ANNUAL INFORMATION FORM

For the Financial Year Ended December 31, 2011

March 28, 2012

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 Corporation can fulfill such forward-looking statements and the Corporation 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 Corporation, some of which are beyond the Corporation's control. The forward-looking statements or information contained in this Annual Information Form are made as of the date hereof and the Corporation 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. dated as at March 28, 2012. Unless otherwise indicated, information in this Annual Information Form is provided as of December 31, 2011.

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 Corporation;

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

"**CPC**" means a corporation:

(a) that has been incorporated or organized in a jurisdiction in Canada,
(b) that has filed and obtained a receipt for a preliminary CPC prospectus from one or more of the securities regulatory authorities in compliance with the CPC Policy, and
(c) in regard to which the completion of the Qualifying Transaction has not yet occurred;

"**CPC Policy**" means, collectively, TSX Venture Policy 2.4;

"**%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 on February 16, 2011, prepared by 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 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;

"**Geostat Technical Report**" means the report entitled "Estimation of the Mineral Resources of the KégMag Iron Ore Deposit New Millennium Capital Corp." dated March 20, 2007 prepared by Robert de l'Etoile of SGS Canada and addressed to New Millennium Capital Corp.;

"**HOA**" means the heads of agreement dated September 24, 2008 among NML, the Partnership and Tata Steel;

"**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 Tata Steel, and TSMC by way of joinder agreement dated October 13, 2010;

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

"**KéMag Property**" means the mineral licenses and all interests derived therefrom (the "KéMag Licenses") held by the Corporation, 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, centred about 50 km to the northwest of the town of Schefferville, Québec;

"**KéMag BBA Technical Report**" means the report entitled "Technical Report on the Pre-Feasibility Study on the KéMag Iron Ore Project, Québec for New Millennium Capital Corp." dated March 2, 2009, prepared by Andre Allaire, Langis Charron, John Dinsdale of BBA, and Robert de l'Etoile of SGS Canada and addressed to New Millennium Capital Corp;

"**LabMag GP Inc.**" means the Alberta corporation that is the general partner of the Partnership whose common shares are owned by the Corporation, 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 Corporation;

"**LabMag WGM Technical Report**" means the report entitled "A Technical Review of the Pre-Feasibility Study of the LabMag Iron Ore Project, Labrador" dated August 18, 2006, prepared by Michael W. Kociumbas, G. Ross MacFarlane, Gordon D. Watts, and Rick W. Risto of WGM, and Brad Ricks of BRASS Engineering International, LLC BRASS and addressed to LabMag Services Inc.;

"**LIM**" means Labrador Iron Mines Limited;

"**LMC**" means LabMag Mining Corp., a corporation duly organized under the *Canada Business Corporations Act*;

"**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;

"**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;

"**Qualifying Transaction**" means a transaction where a CPC acquires significant assets other than cash, by way of purchase, amalgamation, merger or arrangement with another company or by other means;

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

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

"**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 Corporation'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 Corporation 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 Corporation'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 Corporation's ability to raise capital;
- expenditures to be made by the Corporation to meet certain work commitments;
- environmental risks;
- unanticipated reclamation expenses;
- potential title disputes or claims and limitations on insurance coverage;
- work plans to be conducted by the Corporation; 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 Corporation 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 Corporation's ability to obtain additional financing on satisfactory terms.

The Corporation'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 Corporation'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 Corporation 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 Corporation 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 Corporation 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 Corporation changed its name by Certificate of Amendment to "New Millennium Iron Corp." on June 14, 2011.

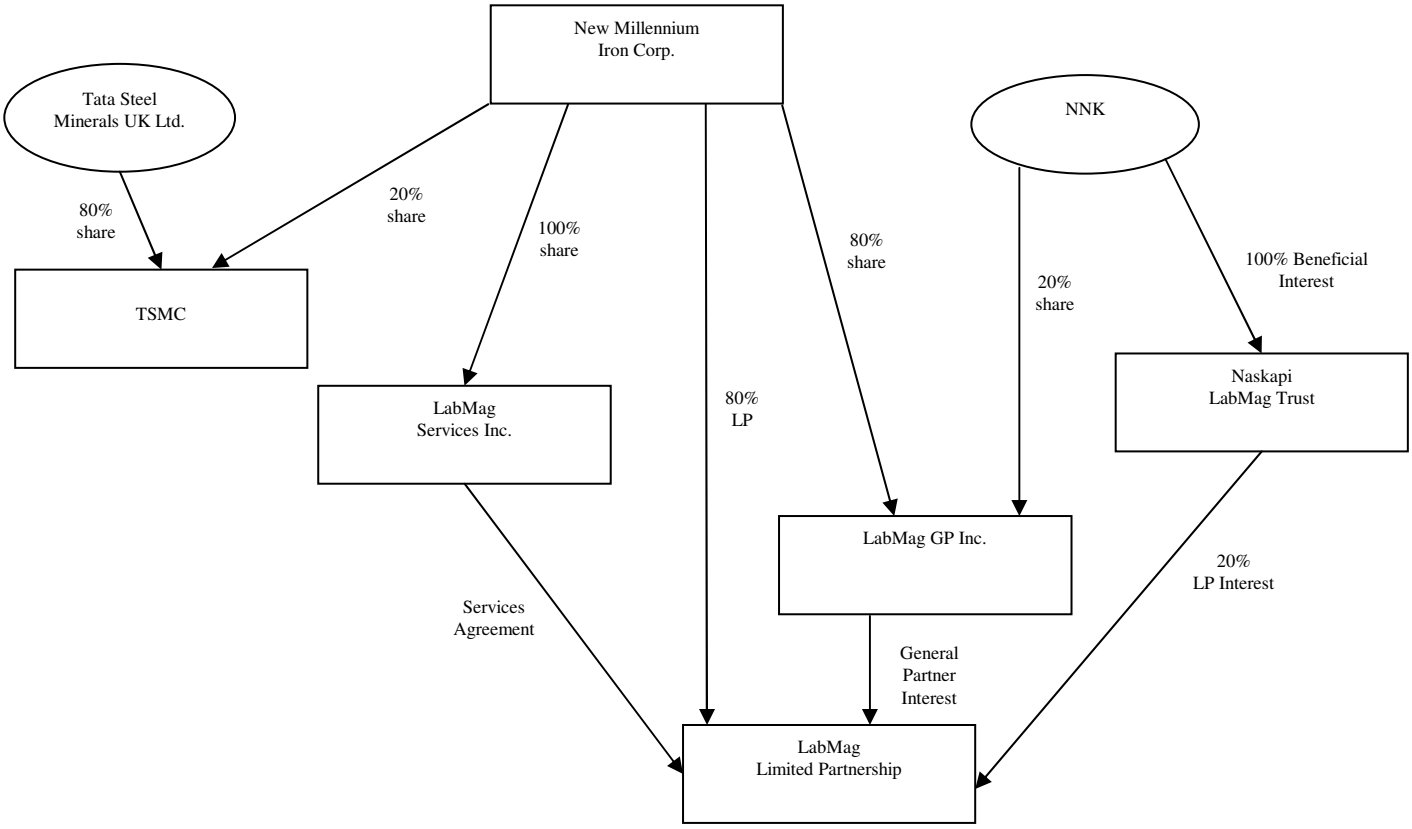
The head office of the Corporation is located at 800, 734 7th Avenue S.W., Calgary, Alberta, T2P 3P8 and the registered office is located at 1000, 250 2nd Street S.W., Calgary, Alberta, T2P 0C1. The Corporation also maintains executive offices at 1303 Greene Avenue, 2nd Floor, Westmount, Québec, H3Z 2A7 and at 215 Water Street, Suite 809, Box 10, St. John's Newfoundland and Labrador, A1C 6C9 and field offices at 450 Avalon Drive, Labrador City, Newfoundland and Labrador A2V 2K3, 425 Av. Arnaud, Sept-Îles, Québec, G4R 3B3, and at 85 Atlantic, Schefferville, Québec, G0G 2T0.

The Corporation 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".

Intercorporate Relationships

The Corporation has one wholly-owned subsidiary, LabMag Services Inc., which is incorporated pursuant to the *Canada Business Corporations Act*. The Corporation also owns 80% of LabMag GP Inc., which is incorporated pursuant to the ABCA and is the general partner of the Partnership. The Corporation 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 Corporation and its subsidiaries as at December 31, 2011.



GENERAL DEVELOPMENT OF THE BUSINESS

Three Year History

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

2009

On January 16, 2009, the Corporation announced positive results of the pre-feasibility study on its KéMag Project. The pre-feasibility study results estimated Proven and Probable Mineral Reserves at 2.141 billion tonnes with initial production starting in 2014 subject to the completion of a positive feasibility study, regulatory approvals and project financing. The Corporation also announced its updated estimated Mineral Resources as a result of the completion of its spring 2008 drilling program on its KéMag Property. Fifteen holes were drilled between March 5 and April 30, 2008 on lines spaced 250 metres apart for a total of 2,216 metres. The objective of the 2008 KéMag spring drill program was to confirm that the eastern extension of the KéMag deposit lies under Lac Harris and Lac de la Frontiere and the swampy ground to the south. The results confirmed the eastern extension of the deposit and outlined an increase from the 2006 and 2007 drilling programs from 991 million tonnes to 1,538 million tonnes in the Measured Resources category.

On February 11, 2009, the Corporation announced results of the estimated Mineral Resource from the 2008 drilling of its 100% owned DSO Project. The objective of the 2008 drilling program was to convert sufficient

historical resources in Areas 2, 3 and 4 of its DSO holdings to NI 43-101 compliant Mineral Resources and Reserves in order to complete an economic evaluation of the DSO Project. The total estimated Mineral Resources as a result of the 2008 drill program was outlined as 56.0 million tonnes of measured and indicated Resources at an average grade of 59.0% Fe on a dry basis plus an additional 5.8 million tonnes of Inferred Mineral Resources.

On March 4, 2009, the Corporation announced positive results of the pre-feasibility study on its DSO Project, which allowed Mineral Resources to be reclassified as reserves according to NI 43-101 guidelines. The estimated Proven and Probable Mineral Reserves based on 2008 reverse circulation drilling results was 52.5 million tonnes. In addition, to the Proven and Probable Reserves, the Corporation estimates that there are 3.5 million tonnes of Measured and Indicated Mineral Resources remaining and Inferred Mineral Resources estimated at 5.8 million tonnes. The currently established Proven and Probable Reserves, technical results and financial analysis of the pre-feasibility study allows the Corporation to proceed to the feasibility study phase which is expected to be completed by the end of Q2 2010.

On June 24, 2009, the Corporation with Tata Steel announced the commencement of the feasibility study for the DSO Project (the "Feasibility Study") and the formation of a joint steering committee to monitor DSO Feasibility Study progress. The steering committee is comprised of three members from each of the Corporation and Tata Steel. The steering committee's mandate is to monitor progress of the Feasibility Study and provide the necessary direction to ensure its timely completion.

On June 30, 2009, the Corporation announced an extension to Tata Steel's exclusivity regarding the LabMag Project. The Corporation and Tata Steel also agreed to add the KéMag Project to the exclusivity agreement (collectively, the "Taconite Projects Exclusivity"). The Taconite Projects Exclusivity has been extended to December 31, 2010, subject to early termination contingent on certain events.

On October 22, 2009, the Corporation announced that it entered into an asset exchange agreement (the "AEA") with Labrador Iron Mines Ltd. ("LIM") to exchange certain DSO properties located in the Provinces of Newfoundland and Labrador and Québec. In addition, the Corporation and LIM signed a Rail Co-operation Agreement (the "RCA") regarding the reconstruction and permitting of the "Timmins Extension" rail tracks from TSH Railroad main line near Schefferville to the Timmins mining areas.

Prior to the AEA, the Corporation and LIM had partial ownership of 12 DSO deposits out of the Corporation's 31 DSO deposits. The exchanged deposits are located in three different areas. NML shared with LIM certain deposits in Areas 1, 3 & 4. NML has exchanged certain mineral properties in Areas 1 & 3 with LIM and has acquired the ownership of additional resources in Area 4 where the Corporation plans to concentrate its mining activities. These exchanges were based on historical estimates of gross quantities of ore contained in the DSO deposits and involve equal exchanges of about 13 million tonnes.

The RCA provides the framework in which both the Corporation and LIM have agreed to co-operate in the development of their respective projects. Some of the key components of the RCA are to: (i) facilitate iron ore mining, processing and transportation activities by allowing each party to apply for all required rights of way and/or surface rights; (ii) apply to government authorities to grant the right to each party on a specific portion of the Timmins Extension, along with rights of access to, construction on and use of such specific portion as are mutually granted by one party to the other party; (iii) negotiate and enter into an operating agreement to determine terms of access to, use of the Timmins Extension and tariff to be paid by each party with respect to its use of the portion of rail line for which the other party holds the rights of way; and (iv) collaborate in order to determine the most expedient means to refurbish the TSH Railway to standards required to carry out the transportation of minerals extracted from the DSO deposits.

On November 6, 2009, the Corporation announced that it entered into a JVA with Tata Steel's wholly-owned subsidiary TSG to advance the development of the DSO Project. Under terms of the JVA, Tata Steel and NML

agree to form a Joint Venture Company ("JVC") after TSG has delivered to the Corporation a notice of joint venture investment arising after the Feasibility Study is completed by the Corporation and delivered to TSG. Under the JVA, upon closing subsequent to notice of the joint venture investment being delivered, TSG will own 80% of the JVC (with the Corporation holding 20%) and will arrange up to $300 million for the capital of the DSO Project through suitable debt and equity. TSG will reimburse the Corporation for 80% of the Feasibility Study cost. The JVC will carry out DSO Project implementation in accordance with the JVA. TSG will purchase 100% of the products meeting certain quality specifications from the JVC at benchmark prices set for similar products for the life of the mine.

On December 9, 2009, the Corporation announced results of the estimated Mineral Resource from the 2009 drilling of its 100% owned DSO Project with an increase of 20% in the DSO Project resource estimate from the 2008 drilling program. The objective of the 2009 drilling program was to convert additional historical resources in Area 4 of its DSO holdings to NI 43-101 compliant Mineral Resources in order to expand its ore blending plan for the Feasibility Study. The total estimated Mineral Resources as a result of the 2009 drill program was outlined as 67.1 million tonnes of Measured and Indicated Resources at an average grade of 58.9% Fe on a dry basis plus an additional 7.15 million tonnes of Inferred Mineral Resources at 55.9% Fe.

2010

On February 16, 2010, the Corporation announced that it signed an agreement with the Sept-lles Port Authority (the "SIPA") for the shipment of iron ore products from its DSO properties over the SIPA owned dock at Pointe Noire (Sept-lles), Québec. The agreement ensures that the Corporation will have a right to export its products over the SIPA owned dock at Sept-lles at competitive and established long term wharfage rates.

On February 25, 2010, the Corporation announced positive results of the Feasibility Study to develop its DSO Project. The following is a summary of the highlights of the Feasibility Study:

- Production assumption of 4 Mtpy of Sinter Fines and Super Fines products.
- Proven and Probable Mineral Reserves of 64.1 million tonnes ("mt").
- Variable stripping ratio, from mine to mine, with an average of 1.03 over the life of the mines.
- Total initial capital cost of US$ 300 million and working capital of about US$ 13.5 million.
- Sustaining capital, capital leasing, mine rehabilitation and Goodwood development at US$ 115 million
- Internal rate of return ("IRR") of 29% (unleveraged and before corporate taxes and mining taxes).
- Payback of 3 years after the start of commercial production.
- Direct jobs creation of about 200 at the mine, wash plant and administrative areas.

The NI 43-101 compliant Mineral Reserves are outlined below:

Iron Ore Mineral Reserves: 2008 and 2009 Drilling

Reserve Classification	Tonnage (Millions) 2008 Drilling	Tonnage (Millions) 2008-2009 Drilling	% Fe	% SiO_2	% Mn
Proven	20.7	21.1	59.87	0.130	5.89
Probable	31.8	43.0	58.38	0.559	9.26
Total P+P	52.5	64.1	58.87	0.418	8.15

There are Measured (1.3 million tonnes), Indicated (1.7 million tonnes), and Inferred (7.3 million tonnes) of Mineral Resources remaining. Mineral Resources that are not mineral reserves do not have demonstrated economic viability. In addition, approximately 40 million tonnes of historical resources that are not currently in

compliance with NI 43-101 remain. A qualified person has not done sufficient work to classify historical estimate as current mineral resources and the historical estimate should not be relied upon.

As the Corporation owns 769 partially unexplored DSO claims (297.9 km^2), management of the Corporation anticipates that future iron ore exploration may lead to the discovery of additional DSO ore bodies.

On April 13, 2010, the Corporation announced the filing on SEDAR of the DSO Technical Report summarizing the results of the Feasibility Study of its DSO Project.

On April 14, 2010, the Corporation announced that Mr. Partha Sengupta of Tata Steel was appointed a director of the Corporation. Mr. Sengupta is Vice-President, Raw Materials for Tata Steel. Mr. Sengupta replaced Mr. Baijal, a Tata Steel representative that served on the Board since November 24, 2008.

On June 4, 2010, the Corporation completed a private placement with TSG whereby TSG acquired 14,285,714 common shares of the Corporation at a price of $1.40 per share for aggregate gross proceeds of $20,000,000. Upon completion of the private placement, TSG held 27.4% of the Corporation's Common Shares. The net proceeds from the private placement were used by the Corporation to finalize outstanding DSO agreements and environmental works; initiate gravity and magnetic airborne geophysical surveys and for general corporate and working capital purposes.

On June 10, 2010, the Corporation announced that it entered into an Impact and Benefits Agreement (the "IBA") with respect to carry out the DSO Project with the NNK. The IBA establishes the processes and sharing of benefits that will ensure an ongoing positive relationship with all affected First Nations. In return for their consent and support of the Corporation's DSO Project, the First Nations will benefit through training, employment, business opportunities and financial participation in the project. The IBA also commits the Corporation to implement the project in a manner that safeguards the environment and provides the NNK with social and cultural protection.

On June 21, 2010, the Corporation announced that the Canada Transport Agency made a confidential award regarding a railway tariff to be charged to the Corporation on the 216 mile iron ore haul over the Québec North Shore and Labrador Railway ("QNS&L") from Emeril Junction to Arnaud Junction near Sept-lles.

On July 8, 2010, the Corporation announced the results of the successful acquisition of a mineral claim which increases the Corporation's ownership to 100% of the Goodwood property and total estimated Mineral Resources for its DSO Project by approximately 5 million tonnes of iron ore. The estimate of Mineral Resources was updated by SGS Canada and the study was reviewed by others with expertise critical to some aspects of the DSO Project. As a result of the acquisition, the Corporation now owns 100% of the Goodwood property. Based on extensive drilling undertaken in 2008, SGS Canada has increased the Mineral Resource estimate for Goodwood by 5.12 million tonnes (Measured + Indicated) over the estimate based on 2008 drilling. The aggregate purchase price for the mineral claim was $497,500. This was paid by a cash payment in the amount of $7,500 and the issuance of an aggregate of 350,000 common shares of the Corporation at a deemed price of $1.40 per share.

Details of the updated Mineral Resource estimate for Goodwood are outlined below:

Mineral Resource Estimate for Goodwood
(Using cut-off grades of Fe ≥ 50%, Mn<3.5% and SiO2<18%)

Resource Classification	Tonnes(millions) 2008 Drilling	Tonnes(millions) With New Claim	Total tonnes (millions)	% Fe	% SiO2	% Mn
Measured	22.4	4.1	26.5	59.6	6.3	0.13
Indicated	8.5	1.0	9.5	57.5	10.1	0.3
Total M+I	30.9	5.1	36.0	59.0	7.3	0.18
Inferred	0.82		0.82	53.3	13.9	1.2

A summary of the Mineral Resource estimate, based on the additional Goodwood claim is outlined in the Table below. This demonstrates approximately 72.2 million tonnes of Measured and Indicated Mineral Resources at an average grade of 58.8% Fe on a dry basis plus an additional 7.2 million tonnes of Inferred Mineral Resources at 56.8% Fe.

Summary of Updated Resource Estimate based on New Goodwood Claim
(Using cut-off grades of Fe ≥ 50%, SiO_2 <18% and Mn<3.5%)

Resource Classification	Tonnes(millions) 2008-9 Drilling	Tonnes(millions) With New Claim	% Fe	% SiO_2	% Mn
Measured	22.4	26.5	59.6	6.3	0.13
Indicated	44.7	45.7	58.4	9.2	0.54
Total M+I	67.1	72.2	58.8	8.1	0.39
Inferred	7.2	7.2	56.8	10.1	0.78

In addition to the 21.1 million tonnes of Proven and 43.0 million tonnes of Probable Reserves, there are 5.4 million tonnes of Measured and 2.7 million tonnes of Indicated Mineral Resources, and Inferred Mineral Resources estimated at 7.2 million tonnes remaining.

Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability. Mineral Resource estimates do not account for mineability, selectivity, mining loss and dilution. These Mineral Resource estimates include Inferred Mineral Resources that are normally considered too speculative geologically to have economic considerations applied to them that would enable them to be categorized as mineral reserves. There is also no certainty that these Inferred Mineral Resources will be converted to Measured and Indicated Mineral Resource categories through further drilling, or into mineral reserves once economic considerations are applied.

On July 23, 2010, the Corporation announced that QNS&L filed an application in the Federal Court of Canada seeking judicial review of the decision of the arbitrator in the final offer arbitration proceedings between the Corporation and QNS&L regarding a railway tariff to be charged to the Corporation on the 216 iron ore haul over the QNS&L from Emeril Junction to Arnaud Junction near Sept-lles.

On September 3, 2010, the Corporation announced that it has reached an agreement with the Innu Matimekush-Lake-John First Nation for the immediate removal of the barricades that were blocking access to the Corporation's property and for the formal recommencement of negotiations of a detailed IBA for the DSO Project. After the agreement was negotiated by the Corporation, together with LIM and the Band Council, it was presented to and approved by the members of the community during a public meeting. The joint agreement is comprised of contributions towards education, health, youth programs, traditional activities and the improvement of a community facility. It also provides free passage to the Corporation's employees and permits the continuation of key environmental studies, hydrological studies and airborne gravity and magnetic surveys which were suspended following the installation of the blockade in early June 2010.

On September 14, 2010, the Corporation announced that TSG made a positive investment decision by exercising its option to acquire an 80% interest in the DSO Project.

On October 13, 2010, the Corporation announced that Mr.H.M. Nerurkar of Tata Steel was appointed a director of the Corporation. Mr. Nerurkar is Managing Director of Tata Steel.

On October 26, 2010, the Corporation announced that, in accordance with the terms of the JVA, a joint venture company was incorporated as TSMC. TSMC will acquire all of the DSO mining claims and related assets, carry out detailed engineering and construction of mining facilities, and be responsible for advancing the DSO Project. TSMC commenced DSO Project operations effective December 1, 2010. At closing of the transfer of assets into TSMC, TSG will own 80% of TSMC and the Corporation will own the remaining 20%. The Corporation will

also be paid 80% of the DSO Project costs incurred to November 30, 2010. Management of the Corporation expects closing to occur by May 15, 2011.

On December 7, 2010, the Corporation announced the engagement of CITIC Securities Company Limited and Jennings Capital Inc. as its joint financial advisors with respect to the commercial development of its Taconite Project.

2011

On January 4, 2011, the Corporation announced an agreement between the Corporation and TSG to extend TSG's exclusivity period regarding the Taconite Project from December 31, 2010 to February 28, 2011. To facilitate the extension, TSG agreed to pay the Corporation a facilitation fee of $600,000.

On January 5, 2011, the Corporation announced that it had received project release, subject to a number of customary terms and conditions, from the Government of Newfoundland and Labrador following the approval of the Corporation's Environmental Impact Statement for Phase 1 of the DSO Project. The release will allow completion of the permitting process required to start construction in the third quarter of 2011 and management of the Corporation expects commencement of iron ore production by the second quarter of 2012. Phase 1 of mining operations includes the Timmins 3N, Timmins 4, Timmins 7 and Fleming 7N deposits in Newfoundland and Labrador.

The Canadian Environmental Assessment Agency has also completed its review of the DSO Project and has determined that a federal level Canadian Environmental Assessment is not required. In September 2010, the Corporation also submitted an Environmental Impact Statement to the Government of Québec for Phase 2 of the DSO Project. Management of the Corporation expects approval from the Government of Québec in the fourth quarter of 2011. Phase 2 of mining operations includes the Goodwood, Sunny 1, Kivivic 3 S and Leroy deposits in Québec.

On January 31, 2011, the Corporation announced that its geophysical consultant Jean Hubert completed the final interpretation of the airborne gravity and magnetometer survey. This survey was conducted by Fugro Airborne Surveys Corp. at Schefferville, Québec between September 14 and November 11, 2010 on the Corporation's LabMag, KéMag and DSO Properties. The results of the survey indicate the presence of more than 50 strong gravity anomalies associated with low magnetic values. These anomalies are located in a north-westerly trending iron formation from Schefferville to Goodwood and further northward over a length of approximately 50 km. All these anomalies are located on the Corporation's 100% owned claims and licences in Québec and Newfoundland and Labrador. At the south end of the survey area, a group of 13 anomalies are outlined within a radius of 5 km of the proposed Timmins processing plant location.

The survey results also show a second group of 10 anomalies occurring within a radius of 5 km of the Goodwood-Kivivic, near the north end of the surveyed area, where over 80% of all currently known resources are located. Between Timmins and Goodwood over a length of 19 km, 20 anomalies are outlined over the iron formation bands. Beyond Goodwood-Kivivic, over a length of 12 km, 11 anomalies are identified. High gravity anomalies associated with low magnetism are favourable targets for locating DSO deposits.

The interpretation of the airborne high sensitivity magnetometer survey data conducted over the Millennium Iron Range in Québec and Newfoundland and Labrador covering magnetic taconite bearing formations was also completed. Several magnetic anomalies comparable in intensity to the LabMag and KéMag taconite deposits are outlined in the north and south sections of these areas. In Newfoundland and Labrador, five anomalies, one to the north and four to the south of the LabMag Property were identified. In Québec, five anomalies to the north of the KéMag Property were outlined.

On February 28, 2011, the Corporation completed a bought deal public offering of 15,714,286 common shares at a price of $3.50 per share, including the exercise of the over-allotment for this offering of 2,357,143 common shares, for aggregate gross proceeds of the offering to the Corporation of approximately $63,250,000. In addition, TSG purchased 6,739,956 common shares under its pre-existing pre-emptive right at $3.50 per share for gross proceeds to the Corporation of $23,589,846. The net proceeds of the offering will be used to prepare a feasibility study in respect of its Taconite Project and for working capital purposes.

On February 28, 2011, the Corporation announced it had negotiated an extension with TSG in respect of TSG's exclusivity regarding the Taconite Projects from February 28, 2011 to March 7, 2011.

On March 6, 2011, the Corporation announced that it had signed a binding heads of agreement (the "Taconite HOA") with TSG and the Partnership to develop the Taconite Project. Under the Taconite HOA, TSG shall participate in the development of a feasibility study of the Taconite Project (the "Taconite Feasibility Study") and contribute 64% of the costs related to the study. The parties would enter into a binding joint venture agreement upon the successful completion of the Taconite Feasibility Study and TSG electing to develop one or both of the deposits. After formation of the joint venture, the Corporation is expected to hold a 36% equity interest in the Taconite Project, including a 20% free carry equity interest. In addition, the Corporation will have a 4% right of first refusal on future equity sales by TSG to increase its equity interest to a maximum of 40%. TSG will arrange the required equity portion of the financing (excluding the Corporation's optional equity interest) 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.

On March 11, 2011, the Corporation announced that in connection with the confidential award regarding a railway tariff to be charged to the Corporation, it issued an aggregate of 212,306 common shares at a deemed price of $0.96 per share in settlement of certain legal fees incurred in connection with the arbitration. The agreement to pay the fees by way of a share issuance was based on the Corporation receiving an arbitral award. On June 18, 2010, the arbitrator made the award in respect of the proceedings and the final amount of the fees was recently determined. The deemed price per share has been calculated as agreed between the parties based on the weighted average trading price of the common shares for the 5 day period prior to the date of the arbitrator’s award.

On March 24, 2011, the Corporation announced that it had received project release, subject to a number of customary terms and conditions, from the Government of Newfoundland and Labrador for the Joan Lake area of the DSO Project. Joan Lake is part of Phase 2 of the DSO Project, the first phase of which was released from further environmental assessment by the Government of Newfoundland and Labrador on January 5, 2011. The release will allow completion of the permitting process required to start mining Phase 2 of the DSO Project, which management of the Corporation expects to begin in 2013, being the Kivivic 1, 2, 3N, 4, 5 and the Timmins 8 deposits. The Canadian Environmental Assessment Agency confirmed to the Corporation that the Joan Lake Project will not trigger a federal impact assessment.

On April 20, 2011, the Corporation announced that Robert A. Martin would be stepping down from his role as President, Chief Executive Officer and director of the Corporation effective July 1, 2011. The Corporation also announced that Dean Journeaux, currently a director and Chief Operating Officer, will become President and Chief Executive Officer, effective on July 1, 2011 and Mark Freedman, currently acting as interim Chief Financial Officer was confirmed as Chief Financial Officer of the Corporation on April 20, 2011. Mr. Martin will remain associated with the Corporation as Chairman of the Strategic Advisory Committee of the Board of Directors, also effective July 1, 2011.

On April 27, 2011, the Corporation announced that it would proceed with the exploration of two magnetic anomalies located in the Millennium Iron Range. These anomalies were identified by the airborne magnetic survey undertaken in 2010 and are on mineral claims 100% owned by the Corporation. The Corporation’s

objective was to carry out significant drilling in 2011 to produce NI 43-101 compliant resources by March 31, 2012.

The Millennium Iron Range is a 210 km long magnetic taconite belt controlled by the Corporation. The airborne magnetic survey also covered the proven taconite deposits of LabMag (NL) and KéMag (QC). Based on the airborne magnetic survey, several strong magnetic anomalies comparable in intensity to the LabMag and KéMag taconite deposits are outlined in the north and south sections of these deposits. The following target areas have been selected for this year's drilling and resource evaluation program.

Lac Ritchie, QC-Q4: This iron formation is flat lying (dipping 10 to 15 degrees towards the northeast (NE) and is very similar to the KéMag deposit in its geological setting. The aeromagnetic anomaly is comparable to the KéMag deposit. The KéMag deposit and its associated magnetic anomaly extend over an area of 13.5 km² and contain 2.1 billion tonnes of Proven and Probable reserves at an average grade of 31.3% Fe, 0.3 billion tonnes of Measured and Indicated resources at an average grade of 31.3 % Fe and 1.0 billion tonnes of Inferred resources at an average grade of 31.2% Fe. The Lac Ritchie area taconite is about 11.5 km long and 2.3 km wide with an area of 26.45 km², almost twice the size of KéMag.

Perault Lake, NL-N5: This iron formation also has a strong magnetic intensity and occurs south of the LabMag deposit. It is exposed on the surface and dips between 5 to10 degrees towards the NE. The magnetic intensity of the anomaly is found to be equal to or stronger than that of the LabMag deposit. The LabMag deposit covers an area 17.9 km² and contains 3.5 billion tonnes of Proven and Probable reserves at a grade of 29.6% Fe plus 1.0 billion tonnes of Measured and Indicated resources at an average grade of 29.5% Fe and 1.2 billion tonnes of Inferred resources at an average grade of 29.3% Fe. The Perrault Lake formation is 14.0 km long and 1.0 to 1.5 km wide with an area of about 17.5 km².

