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

The following discussion and analysis of the financial results for the interim three month period ended June 30, 2012 should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements and related notes contained in this report, and the audited consolidated financial statements and MD&A for the years ended December 31, 2011 and 2010.

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

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

FORWARD LOOKING STATEMENTS

This MD&A includes certain statements that constitute "forward-looking statements", and "forward-looking information" within the meaning of applicable securities laws ("forward-looking statements" and "forward-looking information" are collectively referred to as "forward-looking statements", unless otherwise stated). These statements appear in a number of places in this MD&A and include statements regarding our intent, or the beliefs or current expectations of NML's officers and directors. Such forward-looking statements involve known and unknown risks and uncertainties that may cause the Company's actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. When used in this MD&A, words such as "believe", "anticipate", "estimate", "project", "intend", "expect", "may", "will", "plan", "should", "would", "contemplate", "possible", "attempts", "seeks" and similar expressions are intended to identify these forward-looking statements. Forward-looking statements may relate to the Company's future outlook and anticipated events or results and may include statements regarding the Company's future financial position, business strategy, budgets, litigation, projected costs, financial results, taxes, plans and objectives. The Company has based these forward-looking statements largely on our current expectations and projections about future events and financial trends affecting the financial condition of our business. These forward-looking statements were derived utilizing numerous assumptions regarding expected growth, results of operations, performance and business prospects and opportunities that could cause NML's actual results to differ materially from those in the forward-looking statements. While the Company considers these assumptions to be reasonable, based on information currently available, they may prove to be incorrect. Accordingly, the reader is cautioned not to put undue reliance on these forward-looking statements. Forward-looking statements should not be read as a guarantee of future performance or results. To the extent any forward-looking statements constitute future-oriented financial information or financial outlooks, as those terms are defined under applicable Canadian securities laws, such statements are being provided to describe the current anticipated potential of the Company and readers are cautioned that these statements may not be appropriate for any other purpose, including investment decisions. Forward-looking statements are based on information available at the time those statements are made and/or management's good faith belief as of that time with respect to future events, and are subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in or suggested by the forward-looking statements. Material risk factors which could cause actual results to differ materially include those disclosed in NML's Annual Information Form dated March 28, 2012 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 ("**MIR**"), located in the Province of Newfoundland and Labrador ("**NL**") and in the Province of Quebec ("**QC**"), 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 indirectly owns approximately 26.5% 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. 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 the Corporation. 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 58.8% Fe, 10.3 million tonnes of Inferred Resources at an average grade of 56.8% Fe and about 20.0-30.0 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, the Corporation is not treating the historical estimate as current mineral resources or mineral reserves and the historical estimate should not be relied upon.

The MIR currently hosts two advanced projects: LabMag 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; KéMag 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 has exercised its exclusive right to negotiate and settle a proposed transaction in respect of the LabMag Project and the KéMag Project.

Beyond the DSO and Taconite projects, the Corporation has further development potential through its other land holdings in the MIR, and is carrying out exploration drilling and analysis to evaluate several taconite anomalies in the Schefferville area. In this regard, the Lac Ritchie deposit has been identified as containing 3.3 billion tonnes of Indicated Resources at an average grade of 30.3% Fe and 1.4 billion tonnes of Inferred Resources at an average grade of 30.9%.

The Corporation's mission is to add shareholder value through the responsible and expeditious development of the MIR 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

DSO PROJECT

Project Progress

The DSO Project, in which NML has a 20% interest through TSMC, is now in the construction phase and advancing in key areas.

Major process equipment and long lead items have been ordered, including a mineral sizing station, jigs and Wet High Intensity Magnetic Separators, spiral classifiers and hydrosizers, dewatering and drying equipment and, diesel generators.

With its principal ore beneficiation facilities under a rigid frame structural dome, this will be the first iron ore processing facility in the Schefferville area to operate year-around, thereby facilitating the management of production and shipments. Following extensive preparation of the plant site pad, installation and grounding of the dome prefabricated foundations began during the quarter, along with erection of the dome trusses. The dome is being fabricated at the manufacturer's plant.

