 - $13,187,389), net of investment income of $1,091,671 (2011 - $845,022), other income of $8,235 (2011 – $607,950) and gain on sale of DSO properties of Nil (2011 – $31,161,793). The decrease in the year's operating expenses are mainly due to the following: legal and advisory fees incurred in 2011 of $2,361,000 in relation to the binding HOA agreement for which there were no related fees in 2012; a decrease in stock-based compensation expense from $6,001,000 in 2011 to $5,115,000 in 2012; a decrease in service fee expenses from $1,001,000 in 2011 to $465,000 in 2012. These decreases are offset by an increase in general and administrative expenses to $2,978,000 from $1,492,000. The general and administrative expenses increased in part because of an adjustment made in the year, based on new information, for the payments received from Tata Steel in 2011 that increased the 2012 expenses by $639,000.

The Company expects to continue incurring losses until it starts receiving dividends from TSMC relating to its 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.

All costs associated with mineral properties, totaling $54,141,322 as outlined in Note 10 to the December 31, 2012 financial statements, have been classified as mineral exploration and evaluation assets. The expenditures are divided between the properties as follows: LabMag Property $24,319,885, KéMag Property $14,313,040, Lac Ritchie Property $2,385,040, Perault Lake Property $4,674,938, Sheps Lake Property $1,098,842 and Other Properties $7,349,577. The cost centers for these capitalized expenditures are: mineral licenses $2,796,412, drilling $33,281,942, resource evaluation $28,521,280, environmental $15,460,780, and amortization of property and equipment $102,288. These expenditures are partially offset by tax credits and mining duties of $11,479,750 and the Tata Steel payments of $14,541,630. 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 December 31, 2012, 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.

ANNUAL INFORMATION

The following table shows selected annual information for the Company derived from the Company's Financial Statements for the last three completed financial years.

Item	December 31, 2012	December 31, 2011	December 31, 2010
Gain on sale of DSO Properties	-	31,161,793	-
Investment income	1,091,671	845,022	80,090
Net income (loss)	(9,062,219)	21,136,320	(10,005,524)
Income (loss) per share	(0.05)	0.12	(0.07)
Fully diluted income per share[(1)]	-	0.12	-
Total assets	189,364,230	185,550,018	72,972,816
Long-term liabilities	285,324	285,324	-
Dividends	Nil	Nil	Nil

(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 the 2012 and 2010 fiscal years.

SUMMARY OF QUARTERLY RESULTS

The following table sets out selected unaudited quarterly financial information of the Company for the eight quarters ended December 31, 2012. This information is derived from unaudited quarterly financial statements prepared by management. The Company's interim consolidated financial statements are prepared in accordance with IFRS and expressed in Canadian dollars.

	Dec-12	Sept-12	June-12	Mar-12	Dec-11	Sept-11	Jun-11	Mar-11
Investment Income	228,842	247,373	300,231	315,225	252,073	258,075	249,844	85,030
Net Income (Loss)	(2,187,017)	(3,086,419)	(1,596,355)	(2,192,428)	28,564,955	(1,849,133)	(2,808,553)	(2,770,949)
Income (Loss) Per Share (1)	(0.01)	(0.02)	(0.01)	(0.01)	0.16	(0.01)	(0.02)	(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 diluted loss per share for all periods prior to and subsequent to the three months ended December 31, 2011.

FOURTH QUARTER RESULTS

The most significant item in comparing the results of operations in the fourth quarter of 2012 versus the same period in 2011 is the gain on sale in Q4 in 2011 of the DSO properties of $31,162,000 for which there was no corresponding gain in Q4 2012. Additionally, the service fee revenue of $1,709,000 in Q4 2011 for which the corresponding income in Q4 2012 is $155,000. The service revenue and gain on sale were offset by general and administrative expenses for the three month period ended December 31, 2012 of $2,572,000 compared with $4,566,000 for the corresponding period in 2011.

The most significant items affecting general and administrative expenses are a decrease in Q4 2012 stock-based compensation to $1,272,000 compared with $1,683,000 in Q4 2011 and a decrease in professional and advisory fees in Q4 2012 to $178,000 compared with $1,034,000 in Q4 2011. This decrease in professional fees is due mainly to legal and advisory fees incurred for the Taconite HOA agreement of $757,000 in Q4 2011.

As a result, the Company's net loss for the fourth quarter ended December 31, 2012 totalled $2,187,000 (net loss per share of $0.01) compared to net income of $28,565,000 ($0.16 per share) for the comparative period in 2011.

STANDARDS ISSUED BUT NOT YET EFFECTIVE

The information is provided in Note 4 of the December 31, 2012, financial statements.

USE OF ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the consolidated financial statements in accordance with IFRS requires management to undertake a number of judgments, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from these judgments and estimates. These estimates and judgments are based on management's best knowledge of the events or circumstances and actions the Company may take in the future. The estimates are reviewed on an ongoing basis.

Please refer to Note 3 of the December 31, 2012 financial statements for an extended description of the information concerning the Company's significant judgments, estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses.

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 the December 31, 2012 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 18 of the December 31, 2012 financial statements for an extended description of the Company's main financial risks and policies.

CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Company's capital management objectives are to ensure its ability to continue as a going concern and to maximize the return to its shareholders. The Company's definition of capital includes all components of shareholders' equity. In order to meet its objectives, the Company monitors its capital structure and makes adjustments as required in light of changes in economic conditions and the risks characteristics of the underlying assets. These objectives will be achieved by identifying the right exploration projects, adding value to these projects and ultimately taking them through production and cash flow, either with partners or by the Company's own means.

In order to maintain or adjust the capital structure, the Company may issue common shares or flow-through common shares. No changes were made in the objectives, policies and processes for managing capital during the year ending December 31, 2012. The Company is not subject to any externally imposed capital requirements.

LIQUIDITY AND CAPITAL RESOURCES

Working Capital

The Company's working capital at December 31, 2012 decreased from December 31, 2011 by $46,174,537 to $63,039,169 due to the Company's usage of its current assets to fund its investment in mineral exploration and evaluation assets, the first instalment of the Port agreement and its operational loss for the year. The working capital consists of cash and cash equivalents, short-term investments, sales taxes, other receivables and prepaid expenses and the current portion of tax credits and mining duties receivable, net of trade and other payables and the advance from Tata Steel.

Capital Expenditures

There was $393,408 in capital expenditures during 2012 compared to $285,926 in 2011.

Capital Resources

At December 31, 2012, NML has paid up capital of $175,877,147 (December 31, 2011 - $172,344,038) representing 179,221,646 common shares (December 31, 2011 – 176,267,964), and contributed surplus of $16,531,035 (December 31, 2011 - $12,665,152) that is partially offset by a deficit of $15,839,117 (December 31, 2011 - $6,776,898) resulting in total equity attributable to shareholders of the Company of $176,569,065 (December 31, 2011 - $178,232,292). In addition there is a non-controlling interest of $238,351 (December 31, 2011 – $238,351) resulting in total equity of $176,807,416 (December 31, 2011 - $178,470,643).

COMMITMENTS

Please refer to Note 22 of the financial statements for a summary of the Company's commitments.

TRANSACTIONS WITH RELATED PARTIES

Please refer to Note 20 of the financial statements for a summary of the Company's transactions with related parties and the related period end balances.

MARKET REVIEW AND OUTLOOK

According to the World Steel Association's statistics, world crude steel production was 1.548 billion metric tons (Mt) for all of 2012, which represented an increase of 1.2% over 2011 and set a new record.

The growth came mainly from Asia and North America as production in the EU-27 and South America actually fell in 2012 from 2011 levels. In Asia and globally, the driving force remains China, where crude steel production was 716.5 Mt in 2012, an increase of 3.1% over 2011, and the country's share of global production increased to 46.3% from 45.4% a year earlier. Japan's 2012 production dropped slightly by 0.3%, while South Korea's was up by 1.2%. In North America, where production was 121.9 Mt, the US at 86.5 Mt was an encouraging 2.5% more than in 2011. EU(27) production was 169.4 Mt, down by 4.7% from 2011 as ongoing economic issues weighed heavily on end-user demand.

The overall reporting countries' crude steel capacity utilization rate averaged 78.8% in 2012, down from 80.7% in 2011.

During the first quarter of 2012, the Chinese government announced a lower targeted GDP growth rate of 7.5%, which raised concerns in both the commodities and financial markets over a lower trajectory for Chinese steel output. This set the tone for a period of uncertainty and volatility in steel and iron ore.

At the mid-year point in China, steel inventories were high and a slower rate of growth in end-user markets such as real estate and infrastructure suggested to analysts that it would take several months for the year-to-date steel production despite government stimulus measures. Subsequently, the slowdown in Chinese economic growth resulted in a drifting downward in the country's steel production from an annualized rate of over 700 Mtpy and significantly impacted iron ore pricing as the 62% CFR China reference price fell by 24% from end-July to end-August and below $100 per tonne for the first time since mid-November 2009.

In the year's final months, however, there was a turnaround as China's manufacturing sector showed improvement and steel production returned to a 700+ Mtpy annual rate. There was a significant rally in iron ore pricing as measured by all the major indices. The main reasons were:

- Better prospects for end-user demand as China's new leadership signalled further investment in transportation and civil infrastructure.
- Early signs of improvement in the real estate sector.
- Re-stocking by both China`s large and smaller steel mills, which had been running with very low inventories.
- Hedge buying against potential disruption to seaborne market supply from the cyclone and wet seasons in Australia and Brazil, respectively.

At the end of 2012, the 62% Fe CFR China reference price stood at nearly $150 per tonne, a nearly 75% improvement over the low point of $86.90 in early September. This rapid run-up caused some analysts to question whether that price level would be sustainable and more price volatility was expected going into 2013, which has been the case, although prices remain high by historical measures

Looking ahead, World Steel's latest Short Range Outlook forecasts that global steel demand will increase by 3.2% in 2013 and reach a record high of 1,455 Mt, with growth across the board, assuming that

Europe's economic issues are contained.. As reported by WorldSteel, steel demand has maintained positive growth despite the ongoing impact of the European economic crisis and the 2012 slowdown in China. Against this background, however, steelmaking overcapacity continues in China and producers' margins remain under pressure, while European steelmakers also must deal with overcapacity.

Longer term, steel intensity demographics continue to support growth projections for steel demand, particularly in China and India, and these underlying forces will drive the need for more iron ore supply even through market fluctuations such as those experienced in 2012. How quickly new supply can come on stream and at what cost is the main issue for iron ore markets.

CONTROLS AND PROCEDURES

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**") for the year ending December 31, 2012. The Company was required to evaluate the design and effectiveness pertaining to disclosure controls and procedures and internal control over financial reporting.

Disclosure Controls 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 design of disclosure controls and procedures is effective at December 31, 2012.

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 effectiveness of most critical aspects of our internal control over financial reporting. Based on this evaluation, the CEO and the CFO concluded that the design and effectiveness of internal controls over financial reporting is effective at December 31, 2012, using the criteria set forth by the Committee of Sponsoring Organizations ("**COSO**") of the Treadway Commission on Internal Control – Integrated Framework.

Changes to Internal Control over Financial Reporting

No changes were made to our internal control over financial reporting during the quarter and fiscal year ended December 31, 2012, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

DISCLOSURE OF OUTSTANDING SHARE DATA

The following information relates to share data of the Company as at December 31, 2012.

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 December 31, 2012: The Corporation has 179,221,646 common shares issued ($175,877,147).

(c) Issued as of March 28, 2013: The Corporation has 180,229,146 common shares issued ($177,163,322)

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 March 28, 2013, there were 14,084,500 common shares reserved for issuance pursuant to the exercise of stock options (December 31, 2012 – 14,940,000) 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
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 27, 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. Warrants

At March 28, 2013, there were no common shares reserved for issuance pursuant to the exercise of outstanding warrants (December 31, 2012 – Nil).

