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 March 31, 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 27% 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, 8.1 million tonnes of Measured and Indicated Mineral Resources at an average grade of 58.8% Fe, 7.2 million tonnes of Inferred Resources at an average grade of 56.8% Fe and about 40.0 - 45.0 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. Among these is the Lac Ritchie property, which is 100% owned by the Corporation and contains 3.3 billion tonnes of Indicated resources at an average grade of 30.3% and 1.4 billion tonnes of Inferred resources at an average grade of 30.9%, all compliant with NI 43-101.

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, diesel generators and rail cars.

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. The dome is being fabricated at the manufacturer's plant and its pre-cast concrete foundations have been delivered to the plant site. The dome erection is expected to be completed in the second quarter of 2012. The installation of mechanical and electrical equipment is expected to start in the third quarter of 2012. The equipment will be progressively commissioned to enable starting of production before year end. Mine preparation work is also expected to start in the third quarter.

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. Rail cars are under fabrication and will be delivered progressively in Q3.

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

A significant Project milestone was reached on February 28, 2012, with the signing of an IBA between TSMC and ITUM of Sept-Îles. The life-of-mine agreement promotes and governs a mutually beneficial development of TSMC's DSO Project, and was the fourth and final IBA concluded with regard to the Project. 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.

Gravity Anomalies Surveys

In 2010, an Airborne Magnetometer and Gravity survey outlined 13 strong gravity anomalies with coinciding weak magnetic anomalies in a radius of 5 km around the DSO Project's concentrator plant area. These surveys are conducted to indicate the presence and location of potential DSO type deposits. A ground gravity survey in the fall of 2011 was carried out to validate the locations of the airborne gravity anomalies on the ground. Eleven (11) of the 13 airborne gravity anomaly areas were checked with the ground gravity survey and were found to coincide with the airborne gravity targets. The survey covered 39 lines over a length of 35.4 line kilometers. The following Table 1 shows the survey details.

Table 1

Location Province	Number of Lines	Length Km	Number of Stations
Quebec	21	20.6	433
Newfoundland & Labrador	18	14.8	296
Total	39	35.4	729

Some of the anomaly areas surveyed cover the known DSO deposits and serve to validate the selection of targets for further investigation. Under an exploration program to be carried out during the 2012 summer period, all the recommended targets are planned for test pitting and trenching - by using backhoes or short holes. If DSO type of material is encountered, the area will be further trenched, mapped, sampled and the mineralized area will be delineated. In areas of deep overburden, test drilling will be carried out in a grid pattern to outline the leached and enriched zones. Detailed drilling is planned in areas outlined by initial exploration test pitting and trenching.

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. SNC-Lavalin is the Study Manager for the feasibility study and is supported by specialist firms.

In this regard, it was announced during the quarter that Outotec, a leading provider of technology solutions for the processing of minerals and metals, will provide feasibility engineering for the pelletizing plant facility for the Taconite Project feasibility study.

As part of the feasibility study work, pilot plant tests are currently underway at the German Steel Industry Association's Studien Gesellschaft für Eisenerz-Aufbereitung ("**SGA")** facilities to produce various grades of pellet feed for pot grate pelletizing tests to be carried out in conjunction with Outotec. The products are expected to meet requirements for both blast furnace and direct reduced iron making. These tests will also yield design parameters for Outotec to configure two 816 square meter travelling grate pelletizing furnaces. Pellets produced under the pot grate test program will be supplied to interested steel makers for evaluation purposes.

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. Drilling continues in 2012 on these and other MIR anomalies.

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

With the results from Lac Ritchie, NML's certified Taconite resource base can be summarized as shown 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%

Drill Assay Results from NML's Howells Lake and Perault Lake Taconite Targets

Initial results from the 2011 drilling campaign at the Howells Lake and Perault Lake areas were also announced in the first quarter. At Howells Lake, three holes for a total of 347 m were drilled, while at Perault Lake two holes for a total of 159 m were drilled. The drill core samples, half cores, on average six meters long, were sent on a regular basis to the MRC Laboratory for the same analysis and testing procedures as undertaken for the Lac Ritchie properties. Based on the three hole drill core analyzed, the Howells Lake Taconite showed an average of 31.26% Fe with 29.37% DTWR. The Davis Tube concentrate averaged 69.56% Fe and 2.77% SiO_2.

2012 Drilling Program

During the winter of 2012, 39 holes for a total of 3,813 m were drilled at Perault Lake. A total of 526 core samples were collected, including 30 duplicate samples for quality assurance and control purposes. At the Sheps Lake area, two holes for a total of 186 m were drilled and 31 core samples were collected. The Perault Lake and Sheps Lake samples are being sent to the MRC Laboratory in Nashwauk, Minnesota USA for Davis Tube tests and chemical analysis. Results are expected by the end of the second quarter of 2012.