On May 24, 2011, the Corporation announced that George Downing Estate Drilling Ltd. of Grenville-sur-la-Rouge, Quebec ("George Downing") had commenced drilling selected portions of the KéMag deposit to collect representative bulk samples for pilot plant testing that would be jointly undertaken by Tata Steel. The contract was for approximately 5,500 meters of PQ size core (3.345″/85 mm) at the KéMag deposit. About 85 tonnes of materials was collected to validate the process flowsheet and to produce sufficient quantities of concentrates to be used for the design of the pelletizing equipment and by other vendors to size their respective equipment. George Dowing mobilized two machines to drill PQ size holes. The work was to be completed by the end of July, 2011. The program had been designed to collect representative samples of all seven stratiographic layers by drilling at selected locations. Full cores were crushed, screened and blended to prepare samples for the pilot plant test and equipment sizing by vendors. 15-20 tonnes of concentrates are planned to be produced and will be used to size and design the pelletizing furnace and to provide products for evaluation to potential off-takers.

On June 8, 2011, the Corporation announced that TSMC and Nation Innu Matimekush-Lac John ("NIMLJ") had entered into an IBA. The IBA establishes the processes and sharing of benefits that will ensure an ongoing positive relationship with all affected First Nations. In return for their consent and support of the Corporation's DSO Project, the First Nations will benefit through training, employment, business opportunities and financial participation in the project. The IBA also commits the Corporation to implement the project in a manner that safeguards the environment and provides the NIMLJ with social and cultural protection. The agreement with NIMLJ is the second one of four such IBAs that are in the process of being concluded.

On June 8, 2011, the Corporation also announced an update on the progress of the DSO Project. An engineering, procurement and construction management contract was awarded by TSMC in April, 2011 to AECOM Technology Corporation, Montreal, Quebec. Detailed engineering and procurement of long delivery equipment is in progress. A 192 person modular camp for the Timmins Plant and Mine site has been procured. The first shipment of modules has arrived in Sept-Iles and construction of the camp is planned to start in June 2011.

On June 14, 2011, the Corporation announced that it changed its name to “New Millennium Iron Corp.” The name change was approved by the shareholders of the Corporation at the annual general and special meeting held on June 8, 2011.

On July 13, 2011, the Corporation announced that the surface lease application by TSMC had been approved by the Government of Newfoundland and Labrador. Permits for the site preparation and construction of the camp have also been issued by the Government of Newfoundland Labrador. Camp modules are being progressively shipped to the site. Erection of the camp was expected to begin before the end of July, 2011. The surface lease application covers the Timmins area, where the camp, processing plant, offices, warehouse, maintenance shops and related infrastructure are to be installed.

On July 20, 2011, the Corporation announced that it extended the current contract with George Downing to add a third drill and include drilling of the taconite exploration targets at Lac Ritchie and Perault Lake. George Downing was to move its equipment from the KéMag deposit to Lac Ritchie before the end of July, 2011. The Corporation estimated undertaking about 5,000 meters of drilling in those two targets.

On August 8, 2011, the Corporation announced that TSMC would start hydrogeological as well as exploration drilling at several DSO deposits. TSMC engaged the services of Forages Lbm Inc of Victoriaville, Québec to undertake about 4000 meters of reverse circulation drilling. Hydrological drilling was carried out to establish ground water profiles and pattern for deposits located in both areas. The information is required to satisfy certain pre-conditions that were part of the approval of the Environmental Impact Statement ("EIS") for Area 3 by the Government of Newfoundland and Labrador. The collected information will also be used to support the on-going EIS review for the Area 4 by the Government of Québec as well as further hydrological information required for the operation of the mines.

On August 11, 2011, the Corporation announced that based on its ongoing evaluation of historical drill results incorporating recent airborne magnetic survey data it had identified another high priority target. The target coincides with drill hole HR179D drilled on the strike extension of the taconite formation connecting the LabMag and KéMag deposits. This zone extends for approximately 18 km from the north end of the LabMag Deposit to the south end of the KéMag Deposit. Hole HR1279D was drilled in 2006 as an exploratory hole to check the taconite extension north west of the LabMag deposit. The hole was drilled to a depth of 105 m intersecting all economic stratigraphic units. Although the results of the testing and analysis were encouraging no additional drilling was carried out as the Corporation decided to concentrate its efforts on KéMag and LabMag. However, the airborne magnetic survey conducted in 2010 indicated the presence of groups of magnetic anomalies over the taconite extension between LabMag and KéMag deposits. Recent analysis by the Corporation demonstrates a strong connection between the drill hole results and certain anomalies that support further exploration. The Corporation conducted an initial drilling program in the fall of 2011 to outline the extent of a potential additional deposit.

The results of the tests and analysis of the HR1279D drill cores are outlined below:

Unit	Length (m)	DTWR%	Concentrate Fe%	Concentrate SiO_2%	Total Fe%
LC	15.1	30.03	69.14	3.79	30.73
JUIF	6.4	17.50	69.97	2.15	34.59
GC	3.9	15.00	70.83	1.85	22.05
URC	2.4	28.50	70.27	1.97	40.35
PGC	13.0	39.19	70.29	2.25	33.96
LRGC	35.1	34.71	70.20	2.12	32.30
Total/Average	75.9	31.89	70.02	2.46	32.19

The average grade of HR 1279D in comparison with the deposit averages of LabMag and KéMag are set out below:

Deposit	Proven & Probable (million tonnes)	DTWR%	Concentrate Fe%	Concentrate SiO_2%	Total Fe%
Taconite Project:					
LabMag	3,545	25.79	69.98	2.17	29.6
KéMag	2,141	27.00	69.10	2.70	31.3
Taconite Other:					
HR1279D*		31.89	70.02	2.46	32.19

*Note: higher Davis Tube Weight Recovery (DTWR) for this hole.

On September 1, 2011, the Corporation announced that it engaged SNC-Lavalin Environment of Montreal, Quebec to undertake an environmental assessment for the Taconite Project feasibility study, currently being undertaken by the Corporation with Tata Steel. SNC-Lavalin Environment will manage several specialized subcontractors based in the Provinces of Newfoundland and Labrador and Quebec. SNC-Lavalin Environment will be responsible for completing the environmental assessment and conducting all work necessary to table an EIS to the appropriate regulators by November, 2012. SNC-Lavalin Environment is also required to develop a baseline data collection program during 2011 and 2012. Based on its investigations, SNC-Lavalin Environment will assess the Taconite's Project's impact and identify mitigation measures. The scope of the work will also include consultations with the potentially affected First Nations and non-native communities.

On September 12, 2011, the Corporation announced that it had appointed Cathy Dornan as Vice-President, Communications, who will be based at the Corporation's office in St. John's, Newfoundland and Labrador.

On October 18, 2011, the Corporation announced that it had graduated from the TSX Venture to listing on the TSX. The Common Shares of the Corporation began trading on the TSX as of the opening of market on October 19, 2011.

On October 25, 2011, the Corporation announced the initial drill core assay results from its 100% owned Lac Ritchie property and provided an update on its 2011 drilling program for taconite anomalies as well as the processing of KéMag bulk samples for the Taconite Project feasibility study. Initial assay results received to date represented 6 out of 40 holes drilled during the summer of 2011. The Corporation integrated the drill core analysis results into a geological block model for resource determination and classification by SGS Canada. Two drills were moved south to drill the Labrador taconite anomalies owned 100% by the Corporation.

The exploration drilling was completed at the Lac Ritchie property after drilling 40 holes for a total of 3,808 m. The holes were drilled on seven sections spaced 1 km apart. Three to seven holes, approximately spaced 500 m apart, were drilled on each section line. The drill core samples, half cores in average 6 meters long, are being sent on a regular basis to Midland Research Center Laboratory at Nashwauk, Minnesota, USA ("MRC") for analysis and testing. The core is assayed for TFe and the magnetite concentrate is produced using the Davis Tube and given as DTWR %. The magnetite concentrate is analyzed for iron and silica. Some selected samples will be assayed for other elements. Test and assay results received to date indicate that the top stratigraphic layer (LC) is the minable unit. Thickness varies between 0 to 87 m, and averages 50 m. The unit shows an average assay results as outlined below, based on the analysis received to date with DTWR cutoff above 16%.

Total samples/meters	Total Fe%	DTWR%	DT Concentrate Fe%	DT Concentrate SiO_2%
61/361	31.41	30.18	67.98	4.20

On October 31, 2011, the Corporation announced that Mr. Sandip Biswas, of Tata Steel, was appointed to the Corporation's board of directors. Mr. Biswas replaced Mr. N.K. Misra, a Tata Steel representative that had served on the Board since November 24, 2008.

On November 15, 2011, the Corporation announced that TSMC and the Innu Nation entered into an IBA. The IBA promotes and governs a mutually beneficial development of the DSO Project. The IBA establishes the processes and sharing of benefits that will ensure an ongoing positive relationship with all affected First Nations. In return for their consent and support of the Corporation's DSO Project, the Innu Nation will benefit through training, employment, business opportunities and financial participation in the project. The IBA also commits the Corporation to implement the project in a manner that safeguards the environment and provides the Innu Nation with social and cultural protection. The agreement with the Innu Nation is the third one of four such IBAs that are in the process of being concluded.

On November 22, 2011, the Corporation announced that TSMC had awarded a general construction contract to Innu Municipal LP of Labrador City, Labrador ("IML") . IML will be responsible for the general construction at the Timmins area, where the processing plant, offices, warehouse, maintenance shops and related infrastructure are to be installed under a 106 meters wide x 182 meters long dome with an apex height of 42 meters.

On December 1, 2011, the Corporation announced that it engaged engineering consulting company SNC-Lavalin, of Montreal, Quebec, to act as the study manager for the Taconite Project feasibility study, currently being undertaken by the Corporation with Tata Steel. SNC-Lavalin will manage and integrate the work of several specialized subcontractors, which are recognized as renowned experts in their respective fields. The study manager will be responsible for the preparation of a feasibility report to be used for making an investment decision as to the financing and development of the Taconite Project by Tata Steel. Pilot plant concentrating and pelletizing tests are being conducted at Studien Gesellschaft für Eisenerz-Aufbereitung in Germany. A pelletizing technology supplier will be engaged during the course of the study to design the pelletizing facility.

On December 6, 2011, the Corporation announced that General Rick Hillier was appointed to the Corporation's board of directors.

On December 8, 2011, the Corporation announced additional drill core assay results from its 100% owned Lac Ritchie property and outlined its 2012 drilling program for other 100% owned magnetic anomalies indicative of taconite. The drilling on this property was completed on October 11, 2011 and during that period 40 holes for a total of 3,800 m were drilled. Set out below are the test analysis and assay results from 15 of 40 holes drilled. The average thickness of the magnetic mineralized formation of these 15 holes is 43 meters.

Hole No.	From (m)	To (m)	Interval (m)	Total Fe%	DTWR %	Concentrate Fe%	Concentrate SiO_2%
11LR1001D	3.5	62.4	58.90	29.12	30.59	68.18	3.81
11LR1002D	10.2	92.5	82.30	31.82	33.22	67.63	4.41
11LR1003D	23.8	65.3	41.50	30.44	28.49	67.86	3.87
11LR1004D	4	69	65.00	32.75	27.41	67.91	4.59
11LR1005D	13	72.3	59.30	32.58	27.54	68.23	4.17
11LR1007D	4	61.5	57.50	30.71	31.97	68.44	3.97
11LR1008D	2.5	48.2	45.70	31.70	29.95	69.32	3.13
11LR1009D	5	53	48.00	31.70	30.69	66.79	5.50
11LR1010D	4	17.2	13.20	30.46	34.14	66.41	3.40
11LR1012D	1.7	50	48.30	29.57	29.64	67.36	4.28
11LR1013D	3.8	42	38.20	31.28	27.98	67.86	3.91
11LR1014D	3.5	57.3	53.80	29.16	32.94	65.70	6.53
11LR1016D	1.8	8.9	7.10	23.02	25.37	67.27	4.10
11LR1017D	2.00	3.10	1.10	24.19	21.00	70.53	2.42
11LR1022D	5.5	26.8	21.30	28.70	24.70	68.30	3.44

The drill core samples, half cores, on average 6 meters long, were sent on a regular basis to MRC for analysis and testing. The core is assayed for TFe and the magnetite concentrate is produced using the Davis Tube and given as DTWR %. The magnetite concentrate is analyzed for iron and silica. Some selected samples will be assayed for other elements. Based on drill core analyzed to date, the Lac Ritchie taconite currently averages 30.86% Fe with 30.05% DTWR. The Davis Tube concentrate averages 67.74% Fe and 4.35% SiO2.

2012 Recent Developments

On January 19, 2012, the Corporation, announced further drill core assay results from its 100% owned Lac Ritchie property. The LC unit test and assay results from 32 of 40 holes drilled are set out below. The average thickness of the magnetic mineralized formation of these 32 holes is 46.2 meters.

Hole No.	Interval m	Total Fe%	DTWR%	Concentrate Fe%	Concentrate SiO_2%
11LR1001D	58.9	29.12	30.59	68.18	3.81
11LR1002D	82.3	31.82	33.22	67.63	4.41
11LR1003D	41.5	30.44	28.49	67.86	3.87
11LR1004D	65.0	32.75	27.41	67.91	4.59
11LR1005D	59.3	32.58	27.54	68.23	4.17
11LR1007D	57.5	30.71	31.97	68.44	3.97
11LR1008D	45.7	31.7	29.95	69.32	3.13
11LR1009D	48.0	31.70	30.69	66.79	5.50
11LR1010D	13.2	30.46	34.14	66.41	3.40
11LR1012D	48.3	29.57	29.64	67.36	4.28
11LR1013D	38.2	31.28	27.98	67.86	3.91
11LR1014D	53.8	29.16	32.94	65.70	6.53
11LR1015D	9.9	30.89	30.00	68.82	3.98
11LR1016D	7.1	23.02	25.37	67.27	4.10
11LR1017D	1.1	24.19	21.00	70.53	2.42
11LR1019D	54.0	29.57	20.50	68.56	3.63
11LR1021D	58.5	31.08	34.40	64.07	7.72
11LR1022D	21.3	28.70	24.70	68.30	3.44
11LR1023D	63.7	30.43	31.62	67.03	5.01
11LR1024D	59.0	30.24	20.01	70.05	2.38
11LR1026D	65.6	31.47	25.29	69.53	2.67
11LR1027D	39.1	31.79	28.45	68.41	3.75
11LR1028D	25.9	28.97	34.23	64.06	8.10
11LR1029D	60.0	32.62	28.90	69.72	2.60
11LR1030D	49.3	32.21	28.09	66.88	5.52
11LR1031D	55.3	30.52	26.02	68.82	3.54
11LR1032D	31.0	30.40	27.31	68.81	2.89
11LR1034D	41.8	32.87	35.46	68.17	3.19
11LR1035D	10	32.25	30.30	68.44	3.54
11LR1036D	70.2	33.19	32.01	67.65	4.56
11LR1039D	55.9	27.19	20.17	65.67	6.05
11LR1040D	87.0	33.01	30.78	68.57	3.33

On January 26, 2012, the Corporation announced new drill core assay results from its Howells Lake and Perault Lake properties. In the fall of 2011, the Corporation completed three drill holes in the Howells Lake area and two drill holes in the Perault Lake area. The Corporation expects to start additional drilling on those properties in early March 2012. During the 2011 drilling campaign at Howells Lake area, three holes for a total of 347 m were drilled, where the Howells Lake airborne magnetic anomaly occurs. This area covers the taconite formation connecting the LabMag deposit and KéMag deposit. At Perault Lake, two holes for a total of 159 m were drilled.

This area occurs south of the LabMag deposit and represents the southern extension of the taconite formation. The Perault Lake airborne magnetic survey anomaly covers a length of approximately 18 km. The core samples were send to MRC for tests and analysis. Set out below are the test and assay results from Howells Lake and Perault Lake areas:

Hole No. Area	Stratigraphic Unit	Interval m	Total Fe%	DTWR%	Concentrate Fe%	Concentrate SiO_2%
Howells Lake						
06HR1279D	LC	15.1	30.73	30.03	69.14	3.79
	JUIF	6.4	34.59	17.50	69.97	2.15
	GC	3.9	22.05	15.00	70.83	1.85
	URC	2.4	40.35	28.50	70.27	1.97
	PGC	13.0	33.96	39.19	70.29	2.25
	LRGC	35.1	32.30	34.71	70.20	2.12
	Total	75.9	32.19	31.89	70.02	2.46
11HR1282D	LC	14.0	29.98	29.02	69.58	2.98
	JUIF	7.3	35.14	21.22	69.68	2.01
	GC	1.7	12.48	6.00	70.35	2.08
	URC	3.0	35.40	27.00	70.35	1.92
	PGC	33.7	34.16	30.42	69.31	3.23
	LRC	4.8	31.24	26.50	68.99	2.14
	LRGC	17.8	29.38	34.17	70.00	2.18
	Total	82.3	31.93	29.32	69.58	2.72
11HR1281D	LC	41.8	28.74	30.30	68.52	3.54
	JUIF	5.9	32.58	33.50	68.38	3.34
	GC	2.7	20.96	11.00	70.58	1.66
	URC	3.4	32.53	28.50	70.38	1.60
	PGC	26.9	33.59	35.90	69.82	2.71
	LRC	5.1	31.92	17.00	68.24	5.18
	LRGC	17.7	29.70	32.90	70.11	1.83
	Total	103.5	30.46	31.28	69.22	2.99
11HR1280D	LC	33.0	28.09	20.50	69.00	3.50
	JUIF	6.0	34.01	14.00	70.35	2.76
	GC	4.0	24.16	17.00	69.14	1.54
	URC	2.5	37.71	37.50	70.51	2.40
	PGC	15.5	34.86	35.70	69.52	2.85
	LRC	2.2	27.91	22.00	68.08	3.02
	LRGC	34.8	31.55	27.89	70.01	2.34
	Total	98.0	30.83	25.46	69.55	2.82
Perault Lake						
11PL1001D	LRGC	12.1	33.00	26.28	69.37	1.88
11PL1002D	LC	30.0	28.03	24.10	70.41	1.65
	JUIF	6.8	31.39	26.50	69.67	1.84
	URC	4.2	34.71	24.50	71.41	1.14
	PGC	4.5	27.39	21.50	71.49	1.08
	LRC	6.5	33.58	26.00	71.11	1.28
	LRGC	12.0	31.84	22.50	70.96	1.46
	Total	64.0	30.06	25.11	70.16	1.63

The drill core samples, half cores, on average 6 meters long, were sent on a regular basis to MRC for analysis and testing. The core is assayed for TFe and the magnetite concentrate is produced using the Davis Tube and given as DTWR %. The magnetite concentrate is analyzed for iron and silica. Some selected samples will be assayed for other elements. Based on four hole drill core analyzed to date, the Howells Lake Taconite currently averages 31.26% Fe with 29.37% DTWR. The Davis Tube concentrate averages 69.56% Fe and 2.77% SiO2. The drill holes end within the iron formation and the layers beneath the LRGC (LIF and RS) are not considered economical. The geological interpretation for each section was made by taking the iron formation / quartzite contact point and projecting down-dip in the iron formation, which extends beneath the drill holes.

On January 30, 2012, the Corporation announced that TSMC entered into a life of mine Confidential Rail Transportation Contract and Locomotive Rental Agreement with QNS&L, for the transportation of iron ore products produced from the DSO Project owned by TSMC, from Emeril Junction, Newfoundland and Labrador, to Arnaud Junction in Sept-Îles, Quebec. QNS&L is a federally regulated common carrier. Railcars will be provided by TSMC. Locomotives will be provided by QNS&L, along with certain infrastructure improvements for which TSMC will provide funding.

On February 8, 2012, the Corporation announced that TSMC expects the installation of the equipment for the DSO Project to be completed in the fall of 2012 followed by the operation start up and ore production by the end of 2012.

On February 16, 2012, the Corporation announced that it signed a contract with George Downing for its 2012 drilling program on taconite exploration targets at the Perault Lake and Howells Lake properties. Drilling is expected to start at Perault Lake in early March, 2012. Three drills are currently being mobilized.

On February 28, 2012, the Corporation announced the signing of an IBA between the Corporation and Innu Takuaikan Uashat mak Mani-Utenam ("ITUM"). The IBA with ITUM is the fourth and final IBA concluded with respect to the DSO Project.

Significant Acquisitions

During the fiscal year ended December 31, 2011, the Corporation did not complete any significant acquisitions as defined in National Instrument 51-102 - *Continuous Disclosure Obligations*.

DESCRIPTION OF THE BUSINESS

General Information

The Corporation controls the emerging Millennium Iron Range, located in the Province of Newfoundland and Labrador and in the Province of Québec, which holds one of the world's largest undeveloped magnetic iron ore deposits. In the same area, the Corporation is also advancing its DSO Project to near term production. Tata Steel, one of the top ten steel producers of the world, through its wholly-owned subsidiary TSG, owns approximately 26.63% of the Corporation and is its largest shareholder and strategic partner.

TSG has exercised its exclusive option to participate in the DSO Project, has a commitment to take 100% of the DSO Project's iron ore products of specified quality, at world prices, for the life of the mining operation. TSG has also entered into a binding heads of agreement dated March 6, 2011 (the "Taconite HOA") with the Corporation pursuant to which TSG has exercised its exclusive right to negotiate and settle a proposed transaction in respect of the Taconite Project.

The Millennium Iron Range currently hosts two advanced projects: the LabMag Project contains 3.5 billion tonnes of Proven and Probable Reserves at a grade of 29.6% Fe plus 1.0 billion tonnes of Measured and Indicated Resources at an average grade of 29.5% Fe and 1.2 billion tonnes of Inferred Resources at an average grade of

29.3% Fe; and the KéMag Project contains 2.1 billion tonnes of Proven and Probable Reserves at an average grade of 31.3% Fe, 0.3 billion tonnes of Measured and Indicated Resources at an average grade of 31.3 % Fe and 1.0 billion tonnes of Inferred Resources at an average grade of 31.2% Fe.

The Corporation's DSO Project contains 64.1 million tonnes of Proven and Probable Mineral Reserves at an average grade of 58.8% Fe, 8.1 million tonnes of Measured and Indicated Mineral Resources at an average grade of 58.8% Fe, 7.2 million tonnes of Inferred Resources at an average grade of 56.8% Fe and about 40.0 to 45.0 million tonnes of historical resources that are not currently in compliance with NI 43-101. Mineral Resources that are not mineral reserves do not have demonstrated economic viability. A qualified person has not done sufficient work to classify the historical estimate as current mineral resources and the historical estimate should not be relied upon.

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

Iron Ore Market and Outlook

Against a background of unsettling events around the globe in 2011, including the European debt crisis, political unrest in North Africa and the Middle East, a still fragile US economy and the tragic earthquake-tsunami in Japan, world crude steel production reached 1.527 billion metric tons, which represented an increase of 6.8% over 2010 and was a new record.

China of course continued to be the driving force. Its production, which accounted for approximately 45% of 2011's global steel output, was 696 million metric tons and up by 8.9% over 2010, but slowed during the second half of 2011 as government efforts to cool the economy took effect in end user markets. There was also a reduction in European Steel production by year's end. Reflecting steel industry conditions, the seaborne iron ore market loosened in 2011's fourth quarter and pricing weakened considerably in October before recovering as the quarter progressed.

Looking ahead, WorldSteel released its latest Short Range Outlook in October 2011. It forecasted an increase in steel use of 6.5% in 2011, following growth of 15.1% in 2010. For 2012, the forecast is that world steel demand will grow further by 5.4%. WorldSteel terms its forecast "cautiously optimistic" in that it assumes developing economies continue to drive global growth and the policy response to the European sovereign debt crisis prevents increased volatility in the equity and financial markets.

WorldSteel suggests that by 2012, steel use in the developed world will still be at 15% below the 2007 level, whereas in the emerging and developing economies it will be 44% above. In 2012, the emerging and developing economies will account for 73% of world steel demand in contrast to 61% in 2007.

China's steel demand in 2011 is expected to grow by 7.5% and another 6.0% in 2012, to 681.6 mmt.

Although steel and iron ore industry conditions are expected to remain volatile into the first half of 2012, WorldSteel's forecast is encouraging. Furthermore, analysts agree that wealth creation, urbanization and industrialization in developing countries will continue to push up demand for steel for infrastructure, housing and durable goods and sustain iron ore demand. China alone is expected to import 1.3 billion tonnes of iron ore in 2020, versus 619 million in 2010.

Competitive Conditions

The iron ore mineral exploration and mining business is a competitive business. The Corporation 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 Corporation 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"*.

The JVA

The Corporation has entered into a 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, carries out detailed engineering and construction of mining facilities, and is responsible for advancing the DSO Project. TSG will 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 commenced DSO Project operations effective 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 the Corporation owning the remaining 20%. The Corporation was also paid 80% of the DSO Project costs incurred to closing.

The Taconite HOA

The Corporation has entered into a Taconite HOA to develop the Taconite Project. Under the Taconite HOA, TSG shall participate in the development of the Taconite Feasibility Study and contribute 64% of the costs related to the study. TSG and the Corporation agree to enter into a binding joint venture agreement upon the successful completion of the Taconite Feasibility Study and TSG electing to develop one or both of the deposits. After formation of the joint venture, the Corporation is expected to hold a 36% equity interest in the Taconite Project, including a 20% free carry equity interest. In addition, the Corporation will have a 4% right of first refusal on future equity sales by TSG to increase its equity interest to a maximum of 40%. TSG will arrange the required equity portion of the financing (excluding the Corporation's optional equity interest) 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.

Employees

As at December 31, 2011, the Corporation and its subsidiaries had a total of 35 employees and 15 individual consultants retained on a part time basis.

Environmental Protection

The current and future operations of the Corporation, 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 Corporation’s properties. See disclosure regarding environmental matters under the respective descriptions of the Corporation’s mineral projects herein for further details.

DESCRIPTION OF MATERIAL PROJECTS

DSO Project

This DSO Project description is based on the DSO Technical Report except for some updates that reflect developments since the technical report was published. Unless stated otherwise, information in this section is summarized, complied or extracted from the DSO Technical Report prepared by 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. The DSO Technical Report was prepared for the Corporation in accordance with NI 43-101 by "qualified persons", as defined in NI 43-101.

Portions of the following information are 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 which is available electronically at www.sedar.com.

Property Description and Location

The DSO Project comprises 525 map-staked claims in Québec and 257 map-staked claims in 9 licenses in Newfoundland and Labrador, covering 22 deposits that are located in isolated claim blocks and extend from some 15 km southeast of the Town of Schefferville to some 55 km northwest of that town (the "DSO Property") all of which are owned 100% by TSMC.

"Map-staked" claim means a claim giving the holder the exclusive right to explore for minerals in an area covered by the claim. A claim does not bestow any surface rights.

Map-staking of claims started in 2005. The DSO Property has not been legally surveyed but map-staked claims are defined on the basis of Universal Transverse Mercator ("UTM") coordinates and consequently the DSO Property location is accurate. Claim and license data are summarized in Table 1.

Table 1: DSO Claims and Licenses

Province	Area	License(s)	Claims	Area (ha)
Newfoundland and Labrador	DSO1	016572M	1	25
		016574M	10	250
	DSO 2 & DSO 3 (Timmins 3N,4,7,8, Fleming 7N) * held by the Partnership	016533M	10	250
		016580M*	32	800
		016958M	18	450
		017552M	40	1000
	DSO4 (Kivivic 1C,2*,3N,4,5) * held partially by the Partnership	016290M*	8	200
		017586M	2	50
		017587M	136	3400
Total Newfoundland and Labrador		**9 Licenses**	**257**	**6425**
Province	**Area**	**Issuance Date**	**Claims**	**Area (ha)**
Québec	DSO 1	2005/02/24	7	264.88
		2008/10/09	1	49.75
	DSO2&3 (Star Creek 2, Star Creek 3, Ferriman 4, Timmins 3S, Fleming 6,7X, Barney 1,2, Lance Ridge 1, Sawmill 1)	2005/01/20	10	410.55
		2005/01/27	4	198.59
		2005/10/07	1	39.18
		2008/05/07	4	95.64
		2008/05/15	1	39.64
		2008/05/22	2	15.99

		2008/06/16	1	49.58
		2008/06/20	1	46.04
		2008/09/15	7	347.32
		2009/01/27	118	5314.99
		2009/02/26	6	279.68
		2009/03/10	4	161.06
		2009/09/15	1	40.65
		2009/09/17	1	26.31
		2009/09/24	5	218.42
		2010/03/08	4	178.64
		2010/03/29	6	270.16
	DSO4 (Goodwood, Kivivic 3S, Leroy 1, Sunny 1, Sunny 3)	2005/01/20	6	295.89
		2005/02/24	9	293.53
		2005/10/20	5	246.63
		2007/01/24	3	148.15
		2007/05/04	88	4187.71
		2008/05/07	4	31.63
		2008/09/15	2	98.6
		2008/10/09	1	48.69
		2009/01/27	16	759.75
		2009/01/28	47	2319.3
		2009/02/25	63	2687.36
		2009/10/02	2	98.62
		2009/10/15	2	98.61
		2009/10/26	2	98.64
		2010/03/29	2	98.67
	DSO Exploration	2008/10/09	18	889.47
		2009/01/28	70	3460.35
		2010/03/29	1	49.37
Total Québec			**525**	**23958.04**

Property Agreements

TSMC owns 100% of all of the claims referred to above.

Royalties

TSMC must pay a royalty of 2% of the gross sales revenues for products resulting from the processing of iron ore from deposits covered by claims previously held by the Partnership to a maximum aggregate amount of $3,000,000.

Permitting

In total approximately 70 permits are required from the governments of Newfoundland Labrador, Quebec and the federal government. Presently, TSMC is focusing on obtaining permits from the Government of Newfoundland and Labrador in connection with the construction of the mine facilities. All of the critical permits that are required to start construction have been obtained except for the mine development plan permit and mine closure plan permit which are expected by the end of April 2012. Due to the First Nations consultation guidelines, it can take a long time to obtain such permits. To date, the critical permits received from the Government of Newfoundland and Labrador are as follows: (1) camp operation (food establishment and dormitories occupancy); (2) waste management (landfill, composter); (3) Timmins 4 quarry; and (4) mining lease for Fleming 7, Timmins 3 and Timmins 7. The total operational related permits that are required from the Government of Newfoundland and Labrador is 40 and TSMC is in the process of obtaining such permits in a timely manner.

The major operational permits are as follows: (1) mining lease for Timmins 4; (2) pit dewatering; (3) water management works; (4) wetland mitigation plan; (5) plant operation license; (6) fuel storage tank; (7) explosive magazine license; (8) Government of Newfoundland and Labrador loops track construction and operation; and (8) Kerail related permits. There are also six operational permits that are required from the federal government in respect of radio frequency usage and hazardous waste transportation.

The permitting process with the government of Quebec will commence after the EIA release.

