

ANNUAL INFORMATION FORM

FINANCIAL YEAR ENDED DECEMBER 31, 2014

MARCH 24, 2015

Statements in this Annual Information Form may be viewed as forward-looking statements. Such statements involve risks and uncertainties that could cause actual results to differ materially from those projected. There are no assurances the Company can fulfill such forward-looking statements and the Company undertakes no obligation to update such statements. Such forward-looking statements are only predictions; actual events or results may differ materially as a result of risks facing the Company, some of which are beyond the Company's control. The forward-looking statements or information contained in this Annual Information Form are made as of the date hereof and the Company undertakes no obligation to update or revise any forward looking statements, whether as a result of new information, future events or otherwise, unless required by applicable securities laws.

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INTRODUCTION

This is the Annual Information Form for New Millennium Iron Corp. ("**NML**") or ("**the Company**") dated as at March 24, 2015. Unless otherwise indicated, information in this Annual Information Form is provided as of December 31, 2014.

GLOSSARY OF TERMS

"**ABCA**" means the *Business Corporations Act* (Alberta);

"**AIF**" means this annual information form;

"**BBA**" means BBA Inc.;

"**BRASS**" means BRASS Engineering International, LLC;

"**Common Shares**" means the common shares in the capital of the Company;

"**Corporation** "or "**NML**" means New Millennium Iron Corp.;

"**%DTWR**" means percent Davis Tube weight recovery and refers to the weight percent of the sample concentrated in the magnetic fraction using the Davis Tube procedure. This amount is roughly the same as the percent magnetite in the sample;

"**Davis Tube**" or "**DT**" refers to instrumentation and procedure that produces a mineral concentrate high in magnetic iron by separating that portion of the sample that is magnetic from the non-magnetic portion;

"**DSO Project**" means the property described in the DSO Technical Report and the DSO Met-Chem Technical Report, which is comprised of 512 map-staked claims in Québec (increased since the date of such reports to 525 claims) and 257 map-staked claims in 9 licenses in Newfoundland and Labrador and covering 22 deposits;

"**DSO Technical Report**" means the report entitled "A Technical Report on the Feasibility Study of the Direct Shipping Iron Ore (DSO) Project" dated April 9, 2010, and amended as of February 16, 2011, prepared by Dean Journeaux, Bish Chanda, Jean-Charles Bourassa, Moulaye Melainine, Rock Gagnon, Laurent Piette of NML, and André Boilard of Met-Chem and Robert de l'Étoile of SGS Canada and addressed to New Millennium Capital Corp;

"**DSO Met-Chem Technical Report**" means the report entitled "Technical Report - Review of the Pre-Feasibility Study of the DSO Project, New Millennium Capital Corp." dated April 15, 2009 prepared by Andre Boilard, Daniel Gagnon, Alain Dorval, Mary-Jean Buchanan of Met-Chem, Robert de l'Étoile of SGS Canada and Denis Blouin of Genivar Société en Commandite and addressed to New Millennium Capital Corp;

"**DTWR**" means Davis Tube weight recovery;

"**Howells Lake and Howells River North Technical Report**" means the report entitled "NI 43-101 Amended Technical Report: Resource Estimation Howells Lake and Howells River North Taconite Properties, Labrador, Canada" dated effective April 30, 2013 and amended June 10, 2013, prepared by Maxime Dupéré of SGS Canada and addressed to New Millennium Iron Corp;

"**Indicated Mineral Resource**" is that part of a Mineral Resource for which quantity and grade or quality, densities, shape and physical characteristics can be estimated with a level of confidence sufficient to

allow the appropriate application of technical and economic parameters, support mine planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drillholes that are spaced closely enough for geological and grade continuity to be reasonably assumed;

"**Inferred Mineral Resource**" is that part of a Mineral Resource for which quantity and grade or quality can be estimated on the basis of geological evidence and limited sampling and reasonably assumed, but not verified, geological and grade continuity. The estimate is based on limited information and sampling gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drillholes;

"**JVA**" means the joint venture agreement dated November 6, 2009 among NML, the Partnership and TSG, and TSMC by way of joinder agreement dated October 13, 2010;

"**KéMag Project**" means the development of the KéMag Property in which the Company owns a 100% interest;

"**KéMag Property**" means the mineral licenses and all interests derived therefrom (the "KéMag Licenses") held by the Company, which KéMag Licenses represent 171 claims in respect of the magnetite iron ore property covering a total area of approximately 80.85km^2 (8085.2ha) situated in the municipality of Rivière Koksoak in Northern Québec, centered about 50 km to the northwest of the town of Schefferville, Québec;

"**KéMag Technical Report**" means the report entitled "NI 43-101 Technical Report on the Feasibility Study on the Taconite KeMag Project" dated May 9, 2014 with an effective date of March 27, 2014, prepared by Yves Buro, Schadrac Ibrango, Jeffery Cassoff, Luc Belanger, Eric Giroux, Pierre Julien, Joe Poveromo, Michel Bilodeau and Charles Cauchon of Met-Chem and addressed to NML;

"**LabMag GP Inc.**" means the Alberta corporation that is the general partner of the Partnership whose common shares are owned by the Company, as to 80%, and NNK, as to 20%;

"**LabMag Project**" means the development of the LabMag Property in which NML owns an 80% interest through its ownership of limited partnership interests in the Partnership;

"**LabMag Property**" or the "Property" means the mineral licenses and all interests derived therefrom (the "**Licenses**") held by the Partnership, which Licenses represent 256 claims in respect of a magnetite iron ore property located on 64 square km located in the Howells River area of western Labrador about 220 km north of Labrador City and 30 km northwest of Schefferville, Québec;

"**LabMag Services Inc.**" means the federal corporation that provides services to the Partnership and is wholly - owned by the Company;

"**LabMag Technical Report**" means the report entitled "NI 43-101 Technical Report on the Feasibility Study on the Taconite LabMag Project" dated May 9, 2014 with an effective date of March 27, 2014, prepared by Yves Buro, Schadrac Ibrango, Jeffery Cassoff, Luc Belanger, Eric Giroux, Pierre Julien, Joe Poveromo, Michel Bilodeau and Charles Cauchon of Met-Chem and addressed to NML;

"**Lac Ritchie Technical Report**" means the report entitled "Resource Estimation Lac Ritchie Taconite property, Nunavik, Québec, Canada, Technical Report" dated March 31, 2012, prepared by Michel Dagbert and Robert de l'Etoile of SGS Canada and addressed to New Millennium Iron Corp;

"**LC**" means lean chert;

"**LIM**" means Labrador Iron Mines Holdings Ltd.;

"**Measured Mineral Resource**" is that part of a Mineral Resource for which quantity, grade or quality, densities, shape, and physical characteristics are so well established that they can be estimated with confidence sufficient to allow the appropriate application of technical and economic parameters, to support production planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough to confirm both geological and grade continuity.

"**Met-Chem**" means Met-Chem Canada Inc.;

"**Mineral Reserve**" is the economically mineable part of a Measured or Indicated Mineral Resource demonstrated by at least a preliminary feasibility study. This study must include adequate information on mining, processing, metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified. A Mineral Reserve includes diluting materials and allowances for losses that may occur when the material is mined;

"**Mineral Resource**" is a concentration or occurrence of diamonds, natural solid inorganic material, or natural solid fossilized organic material including base and precious metals, coal, and industrial minerals in or on the Earth's crust in such form and quantity and of such a grade or quality that it has reasonable prospects for economic extraction. The location, quantity, grade, geological characteristics and continuity of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge;

"**Naskapi LabMag Trust**" means a trust formed pursuant to the laws of the province of Québec and having its principal place of business in Kawawachikamach, Québec, and whose beneficiary is NNK;

"**NI 43-101**" means National Instrument 43-101, Standards of Disclosure for Mineral Projects, promulgated by the Canadian Securities Administrators;

"**NNK**" means Naskapi Nation of Kawawachikamach;

"**OTCQX International**" means the top tier of the United States Over-the-Counter market;

"**Partnership**" means the LabMag Limited Partnership, an Alberta limited partnership, whose partners are LabMag GP Inc., as general partner, and NML and Naskapi LabMag Trust, as limited partners, which owns the LabMag Property, Sheps Lake Property and the Howells River North Property;

"**SGS Canada**" means SGS Canada Inc., formerly Geostat Systems International Inc.;

"**Sheps and Perault Technical Report**" means the report entitled "NI 43-101 Technical Report: Resource Estimation Sheps Lake and Perault Lake Properties, Labrador, Canada" dated March 19, 2013, prepared by Maxime Dupéré of SGS Canada and addressed to New Millennium Iron Corp;

"**Taconite Project**" means both the LabMag and KéMag Projects;

"**Taconite Project Feasibility Study**" means the LabMag Technical Report and the KéMag Technical Report;

"**Tata Steel**" means Tata Steel Limited, of Jamshedpur, India;

"**TSG**" means Tata Steel Global Minerals Holdings Pte Ltd., a wholly-owned indirect subsidiary of Tata Steel;

"**TSMC**" means Tata Steel Minerals Canada Ltd., an indirect subsidiary controlled by Tata Steel;

"**TFe**" means total iron;

"**TSX**" means the Toronto Stock Exchange;

"**TSX Venture**" means the TSX Venture Exchange Inc.; and

"**WGM**" means Watts, Griffis and McOuat Limited, Consulting Geologists and Engineers.

Words importing the singular number only include the plural and vice versa and words importing any gender include all genders. All dollar amounts set forth in this AIF are in Canadian dollars, except where otherwise indicated.

CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING INFORMATION

Certain statements contained in this AIF may constitute forward-looking statements. These statements relate to future events or the Company's future performance. All statements, other than statements of historical fact, may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "propose", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Company believes that the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this AIF should not be unduly relied upon by investors as actual results may vary. These statements speak only as of the date of this AIF and are expressly qualified, in their entirety, by this cautionary statement.

In particular, this AIF contains forward-looking statements, pertaining to the following:

- the Company's estimation of Mineral Reserves and Resources;
- the realization of Mineral Reserve estimates;
- the costs of production and capital expenditures;
- the timing and amount of estimated future production;
- the expected success of mining operations;
- the government regulation of mining operations;
- the success of securing or maintaining licenses, permits and authorizations;
- expectations regarding the Company's ability to raise capital;
- expenditures to be made by the Company to meet certain work commitments;
- environmental risks;
- unanticipated reclamation expenses;
- potential title disputes or claims and limitations on insurance coverage;
- the development of the Taconite Project;
- work plans to be conducted by the Company; and
- the production of iron ore from TSMC's DSO Project.

With respect to forward-looking statements listed above and contained in this AIF, the Company has made assumptions regarding, among other things:

- the legislative and regulatory environment;
- the impact of increasing competition;
- changes to the market prices of iron ore products;

- Mineral Reserve and Mineral Resource estimates;
- the success and timely completion of planned development and production projects;
- that general business and economic conditions will not change in a materially adverse manner;
- costs related to development of mine properties remain consistent with historical experiences;
- anticipated results of exploration, development and production activities; and
- the Company's ability to obtain additional financing on satisfactory terms.

The Company's actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth below and elsewhere in this AIF:

- risks related to actual results of current exploration activities;
- future prices of resources;
- possible variations in ore reserves, grade or recovery rates and other risks in the mining industry;
- delays in obtaining governmental approvals or financing or in the completion of development or construction activities;
- risks related to general business, economic, competitive, political and social uncertainties including the current global recessionary economic conditions in the credit markets;
- risks related to foreign currency fluctuations;
- risks related to the Company's share price; changes in environmental regulation;
- changes in project parameters as plans continue to be refined; future prices of iron ore; access to skilled labour;
- dependence upon key management personnel and executives;
- timing and availability of external financing on acceptable terms;
- liabilities and risks, including environmental liabilities and risks, inherent in the mining and mineral exploration business;
- reliance on joint venture partners; and
- other factors discussed in the section entitled "Risk Factors" in this AIF.

Although management of the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. **Forward-looking statements contained herein are made as of the date of the AIF and the Company disclaims any obligation to update any forward-looking statements if circumstances or management's beliefs, expectations or opinions should change, whether as a result of new information, future events or otherwise, unless required by applicable securities laws.**

CORPORATE STRUCTURE

NAME, ADDRESS AND INCORPORATION

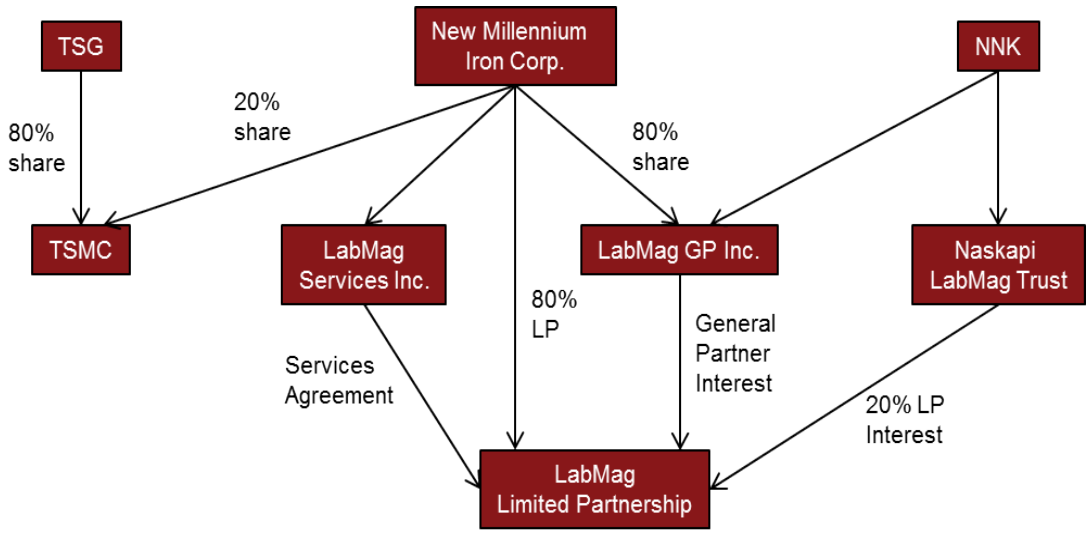
The Company was incorporated as "New Millennium Capital Corp." as evidenced by a Certificate of Incorporation issued pursuant to the provisions of the ABCA on August 8, 2003. On November 10, 2003, the articles of incorporation were amended to remove the "private company" restrictions. The Company changed its name by Certificate of Amendment to "New Millennium Iron Corp." on June 14, 2011.

The head office and the registered office is located at 1000, 250 2nd Street S.W., Calgary, Alberta, T2P 0C1. The Company also maintains executive offices at 1303 Greene Avenue, 2nd Floor, Westmount, Québec, H3Z 2A7 and at 215 Water Street, Suite 809, Box 10, St. John's Newfoundland and Labrador, A1C 6C9 and field offices at 456 Av. Arnaud, Sept-Îles, Québec, G4R 3B1, and at 85 Atlantic, Schefferville, Québec, G0G 2T0.

The Company is a reporting issuer in Alberta, British Columbia, Saskatchewan, Manitoba, Ontario, Québec, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland and Labrador. The Common Shares are listed on the TSX under the trading symbol "NML" and on the OTCQX International under the trading symbol "NWLNF".

INTERCORPORATE RELATIONSHIPS

The Company has three wholly-owned subsidiaries, LabMag Services Inc., Ferroduct Inc. and Pointe-Noire Logistics Inc. which are incorporated pursuant to the *Canada Business Corporations Act*. (Neither Ferroduct Inc. nor Pointe-Noire Logistics Inc. is active at this time). The Company also owns 80% of LabMag GP Inc., which is incorporated pursuant to the ABCA and is the general partner of the Partnership. The Company also owns an 80% limited partner's interest in the Partnership and 20% of the shares of TSMC. The following chart depicts the intercorporate relationships among the Company and its active subsidiaries as at December 31, 2014.



GENERAL DEVELOPMENT OF THE BUSINESS

THREE YEAR HISTORY

The following is a summary of the general development of the Company's business over the three most recently completed financial years.

YEAR ENDED DECEMBER 31, 2012

TSMC's DSO Project

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

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

Originally designed to produce 4.2 million tonnes per year of high grade sinter feed and pellet feed from a processing plant housed under a weather proof structural dome, the DSO Project underwent a scoping change and will now supply not only those premium products on a year round basis as planned, but has also begun the seasonal production of sinter fines by way of a mining, crushing and dry screening operation.

The processing plant for higher grade products is expected to be commissioned in mid-2015. The targeted level for the combined product streams is 6 million tonnes per year, which TSMC aims to reach in 2016, and additional production options are being studied.

The DSO Project is innovative and designed to have both direct shipping and processed ore product streams. With its process plant under a rigid-frame, structural dome, the DSO Project will be the first year round operation in the Schefferville area. Weight and iron recoveries will be high and transportation costs optimized through the twelve month spread of deliveries.

Activities in 2012

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

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

Contracts were awarded for drilling and blasting as well as mining and hauling of the ore to the plant and to load rail cars. Delivery of the major processing equipment started in Q4 2012. Mine development continued through Winter 2012/2013.

Logistics

The DSO Project has complex mine-to-port logistics. The milestone achievements in 2012 are summarized below:

- MOU regarding the rail tariff with TSH. TSMC invested $4.0 million for track rehabilitation in 2011, and a further $4.5 million was agreed for 2012.
- QNS&L transportation agreement concluded.
- Agreement reached with KéRail, an independent operator, for a 20 km spur from the plant yard boundary to Schefferville.
- 505 ore cars delivered (100 tonne capacity each).
- TSMC agreed to invest $12 million in the deep water dock under construction at Sept-Îles, Québec, to ship 5 Mtpy of DSO products.

Capital Cost Estimate

During the feasibility study (as of February 2011), the gross capital outlay for the DSO Project, including leasing and financing, was estimated at US$428.5 million or (C$475 million at that time) for 4 Mtpy of products.

In October 2012, TSMC revised its estimate to complete the DSO Project to produce 4.2 Mtpy of Sinter Fines and Super Fines to about C$560 million, including estimated requirements for working capital and escalation, but excluding estimated requirements for equipment leasing and mine closure rehabilitation.

The cost increases were largely attributed to the following major factors: Changes to the DSO Project's scope, including the selection of a steel fabricated dome structure; unexpected soil conditions at the beneficiation plant construction site; increased EPCM cost and increased cost of construction. Cost escalation expected to complete the project was also included for inputs such as equipment, fuel and construction costs.

NML, in order to maintain its 20% interest in TSMC, will be required to contribute 20% of the equity portion relating to the amount in excess of the initial capital cost of $300 million.

Resource Enhancement

There were positive developments during the year with respect to the DSO Project's resource base.

First, the results of a ground gravity survey carried out in 2011 on strong gravity anomalies with coinciding weak anomalies validated the findings of an Airborne Magnetometer and Gravity survey carried out in 2010 and identified high priority targets that TSMC further investigated in 2012. These targets were in the vicinity of the DSO Project's Area 3 Timmins concentrator area, where new discoveries provided the potential for 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 gave TSMC the option to potentially increase the DSO Project's life or consider a higher production rate.

Impact and Benefit Agreements

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

CIM Award

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

Taconite Project

The Taconite Project involves large-scale development of the LabMag and KéMag deposits to produce pellets and concentrate, and was in the final feasibility stage in 2012 also with Tata Steel as a partner through a Binding Heads-of-Agreement signed in March 2011. Building on NML's and Tata Steel's technical expertise, the Taconite Project aims to be innovative and competitive, targeting a favourable position on the global cost curve for pellet producers. Natural advantages include a low stripping ratio and magnetite ore, which reduces energy costs in the pelletizing process. The Taconite Project would use large-scale and technologically advanced equipment.

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

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

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

At the end of December 2012, the Company announced that an interim feasibility study report had been submitted by the Study Manager along with a request for a further period to complete its internal corporate review process, including technical aspects and finalization of the capital cost estimates. In light of the Taconite Project's great scale, NML and Tata Steel agreed to an extension of the study period.

Exploration of Other Properties

Beyond the DSO and Taconite projects, New Millennium has the opportunity to further develop the potential of its land holdings in the Millennium Iron Range ("**MIR**"). In 2011, a program was initiated involving drilling and analysis to evaluate the resource potential of two MIR taconite anomalies in particular -- Lac Ritchie and Perault Lake -- both of which are 100% owned by New Millennium, as well as to explore possible continuation of the KéMag deposit towards LabMag in the area of Howells Lake. The program carried forward into 2012 with positive results.

Lac Ritchie

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

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

Table 1: Summary of Lac Ritchie Property Mineral Resource Estimate

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

2012 Drilling Program

Over the period March 2 – October 22, 2012, NML carried out drilling at several of its properties in the Millennium Iron Range as detailed in Table 2 below. The drilling program comprised 153 holes for a total of 17,312.6 meters.

Table 2: 2012 MIR Drilling Program

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

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

Perault Lake and Sheps Lake Areas

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

Howells Lake Area

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

NI 43-101 Compliant Resource Estimate

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

KéMag East and Other Properties

The 2010 airborne magnetic survey outlined an anomaly approximately 13 km long and 1 km wide on the east side of Lac Harris and Lac Gillespie. This area represents a folded and faulted sequence of the taconite formation separated by a thrust fault from the KéMag deposit. There were 24 holes for a total of

3,315.5 meters drilled in this area as part of the 2012 program. In addition, limited drilling was carried out to explore the taconite potential at Lac Keough, Lac Thérèse and Wishart Creek.

General Corporate Affairs

Infrastructure Initiatives

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

Multi-User Dock at Sept-Îles, Québec

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

The facility's Phase I, with a designed capacity of 50 million metric tons at an expected cost of C$220 million, was being financed by the Port of Sept-Îles, the Government of Canada and commitments from potential end-users.

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

NML also has indirect participation in the new dock through its interest in TSMC. These investments will give NML's projects access to the global iron ore marketplace through a world-class shiploading system capable of handling a full range of iron ore carriers.

CN Study

In September 2012, NML signed an agreement with CN to participate in the feasibility study of a new railway and terminal handling facility that would connect mining projects in the Labrador Trough with the deep-water port at Sept-Îles. Caisse de dépôt et placement du Québec was CN's partner in the venture and also funding the study, along with other mining companies. Although NML's Taconite Project is focused on moving concentrated ore to the pelletizing stage in slurry form via a ferroduct system similar to those well established in Brazil and elsewhere, participation in the CN study was aimed at enabling NML to fully assess the transportation options for the development of its very large resource base in the Millennium Iron Range

Management

On November 1st 2012, NML announced the appointment of Mr. Rock Gagnon as Vice President, Process and Plant Engineering. Experienced in the design and operation of mineral processing plants, Mr. Gagnon previously worked as an independent consultant, *a*ssisting New Millennium Iron Corp, TSMC

and other firms, including Kudremukh Iron Ore Company. Earlier in his career, Mr. Gagnon worked for COREM in Quebec City and Met-Chem Canada as principal metallurgist for a number of projects worldwide.

YEAR ENDED DECEMBER 31, 2013

TSMC'S DSO PROJECT

The DSO Project, in which NML has a 20% interest through TSMC, is in production and trial shipments began in 2013. The DSO Project will eventually have multiple saleable product streams: 1) A crushed and screened, approximately 62% Fe grade ore now being produced and sold on a seasonal basis; and 2) higher Fe, low gangue fines in two size ranges produced from a year round processing plant that is in the advanced construction stage.

Activities in 2013

TSMC continued with trial production in 2013. Rail haulage of the ore from Schefferville to Iron Ore Company of Canada's ("**IOC**") shipping terminal at the Port of Sept-Iles began in July and continued until mid-November. The Project's first shipment with 77,000 tonnes for Tata Steel Europe departed Sept-Iles on September 14, and a second shipment with 166,000 tonnes of cargo departed Sept-Iles on November 10 bound for China. Rail haulage was expected to resume in May 2014.

Construction progress entering the 2013/2014 winter period was as follows:

- Installation of the sizing station for the processing plant was completed.
- Fabric covering of the dome that houses the plant itself was substantially completed.
- Casting of larger foundations and slabs as well as erection of the structural steel inside the dome were substantially completed, allowing for the start of installation of mechanical equipment.
- Installation of process mechanical equipment commenced.
- The Timmins yard rail loop and track were completed.
- Rail sections in Newfoundland and Labrador to Silver Yards were nearly complete.
- The construction of the Québec portion of the track (KéRail) was suspended for the winter period until April 2014. All track materials and crushed ballast were at the site.

TSMC's objective was to complete the installation of outside ancillary facilities, such as the sizing station and focus work on the process plant in the protected environment of the covered dome. However, for cost and productivity reasons TSMC readjusted the construction plan for the winter period with the aim of accelerating activity around March with improvement in the weather.

Agreement with Iron Ore Company of Canada and Commencement of Sales

Sales activity from the DSO Project began under a confidential agreement between TSMC and IOC announced on July 4, 2013 that called for IOC to provide material handling and marketing services for a fee. Haulage of DSO Project ore from Schefferville started on July 10 and trains were dispatched on a regular basis during the season for unloading and stockpiling at IOC's shipping terminal. For the longer term, TSMC would be shipping over the Port of Sept-Iles' deep water dock.

Québec Certificate of Authorization for Goodwood and Sunny 1 Properties

On January 30, 2013, it was announced that TSMC's application to mine direct shipping ore on the Goodwood and Sunny 1 (Project 2A) properties in Nunavik had been approved by the Government of Québec pursuant to a decision of the Kativik Environmental Quality Commission. The Certificate of

Authorization dated January 11, 2013 stipulated that TSMC must start work within three years from the date of release. This marked completion of the Certificates of Authorization for the first ten years of mining for the DSO Project in Québec. TSMC had already obtained the environmental releases and permits for its properties in Newfoundland and Labrador.

Cooperation Agreement with NunatuKavut Community Council

On August 18, 2013, it was announced that TSMC and the NunatuKavut Community Council had signed a Cooperation Agreement for the DSO Project. This agreement covered environmental protection, employment, business opportunities and financial benefits.

TSMC'S Howse Joint Venture

Framework Agreement with Labrador Mine Holdings Limited

On March 12, 2013, it was announced that TSMC had entered into a multi-faceted framework agreement with LIM that would favourably impact the DSO Project. The agreement involved cooperation in transport and port infrastructure development as well as transactions for development of LIM's Howse deposit and TSMC's Timmins 4 deposit. Both companies would enjoy the benefit of cost synergies from the rationalization of various aspects of their respective iron ore operations. The companies stated their intention to enter into definitive agreements to formalize the framework agreement in due course.

The multi-part cooperation agreements were summarized as follows:

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

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

Joint Venture Agreement with Labrador Iron Mines Holdings Limited on Howse Deposit

On September 18, 2013, it was announced that TSMC had signed a number of inter-related definitive agreements with certain parties, including LIM, formalizing the earlier framework agreement in principle between TSMC and LIM signed on March 12, 2013.

The agreements provide for the acquisition by TSMC of up to 70% of the Howse Deposit, the formation of a joint venture to develop the Howse Deposit, as well as access by rail of iron ore products from TSMC's DSO operation to LIM's Silver Yard facility, for further transport to the port in Sept-Îles. TSMC expected to

enjoy the benefit of cost synergies from the rationalization of various aspects of the respective iron ore operations of TSMC and LIM.

With the earlier framework now formalized, TSMC proceeded with the related activities expected to lead to improvements in operating efficiencies for the DSO Project. These activities are summarized in the **DSO Project** section under **Description of Material Properties** below in this document.

TSMC stood to achieve substantial savings by taking advantage of synergies made possible through the Howse Joint Venture. The acquisition of up to 70% of the Howse deposit was expected to result in a net addition of resources located only about four kilometers from the year-round TSMC processing plant site in the Timmins area.

Taconite Project

With the work period extended from 2012, the Taconite Project Feasibility Study and resulting report underwent significant review over the course of 2013, including value engineering and an assessment of alternative production scenarios. This process carried over into 2014 as NML, after consultation with Tata Steel, decided to engage an internationally recognized firm of financial experts to review NML's financial models and assumptions to give more assurance of the results prior to final review by the boards of directors of NML and Tata Steel.

In preparation for publication of the highlights of the Taconite Project Feasibility Study, Met-Chem, a qualified person, was engaged to compile a NI 43-101 Taconite Project technical report.

Exploration of Other Properties

Significant Resource Estimation for Sheps Lake and Perault Lake Properties

On February 11, 2013, NML announced the resource estimation for the Sheps Lake and Perault Lake properties. Data collected from the drilling programs on each resulted in total NI 43-101 compliant mineral resource estimates, at a cut-off grade of 18% DTWR, of 3.58 billion tonnes of Indicated Mineral Resources and an additional 795 million tonnes of Inferred Mineral Resources. In accordance with NI 43-101 requirements, a technical report in respect of these mineral resource estimates was filed on SEDAR on March 21, 2013.

Howells River North and Howells Lake Properties

On May 23, 2013, NML announced a resource estimate for its 80% owned Howells River North (Naskapi LabMag Trust through LabMag Limited Partnership owns the other 20%) and 100% owned Howells Lake properties. Data collected from the drilling programs on each resulted in total NI 43-101 compliant mineral resource estimates, at a cut-off grade of 18% DTWR, of 7.63 billion tonnes of Indicated Mineral Resources and an additional 3.31 million tonnes of Inferred Mineral Resources. In accordance with NI 43-101 requirements, a technical report in respect of these mineral resource estimates was filed on SEDAR on May 30, 2013.

Also of significance is that the results for the Howells River North and Howells Lake confirmed management's belief that the taconite formation occurring in this area of the MIR is a stratigraphic continuation of the LabMag deposit that connects to the KéMag deposit.

GENERAL CORPORATE AFFAIRS

Normal Course Issuer Bid

On January 21, 2013, NML announced that it had filed for and received the necessary approvals to conduct a normal course issuer bid ("**NCIB**") through the facilities of the Toronto Stock Exchange ("**TSX**").

The TSX accepted NML's notice to conduct the NCIB to purchase outstanding common shares on the open market, in accordance with the rules of the TSX. As approved by the TSX, NML was authorized during the period from January 23, 2013 to January 22, 2014, to purchase up to 5,000,000 common shares. The Company repurchased and cancelled through the NCIB 220,000 common shares for $169,780. The program expired on January 22, 2014, and was not renewed.

OTCQX Listing

On April 10, 2013, NML announced that its common shares had begun trading in the United States on the OTCQX International under the symbol "NWLNF". The OTCQX is the premier marketplace on OTC Markets Group's highly visible electronic trading venue in the U.S. and the OTCQX International tier is designed for non-U.S. companies listed on qualified international stock exchanges. NML expected to benefit from its trading on the OTCQX International by gaining greater exposure, accessibility and liquidity in the United States.

Multi-User Dock at Sept-Îles

In July 2013, the Company paid its second and last investment instalment for its capacity interest in the multi-user dock at Sept-Îles, for a total buy-in of $38,372,000.

Suspension of CN Study

In February 2013, CN suspended its feasibility study of a new railway and terminal handling facility that would connect mining projects in the Labrador Trough with the deep-water port at Sept-Îles, the lack of critical volumes necessary to support the initiative due to anticipated delays with mine development projects in the Trough, diverging needs of the miners and the decision by some miners not to join the CN study group.

On February 21, 2013, NML announced that it had received a Termination Notice of Transporter from CN pursuant to the Collaboration Framework Agreement ("**CFA**") made effective August 31, 2012, and also that CN would be reimbursing NML its Evaluation Payment paid under the CFA.

NML also re-confirmed that the Taconite Project does not rely on the construction of new rail lines or the development schedules of other projects needed to make the rail option viable, and would continue to have as its base case the lower cost transportation of slurry concentrate through a ferroduct system.

Management

In July 2011, Robert Martin, one of the principal founders of NML, stepped down as President and Chief Executive Officer ("**CEO**") and was succeeded by Dean Journeaux, also a co-founder. As part of the Company's orderly succession plan, NML in April 2013 appointed a worldwide executive search agency to find a successor to Mr. Journeaux as CEO.

On December 19, 2013 NML announced that Mr. Robert Patzelt, Q.C., would join NML effective January 13, 2014, as President and CEO and a Director of the Company. Mr. Patzelt was previously Senior Vice President, Corporate Development, of privately-held Scotia Investments Limited, based in Halifax, Nova Scotia.

It was also announced that Mr. Journeaux would remain on the Board as Executive Vice Chairman, assisting Mr. Patzelt in the transition to Mr. Patzelt's new position and continuing to work with the NML technical team in the furtherance of the Taconite Project and in support of TSMC with the DSO Project.

Board of Directors

On February 5, 2013, NML announced that Ms. Cathy Bennett, St. John's, Newfoundland and Labrador, a well-known entrepreneur, business leader and supporter of humanitarian efforts, had joined the Board of Directors. Ms. Bennett resigned from the Board of Directors, effective July 2, immediately following her public announcement that she would be seeking the Liberal Party Leadership in Newfoundland and Labrador.

On December 12, 2013, NML announced that Mr. Hemant Nerurkar, Jamshedpur, India, had resigned as a director of the Company following his retirement as Managing Director of Tata Steel Limited ("**Tata Steel**") on October 31. Mr. Koushik Chatterjee was appointed to the NML Board as replacement for Mr. Nerurkar. Mr. Chatterjee became Tata Steel's Group Executive Director - Finance and Corporate, including for the Global Minerals business of Tata Steel, effective November 1, 2013, after a series of increasing responsibilities in the Tata organization.

On December 13, 2013, NML announced that Mr. Partha Sengupta, Vice-President of Raw Materials at Tata Steel, including Global Minerals, had resigned as a director of the Company due to changes in the organizational structure of the Tata Steel Group. Mr. Dibyendu Bose, Managing Director of TM International Logistics Limited (TMILL), a subsidiary of Tata Steel Ltd (and a joint venture with Martrade of Germany), was appointed to the NML Board as replacement for Mr. Sengupta.

YEAR ENDED DECEMBER 31, 2014

TSMC's DSO Project

TSMC accelerated construction of the ore processing facilities following the 2013/14 winter period and considerable progress was made over the course of the year. The crushing and screening operation was further established, and the processing plant for the production of higher grade fines was proximately 85% complete at year-end. TSMC also assembled a highly qualified operational readiness team to begin the plant's commissioning process.

An important achievement with respect to DSO Project logistics was completion and commissioning of the Genesee & Wyoming's KéRail spur line that services the DSO Project by providing the initial connection to the Tshiuetin Rail Transportation Inc. and Quebec North Shore and Labrador Railway ("**QNS&L**") lines, and eventually the Port of Sept-Îles.

Final permitting was received from the Canadian government during Q4 and the inaugural train from the Timmins operating site was loaded on November 2, 2014 with Iron Ore Company of Canada's ("**IOC**") shipping terminal at Sept-Îles as the final destination. From there, a further trial cargo was shipped to Tata Steel Europe.

TSMC plans to utilize the Port of Sept-Îles' new deep water dock when possible in order to carry out these activities in the future.

TSMC continued to review the cost of completion for the DSO Project. A development plan for the Howse joint venture was also being evaluated see **TSMC's Howse Joint Venture** section below.

Results of 2012 Drilling Program

On February 24, 2014, NML announced the results of the 2012 drilling program conducted on the DSO Project by TSMC. Three deposits were drilled in Area 4: Kivivic 1C, Kivivic 2 and Kivivic 5. The drilling consisted of 28 exploration and definition holes for a total of 1,387.3 meters resulting in a 23.45% increase in the Indicated resource estimate compared to the most recent resource estimate published in 2012.

The increase of NI 43-101 compliant Indicated Resources gives TSMC the option to potentially increase mine life or consider a higher production rate, and the potential exists to discover additional DSO resources that could add to the current certified resources.

Summary of Mineral Resource Estimate

The primary objective of the drilling program was to convert Inferred and historical resources to NI 43-101 compliant Indicated and Measured Mineral Resources. A summary of the Mineral Resource estimate, based on the additional 2012 drilling, is reported in the table below. The new estimate consists of approximately 98.9 million tonnes of Measured and Indicated Mineral Resources at an average grade of 59.3% Fe on a dry basis plus an additional 6.7 million tonnes of Inferred Mineral Resources at 56.7% Fe.

Table 1: Summary of Updated Resource Estimate based on 2012 Drilling (Using cut-off grades of Fe = >50%, SiO2 <18% and Mn <3.5%)

Resource Classification	Tonnes (millions) 2011 Drilling	Tonnes (millions) 2012 Drilling	% increase	% Fe	% SiO_2	% MnO
Measured	26.5	26.5	0%	59.6	6.3	0.13
Indicated	58.6	72.4	23.5%	59.2	9.3	0.40
Total M+I	85.1	98.9	16.2%	59.3	8.5	0.33
Inferred	10.3	6.7	-34.9%	56.7	10.5	0.82

The increase of NI 43-101 compliant Indicated resources gives TSMC the option to potentially increase mine life or consider a higher production rate, and the potential exists to discover additional DSO resources that could add to the current certified resources. Activity will focus on the vicinity of the Timmins processing plant location as new discoveries in that area would benefit from shorter haulage distances.

TSMC's Howse Joint Venture

Under the Howse Joint Venture agreements signed in September 2013, TSMC proceeded with the related activities expected to lead to improvements in operating efficiencies for the DSO Project.

An exploration program was completed in two phases over 2013 and 2014. The program comprised 6,273 meters of drilling in 57 boreholes, including 6 condemnation holes. Its main objective was to convert the Howse deposit's historical resources to NI 43-101 compliant mineral resources. In parallel, a hydrogeological drilling program and a preliminary geotechnical assessment report were also completed.

The work undertaken to date enables confirmation of the historical Howse resource and also provides information for mine planning to bring the deposit into production. At year's end, a feasibility study on Howse was in progress.

TACONITE PROJECT

The techno-economic results of the Taconite Project Feasibility Study were announced on March 27, 2014, and present a compelling case for a profitable, successful, long-term operation. For the results for

both the LabMag and KéMag deposits, see the **Description of Material Projects** section below in this document.

The shared conclusion of NML and Tata Steel is that the Taconite Feasibility Study demonstrates Taconite Project viability and together NML and Tata Steel are proceeding with addressing key parameters on a timely basis that are expected to lead to an investment decision by Tata Steel. These include working with governments on the selection of an appropriate Taconite Project scenario; completion of environmental assessment work, reviewing refined process and models that would permit a ramp-up of production; improve operating expenditures and reduce initial capital costs; and update financial modeling to make the Taconite Project investor and lender ready.

Met-Chem was engaged to compile a NI 43-101 technical report on the feasibility study, and prepared reports for each of the LabMag and KéMag Project scenarios. These reports were filed on SEDAR in May 2014, and there were no material differences between the reports and the Taconite Feasibility Study results announced in March 2014.

EXPLORATION OF OTHER PROPERTIES

Beyond the DSO and Taconite projects, NML has further development potential through its other land holdings in the MIR, and exploration drilling and analysis has been carried out by NML to evaluate several taconite anomalies with new partnerships in mind. This work confirms NML's prominent certified NI 43-101 resource holdings through not only LabMag and KéMag, but also other important MIR deposits presented in the table below.

NML – Millennium Iron Range Taconite Properties

Property	Resources Category, Million Tonnes		
	Proven & Probable	Measured & Indicated	Inferred
KéMag	2,384		1,007
LabMag	3,933	388	1,063
Lac Ritchie		3,330	1,437
Howells Lake-Howells River North		7,631	3,310
Sheps Lake		1,967	289
Perault Lake		1,612	507
Total	6,317	14,928	7,613

Note: NML owns 100% of the properties mentioned above except for LabMag, Howells River North and Sheps Lake, which are 80% owned through the Company's interest in LabMag Limited Partnership.

Also of significance is that the taconite formation occurring in this area of the MIR is a stratigraphic continuation of the LabMag deposit that connects to the KéMag deposit.

Lapse of Claims

In light of the significant magnitude of NML's certified resource properties, a strategic review was undertaken of the Company's mining claims and costs associated with maintaining them, and it was determined that a number of claims did not present any future economic value. Accordingly, NML has taken an impairment of $4.1 million on these claims reflecting the expenditures incurred on them, and this amount is recorded in the loss for the year. The Company currently still has the rights to these claims, but is not expecting to exploit them in the future and their eventual release will not result in any loss to the resource base detailed in the previous table.

GENERAL CORPORATE AFFAIRS

Update on Construction of New Multi-User Dock at Sept-Îles

Over the course of 2014 and early 2015, there was significant progress made on construction of multi-user iron ore loading dock at Pointe-Noire, Québec, in the Bay of Sept-Îles, in which NML is an investor both directly and indirectly through TSMC.

Civil work on the dock itself was completed prior to the end of 2014 and delivery of the two shiploaders, which were manufactured in China, took place in early February 2015. Installation of the shiploaders and the commissioning process will take several months and the dock is expected to be in service during the beginning of the 2015 summer period.

Adoption of Advance Notice By-Law

On May 5, 2014, NML announced that its Board of Directors had approved the adoption of an advance notice by-law (the "**By-law**"), which requires advance notice to the Company in circumstances where nominations of persons for election as a director of the Company are made by shareholders other than pursuant to: (i) a requisition of a meeting made pursuant to the provisions of the ABCA; or (ii) a shareholder proposal made pursuant to the provisions of the ABCA.

A resolution of the shareholders was passed adopting and confirming the By-law at NML's Annual General Meeting held June 25, 2014.

Management

On January 13, 2014, Mr. Robert Patzelt, Q.C. succeeded Mr. Dean Journeaux as NML's President and CEO and a Director of the Company. Mr. Patzelt was previously Senior Vice President, Corporate Development, of privately-held Scotia Investments Limited, based in Halifax, Nova Scotia. Mr. Journeaux remains on the Board of Directors as Executive Vice Chairman, assisting Mr. Patzelt in transitional matters and continuing to work with the NML technical team in the furtherance of the Taconite Project and in support of TSMC with the DSO Project.

Employee Restructuring

On October 28, 2014, NML announced a human resource restructuring plan which included a workforce reduction of 12 full-time employees, or approximately 38% of the Company's total 38 person workforce. The restructuring plan was both in response to difficult commodity market conditions and to better align the Company's organizational structure with ongoing activities. The Company also adjusted other related costs as part of its budgeting process for 2015.

The Company's exploration program is largely complete and has established a substantial Taconite resource base, while TSMC's DSO Project organization is now in place. Combined with other cost-saving measures undertaken in 2014, the restructuring extends the Company's working capital for further work on the Taconite Project and new opportunities that may arise for the Company's other iron ore properties.

SUBSEQUENT TO DECEMBER 31, 2014

Board of Directors

On February 11, 2015, NML announced the appointment of Mr. Chanakya Chaudhary, Tata Steel Limited's Group Director – Corporate Communications & Regulatory Affairs, to its Board of Directors, succeeding Mr. Koushik Chatterjee. Mr. Chaudhary has extensive experience in Tata Steel's raw materials businesses and with establishing best practice initiatives across the Tata Group.

DESCRIPTION OF BUSINESS

ABOUT NML

NML controls the emerging Millennium Iron Range, located in the Province of Newfoundland and Labrador and in the Province of Quebec, which holds one of the world's largest undeveloped magnetic iron ore deposits. In the same area, the Corporation and Tata Steel, one of the largest steel producers in the world, have advanced a Direct Shipping Ore ("**DSO**") Project to the production stage, from which trial shipments have begun. Tata Steel owns approximately 26.2% of NML and is the Company'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 NML.

NML and Tata Steel have also carried out a comprehensive feasibility study to develop two large and certified Millennium Iron Range deposits, LabMag and KéMag, called the Taconite Project. Tata Steel has also exercised its exclusive right to negotiate and settle a proposed transaction in respect of development of either or both the LabMag and the KéMag deposits.

In addition, the Millennium Iron Range hosts other taconite deposits with certified resources, including the Lac Ritchie property located at the north end of the Range, and the Sheps Lake and Perault Lake properties located south of the LabMag deposit. The Company also controls the Howells Lake - Howells River North deposit located between the LabMag and KéMag deposits and which evidences mineral continuity in the Range.

NML's mission is to add shareholder value through the responsible and expeditious development of the Millennium Iron Range and other mineral projects to create a new large source of raw materials for the world's iron and steel industries.

IRON ORE MARKET REVIEW

According to the World Steel Association's ("**WSA**") statistics, world crude steel production in its 65 reporting countries was 1.662 billion metric tons (Mt) for the year 2014, which represented an increase of 1.2% over 2013. The most significant rate of growth was in the Middle East, while North America, the European Union (28) and Asia also registered growth albeit at more modest rates. Crude steel production in South America and the CIS decreased from 2013 levels.

China's crude steel production in 2014 was 822.7 Mt, an increase of only 0.9% over 2013, while its share of world production at 49.5% was similar to that in 2013. A record level of steel exports enabled China to avoid an absolute drop in production.

The overall reporting countries' crude steel capacity utilization rate at December 2014 was 72.7%, which was 2.4% lower than a year earlier. The average capacity utilization in 2014 was 76.7%, compared to 78.4% in 2013, and so remains an issue for the industry globally.