BUSINESS RISKS

The Company is engaged in the exploration and development of mineral properties. These activities involve a high degree of risk which, even with a combination of experience, knowledge and careful evaluation, may not be overcome. Consequently, no assurance can be given that commercial quantities of minerals will be successfully found or produced.

The Company has no history of profitable operations and its present business is at an early stage. As such, the Company is subject to many common risks to such enterprises, including under-capitalization, cash shortages and limitations with respect to personnel, financial and other resources and the lack of revenues. There is no assurance that the Company will be successful in achieving a positive return on shareholders' investment. The Company has no source of operating cash flow and no assurance that additional funding will be available to it for further exploration and development of its projects when required. Although the Company has been relatively successful in the past in obtaining financing through the sale of equity securities, there can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in the delay or indefinite postponement of further exploration and development of its properties.

The Company has determined a project construction and operation plan based on best available knowledge and with certain assumptions that will enable it to initiate work and enter into contracts. Events outside the control of the Company, such as funding or permit approvals as examples, may adversely affect these plans and result in delays for construction and for start of operations.

The Company's property interests are located in remote, undeveloped areas and the availability of infrastructure such as surface access, skilled labour, fuel and power at an economic cost, cannot be assured. These are integral requirements for exploration, development and production facilities on mineral properties. Power will need to be generated on site. Due to its location, weather events may cause disruptions or other difficulties in operations.

Certain of the Company’s properties are located in the Province of NL and therefore subject to its mining legislation, which may require that primary processing be done within the province in order to obtain mining rights. Furthermore, provincial and federal legislators may enact laws or budgets that have a negative impact on this project or on the mining industry as a whole.

The Company is actively engaged in including First Nations participation in the project and expects to enter into agreements with these First Nations. Although such agreements are not mandatory, failure to agree may result in disruption to the project execution or operations.

Volatile market conditions for resource commodities in the recent past, including iron ore, after several years of improving prices has resulted in a dramatic decrease in market capitalization and the inability of companies to acquire funding for their exploration and development properties. An extended period of poor macro-economic conditions could lead to an inability of the Company to finance future operations.

Inflation has not been a significant factor affecting the cost of goods and services in Canada in recent years; however renewed exploration and development activity has resulted in a shortage of experienced technical staff, and heavy demand for goods and services needed by the mining community.

The mineral industry is intensely competitive in all its phases. NML competes with many other mineral exploration companies who have greater financial resources and technical capacity.

The market price of iron ore and other commodities is relatively volatile. The purchase of securities of the Company involves a high degree of risk and should be undertaken only by investors whose financial resources are sufficient to enable them to assume such risks. The Company's securities should not be

purchased by persons who cannot afford the possibility of the loss of their entire investment. Furthermore, an investment in securities of the Company should not constitute a major part of an investor's portfolio.

In recent years securities markets have experienced extreme price and volume volatility. The market price of securities of many early stage companies have experienced fluctuations in price which may not necessarily be related to the operating performance, underlying asset values or prospects of such companies. It may be anticipated that any market for the Company's shares will be subject to market trends generally and the value of the Company's shares on the Toronto Stock Exchange may be affected by such volatility.

The Company is very dependent upon the personal efforts and commitment of its existing management. To the extent that management's services would be unavailable for any reason, a disruption to the operations of the Company could result, and other persons would be required to manage and operate the Company.

Additional risk factors are contained in the 2012 Annual Information Form dated March 28, 2013, of the Company filed on SEDAR at www.sedar.com.

ADDITIONAL INFORMATION

Additional information relating to the Company is available on SEDAR at www.sedar.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 and Annual Report for the year ended December 31, 2012.

New Millennium Iron Corp.
Audited Consolidated Financial Statements
December 31, 2012

Financial Statements

Raymond Chabot Grant Thornton

Independent Auditor's Report

Raymond Chabot Grant Thornton LLP
Suite 2000
National Bank Tower
600 De La Gauchetière Street West
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To the Shareholders of
New Millennium Iron Corp.

We have audited the accompanying consolidated financial statements of New Millennium Iron Corp., which comprise the consolidated statements of financial position as at December 31, 2012 and 2011 and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRS), and for such internal control as management determines necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence, about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risks assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the

appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of New Millennium Iron Corp. as at December 31, 2012 and 2011 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

/S/ Raymond Chabot Grant Thornton LLP[1]

Montreal (Canada)
March 28, 2013

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[1] CPA auditor, CA public accountancy permit no. A126822

New Millennium Iron Corp.
Consolidated Statement of Financial Position
December 31, 2012 and 2011
(Expressed in Canadian Dollars)

	2012	2011
	$	$
ASSETS		
Current assets		
Cash and cash equivalents (Note 5)	8,514,976	31,116,221
Short-term investments (Note 6)	59,332,129	75,625,267
Sales taxes, other receivables and prepaid expenses (Note 7 and 20)	3,097,908	3,299,011
Tax credits and mining duties receivable	4,365,646	5,967,258
	75,310,659	116,007,757
Non-current assets		
Tax credits and mining duties receivable	5,820,468	461,902
Deposits on contracts	2,813,384	1,264,628
Other assets (Note 8)	19,253,723	-
Long-term investment (Note 9)	31,542,605	31,542,605
Mineral exploration and evaluation assets (Note 10)	54,141,322	35,918,807
Property and equipment (Note 11)	482,069	354,319
Total assets	189,364,230	185,550,018
EQUITY AND LIABILITIES		
LIABILITIES		
Current liabilities		
Trade and other payables (Note 12)	7,755,190	3,585,863
Advance from Tata Steel (Note 10 and 20)	4,516,300	3,208,188
	12,271,490	6,794,051
Non-current liabilities		
Due to NNK Trust (Note10)	285,324	285,324
Total liabilities	12,556,814	7,079,375
EQUITY		
Share capital (Note 13)	175,877,147	172,344,038
Contributed surplus	16,531,035	12,665,152
Deficit	(15,839,117)	(6,776,898)
Equity attributable to shareholders of the parent Company	176,569,065	178,232,292
Non-controlling interest	238,351	238,351
Total equity	176,807,416	178,470,643
Total liabilities and equity	189,364,230	185,550,018

The accompanying notes are an integral part of these audited consolidated financial statements.

Approved and authorized for issue by the Board of Directors on March 28, 2013 and signed on their behalf by:

/S/ Dean Journeaux
Director

/S/ Pierre Seccareccia
Director

New Millennium Iron Corp.
Consolidated Statement of Comprehensive Income
Year ended December 31, 2012 and 2011
(Expressed in Canadian Dollars)

	2012	2011
	$	$
Service fee revenue	740,468	1,708,944
Expenses		
General and administrative (Note 14)	10,902,593	13,187,389
Loss before other items	(10,162,125)	(11,478,445)
Other items		
Other income (Note 10)	8,235	607,950
Investment income	1,091,671	845,022
Gain on sale of DSO Properties (Note 10)	–	31,161,793
	1,099,906	32,614,765
Net income (loss) and comprehensive income (loss)	(9,062,219)	21,136,320
Attributable to:		
Non-controlling interest	–	–
Shareholders of the parent Company	(9,062,219)	21,136,320
Net income (loss) and comprehensive income (loss)	(9,062,219)	21,136,320
Income (loss) per share - basic and diluted (Note 16)	(0.05)	0.12

The accompanying notes are an integral part of these audited consolidated financial statements.

New Millennium Iron Corp.
Consolidated Statement of Changes in Equity

Year ended December 31, 2012 and 2011
(Expressed in Canadian Dollars)

	Share Capital							
	Number of Shares Issued and Fully Paid	Amount $	Share Capital to be Issued $	Contributed Surplus $	Deficit $	**Total Attributable to Shareholders of the parent Company $**	Non Controlling Interest $	**Total Equity $**
Balance at January 1, 2011	**148,752,273**	**88,435,402**	**203,813**	**6,590,582**	**(27,913,218)**	**67,316,579**	**475,000**	**67,791,579**
Net income	-	-	-	-	21,136,320	**21,136,320**	-	**21,136,320**
Share-based remuneration								
- employees and directors	-	-	-	5,759,282	-	**5,759,282**	-	**5,759,282**
- consultants	-	-	-	242,037	-	**242,037**	-	**242,037**
Share capital issued	24,811,385	86,839,848	-	-	-	**86,839,848**	-	**86,839,848**
Share capital issued in lieu of cash for legal expenses	212,306	203,813	(203,813)	-	-	**-**	-	**-**
Exercise of stock options	2,492,000	2,922,528	-	(1,141,148)	-	**1,781,380**	-	**1,781,380**
Share issue costs	-	(6,057,553)	-	1,214,399	-	**(4,843,154)**	-	**(4,843,154)**
Distribution of DSO properties to NNK Trust from LabMag Limited Partnership (Note 10)	-	-	-	-	-	**-**	(236,649)	**(236,649)**
Balance at December 31, 2011	**176,267,964**	**172,344,038**	-	**12,665,152**	**(6,776,898)**	**178,232,292**	**238,351**	**178,470,643**
Net income				-	(9,062,219)	(9,062,219)	-	**(9,062,219)**
Share-based remuneration								
- employees and directors				4,895,971	-	4,895,971	-	**4,895,971**
- consultants				219,268	-	219,268	-	**219,268**
Share capital issued	233,682	338,558		-	-	338,558	-	**338,558**
Exercise of stock options	2,720,000	3,194,551		(1,249,356)	-	1,945,195	-	**1,945,195**
Balance at December 31, 2012	**179,221,646**	**175,877,147**	-	**16,531,035**	**(15,839,117)**	**176,569,065**	**238,351**	**176,807,416**

The accompanying notes are an integral part of these audited consolidated financial statements.

New Millennium Iron Corp.
Consolidated Statement of Cash Flows
Year ended December 31, 2012 and 2011
(Expressed in Canadian Dollars)

	2012	2011
	$	$
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss) and comprehensive income (loss)	(9,062,218)	21,136,320
Adjustments for:		
Share-based remuneration		
- Employees and directors	4,895,971	5,759,282
- Consultants	219,268	242,037
Depreciation of property and equipment	208,434	84,648
Interest income	(1,091,671)	(845,022)
Gain on sale of DSO Properties (Note 10)	–	(31,161,793)
	(4,830,216)	(25,920,848)
Net changes in working capital items (Note 19)	211,167	(5,252,993)
Cash flows used by operating activities	(4,619,049)	(10,037,521)
CASH FLOW FROM INVESTING ACTIVITIES		
Net redemption (purchases) of short term treasury bills, term deposits and GIC's	10,386,108	(46,847,733)
Purchase of bonds and GIC's with maturities over one year	(18,844,692)	(24,657,240)
Redemption of bonds and GIC's with maturities over one year	24,657,240	–
Interest received	1,186,151	399,429
Investment in TSMC (Note 9)	–	(19)
Deposits on contracts	(2,681,998)	(2,479,953)
Acquisition of property and equipment	(393,408)	(285,926)
Increase in other assets (Note 8)	(19,253,723)	–
Proceeds from sale of DSO Properties (Note 10)	–	21,757,414
Increase in advance from Tata Steel	1,308,112	3,208,188
Tax credits and mining duties received	1,601,612	1,394,527
Additions to mineral exploration and evaluation assets	(29,022,188)	(10,866,796)
Allocation of Tata Steel payment to mineral exploration and evaluation assets	10,790,837	3,750,793
Cash flows used by investing activities	(20,265,949)	(54,627,316)
CASH FLOW FROM FINANCING ACTIVITIES		
Issuance of common shares	2,283,753	88,621,228
Share issue costs	–	(4,843,154)
Cash flows provided by financing activities	2,283,753	83,778,074
Net (decrease) increase in cash and cash equivalents	(22,601,245)	19,113,237
Cash and cash equivalents, beginning of year	31,116,221	12,002,984
Cash and cash equivalents, end of year	8,514,976	31,116,221

The accompanying notes are an integral part of these audited consolidated financial statements.