Environmental Issues

The qualified persons that prepared the DSO Technical Report know of no environmental baseline investigations or studies carried out by previous owners of the DSO deposits and it is unlikely that neither Labrador Mining and Exploration Co. Ltd. ("LME") nor Hollinger North Shore Explorations Ltd. ("HNS"), the companies that carried out the initial exploration of the area, nor IOCC, the subsequent owner of the DSO Property, carried out any such studies during their tenure, as there was no legal requirement for environmental impact assessments at that time. The Corporation has, through the environmental consulting firm Paul F. Wilkinson & Associates ("PFWA"), arranged for 25 baseline studies covering all environmental aspects, including archaeology, biophysics, land and resource use by First Nations, to be undertaken by some ten firms, each with a specific expertise. The baseline data collected up to and including the summer and fall of 2009 suggest that there are no matters of environmental concern that cannot be avoided or mitigated.

Accessibility, Climate, Infrastructure and Physiography

Accessibility

The DSO Property is accessible to its nearest point by a good gravel road, an old IOCC 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. 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.

Nolinor 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.

Tshiuetin Rail Transportation Inc. ("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.

The major infrastructure associated with the train service in Schefferville is a maintenance shelter, built in 2006-2007 and a station. The station employs two full-time workers.

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.

The DSO 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 Québec-Labrador border. Vegetation is generally boreal forest.

Infrastructure

Schefferville, an incorporated municipality in the Province of Québec, has a population of about 200 non-native residents, most of who work directly or indirectly for the local First Nations. Some 700 members of the NIMLJ live in the nearby Matimekush community. The economy of Schefferville is based on hunting and fishing, tourism and public service administration.

Kawawachikamach ("Kawawa"), a community located some 20 km north of the town of Schefferville, is the home of the NNK. Some 750 Naskapis live in the modern community that has its own school, medical clinic, recreational complex and swimming pool.

Until the end of November 2005, the QNS&L railway, owned by IOCC, ran between Sept-Îles and Schefferville and offered weekly passenger and freight services. On December 1, 2005, the part of the rail line that runs from Emeril Junction to the northern terminus at Schefferville was acquired by TSH, which as previously noted, currently operates two trains per week between Schefferville and Sept-Îles and return for passengers and community freight.

The railway track that used to run north from Schefferville to the old Timmins #1 mine was removed some 25 years ago, but the bed and ballast has remained in reasonable condition awaiting sleepers, rails and additional ballast that will be installed to enable service to be extended to deliver equipment and materials during construction of the new mineral size/process plant and associated facilities and thereafter haul railcars loaded with DSO to product storage and ship loading facilities at Pointe-Noire.

Schefferville receives its electricity by a 34.5 kV power line from the 16 MW hydro-electric generating station at Menihek Lake, Labrador, some 40 km to the south. From a substation on the northern side of Schefferville, a pole-mounted transmission line runs to a point approximately half way to the old Timmins #1 mine. This line will be rebuilt along the route of the old pole line until it reaches the Québec/Labrador border, at which point Hydro-Québec will deliver its electricity to the Corporation. The line will be continued to a new substation to be located adjacent to the mineral sizer/process plant installations, to which electricity will be distributed at 4.16 kV.

Land Use

First Nation Land Use

NNK

The Northeastern Quebec Agreement ("NEQA") granted the Naskapis varying degrees of harvesting rights on some of their traditional territory in Quebec. Thus, the Naskapis have treaty rights in and to the DSO 2 and DSO 3 areas.

There are two categories of harvesting: individual and family activities and hunting and fishing excursions conducted under the Hunter Support Program. According to PFWA and ÉEM Inc. (1995), the former are responsible for the bulk of the wildlife harvest, particularly small game, as well as the plant and berry harvest. The Hunter Support Program harvesting activity often involves larger teams of hunters who travel to more distant hunting areas and stay out for longer periods. Fishing is primarily done in summer and winter, trapping in the winter and goose hunting in the spring (PFWA and ÉEM Inc. 1995).

In his study in 1988 of Naskapi land-use patterns and their socio-economic significance, Weiler (1988) notes that Naskapi land-use activities take place mainly within a corridor of land, which is "...approximately 100 to 150 km in width along the eastern side of the Howells, Goodwood and Caniapiscau rivers, and extending from the Schefferville region in the south up to the area around Nachikapau Lake and the former site of Fort McKenzie". However, the most concentrated land use occurs between 30 and 50 km around Kawawachikamach.

The preliminary results of a recent Naskapi land-use survey by Weiler (November 2006) show that the Howells River valley and the hills on both sides are extensively used by Naskapis for hunting and for gathering plants, including medicinal plants. Because of the proximity, year-round accessibility and richness in wildlife and plant resources of that area, its importance for young harvesters and for those with part-time or full employment is increasing.

It is clear that the DSO 2 and DSO 3 Areas form only a small part of the entire harvesting territory of the NNK members.

NIMLJ

Little information is available about the land- and resource-use of the members of NIMLJ, partly for reasons of confidentiality relating to their land claims negotiations.

It seems, however, safe to make the following assumptions:

- That the entire area covered by its comprehensive land claim, which includes the DSO 2 and DSO 3 Areas, is used;
- That harvesting is especially important in areas close to Matimekush – Lac John; and
- That the types and quantities of resources harvested are similar to those harvested by the NNK members.

As was the case for the NNK, the DSO 2 and DSO 3 Areas seem to occupy only a small part of the contemporary territory of the members of the NIMLJ.

ITUM

Two registered traplines covered the Schefferville, the DSO 2 and DSO 3 Areas, and belonged to members of ITUM in 1971.

There are no camps belonging to members of ITUM in the Howells River basin, but its lowermost reaches fall at the northern extremity of an area classified as containing gathering places for family clans.

INNU NATION

Innu Nation (July 1990) indicates one area of use by Sheshatshit Innu east of the Howells River in the period 1979-1987, but the nature of that use is not defined. The maps showing travel routes between 1920 and 1970 do not extend west as far as Menihek Lake.

The land claims of the Innu Nation in Quebec extend to the Schefferville area, but those claims have not been accepted for purposes of negotiation by the GQ.

NNK and NIMLJ sources state that members of Innu Nation have not used the Schefferville area within living memory.

Outfitting

Sport fishing along the Howells River is concentrated within approximately 2.5 km from the two road access points (Irony Mountain and the Menihek road). Angling is advertised as an additional activity to the caribou hunting adventures organized by the outfitting companies.

There are two outfitters close to the DSO 2 and DSO 3 Areas:

- Kivivic Lake Lodge (Labrador 2 BG Adventure Inc.);
- Gemini Lake Camp (Labrador Hunting Safari Ltd.).

Four outfitters with six camps and a lodge are located within a 60-km radius of the DSO 2 and DSO 3 Areas:

- Wishart Lake Camp (Drover's Labrador Outfitters Ltd.);
- Ploughead Lake Camp (Drover's Labrador Outfitters Ltd.);
- Menihek Lake Camp (Drover's Labrador Outfitters Ltd.);
- Howse Lake Lodge ((Northern Labrador Outdoor Ltd.);
- Ashuanipi River (Labrador 2 BG Adventure Inc.);
- Dyke Lake Lodge (Northern Lights Fishing Lodge).

Cultural and Heritage Sites

During fieldwork in the Schefferville region by David Denton and Moira McCaffrey in 1984, which was continued by McCaffrey from 1985 to 1987, four archaeological sites were recorded in Quebec, east of the Howells River basin.

Three of these sites (GfDs-1, GfDs-2 and GgDs-1) represent lithic exploitation and workshop sites that are at or near chert outcrops within the Fleming geological formation. A curated toolkit recovered from Site GfDs-1 yielded a C^{14} date of 3500-2500 B.P. and suggested links with the Intermediate Indian period of the Labrador coast. The fourth site, GgDs-2, is a "prehistoric campsite on Hameau Lake which provided evidence of lithic reduction further removed from an actual quarry zone".

Archaeological surveys conducted by Arkéos Inc. (July 4, 2007 and July 27, 2007) in the Harris Lake area revealed the presence of two sites of interest. A lithic tool, charcoal and a stone structure suggesting a hearth were identified at one site, and two fragments of lithic tools were identified at a second site. The presence of several hunting camps dating to 1970-1980 in an area of 0.03 km^2 surrounding the second site suggests an ancient and indigenous occupation of the site.

Protected Areas

There are no protected areas in or near the DSO 2 and DSO 3 areas.

Regional Transportation and Access

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 towns water treatment facilities, to the Menihek Dam, to lac de la Squaw and to lac Chantal. 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. The area of the Schefferville Airport is 125 ha. Its facilities include an air terminal building of 200 m2 built in 1971, one paved runway (5000' X 150') and a combined fire hall and a maintenance garage of 1,130 m2.

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The major infrastructure associated with the train service in Schefferville is a maintenance shelter, built in 2006-2007 and a station. The station employs two full-time workers (ITUM, NNK and NIMLJ, November 28, 2003).

Current Industrial Land Use

There is no industrial land use in the Schefferville area at the present time.

Past Industrial Land Use

The only past industrial land-use of the Schefferville area was mining, from 1954 until 1982. One of the deposits in DSO 3 area, Timmins 3, was partially mined, and two others, Timmins 4 and 7, were partially stripped before the closure in 1982.

Potential Site Contamination from Past Land Use

Timmins 3, 4, 7 and 8 are old mine sites. The area surrounding them, especially to the south-west, may contain mine waste. Some portions of the old rail bed may be contaminated by hydrocarbons.

The DSO Project is essentially a continuation of the type of mining conducted in the very same area between 1954 and 1982. The main differences are that the Project will be carried out using more modern and environmentally friendly technologies and held to much higher environmental and social standards than those that were in force at that time. Consequently, no serious constraints to carrying out the DSO Project are anticipated.

History

Most of the 22 deposits occurring in the four DSO Areas were originally discovered by geologists working for Labrador Mining and Exploration Co. Ltd. ("LME") and HNS. The exploration work included ground magnetometer and gravity surveys followed by test pitting, trenching and test drilling. Once a favourable target was outlined, deeper holes were drilled on a broad grid pattern to define the structure, and the ore at depth and the grade. The drilling method included standard diamond drilling, chop and drive and mud tricone drilling. However, on several of the deposits, drilling was insufficient to permit the estimation of minable reserves and the development of pit designs.

In 1949, IOCC was formed to develop and mine all the deposits outlined by LME and HNS. IOCC carried out detailed development work by mapping, trenching, test drilling and tonnage drilling on each of the deposits to classify them under measured, indicated and inferred categories. The deposits covered by the claims were reported by the Geological Survey of Canada to contain about 400 million tonnes of "historical" (not NI 43-101 compliant) reserves and IOCC was reported to have produced in excess of 150 million tonnes of direct shipping ore containing about 58% Fe on a dry basis. When IOCC ceased its mining operations in 1982, these deposits were left at various stages of development and the claims were allowed to lapse.

Since 2004, the Corporation had staked several blocks of claims to cover the deposits in Newfoundland and Labrador and Quebec that were previously developed or intended to be developed by IOCC, as well as any other potential sources of DSO. As blocks were acquired, the Corporation initially carried out preliminary field investigations to outline the surface extension of the deposits by locating old drill holes, test pits and trenches. Subsequently, ground magnetometer surveying, outcrop mapping, sampling of material from the old trenches and test pits and trenching and test pitting to collect fresh samples were carried out. However, no drilling was done on any of the deposits.

Between 2005 and the end of 2009, the Corporation obtained the map-staked claims referred to above from the governments of Quebec and Newfoundland and Labrador and also acquired licences from LIM under the terms of the Asset Exchange Agreement. The claims and licences cover hematite deposits that are understood either to have been developed or to have been identified for development by IOCC. Based on historical estimates, which are not compliant with NI 43-101, those claims contain approximately 113 million tonnes of resources.

As blocks were acquired, the Corporation initially carried out preliminary field investigations to outline the surface extension of the deposits by locating old drill holes, test pits and trenches. Subsequently, ground magnetometer surveying, outcrop mapping, sampling of material from the old trenches and test pits and trenching and test pitting to collect fresh samples were carried out. However, no drilling was done on any of the deposits at that time.

Using available geological, mining and other data for similar operations, the Corporation undertook preliminary financial evaluations, on the basis of which it decided to re-activate production from these properties under the DSO Project, now undertaken by TSMC.

Geological Setting

Regional Geology

The DSO Property is located on the western side of the Labrador Trough (the "Trough"). The Trough, also known as the Labrador- Québec Fold Belt, extends for 1,100 km along the eastern margin of the Superior Craton from Ungava Bay to Lake Pletpi, in Québec. It is divided into three sections, north, central and south based on changes in lithology and metamorphism. The belt is about 100 km wide in the central part and narrows considerably to the north and south. Only the central part, where the DSO deposits are located, is of concern for the DSO Project.

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 the Doublet Group, which is primarily volcanic, in the eastern part.

Property Geology

The Knob Lake Range occupies an area approximately 100 km long by 8km wide. The Ruth Formation and the Sokoman Formation of the Knob Lake Group are the principal sources of all the DSO deposits, with the Sokoman Formation providing most of the ore. The ore bodies are found in tightly folded and faulted blocks of the iron formation. They are typically elongated along the northwesterly strike and occur in canoe-shaped synclines slightly overturned to the west and bound by high angle reverse faults.

The ores follow the bedding and show a distinct stratigraphic control. They were formed in situ by circulating waters which followed bedding planes and closely spaced fractures formed along and across the strike direction.

The variations in composition and physical properties of the primary iron formation led to the leached and enriched ore derived from it, classified as various grade types by IOCC personnel. The primary breakdown of the ores was into three color groups, controlled by stratigraphy. The color groups are:

Blue Ore: Derived from the middle section of the Sokoman Formation; it is generally coarse-grained and friable, and consists of hematite and martite, with minor chert;

Red Ore: Derived from the Ruth Formation; it is made up of earthy red hematite and retains the clay/slate characteristics of the original formation;

Yellow Ore: Derived from the lower section of the Sokoman Formation; it is made up of goethite and very fine-grained limonite that retains a high moisture content.

Deposit Types

The Iron formation occurring in the property is of the Lake Superior-type. Lake Superior-type iron formation consists of banded sedimentary rocks composed principally of bands of iron oxides, hematite and magnetite within chert (quartz)-rich rock with variable amounts of silicate, carbonate and sulphide lithofacies. These types of iron formations have been the principal sources of iron throughout the world (Gross, 1996). Table 2, after Eckstrand, editor (1984), presents the salient characteristics of the Lake superior-type iron deposit model.

The deposits at Schefferville, which were mined by IOCC, are supergene residual deposits formed by the leaching of silica and the concentration of iron oxides from the protore (taconite iron formation).

TABLE 2 – DEPOSIT MODEL FOR LAKE SUPERIOR TYPE IRON FORMATION, AFTER ECKSTRAND (1984)

Commodities	**Fe (Magnetite)**
	Knob Lake, Wabush Lake and Mont-Wright areas, Quebec and Labrador; Mesabi Range, Minnesota; Marquette Range, Michigan; Minas Gerais area, Brazil.
Importance	In Canada, the major source of iron. In the world, the major source of iron.
Typical Grade, Tonnage	Up to billions of tonnes, at grades ranging from 15 to 45% Fe, averaging 30% Fe.
Geological Setting	Continental shelves and slopes possibly contemporaneous with offshore volcanic ridges. Principal development in middle Precambrian shelf sequences marginal to Archean cratons.
Host Rocks or Mineralized Rocks	Iron formations consist mainly of iron- and silica-rich beds; common varieties are taconite, itabirite, banded hematite quartzite, and jaspilite; composed of oxide, silicate and carbonate facies and may also include sulphide facies. Commonly intercalated with other shelf sediments: black
Associated Rocks	Bedded chert and chert breccia, dolomite, stromatolitic dolomite and chert, black shale, argillite, siltstone, quartzite, conglomerate, redbeds, tuff, lava, volcaniclastic rocks; metamorphic equivalents.
Form of Deposit, Distribution of Ore Minerals	Mineable deposits are sedimentary beds with cumulative thickness typically from 30 to 150 m and strike length of several kilometres. In many deposits, repetition of beds caused by isoclinal folding or thrust faulting has produced widths that are economically mineable. Ore mineral distribution is largely determined by primary sedimentary deposition. Granular and oolitic textures common.
Principal Ore Minerals Associated Minerals	Magnetite, hematite, goethite, pyrolusite, manganite, hollandite. Finely laminated chert, quartz, Fe-silicates, Fe-carbonates and Fe-sulphides; primary or metamorphic derivatives
Age, Host Rocks	Precambrian, predominantly early Proterozoic (2.4 to 1.9 Ga).
Age, Ore	Syngenetic, same age as host rocks. In Canada, major deformation during Hudsonian and, in places, Grenvillian orogenies produced mineable thicknesses of iron formation.
Genetic Model	A preferred model invokes chemical, colloidal and possibly biochemical precipitates of iron and silica in euxinic to oxidizing environments, derived from hydrothermal effusive sources related to fracture systems and offshore volcanic activity. Deposition may be distal from effusive centres and hot spring activity. Other models derive silica and iron from deeply weathered land masses, or by leaching from euxinic sediments. Sedimentary reworking of beds is common. The greater development of Lake Superior-type iron formation in early Proterozoic time has been considered by some to be related to increased atmospheric oxygen content, resulting from biological evolution.
Ore Controls, Guides to Exploration	1. Distribution of iron formation is reasonably well known from aeromagnetic surveys. 2. Oxide facies is the most important, economically, of the iron formation facies. 3. Thick primary sections of iron formation are desirable. 4. Repetition of favourable beds by folding or faulting may be an essential factor in generating widths that are mineable (30 to 150 m). 5. Metamorphism increases grain size, improves metallurgical recovery. 6. Metamorphic mineral assemblages reflect the mineralogy of primary sedimentary facies. 7. Basin analysis and sedimentation modelling indicate controls for facies development, and help define location and distribution of different iron formation facies.

Mineralization

The iron deposits are a residually enriched type within the Sokoman and Ruth Formations. These formations were folded and faulted during two periods which resulted in intense fracturing. The percolating meteoric waters through the fractured iron formation leached the silica and thereby enriching the host rock into porous, granular and friable high grade iron ore deposits.

The second type of enrichment is in the form of the addition of secondary iron oxides, goethite, limonite and manganese oxides, pyrolusite and manganite. These products were the result of the alteration of iron carbonates

(siderite), iron silicates (minnesotite) and manganese carbonates (rhodocrosite, kutnahorite). These oxides were carried in solution and deposited in the pore spaces.

The types of ore formed in the deposits are directly related to the different stratigraphic units. The predominantly blue ore was formed from the oxide rich middle iron formation and occasionally from the upper iron formation. The yellow-brown ore, composed of goethite-limonite, formed from the silicate-carbonate rich lower iron formation. The earthy red ore was derived from the argillaceous slaty sections of the Ruth Formation. The overall ratio of blue to yellow to red ore is approximately 70%:15%:15%. The proportion of each varies widely within the deposits.

Following the IOCC classification and definition, three ore types with the following criteria are being used to classify the resources: Ore, blue, yellow and red: Fe +50%, SiO_2% < 18%, Mn <3.5% (dry basis).

Exploration

In order to keep its claims in good standing, the Corporation conducted reconnaissance programs in 2005, 2006 and 2007 that consisted mainly of mapping, with limited collection of grab samples.

During the summer of 2008, the Corporation undertook an exploration program involving the drilling of 140 holes to evaluate the mining potential of several deposits which had been explored in detail by IOCC. Some of the deposits were fully developed for mining and some require additional developmental work. The Corporation carried out detailed investigations on ten of the 22 deposits that occur in Areas 02, 03 and 04. Work continued in 2009, when five deposits, Goodwood, Kivivic 4, Sunny 1, Fleming 7N and Ferriman 4 were drilled and bulk samples were collected for testing. Kivivic 4 and Sunny 1 deposits were also drilled for tonnage and grade estimation purposes.

The work involved reverse circulation drilling, sonic drilling, trenching and test pitting to provide samples and to delineate the surface extent of the deposits. In addition, bulk samples representing the three different types of ore were collected from several deposits for testing.

Bulk Sampling

2008 Program

Eleven bulk samples, each of 200 tonnes, were collected from deposits occurring in Areas 2, 3 and 4. These representative samples were collected from Blue, Red and Yellow ore types from various deposits, as follows:

Area 2: Ferriman 4 deposit, one red and one yellow ore sample;

Area 3: Timmins 4 deposit, one blue ore sample;

Timmins 3N deposit, one blue ore sample;

Timmins 7 deposit, one blue ore sample;

Fleming 7N deposit, one red ore sample;

Area 4: Goodwood deposit, two blue and one yellow ore samples;

Kivivic 4 deposit, one blue ore sample;

Kivivic 5 deposit, one blue ore sample.

The samples were crushed and screened in a plant that was temporarily erected and operated by a contractor in the old IOCC ballast quarry on the mine road to the north of Schefferville to produce, as required at that time, a coarse lump ore product (-32 mm, +6 mm) and a fine (-6 mm) fraction. For each ore type, the percentage of the lump ore present was determined, as was the chemical analysis.

From each bulk sample, a 10-tonne sample of the crushed ore was collected and shipped to the MRC laboratory, Nashwauk, Minnesota, USA. These samples were used for conducting washing tests to determine the extent to which silica, alumina and phosphorous in that fraction could be reduced. 300kg composite samples were sent by air to overseas laboratories, one to SGA in Germany and four to Mintek in South Africa, for tests that enabled the Corporation to develop the Process Plant flowsheet.

2009 Program

Using sonic core drilling, seven bulk samples, totalling some 15 tonnes, were collected from deposits occurring in Areas 2, 3 and 4. These representative samples were collected from the Blue, Red and Yellow ore types from various deposits, as follows:

- Area 2: Ferriman 4 deposit, one (3 t) red and one (1.0 t) yellow ore sample.
- Area 3: Fleming 7N deposit, one red ore sample;
- Area 4: Goodwood deposit, one (3 t) blue and one (1.5 t) yellow ore samples

  Kivivic 4 deposit, one (3 t) blue ore sample

  Sunny 1 deposit, one (3 t) blue ore sample

These samples were collected in 200-litre drums that were then shipped to COREM in Quebec City for processing and testing.

Drilling

Historical Drilling

The deposits under study were drilled in the 1950's by IOCC using tricon drilling methods. There are no details available specific to this drilling activity. What remains is the list of drill holes and results that were archived by the Québec government. Table 3 presents a summary of the IOCC drill holes available per deposit being reported.

TABLE 3 – SUMMARY OF THE IOCC DRILL HOLES PER DEPOSIT BEING REPORTED

	IOCC		
Deposit	**Number of holes**	**Nb of holes with assays**	**Cumulated hole length (m)**
Goodwood	50	38	2,191.00
Timmins 7	18	18	214.00
Timmins 4	44	20	1,573.00
Timmins 3	0	0	
Fleming 7	35	35	423.00
Ferriman 4	87	64	2,810.00
Kivivic 3	1	1	105.20
Kivivic 5	0	0	
Total	**235**	**176**	**7,316.20**

2008 Program: Reverse Circulation Drilling

The first phase of the DSO drilling program, involving the use of reverse-circulation drills, started on July 21, 2008, and concluded on October 24, 2008. During that period, 140 holes were drilled for a total of 7834.8 m and 2,396 samples were collected for analysis. The drilling was carried out by two contractors, CABO Drilling (Ontario) Corp. ("CABO"), and Les Forages L.B.M. ("LBM"). Table 4 summarizes the 2008 program by area.

TABLE 4: 2008 GROUPING BY AREA OF THE DEPOSITS OF THE DSO PROJECT

Area	Deposit	No. of Holes	Total Metres	No. of Samples
4	Goodwood	25	1652	499
	Kivivic 4	13	596	178
	Kivivic 3N	10	506	162
	Kivivic 5	8	426.5	132
	Sunny 1	2	86	25
Total Area 4		58	3,266.5	996
3	Fleming 7N	20	1,175.2	353
	Timmins 4	25	1,160.5	365
	Timmins 3N	10	753	244
	Timmins 7	12	562	182
Total Area 3		67	3,650.7	1,144
2	Ferriman 4	15	917.6	256
Total Area 2		15	917.6	256
Total all Areas		**140**	**7,834.8**	**2,396**

2009 Program: Sonic Drilling

The second phase of the program took place during the summer months of 2009, when the drilling was carried out using a sonic drill provided by a contractor, Boart Longyear Ltd. The leached and enriched deposits are porous, friable with thin bands of hard layers and do not core well when diamond drills are used. The sonic drill provided continuous core from the surface downwards without any contamination. Initially, the sonic drill pushes the core barrel, which was tipped with a 4" (101.6 mm) diameter tungsten carbide bit, into the ground by means of vibration and rotation. Water or air was not used as a drilling medium. The drill cores the bed rock like a diamond drill. After drilling 5 ft (1.52m), a 6" (152.4 mm) casing was inserted over the core barrel and set in to the depth to which the bed rock was cored. The core barrel with the core was then pulled up from the ground and the core is extracted, after which the core barrel is re-inserted into the hole and drilling proceeded for a further 5 ft. This method of continuously drilling and casing prevented sample contamination.

The extracted core was put into long plastic bags that were just wide enough to fit the core, and the bagged cores were put into wooden core boxes that were clearly marked with the hole number and the starting and ending length of the core. The core box was shipped to the field office for logging and sampling by the geologist and samples were collected at 3 m intervals.

The core samples were sent to COREM laboratory in Quebec City and analyzed for Fe%, SiO_2%, MnO%, Al_2O_3%, P%, CaO%, MgO% and LOI%.

During this program 950 samples were collected from holes drilled for bulk sampling and from holes drilled for tonnage/grade estimation. In addition 71 duplicate samples were sent to COREM as an internal check. Table 5 summarizes the 2009 program by area.

TABLE 5: SUMMARY OF DSO DRILLING, 2009				
Area	**Deposit**	**No. of holes**	**Total Metres**	**Total Samples**
4	Goodwood	10	406.3	110
	Kivivic 4	44	1,553.2	460
	Sunny 1	31	913.5	287
Total Area 4		85	2,873.0	857
3	Fleming 7N	2	66.1	21
Total Area 3		2	66.1	21
2	Ferriman 4	7	299.6	97
Total Area 2		7	299.6	97
Total all Areas		**94**	**3,238.7**	**975**

Drilling Results

Historical Drilling results and analysis for the tonnage holes drilled by HNS and LME in deposits Goodwood and Ferriman 4 were obtained from the open files available at the Ministry of Natural Resources of the respective Governments. Test drilling holes, which were drilled to check the bedrock, were shallow holes. This data is available for most of the deposits in the open files. All these results were incorporated in the Corporation's database and were used, along with current drilling data, in the interpretation of sections.

DSO 4 Area

All the assay results were received for the deposits drilled in this area. Geological interpretation was completed, sections were prepared, and resource models for use in pit design were prepared for the Goodwood, Kivivic 3, Kivivic 4, Kivivic 5 and Sunny 1 deposits. Evaluation of the analytical data indicates that the overall grade remains the same as that given in IOCC data obtained from Assessment Reports available from the Government of Québec.

The MIF (Blue) ore in Goodwood has higher LOI values compared to the Kivivic deposits and deposits in DSO 3 Area. The drill cuttings also show the presence of more goethite than in the other areas.

DSO 3 Area

All the assays were received for the deposits drilled in DSO 3 Area. The geological interpretation of the data was completed and sections were prepared for deposits Timmins 4, Timmins 3N, Timmins 7 and Fleming 7N. Resource modeling of those deposits was completed.

DSO 2 Area

Ferriman 4 deposit was not fully drilled. However, the information obtained from the 15 holes that were drilled was used to revise the Corporation's previous interpretation and resource model that was based upon IOCC data obtained from Assessment Reports available from the Government of Québec.

Sampling and Analysis

Sampling Method And Approach

Reverse circulation drilling utilizes a dual-tube drill pipe. The drilling fluid, water, and air are pumped down the outer tube of the drill pipe and return with the drill cuttings through the inner tube. This eliminates contamination of the samples. The circulation velocity is high and the rapid return assures that the cuttings are returned in the order they were drilled. The volume of the samples, which are a mixture of water and solids, obtained for a 3 m

interval can be high, depending upon the diameter of the hole. Cabo used a 73 mm drill bit, while LBM used a 98 mm bit for drilling and therefore varying amounts of sample were returned for a 3 m drilling length.

The Cabo drill with a smaller diameter bit used a two-way splitter and half the sample was collected while the other half was rejected. Each collected sample weighed between 10 and 15 kg. The LBM drill with a larger bit used a rotary splitter with 24 partitions. The splitter rotates on its vertical axis while the sample water mixture is being discharged over it. After initial experimentation, it was found that collecting one-sixth of the discharged sample was sufficient to obtain a sample weighing between 10 and 15 kg, with the five-sixths portion being rejected.

The samples were collected continuously once the bedrock-overburden contact was established by the geologist at the site who periodically checked the cuttings using a sieve to ascertain the bedrock geology. Every 3 m, the pails were changed to collect the next sample in the form of slurry that was left to stand for a few minutes so that the finer fraction settled. The water was then carefully decanted and the remaining solid/water mixture was collected in plastic bags as a sample.

Sample Preparation, Analysis And Security

The following procedure was used by ALS Chemex at its laboratory in Sudbury, Canada, which processed and analyzed the DSO laboratory samples obtained by reverse-circulation drilling in 2008. The Corporation was unable to obtain from COREM a description of the procedure used in processing and analyzing the DSO samples taken in 2009.

Drying

Wet samples weighing between 10 and 15 kg were received at the laboratory, where they were weighed and bar-coded for tracking prior to being dried in ovens that are controlled to a maximum temperature of 60°C.

Crushing

Using jaw and/or roll crushers, the dried samples were crushed to 70% -2mm, or better.

Splitting

Using a riffle splitter, a representative sample of 250 g was taken for further processing.

Pulverizing

The entire 250g sample was pulverized to 85% passing 75 micron (200 mesh), or better, using “flying disk” or “ring and puck” style grinding mills.

Analysis

The samples were analyzed by lithium borate fusion and XRF methods. The results were reported as percentage by weight of Fe, Mn, CaO, MgO, P, SiO_2, Al_2O_3 and LOI.

In total, from the ten deposits drilled in 2008, 2,396 samples were submitted for analysis and in 2009 an additional 975 samples were submitted, analysis results have been received and interpretation has been completed. Geological and resource models have been made for all the drilled deposits.

Data Verification

Site Visits

Messrs. Journeaux, and Melainine, both Qualified Persons, made a number of separate visits to the areas in which are located the various deposits and, most recently, on August 31 and September 1, 2009, they both visited the Timmins Site. In addition to participating in the August 31 visit to the Timmins Site, Mr Bourassa, also a Qualified Person, visited the area of the Goodwood deposit (the "Goodwood Site") and nearby deposits by road on August 1, 2009, and by helicopter on 1 September, 2009. Mr Piette visited the Timmins and Goodwood sites on March 23, 2010.

Mr. Robert de l'Étoile, having visited the sites of eight deposits in his capacity as an independent Qualified Person on September 30, 2008, did not consider it necessary to make a visit in 2009.

Integrity of the Drill Hole Databases

A database was set up for each individual deposit. Historical drill hole data from IOCC was recovered from the public domain and computerized by the Corporation. A thorough data validation procedure was put in place during data entry. SGS Canada has verified a selection of historical drill holes against the original paper logs and found no significant errors.

