

New Millennium Iron Corp.
Unaudited Interim
Consolidated Financial Statements
March 31, 2012

Financial Statements

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New Millennium Iron Corp.

Condensed Interim Consolidated Statement of Financial Position

(Unaudited)
(Expressed in Canadian Dollars)

	March 31, 2012	December 31, 2011
	\$	\$
ASSETS		
Current assets		
Cash and cash equivalents (Note 5)	7,859,519	31,116,221
Short-term investments (Note 6)	98,151,493	75,625,267
Sales taxes, other receivables and prepaid expenses (Note 13)	3,501,468	3,299,011
Tax credits and mining duties receivable	4,365,646	5,967,258
	<u>113,878,126</u>	<u>116,007,757</u>
Non-current assets		
Tax credits and mining duties receivable	1,654,035	461,902
Long-term investment	31,542,605	31,542,605
Deposits on contracts	1,371,392	1,264,628
Mineral exploration and evaluation assets (Note 7)	38,530,316	35,918,807
Property and equipment	375,788	354,319
	<u>38,874,036</u>	<u>38,931,661</u>
Total assets	<u><u>187,352,262</u></u>	<u><u>185,550,018</u></u>
EQUITY AND LIABILITIES		
LIABILITIES		
Current liabilities		
Trade and other payables	7,247,607	3,585,863
Advance from Tata Steel (Note 13)	429,525	3,208,188
	<u>7,677,132</u>	<u>6,794,051</u>
Non-current liabilities		
Due to NNK Trust	285,324	285,324
Total liabilities	<u><u>7,962,456</u></u>	<u><u>7,079,375</u></u>
EQUITY		
Share capital (Note 8)	174,306,275	172,344,038
Contributed surplus	13,814,506	12,665,152
Deficit	(8,969,326)	(6,776,898)
Equity attributable to shareholders of the parent Company	<u>179,151,455</u>	<u>178,232,292</u>
Non-controlling interest	238,351	238,351
Total equity	<u><u>179,389,806</u></u>	<u><u>178,470,643</u></u>
Total liabilities and equity	<u><u>187,352,262</u></u>	<u><u>185,550,018</u></u>

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.

Approved by the Board of Directors on May 14, 2012 and signed on their behalf by:

/S/ Dean Journeaux
Director

/S/ Pierre Seccareccia
Director

New Millennium Iron Corp.
Condensed Interim Consolidated Statement of Comprehensive Income

(Unaudited)

Three months ended March 31, 2012 and 2011

(Expressed in Canadian Dollars)

	<u>2012</u>	<u>2011</u>
	\$	\$
Service fee revenue	<u>289,593</u>	<u>-</u>
Expenses		
General and administrative (Note 9)	<u>2,797,246</u>	<u>3,455,979</u>
Loss before other items	<u>(2,507,653)</u>	<u>(3,455,979)</u>
Other items		
Other income	-	600,000
Investment income	<u>315,225</u>	<u>85,030</u>
	<u>315,225</u>	<u>685,030</u>
Net loss and comprehensive loss	<u>(2,192,428)</u>	<u>(2,770,949)</u>
Attributable to:		
Non-controlling interest	-	-
Shareholders of the parent Company	<u>(2,192,428)</u>	<u>(2,770,949)</u>
Net loss and comprehensive loss	<u>(2,192,428)</u>	<u>(2,770,949)</u>
Loss per share - basic and diluted	<u>(0.01)</u>	<u>(0.02)</u>

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.

New Millennium Iron Corp.

Condensed Interim Consolidated Statement of Changes in Equity

Three months ended March 31, 2012 and 2011

(Expressed in Canadian Dollars)