Looking ahead, the WSA's latest, semi-annual Short Range Outlook released on October 6, 2014, was subdued, reflecting the slowdown in China's steel demand and a weaker than expected performance in the emerging and developing economies, although there has been some offset from recovery in apparent steel use (ASU) in developed economies such as the EU, the United States and Japan. For 2015, the WSA forecasts a 2.0% increase in World ASU with modest growth overall in developed economies, some recovery in developing economies and limited growth in China as the ongoing rebalancing of its economy holds back steel demand. The WSA also points to risk factors stemming from unresolved structural issues in developing economies, geo-political tensions and cautious financial markets.

Iron ore pricing as measured by the 62% Fe Fines CFR China reference began 2014 at US$130 per tonne and dropped precipitously to $70 per tonne by year-end, reflecting the widely reported new fines production from Australia, coupled with China's inability to absorb this additional supply increment (as it could in 2013) owing to its slowdown in demand. With more supply still coming on stream, this situation is carrying forward into 2015, and junior miners and higher cost operations are being especially hard hit.

As was the case in 2013, the price premiums paid for direct charge material – lump and pellets – held up relatively well despite the reference price drop, showing that the pellet segment targeted by NML's Taconite Project, while not immune, has different supply/demand dynamics from the overall iron ore market with blast furnace steelmakers increasing pellet usage for both environmental and productivity reasons, and direct reduced iron making providing organic growth.

COMPETITIVE CONDITIONS

The iron ore mineral exploration and mining business is a competitive business. The Company competes with numerous other companies and individuals in the search for (i) the acquisition of attractive iron ore and other mineral properties; (ii) qualified service providers and labour; and (iii) equipment and suppliers. The ability of the Company to acquire iron ore and other mineral properties in the future will depend not only on its ability to operate and develop its present properties, but also on its ability to select and acquire suitable producing properties or prospects for exploration and development. *See **Risk Factors - Competition***.

EMPLOYEES

As at December 31, 2014, the Company and its subsidiaries had a total of 25 employees and 7 individual consultants retained on a part time basis.

ENVIRONMENTAL PROTECTION

The current and future operations of the Company, including development and mining activities, are subject to extensive federal, provincial and local laws and regulations governing environmental protection, including protection and remediation of the environment and other matters. Compliance with such laws and regulations increases the costs of and delays planning, designing, drilling and developing the Company's properties. See disclosure regarding environmental matters under the respective descriptions of the Company's mineral projects herein for further details.

DESCRIPTION OF MATERIAL PROJECTS

OVERVIEW

NML operates in the historic Labrador Trough, a source of iron ore for steel producers worldwide since 1954, when IOC began shipments. The Company's vision is to become a significant, highly competitive producer in terms of cost and product quality, serving the spectrum of global iron ore markets.

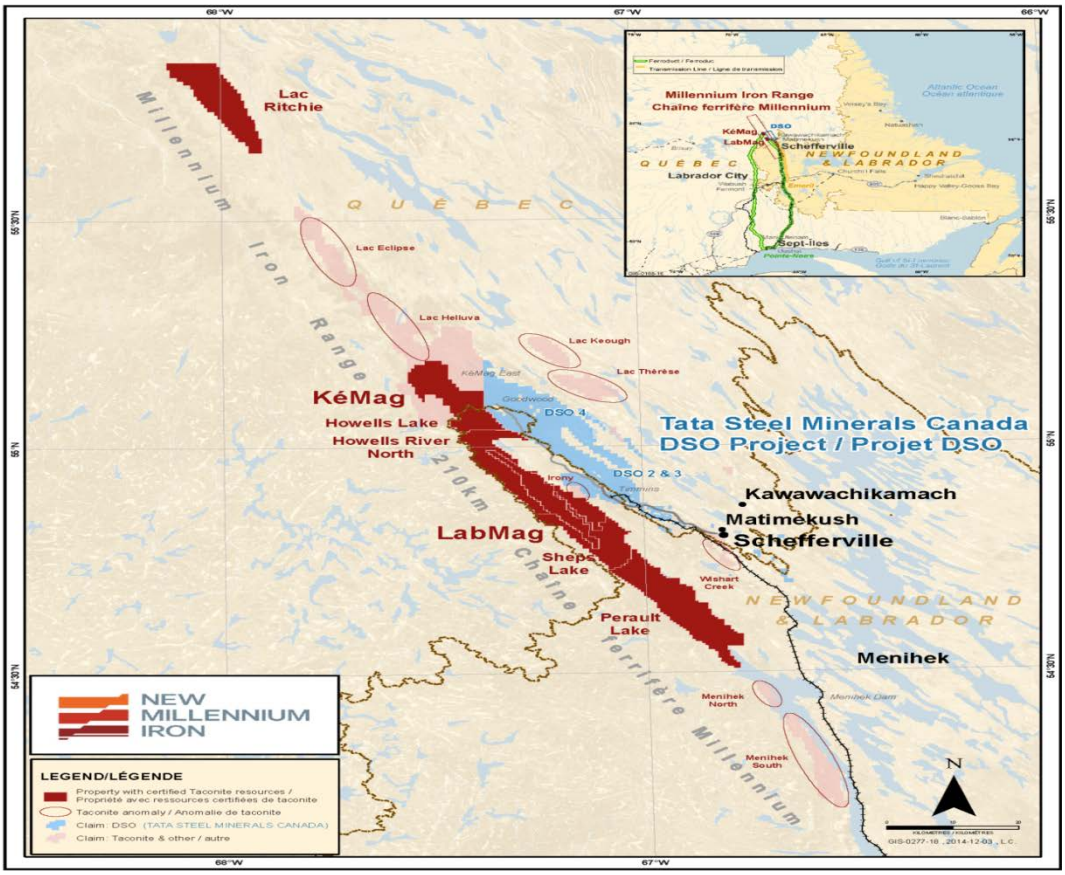
The opportunity for value creation comes from New Millennium's control of extensive properties in the Menihek Region of the Trough straddling the provinces of Newfoundland and Labrador and Québec, in and around the town of Schefferville, Quebec. Figure 1 shows New Millennium's project areas.

NML is presently active on three projects at varying stages of development. The first – an advanced project that is producing and shipping -- involves of direct shipping ore, or DSO, through the Company's investment in TSMC. Meanwhile, the Company's control of the Millennium Iron Range has led to a major feasibility study of the LabMag and KéMag deposits, known collectively as the Taconite Project. The study was completed to the NI 43-101 standard in March 2014 and filed on SEDAR in May 2014. There

are other promising Taconite resource areas that have been explored and certified to the NI 43-101 standard, and which also have the potential to result in major projects.

The details of NML's projects are presented below.

Figure 1: NML's Project Areas



DSO PROJECT

Project Description

The summary of the DSO Project below is based on the DSO Technical Report except for updates that reflect developments since the technical report was published. The DSO Technical Report was prepared by Dean Journeaux, Bish Chanda, Jean-Charles Bourassa, Moulaye Melainine, Rock Gagnon and Laurent Piette of NML, and André Boilard of Met-Chem and Robert de l'Étoile of SGS Canada, as filed on SEDAR at www.sedar.com on February 22, 2011, and which is incorporated by reference herein. The DSO Technical Report was prepared for the Company in accordance with NI 43-101 by "qualified persons", as defined in NI 43-101. Defined terms used in this summary have the meanings ascribed to such terms in the DSO Technical Report.

The information included or incorporated by reference herein is based on assumptions, qualifications and procedures which are set out in the DSO Technical Report. For a complete description of the assumptions, qualifications and procedures associated with the following information, reference should be made to the full text of the DSO Technical Report.

Background

The DSO Project is actually a brownfield site where the IOC carried out mining operations from 1954 to 1982. Operations were closed due to difficult global economic conditions and a restructuring of the North American steel industry, including within the group of IOC's steel company owners. Furthermore, demand for products from the Schefferville mines had fallen off because quality was relatively low at 58-60% Fe. About 250 million tonnes of ore remained in the ground when IOC ceased operations. Through various transactions, NML acquired 22 deposits, some partially developed, containing an estimated 120 million tonnes of historical resources. Although in need of refurbishment, key infrastructure installations from IOC's operating period remained available to service a reconstituted mining operation, including the Schefferville town site and airport, the Menihek hydroelectric power station (although mainly needed for the town), access roads, and a rail connection to the well established port of Sept-Iles, Quebec.

Since the founding of the Company, NML's primary business objective has been to develop its large taconite resources in partnership with a steel company investor seeking a captive source of iron ore. A global search for such a relationship was carried out and led NML to Tata Steel, an industry leader which in 2007 acquired the Anglo-Dutch steel maker Corus Group, thereby establishing a major presence in the European market to supplement its core production base in India. Tata was pursuing a strategy of greater self-sufficiency in raw materials for its European operations. Since these operations are both geographically proximate to Canada as well as historical consumers of Canadian ore, they are natural outlets for supply from NML's deposits. Tata Steel is a long-time operator of iron ore mines in India, but its preferred approach was to first acquire operating experience in Canada through the smaller scale DSO Project before considering the more significant Taconite Project. Tata Steel signed an agreement with NML announced on October 1, 2008, providing the option to jointly develop the DSO Project, based on the review of a feasibility study NML was to complete. Under the terms of the agreement, Tata Steel would fund up to $300 Million for capital costs and purchase the entire production for the life of the mine. NML completed the feasibility study in February 2010 and the results demonstrated the economic viability of the project. Pilot plant tests confirmed that the ore could be processed to yield high quality products with a minimum Fe of 64.5% and primary impurities ($SiO_2+Al_2O_3$) less than 4.5%. The capital cost was estimated at $335 million and the IRR was 21% at an assumed price of US$ 64.5/tonne.

In September 2010, Tata Steel exercised its option to invest in the DSO Project. A joint operating company was formed for project implementation called Tata Steel Minerals Canada (TSMC). Based on the joint venture agreement between the two companies, Tata Steel owns 80% of TSMC and NML owns 20%. AECOM Technology Corporation (AECOM) of Montreal, Québec, was appointed as an EPCM Contractor to undertake the project with production anticipated for the second half of 2012. Based on the DSO Technical Report, various technical and engineering details of the project are summarized in the following sections.

Formation of Tata Steel Minerals Canada to Develop the DSO Project

NML subsequently entered into the JVA with Tata Steel with respect to the DSO Project. On October 26, 2010, pursuant to the terms and conditions of the JVA, a joint venture company was incorporated as TSMC. TSMC acquired all of the DSO mining claims and related assets, was responsible for carrying out detailed engineering and construction of mining facilities, and for advancing the DSO Project. TSG would purchase 100% of the products meeting certain quality specifications from TSMC at benchmark world prices set for similar products for the life of the mine. TSMC formally commenced DSO Project operations as of December 1, 2010. On December 30, 2011, the closing of the transfer of assets into TSMC was completed which resulted in TSG owning 80% of TSMC and NML owning the remaining 20%. NML was also paid 80% of the DSO Project costs incurred to closing

DSO Project Criteria

The DSO Project was designed to upgrade the in situ ore with the aim of consistently producing higher quality products than during IOC's operating period. Sintering tests on processed ore were undertaken by

Tata Steel Europe and the performance was found to be satisfactory. A process plant was designed to attain high recoveries (>80%) and with several innovative/productive features in order to achieve low operating costs on a sustained basis.

These are:

- Anticipated year round production instead of oversizing the plant for seasonal operations
- Processing complex will be housed under a covered dome
- Blending of the ore to ensure consistent feed to the plant and longer economic life of the mine
- Use of mineral sizers to treat the soft and sticky ore
- Drying to 2.5% or lower to prevent freezing during the winter by employing waste heat from the diesel generators

During the detailed engineering stage, some changes were made to the feasibility study design in order to save costs or solve logistical issues. These occurred primarily in the loadout and transportation facilities.

Location

The 22 deposits of the DSO Project are situated to the northwest and southeast of the Town of Schefferville, along an imaginary NW-SE line, and some are on the Quebec side and some are on the Labrador side of the provincial border.

Historical Exploration and Development

Most of NML's original 22 deposits occur in three areas that were originally discovered by geologists working for Labrador Mining and Exploration Co. Ltd. (LM&E) and Hollinger North Shore Exploration Ltd. (HNS). In 1949, IOC was formed to develop and mine all the deposits outlined by LM&E and HNS. IOC carried out detailed development work on each of the deposits to classify them under measured, indicated and inferred categories. When IOC ceased its mining operations in 1982, these deposits were left at various stages of development and the claims were allowed to lapse. Table 1 lists all of the deposits held by TSMC.

Table 1: DSO Deposits

AREA	DEPOSITS IN QC	DEPOSITS IN NL
2 & 3	Barney 1	Fleming 7N
	Barney 2	Timmins 3N
	Ferriman 4	Timmins 3S
	Fleming 7 Ext.	Timmins 4
	Fleming 6	Timmins 7
	Lance Ridge	Timmins 8
	Sawmill 1	
	Star Creek 2	
	Star Creek 3	
4	Goodwood	Kivivic 1C
	Kivivic 3S	Kivivic 2
	Leroy 1	Kivivic 3N
	Sunny 1	Kivivic 4
	Sunny 3	Kivivic 5

Beginning in 2004, NML staked several blocks of claims to cover the deposits in NL and QC that were previously developed or intended to be developed by IOC, as well as any other potential sources of DSO. As blocks were acquired, NML initially carried out preliminary field investigations to outline the surface extension of the deposits by locating old drill holes, test pits and trenches.

Access

The DSO property is accessible to its nearest point by a good gravel road, an old IOC mine haulage road, for 25km northwest of Schefferville past some former open pit mines to a point near the old Timmins #1 pit. For a further 30km or so to the Goodwood deposit, a new road will be constructed along the route of the track that is currently only usable by 4x4 Pick-up trucks or All-Terrain Vehicles.

A network of all-weather roads connects Schefferville to the neighbouring Matimekush and Lac John reserves and to Kawawachikamach. Roads also lead to the railway station, to the cemetery, to old mine sites, to the town's water treatment facilities, to the Menihek Dam, to lac de la Squaw and to lac Chantal (MRC de Caniapiscau no date). Schefferville is not, however, connected to the outside world by road.

The Schefferville Airport is owned by Transport Canada. It has been leased and operated by the Schefferville Airport Corporation, which belongs equally to the NNK and NIMLJ, since March 1999, prior to which it was operated by the NNK since the early 1990s. The airport is classified as a Remote Airport under the National Airports Policy. According to Transport Canada (no date) the area of the Schefferville Airport is 125 ha and its facilities include an air terminal building of 200 m^2 built in 1971, one paved runway (5000' X 150'), and a combined fire hall and maintenance garage of 1,130 m^2 Again according to Transport Canada, the airport serves around 1,500 people regionally.

Air Inuit operates daily flights between Schefferville and Sept-Îles and three flights per week between Schefferville and Montréal via Quebec City.

Nolinord operates two to three charter flights per week between Montréal and Schefferville during the sport hunting season for caribou in August and September. Every year, approximately 2,200 passengers, mainly the clients of outfitters, use this service.

TSH, which is owned in equal parts by NNK, NIMLJ and ITUM, provides passenger and freight rail transportation services between Schefferville and Sept-Îles. There are two passenger trains and one freight train per week. The trains are operated by TSH employees from Schefferville to Ross Bay Junction and by QNS&L employees between Ross Bay Junction and Sept-Îles.

Climate and Physiography

The Schefferville area and vicinity, including the Goodwood and Kivivic highlands, have a sub-arctic continental taiga climate with very severe winters. Daily average temperatures exceed 0 C for only five months of the year. Daily mean temperatures for Schefferville average -24.1 C and -22.6 C in January and February respectively, and +12.4 C and +11.2 C in July and August respectively.

Snowfall in November, December and January generally exceed 50 cm per month and the wettest summer month is July, with an average rainfall of 106.8 mm.

Vegetation is boreal forest.

The property slopes gently from east to west with northwest trending narrow valleys and ridges. The highest point is the Goodwood plateau at 762 m and the lowest point is the Ferriman 4 deposit at 564 m above sea level. The highest points of the land represent the Quebec-Labrador border.

Regional Geology

The DSO property is located on the western side of the Labrador Trough ("**the Trough**"). The Trough is comprised of a sequence of Proterozoic sedimentary rocks, including iron formation, volcanic rocks and mafic intrusions known as Kaniapiskau Supergroup. The Kaniapiskau Supergroup consists of the Knob Lake Group in the western part of the Trough and includes the Ruth Formation and Sokoman Formation, which are the principal sources of iron ore.

Types of Ore

The DSO deposits occur in NW-SE trending, highly folded and faulted iron formations. The ore is confined to synclinal structures bound by high angle reverse faults to one side. The ore is produced due to the removal of silica/chert by meteoric waters percolating through fracture and fault zones and by secondary enrichment with goethite. In general the average iron content of the DSO has increased to 58.0% from around 30.0% in un-leached iron formation. The DSO ores occur in three main types that can be distinguished by colour:

- **Blue Ore:** This type of ore is derived mainly from cherty oxide facies of the iron formation. It is composed of fine-grained blue hematite with lesser amounts of red hematite, martite, and goethite. The ore may be friable and crumbly or even form hard lumpy ore.

- **Yellow Ore:** This ore referred to as SCIF ore is derived from the silicate-carbonate facies and is composed mainly of goethite, limonite and martite. The ore is generally ocherous in appearance and has a high proportion of very fine grained material.

- **Red Ore:** This ore is composed mainly of earthy red hematite, goethite, alumino silicates (clay) and fine chert. It is derived from the iron rich part of the Ruth slate.

Resources

IOC carried out drilling operations with varying intensity in several of the 25 deposits. These represent historical estimates which could not be considered under NI 43-101 regulations since a qualified person had not done sufficient work to classify it as current mineral resources or mineral reserves.

There were 98.9 million tonnes of Measured and Indicated Mineral Resources at an average grade of 59.3% Fe as well as 6.7 million tonnes of Inferred Resources at an average grade of 56.7% Fe and 25 to 30 million tonnes of historical resources that are not currently in compliance with NI 43-101. A 100% stake in the Goodwood deposit was obtained when NML acquired the remainder from a (third party). These proven and probable reserves had the potential to extend the production and life of the DSO Project.

The following table presents the resources based on drilling carried out by NML and TSMC through 2013.

Table 2: NI 43-101 Compliant Resources

Deposit	2013 Tonnage (Mt)	Fe (%)	Mn (%)	SiO_2 (%)	Classification
Timmins 3N					Measured
	2.15	59.67	0.03	11.96	Indicated
Timmins 4					Measured
	2.13	60.54	0.04	9.77	Indicated
Timmins 7					Measured
	0.940	58.38	0.25	12.30	Indicated
Goodwood	26.5	59.56	0.13	6.30	Measured
	9.56	57.53	0.30	10.07	Indicated
Fleming 7N					Measured
	6.57	61.03	0.15	6.37	Indicated
Ferriman 4					Measured
	9.36	55.37	1.86	8.12	Indicated
Kivivic 1C					Measured
	6.68	59.98	0.04	7.25	Indicated
Kivivic 2					Measured
	13.4	61.09	0.19	9.77	Indicated
Kivivic 3					Measured
	1.75	60.70	0.36	7.93	Indicated
Kivivic 4					Measured
	7.54	58.26	0.32	10.84	Indicated
Kivivic 5					Measured
	8.75	60.34	0.09	10.55	Indicated
Sunny 1					Measured
	3.56	58.96	0.05	10.42	Indicated
Total	26.5	59.56	0.13	6.30	Measured
	72.4	59.18	0.39	9.35	Indicated
	98.9	**59.30**	**0.31**	**8.40**	**M+I**

Airborne Gravity Gradient and Magnetometer Survey

DSO deposits are concentrations of hematite, martite, goethite and minor amounts of magnetite. The contrast of density between the mineralized area and the enclosing host rock is the main factor in outlining potential DSO targets using the gravity method. A strong gravity anomaly with a coinciding weak magnetic response over the iron formation will point to a potential DSO target.

In September 2010, FUGRO Airborne Surveys conducted airborne gravity and magnetometer survey over the DSO properties located in the provinces of Quebec and Newfoundland and Labrador. The survey data was processed and compiled by FUGRO to NML. The geophysical consultant for NML interpreted the data and outlined more than 50 DSO target areas for exploration. These additional sites

could potentially increase the DSO mine life and/or production rates. It was planned to provide additional information after further investigations of the most promising sites.

TSMC's 2012 Drilling Program

In 2012, TSMC carried out a drilling program on three deposits in the DSO Project's Area 4: Kivivic 1C, Kivivic 2 and Kivivic 5. The drilling consisted of 28 exploration and definition holes for a total of 1,387.3 meters resulting in a 23.45% increase in the Indicated resource estimate compared to the most recent resource estimate published in 2012. The gravity anomaly drilled was one of 13 strong gravity anomalies outlined by the 2010 Airborne Magnetometer and Gravity survey and a follow-up ground gravity survey. The results were made available by TSMC, and announced by NML, in February 2014.

Summary of Mineral Resource Estimate

The primary objective of the drilling program was to convert Inferred and historical resources to NI 43-101 compliant Indicated and Measured Mineral Resources. A summary of the Mineral Resource estimate, based on the additional 2012 drilling, is shown in the table below. The most recent estimate consists of approximately 98.9 million tonnes of Measured and Indicated Mineral Resources at an average grade of 59.3% Fe on a dry basis plus an additional 6.7 million tonnes of Inferred Mineral Resources at 56.7% Fe.

Table 3: Summary of Updated Resource Estimate based on 2012 Drilling (Using cut-off grades of Fe = >50%, SiO2 <18% and Mn <3.5%)

Resource Classification	Tonnes (millions) 2011 Drilling	Tonnes (millions) 2012 Drilling	% increase	% Fe	% SiO2	% MnO
Measured	26.5	26.5	0%	59.6	6.3	0.13
Indicated	58.6	72.4	23.5%	59.2	9.3	0.40
Total M+I	85.1	98.9	16.2%	59.3	8.5	0.33
Inferred	10.3	6.7	-34.9%	56.7	10.5	0.82

Results of 2012 Gravity Anomaly Drilling, Timmins Plant Area

The 2010 Airborne Magnetometer and Gravity survey outlined 50 strong gravity anomalies with coinciding weak magnetic anomalies within the properties held by TSMC in QC and NL. The ground gravity survey carried out in the fall of 2011 and the summer of 2012, by Géosig Ltée of Québec, was to validate the locations of the airborne gravity anomalies on the ground. One gravity anomaly area, approximately 300 meters northwest of the Timmins DSO plant site was explored by drilling 7 test holes for a total of 216.4 meters. Seventy two (72) samples were collected and sent to Accurassay Laboratory in Thunder Bay, Ontario, for analysis. The assay results indicate that the iron formation is leached and enriched with a potential for the presence of a DSO deposit. This area needs to be fully explored by drilling.

The increase of NI 43-101 compliant Indicated Mineral Resources gives TSMC the option to potentially increase mine life or consider a higher production rate, and the potential exists to discover additional DSO resources that could add to the current certified resources. Further activity will focus on the vicinity of the Timmins processing plant location as new discoveries in that area would benefit from shorter haulage distances.

Mining

Of the original 22 deposits in the DSO Project, 12 had been sufficiently drilled to report NI 43-101 compliant resources and ten deposits demonstrated a mine life of at least 10 years. Mining would consist of open pit operations. At least two pits were expected to be mined simultaneously in order to achieve the blending requirements for the grade, as well as for the ore quality. A conventional drill and blast

operation with front end loaders was considered with haulage trucks of 135 to 165 tonnes' capacity. Rubber tire front end loaders would be used to load the trucks because of the versatility and mobility of these machines. The equipment could easily be moved to different pits, as necessary, in order to meet the ore blending requirements.

The stripping ratio was expected to be 1:1 and the planned daily mining rate was 28,000 tonnes. The mining was expected to be carried out in 10 meter high benches. Drilling was expected to be performed with large diameter rotary blast hole drills with sufficient sub-grade to result in smooth bench surfaces. Most of the ore would not require drilling and blasting, because it is soft after leaching and weathering of the rock. However, the waste material and permafrost areas would require some blasting. The explosive was expected to be an emulsion pumped directly into the blast holes by the manufacturer and sequentially detonated to minimize noise and vibration.

As previously discussed, the DSO Project deposits are located within two separate clusters. The first two years of operation were expected to be carried out in Areas 2 & 3, called the Timmins area, where the processing plant and other facilities would be permanently established. The Timmins area was part of IOC's operations and therefore a brownfield site with some of the pits already stripped of waste, roads around the pits and to Schefferville in place, and an existing, high-quality rail bed between the planned plant site and the connecting point to existing rail lines to the Port of Sept-Iles.

It was planned to then move the mining operation north to Area 4, also called the Goodwood area, where the bulk of Project resources are located. A 38 km haul road would be built to transport the ore in trucks to the process plant. Many scenarios were considered for the plant location and method of transport, and the final decision to haul the ore by truck to a process facility located in Area 3 was determined to be the most economical option. Although Area 4 is a greenfield site, the terrain is relatively flat with minimal water and tree coverage. Only a minimum of facilities would be built in this area to support the mining operations.

Processing

The DSO testing program began in 2008. The objective was to develop an optimum process flowsheet that would achieve the required product grades at acceptable recovery rates. The tests were performed with surface bulk samples from 10 selected deposits, which were collected from excavated trenches. These deposits were chosen on the basis of the mine plan to ensure representativeness of the collected samples. These samples represented all three ore types: blue, yellow and red. Tests were designed to determine their individual metallurgical characteristics. In total, 11 – 10 tonnes of bulk samples were obtained for testing purposes.

A detailed test program was designed to evaluate chemical, physical and metallurgical characteristics of different ore types, as well as at different locations, so that a blending program could be developed to ensure the delivery of feed of consistent quality to the plant. The test results were used to select and design appropriate process equipment to upgrade the ore to the required specifications. Sufficient quantities of products were processed, using selected flowsheet options, for metallurgical evaluation by the prospective consumer.

The tests were conducted in different independent laboratories as well as facilities operated by equipment/technology suppliers. There previously had not been much testwork to upgrade DSO type ores in Canada and the liberation characteristics of the ores were not well documented. NML undertook a very comprehensive test program to develop a basic understanding of the behaviour of the ore during processing and to select beneficiation equipment to efficiently upgrade the ore to the desired product grades. Collaborative efforts between NML, its partner Tata Steel, the labs and suppliers resulted in a process with expected low operating costs and product recovery greater than 80%.

The process plant was designed for year-round operation, housed in an air-supported dome. It would be comprised of three main sectors for mineral sizing, processing/dewatering and product storage/load-out. The mine trucks would directly feed the mineral sizing station located near the process plant. The sized ore would be conveyed to a surge bin before being fed to a drum scrubber. The scrubber discharge would be screened into two fractions. The coarse fraction would feed the fine jigs for upgrading with the finer fraction pumped to the gravity upgrading circuit consisting of spirals and hydroclassifiers to produce a final fines product. Tailings would be processed in a Wet High Intensity Magnetic Separation (WHIMS) circuit to enable recovery of the fine hematite particles as super fines products. Since adequate hydro-electric power was unavailable, the complex would be supplied by five diesel-powered generators.

The original design was to have storage bins for the final products prior to train loading. In the detailed engineering phase, the bins were replaced with stockpiles for cost reasons. During summer operation, the filtered products would be conveyed directly to the designated stockpiles the load-out area. During winter months, the filter cake moisture would be further reduced in dryers to prevent freezing in the rail cars. Waste heat from the generators would be recuperated to dry the products and heat the building and process water in winter months. The train loading system was designed to handle a 240-car train every two days, using front-end loaders.

Rail and Port Infrastructure

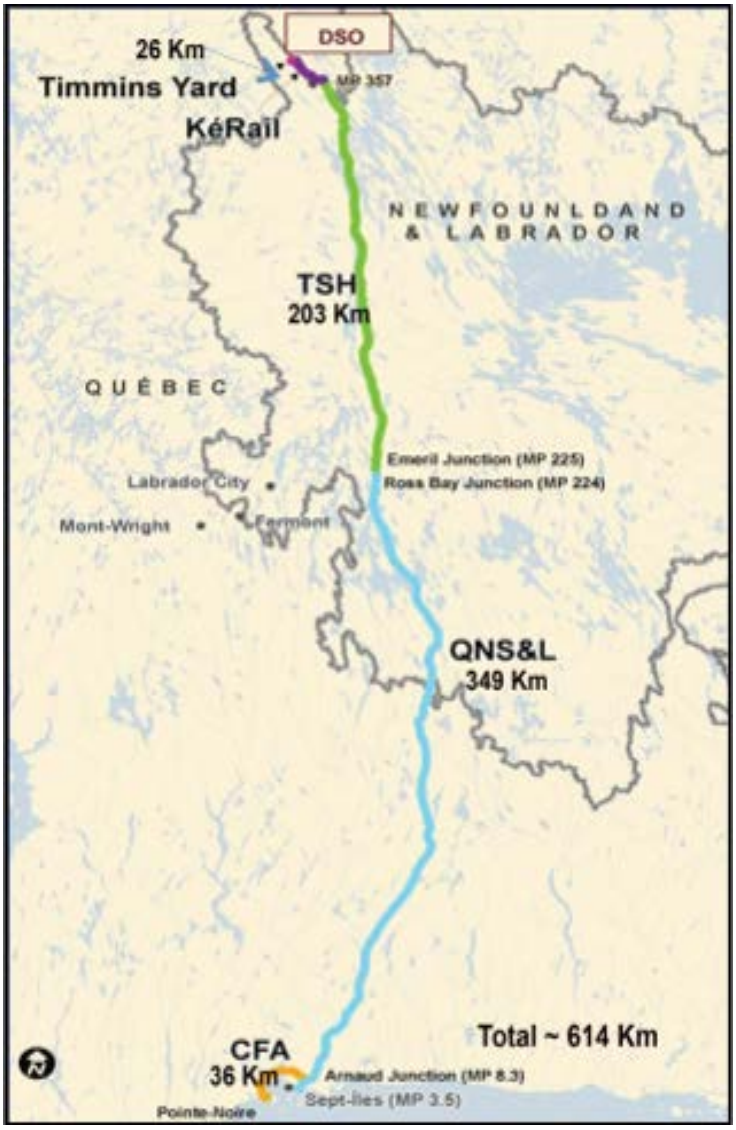
The rail and port infrastructure facilities for the DSO Project are established or in the process of being completed. What remains is a continuing negotiation for access to the multi-user dock through land at Pointe-Noire owned by Cliffs Natural Resources. This process is being managed by the Sept-Ïles Port Authority and agencies of the Québec government.

The train loading station is located on the rail loop next to the process plant.

Four different rail links are involved to transport the products from the mines to the port (see Figure 1). First is a 25 kilometer railway spur line, called KéRail and operated by Genessee and Wyoming, from the rail loop through Silver Yards junction to the Tshiuetin Rail Transportation Inc. ("**TSH**") line south of Schefferville. The ore is then hauled approximately 205 kilometers over the TSH line to Ross Bay Junction. At an exchange yard at Emeril near Ross Bay Junction, the trains switch to the Quebec North Shore and Labrador Railway (QNS&L). This third section is 347 km long. The final link of 35 kilometers runs from Arnaud Junction near Sept-Iles to planned train dumping, stockpiling and reclaiming facilities at Pointe-Noire, which in turn will connect to a multi-user dock expected to be in service in summer 2015. The dock has a nameplate shiploading capacity of 50 Mtpy and is designed to accommodate ocean-going vessels of up to 350,000 dwt.

TSMC and NML have invested in the new, deep-water, multi-user dock, and plan to use it when possible to carry out the shiploading of products from the DSO Project. As an interim solution, the TSMC is working under a stockpiling and shiploading arrangement via IOC's terminal at Sept-Îles.

Figure 1: DSO Project Logistics



Environmental and Social Affairs

The DSO Project involves numerous permits at various government levels and with other authorities, most of which have been obtained with the remainder in progress.

The Environmental Impact Assessments were completed and releases were received from the Government of Newfoundland and Labrador and the Government of Québec in January 2011 and January 2013, respectively.

TSMC has also been actively inclusive with the First Nations and other communities affected by the DSO Project. Key initiatives and results are as follows:

- Impact and Benefit and Agreements and Cooperation Agreements with six First Nations communities.
- Sharing financial benefits.

- Multiple employment opportunities for First Nations citizens, including training.
- Opportunities for First Nations contractors.
- Rehabilitation and restoration of mining sites beyond compliance to best practices.
- Restoration of Community facilities.
- Promoting health, education, arts, culture and sports.

Ancillary Facilities

It was planned to operate the DSO Project year round, 24 hours per day, 7 days per week, with the workforce on a schedule of fourteen 12 hour shifts, followed by 14 days off duty. A camp with a capacity to house 200 persons would be located near the plant site and would include dining and recreation facilities as well as a medical dispensary. Sine the area lacks sufficient hydro power capacity to service the demands of DSO Project operations, sufficient diesel generating capacity would have to be installed. Efficiencies would be derived from exhaust waste heat being recuperated during the winter for use by the process plant.

Engineering, Procurement and Construction

Awarding of EPCM Contract and Plant Design Changes

On March 26, 2011, AECOM was awarded the EPCM contract for the DSO project. During the first six (6) months, AECOM concentrated on validating the flowsheet and reviewing the capital cost estimate, with the objective of refining the Project assumptions and economics. One of the major changes involved replacing the air-supported dome with a rigid framed structure to house the process plant. This changed the foundation design from simple anchors to load bearing piers with low tolerance for differential settlement. Additional geotechnical investigations were undertaken and it was determined that the plant layout had to be modified to accommodate site conditions and that the existing soil had to be replaced with engineered fill. In addition, the loadout silos were replaced with open stockpiles and loaders would be used to feed the train loading bin.

Construction

Site construction started in July 2011 with camp site preparation and installation of pre-fabricated trailer units. While engineering for the upgrading plant was in progress, a contract was awarded for the rigid dome for design and fabrication of the structure and pre-cast foundations. In January 2012, work continued with soil excavation and preparation of the engineered fill for the plant site. The site was ready for pre-fabricated foundation piers and trusses in May 2012.

Following extensive preparation of the plant site pad due to unstable ground conditions early in 2012, installation and grounding of the dome prefabricated foundations began along with erection of the dome trusses, which showed visible progress over the summer months. Meanwhile, engineering and procurement activity had also started and was advancing. The progress of construction on TSMC's DSO Project from 2012 through 2014 is set out in the **Three Year History** section earlier in this document.

Addition of Seasonal Crushed and Screened Ore Production to Operations Plan

The DSO Project was originally planned with a production capacity of 4.2 million tonnes per year of sinter feed and super fines, all upgraded from the run-of-mine ("**ROM**") ore in the process plant housed under a dome for year-round operations capability.

Following a review of the resources available and the Project's economics, TSMC decided to increase annual production to 6.0 million tonnes per year with the addition of 1.8 million tonnes of direct shipping ("**DS**") grade (~60%+Fe) sinter feed fines and lumps, using a simple dry crushing and screening process.

In order to initiate DS grade product operations, mine development began in August, 2012 in the Timmins 4 deposit. The work consisted of overburden and waste removal in the pit and preparation of the crushing and screening plant area. A portable dry crushing and screening plant was set up by a contractor and the mining operation began to feed the plant on September 10, 2012. The screened products were then stockpiled near the plant since the rail link to TSH was not yet completed. Approximately 300,000 tonnes were produced in 2012.

Mining activities resumed in mid-June 2013. In addition to the activity at Timmins 4, work started on the preparation and mining of the Fleming 7N deposit. ROM ore to feed the dry crushing and screening plant was thus mined from both deposits. In order to commence the marketing and shipping of the DS grade products while the Sept-Iles Port Authority's ("**SIPA**") new multiuser dock was being constructed, TSMC on July 4, 2013, concluded a confidential agreement for the sale of its iron ore production to IOC, which, in turn, would re-sell and ship the products using its marketing organization and stockpiling and shiploading terminal at Sept-Îles.

Since the rail link to the TSH line was still under construction, products from the plant site were hauled by truck to Silver Yards junction, owned and operated by LIM for loading into rail cars. On July 11, 2013, the DSO Project's first train with saleable product was loaded for delivery to IOC's terminal at Sept-Iles.

On September 14, 2013 the Project's first cargo totaling approximately 77,000 tonnes of sinter fines was shipped to Tata Steel Europe's plants. A second vessel, with a cargo of approximately 166,000 tonnes of sinter fines, departed Sept-Îles on November 10, bound for China.

At the end of the 2013 operating season, approximately 700,000 tonnes of ore was stockpiled at the mine. Some of this material was delivered to IOC's terminal in 2014, but haulage and shipping activity was held back by delays in receiving final permitting for the newly built KéRail spur line, coupled with a delay caused by a derailment on the QNS&L rail line in November, and only one further trial cargo for Tata Steel Europe could be despatched before the end of the operating season.

Howse Agreement

As discussed in the **Three Year History** section earlier in this document, TSMC entered into a multi-faceted framework agreement with LIM on March 12, 2013, involving the development of LIM's Howse deposit and cooperation in transportation and port infrastructure development.

These arrangements were formalized on September 18, 2013, when TSMC signed definitive agreements with LIM to form a joint venture to develop the Howse deposit and a number of inter-related agreements with different parties including LIM regarding rail access for hauling the products from the project to the port.

Details of both the agreements and resulting project development activities were as follows:

- TSMC and LIM agreed to form an unincorporated joint venture (the "**Joint Venture**") pursuant to which Howse Minerals Limited ("**HML**"), a wholly owned subsidiary of TSMC, had acquired an initial 51% participating interest in the 39 staked mineral claims that together comprise the Howse Deposit (the "**Property**") for a total cash consideration of $30 million. NML expected to be requested to provide a pro rata contribution of up to C$6 million for this payment, of which $4.7 million had been contributed to date as a loan to TSMC. TSMC was the initial operator of the Joint Venture (the "**Operator**").
- LIM was initiating a C$5 million exploration program over the course of the 2013 calendar year. The exploration program comprised drilling a targeted 70 holes of reverse circulation and diamond drilling with up to 10,000 meters of drilling. The objective of the drilling program was to convert the historical resources to NI 43-101 compliant mineral resources and to

collect metallurgical, geotechnical, hydrogeological, and hydrology information to advance Howse towards production. A feasibility study would also be carried out.

- In order to increase its interest in the Joint Venture to 70%, TSMC was required to invest an additional C$23.5 million in expenditures to the Joint Venture. Once TSMC had contributed this amount, TSMC and LIM would be required to contribute their respective pro-rata share of additional required contributions. Considerable savings were expected to be achieved in the TSMC mining plan due to the accessibility of the Howse deposit to the TSMC processing plant.
- After TSMC had earned its 70% participating interest in the Property, each Party would be obligated to contribute funds in response to any cash call by the Operator approved by the management committee established pursuant to the Agreement to oversee the activities of the Joint Venture and the Operator (the "**Management Committee**") in proportion to their respective participating interests in the Property. To the extent that a Party did not fund as required by a cash call, its participating interest would be reduced accordingly. If a Party's interest became less than 10%, such Party would be deemed to have withdrawn from the Joint Venture and would be deemed to have transferred its entire participating interest to the other Party.
- The Management Committee established pursuant to the Agreement would consist of between two and four members, with one to two members appointed by each of LIM and TSMC. The chairman of the Management Committee would be appointed by the Party having the greater participating interest. Certain decisions would require the approval of 85% or more of the participating interests.
- If the Property was not in commercial production by June 1, 2017, LIM would have the right, subject to certain stated conditions, to require TSMC to sell to LIM such portion of TSMC's participating interest such that each of the Parties would own a 50% participating interest, and LIM would replace TSMC as the Operator.
- The Operator would commence a feasibility study as directed by the Management Committee, which would set forth a plan for the optimization by the Operator of the costs and logistics in connection with the mining, processing and transportation of iron ore product from the Property.
- The Parties would negotiate in good faith an agreement for the beneficiation of the iron ore produced by the Joint Venture at TSMC's plant located at the Timmins Area and such agreement would be on mutually agreed terms on an arm's length basis.
- The construction of a rail link between TSMC's Timmins Area processing plant to LIM's Silver Yard was underway to establish access to the TSH main line. Considerable savings were expected to be realized due to utilization of certain existing rail infrastructure and more direct access to Silver Yard. The final surface rights and construction permits required by the parties from the Government of Newfoundland and Labrador had been received to permit construction of the last portion of the rail link to Silver Yard.

Howse Status at End of 2014

An exploration program was carried out in two phases over 2013 and 2014, and completed. The program comprised 6,273 meters of drilling in 57 boreholes, including 6 condemnation holes. Its main objective was to convert the Howse deposit's historical resources to NI 43-101 compliant mineral resources. In parallel, a hydrogeological drilling program and a preliminary geotechnical assessment report were also completed.

The work undertaken to date enables confirmation of the historical Howse resource and also provides information for mine planning to bring the deposit into production. At year's end, a feasibility study on Howse was in progress.

DSO Project Chronology and Status at End of 2014

2010 – 2011

- Formation of Tata Steel Minerals Canada joint venture (80% Tata/20% NML) as owner – operator.
- Dedication of 4.2 Mtpy processed ore project, site preparation and start of construction.
- Drilling program increases NI 43-101 compliant resources.

2012 – 2013

- Construction of landmark dome and framework begins.
- Initial mining, crushing and screening to produce saleable ore.
- Drilling program further increases Project's compliant resources.
- Continued trial production and start of rail haulage of ore to Port of Sept-Îles.
- Formation of joint venture to develop Howse Deposit.
- Trial cargoes to Tata Steel Europe and China.
- Project rerated to 6.0 Mtpy.
- First sales of DSO products.

2014

- Final stage of processing plant construction and equipment installation.
- Project 85% constructed, with Engineering and Purchasing activities close to completion.
- Completion of KéRail spur and civil work for multi-user dock at Sept-Îles.
- Further shipping to Tata Steel Europe.
- Operational readiness process and team established.

THE TACONITE PROJECT

The Taconite Heads-of-Agreement

On March 6, 2011 the Company entered into the Taconite HOA in respect of the development of certain taconite deposits, namely the LabMag deposit and the KéMag deposit, collectively referred to the Taconite Project. Under the Taconite HOA, TSG shall participate in the development of the Taconite Project Feasibility Study and in exchange for an option to own a portion of the Taconite Project it will pay NML 64% of the costs related to the study. TSG and the Company agree to enter into a binding joint venture agreement upon the successful completion of the Taconite Project Feasibility Study and TSG electing to develop one or both of the deposits. After formation of the joint venture, the Company will have the opportunity to hold a 36% equity interest in the Taconite Project, including a 20% free carry equity interest. In addition, the Company will have a 4% right of first refusal on future equity sales by TSG to increase its equity interest to a maximum of 40%, based on a maximum capital expenditure of up to CAD$4.85 billion if both deposits are developed and up to CAD$4.68 billion and up to CAD$3.76 billion, respectively, if only the KéMag or LabMag deposits are developed. Arranging debt financing for the Taconite Project shall be the responsibility of TSG.

The techno-economic results of the Feasibility Study were announced on March 27, 2014, and present a compelling case for a profitable, successful, long-term operation. The shared conclusion of NML and Tata Steel is that the results demonstrate Project viability, and together NML and Tata Steel are proceeding with addressing key parameters on a timely basis in order to complete remaining aspects of the Feasibility Study required to enable an investment decision by Tata Steel. These include working with governments on the selection of an appropriate Project scenario; completion of environmental assessment work, reviewing refined process models that would permit a ramp-up of production; improve operating expenditures and reduce initial capital costs; and update financial modeling to make the Project investor and lender ready.

Met-Chem was engaged to compile the LabMag Technical Report and the KéMag Technical Report. These reports were completed and filed on SEDAR in May 2014 and there were no material differences between the reports and the study results announced in March 2014.

The summaries of the LabMag Project and the KéMag Project below have been extracted from the summary sections of the respective reports, entitled, *NI 43-101 Technical Report on the Feasibility Study on LabMag Taconite Project – Final Report*, and *NI 43-101 Technical Report on the Feasibility Study on KéMag Taconite Project – Final Report*. Both the LabMag Technical Report and the KéMag Technical Report were prepared by Yves Buro, Schadrac Ibrango, Jeffery Cassoff, Luc Belanger, Eric Giroux, Pierre Julien, Joe Poveromo, Michel Bilodeau and Charles Cauchon of Met-Chem and were filed on SEDAR at www.sedar.com on May 12, 2014, and are incorporated by reference herein. Both the LabMag Technical Report and the KéMag Technical Report were prepared for the Company in accordance with NI 43-101 by "qualified persons", as defined in NI 43-101. Defined terms used in this summary shall have the meanings ascribed to such terms in the LabMag Technical Report and the KéMag Technical Report, as applicable.

The information included or incorporated by reference herein is based on assumptions, qualifications and procedures which are set out in the LabMag Technical Report and the KéMag Technical Report. For a complete description of the assumptions, qualifications and procedures associated with the following information, reference should be made to the full text of the LabMag Technical Report and/or the KéMag Technical Report.