In the area of rail transportation, agreements are either in place or being finalized for the Project's 18 kilometer KéRail spur line from the Timmins Yard to the Tshiuetin Railway ("**TSH**") and the haulage of ore from Schefferville to Emeril Junction by TSH. In addition, a life-of-mine transportation agreement has been signed with the Quebec North Shore and Labrador Railway ("**QNS&L**") for the transportation of products from Emeril to Arnaud Junction near the Port of Sept-Îles, Québec. Delivery of rail cars is in progress.

With respect to port logistics, TSMC has an agreement with the Sept-Îles Port Authority ("**SIPA"**) for handling its ships over SIPA's docks, and is negotiating with existing operators to conclude contracts to handle ore dumping, stockpiling and shiploading.

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.

Resource Enhancement

There were positive developments during the quarter 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 anomalies validated the findings of an Airborne Magnetometer and Gravity survey carried out in 2010 and identified high priority targets that TSMC is further investigating 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.

KéRail Transportation Agreement

On August 8, 2012, it was announced that TSMC had entered into a long-term agreement with Genesee & Wyoming Inc. ("**GWI**") and its newly formed subsidiary, KéRail Inc. ("**KéRail**"), for KéRail to provide rail transportation services to haul up to 4.2 million tonnes of product per annum to the Tshiuetin Rail Transportation ("**TSH**") interchange near Schefferville. In addition, KéRail will construct an approximately 21 km long rail link from the mine yard to the TSH interchange.

GWI owns and operates short line and regional freight railroads and provides railcar switching services in the United States, Australia, Canada, the Netherlands and Belgium. Operated as part of GWI's Canada Region, KéRail will haul unit trains of iron ore from its rail connection at the mine to the TSH interchange to facilitate further travel over privately owned railroads to the port for shipping to Tata Steel Europe's ("**TSE**") plants. Subject to the receipt of Government permits and approvals, the track construction is due to start by Q4, 2012. The line is expected to be operational in Q2, 2013.

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. A Study Manager for the feasibility study is supported by consultants in specialized areas, including mining, beneficiation, pipeline transportation and pelletizing among others.

All areas of the feasibility study are progressing, with development of a cost-effective, state-of-the art process flowsheet as a key objective. Initial pilot plant tests at Studien Gesellschaft für Eisenerz-Aufbereitung ("**SGA**") have yielded blast furnace and direct reduction grade concentrates. Concentrates were pelletized at SGA in a pot grade furnace in collaboration with Outotec. These tests have provided furnace design parameters for the design of the indurating machine. Additional pilot plant tests are underway at Coleraine Mineral Research Laboratory ("**CMRL"**) located at Coleraine, Minnesota.

The Taconite Project is expected to include a mix of captive and merchant product sales. During the Quarter, World Steel Dynamics of Englewood Cliffs, New Jersey, USA, was retained to carry out a market study for the Project. This firm is well known in both the iron and steel market and capital markets globally, and brings a wide range of expertise.

EXPLORATION

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.

Lac Ritchie

As previously reported, results of the Lac Ritchie drilling program expanded NML's Taconite certified resources base, bringing 3.330 billion tonnes of Indicated Mineral Resources and an additional 1.437 billion tonnes of Inferred Mineral Resources. The total mineral resources under NML's control is summarized in Table 2.

Table 2: NML's NI 43-101 Certified Taconite Resources

Category (Tonnes in millions)	KéMag	LabMag	Lac Ritchie
Proven + Probable	2,141	3,545	
Measured + Indicated	307	1,045	3,330
Inferred	1,014	1,151	1,437
Fe Grade (average)	31.2%	29.5%	30.3%

2012 Drilling Program

Drilling at Perault Lake and Sheps Lake was completed during the Quarter, and samples were sent to the MRC Laboratory in Nashwauk, Minnesota, USA, for Davis Tube tests and chemical analysis. Drilling at Howells Lake is in progress.