	Share Capital		Share Capital to be Issued \$	Contributed Surplus \$	Deficit \$	Total Attributable to Shareholders of the parent Company \$	Non Controlling Interest \$	Total Equity \$
	Number of Shares Issued and Fully Paid	Amount \$						
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 loss	-	-	-	-	(2,770,949)	(2,770,949)	-	(2,770,949)
Share-based remuneration								
- employees and directors	-	-	-	753,828	-	753,828	-	753,828
- consultants	-	-	-	91,899	-	91,899	-	91,899
Share capital issued	24,811,385	86,839,847	-	-	-	86,839,847	-	86,839,847
Share capital issued in lieu of cash	212,306	203,813	(203,813)	-	-	-	-	-
Exercise of stock options	262,000	236,135	-	(92,055)	-	144,080	-	144,080
Share issue costs	-	(6,035,434)	-	1,214,399	-	(4,821,035)	-	(4,821,035)
Balance at March 31, 2011	174,037,964	169,679,763	-	8,558,653	(30,684,167)	147,554,249	475,000	148,029,249
Balance at January 1, 2012	176,267,964	172,344,038	-	12,665,152	(6,776,898)	178,232,292	238,351	178,470,643
Net loss	-	-	-	-	-2,192,428	-2,192,428	-	-2,192,428
Share-based remuneration								
- employees and directors	-	-	-	1,749,798	-	1,749,798	-	1,749,798
- consultants	-	-	-	30,160	-	30,160	-	30,160
Share capital issued	233,682	338,558	-	-	-	338,558	-	338,558
Exercise of stock options	1,528,500	1,623,679	-	-630,604	-	993,075	-	993,075
Balance at March 31, 2012	178,030,146	174,306,275	-	13,814,506	-8,969,326	179,151,455	238,351	179,389,806

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.

New Millennium Iron Corp.
Condensed Interim Consolidated Statement of Cash Flows

(Unaudited)

Three months ended March 31, 2012 and 2011

(Expressed in Canadian Dollars)

	2012	2011
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss and comprehensive loss	(2,192,428)	(2,770,949)
Adjustments for:		
Share-based remuneration		
- Employees and directors	1,749,798	753,828
- Consultants	30,160	91,899
Depreciation of property and equipment	13,523	20,076
Interest income	(315,225)	(85,030)
	<u>1,478,256</u>	<u>780,773</u>
Net changes in working capital items (Note 12)	264,827	1,279,187
Cash flows used by operating activities	<u>(449,345)</u>	<u>(710,989)</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Net purchases of short term treasury bills, term deposits and GIC's	(11,107,550)	(65,734,836)
Purchase of bonds and GIC's with maturities over one year	(11,300,000)	(19,657,240)
Interest received	196,549	31,988
Deposits on contracts	(364,260)	(334,419)
Acquisition of property and equipment	(36,880)	(18,020)
Tax credits and mining duties received	1,601,612	1,394,527
Additions to mineral exploration and evaluation assets	(5,297,075)	(1,154,958)
Allocation of Tata Steel payment to mineral exploration and evaluation assets	2,168,614	-
Cash flows used by investing activities	<u>(24,138,990)</u>	<u>(85,472,958)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Issuance of common shares	1,331,633	86,983,928
Share issue costs	-	(4,755,217)
Cash flows provided by financing activities	<u>1,331,633</u>	<u>82,228,711</u>
Net decrease in cash and cash equivalents	(23,256,702)	(3,955,236)
Cash and cash equivalents, beginning of period	<u>31,116,221</u>	<u>12,002,984</u>
Cash and cash equivalents, end of period	<u><u>7,859,519</u></u>	<u><u>8,047,748</u></u>

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.

New Millennium Iron Corp.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

March 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.

The address of the Company’s executive office is 2nd floor, 1303 Greene Avenue, Westmount, Quebec, H3Z 2A7 and 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 OC1.

2 - SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These unaudited condensed interim consolidated financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards (“IFRS”) and in accordance with International Accounting Standard (“IAS”) 34, *Interim Financial Reporting*. The unaudited condensed interim consolidated financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2011, as they follow the same accounting policies and methods of application, unless otherwise indicated.

Basis of presentation

The condensed interim 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.

3 - USE OF ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the condensed interim 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 in Note 3 of the Company’s 2011 annual financial statements and are still applicable for the period ending March 31, 2012.

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 period ending March 31, 2012. Accordingly, they have not been applied in preparing these condensed interim consolidated financial statements. The Company is currently assessing the impact that these standards will have on the consolidated financial statements.

New Millennium Iron Corp.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

March 31, 2012

(Expressed in Canadian Dollars)

4 - STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

The standards issued but not yet effective are as follows:

IFRS 7 Financial Instruments – Disclosures

Amended to require additional disclosures with respect to risk exposures arising from transferred financial assets. This amendment is effective for annual periods beginning on or after July 1, 2011 and NML will apply the amendment on January 1, 2013. NML does not expect the implementation to have a material impact on the Company's disclosures.