LABMAG PROJECT

The Partnership holds a 100% interest in the Licences that constitute the LabMag Property containing iron deposit(s) in the Howells River area of Labrador. The Company holds an 80% interest in the Partnership, while the remaining 20% interest is held by the Naskapi LabMag Trust. The LabMag Property is situated in Western Labrador, Elross Township, centred about 30 km to the northwest of the town of Schefferville, Québec. The area is within a finger-shaped part of Labrador enclosed on three sides by the height of land marking the inter-provincial boundary with Québec. The LabMag Property is located approximately 220 km north of Labrador City, Province of Newfoundland and Labrador, and 610 km north of Sept-Îles, Québec.

Introduction

Innu SNC Lavalin Limited Partnership ("**ISLLP**") was retained in November 2011 to conduct the Taconite Feasibility Study. ISLLP in turn appointed sub-consulting services to cover some aspects of the study, namely Met-Chem to develop the mining plans, capital and operation costs estimates and BRASS, a slurry transportation specialist, to conceive the slurry transportation system.

NML and TSG appointed Met-Chem to undertake the geological and resource estimation studies, Outotec GmbH to design and estimate the pelletizing facilities including the dewatering of slurry, World Steel Dynamics ("**WSD**") and Papillon Mineral Services for the market studies and SNC Lavalin Environment for the input regarding the environmental studies, permitting, social and community impact. Based on the above, NML and TSG provided ISLLP with chapters on Geology and Mineral Resources, Filtration and Pelletizing, as well as Marketing.

NML and the NNK hold 80 % and 20 % interests, respectively, in the Mineral Licenses that constitute the Howells River taconite iron ore deposit in the Province of Newfoundland and Labrador, Canada. The Property is located approximately 30 km northwest of Schefferville, Quebec.

The deposit was explored by IOC in the early 1960s and considerable drilling, sampling and test work was done. The majority of the claims were held by IOC until 1980, when the land reverted to the Crown. The claims were then held by a number of other entities until the lands again reverted to the Crown in

2002, at which time the property of 256 claims covering an area of 64 square kilometres was acquired by LabMag Mining Corp. ("**LMC**"), which in turn sold it to NML.

Property Description and Location

The LabMag Property, previously known as the Howells River Iron Property, is situated in Western Labrador, in Elross Township, about 30 km to the northwest of the town of Schefferville, Quebec and 510 km north of Sept-Îles, Quebec. The Property area is enclosed on three (3) sides by the height of land marking the provincial boundary with Quebec.

The Property is comprised of nine (9) contiguous licenses extending along a northwest direction and made up of a total of 900 claims covering an area of 22,500 ha. All the licenses are recorded under the name of LabMag GP Inc., a company registered in the Province of Quebec, on behalf of the Partnership NML owns 80 % of LabMag GP Inc. and the Partnership, whereas the NNK owns the remaining 20 %. All the mineral licenses are active and in good standing. The drilled portion of the deposit is located in the central sector of the original license staked in 2002.

Accessibility, Climate, Local Resources, Infrastructure and Physiography

The LabMag Property is accessible by well-maintained roads for 25 km northwest of the town of Schefferville, then for five (5) to ten (10) km by pick-up truck over a road and a bridge crossing the Howells River south of Rosemary Lake. No roads connect Schefferville to the populous south, and access is by either airplane or by train.

The LabMag Project area is under the influence of sub-arctic continental climate conditions experiencing very severe winters and cool summers. Schefferville survived despite the closing of the iron mines in 1982 and has experienced an influx of workers since 2011 principally triggered by the re-start of exploration and iron production in the region.

Schefferville provides basic services, supplies and equipment, contractors and charter flight operators. However, a significant portion of the labor force required for a mining operation at LabMag would probably come from other parts of Eastern Canada and training programs will certainly be required.

History

Labrador Mining and Exploration Co. ("**LME**") and IOC conducted reconnaissance mapping and airborne magnetic surveying between 1949 and 1961. Different phases of ground and airborne geophysical surveying, drilling and metallurgical test works started in 1961 and were carried out until 1979.

The LME deposit was explored by IOC in the early 1960s and the majority of the claims held by IOC until 1980 and later by other parties reverted to the Crown in 2002. In 2002, LabMag acquired the ground of the LabMag Property comprising 256 claims covering an area of 64 km^2 and signed a partnership agreement with the NNK in 2003. In August 2003, NML was formed as a capital pool company listed on the TSX Venture Exchange. In August 2004, the LabMag deposit was acquired and held through the Partnership in which NML held 80 % and NNK retained the remaining 20 %.

Geological Setting and Mineralization

The LabMag Property is located in the western margin of the Labrador Trough that extends for more than 1,000 km, from Ungava Bay to Lake Pletipi in Quebec. The belt is about 100 km wide in its central part and narrows considerably to the north and south. The Grenville Front crosses the southern part of the Trough. The rocks in the Labrador Trough are subdivided into an upper volcanic-dominated suite (Doublet Group) and a lower sedimentary sequence (Knob Lake Group) that includes the Sokoman Formation hosting the iron formations found in the region.

The units of the Knob Lake Group underlie the majority of the Property and lie on Archean gneiss. The Sokoman formation is essentially undeformed, strikes northwest and has a shallow dip to the northeast. The iron formation at LabMag has been explored by diamond drilling over a strike length of 9.5 km (Blocks A, B and C) and it extends beyond the northwest and southeast Property boundaries.

The Sokoman formation has been broken down into individual stratigraphic units on the basis of facies. The taconite at LabMag consists mostly of alternating small-scale beds of chert or jasper and massive or disseminated magnetite, with subordinate amounts of hematite and martite. Gangue minerals are represented by iron silicates, iron and manganese carbonates. Alumina, sulphur and phosphorus generally occur at low levels in the iron formation.

Deposit Types

The LabMag iron deposit consists of magnetite Banded Iron Formation ("**BIF**") of the Lake Superior type. BIFs are sedimentary rocks composed of alternating mm- to cm-scale beds of quartz (chert or jasper) and iron oxides (predominantly magnetite and hematite). Variable amounts of gangue minerals, mostly silicates, carbonates and sulphides are present. Banded iron formations have greater than 15 % iron content and represent the principal sources of iron throughout the world and are mined in the Great Lakes region of the United States. The Lake Superior-type BIF are associated with typical shelf-type sedimentary rocks with minimal volcanic input and most formed during the Paleoproterozoic era.

The exploration model used by LabMag to design the exploration activities and the drilling is principally based on the interpretation of the drill data indicating the presence of gently dipping, Superior-type iron formation (taconite).

Exploration

Historical exploration in the LabMag region has consisted principally of field mapping, sampling, drilling, an aerial photographic survey as well as ground and airborne magnetic, gravity and EM surveys. Grab as well as bulk samples from various units were collected and submitted to analysis, Davis Tube ("**DT**") tests, specific gravity ("**SG**") measurements and metallurgical test work.

Resource estimates were completed following the main phases of drilling. Cumulatively, the exploration and development work allowed estimating NI 43-101 compliant Mineral Resources in the three (3) blocks encompassing the drilled area.

Drilling

Historical drilling by IOC (1968 – 1979) on the three (3) blocks of the Property consisted of percussion "Exploration Test Holes" (not used in the present resource estimation.) and "Tonnage Drill Holes" (diamond drill holes). A cumulative total of 5,591 m were drilled in 55 holes used in the present resource estimate.

In 2004, NML drilled 59 holes in Block A to provide suitable data to delineate Indicated Mineral Resources and 13 holes in Block B. The 2004 program included two (2) twin holes.

The 2005 drill program was comprised of a total of 8,630 m. Sixty-four (64) holes, including two (2) abandoned and four (4) twin holes, were drilled in Block A in order to enable upgrading of the mineral resource estimate. Forty-two (42) holes, including two (2) twin holes, were drilled in Block B to provide enough new information for an initial Mineral Resource estimation.

In 2006, 33 holes were drilled to better characterize the mineralization in Block C and to convert Indicated Resources in Block A into Measured Resources.

Sample Preparation, Analysis and Security

IOC systematically sampled the drill core at 1.52 m and 3.04 m [five (5) ft and ten (10) ft] intervals. Considering the holes were vertical and intersected a shallowly dipping iron formation, a 1.52 m sample represents about 1.50 m (4.9 ft) of mineralization.

Prior to 1979 drilling, the DT concentrates were prepared from samples pulverized to -200 mesh and Satmagan determinations and ferrous iron determinations were only done on some of the core samples. The crude samples from the holes drilled in 1979 were pulverized to -325 mesh to obtain the DT concentrates. The crude and the concentrate were assayed for iron, silica and trace elements. Satmagan measurements were made on all crude samples. The Davis Tube Weight Recovery ("**DTWR**") for the first three (3) drilling campaigns is therefore not directly comparable to those for the 1979 drilling. Most of the laboratory work for samples was done at the IOC laboratories.

For the 2004 to 2006 drill programs, stratigraphic units were individually sampled, unlike the fixed sample length approach of the earlier IOC drill programs. Sample lengths varied from 1.5 m to 7.6 m (5 to 25 ft).

All the split core samples were sent to Midland Research Center ("**MRC**"), Nashwauk, Minnesota, U.S.A., for chemical and DT analyses. Assays were performed on all the crude samples (total iron) and -325 mesh concentrates (iron, silica and %DTWR). Approximately 40 to 50 % of concentrate samples were analyzed for multi-elements by Inductively Coupled Plasma ("**ICP**"), for Sulphur by Leco. Ten (10) percent of the concentrate samples were submitted to Satmagan analysis and ten (10) to fifteen percent of the crude samples were composited and analyzed for minor elements by ICP, Sulphur by Leco, Loss on Ignition ("**LOI**"), and submitted to Satmagan analysis and specific gravity determination by pycnometer.

LabMag's QA/QC protocols in 2004 included the use of duplicate samples as follows:

- Fourteen (14) half (½) core saves re-submitted to MRC;
- Ten (10) percent of the samples sent to Lerch Brothers Inc. ("**LBI**") for re-determination of TotFe on crude samples and TotFe and SiO_2 on Davis Tube Concentrate ("**DTC**").

In addition, LabMag requested Watts, Griffis and McOuat Limited ("**WGM**") to audit the MRC laboratory. WGM's audit included the selection and shipment of six (6) DT concentrates and five (5) repeat DT tests on -10 mesh samples were submitted to two (2) independent laboratories (LBI and SGS) for duplicate chemical analyses, DT testing and spectrographic analysis.

WGM commented that the X-Ray Fluorescence ("**XRF**") method used by SGS yields faster results than the wet chemistry and ICP analyses by MRC for only minor differences in the results. WGM found that the results for analysis of all products at SGS confirmed the quality and accuracy of the MRC results.

WGM also sent seven (7) batches of 12 drill core rejects and DTC samples for re-assay by LBI. Since the first batches had been contaminated by metallic iron, MRC re-assayed all the DT concentrates from the initial 20 holes and devised a formula to correct the error. Twelve (12) DTC samples were re-analyzed for metallic iron, after pulverizing in a ceramic mortar and pestle, as a final check on the possible presence of contamination.

MRC's Internal Laboratory Protocols included daily assay of standard reference materials for iron and silica and re-assay for iron of 40 DT concentrates. WGM believes that LabMag's 2004 assay results were accurate and reliable.

LabMag's QA/QC Program of 2005 included several batches of samples submitted to different analyses. Sixty (60) head and DT concentrate samples selected by MRC were re-assayed by SGS.

WGM believes that the check assay program illustrates that MRC's analytical data in terms of TotFe, DTC Fe and SiO_2 are of high quality, although some uncertainty remains in the reliability of the DTC Fe results. Thirty-six (36) 2004 and 2005 sample pulps originally analyzed at MRC randomly selected by LabMag were re-submitted to MRC. The head samples were re-assayed for TotFe and their DTC were re-assayed for total iron and silica. The sample pairs with the greatest differences were subjected to another blind assay.

LabMag concluded that the results indicated a good level of confidence in the results reported by MRC. WGM agreed that the results as reported indicate a good level of laboratory precision for the 2005 program. Twelve (12) second half (½) core samples selected by LabMag were submitted to the MRC laboratory for TotFe and DTC Fe and SiO_2 analyses. WGM is of the opinion that the data for all parameters are well correlated considering the inherent variance from one half (½) of the core to the other half (½).

LabMag's 2005 program also included the drilling of four (4) twin holes on Block A and two (2) twin holes on Block B, in order to further verify historical IOC results.

The routine internal QA/QC program carried out by MRC included daily assay of standard reference materials for iron and silica, re-assay for iron of duplicate DT concentrates and random selection of 10 to 15 % of all DT tail samples for Fe analysis.

LabMag's QA/QC protocols in 2004 and 2005 did not include in-field insertion of standard and blank materials into the sample stream.

No information was available to Met-Chem on the QA/QC Program for the 2006 drill program.

Data Verification

WGM completed two (2) site visits to the Property in 2004 and reviewed LabMag's drilling, core handling and sampling procedures and generally confirmed that they were appropriate and to industry standard. WGM also audited the MRC laboratory facilities in 2004 and independently collected five (5) second half (½) core samples, six (6) drill core rejects and 15 drill core pulps for re-analysis at SGS.

Two (2) holes drilled by IOC in Block A were re-drilled during the 2004 drilling program to compare the assay results and DT test results. Four (4) twin holes were drilled in Block A in 2005 and two (2) in Block B, in order to determine whether the historical results could be used with the more recent results in the Resource Estimate.

Generally, WGM believes that the historical data are probably not of the same standard as the more recent holes. These conclusions by WGM were based on the belief that LabMag's analytical data are of good quality, as shown by check assay results done by SGS in 2005 and LBI in 2004. However, since more drilling has been done since, the historical results have taken a decreased importance.

The LabMag Property was visited by Met-Chem's Senior Geologist, Yves A. Buro, Eng., in November 2005 and no issues that may have a significant impact on the reliability of the data collected were observed. A second visit by Yves A. Buro, Eng., and Schadrac Ibrango, P. Geo., Ph.D., both Senior Geologists at Met-Chem, took place in September 2012. Met-Chem independently selected 56 samples from the LabMag deposit and the analytical results on the crude samples showed a high correlation between the original and the check samples.

The previous Resource Estimates were completed using the density determined by the pycnometer method, without correction for the effects of porosity and permeability. At Met-Chem's recommendation, NML requested the sample preparation laboratory in Chibougamau (*Table Jamésienne de Concertation Minière*) to perform bulk density determination on 167 samples from the LabMag deposit.

Mineral Processing and Metallurgical Testing

The test work carried out by NML since the start of the initial pilot plant tests in 2005 sought to characterize the ore and establish the process flow sheet and design criteria that would allow development of an efficient and economical process. The process has evolved through various stages of development to prepare an optimized feed for the production of quality pellets with a low silica grade for both blast furnace ("**BF**") and direct reduced ("**DR**") iron based steelmakers.

The final flow sheet is composed of primary crushing followed by screening, secondary crushing in closed circuit and High Pressure Grinding Rolls ("**HPGR**") in closed circuit with screens. The screen undersize, at -3 mm, pumped to cobbers where a final tail is rejected to hydroseparators to remove the coarser material while the cobber concentrate is cycloned. The coarse fraction is returned to the ball mill while the fines joined the mill discharge and are pumped to a second stage of cyclones. The cyclone underflow is returned to the ball mill and reground while the cyclone overflow is deslimed in hydroseparators and pumped to the finishers. The finisher concentrate is screened to remove the coarse material which is not ground to liberation yet and is returned to the ball mill. The screen undersize is final concentrate and can go the thickener and to the flotation plant to be upgraded if lower final silica is required.

The main features of the process are the use of secondary crushing with HPGR which reduce substantially the power requirement and grinding cost and, when required for low silica DR pellets, the use of a flotation plant.

Mineral Resources Estimates

Although no drilling was performed following the last Resource Estimate by Geostat in 2007, Met-Chem re-estimated the resources after introducing changes in the drill hole database and the geological interpretation. In addition, Met-Chem calculated new regression functions to correct densities as a function of secondary porosity and iron content and to convert the DT results from the historical samples (1970 and 1971) ground to -200 mesh into the equivalent -325 mesh achieved in the more recent samples.

Met-Chem added a vertical mafic dyke cutting the LabMag deposit that was missing in the previous models. The estimate was done in accordance with NI 43-101 and the guidelines on the resource classification adopted by the CIM (November 2010).

Two hundred sixty three (263) holes were used to interpolate blocks constrained within surfaces (top and bottom) related to each geological seam. These included 55 historical holes drilled by IOC between 1968 and 1979, for which only TotFe % was used in resource interpolation since issues related to the effective grind size of the Davis Tube samples appeared when validating the drill hole database.

Variograms were generated to analyze the spatial continuity of the mineralization and determine the suitable parameters for grade interpolation. A block model was created using the MineSight® software package and Mineral Resources were interpolated on a seam by seam basis. The resource interpolation was performed using the Inverse Distance Weighted to the power of 2 ("**IDW2**") and Ordinary Kriging ("**OK**") was used to validate the results of IDW2.

A summary of the Mineral Resources provided in the following Table 1 are reported to a cut-off grade of 18 % DTWR and are not constrained to a pit.

The estimate of Mineral Resources may be materially affected by environmental, permitting, legal, title, socio-political, marketing, or other relevant issues. However, Met-Chem is not aware of any known issues that would materially affect the Mineral Resource.

Table 1: Summary of the Mineral Resources – (Cut-Off of 18 % DTWR)

Resource by Category	Tonnage (Mt)	TotFe (%)	DTWR (%)	Concentrate	
				Fe (%)	SiO_2 (%)
Measured	3,689	29.81	26.18	69.93	2.10
Indicated	632	29.24	25.03	70.08	2.00
Measured + Indicated	**4,321**	**29.73**	**26.01**	**69.96**	**2.09**
Inferred	1,063	29.64	25.22	69.88	1.85

The quantity and grade of reported Inferred Mineral Resource in this estimate are uncertain in nature and there has been insufficient exploration to define the Inferred Mineral Resource as Indicated or Measured Mineral Resource and it is uncertain if further exploration will result in upgrading them to Indicated or Measured categories. Mineral Resources which are not Mineral Reserves do not have demonstrated economic viability.

Mineral Reserve Estimates

The Mineral Reserves are the portion of the Measured and Indicated Mineral Resources that have been identified as being economically extractable and which incorporate mining losses and the addition of waste dilution. The Mineral Reserves for the LabMag deposit have been developed using best practices in accordance with CIM guidelines and NI 43-101 requirements.

A pit optimization analysis was carried out on the Mineral Resource block model to determine the appropriate cut-off grades and to what extent the deposit can be mined profitably. The pit optimization for the LabMag deposit was done using the MS-Economic Planner module of MineSight® Version 7.05. The optimizer uses the 3D Lerchs-Grossman algorithm to determine the economic pit limits based on input of mining and processing costs and revenue per block. In order to comply with NI 43-101 guidelines regarding the Standards of Disclosure for Mineral Projects, only blocks classified in the Measured and Indicated categories are allowed to drive the pit optimizer. Inferred Resource blocks are treated as waste, bearing no economic value.

The pit optimization analysis determined that the ultimate pit limits for the LabMag deposit should be based on a minimum DTWR cut-off of 21.5 %. In order to ensure a high quality concentrate product with a SiO_2 value below 2.1 %, the optimization analysis also determined that a maximum SiO_2 cut-off of 4.0 % should be applied. The Measured and Indicated Mineral Resources that are contained within the ultimate pit limits and meet the cut-off grade criteria have been converted into Class 1 Proven and Probable Mineral Reserves. The Measured and Indicated Mineral Resources that are contained within the ultimate pit limits but do not meet the cut-off grade criteria have been converted into Class 2 Proven and Probable Mineral Reserves. This material will be stockpiled close the plant site for future processing once the Class 1 Mineral Reserves are depleted.

After the completion of a detailed pit design and the addition of mining losses and waste dilution, the Mineral Reserves for the LabMag deposit have been estimated to include 3,321 Mt of Proven Mineral Reserves and 611 Mt of Probable Mineral Reserves for a total of 3,932 Mt. In order to access these reserves, 69 Mt of overburden, 554 Mt of Menihek Shale and 135 Mt of Inferred Mineral Resources must be mined. This total waste quantity of 758 Mt results in a stripping ratio of 0.19 to 1. The Class 1 Mineral Reserves for the LabMag deposit contain an average DTWR of 27.0 %, an average TotFe of 29.8 %, an average Fe in the concentrate of 69.9 % and an average SiO_2 in the concentrate of 2.1 %. The Class 2 Mineral Reserves for LabMag contain an average DTWR of 20.4 %, an average TotFe of 28.8 %, an average Fe in the concentrate of 69.5 % and an average SiO_2 in the concentrate of 2.6 %. Table 2 presents the Mineral Reserves for the LabMag deposit.

Table 2: LabMag Mineral Reserves by Category

Category	Tonnage (Mt)	DTWR (%)	TotFe (%)	Concentrate	
				Fe (%)	SiO_2 (%)
Class 1					
Proven	2,885	27.1	29.9	69.9	2.1
Probable	525	26.2	29.3	70.0	2.0
Proven & Probable	3,410	27.0	29.8	69.9	2.1
Class 2					
Proven	436	20.5	28.6	69.3	2.7
Probable	87	20.4	29.7	70.1	2.2
Proven & Probable	**523**	**20.4**	**28.8**	**69.5**	**2.6**
Total					
Proven	3,321	26.2	29.8	69.9	2.2
Probable	611	25.4	29.3	70.0	2.0
Proven & Probable	**3,932**	**26.1**	**29.7**	**69.9**	**2.2**

Note: The totals may not add up due to rounding errors.

Mining Methods

The mining method selected for the Project is conventional truck and shovel. Vegetation and topsoil will be cleared using a mining contractor and be carried out with a fleet of dozers, small excavators and articulated haul trucks ahead of the mining operation. Suitable organic material will be stockpiled for future reclamation use. Overburden will then be stripped using a fleet of excavators and hauled to the overburden dump. The ore and waste rock will be mined with 15 m high benches, drilled and blasted then loaded with large mining shovels into a fleet of rigid frame trucks which will haul the material either to the waste dump, the Class 2 ore stockpile or the primary crushers.

The mining operations for the Project will be 365 days per year, operating around the clock on two (2), 12 hour shifts. A total of seven (7) days per year have been accounted for when the mine will be shut down due to severe weather conditions. These conditions may occur during peak rainfall or snowfall periods or at times when the ambient temperature is extremely low.

Even though the Mineral Reserves can support a 40-year mine plan at the planned production rate, the feasibility study was limited to a 25-year mine plan. In order to carry out this mine plan, a smaller pit was designed within the ultimate pit limits. This pit was designed to ensure that the Mineral Reserves that remain following a 25-year operation can be mined and processed at a profit. In other words, for the remaining pit, the DTWR of the Class 1 ore is close to 27.0 %, the SiO_2 in the concentrate is close to 2.1 % and the stripping ratio is around 0.2 to 1.

The 25-year mine plan is based on an annual production of 22 Mt of concentrate. This production is divided in 16 Mt of concentrate which will yield 17 Mt of BF and DR grade pellet and 6 Mt of pellet feed. The mine plan has a ramp up of 60 % in Year-1 (13.2 Mt of concentrate) and 85 % in Year-2 (18.7 Mt of concentrate) before reaching full capacity in Year-3. The mine plan incorporates blending of the different rock types in order to minimize the variations in hardness of the material that is sent to the plant and to

supply a constant run of mine feed that is as close to a DTWR of 27 % and a value of 2.1 % SiO_2 in the concentrate as possible.

During peak production, the total number of 363-tonne haul trucks is expected to reach 35, along with seven (7) shovels, ten (10) production drills and a large fleet of support and service equipment. The total mine workforce during peak production is expected to reach 511 employees.

Recovery Methods

Concentration

The process design for the LabMag concentration plant is based on extensive laboratory and pilot plant test work performed from 2005 to 2012 by NML and supplemented by suppliers' test work to support their equipment selection.

The process plant is designed to treat approximately 88 Mt/y of taconite ore (dry basis), at a DTWR of 27% and Fe grade of approximately 30 %. Any hematite present will not be recovered. Operating 358 days per year 24 hours per day with at an availability of 92%, (at a nominal rate of 10,026 t/h) the process plant will recover a nominal 22 Mt/y of concentrate (2,491 t/h, dry basis after flotation). The concentrate product quality will be such that DR grade and BF grade pellet feed can be produced as needed. The plant design is based on a 25-year plant life.

The basic process flow sheet consists of primary and secondary crushing and screening circuits feeding HPGRs for dry comminution. After cobbing, the liberation of the iron bearing mineral (magnetite) is completed in a wet grinding circuit. Concentration stages include besides cobbing, roughing and finishing with low intensity magnetic separators. The undersize final concentrate is sent to the thickener and the slurry storage tanks or to the flotation plant for low silica.

HPGRs in combination with secondary crushing have been selected to replace the conventional SAG mill for the primary grinding circuit. The main advantages of HPGR over other mills are their low energy consumption, high reliability, simplicity and ability to dry grind. They also require no grinding media. NML has done extensive pilot scale testing of HPGR for grinding its taconite ore, which is a very hard and abrasive material and the three (3) major HPGR suppliers have successfully tested the ore.

Depending on the product silica level required at the pellet plant, part or all of the concentrate will be floated. Final concentrate will be thickened and pumped to the slurry storage tanks for transport via the concentrate slurry transportation system (616 km).

To produce low silica BF fluxed or DR grade pellets, the concentrate must contain 2.2 % and 1.5 % silica, respectively, so four (4) flotation lines each with rougher, regrind down to a P_{80} of 18 µm and cleaner have been added to reduce the silica grade. All flotation steps will use tank type flotation cells. Regrinding will be performed in fine ore mills and classified by hydrocyclones.

Concentrator coarse tailings are dewatered for dry stacking disposal. Fine tailings are thickened, pumped and deposited in the tailings storage facility as slurry. The decanted water will be recycled to the process plant.

The feasibility study design is based on placing tailings in a relatively flat terrain using conventional dykes. This implies that the Tailings Management Facilities ("**TMF**") will be located on the mineral reserve and will have to be reclaimed to an alternate location after a number of years of operation. The mine plan will allow for enough storage area to be available in the mine pit after eight (8) years of excavation, at which point it is planned to start impounding in the pit the fine tails produced by the concentrator. Two (2) other conceptual options, are also being considered as a potential permanent solution.

Pelletizing

Outotec's mandate was to engineer the filtration, additives preparation, balling and pelletizing for two (2) pellet lines each with 8.5 Mt/y of capacity plants complete with capital and operating cost estimates and design criteria. The plants will be located in Pointe-Noire adjacent to the stockyard and near the shipping facility, and all support facilities such as slurry reception, thickening, product handling, stockpiling and reclaim to ship loading are by ISLLP.

Based on SGA and Outotec joint test work in 2012, a second round of tests was undertaken in 2013 at Outotec's facility to fine-tune the design and provide a process guarantee for pelletizing plant throughput and for pellet quality. The physical properties of the indurated pellets such as cold compression strength tumble strength and Abrasion Index met or exceeded the desired levels in most tests, especially in the tests which were used as basis for plant design.

After completion of the 2013 tests, Outotec issued a confirmation letter guaranteeing a nominal annual capacity of 8.5 Mt/y for each 816 m^2 pellet machine. It was also stated that the equipment is expected to ramp up to 9.0 Mt/y after a period of stable and routine operation. Each pelletizing line can produce low silica fluxed BF grade pellets or DR grade pellets.

The production is divided as follows:

- Twelve (12) Mt/y of low silica BF pellets with 2.5 % SiO_2;
- Five (5) Mt/y of DR pellets with 1.8 % SiO_2; and
- Six (6) Mt/y of concentrate for direct sales.

Process and Plant Description

The slurry is received at the port facilities at a density of 65 % solids. Through a slurry distribution system, the slurry is fed to thickeners to raise the density to 72 % solids before being pumped to the four (4) slurry surge tanks.

Twenty-two (22) Mt/y of filter cake, with moisture of eight (8) %, will be produced. Of this, 16 Mt/y of concentrate will be used to produce 17 Mt/y pellets and the remaining six (6) Mt/y will be stored and shipped as an iron ore concentrate for sale.

The pellet plant includes wet grinding of dolomite and limestone and dry grinding of bentonite as well as preparation of an organic binder when required for low silica pellets.

The screened pellets from each line are transported and stored via dedicated conveying and stacking systems in two (2) pellet piles, each having a capacity of 750,000 Mt.

Pellets for ship loading will utilize a common bucket wheel reclaimer having a capacity of 9,200 t/h for both pellet stockpiles. Both pellet and filter cake concentrate for sale will utilize a common overland conveyor on a time sharing basis for transport to the Sept-Îles Port Authority's ship loading facility.

Project Infrastructure

Slurry Transportation System

BRASS was contracted by ISLLP to prepare a study for the taconite slurry transportation system to transport 22 Mt/y of iron concentrate slurry, from the mine site to the terminal station at Pointe-Noire. The slurry transportation system is designed to operate continuously with an operating range bounded by minimum safe limiting velocity, maximum throughput, and solids concentration by weight ("**Cw**"). The

slurry transportation system can only safely transport concentrate within a throughput window equivalent to 18 Mt/y minimum flow and 24 Mt/y maximum. The 616 km slurry transportation system will follow a Labrador/Quebec route. The main pumping station will be located in a building adjacent to the concentrator. There will be one (1) booster pumping station along the line.

The design will adopt a “No Freezing, No Plugging philosophy”, which means that the slurry transportation system will either be buried below the frost depth (no freezing) or if it is buried above the frost line, it will have the necessary reliability and emergency backup equipment to maintain no-freeze conditions during an emergency stoppage and the slurry transportation system slope will be restricted to avoid plugs even if the line is shut down full of slurry.

The 28 inch (71 cm) slurry transportation system will be in a trench under one (1) metre of cover. Where it is not possible to bury the slurry transportation system, an appropriate thickness of insulation and/or heat tracing will be provided, to guard against freezing of the slurry. A protective three-layer polyethylene external coating will mitigate external corrosion. Cathodic protection systems, either active or passive, will be included in the slurry transportation system design.

There are many stream crossings between the concentrator and Pointe-Noire. Trenching will be the preferred method of construction of the crossings while horizontal directional drilling will be used to cross large streams when trenching is impractical or not permitted.

A fiber-optic “backbone” will carry all slurry transportation system communications, including SCADA system and video surveillance of the booster and valve stations, as well as office data and voice telephone channels between the concentrator and the pellet plant. The multi-fiber optical cable will be installed in a conduit in the slurry transportation system trench.

The current pump station design is robust and has full power backup in the form of diesel emergency generators.

High Voltage Electrical Distribution Network

The utility companies will supply three (3) incoming lines at different voltage to each of the Project installation locations, being at mine and process plant area, slurry intermediate pumping station area and at Pointe-Noire and port area.

The plant will be powered by a new 3.15 kV aerial power lines by Nalcor for the LabMag Newfoundland and Labrador portion of the Project and by Hydro-Québec for the Quebec installations.

The expected power requirement for LabMag is 383.4 MW at 0.95 power factor giving 403.6 MVA. The sizing of the 315 kV to 34.5 kV main transformers 112/150/186 MVA, was based on the worst case scenario. However, with the load variations during the study, the sizing can be optimized (slightly on low side) at the detailed engineering phase. The sizing of the 315 kV to 13.8 kV main transformers 54/72/90 MVA, can also be optimized (slightly on high side) at the detailed engineering phase.

The slurry transportation system pumping station 2 (PS2) will be supplied from Hydro-Québec by one (1) line of 34.5 kV from their Poste Normand, near route 389 which is part of the grid that supplies nearby Fermont.

Hydro-Québec will feed the Pointe-Noire and port area at Sept-Îles from their Poste Arnaud with one (1) single line of 161 kV.

Emergency Power Plant

The mine, process plant and pumping station 1 (PS1) will be supplied from one (1) set of three (3) diesel generators. The booster station (PS2) will be equipped with four (4) diesel generators to allow operation in case of power failure. The facilities in Pointe-Noire will be equipped with four (4) diesel generators to cover all the emergency loads requirements.

Explosives Preparation and Storage

All required turn-key infrastructure for the manufacturing and the delivery of bulk explosives as well as for a down-the-hole blasting service will be provided and executed by an explosives supplier who will be under contract. The explosives plant will consist as a minimum of an emulsion plant, a storage area for ammonium nitrate, emulsion and explosives and the support installations.

Roads

The main access road from Schefferville to the mine site will be designed to permit heavy traffic to circulate at normal speed as regulated by provincial governments. The existing gravel road from Schefferville to the mine site will be upgraded.

Access for mine haul trucks and other large equipment to maintenance facilities, diesel fuel service and primary crushing areas are by mine roadways.

Plant roads are used for normal operation traffic, which consists of light vehicles, small personnel buses and freight transport trucks. Site access roads are provided for the main entrance to the facility in order to allow delivery of materials, large personnel buses, and light vehicle traffic. Plant roads and access roads have provision for two-way traffic.

The slurry transportation system travels along the railway for most of its length and the right of way will be shared with the railway and the power lines and occasionally will have to be developed exclusively for the slurry transport system.

At Pointe-Noire, the main access to the facilities will from provincial highway 138. On-site roads will provide access to all facilities including the water treatment pond and access along the site security fence.

Tailings Management Facilities

The tails are divided into coarse and fine tails. The coarse tails are filtered and hauled by truck to a disposal area. The fine tails are pumped to the TMF near the concentrator and the excess water is returned to the plant.

Process Water Pumping Station

A process water pumping station is installed inside the process plant with eight (8) vertical turbine pumps, fixed or variable frequency driven. Each pump delivers the water necessary for one (1) ore processing line.

The two (2) make-up water pipelines discharge in the pumping station basin. Before discharging into the basin, a branch from the pipeline provides water to the fire and potable water pumping station.

The main contributor to the process water basin is the overflow of tailings thickeners. The overflow from thickeners flows by gravity into the pumping station basin. Some additional water comes from the flotation water pump station.

Temporary Construction Camps

Lodging requirements are estimated based on the total construction hours for the Project and the planned schedule. The construction camp for LabMag is presently sized to 1,700 rooms taking into consideration 400 beds of the permanent accommodation complex at the mine will be utilized during construction. The slurry transportation camp is sized at 1,600 rooms. Camp population will include multidisciplinary construction workers, contractors, management staff, service people, owner's representatives, security and visitors. The design of camps have included all required sub-facilities as catering, recreational rooms and others amenities.

Permanent Residential Complex

The accommodation complex will be designed to meet the sleeping, hygiene, dining and recreational requirements for 400 workers and future employees. Each room will be equipped with shower/water closets and all furniture and related equipment. The central kitchen is used to prepare all meals that are served in the central dining area for the operation personnel.

Pellet Storage and Ship Loading

Product from the two (2) pelletizing lines, each having a capacity of 1,073 t/h, are transported to two (2) dedicated rail mounted stackers and discharged on two (2) parallel stockpiles each having a storage capacity of 750,000 Mt. The pellets will be reclaimed by one (1) single 8,000 t/h bucket wheel reclaimer and transported to ship loaders via one (1) 7.6 km long overland conveyor to the transfer tower and ship loading system that will be operated by the Port Authority of Sept-Îles ("**SIPA**").

The concentrate will be shipped via a slurry transportation system and filtered at Sept-Îles facilities. The concentrate filter cake will feed two (2) pellet plants or stocked in a covered stockpile of 600,000 t. The concentrate will be reclaimed by a bridge reclaimer and transferred to ship loaders by the same overland conveyor used for pellet shipments.

Maintenance Facilities

The mine trucks and light vehicles garage and warehouse area is designed for the maintenance of heavy equipment and flexible for light vehicles. It is supplemented by a mine truck washing and tire changing facility.

The port facilities maintenance workshop and main warehouse are sized to support the filtering, balling, pelletizing, stockpiling, reclaim and shiploading equipment.

Boiler Houses and Fuel Storage

For the mine/concentrator site there are two (2) identical boiler house facilities. One (1) boiler house is located adjacent to fire and potable water pumping station. The boilers provide heating for all process buildings and shop areas.

The second boiler house is located adjacent to the main trucks maintenance garage building.

Two (2) diesel storage tanks provide sufficient capacity for mine and process plant operations. Two (2) vehicle refuel stations are provided. One (1) is dedicated to mine trucks and one (1) for light vehicles.

An emergency power plant diesel fuel tank farm provides fuel for diesel generators. Diesel fuel storage is also provided at PS2 and at the port for the emergency generators.

Market Studies and Contracts

World Steel Demand

The iron ore market is directly related to iron and steel production. NML/TS worked with leading steel information analyst World Steel Dynamics Inc. ("**WSD**") to complete a comprehensive, competitive assessment of the Project. The report concludes that the Project has a strong possibility of succeeding in the coming global steel industry environment. As shown in Table 3 below, a low steel demand growth path is expected over the period 2012-2016, followed by a transition in the world economy in 2016-2017 to a scenario which would be a period of good growth for steel demand globally.

The mid to long term forecasts for iron ore demand continue to be promising, driven by continued robust growth in China, India and the developing world. India's production is projected to more than double from 2011 to 2025, with an average annual growth rate of 6.1% over the decade 2016 – 2025. Similarly, although the Middle East/North Africa ("**MENA**") region accounted for just 2.1% of global steel production in 2011 (32.4 Mt), the region is expected to show strong growth in the medium and longer term, driven largely by developments in the Middle East. Over the period 2016-2025, steel production in the region is expected to grow at an average annual growth of 4.5 % per year.

Against this background, WSD sees good market opportunities for the Project. One of the Project's most favorable attributes is the possibility of having TS as an equity investor, as well as off-taker of a substantial portion of production, and with that a core market in the integrated, Blast Furnace/Basic Oxygen Furnace ("**BF/BOF**") steelmaking sector as a supplier to Tata Steel's European operations.

In addition, several factors in WSD's Global Metallics Balance data are especially positive for the Project:

- The expansion of USA steel demand in the next decade, leading to investment in Electric Arc Furnace ("**EAF**") capacity relying on direct reduced ironmaking ("**DRI**") and, in turn, DR grade pellets. Lower natural gas prices in the USA are making the construction of DRI facilities an attractive option for a USA-based steel mill.
- Further expansion of EAF steelmaking in China, the Middle East and Western Europe, the latter two (2) of which, along with the USA, are natural markets for the LabMag Taconite Project.
- Although an overall surplus of steel scrap appears to be developing, the future supply/demand balance for prime scrap is expected to be tight, creating a need for more supply of clean iron units in the form of DR grade pellets, especially as EAF steelmakers move up market into sheet production.

Table 3: World Steel Dynamics' Crude Steel Forecast

Location	2012 (Mt)	2013e (Mt)	2014e (Mt)	2015e (Mt)	2025e (Mt)	CAGR 2014-2025 (%)
Advanced Countries	**464**	**448.7**	**460.8**	**470**	**536**	**1.4%**
Japan	107.2	108.8	110.2	111.0	121.0	0.9%
Western Europe	140.8	132.9	136.9	140.4	158.1	1.3%
United States	88.7	87.0	89.5	92.5	110.0	1.9%
Small Cap. Adv.	126.8	120.0	124.2	126.6	147.0	1.5%

Location	2012 (Mt)	2013e (Mt)	2014e (Mt)	2015e (Mt)	2025e (Mt)	CAGR 2014-2025 (%)
China	717	770	790	802	850	0.7%
Developing World	**368**	**355.3**	**363**	**376**	**486**	**2.7%**
Africa	7.3	6.8	7.2	7.6	10.0	3.0%
Brazil	34.7	33.4	34.0	35.0	42.5	2.0%
CIS	111.5	106.6	108.0	109.0	122.5	1.2%
Eastern Europe	14.2	12.0	12.6	13.5	17.5	3.0%
Developing Asia	21.4	21.5	22.0	24.1	40.0	5.6%
India	76.8	78.5	78.0	82.0	113.0	3.4%
Latin America	31.7	30.0	31.6	34.0	45.0	3.3%
Turkey	35.9	33.5	34.0	34.5	33.9	0.0%
MENA	34.2	33.0	35.1	36.2	62.0	5.3%
World Total	**1,548**	**1,574**	**1,613**	**1,648**	**1,873**	**1.4%**
World Ex-China	831.2	804.0	823.3	846.4	1,022.6	2.0%

Source: WSD estimates

World Pellet Demand

The Project is targeting the production of pellet feed, acid and fluxed pellets for BF/BOF steel making, and DR grade pellets. With its extensive iron ore database, WSD is able to benchmark the quality and cost of the Project's products against competitor parameters, and has concluded as follows:

- BF Pellets – Would be well accepted by any iron making operation as comparable to the best Canadian and Swedish pellets, better than Brazilian pellets, and clearly better than pellets from elsewhere (CIS, India, etc.). Can contribute to improved blast furnace performance at Tata Steel Europe ("**TSE**").
- DR Grade Pellets – Quality will be comparable to the leading producers: Vale, Samarco, LKAB, IOC and Arcelor Mittal Mines Canada.
- Global Cost Curve Position for Pellets – The LabMag Taconite Project would potentially be the lowest cost pellet producer in North America.
- Pellet Feed – Not a question of quality or cost for the Project, but market analysis suggests considerable new supply of fine sized ores in the future. The level of production should be tailored to meet specific market requirements and no more.

Markets for the Project

The Project is expected to require a mix of captive and merchant market sales. Its range of products and a highly competitive cost structure, coupled with access to the new, deep-water ship loading facilities at Sept-Îles, Québec, would give the Project a global market reach for business development.

Tata Steel's European steel works alone could consume 50 to 60% of the Project's output. In January 2007, TSE acquired the Anglo-Dutch steel maker Corus Group, thereby establishing a major presence in the European market to supplement its core production base in India. TSE is pursuing a strategy of greater self-sufficiency in raw materials.

Since TSE's operations are both geographically proximate to and historically familiar with supply from Canada, they are also natural outlets for the Project. In fact, product specifications are the result of collaboration with TSE's supplies team.

TSE's three (3) integrated steel works in Europe (Port Talbot – Wales, Scunthorpe – England and IJmuiden – The Netherlands) are shown in Figure 1. As the only European steel maker with on-site pelletizing, the IJmuiden works in the Netherlands provides the Taconite Project with a unique captive market opportunity for pellet feed in what will be a highly competitive open market environment as discussed above.

In order to supplement the core off-take requirements of TSE and minimize the Project's market risk, NML and TS are working together to identify reputable and reliable steel or steel tie-in companies with an interest in Project investment and/or a long-term supply contract. The relationships begin with Project introduction and interest is confirmed via a confidentiality agreement. The process continues through technical evaluation and other due diligence which, if successful, then leads to a letter of intent or memorandum of understanding, commercial negotiations and definitive agreements.

To date, this marketing campaign has produced interest from companies in North America, Europe, Middle East and the Asia/Pacific.

Figure 1: Natural Fit of the Taconite Project to Tata Steel Europe's Operations



Pricing

It is well known that the global pricing mechanism for iron ore has transitioned since the mid 2000's from the historical, annually negotiated benchmark system to shorter term settlements mainly using the 62 % Fe Cost and Freight ("**CFR**") China price as a reference, with upward or downward adjustments for product quality as appropriate.

Recent years have seen extreme price volatility, signalling the difficulty of predicting even a one-year price. With regard to the long-term price for iron ore, there are numerous views among industry analysts and forecasting services, resulting in a wide range of predictions.

Steel is a cyclical business, and by extension iron ore prices should reflect this cyclicality over time. The methodology used by WSD for arriving at a long-term price reflects this likelihood by assuming that the steel industry is subjected to boom and bust conditions typical of every cyclical business and, using the 62% Fe CFR China price as a baseline, calculating a weighted average price that reflects the overall impact of the various boom and bust conditions over the cycle being analyzed. Based on the above methodology, the long-term prices, FOB vessel at Sept-Îles, used in the Taconite Project Feasibility Study are shown in Table 4.

Table 4: Long Term Pricing

Product	Long Term Pricing
Blast Furnace Pellets	US$ 116,61 /dry-t
Direct Reduction Pellets	US$ 126,86 /dry-t
Pellet Feed	US$ 90,00 /dry-t

Market and Strategy Summary

In summary the development of the Project by NML/TS is underpinned by the following key market assumptions and strategic rationale:

- The market of iron ore pellets is structurally growing for productivity and environmental reasons in the blast furnace sector, and organically in the DRI sector;
- The Project's range of high quality pellets and pellet feed and favourable cost curve position gives it a competitive and global market reach;
- With its year-round shipping capability and ability to handle among the largest ore carriers, the Port of Sept-Îles provides a competitive advantage to the Project;
- The Project would have a core market for 50-60 % of its output at TSE's operations;
- Lower natural gas prices and the relatively high price of steel scrap in the USA are making the construction of DRI facilities an attractive option for a USA-based steel mill. This a natural market geographically for the Project;
- Other market opportunities exist in Western Europe, the Middle East and the Asia/Pacific.