New Millennium Iron Corp.
Notes to Consolidated Financial Statements

December 31, 2012
(Expressed in Canadian Dollars)

1 - GOVERNING STATUTES AND NATURE OF OPERATIONS

The current principal activities of New Millennium Iron Corp. ("the Parent Company") and its subsidiaries ("the Company" or "NML") are the exploration and evaluation of mineral properties. The Parent Company was incorporated pursuant to the provisions of the Alberta Business Corporations Act on August 8, 2003. On June 8, 2011, the shareholders of the Parent Company adopted a resolution to change the name of the Company to New Millennium Iron Corp.

The address of the Company's executive office is 2nd floor, 1303 Greene Avenue, Westmount, Quebec, H3Z 2A7, its head office is 800, 734 – 7 Avenue SW, Calgary, Alberta, T2P 3P8 and its registered and records office is 1000, 250 – 2nd Street SW, Calgary, Alberta, T2P 0C1.

2 - SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The significant accounting policies that have been applied in the preparation of these consolidated financial statements are summarized below and are those specified by IFRS that are in effect at December 31, 2012. These accounting policies have been used throughout all periods presented in the consolidated financial statements.

Basis of presentation

The consolidated financial statements have been prepared on the basis that the Company will continue as a going concern, which assumes that the Company will be able to realize its assets, and discharge its liabilities in the normal course of operations.

Basis of measurement

The consolidated financial statements are prepared using the historical cost basis, except for certain financial instruments that are recognized at fair value. These consolidated financial statements are presented in Canadian dollars ($), which is also the Company's functional currency and the functional currency of each of its subsidiaries.

Basis of consolidation

These consolidated financial statements include the accounts of the parent and the entities controlled by the parent and its subsidiaries which include the following entities.

Entity	Principal activity	Country of incorporation and residence	Proportion of ownership interest and voting power held
LabMag Services Inc.	Provision of services to LLP	Canada	100%
LabMag GP Inc. ("GP")	General partner of LLP	Canada	80%
LabMag Limited Partnership ("LLP")	Exploration and evaluation of the LabMag property	Canada	80%

2 - SIGNIFICANT ACCOUNTING POLICIES (continued)

In accordance with the LLP Partnership agreement between the Company, Naskapi/LabMag Trust ("NNK Trust") and GP, the Company is responsible for providing and arranging for all capital in excess of initial contributions of each partner and for the financing of all operating costs for exploration until commercial production commences.

Control is achieved when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All significant intercompany transactions and balances have been eliminated. All subsidiaries have an annual reporting date of December 31.

Where the Company controls a subsidiary whose equity (or a portion thereof) is not attributable directly or indirectly to the Company, the Company records a non-controlling interest equal to its original cost plus its' attributable share of changes in equity since the date of acquisition. Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from the equity of the shareholders of the Company. Consequently, the Company consolidates 100% of the assets, liabilities and losses of LLP and reflects the contribution of the Partner holding the 20% interest in the Partnership as a non-controlling interest.

Cash and cash equivalents

Cash and cash equivalents comprise cash in bank and other short-term highly liquid investments having original maturities of three months or less from the acquisition date and that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

Mineral exploration and evaluation assets

The Company is in the process of exploring and evaluating its mineral properties. The costs of exploration for and evaluation of mineral resources are capitalized as intangible assets pending the determination of the technical feasibility and commercial viability of extracting those resources and recovering the capitalized costs. The recoverability of amounts capitalized as exploration and evaluation assets is dependent upon the ability of the Company to obtain necessary financing to complete the exploration and development of economically recoverable reserves in the mineral properties, upon the renewal of the underlying mineral claims, the maintenance of the Company's interest in the underlying mining titles and compliance with filing obligations, and upon future profitable production of these reserves or the receipt of sufficient proceeds from the disposition thereof.

Exploration and evaluation assets include the cost of acquiring mineral rights and expenses directly related to the exploration for and evaluation of mineral resources. These costs are recognized as intangible assets and are carried at cost less related tax credits and credits on mining duties and any impairment loss recognized.

Pending the determination of the technical feasibility and commercial viability of extracting a mineral resource, the Company capitalizes mineral exploration and evaluation costs on an area of interest basis for activities directly attributable to:

- Costs incurred in acquiring mineral rights, the entry premiums paid to gain access to areas of interest and amounts payable to third parties to acquire interests in existing projects;
- Researching and analyzing existing exploration data;
- Conducting geological studies
- Exploratory drilling and sampling;

2 - SIGNIFICANT ACCOUNTING POLICIES (continued)

- Examining and testing extraction and treatment methods;
- Environmental assessments of the impact of the potential extraction and processing of the mineral resource; and
- Activities in relation to evaluating the technical feasibility and commercial viability of extracting a mineral resource.

Costs incurred before the legal right to undertake exploration and evaluation activities on a property are acquired are recognized in profit or loss when incurred.

The accessory revenues earned over the exploration and evaluation period are recognized in profit or loss.

Mineral exploration and evaluation assets are not depreciated during the evaluation and exploration phase.

When technical feasibility and commercial viability of extracting a mineral resource are demonstrable, exploration and evaluation assets of the related mining property are transferred to mining assets under construction within property and equipment.

If and when exploration and evaluation assets are reclassified as mining assets under construction, they are first tested for impairment and any impairment loss is recognized in profit or loss.

Whenever a mining property is considered no longer viable, or is abandoned, the related mineral exploration and evaluation assets are written down to their recoverable amounts and the difference is recognized immediately in profit or loss.

The cost of mineral exploration and evaluation assets that are acquired by exchanging other non-monetary assets is measured at fair value unless the exchange transaction lacks commercial substance or the fair value of neither the asset received nor the asset given up is reliably measurable. When the acquired asset is not measured at fair value, its cost is measured at the carrying amount of the asset given up.

Tax credits and mining credits on duties

Tax credits and mining credits on duties are recognized as a reduction of the mineral exploration and evaluation assets during the period in which the costs are incurred, provided that the Company is reasonably certain the amounts will be received. The tax credits and mining credits on duties claimed and recorded must be examined and approved by the government authorities so it is possible that the amount granted will differ from the amount recorded.

Property and equipment

Upon transfer of exploration and evaluation assets to mining assets under construction within property and equipment, all subsequent expenditures on the construction, installation or completion of infrastructure facilities are capitalized within mining assets under construction. When the development stage is completed, all assets included in mining assets under construction are then transferred to mining assets and depreciated over the expected productive lives of the assets.

2 - SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment are carried at cost less accumulated depreciation and any impairment losses. Depreciation is recognized on a straight-line basis over the estimated useful life of the property and equipment. The periods generally applicable are as follows:

	Period
Office furniture and equipment	18 to 60 months

The amortization expense for each period is recognized in profit or loss, within general and administrative expense, except for certain items of property and equipment related to exploration and evaluation activities where the amortization expense is included in the carrying amount of an exploration and evaluation asset when it relates to a specific exploration and evaluation project. Depreciation of an asset ceases when it is classified as held for sale (or included in a disposal group that is classified as held for sale) or when it is derecognized. Therefore, depreciation does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated.

Depreciation methods, useful lives and residual values are reviewed at each reporting period, and adjusted if appropriate. Any changes arising from the assessment are applied by the Company prospectively.

Assets held for sale

Evaluation and exploration assets and disposal groups of such assets that are expected to be recovered primarily through sale rather than through continuing use, and for which sale within 12 months is highly probable, are classified as held for sale and presented separately in the statement of financial position.

Assets (or disposal groups) classified as “held for sale” are measured at the lower of their carrying amount and fair value less costs to sell. Notwithstanding, that financial assets and deferred tax assets in a disposal group classified as held for sale, continue to be measured in accordance with the Company’s accounting policy for those assets. Impairment losses for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell are recognized in profit or loss. Gains are not recognized in excess of any cumulative impairment loss.

Assets classified as “held for sale” are not depreciated subsequent to their classification as “held for sale”.

Income taxes

Income tax expense consists of the sum of current and deferred tax expense. Income tax expense is recognized in profit or loss except when they relate to items that are recognized outside profit or loss (i.e. directly in equity or other comprehensive income).

Current income tax expense is the expected tax payable on the taxable profit or loss for the period which differs from profit or loss in the consolidated financial statements, using tax rates enacted or substantively enacted at the reporting date, adjusted for amendments to tax payable with regards to previous years.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to current or prior reporting periods.

2 - SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit.

Deferred tax on temporary differences associated with investments in subsidiaries is not provided if reversal of these temporary differences can be controlled by the Company and it is probable that reversal will not occur in the foreseeable future.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period.

Deferred tax liabilities are always provided for in full.

A deferred tax asset is only recognized to the extent that it is probable that future taxable income will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that all or part of the related tax benefit will be realized. To the extent that an asset not previously recognized fulfills the criteria for recognition, a deferred income tax asset is recorded.

Deferred tax assets and liabilities are offset only when the Company has a right and intention to set off current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognized as deferred income tax expense in profit or loss, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

When the Company has renounced its tax deductions and has incurred its eligible expenditures, the sale of tax deductions is recognized in profit or loss as a reduction of deferred tax expense and a deferred tax liability is recognized for the taxable temporary difference that arises from the difference between the carrying amount of eligible expenditures capitalized as an asset and its tax base.

Income (loss) per share

Basic income (loss) per share is calculated by dividing the income or loss attributable to the shareholders of NML by the weighted average number of common shares outstanding during the period.

Diluted income (loss) per share amounts reflect the potential dilution that could occur if securities or other contracts to issue common shares were exercised or converted to common shares.

Diluted income (loss) per share is calculated by adjusting income or loss attributable to shareholders of NML, and the weighted average number of common shares outstanding, for the effects of all dilutive potential common shares. The calculation considers that dilutive common shares are deemed to have been converted into common shares at the beginning of the period or, if later, at the date of potential issuance of the common shares.

For the purpose of calculating diluted income or loss per share, an entity shall assume the exercise of dilutive options and warrants of the entity. The assumed proceeds from these instruments shall be regarded as having been received from the issue of common shares at the average market price of common shares during the period.

2 - SIGNIFICANT ACCOUNTING POLICIES (continued)

For 2012, the diluted loss per share is equal to the basic loss per share as a result of the anti-dilutive effect of the outstanding options as explained in Note 16.

Equity

Share capital represents the amount received on the issue of shares, less issuance costs net of any underlying income tax benefit from these issuance costs.

Proceeds from unit placements are allocated between shares and warrants issued using the residual method. Proceeds are first allocated to shares according to the quoted price of existing shares at the time of issuance and any residual in the proceeds is allocated to warrants.

Issuance of flow-through shares represents in substance an issue of common shares and the sale of the right to tax deductions to the investors. When the flow-through shares are issued, the sale of the right to tax deductions is deferred and presented as other liabilities in the statement of financial position. The proceeds received from flow-through placements are allocated between share capital and the liability using the residual method which means that the shares are valued at fair value of existing shares at the time of issuance and the residual proceeds are allocated to the liability. The liability component recorded initially on the issuance of shares is reversed on renunciation of the right to deductions to the investors and when eligible expenses are incurred and recognized in profit or loss in reduction of deferred income tax expense.

Contributed surplus includes charges related to share options and warrants until such equity instruments are exercised, at which point the amounts are transferred to share capital.