Logs of historical drill holes were acquired from government geological archives. Since all historical logs were reported using a local coordinate system no longer in use, a reliable transformation to modern UTM coordinates was developed. This transformation was derived from 76 holes for which both modern GPS coordinates and historical local coordinates were available, achieving a root mean square error of approximately 2 metres.

Regarding the holes from the 2008 drilling campaign, the databases were constructed directly from the electronic assay certificates received from the assay laboratory. SGS Canada carried out random checks between the assay certificates and the drill hole database and found no errors.

SGS Canada verified the field location of several 2008 drill holes and, within the accuracy of the GPS device used, found a very good correlation with the database.

Quality Control Measures

There is no information on quality control measures taken in the historical drilling information. Only copies of original drill hole logs are available from the public domain (Québec Ministry Natural Resources and Fauna ("MRNF"). In order to validate the historical information, a certain number of holes drilled in 2008 were located near the location of the old holes, close enough to be considered twins.

During the 2008 RC drilling campaign, quality control measures were directly handled by the main laboratory, ALS Chemex in Sudbury. The Corporation did set up its own quality control procedures using duplicates or blanks or standards. The main laboratory directly selected prepared pulps and sent them to a check laboratory, SGS Canada was instructed to hold on to the results of the check assays and to send them directly to SGS Canada for analysis. From the check assay certificates, a total of 110 pulp duplicates were recovered. Based on a total of 2,159 samples available from the 2008 campaign, there is a ratio of 1 in 20 samples with pulp duplicate assays.

SGS Canada inspected the results of the pulp duplicates for Fe, SiO_2 and Mn and as expected, found a high correlation coefficient. However, the duplicates reported a Fe grade higher than the original assays by 1.7% (average originals of 53.56% Fe versus an average of 54.45% Fe for the duplicates). This discrepancy, however small, is statistically significant. This highlights the presence of a bias.

Regarding SiO_2, the correlation coefficient is very high. The statistical bias tests (Sign test and paired Student T test) are not conclusive in that the Sign test failed but the Student T test passed. As for the Fe, the duplicates reported a higher average grade than the original assays.

Regarding Mn, even though the duplicate assays also reported an average grade higher than that of the original assays, the statistical bias tests passed, meaning that a bias could not be observed.

SGS Canada considers that the original assays can be used without correction since they are on average lower than their duplicates. However, it would be advisable to alert the laboratories of the statistical biases observed and increase the quality control measures by adding standards, blanks and field duplicates into the stream of assays sent to the laboratory in future drilling campaigns.

Table 6 below presents a summary of the duplicates analysis and the following graphs present the scattergrams of original versus duplicate assays for Fe, SiO_2 and Mn.

TABLE 6 – RESULTS OF QA-QC DUPLICATE ASSAYS ANALYSIS

	Fe (%)	**SiO_2 (%)**	**Mn (%)**
Number of pairs analyzed	110	110	100
Average Original assays	53.56	17.60	0.48
Average Duplicate assays	54.45	17.67	0.49
% Average Difference	1.7%	0.4%	1.3%
Correlation coefficient	0.998	0.999	1.000
Sign test	Failed	Failed	Passed
Paired samples Student T test	Failed	Passed	Passed

Mineral Resource and Mineral Reserve Estimates

Mineral Resource Estimates

Of the 22 deposits in the DSO Project area, ten were selected for development at this stage and therefore to be the basis of the mining operation. The ten deposits, listed below, were chosen on the basis of the 100%, or close thereto, ownership by the Corporation of the claims covering the deposit and on the historical published resources that were not NI 43-101 compliant.

- Goodwood;
- Timmins 3N;
- Timmins 4;
- Fleming 7N;
- Timmins 7;
- Ferriman 4.
- Kivivic 3N;
- Kivivic 4;
- Kivivic 5;
- Sunny 1

Eight of the selected ten deposits were drilled in 2008. Two of the deposits, Kivivic 4 and Sunny 1, required further drilling that took place in the summer of 2009 and modeling of the results of the campaign was used to convert the NI 43-101 compliant resources into reserves.

It is planned that drilling will take place in the summer of 2010 on the following deposits, on which no work has yet been done.

- Kivivic 1;
- Kivivic 2;
- Kivivic 3S;
- Barney 2;
- Timmins 8;
- Star Creek 2

Resource Block Models

SGS Canada used the results to build block models and evaluate the resources in eight of the DSO deposits. In making the resource calculation, a density of 3.0 tonnes per cubic metre was used, as were the following cut-off grade parameters:

- Fe ≥ 50%
- Mn ≤ 3.5%
- SiO_2 ≤ 18%

The dimensions of the block models for the Timmins 3N, Timmins 4, Timmins 7, Fleming 7N, Kivivic 3N, Kivivic 4, Kivivic 5 and Sunny 1 deposits were 6 m × 6 m × 6 m and those for the Goodwood deposit were 5 m × 5 m × 5 m.

Each block in the resource model contains the following information:

- X Coordinate (Centroid of Block)
- Y Coordinate (Centroid of Block)
- Z Coordinate (Centroid of Block)
- Geologic Envelope
- Density
- % of Block below Topography
- Resource Classification (Measured, Indicated or Inferred)
- Fe content
- Al_2O_3 content
- SiO_2 content
- Mn content
- LOI value
- CaO content
- MgO content
- P content
- P_2O_5 content

Table 8 sets out a summary of the NI 43-101 compliant resources:

TABLE 8: SUMMARY OF 43-101 COMPLIANT RESOURCES

Classification	Tonnage	Fe (%)	Mn (%)	SiO2 (%)
Measured	22,404,000	59.79	0.13	6.03
Indicated	44,694,000	58.43	0.56	9.27
M+I	**67,098,000**	58.89	0.69	8.66
Inferred	7,187,000	56.76	0.78	10.14

Mineral Reserve Estimates

Mining Block Models

Each of the resource block models developed was imported into MineSight® mining software to create three-dimensional mining block models, which contain the same blocks as the resource models, with additional parameters applied to assist in mine planning.

The Ferriman 4 deposit, although included in the resource estimate, was excluded from the detailed mine plan because the quality of material from that deposit would be difficult to blend with other ore to meet the processing plant's feed quality criteria.

Moisture Content

The first parameter applied to the resources models was the moisture content. This value, which is different for each deposit, is required for the economic analysis and mine scheduling. Moisture content was based on historical data. Table 9 summarizes the moisture content for each deposit. The value was coded into the model as " DRY".

TABLE 9: MOISTURE CONTENT

Deposit	Moisture content (%)	"DRY"Factor
Timmins 3N	9	0.91
Timmins 4	8	0.92
Timmins 7	8	0.92
Fleming 7N	9	0.91
Ferriman 4	13	0.87
Goodwood	9	0.91
Kivivic 3N	8	0.92
Kivivic 4	9	0.91
Kivivic 5	9	0.92
Sunny 1	8	0.92

Recovery

The second parameter applied to the mining model was recovery. This value is different for each of the three iron ore types but the same set of values is used for each deposit. These values are required for the economic analysis and mine scheduling. Based on the results of laboratory test, recovery values were estimated by metallurgy specialists. Table 10 summarizes the recovery values for each iron ore type. The value was coded into the model as "REC".

TABLE 10: RECOVERY VALUES

Ore Type	Recovery (%)	"REC" Factor
Blue	80	0.80
Red	70	0.70
Yellow	75	0.75

Mining Operations

Mining

The Feasibility Study is based on mining 10 deposits and blending the ore to provide consistent feed to the process plant. The current schedule provides a ten-year mine life. The mining and processing operations will be carried out on a year round basis instead of the seven-month period envisioned in the DSO Met-Chem Technical Report. The new schedule will maximize the utilization of capital assets and optimize operating costs.

Mining will start in Area 3, where IOCC was mining at the time it closed its operations. Some of the pits are partially mined or stripped and therefore can be restarted without the expense of stripping.

Mining of Area 4 deposits will start during the second year of full production in order to achieve the required blend for the plant feed. A 35 km long haul road will be built so that trucks can bring the ore directly from the pits near the Goodwood Site in Area 4 to the facilities at the Timmins Site in Area 3. Although a "greenfield" site, only essential servicing facilities such as a diesel generator will be built or installed at the Goodwood Site in Area 4.

The mining method selected for the DSO Project is conventional open-pit mining with a front-end loader/truck operation. The rock will be drilled, blasted and loaded into haul trucks that will deliver run-of min ("ROM ") ore to the primary mineral sizer, located at the Timmins Site. From each pit, waste will be hauled to an out-of-pit waste dump to be located nearby. Overburden removal and ore and waste mining operations will take place 24 hours per day, 365 days per year but, for loader and truck calculation purposes, it was assumed that inclement weather will shut down operations for an average of five days per year.

Metallurgical Testing

An extensive testing program began in 2008 with the objective of developing an optimum process flowsheet that would achieve the required product grades at acceptable recovery rates. The tests were performed on bulk surface samples which were collected from excavated trenches from 10 selected deposits. The deposits were chosen on the basis of the mine plan to ensure the representativeness of the collected samples of all three ore types; Blue, Yellow and Red.

A detailed test program was designed to evaluate the chemical, physical and metallurgical characteristics of each ore type from different deposits so that a blending program could be developed to ensure consistent feed quality to the plant. Furthermore, the test results were used to select and design appropriate process equipment to upgrade the ore to the required specifications.

The tests were conducted in different independent laboratories in North America, Europe, South Africa and India as well as in facilities operated by equipment/technology suppliers experienced in the processing of DSO-type ores.

In summary, the results of the latest pilot plant program on an Area 4 composite were as shown in Table 11.

TABLE 11: RESULTS OF PILOT PLANT TESTS ON AREA 4 COMPOSITE

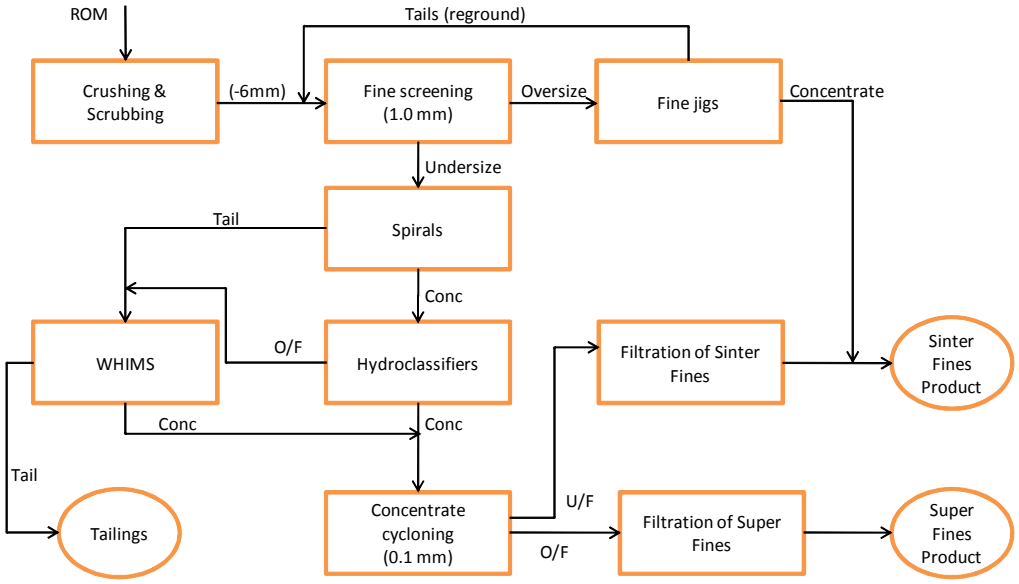
	Sinter Fines	**Super Fines**
Recovery %	63.0	19.0
% Fe	65.9	65.6
% SiO_2	2.90	2.71
% Al_2O_3	0.35	0.33

Mineral Processing

The run-of-mine ore processing consists of crushing and wet screening to reduce the ore to - 6 mm size. Gravity separation methods, employing jigs, spirals and hydro-classifiers, are utilized to upgrade coarse fractions. Materials below 0.1 mm are separated by wet high intensity magnetic separators ("WHIMS").

A block diagram representing the selected flowsheet is presented as Figure 1. It covers the reception of Run-of-Mine ore at the Primary Sizing station to the loading of Super Fines and Sinter Fines products into railcars for transportation to storage and ship loading facilities at Pointe-Noire.

Figure 1: Block Diagram of Process Flowsheet



NML's management expects the plant to produce 100,000 tonnes of dry product in the first year of operation, 3 million tonnes in the second year and 4 million tonnes in each of the following years. About 80% of the production will be the higher-valued Sinter Fines. Various tests performed on representative bulk samples at laboratories and facilities operated by experienced technology providers demonstrated the processing ability to meet product quality requirements.

Tailings from the process plant will be pumped to the nearby mined-out Timmins #2 pit and reclaimed water will be pumped back to be used as process water. Hydro power will be available during summer months from Menihek power station, in an amount yet to be determined. An electricity transmission line will be re-established from the Hydro-Quebec ("HQ") Schefferville substation to feed the Timmins Site installations. Since sufficient hydro power will not be available during the winter months, diesel generating sets will be used to supply all the required power at the Timmins Site.

Process Plant Site

The Timmins Plant, where the crusher, processing plant, offices, laboratories, maintenance and service facilities etc. will be located, is near the mined-out Timmins #1 pit and next to the Railway Loop at the end of a 28 km long rail link that is to be rebuilt on an old rail bed from the main line at Mile Post ("MP") 353 on the TSH main line.

Except for the primary sizing station and product loadout facilities, all other facilities will be housed under a 106 m wide x 170 m long x 35 m high air-supported dome. In addition to providing adequate protection from the weather, the dome will be more economical than having separate buildings for individual facilities.

Transportation

Products will be filtered and dried in winter to a low enough moisture content to prevent freezing in ore cars during shipping to the port. Dried products will be stored in silos at the Timmins Site. A 240-car train will be loaded every 48 hours for dispatching to the port.

A 28 km long rail link from the main line will be re-established from MP 353 to the Timmins Site near the mined-out Timmins #1 pit on the existing rail bed, which is in excellent condition. Of this rail link, NML expects another mining company to build eight kilometers from MP 353 to the Québec/Newfoundland Labrador border.

From the Timmins Site, products will be hauled in 100-tonne gondola railcars to the Terminal in Pointe-Noire, Sept-Îles, where it is expected that a car dumper will be installed and the products will be stockpiled. It is assumed that the existing dock, owned by the Sept-Iles Port Authority, will be used to load vessels using existing ship loading equipment owned by Wabush Mines ("WM").

Negotiations are being carried out with three rail carriers, each of which is designated as a common carrier, regarding the tariff to haul the ore to the port.

Similar negotiations are in progress with WM regarding the use of the ore handling and ship loading equipment.

To date, the rail and port tariff agreements have not been concluded with the exception of the contract for the QNS&L rail service. For the Feasibility Study, management of the Corporation used its best judgment to determine the expected cost of rail tariffs, based on an extensive study, by Charles River Associates, of publicly available rail tariffs in North America. In addition, NML commissioned a study to calculate the cost of the QNS&L rail service in anticipation of further negotiations and other action with the rail carriers**.** The QNSL&L rail service has been secured through a long term contract with the operator along with a memorandum of understanding with TSH. A contract has also been awarded for the KéRail spur.

Environment

NML submitted an EIS for Area 3 to the Government of Newfoundland and Labrador at the end of 2009. On January 5, 2011, the Corporation received project release, subject to a number of customary terms and conditions, from the Government of Newfoundland and Labrador following the approval of the Corporation's Environmental Impact Statement for Phase 1 of the DSO Project. The release will allow completion of the permitting process required to start construction in the third quarter of 2011 and management of the Corporation expects commencement of iron ore production in the last half of 2012. Phase 1 of mining operations includes the Timmins 3N, Timmins 4, Timmins 7 and Fleming 7N deposits in Newfoundland and Labrador.

The Canadian Environmental Assessment Agency has also completed its review of the DSO Project and has determined that a federal level Canadian Environmental Assessment is not required. In September 2010, the Corporation also submitted an Environmental Impact Statement to the Government of Québec for Phase 2 of the DSO Project. Management of the Corporation expects approval from the Government of Québec in the third quarter of 2012. Phase 2 of mining operations includes the Goodwood, Sunny 1, Kivivic 3 S and Leroy deposits in Québec.

First Nations

Four First Nations will be affected by the DSO Project. Two of the four First Nations, the NNK and the NIMLJ live in the immediate vicinity of the project. Since 2005, NML has provided employment to both of these First Nations during the summer drilling season and has maintained a close relationship with the communities. NML has held meetings with members of the communities and Band Councils to explain the long term benefits of the DSO Project. All Nations have been provided with details of financial and other benefits offered by NML. On June 10, 2010, the Corporation announced that it entered into an IBA with the NNK which agreement was subsequently assigned by NML to TSMC. TSMC entered into an IBA with NIMLJ on June 8, 2011, with the Innu Nation on November 15, 2011 and with ITUM on February 28, 2012. The IBAs establish the processes and sharing of benefits that will ensure an ongoing positive relationship with all affected First Nations. In return for their consent and support of the Corporation's DSO Project, the First Nations will benefit through training, employment, business opportunities and financial participation in the project. The IBA also commits the Corporation to implement the project in a manner that safeguards the environment and provides the First Nations with social and cultural protection.

Personnel Fly-in/Fly-out Concept

A camp to house some 192 persons, initially to be used by construction and later for operational personnel has been constructed near the dome. Operations personnel will be hired on the basis of four consecutive weeks of work followed by a one week rest and recreation period, when they will be returned to their home bases on a Fly-in/Fly-out basis.

Project Execution Plan

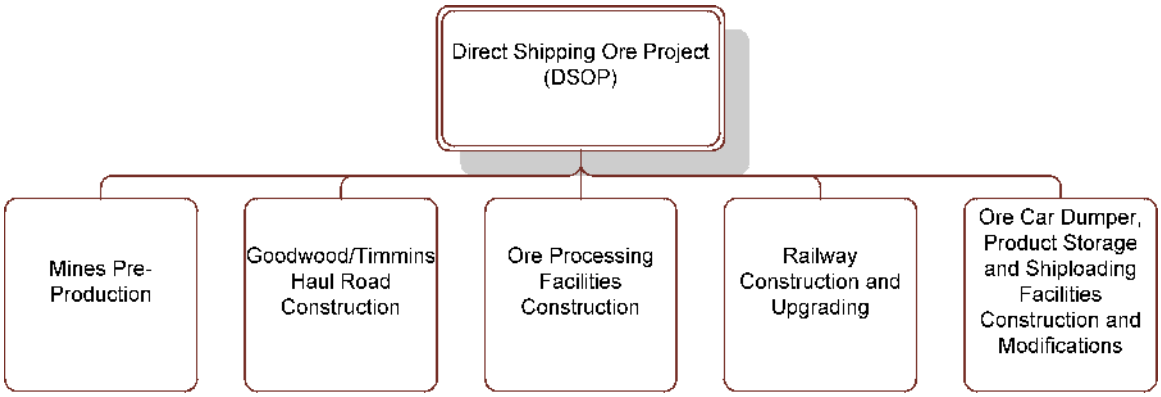
Project Management and Organization

To carry out the DSO Project, TSMC has adopted an Engineering, Procurement and Construction Management ("EPCM") approach.

The purpose of the project organization is to quickly and efficiently bring the project to production, while engaging the skills and expertise of different contractors and subcontractors on the project.

The project consists of the development of mines, processing facilities and supporting infrastructure, some of which will be geographically located at some distance from the others. The nature of the construction work at the different locations will also vary. The overall project comprises the elements shown in Figure 2.

Figure 2: Overall DSO Project



It is therefore planned to engage contractors or consultants that are specialized in a specific area or process, and for them to provide the expertise and resources required to cover particular elements of the project as identified in Figure 2. The overall management and coordination of the DSO Project will be under the control of the IPT Project Manager, who will represent the owners of the project.

Schedule

On September 14, 2010 Tata exercised the Notice of Joint Venture Investment under the JVA. TSMC is conducting detailed engineering, site camp mobilization and procurement of long-delivery equipment. Management of NML expects the DSO Project to start production by the end of 2012.

Financial Analysis

The financial evaluation for the DSO Project was carried out by using estimates of capital and operating costs, an estimated construction schedule and estimated production as discussed above. The analyses were made on the basis of 100% equity financing with mining and railway equipment being leased.

The main inputs to the financial analysis are summarized as follows:

- Production assumption of 4 Mtpy of Sinter Fines and Super Fines products.
- Proven and Probable Mineral Reserves of 64.1 million tonnes ("mt").
- Stripping ratio varying from mine to mine, with an average of 1.03 over the life of the mines.
- Total initial capital cost of US$ 300 million and working capital of about US$ 13.5 million.
- Sustaining capital, capital leasing, mine rehabilitation and Goodwood development costs at US$ 115 million
- Exchange rate: 1.00US$ =1.11/CDN$.
- Income tax: analyses were made on both pre-tax and after-tax basis.
- All costs are expressed in fourth quarter 2009 CDN$.
- Operating cost averaged over the life of the DSO Project is $32.50 CDN$ per dry tonne of average product.
- Net residual value equal to the non-depreciated value of the assets, plus the value of working capital prior to its elimination in the last months of the DSO Project.

The results of the financial analyis is presented in Table 12 below.

TABLE 12: SUMMARY OF FINANCIAL ANALYSIS

Estimated Initial Capital Cost	Can$ 335.1 million
Estimated Sustaining Capital	Can$ 124.5 million
Estimated Average Operating Cost	Can$ 32.50 per tonne of product
Project IRR	
Pre-Tax	29.1%
Post-Tax	22.3%
Payback (years from production startup)	
Pre-Tax	3
Post-Tax	4

KéMag Project

This KéMag Project description is based on the KéMag BBA Technical Report except for some updates that reflect developments since the technical report was published. Unless stated otherwise, information in this section is summarized, complied or extracted from the KéMag BBA Technical Report prepared by Andre Allaire, Langis Charron, John Dinsdale of BBA, and Robert de l'Étoile of SGS Canada, each a "qualified person", as defined in NI 43-101 or has been reviewed by BBA. The KéMag BBA Technical Report was prepared in accordance with the requirements of NI 43-101.

Portions of the following information are based on assumptions, qualifications and procedures which are set out in the KéMag BBA 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 KéMag BBA Technical Report which is available electronically at www.sedar.com.

The Corporation has entered into a Taconite HOA to develop the Taconite Project which includes the KéMag Project. Under the Taconite HOA, TSG shall participate in the development of the Taconite Feasibility Study and contribute 64% of the costs related to the study. TSG and the Corporation agree to enter into a binding joint venture agreement upon the successful completion of the Taconite Feasibility Study and TSG electing to develop one or both of the deposits.

On April 1, 2011, the Corporation and TSG started a Taconite Feasibility Study which covers the KéMag Project and the LabMag Project. Management of the Corporation expects that the Taconite Feasibility Study will be finalized before the end of 2012.

Property Description and Location

The KéMag Property is situated in the municipality of Rivière Koksoak in Nunavik, Northern Québec, centred about 50 km to the northwest of the town of Schefferville, Québec. The KéMag Property is located approximately 245km north of Labrador City, Province of Newfoundland and Labrador, and 550km due north of Sept-Iles, Québec. The KéMag Property is centred at 55°07'N Latitude and 67°27'W Longitude on NTS reference 230/03.

The KéMag Property covers a total area of approximately 81 km^2 and comprises 171 map-staked claims held 100% by NML. "Map-staked claim" means a claim giving the holder the exclusive right to explore for minerals in an area covered by the claim. A claim does not bestow any surface rights. The currently used definition of the "KéMag Property" is all those claims that are within 4.5 km of a claim on which NML has drilled.

The claim group extends for a distance of about 15.5 km aligned on a north-northwest – south-southeast axis. The KéMag Property has not been legally surveyed but map-staked licences are defined on the basis of UTM coordinates and consequently the KéMag Property location is accurate. Claim data are summarized in Table 13 below.

TABLE 13 - CLAIMS COVERING THE KÉMAG PROPERTY

Claim Number	Number of Claims	Issuance Date	Renewal Date	Ownership
CDC0050761A to CDC0050808A, incl.	48	20 January 2005	19 January 2009	100% NML
CDC2001307A to CDC1001320A, incl.	14	23 February 2006	22 February 2010	100% NML
CDC2066137 to CDC2066150, incl.	14	12 March 2007	11 March 2009	100% NML
CDC2082473 to CDC2082527 incl.	27	04 May 2007	03 May 2009	100% NML
CDC2092019 to CDC2092110 incl.	51	13 June 2007	12 June 2009	100% NML
CDC2095143 to CDC2095180 incl.	10	22 June 2007	20 June 2009	100% NML
CDC2116679 to CDC2116698 incl.	3	10 August 2007	09 August 2009	100% NML
CDC2148794 to CDC2148797 incl.	4	07 May 2008	06 May 2010	100% NML
Total	**171**			

In its current state, the KéMag Property has only been explored by surface drill holes. A camp was set up to accommodate drilling personnel, but there is no infrastructure. A trail usable by 4-wheel drive vehicles comes to within 7 km of the KéMag Property.

Land Ownership and Rights of Way

The mine, concentrator, tailings containment area, waste dump, camp and associated infrastructure at the KéMag Deposit will be located on Crown Land that NML will acquire from the Government of Québec.

The slurry pipeline between the concentrator and the pellet plant will, for most of its length, be located on Crown Land and NML will acquire that land from the Government of Québec. At certain points, the pipeline will cross below the railway owned by Chemin de Fer Cartier. Such crossings will conform to the "Standards Respecting

Pipeline Crossings under Railways" published by The Railways Association of Canada, and relevant Sections of the Canada Transportation Act will apply.

In their currently planned locations, the flotation plant, filter plant, pellet plant, pellet stockyard, conveyor between the pellet stockyard and the jetty and wharf and associated infrastructure at Pointe-Noire will be partly on land that NML will acquire or lease from Wabush Mines and partly on Crown Land that NML will acquire or lease from the Government of Québec and from the SIPA that manages the land.

The jetty and wharf and associated infrastructure at Pointe-Noire will be located on Crown Land that NML will acquire or lease from SIPA, which manages the land and seabed at the coast.

For the AC electric power transmission lines on Crown Land between Brisay hydro-electric power station and the Lac Harris site and between Hart-Jaune hydro-electric power station and the pipeline booster pumping station, NML will obtain the necessary permission from the Government of Québec and Hydro-Québec for the construction and installation of the lines or cables, after which the lines or cables will be handed over to Hydro-Québec for operation and maintenance.

Permitting

To date, no permits have been applied for.

Environmental Issues

Since the KéMag Project is situated wholly within the Province of Québec, it is subject to an EIA in Québec only. No separate federal EIA will be required.

An ongoing program will be implemented to monitor the effects of the KéMag Project on water quality, groundwater, effluents, fish population, benthic invertebrate communities, geotechnical matters and sediment quality during both the construction and operational periods.

A rehabilitation plan will be submitted to the Québec Ministry of Natural Resources and Wildlife prior to the start of production. No monetary provision will have to be provided in the first eight years of operations.

Accessibility, Climate, Local Resources, Infrastructure and Physiography

Accessibility

The KéMag Property is accessible to its nearest point by a good gravel road for 25 km northwest of Schefferville past some former open pit mines and for a further 30 km by 4x4 pick-up truck or all-terrain vehicle over a trail that reaches Lac de la Frontière. From that point, a new 7 km access road will be built to reach the Lac Harris property.

Climate

The Schefferville area and vicinity, including the Harris and Gillespie lakes lowlands, have a sub-arctic, continental taiga climate with very severe winters. Daily average temperatures exceed 0°C for only five months a year. Daily mean temperatures for Schefferville average -24.1°C and -22.6°C in January and February, respectively. Mean daily average temperatures in July and August are 12.4°C and 11.2°C, respectively.

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

Physiography

The KéMag Property has an average elevation of 535 m above sea level. It slopes gently from west to northeast, away from the height of land representing the Québec-Labrador border and towards Lac Harris and Lac Gillespie, more or less parallel to the dip of the rocks. Terrain on the Property is generally flat, with total relief of some 100 m.

Streams to the east and west of the height of land in Québec flow into the Kaniapiskau watershed and then northward into Ungava Bay.

Local resources and infrastructure

Schefferville, an incorporated municipality in the Province of Québec, continues to exist despite the closing of the iron ore mines of IOCC in 1982 and the subsequent demolition of a number of houses and original public buildings, including a recreation centre, hospital and churches. The present population is now about 200 non-native residents, most of which work directly or indirectly for the First Nations. Some 700 members of the NIMLJ live in the nearby Matimekosh community.

The economy of Schefferville is based on hunting and fishing, tourism and public service administration. More than a dozen fishing and hunting camp operators are based in Schefferville and yearly several thousand people fly to various camps distributed about the region, chiefly for trout fishing and caribou hunting. In addition to the hunting and fishing outfitters, the population of the town consists mainly of motel, store and flying service operators, teachers, retired families and support staff for the town services.

Kawawachikamach (Kawawa), a community located some 20 km north of the town of Schefferville, is the home of the Naskapi Nation. The community was established in this location following the signing in 1978 of the Northeastern Québec Agreement between the Government of Québec and the Naskapi Nation. Since 1982, some 130 housing units have been built for the Naskapi people and there are now about 750 Naskapis living in the modern community that has its own school, medical clinic, recreational complex and swimming pool.

Until the end of November 2005, the QNS&L railway, owned by IOCC, ran between Sept-Îles and Schefferville and offered weekly passenger and freight services. On December 1, 2005, that part of the rail line that runs from Emeril to the northern terminus at Schefferville was acquired from QNS&L by Tshiuetin Rail Transportation Inc. ("TSH"), which is owned in equal parts by the NNK, the NIMLJ and Innu Takuaikan Uashat mak Mani-Utenam. Today, TSH operates two trains per week between Schefferville and Sept-Îles for passengers and community freight.

The region is also served by an airport, classified a Remote Airport under the National Airports Policy, which has a 1,500 m runway capable of handling Boeing 737 aircraft. King Air service to Sept-Îles is offered six days per week and Dash 7 service to Québec City and Montreal is offered twice weekly.

Kawawachikamach receives its electricity by a 25 kV power line from Schefferville, which in turn is supplied by a 69 kV power line from the 15 MW hydro-electric generating station at Menihek Lake, Labrador, about 40 km south of Schefferville.

History

Prior to staking of the KéMag Property by the Corporation in 2004, all recorded exploration work had been carried out by IOCC. A brief summary of the work is presented below.

1949-50 Radar Geophysics Ltd. conducted regional aeromagnetic surveys in the Lac Harris/Howells River area for IOCC. Most of the data from these surveys were not interpreted until 1966 by IOCC.

1950 Geological mapping by IOCC on a scale of 1"=1000' and sampling were carried out by G. Perrault to the west of Howells River, extending to Gillespie Lake. During this period, exploration was mainly aimed at outlining enriched iron ore deposits.

1958 During the winter of 1958, additional work was carried out by M. Belland (IOCC) in an area located near Boundary Lake (Lac de la Frontière), in the valley west of the Goodwood deposit. This area was investigated by a combined program of dip-needle survey and test drilling, to locate iron formation with possible enriched sections. The area surveyed and test drilled covers 28.5 km^2, of which 19.5 km^2 is in Québec. A total of 23 holes were drilled in Québec, mostly in lakes, to check the subsurface geology. Most of the holes intersected only slates of the Menihek Formation. Only three holes near the western shores of Harris and Gillespie lakes encountered iron formation below Menihek Formation slates and were not analyzed.