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.

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 January 1, 2013, with earlier application permitted. NML is considering what impact the adoption of this new standard will have on its financial position and/or performance, disclosures and stated accounting policies.

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 ("SIC") 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.

New Millennium Iron Corp.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

March 31, 2012

(Expressed in Canadian Dollars)

4 - STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

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.

Each of the above four standards has an effective date for annual periods beginning on or after January 1, 2013, with earlier application permitted so long as each of the other standards is also early applied. The early adoption of IFRS 12 is not subject to adopting the other standards. 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:

	March 31, 2012 \$	December 31, 2011 \$
Cash in bank	6,655,156	31,116,221
Short-term investments	1,204,363	-
	<u>7,859,519</u>	<u>31,116,221</u>

At March 31, 2012, short-term investments consisted of money market funds that have no specific maturity date, bear interest between 1.45% and 1.55% and can be sold at any time.

6 – SHORT-TERM INVESTMENTS

At March 31, 2012, investments include:

Security	Carrying Value \$	Maturity	Interest Rate
GIC's	22,636,815	Between April 2012 and January 2013	Between 0.75% and 1.86%
Treasury Bills	24,053,108	Between September 2012 and February 2013	Between 1.00% and 1.70%
Bonds	51,461,570	Between June 2012 and February 2013	Between 0.91% and 1.32%
	<u>98,151,493</u>		

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%
	<u>75,625,267</u>		

New Millennium Iron Corp.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

March 31, 2012

(Expressed in Canadian Dollars)

7 - MINERAL EXPLORATION AND EVALUATION ASSETS

	LabMag Property \$	KéMag Property \$	Lac Ritchie Property \$	Other Properties \$	Balance as at Mar. 31 2012 \$	Balance as at Dec. 31 2011 \$
Balance, at December 31, 2011	21,245,772	9,947,087	2,253,921	2,472,027	-	-
Mineral licenses	12,800	108	-	5,691	2,748,949	2,730,350
Drilling	19,322	12,499	24,386	1,195,889	23,188,332	21,936,236
Resource evaluation	1,229,589	2,595,206	98,411	47,515	16,746,767	12,776,046
Environmental	417,216	275,704	-	36,033	9,032,041	8,303,088
Amortization of property and equipment	-	-	-	1,887	46,951	45,064
	1,666,127	2,883,409	122,797	1,281,324	49,014,091	43,060,434
Tax credits and mining duties	-	(1,130,277)	(53,225)	(8,631)	(7,313,317)	(6,121,184)
Tata Steel payment	(1,048,032)	(1,120,582)	-	-	(5,919,407)	(3,750,793)
	(1,048,032)	(2,250,859)	(53,225)	(8,631)	(13,232,724)	(9,871,977)
Balance, at March 31, 2012	21,876,667	10,579,745	2,323,493	3,750,411	38,530,316	35,918,807

Overview

The Company holds interests in 2,853 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	Other Properties	Total
Newfoundland & Labrador	NML	-	-	-	973 [243.2 km ²]	973 [243.2 km ²]
	LLP	256 [64 km ²]	-	-	485 [121.3 km ²]	741 [185.3 km ²]
Québec	NML	-	171 [80.9 km ²]	263 [127.5 km ²]	705 [336.7 km ²]	1,139 [545.1 km ²]
Total		256 [64 km ²]	171 [80.9 km ²]	263 [127.5 km ²]	2,163 [701.2 km ²]	2,853 [973.6 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.

New Millennium Iron Corp.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

March 31, 2012

(Expressed in Canadian Dollars)

7 - MINERAL EXPLORATION AND EVALUATION ASSETS (continued)

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 pipeline 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 export overseas. The property is now subject to 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 Kativik Region in northern Québec, is centered about 50 kms to the northwest of the town of Schefferville, Québec. 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 pipeline to a 15 million ton 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 export in addition to 15 million tonnes per year of pellets. The property is now subject to a bankable feasibility study under the arrangement summarised in the Binding HOA presented below.