Share capital to be issued represents the value of goods and services received during the reporting period for which payment was to be made in the form of shares that were issued subsequent to the financial reporting date.

Deficit includes all current and prior period retained income and losses.

Non-controlling interest consists of the subsidiaries' equity that the Company does not hold directly or indirectly.

Share-based payments

The Company operates an equity settled share-based remuneration plan. All goods and services received in exchange for the grant of any share-based payments are measured at their fair values unless that fair value cannot be estimated reliably. If the entity cannot estimate reliably the fair value of the goods or services received, the entity shall measure their value indirectly by reference to the fair value of the equity instruments granted. Where employees and third parties providing similar services are rewarded using share-based payments, the fair value of the services rendered by the party is determined indirectly by reference to the fair value of the equity instruments granted. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions, is determined using the Black-Scholes valuation model and is recognized over the vesting period of such options at each reporting date up to the vesting date or the expected vesting period when options vest only if certain performance criteria is met. The estimate of the number of the awards likely to vest is reviewed and adjusted to reflect the actual awards issued. Any cumulative adjustment prior to vesting is recognized in the current period in profit or loss with a corresponding adjustment to contributed surplus.

The compensation expense for the period is recognized in General and Administrative expenses, with a corresponding adjustment to contributed surplus. Share-based payment to the agents in respect of an equity financing are recognized as issuance cost of the equity instruments with a corresponding credit to contributed surplus.

2 - SIGNIFICANT ACCOUNTING POLICIES (continued)

When directors, officers, employees and consultants exercise their share options, the share capital is credited by the sum of the consideration paid together with the related portion previously credited to contributed surplus when compensation expenses were charged in profit or loss.

Financial instruments

All financial assets are recognized when the Company becomes a party to the contractual provisions of the financial instrument and are initially measured at fair value plus transactions 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 rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

Financial instruments are classified into the following categories upon initial recognition:

– loans and receivables;
– financial assets at fair value through profit or loss (“FVTPL”);
– held-to-maturity investments;
– available-for-sale financial assets;
– financial liabilities at fair value through profit or loss
– financial liabilities at amortized cost

The Company’s financial instruments are classified and measured as follows:

Financial asset/liability	Category	Subsequent measurement
Cash and cash equivalents	Loans and receivable	Amortized cost
Short-term investments	Available for sale (AFS) or Held to maturity (HTM)	Fair value - AFS Amortized cost - HTM
Other receivables	Loans and receivables	Amortized cost
Long-term investment	Available for sale financial assets	Cost less impairment charges
Trade and other payables	Financial liabilities	Amortized cost
Advance from Tata Steel	Financial liabilities	Amortized cost
Due to NNK Trust	Financial liabilities	Amortized cost

The category determines subsequent measurement and whether any resulting income and expense is recognized in profit or loss or in other comprehensive income.

All financial assets, except for those at FVTPL, are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

Financial assets at FVTPL include financial assets that are either classified as held-for-trading or that meet certain conditions and are designated at FVTPL upon initial recognition. Assets in this category are measured at fair value with gains and losses recognized in profit or loss.

2 - SIGNIFICANT ACCOUNTING POLICIES (continued)

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortized cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial.

Other receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Impairment of receivables is recognized in profit or loss within general administrative expenses. If, in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss or a portion of such, is reversed. The amount of the impairment loss reversed may not exceed the original impairment amount.

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity other than loans and receivables. Investments are classified as held-to-maturity if the Company has the intention and ability to hold them until maturity.

Held-to-maturity investments are measured subsequently at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in profit or loss.

Available-for-sale financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. Subsequent to initial recognition, they are measured at fair value with changes in fair value recognized in other comprehensive income, except for impairment losses which are recognized in profit or loss in the period. At December 31, 2012, the Company owns 20% of Tata Steel Minerals Canada Ltd. (“TSMC”), a private company. NML’s equity investment in the shares of TSMC is designated as an available-for-sale financial asset and was initially measured at fair value. After the initial recognition, the investment is measured at cost, less any impairment charges, because the shares do not have a quoted market price in an active market and the fair value cannot be reliably measured.

The Company’s financial liabilities are initially measured at fair value, less transaction costs if any, and are subsequently measured at amortized cost using the effective interest method.

A financial liability is derecognized when it is extinguished, discharged, cancelled or expires.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Employee benefits

The cost of short-term employee benefits (those payable within 12 months after the service is rendered, such as paid vacation leave, maternity and paternal leave, sick leave and bonuses) is recognized in the period in which the services are rendered.

2 - SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of property and equipment and mineral exploration and evaluation assets

Mineral exploration and evaluation assets and property and equipment are tested for impairment whenever events or changes in circumstances indicate that the amounts may not be recoverable. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at a cash-generating unit ("CGU") level. Management has selected a policy of performing impairment reviews for exploration and evaluation assets on a property-by-property basis, with each property representing a potential single CGU.

An impairment loss is recognized in profit or loss for the amount by which the asset's or CGU's carrying amount exceeds its recoverable amount. The recoverable amount of an asset or a CGU is the higher of its fair value less cost to sell and its value in use. To determine the value in use, management estimates expected future cash flows from each asset or CGU, and then determines an appropriate interest rate for the calculation of the expected present value of the cash flows. Discount factors are determined individually for each CGU and reflect their respective risk profiles as assessed by management. The impairment loss reduces the asset or is charged pro rata on the basis of the carrying amount of each asset in the CGU.

Assets that have suffered impairment losses are reviewed at each reporting date for possible indicators of reversal of the impairment.

Where an impairment loss subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or CGU in prior periods.

Service fee revenue

Revenue is recognized when services have been rendered in accordance with the terms of the arrangement, the revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Company.

Foreign currency translation

Monetary assets and liabilities denominated in foreign currency are translated to the functional currency using the exchange rate in effect at the reporting date, whereas non-monetary items are translated at the historical rate. Revenue and expenses are translated to the functional currency using the exchange rate in effect during the period, with the exception of revenue and expenses relating to non-monetary assets and liabilities, which are translated using the historical rate. Gains and losses are recognized in profit or loss for the period.

Operating leases

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases are recognized in profit or loss or as mineral exploration and evaluation assets on a straight-line basis over the period of the lease. They are recognized as mineral exploration and evaluation assets when the lease expenditures are in respect of assets directly associated with exploring or evaluating specific mineral resources.

Any incentive received from the lessor is recognized as a reduction of rental expense over the lease term, on a straight-line basis.

2 - SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

Provisions represent liabilities to the Company for which the amount or timing is uncertain. Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable than an outflow of resources will be required to settle the obligations, and the amounts can be reliably estimated. A present obligation arises from the presence of a legal or constructive commitment that result from past events, for example, legal disputes, decommissioning, restoration and similar liabilities, or onerous contracts.

The amount recognized as a provision is reviewed at each reporting date and is the best estimate of the consideration required to settle the present obligation based on the most reliable evidence at the reporting date taking into account the risks and uncertainties surrounding the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation.

In those cases where the possible outflow of economic resources as a result of a present obligation is considered improbable or remote, no liability is recognized unless it was assumed in the course of a business combination.

As at December 31, 2012 and December 31, 2011 the Company had determined that no provision was required.

Segmental reporting

The Company presents and discloses segmental information based on information that is regularly reviewed by its chief operating decision makers i.e. the Board of Directors and Chief Executive Officer. These decision makers have joint responsibility for allocating resources to the Company's operating segments and assessing their performance.

The Company has determined that it has only one operating segment, the exploration and evaluation of mineral resources.

3 - USE OF ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the consolidated financial statements requires management to undertake a number of judgments, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from these judgments and estimates. These estimates and judgments are based on management's best knowledge of the events or circumstances and actions the Company may take in the future. The estimates are reviewed on an ongoing basis. Information about the significant judgments, estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses are discussed below.

Mineral exploration and evaluation assets
The assessment of indicators of impairment and of a reversal of impairment and the measurement of the recoverable amount when impairment tests are performed both involve judgment. When an impairment test is performed and an impairment loss or reversal of impairment loss is recognized to the extent that the carrying amount of an asset or CGU exceeds its recoverable amount. The recoverable amount of an asset is determined as the higher of its fair value less costs to sell and its value in use.

3 - USE OF ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

Management determines for each property if there are any facts and circumstances indicating impairment loss or reversal of impairment losses. Facts and circumstances indicating impairment include, but are not limited to the following:

a. the period for which the entity has the right to explore in a specific area has expired or will expire in the near future, and is not expected to be renewed;

b. substantive expenditure on further exploration for an evaluation of mineral resources in a specific area is neither budgeted nor planned;

c. exploration for and evaluation of mineral resources in a specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area;

d. sufficient data exists to indicate that, although a development in a specific area is likely to proceed, the carrying amount of the mineral exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

When an indication of impairment loss or a reversal of an impairment loss exists, management has to evaluate the recoverable amount of the asset or the CGU, and this requires management to make assumptions as to the future events or circumstances. The assumptions are based on the Company's exploration and evaluation program which consider whether results from exploration works justify further investments, the confirmation of the interest of the Company in the mining claims, the ability of the Company to obtain the necessary financing to complete the future development or if the expected proceeds from disposal of the properties are in excess of the carrying value. As at December 31, 2012 and December 31, 2011, management does not believe the mineral exploration and evaluation assets to be impaired.

Provisions and contingent liabilities
Judgments are made as to whether a past event has led to a liability that should be recognized in the consolidated financial statements or disclosed as a contingent liability. Quantifying any such liability often involves judgments and estimations. These judgments are based on a number of factors including the nature of the claims or dispute, the legal process and potential amount payable, legal advice received, previous experience and the probability of a loss being realized. Several of these factors are source of estimation uncertainty.

To date, the Company has met all government regulations concerning reclamation requirements relating to the exploration and evaluation of its mineral properties on a progressive basis. Management believes that no additional environmental rehabilitation provisions are required at this time and no amount has been recorded in these financial statements.

Share-based payments
The estimation of share-based payments costs requires the selection of an appropriate valuation model and consideration as to the inputs necessary for the valuation model chosen. The Company has made estimates as to the volatility of its own share, the probable life of share options granted and the time of exercise of those share options. The model used by the Company is the Black-Scholes valuation model.

3 - USE OF ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

Long-term investment, TSMC
The assessment of the Company's power to participate in the financial and operating policy decisions of TSMC involves management's judgment of its interactions in the activities of its investee. This judgment is based upon a number of factors including the concentration of control in the hands of TSMC's majority shareholder, shareholder agreements, representation on the board of directors of TSMC, participation in policy making processes, transactions with the investee, interchange of managerial personnel and provision of essential technical information.

Management has determined that it does not exercise significant influence over its investee.

4 - STANDARDS ISSUED BUT NOT YET EFFECTIVE

A number of new standards, amendments to standards and interpretations have been issued but are not yet effective for the financial year ending December 31, 2012. Accordingly, they have not been applied in preparing these consolidated financial statements. The Company is currently assessing the impact that these standards will have on the consolidated financial statements.

The standards issued but not yet effective that are expected to be relevant to the Company's consolidated financial statements are provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Company's consolidated financial statements.

IAS 32 Financial Instruments – Presentation
IAS 32 was amended by the IASB in December 2011. The amendment clarifies that an entity that has a legally enforceable right to offset financial assets and financial liabilities if that right is not contingent on a future event and it is enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties. The amendments to IAS 32 are effective for annual periods beginning on or after January 1, 2014, with earlier adoption permitted.

IFRS 7 Financial Instruments – Disclosures
IFRS 7 was amended by the IASB in December 2011. The amendment contains new disclosure requirements for financial assets and financial liabilities that are offset in the statement of financial position or subject to master netting arrangements or familiar agreements. These new disclosure requirements will enable users of the financial statements to better compare financial statements prepared in accordance with IFRS. The amendments of IFRS 7 are effective for annual periods beginning on or after January 1, 2013, with earlier adoption permitted.