GENERAL

Investment in Multi-User Dock at Sept-Îles

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 previously announced new multi-user deep water dock facility to be located in the Bay of Sept-Îles at Pointe-Noire. The Sept-Îles harbour is an ideal location for year round shipping in large ore carriers.

The facility's Phase I is designed to have a total capacity of 50 million metric tons and is expected to cost $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 by the end of March 2014.

NML will invest $38.4 million for its access, 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.

This investment will give NML access to the global iron ore marketplace through a world-class shiploading system capable of handling the latest generation of large-size vessels.

Participation in CN Rail Study

On August 10, 2012, NML announced the signing of an agreement with the Canadian National Railway Co. ("**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 is CN's partner in the venture and is also funding the study, along with other mining companies. The study will enable NML to assess another transportation option for the development of its very large resource base in the Millennium Iron range.

FINANCIAL CONDITION

The following discussion of the Corporation's financial performance is based on the unaudited Condensed Interim Consolidated Financial Statements as of June 30, 2012 ("financial statements") set forth herein. As discussed in Note 2 to the financial statements, they are prepared in accordance with International Accounting Standard 34, Interim Financial Reporting, as issued by the IASB.

These financial statements should be read in conjunction with the Company's December 31, 2011 audited consolidated financial statements.

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 Interim Consolidated Balance Sheet as of June 30, 2012 indicates cash and cash equivalents of $22,974,592, short-term investments of $77,842,475, sales taxes, other receivables and prepaid expenses of $3,443,361, and the current portion of tax credits and mining duties receivable of $4,365,646 resulting in total current assets of $108,626,074, a decrease of $7,381,683 from December 31, 2011. The long-term assets are comprised of the long-term portion of tax credits and mining duties receivable of $2,761,443, mineral exploration and evaluation assets of $45,010,094, deposits on contracts of $1,760,787, property and equipment of $488,754 and a long-term investment of $31,542,605. The total assets are $190,189,757 which is an increase of $4,639,739 from December 31, 2011.

The Company's current liabilities at June 30, 2012 are its trade and other payables of $10,031,047, and advances from Tata Steel of $907,869 for a total of $10,938,916. Non-current liabilities consist of an amount due to Naskapi/LabMag Trust of $285,324 for total liabilities of $11,224,240 which is an increase of $4,144,865 from December 31, 2011. Equity attributable to shareholders of the Company is $178,727,166, an increase of $494,874 from December 31, 2011, and is comprised of share capital of $174,674,699, contributed surplus of $14,618,508, less the deficit of $10,566,041. The non-controlling interest of $238,351 remains unchanged from December 31, 2011, for total equity of $178,965,517.

Working capital at June 30, 2012 of $97,687,158 represents a decrease of $11,526,548 from the December 31, 2011 total of $109,213,706. This decrease in working capital is mainly due to the Company usage of current assets in its investment in the exploration and evaluation of its mineral assets as well as 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 December 31, 2011 to pay its trade and other payables, fund its operations and the continuing exploration and evaluation of its mineral assets. The Company intends to use a portion of its cash and cash equivalents and short term investments in order to fund its portion of the Taconite Feasibility Study, complete the new drilling projects in the taconite anomalies located in the Millennium Iron Range, pay for its portion of the buy-in for the agreement signed with the Sept-Îles Port Authority described above and pay future corporate operating expenses. During the second quarter, there was $9,091,287 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 June 30, 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 three months ended June 30, 2012, the Company realized a net loss of $1,596,355, or $0.01 per share, compared to a net loss of $2,808,553 or $0.02 per share for the comparative period in 2011. This loss represents operating expenses of $2,044,044, (2011 - $3,058,397), net of service fee revenue of $147,458 (2011 – Nil) and investment income of $300,231 (2011 - $249,844). The decrease in the period's operating expenses is mainly due to general and administrative expenditures which were reduced in 2012 by $458,000 in relation to payments received from Tata Steel with no corresponding payment received in the comparative period in 2011 and a decrease in stock based compensation expense from $1,844,716 in the comparative period in 2011 to $951,106 in 2012.