Lac Ritchie Property:

The Lac Ritchie Property is located approximately 134 km northwest of Schefferville and approximately 70 km northwest of KéMag deposit in QC. The property comprises of 263 contiguous claims with an area of 127.5 km². 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.

Other Properties:

The remaining claims and licences 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, Sheps Lake and Perault Lake. Five exploration holes were drilled in the Howells Lake and Perault Lake areas in 2011. A full scale detailed drilling programme is planned in these areas in 2012.

New Millennium Iron Corp.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

March 31, 2012

(Expressed in Canadian Dollars)

7 - MINERAL EXPLORATION AND EVALUATION ASSETS (continued)

Taconite Binding Heads of Agreement

The Company had granted Tata Steel Global Minerals Holdings PTE Ltd. ("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 the period ended March 31, 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, it will be required to pay the Company 64% of the costs incurred prior to the feasibility study to advance the project(s).

The project(s) upon which Tata Steel exercises its option will be transferred to an entity where Tata Steel will initially hold an 80% interest and the Company 20%, with this initial 20% interest bearing a "free carry" 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 March 31, 2012, NML has received \$8,450,000 from Tata Steel on account of the option. At March 31, 2012 \$5,919,407 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 \$2,168,614 in the three months ended March 31, 2012. An additional \$2,101,068 has been recorded as a reduction of general and administrative expenses, \$1,491,019 in 2011 and an additional \$610,049 in the three months ended March 31, 2012. The amount received in excess of these amounts at March 31, 2012 of \$429,525 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 three month period ending March 31, 2012, \$1,450 (2011 – \$1,592,000) 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 Tata Steel Minerals Canada Ltd. ("TSMC") in exchange for \$21,757,414 and one share of TSMC to bring NML's interest in TSMC to 20%. Tata Steel will arrange funding of the capital costs of DSO development up to \$300 million and will commit to purchase, at world prices, 100% of DSO's iron ore production meeting certain quality specifications for the life of the mining operation.

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.

New Millennium Iron Corp.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

March 31, 2012

(Expressed in Canadian Dollars)

7 - MINERAL EXPLORATION AND EVALUATION ASSETS (continued)

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 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.

At the time of the closing an independent valuation estimated the fair market value of the DSO Properties to be \$53,300,000 based upon the income approach and applying a 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.

8 - 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 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 deferral 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.

New Millennium Iron Corp.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

March 31, 2012

(Expressed in Canadian Dollars)

8 – EQUITY (continued)

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:

	3 month period ended March 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 period	13,455,000	1.51	11,456,000	0.76
Granted	235,000	2.09	4,491,000	2.98
Exercised	(1,528,500)	0.65	(2,492,000)	0.71
Expired/Forfeited	(330,000)	2.50	-	-
Balance, end of period	<u>11,831,500</u>	<u>1.60</u>	<u>13,455,000</u>	<u>1.51</u>
Options exercisable, end of period	<u>5,263,500</u>	<u>0.73</u>	<u>6,754,500</u>	<u>0.71</u>

The share-based payments expense during the three-month period ended March 31, 2012 was \$1,779,958 (\$845,727 in 2011) and is included in general and administrative expenses. The weighted average fair value of options granted during the three-month period ended March 31, 2012 was \$1.38 per share (\$2.24 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:

	March 31, 2012 3 months	March 31, 2011 3 months
Exercise price at date of grant	\$2.09	\$3.52
Share price at date of grant	\$2.09	\$3.52
Risk-free interest rate	1.36%	1.74%
Expected life (years)	5	5
Estimated volatility of the market price of the common shares	83.08%	78.61%
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.

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8 – EQUITY (continued)

Agents' options

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

	Number of outstanding options	March 31, 2012 weighted average exercise price \$
Balance, beginning of period	1,084,285	3.50
Granted, exercised or expired	-	-
Balance, end of period	<u>1,084,285</u>	<u>3.50</u>
Options exercisable, end of period	<u>1,084,285</u>	<u>3.50</u>

These warrants were recognized as a reduction to capital stock as they represent share issue costs. No agents' options were granted, exercised or expired in the three-month period ending March 31, 2012.