GENERAL

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 of a state-of-the-art, multi-user dock capable of loading the very large size class of iron ore vessels. The C$220 million dock is expected to have an initial capacity of 50 million tons annually. The construction phase will take two years and begin upon the receipt of necessary approvals. This is an important step in the marketing and transportation of new iron ore development in the Labrador Trough, including NML's projects.

FINANCIAL CONDITION

The following discussion of the Corporation's financial performance is based on the unaudited Condensed Interim Consolidated Financial Statements as of March 31, 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 March 31, 2012 indicates cash and cash equivalents of $7,859,519, short-term investments of $98,151,493, sales taxes, other receivables and prepaid expenses of $3,501,468, and the current portion of tax credits and mining duties receivable of $4,365,646 resulting in total current assets of $113,878,126, a decrease of $2,129,631 from December 31, 2011. The long-term assets are comprised of the long-term portion of tax credits and mining duties receivable of $1,654,035, mineral exploration and evaluation assets of $38,530,316, deposits on contracts of $1,371,392, property and equipment of $375,788 and long-term investments of $31,542,605. The total assets are $187,352,262 which is an increase of $1,802,244 from December 31, 2011.

The Company's current liabilities at March 31, 2012 are its trade and other payables of $7,247,607, and advances from Tata Steel of $429,525 for a total of $7,677,132. Non-current liabilities consist of an amount due to Naskapi/LabMag Trust of $285,324 for total liabilities of $7,962,456 which is an increase of $883,081 from December 31, 2011. Equity attributable to shareholders of the Company is $179,151,455, an increase of $919,163 from December 31, 2011, and is comprised of share capital of $174,306,275, contributed surplus of $13,814,506, less the deficit of $8,969,326. The non-controlling interest of $238,351 remains unchanged from December 31, 2011, for total equity of $179,389,806.

Working capital at March 31, 2012 of $106,200,994 represents a decrease of $3,012,712 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 either cash and cash equivalents or 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, and pay future corporate operating expenses. During the first quarter, there was $2,611,509 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[1]. As at March 31, 2012, the deferred income tax assets, which arose as a result of applying the

[1] That are in exchange for an option to own a portion of the Taconite Projects.

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 March 31, 2012, the Company realized a net loss of $2,192,428, or $0.01 per share, compared to a net loss of $2,770,949 or $0.02 per share for the comparative period in 2011. This loss represents operating expenses of $2,797,246, (2011 - $3,455,979), net of service fee revenue of $289,593 (2011 – Nil), investment income of $315,225 (2011 - $85,030) and other income $Nil (2011 - $600,000). The decrease in the period's operating expenses is mainly due to general and administrative expenditures which were reduced in 2012 by $ 610,000 in relation to payments received from Tata Steel with no corresponding payment received in the comparative period in 2011 and due to the 2011 professional and advisory fees of $1,592,000 incurred in connection with the binding heads of agreement ("HOA") with Tata Steel concerning the Taconite Project for which there was no corresponding expense in 2012. These decreases were partially offset by the increase in stock based compensation expense from $846,000 in 2011 to $1,780,000 in 2012. The other material changes in the operations for the quarter relate to other income recorded in 2011, being the fee received from Tata Steel to facilitate the extension of their exclusive negotiation period beyond December 31, 2010 of $600,000, with no corresponding income in the comparative period 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 $38,530,316 as outlined in Note 7 to the March 31, 2012 financial statements, have been classified as mineral exploration and evaluation assets. The expenditures are divided between the properties as follows: LabMag Property $21,876,667, KéMag Property $10,579,745, Lac Ritchie Property $2,323,493 and Other Properties $3,750,411. The cost centers for these capitalized expenditures are: mineral licenses $2,748,949, drilling $23,188,332, resource evaluation $16,746,767, environmental $9,032,041, and amortization of property and equipment $46,951. These expenditures are partially offset by tax credits and mining duties of $7,313,317 and the Tata Steel payments of $5,919,407. The non-controlling interest of $238,351 relates to LabMag Limited Partnership whose main property is the LabMag Property. The carrying value of the mineral exploration and evaluation assets are reviewed by the Company on a quarterly basis by reference to the project economics, including the timing of the exploration and evaluation work, the work programs and exploration results achieved by the Company. At March 31, 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 March 31, 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.

	Mar-12	Dec-11	Sept-11	Jun-11	Mar-11	Dec-10	Sept-10	Jun-10
Investment Income	315,225	252,073	258,075	249,844	85,030	52,228	18,893	4,736
Net Income (Loss)	(2,192,428)	28,564,955	(1,849,133)	(2,808,553)	(2,770,949)	(1,544,460)	(7,085,214)	(877,651)
Income (Loss) Per Share (1)	(0.01)	0.16	(0.01)	(0.02)	(0.02)	(0.01)	(0.05)	(0.01)
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.