Working with WSD, NML/TS has incorporated cyclical steel industry conditions into its analysis in order to develop long-term pricing that is as representative as possible.

Environmental and Social Impact Assessment Process

Applicable Environmental Assessment Regimes

The LabMag Project is expected to trigger the environmental assessment ("**EA**") regimes of general application established by the Canadian Environmental Assessment ("**CEA**") Act 2012, the Environmental Protection Act of the Government of Newfoundland and Labrador ("**GoNL**") and the Environment Quality

Act (Chapter I, Division IV.1) of the Government of Quebec ("**GoQ**"), in addition to the regulatory regime of the National Energy Board Act ("**NEBA**").

The regulatory regime of the NEBA is expected to be triggered for the LabMag Project, since the slurry transport system will be inter-provincial.

Ideally, the implementation of all the applicable regimes should be harmonized to the extent possible. To that effect, a conference call with the CEA Agency, the Major Projects Management Office and the National Energy Board ("**NEB**") was held on May 3, 2013 to discuss how the respective regimes of the CEA Agency and the NEB might apply, particularly in terms of their harmonization.

Once the regulatory authorities have released the Project from further EA, the applications for the various permits that are required for site-preparation and construction can begin to be filed, followed by applications for permits for the start of operations. In order to expedite the start of construction, preparation of the permit applications can begin before the completion of the EA.

Environment Impact Statement Status

The drafting of the EIS is underway. The baseline data collection is in the final stages. Data collection during the public consultations, once the Project description is tabled, will allow completion of the description of the receiving environment, following which the assessment of impacts will start.

The EIS will be finalized after the EA guidelines are issued by the governmental authorities.

Timetable

The following timetable for the EA releases starts with tabling of the EIS, effectively at Quarter Zero, or Q0, and from that point an expected timetable in subsequent quarters is as follows:

- Receipt of questions from regulators on the EIS – Q1;
- Submission of responses to questions on EIS – Q2;
- Acceptance of EIS by regulators for purposes of public hearings – Q3;
- Public hearings (BAPE, GoNL) – Q4-Q5;
- Submission of responses to questions filed at the hearings – Q6;
- Issuing of EA releases and conditions of release – Q8;
- Completion of NEB regulatory process – Q9.

Capital and Operating Costs

Capital Costs Estimate

The capital cost estimate for the feasibility study was assembled by ISLLP. Parts of the capital costs were developed by ISLLP and other areas were provided by consultants under the supervision of ISLLP.

The Project includes the mine, process plant and the slurry transportation system starting in Labrador and ending to a pellet plant in a common port in Pointe-Noire, Quebec.

The estimate has been developed using approved design criteria, flow sheets, engineering drawings and equipment lists. Enquiries were sent to suppliers for pricing of major equipment.

The capital cost estimate shown in Table 5 has been developed on the basis of one (1) overall EPCM contractor who will provide the design, procurement and construction activities for the Project. All sub-contracts would be managed by the EPCM contractor. Table 6 shown the third party infrastructure excluded from the capital cost and accounted by an annuity in the financial analysis.

Basis of Estimate

The estimated capital cost is based on the following key assumptions:

- The estimate is expressed in February 2013 Canadian dollars ("**CAD**") since the majority of the bids were received during that period;
- The following items are excluded; currency exchange fluctuation, allowance for industrial dispute or industrial action, environmental permitting, all taxes and duties, escalation, Project financing and interest during construction;
- No allowance is made for acceleration or deceleration of the Project schedule;
- Plant operating costs are excluded from the capital cost;
- Project insurance is included in Owner's cost;
- The estimate base currency is CAD. The capital cost estimate consists of items quoted in various foreign currencies which have been converted into CAD using exchange rates as of February 5, 2013. The vast majority of pricing for equipment and bulk materials are based on CAD. Table 7 shows the currency exchange rates and the percentages content in different currencies and the percent content of costs for each of the listed currencies, excluding the pellet plant (by Outotec).

Table 5: Capital Costs Estimate Summary

Area	Title	Total Costs ($'000)
1000	Mine Area	68,329
2000	ROM Crushing, Storage and Reclaim	364,522
3000	Concentration, Grinding, Separation and Upgrade	1,003,473
4000	Tailings Disposal and Water Management	115,779
5000	Concentrate Slurry Transport	237,356
5210	Slurry Transport	1,337,481
6000	Port Area (Sept-Îles)	332,376
6200	Pellet Plant (Outotec)	1,226,084
8100	Infrastructure and Utilities (Schefferville)	471,271
8200	Infrastructure and Utilities (Sept-Îles)	144,359
	Total Direct Cost	**5,301,030**
9000	Indirect Costs	1,371,000
9000	Contingency	867,000
	Total Indirect Cost	**2,238,000**
	Total Direct + Indirect	**7,539,030**

Area	Title	Total Costs ($'000)
	Owners Cost (by NML)	210,000
	Total Project Capex	**7,749,000**
	EXCLUSIONS FROM Capex	
	Mine Mobile Equipment in Opex	336,000
	Hydro-Quebec / Nalcor Transmission Line in Opex	453,000
	Risk	495,980
	Escalation	Excluded

** The above total sums are rounded up to $1,000.*

Table 6: Capital Cost vs Leasing

Area	Title	Total Costs ($'000)
	Capex – Mine and Process[1]	5,012,000
	Capex – Infrastructure[2]	2,737,000
	Total Project Capex	**7,749,000**

1 Costs of major mining equipment and power transmission line are not included in Capex, but servicing costs are in cash cost.
2 Consists of slurry transportation system, product storage and reclaiming system are to be financed on the basis of long term debt.

Table 7: Currency Exchange Rates and Percent Content

Currency Code	Currency Name	Canada	Percent Content (%)
CAD	Canadian Dollar	1.00	86.5
USD	US Dollar	1.00	7.7
EUR	Euro	1.30	5.8

The capital cost estimate covers the facilities.

The proposed construction work week is on the basis of a 60-hour with rotations of 28 days in followed by nine (9) days out [travel during the nine (9) days out].

Cost Basis and Methodology

The labour crew mix wage rates were developed on the basis of the Quebec Labour collective agreement for April 2013, as well as on the Newfoundland and Labrador Labour Trades Council in effect at the base date, i.e. February 2013. Labour productivity and site considerations for the Project have been evaluated and taken into consideration.

All quantities generated for the estimate are mainly based on engineering material take-offs and deliverables which exclude contingencies of any kind.

Operating Costs

The operating costs were developed for each component of the Project. The costs at Year-4 of operation are summarized in Table 8 below.

Table 8: Summary of Estimated Opex by Area (Average)

Areas	Description	Costs for LOM ($'000)	Unit Costs ($)	Units
1000	Mine	7,994,829	15.23	per tonne of concentrate
2000, 3000, 4000	Concentrator	8,670,501	16.52	per tonne of concentrate
5000	Slurry Transport	488,321	0.93	per tonne of concentrate
6100 - 6200	Pelletizing Plant	4,509,526	11.11	per tonne of pellets
6300 - 6600	Port Operation	1,430,137	2.61	per tonne of total production
8000	G&A and Infrastructure	1,831,532	3.34	per tonne of total production
		Unit Cost for Concentrate	**38.63**	**per tonne of concentrate**
		Unit Cost for Pellets	**47.82**	**per tonne of pellets**
Note: Royalties and Benefits not included in unit costs				

The Opex presented is based on the estimated consumptions of consumables, reagents and power. Maintenance supplies cost factors were used for buildings. Vendor data was used where possible. The accuracy level is in the range of ± 15 %, as required by this estimate class and is deemed appropriate. No escalation or contingency has been applied to the operating costs. The currency exchange rates applied are the same rates used for the Capex presented in this Section.

The base date of the operating cost estimate is February 2013. The capital cost used to factorize operating supplies, maintenance of buildings and of fixed equipment was updated in October 2013. The Bunker C fuel oil is dated August 2013 as well as the fuel price.

The organizational structure for the operations phase is designed to support the successful operation of an iron ore mine and beneficiation plant in a remote location, a slurry transportation system, a pelletizing facility and associated material handling facilities while producing cost effectively quality iron ore concentrate and pellets.

Table 9 presents the Project operating labour force at Year-4 of operation.

Table 9: Labour Force Year-4

Area	Senior Executives	Superintendents, Managers, and General Foremen	Supervisors and Engineers	Operators	Maintenance Personnel	Technicians	Others	Total
Mine	1	2	10	332	123	39	4	511
Crushing	0	1	6	33	14	0	0	54
Concentrator	1	7	19	55	55	16	18	171
Slurry Transport	1	4	4	7	27	0	2	45
Pellet Plant	0	6	21	42	73	9	18	169
General Administration and Infrastructure	3	11	0	0	0	72	62	148
Port Facilities	7	7	8	17	3	14	5	61
Total	**13**	**38**	**68**	**486**	**295**	**150**	**109**	**1,159**

Economic Analysis

The economic/financial assessment of the Project is based on first-quarter 2013 price projections and cost estimates in Canadian currency. An exchange rate of USD 0.90 to CAD 1.00 is assumed to convert the USD price projections into CAD and 7.7 % of the original Project Capex which is priced in USD at an exchange rate of 1 to 1. A similar adjustment is made to 5.8 % of the original Project Capex priced in EUR at an exchange rate of EUR 0.77 to CAD 1.00 to account for a revised EUR conversion rate of EUR 0.71 to CAD 1.00.

No provision is made for the effects of inflation. The evaluation is carried out on a 100 % equity basis. Current Canadian tax regulations are applied to assess the corporate tax liabilities while the current Newfoundland legislation is applied to assess the mining tax liabilities.

The assessment of the Project assumes that some infrastructure such as the slurry transport infrastructure between the mine site and Pointe-Noire, the mine site accommodations, and the stock yard and materials handling facilities for ship loading are leased. The financial indicators under base case conditions are presented in Table 10.

Table 10: Base Case Financial Results (100% Equity)

Financial Indicators	Results	Units
Before-tax Net Present Value ("**NPV**") @ 8%	5,838.0	$M
After-tax NPV @ 8%	2,848.8	$M
Before-tax Internal Rate of Return ("**IRR**")	18.2	%
After-tax IRR	14.1	%
Before-tax Payback Period	4.9	Years
After-tax Payback Period	5.6	Years

A sensitivity analysis reveals that the Project's viability is not significantly vulnerable to variations in capital and operating costs, within the margins of error associated with feasibility study estimates. However, the Project's viability remains vulnerable to the larger uncertainty in future sales prices.

Financing

Although the base case assessment assumes 100 % equity financing, the financial model was created to address the case in which debt financing is considered. Here, it is assumed that 70 % of the initial capital cost will be financed through long-term debt sources. To the extent possible, the disbursement of borrowed funds is delayed in order to reduce the amount of interest payable.

As financing arrangements are not yet in place, it is assumed that the annual interest rate on borrowed funds is seven (7) % (current U.S. Prime rate of 3.25 % + 3.75 %).

The assumed terms of repayment are single payments at the end of each year starting at the end of the first full year of production over a period of ten (10) years. It is important to note that no additional work was done to confirm these assumptions with potential lenders. The financing terms are used only to demonstrate the effect of leverage.

Financial Model and Results

Table 11 presents the financial analysis results on a before-tax basis.

Table 11: Before-tax Financial Indicators

Before-tax Financial Indicators	Results ($M)
Total LOM Revenue	68,229.2
Total LOM Operating Costs*	27,339.0
Total LOM Lease Payments	6,860.3
Initial Capital Cost	5,079.1
Total LOM Sustaining Capital	1,544.0
Total Cash Flow	27,406.8
NPV @ 8%	5,838.0
NPV @ 10%	3,850.6
NPV @ 12%	2,421.6
IRR	18.2 %
Payback Period	4.9 Years

** Includes Royalty and Benefit Agreement payments*

Table 12 presents the financial analysis results on an after-tax basis. The first five (5) lines of Table 11 (i.e., total revenue to total sustaining capital) are not reproduced in Table 12 because they are identical.

For the purpose of illustrating the effect of debt financing, Table 13 compares the financial outcomes with 100 % equity financing versus those with 30 % equity/ 70 % debt financing (i.e. levered). The impact of leverage is greater on an after-tax basis than on a before-tax basis because interest payments are tax deductible. For this reason, the results are shown only for the after-tax assessment.

Table 12: After-tax Financial Indicators

After-tax Financial Indicators	Results ($M)
Total LOM Corporate Taxes	6.569.1
Total LOM Mining Taxes	4,418.1
Total Cash Flow	16,419.5
Net Present Value @ 8%	2,848.8
Net Present Value @ 10%	1,593.0
Net Present Value @ 12%	690.3

Internal Rate of Return	14.1 %
Payback Period	5.6 Years

Table 13: Effect of Leverage

After-tax Financial Indicators	**Results ($M)**
Net Present Value @ 8%	2,848.8
Levered Net Present Value @ 8%	3,302.6
Internal Rate of Return	14.1 %
Return on Equity ("**ROE**")	23.3 %

Sensitivity Analysis

A sensitivity analysis is carried out on the base case scenario described above to assess the impact of changes in market prices (across-the-board variations in all three (3) product prices), total pre-production capital cost and operating costs, on the Project's NPV @ eight (8) % and IRR. Each variable is examined one-at-a-time. An interval of ± 30 % with increments of ten (10) % was used for all three (3) variables. It is to be noted that the margin of error for cost estimates at the feasibility study level is typically ± 15 %. However, the uncertainty in price forecasts usually remains significantly higher, and is a function of price volatility.

The before-tax results of the sensitivity analysis are shown in Figure 2 and Figure 3. Figure 2, showing variations in NPV, indicate that the Project's before-tax viability is not significantly vulnerable to the under-estimation of capital and operating costs, taken one at-a-time. The vertical dashed lines represent the typical 15 % margin of error associated with the Capex and Opex estimates. The NPV is more sensitive to variations in operating expenses than it is to capital expenditure, as shown by the steeper curve. As expected however, the NPV is most sensitive to variations in prices. Across-the-board reductions of about 27 % in prices result in break-even conditions, i.e., a net present value of zero.

Figure 2: Sensitivity of the Before-tax Net Present Value

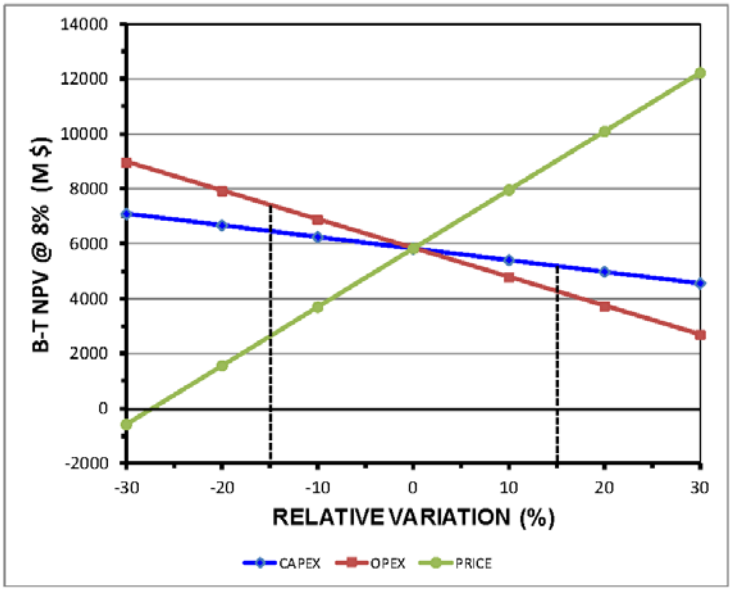


Figure 3, showing variations in IRR, provides similar conclusions. In contrast with Figure 2, which shows linear variations in NPV for the three (3) variables studied, variations associated with IRR are not linear. Due to the different timing of pre-production capital expenditure versus operating expenses over the mine life, the IRR is more sensitive to variations in capital expenditure, especially negative variations. The IRR is reduced to eight (8) %, i.e., break-even conditions (shown by the horizontal dashed line), for the same across-the-board reductions in prices as noted above in the case of the NPV.

The after-tax results of the sensitivity analysis are shown in Figure 4 and Figure 5. The same conclusions about the sensitivity of the Project's viability to variations in capital expenditure, operating expenses and prices can be drawn here. On an after-tax basis however, break-even conditions are reached at across-the-board reductions in prices of 22 %.

Figure 3: Sensitivity of the Before-tax Internal Rate of Return

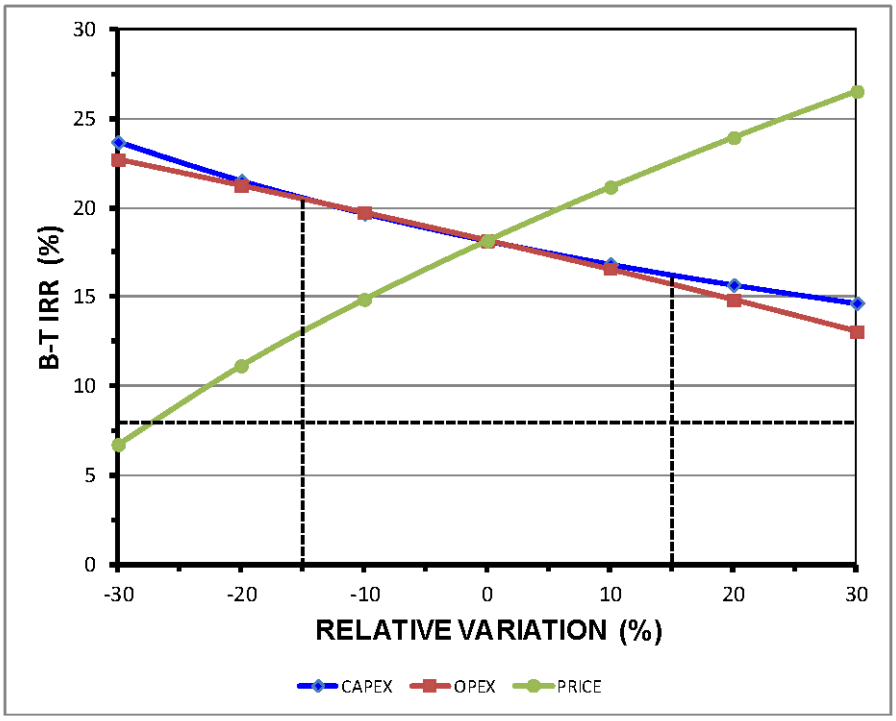


Figure 4: Sensitivity of the After-tax Net Present Value

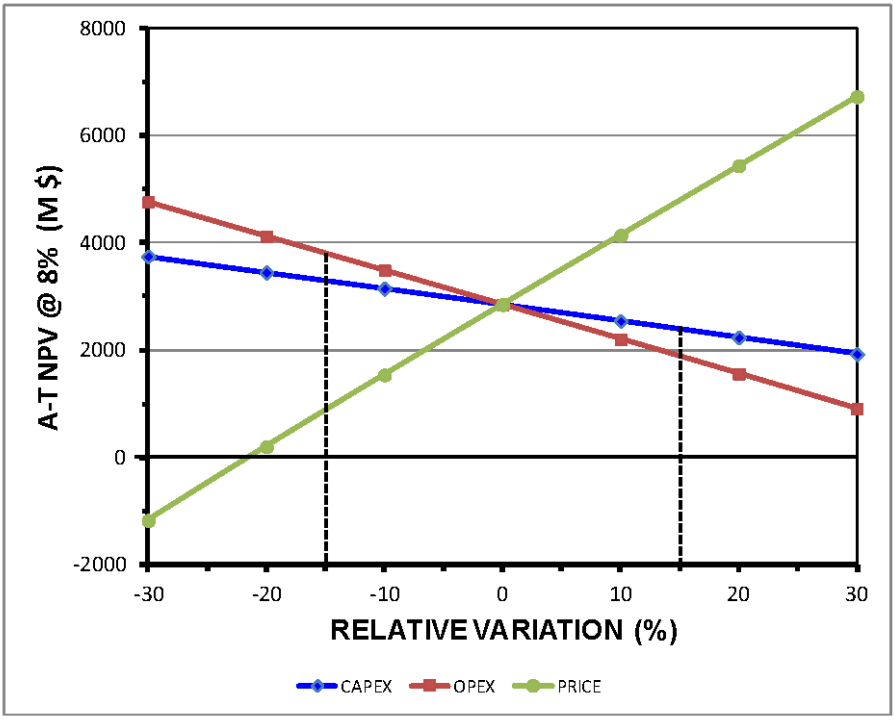
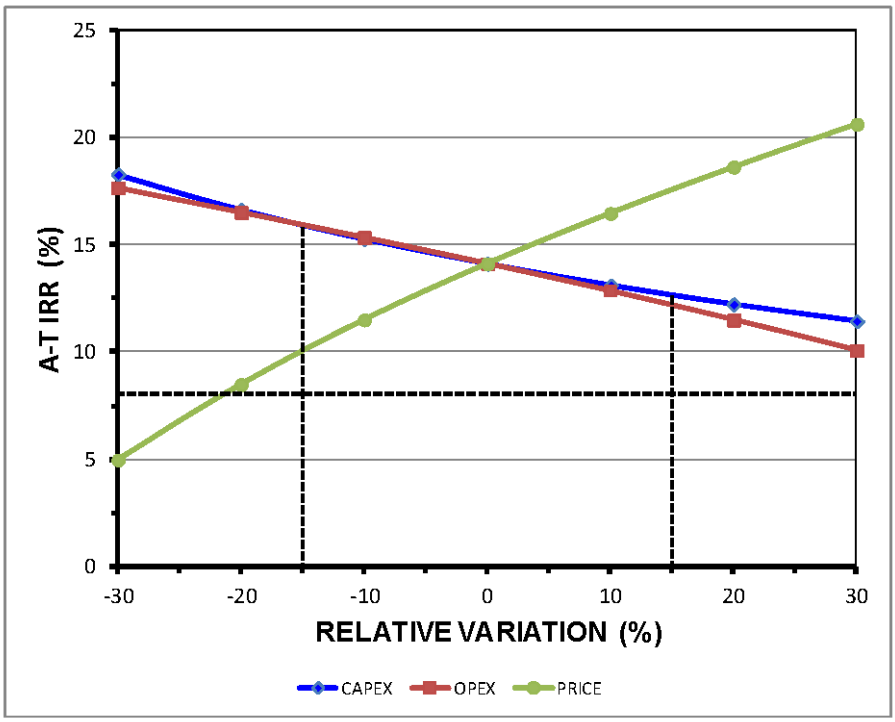


Figure 5: Sensitivity of the After-tax Internal Rate of Return



Adjacent Properties

The LabMag Property is contiguous with Licenses held by TS, Cap-Ex Iron Ore Ltd, Fortis Gesoservices Ltd and Century Iron Mines Corporation along its northeastern boundary. NML's Licenses lie along its northeast and southwest extensions of the Property and the KéMag Project abuts the Property on the northwest. The southwest Property boundary follows the provincial boundary with Québec and Licenses held by Labrador-Menihek Resources Inc. in the northern sector.

Other Relevant Data and Information

Schedule

A Project master schedule for the feasibility study has been developed to cover the major Project milestones. The Project master schedule contains engineering, procurement, construction and pre-operational testing and commissioning activities at a level of detail commensurate with the progress of scope definition.

The major milestones have been tabulated in the following Table 14 showing the Project activities through its cycle.

The critical paths are through the procurement of steel, the construction of the slurry transport system and the construction of the pellet plant.

Table 14: Major Milestones

Description	Month
General	
Final FS Study Submitted to NML/TS	0
Stage Gate Approval By NML/TS	4
Geotechnical and Hydraulic Survey Completed	9
Start Basic Engineering	9
EPCM Contract Awarded	11
Start Detailed Engineering	19
Procurement Start	20
Start Construction	21
Design Criteria, Process and Layouts Frozen	22
Establish Control Budget	23
Start Pre-Operational Verification	55
End of Construction	60
End of Pre-Operational Verification	64
Commissioning Completed	68
Plant Operation Start	68
Detailed Engineering	
Start Basic Engineering	9
Start Detailed Engineering	19
Detailed Engineering of Slurry Transport System	22
Detailed Engineering of Structural Steel	35
Procurement of Pellet Plant	35
Construction / Pre-Commissioning / Commissioning	
Start Temporary Camp Installation on Site	18
Start Civil Works Mine Pit	19
Start Slurry Transport System Construction	24
Start Flotation Plant Concrete Construction	35
Start Primary Crushing Concrete Construction	42
Start Structural Steel Installation	42
Start Mechanical Installation	43
Start Electrical Installation	45
Pelletization Plant Commissioning	64
Pre-commissioning Complete	67

Project Execution Plan

The Project Execution Plan ("**PEP**") has been developed based on the feasibility study work done to date on the Project. The PEP outlines the plans, resources, mechanisms and procedures that NML/TS expects from the EPCM contractor and covers all aspects of the Project from engineering design through pre-operational verification and assistance during commissioning.

Interpretation and Conclusions

The Project is technically feasible; ore can be mined, treated and delivered into export vessels by incorporating proven processes and technologies.

Based on 25-year cash-flow, the IRR before taxes is 18.2 % and 14.1 % after taxes assuming 100% equity and standard mining income taxes. Therefore, the Project has financial viability.

However, it may be noted that the Project has a residual value, not factored in the above analysis, the Project having a potential to generate revenues for an additional 14 years.

The life of mine can be further enhanced by exploiting the lower grade resources currently being stockpiled.

Project Highlights

The geology and mineral reserve is now well established and the mine can supply a consistent quality run of mine ore to the concentrator at a controlled grade for over 25 years.

The process has been developed after extensive test work conducted by experienced process engineers, although refinements and confirmation of certain processing steps may still be possible. There is enough confidence in the flow sheets such that refinements and optimization can be undertaken during the basic engineering phase.

While conventional disposal of tailings has been a challenge in the Project for lack of a favourable basin, alternate tailings disposal options have been studied and it will be possible to engineer a solution that meets the environmental requirements while maintaining economic viability.

The slurry transport system is an economical and reliable means of transporting iron ore slurry, especially fine taconite concentrate. Frost protection is of paramount importance and can be achieved by a combination of methods according to the geographical location and soil conditions. Such trade-off studies should be undertaken early in the basic engineering phase of the Project along with field surveys.

Pelletizing testing has confirmed the high probability of achieving high plant throughput.

A new multi-user dock with a capacity of 50 Mt/y and capability of handling 350,000 DWT vessels is being built by SIPA and is expected to be commissioned during the summer of 2015. The product handling facilities will connect to this deep-sea port terminal.

The market study indicates a future pellet demand and both the market trends and forecasts indicate higher pellet premium.

The Project is expected to trigger several regimes of EA. Discussions with the applicable governments have been held and a single EIS covering all the components of the Project is in preparation.

A strategy of using pre-engineered structures, skid mounted equipment and modularization to the maximum extent allowed by the transportation routes will lower the risk of cost and schedule overruns.

During the construction phase, the Project will create on average 2,500 construction jobs over 42 months and 300 management and engineering jobs spread over 60 months. The construction labour will peak at 4,600 labourers and 400 EPCM employees in the summer of the last full year of construction at all sites. During the operation of the Project, 1,100 direct employees will be necessary and numerous indirect jobs will be created through the development of secondary and tertiary industries that will be supporting the operation and maintenance of this Project.

Risk Evaluation

ISLLP conducted risk reviews workshop with ISLLP experts in their various fields and with NML/TS Project team members. The objectives of the risk sessions were to identify risks, mitigations and action plans in the feasibility study phase to pursue up to the execution.

The outcome of these workshops was compiled in a risk register and an action log was formulated for the Project.

Key Project Concerns

- The possible requirement by the GoNL that pelletizing of LabMag concentrate should be done in the Province thereby requiring expensive rail transport of the final product rather than the lower cost option of concentrate slurry transportation system to Sept-Îles, Quebec;
- Reliability of long-distance slurry transportation systems in freezing climates, and a review of the depth of line burial;
- Environmental Assessment: EIS submission delayed until August, 2015;
- Location of LabMag tailings disposal;
- Detailed geotechnical assessment must be completed before the start of basic engineering and the finalization of the Project investment budget.

The risk level, as well as risk qualitative analysis, was determined by the participants through the selection of the level of consequences and mitigation plans, including action plans for each identified and evaluated risk.

Conclusion and Next Phase

Early identification of constructability techniques to maximize pre-assembly of concrete, steel, equipment and any other way of reducing the installation time on site, is paramount for a successful project.

Early in the project's lifecycle, an experienced constructability engineering team should be reviewing the design layouts, specifications, objectives, and site conditions to work with the design engineers to establish possible guidelines to standardize buildings, foundations and any other criteria to minimize labour costs and impact on schedules.

The constructability team should also work very closely with the logistics group to determine the ideal transportation and construction philosophy for the engineering team.

In summary, during the next phases of the Project development, the following constructability activities should be considered:

- Incorporate an analysis of operations and maintenance into the facility design;
- Review site conditions and access;
- Design development considering construction details and strategy;

- Design quality control;
- Standardize, modularize, coordinate and involve suppliers, consultants and subcontractors;
- Complete the 3D model of the plant and facilities; and
- Refine the scheduling strategy.

Recommendations

Based on the feasibility study schedule, Met-Chem recommended to proceed in the next immediate period with partial funding for basic engineering for the lesser defined areas of the LagMag Project. Met-Chem also recommended to execute test work and field surveys that are required to support basic and detailed engineering. Topographical surveys would be best executed prior to the basic engineering activities by one (1) year.

At this stage, there are areas of lesser definition that will be worked on before or during basic engineering. The main areas of lesser definition are:

- Mine dewatering (hydrogeology);
- Waste rock dumps and run-off water management (acid rock drainage);
- Tailings pumping, dewatering and material handling;
- Slurry transport hydraulic design due to lack of representative rheology testing;
- Slurry transport heat transfer study;
- Frost depth and earthwork for slurry transport;
- Export terminal earthwork and foundation design;
- Water treatment facility at Pointe-Noire due to lack of filtrate sample analysis.

No long-lead procurement items are seen to threaten the schedule at this stage. An EPCM approach will be followed whereby engineering is prioritized in the first phase and the EPCM contractor integrates known technologies into a plant as opposed to integrating technology packages.

There are, however, three (3) construction packages that, by their nature, will need to be tendered early as their duration extends for the full construction period. They are the slurry transport system construction, pelletizing plant and the power transmission lines. Environmental permitting is also key to two (2) of these contracts.

To accelerate the LabMag Project an estimated $6 M will be spent for completion of the EIS and miscellaneous items mostly related with alternative tailing disposal option and confirmation of the depth of frost penetration along the slurry transport route. The expected cost is shown in Table 15 below.

Table 15: Next Phase Estimated Costs

Activity	Estimated Costs($)
Completion of the EIS Report	4,000,000
Study of an Alternative option on Dry Stacking of Tailings	1,200,000
Frost Depth Confirmation along the	600,000

Slurry Transportation Route	
Miscellaneous	200,000
Estimated Total Costs	**6,000,000**

Source: LabMag Technical Report

KÉMAG PROJECT

NML holds a 100 % interest in the claims that constitute the KéMag taconite iron ore deposit at Lake Harris in the Province of Québec, Canada. The KéMag Property is located approximately 40 km north of Schefferville, Québec.

Introduction

ISLLP was retained in November 2011 to conduct the Feasibility Study. ISLLP in turn appointed sub-consulting services to cover some aspects of the study, namely Met-Chem Canada Inc. to develop the mining plans, capital and operation costs estimates and BRASS, a slurry transportation specialist, to conceive the slurry transportation system.

NML and TSG appointed Met-Chem to undertake the geological and resource estimation studies, Outotec GmbH to design and estimate the pelletizing facilities including the dewatering of slurry, WSD and Papillon Mineral Services for the market studies and SNC Lavalin Environment for the input regarding the environmental studies, permitting, social and community impact. Based on the above, NML and TSG provided ISLLP with chapters on Geology and Mineral Resources, Filtration and Pelletizing, as well as Marketing.

Property Description and Location

The KéMag Property, previously known as the Lake Harris Iron Property, is situated in the municipality of Rivière Koksoak in Northern Québec, about 40 km to the northwest of the town of Schefferville, Québec. The Property lies approximately 245 km north of Labrador City, and 550 km due north of Sept-Îles, Quebec.

The Property is comprised of one block of 171 contiguous claims covering an area of approximately 81 km^2 along a NNW-SSE trend and within a large block of claims held by NML. The Property is contiguous on the southeast with NML's claims and lies approximately 18 km to the northwest of the LabMag iron Property in Labrador. The claims were acquired as Map-Designated Claims by NML. All the claims are currently active and in good standing. The drilled portion of the deposit is located in the southern half of the claims.

Accessibility, Climate, Local Resources, Infrastructure and Physiography

The KéMag Property is accessible by well-maintained roads for 25 km northwest of the town of Schefferville and for a further 30 km westward along a trail that reaches *Lac de la Frontière*, seven (7) km away from the Property. No roads connect Schefferville to the populous south, but access is either by airplane or by train.

The KéMag Project area is under the influence of sub-arctic continental climate conditions experiencing very severe winters and cool summers. Schefferville survived despite the closing of the iron mines in 1982 and has experienced an influx of workers since 2011 principally triggered by the re-start of iron production in the region.

Schefferville provides basic services, supplies and equipment, contractors and charter flight operators. However, a significant portion of the labor force required for a mining operation at KéMag would probably come from other parts of Eastern Canada and training programs will be required.

History

All recorded exploration work prior to staking of the Property by NML had been carried out by IOC. In 1972, IOC acquired an exploration permit covering the KéMag area but conducted no further work. In August 2003, NML was formed as a capital pool company listed on the TSX Venture Exchange. The KéMag Property was acquired by NML by claim staking between 2004 and 2008.

IOC conducted reconnaissance mapping, airborne magnetic and electro-magnetic ("**EM**") surveying, and drilled a series of short holes, between 1949 and 1971. From 2005 onward, NML conducted different phases of ground and airborne geophysical surveying, drilling and metallurgical test work. NML drilled on the Property and estimated the resources in 2006, 2007 and 2008. Met-Chem considers these resources as historical estimates that are superseded by the current and NI 43-101 compliant estimate that is the subject of this KéMag Technical Report.

Geological Setting and Mineralization

The KéMag Property is located in the western margin of the Labrador Trough that extends for more than 1,000 km, from Ungava Bay to Lake Pletipi in Quebec. The belt is about 100 km wide in its central part and narrows considerably to the north and south. The Grenville Front crosses the southern part of the Trough. The rocks in the Labrador Trough are subdivided into an upper volcanic-dominated suite (Doublet Group) and a lower sedimentary sequence (Knob Lake Group) that includes the Sokoman Formation hosting the iron formations found in the region.

The units of the Knob Lake Group underlie the majority of the KéMag Property and lie on Archean gneiss. The Sokoman formation is essentially undeformed, strikes northwest and has a shallow dip to the northeast. The iron formation at KéMag has been explored by diamond drilling over a strike length of 9.5 km and it extends beyond the northwest and southeast Property boundaries.

The Sokoman formation has been broken down into individual stratigraphic units on the basis of facies. The taconite at KéMag consists mostly of alternating small-scale beds of chert or jasper and massive or disseminated magnetite, with subordinate amounts of hematite and martite. Gangue minerals are represented by iron silicates, iron and manganese carbonates. Alumina, sulphur and phosphorus generally occur at low levels in the iron formation.

Deposit Types

The KéMag iron deposit consists of magnetite Banded Iron Formation ("**BIF**") of the Lake Superior type. BIFs are sedimentary rocks composed of alternating mm- to cm-scale beds of quartz (chert or jasper) and iron oxides (predominantly magnetite and hematite). Variable amounts of gangue minerals, mostly silicates, carbonates and sulphides are present. Banded iron formations have greater than 15 % iron content and represent the principal sources of iron throughout the world and are mined in the Great Lakes region of the United States. The Lake Superior-type BIF are associated with typical shelf-type sedimentary rocks with minimal volcanic input and most formed during the Paleoproterozoic era.

The exploration model used by KéMag to design the exploration activities and the drilling is principally based on the interpretation of the drill data indicating the presence of gently dipping, Superior-type iron formation (taconite).

Exploration

Historical exploration in the KéMag region has consisted principally of field mapping, sampling, drilling, as well as geophysical surveying that included ground magnetic and airborne magnetic and EM surveys.

Resources estimates were completed following the main phase of drilling. Cumulatively, the exploration and development work allowed estimating NI 43-101 compliant Mineral Resources in the drilled area.

Drilling

Historical drilling on the KéMag Property consisted of 23 shallow holes testing targets defined by the dip-needle magnetic survey completed by IOC in 1958. These historical holes were not used in any of the Mineral Resource estimations.

In 2006, NML drilled 3,586 m in 29 holes in order to test airborne anomalies outlined during the 1950s and in 1971. The drilling indicated that the economic stratigraphic horizons are similar to those occurring at the LabMag deposit.

The 2007 drill program, comprised of a total of 4,979 m in 46 holes, was a follow-up of the 2006 program. The deposit was found to be narrower and shallower in the central part than in the rest of the drilled area.

In 2008, 15 holes were drilled for a total of 2,216 m. The drilling on the southern part of the deposit confirmed that the eastern extension of the deposit lies under Lake Harris, *Lac de la Frontière* and the swampy grounds to the south.

Sample Preparation, Analysis and Security

Each stratigraphic unit was sampled separately, in 2006 to 2008, except for Meninck Schist and Ruth Formation, with sample lengths varying from 1.6 m to 9.1 m, based on the extent of magnetite/hematite mineralization.

The split core samples, and the check samples, were sent to Midland Research Center ("**MRC**"), Nashwauk, Minnesota, USA, for total Fe analysis on heads, Davis Tube Weight Recovery ("**DTWR**") and iron and silica on the -325 mesh concentrates. In addition, trace elements and sulphur were analyzed on 21 crude samples, Davis Tube concentrates and tails.

In 2006, NML monitored the laboratory performance with a total of 13 second half core samples re-assayed at MRC. Seventy-one (71) check samples were submitted in 2007 and a further four (4) were submitted in 2008. NML's QA/QC system did not provide for insertion of standard and blank materials into the sample stream.

MRC applied its own internal QA/QC program, including random selection of samples for re-assay by an external laboratory, Lerch Brothers Inc. ("**LBI**") of Minnesota.

Data Verification

Geostat visited the site in 2007 and collected 27 samples from the remaining core halves (½). Geostat observed a bias in the head Fe of the check samples, but Met-Chem's coarse rejects check samples submitted to XRF analysis showed a high correlation with the original results. Watts, Griffis and McOuat Limited ("**WGM**") completed a site visit in 2007 and noted that the drill core handling was well done. A BBA Senior Metallurgist travelled to the site in 2008 and examined some drill core, but did not complete a new validation of the analytical results. Neither WGM nor BBA were required to collect check samples because independent validation had already been completed by Geostat.

The KéMag Property was visited by Yves A. Buro, Eng., and Schadrac Ibrango, P. Geo., Ph.D., both Senior Geologists, at Met-Chem, in September 2012. Met-Chem independently selected 26 samples from the deposit.

The previous Resource Estimates were completed using the density determined by the pycnometer method, without correction for the effects of porosity and permeability. At Met-Chem's recommendation, NML requested the sample preparation laboratory in Chibougamau (*Table Jamésienne de Concertation Minière*) to perform bulk density determination on 167 samples from the KéMag deposit.

The results were used to build a regression function for each seam in the deposit.

Mineral Processing and Metallurgical Testing

NML owns several multi billion tonnes taconite iron ore deposits in the Labrador Trough. The two (2) main taconite projects are LabMag and KéMag situated about 25 km apart in the same valley, LabMag in Newfoundland and Labrador, and KéMag in Quebec. The ore characteristics and beneficiation properties in each deposit though not identical are similar enough to allow NML to use identical flow sheet and process equipment for either ore body. Blending will ensure a constant quality of feed to the concentration plant.

The test work carried out by NML following the start of the initial pilot plant tests in 2005 sought to characterize the ore and establish the process flow sheet and design criteria that would allow development of an efficient and economical process. The process has evolved through various stages of development to prepare an optimized feed for the production of quality pellets with a low silica grade for both blast furnace ("**BF**") and direct reduced ("**DR**") iron based steelmakers.

The final flow sheet is composed of primary crushing followed by screening, secondary crushing in closed circuit and High Pressure Grinding Rolls ("**HPGR**") in closed circuit with screens. The screen undersize, at -3 mm, pumped to cobbers where a final tail is rejected to hydroseparators to remove the coarser material while the cobber concentrate is cycloned. The coarse fraction is returned to the ball mill while the fines joined the mill discharge and are pumped to a second stage of cyclones. The cyclone underflow is returned to the ball mill and reground while the cyclone overflow is deslimed in hydroseparators and pumped to the finishers. The finisher concentrate is screened to remove the coarse material which is not ground to liberation yet and is returned to the ball mill. The screen undersize is final concentrate and can go the thickener and to the flotation plant to be upgraded if lower final silica is required.

The main features of the NML Project are the use of secondary crushing with HPGR which reduce substantially the power requirement and grinding cost and, when required for low silica DR pellets, the use of a flotation plant.

Mineral Resources Estimates

Although no drilling was performed following the last Resource Estimate by Geostat in 2008, Met-Chem re-estimated the resources after introducing changes in the drill hole database and the geological interpretation. In addition, Met-Chem calculated a new regression function to take into account the secondary porosity in the density model and another regression function to model density with varying iron contents of the mineralization. The estimate was done in accordance with the NI 43-101 Rule (2011) and the guidelines on the resource classification adopted by the CIM (November 2010).

Eighty-nine (89) holes drilled by NML between 2006 and 2008 were used to interpolate 3D blocks constrained within surfaces (top and bottom) related to each geological seam. The same variorum parameters that had been defined for the more densely drilled LabMag deposit were used for grade interpolation. A block model was created using the MineSight® software package and Mineral Resources were interpolated on a seam by seam basis. The resource interpolation was performed using the Inverse

Distance Weighted to the power of 2 ("**IDW2**") and Ordinary Kriging ("**OK**") was used to validate the results of IDW2. The block size used by Geostat in the previous estimates was adjusted to take into account the drilling density at KéMag. The Mineral Resources summarized in Table 1 are reported to a cut-off grade of 18 % DTWR and are not constrained to a pit.

Table 1: Summary of the Mineral Resources – (Cut-Off of 18 % DTWR)

Resource by Category	Tonnage (Mt)	TotFe (%)	DTWR (%)	Concentrate	
				Fe (%)	SiO_2 (%)
Measured	1,507	31.45	26.97	69.69	2.56
Indicated	876	31.95	27.32	69.83	2.51
Measured + Indicated	**2,383**	**31.63**	**27.10**	**69.74**	**2.54**
Inferred	1,007	31.56	26.97	69.31	2.65

The estimate of Mineral Resource may be materially affected by environmental, permitting, legal, title, socio-political, marketing, or other relevant issues. However, Met-Chem is not aware of any known issues that would materially affect the Mineral Resource.

The quantity and grade of reported Inferred Mineral Resource in this estimate are uncertain in nature and there has been insufficient exploration to define the Inferred Mineral Resource as Indicated or Measured Mineral Resource and it is uncertain if further exploration will result in upgrading them to Indicated or Measured categories. Mineral Resources which are not Mineral Reserves do not have demonstrated economic viability.

Mineral Reserve Estimates

The Mineral Reserves are the portion of the Measured and Indicated Mineral Resources that have been identified as being economically extractable and which incorporate mining losses and the addition of waste dilution. The Mineral Reserves for the KéMag deposit have been developed using best practices in accordance with CIM guidelines and NI 43-101 reporting.

A pit optimization analysis was carried out on the Mineral Resource block model to determine the appropriate cut-off grades and to what extent the deposit can be mined profitably. The pit optimization for the KéMag deposit was done using the MS-Economic Planner module of MineSight® Version 7.05. The optimizer uses the 3D Lerchs-Grossman algorithm to determine the economic pit limits based on input of mining and processing costs and revenue per block. In order to comply with NI 43-101 guidelines regarding the Standards of Disclosure for Mineral Projects, only blocks classified in the Measured and Indicated categories are allowed to drive the pit optimizer. Inferred Resource blocks are treated as waste, bearing no economic value.

The pit optimization analysis determined that the ultimate pit limits for the KéMag deposit should be based on a minimum DTWR cut-off of 19.0 %. In order to ensure a high quality concentrate product with a SiO_2 value below 2.1 %, the optimization analysis also determined that a maximum SiO_2 cut-off of 4.2 % should be applied. The Measured and Indicated Mineral Resources that are contained within the ultimate pit limits and meet the cut-off grade criteria have been converted into Class 1 Proven and Probable Mineral Reserves. The Measured and Indicated Mineral Resources that are contained within the ultimate pit limits but do not meet the cut-off grade criteria have been converted into Class 2 Proven and Probable Mineral Reserves. This material will be stockpiled close the plant site for future processing once the Class 1 Mineral Reserves are depleted.