The Company expects to continue incurring losses until it begins receiving dividends from TSMC relating to DSO project operations. These losses are expected to be funded by the current cash and investments.

All costs associated with mineral properties, totaling $45,010,094 as outlined in Note 6 to the June 30, 2012 financial statements, have been classified as mineral exploration and evaluation assets. The expenditures are divided between the properties as follows: LabMag Property $22,558,257, KéMag Property $11,406,576, Lac Ritchie Property $2,370,573 and Other Properties $8,674,688. The cost centers for these capitalized expenditures are: mineral licenses $2,749,549, drilling $27,615,095, resource evaluation $20,512,378, environmental $11,025,683, and amortization of property and equipment $61,487. These expenditures are offset by tax credits and mining duties of $8,420,725 and the Tata Steel payments of $8,533,373. 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 June 30, 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.

SUMMARY OF QUARTERLY RESULTS

The following table sets out selected unaudited quarterly financial information of the Company for the eight quarters ended June 30, 2012. This information is derived from unaudited quarterly financial statements prepared by management. The Company's condensed interim consolidated financial statements are prepared in accordance with IFRS and expressed in Canadian dollars.

	Jun-12	**Mar-12**	**Dec-11**	**Sept-11**	**June-11**	**Mar-11**	**Dec-10**	**Sept-10**
Investment Income	300,231	315,225	252,073	258,075	249,844	85,030	52,228	18,893
Net Income (Loss)	(1,596,355)	(2,192,428)	28,564,955	(1,849,133)	(2,808,553)	(2,770,949)	(1,544,460)	(7,085,214)
Income (Loss) Per Share (1)	(0.01)	(0.01)	0.16	(0.01)	(0.02)	(0.02)	(0.01)	(0.05)
Diluted income per share	-	-	0.16	-	-	-	-	-

(1) The effect of the exercise of stock options and warrants would be anti-dilutive for the purposes of calculating the fully diluted earnings per share for all periods prior to and subsequent to the three months ended December 31, 2011.

SECOND QUARTER RESULTS

The most significant items comparing the results of operations in the second quarter of 2012 versus the same period in 2011 include service fee revenue of $147,000 for which there was no corresponding revenue in 2011. The income was offset by general and administrative expenses for the three month period ending June 30, 2012 of $2,044,000 compared with $3,058,000 for the corresponding period in 2011.

The most significant items affecting general and administrative expenses are a decrease in stock-based compensation to $951,000 compared with $1,845,000 in Q2 2011 and a decrease in professional and advisory fees in Q2 2012 to $234,000 compared with $302,000 in Q2 2011 which are partially offset by an increase in Q2 2012 of service fee expense of $91,000 for which there is no corresponding expense in Q2 2011. Finally, $458,000 of Tata Steel payments received in Q2 2012 was recorded as a reduction of general and administrative expenses with no corresponding reduction in 2011.

As a result, the Company’s net loss for the second quarter ended June 30, 2012 totalled $1,596,355 (loss of $0.01 per share) compared to a net loss of $2,808,553 (net loss per share of $0.02) for the comparative period in 2011.

STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

USE OF ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the condensed interim 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, 2011, annual 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 16 of the December 31, 2011, annual financial statements.

FINANCIAL RISK MANAGEMENT, OBJECTIVES AND POLICIES

In the normal course of operations, the Company is exposed to various financial risks. The Company does not enter into financial instrument agreements including derivative financial instruments for speculative purposes. Please refer to Note 10 of the June 30, 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 new shares or flow-through shares. No changes were made in the objectives, policies and processes for managing capital during the three month period ending June 30, 2012. The Company is not subject to any externally imposed capital requirements.

LIQUIDITY AND CAPITAL RESOURCES

Working Capital

The Company's working capital at June 30, 2012 decreased from December 31, 2011 by

$11,526,548 to $97,687,158. 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 advances from Tata Steel.

Capital Expenditures

There was $239,306 in capital expenditures during the first six months of 2012 compared to $149,937 in the corresponding period in 2011.