FIRST QUARTER RESULTS

The most significant items comparing the results of operations in the first quarter of 2012 versus the same period in 2011 include service fee revenue of $290,000 for which there was no corresponding revenue in 2011 and the absence of other income in 2012 compared to $600,000 in 2011, being a fee received from Tata Steel to facilitate the extension of their exclusive negotiation period beyond December 31, 2010. Additionally, an increase in investments held by NML led to investment income increasing to $315,000 compared to $85,000 in Q1 2011. The income was offset by general and administrative expenses for the three month period ending March 31, 2012 of $2,797,000 compared with $3,456,000 for the corresponding period in 2011.

The most significant items affecting general and administrative expenses are an increase in stock-based compensation to $1,780,000 compared with $846,000 in Q1 2011, an increase in Q1 2012 of service fee expense of $199,000 for which there is no corresponding expense in Q1 2011, and a decrease in professional and advisory fees in Q1 2012 to $313,000 compared with $1,892,000 in Q1 2011. This decrease in professional and advisory fees is due mainly to legal and advisory fees incurred in 2011 in respect of the HOA, for which there is no comparative work in 2012. Finally, $610,000 of Tata Steel payments received in Q1 2012 were 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 first quarter ended March 31, 2012 totalled $2,192,000 (loss of $0.01 per share) compared to a net loss of $2,771,000 (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 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 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 11 accompanying 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 March 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 March 31, 2012 decreased from December 31, 2011 by $3,012,712 to $106,200,994. 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 $36,880 in capital expenditures during the first three months of 2012 compared to $18,020 in the corresponding period in 2011.

Capital Resources

At March 31, 2012, NML has paid up capital of $174,306,275 (December 31, 2011 - $172,344,038) representing 178,030,146 (December 31, 2011 – 176,267,964) common shares and contributed surplus of $13,814,506 (December 31, 2011 - $12,665,152) that is partially offset by a deficit of $8,969,326 (December 31, 2011 - $6,776,898) resulting in total equity attributable to shareholders of the Company of $179,151,455 (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 $179,389,806 (December 31, 2011 - $178,470,643).

Commitments

Please refer to Note 15 of the accompanying financial statements for a summary of the Company's commitments.

TRANSACTIONS WITH RELATED PARTIES

Please refer to Note 13 of the accompanying financial statements for a summary of the Company's transactions with related parties and the related period end balances.

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 March 31, 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 377 million tonnes for the first quarter of 2012, 1.1% higher than the first quarter of 2011. Asia and North America were up over the year-earlier period by 1.5% and 6.7%, respectively, while Europe was down by 3.9%. In March, the overall reporting countries' crude steel capacity utilization rate was 81%, 1.6% higher than in February but still 1.2% below the March 2011 rate.

Chinese crude steel production for the quarter grew by 2.5% over the first quarter of 2011 and a resulting increase in the country's iron ore imports helped to reverse the significant loosening of supply in the seaborne market that occurred in the fourth quarter of 2011. Other factors tightening the supply/demand balance were the ongoing curtailment of exports from India and lower-than-expected production from Vale's operations during the rainy season. The recovery in iron ore pricing that began in late 2011 continued into early 2012, although the main reference of 62% Fe CFR China became range-bound at US$140–US$150 per tonne for the quarter, averaging US$147 per tonne.

Also during the first quarter, 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. However, as was pointed out by industry analysts and the major mining houses, the base effect created by China's rapid growth since 2004 will give rise to significant annual incremental demand for iron ore and other commodities even in a more moderate economic growth environment.

In other markets, the World Steel Association is optimistic about increased steel use in 2012 in the US, NAFTA region as a whole, Central and South America, and the Middle East/North Africa, but less so about Europe as that region continues to struggle with the debt crisis, though improvement there is expected by 2013.

DISCLOSURE OF OUTSTANDING SHARE DATA

The following information relates to share data of the Company as at March 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 March 31, 2012: The Corporation has 178,030,146 common shares issued ($174,306,275).

(c) Issued as of May 14, 2012: The Corporation has 178,211,646 common shares issued ($174,573,299).

2. Options

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

As of May 14, 2012, there were 11,871,000 common shares reserved for issuance pursuant to the exercise of stock options (March 31, 2012 – 11,831,500) as follows:

Number of Outstanding Options	Exercise Price	Expiry Date
625,000	$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
1,572,500	$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
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

3. Warrants

At May 14, 2012, there were 1,084,285 common shares reserved for issuance pursuant to the exercise of outstanding warrants (March 31, 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 First Quarter Report.