After the completion of a detailed pit design and the addition of mining losses and waste dilution, the Mineral Reserves for the KéMag deposit have been estimated to include 1,172 Mt of Proven Mineral Reserves and 718 Mt of Probable Mineral Reserves for a total of 1,891 Mt. In order to access these reserves, 231 Mt of overburden, 440 Mt of Menihek Shale and 120 Mt of Inferred Mineral Resources must be mined. This total waste quantity of 791 Mt results in a stripping ratio of 0.33 to 1. The Class 1 Mineral Reserves for the KéMag deposit contain an average DTWR of 27.0 %, an average TotFe of 31.3 %, an average Fe in the concentrate of 69.9 % and an average SiO_2 in the concentrate of 2.2 %. The Class 2 Mineral Reserves for KéMag contain an average DTWR of 19.6 %, an average TotFe of 28.1 %, an average Fe in the concentrate of 64.8 % and an average SiO_2 in the concentrate of 3.6 %. Table 2 presents the Mineral Reserves for the KéMag deposit.

A preliminary evaluation determined that approximately 35 % of the Measured and Indicated Mineral Resources are contained below Lake Harris. If Lake Harris were to be left intact, the remaining Mineral Resources would only support a ten (10) year mine life which would most likely not support the Project.

In order to mine the resources that lie underneath Lake Harris, a system of dams and ditches will be constructed. Firstly, a diversion channel will keep the water from filling Lake Harris and Lake Gillespie. It will also drain the overflow from Boundary Lake and keep runoffs from the hills from reaching the mine pit. Cofferdams and dykes will retain water between the diversion channel and the mine pit. As the mine progresses into Lake Harris in the area that is actually below the water surface, water will be pumped in the main stream and all water from this zone will flow towards the Goodwood River.

Table 2: Mineral Reserves by Category

Category	Tonnage (Mt)	DTWR (%)	TotFe (%)	Concentrate	
				Fe (%)	SiO_2 (%)
Class 1					
Proven	1,172	27.0	31.2	69.8	2.2
Probable	718	26.9	31.4	70.1	2.1
Proven & Probable	**1,891**	**27.0**	**31.3**	**69.9**	**2.2**
Class 2					
Proven	275	20.0	29.5	64.8	3.5
Probable	218	19.1	26.4	64.8	3.7
Proven & Probable	**493**	**19.6**	**28.1**	**64.8**	**3.6**
Total					
Proven	1,448	25.6	30.9	68.9	2.5
Probable	936	25.1	30.3	68.9	2.5
Proven & Probable	**2,384**	**25.4**	**30.6**	**68.9**	**2.5**

Note: The totals may not add up due to rounding errors.

Mining Methods

The mining method selected for the Project is conventional truck and shovel. Vegetation and topsoil will be cleared using a mining contractor and be carried out with a fleet of dozers, small excavators and articulated haul trucks ahead of the mining operation. Suitable organic material will be stockpiled for future reclamation use. Overburden will then be stripped using a fleet of excavators and hauled to the

overburden dump. The ore and waste rock will be mined with 15 m high benches, drilled and blasted then loaded with large mining shovels into a fleet of rigid frame trucks which will haul the material either to the waste dump, the Class 2 ore stockpile or the primary crushers.

The mining operations for the Project will be 365 days per year, operating around the clock on two (2), 12 hour shifts. A total of seven (7) days per year have been accounted for when the mine will be shut down due to severe weather conditions. These conditions may occur during peak rainfall or snowfall periods or at times when the ambient temperature is extremely low.

The 22-year mine plan is based on an annual production of 22 Mt of concentrate. This production is divided in 16 Mt of concentrate which will yield 17 Mt of BF and DR grade pellet and 6 Mt of pellet feed. The mine plan has a ramp up of 60 % in Year-1 (13.2 Mt of concentrate) and 85 % in Year-2 (18.7 Mt of concentrate) before reaching full capacity in Year-3. The mine plan incorporates blending of the different rock types in order to minimize the variations in hardness of the material that is sent to the plant and to supply a constant run of mine feed that is as close to a DTWR of 27 % and a value of 2.2 % SiO_2 in the concentrate as possible.

During peak production, the total number of 363-tonne haul trucks is expected to reach 35, along with eight (8) shovels, ten (10) production drills and a large fleet of support and service equipment. The total mine workforce during peak production is expected to reach 535 employees.

Recovery Methods

Concentration

The process design for the LabMag concentration plant is based on extensive laboratory and pilot plant test work performed from 2005 to 2012 by NML and supplemented by suppliers' test work to support their equipment selection.

The process plant is designed to treat approximately 88 Mt/y of taconite ore (dry basis), at a DTWR of 27 % and Fe grade of approximately 30 %. Any hematite present will not be recovered. Operating 358 days per year 24 hours per day with at an availability of 92 %, (at a nominal rate of 10,026 t/h) the process plant will recover a nominal 22 Mt/y of concentrate (2,491 t/h, dry basis after flotation). The concentrate product quality will be such that DR grade and BF grade pellet feed can be produced as needed. The plant design is based on a 22-year plant life.

The basic process flow sheet consists of primary and secondary crushing and screening circuits feeding HPGRs for dry comminution. After cobbing, the liberation of the iron bearing mineral (magnetite) is completed in a wet grinding circuit. Concentration stages include besides cobbing, roughing and finishing with low intensity magnetic separators. The undersize final concentrate is sent to the thickener and the slurry storage tanks or to the flotation plant for low silica.

HPGRs in combination with secondary crushing have been selected to replace the conventional SAG mill for the primary grinding circuit. The main advantages of HPGR over other mills are their low energy consumption, high reliability, simplicity and ability to dry grind. They also require no grinding media. NML has done extensive pilot scale testing of HPGR for grinding its taconite ore, which is a very hard and abrasive material and the three (3) major HPGR suppliers have successfully tested the ore.

Depending on the product silica level required at the pellet plant, part or all of the concentrate will be floated. Final concentrate will be thickened and pumped to the slurry storage tanks for transport via the concentrate slurry transportation system (645 km).

To produce low silica BF fluxed or DR grade pellets, the concentrate must contain 2.2 % and 1.5 % silica, respectively, so four (4) flotation lines each with rougher, regrind down to a P_{80} of 18 µm and cleaner

have been added to reduce the silica grade. All flotation steps will use tank type flotation cells. Regrinding will be performed in fine ore mills and classified by hydrocyclones.

Concentrator coarse tailings are dewatered for dry stacking disposal. Fine tailings are thickened, pumped and deposited in the tailings storage facility as slurry. The decanted water will be recycled to the process plant.

The KéMag site benefits from a natural depression in the terrain which allows for conventional disposal of fine tailings with few geographical restrictions. The initial dykes would be built with moderate quantities of earthwork prior to the start of production enabling three (3) years of tailings disposal. As tailings are pumped and discharged as slurry in the impoundment area, the coarse fraction settles first on the top of the beach and dewaters naturally. The tailings discharge point is then moved to another location and the coarse fraction is reclaimed to raise the dykes.

Pelletizing

Outotec's mandate was to engineer the filtration, additives preparation, balling and pelletizing for two (2) pellet lines each with 8.5 Mt/y of capacity plants complete capital and operating cost estimate and develop design criteria. The plants will be located in Pointe-Noire adjacent to the stockyard and near the shipping facility, and all support facilities such as slurry reception, thickening, product handling, stockpiling and reclaim to ship loading are by ISLLP.

Based on SGA and Outotec joint test work in 2012, a second round of tests was undertaken in 2013 at Outotec's facility to fine-tune the design and provide a process guarantee for the pelletizing plant throughput and for pellet quality. The physical properties of the indurated pellets such as cold compression strength tumble strength and Abrasion Index met or exceeded the desired levels in most tests, especially in the tests which were used as basis for plant design.

After completion of the 2013 tests, Outotec issued a confirmation letter guaranteeing a nominal annual capacity of 8.5 Mt/y for each 816 m^2 pellet machine. It was also stated that the equipment is expected to ramp up to 9.0 Mt/y after a period of stable and routine operation. Each pelletizing line can produce low silica fluxed BF grade pellets or DR grade pellets.

The production is divided as follows:

- Twelve (12) Mt/y of low silica BF pellets with 2.5 % SiO_2;
- Five (5) Mt/y of DR pellets with 1.8 % SiO_2; and
- Six (6) Mt/y of concentrate for direct sales.

Process and Plant Description

The slurry is received at the port facilities at a density of 65 % solids. Through a slurry distribution system, the slurry is fed to thickeners to raise the density to 72 % solids before being pumped to the four (4) slurry surge tanks.

Twenty-two (22) Mt/y of filter cake, with moisture of eight (8) %, will be produced. Of this, 16 Mt/y of concentrate will be used to produce 17 Mt/y pellets and the remaining six (6) Mt/y will be stored and shipped as an iron ore concentrate for sale.

The pellet plant includes wet grinding of dolomite and limestone and dry grinding of bentonite as well as preparation of an organic binder when required for low silica pellet.

The screened pellets from each line are transported and stored via dedicated conveying and stacking systems in two (2) pellet piles, each having a capacity of 750,000 Mt.

Pellets for ship loading will utilize a common bucket wheel reclaimer having a capacity of 9,200 t/h for both pellet stockpiles. Both pellet and filter cake concentrate for sale will utilize a common overland conveyor on a time sharing basis for transport to the Sept-Îles Port Authority's ship loading facility.

Project Infrastructure

Slurry Transportation System

BRASS was contracted by ISLLP to prepare a study for the taconite slurry transportation system to transport 22 Mt/y of iron concentrate slurry, from the mine site to the terminal station at Pointe-Noire. The slurry transportation system is designed to operate continuously with an operating range bounded by minimum safe limiting velocity, maximum throughput, and solids concentration by weight ("**Cw**"). The slurry transportation system can only safely transport concentrate within a throughput window equivalent to 18 Mt/y minimum and 24 Mt/y maximum flow rate. The 645 km slurry transportation system will follow a Quebec route. The main pumping station will be located in a building adjacent to the concentrator. There will be one (1) booster pumping station along the line.

The design will adopt a "No Freezing, No Plugging philosophy", which means that the slurry transportation system will either be buried below the frost depth (no freezing) or if it is buried above the frost line, it will have the necessary reliability and emergency backup equipment to maintain no-freeze conditions during an emergency stoppage and the slurry transportation system slope will be restricted to avoid plugs even if the line is shut down full of slurry.

The 28 inch (71 cm) slurry transportation system will be in a trench under one (1) metre of cover. Where it is not possible to bury the slurry transportation system, an appropriate thickness of insulation and/or heat tracing will be provided, to guard against freezing of the slurry. A protective three-layer polyethylene external coating will mitigate external corrosion. Cathodic protection systems, either active or passive, will be included in the slurry transportation system design.

There are many stream crossings between the concentrator and Pointe-Noire. Trenching will be the preferred method of construction of the crossings while horizontal directional drilling will be used to cross large streams when trenching is impractical or not permitted.

A fiber-optic "backbone" will carry all slurry transportation system communications, including SCADA system and video surveillance of the booster and valve stations, as well as office data and voice telephone channels between the concentrator and the pellet plant. The multi-fiber optical cable will be installed in a conduit in the slurry transportation system trench.

The current pump station design is robust and has full power backup in the form of diesel emergency generators.

High Voltage Electrical Distribution Network

The utility companies will supply three (3) incoming lines at different voltage to each of the Project installation locations, being at mine and process plant area, slurry intermediate pumping station area and at Pointe-Noire and port area.

The plant will be powered by a new 315 kV aerial power lines by utility companies.

The expected power requirement for KéMag: 383.4 MW at 0.95 power factor giving 403.6 MVA. The sizing of the 315 kV to 34.5 kV main transformers 112/150/186 MVA, was based on the worst case scenario. However, with the load variations during the study, the sizing can be optimized (slightly on low side) at the detailed engineering phase. The sizing of the 315 kV to 13.8 kV main transformers 54/72/90 MVA, can also be optimized (slightly on high side) at the detailed engineering phase.

The slurry transportation system pumping station 2 (PS2) will be supplied from Hydro-Québec by one (1) line of 34.5 kV from their Poste Normand, near route 389 which is part of the grid that supplies nearby Fermont.

Hydro-Québec will feed the Pointe-Noire and port area at Sept-Îles from their Poste Arnaud with one (1) single line of 161 kV.

Emergency Power Plant

The mine, process plant and pumping station 1 (PS1) will be supplied from one (1) set of three (3) diesel generators. The booster station (PS2) will be equipped with four (4) diesel generators to allow operation in case of power failure. The facilities in Pointe-Noire will be equipped with four (4) diesel generators to cover all the emergency loads requirements.

Explosives Preparation and Storage

All required turn-key infrastructure for the manufacturing and the delivery of bulk explosives as well as for a down-the-hole blasting service will be provided and executed by an explosives supplier who will be under contract. The explosives plant will consist as a minimum of an emulsion plant, a storage area for ammonium nitrate, emulsion and explosives and the support installations.

Roads

The main access road from Schefferville to the mine site will be designed to permit heavy traffic to circulate at normal speed as regulated by provincial governments. The existing gravel road from Schefferville to the mine site will be upgraded.

Access for mine haul trucks and other large equipment to maintenance facilities, diesel fuel service and primary crushing areas are by mine roadways.

Plant roads are used for normal operation traffic, which consists of light vehicles, small personnel buses and freight transport trucks. Site access roads are provided for the main entrance to the facility in order to allow delivery of materials, large personnel buses, and light vehicle traffic. Plant roads and access roads have provision for two-way traffic.

After it crosses the St-Marguerite River on the outskirts of Pointe-Noire, the slurry transportation system will parallel the Arcelor Mittal railway at times and then follow route 389 between Fire Lake and Mont-Wright, totaling less than 100 km of shared right of way. It will occasionally benefit from forestry and wood logging routes before climbing to higher grounds beyond Mont-Wright where no infrastructure exists. This last 300 km stretch is entirely undeveloped territory. Access routes to and along the slurry transportation system will be mere bush roads and require slow speed driving in forgiving all-terrain vehicles.

At Pointe-Noire, the main access to the facilities will from provincial highway 138. On-site roads will provide access to all facilities including the water treatment pond and access along the site security fence.

Tailings Management Facilities

The tails are divided into coarse and fine tails. The coarse tails are filtered and hauled by truck to a disposal area. The fine tails are pumped to the TMF near the concentrator and the excess water is returned to the plant.

Process Water Pumping Station

A process water pumping station is installed inside the process plant with eight (8) vertical turbine pumps, fixed or variable frequency driven. Each pump delivers the water necessary for one (1) ore processing line.

The two (2) make-up water pipelines discharge in the pumping station basin. Before discharging into the basin, a branch from the pipeline provides water to the fire and potable water pumping station.

The main contributor to the process water basin is the overflow of tailings thickeners. The overflow from thickeners flows by gravity into the pumping station basin. Some additional water comes from the flotation water pump station.

Temporary Construction Camps

Lodging requirements are estimated based on the total construction hours for the Project and the planned schedule. The construction camp for LabMag is presently sized to 1,700 rooms taking into consideration 400 beds of the permanent accommodation complex at the mine will be utilized during construction. The slurry transportation camp is sized at 1,600 rooms. Camp population will include multidisciplinary construction workers, contractors, management staff, service people, owner's representatives, security and visitors. The design of camps have included all required sub-facilities as catering, recreational rooms and others amenities.

Permanent Residential Complex

The accommodation complex will be designed to meet the sleeping, hygiene, dining and recreational requirements for 400 workers and future employees. Each room will be equipped with shower/water closets and all furniture and related equipment. The central kitchen is used to prepare all meals that are served in the central dining area for the operation personnel.

Pellet Storage and Ship Loading

Product from the two (2) pelletizing lines, each having a capacity of 1,073 t/h, are transported to two (2) dedicated rail mounted stackers and discharged on two (2) parallel stockpiles each having a storage capacity of 750,000 Mt. The pellets will be reclaimed by one (1) single 8,000 t/h bucket wheel reclaimer and transported to ship loaders via one (1) 7.6 km long overland conveyor to the transfer tower and ship loading system that will be operated by the Port Authority of Sept-Îles ("**SIPA**").

The concentrate will be shipped via a slurry transportation system and filtered at Sept-Îles facilities. The concentrate filter cake will feed two (2) pellet plants or stocked in a covered stockpile of 600,000 t. The concentrate will be reclaimed by a bridge reclaimer and transferred to ship loaders by the same overland conveyor used for pellet shipments.

Maintenance Facilities

The mine trucks and light vehicles garage and warehouse area is designed for the maintenance of heavy equipment and flexible for light vehicles. It is supplemented by a mine truck washing and tire changing facility.

The port facilities maintenance workshop and main warehouse are sized to support the filtering, balling, pelletizing, stockpiling, reclaim and shiploading equipment.

Boiler Houses and Fuel Storage

For the mine/concentrator site there are two (2) identical boiler house facilities. One (1) boiler house is located adjacent to fire and potable water pumping station. The boilers provide heating for all process buildings and shop areas.

The second boiler house is located adjacent to the main trucks maintenance garage building.

Two (2) diesel storage tanks provide sufficient capacity for mine and process plant operations. Two (2) vehicle refuel stations are provided. One (1) is dedicated to mine trucks and one (1) for light vehicles.

An emergency power plant diesel fuel tank farm provides fuel for diesel generators. Diesel fuel storage is also provided at PS2 and at the port for the emergency generators.

Market Studies and Contracts

World Steel Demand

The iron ore market is directly related to iron and steel production. NML/TS worked with leading steel information analyst WSD to complete a comprehensive, competitive assessment of the Project. The report concludes that the Project has a strong possibility of succeeding in the coming global steel industry environment. As shown in Table 3 below, a low steel demand growth path is expected over the period 2012-2016, followed by a transition in the world economy in 2016-2017 to a scenario which would be a period of good growth for steel demand globally.

The mid to long term forecasts for iron ore demand continue to be good, driven by continued robust growth in China, India and the developing world. India's production is projected to more than double from 2011 to 2025, with an average annual growth rate of 6.1 % over the decade 2016 – 2025. Similarly, although the MENA region accounted for just 2.1 % of global steel production in 2011 (32.4 Mt), the region is expected to show strong growth in the medium and longer term, driven largely by developments in the Middle East. Over the period 2016-2025, steel production in the region is expected to grow at an average annual growth of 4.5 % per year.

Against this background, WSD sees good market opportunities for the Project. One of the Project's most favorable attributes is the possibility of having TS as an equity investor, as well as off-taker of a substantial portion of production, and with that a core market in the integrated, BF/BOF) steelmaking sector as a supplier to Tata Steel's European operations.

Table 3: World Steel Dynamics' Crude Steel Forecast

Location	2012 (Mt)	2013e (Mt)	2014e (Mt)	2015e (Mt)	2025e (Mt)	CAGR 2014-2025 (%)
Advanced Countries	**464**	**448.7**	**460.8**	**470**	**536**	**1.4%**
Japan	107.2	108.8	110.2	111.0	121.0	0.9%
Western Europe	140.8	132.9	136.9	140.4	158.1	1.3%
United States	88.7	87.0	89.5	92.5	110.0	1.9%
Small Cap. Adv.	126.8	120.0	124.2	126.6	147.0	1.5%
China	717	770	790	802	850	0.7%
Developing World	**368**	**355.3**	**363**	**376**	**486**	**2.7%**
Africa	7.3	6.8	7.2	7.6	10.0	3.0%
Brazil	34.7	33.4	34.0	35.0	42.5	2.0%
CIS	111.5	106.6	108.0	109.0	122.5	1.2%
Eastern Europe	14.2	12.0	12.6	13.5	17.5	3.0%
Developing Asia	21.4	21.5	22.0	24.1	40.0	5.6%
India	76.8	78.5	78.0	82.0	113.0	3.4%
Latin America	31.7	30.0	31.6	34.0	45.0	3.3%
Turkey	35.9	33.5	34.0	34.5	33.9	0.0%
MENA	34.2	33.0	35.1	36.2	62.0	5.3%
World Total	**1,548**	**1,574**	**1,613**	**1,648**	**1,873**	**1.4%**
World Ex-China	831.2	804.0	823.3	846.4	1,022.6	2.0%

Source: WSD estimates

In addition, several factors in WSD's Global Metallics Balance data are especially positive for the Project:

- The expansion of USA steel demand in the next decade, leading to investment in Electric Arc Furnace ("**EAF**") capacity relying on direct reduced ironmaking ("**DRI**") and, in turn, DR grade pellets. Lower natural gas prices in the USA are making the construction of DRI facilities an attractive option for a USA-based steel mill.
- Further expansion of EAF steelmaking in China, the Middle East and Western Europe, the latter two (2) of which, along with the USA, are natural markets for the KéMag Taconite Project.
- Although an overall surplus of steel scrap appears to be developing, the future supply/demand balance for prime scrap is expected to be tight, creating a need for more supply of clean iron units in the form of DR grade pellets, especially as EAF steelmakers move up market into sheet production.

World Pellet Demand

The Project is targeting the production of pellet feed, acid and fluxed pellets for BF/BOF steel making, and DR grade pellets. With its extensive iron ore database, WSD is able to benchmark the quality and cost of the Project's products against competitor parameters, and has concluded as follows:

- BF Pellets – Would be well accepted by any iron making operation as comparable to the best Canadian and Swedish pellets, better than Brazilian pellets, and clearly better than pellets from elsewhere (CIS, India, etc.). Can contribute to improved blast furnace performance at Tata Steel Europe ("**TSE**").
- DR Grade Pellets – Quality will be comparable to the leading producers: Vale, Samarco, LKAB, IOC and Arcelor Mittal Mines Canada.
- Global Cost Curve Position for Pellets – The KéMag Taconite Project would potentially be the lowest cost pellet producer in North America.
- Pellet Feed – Not a question of quality or cost for the Project, but market analysis suggests considerable new supply of fine sized ores in the future. The level of production should be tailored to meet specific market requirements and no more.

Markets for the Project

The Project is expected to require a mix of captive and merchant market sales. Its range of products and a highly competitive cost structure, coupled with access to the new, deep-water ship loading facilities at Sept-Îles, Québec, would give the Project a global market reach for business development.

Tata Steel's European steel works alone could consume 50 to 60% of the Project's output. In January 2007, TSE acquired the Anglo-Dutch steel maker Corus Group, thereby establishing a major presence in the European market to supplement its core production base in India. TSE is pursuing a strategy of greater self-sufficiency in raw materials.

Since TSE's operations are both geographically proximate to and historically familiar with supply from Canada, they are also natural outlets for the Project. In fact, product specifications are the result of collaboration with TSE's supplies team.

TSE's three (3) integrated steel works in Europe (Port Talbot – Wales, Scunthorpe – England and IJmuiden – The Netherlands) are shown in Figure 1. As the only European steel maker with on-site pelletizing, the IJmuiden works in the Netherlands provides the Taconite Project with a unique captive market opportunity for pellet feed in what will be a highly competitive open market environment as discussed above.

Figure 1: Natural Fit of the Taconite Project to Tata Steel Europe's Operations



In order to supplement the core off-take requirements of TSE and minimize the Project's market risk, NML and TS are working together to identify reputable and reliable steel or steel tie-in companies with an interest in Project investment and/or a long-term supply contract. The relationships begin with Project introduction and interest is confirmed via a confidentiality agreement. Simply stated, the process continues through technical evaluation and other due diligence which, if successful, then leads to a letter of intent or memorandum of understanding, commercial negotiations and the eventual goal of a long-term and stable relationship with the Project.

To date, this marketing campaign has produced interest from companies in North America, Europe, Middle East and the Asia/Pacific.

Pricing

It is well known that the global pricing mechanism for iron ore has transitioned since the mid 2000's from the historical, annually negotiated benchmark system to shorter term settlements mainly using the 62 % Fe Cost and Freight ("**CFR**") China price as a reference, with upward or downward adjustments for product quality as appropriate.

Recent years have seen extreme price volatility, signaling the difficulty of predicting even a one-year price. With regard to the long-term price for iron ore, there are numerous views among industry analysts and forecasting services, resulting in a wide range of predictions.

Steel is a cyclical business, and by extension iron ore prices should reflect this cyclicality over time. The methodology used by WSD for arriving at a long-term price reflects this likelihood by assuming that the steel industry is subjected to boom and bust conditions typical of every cyclical business and, using the 62% Fe CFR China price as a baseline, calculating a weighted average price that reflects the overall impact of the various boom and bust conditions over the cycle being analyzed. Based on the above methodology, the long-term prices, FOB vessel at Sept-Îles, used in the feasibility study are shown in Table 4.

Table 4: Long Term Pricing

Product	Long Term Pricing
Blast Furnace Pellets	US$ 116,61 /dry-t
Direct Reduction Pellets	US$ 126,86 /dry-t
Pellet Feed	US$ 90,00 /dry-t

Market and Strategy Summary

In summary the development of the Project by NML/TS is underpinned by the following key market assumptions and strategic rationale:

- The market for iron ore pellets is structurally growing for productivity and environmental reasons in the blast furnace sector, and organically in the DRI sector;
- The Project's range of high quality pellets and pellet feed and favorable cost curve position gives it a competitive and global market reach;
- With its year-round shipping capability and ability to handle among the largest ore carriers, the Port of Sept-Îles provides a competitive advantage to the Project;
- The Project would have a core market for 50-60 % of its output at TSE's operations;
- Lower natural gas prices and the relatively high price of steel scrap in the USA are making the construction of DRI facilities an attractive option for a USA-based steel mill. This a natural market geographically for the Project;
- Other market opportunities exist in Western Europe, the Middle East and the Asia/Pacific.

Working with WSD, NML/TS has incorporated cyclical steel industry conditions into its analysis in order to develop long-term pricing that is as representative as possible.

Environmental and Social Impact Assessment Process

Applicable Environmental Assessment Regimes

The KéMag Project is expected to trigger the EA regimes of general application established by the CEA Act and the Environment Quality Act ("**EQA**") (Chapter I, Division IV.1), in addition to the provincial regimes of section 23 of the James Bay and Northern Québec Agreement ("**JBNQA**") (EQA, Chapter II, Division III) and section 14 of the Northeastern Québec Agreement ("**NEQA**") (*Règlement sur l'évaluation et l'examen des impacts sur l'environnement dans une partie du Nord-Est québécois*).

The federal regimes of section 23 of the JBNQA and section 14 of the NEQA are not expected to be triggered by the Project, because the components of the Project in the areas in question come under provincial jurisdiction.

The regulatory regime of the NEBA is not expected to be triggered for the KéMag Project, since the slurry transportation system will not be inter-provincial.

Ideally, the implementation of all the applicable regimes should be harmonized to the extent possible. To that effect, a conference call with the CEA Agency, the Major Projects Management Office ("**MPMO**") and

the NEB was held on May 3, 2013 to discuss how the respective regimes of the CEA Agency and the NEB might apply, particularly in terms of their harmonization.

Once the regulatory authorities have released the Project from further EA, the applications for the various permits that are required for site-preparation and construction can begin to be filed, followed by applications for permits for the start of operations. In order to expedite the start of construction, preparation of the permit applications can begin before the completion of the EA.

An amendment to schedule 2 of the MMER will be required for draining water bodies or watercourses frequented by fish for purposes of creating tailings disposal areas. An amendment to schedule 2 of the MMER will not be granted unless it can be shown that there is no viable alternative to disposing of them in the water bodies or watercourses in question. A thorough evaluation of the alternatives will be conducted and will be included in the EIS.

Representatives of Environment Canada and Fisheries and Oceans Canada have advised that the process of obtaining an amendment to schedule 2 can take up to 18 months. Until it has been completed, no work affecting the water bodies/watercourses in question can be undertaken. Other construction could proceed, but NML/TS would have to assume the risk that the Project might not be allowed to go ahead if the required amendment is not obtained.

Environmental Impact Statement Status

The drafting of the EIS is underway. The baseline data collection is in the final stages. Data collection during the public consultations, once the Project description is tabled, will allow completion of the description of the receiving environment, following which the assessment of impacts will start.

The EIS will be finalized after the EA guidelines are issued by the governmental authorities.

Timetable

The following timetable for the EA releases starts with tabling of the EIS, effectively at Quarter Zero, or Q0, and from that point an expected timetable in subsequent quarters is as follows:

- Receipt of questions from regulators (CEA Agency, *Ministère du Développement Durable, Environnement, Faune et Parc*/Kativik Environmental Quality Commission) on the EIS – Q1;
- Submission of responses to questions on EIS – Q2;
- Acceptance of EIS by regulators for purposes of public hearings – Q3;
- Public hearings (BAPE, KEQC) – Q4-Q5;
- Submission of responses to questions filed at the hearings – Q6;
- Issuing of EA releases and conditions of release – Q8;

Capital and Operating Costs

Capital Costs Estimate

The capital cost estimate for the feasibility study was assembled by ISLLP. Parts of the capital costs were developed by ISLLP and other areas were provided by consultants under the supervision of ISLLP.

The Project includes the mine, process plant and the slurry transportation system starting at the KéMag mine/concentrator site and continuing always in Quebec to a pellet plant in a common port in Pointe-Noire, Quebec.

The estimate has been developed using approved design criteria, flow sheets, engineering drawings and equipment lists. Enquiries were sent to suppliers for pricing of major equipment.

The capital cost estimate show in Table 5 has been developed on the basis of one (1) overall EPCM contractor who will provide the design, procurement and construction activities for the Project. All sub-contracts would be managed by the EPCM contractor. Table 6 shown the third party infrastructure excluded from the capital cost and accounted by an annuity in the financial analysis.

Table 5: Capital Costs Estimate Summary

Area	Title	Total Costs ($'000)
1000	Mine Area	106,128
2000	ROM Crushing, Storage and Reclaim	382,938
3000	Concentration, Grinding, Separation and Upgrade	1,006,560
4000	Tailings Disposal and Water Management	23,022
5000	Concentrate Slurry Transport	237,845
5210	Slurry Transport	1,539,965
6000	Port Area (Sept-Îles)	332,376
6200	Pellet Plant (Outotec LSTK)	1,226,084
8100	Infrastructure and Utilities (Schefferville)	531,508
8200	Infrastructure and Utilities (Sept-Îles)	144,359
	Total Direct Cost	**5,740,784**
9000	Indirect Costs	1,421,000
9000	Contingency	867,000
	Total Indirect Cost	**2,288,000**
	Total Direct + Indirect	**8,028,784**
	Owners Cost (by NML)	210,000
	Total Project Capex	**8,239,000**
	EXCLUSIONS FROM Capex	
	Mine Mobile Equipment in Opex	323,000
	Hydro-Quebec Transmission Line in Opex	661,000
	Risk	334,300
	Escalation	Excluded

** The above total sums are rounded up to $1,000.*

Table 6: Capital Cost vs Leasing

Area	Title	Total Costs ($'000)
	Capex – Mine and Process[1]	5,227,000
	Capex – Infrastructure[2]	3,012,000
	Total Project Capex	**8,239,000**

1 Costs of major mining equipment and power transmission line are not included in Capex, but servicing costs are in cash cost.
2 Consists of slurry transportation system, product storage and reclaiming system are to be financed on the basis of long term debt.

Basis of Estimate

The estimated capital cost is based on the following key assumptions:

- The estimate is expressed in February 2013 Canadian dollars ("**CAD**") since the majority of the bids were received during that period;
- The following items are excluded; currency exchange fluctuation, allowance for industrial dispute or industrial action, environmental permitting, all taxes and duties, escalation, Project financing and interest during construction;
- No allowance is made for acceleration or deceleration of the Project schedule;
- Plant operating costs are excluded from the capital cost;
- Project insurance is included in Owner's cost;
- The estimate base currency is CAD. The capital cost estimate consists of items quoted in various foreign currencies which have been converted into CAD using exchange rates as of February 5, 2013. The vast majority of pricing for equipment and bulk materials are based on CAD. Table 7 shows the currency exchange rates and the percentages content in different currencies and the percent content of costs for each of the listed currencies, excluding the pellet plant (by Outotec).

Table 7: Currency Exchange Rates and Percent Content

Currency Code	Currency Name	Canada	Percent Content (%)
CAD	Canadian Dollar	1.00	87.5
USD	US Dollar	1.00	7.0
EUR	Euro	1.30	5.5

The proposed construction work week is on the basis of a 60-hour with rotations of 21 days in followed by seven (7) days out [travel during the seven (7) days out].

Cost Basis and Methodology

The labour crew mix wage rates were developed on the basis of the Quebec Labour collective agreement for April 2013. Labour productivity and site considerations for the Project have been evaluated and taken into consideration.

All quantities generated for the estimate are mainly based on engineering material take-offs and deliverables which exclude contingencies of any kind.

Operating Costs

The operating costs were developed for each component of the Project. The costs at Year-4 of operation are summarized in Table 8 below.

Table 8: Summary of Estimated Opex by Area (Average)

Areas	Description	Costs for LOM ($'000)	Unit Costs ($)	Units
1000	Mine	8,380,119	17.76	per tonne of concentrate
2000, 3000, 4000	Concentrator	7,614,038	16.13	per tonne of concentrate
5000	Slurry Transport	421,237	0.89	per tonne of concentrate
6100 - 6200	Pelletizing Plant	4,043,786	11.09	per tonne of pellets
6300 - 6600	Port Operation	1,279,841	2.59	per tonne of total production
8000	G&A and Infrastructure	1,615,287	3.27	per tonne of total production
Unit Cost for Concentrate			**40.64**	**per tonne of concentrate**
Unit Cost for Pellets			**49.68**	**per tonne of pellets**
Note: Benefit and other payments are not included in unit costs				

The Opex presented is based on the estimated consumptions of consumables, reagents and power. Maintenance supplies cost factors were used for buildings. Vendor data was used where possible. The accuracy level is in the range of ± 15 %, as required by this estimate class and is deemed appropriate a feasibility study level. No escalation or contingency has been applied to the operating costs. The currency exchange rates applied are the same rates used for the Capex presented in this Section.

The base date of the operations cost estimate is February 2013. The capital cost used to factorize operating supplies, maintenance of buildings and of fixed equipment was updated in October 2013. The Bunker C fuel oil is dated August 2013 as well as the fuel price.

The organizational structure for the operations phase is designed to support the successful operation of an iron ore mine and beneficiation plant in a remote location, a slurry transportation system, a pelletizing facility and associated material handling facilities while producing cost effectively quality iron ore concentrate and pellets.

Table 9 presents the Project operating labour force at Year-4 of operation.

Table 9: Labour Force Year-4

Area	Senior Executives	Superintendents, Managers, and General Foremen	Supervisors and Engineers	Operators	Maintenance Personnel	Technicians	Others	Total
Mine	1	2	10	344	123	39	4	523
Crushing	0	1	6	33	14	0	0	54
Concentrator	1	7	19	55	55	16	18	171
Slurry Transport	1	4	4	7	27	0	2	45
Pellet Plant	0	6	21	42	73	9	18	169
General Administration and Infrastructure	3	11	0	0	0	72	62	148
Port Facilites	7	7	8	17	3	14	5	61
Total	**13**	**38**	**68**	**498**	**295**	**150**	**109**	**1,171**

Economic Analysis

The economic/financial assessment of the Project is based on first-quarter 2013 price projections and cost estimates in Canadian currency. An exchange rate of USD 0.90 to CAD 1.00 is assumed to convert the USD price projections into CAD. As well, this rate is used to adjust Opex estimates and 7.0 % of the original Project Capex initially priced in USD at an exchange rate of 1 to 1. A similar adjustment is made to 5.5 % of the original Project Capex initially priced in Euros at an exchange rate of EUR 0.77 to CAD 1.00 to account for a revised exchange rate of EUR 0.71 to CAD 1.00.

No provision is made for the effects of inflation. The evaluation is carried out on a 100 % equity basis. Current Canadian tax regulations are applied to assess the corporate tax liabilities while the recently proposed regulations in Quebec (Bill 55, December 2013) are applied to assess the mining tax liabilities.

The assessment of the Project assumes that some infrastructure elements, namely, the slurry transport infrastructure between the mine site and Pointe-Noire, the mine site accommodations, and the stock yard and materials handling facilities for ship loading are leased. The financial indicators under base case conditions are presented in Table 10.

Table 10: Base Case Financial Results (100 % Equity)

Financial Indicators	Results	Units
Before-tax Net Present Value ("**NPV**") @ 8 %	5,261.8	$M
After-tax NPV @8 %	2,241.3	$M
Before-tax Internal Rate of Return ("**IRR**")	17.5	%
After-tax IRR	13.2	%
Before-tax Payback Period	4.9	Years
After-tax Payback Period	5.7	Years

A sensitivity analysis reveals that the Project's viability is not significantly vulnerable to variations in capital and operating costs, within the margins of error associated with feasibility study estimates. However, the Project's viability remains vulnerable to the larger uncertainty in future sales prices.

Financing

Although the base case assessment assumes 100 % equity financing, the financial model was created to address the case in which debt financing is considered. Here, it is assumed that 70 % of the initial capital cost will be financed through long-term debt sources. To the extent possible, the disbursement of borrowed funds is delayed in order to reduce the amount of interest payable.

As financing arrangements are not yet in place, it is assumed that the annual interest rate on borrowed funds is seven (7) % (current U.S. Prime rate of 3.25 % + 3.75 %).

The assumed terms of repayment are single payments at the end of each year starting at the end of the first full year of production over a period of ten (10) years. It is important to note that no additional work was done to confirm these assumptions with potential lenders. The financing terms are used only to demonstrate the effect of leverage.

Financial Model and Results

Table 11 presents the financial analysis results on a before-tax basis.

Table 11: Before-tax Financial Indicators

Before-tax Financial Indicators	Results ($M)
Total LOM Revenue	61,346.6
Total LOM Operating Costs*	24,298.3
Total LOM Lease Payments	6,990.6
Initial Capital Cost	5,291.9
Total LOM Sustaining Capital	1.096.9
Total Cash Flow	23,668.9
NPV @ 8 %	5,261.8
NPV @ 10 %	3,455.0
NPV @ 12 %	2,135.8
IRR	17.5
Payback Period	4.9

** Includes Agreement payments*

Table 12 presents the financial analysis results on an after-tax basis. The first five (5) lines of Table 11 (i.e., total revenue to total sustaining capital) are not reproduced in Table 12 because they are identical.

For the purpose of illustrating the effect of debt financing, Table 13 compares the financial outcomes with 100 % equity financing versus those with 30 % equity/ 70 % debt financing (i.e. levered). The impact of leverage is greater on an after-tax basis than on a before-tax basis because interest payments are tax deductible. For this reason, the results are shown only for the after-tax assessment.

Table 12: After-tax Financial Indicators

After-tax Financial Indicators	Results ($M)
Total LOM Corporate Taxes	7,272.4
Total LOM Mining Taxes	3,175.9
Total Cash Flow	13,221.6
Net Present Value @ 8 %	2,242.3
Net Present Value @ 10 %	1,153.8
Net Present Value @ 12 %	359.0
Internal Rate of Return	13.2 %
Payback Period	5.7 Years

Table 13: Effect of Leverage

After-tax Financial Indicators	Results ($M)
Net Present Value @ 8 %	2,241.3
Levered Net Present Value @ 8 %	2,697.1
Internal Rate of Return	13.2 %
Return on Equity ("**ROE**")	21.9 %

Sensitivity Analysis

A sensitivity analysis is carried out on the base case scenario described above to assess the impact of changes in market prices (across-the-board variations in all three (3) product prices), total pre-production capital cost and operating costs on the Project's NPV @ eight (8) % and IRR. Each variable is examined one-at-a-time. An interval of ± 30 % with increments of ten (10) % was used for all three (3) variables. It is to be noted that the margin of error for cost estimates at the feasibility study level is typically ± 15 %. However, the uncertainty in price forecasts usually remains significantly higher, and is a function of price volatility.

The before-tax results of the sensitivity analysis are shown in Figure 2 and Figure 3. Figure 2 showing variations in NPV indicate that the Project's before-tax viability is not significantly vulnerable to the under-estimation of capital and operating costs, taken one at-a-time. The vertical dashed lines represent the typical 15 % margin of error associated with the Capex and Opex estimates. The NPV is more sensitive to variations in operating expenses than it is to capital expenditure, as shown by the steeper curve. As expected however, the NPV is most sensitive to variations in prices. Across-the-board reductions of about 25 % in prices result in break-even conditions, i.e., a net present value of zero.

Figure 2: Sensitivity of the Before-tax Net Present Value

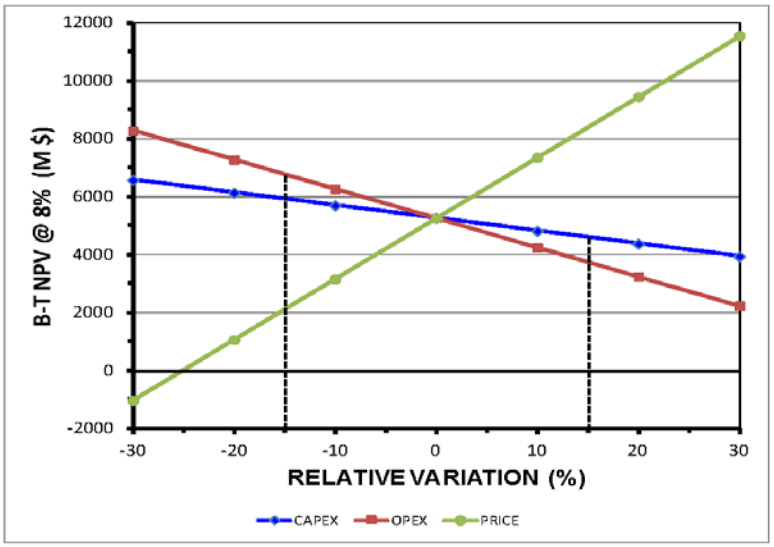


Figure 3 showing variations in IRR provides similar conclusions. In contrast with Figure 2, which shows linear variations in NPV for the three (3) variables studied, variations associated with IRR are not linear. Due to the different timing of pre-production capital expenditure versus operating expenses over the mine life, the IRR is more sensitive to variations in capital expenditure, especially negative variations. The IRR is reduced to eight (8) %, i.e., break-even conditions (shown by the horizontal dashed line), for the same across-the-board reductions in prices as noted above in the case of the NPV.

The after-tax results of the sensitivity analysis are shown in Figure 4 and Figure 5. The same conclusions about the sensitivity of the Project's viability to variations in capital expenditure, operating expenses and prices can be drawn here. On an after-tax basis however, break-even conditions are reached at across-the-board reductions in prices of 19 %.

Figure 3: Sensitivity of the Before-tax Internal Rate of Return

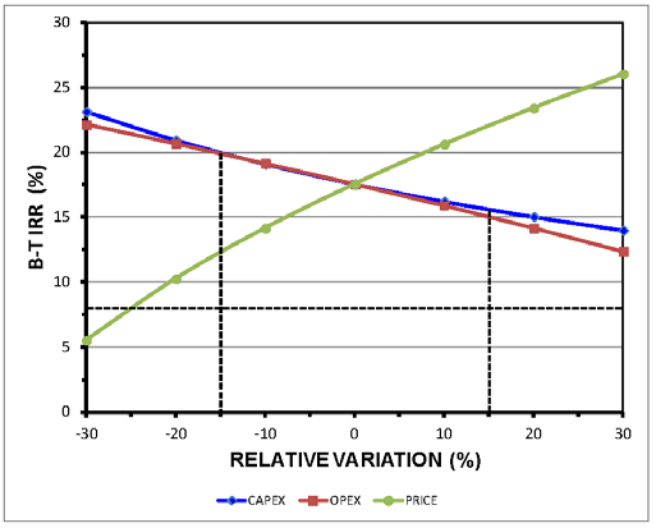


Figure 4: Sensitivity of the After-tax Net Present Value

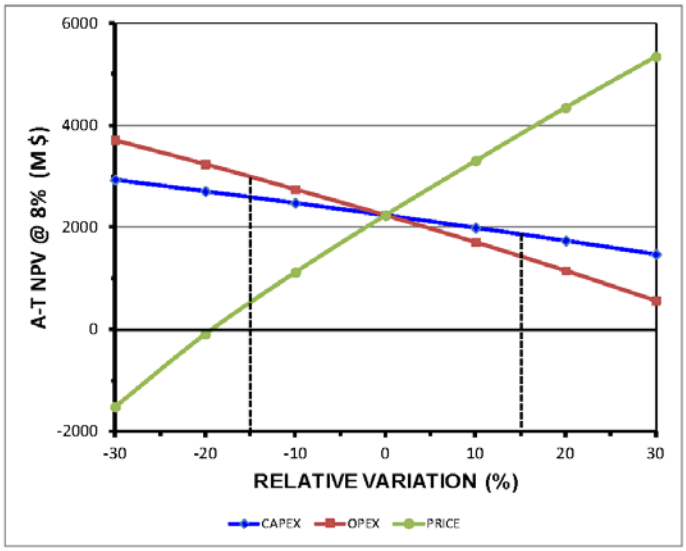
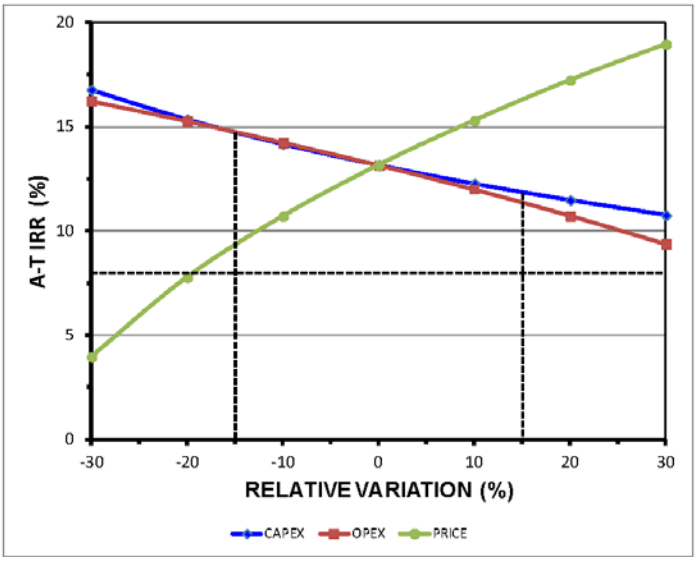


Figure 5: Sensitivity of the After-tax Internal Rate of Return



Adjacent Properties

The Property is surrounded on all sides by claims held by NML, except for a block of adjacent claims at the southeastern boundary registered under TS. The southeastern limit of the KéMag Property follows the Quebec-Labrador boundary and abuts against the Licenses held by NML, TS and LabMag, the latter hosting the LabMag iron deposit.