IFRS 9 Financial Instruments classification and measurement
This is the first part of a new standard on classification and measurement of financial assets that will replace IAS 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 has two measurement categories: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. Otherwise it is at fair value through profit and loss. Guidance is also provided on financial liabilities and de-recognition of financial instruments. This new standard is effective for years beginning on or after January 1, 2015 and management has not yet determined the impact that the application of this standard will have on the consolidated financial statements.

4 - STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

IFRS 13 Fair Value Measurement
IFRS 13 defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 applies when other IFRSs require or permit fair value measurements. It does not introduce any new requirements to measure an asset or a liability at fair value, change what is measured at fair value in IFRS or address how to present changes in fair value. The new requirements are effective for annual periods beginning on or after 1 January 2013. NML is currently evaluating what impact the adoption of this new standard will have on its financial position and/or performance, disclosures and stated accounting policies.

IAS 1 Presentation of Items of Other Comprehensive Income
IAS 1 Presentation of Financial Statements was amended by the IASB in June 2011. These amendments included a requirement for entities to group items presented in Other Comprehensive Income ("OCI") on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustment), and emphasize the importance of presenting profit or loss and OCI together and with equal prominence. The amendment is effective for annual periods starting on or after July 1, 2012. The Company is currently evaluating the impact of these amendments on the financial statements; however, they are not expected to have a significant impact.

Consolidation standards

In May 2011, the International Accounting Standards Board published four new and amended standards addressing the accounting for consolidation, involvements in joint arrangements and disclosure of involvements with other entities as listed below:

IFRS 10 Consolidated Financial Statements
IFRS 10 replaces the consolidation guidance in IAS 27, *Consolidated and Separate Financial Statements*, and Standing Interpretations Committee Interpretation 12, – *Consolidation - Special Purpose Entities,* by introducing a single consolidation model for all entities based on control, irrespective of the nature of the investee. Under IFRS 10, control is based on whether an investor has: 1) power over the investee; 2) exposure, or rights, to variable returns from its involvement with the investee; and 3) the ability to use its power over the investee to affect the amount of the returns.

IFRS 11 Joint Arrangements
IFRS 11 replaces the guidance on "Joint ventures" in IAS 31. The new standard introduces a principles-based approach to accounting for joint arrangements that requires a party to a joint arrangement to recognize its rights and obligations arising from the arrangement. The new standard requires that joint ventures be accounted for under the equity method thus eliminating the option to proportionally consolidate such ventures.

IFRS 12 Disclosures of Involvement with Other Entities
IFRS 12 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.

IAS 28 Investments in Associates and Joint Ventures
IAS 28 is amended to conform to changes resulting from the issuance of IFRS 10, IFRS 11 and IFRS 12.

4 - STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

Each of the above four standards has an effective date for annual periods beginning on or after January 1, 2013. The Company is currently assessing the impact of these standards; however, initial indications suggest that these standards are not expected to have a significant impact on its consolidated financial statements.

5 - CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components:

	December 31, 2012 $	December 31, 2011 $
Cash in bank	7,308,847	31,116,221
Money market funds	1,206,129	-
	8,514,976	31,116,221

At December 31, 2012, the money market funds have no specific maturity date, bear interest at 1.5% and can be sold at any time.

6 – SHORT-TERM INVESTMENTS

At December 31, 2012, investments include:

Security	Carrying Value $	Maturity	Interest Rate
GIC's	19,619,987	Between January and September 2013	Between 0.5% and 2.19%
Treasury Bills	25,629,174	Between January and July 2013	Between 0.97% and 1.11%
Bonds	14,082,968	Between February and June 2013	Between 1.00% and 1.18%
	59,332,129		

At December 31, 2011, investments include:

Security	Carrying Value $	Maturity	Interest Rate
GIC's	18,750,081	Between April and September 2012	Between 0.75% and 1.65%
Treasury Bills	21,014,720	Between June and December 2012	Between 0.91% and 1.26%
Bonds	35,860,466	Between January and September 2012	Between 1.04% and 1.32%
	75,625,267		

Included in the above investments are GIC's of $7,575,045 (2011 – Nil) and treasury bills of $5,048,890 (2011 – Nil) that are classified as available for sale.

As disclosed in Notes 8 and 22, NML has provided investments as security for irrevocable letters of credit totalling $19,436,000. Security was granted on treasury bills with carrying values of $21,592,177 and bonds with carrying values of $3,502,690.

7 - SALES TAXES, OTHER RECEIVABLES AND PREPAID EXPENSES

Sales taxes, other receivables and prepaid expenses consist of the following amounts:

	December 31, 2012 $	December 31, 2011 $
Sales taxes	1,055,626	310,098
Receivable from TSMC	1,952,925	2,661,730
Other	46,250	314,355
Prepaid expenses	43,107	11,079
Receivable from employee	-	1,749
Total	3,097,908	3,299,011

The receivable from TSMC is a receivable from an affiliated company in which NML owns a 20% equity interest. This amount is non-interest bearing and is a result of advances made by NML to assist TSMC in the commencement of its operations and from service fees charged by NML to TSMC for TSMC's use of NML personnel in TSMC's operations (Note 20).

8 – OTHER ASSETS

On July 13, 2012, the Company entered into an agreement with the Sept Iles Port authority ("Port Authority") providing NML with access to a new multi user deep water dock facility. As part of the agreement, NML has acquired a minimum annual shipping capacity of 15 million tons a year for 20 years, with options to renew for four more five year terms. Construction of the port is expected to be completed in 2014. NML's buy-in for this agreement is calculated at $38,372,000. Of this amount, $19,186,000 (50%) was disbursed on July 16, 2012 and is reflected in these financial statements as other assets. The remaining 50%, or $19,186,000, is due July 2013 for which NML has provided the Port Authority with an irrevocable letter of credit as described in Note 22. As a result of these payments, NML will have access to the dock facility at favourable shipping rates.

9 - LONG-TERM INVESTMENT

	December 31, 2012 $	December 31, 2011 $
TSMC	31,542,605	31,542,605

This represents an investment in TSMC which resulted from an initial acquisition of 19 Class B shares of TSMC at a cost of $19 and an additional Class B share, received as part of the sale of the DSO properties (see Note 10), valued at $31,542,586. As a result, the Company owns 20 Class B shares at a cost of $31,542,605, which represents its initial fair value. The investment represents a 20% ownership in TSMC.

Tata Steel Global Minerals Holdings PTE Ltd. ("Tata Steel") will arrange funding of the capital costs of DSO development up to $300 million and has committed to purchase, at world prices, 100% of DSO's iron ore production meeting certain quality specifications for the life of the mining operation. At statement date, there has been no request made to the Company to contribute capital to TSMC, however it is anticipated that a request will be made in 2013.

New Millennium Iron Corp.
Notes to Consolidated Financial Statements

December 31, 2012
(Expressed in Canadian Dollars)

10 - MINERAL EXPLORATION AND EVALUATION ASSETS

	LabMag Property $	KéMag Property $	Lac Ritchie Property $	Perault Lake Property $	Sheps Lake Property $	Other Properties $	Balance as at Dec. 31 2012 $	Balance as at Dec. 31 2011 $
Balance, at December 31, 2011	21,245,772	9,947,087	2,253,921	666,123	27,923	1,777,981	-	-
Mineral licenses	12,800	5,154	29,169	3,725	1,635	13,579	2,796,412	2,730,350
Drilling	48,965	1,542,062	60,870	3,293,825	993,166	5,406,818	33,281,942	21,936,236
Resource evaluation	5,084,623	9,993,198	120,053	183,602	72,702	291,056	28,521,280	12,776,046
Environmental	2,791,256	3,766,904	-	521,659	-	77,873	15,460,780	8,303,088
Amortization of property and equipment	-	21,083	-	6,004	3,416	26,721	102,288	45,064
	7,924,844	15,323,247	180,923	4,005,090	1,069,284	5,802,468	77,366,290	43,060,434
Tax credits and mining duties	-	(5,035,142)	(78,973)	-	-	(244,451)	(11,479,750)	(6,121,184)
Tata Steel payment	(4,863,531)	(5,927,306)	-	-	-	-	(14,541,630)	(3,750,793)
	(4,863,531)	(10,962,448)	(78,973)	-	-	(244,451)	(26,021,380)	(9,871,977)
Balance, at December 31, 2012	**24,319,885**	**14,313,040**	**2,385,040**	**4,674,938**	**1,098,842**	**7,349,577**	**54,141,322**	**35,918,807**

New Millennium Iron Corp.
Notes to Consolidated Financial Statements

December 31, 2012
(Expressed in Canadian Dollars)

10 - MINERAL EXPLORATION AND EVALUATION ASSETS (continued)

	DSO Properties $	LabMag Property $	KéMag Property $	Lac Ritchie Property $	Perault Lake Property $	Sheps Lake Property $	Other Properties $	Balance as at Dec. 31 2011 $	Balance as at Dec. 31 2010 $
Balance, at January 1, 2011	22,060,670	20,515,979	8,392,819	-	-	-	1,165,567	-	-
Mineral licenses	(698,961)	700	11,398	47,114	-	-	33,601	2,730,350	3,336,498
Drilling	(6,303,192)	86,391	4,522,470	3,668,229	555,214	20,848	599,711	21,936,236	18,786,565
Resource evaluation	(12,114,808)	904,445	1,581,207	209,259	30,948	7,075	14,895	12,776,046	22,143,025
Environmental	(7,144,857)	861,903	685,630	3,556	79,357	-	-	8,303,088	13,817,499
Amortization of property and equipment	(28,724)	604	25,669	6,411	604	-	605	45,064	39,895
	(25,591,581)	1,853,343	6,814,976	3,887,455	666,123	27,923	615,211	43,060,434	54,786,984
Tax credits and mining duties	4,229,872	-	(2,645,563)	(1,680,648)	-	-	(36,398)	(6,121,184)	(5,988,447)
Tata Steel payment	-	(1,124,250)	(2,626,543)	-	-	-	-	(3,750,793)	-
	4,229,872	(1,124,250)	(5,272,106)	(1,680,648)	-	-	(36,398)	(9,871,977)	(5,988,447)
Balance, at December 31, 2011	**-**	**21,245,772**	**9,947,087**	**2,253,921**	**666,123**	**27,923**	**1,777,981**	**35,918,807**	**52,135,035**
Mineral exploration and evaluation assets held for sale – DSO Properties								**-**	**22,060,670**
Mineral exploration and evaluation assets not held for sale								**35,918,807**	**30,074,365**

10 - MINERAL EXPLORATION AND EVALUATION ASSETS (continued)

During 2012, the Company acquired $34,371,918 (2011 - $14,025,804) in mineral exploration and evaluation assets, which were offset by $5,358,566 (2011 - $4,401,708) in tax credits and mining duties and $10,790,837 (2011 – $3,750,793) in payments from Tata Steel.

Overview

The Company holds interests in 2,910 claims distributed between properties in Newfoundland and Labrador ("NL") and Québec. Claims registered under New Millennium Iron Corp. are owned 100% by the Company. Claims registered under LLP are owned 80% by the Company through its 80% interest in LLP.