1968 IOCC conducted a remnant magnetism study of the iron formations occurring within a 64 km radius of Schefferville, which included the Lac Harris and Howells River areas. The main aim of this study was the evaluation of the magnetic taconite deposits in the area surrounding Schefferville.

1971 An airborne electromagnetic and magnetic survey was flown by IOCC over a 518 km^2 area of Howells River magnetic iron formation. The purpose of the survey was to outline the best economic taconite zones in terms of tonnage and grade between Astray and Gillespie lakes.

1972 Based on the results of the above cited surveys, IOCC obtained an Exploration Permit to conduct a detailed investigation in the Lac Harris area. However, no such investigation was carried out by IOCC.

2004 NML staked claims covering the Lac Harris taconite deposit.

2005 Reconnaissance mapping and sampling was carried out by geologists for NML.

Historical Drilling

Historical drilling on the KéMag Property consisted of test drilling of favourable dip-needle survey targets, mostly over the lakes. In 1958, IOCC drilled 23 holes during the winter time to locate enriched iron ore deposits. These were shallow holes designed to probe the iron formation. Sixteen holes were drilled on Harris, Gillespie and Jacques Lakes for a total of 246m (807'). Only three holes intersected unleached Upper Iron Formation ("UIF"). Those samples were not analyzed and none of these historical holes was used in the current mineral resource estimation. Data of the 16 drill holes are summarized in Table 14 below.

TABLE 14 - SUMMARY OF HISTORIC DIAMOND DRILLING

Year	Company	Number of Holes	Drillhole Numbers	Core Size	Cumulative length (m)	Cumulative length (ft)
1958	IOCC	16	Z1201c to Z1216c	unknown	246	807

Geological Setting

Regional Geology

The KéMag Property is located on the extreme western margin of the Trough adjacent to Archean basement gneisses. The Trough, otherwise known as the Labrador- Québec Fold Belt, extends for more than 1,000 km

along the eastern margin of the Superior craton from Ungava Bay to Lake Pletipi, Québec. The belt is about 100 km wide in its central part and narrows considerably to the north and south.

The Trough is comprised of a sequence of Proterozoic sedimentary rocks, including iron formation, volcanic rocks and mafic intrusions known as the Kaniapiskau Supergroup. The Kaniapiskau Supergroup consists of the Knob Lake Group in the western part of the Trough and the Doublet Group, which is primarily volcanic, in the eastern part. The Knob Lake Group is of interest on the KéMag Property and the stratigraphy is outlined in more detail in Table 15 below.

The principal iron formation unit, the Sokoman Formation, part of the Knob Lake Group, forms a continuous stratigraphic unit that thickens and thins from sub-basin to sub-basin throughout this fold belt.

The southern part of the Trough is crossed by the Grenville Front. Trough rocks in the Grenville Province to the south are highly metamorphosed and complexly folded. Iron deposits in the Grenville part of the Trough include Lac Jeannine, Fire Lake, Mont-Wright, Peppler Lake and Mont-Reed and the Luce, Humphrey and Scully deposits in the Wabush-Fermont area. The high-grade metamorphism of the Grenville Province is responsible for recrystalization of both iron oxides and silica in primary iron formation producing coarse-grained sugary quartz, magnetite, and specular hematite schists (meta-taconites) that are of improved quality for concentration and processing.

TABLE 15 - REGIONAL STRATIGRAPHIC COLUMN CHURCHILL PART OF WESTERN LABRADOR TROUGH

Description	
PROTEROZOIC – Helikian Shabogamo Group Gabbro, Diabase *Intrusive Contact* PROTEROZOIC – Aphebian Kaniapiskau Supergroup Knob Lake Group	
Menihek Formation	Carbonaceous slate, shale, quartzite, greywacke, mafic volcanic rocks, minor dolomite and chert.
Purdy Formation	Dolomite, developed locally.
Sokoman iron formation	Oxide, silicate and carbonate lithofacies; minor sulphide lithofacies; interbedded mafic volcanic rocks (Nimish Formation); ferruginous slate and slaty iron formation, slate and carbonaceous shale.
Wishart Formation	Feldspathic quartz arenite, arkose, minor chert, greywacke, slate and mafic volcanic rocks.
Fleming Formation	Chert breccia, thin-bedded chert, limestone, minor lenses of shale and slate.
Denault Formation	Dolomite and minor chert.
Attikamagen Formation	Green, red, grey and black shale, and argillite intrerbedded with mafic volcanic rocks.
Unconformity	
ARCHEAN Ashuanipi Complex Granitic and Granodioritic gneiss and mafic intrusives	
Note: Zajac (1974) redefined the Ruth Formation, located between the Wishart and Sokoman formations, as part of the Sokoman formation.	

The main part of the Trough north of the Grenville Front is in the Churchill Province and has been subjected to low-grade (greenschist facies) metamorphism. In areas west of Ungava Bay, metamorphism increases to lower amphibolite grade. The mines developed in the Schefferville area by IOCC exploited residually enriched earthy iron deposits derived from taconite-type protores.

KéMag Property Geology

The KéMag Property for the most part is overlain by deep overburden which is boggy and strewn with basement gneissic boulders; however, the extension of the Howells River stratigraphic sequence comprising the Knob Lake Group to the north-northwest onto the KéMag Property is well established based on:

- The sporadic exposures of the lower Sokoman Formation overlying the continuous outcrops of the lowermost unit of the Knob Lake Group along the south western margin of the deposit;
- The aeromagnetic response, and
- The 2006 drilling results.

Recent drilling by the Corporation has shown that units of the Knob Lake Group, including the Sokoman Formation, which is the major iron formation host in the Labrador Trough, underlie a major part, if not all of the Property, and comprise a north-northwest striking sequence of rocks that dips shallowly to the northeast. All of the 29 NML 2006 drillholes intersected sections of the Sokoman Formation. Table 16 set out below, adapted after Fink (1972) and Klein and Fink (1976), presents the stratigraphic sequence and type descriptions developed for the Howells River area. Recent drilling by NML on the KéMag Property indicates that this stratigraphic sequence and descriptions are applicable to the KéMag Property. A few of the unit thicknesses reported in Table 16 below vary slightly from those found for the KéMag Property in the 2006 drillholes, but differences are not significant.

TABLE 16 - STRATIGRAPHY OF THE HOWELLS RIVER PROPERTY

Unit	Est'd Avg True Thickness & Range (m)	Description
Youngest		
Diabase		
Menihek Formation	>79.2	Dark grey to black shale with minor interbedded greywacke and carbonate lithofacies, carbonaceous pyritic shale.
THRUST FAULT		
Sokoman Formation		
UIF Member		
Lean Chert Sub-member (LC) Silicate Facies	25.0 (18.4-32.5)	Greenish, green to grey-green and pink-grey magnetite-chert iron formation with local zones of laminated to shaley bedded (siderite-magnetite) chert iron formation. This unit contains a stromatolite-bearing purple-red and green chert band with magnetite less than 3 m thick. Stilpnomelane-bearing magnetite-rich shales occur both above and below the stromatolitic band.
Jasper Upper Iron Formation (JUIF) Magnetite-Carbonate Facies	26.2 (20.7-30.8)	Layered to laminated, magnetite-chert iron formation. Red-grey-pink in colour, red chert and oolites.

TABLE 16 - STRATIGRAPHY OF THE HOWELLS RIVER PROPERTY

Unit	Est'd Avg True Thickness & Range (m)	Description
Green Chert (GC) Magnetite-Carbonate Facies	3.8 (1.2-9.4)	Silicate-rich, green chert unit, laterally continuous and an excellent marker horizon.
MIF Member		Predominantly arenitic oxide facies. Oolitic and granular texture with cross bedding, abundant iron oxides throughout with more jasper near the top (URC) and bottom (LRC) of unit.
Upper Red Cherty (URC) Hematite-Carbonate Facies	8.1 (4.4-16.8)	Massive to layered, jasper-magnetite-chert iron formation. Red-grey to reddish purple.
Pink-Grey Cherty (PGC) Magnetite-Carbonate Facies	12.6 (4.0-22.9)	Disseminated magnetite-chert iron formation. Grey to pink-grey to green-grey.
Lower Red Cherty (LRC) Hematite-Carbonate Facies	8.6 (0-18.6)	Layered magnetite-chert iron formation. Red-grey to reddish purple. Lower contact transitional.
LIF Member		
Lower Red Green Cherty (LRGC) Magnetite-Carbonate Facies	21.2 (0-46.0)	Layered silicate-magnetite-carbonate, magnetite-chert iron formation. Pink to reddish-grey to green-grey. More silicate in lower part, more oxide in upper part. Lower contact transitional with LIF.
Lower Iron Formation (LIF) Silicate Facies	8.2 (1.4-32.8)	Massive to layered green to grey-green silicate-carbonate-magnetite-chert iron formation.
Ruth Formation (RF) Sulphide Facies	5.2 (2.9-8.7)	Thin bedded to laminated chert-siderite, with thin interbeds of shale. Note - Zajac (1974) argues the term Ruth Formation should be abandoned because it is for most part equivalent to LIF.
Wishart Formation (Qte)	17.7 (14.6-20.4)	Black Chert 1.4 m (0.62-2.4 m) Quartzites and/or re-crystalized cherts.
UNCONFORMITY		
Ashuanipi Complex – Archean		Granitic and Granodioritic gneiss and mafic intrusives. Paleosol on contact between Proterozoic Assemblage and Archean basement.

Adapted after Fink (1972) and Klein and Fink (1976).

The Sokoman sequence lies unconformably on Archean granitic gneisses (Ashuanipi Complex). These basement rocks were intersected in the bottom of five of the 2006 drillholes: 1001, 1006, 1008, 1023 and 1040. A sharp angular unconformity marks the contact between the gently dipping Knob Lake Group and the steeply foliated Archean basement rocks.

The lowermost unit of the Knob Lake Group found on the Property is composed of the feldspathic quartzites and conglomerates of the Wishart Formation. In the drill logs, (drillholes: 1001, 1006, 1008, 1022, 1023 and 1040) and on the Property geology maps, these Wishart quartz-rich sedimentary rocks are designated "Qte". This Wishart Formation is overlain conformably by the Ruth and Sokoman Formations. Zajac (1974) redefined the Ruth Formation as part of the Sokoman, however, historical IOCC drill logs and other descriptions for the area

use the term Ruth Formation to describe shales located between the Sokoman and Wishart and WGM believes it best to maintain use of this term for describing rock types and stratigraphy for the Property. The contact between the Wishart and the Ruth Formation is commonly marked by a Black Chert ("BC") horizon 0.6 m to 3 m thick containing zones of disseminated pyrite and carbonate.

All three Sokoman members: Lower Iron Formation ("LIF"), Middle Iron Formation ("MIF") and UIF defined by IOCC and Zajac (1974) are present on the Property in areas drilled by NML. Each of these three members is in turn broken down into individual stratigraphic units called sub-members, see Table 16 above.

Drillhole logs and all geological work conducted on the Property use these sub-member names to classify samples and describe geology. The Green Chert unit that is the basal unit of the UIF is very characteristic and readily identified.

James (1954) proposed, on the basis of his work on iron formations in the Lake Superior region, a division of iron formation into four facies: sulphide, silicate, carbonate and oxide. Klein and Fink (1976) have classified the various sub-members of the Sokoman Iron Formation in the Howells River area into sulphide, silicate, magnetite-carbonate and hematite-carbonate facies. Although Zajac (1977) disagreed, Klein and Fink considered the Ruth shale to represent sulphide facies. The silicate facies in the Howells River area according to Klein and Fink is represented by the LIF and LC sub-members, while the LRGC, PGC, GC and the JUIF sub-members are magnetite-carbonate facies and the LRC and URC are hematite-carbonate facies, where magnetite and hematite are present in nearly equal amounts, or hematite is more prevalent than magnetite.

Bulk chemical data for each of the sub-members is provided by Klein and Fink (1976).

The Sokoman Formation in the area has undergone only slight, very low grade metamorphism and shows very few effects of structural deformation. Furthermore, it has been subject to minimal post-depositional leaching or weathering. According to Klein and Fink (1976), the Howells River area may well represent one of the least altered and best preserved sections of the Sokoman Iron Formation. Exploration work conducted in 2006 by NML shows distinct similarities between the Howells River/LabMag Property and the KéMag Property and WGM is in agreement with the Corporation in that Klein and Fink's descriptions also apply equally well to the Harris Lake area. Upper units intersected in drillholes often show pock marked features due to the weathering out of carbonates. Minor fractures in the rock throughout the sequence are often lined with a superficial layer of limonite, but no substantial zones of supergene enriched iron oxides/hydroxides have been identified.

The Sokoman Iron Formation is in turn overlain by the Menihek Formation, comprised of dark grey to black shales. Menihek Formation shales form the uppermost rock unit along the northeast margin of the KéMag Property and were intersected in 11 drillholes of the 2006 campaign.

No intrusives into the Knob Lake Group have been recognized on the KéMag Property.

Structure

Drilling results indicate that the Wishart and Sokoman Formations on the KéMag Property dip at about 5 to 7 degrees to the northeast, however, only three cross sections in the central part of the drilled area contain multiple drillholes. Core angles for bedding structures in the remaining drillholes appear to be in accordance with this interpretation of shallow dip. This dip is similar to that delineated on the much more densely drilled LabMag Property to the south. Therefore, it can be concluded that the KéMag iron formation most probably dips at a shallow angle, uniformly, to the north east.

The contacts between various sub-members are gradational. The GC unit occurring immediately under JUIF is distinctive and a good marker.

Deposit Types

The KéMag Deposit is an iron formation of the Lake Superior-type. Lake Superior-type iron formation consists of banded sedimentary rocks composed principally of bands of iron oxides, magnetite and hematite within quartz (chert)-rich rock with variable amounts of silicate, carbonate and sulphide lithofacies. Such iron formations have been the principal sources of iron throughout the world (Gross, 1996). Table 17 set out below, after Eckstrand, editor (1984), presents the salient characteristics of the Lake Superior-type iron deposit model.

Lithofacies that are not highly metamorphosed or altered by weathering are referred to as taconite. The KéMag Deposit is magnetite-rich taconite containing a lesser component of hematite.

Strongly metamorphosed taconites are known as meta-taconite or itabirite. The iron deposits in the Grenville part of the Labrador Trough in the vicinity of Wabush are meta-taconite.

TABLE 17 - DEPOSIT MODEL FOR LAKE SUPERIOR TYPE IRON FORMATION (after Eckstrand, 1984)

Commodities	**Fe (Mn)**
Examples: Canadian - Foreign	Knob Lake, Wabush Lake and Mont-Wright areas, Que. and Lab. - Mesabi Range, Minnesota; Marquette Range, Michigan; Minas Gerais area, Brazil.
Importance	Canada: the major source of iron. World: the major source of iron.
Typical Grade, Tonnage	Up to billions of tonnes, at grades ranging from 15 to 45% Fe, averaging 30% Fe.
Geological Setting	Continental shelves and slopes possibly contemporaneous with offshore volcanic ridges. Principal development in middle Precambrian shelf sequences marginal to Archean cratons.
Host Rocks or Mineralized Rocks	Iron formations consist mainly of iron- and silica-rich beds; common varieties are taconite, itabirite, banded hematite quartzite, and jaspilite; composed of oxide, silicate and carbonate facies and may also include sulphide facies. Commonly intercalated with other shelf sediments: black
Associated Rocks	Bedded chert and chert breccia, dolomite, stromatolitic dolomite and chert, black shale, argillite, siltstone, quartzite, conglomerate, redbeds, tuff, lava, volcaniclastic rocks; metamorphic equivalents.
Form of Deposit, Distribution of Ore Minerals	Mineable deposits are sedimentary beds with cumulative thickness typically from 30 to 150 m and strike length of several kilometres. In many deposits, repetition of beds caused by isoclinal folding or thrust faulting has produced widths that are economically mineable. Ore mineral distribution is largely determined by primary sedimentary deposition. Granular and oolitic textures common.
Minerals: Principal Ore Minerals - *Associated* Minerals	Magnetite, hematite, goethite, pyrolusite, manganite, hollandite. - Finely laminated chert, quartz, Fe-silicates, Fe-carbonates and Fe-sulphides; primary or metamorphic derivatives
Age, Host Rocks	Precambrian, predominantly early Proterozoic (2.4 to 1.9 Ga).
Age, Ore	Syngenetic, same age as host rocks. In Canada, major deformation during Hudsonian and, in places, Grenvillian orogenies produced mineable thicknesses of iron formation.
Genetic Model	A preferred model invokes chemical, collodial and possibly biochemical precipitates of iron and silica in euxinic to oxidizing environments, derived from hydrothermal effusive sources related to fracture systems and offshore volcanic activity. Deposition may be distal from effusive centres and hot spring activity. Other models derive silica and iron from deeply weathered land masses, or by leaching from euxinic sediments. Sedimentary reworking of beds is common. The greater development of Lake Superior-type iron formation in early

TABLE 17 - DEPOSIT MODEL FOR LAKE SUPERIOR TYPE IRON FORMATION (after Eckstrand, 1984)

Commodities	**Fe (Mn)**
	Proterozoic time has been considered by some to be related to increased atmospheric oxygen content, resulting from biological evolution.
Ore Controls, Guides to Exploration	1. Distribution of iron formation is reasonably well known from aeromagnetic surveys. 2. Oxide facies is the most important, economically, of the iron formation facies. 3. Thick primary sections of iron formation are desirable. 4. Repetition of favourable beds by folding or faulting may be an essential factor in generating widths that are mineable (30 to 150 m). 5. Metamorphism increases grain size, improves metallurgical recovery. 6. Metamorphic mineral assemblages reflect the mineralogy of primary sedimentary facies. 7. Basin analysis and sedimentation modelling indicate controls for facies development, and help define location and distribution of different iron formation facies.
Author - G.A. Gross	

The deposits at Schefferville, which were mined by IOCC prior to mine shutdown in 1982, are supergene residual deposits formed by the leaching of silica and the concentration of iron oxides from what was originally taconite (also called "protore"). Lake Superior–type taconite deposits have not been mined in Canada, but are a major part of the iron mined in the Great Lakes region of the United States. Salient characteristics of ores from the Mesabi Range mines are listed in Table 18 below.

TABLE 18 - COMPARISON OF CURRENT AND PAST PRODUCING TACONITE MINES

Mine-Deposit	Location	Crude		SR Waste:Ore	Concentrate %Wt Recovery
		% TFe	% MagFe		
Butler	Minnesota	32.4	22	0.3	32
Minntac USS	Minnesota		20	0.66	28
Hibbing Taconite	Minnesota		19	0.71	29
Northshore Mining	Minnesota		24	0.11	32.5
Ispat (formerly Inland)	Minnesota		24	1.3	32
Keewatin Taconite (formerly National Steel)	Minnesota		19	0.42	28
Empire	Michigan	34	21		31

Source: Skilling Review 2000, 2002, 2003, WGM files SR: Stripping Ratio waste:ore, tons to tons

For iron formations to be mined economically, iron content must generally be near 30%, but also the iron oxides must be amenable to concentration (beneficiation) and the concentrates produced must be low in manganese and deleterious elements such as silica, aluminium, phosphorus, sulphur and alkalis. For bulk mining, the silicate and carbonate lithofacies and other rock types interbedded within the iron formation must be sufficiently segregated from the magnetite.

Mineralization

The KéMag iron formation consists mostly of recrystallized chert and jasper with bands (beds) and disseminations of magnetite. Some martite, a type of hematite pseudomorphic after magnetite, may also occur. Fink (1972) reports that martite is the second most common iron oxide present at Howells River, but no mineralogical study has been completed for the KéMag deposit so identifications are tenuous. Hematite is also present in the KéMag deposit, but it is not economic because it will not be recovered by the magnetic beneficiation process proposed. Other gangue minerals are present and these are mostly iron silicates and

carbonates. The iron silicates may mainly be minnesotaite and stilpnomelane but mineralogical studies are required to be definitive. Chamosite is also mentioned in the drill logs. The Corporation drill logs report occasional narrow bands (beds) and blebs of cream coloured carbonate which is likely siderite. Klein and Fink (1976) provide a detailed description of the mineralogy of the Sokoman Iron Formation at Howells River.

Magnetite and gangue concentration is dominantly controlled by sub-member geology and hence stratigraphy, but other controls are also evidently in-force because a simple stratigraphic interpretation, defined by sub-member stratigraphy, fails to completely explain variations in iron and magnetite concentration. The PGC sub-member consistently contains the highest concentrations of magnetite. LC and JUIF also contain higher concentrations of magnetite, while hematite is most common in LRC, URC and JUIF sub-members. Silicate iron minerals are most prevalent in LC, just beneath the Menihek Formation, and in LIF. Silicate iron minerals also give GC, the lowermost sub-member of UIF, its defining colour. Siderite is common in LC and LIF sub-members and manganese carbonates are also likely present. Calcite fills some fractures. Goethite and limonite are also common as fracture facings and are likely due to percolating groundwater, but no significant concentrations of iron hydroxides have been identified.

The portion of the KéMag Property that has been explored by diamond drilling has a strike length of 9.5 km, oriented northwest-southeast, and iron formation is present along this entire length and continues beyond the Property boundary. The formations dip to the northeast, and to a large extent, the magnetite concentration as described above is controlled mostly by the formational sub-member stratigraphy and large and small-scale sedimentary processes. To the northeast, the Sokoman dips under the Menihek shale.

Exploration

2005 Exploration Program

In the summer of 2005, a preliminary mapping and outcrop sampling program was undertaken in the Lac Harris area, by the Corporation using a fly-in, fly-out camp. The mapping revealed the boggy nature of the area with few outcrops. A few scattered outcrops of MIF and LIF were mapped and sampled near the south end of the KéMag Property. Table 19 below provides the sample locations and the analytical results for the 2005 program. The table also includes results for samples collected during 1950 by IOCC.

TABLE 19 - RESULTS OF OUTCROP SAMPLING IN 1950 AND IN 2005

Sample	Rock Type	UTM[(1)] Easting	UTM Northing	Sample %Fe	Concentrate		
					DTWR	%Fe	$\%SiO_2$
By IOCC In 1950							
2115	PGC	600410	6104960		34.8	71.2	
2116	PGC	600380	6104890		51.9	69.4	
2117	PGC	600290	6104960		39.5	65.9	
2118	PGC	600220	6104890		34.4	68.2	
2119	LRC	600000	6104520		26.6	67.0	
By NML In 2005							
2099	LIF	596421	6111278	25.11	9.5	70.18	2.69
2100	LIF	595909	6112474	29.07	25.0	64.76	9.69
2104	LRC	596671	6109602	30.12	9.0	70.63	1.93
2105	PGC	596331	6109618	33.13	35.5	68.67	4.20
2106	LIF	599213	6104677	25.60	8.5	68.00	5.84
2107	LRC	599306	6104769	30.87	21.5	68.67	4.19

(1) - Based on NAD83

In the summer of 2006, exploration continued in the form of a drilling campaign, the results of which are presented in the following section.

Drilling

2006 Drilling Program

The 2006 drilling program was initiated by NML to check airborne anomalies outlined by others during the 1950s and again in 1971. Since there are no significant exposures of iron formation on the KéMag Property, drilling is the only means of obtaining subsurface information.

A total of 3,633.6 m in 29 holes was drilled on the KéMag Property in 2006, of which 2,224.7 metres intersected the iron formation.

The drilling contractor was Heath & Sherwood (1986) Inc. of Kirkland Lake, Ontario, which provided two JKS 300 diamond drills. Due to the ground conditions, a helicopter had to be used to move the drills to the sites, to move between holes and to provide crew transportation. Canadian Helicopters Ltd of Goose Bay, Newfoundland and Labrador provided a B2 helicopter for the duration of the program.

The drilling started on June 9, 2006 and concluded on October 14, 2006. All of the drill holes were drilled vertically and ranged in length from 59m to 186m. Core size for most drilling was BTW (42mm diameter) and BQ (36.4mm diameter). Holes were spotted using a GPS receiver. No down-hole directional or geophysical surveys were carried out.

At the end of the program all the drill holes were surveyed by N. E. Parrott Surveys Ltd. of Happy Valley, Goose Bay, NL. Originally the drilling was to be at the intersection of lines spaced 1,000 metres apart and section lines 500 metres apart. However, due to boggy conditions, it was not possible to adhere to the planned grid. Moreover,

due to mechanical problems and inefficient crews, the drilling was suspended from August 14 to September 7, 2006. The subsequent revised drilling program fell short of the initial objective. Table 20 below provides a list of the 2006 drillholes and their coordinates. One casing was left in place while all others were pulled.

TABLE 20 - 2006 DRILLING SUMMARY

Drillhole No.	Depth (m)	Northing	Easting	Elevation (m)
06HL1001D	60.0	6104795.473	599873.605	570.504
06HL1002D	100.0	6105515.808	600092.021	544.552
06HL1004D	88.0	6106444.278	599631.132	546.417
06HL1006D	126.0	6107343.685	599124.899	544.729
06HL1008D	108.0	6108280.094	598587.663	539.884
06HL1009D	120.0	6108868.847	598643.764	536.852
06HL1010D	59.0	6109208.910	598094.605	537.771
06HL1011D	160.0	6110514.685	598324.732	536.006
06HL1013D	150.0	6109863.995	598296.350	536.177
06HL1015D	60.0	6109171.311	598625.223	535.743
06HL1016D	147.0	6111925.544	596626.948	537.476
06HL1018D	156.3	6110875.772	598056.782	535.218
06HL1019D	168.0	6111225.263	597529.774	535.833
06HL1021D	159.0	6111555.292	597161.146	534.069
06HL1022D	153.0	6112491.273	596468.243	534.251
06HL1023D	160.8	6112910.412	596055.189	534.473
06HL1026D	105.0	6107914.372	599089.348	537.263
06HL1027D	104.0	6107026.263	599581.512	538.095
06HL1028D	150.0	6110776.976	598899.533	536.953
06HL1029D	142.5	6109687.094	598458.217	535.420
06HL1030D	111.0	6109543.605	598176.371	537.748
06HL1031D	71.0	6109401.778	597938.720	535.620
06HL1037D	186.0	6110334.823	598527.613	535.972
06HL1038D	153.0	6110168.620	598246.812	536.399
06HL1039D	99.0	6110022.140	597970.935	535.959
06HL1040D	111.0	6109804.740	597646.642	535.428
06HL1042D	156.0	6110493.338	598094.909	536.904
06HL1047D	150.0	6110579.663	597950.481	536.162
06HL1048D	120.0	6110446.000	597723.000	536.000

Total: 29 holes for 3,633.6 m

Note: Coordinates are NAD 83

2006 Drilling Results

The drilling done in 2006 indicated that the seven economic stratigraphic horizons are similar to those occurring at the LabMag deposit in the Howells River area. The overall thickness of the iron formation remains the same as in the Howells river area, but there are some minor changes in the individual thicknesses and in the magnetite content. The LC unit has very lean sections at the upper levels and the JUIF unit is thin but shows higher magnetite content in certain sections. The LRC unit for the most part grades into LRGC and as expected, the PGC unit shows higher %DTWR and higher concentrate silica. Structurally, the taconite beds are dipping at the same average 6º towards the east. From the drill core no discernable fault or shear zones could be observed.

2007 Drilling Program

The 2007 program, during which 45 holes were drilled for a total of 4884.5m, was a follow-up of the 2006 program with the objective of completing the drilling in the regular adopted pattern of a 250 m x 300 m grid. This

was accomplished in the northern part of the deposit but in the southern part, the drilling continued in the same pattern as used in 2006.

The drilling contractor was CABO Drilling (Ontario) Corp., 34 Duncan Ave. North, Kirkland Lake, Ontario, P2N 3L3. Canadian Helicopters Ltd. of Goose Bay, NL, again provided a B2 helicopter for the duration of the program, to move drills and their crews to different sites. Drilling started on July 18 and concluded on October 17, 2007.

As in 2006, N. E. Parrott Surveys Ltd. of Happy Valley, Goose Bay, NL surveyed all the drill holes at the end of the program. Table 21 below provides a list of the 2007 drill-holes and their coordinates.

In the 2007 program, 720 drill core samples were collected and sent to MRC for analysis and testing. As an internal check on the analysis, 71 duplicate samples were also sent to MRC. One duplicate sample was sent to Lerch Bros Laboratory in USA for conducting DTWR simulation (MRC) tests.

TABLE 21 - 2007 DRILLING SUMMARY

Hole No.	Depth (m)	Northing	Easting	Elevation (m)
HL1003D	60	6109947.81	597403.25	536.65
HL1005D	60	6110190.45	597334.32	536.53
HL1007D	185.3	6110753.18	598214.36	535.39
HL1012D	30	6110279.79	596995.81	548.39
HL1014D	75	6110439.38	597247.59	536.45
HL1015D	62	6109171.33	598625.26	535.79
HL1017D	120	6110635.64	597586.21	535.76
HL1020D	165	6110774.50	597819.40	536.57
HL1024D	95	6110889.01	597134.33	535.68
HL1025D	50	6110506.55	596883.77	550.02
HL1032D	145	6110966.70	597647.74	536.56
HL1033D	120	6110812.49	597387.21	535.84
HL1034D	100	6110661.98	597142.94	538.82
HL1035D	189.4	6111120.18	597902.83	534.42
HL1036D	170	6110040.60	598515.66	536.08
HL1041D	110	6109706.30	597981.40	535.27
HL1043D	140	6111045.03	597301.42	535.88
HL1044D	140	6110221.88	597795.55	535.77
HL1045D	65	6111076.45	596857.47	540.34
HL1046D	120	6111235.03	597125.46	535.38
HL1049D	167	6111396.52	597377.09	535.30
HL1050D	110	6111400.71	596904.47	539.21
HL1051D	50	6109557.06	597720.20	535.34
HL1052D	41	6109051.85	597837.56	536.55
HL1053D	110	6109360.08	598332.56	538.32
HL1054D	50	6108945.66	598139.12	537.77
HL1055D	90	6109069.96	598379.37	539.29
HL1056D	150	6105588.00	600915.00	
HL1057D	150.2	6105471.93	600640.25	536.25
HL1059D	112	6105317.59	600365.80	538.56
HL1060D	85	6105137.79	600102.78	550.66
HL1061D	65	6105001.74	599860.13	560.76
HL1062D	161	6109573.41	598732.03	534.84
HL1063D	140	6105980.50	600365.90	534.90
HL1064D	110	6105762.57	600138.28	542.31

TABLE 21 - 2007 DRILLING SUMMARY

Hole No.	Depth (m)	Northing	Easting	Elevation (m)
HL1065D	90	6105602.58	599868.86	546.15
HL1067D	134	6106319.95	600156.04	535.75
HL1068D	110	6106204.24	599898.12	542.53
HL1069D	80	6106003.68	599590.95	548.21
HL1071D	72	6106638.00	599671.00	
HL1072D	90	6106491.00	599412.00	
HO1074D	175	6107030.00	600320.00	
HL1075D	160.5	6106533.26	600513.22	535.01
HL1076D	75.2	6106283.00	600892.00	
HL1077D	104	6106794.00	599797.00	
Total: 45 holes for 4,883.6m				

2007 Drilling Results

Logging and subsequent analytical results of the drill core samples indicated no major changes in stratigraphy or the mineralogical characteristics of the seven economic units.