Other Relevant Data and Information

Schedule

A Project master schedule for the feasibility study has been developed to cover the major Project milestones. The Project master schedule contains engineering, procurement, construction and pre-operational testing and commissioning activities at a level of detail commensurate with the progress of scope definition.

The major milestones have been tabulated in the following Table 14 showing the Project activities through its cycle.

The critical paths are through the procurement of steel, the construction of the slurry transport system and the construction of the pellet plant.

Table 14: Major Milestones

Description	Month
General	
Final FS Study Submitted to NML/TS	0
Stage Gate Approval By NML/TS	4
Geotechnical and Hydraulic Survey Completed	9
Start Basic Engineering	9
EPCM Contract Awarded	11
Start Detailed Engineering	19
Procurement Start	20
Start Construction	21
Design Criteria, Process and Layouts Frozen	22
Establish Control Budget	23
Start Pre-Operational Verification	55
End of Construction	60
End of Pre-Operational Verification	64
Commissioning Completed	68
Plant Operation Start	68
Detailed Engineering	
Start Basic Engineering	9
Start Detailed Engineering	19
Detailed Engineering of Slurry Transport System	22
Detailed Engineering of Structural Steel	35
Procurement of Pellet Plant	35
Construction / Pre-Commissioning / Commissioning	
Start Temporary Camp Installation on Site	18
Start Civil Works Mine Pit	19

Description	Month
Start Slurry Transport System Construction	24
Start Flotation Plant Concrete Construction	35
Start Primary Crushing Concrete Construction	42
Start Structural Steel Installation	42
Start Mechanical Installation	43
Start Electrical Installation	45
Pelletization Plant Commissioning	64
Pre-commissioning Complete	67

Project Execution Plan

PEP has been developed based on the feasibility study work done to date on the Project. The PEP outlines the plans, resources, mechanisms and procedures that NML/TS expects from the EPCM contractor and covers all aspects of the Project from engineering design through pre-operational verification and assistance during commissioning.

Interpretation and Conclusions

The Project is technically feasible; ore can be mined, treated and delivered into export vessels by incorporating proven processes and technologies.

Based on 22-year cash-flow, the IRR before taxes is 17.5 % and from 13.2 % after taxes assuming 100 % equity and standard mining income taxes. Therefore, the Project has financial viability.

The life of mine can be further enhanced by exploiting the lower grade resources currently being stockpiled.

Project Highlights

The geology and mineral reserve is well known and can supply a consistent quality run of mine to the concentrator for 22 years of production.

The process has been developed after extensive test work and by experienced process engineers, although refinements and confirmation of certain processing steps are possible. There is enough confidence in the flow sheets so that refinements and optimization can be undertaken during the basic engineering phase.

Conventional disposal of tailings can be engineered to meet the environmental requirements while remaining economically viable.

The slurry transport system is an economical and reliable means of transporting iron ore slurry, especially fine taconite concentrate. Frost protection is of paramount importance and can be achieved by a combination of methods according to the geographical location and soil conditions. Such trade-off studies should be assessed early in the basic engineering phase of the Project along with field surveys.

Pelletizing testing has confirmed the high probability of achieving high plant throughput.

A new multi-user dock with a capacity of 50 Mt/y and capability of handling 350,000 DWT vessels is being built by SIPA and is expected to be commissioned during the summer of 2015. The product handling facilities will connect to this deep-sea port terminal.

The market study indicates a future pellet demand and both the market trends and forecasts indicate higher pellet premium.

The Project is expected to trigger several regimes of EA. Discussions with the applicable governments have been held and it is concluded that a single EIS covering all the components of the Project is proposed to be submitted by August 2015.

Constructability strategy of using pre-engineered structures, skid mounted equipment and modularization to the maximum extent allowed by the transportation channels will lower the risk of cost and schedule overruns.

During the construction phase, the Project will create on average 2,500 construction jobs over 42 months and 300 management and engineering jobs spread over 60 months. The construction labour will peak at 4,600 labourers and 400 EPCM employees in the summer of the last full year of construction at all sites. During operation, 1,100 direct employees will be necessary and numerous indirect jobs will be created through the development of secondary and tertiary industries that will be supporting the operation and maintenance of this Project.

Risk Evaluation

ISLLP conducted risk reviews workshop with ISLLP experts in their various fields and with NML/TS Project team members. The objectives of the risk sessions were to identify risks, mitigations and action plans in the feasibility study phase to pursue up to the execution. The outcome of these workshops was compiled in the risk register and an action log formulated for the Project.

Key Project Concerns

- Mining below Lake Harris however the lakes are shallow and flow can be diverted;
- Lake with fish-habitat is an environmental concern but likely to be permitted. The cost has not been established;
- Long-distance slurry transportation systems in freezing climates, depth of burial review;
- Environmental Assessment, EIS submission delayed to August, 2015;
- Lack of detailed geotechnical assessment could result in surprises and have a significant impact in the construction Capex and hence must be completed before start of basic engineering and the finalization of the Project budget.

The risk level as well as risk qualitative analysis was determined by the participants who selected the level of consequences, mitigation plans including action plans for each identified and evaluated risk. On the positive side, during the next phase, there is good possibility in to improve the flow sheet resulting in reduction of the Capex and Opex.

Conclusion and Next Phase

Early identification of constructability techniques to maximize pre-assembly of concrete, steel, equipment and any other way of reducing the installation time on site, is paramount for a successful project.

Early in the project's lifecycle, an experienced constructability engineering team should be reviewing the design layouts, specifications, objectives, and site conditions to work with the design engineers to establish possible guidelines to standardize buildings, foundations and any other criteria to minimize labour costs and impact on schedules.

The constructability team should also work very closely with the logistics group to determine the ideal transportation and construction philosophy for the engineering team.

In summary, during the next phases of the project development, the following constructability activities should be considered:

- Incorporate an analysis of operations and maintenance into the facility design;
- Review site conditions and access;
- Design development considering construction details and strategy;
- Design quality control;
- Standardize, modularize, coordinate and involve suppliers, consultants and subcontractors;
- Complete the 3D model of the plant and facilities; and
- Refine the scheduling strategy.

Recommendations

Based on the feasibility study schedule, Met-Chem is recommended to proceed shortly with partial funding for basic engineering for lesser defined areas of the Project. Met-Chem also recommended to execute test work and field surveys that are required to support basic and detailed engineering. Topographical surveys would be best executed prior to the basic engineering activities by one (1) year.

At this stage, there are areas of lesser definition that require confirmation from test work carried on representative samples by laboratories and/or suppliers on before or during basic engineering. The main areas of lesser definition are:

- Mine dewatering (hydrogeology);
- Waste rock dumps and run-off water management (acid rock drainage);
- Tailings pumping, dewatering and material handling;
- Slurry transport hydraulic design due to lack of representative rheology testing;
- Slurry transport heat transfer study;
- Frost depth and earthwork for slurry transport;
- Export terminal earthwork and foundation design;
- Water treatment facility at Pointe-Noire due to lack of filtrate sample analysis.

Field work and test work must be done, as required, in each area of lesser definition. This will be followed by trade-offs and complementary studies required for basic engineering for each facilities. During that period of time, the Owner must establish a Project team and continue the environmental approval and permitting processes.

The basic engineering phase will take the Project from the current level of engineering (10-15 %) to approximately 25 %, thus allowing for a better than 15 % estimate accuracy which will provide a control budget for the execution phase.

No long-lead procurement items are deemed to threaten the schedule at this stage. The EPCM approach was selected where engineering is prioritized in the first phase and the EPCM contractor integrates known technologies into a plant as opposed to integrating technology packages.

There are however three (3) construction packages that, by their nature, will need to be tendered early as their duration extends for the full construction period. They are the slurry transport system construction, pelletizing plant and the power transmission lines. Environmental permitting is also key to two (2) of these contracts.

To accelerate the Project an estimated $ 6 M will be spent for completion of the EIS and miscellaneous items mostly related with alternative tailing disposal option and confirmation of the depth of frost penetration along the slurry transport route. The expected cost is shown in Table 15 below.

Table 15: Next Phase Estimated Costs

Activity	Estimated Costs ($)
Completion of the EIS Report	4,000,000
Study of an Alternative option on Dry Stacking of Tailings	1,200,000
Frost Dept Confirmation along the Slurry Transportation Route	600,000
Miscellaneous	200,000
Estimated Total Costs	**6,000,000**

Source: KéMag Technical Report

EXPLORATION PROJECTS

Beyond the DSO and Taconite projects, New Millennium has further development potential through its other land holdings in the Millennium Iron Range. An extensive drilling program carried out in recent years established the Millennium Iron Range as one of the most prolifically mineralized iron ore districts in the world, adding to New Millennium's capacity for growth and long-term value creation.

HOWELLS LAKE AND HOWELLS RIVER NORTH PROPERTY

This summary of the Howells Lake and Howells River North properties below has been extracted from the summary section of the Howells Lake and Howells River North Technical Report prepared by Maxime Dupéré of SGS Canada that was filed on SEDAR at www.sedar.com on June 10, 2013, and which is incorporated by reference herein. The Howells Lake and Howells River North Technical Report was prepared for the Company in accordance with NI 43-101 by a "qualified person", as defined in NI 43-101. Defined terms used in this summary shall have the meanings ascribed to such terms in the Sheps Howells Lake and Howells River North Technical Report.

The information included or incorporated by reference herein is based on assumptions, qualifications and procedures which are set out in the Howells Lake and Howells River North Technical Report. For a complete description of the assumptions, qualifications and procedures associated with the following information, reference should be made to the full text of the Howells Lake and Howells River North Technical Report.

Property Description and Location

The Howells Lake and Howells River North properties ("**Properties**" or "**Property**" or "**Howells Properties**") area is located approximately 47 km northwest of Schefferville, Québec 247 km north of Labrador City, Newfoundland and 547 km north of Sept-Îles, Québec. The Properties are situated in unorganized territory, straddling NTS map sheets 23003 and 23:114 and centered at 67°21'W, 55°01'N. There has been no mining activity on the Properties and as such there are no mine workings, tailings impoundment areas, waste piles or other infrastructure on or near the Property

Accessibility, Climate, Local Resources, Infrastructure and Physiography

Access to the exploration drilling area was by truck and snowmobile. A few lakes in the vicinity of the Properties are accessible from Schefferville via a chartered fixed-wing float aircraft, which the Company used to support their 2011 and 2012 drilling programs along with a helicopter for drill crew moves. The Howells Lake, and Howells River North area has a sub-Arctic climate. There is ample room available on the Properties for the establishment of mining and processing operations, waste piles and a tailings management area. Topography is flat to gently rolling, with the occasional more precipitous area. The area is well drained, has a few swampy areas and is covered by sparse northern boreal forest consisting of stunted spruce, alders and willows.

Regional Geology

The Howells Lake and Howells River North properties are located in the Churchill Province, of the Labrador Trough ("**Trough**") adjacent to Archean basement gneiss. The Trough comprises a sequence of Proterozoic sedimentary rocks, including iron formation, volcanic rocks and mafic intrusions. NML's Howells Lake and Howells River North properties are located north of the Grenville Front in the Churchill Province where the Trough rocks have only been subject to greenschist or sub-greenschist grade metamorphism. The principal iron formation unit is known as the Sokoman Formation. Iron formations in this part of the Trough are taconites, which are weakly metamorphosed.

Property Geology and Mineralogy

The taconite iron formation in the Howells Lake and Howells River North area is part of the Sokoman Formation occurring at the western margin of the trough. The taconite is well-exposed as a long linear belt 1.5 to 2.0 km wide for a total length of approximately 6 km in a northwest-southeast trend that constitutes the anomalous zone identified from airborne magnetic survey data. Within the Howells Lake and Howells River North properties the structure is very simple, the iron formation is generally northwest-southeast striking and dipping 5° to 12° to northeast. At the central part of the valley, Menihek Slate overlies the UIF. Within oxide iron formation units, the most notable feature in mineral composition is the changes from dominantly magnetite (LC) to dominantly hematite/magnetite (URC, JUIF), and corresponding change of the silica from chert over to jasper. These oxidation potential variations and changes in iron grade define the member lithology units. The occurrence of iron carbonate minerals, principally siderite, ferro-dolomite and ankerite are widespread but are more abundant in the upper (LC) and lower (LRGC) units. Iron silicates, minnesotaite and stilpnomelane occur in LC, GC and LRGC units. These features all appear to be related to primary deposition.

Folds, where present, are broad monoclonal flexures with low amplitudes and shallow dipping limbs. One fault with major displacement intersects the taconite formation. The fault is vertical with pronounced dextral displacement and trends in a northeast-southwest direction and parallel to the prominent joint directions. One major thrust fault on the east side of the Howells River was intersected in several drill holes. The movement along the thrust plane is considerable. The complete stratigraphic sequence is repeated on the east side of Howells River (tripled in one area).

The contacts between the various units of the Sokoman Formation are gradational. The GC contacts with JUIF and URC are very sharp. The GC unit is a good marker horizon. The unit LRC is not traced throughout the property. It tends to grade into the LRGC unit. The contact between the Menihek Formation and the Sokoman Formation is a thrust fault. The slate shows high deformation near the contact.

Exploration

During 2010 NML carried out Airborne High Resolution Magnetic Survey ("**AM**") over the MIR to identify additional, potential magnetic taconite deposits similar to the two deposits already proven in the MIR:

LabMag in the Howells River Area and KéMag in Québec. The survey covered the taconite belt over a length of 150 km starting south of Perault Lake, to north of Lac Ritchie in Québec.

The magnetic taconite formation of the MIR occurs as a linear strip approximately 4 km wide, starting west of Menihek Lake and extending northwest to Lac Otelnuk in Québec over a length of 210 km. The Airborne survey conducted by Fugro covers all the licences and claims west of longitude 67°W in NL and QC. Several strong magnetic anomalies were outlined by Jean Hubert, Geophysical Consultant for NML, who interpreted the survey data.

Drilling

In 2006 one hole, 06HR1279D, was drilled in this area to check the grade of the iron formation. In 2011, three (3) holes for a total of 347 m were drilled. A detailed exploration drilling program was undertaken in early June 2012 in the Howells Lake, Kivivic Lake AM anomaly area which encompasses licences 015976M, 018113M, 018379M, 015977M and 018380M. The area covered by the major part of the drilling is approximately 8 km long and 4 km wide. The program started on 1" June with 2 drills provided by the contractor Downing Estate Drilling Ltd. of Grenville-Sur-la-Rouge, QC and finished on September 27, 2012. The drilling was carried out on a grid of lines spaced 1 km apart with 4 to 6 holes spaced 500 to 600 m on each section line. Prior to drilling all the holes were spotted on the ground using handheld GPS unit. During the 2012 program 1,010 half core samples and 41 half core duplicate samples were collected and sent to MRC, Nashwauk, Minnesota, USA, for Davis Tube testing and chemical analysis. The sample lengths varied from 1 to 6m. All the units were sampled individually. The duplicate samples were sent as a check under QA/QC program. The Certificate of Analysis provided by MRC is appended to the report. Fifty three (53) crude ore samples and 89 Davis Tube magnetite concentrate samples were sent by MAC to SGS, Lakefield, Ontario for whole rock analysis and elemental analysis respectively.

QA/QC by NML and Data Verification

Over the course of the 2012 drilling and sampling program, NML sent 41 duplicate samples to the MRC lab. Those samples were taken from the second half of the core. At MRC, those samples were subjected to the same Davis Tube testing as the original half core for the same intervals. Duplicate samples were done on 31 of the 56 holes. Their length varies from 2.2 to 8.5 metres with an average of 5.4 metres. Most of duplicate samples are in the LRGC (8, PGC (8) and LC unit (8) followed by the JUIF (6), LIF units (5), URC (3) and GC units (3). Since most reported resources are in the LC, PGC and LRGC units with some in the URC unit, future duplicate samples should concentrate on those units.

During the site visit conducted from August 24th to 26th, 2012, SGS Geostat completed 32 analytical checks of drill core duplicate samples taken from selected NML 2012 diamond drill holes on the Howells River North property as well as the nearby Sheps Lake and Perault Lake properties (not part of this report) as part of the independent data verification program. SGS Geostat also conducted verification of the laboratories analytical certificates and validation of the data set supplied by NML for errors and discrepancies. A small bias was observed by SGS Geostat on Howells check sample data, but the relative difference between the two labs was on the order of only 1-2%, which is not considered consequential. %Fe_Head and %Fe_C, MRC values were almost systematically higher than SGS Lakefield values while for %WtRec and %Sia, C, MRC values are almost systematically lower than SGS Lakefield values. These apparent differences between MRC and SGS are similar to observations on the Lac Ritchie and the Sheps & Perault properties owned by NML (see the corresponding SGS Geostat Technical Reports, 2012 and 2013) and may be linked to the way that quality is measured in the two labs (titration and thermo-gravimetry at MRC and XRF for SGS Lakefield). Although the standard operating procedures from MRC and SGS Lakefield are similar, some differences might have been unintentionally created from grinding (size reduction) or from calibration of the magnetic separator (Davis Tube) on either laboratory. A detailed investigation of these differences is recommended.

Resource Estimation-General

The mineral resources estimates (MRE) reported herein are derived from a computerized resource block model. The construction of the block model was built using drill hole data, serving as a basis for 3D definition of the 3D solids. The MRE were limited to the material inside the selected 3D solids. Regular length composites were created from the validated drill hole database. Block grade interpolation was done on a regular grid. A block percentage inside each of the 3D solids was also considered in the MRE. Blocks under the topographic Overburden/Bedrock contact were considered in the MRE. Classification was done according to proximity to composites and corresponding precision/confidence level. An optimized pit shell was done to verify the validity of the WtRec cut-off grade used (although not considered) in the MRE statement.

Limits of Resource Model

The resource model corresponds to a sedimentary multilayered mineral deposit. Up to 7 layers corresponding to lithological units have been interpreted and modeled by NML geologists. Starting From top to bottom: LC = lean chert, JUIF = jasper upper iron formation, GC = green chert, URC = upper red chert, PGC = pink-green cherry, LRC = lower red chert and LRGC = lower red green chert. Units below LRGC (i.e. LIF, RS, BC and QTE) have not been modeled. They are present only in a few holes and do not show any obvious mineralization. NML produced 3D solids for each unit. The bottom interpreted 3D solid of the resource model is the LRGC layer. All of the solids were verified by SGS Geostat. No major discrepancies were found.

Resource Estimation-Assay Data and Compositing

Most of samples are in the three units LC, PGC, and LRGC however all seven units were used in the block grade interpolation. The %Fe_Head averages about 30% to 32% in JUIF, URC, PGC, LRC and LRGC but it is lower in the LC marker horizon (28.3%) and much lower in the GC marker horizon (16.7% average). Average recovery is high in URC (31.3%) and PGC (32.5%), moderate to high in LC (24.9%), JUIF (25.6%), LRC (23.5%), and LRGC (26.5%), and expectedly low in GC (6.1%). The quality of the magnetic concentrates is about the same in all units, even in those with very low recoveries. For samples in all zones presented, the average %Fe_C is around 69%-71% and the average ‘ASK), C between 2.2% and 3.3%. Although the majority of original samples are 6 metres long, there exists both some shorter and some longer samples. Therefore, statistics might be biased by some high or low values measured on short or long intervals. The standardization of sample size is done by numerical compositing. The most natural composite length is 6 m, which is the composite length of the majority of samples. Statistics of composite data in the seven units of interest are consistent with statistics of sample data in the same unit.

Resource Estimation-Correlations and Variography

Correlations between composite values are about the same in all units. There is a correlation (R=+0.7) between WtRec and %Fe_Head. However no clear correlation between %Fe_Head and %Fe_C (R=+0.3). There is no correlation between %Fe_C and the WtRec thus indicating the quality of iron concentrate has no bearing on the weight recovery. There is a very strong and expected negative correlation (R=-0.79 to -0.94) between the %Fe_C and %SiO2_C.

Resource estimation-Block interpolation

The %Fe_Head, WtRec, Fe_C and SiO, C were interpolated in blocks on a regular grid. That grid is oriented parallel to the drill sections i.e. columns are numbered along a rotated x-axis along the N56 azimuth and rows along a rotated y-axis along the N326 azimuth. The origin of the grid i.e. the center of the block in the first column (numbered from west to east) and first row (numbered from south to north) has the following UTM coordinates: 604,000 mE and 6,095,000 mN. The selected block size is 25 m along the rotated x and 50 m along the rotated y. That size is obviously tiny when compared to the drill hole grid of 500 m x 1000 m. The main reason to choose blocks with such a small size is to better reflect

the geometry of litho units slowly dipping to the NE. It is also the size of blocks used in the resource modeling of the LabMag and KéMag deposits further to the south and to the north which both belong to NML - see Geostat (2005) and Geostat (2007a). Vertically, blocks are 15 m high. Although the bench heights previously used for the KéMag and LabMag Pre-Feasibility studies was 13 m, the most recent work by mining consultant Met-Chem on those projects has suggested that a bench height of 15 m would be more suitable. All together, the mineral deposit is covered by blocks in up to 263 columns, 224 rows and 41 benches from elevations z=100 to z=700 (Each block per each lithological units above the footwall of LRGC i.e. LC, JUIF, GC, URC, PGC, LRC, and LRGC). Secondly, the four quality parameters were interpolated from the Ethological unit composite data. The interpolation method used was inverse distance squared (ISD2). With sample data on a regular grid (no sample clustering in high grade), low nugget effects and long ranges, ISD2 is known to provide block estimates very similar to ordinary kriging (OK). The basic search ellipsoid is a flat 1200m x 600m x 50m tilted by 6° to the N56 (a review of interpreted litho units on sections shows an average 6° dip angle for most of the units). The 1200 m x 600 m elliptic outline on sub-horizontal planes is designed to capture composites from at least 4 neighbor holes on the 1000x500 m nominal grid. In the first interpolation pass, a minimum of 5 composites was needed (3 in GC, URC and LRC units) in a minimum of 3 drill holes (maximum number of composites from the same drill hole is 2) within the 1200 m x 600 m x 50 m ellipsoid for allowing the block to be interpolated. The maximum number of composites retained was 25 (15 in GC, URC and LRC units). In LC, 35% of the blocks are interpolated in the first pass. Blocks that did not meet the minimum requirements of the first pass were interpolated in the second pass with a 2400 m x 1200 m x 100 m ellipsoid of similar orientation and parameters except of a minimum maximum number set to 30 (20 in GC, URC and LRC units) in at least 3 drill holes within the larger ellipsoid. In LC, 52.5% of the blocks are interpolated in the second pass. The remaining un-interpolated blocks were interpolated in a third and last pass with a 4800 m x 2400 m x 200 m ellipsoid and a minimum number of composites and holes being one.

Resource Estimation-Categorization

The Howells lake and Howells River North magnetite bearing taconite formation is currently recognized by 56 vertical drill holes on the database, on a grid of 1km by 0.5 km, 4 of which were abandoned or do not have any assays. The drill hole database covers a NW-SE area with a strong magnetic anomaly recognized by the Fugro airborne survey of 2010. This area is crossed by a major fault zone easily recognizable from the survey. The area is also affected by a major thrust fault with a northwest-southeast trend which pushed a whole sequence above the west side band.

The geological continuity of the mineralized units has been demonstrated by the results from the 56 holes. In most holes with the occasional disappearance of the marker horizon of the thinner units (predominantly GC, URC, PGC and LRC), the stratigraphic sequence of (from top to bottom) LC + JUIF + GC + URC + PGC + LRC + LRGC can be recognized with similar thickness data for all intercepts in the same unit. That stratigraphic sequencing is not arbitrary since it is supported by a mineral signature particular to each unit i.e. medium Fe + med magnetite in LC, high Fe + high magnetite in JUIF, low Fe + low magnetite in GC, high Fe + medium-high magnetite in URC, medium Fe + medium-high magnetite in PGC, high Fe + high magnetite in LRC, high Fe + medium-high magnetite in LGRC.

Given the well-documented geological interpretation of the area by the Company, the relatively low variability of the Fe_Head data, and the overall continuity of the mineralization between sections and the 56 holes on the 1000 m x 500 m grid, the qualified person classified the mineralized material recognized by those holes in the indicated category. Hence the mineral inventory made of blocks within the 500 m x250 m cells of influence of holes is classified as indicated. The remaining mineral inventory was classified in the inferred category. The average value of %Fe_Head, WtRec, Fe_C and SiO, C was interpolated for the unit fraction in each block (25m x 50m x 15m) of the resource model. Interpolation was done separately on the selected Ethological units (layers) by inverse squared distance from calculated length 6 m composites.

The geological interpretation and grade continuity (Fe_Head) allowed classifying all the blocks within the 1 x 0.5 km classification contour over all of any given hole into the inferred category. Blocks within a 500 m to 250 m contour were classified as indicated for a total of two areas.

The block Unit volumes were converted into tonnages using a calculated density for every block according to % Fe_Head. The calculated densities were derived from a linear regression formula based on % Fe_Head but restricted to each unit. The measurements made on the similar deposit (LabMag, & KéMag) which is under feasibility on the specific unit vary from an average of 3.29 t/m3 in LC, 3.43 t/m3 in the JUIF, 3.15 t/m3 in the GC, 3.53 t/m3 in URC, 3.43 t/m3 in the PGC, 3.40 t/m3 in the LRC and finally 3.33 t/m3 in LRGC. The calculated densities show a strong to moderate correlation with the %Fe of head but are not derived directly from the Howells Properties deposits.

Resource Estimation-Final Estimates

SGS Geostat considers that mineral resources (MRE) defined at Howells are meeting the requirement of a reasonable prospect for economic extraction. Traditionally, the cut-off used by NML to report MRE in the taconite deposits of the Labrador Trough is a minimum 18% weight recovery of the magnetic concentrate from Davis Tube test on material ground to 325 mesh (see WGM (2006), Geostat (2007a+b) and BBA (2009)). According to BBA (2009) the unit cost and concentrate values used in the PFS of KéMag suggest a lower marginal cut-off (such that the concentrate value pays for the processing cost to produce that concentrate). In that study, a pit optimization is run with a C$4.03/t ROM total processing + G&A cost and a concentrate value of C$49.92/t CC (unit mining cost is CS] .75/t ROM) hence a marginal weight recovery cut-off of : 4.03/49.92 = 8%. For Howells, NML is currently proposing the following tentative parameters: concentrate value = $68.41/t CC, crushing and concentration = 511.45/t CC, concentrate handling (pipeline + filtration + port/loading) + G&A = S3.21 It CC, mining cost (ore and waste) = S2.50/t ROM and mining cost (overburden) = $1 .70/t OVBD. Given that the crushing and concentration cost is given for an average weight recovery of 28% (above the traditional COG of 18%), it translates into a crushing + concentration cost of 11.45*0.28 = S3.21 A ROM hence a marginal cutoff of: 3.21/ 68.41 = 4.69%.

SGS Geostat has run a Whittle optimized pit shell based on the mineral inventory. The optimized pit shell includes most of the mineral inventory and 89% of all blocks with an estimated weight recovery above 15% recovery cut-off. As a result, the proposed MRE for Howells are made of all the blocks of the mineral inventory above 15% minimum recovery cut-off (not restrained by any pit shell). As expected from the statistics of sample data in each unit, there are no resources above 15% recovery in the GC. The 0 tonnage in the following tables for the indicated GC unit in the following tables corresponds to a tonnage less than 500,000 tonnes and is therefore described as 0. The 0 tonnage in the indicated and inferred LRC Units in correspond absence of material above COG. Further work is required to potentially upgrade these mineral resources to mineral reserves, and it has not yet been demonstrated that these mineral resources have economic viability.

Table 1: Estimated Resources of the Howells Lake and Howells River North Properties
Dated April 30, 2013

Estimated Resources Howells Lake								
COG	Category	Volume	Tonnage	Density	Fe_Head	WtRec	Fe_C	Si02_C
WtRec(%)		(Mm^3)	(Mt)	(tim^3)	%	%	%	%
15	Indicated	2,081	6,972	3.35	30.10	27.91	69.61	2.67
15	Inferred	251	838	3.34	29.97	24.75	69.67	2.68

Estimated Resources Howells River North								
COG	Category	Volume	Tonnage	Density	Fe_Head	WtRec	Fe_C	Si02_C
WtRec(%)		(Mm^3)	(Mt)	(tim^3)	%	%	%	%
15	Indicated	339	1,143	3.37	30.82	29.67	69.85	2.40
15	Inferred	836	2,783	3.33	29.55	26.75	69.82	2.51

Estimated Resources Howells Lake & Howells River North								
COG	Category	Volume	Tonnage	Density	Fe_Head	WtRec	Fe_C	Si02_C
WtRec(%)		(Mm^3)	(Mt)	(tim^3)	%	%	%	%
15	Indicated	2,420	8,115	3.35	30.20	28.16	69.64	2.63
15	Inferred	1,087	3,621	3.33	29.65	26.29	69.78	2.55

Conclusions and Recommendations

NML holds the 11,300 ha Howells Lake and Howells River North properties about 47 km to the northwest of Schefferville in Labrador and along the so-called Millennium Iron Range (MIR) that comprises their LabMag and KéMag deposits to the southeast and extends to the Lac Otelnuk deposit of Adriana Resources to the northwest. On these properties, NML has drilled a 9 km stretch of the MIR corresponding to a strong magnetic anomaly recognized by a 2010 airborne survey by Fugro. 56 vertical holes totaling 8,060.8 m have been drilled on 9 SW-NE sections 2 km apart, mostly having at least 5 holes per section; and on 2 SW-NE intermediate sections 1km apart and with a spacing of about 0.5 km between one or two holes on the same section (average of 2 drill holes per section). The logging and magnetic scanning of BQ and NQ drill cores has allowed establishing the stratigraphic sequence of the Sokoman and Ruth iron formations. The main unit is the top Lean Chert (LC) followed from top to bottom by the Jasper Upper Iron Formation OUIF), the Green Chert (GC) marker horizon, the Upper Red Chert (URC) unit, the Pinky Green Chert (PGC) unit, the Lower Red Chert (LRC) unit and finally the Lower Red Green Chert (LRGC) unit for a total average thickness of about 70 m. The thickness of individual units does not vary much from hole to hole but is lost during several sections. However, the geological continuity over kilometric distances is well-demonstrated. The unit package dips gently by 6° to the northeast on all sections.

The geological continuity of the mineralized units has been demonstrated by the results from the 56 holes. In most holes with the occasional disappearance of the marker horizon of the thinner units (predominantly GC, URC, PGC and LRC), the stratigraphic sequence of (from top to bottom) LC + JUIF + GC + URC + PGC + LRC + LRGC can be recognized with similar thickness data for all intercepts in the same unit. That stratigraphic sequencing is not arbitrary since it is supported by a mineral signature particular to each unit i.e. medium Fe + med magnetite in LC, high Fe + high magnetite in JUIF, low Fe + low magnetite in GC, high Fe + medium-high magnetite in URC, medium Fe + medium-high magnetite in PGC, high Fe + high magnetite in LRC, high Fe + medium-high magnetite in LGRC. Additionally, the presence of the thrust fault is well-defined from the drill hole geological information.

Check samples were sent to the SGS Lakefield laboratory for preparation and Davis Tube testing with a protocol similar to that of the MRC. Results from SGS Lakefield related to the four variables (Fe_Head, WtRec, Fe_C and SiO, C) were compared to MRC data. A bias was observed by SGS Geostat from test results on all of the four variables. The %Fe_Head MRC values were almost systematically higher than SGS Lakefield values while for the %WtRec MRC values were almost systematically lower than SGS Lakefield values. The % Fe_C MRC values were almost systematically higher than SGS Lakefield values. The %Si0,C MRC values were almost systematically lower than SGS Lakefield values. These apparent differences between MRC and SGS Lakefield for all four variables are somewhat similar to observations on the Lac Ritchie and the Sheps & Perault properties owned by NML (see NML Technical Report, 2012 and 2013) and may be linked to the way that quality is measured in the two labs (titration and thermo-gravimetry at MRC and XRF for SGS Lakefield). Although the standard operating procedures from MRC and SGS Lakefield are similar, some differences might have been unintentionally created from grinding (size reduction) or from calibration of the magnetic separator (Davis Tube) on either laboratory. A detailed investigation of these differences is recommended.

Previously, on other similar deposits owned by NML (LabMag and KéMag) as well as Adriana's Lac Otelnuk, the MRE were a result of all blocks having a combined interpolated weight recovery (all units combined) above the traditional cut-off of 18% weight recovery. Given the most recent figures for concentrate values and unit processing costs, the 18% minimum weight recovery was reduced to 15%. A Whittle optimized pit shell based on those figures as well as a 50° maximum slope includes most of the indicated and inferred blocks of the mineral inventory above the 15% weight recovery cut-off, thus demonstrating their reasonable prospect of economic extraction. Hence the final estimated resources which appear in the next table are made of all the blocks above the 15% weight recovery cut-off and not restricted to any optimised shell.

SGS Geostat offers the following recommendations for further evaluation of Howells Lake and Howells River North:

- Measured densities are currently restricted to the LabMag and KéMag properties based on the feasibility in 2012. SGS Canada recommends carrying density measurements on the Howells Lake and Howells River North properties with standard water immersion of core fragments and pycnometer on pulps. If a higher confidence relationship can be made with more density measurements on individual samples in each unit, it could replace the ones used in the resource model to (1) better combine estimates of different litho unit fractions in the same block (2) have tonnage and, to some extent, weight recovery estimates above cutoff that would reflect a slight expected increase of density with the weight recovery cut-off since we have a mild positive correlation of weight recovery and %Fe_Head. We suggest submitting 250 pulps rejects (45 LC, 45 LRGC and at least 30 for the other units using a large range of %Fe_Head in each unit) to pycnometer measurement. These results would be used to build density regression formulas according to %Fe_Head in each unit. Affecting and updating each of the current resource blocks. The estimated and conceptual cost of this operation is about CAD$15,000.

- An economic analysis (PEA or PFS) should be conducted with the current MRE. This study would help determine with higher confidence the economic factors such as product value and unit mining/processing costs and lead to more robust affirmation that a realistic cut-off of 15% minimum weight recovery is adequate to report resources. The estimated and conceptual cost of the economic study is ranging from CAD$150,000 to CAD$275,000.

- Although the current data demonstrates sufficient geological and grade continuity for classification of all the material recognized by holes on the 11(rn x 0.5km grid in the indicated category, we recommend additional drilling before starting a preliminary feasibility study (PFS) with the current MRE. That program would have a magnitude similar to the 2012 drilling program of 25 additional NQ holes totaling about 2,500 m. The Half of them (10) would be drilled on the first 3 (2 km spaced) sections to the SE where only a few DDH are

present. The drilling campaign should focus also on the drilling (10) of the present intermediate 500 m sections following the same spacing between holes. The aim is the better understanding of the geological model as well as the classification upgrade. The remaining meterage (5 DDH, 500 m) would be on the lateral limits of the fault present in the middle of the model for a better understanding its displacement. With 50% more data, geological discontinuities (barren dikes, faults, etc.) may show up and the spatial distribution may change significantly. Also, with a 500m x 500m drilling grid, the indicated resources would have a drilling density similar to indicated resources of Lac Otelnuk, LabMag and KéMag deposits, all in a similar geological environment. Moreover, the additional and validated data could allow reclassification to the SW from inferred to indicated resources. The estimated and conceptual cost for this additional drilling is about CAD$850,000.

- SGS Canada recommends a detailed investigation of the differences between SGS and MRC check sampling results. At this stage the author is unable to estimate any costs for this study.

Update

There have been no changes in the resource or reserve estimates for the Howells Lake and Howells River North property since the date of the Howells Lake and Howells River North Technical Report.

SHEPS AND PERAULT PROPERTIES

This summary of the Sheps Lake and Perault Lake properties below has been extracted from the summary section of the Sheps and Perault Technical Report prepared by Maxime Dupéré of SGS Canada that was filed on SEDAR at www.sedar.com on March 20, 2013, and which is incorporated by reference herein. The Sheps and Perault Technical Report was prepared for the Company in accordance with NI 43-101 by a "qualified person", as defined in NI 43-101. Defined terms used in this summary shall have the meanings ascribed to such terms in the Sheps and Perault Technical Report.

The information included or incorporated by reference herein is based on assumptions, qualifications and procedures which are set out in the Sheps and Perault Technical Report. For a complete description of the assumptions, qualifications and procedures associated with the following information, reference should be made to the full text of the Sheps and Perault Technical Report.

Property description and location

The Sheps Lake and Perault Lake properties are located approximately 20 km and 17 km southwest of Schefferville, QC. The properties are situated in unorganized territory. The properties consist of a total of 17 contiguous mineral rights licences totalling 506 claims and 25 km². The claims have not been marked out on the ground or legally surveyed, nor is there any requirement to do so. NML holds 100% of the Perault property. NML holds 80% of interests and NNK 20% of the Sheps property.

Accessibility, Climate, Local Resources, Infrastructure and Physiography

Access to exploration drilling area was by truck and snowmobile. A few lakes around the properties are accessible from Schefferville via chartered fixed-wing float aircraft and such aircraft was used to support NML's 2011 and 2012 drilling programs along with a helicopter for drill and crew moves. The Sheps Lake & Perault Lake area has a sub-Arctic climate. There is ample room available on the Sheps Lake & Perault Lake properties for the establishment of mining and processing operations, waste piles and a tailings management area. Topography is flat to gently rolling, with the occasional more precipitous area. The area is well drained, has a few swampy areas and is covered by sparse northern boreal forest consisting of stunted spruce, alders and willows.

Regional geology

The Sheps and Perault properties are located in the Churchill Province, of the Trough adjacent to Archean basement gneiss. The Trough comprises a sequence of Proterozoic sedimentary rocks, including iron formation, volcanic rocks and mafic intrusions. NML's Sheps Lake & Perault Lake properties are located north of the Grenville Front in the Churchill Province where the Trough rocks have been only subject to greenschist or sub-greenschist grade metamorphism. The principal iron formation unit is known as the Sokoman Formation. Iron formations in this part of the Trough are taconites, which are weakly metamorphosed.

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The taconite iron formation in the Sheps Lake & Perault Lake area is part of the Sokoman Formation occurring at the western margin of the trough. The taconite is well exposed as a long linear belt 1.5 to 2.0 km wide for a total length of approximately 6 km in a northwest-southeast trend which constitutes the AM anomalous zone.

Within the Sheps Lake and Perault Lake properties the structure is very simple, the iron formation is generally northwest-southeast striking and dipping 5° to 10° to northeast. Within oxide iron formation units, the most notable feature in mineral composition is the rather abrupt changes from dominantly magnetite (LC) to dominantly hematite (URC, JSP), and corresponding change of the silica from chert over to jasper. These oxidation potential variations and changes in iron grade define the member lithology units. The occurrence of iron carbonate minerals, principally siderite, ferro-dolomite and ankerite are widespread but are more abundant in the upper (LC) and lower (LRGC) units. Iron silicates, minnesotite and stilpnomelane occur in LC, GC and LRGC units. These features all appear to be related to primary deposition.

Exploration

During 2010, NML carried out AM over the MIR to identify additional, potential magnetic taconite deposits similar to the proven LabMag deposit in the Howells River Area and the KéMag deposit in Québec. The survey covered the taconite belt over a length of 150 km starting south of Perault Lake, to north of Lac Ritchie in Québec.

The magnetic taconite formation of the MIR occurs as a linear strip approximately 4 km wide, starting west of Menihek Lake and extending northwest to Lac Otelnuk in Québec over a length of 210 km. The Airborne survey conducted by Fugro covers all the licences and claims west of longitude 67° W in NL and QC. Several strong magnetic anomalies were outlined by Jean Hubert, Geophysical Consultant for NML, who interpreted the survey data.

Drilling

Based on the presence of strong magnetic anomalies identified in 2010, a detailed exploration drilling program was undertaken in the Sheps Lake and Perault Lake AM anomalies area during the spring of 2011 and 2012.

Drilling at Sheps

The NML drilling program started on October 21, 2011 and two holes were drilled in the Sheps Lake area totalling 158 m. The next year, the drilling program started on April 20 with 3 drills and concluded on May 30, 2012. During that period 23 holes were drilled in the Sheps Lake area totaling 1,920.1 metres in length. The drilling was carried out on a grid of lines spaced 1 km apart with 3 to 4 holes spaced 300 to 500 m on each section line.

Drilling at Perault

In the Perault Lake AM anomaly area, the drilling program started on March 2, 2012 and concluded on June 10, 2012. During that period 48 holes were drilled totaling 3,890.8 metres. The area covered by drilling is approximately 18 km long and 1 to 2 km wide and encompasses licences 013782M and 011277M. The program started with one drill and was subsequently joined by 2 additional drills provided by the contractor Downing Estate Drilling Ltd. It was decided to drill initially on lines spaced 2 km apart starting from section line 130 in the south with 2 holes spaced 300 to 400m apart on each line. This pattern was followed until the drills reached section line 200. Between sections 200 and 310, drilling was carried out on lines spaced 1 kilometre apart 3 to 4 holes spaced 200 to 300 metres along section lines. Samples and core duplicates for the 2011 and 2012 program totalled 967 samples.

QA/QC by NML and Data Verification

Over the course of the 2011-2012 drilling and sampling program, NML has sent 49 duplicate samples to the MRC. Those samples are actually the second half of the core. At MRC, those samples were subjected to the same Davis Tube testing as the original half core for the same intervals. Duplicate samples are from 47 of the 73 holes. Multiple samples in the same hole are in holes 12PL1018D (2). Their length varies from 1.9 to 9 metres with an average of 5.4 metres. Most of duplicate samples are in the LRGC unit (15) followed by the LC (9), the JUIF, the PGC and the URC units (5 in each), the LRC unit (4), the GC unit (1) and the LIF units (3 in each).

During the site visit conducted from August 24th to 26th, 2012, SGS Canada completed 32 analytical checks of drill core duplicate samples taken from selected NML 2012 diamond drill holes on the Sheps Lake and Perault Lake properties as well as the nearby Howells River North property (not part of this report) as part of the independent data verification program. SGS Canada also conducted verification of the laboratories analytical certificates and validation of the data set supplied by NML for errors and discrepancies. Only a total of 10 mineralized core duplicated were collected from the Sheps Lake (5 samples) and Perault Lake (5 samples) area.

Resource Estimation-General

The resources reported here are derived from a computerized resource block model. The construction of that model starts with drill hole data, which serve as the basis for the definition of 3D mineralized envelopes with resources limited to the material inside those envelopes. The next step is the selection of drill hole data within the mineralized envelopes in the form of fixed length composites and then the interpolation of the grade of blocks on a regular grid and filling the mineralized envelopes from the grade of composites in the same envelopes. All the interpolated blocks below the overburden/bedrock contact surface make up the mineral inventory and they are classified according to proximity to composites and corresponding precision/confidence level. An optimized pit shell was done to verify the validity of the weight recovery (Wt Rec.) cut-off grade used and however it was not used to restrain the mineral resources and its estimate.

Limits of Resource Model

Within top and lateral limits described in the previous section, the proposed Sheps-Perault resource model looks like a multilayered cake with layers corresponding to lithological units identified by NML geologists. Up to 7 layers have been modeled i.e. from top to bottom: LC = lean chert, JUIF = jasper upper iron formation, GC = green chert, URC = upper red chert, PGC = pink-green cherty, LRC = lower red chert and LRGC = lower red green chert. Units below LRGC (i.e. LIF, RS, BC and QTE) have not been modeled since they just appear in just a few holes and they do not show any obvious mineralization. Thus the bottom of the resource model is the interpreted footwall surface of the LRGC layer. The modeling of contact surfaces between retained layers is based on the interpreted line contacts by NML geologists on drill sections. Those lines are discretized at every 50 m and TIN faces connect points on lines of the same nature on two adjacent sections. At both south and north extremities, lines on the last

drill section are extruded horizontally along the N323 azimuth. Finally modeled contact surfaces between layers are chopped by the modeled overburden-bedrock contact surface.

