# 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.

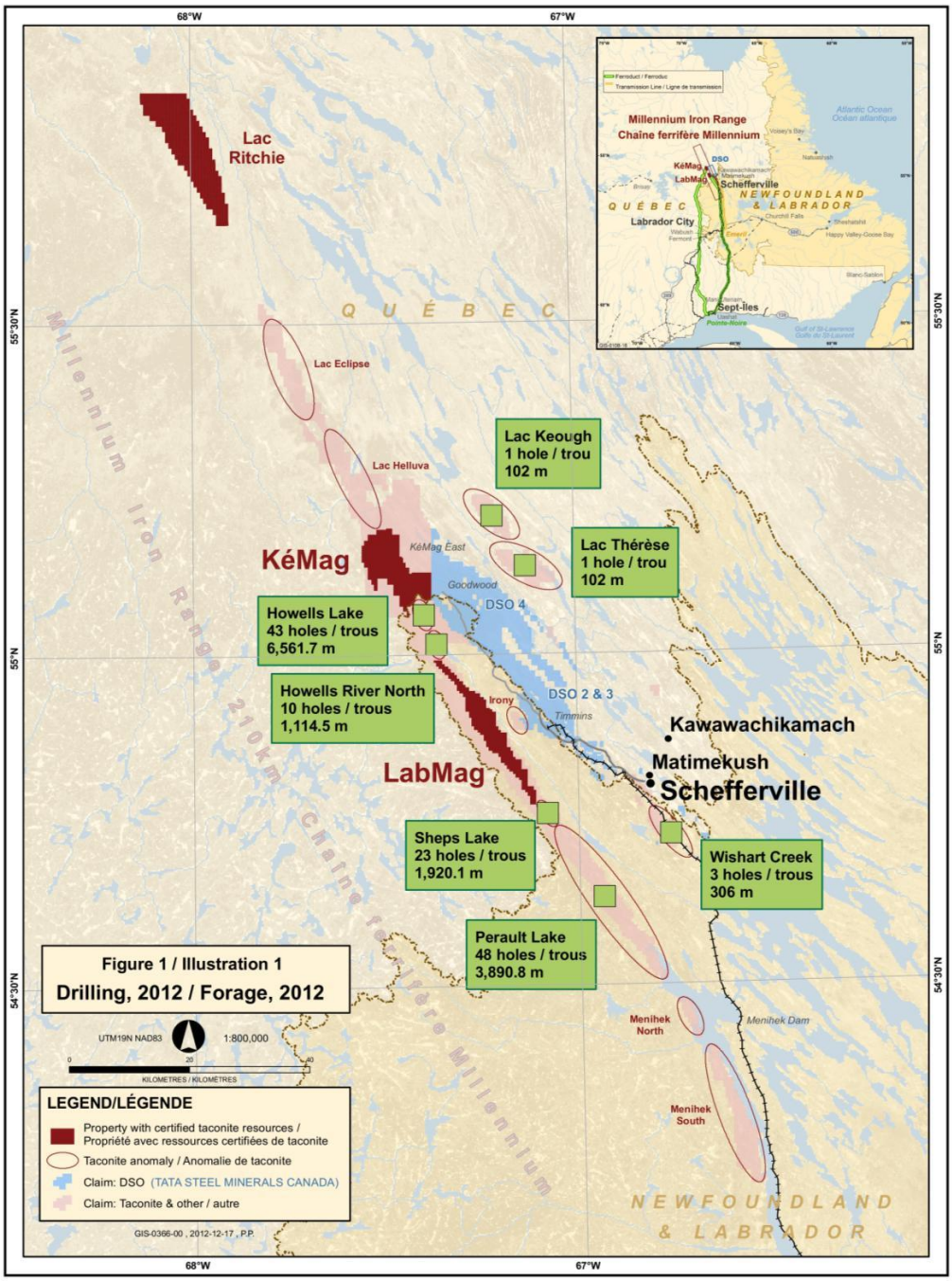
## NI 43-101 Compliant Resource Estimate

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.