Province	Ownership	LabMag Property	KéMag Property	Lac Ritchie Property	Perault Lake Property	Sheps Lake Property	Other Properties	Total
Newfoundland & Labrador	NML	-	-	-	371 [92.8 km^2]	-	608 [152 km^2]	979 [244.8 km^2]
	LLP	256 [64 km^2]	-	-		198 [49.5 km^2]	322 [80.5 km^2]	776 [194 km^2]
Québec	NML	-	171 [80.9 km^2]	263 [127.5 km^2]		-	721 [344.6 km^2]	1,155 [553 km^2]
Total		**256 [64 km^2]**	**171 [80.9 km^2]**	**263 [127.5 km^2]**	**371 [92.8 km^2]**	**198 [49.5 km^2]**	**1,651 [577.1 km^2]**	**2,910 [991.8 km^2]**

Although the Company has taken steps to verify title to the mining properties in which it holds an interest in accordance with industry practices for the current stages of exploration and development of such properties, these procedures do not guarantee the validity of the Company's titles. Property titles may be subject to unregistered prior agreements and restrictions arising from regulatory requirements.

LabMag Property:

The LabMag Iron Ore Project involves the exploration and evaluation of a taconite deposit at Howells River, NL. The property is situated in western Labrador, in Elross Township, about 30 kms to the northwest of the town of Schefferville, Québec. A Pre-Feasibility Study completed in 2006 on this Project assumed a mining operation and concentrator, located at Howells River, with an annual production of 14.2 million tonnes of concentrate to be shipped by a ferroduct to a 15 million ton per year pellet plant located at Emeril, near Wabush Township. The pellets produced are assumed in the study to be delivered via railway to a new dock at Pointe-Noire, near Sept-Îles for shipment. The property is now the subject of a bankable feasibility study under the arrangement summarised in the Taconite binding heads of agreement ("Binding HOA") presented below.

KéMag Property:

The KéMag Iron Ore Project involves the exploration and evaluation of a taconite deposit at Lac Harris, Québec. The property, situated in the Municipality of Rivière Koksoak in northern Québec, is centered about 50 km to the northwest of Schefferville. A Pre-Feasibility Study was completed in 2009 on this Project based on a mining operation and concentrator located at Lac Harris with an estimated annual production rate of 21.2 million tonnes of concentrate. The concentrate is proposed to be shipped by a ferroduct to a 15 million tonnes per year pellet plant located in Sept-Îles, Québec, where it is estimated in the study to be sufficient to feed the pellet plant and provide 7 million tonnes per year of concentrate for shipment in addition to 15 million tonnes per year of pellets. The property is now the subject of a bankable feasibility study under the arrangement summarised in the Binding HOA presented below.

10 - MINERAL EXPLORATION AND EVALUATION ASSETS (continued)

Lac Ritchie Property:

The Lac Ritchie Property is located approximately 134 km northwest of Schefferville and approximately 70 km northwest of KéMag deposit in Québec. NML conducted Phase 1 drilling in 2011 by drilling 40 holes for a total of 3,810 m, on a 1.0 km X 0.5 km grid. Based on the results of drilling, NML engaged SGS Canada Inc. to provide a NI 43-101 compliant Technical Report on the Mineral Resource Estimates for the Lac Ritchie property. Based on the drilling results, SGS estimated 3.330 billion tonnes of Indicated and 1.437 billion tonnes of Inferred Resources.

Perault Lake Property:

The Perault Lake Property is located in NL, immediately south of the Sheps Lake Property, approximately 17 km southwest of Schefferville. NML in 2012 carried out Phase 1 program by drilling 48 holes for a total of 3,890.8 m. Based on the results of the drilling, SGS Canada Inc. was engaged by NML to conduct a NI 43-101 compliant resource estimation resulting in 1.612 billion tonnes of Indicated and 0.507 billion tonnes of Inferred Resources.

Sheps Lake Property:

The Sheps Lake Property is located in NL, south of the LabMag property and is approximately 20 km south-west of Schefferville. NML conducted Phase 1 drilling in 2012 with 23 holes for a total of 1,920.1 m. SGS Canada Inc. conducted NI 43-101 compliant resource estimation, using the drilling results, which showed 1.967 billion tonnes of Indicated and 0.289 billion tonnes of Inferred Resources.

Other Properties

The remaining claims and licences, 100% owned by NML, include holdings of potential magnetic taconite areas and dolomite as well as the site of the potential Emeril pellet plant. The other taconite areas in NL are Howells Lake along with the adjoining licenses and the Wishart Creek taconite. In the Howells Lake area in 2012, NML carried out Phase 1 drilling with 43 holes totalling 6561.7 m. SGS Canada Inc. is currently engaged in conducting a NI 43-101 compliant resource estimation. The Howells Lake area comprises 122 contiguous claims with an area of 30.5 km², and is approximately 24.5 km northwest of Schefferville.

In 2012, three exploration holes were drilled in the Wishart Creek area for a total of 306 m.

The other taconite areas, owned 80% through LLP, are the Howells River North and the adjoining licences and the Irony Mountain taconite. In 2012, NML drilled 10 holes for a total of 1,114.5 m in the Howells River North Property. Currently an NI 43-101 compliant resource estimate is being prepared for the property. The remaining claims include holdings of potential magnetic taconite in the Millennium Iron Range.

Taconite Binding Heads of Agreement

The Company had granted Tata Steel an exclusive option to negotiate a Binding HOA on the LabMag Project and the KéMag Project (collectively referred to as the “Taconite Projects”) that expired December 31, 2010. An extension was granted to Tata Steel in exchange for a $600,000 payment, which was recorded as other income on the consolidated statement of comprehensive income in 2011.

On March 6, 2011, the Company signed the Binding HOA with Tata Steel in respect of the Taconite Projects. Under the Binding HOA, Tata Steel shall participate in the development of the Company’s feasibility study of these projects. In exchange for an option to own a portion of the Taconite Projects, Tata Steel will pay the Company an amount equal to 64% of the costs to complete the feasibility study. After completion of the feasibility study, the option will allow Tata Steel four months to make an investment decision involving the development of either one or both of the projects. If Tata Steel exercises its option then it will pay the Company 64% of the costs incurred prior to the feasibility study to advance the project(s).

10 - MINERAL EXPLORATION AND EVALUATION ASSETS (continued)

The project(s) upon which Tata Steel exercises its option will be transferred to an entity in which Tata Steel will initially hold an 80% interest and the Company 20%, with this initial 20% interest bearing a "free carry" equity interest in that Tata Steel will be required to arrange funding in the entity for any capital expenditure requirements on behalf of the Company's interest up to a maximum of $4.85 billion. Also, the Company has an option to acquire an additional 16% paid equity interest and a right of first refusal to acquire another 4% paid equity interest should Tata Steel exercise its right to invite third party investors into the project.

As at December 31, 2012, NML has received $21,470,000 (2011 - $8,450,000) from Tata Steel on account of the option. At December 31, 2012, $14,541,630 has been recorded as a reduction of the expenditures capitalized for the mineral exploration and evaluation assets, $3,750,793 in 2011 and an additional $10,790,837 in 2012. An additional $2,412,070 has been recorded as a reduction of general and administrative expenses, $1,491,012 in 2011 and an additional $921,058 in 2012. The amount received in excess of these amounts at December 31, 2012 of $4,516,300 (2011 – $3,208,188) is recorded as an advance from Tata Steel. These advances are non-interest bearing and are expected to be reduced through payments for the cost of the feasibility study and reimbursement of general and administrative expenses.

In connection with the Binding HOA, NML incurred during the year, Nil (2011 – $2,361,000) in professional and advisory fees which is included in general and administrative expenses.

DSO Properties – disposed of during the prior year

On December 30, 2011, the Company completed a transaction for the sale of the DSO Properties to TSMC in exchange for $21,757,414 and one share of TSMC to bring NML's interest in TSMC to 20%.

Immediately prior to the closing, LLP distributed its DSO Properties to its partners, NML and NNK Trust. NML then purchased from NNK Trust the DSO Properties ("NNK Claims") for the right to receive proportionate amounts of any future dividend from TSMC or other amount received in respect of NML's investment in TSMC relating to the NNK Claims.

The distribution by LLP to the NNK Trust resulted in a reduction of the non-controlling interest of NNK Trust at the cost of the NNK claims. NML's subsequent purchase of the NNK claims was recorded at their fair market value, estimated by an independent valuation of the DSO Properties. The future payments due to NNK Trust, which relate to any future payments received by NML in relation to the TSMC investment, is shown as a long-term liability at the fair value of the related NNK claims. This amount is non-interest bearing and, at the present time, there is no expectation as to when these payments will commence.

An independent valuation estimated the fair market value of the DSO Properties to be $53,300,000 based upon the income approach and applying discounted cash flow method. As the Company had a consolidated cost for the DSO Properties prior to sale of $22,138,207, and using the fair market valuation, the Company recorded a gain on disposal of the DSO Properties in the amount of $31,161,793 and an allocation to the Company's shares in TSMC of $31,542,586.

In connection with Tata Steel's exercise of their option and TSMC's subsequent purchase of the DSO Properties, NML incurred during the year Nil (2011 - $152,000) in professional fees which is included in general and administrative expenses.

11 - PROPERTY AND EQUIPMENT

The carrying amount can be analyzed as follows:

	Office Furniture and Equipment
	$
Cost	
Balance at January 1, 2011	334,813
Additions	285,927
As at December 31, 2011	620,740
Additions	393,408
Disposals	(15,837)
Balance at December 31, 2012	**998,311**
Depreciation	
Balance at January 1, 2011	147,880
Charge for period	118,541
Balance at December 31, 2011	266,421
Charge for period	265,658
Disposal	(15,837)
Balance at December 31, 2012	**516,242**
Net book value	
At December 31, 2011	354,319
At December 31, 2012	**482,069**

At the end of each reporting period, the Company reviews the carrying amounts of property and equipment to determine whether there is an indication that these assets have suffered an impairment loss. There was no impairment loss at December 31, 2012 and 2011.

12 - TRADE AND OTHER PAYABLES

Trade and other payables recognized in the statement of financial position can be analyzed as follows:

	December 31, 2012 $	December 31, 2011 $
Trade accounts payable	4,457,169	277,508
Accrued liabilities	3,298,021	3,308,355
Total	7,755,190	3,585,863

13 - EQUITY

SHARE CAPITAL

Authorized

Unlimited number of shares

Common shares, without nominal or par value

Preferred shares, issuable in series, without nominal or par value

NEW SHARE ISSUES

On February 28, 2011, the Company completed a bought deal offering whereby 18,071,429 of its common shares were issued at a price of $3.50 per common share for gross proceeds of $63,250,002. The underwriters were paid fees of $3,478,750 and were granted 1,084,285 common share purchase options, with a fair value of $1,214,399, exercisable at a price of $3.50 per purchase option for a period of eighteen months from the closing of the offering. In addition, Tata Steel purchased 6,739,956 common shares, to maintain its proportional ownership in the Company under its pre-emptive right, at $3.50 per share for gross proceeds of $23,589,846. There was $648,721 of fees paid pursuant to Tata Steel's purchase.

NML entered into an agreement with legal counsel whereby NML, at their option, could pay $203,813 of legal fees related to legal work in cash or by issuance of shares of NML. The legal work related to this agreement was completed in June 2010 and NML decided to make their payment by issuance of shares, subject to regulatory approval. On March 11, 2011, the Company issued 212,306 shares at a price of $0.96 per share to settle the outstanding debt of $203,813 and this amount was transferred from share capital to be issued to share capital.

There was a deferred income tax asset relating to the share issue costs for these issues in an amount of $1,302,808 that was not recognized.

On January 30, 2012, the Company issued 233,682 shares to Tata Steel at a price of $1.45 per share for proceeds of $338,558 under its pre-emptive right to maintain its proportional ownership in the Company.