Resource Estimation-Assay Data and Compositing

Most of samples are in the three units LC, PGC, and LRGC however all seven units are utilized in the block grade interpolation. The %Fe of head averages about 30% in JUIF, URC, LRGC, and PGC (28.5%) but it is lower in the LC marker horizon (25%) and much lower in the GC marker horizon (18% average) and higher in the LRC unit (average 34%). Average recovery is high in LRC (29%) and JUIF (26%), moderate in LRGC (22.4%), URC (22.3%), PGC (21.4%) and LC (18.3%) and expectedly low in GC (3.9%). The quality of the magnetic concentrate is about the same in all units, even in those with very low recoveries. For samples in all zones presented, the average %Fe keeps around 69%-71% and the average $\%SiO_2$ between 1.3% and 2%. Although the majority of original samples are 6 metres long, there exists both some shorter and some longer samples. Therefore, statistics might be biased by some high or low values measured on short or long intervals. The standardization of sample size is done by numerical compositing. The most natural composite length is 6 m, which is the composite length of the majority of samples. Statistics of composite data in the seven units of interest are consistent with statistics of sample data in the same unit.

Resource Estimation-Correlations and Variography

Correlations between composite values are about the same in all units. There is no useable correlation (R=+0.4) between recovery and %Fe of head nor between %Fe of head and %Fe of concentrate (R=+0.2). There no correlation between %Fe of concentrate and the %weight recovery thus indicating the quality of iron concentrate has no bearing on the weight recovery. The really strong (and expected) correlation is the negative one (R=-0.747 to -0.231) between the %Fe and the %SiO2 of concentrate, except for the URC unit (R=0.287) however there is a limited range of high and low values.

Resource Estimation-Block Interpolation

The four quality parameters analyzed in the previous section are interpolated in blocks on a regular grid. That grid is oriented parallel to the drill sections i.e. columns are numbered along a rotated x axis along the N53 azimuth and rows along a rotated y axis along the N323 azimuth. The origin of the grid i.e. the center of the block in the first column (numbered from west to east) and first row (numbered from south to north) has the following UTM coordinates: 635,300 mE and 6,050,650 mN. The selected block size is 25 m along the rotated x and 50m along the rotated y. That size is obviously tiny when compared to the drill hole grid of 500x1000 m. The main reason to choose blocks with such a small size is to better reflect the geometry of litho units slowly dipping to the NE. It is also the size of blocks used in the resource modeling of the LabMag and KéMag deposits further to the south which both belong to NML. Vertically, blocks are 15m high. Although the bench heights previously used for the KéMag and LabMag Pre-Feasibility studies was 13 m, the most recent work by mining consultant Met-Chem on those projects has suggested that a bench height of 15 m would be more suitable. In a first pass, the volumetric fraction is calculated in blocks of each of the seven litho units above the footwall of LRGC i.e. LC, JUIF, GC, URC, PGC, LRC, and LRGC. Then the four quality parameters of block fractions in these units are interpolated from composite data in the same unit. Interpolation is done by inverse distance squared (ISD2). The basic search ellipsoid is a flat 1200m x 600m x 50m tilted 10° to the N53° (a review of interpreted litho units on sections shows this 10° dip angle for most on them). The 1200m x 600m elliptic outline on sub-horizontal planes is designed to capture composites from at least 4 neighbor holes on the 1000m x 500m nominal grid. For example, In the first interpolation run, the minimum number of composites was set to 5 (3 in LRC, URC and the thin GC unit) in a minimum of 3 drill holes (maximum number of composites from the same drill hole is 2) within the 1200m x 600m x 50m search ellipsoid for allowing the block interpolation in that run. The maximum number of composites retained is 25 (15 in LRC, URC and the thin GC unit). 2 consecutively larger search ellipsoids (3 for GC) were used afterwards and are described in the Resource estimates section.

Resource Estimation-Categorization

The Sheps-Perault magnetite bearing taconite formations are currently recognized by 73 vertical drill holes on a grid of 1km by 0.5 km, 3 of which were abandoned and do not contain any assay values. Those holes cover a NW-SE area with a strong magnetic anomaly recognized by the Fugro airborne survey of 2010. This area is bounded to the NW and SE by two major fault zones easily recognizable from the survey. Aside from those two bounding fault zones, the map of the magnetic anomaly does not show any major discontinuity.

The geological continuity of the mineralized units has been demonstrated by the results from the 70 holes. In most holes, with the occasional disappearance of the thinner units (predominantly GC, URC, PGC and LRC), the stratigraphic sequence of (from top to bottom) LC + JUIF + GC + URC + PGC + LRC + LRGC can be recognized with similar thickness data for all intercepts in the same unit. That stratigraphic sequencing is not arbitrary since it is supported by a mineral signature particular to each unit i.e. medium Fe + med magnetite in LC, high Fe + high magnetite in JUIF, low Fe + low magnetite in GC, high Fe + medium-high magnetite in URC, medium Fe + medium-high magnetite in PGC, high Fe + high magnetite in LRC, high Fe + medium-high magnetite in LGRC.

Given the well-documented geological interpretation of the area by NML and; the relative low variability of the Fe_Head data, as well as the overall continuity of the mineralization between sections and the 70 holes on the 1000m x 500m grid, SGS has elected to classify the mineralized material recognized by those holes in the indicated category. Hence the mineral inventory made of blocks within the 1000m x 500m cells of influence of holes is classified as indicated. The balance of the mineral inventory is classified in the inferred category.

Resource Estimation-Final Estimates

Resources are that part of the mineral inventory with a reasonable prospect of economic extraction which means both a cut-off grade and an optimized pit shell i.e. blocks with estimated values above a cut-off and within the limits of an optimized pit shell. Traditionally, the cut-off used to report resources in the taconite deposits of the Labrador Trough is a minimum 18% weight recovery of the magnetic concentrate from Davis Tube test on material ground to 325 mesh. According to BBA (2009) the unit cost and concentrate values used in the PFS of KéMag suggest a lower marginal cut-off. In that study, a pit optimization is run with a C$4.03/t ROM total processing + G&A cost and a concentrate value of C$49.92/t CC (unit mining cost is C$1.75/t ROM) hence a marginal weight recovery cut-off of : 4.03/49.92 = 8%. A Whittle optimized pit shell based on the mineral inventory described in previous sections (both indicated and inferred blocks), the above NML cost and value parameters and maximum pit slope angles of 50°. The optimized pit shell includes most of the mineral inventory and all the blocks with an estimated weight recovery above 15% recovery cut-off. As a result, the proposed resources for Sheps-Perault are made of all the blocks of the mineral inventory above 15% minimum recovery cut-off (not restrained by any pit shell). These mineral resources are listed below by unit, total and total after merging unit fractions in blocks. As expected from the statistics of sample data in each unit, there are no resources above 15% recovery in the GC. Further work is required to potentially upgrade these mineral resources to mineral reserves, and it has not yet been demonstrated that these mineral resources have economic viability.

Table 1: Estimated resources of the Sheps Lake & Perault Lake Properties

Estimated Resources Sheps & Perault								
COG	Category	Volume	Tonnage	Density	Fe_Head	WtRec	Fe_C	SiO2_C
WtRec(%)		(Mm^3)	(Mt)	(t/m^3)	%	%	%	%
15	Indicated	1,208	4,070	3.37	30.66	23.38	70.52	1.41
15	Inferred	301	1,006	3.34	29.79	21.95	70.42	1.52

Estimated Resources Sheps								
COG	Category	Volume	Tonnage	Density	Fe_Head	WtRec	Fe_C	SiO2_C
WtRec(%)		(Mm^3)	(Mt)	(t/m^3)	%	%	%	%
15	Indicated	596	2,039	3.42	32.54	24.83	70.60	1.47
15	Inferred	91	310	3.41	32.16	24.84	70.42	1.58

Estimated Resources Perault								
COG	Category	Volume	Tonnage	Density	Fe_Head	WtRec	Fe_C	SiO2_C
WtRec(%)		(Mm^3)	(Mt)	(t/m^3)	%	%	%	%
15	Indicated	613	2,031	3.32	28.77	21.91	70.43	1.34
15	Inferred	210	695	3.31	28.73	20.65	70.42	1.49

Conclusion and Recommendation

NML holds the 12,597 ha Sheps Lake and Perault Lake properties about 130 km to the northwest of Schefferville in Labrador (NL) close to the northern Québec (QC) provincial boundary and along the so-called Millennium Iron Range (MIR) that comprises their LabMag and KéMag deposits to the southeast and extends to the Lac Otelnuk deposit of Adriana Resources to the northwest. On these properties, NML has drilled a 35 km stretch of the MIR corresponding to a strong magnetic anomaly recognized by a 2010 airborne survey by Fugro and bounded at its southeast and northwest extremities by interpreted vertical fault zones. 73 vertical holes totaling 5,970 m have been drilled on 8 SW-NE sections 2 km apart, mostly having one hole per section; and on 19 SW-NE sections 1 km apart and with a spacing of about 0.5 km between holes on the same section (average of 3 per section). The main unit is the top Lean Chert (LC) followed from top to bottom by the Jasper Upper Iron Formation (JUIF), the Green Chert (GC) marker horizon, the Upper Red Chert (URC) unit, the Pinky Green Cert (PGC) unit, the Lower Red Green Chert (LRGC) unit and finally the Lower Red Green Chert (LRGC) unit for a total average thickness of about 70 m. The thickness of individual units does not vary much from hole to hole but is lost during several sections. However, the geological continuity over kilometric distances is well demonstrated. The unit package dips gently by 10° to the northeast on all sections.

A statistical analysis of sample returns by lithological units shows that each unit has a specific geochemical + mineralogical signature i.e. medium Fe + med magnetite in LC, high Fe + high magnetite in JUIF, low Fe + low magnetite in GC, high Fe + medium-high magnetite in URC, medium Fe + medium-high magnetite in PGC, high Fe + high magnetite in LRC, high Fe + medium-high magnetite in LGRC. Despite the long spacing between holes, the grade continuity is demonstrated by the low variability of the % Fe Head data as well as the geological information and interpretations from NML. There is however, an observed variability in the recovery data that can be explained by the difference between the Sheps (higher recovery) and the Perault (Lower recovery) property areas. Additional drilling and/or geological data gathering and interpretation would be necessary in order to ascertain this difference. The SGS independent QP collected 10 independent check samples during his site visit that were then sent to SGS Lakefield. Compared to the MRC data, the SGS Lakefield data for %Fe of concentrate appears to be significantly more (by about 96% Fe) and for % SiO_2 significantly less (by about 80% SiO_2). This discrepancy might be linked to the way these elements have been analyzed (titration or wet chemistry at MRC and XRF at Lakefield). Although the standard operating procedures from MRC and SGS-Lakefield are similar, some differences might have been unintentionally created from grinding (size reduction) or from calibration of the magnetic separator (Davis Tube). A detailed investigation of these differences is

recommended. SGS considers that the number of samples checked (10) is relatively small and conclusions should be interpreted accordingly. SGS recommends increasing the number of check samples in future verifications when more holes are available.

Unit volumes in blocks are converted into tonnages using a calculated density for every block according to %Fe of Head. The calculated densities are derived from a linear regression formula based on % Fe of Head but restricted to each unit. The measurements made on the similar deposit, which is under feasibility, vary per unit with an average of 3.29 t/m3 in LC, 3.43 t/m3 in the JUIF, 3.15 t/m3 in the GC, 3.53 t/m3 in URC, 3.43 t/m3 in the PGC, 3.40 t/m3 in the LRC and finally 3.33 t/m3 in LRGC.

The calculated densities show a strong to moderate correlation with the % Fe of head but are not derived directly from the Sheps and Perault main deposits area. Estimated resources are made of blocks with a combined interpolated weight recovery of all units in the block above the traditional cut-off of 18% weight recovery. Blocks above that cut-off are limited to the LC and URC units. That traditional cut-off is the one used to report resources of NML's LabMag and KéMag deposits to the southwest as well as Adriana's Lac Otelniuk deposit to the northeast. Given the most recent figures for concentrate values and unit processing costs, the 18% minimum weight recovery was reduced to 15%. A Whittle optimized pit shell based on those figures as well as a 50° maximum slope includes most of the indicated and inferred blocks of the mineral inventory above the 15% weight recovery cut-off, thus demonstrating their reasonable prospect of economic extraction.

SGS Canada offers the following recommendations for further evaluation of the Sheps Lake and Perault Lake properties:

Measured densities are currently restricted to the LabMag and KéMag properties based on the feasibility in 2012. SGS recommends carrying density measurements on the Sheps and Perault properties with standard water immersion of core fragments and pycnometer on pulps. If a higher-confidence relationship can be made with more density measurements on individual samples in each unit, it could replace the ones used in the resource model to (1) better combine estimates of different litho unit fractions in the same block (2) have tonnage and to some extent weight recovery estimates above cut-off that would reflect a slight expected increase of density with the weight recovery cut-off since we have a mild positive correlation of weight recovery and %Fe of head. Practically, we suggest submitting about 250 pulps rejects (45 for LC, 45 for LRGC and at least 30 for the other units using a large range of %Fe of head in each unit) to a pycnometer measurement. Those results would then be used to build regression models of density with %Fe of head in each unit and then to review the current resource block model with block densities derived from those regression models. The estimated and conceptual cost of this operation is about around C$15,000.

An economic analysis (PEA or PFS) should be conducted with the currently estimated indicated and inferred resources. This study would help determine with higher confidence the economic factors such as product value and unit mining/processing costs and lead to more robust affirmation that a realistic cut-off of 15% minimum weight recovery is adequate to report resources. The estimated and conceptual cost of the economic study is ranging from C$150,000 to C$275,000.

Although the current drill hole data demonstrate a sufficient continuity of both geology and grade for a classification of all the material recognized by holes on the 1x0.5 km grid in the indicated category, we recommend another drilling program before starting a preliminary feasibility study (PFS) with the currently estimated indicated resources. That program would have a magnitude similar to the 2011 drilling program i.e. with about 35 NQ holes totaling about 3,500 m. The majority of the new holes (about 20) would be drilled on the 5 (2 km spaced) sections to the NW where only one DDH is present on average as well as the intermediate sections between them. To the SE, The drilling campaign should focus also on the drilling (about 5) of the intermediate 500 m sections with the same spacing of 500 m between holes on the same section depending on the grade and continuity. The balance of about 10 holes would be on the SE sections where no drilling was done. The purpose of that additional drilling is not to put the estimated resources in the measured category but to validate the apparent geological and grade continuity of the first 40 holes. With about 100% more data, geological discontinuities (barren dikes, faults, etc.) may show

up and the spatial distribution may change significantly. Also with a 500m x 500 m drilling grid, the indicated resources would have a drilling density similar to indicated resources of Lac Otelnuk, LabMag and KéMag deposits to the north, all of which are in a similar geological environment.

Check samples were sent to the SGS Lakefield lab for preparation and Davis Tube testing with the same standard operation procedure ("**SOP**") to that of the MRC lab. The Four variables were reported and compared. According to a series of tests, a bias was observed on all of the four variables. These apparent differences between MRC and SGS Lakefield for the quality of concentrate and Fe Head are somewhat similar to observations on NML's Lac Ritchie property (NML Technical Report, 2012) and may be linked to the way that quality is measured at the labs (titration and thermo-gravimetry at MRC and XRF for SGS Lakefield). Although the MRC and SGS-Lakefield SOPs are similar, some differences might have been unintentionally created from grinding (size reduction) or from calibration of the magnetic separator (Davis Tube). A detailed investigation of these differences is recommended. At this stage the author of the Sheps and Perault Technical Report is unable to estimate any costs for this study.

Update

There have been no changes in the resource or reserve estimates for the Sheps Lake and Perault Lake properties since the date of the Sheps and Perault Technical Report.

LAC RITCHIE PROPERTY

This summary of the Lac Ritchie property below has been extracted from the summary section of the Lac Ritchie Technical Report prepared by Michel Dagbert and Robert de l'Etoile of SGS Canada that was filed on SEDAR at www.sedar.com on May 7, 2012, and which is incorporated by reference herein. The Lac Ritchie Technical Report was prepared for the Company in accordance with NI 43-101 by "qualified persons", as defined in NI 43-101. Defined terms used in this summary shall have the meanings ascribed to such terms in the Lac Ritchie Technical Report.

The information included or incorporated by reference herein is based on assumptions, qualifications and procedures which are set out in the Lac Ritchie Technical Report. For a complete description of the assumptions, qualifications and procedures associated with the following information, reference should be made to the full text of the Lac Ritchie Technical Report.

Property Description and Location

The Lac Ritchie Property is located in Nunavik, approximately 134 km northwest of Schefferville, QC, 320 km north of Labrador City, NL and 620 km north of Sept-Îles, QC. The Property is situated in un-surveyed and unorganized territory. There has been no mining activity on the Property or in the surrounding area. The Property consists of a total of 263 contiguous mineral claims comprising 12,753.74ha or 127.54km².

Accessibility, Climate, Local Resources, Infrastructure and Physiography

There is no road access to the Lac Ritchie Property. A few lakes on the west and south part of the Property are accessible from Schefferville via chartered fixed-wing float aircraft and such aircraft was used to support NML's 2011 drilling programs along with a helicopter for drill and crew moves. The Property area has a sub-Arctic climate. The Property has no inhabitants. The nearest Hydro-Québec transmission lines are in Schefferville, where local needs are served by a power plant located nearby in Labrador. There is a more than adequate supply of water available for exploration and mining purposes, however, there is no harvestable timber on the Property.

There is ample room available on the Property for the establishment of mining and processing operations, waste piles and a tailings management area. Topography is flat to gently rolling, with the occasional more precipitous area. High ridges occupy the west side of the Property that are several km long, and northwest-southeast trending. The ridge rises from an elevation of 380 m in the northeast to 450 m over a

distance of 1.5 to 2 km. The Property is well drained, has a few swampy areas and is covered by sparse northern boreal forest consisting of stunted spruce, alders and willows.

Regional Geology

The Property is situated in the Churchill Province, of the Labrador Trough ("**Trough**") adjacent to Archean basement gneiss. The Trough comprises a sequence of Proterozoic sedimentary rocks, including iron formation, volcanic rocks and mafic intrusions. NML's Lac Ritchie Property is located north of the Grenville Front in the Churchill Province where the Trough rocks have been only subject to greenschist or sub-greenschist grade metamorphism. The principal iron formation unit is known as the Sokoman Formation. Iron formations in this part of the Trough are taconites, which are weakly metamorphosed.

Property Geology

Within the Lac Ritchie Property the structure is very simple, the iron formation is generally northwest-southeast striking and dipping 5^0 to 10^0 to northeast. Folds where present are monoclinic to gently inclined and rolling. Within oxide iron formation units, the most notable feature in mineral composition is the rather abrupt changes from dominantly magnetite (LC) to dominantly hematite (URC, JSP), and corresponding change of the silica from chert over to jasper. These oxidation potential variations and changes in iron grade define the member lithology units i.e. from top to bottom : LC = lean chert, GC = green chert, URC = upper red chert, LRGC = lower red green chert and JSP = jaspilite.

Exploration

During the years 2007 and 2010, NML staked several blocks of claims northwest of the KéMag deposit to cover the taconite formation extending to Adriana's Lac Otelnuk Property. Reconnaissance mapping and outcrop sampling were carried out by NML geologists during the summers of 2008 and 2010. A total of 49 surface grab samples were collected in 2008 and 2010. This stretch of area was covered by a 2010 airborne magnetic surveys by Fugro Airborne Surveys. The aeromagnetic data was reviewed and interpreted by Jean M. Hubert, consulting geophysicist for NML. He identified several strong magnetic anomalies along the iron formation bands outlined in the geological map. One anomalous trend coincides with the iron formation occurring in the Lac Ritchie area.

Drilling

Based on the presence of strong magnetic anomalies and the surface sampling results of 2008 and 2010, a drilling program was undertaken by NML on the Lac Ritchie Property during the summer of 2011. A total of 40 holes (BQ and NQ) were drilled on eight lines spaced 1 km apart with 3 to 7 holes on each line spaced 500m apart for a total of 3810m. The entire iron-rich section of the drill core was sampled leaving no gaps. Sample lengths were based on geological criteria and sample lengths averaged approximately 5.7 m; minimum 0.7 m, maximum 9.9 m. These sample intervals are similar to what was done at KéMag and LabMag deposits. Samples and field duplicates for the 2011 program totalled 620 samples.

Sampling and Analysis

All the split core samples were sent to the MRC in Nashwauk, Minnesota for chemical and Davis Tube (DT) analysis. A total of 620 samples were submitted, including 30 duplicate samples. The following test work and sample analyses were completed for all samples by MRC: head assay for total iron (%FeH), determination of magnetic weight recovery (%WRec) on -325 mesh concentrate and determination of total iron (%FeC) and silica (%SiO2C) in concentrate.

The security measures to protect the sample integrity are adequate.

Data Verification

Over the course of the 2011 drilling and sampling program, NML sent 30 duplicate samples to MRC. Those samples are actually the second half of the core. At MRC, those samples were subjected to the same Davis Tube testing as the original half core for the same intervals. As a general rule, the duplicated values reproduce the original data reasonably well. Sign tests and tests of paired data do not show any significant bias for any of the four parameters.

NML also sent 246 pulp duplicates from MRC Davis Tube magnetic concentrate for check assaying of the %Fe and %SiO2 of that concentrate at the SGS Lakefield lab. Correlation plots show that the MRC %Fe and %SiO2 of the Davis Tube concentrate are well reproduced by SGS with a rather reduced scatter of points along the first diagonal. However a more detailed analysis reveals a slight bias between the two labs, particularly for %SiO2 (on average 3.8% higher at SGS than at MRC), which might be linked to the different assaying method being used i.e. titration for %Fe and thermo-gravimetry for %SiO2 at MRC and XRF for both elements at SGS.

During his site visit of October 2011, Mr. Robert de l'Etoile collected 16 drill hole samples corresponding to NML original samples. Check samples were sent to the SGS Lakefield lab for preparation and Davis Tube testing with a protocol similar to that of MRC. Correlation of check with original samples is fine for %Fe of head and %Weight recovery but only passable for %Fe and %SiO2 of concentrate with a slight bias similar to what was observed with the 246 MRC pulp duplicates at SGS.

Core fragments from each check sample have been tested for density by the conventional water immersion method. The density of ground material has also been measured at SGS Lakefield by pycnometer. Values correlate reasonably well. Also the density seems strongly related to the %Fe of head of samples.

It is SGS' opinion that the data used in this study is adequate and reasonable to support the estimation of mineral resources as presented in the Lac Ritchie Technical Report.

Metallurgical Testing

Apart from the Davis Tube testing, there has been no mineral processing or metallurgical test work performed on the Lac Ritchie material. However, based on extensive test work on the structurally and mineralogically similar KéMag deposit, with a conventional HPGR + Ball Mill circuit, a processing plant would be expected to produce a concentrate at 2300 Blaine with approximately 1% higher silica than the Davis Tube values. The silica in the magnetic concentrate would thus be approximately 5.5% silica unless a silica cut-off is used to reduce the silica in the feed. The expected weight recovery from the plant would be approximately the same as the Davis Tube weight recovery, if not slightly higher (an increase of 0 to 0.5%). To further reduce the product silica, a flotation circuit could be used. In this case, it is expected that the plant could reach 3.0 – 3.5% silica with a loss in weight recovery of 1.5%. Specific test work on the Lac Ritchie material would be performed at more advanced stages of development.

Resource Estimation-General

Estimated resources for the Lac Ritchie Property are derived from a computerized resource block model. The construction of that model starts with drill hole data, which serve as the basis for the definition of 3D mineralized envelopes with resources limited to the material inside those envelopes. The next step is the selection of drill hole data within the mineralized envelopes in the form of fixed length composites and then the interpolation of the grade of blocks on a regular grid and filling the mineralized envelopes from the grade of composites in the same envelopes. All the interpolated blocks below the overburden/bedrock contact surface make up the mineral inventory and they are classified according to proximity to composites and corresponding precision/confidence level. The part of the mineral inventory within limits of an optimized pit shell and above some economic cut-off constitutes the mineral resource.

Limits of Resource Model

The extent of the resource block model is limited by a contour drawn 1km away along N324 and 0.5km away along N54 around drill holes. The top of the model is the inferred overburden – bedrock contact surface derived from a supplied topo surface on a grid of 50x100m and an interpolated overburden thickness which varies from 1.5m to 7.2m in the drill holes. The bottom of the model is the inferred footwall of the jaspilite unit. The extension surface of the resource model is 33.6km2. Within those top and lateral limits, the resource model looks like a multilayered cake with layers corresponding to seven lithological units identified by NML geologists. The modeling of contact surfaces between those layers is based on the interpreted line contacts by NML geologists on drill sections. As expected, LC is the layer with most material (about 1.4Gm3) followed by LRGC and JSP.

Resource Estimation – Assay Data and Compositing

Most of the 588 available drill hole samples are in the five units LC, GC, URC, LRGC or JSP and the block grade interpolation is limited to block fraction in those 5 units only. The %Fe of head averages about 30% in LC, URC and LRGC but it is much lower in the GC marker horizon (14% average) and higher in the JSP unit (average 35%). As expected, average recovery is high in LC (29%), low in URC (19%) and almost nil in the other units (6% in LRGC, 5% in GC and 1% in JSP). The quality of the magnetic concentrate is about the same in all units, even in those with very low recoveries. For samples in LC and URC, the average %Fe keeps around 68% and the average %SiO2 between 4% and 4.5%. Although the majority of original samples are 6m long, there exists both some shorter and some longer samples. Therefore, statistics might be biased by some high or low values measured on short or long intervals. The standardization of sample size is done by numerical compositing. The most natural composite length is obviously the 6m of a majority of samples. Statistics of the 570 composite data in the five units of interest are consistent with statistics of sample data in the same unit.

Resource Estimation - Correlations and Variography

Correlations between composite values are about the same in all units. There is no useable correlation (R=+0.40) between recovery and %Fe of head nor between %Fe of head and %Fe of concentrate (R=+0.39). There is a slight negative correlation between %Fe of concentrate and the recovery thus indicating a tendency to have more concentrate of lower quality in the magnetic separation process. The really strong (and expected) correlation is the negative one (R=-0.94) between the %Fe and the %SiO2 of concentrate. Down-hole (vertical) variograms of composite values in the LC unit show low nugget effects and a vertical range of about 50m for all four variables except the %Fe of head with almost random variation along holes in that unit. The spatial continuity along sub-horizontal directions i.e. comparing data in different holes is best derived in 2D from full intercepts rather than in 3D from 6m composites. All four variables show some spatial continuity with a range somewhere around 1.5- 2.0 km.

Resource Estimation – Block Interpolation

The four quality parameters are interpolated in blocks on a regular grid. That grid is oriented parallel to the drill sections i.e. columns are numbered along a rotated x axis along the N54 azimuth and rows along a rotated y axis along the N324 azimuth. The selected block size is 25m along the rotated x and 50m along the rotated y. That size is obviously small when compared to the drill hole grid of 500x1000m. The main reason to choose blocks with such a small size is to better reflect the geometry of litho units slowly dipping to the NE. Vertically, blocks are 15m high. All together, the mineralized material is covered by blocks in up to 240 columns, 240 rows and 28 benches from elevations z=55 to z=475. In a first pass, the volumetric fraction is calculated in blocks of each of the seven litho units above the footwall of jaspilite i.e. MS, DOL, LC, GC, URC, LGRC and JSP. Then the four quality parameters of block fractions in LC, GC, URC, LGRC and JSP units are interpolated from composite data in the same unit. Interpolation is done by inverse distance squared (ISD2). The basic search ellipsoid is a flat 1200x600x50m tilted by 4o to the N54 with a minimum of 5 composites from the same unit in a minimum of 3 holes. That size is progressively increased till all blocks within model limits can be interpolated. As expected from the regular

grid of composites, average block values are close to average composite values in the same unit. As expected too, the range of block values is slightly narrower than the range of composite data.

Resource Estimation - Densities

Quality estimates for unit fractions in the same blocks can be merged together for a total fraction of LC+GC+URC+LGRC+JSP and a single set of quality estimates of that fraction in the block. In that operation, quality estimates of each unit fraction are weighted by the volumetric unit fraction but also fixed densities assigned to material in each unit. Those fixed densities are simply mean values of measured densities from composite samples of any given unit by the MRC lab. They are: 3.47t/m3 in LC, 3.35 t/m3 in both GC and URC, 3.43 t/m3 in LRGC and 3.72 t/m3 in JSP. All together, we have 195,568 blocks 50x25x15m with a fraction in the five mineralized units LC+GC+URC+LRGC+JSP.

Resource Estimation - Categorization

The Lac Ritchie magnetite bearing taconite formations are currently recognized by 40 vertical drill holes on a grid of 1km by 0.5km. Those holes cover a NW-SE area with a strong magnetic anomaly recognized by the Fugro airborne survey of 2010. This area is bounded to the NW and SE by two major fault zones easily recognizable from the survey. Aside from those two bounding fault zones, the map of the magnetic anomaly does not show any major discontinuity.

The geological continuity of the mineralized units is demonstrated by the results from the 40 holes. In all of them and except for the occasional disappearance of the thin GC marker horizon, the stratigraphic sequence of (from top to bottom) LC+GC+URC+LRGC+JSP can be recognized with similar thickness data for all intercepts in the same unit. That stratigraphic sequencing is not arbitrary since it is supported by a mineral signature particular to each unit i.e. medium Fe + high magnetite in LC, low Fe + low magnetite in GC, medium Fe + medium magnetite in URC, medium Fe + low magnetite in LGRC and high Fe + low magnetite in JSP.

Despite the long spacing between holes, the grade continuity is demonstrated in two manners. First, there is the low variability of recovery and %Fe of head data in the two magnetite bearing units i.e. the LC and the URC with coefficients of variation of composite values around 30% or less. This low variability is a sign of a fairly homogeneous magnetite bearing mineralization in those two units over kilometric distances. Second, the variograms of intercept values in LC shows some spatial correlation between adjacent holes on the same section (500m spacing) and even on adjacent sections (1000 spacing) with apparent ranges around 1.5-2km.

Given the demonstrated geological and grade continuity of the mineralization between the 40 holes on the 1000x500m grid, we can classify the mineralized material recognized by those holes in the indicated category. Hence the mineral inventory made of blocks within the 1000x500m cells of influence of holes is classified as indicated. It excludes the material in the cell of influence of the isolated hole 11LR1006D on section 1 to the SE. The balance of the mineral inventory is classified in the inferred category.

A second drilling campaign is warranted in order to provide a higher confidence of the geological and grade continuity that allowed classifying the material in the indicated category and upgrade some of the resources to the measured category.

Resource Estimation – Final Estimates

Resources are that part of the mineral inventory with a reasonable prospect of economic extraction which means both a cut-off grade and an optimized pit shell i.e. blocks with estimated values above a cut-off and within the limits of an optimized pit shell. Traditionally, the cut-off used to report resources in the taconite deposits of the Labrador Trough is a minimum 18% weight recovery of the magnetic concentrate from Davis Tube test on material ground to 325 mesh. Marginal weight recovery cut-offs derived from current product value and unit processing costs appear much lower from 5% to 8%. A Whittle optimized

pit shell based on those parameters as well as a maximum slope of 500 includes most of the mineral inventory and all the blocks with an estimated weight recovery above the traditional 18% recovery cut-off. As a result, the proposed resources for Lac Ritchie are made of all the blocks of the mineral inventory above the traditional 18% minimum recovery cut-off. They are listed by unit, total and total after merging unit fractions in blocks in the next table. As expected from the statistics of sample data in each unit, there are no resources above 18% recovery in the GC, LRGC and JSP units, only in the LC and URC units.

Table 1: Estimated resources by unit and total

Unit	Dens (t/m3)	Cut-Off (%Wrec)	Cat	Vol (Mm3)	Tonnage	%FeH	%Wrec	%FeC	%SiO2
LC	3.47	18	IND	892	3096	30.8	29.1	67.4	4.6
LC	3.47	18	INF	388	1347	31.3	27.8	67.5	4.6
GC	3.35	18	IND	0	0	0.0	0.0	0.0	0.0
GC	3.35	18	INF	0	0	0.0	0.0	0.0	0.0
URC	3.35	18	IND	67	225	29.3	21.0	67.8	4.6
URC	3.35	18	INF	26	88	30.3	24.0	67.1	5.1
LRGC	3.43	18	IND	0	0	0.0	0.0	0.0	0.0
LRGC	3.43	18	INF	0	0	0.0	0.0	0.0	0.0
JSP	3.72	18	IND	0	0	0.0	0.0	0.0	0.0
JSP	3.72	18	INF	0	0	0.0	0.0	0.0	0.0
Total	3.46	18	IND	959	3320	30.6	28.5	67.4	4.6
Total	3.46	18	INF	415	1435	31.2	27.5	67.5	4.6
Final	**3.46**	**18**	**IND**	**962**	**3330**	**30.3**	**27.9**	**67.6**	**4.5**
Final	**3.46**	**18**	**INF**	**415**	**1437**	**30.9**	**27.0**	**67.6**	**4.5**

Total = sum of unit resources. Final = cut-off applied to weight recovery of LC+GC+URC+LRGC+JSP in each block.

Conclusions and Recommendations

SGS offers the following recommendations for further evaluation of the Lac Ritchie property:

- Measured densities are currently restricted to 12 values from MRC for composite samples in the same litho unit. Measured densities by both standard water immersion of core fragments and pycnometer on pulps for the 16 SGS check samples (all in the LC unit) suggest that (1) pycnometer results match immersion data (2) density shows a strong correlation with the %Fe of head. If a higher-confidence relationship can be made with more density measurements on individual samples in each unit, it could be used in the resource model to (1) better combine estimates of different litho unit fractions in the same block (2) have tonnage and to some extent weight recovery estimates above cut-off that would reflect a slight expected increase of density with the weight recovery cut-off since we have a mild positive correlation of weight recovery and %Fe of head. Practically, we suggest submitting about 150 pulp rejects (60 from LC, 30 from URC and 20 each from GC, LRGC and JSP with a large range of %Fe of head in each unit) to a pycnometer measurement. Those results would then be used to build regression models of density with %Fe of head in each unit and then to review the current resource block model with block densities derived from those regression models. The estimated cost of this operation is about C$5,000.

- A preliminary economic analysis (PEA) should be conducted with the currently estimated indicated and inferred resources. That PEA would help determine higher-confidence economic factors such as product value and unit mining/processing costs and lead to more realistic cut-offs than the traditional 18% minimum weight recovery to report resources. For that PEA, some of the data (metallurgical testing, rock mechanics.) and experience gained in

the preparation of the on-going feasibility study of LabMag and KéMag could be used. The estimated cost of that PEA is about C$150,000.

- Although the current drill hole data demonstrate a geological and grade continuity sufficient for a classification of all the material recognized by holes on the 1x0.5km grid in the indicated category, we recommend another drilling program before starting a preliminary feasibility study (PFS) with the currently estimated indicated resources. That program would have a magnitude similar to the 2011 drilling program i.e. with about 45 NQ holes totaling about 4500m. The majority of the new holes (about 35) would be drilled on the 7 intermediate sections at 500m from existing ones (5 to 19) with the same spacing of 500m between holes on the same section. The balance of about 10 holes would be on the SE sections 1 to 4 with a minimum of 2 holes (ideally 3) separated by 500m on each section. The purpose of that additional drilling is not to put the estimated resources in the measured category but to validate the apparent geological and grade continuity of the first 40 holes. With about 100% more data, geological discontinuities (barren dikes, faults) may show up and variograms may change significantly. Also with a 500x500m drilling grid the Indicated resources would have a drilling density similar to Indicated resources of LabMag and KéMag deposits to the south as well as the Lac Otelnuk to the north, all in a similar geological environment. Moreover, some of the new holes would allow to re-classify the material around the southern section's 1 to 4 from Inferred to Indicated. The budget for this additional drilling program is similar to the budget of the 2011 drilling program i.e. likely around C$1,500,000.

Update

There have been no changes in the resource or reserve estimates for the Lac Ritchie property since the date of the Lac Ritchie Technical Report.

RISK FACTORS

OVERVIEW

The Company's business consists of the exploration and development of mineral properties and is subject to certain risks. The risks described below are not the only risks facing the Company and other risks now unknown to the Company may arise or risks now thought to be immaterial may become material. No guarantee is provided that other factors will not affect the Company in the future. Many of these risks are beyond the control of the Company.

An investment in the Common Shares involves a number of risks. In addition to the other information contained in this AIF, investors should give careful consideration to the following, factors, which are qualified in their entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in this AIF. If any of the following events described as risks or uncertainties actually occurs, the business, prospects, financial condition and operating results of the Company would likely suffer, possibly materially. In that event, the market price of the Common Shares could decline and investors could lose all or part of their investment. Additional risks and uncertainties presently unknown, or that are not believed to be material at this time, may also impair or have a material adverse effect on the Company's operations. In addition to the risks described elsewhere and the other information contained in this AIF, prospective investors should carefully consider each of and the cumulative effect of all of the following risk factors. References in the below Risk Factors to "we", "our" or "us" refer to the management of the Company.

Taconite Project Financing

Pursuant to the terms of the Taconite HOA, TSG has a period of 4 months after the conclusion of the Taconite Project Feasibility Study to exercise its option to participate in the Taconite Project. A positive

investment decision could involve the development of either one or both of the LabMag and KéMag deposits. If TSG does not exercise such option, the Company will have to secure alternative financing to develop the Taconite Project. There is no assurance that such financing will be available on reasonable commercial terms, or at all. Furthermore, in the event that TSG does exercise such option, additional third party financing may still be required to bring the Taconite Project to production and there is no assurance that such financing will be available on reasonable commercial terms, or at all.

DSO Project Financing

Pursuant to the terms of the JVA, Tata Steel has exercised its option to participate in the DSO Project and has an obligation to fund development of the DSO Project. However, in order to develop the DSO Project to commercial production, additional third party financing may be required and there is no assurance that such financing will be available on reasonable commercial terms, or at all.

In addition, the Company may receive cash calls from TSMC to invest additional amounts by equity or debt in the DSO Project to fund capital and operating costs of the DSO Project. If the cash calls cannot be met, the interest of the Company in TMSC and the DSO Project may be diluted.

Nature of Mining, Mineral Exploration and Development Projects

Mining operations generally involve a high degree of risk. The Company's operations are subject to the hazards and risks normally encountered in the exploration, development and production of iron ore, including environmental hazards, explosions, unusual or unexpected geological formations or pressures and periodic interruptions in both production and transportation due to inclement or hazardous weather conditions. Such risks could result in damage to, or destruction of, mineral properties or producing facilities, personal injury, environmental damage, delays in mining, monetary losses and possible legal liability.

Development projects have no operating history upon which to base estimates of future cash operating costs. For development projects, resource estimates and estimates of cash operating costs are, to a large extent, based upon the interpretation of geologic data obtained from drill holes and other sampling techniques, and feasibility studies, which derive estimates of cash operating costs based upon anticipated tonnage and grades of ore to be mined and processed, ground conditions, the configuration of the ore body, expected recovery rates of minerals from the ore, estimated operating costs, anticipated climatic conditions and other factors. As a result, actual production, cash operating costs and economic returns could differ significantly from those estimated. It is not unusual for new mining operations to experience problems during the start-up phase, and delays in the commencement of production often can occur.

Mineral exploration is highly speculative in nature. There is no assurance that exploration efforts will be successful. Even when mineralization is discovered, it may take several years until production is possible, during which time the economic feasibility of production may change. Substantial expenditures are required to establish proven and probable mineral reserves through drilling. Because of these uncertainties, no assurance can be given that exploration programs will result in the establishment or expansion of mineral resources or mineral reserves. There is no certainty that the expenditures made towards the search and evaluation of mineral deposits will result in discoveries or development of commercial quantities of ore.

No Assurance of Profitable Production

Resource exploration and development is a speculative business, characterized by a number of significant risks including, among other things, unprofitable efforts resulting not only from the failure to discover mineral deposits but also from finding mineral deposits that, though present, are insufficient in quantity and quality to return a profit from production. The marketability of minerals acquired or discovered by the Company may be affected by numerous factors that are beyond the control of the Company and which cannot be accurately predicted, such as market fluctuations, mineral markets and

processing equipment, and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting minerals and environmental protection, the combination of which factors may result in the Company not receiving an adequate return on investment capital.

Substantial expenditures are required to establish reserves through drilling and to develop the mining and processing facilities and infrastructure at any site chosen for mining. No assurance can be given that minerals will be discovered in sufficient quantities to justify commercial operations or that funds required for development can be obtained on a timely basis. The long-term profitability of the Company's operations will in part be directly related to the costs and success of its exploration and development programs, which may be affected by a number of factors.

Mining operations, generally involve a high degree of risk. Such operations are subject to all of the hazards and risks normally encountered in the exploration for, and the development and production of, iron ore, including unusual and unexpected geologic formations, seismic activity, rock bursts, cave-ins, flooding and other conditions involved in the drilling and removal of material, any of which could result in damage to, or destruction of, mines and other producing facilities, damage to life or property, environmental damage and possible legal liability.

Processing operations are subject to hazards such as equipment failure, changes in ore characteristics, such as rock hardness, and mineralogy which may impact production rates and iron ore recovery, or failure of retaining dams which may result in environmental pollution and consequent liability.

The successful commercial development of the Company`s properties will depend upon the Company's ability to generate cash flow and or to obtain financing through private placement financing, public financing, joint venturing of projects, bank financing, commodity financing or other means. There can be no assurance that the Company will be successful in obtaining any required financing or in obtaining financing on reasonable or acceptable terms.

The Company has limited experience in placing resource properties into production, and its ability to do so will be dependent upon using the services of appropriately experienced personnel or entering into agreements with other major resource companies that can provide such expertise. There can be no assurance that the Company will have available to it the necessary expertise when and if the Company places its resource properties into production and whether it will produce revenue, operate profitably or provide a return on investment in the future.

Iron Ore Prices

The Company's principal business is the exploration and future production of iron ore. The Company's future profitability is largely dependent on movements in the price of iron ore. Iron ore prices have historically been volatile and are primarily affected by the demand for and price of steel in addition to the supply/demand balance. Iron ore prices have recently declined significantly, resulting in cancellation of a number of projects.

Factors beyond the control of the Company may affect the marketability of iron ore or other metals. Metal prices, including iron ore prices, are subject to significant fluctuation and are affected by a number of factors which are beyond the control of the Company. The principal risk factors include: diminished demand which may arise if rates of economic growth in China and India decline or are not sustained; increases in supply resulting from the development of new sources of iron ore or expansion of existing operations by the world's largest iron ore producers, or supply interruptions due to changes in government policies in iron ore consuming nations, war, or international trade embargoes. The effect of these factors on the Company's operations cannot be predicted.

Given the historical volatility of iron ore prices and the particular effects of the current global financial crisis, there are no assurances that the iron ore price will remain at economically attractive levels. An

increase in iron ore supply without a corresponding increase in iron ore demand would be expected to result in a decrease in the price of iron ore. Further declines in iron ore prices would adversely impact the business of the Company.

Iron ore prices are also affected by numerous other factors beyond the Company's control, including the relative exchange rate of the U.S. dollar with other major currencies, global and regional demand, political and economic conditions, production levels and costs and transportation costs in major iron ore producing regions. If as a result of a decline in iron ore prices, revenues from iron ore sales were to fall below cash operating costs, the feasibility of continuing development and operations would be evaluated and if warranted, could be discontinued.

No Revenues

To date, the Company has not recorded any revenues from operations nor has the Company commenced commercial production on any property. There can be no assurance that significant losses will not occur in the near future or that the Company will be profitable in the future. The Company's operating expenses and capital expenditures may increase in subsequent years as consultants, personnel and equipment associated with advancing exploration, development and commercial production of the DSO Project, KéMag Project, the LabMag Project or other properties in which the Company has an interest. The Company expects to continue to incur losses unless and until such time as it or an investee enters into commercial production and generates sufficient revenues to fund its continuing operations. The development of the Company's properties will require the commitment of substantial resources to conduct time consuming development. There can be no assurance that the Company will generate any revenues or achieve profitability.

Liquidity Concerns and Future Financings

The Company will require significant capital and operating expenditures in connection with the development of the DSO Project, KéMag Project, the LabMag Project or other properties in which the Company has an interest. There can be no assurance that the Company will be successful in obtaining required financing as and when needed. Disruptions in the credit and financial markets have adversely affected financial institutions, inhibited lending and limited access to capital and credit for many companies. If future financing is not available to the Company when required, as a result of limited access to credit markets or otherwise, or is not available on acceptable terms, the Company may be unable to invest the capital for the Company's development and exploration programs, take advantage of business opportunities or respond to competitive pressures, any of which could cause the Company to postpone or slow down its development plans, forfeit rights in some or all of the Company's properties or reduce or terminate some or all of its activities.