Structurally, the units are dipping at 8º towards east at the northern part and around 6º in the southern part of the deposit. The deposit is narrow and shallower in the central part, while deeper and wider in the southern and northern parts, indicating the presence of two shallow basins separated by a plateau region in the central part of the deposit.

2008 Drilling Program

From March 5 to April 30, 2008, CABO Drilling (Ontario) Corp continued drilling on the southern part of the KéMag deposit, to confirm that the eastern extension of the deposit lies under Lac Harris and Lac de la Frontière and the swampy grounds to the south. In this program, 15 holes were drilled on lines spaced 250 m apart for a total of 2216m. Holes were spotted using a GPS receiver and were surveyed by N. E. Parrott Surveys Ltd. of Happy Valley-Goose Bay, NL.

A total of 291 samples were collected for testing and analysis. The samples were analyzed at MRC and at SGS, Lakefield, Ontario, Canada. Table 22 below provides a list of the 2008 drill-holes and their coordinates.

TABLE 22 - 2008 DRILLING SUMMARY

Hole No.	Depth (m)	Northing	Easting	Elevation (m)
HL1078A	114.2	6106840	601006	537
HL1078D	218.4	6106835	600994	537
HL1079D	140.0	6105770	600630	536
HL1080D	162.0	6105920	600890	536
HL1081D	165.0	6106230	600930	536
HL1082D	155.0	6106080	600670	536
HL1083D	148.0	6106670	600200	535
HL1084D	148.0	6106880	600090	535
HL1085D	140.0	6106220	600400	536
HL1086D	173.0	6106830	600460	536
HL1087D	130.4	6107066	599964	535
HL1088D	148.0	6107340	599860	535
HL1089D	158.0	6107220	600140	535
HL1090D	141.0	6107530	599700	535

TABLE 22 - 2008 DRILLING SUMMARY

Hole No.	Depth (m)	Northing	Easting	Elevation (m)
HL1091D	75.0	6107490	600110	535
Total: 15 holes for 2,216m				

2008 Drilling Results

The results of the drilling confirm that the ore body continues beyond the western shores of Lac de la Frontière, dipping at angles of 6° to 8° towards the east, and that the stratigraphy, mineralogy and structure are similar to the other parts of the KéMag deposit. The results of the analyses confirm the overall geological grade of the deposit at 31.2% TFe, although the DTWR for units JUIF, PGC and LRC are lower than those for the western half of the deposit even though they show high total Fe values. These units occurring between LC and LRGC have an average thickness of 23.3m. The reason for the lower DTWR is martitization, i.e. oxidation of the magnetite, but the extent of the area of oxidation remains to be defined.

On October 25, 2011, the Corporation announced the initial drill core assay results from its 100% owned Lac Ritchie property and provided an update on its 2011 drilling program for taconite magnetic anomalies as well as the processing of KéMag bulk samples for the Taconite Project feasibility study. Initial assay results received to date represented 6 out of 40 holes drilled during the summer of 2011. The Corporation integrated the drill core analysis results into a geological block model for resource determination and classification by SGS Canada. Two drills were moved south to drill the Labrador taconite anomalies owned 100% by the Corporation.

The exploration drilling was completed at the Lac Ritchie property after drilling 40 holes for a total of 3,808 m. The holes were drilled on seven sections spaced 1 km apart. Three to seven holes, approximately spaced 500 m apart, were drilled on each section line. The drill core samples, half cores in average 6 meters long, are being sent on a regular basis to MRC for analysis and testing. The core is assayed for TFe and the magnetite concentrate is produced using the Davis Tube and given as DTWR %. The magnetite concentrate is analyzed for iron and silica. Some selected samples will be assayed for other elements. Test and assay results received to date indicate that the top stratigraphic layer (LC) is the minable unit. Thickness varies between 0 to 87 m, and averages 50 m. The unit shows an average assay results as outlined below, based on the analysis received to date with DTWR cutoff above 16%.

Total samples/meters	Total Fe%	DTWR%	DT Concentrate Fe%	DT Concentrate SiO_2%
61/361	31.41	30.18	67.98	4.20

Sampling and Analysis

Core Handling Procedures

At the drill site, the drill core was extracted from the core barrel and was laid out by the drill contractor in three-compartment, 4.6 m capacity core boxes. Each core box was clearly marked by the drill assistant/helper with the hole number, the box number and the starting and ending meterages for each box. Blocks recording hole depth in metres were inserted at the termination of each 3 m drill core run. The core box remained capped all the time when not receiving the core. When the box was full, it was capped and secured at both ends. All full core boxes were delivered to the core storage facility in Schefferville and stacked outside at the end of each shift.

The core boxes received at the core storage building were sorted by hole and stored in the building until required by the geologists. The boxes were transferred as complete holes to the core logging facility, as requested by the logging geologists.

Following logging and splitting, the core trays containing the split half core saves were returned to the core storage facility for permanent storage on the racks. A metal tag identifying the hole number and the box number was affixed to one end of each core tray.

Logging and Sampling Procedures

At the request of the core logging geologist, the core boxes for a complete hole were opened from the top of the hole and laid out on the logging tables five boxes at a time. The core was then checked to confirm that the entire core for the hole was present. If required, the core was cleaned with a brush and water prior to logging.

The descriptive core logging procedure begins with the recording of the overburden depth and identification of the stratigraphic units based on the mineralogical assemblage. The overall thickness, magnetism, texture, colour of the chert bands and structural characteristics such as bedding thickness, banded and or massive nature of the units, fault zones are all determined and described.

Rock Quality Designation ("RQD") logging is also done at the same time as the descriptive logging. RQD measurements are made for the entire length of the core. The core recovery percentage is measured and the core loss intervals are recorded. Once the contacts between the stratigraphic units are established, they are clearly marked and a tag is inserted delineating the unit contacts.

The core logging geologist then selects and marks the sampling intervals on the core and also places a tag showing the hole number, sample number, sample interval, the starting and ending depth, at the end of the sample interval in the core tray. Each stratigraphic unit is sampled separately, with sample lengths varying from 1.6 m (5 ft) to a nominal maximum of 9.1 m (30 ft). All units (LC, JUIF, GC, URC, PGC, LRC, LRGC and LIF) were sampled except MS and RF. Even though LIF is considered waste, it was sampled. The sampling interval was based on the extent of magnetite/hematite mineralization and the width of lean cherty zones. If the lean iron oxide zones exceed 3 m they were sampled separately, however, individual sample lengths seldom exceed 6 m in both mineralized and waste zones.

Once the sampling intervals are clearly marked, magnetic susceptibility measurements are taken at 0.3 m intervals along the core for each sample length. This procedure of selecting sample intervals is followed for the entire length of the hole. Each set of core trays is also digitally photographed by the logging geologist. The core is then sent for splitting and sampling.

All logging and sample descriptions are recorded on paper forms for later transfer to MSExcel spreadsheets.

The cores are split using a standard manual (impact) core splitter and the half core for assaying is placed in a canvas sample bag with a tag showing the hole number, sample number, sample interval, sample width and the analysis required. The sample bags are tied properly along with a tag showing the hole number, sample number and the sample interval. All the collected samples are sent in wooden boxes to the processing laboratory every two weeks.

The split half save of the core is placed in the original core tray, and the core trays are returned to the core storage building.

Sample Preparation, Assaying and Security

Assaying and Testwork

From the 2006, 2007 and 2008 drilling programs, a total of 1,570 samples, including 88 check samples, were sent to MRC for chemical and Davis Tube analysis. The following test work and sample analyses were completed:

- Head assay for TFe;

- Determination of %DTWR on -325 mesh DT concentrates;
- Determination of iron and silica in all DT concentrates.

The entire LIF drill core was sampled. Table 23 below summarizes the cores submitted in the three sampling programs.

TABLE 23 - SUMMARY OF CORE SAMPLES SUBMITTED TO MRC IN 2006, 2007 AND 2008

	Number of samples						No. of DT Tails
No. of check samples included	Total. Fe% %DTWR, DT Conc. Assays for Fe and SiO_2	DT Conc. ICP-12	CrudeFor Fe++	DT Conc. For Fe++	Crude For LOI	Crude For SG	Assay For Fe
88	1,570	866	115	100	100	106	75

In addition, 21 samples on three fractions (Crude, DT Concentrate and DT Tails) were analyzed for trace elements and sulphur.

MRC's sample preparation and analysis procedure consisted of the following steps:

- Individual core samples crushed to ⅜" with a 4"x6" jaw crusher;
- Split 1,500 g for test work;
- Save the balance;
- Roll crush 1,500 g to 100% -10 mesh;
- Split 50 g for Davis Tube test and Head sample analysis;
- Save the balance;
- Stage grind 50 g to -325 mesh as per MRC procedure (Hanna Procedure);
- DT % Weight Recovery test on 25-30 g sample as per the procedure provided by MRC (Hanna Procedure);
- Analyze DT concentrate sample for Tfe and SiO2; (non-mercury titrimetric method for total iron; SiO2 determination using hydrofluoric acid); and
- Analyze Head sample for Tfe; save the balance.

The security measures to protect the samples' integrity were adequate and consisted in identifying sample bags with drill hole name, From, To and sample number, referencing sample locations in core boxes and direct shipment of sample bags containing half core pieces to the MRC laboratory. No sample preparation was done on site. MRC is holding the sample rejects until further notice from NML.

Quality Assurance/Quality Control Program ("QA/QC")

NML QA/QC Program

In 2006, in order to control the quality of the laboratory results, NML selected a total of 13 samples from selected drill hole intersections to be re-assayed on a "blind-test" at MRC. The samples were taken from the remaining half core and were assigned a new drill hole name and a new sample number and were sent in the stream of sample bags. For the same reason and in a similar fashion, 71 check samples were submitted in 2007 and a further 4 were submitted in 2008.

MRC QA/QC Program

MRC had its own internal QA/QC "blind assaying" program in which samples were randomly selected and re-assayed. The details of the MRC QA/QC protocol are as follows:

- Run standards at the start of procedure to calibrate the test /equipment.
- 4% of samples are submitted by management as blind samples by following the procedure outlined below to check the analytical accuracy of the work:
    - Randomly pick pulp to be assayed and place in an envelope.
    - Assign a new number.
    - Record old and new numbers in a folder that is not in the lab.
    - Submit for analysis.
    - Record old and new assays for comparison purposes.

In 2006, SGS Canada received check results of 10 head check assays and 10 concentrate assays. Although the total of 20 checks represents 4% of the samples, comparisons were actually made of groups of 10 samples, or 2% of the sample set. MRC also sent 60 selected samples to be checked by an external laboratory, Lerch Brothers Inc. of Minnesota.

Check Sampling

Results of NML Check Sampling

In 2006, although there was only a very limited set of 13 check samples, the check results reported consistent values with the exception of sample 4953 where a 14.41% Tot. Fe sample returned a check value of 33.02% Tot. Fe. NML requested re-assays of sample 4953 and its blind counterpart and the new assays showed more realistic results. It was assumed that the original assay of sample 4953 was erroneous and passed through MRC internal quality control procedures.

Results of MRC Internal Check Sampling

As mentioned in previously, MRC has an internal QA/QC blind assaying program in which samples are randomly picked, renumbered and re-inserted in the stream of samples. This check sampling was done on the prepared original pulps and no check assaying was done on the rejects. In 2006, a total of 20 check assays were selected, 10 for head assays and 10 for Davis Tube concentrates. MRC concluded that all check assays returned values well within normal ranges and that no significant bias was observed.

Results of Lerch Brothers Inc. Check Sampling

In 2006, a selection of 60 sample pulps was sent from MRC to the Lerch laboratory for an external assaying check. 29 pulps were assayed for Fe in head and 30 pulps were assayed for Fe in concentrate. In this case again, the number of pairs was small and more control samples would be required to be more conclusive. In reviewing the results of the Lerch assays, SGS Canada's findings were that:

- %Fe in head does not present a statistical bias.
- %Fe in concentrate and %SiO2 in concentrate do present a bias.

However, although a bias seems to exist, it is a small one, -0.6% on an average of 69% for Fe in concentrate and +10.9% on an average of 3% for SiO_2% in concentrate. SGS Canada recommended increasing the number of pairs in each group and further investigating the potential bias between the two laboratories in future sampling

campaigns. The biases had no impact on the current mineral resource estimates because they were based solely on %DTWR but SGS Canada considered that, for future campaigns, the subject of bias should be addressed by the laboratories concerned.

Overall Result of Check Sampling

The detailed results of check sampling are given in the Geostat Technical Report . Except for the group of 30 samples sent to Lerch, which was a minimum in its opinion, SGS Canada could not derive significant conclusions as to whether or not the assays were biased. As noted above, the Lerch sample groups did present a bias for Fe and SiO_2 in concentrate which, although not large, was considered statistically significant. SGS Canada recommended increasing the number of check assays and investigating the potential bias source in future sampling campaigns.

SGS Canada also noted that DTWR was not internally checked at MRC or at Lerch. Only the NML blind half-core check samples were checked. Since DTWR is a critical component of the mineral resource, being the element on which the cut-off grade is applied, SGS Canada recommended adding DTWR to its QA/QC program.

SGS Canada's opinion was that although there did not appear to be a bias, the small number of pairs compared could not lead to a significant conclusion as to bias.

In conclusion, SGS Canada considered that the quality of the samples used was sufficient to support mineral resource estimation and a classification of the resources at the Indicated level but that a more extensive QA/QC program will be required to support the estimation of Measured Resources.

Data Verification

BBA Senior Metallurgist John Dinsdale visited the site in November, 2008. It was not possible to access the mine site because of the bad weather conditions but an inspection was made of the drill core still in storage in Schefferville. IOCC's abandoned mines in the area, the electrical substation, the northern terminal of the Tshiuetin Railway and other infrastructure and facilities in the town of Schefferville were also visited.

BBA was not required to complete any validation drill core sampling because independent validation was already completed by SGS Canada for its Mineral Resource estimate.

Adjacent Properties

The LabMag deposit located approximately 18 km south of the KéMag Property in Newfoundland and Labrador owned by the Partnership, in which NML holds an 80% interest, is an extension of the KéMag Property. A positive pre-feasibility study was completed for the LabMag Property in 2006.

Mineral Resources for the LabMag or Howells River Deposit are summarized in Table 24 below.

TABLE 24 - HOWELLS RIVER IRON DEPOSIT - 2007 MINERAL RESOURCE ESTIMATE (using a DTWR cutoff grade of 18%)

Block	Resource Classification	Tonnes (Millions)	%DTWR	%Fe Head	%Fe DTC	%SiO_2 DTC
A	Measured	2,088	26.5	29.6	69.6	2.5
	Indicated	56	24.1	28.5	69.9	1.7
	Measured + Indicated	**2,144**	**26.5**	**29.6**	**69.6**	**2.5**
	Inferred	529	25.5	29.6	69.3	2.1

TABLE 24 - HOWELLS RIVER IRON DEPOSIT - 2007 MINERAL RESOURCE ESTIMATE (using a DTWR cutoff grade of 18%)

Block	Resource Classification	Tonnes (Millions)	%DTWR	%Fe Head	%Fe DTC	%SiO_2 DTC
B	Measured	1,680	25.7	29.5	70.3	1.8
	Indicated	71	23.4	27.7	70.5	1.7
	Measured + Indicated	**1,751**	**25.6**	**29.4**	**70.4**	**1.8**
	Inferred	390	25.6	29.2	70.3	1.8
C	Measured	-	-	-	-	-
	Indicated	695	25.2	29.2	70.2	1.9
	Measured + Indicated	695	25.2	29.2	70.2	1.9
	Inferred	233	26.5	28.9	69.8	1.9
Total	**Measured**	**3,768**	**26.1**	**29.6**	**69.9**	**2.2**
	Indicated	**822**	**24.9**	**29.0**	**70.2**	**1.9**
	Measured + Indicated	**4,590**	**25.9**	**29.5**	**70.0**	**2.2**
	Inferred	**1,151**	**25.7**	**29.3**	**69.7**	**2.0**

Note: Data is adapted after NML Press release dated 11 July 2007.

The Corporation is aware that exploration for similar types of iron deposits in the immediate area has been, or is being, carried out as follows:

- NML itself is carrying out exploration work for its DSO Project, whereby it will process and ship Direct Shipping Ore from deposits in the Schefferville area that were previously mined by IOCC.
- Labrador Iron Mines Ltd. is also developing a similar project to sell Direct Shipping Ore from deposits in the Schefferville area that were previously mined by IOCC.
- The current iron ore mining areas at Wabush, Labrador City and Mont-Wright are within 250 km of the KéMag Property.
- Bedford Resource Partners (Bedford) staked 99 claims in north central Québec, 160 km north of Schefferville in the spring of 2005. The claims cover the Lac Otelnuk iron ore deposit, comprised of meta-taconite.

The area is also being actively prospected for poly-metallic deposits. Active in this sphere are:

- Metco Resources Inc. who announced in 2004 a planned exploration program for gold and polymetallic massive sulphides on Lac La Touche and Lac Gauthier properties some 50 km east-northeast of Schefferville.
- Virginia Gold Mines Inc. who are exploring for gold, uranium, nickel and platinum group metals on properties 275 km northwest of Schefferville.

Metallurgical Testing

Liberation tests, including Davis Tube and grindability testing, were performed by MRC on fourteen diamond drill core samples from the NML 2007 and 2008 drilling campaigns. Samples were then tested according to standard MRC procedures to provide indicators of the liberation and grindability characteristics of the samples tested. Test results showed that the average deposit properties are amenable for processing and that a grind of 86.2% -325 mesh (45 µm) would produce a concentrate with the targeted 3% SiO_2 content.

A 3.9 tonne sample of the KéMag ore was sent to SGA Germany for small scale pilot plant testing. The test work showed that a final concentrate for a blast furnace feedstock with about 3.0% SiO_2 and a total weight recovery of roughly 26% is achievable by regrinding, screening and wet low intensity magnetic separation at Blaine values of about 2300. Further testwork showed that a final concentrate analyzing 1.6% SiO_2 could be obtained following a reverse flotation stage. Results from this test program are only indicative since the small size of the head sample meant that equilibrium operating conditions were not always achieved.

Based on the results of the metallurgical testing, a projected weight recovery of 28% was used in the financial evaluation. Testwork for the similar LabMag Deposit demonstrated that good quality pellets could be produced to meet the required market specifications. Concentrate produced during the SGA test run with KéMag ore will be used for confirmatory pelletizing tests.

Mineral Processing

The flowsheet for the KéMag concentrator is based on the bench and pilot scale metallurgical tests for the adjacent LabMag Deposit and confirmatory testwork with material from the KéMag deposit. The concentrator is designed to process an average of 76 Mtpy of ore to produce 21.2 Mtpy of concentrates at a grade averaging 69.1% Fe over the 25 year operation. Iron concentration is based on wet magnetic separation, a process used successfully in concentration of similar deposits in the Mesabi Iron Range in Minnesota, USA.

The concentrator flowsheet is designed to recover only the magnetite, as hematite is considered too fine to be economically recovered. Overall iron recovery is therefore 60.5% and tailings grade will average 16.7% Fe.

The concentrator flowsheet and mass balance has been detailed to a level to support equipment sizing and selection. Most of the unit operations and conceptual designs that have been incorporated are standard practices for the industry and operations in the region. Work will be necessary to confirm some of the processing requirements, especially with the screening and de-sliming operations and solid-liquid separations on the fine particle size of the process streams, in preparation for the final feasibility study.

Based on this work, the final product quality is shown in Table 25 below:

TABLE 25 - PELLET QUALITY

	Acid Pellets with 1% Limestone	Fluxed Pellets with Basicity of 0.7*
Fe(%)	66.8	66.5
SiO_2 (%)	3.58	3.63
Compression (kg)	290	266
Tumble	96.9	96.9
Dynamic LTD**	93.1	85.9

* defined as CaO/SiO_2

** low temperature disintegration

Concentrator

Ore from the mine will be crushed using primary gyratory crushers and secondary cone crushers, stockpiled, then fed to nine parallel processing lines. The ore will first be ground finer using roller presses operated in closed circuit with wet vibrating screens. The liberated magnetic mineral will be recovered from the screen undersize product using three stages of magnetic separators with the second stage of separators operated in closed circuit with screens and regrind ball mills. Concentrate from the final separator stage will be screened and dewatered in thickeners. The underflow from the concentrate thickeners will be pumped to storage tanks at the head of the pipeline. The non-magnetic product from each of the separator stages will be fed to tailings thickeners or in the case of coarse material from the first separator stage directly to the tailings pumpbox. The underflow from the

tailings thickeners will be pumped to the tailings pumpbox and the combined tailings stream pumped to the disposal area. The overflow from the concentrate and tailings thickeners will be collected in the process water reservoir and recirculated in the process.

Pipe Line

From the concentrate storage tanks, slurry will be pumped at 65% solids density through a 750 km long pipeline to storage tanks at the Pointe-Noire installations. A booster pumping station will be provided 475 km down the line. The pipeline will be buried to prevent freezing and repair kits with the necessary excavation and other equipment will be pre-positioned at strategically-located points along the pipeline.

Pointe-Noire Facilities

The concentrate received at Pointe-Noire will be sufficiently fine to be used as balling feed material without the need for further grinding. Two independent dewatering, balling, indurating and load-out processing lines will permit production of two different types of pellet if required. The concentrate slurry will be dewatered, firstly in thickeners and secondly in pressure filters, to provide a filter cake with a moisture content suitable for balling. Bentonite will be added to the filter cake as a binder. Balling discs operating in closed circuit with roller screens will provide a closely-sized greenball as induration feed.

Two straight-grate furnaces will have the capacity to produce 15 million tonnes per year of acid pellets. The furnaces will be oil-fired and will have variable speed fans and will be equipped with electrostatic precipitators to meet environmental standards.

Limestone and dolomite will be used as flux agents, either alone or in combination to meet a customer's required pellet quality.

For the production of DR grade pellets, concentrate will first be upgraded in a flotation plant. The required output of the circuit will be 5.0 million tonnes in a year but during the circuit's operating campaigns, it will produce upgraded concentrate at the rate of 7.5 million tonnes per year to match the throughput of one pelletizing line. Flotation reagents will be added to the circuit to obtain the required reduction of silica. Flotation concentrate will be thickened and pumped to the filter feed tank prior to balling. The flotation tailings will be pumped to a tailings pond where the solids will settle. Surface water at the pond will be returned to the main pellet plant process water reservoir. Excess water will be sent to a treatment plant for clarification and polishing.

The 7 million tonnes per year of concentrate produced exceeding the capacity of the pellet plant will be sold on the international market. To prepare the concentrate for storage and ship loading, the slurry will be dewatered in a thickener and will then be pumped to pressure filters. The resulting filter cake with a moisture content of 8% or less will be transferred by belt conveyor to the product stockyard.

Pellets will be stored in three rows of uncovered stockpiles with a total capacity of 3 million tonnes of pellets of four types. In addition there is storage space for 1.5 million tonnes of concentrate.

Ship loading facilities will consist of two separate berths and two shiploaders to permit the simultaneous loading of "Laker-size" and large ships. Ship loading will be at the rate of up to 16,000 tph on large ocean-going vessels and 4,500 tph on Laker-sized vessels.

Mineral Resource Estimate

This 2008 update of the resource model of the KéMag iron ore deposit follows an initial mineral resource estimation done by SGS Canada in March 2007. This mineral resource update takes into account the diamond drilling carried out during the winter of 2007 and 2008.

In 2006, NML drilled a total of 28 holes for a cumulative length of 3,574m. The 2007 drilling program consisted of 45 diamond drill holes for a cumulative length of 4,964m. In 2008, the drilling program consisted in 15 holes drilled in winter conditions over Lac Harris and in swampy areas for a cumulative length of 2,216m. A total of 10,774m of drilling in 88 holes were used for this mineral resource estimate.

The LabMag deposit is composed of a series of strata or seams slightly dipping (6°) to the north-east. The seams lie flat, without significant deformation. The following layers are considered mineralized: LC, JUIF, GC, URC, PGC, LRC and LRGC. Two other seams, i.e. the MS and LIF layers, are considered barren and un-mineralized. The thickness of the deposit is limited to the contacts between LRGC and LIF.

In order to carry out statistical analyses, it is important to regularize the sample lengths so that each sample has an equivalent representativity, a process called compositing. The assays are composited into composites 3 meters in length. Regular down-the-hole compositing was used. No blending between seams occurred. Samples were composited seam per seam.

The resources are estimated using a block modelling method. For the purpose of this study, KéMag has been interpolated using Inverse Distance interpolation.

Mineral resources were classified using NI 43-101 compliant terms. Drilling density allowed SGS Canada to classify a significant portion of the deposit as measured. The classified Mineral Resources at an 18% DTWR cut-off as estimated by SGS Canada as of February 2008 are provided in Table 26 below.

TABLE 26 - MINERAL RESOURCES AT 18% DTWR

Category	DTWR Cut-off (%)	Total Tonnage (Mt)	DTWR (%)	Fe Head (%)	Fe Conc. (%)	SiO2 Conc. (%)
Measured	18	1,538	26.26	31.20	69.27	2.71
Indicated	18	911	26.45	31.38	69.59	2.60
Measured+Indicated	18	2,448	26.33	31.27	69.39	2.67
Inferred	18	1,014	26.73	31.15	69.17	2.81

Mine Design and Mineral Reserves

The open pit design is based on a cut-off grade calculation determined from operating costs and sales of products. It is believed that these costs are reasonable for use in the study and are comparable with other similar operations in the region.

Based on a material definition exercise using geological data available to-date, the life-of-mine ("LOM") reserves for the ultimate pit design for KéMag were calculated and classified in the Proven and Probable categories in accordance with the criteria in NI 43-101. Table 27 below provides a summary of the LOM reserve for the KéMag Project using a cut-off grade of 18% DTWR.

TABLE 27 - PROVEN AND PROBABLE RESERVES (CUT-OFF GRADE 18% DTWR)

Reserve Category	Tonnes (million)	DTWR (%)	Crude Fe (%)	Concentrate	
				Fe(%)	SiO_2(%)
Proven	1 347	26.9	31.2	69.1	2.8
Probable	794	27.0	31.4	69.1	2.5
Proven + Probable	2 141	27.0	31.3	69.1	2.7
Inferred	73				

TABLE 27 - PROVEN AND PROBABLE RESERVES (CUT-OFF GRADE 18% DTWR)

Reserve Category	Tonnes (million)	DTWR (%)	Crude Fe (%)	Concentrate	
				Fe(%)	SiO_2(%)
Waste	1 015				
Inferred+Waste	1 088				
Waste: Ore Ratio	0.51				

The designed pit is approximately 9.5 km in length with widths of one km typical and a maximum width of 1.5 km at its widest point. Total pit depth is 182 m with the lowest bench at 364.50 m elevation. Incorporated in the pit design is a pit slope of 10% (6^o) on the footwall contact side of the deposit to the west, and a conservative slope of 50^o on the hanging wall to the east. Single benching will be adopted in ore to maximize the recovery of the mineral resources and double-benching will be adopted in waste to minimize the amount of waste. Further analysis on pit slope stability in the hanging-wall will be undertaken to determine whether this is the optimal configuration with respect to rock structures and properties.

The proposed KéMag iron ore mine will constitute a large-scale open pit operation using a conventional drill, blast, load and haul process to mine an average of 76 million tonnes of ore and 30 million tonnes of waste per year. The combined ore and waste mining rate will range from 290,000 to 295,000 tonnes per day.

The primary mine production equipment includes four 33 m^3 electric shovels and a large front end loader loading a fleet of 290 tonne trucks. In full production, truck requirements increase from 19 units in year 3 to a maximum of 34 trucks in years 9 through 17 of the mine plan, due to longer hauls and increased stripping requirements.

Mine dilution was provided for in the 13 m bench height planned for mining of the designated blocks. Mining recovery is assumed to be 100%.

Waste will be trucked to four principal waste dumps located to the west of the pit limit at distances varying from 1 to 4 km. The three designed waste dumps have a capacity of 31 Mt, 171 Mt, and 370 Mt. There is a fourth dump reserved for overburden, which has a capacity of 75 Mt. Some of these materials will be used for reclamation purposes at the end of mine life. Opportunities for in-pit waste backfilling may become available in mined out areas after nine years of mining; details have not yet been developed.

The mine will operate year-round on a continuous basis, two 12-hour shifts per day. The workforce will be housed in on-site accommodations and will work a schedule based primarily on a two week fly-in/fly-out rotation.

Run of mine ore will be crushed in two stages with two gyratory crushers and eight cone crushers in closed circuit taking the ore down to a top size of 63 mm. Nine high pressure grinding roll units will run in closed circuit with a wet screening operation to further reduce the ore to less than 6.3 mm. Wet magnetic separation, followed by a screening stage and regrinding in ball mills to 95% minus 325 mesh, will achieve the required liberation of the magnetic iron. Concentrate in slurry form from the circuit will be dewatered in three thickeners to 70% solids, prior to handling through agitated slurry surge tanks and subsequent pumping in the 750 km slurry line to the pellet plant.

Schedule

A period of 5.5 years is estimated for the time from when the decision is made to advance to the next stage of the KéMag Project and the start of production.

Infrastructure and Support Systems

Mine and Concentrator Site

An insulated, heated and air-conditioned building adjacent to the concentrator will contain a number of different facilities including an 8-bay garage for the maintenance of mining and other mobile equipment, mechanical and electrical workshops, conveyor belt repair shop, warehouse, a garage for the fire truck and ambulance and change rooms and lunch room. Administration offices housing the mine, concentrator and site superintendents and their staff will be located on the upper floor together with conference rooms, open office areas for clerical staff, space for computer facilities, map files and printing, and a vault for archives.

A fully equipped laboratory will be built for analysis of exploration samples and production samples from the mine and concentrator. Offices will be provided for the laboratory supervisor and assistants.

Dormitories, kitchens, eating areas, laundry and recreational facilities will be provided for some 1700 contractors' employees during construction, after which the buildings will be used by the 776 mine, crusher and concentrator operations and maintenance personnel and administrative staff all of whom will be working on a two weeks in and two weeks out, fly-in/fly-out basis.

Pump houses will be constructed on Lac Gillespie and Lac du Canoë to provide gland seal, boiler make-up and process make-up water in case of problems with the water recycling system. A branch off the pipeline carrying lake water to the plant will feed a treatment plant that will provide potable water to the plant and the camp. Reclaimed water from the tailings disposal area will be pumped back to the concentrator for reuse. Surplus water will be treated and disposed of to the environment.

Electrical power to the site will be provided by a 270 km long, 315 kV overhead power line from Hydro-Québec's Brisay generating station. Diesel generators will provide emergency power. Road access will be provided by the construction of a 7 km section of unpaved highway to meet existing roads. An airport is located in Schefferville and a railway connects the town with Sept-Iles on the St Lawrence River.

Pipeline

The main pumping station at the concentrator and the receiving station at the pellet plant will be supported by the infrastructure at the Lac Harris and the Pointe-Noire site respectively.

At the booster pumping station, equipment and facilities will be housed in a metal frame building with insulated walls and roof. Facilities built for construction personnel will be retained for use by operating and maintenance personnel. A gravel road will be constructed that will connect the booster pump house to the existing highway 389. Fresh water will be pumped from a local stream or lake.