9 - INFORMATION INCLUDED IN INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Three months ended March 31, 2012 \$	Three months ended March 31, 2011 \$
Employee benefit expense		
Wages, salaries and other short-term benefits	676,744	561,670
Stock-based payments	1,749,798	753,828
Employee benefit expense	<u>2,426,542</u>	<u>1,315,498</u>
Other elements of expenses		
Depreciation of plant and equipment	13,523	20,076

10 - INCOME TAXES

Deferred income taxes arise from temporary differences between accounting values and tax base values of various net capital assets of the Company. In assessing the realizability of future income tax assets, management considers whether it is more likely than not that some portion or all of the future income tax assets will not be realized. As at March 31, 2012, the future tax benefits from the future income tax assets, which arose as a result of applying the losses and non-capital losses carried forward to taxable income, have not been recognized in these accounts due to uncertainty regarding their utilization.

11 - 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.

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

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 March 31, 2012, the Company had \$2,991 USD, \$2,983 CAD (\$3,006 USD, \$3,057 CAD at December 31, 2011) in cash and cash equivalents which have been translated to Canadian dollars using the closing exchange rate for each financial reporting period.

At March 31, 2012, the Company had \$32,579 USD, \$32,855 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 March 31, 2012, the Company had 89,450 € EUR, \$126,058 CAD (€64,072 EUR, \$85,000 CAD) in trade and other payables which have been translated to Canadian dollars using the closing exchange rates for each financial reporting period.

A \$0.01 increase or decrease in the USD/CAD or the Euro/CAD exchange rates would not have a material impact on net loss or equity at March 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 money market funds, GIC's, treasury bills and bonds with relatively short maturities all either issued by or guaranteed by Canadian Federal and Provincial governments or their crown corporations. All the investments are carried at amortized cost so there is no impact on profit or loss related to fair value variation. 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 advance 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 equity financings.

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 four Canadian chartered banks and their subsidiaries and an independent investment dealer 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.

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

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 risk.

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.

12 – INFORMATION INCLUDED IN CONSOLIDATED CASH FLOWS

The changes in working capital items are detailed as follows:

	March 31, 2012 \$	March 31, 2011 \$
	<u> </u>	<u> </u>
Sales taxes, other receivables and prepaid expenses	(202,457)	(458,230)
Trade and other payables	467,284	1,737,417
	<u>264,827</u>	<u>1,279,187</u>

Included in trade and other payables is an amount of \$5,716,243 (March 31, 2011 -\$340,063) pertaining to additions to mineral exploration and evaluation assets. Included in trade and other payables is an amount of \$Nil (March 31, 2011 - \$65,818) pertaining to share issue costs. Included in the cash flows used by deposits on contracts is \$257,495 (March 31, 2011 - \$Nil) pertaining to mineral exploration and evaluation assets.

13 – 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's professional corporation 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 and management
TSMC	Company is 20% shareholder	Advances and service fees
General Rick Hillier	Director	Consulting
Tata Steel	26.8% shareholder of NML	Advances
NNK Trust	20% Partner in LLP	Advance

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.

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13 – RELATED PARTY TRANSACTIONS (continued)

	Note	3 months ended March 31, 2012 \$	3 months ended March 31, 2011 \$
<u>Consolidated Statement of Financial Position</u>			
Mineral exploration and evaluation assets	(i)	24,203	75,831
Share Issue Costs		Nil	137,535
<u>Consolidated Net Loss and Comprehensive Loss</u>			
Service fee revenue		289,593	-
General and administrative expenses	(i)	283,834	353,783

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 March 31, 2012 was \$2,471,562 (March 31, 2011 - \$1,322,397).

Accounts payable related to the above transactions at March 31, 2012 were \$268,190 (March 31, 2011 - \$598,718).

The advance from Tata Steel at March 31, 2012 was \$429,525 (March 31, 2011 – Nil).

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

14 - 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 8 and in the interim 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 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 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.

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Notes to Condensed Interim Consolidated Financial Statements

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15 - 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 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 \$1,351,000 expiring in October 2016.

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.

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

	Operating Leases \$	Consulting Agreements \$	Total \$
Up to 1 year	354,000	214,000	568,000
1 to 5 years	768,000	15,000	783,000
Over 5 years	-	-	-
	<u>1,122,000</u>	<u>229,000</u>	<u>1,351,000</u>