Capital Resources

At June 30, 2012, NML has paid up capital of $174,674,699 (December 31, 2011 - $172,344,038) representing 178,301,646 (December 31, 2011 – 176,267,964) common shares and contributed surplus of $14,618,508 (December 31, 2011 - $12,665,152) that is partially offset by a deficit of $10,566,041 (December 31, 2011 - $6,776,898) resulting in total equity attributable to shareholders of the Company of $178,727,166 (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 $178,965,517 (December 31, 2011 - $178,470,643).

COMMITMENTS

Please refer to Note 14 of the financial statements for a summary of the Company's commitments.

TRANSACTIONS WITH RELATED PARTIES

Please refer to Note 12 of the June 30, 2012, financial statements for a summary of the Company's transactions with related parties and the related period end balances.

SUBSEQUENT EVENT

Please refer to Note 15 of the June 30, 2012 financial statements and the section in this MD&A named General for a description of the subsequent event.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There have been no changes in the Company's internal controls over financial reporting during the three months ended June 30, 2012, that have materially affected, or are reasonably likely to materially affect, in the Company's internal controls over financial reporting.

MARKET REVIEW AND OUTLOOK

World crude steel production for the 62 countries reporting to the World Steel Association was 767 million tonnes for the first six months of 2012, 0.9% higher than in the comparable 2011 period. Asia and North America were up by 1.6% and 7.2%, respectively, while Europe (EU 27) was down by 4.6%. In June, the overall reporting countries' crude steel capacity utilization rate was 81%, slightly higher than in May but still 2.7% below the June 2011 rate.

Crude steel production in China, which accounts for over 45% of world steel production, was 357 million tonnes for the first six months of 2012, an increase of 1.8% over the comparable 2011 level. Steel inventories are high, however, and with a slower rate of growth generally in China's economy and specifically in steel end-user markets such as real estate and infrastructure, analysts assume it will take several months for the robust production of the past few months to be absorbed, thereby dampening steel and iron ore prices. Government stimulus measures are being initiated, but how and when these will impact steel consumption is unclear. Chinese iron ore inventories remained adequate on a days-of-use basis in June, preventing the need for urgent restocking, and the 62% Fe CFR China main pricing reference closed the month down slightly from end-May at US$134 per metric ton. Subsequent to the Quarter, the iron ore price has continued to fall.

In other markets, the World Steel Association expects increased steel use in 2012 in the US, the NAFTA region as a whole, Central and South America, and the Middle East/North Africa, but remains pessimistic about Europe as that region continues to struggle with the debt crisis.

DISCLOSURE OF OUTSTANDING SHARE DATA

The following information relates to share data of the Company as at June 30, 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 June 30, 2012: The Corporation has 178,301,646 common shares issued ($174,674,699).

(c) Issued as of August 13, 2012: The Corporation has 178,751,646 common shares issued ($175,228,199).

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 August 13, 2012, there were 15,014,000 common shares reserved for issuance pursuant to the exercise of stock options (June 30, 2012 – 11,781,000) as follows:

Number of Outstanding Options	Exercise Price	Expiry Date
100,000	$0.75	August 2, 2012
1,130,000	$0.83	January 30, 2013
250,000	$1.44	March 25, 2013
70,000	$1.75	June 1, 2013
1,557,500	$0.37	January 20, 2014
33,000	$0.65	October 9, 2014
3,422,500	$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 26 , 2016

Number of Outstanding Options	Exercise Price	Expiry Date
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
3,635,000	1.35	July 27, 2017

3. Warrants

At August 13, 2012, there were 1,084,285 common shares reserved for issuance pursuant to the exercise of outstanding warrants (June 30, 2012 – 1,084,285) at a price of $3.50 per warrant and with an expiry date of August 28, 2012.

ADDITIONAL INFORMATION

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

Dean Journeaux, Eng., is the Qualified Person as defined in National Instrument 43-101 who has reviewed and verified the scientific and technical mining disclosure contained in this Second Quarter Report.