Power from the Hydro-Québec Hart-Jaune hydro-electric generating station will feed the booster station substation at 34.5kV. The power will be stepped down to 4.16kV and 600V to feed the loads of the pumps and ancillary equipment. Diesel generators will provide emergency power to the booster pumps.

Pointe-Noire and Sept-Iles

Construction personnel and operators of the Pointe-Noire facilities will be housed locally in Sept-Iles, a town with a population of 25 000 and a well-developed infrastructure. An administration building will be leased in Sept-Iles to provide centralized services covering sales, finance and accounting, labour relations, purchasing, information technology, health and safety, human resources and the environment for the KéMag Project.

Power from the Hydro-Québec Arnaud substation will be transmitted to the Pointe-Noire site by an existing 161 kV overhead line and diesel generators will provide emergency power. The site has ready access to the municipal

road network and to Highway 138 which connects Sept-Iles with Québec City. A rail-ferry service between Sept-Iles and Matane on the south shore of the Saint Lawrence River provides rail connection between Schefferville and the North American railway network. The airport provides a scheduled connection between Sept-Iles and Montreal.

Potable water will be taken from the existing pipeline that delivers potable water from Lac des Rapides to existing Wabush and Alouette installations in the Pointe-Noire area. Wherever possible, recycling systems will be installed to reduce fresh water requirements.

Financial Analysis

The financial evaluation for the KéMag Project is carried out by the preparation of a discounted cash flow model to which the capital and operating cost estimates as well as the production schedule developed in the mining section are input data. The IRR on total investment and the NPV resulting from the net cash flows generated by the project have been calculated. The payback period is also indicated as a financial indicator.

The main inputs to the financial analysis are summarized as follows:

- All costs are expressed in fourth quarter 2008 CDN$.
- Exchange rate: US$ 0.85/CDN$.
- Project timing: Construction phase of 3 years and production phase of 25 years.
- Financing plan: a mix of equity, suppliers' credit and funds borrowed from commercial banks. The projected equity to debt ratio is 30:70.
- Income tax: both pre-tax and after-tax basis.
- The capital cost of the KéMag Project is approximately $4,451.1 million, including direct costs of $3,442.7 million and indirect costs of $1,008.4 million. The indirect cost includes an estimated amount of approximately $139.4 million for initial start-up requirement.
- For working capital purpose, accounts payable and receivable have been established at 30 days in average. Initial working capital is estimated at $ 31.0 million.
- Operating cost: owner-operated leased mining equipment, processing, port handling, environment and G/A have been estimated to average $20.4 per tonne of concentrate after reaching full production capacity in Year 3 after start of commercial production..

The results of financial analyses with IRR before and after tax cases are presented in Table 28 below.

TABLE 28 - RESULTS OF FINANCIAL ANALYSIS

	Before taxes	After taxes
KéMag Project IRR (%)	25.2	21.6
Equity ROE (%)	42.7	37.3
Payback (Years from production start-up)	5	5

LabMag Project - Description of the 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 Corporation 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-Iles, Québec.

This LabMag Project description is based on the LabMag WGM Technical Report except for some updates that reflect developments since the technical report was published. Unless stated otherwise, information in this section is summarized, complied or extracted from the LabMag WGM Technical Report prepared by Michael W. Kociumbas, G. Ross MacFarlane, Gordon D. Watts, and Rick W. Risto of WGM, and Brad Ricks of BRASS, each a "qualified person", as defined in NI 43-101 or has been reviewed by WGM. The LabMag WGM Technical Report was prepared in accordance with the requirements of NI 43-101.

Portions of the following information are based on assumptions, qualifications and procedures which are set out in the LabMag WGM 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 WGM Technical Report which is available electronically at www.sedar.com.

The Corporation has entered into a Taconite HOA to develop the Taconite Project which includes the LabMag Project. Under the Taconite HOA, TSG shall participate in the development of the Taconite Feasibility Study and contribute 64% of the costs related to the study. TSG and the Corporation agree to enter into a binding joint venture agreement upon the successful completion of the Taconite Feasibility Study and TSG electing to develop one or both of the deposits.

On April 1, 2011, the Corporation and TSG started a Taconite Feasibility Study which covers the LabMag Project and the KéMag Project. Management of the Corporation expects that the Taconite Feasibility Study will be finalized before the end of 2012.

LabMag Property Location

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-Iles, Québec.

LabMag Property Description and Ownership

The LabMag Property covers a total area of approximately 64 km^2 (6,400 ha) and comprises 256 claims, each 500 m by 500 m, originally in three map-staked licences held 100% by the Partnership. Parts of the holdings were grouped in November 2003 and re-grouped in March 2005, and the three licences were replaced by one licence in November 2005, thereby revising original licence numbers under regulations of the Newfoundland and Labrador Mineral Resources Act. A "map-staked licence" means a licence giving the holder the exclusive right to explore for minerals in an area covered by the licence. Neither claims nor licences bestow any surface rights.

The claim group extends for a distance of about 30 km parallel to the provincial boundary. The claims were map-staked in three different phases. The first group was "staked" in May 2002, two subsequent groups were staked in May and December 2003, and all three are covered by the licence issued on November 25, 2005. The LabMag Property has not been legally surveyed but map-staked licences are defined on the basis of UTM coordinates and consequently the LabMag Property location is accurate. Claims data is summarized in Table 29 below. Individual claim units within a licence are not numbered.

TABLE 29 - LABMAG PROPERTY LICENCES

Licence	Number of claims	Issuance Date	Anniversary Date	Assessment Submission Date	Ownership
011514M	256	13-May-02	13-May-12	14-Jul-08	100% Partnership

The areas of Labrador claimed by aboriginal groups affect virtually all of Labrador and a notice of warning to that effect is supplied to all applicants and holders of government leases, licences and permits. A copy of this notice is contained in Appendix 1 with the claim information. The notice reads: **Please be advised that leases and permits issued by Government for activities in Labrador may eventually be affected by land and resource rights negotiated as part of any settlement agreed to by Government. Renewals of such leases, licences and permits may also be affected by any settlement agreed to by Government.**

To maintain the claims in good standing, assessment work must be filed annually with the Department of Mines and Energy. The annual report of the assessment work performed is due no later than 60 days after the anniversary of their issuance date. Eligible assessment work to a value of $200 per claim is required the first year; $250 per claim in the second year; $300 per claim in the third year; $350 per claim in the forth year; $400 per claim in the fifth year; $600 per claim in each of the sixth through tenth years; $900 per claim in each of the eleventh through fifteenth years; and $1,200 per year through each of the sixteenth through twentieth years.

Exploration expenditures accruing from the 2004 to 2006 diamond drill program are sufficient to keep Licence 011514M in good standing for eight more years.

LabMag Property Agreements

The Corporation completed the Acquisition from LabMag and NNK for an 80% undivided interest in the LabMag Property in August 2004. This transaction comprised the Qualifying Transaction of the Corporation for the purposes of the CPC Policy of the TSX Venture. The purchase price for the interest was $1,900,000, comprised of a cash payment of $400,000 and 6,000,000 Common Shares at a deemed price of $0.25 per Common Share. NNK retained the remaining 20% undivided interest in the LabMag Property not acquired by the Corporation.

Subsequently, the Partnership, with LabMag GP Inc**.,** as the general partner, was established to hold 100% interest in the LabMag Property. The Partnership Agreement provides that Naskapi LabMag Trust shall be entitled to nominate one member to serve on the board of directors of the general partner of the Partnership and any affiliate of the Corporation that is contracted by the general partner to provide operational management services to the Partnership. The Partnership Agreement provides that all Partnership capital required in addition to the licenses should be contributed by the Corporation and no Partnership units should be issued to the Corporation for such additional contributions of Partnership capital. The Corporation shall be entitled to a preferential return relating to those amounts.

The Partnership Agreement requires the general partner, in exercising its powers under the Partnership Agreement, to comply with certain "fundamental values" including respect for, and protection of, the environment and the training and preferential hiring of NNK members, including provisions that allow such NNK members to integrate traditional activities into their employment in a manner that does not impair or impede in any manner the efficient and continuous operation of the business of the Partnership. Naskapi Labmag Trust had the right at any time up to May 28, 2006, to transfer up to one half of its interest in the Partnership to NIMLJ. NIMLJ did not accept the offer from the Naskapi Labmag Trust to transfer such interest and such right has expired without exercise.

In addition, at the Qualifying Transaction closing, a services agreement (the "Services Agreement") was signed between LabMag Services Inc. and 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.

Royalties

A Royalty Agreement was also finalized between LMC, NNK, the Corporation and the Partnership at the closing date of the Qualifying Transaction. LMC and NNK have the right to receive royalties of 1.666% and 0.666%, respectively, 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. On August 11, 2006, NNK advised the Corporation that the NIMLJ had not confirmed its interest in accepting the transfer to NIMLJ of one half of the royalty payable to NNK, namely 0.33333% of gross revenues. This reduces the total royalties to 2.0% of gross revenues. The Corporation has a right of first refusal to purchase the royalty interests. On October 23, 2006, the parties to the Royalty Agreement entered into an amending agreement of the Royalty Agreement to reflect and confirm: (i) the transfer and assignment of the royalty from LMC to corporations controlled by LMC's shareholders; and (ii) the reduction of NNK's royalty to 0.3333% of the gross revenues.

Permitting

Since the date of the LabMag WGM Technical Report, the Corporation has not applied for any permits.

Environmental Issues

WGM knows of no environmental baseline investigations or studies carried out by previous owners of the Howells River deposits and believes it unlikely that either Labrador Mining and Exploration Company ("LM&E") or IOCC carried out any such studies during their ownership tenure, since there was no legal requirement for environmental impact assessments at that time.

To obtain an interest in the LabMag Property from LMC, NNK agreed to fund initial baseline environmental studies for the LabMag Property area and three studies were initiated in September 2003. These studies included surveys of:

- Archaeological heritage resources;
- Avifauna, Terrestrial Wildlife and Flora; and
- Fish and Lake Water Quality of the Howells River System.

Three separate reports on the findings of these studies were submitted to NNK. These reports are titled:

1. "Historic Resources Assessment in the Context of Environmental Baseline Studies for the LabMag Project Labrador, Overview Report 2003" by Moira McCaffrey, Director, Research and Exhibitions, McCord Museum, Montreal;

2. "Field Work Report: Avifauna, Terrestrial Wildlife and Flora, Prefeasibility Study, Howells River (Labrador, Canada)" prepared by Nathale Girard, M.Sc.; and

3. "Fish and Lake Water Quality of the Howells River System, Labrador" prepared by Mark Curtis, Ph.D., Department of Natural Resource Sciences, McGill University.

The historic resources assessment involved research directed towards identifying evidence of prehistoric or historic use by native peoples of the Howells River area. No evidence of prehistoric or early historic period occupation was found, nor did survey work near geological formations where chert for tools might have potentially been harvested produce evidence of prehistoric use. Evidence of recent land use by Naskapi and Innu was very visible, especially near the bridge that crosses the channel between Elross and Rosemary Lakes.

Recommendations for additional fieldwork focussed on testing areas that could not be visited during the brief 2003 program and shovel-testing some of the sites visited in 2003. McCaffrey also suggested that interview work among the Naskapi and Innu peoples should be a prominent part of any future project.

The survey of terrestrial wildlife, plants and birds conducted by Girard's team identified the dominant vegetation and the most common species of wildlife in the area of the proposed pit and the vicinity of Ione Lake, which was at that time being considered as a potential tailings storage area. The team did not discover any signs of the presence of vulnerable or threatened species as designated by the governments of Canada, Québec and Newfoundland and Labrador. Recommendations for future work were for a second study for plants, especially for those in peaty areas, and a second survey of bird life to be conducted in July-August to obtain more information on the true diversity of bird life in the region.

The Curtis team sampled fish, sediments and water quality in five lakes, the Howells River and two tributary streams. No endangered species were found among the fish sampled. None of the fish tissue analysed indicated metal concentrations greater than normal for an undisturbed area in the region. The sediment geochemistry for the lakes sampled was found to be similar to that recorded in other lakes of the region.

An automated continuous reading weather station was set up on the LabMag Property in the fall of 2003 and continues to provide data. No other environmental programs were conducted as part of the 2004 exploration program. Water levels of the Howells River at the outlet of Rosemary Lake were taken in March and April 2005 to determine the low flows.

Considerable planning for environmental baseline studies and actual data collection were continued through 2005 and are ongoing in 2006 in preparation for the submission of an environmental impact statement for approval by the concerned governments.

The planned work involves the collection of baseline data on the physical, biological and socio-economic environments, including air and water quality, at the proposed sites of the mine and concentrator, the slurry pipeline, the pellet plant and stockyard, the marine terminal, and power transmission lines, and the preparation of an environmental impact statement.

Accessibility

The LabMag Property is accessible by good road for 25 km northwest of Schefferville past some former open pit mines, then southwest for some 5 to 10 km by pick-up or all-terrain vehicle over a road that crosses the Howells River system on a narrow steel girder bridge just south of Rosemary Lake.

As part of its 2004 diamond drill program, LabMag Services Inc. carried out a considerable amount of road work to upgrade access to the LabMag Property for drilling equipment. Road upgrading and regular maintenance continued in 2005.

Climate and Physiography

The Schefferville area and vicinity, including the Howells River basin, have a sub-arctic continental taiga climate with very severe winters. Daily average temperatures exceed 0°C for only five months a year. Daily mean temperatures for Schefferville average -24.1°C and -22.6°C in January and February, respectively. Mean daily average temperatures in July and August are 12.4°C and 11.2°C, respectively.

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

Local Resources and Infrastructure

Schefferville, an incorporated municipality in the Province of Québec, suffered economically after the closing of the iron mines of IOCC in 1982. Many of the houses and original public buildings, including a recreation centre, hospital and churches, were demolished after IOCC left. In the last five years, a number of new buildings and houses have been constructed, both in the town and on the contiguous Matimekosh Indian Reserve, largely to serve an expanding First Nations presence. These include medical clinics and churches. The present population is now about 200 non-native residents, most of which work directly or indirectly for the First Nations. Some 700 members of the NIMLJ live in the nearby Matimekosh community.

Kawawachikamach (Kawawa), a community located some 20 km north of the town of Schefferville, is the home of the Naskapi Nation. The community was established in this location following the signing in 1978 of the Northeastern Québec Agreement between the Government of Québec and the Naskapi Nation. Since 1982, some 130 housing units have been built for the Naskapi people and there are now about 750 Naskapis living in the modern community that has its own school, medical clinic, recreational complex and swimming pool.

The economy of Schefferville is based on hunting and fishing, tourism and public service administration. More than a dozen fishing and hunting camp operators are based in Schefferville and yearly thousands of hunters and fishermen fly to various camps distributed about the region, chiefly for trout fishing and hunting for caribou and black bear. In addition to the hunting and fishing outfitters, the population of the town consists mainly of motel, store and flying service operators, teachers, retired families and support staff for the town services.

While there is a potential labour force in the vicinity, training programs will be required. It is assumed that government resources would be made available for such programs.

The region is served by an airport, classified a Remote Airport under the National Airports Policy, which has a 1,500-metre runway capable of handling Boeing 737 aircraft. King Air service to Sept-Îles is offered six days per week and Dash 7 service to Québec City and Montreal is offered twice weekly.

Until the end of November 2005, the QNS&L, owned by IOCC, ran between Sept-Îles and Schefferville and offered weekly passenger and freight services. On December 1, 2005, that part of the rail line that runs from Emeril to the northern terminus at Schefferville was acquired from QNS&L by TSH, which is owned in equal parts by the NNK, the NIMLJ and Innu Takuaikan Uashat mak Mani. Today, TSH operates two trains per week between Schefferville and Sept-Îles for passengers and community freight.

Schefferville is approximately 27 km north of where the TSH rail line crosses the Howells River and the distance from that crossing up the Howells River valley to the LabMag Property is approximately 50 km.

Kawawachikamach receives its electricity by a 25kV power line from Schefferville, which in turn is supplied by a 69kV power line from the hydro-electric generating station at Menihek Lake, Labrador, about 40 km south of Schefferville. The electricity supply is sufficient for local needs only.

Physiography

The LabMag Property has an average elevation of 500 m above sea level. It slopes gently from west to northeast away from the height of land representing the Québec-Labrador border and towards the Howells River valley parallel to the dip of the rocks. Terrain on the LabMag Property is generally gently rolling to flat, with total relief of about 100 m.

The finger-shaped area of Labrador that encloses the Howells River valley drains southward into the Hamilton River watershed and thence into the Atlantic Ocean. Streams to the east and west of the height of land in Québec, flow into the Kaniapiskau watershed, which flows north into Ungava Bay.

History

1949-55 IOCC conducted regional aeromagnetic surveys and geological mapping programs for iron formation. Ph.D. thesis by Perrault concerning search for high-grade iron and mapping in the Howells River Valley.

1960-61 LM&E conducted prospecting and sampling programs in the Howells River area and an airborne magnetometer survey for first study of magnetic iron formation.

1966 IOCC obtained licences that in part include the LabMag Property and began mapping and surface sampling in the Howells River area.

1967 Baselines and grid (Section) lines at 400 foot intervals over the Howells River deposits cut and surveyed. Mapping at 1" to 400 ft using the grid as control initiated, 2,200 – 10 lb grab samples collected.
Ground geophysical surveys were conducted on the LabMag Property grid including vertical field (Fluxgate) magnetometer, vertical magnetic gradiometer, magnetic susceptibility and gravity surveys. Stations for these surveys were nominally at 100 ft intervals along the grid lines at 400 ft intervals.

1968 Grab sampling (951 – 10 lb samples) continued. Three 10-ton bulk samples collected from selected lithological units. Surveying (topographic profiling) of baselines and grid lines continued. Further ground geophysical surveys were conducted along the grid lines at 400 ft intervals. These included a horizontal magnetometer survey, electromagnetic and seismic surveys. These surveys were somewhat experimental in nature as IOCC was seeking to develop geophysical methods that it could use elsewhere to evaluate magnetic taconite deposits.
Diamond drilling of 10, AQ (27.0 mm diameter core) vertical holes, HR-1001D to 1010D, totalling 2,830 ft completed.
Metallurgical testwork program initiated. Grindability and liberation tests were conducted on the three 10-ton bulk samples. Grindability and liberation tests were conducted on 9 drill core composites from drillhole HR-1001, i.e., drillhole 1.

1969 Laboratory program to test geophysical characteristics of core samples from holes HR-1001D to 1010D initiated. Magnetic susceptibility and resistivity of 3-inch long core samples measured.
Geostatistical studies of deposit using sample data from holes HR-1001D to 1010D by A. De Gast and M. David.

1970 Geological mapping at 1" to 200 ft using aerial photographs between existing section lines. 170 – 120 lb channel samples collected. A 200-ton bulk sample was collected from a pit blasted at Section Line 869/2+00ft SW.
Fifteen AQ diamond drillholes, HR-1011D to HR-1025D, totalling 6,043 ft completed. An additional 8 holes for bulk sampling completed. Forty-eight exploration test holes totalling 803 ft completed to delineate the contact between the barren Menihek and iron - bearing Sokoman Formations.
Surveying/topographic profiling of drillhole collars and section lines completed; baseline refurbished.
Bulk density measurements of core samples from four drillholes completed.
Metallurgical testwork program continued with full autogenous grindability and wet magnetic cobbing of 100-ton bulk sample undertaken.

1971 Detailed geological mapping between section lines continued using 1"=200 ft aerial photographs. Ninety-six 60 lb channel samples collected.
Twenty-two drillholes, AQ HR-1026D to HR-1047D, totalling 8,658 ft completed.
Surveying and re-cutting of baseline and section lines continued. Surveying of drillhole collars and test

	pits undertaken.
	An airborne VLF-EM survey of area comprising 450 line miles completed. A second Geostatistical study using 1970 drill core data was undertaken by M. David and a feasibility study was conducted.
	Trenching of 80 test pits to delineate contact between the Menihek Formation and the Sokoman Formation.
1972	Magnetic susceptibility tests on 55 samples from 1971 drill core.
	Geostatistical study on 1971 drill core data by M. David.
	Grindability and magnetic separation testing on six 1971 drill core composites.
1973-78	Due to the lack of public documents WGM is not certain what work was conducted on the LabMag Property during this period.
1979	IOCC conducted further diamond drilling of 10 holes, BQ (36.5 mm diameter core) HR-1048D to HR-1057D totalling 725 m (2,378 ft.).
	Level surveying (profiling) of Section 777.
	Grindability and liberation testwork on 1971 drill core composites.
1980	Summary report on project completed by T.K. Krishnan (personal communication, May 2004).
	IOCC drops leases on Howells River LabMag Property and land reverts to Crown.
2002	LabMag Property staked by Robert Martin. Additional staking in 2003.

Geological Setting

Regional Geology

The LabMag Property is located on the extreme western margin of the Labrador Trough adjacent to Archean basement gneisses. The Trough is comprised of a sequence of Proterozoic sedimentary rocks including iron formation, volcanic rocks and mafic intrusions known as the Kaniapiskau Supergroup. The Kaniapiskau Supergroup consists of the Knob Lake Group in the western part of the Trough and the LabMag Property is underlain by this Group, including the Sokoman Formation, which is the major iron formation host in the Labrador Trough. The Sokoman Formation in the Howells River area has undergone only very low grade metamorphism and shows very few effects of structural deformation. The Sokoman Formation is overlain by the Menihek Formation, which consists of dark grey to black shales.

LabMag Property Geology

Units of the Knob Lake Group, including the Sokoman Formation, which is the major iron formation host in the Trough, underlie the majority of the LabMag Property and comprise a north-northwest striking sequence of rocks. This sequence lies unconformably on Archean granitic gneisses (Ashuanipi Complex**),** which are exposed along the southwest margin of the LabMag Property as described in Table 30 below. A sharp angular unconformity marks the contact between the gently dipping Knob Lake Group and the steeply foliated Archean basement rocks.

The lowermost unit of the Knob Lake Group found on the LabMag Property is composed of basal feldspathic quartzites and conglomerates of the Wishart Formation. In the drill logs and on the LabMag Property geology maps prepared by IOCC, these Wishart quartz-rich sedimentary rocks are designated "Qte". This Wishart Formation is overlain conformably by the Ruth and Sokoman Formations. Zajac (1974) redefined the Ruth Formation as part of the Sokoman, however, historical IOCC drill logs and other descriptions for the LabMag Property use the term Ruth Formation to describe shales located between the Sokoman and Wishart and WGM believes it best to maintain use of this term for describing rock types and stratigraphy for the LabMag Property. The contact between the Wishart and the Ruth Formation is commonly marked by a Black Chert ("BC") horizon 0.6 m to 3 m thick containing zones of disseminated pyrite and carbonate.

TABLE 30 - STRATIGRAPHY OF THE HOWELLS RIVER PROPERTY

Unit	Est'd Avg True Thickness & Range (m)	Description
Youngest		
Diabase		
Menihek Formation	>79.2	Dark grey to black shale with minor interbedded greywacke and carbonate lithofacies, carbonaceous pyritic shale.
THRUST FAULT		
Sokoman Formation		
UIF Member		
Lean Chert Sub-member (LC) Silicate Facies	25.0 (18.4-32.5)	Greenish, green to grey-green and pink-grey magnetite-chert iron formation with local zones of laminated to shaley bedded (siderite-magnetite) chert iron formation. This unit contains a stromatolite-bearing purple-red and green chert band with magnetite less than 3 m thick. Stilpnomelane-bearing magnetite-rich shales occur both above and below the stromatolitic band.
Jasper Upper Iron Formation (JUIF) Magnetite-Carbonate Facies	26.2 (20.7-30.8)	Layered to laminated, magnetite-chert iron formation. Red-grey-pink in colour, red chert and oolites.
Green Chert (GC) Magnetite-Carbonate Facies	3.8 (1.2-9.4)	Silicate-rich, green chert unit, laterally continuous and an excellent marker horizon.
MIF Member		Predominantly arenitic oxide facies. Oolitic and granular texture with cross bedding, abundant iron oxides throughout with more jasper near the top (URC) and bottom (LRC) of unit.
Upper Red Cherty (URC) Hematite-Carbonate Facies	8.1 (4.4-16.8)	Massive to layered, jasper-magnetite-chert iron formation. Red-grey to reddish purple.
Pink-Grey Cherty (PGC) Magnetite-Carbonate Facies	12.6 (4.0-22.9)	Disseminated magnetite-chert iron formation. Grey to pink-grey to green-grey.
Lower Red Cherty (LRC) Hematite-Carbonate Facies	8.6 (0-18.6)	Layered magnetite-chert iron formation. Red-grey to reddish purple. Lower contact transitional.
LIF Member		
Lower Red Green Cherty (LRGC) Magnetite-Carbonate Facies	21.2 (0-46.0)	Layered silicate-magnetite-carbonate, magnetite-chert iron formation. Pink to reddish-grey to green-grey. More silicate in lower part, more oxide in upper part. Lower contact transitional with LIF.
Lower Iron Formation (LIF) Silicate Facies	8.2 (1.4-32.8)	Massive to layered green to grey-green silicate-carbonate-magnetite-chert iron formation.
Ruth Formation (RF) Sulphide Facies	5.2 (2.9-8.7)	Thin bedded to laminated chert-siderite, with thin interbeds of shale. Note - Zajac (1974) argues the term Ruth Formation should be abandoned because it is for most part equivalent to LIF.
Wishart Formation (Qte)	17.7 (14.6-20.4)	Black Chert 1.4 m (0.62-2.4 m) Quartzites and/or re-crystalized cherts.
UNCONFORMITY		
Ashuanipi Complex – Archean		Granitic and Granodioritic gneiss and mafic intrusives. Paleosol on contact between Proterozoic Assemblage and Archean basement.

The Sokoman Formation in the Howells River area has undergone only slight, very low grade metamorphism and shows very few effects of structural deformation. Furthermore, it has been subject to minimal post-depositional leaching or weathering. According to Klein and Fink (1976), it may well represent one of the least altered and best preserved sections of the Sokoman Iron Formation. All three Sokoman members: LIF, MIF and UIF defined by IOCC and Zajac (1974) are present on the LabMag Property in areas mapped and drilled by IOCC. Each of these three members is in turn broken down into individual stratigraphic units called sub-members. Drillhole logs and all geological work conducted on the LabMag Property use these sub-member names to classify samples and describe geology.

James (1954) proposed, on the basis of his work on iron formations in the Lake Superior region, a division of iron formation into four facies: sulphide, silicate, carbonate and oxide. Klein and Fink (1976) have classified the various sub-members of the Sokoman Iron Formation in the Howells River area into sulphide, silicate, magnetite-carbonate and hematite-carbonate facies. Although Zajac (1977) disagreed, Klein and Fink considered the Ruth shale to represent sulphide facies. The silicate facies in the Howells River area according to Klein and Fink is represented by the LIF and LC sub-members, while the LRGC, PGC, GC and the JUIF sub-members are magnetite-carbonate facies and the LRC and URC are hematite-carbonate facies, where magnetite and hematite are present in nearly equal amounts or hematite is more prevalent than magnetite.

Bulk chemical data for each of the sub-members is provided by Klein and Fink (1976).

The Sokoman Iron Formation is in turn overlain by the Menihek Formation, comprised of dark grey to black shales. Menihek Formation shales are exposed along the northeast margin of the LabMag Property.

Two steeply dipping diabase dykes up to about 30 m thick strike north-south and cut the metasedimentary sequence. They parallel one of the prominent joint directions and appear to be related to other dykes in the Knob Lake area.

The Wishart and Sokoman Formations are essentially undeformed and strike at 145° to 148° and dip 5° to 12° east-northeast. Folds, where present, are described as broad monoclinal flexures, with low amplitudes and shallow dipping limbs. A gentle roll to steeper dips appears to occur in the drillholes furthest to the northeast, drilled through the Menihek Formation. This interpretation is in part based on surface mapping of the contact between the Menihek Formation and the underling Lean Chert sub-member.

The interpretation of the drilling results done to date indicates no major changes in surface geology and agrees with the map produced by IOCC geologists. The local changes in the dips as observed in drill cores along a particular section line indicate monoclinal folds. Repeated horizons seldom occur in this type of structural setting.

Fink (1972) reports faults are rare and where present are wrench faults with left lateral displacement and parallel one of the prominent joint directions. Three joint sets are described and both dip steeply. The most prominent trends are 175° and 095°, and the secondary set trends 075°.

Fink (1972) also describes most of the contacts between the various Sokoman sub-members as gradational. The contact between URC and overlying GC is, according to Fink, distinctive and sharp and probably the least ambiguous in the stratigraphic sequence. The contact between GC and overlying JUIF is also described as sharp and easily discernable.

WGM believes that the contact between the Sokoman and the Menihek Formations is probably a thrust fault. The Menihek Formation in contact with Sokoman Formation is generally intensely deformed and brecciated, with a locally well developed slaty cleavage. Angular to rounded, black to grey, silty shale fragments are supported by a grey-black cherty shale matrix. The brecciated unit, approximately 3 m thick, gives way to interbedded fine-grained black carbonaceous shale with medium to dark grey siltstone.

The dip of the shales steepens from an average 20°NE adjacent to the iron formation contact, to 40° at Howells River, to as much as 80° along the Stakit Lake Fault. East of the LabMag Property, the bedding attitudes steepen in response to the multiple stacking of steeply dipping imbricate thrusts.

Deposit Types

The Howells River deposits are iron formations of the Lake Superior-type. Lake Superior-type iron formation consists of banded sedimentary rocks composed principally of bands of iron oxides, magnetite and hematite within quartz (chert)-rich rock with variable amounts of silicate, carbonate and sulphide lithofacies. Such iron formations have been the principal sources of iron throughout the world (Gross, 1996).

Lithofacies that are not highly metamorphosed or altered by weathering are referred to as taconite. The Howells River deposits are magnetite-rich taconite.

Strongly metamorphosed taconites are known as meta-taconite or itabirite. The iron deposits in the Grenville part of the Labrador Trough in the vicinity of Wabush are meta-taconite.

The deposits at Schefferville, which were mined by IOCC prior to mine shutdown in 1982, are residual deposits formed by the leaching of silica and the concentration of iron oxides from what was originally taconite (also called "protore"). Lake Superior–type taconite deposits have not been mined in Canada, but are a major part of the iron mined in the Great Lakes region of the United States (the Mesabi Range).

Mineralization

The iron formation at Howells River consists mostly of recrystallized chert and jasper with bands (beds) and disseminations of magnetite. Some martite, a type of hematite pseudomorphic after magnetite, also occurs. Fink (1972) reports that martite is the second most common iron oxide present at Howells River. Hematite is also present, but it is not economic because it is not recovered by magnetic beneficiation. Other gangue minerals are present and these are mostly iron silicates, particularly minnesotaite and stilpnomelane and iron carbonates. Klein and Fink (1976) provide a detailed description of the mineralogy of the Sokoman Iron Formation at Howells River.

Magnetite and gangue concentration is dominantly controlled by sub-member geology and hence stratigraphy and other controls are also evidently in-force because a simple stratigraphic interpretation, defined by sub-member stratigraphy, fails to completely explain variations in magnetite concentration. The units on the LabMag Property that contain the highest consistent concentrations of magnetite are PGC and LRC. In the southeastern part of the drilled area, LC and JUIF also contain higher concentrations of magnetite. Hematite is most common in LRC and URC sub-members. Silicate iron minerals are most prevalent in LC, just beneath the Menihek Formation, and in the LIF. Silicate iron minerals also give the GC, the lowermost sub-member of the UIF, its defining colour.