SHARE-BASED PAYMENTS

Stock options

The Company has adopted an incentive share-based compensation plan whereby options may be granted from time to time to directors, officers, employees and consultants of the Company with shares reserved for issuance as options not to exceed 10% of the issued and outstanding common shares. The exercise price of each option cannot be less than the exercise price permitted by the any stock exchange on which the Company's common shares are listed. The vesting period is determined by the Board of Directors and the maximum term of the options granted is five years. Some of the options only vest if certain performance criteria are met.

A summary of the Company's stock options are as follows:

	Year ended December 31, 2012		Year ended December 31, 2011	
	Number of outstanding options	Weighted average exercise price	Number of outstanding options	Weighted average exercise price
Balance, beginning of year	13,455,000	1.51	11,456,000	0.76
Granted	4,535,000	1.43	4,491,000	2.98
Exercised	(2,720,000)	0.72	(2,492,000)	0.71
Forfeited	(330,000)	2.50	-	-
Balance, end of year	14,940,000	1.60	13,455,000	1.51
Options exercisable, end of year	8,067,000	1.35	6,754,500	0.71

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13 – EQUITY (continued)

With respect to stock options exercised during the year, the weighted-average share price at the date of exercise was $1.81 for the year ended December 31, 2012 ($2.40 for the year ended December 31, 2011).

Options exercisable and outstanding as at December 31, 2012 as set forth in the previous table are as follows:

Exercise price	Number of exercisable options	Number of outstanding options	Expiry Date
$0.83	920,000	920,000	January 30, 2013
$1.44	50,000	250,000	March 25, 2013
$1.75	70,000	70,000	June 1, 2013
$0.37	1,557,500	1,557,500	January 20, 2014
$0.65	33,000	33,0000	October 9, 2014
$0.90	3,262,500	3,262,500	June 30, 2015
$0.87	36,000	36,000	August 31, 2015
$3.52	21,000	42,000	February 8, 2016
$3.36	1,550,000	3,100,000	April 1, 2016
$3.16	87,500	175,000	April 29, 2016
$2.48	26,000	52,000	May 16, 2016
$2.48	24,000	48,000	July 18, 2016
$2,65	36,000	72,000	July 27, 2016
$1,61	16,000	32,000	October 18, 2016
$1.65	67,500	135,000	November 1, 2016
$1.16	55,000	110,000	November 28, 2016
$1.43	175,000	350,000	December 6, 2016
$1.23	80,000	160,000	December 20, 2016
$1.65	-	38,000	January 4, 2017
$1.72	-	37,000	January 11, 2017
$2.02	-	70,000	January 24, 2017
$2.48	-	90,000	March 7, 2017
$2.08	-	65,000	April 5, 2017
$1.93	-	100,000	April 11, 2017
$2.03	-	56,000	April 16, 2017
$1.59	-	48,000	July 2, 2017
$1.35	-	3,645,000	July 27, 2017
$1.30	-	66,000	September 10, 2017
$1.45	-	80,000	September 18, 2017
$1,57	-	200,000	October 4, 2017
$1.04	-	40,000	December 10, 2017
	8,067,000	14,940,000	
Weighted average exercise price	1.35	1.6	

The weighted average remaining contractual life of the options outstanding is 3.0 years.

The share-based payments expense during the year ended December 31, 2012 was $5,115,239 ($6,001,319 in 2011) and is included in general and administrative expenses.

13 - EQUITY (continued)

The weighted average fair value of options granted during the year ended December 31, 2012 was $1.00 per share ($1.90 per share in 2011). The fair value of each option was estimated on the date of grant using the Black-Scholes model. The forfeiture rate used was increased to 2.9% in 2012 compared with 0.25% in prior periods. The following weighted-average assumptions were used:

	December 31, 2012	December 31, 2011
Exercise price at date of grant	$1.43	$2.98
Share price at date of grant	$1.43	$2.98
Risk-free interest rate	1.21%	1.75%
Expected life (years)	5	5
Estimated volatility of the market price of the common shares	95.03%	79.96%
Dividend yield	Nil	Nil

The underlying expected volatility was determined by reference to historical data of the parent Company's common shares over five years. No special features inherent to the options granted were incorporated into measurement of fair value.

Agents' options

As disclosed above, agents involved in NML's February 28, 2011 equity financings were granted share purchase options during the year ending December 31, 2011. These options were convertible on a one for one basis into common shares of the Company. These options expired during 2012. A summary of these agents' options is as follows:

	Number of outstanding options	December 31, 2012 weighted average exercise price $
Balance, beginning of year	1,084,285	3.50
Expired	(1,084,285)	(3.50)
Balance, end of year	-	-
Options exercisable, end of year	-	-

No agents' options were granted or exercised in the year ending December 31, 2012.

These options were recognized as a reduction to capital stock as they represent share issue costs.

13 - EQUITY (continued)

The fair value of agents' options granted during the year ended December 31, 2011 was $1.12 per share. The fair value for each option was estimated on the date of grant using the Block-Scholes model using the following assumptions:

Exercise price at date of grant	$3.50
Share price at date of grant	$3.50
Risk-free interest rate	1.72%
Expected life (years)	1.5
Estimated volatility of the market price of the common shares	65.06%
Dividend yield	Nil

The underlying expected volatility was determined by reference to historical data of the parent Company's common shares over 18 months. No special features inherent to the options granted were incorporated into measurement of fair value

14 - INFORMATION INCLUDED IN CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	December 31, 2012 $	December 31, 2011 $
Employee benefit expense		
Wages, salaries and other short-term benefits	2,341,226	1,944,233
Share-based payments	4,895,971	5,759,282
Employee benefit expense	7,237,197	7,703,515
Other elements of expenses		
Depreciation of property and equipment	208,434	84,648

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15 - INCOME TAXES

The relationship between the expected tax expense based on the effective tax rate and the reported tax expense in profit and loss can be reconciled as follows, also showing major components of tax expense:

	December 31, 2012 $	December 31, 2011 $
Income (loss) before income taxes	(9,062,219)	21,136,320
Combined federal and provincial tax rates	26.9%	28.4%
Computed income tax recovery	(2,437,737)	6,002,715
Share-based payment expense	1,375,999	1,704,375
Mining duties	(161,813)	(131,180)
Professional fees	-	(1,795,062)
Sale of DSO Properties	-	(7,021,769)
Unrecognized tax items	1,351,368	1,589,999
Change in tax rate and other items	(127,817)	(349,078)
	-	-

Deferred tax expense consists of the following:

	December 31, 2012 $	December 31, 2011 $
Origination and reversal of temporary differences	(1,223,551)	(1,227,592)
Change in unrecognized deductible temporary differences	1,351,368	1,589,999
Adjustment in respect of prior years	(127,817)	(56,376)
Difference between future and current statutory rates	-	(306,031)
	-	-

Effective January 1, 2012, the Canadian federal corporate tax rate decreased from 16.5% to 15.0% and the Quebec provincial tax rate remained at 11.9% for a combined tax rate of 26.9%.

Recognized deferred tax assets and liabilities consist of the following:

	December 31, 2012 $	December 31, 2011 $
Deferred income tax liabilities		
Mineral exploration and evaluation assets	427,448	1,647,535
Mining tax credits	566,087	463,662
	993,535	2,111,197
Deferred income tax assets		
Non-capital losses carried-forward	993,535	2,027,815
Share and unit issue costs	-	83,382
	993,535	2,111,197
	-	-

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15 - INCOME TAXES (continued)

Movements in deferred tax assets (liabilities) related to temporary differences during the financial year are as follows:

	January 1, 2012 $	Recognized in earnings $	December 31, 2012 $
Non-capital loss carry-forward	2,027,815	(1,034,280)	993,535
Share issuance costs	83,382	(83,382)	-
Mineral exploration and evaluation assets	(1,647,535)	1,220,087	(427,448)
Mining tax credits	(463,662)	(102,425)	(566,087)
Deferred tax assets (liabilities)	-	-	-

	January 1, 2011 $	Recognized in earnings $	December 31, 2011 $
Non-capital loss carry-forward	6,807,410	(4,779,595)	2,027,815
Share issuance costs	190,239	(106,857)	83,382
Mineral exploration and evaluation assets	(6,811,437)	5,163,902	(1,647,535)
Mining tax credits	(186,212)	(277,450)	(463,662)
Deferred tax assets (liabilities)	-	-	-

The Company has the following deductible temporary differences, unused tax losses and unused tax credits for which no tax benefit have been recognized:

	December 31, 2012 $	December 31, 2011 $
Limited partnership losses through LLP	1,921,000	-
Property and equipment	534,000	268,000
Share issue costs	3,150,000	4,241,000
Capital losses	1,566,000	1,566,000
Non-capital losses	11,074,000	8,454,000
Advance from Tata Steel	4,516,000	3,208,000

The non-capital tax losses for which no tax benefit has been recognized are available to reduce income taxes in the future years as follows:

	$
2028	3,392,000
2029	3,130,000
2030	4,552,000
	11,074,000

15 - INCOME TAXES (continued)

The Company has a temporary difference relating to its investment in the TSMC shares in the amount of $26,103,000 for which no tax liability is required to be recognized in accordance with IAS12.

During the year ended, December 31, 2012, the Company earned Federal investment tax credits (ITC's) of $2,233,000 (2011 - $832,000) which have not been recorded in these financial statements due to the uncertainty as to whether the Company will be able to utilize them.

The Company has a total of $4,182,000 of Federal ITC's that can be carried forward for 20 years and expiring from 2028 to 2032 and $180,000 of Quebec tax credits that can be carried forward for 10 years and expiring from 2016 to 2017.

16 – INCOME (LOSS) PER SHARE

The basic and diluted income (loss) per share for the year ended December 31, 2012 and 2011 have each been calculated using net income or loss attributable to the shareholders of NML as the numerator. The weighted average number of shares for the purposes of diluted income per share can be reconciled to the weighted average number of common shares used in the calculation of basic income per share as follows:

	December 31, 2012	December 31, 2011
Weighted average number of shares used in basic income (loss) per share	178,402,332	170,953,566
Common shares deemed issued in respect of stock options	-	9,033,576
Weighted average numbers of shares used in diluted income (loss) per share	178,402,332	179,987,142

The following potential common shares are anti-dilutive and are therefore excluded from the weighted average number of common shares for the purposes of diluted income (loss) per share:

	December 31, 2012 $	December 31, 2011 $
Options	14,940,000	3,704,000
Agents' options	-	1,084,285
	14,940,000	4,788,285

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17 - FINANCIAL INSTRUMENTS

Classification of financial assets and liabilities

The carrying amounts of the financial instruments presented in the statement of financial position relate to the following categories of assets and liabilities:

	December 31, 2012 $	December 31, 2011 $
Financial assets		
Available for sale		
Short-term investments	12,623,936	-
Long-term investment, TSMC	31,542,605	31,542,605
	44,166,541	31,542,605
Held-to-maturity investments		
Short-term investments	46,708,194	75,625,267
Loans and receivables		
Cash and cash equivalents	8,514,976	31,116,221
Other receivables	1,999,175	2,977,834
	10,514,151	34,094,055
Financial liabilities		
Financial liabilities at amortized cost		
Trade and other payables	7,755,190	3,585,863
Advance from Tata Steel	4,516,300	3,208,188
Due to NNK Trust	285,324	285,324
	12,556,814	7,079,381

The fair values of the bonds, treasury bills and GIC's are $59,295,922 as at December 31, 2012 (December 31, 2011 - $75,606,761) and are determined by using the current market rate.

For all other financial assets and liabilities presented above, their carrying amount was a reasonable approximation of their fair values, notably due to their short-term maturities.