Securities of junior resource companies have experienced substantial volatility in the past, often based on factors unrelated to the financial performance or prospects of the companies involved. These factors include macroeconomic developments worldwide and global and market perceptions of the attractiveness of particular industries. The share price of the Company is likely to be significantly affected by short-term changes in iron ore prices. Other factors unrelated to the Company's performance that may have an effect on the price of its shares include the following: the extent of analytical coverage available to investors concerning the Company's business may be limited if investment banks with research capabilities do not follow the Company's securities; lessening in trading volume and general market interest in the Company's securities may affect an investor's ability to trade significant numbers of common shares and the size of the Company's public float may limit the ability of some institutions to invest in the Company's securities, and could cause the Company's securities to be delisted from an exchange, further reducing market liquidity. As a result of any of these factors, the market price of the Company's shares at any given point in time may not accurately reflect the Company's long-term value.

Foreign Exchange

Iron ore is sold in U.S. dollars thus the Company is subject to foreign exchange risks relating to the relative value of the Canadian dollar as compared to the U.S. dollar. To the extent that the Company generates revenues upon reaching the production stage on its properties, it will be subject to foreign exchange risks as revenues will be received in U.S. dollars while operating and capital costs will be incurred primarily in Canadian dollars. A decline in the U.S. dollar would result in a decrease in the real value of the Company's revenues and adversely impact the Company's financial performance.

Uncertainty in the Estimation of Mineral Resources

There is a degree of uncertainty to the calculation of mineral resources and corresponding grades being mined or dedicated to future production. Until mineral resources are actually mined and processed, the quantity of mineral resources and corresponding grades must be considered as estimates only. In addition, the quantity of mineral resources may vary depending on, among other things, metal prices. Any material change in quantity of mineral resources, grade or stripping ratio may affect the economic viability of the Company's projects. In addition, there can be no assurance that iron ore recoveries in small scale laboratory tests will be duplicated in larger scale tests under on-site conditions or during production. Fluctuation in iron ore prices, results of drilling, metallurgical testing and production and the evaluation of mine plans subsequent to the date of any estimate may require revisions of such estimates. The volume and grade of iron ore mined and processed and recovery rates may not be the same as currently anticipated. Any material reductions in estimates of mineral resources, or of the Company's ability to extract iron ore, could have a material adverse effect on the Company's results of operations and financial condition.

Government Regulation and Permitting

The current or future operations of the Company, including development activities and commencement of production on its properties, require permits from various federal, provincial or territorial and local governmental authorities, and such operations are and will be governed by laws and regulations governing prospecting, development, mining, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, water use, environmental protection, land claims of local people, mine safety and other matters.

Such operations and exploration activities are also subject to substantial regulation under applicable laws by governmental agencies that will require the Company to obtain permits, licences and approvals from various governmental agencies. There can be no assurance, however, that all permits, licences and approvals that the Company may require for its operations and exploration activities will be obtainable on reasonable terms or on a timely basis or that such laws and regulations will not have an adverse effect on any mining project which the Company might undertake.

Failure to comply with applicable laws, regulations, and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions.

Amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in exploration expenses, capital expenditures or production costs or reduction in levels of production at producing properties or require abandonment or delays in development of new mining properties.

To the best of the Company's knowledge, it is operating in compliance with all applicable rules and regulations.

Environmental Risks and Hazards

The Company's activities are subject to extensive national, provincial, and local laws and regulations governing environmental protection and employee health and safety. The Company is required to obtain governmental permits and provide bonding requirements under environmental laws. All phases of the Company's operations are subject to environmental regulation. These regulations mandate, among other things, the maintenance of water quality standards and land reclamation. They also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner, which will require stricter standards and enforcement, increased fines and penalties for non-compliance, and more stringent environmental assessments of proposed projects. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations.

Environmental laws and regulations are complex and have tended to become more stringent over time. These laws are continuously evolving. The Company is not able to predict the impact of any future changes in environmental laws and regulations on its future financial position due to the uncertainty surrounding the ultimate form such changes may take.

Existing and possible future environmental legislation, regulations and actions could cause additional expense, capital expenditures, restrictions and delays in the activities of the Company, the extent of which cannot be predicted.

Title to Property

The Company does not own the LabMag Property, Howells River North Property, Sheps Lake Property or the DSO Property, and only has an interest in the LabMag Property, Howells River North Property and Sheps Lake Property through its interest in the Partnership, and only has an interest in the DSO Property through its interest in TSMC. If the Partnership or TSMC fails to meet payments or work commitments on the LabMag Property, Howells River North Property, Sheps Lake Property or the DSO Property, the Company may lose its indirect interest in the LabMag Property and/or the DSO Property and forfeit any funds expended to such time. As well, if the Company fails to meet payments or work commitments on the KéMag Property, the Howells Lake Property, the Perault Property and the Lac Ritchie Property, the Company may also lose its direct interest in the KéMag Property, the Howells Lake Property, the Perault Property and the Lac Ritchie Property and forfeit any funds expended to such time.

No assurances can be given that title defects to the LabMag Property, the KéMag Property, the DSO Property, the Howells Properties, the Sheps and Perault Property and the Lac Ritchie Property or any of its other properties do not exist. The LabMag Property, the KéMag Property, the DSO Property, the Howells Properties, the Sheps and Perault Property and the Lac Ritchie Property or any of its other properties may be subject to prior unregistered agreements, interests or native land claims and title may be affected by undetected defects. If title defects do exist, it is possible that the Company may lose all or a portion of its right, title, estate and interest in and to the properties to which the title defect relates.

Title to mineral interests in some jurisdictions, is often not susceptible of determination without incurring substantial expense. In accordance with industry practice, the Company may conduct such title reviews in connection with its properties as it believes are commensurate with the value of such properties.

There is no guarantee that title to the LabMag Property, the KéMag Property, the DSO Property, the Howells Properties, the Sheps and Perault Property and the Lac Ritchie Property or any of its other properties will not be challenged or impugned. While, to the best of the Company's knowledge, title to the LabMag Property, the KéMag Property, the DSO Property, the Howells Properties, the Sheps and Perault Property and the Lac Ritchie Property or any of its other properties is in good standing, this should not be construed as a guarantee of title. Also, in Canada, claims have been made and new claims are being made by aboriginal peoples that call into question the rights of holders to conduct exploration, development or mining activities on their lands.

Uninsured Risks Exist and May Affect Certain Values

The Company maintains insurance to cover normal business risks. In the course of exploration and development of mineral properties, certain risks, and in particular, unexpected or unusual geological operating conditions including explosions, rock bursts, cave-ins, fire and earthquakes may occur. It is not always possible to fully insure against such risks as a result of high premiums or other reasons. Should such liabilities arise, they could reduce or eliminate any future profitability and result in increasing costs and a decline in the value of the Company's common shares.

Key-Man and Liability Insurance Factors Should be Considered

The success of the Company will be largely dependent upon the performance of its key officers. The Company has not, as yet, purchased any “key-man” insurance with respect to any of its directors, officers, key employees and has no current plans to do so.

Although the Company may obtain liability insurance in an amount which management considers adequate, the nature of the risks for mining companies is such that liabilities might exceed policy limits, the liabilities and hazards might not be insurable, or the Company might not elect to insure itself against such liabilities due to high premium costs or other reasons, in which event the Company could incur significant costs that could have a material adverse effect upon its financial condition.

Competition

The Company competes with many other mining companies that have substantially greater resources. Such competition may result in the Company being unable to acquire desired properties, recruit or retain qualified employees or acquire the capital necessary to fund the Company's operations and develop its properties. The Company's inability to compete with other mining companies for these resources would have a material adverse effect on the Company's results of operations and business.

Dependence on Outside Parties

The Company has relied upon consultants, engineers and others and intends to rely on these parties for development, construction and operating expertise. Substantial expenditures are required to construct mines, to establish mineral reserves through drilling, to carry out environmental and social impact assessments, to develop metallurgical processes to extract the metal from the ore and, in the case of new properties, to develop the exploration and plant infrastructure at any particular site. If such parties' work is deficient or negligent or is not completed in a timely manner, it could have a material adverse effect on the Company.

Ability to Attract and Retain Qualified Personnel

Recruiting and retaining qualified personnel is critical to the Company's success. The number of persons skilled in the acquisition, exploration and development of mining properties is limited and competition for such persons is intense. As the Company's business activity grows, they will require additional key financial, administrative and mining personnel as well as additional operations staff. If the Company is not successful in attracting and training qualified personnel, the efficiency of its operations could be affected, which could have a material adverse impact on the Company's future cash flows, earnings, results of operations and financial condition.

Reduced Global Demand for Steel or Interruptions in Steel Production

The global steel manufacturing industry has historically been subject to fluctuations based on a variety of factors, including general economic conditions and interest rates. Fluctuations in the demand for steel can lead to similar fluctuations in iron ore demand. A decrease in economic growth rates could lead to a

reduction in demand for iron ore. Any decrease in economic growth or steel consumption could have an adverse effect on the demand for iron ore.

Reliance on Third Parties for Rail Transportation

The Company expects that the DSO iron ore products from the DSO Project will be transported in railcars, under contract with four carriers. As at the date of this AIF, TSMC has entered into a formal agreement with three of the carriers for the provision of such services although negotiations are ongoing. To the extent that TSMC cannot achieve rail transportation agreements for reasonable tariffs with such parties (either through negotiation or by order of the applicable regulatory authorities), the production and financial performance of the DSO Project could be adversely impacted.

Reliance on Third Parties for Storage and Shipping

The Company expects that the DSO iron ore products from the DSO Project will be temporarily stored and shipped from an existing port in Sept-Îles, Québec. Although TSMC has negotiated an agreement with a shipper to obtain port access for storage and loading facilities at Sept-Îles, there can be no assurance that such arrangements will continue to be on economically feasible terms. Failure of such arrangements or the inability to renegotiate same on economically feasible terms could adversely impact the production and financial performance of the DSO Project.

Availability of Reasonably Priced Raw Materials and Mining Equipment

The Company will require a variety of raw materials in its business as well as a wide variety of mining equipment. To the extent these materials or equipment are unavailable or available only at significantly increased prices, the Company's production and financial performance could be adversely impacted.

Uncertainty of Exploration and Development Projects

The future development of the DSO Project will require the construction and operation of a mine, processing plants and related infrastructure. As a result, the Company is subject to all of the risks associated with establishing mining operations including:

- the timing and cost, which will be considerable, of the construction of mining and processing facilities;
- the availability and costs of skilled labour, power, water, transportation and mining equipment;
- costs of operating a mine in a specific environment;
- the need to obtain necessary environmental and other governmental approvals and permits, and the timing of those approvals and permits;
- adequate access to the site; and
- unforeseen events.

The costs, timing and complexities of mine construction and development are increased by the remote location of the DSO Project. It is not unusual in a new mining operation to experience unexpected problems and delays during the construction and development of the mine. In addition, delays in the commencement or expansion of mineral production often occur and, once commenced or expanded, the production of a mine may not meet expectations or estimates set forth in the feasibility study. Accordingly, there are no assurances that TSMC will successfully develop mining activities at its DSO Property.

Price Volatility of Publicly Traded Securities

Securities of exploration and mining companies have experienced substantial volatility in the past, often based on factors unrelated to the financial performance or prospects of the companies involved. These factors include macroeconomic developments in North America and globally, and market perceptions of the relative attractiveness of particular industries. The Company's share price is also likely to be significantly affected by short-term changes in metal prices or in the Company's financial condition or results of operations as reflected in quarterly earnings reports. Other factors unrelated to the Company's performance that may have an effect on the price of the Company's shares include the following:

the extent of analyst coverage available to investors concerning the Company's business may be limited if investment banks with research capabilities do not follow its securities;

limited trading volumes and general market interest in the Company's securities may affect an investor's ability to trade the Company's shares; and

the relatively small number of publicly held shares may limit the ability of some institutions to invest in the Company's securities.

As a result of any of these factors, the market price of the Company's shares at any given point in time may not accurately reflect the Company's long-term value.

Share Price Fluctuations

The market price of securities of many companies, particularly development stage companies, experience wide fluctuations in price that are not necessarily related to the operating performance or the underlying asset values of prospects of such companies. There can be no assurance that fluctuations in the Company's share price will not occur.

During the year ended December 31, 2014, the Company's share price closed at a high of $0.67 during January 2014 and a low of $0.15 during October 2014.

Tax Considerations

The Canadian federal and provincial tax treatment of natural resource activities has a material effect on the advisability of investing in mining companies. The ability of the Company to claim and collect tax credits relating to its natural resource activities and the return on an investment in Common Shares will be subject to applicable tax laws. There can be no assurance that applicable tax laws will not be amended so as to fundamentally alter the tax consequences of claiming and collecting tax credits and holding or disposing of the Common Shares.

Dilution and Future Sales of Common Shares

The Company may issue additional shares in the future, which may dilute a shareholder's holdings in the Company. The Company's articles permit the issuance of an unlimited number of Common Shares and an unlimited number of Preferred Shares issuable in series and shareholders will have no pre-emptive rights in connection with further issuances. The directors of the Company have the discretion to determine the provisions attaching to any series of Preferred Shares and the price and terms of further issuances of Common Shares.

Significant Shareholder

To the best of the Company's knowledge, as of the date hereof, TSG beneficially owns, controls and directs, directly or indirectly, 47,402,908 Common Shares representing approximately 26.2% of the issued and outstanding Common Shares. Pursuant to the HOA, the Company has granted TSG a pre-

emptive right to maintain its pro rata ownership interest in the Company (the "Pre-Emptive Right"), subject to certain limited exceptions.

Failure to Meet Production Targets and Cost Estimates

The development of the DSO Project is premised on future production and capital cost estimates. If commercial production commences, actual production and costs may vary from the estimates for a variety of reasons such as estimates of grade, recovery, tonnage, dilution and metallurgical and other characteristics of the iron ore varying in the actual ore mined, revisions to mine plans, risks and hazards associated with mining, adverse weather conditions, unexpected labour shortages or strikes, equipment failures and other interruptions in production capabilities. If commercial production begins, production costs may also be affected by increased stripping costs, increases in level of ore impurities, labour costs, raw material costs, inflation and fluctuations in currency exchange rates. Failure to achieve production targets or cost estimates could have a material adverse impact on the Company's net income, cash flow and overall financial performance.

Aboriginal Land Claims and Consultation Issues

The LabMag Property, the KéMag Property, the DSO Property and the Company's other properties, together with adjacent areas, may be the subject of land claims by aboriginal groups. Management of the Company is not aware of a precedent for land claim agreements affecting previously granted licenses or other rights, however, there is no assurance that they will not. In that event, however, it is reasonable to anticipate that compensation from governmental authorities would be adequate to compensate the Company for the loss.

While formal IBAs have been entered into with all four First Nations affected by the DSO Project, no formal IBAs have been entered into with respect to any of the Company's other properties or projects and there is no assurance that such IBAs will ever be completed.

Factors Beyond Corporation's Control

The exploration and development of mineral properties and the marketability of any minerals contained in such properties will be affected by numerous factors beyond the control of the Company. These factors include government regulation, high levels of volatility in market prices, availability of markets, availability of adequate transportation and processing facilities and the imposition of new or amendments to existing taxes and royalties. The effect of these factors cannot be accurately predicted.

Dividends

The future payment of dividends on the common shares of the Company will be dependent upon the financial requirements of the Company to finance future growth, the financial condition and other factors which the Board of Directors may consider appropriate in the circumstances. The Company has not paid any dividends since its incorporation and it is not anticipated that dividends will be paid in the immediate or foreseeable future.

Conflicts of Interest

There are potential conflicts of interest which the directors and officers of the Company may be subject in connection with the operations of the Company. Some of the directors and officers of the Company may be, or may become, engaged in the mineral exploration or mining industry, and situations may arise where directors, officers and promoters will be in direct conflict with the Company. Such conflicts must be disclosed in accordance with, and are subject to such other procedures and remedies as apply under, the ABCA, and the applicable statutes of the jurisdictions of incorporation of the Company's subsidiaries.

DIVIDENDS AND DISTRIBUTIONS

No dividends or distributions have been declared in the three most recently completed financial years of the Company. Any decision to pay dividends or distributions on the Common Shares will be made by the Board of Directors on the basis of the Company's earnings, financial requirements and other conditions existing at the relevant time.

CAPITAL STRUCTURE

GENERAL DESCRIPTION OF SHARE CAPITAL

The Company is authorized to issue an unlimited number of Common Shares and an unlimited number of preferred shares (the "Preferred Shares") issuable in series. As at December 31, 2014, 181,054,146 Common Shares were issued and outstanding as fully paid and non-assessable shares and no Preferred Shares were issued and outstanding. As at March 24, 2015, 181,054,146 Common Shares were issued and outstanding as fully paid and non-assessable shares and no Preferred Shares were issued and outstanding.

COMMON SHARES

The holders of the Common Shares are entitled to receive notice of and attend any meeting of the Company's shareholders and are entitled to one vote for each Common Share held (except at meetings where only the holders of another class of shares are entitled to vote). Subject to the rights attaching to any other class of shares, the holders of the Common Shares are entitled to receive dividends, if, as and when declared by the Board of Directors of the Company and are entitled to receive the remaining property upon liquidation of the Company.

PREFERRED SHARES

The Company is authorized to issue an unlimited number of Preferred Shares. The Preferred Shares may be issued from time to time in one or more series, each series consisting of a number of Preferred Shares as determined by the Board of Directors of the Company, who may fix the designations, rights, privileges, restrictions and conditions attaching to the shares of each series of Preferred Shares. As at the date hereof, there are no Preferred Shares issued and outstanding. The Preferred Shares of each series shall, with respect to dividends, liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, or any other distribution of the assets of the Company among its shareholders for the purpose of winding up its affairs, shall be entitled to preference over the Common Shares and the shares of any other class ranking junior to the Preferred Shares. The Preferred Shares of any series may also be given such other preferences and priorities over the Common Shares and any other shares of the Company ranking junior to such series of Preferred Shares.

MARKET FOR SECURITIES

The Common Shares of the Company are listed and posted for trading on the TSX under the stock market symbol "NML" and on the OTCQX under the market symbol "NWLNF".

Trading History

The following table sets forth the price range in Canadian dollars of Common Shares and volume traded on the TSX for the periods indicated.

Period	High ($)	Low ($)	Volume
2014			
January 2014	0.67	0.56	3,632,510
February 2014	0.62	0.47	3,446,646
March 2014	0.56	0.40	3,347,626
April 2014	0.46	0.40	3,400,293
May 2014	0.46	0.40	1,911,994
June 2014	0.415	0.32	1,970,816
July 2014	0.37	0.28	2,248,460
August 2014	0.365	0.275	1,935,843
September 2014	0.36	0.25	1,380,754
October 2014	0.265	0.135	2,931,120
November 2014	0.30	0.145	4,076,363
December 2014	0.20	0.125	4,229,791
2015			
January 2015	0.20	0.14	3,125,412
February 2015	0.265	0.16	3,346,502
March 1-23	0.24	0.185	1,334,420

Prior Sales

The following table summarizes the issuances of unlisted securities for the year ended December 31, 2014.

Date of Issuance	Securities	Number of Securities[(1)]	Price/Exercise Price per Security (C$)
April 1, 2014	Stock Options	165,000	$0.415
April 3, 2014	Stock Options	35,000	$0.415
April 4, 2014	Stock Options	50,000	$0.410
April 9, 2014	Stock Options	55,000	$0.405
April 10, 2014	Stock Options	150,000	$0.405
April 11, 2014	Stock Options	590,000	$0.410

Note:
(1) Issue of stock options. Stock options expire five years from the date of issue.

DIRECTORS AND OFFICERS

NAME, OCCUPATION AND SECURITY HOLDINGS

The following table sets forth the names and municipalities of residence of the current directors and executive officers of the Company, their respective positions and offices with the Company and date first appointed or elected as a director and/or executive officer and their principal occupation(s) within the past five (5) years.

Name and Municipality of Residence	Position(s) Held with the Company and Period of Service as a Director	Principal Occupation
Lee C.G. Nichols[1][3] Sherwood Park, Alberta	Non-Executive Chairman and a Director since August 8, 2003	Professional engineer, consulting engineer and majority owner of Terracon Geotechnique Ltd. from 1983 to present.
Robert Patzelt, Q.C. Halifax, Nova Scotia	President and Chief Executive Officer and a Director since January 13, 2014	President and Chief executive Officer of the Company. Prior thereto, Senior Vice-President, Corporate Development of Scotia Investments Limited from 1988 to January 2014.
Dean Journeaux[3] Rockland, Ontario	Executive Vice-Chairman since January 13, 2014 and a Director since August 8, 2003	President and Chief Executive Officer of the Company from July 1, 2011 to January 13, 2014, Chief Operating Officer of the Company from August 8, 2003 to July 1, 2011. Principal and owner of Journeaux International from 2002 to present.
John Schindler[1][2][3] Calgary, Alberta	Director since August 8, 2003	Consulting Geologist and President of Schindler Exploration Consultants Ltd. from 1981 to present. President of Summit Natural Rock Inc. from 2003 to present.
Roy Hudson[2] Calgary, Alberta	Corporate Secretary and a Director since September 4, 2004	Lawyer with the national law firm, Davis LLP, since September 2004.
Pierre Seccareccia[1][2] Montreal, Québec	Director since November 13, 2007	Corporate director. Fellow of the Ordre des comptables professionnels agréés du Québec with over 35 years' experience in various areas of financial consulting and management. Until 2002, he was the Managing Partner of the Montreal office of PricewaterhouseCoopers.
General Rick Hiller Ottawa, Ontario	Director since December 6, 2011	Businessman and consultant since July 1, 2008. Former Chief of the Defense Staff of the Canadian Forces from February 4, 2005 until his retirement on July 1, 2008 with over 30 years' experience with the Canadian Forces.
Chanakya Chaudhary New Delhi, India	Director since February 4, 2015	Group Director-Corporate Communication & Regulatory Affairs of Tata Steel Limited. Has held various positions within Tata Steel Limited since 2006.
Sandip Biswas Mumbai, India	Director since October 27, 2011	Group Director of Corporate Finance and M&A of Tata Steel Limited. Has held various positions within Tata Steel Limited since 2005.
Dibyendu Bose Kolkata, India	Director since December 6, 2013	Group Director (Investments & New Ventures) of Tata Steel Limited. Has held various positions within Tata Steel Limited since 1986.

Name and Municipality of Residence	Position(s) Held with the Company and Period of Service as a Director	Principal Occupation
Mark Freedman Montreal, Québec	Chief Financial Officer	Partner with the Montreal based accounting firm of Roll Harris & Associés since 2001 and a member of the Ordre des comptables professionnels agréés du Québec.
Bish Chanda Montreal, Québec	Senior Vice-President, Marketing & Strategy	Senior Vice-President, Marketing & Strategy since October 2008.
Ernest Dempsey Montreal, Québec	Vice-President, Investor Relations and Corporate Affairs	Vice-President, Investor Relations and Corporate Affairs since 2011. Prior thereto, Mr. Dempsey was with Mitsubishi Development Pty. Ltd. in Perth, Australia.
Rock Gagnon Quebec, QC	Vice-President, Operations and Taconite Project Leader	Vice-President, Operations and Taconite Project Leader since October 2014. Prior thereto, Vice-President, Process and Plant Engineering of the Company since October 2012. Prior thereto, Mineral Processing Consultant from 2005 to 2012.
Stephen Fontanals Montreal, QC	Vice-President, Finance and Administration	Vice-President, Finance and Administration since October 2014. Prior thereto, Director of Operations Research since December 2011. Prior thereto, Mr. Fontanals worked as Financial Controller for Wabush Mines.

Notes:
(1) Member of the Audit Committee.
(2) Member of the Corporate Governance and Compensation Committee
(3) Member of the Environment, Health and Safety Committee

To the knowledge of the Company, as at March 24, 2015, the directors and executive officers of the Company, as a group, beneficially owned, directly or indirectly or exercised control or direction over, 7,048,927 Common Shares or approximately 3.89% of the issued and outstanding Common Shares of the Company (this includes, 1,685,038 Common Shares held by Mr. Journeaux, 1,200,000 Common Shares held by 6333621 Canada Inc. which is 100% owned by Mr. Journeaux, 135,000 Common Shares held by 1301738 Ontario Inc. which is 100% owned by Mr. Journeaux and 1,170,000 Common Shares held by 6309801 Canada Inc. Mr. Chanda exercises control or direction over the shares of 6309801 Canada Inc.). The common shares beneficially owned, directly or indirectly, or over which control or direction is exercised, as at the date of this AIF is based upon information furnished to the Company by the above individuals and/or management.

The directors listed above will hold office until the next annual meeting of the Company or until their successors are elected or appointed.

CEASE TRADE ORDERS, BANKRUPTCIES, PENALTIES OR SANCTIONS

No director or executive officer of the Company is, or within ten years prior to the date of this AIF, has been a director, a chief executive officer or a chief financial officer of any company (including the Company), that:

(a) was subject to: (i) a cease trade order; (ii) an order similar to a cease trade order; or (iii) an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days (collectively, an "Order"), that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or

(b) was subject to an Order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

No director or executive officer of the Company, or a shareholder holding a sufficient number of securities of the Company to affect materially control of the Company, is, or within ten years prior to the date of this AIF, has been a director or executive officer of any company (including the Company) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

No director or executive officer or a shareholder holding a sufficient number of securities of the Company to affect materially control of the Company, has, within the past ten years prior to the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or was subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of such person.

No director or executive officer of the Company, or a shareholder holding a sufficient number of securities of the Company to affect materially control of the Company, has been subject to (i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, or (ii) any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor in making an investment decision.

CONFLICTS OF INTEREST

Certain directors and officers of the Company and its subsidiaries are associated with other reporting issuers or other corporations which may give rise to conflicts of interest. In accordance with corporate laws, directors who have a material interest or any person who is a party to a material contract or a proposed material contract with the Company are required, subject to certain exceptions, to disclose that interest and generally abstain from voting on any resolution to approve the contract. In addition, the directors are required to act honestly and in good faith with a view to the best interests of the Company. Some of the directors of the Company have either other employment or other business or time restrictions placed on them and accordingly, these directors of the Company will only be able to devote part of their time to the affairs of the Company. Conflicts, if any, will be subject to the procedures and remedies available under the ABCA. The ABCA provides that in the event that a director has an interest in a contract or proposed contract or agreement, the director shall disclose his interest in such contract or agreement and shall refrain from voting on any matter in respect of such contract or agreement unless otherwise provided by the ABCA.

AUDIT COMMITTEE

AUDIT COMMITTEE CHARTER

The Company's Audit Committee Terms of Reference is attached hereto as Schedule "A".

AUDIT COMMITTEE COMPOSITION

As at the date hereof, the Audit Committee is comprised of the following members:

Pierre Seccareccia[2]	Independent[1]	Financially literate[1]
Lee Nichols	Independent[1]	Financially literate[1]
John Schindler	Independent[1]	Financially literate[1]

Notes:

(1) As defined by National Instrument 52-110 ("**NI 52-110**").
(2) Chairman of the Audit Committee.

RELEVANT EDUCATION AND EXPERIENCE

Pierre Seccareccia, F.C.P.A, F.C.A.

Mr. Seccareccia is Chair of the Audit Committee. Mr. Seccareccia, Fellow of the Ordre des comptables professionnels agréés du Québec has over 35 years' experience in various areas of financial consulting and management. Until 2002, he was the Managing Partner of the Montreal office of PricewaterhouseCoopers. He is a director of numerous companies, including GLV Inc. (TSX: LVG.A and LVG.B), Boralex Inc. (TSX: BLX-T), WSP Global Inc. (formerly Genivar Inc.) (TSX : WSP), Fondation de la Famille Lemaire and Ivanhoe Cambridge Inc.

In addition, Mr. Seccareccia is Chairman of the Board of la Maison du Père and Chairman of the Board of la Fondation de la Maison du Père.

John Schindler

John Schindler holds geology degrees from McGill University (1960), University of London, England (1963, Mining Geology) and McMaster University (1975). He has over 40 years of domestic and international experience in the exploration and development of metallic and industrial minerals including, project design and management, and royalty and resource evaluations. Previously he served as President and director of Contwoyto Goldfields Limited, a publicly traded, junior mineral exploration company.

Lee Nichols

Mr. Nichols holds a Bachelor of Science (Geological Engineering) degree from Queen's University, Kingston, Ontario and a Master of Science in Geology and Civil Engineering from Syracuse University, New York. Mr. Nichols has over 45 years experience in geotechnical engineering, mine and tailings facilities development and design, groundwater and mine dewatering studies, water quality studies, environmental studies, surface hydrology, ore reserve estimates and international experience. He is currently President of Terracon Geotechique Ltd., a geotechnical consulting firm and a director of Poplar Creek Resources Inc. (TSX-V:PCK).

AUDIT COMMITTEE OVERSIGHT

At no time since the commencement of the Company's financial year ended December 31, 2014, was a recommendation of the Committee to nominate or compensate an external auditor not adopted by the Board of Directors.

RELIANCE ON CERTAIN EXEMPTIONS

At no time since the commencement of the Company's financial year ended December 31, 2014, has the Company relied on the exemption in Section 2.4 of NI 52-110 (De Minimis Non-audit Services), or an

exemption from NI 52-110, in whole or in part, granted under Part 8 of NI 52-110 (securities regulatory authority exemption).

PRE-APPROVAL POLICIES AND PROCEDURES

The Audit Committee has not adopted specific policies and procedures for the engagement of non-audit services other than the general requirements under the heading "External Auditors" of the Audit Committee Terms of Reference which states that the Audit Committee must pre-approve any non-audit services to the Company and the fees for those services.

EXTERNAL AUDITOR SERVICE FEES

The aggregate fees billed by the Company's external auditors in each of the two fiscal years noted below for audit and other fees are as follows:

Financial Year Ending	Audit Fees[1]	Audit Related Fees[2]	Tax Fees[3]	All Other Fees[4]
2013	$93,150	$31,060	$19,803	Nil
2014	$98,354	$38,147	$17,283	Nil

(1) These fees include professional services provided by the external auditors for audits of the annual financial statements and related regulatory filings.
(2) These fees relate to the review of interim financial statements and related regulatory filings.
(3) These fees include professional services for tax compliance and tax advice.
(4) These fees include any other permitted services not included in any of the above-stated categories.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

To the best of the Company's knowledge, there were no legal proceedings during the year ended December 31, 2014, to which the Company is a party, or of which any of its property is the subject matter, and there are no such proceedings known to the Company to be contemplated.

There are no penalties or sanctions imposed against the Company by a court relating to securities legislation or by a securities regulatory authority during legal proceedings material to the Company to which the Company is a party or of which any of its property is the subject matter, and there are no such proceedings known to the Company to be contemplated during the financial year ended December 31, 2014.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as set forth herein, or as previously disclosed on SEDAR, the Company is not aware of any material interests, direct or indirect, by way of beneficial ownership of securities or otherwise, of any director or executive officer or any shareholder holding more than 10% of the Common Shares or any associate or affiliate of any of the foregoing in any transaction within the three most recently completed financial years or during the current financial year or any proposed or ongoing transaction of the Company which has or will materially affect the Company.

TRANSFER AGENTS AND REGISTRARS

The Company's transfer agent and registrar is Valiant Trust Company at its Calgary office located at 310, 606 - 4th Street S.W., Calgary, Alberta, T2P 1T1.

MATERIAL CONTRACTS

Other than contracts which were entered into in the ordinary course of business, the only material contracts entered into which can reasonably be regarded as presently material are:

1. Limited Partnership Agreement dated August 4, 2004 among LabMag GP Inc., as general partner and the Company and Naskapi LabMag Trust, as limited partners, relating to the Partnership, which owns the LabMag Property.

2. Royalty Agreement dated August 11, 2004 as amended dated October 23, 2006 among the Company, the Partnership and each of the royalty holders, namely, 6299661 Canada Inc., 6333621 Canada Inc. (a company controlled by Mr. Journeaux), 6309801 Canada Inc. (a company controlled by Mr. Chanda), 6308180 Canada Inc., 662172 Alberta Corp. and NNK, as supplemented by an addendum to the Royalty Agreement dated January 1, 2009, and as further amended by Amendment No. 2 to the Royalty Agreement dated September 25, 2009. Pursuant to the Royalty Agreement, each of the royalty holders have the right to receive royalties of 0.333% of the gross revenue from the sale of iron ore products processed by the LabMag Project, up to and including the iron oxide pellet stage. The Company has a right of first refusal to purchase the royalty interests.

3. Services Agreement dated August 11, 2004 among the LabMag Services Inc. and the Partnership relating to operational and management services to the Partnership. LabMag Services Inc. provides operational and management services to the Partnership, including preparing programs for the exploration and development of the LabMag Property, construction of any mine developed on the LabMag Property, management of the operation of the mine and of the marketing, sale and distribution of ores, concentrates and other materials and products derived from the LabMag Property. As compensation for such services, the Partnership reimburses certain expenses (the "**Expenses**") to LabMag Services Inc., including all reasonable amounts paid by LabMag Services Inc. to third parties and to directors, officers, consultants and employees for services performed and for providing the services. In addition, the Partnership is required to pay LabMag Services Inc. fees equal to the aggregate of 5% of all Expenses incurred in programs prior to and including the completion of a pre-feasibility Study, and 4% of all Expenses incurred in programs after completion of the pre-feasibility Study, until but not including, construction of the mine, if any, on the LabMag Property. LabMag Services Inc. is entitled to additional fees in accordance with industry standards for providing additional services commencing with construction of the mine. The amount of these additional fees, together with the terms and conditions of payment, will be determined as soon as reasonably practicable and in any event, prior to completion of the feasibility study for the development, construction and operation of the mine.

4. JVA dated November 6, 2009 among the Company, the Partnership and TSG regarding the terms and conditions governing their relationship and to record their respective rights and obligations in relation to the management and functioning of TSMC, the material terms of which are described in "General Development of the Business" and "Description of the Business".

5. Taconite HOA dated March 6, 2011 among the Company, the Partnership and TSG relating to the development of the Taconite Project, the material terms of which are described in "General Development of the Business" and "Description of the Business".

INTERESTS OF EXPERTS

NAMES OF EXPERTS

Dean Journeaux, Bish Chanda, Jean-Charles Bourassa, Moulaye Melainine, Rock Gagnon, Laurent Piette of NML, André Boilard of Met-Chem and Robert de l'Étoile of SGS Canada, each a "qualified

person", as defined in NI 43-101, are the authors responsible for the preparation of the DSO Technical Report.

Yves Buro, Schadrac Ibrango, Jeffery Cassoff, Luc Belanger, Eric Giroux, Pierre Julien, Joe Poveromo, Michel Bilodeau and Charles Cauchon of Met-Chem, each a "qualified person", as defined in NI 43-101, are the authors responsible for the preparation of the LabMag Technical Report and the KéMag Technical Report.

Michel Dagbert and Robert de l'Étoile of SGS Canada, each a "qualified person", as defined in NI 43-101, are the authors responsible for the preparation of the Lac Ritchie Technical Report.

Maxime Dupéré of SGS Canada, a "qualified person", as defined in NI 43-101, is the author responsible for the preparation of the Sheps and Perault Technical Report and the Howells Lake and Howells River North Technical Report.

INTERESTS OF EXPERTS

The Company's auditor is Raymond Chabot Grant Thornton LLP, Chartered Professional Accountants, who have audited the Company's Consolidated Financial Statements for the financial year ended December 31, 2014. As at the date of hereof, the partners and associates of Raymond Chabot Grant Thornton LLP, Chartered Professional Accountants, are independent within the applicable rules of professional conduct.

Mr. Dean Journeaux, a qualified person named or referred above under "Name of Experts", is the Executive Vice-Chairman and a director of the Company.

Mr. Bish Chanda, a qualified person named or referred above under "Name of Experts", is the Senior Vice-President, Marketing & Strategy of the Company.

Mr. Rock Gagnon, a qualified person named or referred above under "Name of Experts", is the Vice-President, Operations and Taconite Project Leader of the Company.

To the best knowledge of the Company, the qualified persons named under "Names of Experts" beneficially own, directly or indirectly, less than 1% of any class of the Company's outstanding securities except for Mr. Dean Journeaux who beneficially owns, directly or indirectly, 3,020,038 Common Shares or approximately 1.67% of the issued and outstanding Common Shares of the Company.

ADDITIONAL INFORMATION

Additional information, including directors' and executive officers' remuneration and indebtedness, principal holders of the Company's securities and securities authorized for issuance under equity compensation plans is contained in the Company's Management Information Circular and Proxy Statement for its most recent annual meeting of shareholders. Additional financial information is provided in the Company's consolidated financial statements and management's discussion and analysis for the financial year ended December 31, 2014. Copies of the foregoing documents and any document, incorporated by reference in this AIF may be obtained by accessing SEDAR, the electronic system recording Canadian public securities filings, at www.sedar.com.

SCHEDULE "A"
AUDIT COMMITTEE TERMS OF REFERENCE

1. Role and Objective

The Audit Committee (the "**Committee**") is a committee of the Board of Directors (the "**Board**") of New Millennium Iron Corp. (the "**Corporation**") to which the Board has delegated its responsibility for oversight of the nature and scope of the annual audit, management's reporting on internal accounting standards and practices, financial information and accounting systems and procedures, financial reporting and statements and recommending, for Board approval, the audited financial reports and other mandatory disclosure releases containing financial information. The objectives of the Committee, with respect to the Company and its subsidiaries, are as follows:

- To assist Directors to meet their responsibilities in respect of the preparation and disclosure of the financial reports of the Company and related matters;
- Provide an open avenue of communication among the Company's auditors, financial and senior management and the Board;
- To ensure the external auditors' independence and review and appraise their performance;
- To increase the credibility and objectivity of financial reports; and
- To strengthen the role of the outside directors by facilitating in depth discussions between directors on the Committee, management and external auditors.

2. Composition

The Committee shall be composed of at least three individuals appointed by the Board from amongst its members, all of which members will be independent (within the meaning of National Instrument 52-110 *Audit Committees*) unless the Board determines to rely on an exemption in NI 52-110. "Independent" generally means free from any business or other direct or indirect material relationship with the Company that could, in the view of the Board, reasonably interfere with the exercise of the member's independent judgment.

A quorum shall be a majority of the members of the Committee.

All of the members must be financially literate within the meaning of NI 52-110 unless the Board has determined to rely on an exemption in NI 52-110. Being "financially literate" means members have the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Company's financial statements.

3. Meetings

The Committee shall meet at least four times per year and/or as deemed appropriate by the Committee Chair. As part of its job to foster open communication, the Committee will meet at least annually with management and the external auditors in separate sessions.

Agendas, with input from management, shall be circulated to Committee members and relevant management personnel along with background information on a timely basis prior to the Committee meetings.

The minutes of the Committee meetings shall accurately record the decisions reached and shall be distributed to the Committee members with copies to the Board, the Chief Financial Officer or such other officer acting in that capacity, and the external auditor.

The Chief Executive Officer and the Chief Financial Officer or their designates shall be available to attend at all meetings of the Committee upon the invitation of the Committee.

The Controller, Treasurer and/or such other staff as appropriate to provide information to the Committee shall attend meetings upon invitation by the Committee.

4. Mandate and Responsibilities

To fulfill its responsibilities and duties, the Committee shall:

1) undertake annually a review of this mandate and make recommendations to the Corporate Governance and Compensation Committee as to proposed changes;

2) satisfy itself on behalf of the Board with respect to the Company's internal control systems, including, where applicable, relating to derivative instruments:

   (a) identifying, monitoring and mitigating business risks; and

   (b) ensuring compliance with legal and regulatory requirements;

3) review the Company's financial reports, management discussion and analysis ("**MD&A**"), any annual earnings, interim earnings and press releases before the Company publicly discloses this information and any reports or other financial information (including quarterly financial reports), which are submitted to any governmental body, or to the public, including any certification, report, opinion, or review rendered by the external auditors; the process should include but not be limited to:

   (a) reviewing changes in accounting principles, or in their application, which may have a material impact on the current or future years' financial reports;

   (b) reviewing significant accruals, reserves or other estimates such as the ceiling test calculation;

   (c) reviewing accounting treatment of unusual or non-recurring transactions;

   (d) ascertaining compliance with covenants under loan agreements;

   (e) reviewing financial reporting relating to asset retirement obligations;

   (f) reviewing disclosure requirements for commitments and contingencies;

   (g) reviewing adjustments raised by the external auditors, whether or not included in the financial reports;

   (h) reviewing unresolved differences between management and the external auditors;

   (i) obtain explanations of significant variances with comparative reporting periods; and

(j) determine through inquiry if there are any related party transactions and ensure the nature and extent of such transactions are properly disclosed;

4) review the financial reports and related information included in prospectuses, MD&A, information circular-proxy statements and annual information forms, prior to Board approval;

5) with respect to the appointment of external auditors by the Board:

(a) require the external auditors to report directly to the Committee;

(b) review annually the performance of the external auditors who shall be ultimately accountable to the Board and the Committee as representatives of the shareholders of the Company;

(c) obtain annually, a formal written statement of external auditors setting forth all relationships between the external auditors and the Company and confirming their independence from the Company;

(d) review and discuss with the external auditors any disclosed relationships or services that may impact the objectivity and independence of the external auditors;

(e) be directly responsible for overseeing the work of the external auditors engaged for the purpose of issuing an auditors' report or performing other audit, review or attest services for the Company, including the resolution of disagreements between management and the external auditor regarding financial reporting;

(f) review management's recommendation for the appointment of external auditors and recommend to the Board appointment of external auditors and the compensation of the external auditors;

(g) review the terms of engagement of the external auditors, including the appropriateness and reasonableness of the auditors' fees;

(h) when there is to be a change in auditors, review the issues related to the change and the information to be included in the required notice to securities regulators of such change;

(i) take, or recommend that the full Board take, appropriate action to oversee the independence of the external auditors; and

(j) at each meeting, consult with the external auditors, without the presence of management, about the quality of the Company's accounting principles, internal controls and the completeness and accuracy of the Company's financial reports;

6) review all public disclosure containing audited or unaudited financial information before release;

7) review financial reporting relating to risk exposure;

8) satisfy itself that adequate procedures are in place for the review of the Company's public disclosure of financial information from the Company's financial reports and periodically assess the adequacy of those procedures;

9) review and approve the Company's hiring policies regarding partners, employees and former partners and employees of the present and former external auditors of the Company;

10) review annually with the external auditors their plan for their audit and, upon completion of the audit, their reports upon the financial reports of the Company and its subsidiaries;

11) review and pre-approve all audit and audit-related services and the fees and other compensation related thereto, and any non-audit services, provided by the Company's external auditors and consider the impact on the independence of the auditors; The pre-approval requirement is waived with respect to the provision of non-audit services if:

   (a) the aggregate amount of all such non-audit services provided to the Company constitutes not more than five percent (5%) of the total amount of revenues paid by the Company to its external auditors during the fiscal year in which the non-audit services are provided;

   (b) such services were not recognized by the Company at the time of the engagement to be non-audit services; and

   (c) such services are promptly brought to the attention of the Committee by the Company and approved prior to the completion of the audit by the Committee or by one or more members of the Committee who are members of the Board to whom authority to grant such approvals has been delegated by the Committee;

   provided the pre-approval of the non-audit services is presented to the Committee's first scheduled meeting following such approval, such authority may be delegated by the Committee to one or more independent members of the Committee;

12) review any other matters that the Audit Committee feels are important to its mandate or that the Board chooses to delegate to it; and

13) with respect to the financial reporting process:

   (a) in consultation with the external auditors, review with management the integrity of the Company's financial reporting process, both internal and external;

   (b) consider the external auditors' judgments about the quality and appropriateness of the Company's accounting principles as applied in its financial reporting;

   (c) consider and approve, if appropriate, changes to the Company's auditing and accounting principles and practices as suggested by the external auditors and management;

   (d) review significant judgments made by management in the preparation of the financial reports and the view of the external auditors as to appropriateness of such judgments;

   (e) following completion of the annual audit, review separately with management and the external auditors any significant difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to required information;

(f) review any significant disagreement among management and the external auditors regarding financial reporting;

(g) review with the external auditors and management the extent to which changes and improvements in financial or accounting practices have been implemented;

(h) review the certification process;

(i) establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters; and

(j) establish procedures for the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

5. Authority

Following each meeting, in addition to a verbal report, the Committee will report to the Board by way of providing copies of the minutes of such Committee meeting at the next Board meeting after a meeting is held (these may still be in draft form).

Supporting schedules and information reviewed by the Committee shall be available for examination by any director.

The Committee shall have the authority to investigate any financial activity of the Company and to communicate directly with the internal and external auditors. All employees are to cooperate as requested by the Committee.

The Committee may retain, and set and pay the compensation for, persons having special expertise and/or obtain independent professional advice to assist in fulfilling its duties and responsibilities at the expense of the Company.