Financial instruments measured at fair value

The following table presents the financial assets and liabilities measured at fair value in the statement of financial position in accordance with the fair value hierarchy. This hierarchy groups liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset and liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market date (unobservable inputs)

17 - FINANCIAL INSTRUMENTS (continued)

The level within which the financial asset or liability is classified is determined based on the lowest level of input to the fair value measurement. The financial assets and liabilities measured at fair value in the statement of financial position are grouped into the fair value hierarchy as follows:

	December 31, 2012 $	December 31, 2011 $
	Level 1	Level 1
Available for sale, short-term investments	12,623,936	-

Investment income

	December 31, 2012 $	December 31, 2011 $
Interest income calculated using the effective interest method for financial assets or financial liabilities that are not at fair value through profit or loss	1,091,671	845,022

18 - FINANCIAL RISK MANAGEMENT, OBJECTIVES AND POLICIES

In the normal course of operations, the Company is exposed to and manages various financial risks in relation to financial instruments. The Company does not enter into financial instrument agreements including derivative financial instruments for speculative purposes.

The Company's main financial risks and policies are as follows:

Exchange risk

The Company's functional currency is the Canadian dollar and most expenditures are transacted in Canadian dollars. The Company funds foreign currency transactions by buying the foreign currency at the spot rate when required.

On December 31, 2012, the Company had $2,990 USD, $2,975 CAD ($3,006 USD, $3,057 CAD at December 31, 2011) in cash which have been translated to Canadian dollars using the closing exchange rate for each financial reporting period.

At December 31, 2012, the Company had $433,764 USD, $432,088 CAD ($32,736 USD, $33,436 CAD at December 31, 2011) in trade and other payables which have been translated to Canadian dollars using the closing exchange rate for each financial reporting period.

At December 31, 2012, the Company had €257,289 EUR, $336,671 CAD (€64,072 EUR, $85,000 CAD at December 31, 2011) in trade and other payables which have been translated to Canadian dollars using the closing exchange rates for each financial reporting period.

At December 31, 2012, the Company had $41,881 AUD, $43,585 CAD (Nil at December 31, 2011) in trade and other payables which have been translated to Canadian dollars using the closing exchange rates for each financial reporting period.

18 - FINANCIAL RISK MANAGEMENT, OBJECTIVES AND POLICIES (continued)

A $0.01 increase or decrease in the USD/CAD, the Euro/CAD or the AUD/CAD exchange rates would not have a material impact on net loss or equity at December 31, 2012 or December 31, 2011.

The sensitivity analysis is based on the Company's foreign currency financial instruments held at each reporting date. Exposure to foreign exchange rates varies during the year depending on the volume of foreign transactions. Nonetheless, the analysis above is considered to be representative of the Company's exposure to exchange risk.

Interest rate risk

The cash equivalents and short-term investments bear interest at fixed rates and the Company is therefore exposed to the risk of changes in fair value resulting from interest rate fluctuations. The risk is limited because these assets involve lower risk securities such as GIC's, treasury bills and bonds with relatively short maturities all either issued by or backed by Canadian Federal and Provincial governments or their crown corporations. Only the available-for-sales short-term investments are carried at fair value. A 0.1% increase or decrease in interest rates would not have a material impact on comprehensive loss or equity at December 31, 2012. The Company does not use derivative financial instruments to reduce its interest rate exposure.

Liquidity risk

Management maintains sufficient amounts of cash and cash equivalents to meet the Company's commitments. The Company establishes budgets and cash flow requirements monthly to ensure that it has the necessary funds to fulfill its obligations. The contractual maturities of trade and other payables are less than three months for all periods presented. The advances from Tata Steel and Due to NNK Trust do not have any contractual maturities.

Over the past year, the Company has financed its exploration expense commitments and its working capital requirements through prior year's equity financings and payments from Tata Steel on account of its option on the Taconite Projects.

Credit risk

The Company manages third party credit risk through an emphasis on quality in its investment portfolio. Cash and cash equivalents and investments are held through three Canadian chartered banks and their subsidiaries and are independent investment dealers with high quality external credit ratings and the instruments have been issued or guaranteed by Canada or the provinces and management believes the risk of loss to be remote.

The Company is also exposed to credit risk relating to its receivable from TSMC and other receivables. This credit risk is minimized by reviews of the third parties' credit worthiness.

The Company's maximum exposure to credit risk is limited to the carrying amount of financial assets after deducting applicable allowances for loss recognized at the reporting date, of which there are none at any of the periods presented.

19 – INFORMATION INCLUDED IN CONSOLIDATED CASH FLOWS

The changes in working capital items are detailed as follows:

	December 31, 2012 $	December 31, 2011 $
Sales taxes, other receivables and prepaids	201,103	(2,253,324)
Trade and other payables	10,064	(2,999,669)
	211,167	(5,252,993)

Included in trade and other payables is an amount of $6,681,046 (December 31, 2011 - $2,521,780) pertaining to additions to mineral exploration and evaluation assets. Included in the cash flows used by deposits on contracts is $1,133,242 (December 31, 2011 - $1,720,825) pertaining to mineral exploration and evaluation assets.

The distributions by LLP of its DSO Properties as well as NML's purchase from NNK Trust of the NNK claims were non-cash transactions.

The sale of the DSO Properties to TSMC was recorded at the estimated fair market value which exceeded the cash received.

20 – RELATED PARTY TRANSACTIONS

Balances and transactions between the Company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note. Details of the transactions between the Company and other related parties and key management are disclosed below.

Transactions with other related parties

Trading transactions

The related parties with which the Company has had transactions are as follows:

Related Party	Nature of relationship	Nature of transaction
1301738 Ontario Inc.	Controlled by an executive officer and director of the Company	Consulting and management
Davis LLP	Partnership in which a director is a partner	Legal services
Roll Harris & Associés	Partnership in which an executive officer is a partner	Consulting
Balance Consultants Inc.	Controlled by executive officer of the Company	Consulting
TSMC	Company controlled by Tata Steel	Service fees revenue and expenses
General Rick Hillier	Director	Consulting
Tata Steel	26.5% shareholder of NML	Advances and consulting fees
NNK Trust	20% Partner in LLP	Advances
Tata Steel UK Consulting Ltd.	Company under common control with Tata Steel	Consulting

20 – RELATED PARTY TRANSACTIONS (continued)

The Company incurred the following revenue, fees and expenses in the normal course of operations in connection with the above companies and individuals. Expenses have been measured at the exchange amount which is determined on a cost recovery basis.

	Note	December 31, 2012 $	December 31, 2011 $
Consolidated Statement of Financial Position			
Mineral exploration and evaluation assets	(i)	503,417	428,800
Share issue costs		-	138,294
Consolidated Net Income (Loss) and Comprehensive Income (Loss)			
Service fee revenue		740,468	1,708,944
General and administrative expenses	(i)	830,679	1,138,339

Until June 2011, NML paid fees to a private company controlled by a director of the Company for consulting services performed outside of his capacity as a director.

Amounts due to and from related parties are unsecured, non-interest bearing and due on demand.

Other receivable related to advances to TSMC and service fee revenue charged to TSMC at December 31, 2012 was $1,952,925 (December 31, 2011 - $2,661,730).

Accounts payable related to the above transactions at December 31, 2012 were $457,005 (December 31, 2011 - $257,086).

The advances from Tata Steel at December 31, 2012 was $4,516,300 (December 31, 2011 – $3,208,188).

These amounts have not been discounted as the time-value of money is not material.

In Note 10 NML has disclosed transactions between NML and the NNK Trust related to the purchase of NNK Trust's interest in DSO claims, between NML and TSMC related to the sale of the DSO properties and between NML and Tata Steel related to other income received in connection with the extension of the option on the Taconite Projects.

Transactions with key management personnel

Key management personnel of the Company are members of the board of directors, as well as the executive officers of the Company.

Key management personnel remuneration is comprised of the following:

	Note	December 31, 2012 $	December 31, 2011 $
Salaries and directors' fees	(i), (iii)	2,397,390	2,149,658
Share-based payments	(ii), (iv)	2,784,614	4,582,000
		5,182,004	6,731,658

20 – RELATED PARTY TRANSACTIONS (continued)

(i) Salaries and directors' fees include consulting and management fees disclosed above.
(ii) Share-based payments are the fair value of options granted to key management personnel during the year.
(iii) Key management personnel were not paid post-employment benefits, termination benefits, or other long-term benefits during the years ended December 31, 2012 and December 31, 2011.
(iv) During the year ended December 31, 2012, key management personnel exercised 1,205,000 share options (December 31, 2011 – 1,325,000) granted in the share-based compensation plan for a total of $912,400 (December 31, 2011 - $973,000).

21 - CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Company's capital management objectives are to ensure its ability to continue as a going concern and to maximize the return of its shareholders. The Company's definition of capital includes all components of equity. Capital for the reporting periods under review is summarized in Note 13 and in the consolidated statement of changes in equity. In order to meet its objectives, the Company monitors its capital structure and makes adjustments as required in light of changes in economic conditions and the risk characteristics of the underlying assets. These objectives will be achieved by identifying the right exploration projects, adding value to these projects and ultimately taking them through production and cash flow, either with partners or by the Company's own means.

In order to maintain or adjust the capital structure, the Company may issue new shares or flow-through shares. No changes were made in the objectives, policies and processes for managing capital during the year. The Company is not subject to any externally imposed capital requirements.

22 - COMMITMENTS AND CONTINGENCY

The Company is committed through LLP to pay aggregate royalties of 2% of gross revenue from mineral interests subject to the LLP Limited Partnership agreement.

The Company has issued irrevocable letters of credit in the amount of $19,436,000 that expire in July 2013. These irrevocable letters of credit were issued by the Canadian Imperial Bank of Commerce and are secured by a $25,000,000 first-ranking hypothec on investments with a maximum maturity of 12 months, held at CIBC Wood Gundy, which are included in the Short-term investments described in Note 6.

In relation to NML's agreement with the Port Authority described in Note 8, the Company has a take or pay obligation based on a discounted rate applied on 50% of the 15 million tons minimum annual shipping capacity and is payable even if NML does not use the facilities.

The Company has entered into an agreement with a First Nation in connection with certain exploration and development programs in their area in return for contributions towards education and environmental activities and the improvement of community facilities.

The Company has entered into long-term operating leases for premises and equipment and consulting agreements amounting to $1,993,000 expiring in June 2017.

No sublease payments or contingent rent payments were made or received. The Company's operating lease agreements do not contain any contingent rent clauses. No sublease income is expected as all assets held under lease agreements are used exclusively by the Company.

22 - COMMITMENTS AND CONTINGENCY (continued)

Minimum obligations due over the next five years and thereafter are as follows:

	Operating Leases $	Consulting Agreements $	Letters of Credit $	Total $
Up to 1 year	477,000	241,000	19,436,000	20,154,000
1 to 5 years	1,275,000	-	-	1,275,000
Over 5 years	-	-	-	-
	1,752,000	241,000	19,436,000	21,429,000

Corporate Directory

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cathy@cathydornan.com

Directors and Officers

- Dean Journeaux, President, Chief Executive Officer and Director
- Lee C. G. Nichols, Chairman and Director
- Roy H. Hudson, Secretary and Director
- John N. Schindler, Director
- Pierre Seccareccia, Director
- Sandip Biswas, Director
- Partha Sengupta, Director
- HM Nerurkar, Director
- General (Ret.) Rick Hillier, Director
- Cathy Bennett, Director
- Mark Freedman, Chief Financial Officer
- Bish Chanda, Senior Vice-President, Marketing and Strategy
- Moulaye Melainine, Senior Vice-President, Development
- Paul F. Wilkinson, Senior Vice-President, Environmental and Social Affairs
- Rock Gagnon, Vice-President, Process & Plant Engineering
- Ernest Dempsey, Vice-President, Investor Relations and Corporate Affairs
- Cathy Dornan, Vice-President, Communications

Auditors	Legal Counsel	Registrar and Transfer Agent
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