Siderite is also common in the LC and LIF members. Manganese carbonates are also said to be present (Fink, 1972). Calcite fills some fractures. Goethite and limonite are also common as fracture facings and are likely due to percolating groundwater.

The iron formations dip to the northeast, and to a large extent, the magnetite concentration as described above is controlled mostly by the formational sub-member stratigraphy and large-scale sedimentary processes. To the northeast, the Sokoman dips under the Menihek Shale. The further to the northeast, the thicker the Menihek Shale cover and the steeper the dip of the Sokoman iron-rich members, and consequently increased stripping would be required to reach the iron-bearing members in an open pit mining scenario.

To the southwest, the Sokoman laps onto and pinches out against the Archean basement. The complete stratigraphy is present under the Menihek Shale on the eastern side of the LabMag Property. However, because of

erosion, the succeeding exposures of LC, JUIF, GC, URC, PGC, LRC, LRGC and LIF are evident up-dip of the iron formation towards the west. Hence, all along the western edge, LIF is the uppermost Sokoman formation exposed. According to Fink (1972), LC and JUIF average respectively, 25 m and 26.2 m true thickness and range respectively, 18 m to 32 m and 21 m to 31 m thick.

Based on the work to date, it is therefore still difficult to define the ultimate size of the mineralized zone(s) that constitutes the Howells River deposit on the LabMag Property. The mineralized zone comprises that portion of the iron formation that can be exploited economically and this depends on the grade of the magnetic portion of the iron formation, continuity of the magnetite-rich zones, mining costs and waste:ore stripping ratios.

Klein and Fink (1976) report that the distribution of CO_2 is generally sympathetic with CaO, MgO and MnO, as these oxides are major components in the carbonates, and that Al_2O_3 is present in significant amounts only in the Ruth shale. Carbon and sulphur are similarly concentrated in the Ruth shale in small amounts.

Because CaO, MgO and MnO are largely in the carbonates, these elements are generally excluded from the magnetic concentrate. Similarly Al_2O_3, carbon and sulphur are only concentrated in the Ruth Formation and the Ruth Formation would not be mined. The analyses also show that P generally occurs at only low levels in the oxide iron formation. The LC sample shows higher levels of P than the other Sokoman sub-members.

Exploration

LabMag Services Inc. initiated an exploration program on the LabMag Property in August 2004 consisting of diamond drilling (72 holes in Blocks A and B totalling 5,408 m), geological mapping and an aerial photographic survey. The two subsequent exploration programs are summarized below.

2005 Exploration Program

The 2005 program on behalf of the Partnership commenced on June 29, 2005 and was completed November 1, 2005. A total of 106 holes was drilled and all except the two abandoned holes were terminated in LIF. The program was designed as infill drilling on Block A to increase the confidence level and enable upgrading of the Mineral Resource estimate, and to provide enough new information to allow an initial Mineral Resource estimate to be completed on Block B.

The drilling contractor was Heath & Sherwood (1986) Inc. ("Heath & Sherwood") of Kirkland Lake, Ontario. Heath & Sherwood provided three diamond drills and two skidders for drill site preparation and drill moves and servicing.

All of the drillholes were drilled vertically and ranged in length from 13.4 m to 143 m. Core size for most drilling was BTW (42 mm diameter) except for a few holes that were NQ-size (47.6 mm). Holes were spotted using a GPS instrument. No down-hole directional or geophysical surveys were carried out but hydrogeologists of Fracflow Consultants Inc. conducted water flow measurements and Packer tests in several 2004 and 2005 holes on both Blocks A and B. WGM agrees the lack of down-hole surveys is acceptable practice, considering the undisturbed nature of the mineralization.

A total of 4,904.3 m in 64 holes was drilled on Block A, including four twinned holes and two abandoned holes. Drillhole spacing was reduced to 122 m by 250 to 300 m. Block A is about 4,500 m northwest to southeast and 1,500 m wide, extending from Section 821 to 967.

A total of 3,754.9 m in 42 holes was drilled on Block B, including two twinned holes. Drillhole spacing is presently a nominal 244 m by 300 m. Block B is about 3,000 m by 1,500 m, extending from Section 665 to 761.

The 2005 drilling confirmed the stratigraphic, mineralogic, chemical and DTWR continuity of the taconite formation from Block A and Block B. Facies changes and variation in thicknesses of the LC, JUIF and LRGC

units exist and match with the results obtained from previous drilling. The contact between LRC and LRGC is gradational and in several holes the LRC unit is not distinguishable from LRGC. There is variability in magnetite and hematite content in individual units along strike and down dip. As noted in previous drilling, the LC shows the most variation in the magnetite content from top to bottom. The LRGC unit shows a gradual decrease in magnetite from top to bottom towards the LIF contact. The LIF unit is very lean in iron oxides and does not appear to be of economic interest. The jasper-rich JUIF and URC units show the highest concentration of hematite-associated magnetite. Of all the units, PGC has the highest magnetite content and has high Davis Tube recovery.

Three minor shear zones occur near the southeast end of Block B on the western side of the base line. These shear zones are near vertical, about 1,000 m long and have minor vertical displacement. The areas around these zones are heavily fractured and caused some drilling problems, however, holes drilled in this area show only minor alteration of iron carbonates and silicates to limonite and goethite. Martitization of magnetite appears to be minimal and localized.

In addition to the definition drilling, bulk sampling, metallurgical testwork and other development work, LabMag Services Inc. carried out a surface reconnaissance exploration program. The goal of the program was to define additional potentially economic magnetic taconite areas and involved reconnaissance mapping using a GPS instrument and aerial photographs and collecting and analyzing chip and grab samples. Several areas were examined, including ones held by the Partnership as follows:

- The southeast extension of the Howells River taconite band covered by License 9800M, where 14 samples were taken in five loosely defined clusters; and
- The northwest extension of the Howells River taconite band on License 9801M where seven samples were taken in four loosely defined clusters.

The 21 taconite samples were from various units and were sent to MRC where they were analyzed for TFe and DTFe and DTSiO_2. In addition, SG measurements were made on all samples.

The results from both the southeast and northwest areas indicate that the magnetite content in all the units is somewhat lower than that for the Howells River deposit itself, however, LabMag Services Inc. is encouraged enough that it is currently carrying out additional, more detailed mapping and sampling on certain of the areas.

Table 31 below provides a summary of the historic and LabMag Services Inc.'s diamond drilling to the end of the 2006 program.

TABLE 31 - SUMMARY OF LABMAG SERVICES INC. AND HISTORIC DIAMOND DRILLING

Year	Company	Number of Holes	Hole Numbers	Core Size	Meterage
1968	IOCC	10	HR-1001D–HR-1010D	AQ	863
1970	IOCC	15	HR-1011D–HR-1025D	AQ	1,842
1971	IOCC	22	HR-1026D–HR-1047D	AQ	2,639
1979	IOCC	10	HR-1048D–HR-1057D	BQ	725
Subtotal historic		57			**6,068**
2004	LabMag	72	HR-1058D–HR-1132D	BTW and NQ	5,408
2005	LabMag	106	HR-1113D–HR-1227D	BTW and NQ	8,659
2006	LabMag	42	HR-1211D–HR-1278D	BTW, NQ and HQ	3,834
Subtotal LabMag					**17,901**
Total		277			**23,969**

TABLE 31 - SUMMARY OF LABMAG SERVICES INC. AND HISTORIC DIAMOND DRILLING

Year	Company	Number of Holes	Hole Numbers	Core Size	Meterage

Note: There is hole number overlap in LabMag Services Inc.'s drilling as some holes were pre-numbered but not drilled until the following year.

Tables 32 and 33 below provide a summary list of 2005 drillholes and their coordinates.

TABLE 32 - SUMMARY OF 2005 DIAMOND DRILLING FOR Block A HOWELLS RIVER PROPERTY

Hole No.	Section Line	Depth (m)	Northing	Easting	Elevation (m)
HR1224D	913	45.4	6087040.669	610900.146	569.598
HR1225D		54.6	6087249.447	611097.618	555.478
HR1226D		75.9	6087467.188	611303.016	542.869
HR1227D		106.4	6087687.524	611514.738	538.370
HR1219D	905	54.0	6086741.912	610965.253	574.763
HR1220D		61.6	6086956.740	611159.164	564.511
HR1221D		75.3	6087187.308	611372.268	546.197
HR1222D		85.3	6087397.857	611573.600	539.264
HR1223D		114.3	6087609.542	611777.647	529.522
HR1214D	897	54.6	6086690.334	611243.240	564.168
HR1215D		60.7	6086905.149	611443.090	551.529
HR1216D		83.8	6087140.778	611666.824	542.314
HR1217D		91.1	6087348.729	611849.050	532.093
HR1002A*	893	54.6	6086470.713	611201.113	570.044
HR1015A*		60.7	6086782.246	611493.877	550.454
HR1197D	889	75.9	6086442.119	611351.867	565.049
HR1198D		60.7	6086635.083	611523.006	553.856
HR1199D		69.8	6086749.694	611633.609	543.506
HR1200D		85.0	6086895.947	611774.085	543.224
HR1201D		106.4	6087068.721	611938.280	535.977
HR1193D	881	60.7	6086282.223	611526.832	560.846
HR1194D		68.6	6086530.215	611756.720	546.650
HR1194A**		36.9	6086530.859	611756.847	546.631
HR1195D		89.9	6086736.369	611961.284	536.927
HR1196D		107.9	6086953.961	612143.475	529.406
HR1014A*	877	57.6	6086362.493	611765.731	551.379
HR1188D	873	57.6	6086008.600	611604.113	566.257
HR1189D		68.3	6086201.596	611770.837	552.947
HR1190D		75.0	6086375.513	611950.884	543.725
HR1191D		89.6	6086571.914	612127.002	535.992
HR1192D		114.0	6086749.443	612300.645	528.160
HR1001A*	869	82.0	6086328.283	612074.641	543.522
HR1184D	865	66.8	6085927.851	611846.433	557.190

TABLE 32 - SUMMARY OF 2005 DIAMOND DRILLING FOR Block A
HOWELLS RIVER PROPERTY

Hole No.	Section Line	Depth (m)	Northing	Easting	Elevation (m)
HR1185D		70.1	6086123.472	612039.440	543.922
HR1186D		91.1	6086345.608	612257.579	535.242
HR1187D		101.8	6086569.817	612462.162	525.347
HR1180D	857	37.2	6085674.356	611957.135	555.232
HR1181D		76.8	6085868.318	612140.647	547.459
HR1182D		85.0	6086043.134	612307.605	538.319
HR1183D		100.3	6086249.645	612498.630	529.377
HR1176D	849	60.0	6085443.705	612076.986	553.502
HR1177A		74.4	6085608.738	612239.288	546.274
HR1177D	849	69.5	6085761.936	612373.390	541.754
HR1178A**		13.4	6085937.990	612560.654	532.863
HR1178D		99.7	6085938.551	612560.979	532.855
HR1179D		105.8	6086119.051	612718.098	522.010
HR1171D	845	46.6	6085281.167	612087.840	555.754
HR1172D		68.6	6085426.044	612225.301	551.925
HR1173D		85.0	6085622.635	612396.552	542.413
HR1174D		94.5	6085802.341	612572.917	534.968
HR1175D		114.9	6085981.025	612751.843	522.679
HR1166D	837	53.9	6085079.458	612226.735	556.271
HR1167D		72.5	6085272.167	612400.409	546.350
HR1168D		91.1	6085452.195	612577.438	539.905
HR1169D		94.2	6085630.493	612751.209	531.121
HR1170D		115.5	6085790.850	612903.328	522.090
HR1163D	829	55.5	6084871.267	612370.092	560.508
HR1164D		91.1	6085279.868	612756.576	536.574
HR1165D		106.4	6085460.454	612925.364	530.014
HR1158D	821	54.6	6084597.807	612444.557	567.812
HR1159D		60.7	6084777.151	612619.029	554.722
HR1160D		75.9	6084925.864	612758.650	546.155
HR1161D		82.0	6085108.824	612925.240	535.666
HR1162D		105.2	6085293.117	613103.191	527.984

Total 64 holes **4,904.3 m**

* Twinned hole

** Abandoned hole

TABLE 33 - SUMMARY OF 2005 DIAMOND DRILLING FOR Block B
HOWELLS RIVER PROPERTY

Hole No.	Section Line	Depth (m)	Northing	Easting	Elevation (m)
HR1115D	753	45.4	6082729.322	613535.778	583.293
HR1114D		66.8	6082954.189	613745.194	571.849
HR1113D		93.0	6083168.119	613950.792	551.813
HR1203D	745	30.2	6082452.906	613608.887	571.968

TABLE 33 - SUMMARY OF 2005 DIAMOND DRILLING FOR Block B
HOWELLS RIVER PROPERTY

Hole No.	Section Line	Depth (m)	Northing	Easting	Elevation (m)
HR1202D		106.4	6083077.116	614197.068	544.885
HR1122D	737	47.9	6082282.926	613787.912	579.347
HR1119D		106.4	6082950.773	614411.300	536.745
HR1208D		121.6	6083200.055	614646.858	526.045
HR1204D	729	53.9	6082041.052	613899.091	587.681
HR1027A*		88.1	6082449.674	614280.488	558.081
HR1205D	721	54.6	6081796.107	614000.760	588.362
HR1130D		69.8	6081948.362	614143.076	580.705
HR1129D		23.2	6082166.594	614348.018	557.211
HR1128D		103.3	6082398.251	614561.245	547.274
HR1134D	713	54.6	6081586.456	614131.113	594.483
HR1133D		69.8	6081801.761	614335.907	578.671
HR1206D	705	60.7	6081466.307	614359.077	586.820
HR1139D		69.8	6081615.033	614500.138	576.411
HR1138D		85.3	6081835.711	614705.982	558.539
HR1137D		103.6	6082068.334	614922.886	541.530
HR1136D		121.6	6082284.297	615122.633	522.577
HR1135D		139.9	6082471.305	615291.072	517.318
HR1142D	697	72.2	6081381.445	614606.357	577.585
HR1141D		113.4	6081826.917	615033.877	544.939
HR1140D		135.0	6082070.520	615255.755	528.207
HR1207D	689	51.5	6081171.093	614752.376	579.421
HR1146D		92.0	6081393.701	614956.111	562.932
HR1145D		113.4	6081617.158	615168.073	546.625
HR1144D		133.2	6081841.923	615373.827	533.958
HR1143D		140.8	6082058.681	615582.479	521.998
HR1149D	681	66.1	6080947.979	614882.455	580.349
HR1046A*		82.3	6081184.031	615094.868	564.645
HR1148D		110.0	6081405.331	615287.885	546.678
HR1147D		134.7	6081651.535	615532.331	529.950
HR1154D	673	26.5	6080725.225	615002.768	578.010
HR1153D		75.3	6080953.559	615197.312	565.022
HR1152D		111.9	6081170.541	615414.425	552.511
HR1151D		132.6	6081387.863	615616.318	537.924
HR1150D		143.0	6081613.956	615833.055	526.251
HR1157D	665	60.0	6080534.310	615156.992	585.707
HR1156D		111.9	6081007.128	615598.751	549.461
HR1155D		133.2	6081223.927	615799.578	536.268

TABLE 33 - SUMMARY OF 2005 DIAMOND DRILLING FOR Block B
HOWELLS RIVER PROPERTY

Hole No.	Section Line	Depth (m)	Northing	Easting	Elevation (m)
Total 42 holes		**3,754.9 m**			

*Twinned Hole

2006 Exploration Program

The 2006 program was concentrated on the central portion of the LabMag Property between Blocks A & B. This area was not investigated in detail by IOCC because no aeromagnetic anomaly is associated with the taconite formation, as is the case in Blocks A and B. LabMag Services Inc. decided to investigate the area in detail because of its location and also to investigate the possibility of using this area for positioning infrastructure should the iron formation prove to be uneconomic. Drilling in the Howells River Central Block commenced on June 9, 2006 with one JKS 300 drill. Nineteen tonnage and grade holes were drilled between sections 753 and 821 along lines spaced 488 m apart. In addition, two holes were drilled for foundation testing for dykes to the southwest of the Central Block, one hole was drilled for foundation testing in the plant area at Rogers Lake to the northeast of the Central Block and one hole was drilled in an in area proposed for tailings disposal.

Drilling at the eastern edge of the Block A pit limit commenced on June 16, 2006 with a Boyles 25 drill capable of drilling HQ holes. Nine holes were drilled in this area, which extends from section 837 in the south to 917 in the north on lines spaced 244 m apart. Four of those holes, used for conducting hydrogeological studies that involved pumping and packer tests, were drilled with HQ bits until the hole reached at least 10 m into the LC Unit and the rest of the drilling was completed using NQ bits. The remaining five holes were tonnage and grade holes. Two monitoring holes were drilled close to each of the four hydrogeological holes. In Block B, one hole was drilled for hydrogeological studies, with one monitoring hole.

Sampling and Analysis

At the drill site, the drill core was extracted from the core barrel and was laid out by the drill contractor in three-compartment, 4.6 m capacity core boxes. Each core box was clearly marked by the drill assistant/helper with the hole number, the box number and the starting and ending meterages for each box. Blocks recording hole depth in metres were inserted at the termination of each 3 m drill core run. The core box remained capped all the time when not receiving the core. When the box was full, it was capped and secured at both ends. All full core boxes were delivered to the core storage facility and stacked outside properly at the end of each shift.

The core boxes received at the core storage building were sorted by hole and stored in the building until required by the geologists. The boxes were transferred as complete holes to the core logging facility as requested by the logging geologists.

Following logging, the core trays containing the split half core saves were returned to the core storage facility for permanent storage on the racks. A metal tag identifying the hole number, and the box number was affixed to one end of each core tray.

At the request of the core logging geologist, the core boxes for a complete hole were opened from the top of the hole and laid out on the logging tables five boxes at a time. The core was then checked to confirm that the entire core for the hole was present. If required, the core was cleaned with a brush and water prior to logging.

The descriptive core logging procedure begins with the recording of the overburden depth and identification of the stratigraphic units based on the mineralogical assemblage. The overall thickness, magnetism, texture, colour of the chert bands and structural characteristics such as bedding thickness, banded and or massive nature of the units, fault zones are all determined and described.

RQD logging is also done at the same time as the descriptive logging. RQD measurements are made for the entire length of the core. The core recovery percentage is measured and the core loss intervals are recorded. Once the contacts between the stratigraphic units are established, they are clearly marked and a tag is inserted delineating the unit contacts.

The core logging geologist then selects and marks the sampling intervals on the core and also places a tag showing the hole number, sample number, sample interval, the starting and ending depth, at the end of the sample interval in the core tray. Each stratigraphic unit is sampled separately with sample lengths varying from 1.5 m (5 ft) to a maximum of 7.6 m (25 ft). All units were sampled except MS and LIF. The sampling interval was based on the extent of magnetite/hematite mineralization and the width of lean cherty zones. If the lean low iron oxide zones exceed 3 m they were sampled separately, however, individual sample lengths seldom exceed 7.6 m in both mineralized and waste zones.

Once the sampling intervals are clearly marked, magnetic susceptibility measurements are made at 0.3 m intervals along the core for each sample length. This procedure of selecting sample intervals is followed for the entire length of the hole. Each set of core trays is also digitally photographed by the logging geologist. The core is then sent for splitting and sampling.

All logging and sample descriptions are recorded on paper forms for later transfer to digital forms based on Microsoft Excel spreadsheets.

The cores are split using a standard manual (impact) core splitter and the half core for assaying is placed in a canvas sample bag with a tag showing the hole number, sample number, sample interval, sample width and the required analysis. The sample bags are tied properly along with a tag showing the hole number, sample number and the sample interval. All the collected samples are sent in wooden boxes to the processing laboratory every two weeks.

The split half save of the core is placed on the original core tray, and the core trays are returned to the core storage building.

Sample Preparation, Assaying and Security

All the split core samples were sent to MRC, Nashwauk, Minnesota, USA for chemical and Davis Tube analysis. A total of 1,926 samples were submitted. Drill core samples numbered 1,799, including 12 second half core check samples. The remaining 127 samples comprise 21 bulk sample pit samples, 81 surface taconite chip samples and 25 Direct Shipping Ore samples. All the LIF drill core was sampled. Table 34 below summarizes the 2005 sampling program statistics.

TABLE 34 - SUMMARY OF CORE SAMPLES (2005) SUBMITTED TO MIDLAND RESEARCH CENTER FOR TESTWORK AND ANALYSIS

No. of Holes Includes Check Sample holes and twinned holes	No. of Samples Tot. Fe %DTWR, DT conc. Assays for Fe and SiO_2	No. of Samples Crude ICP and S*	No. of Samples DT Conc. ICP and S*	No. of Samples Crude For Satmagan	No. of Samples DT Conc. For Satmagan	No. of Samples Crude For LOI and SG	No. of DT Tails Assay For Fe
108	1,799	445	445	202	202	174	202

* Only a limited number of samples were tested for Sulfur.

The 21 samples collected from bulk sample blast pits in 2005 for pilot plant testing were analyzed for Total Fe, SG, DT tests and the concentrate was assayed for Fe and SiO_2. The 81 surface chip samples of taconite collected during the exploration program were similarly analyzed and tested.

The following testwork and sample analyses were completed by MRC for all samples:

- Head assay for total iron (TFe);
- Determination of %DTWR on -325 mesh DT concentrates;
- Determination of iron and silica in all DT concentrates.

In addition:

- For 40% to 50% of DT concentrates for each hole, Al_2O_3, CaO, MgO, TiO_2, Mn, Na_2O, K_2O, and P_2O_5 were determined by ICP and S was determined by Leco. These samples, 455 in total, were selected to represent all the stratigraphic units intersected in the drillholes;
- 202 of the concentrate samples were tested for magnetite content by Satmagan; and
- 10% to 15% of the crude samples from each drillhole were composited to represent stratigraphic units and tested for LOI, CO_2, Satmagan, minor elements (same as for DT concentrate) by ICP, S by Leco and SG determination by pycnometer.

MRC's sample preparation and analysis flow sheet consisted of the following steps:

- Individual core samples crushed to 3/8" with a 4"x6" jaw crusher;
- Split 1,500 g for testwork;
- Save the balance;
- Roll crush 1,500 g to 100% -10 mesh;
- Split 50 g for Davis Tube (DT) test and Head (crude) sample analysis;
- Save the balance;
- Stage grind 50 g to -325 mesh as per MRC procedure (Hanna Procedure);
- %DTWR test on 25-30 g sample as per the procedure provided by MRC (Hanna Procedure);
- Analyze DT concentrate sample for TFe and SiO2; (non-mercury titrimetric method for total iron; SiO2 determination using hydrofluoric acid); and
- Analyze Head sample for TFe; save the balance.

Eight drill core samples from units LC, JUIF, GC, URC, PGC, LRC, LRGC and LIF, collected from holes drilled in Block A and Block B were sent to SGS for mineralogical study. The method used by SGS to conduct the study is known as Rapid Mineral Scan ("RMS").

The results of the study can be summarized as follows:

- All the samples are fine grained, ranging from 20 – 40 microns;
- Magnetite grains liberate (>90%) cleanly without any other minerals attached to it;

- The interlocking / attachment between hematite, limonite and non-opaque minerals, mostly silicates, is a common textural feature;

- Trace amounts of fine, elongated inclusions of hematite occur within magnetite;

- Exsolution blebs of hematite (martitization) occurring within magnetite are observed in some samples;

- The gangue minerals which occur in trace to minor amounts are:

    - Carbonates: Siderite, Rhodochrosite , Kutnohorite, Ankerite and Calcite;
    - Silicates: Minnesotaite, Stilpnomelane, Talc and Plagioclase-Feldspar;
    - Sulphides: Pyrite and Chalcopyrite;
    - Hydrous Iron Oxides: Limonite, Goethite and Lepidocrocite; and
    - Manganese Oxides: Manganite and Psilomelane.

- PGC, LIF and GC units show no limonite, whereas the other units show traces of limonite and goethite.

Quality Assurance/Quality Control Program ("QA/QC")

There were no significant changes in the drilling, logging, sampling and assaying procedures from LabMag Services Inc.'s 2004 exploration program. All of the routine assaying in 2005 and 2004 was carried out by MRC, as is the assaying for the 2006 program. The MRC laboratory has no recognized accreditation. MRC's internal QA/QC for data input and verification is as follows:

MRC records the core sample analytical data by hand. These data are then manually entered into an MSExcel spreadsheet and transmitted by e-mail to LabMag Services Inc. On a regular basis, these spreadsheets are printed, signed and sent to LabMag Services Inc., thereby serving as "assay certificates." At the request of WGM, via LabMag Services Inc., MRC was requested to internally audit the process of transcribing the hand-written analytical data into the spreadsheet form. In late February/early March 2006, MRC did so by selecting 168 lines of assay entries and cross checking the transcription values. Two MRC employees, neither of whom had been involved with the original analytical, data entry or data transmission activities carried out this work. MRC found no transcription errors.

The 2005 QA/QC program consisted of three components:

- Check assaying of 6% of head and DT concentrate samples at SGS that had been subject to routine analysis at MRC. We understand that MRC selected these samples independent of LabMag Services Inc. For Block A, two sample batches, here designated Batch I and II, were assayed at SGS. Batch I consisted of 24 samples and Batch II consisted of 36 samples. Heads were checked for Fe, while DTC were checked for Fe and SiO_2;

- Repeat assaying of a selection of samples from Blocks A and B for Head Fe and DTC Fe and SiO_2 at MRC. These samples were selected from 2004 and 2005 archived samples by LabMag Services Inc. and reassayed at MRC; and

- A 12-sample program of second half core assaying. This program was initiated in the field by LabMag Services Inc. personnel and involved selecting samples from archived second half core and submitting them to MRC with new sample numbers for analysis for Head Fe%, DTC Fe% and SiO_2%. Routine analysis had already been completed on the first half of the core. This component, like that described as Component 2 below, provided a limited review of assay repeatability through time.

A similar QA/QC program is being applied in 2006.

LabMag Services Inc.'s 2005 program also included the drilling of four twin holes on Block A and two twin holes on Block B. This work was undertaken to further verify historical IOCC results. The QA/QC aspects of the drilling programs and the assaying protocols and results are discussed in the LabMag WGM Technical Report, along with procedures LabMag Services Inc. used to convert/transform previous IOCC results for use in the most recent Mineral Resource estimates. No independent verification of SG, DTWR or trace element composition of mineralization or concentrates was undertaken in 2005 and program protocols did not include the in-field insertion of blanks and standards into the sampling stream.

Component 1 – External Check Assaying at SGS

Batch I, Block A consisted of 24 samples and Batch II, Block A consisted of 36 samples. Original samples were assayed for HFe% and DTC for Fe% and SiO_2. MRC selected a few grams from the saved pulps (6% Head and 6% DT concentrate) and sent them to SGS for check assay.

For HFe%, SGS results for Block A are very slightly higher for both sample batches than those obtained by MRC, but correlation between the two labs is very good and no significant bias is indicated. One sample in Batch I is responsible for most of the average difference. For the Block B, correlation between the two labs (for the partial results received) except for one sample is close to perfect and no significant bias is indicated. For iron in DTCs, correlation between the two laboratories is similarly very good. For Batch II, MRC results are on average higher than those obtained by SGS by an average of about 0.7% Fe. For Batch II the pattern is opposite from that shown by Batch I as SGS results are higher by about 0.6% Fe. Similarly for the Block B samples, SGS results are in general very slightly higher than those obtained by MRC. We do not know which lab is more correct, but the data illustrate that batch to batch variations can occur in the range of 0.5 to 1.0% Fe in DTCs and sets laboratory uncertainty at these levels. Similar average% Fe differences were shown for DTCs for check samples submitted by WGM for the 2004 program.

SiO_2 correlation for both Batches I and II, Block A and the partial results available for Block B are excellent. The best fit lines for the data sets are practically coincident with the 1:1 lines. Accuracy for silica determination is very high and no bias is indicated. The high quality of the data has definite implications for the twin hole results for LabMag Services Inc. and IOCC historical drillhole results as discussed in the LabMag WGM Technical Report.

WGM believes that the check assay program illustrates that MRC's analytical data in terms of HFe%, DTC Fe% and DTC SiO_2% are of high quality, but uncertainty in DTC Fe% in the range of 0.5 to 1.0 Fe% should be considered in any economic analysis.

Component 2 – Repeat Blind Assaying of Previously Assayed Samples

As part of QC checking at MRC for the LabMag Services Inc.'s drill core processing and assaying project, samples were taken at random from saved laboratory pulps that were prepared and initially assayed at MRC in 2005 and 2006. Samples were collected from both Blocks A and B. Twenty Block A and 16 Block B Davis Tube head samples were re-assayed for total iron. Twenty Block A and 16 Block B Davis Tube concentrates were re-assayed for total iron and silica. Samples were picked by a person not involved in the original drill core sample preparation and assaying. The focus of this effort was to check the quality of assaying of the same material through the same laboratory using the same assaying procedure; the laboratory personnel were not told anything about the origin of the blind assays and hence had no knowledge of the original assay that could be used to bias the results.

Management of the Corporation believes that the vast majority of the re-assay results were well within the normal difference in assays, which result from factors such as mixing and sampling, particle size, and wet chemistry. LabMag Services Inc. reasoned that this can be seen from the statistical mean difference of all assays, in which, when both the Head and Concentrate data are taken together, the mean iron assay of the original and the re-assay

yields no difference in average total iron. The very small difference in% silica between the original and re-assay results can be considered statistically insignificant, given the small number of samples.

While the mean assay results were well within range, a second test was also applied. In both the Head and Concentrate sample sections, individual sample original assay data were compared to re-assay data to search for those assays that had the greatest differences. These samples were then subjected to yet another blind assay. Out of all assays done on the samples, in most cases the second re-assay result was very close to the original assay reported for the specific drill core interval. The largest difference in total iron for Block A samples occurred in blind sample number 6249B, in which the blind samples showed slightly lower (28.86%) total iron than had been originally reported (30.24%). The largest difference in silica occurred in blind sample number 6283B, in which the first blind sample result (4.91%) was substantially higher than the originally reported assay (3.05%), however, the second re-assay of the same blind sample was 3.04% silica, almost identical to the original assay. For Block B, one sample seemed to be significantly different and was re-assayed. It became apparent, however, that the initial difference was due to a transcription error.

Management of the Corporation believes that the results of the blind assay program indicate a good level of confidence in that the assay results reported from the MRC wet chemistry laboratory provide a good indication of the true grade of iron and silica in the drill core results that have been reported by MRC to LabMag Services Inc.

WGM also believes that the results as reported indicate a good level of laboratory precision for the 2004 and 2005 programs.

Component 3 – Second Half Core Check Assaying

As another QA/QC check on analysis, seven duplicate half core samples from six different holes for the units from LC to LRGC were submitted to the MRC laboratory, identified as being from hole HR1220A. Similarly, five duplicate second half core samples for units LC to LRGC, from three different holes were submitted to MRC identified as hole HR1136A.

WGM believes that the data for all parameters are well correlated considering second half core samples incorporate inherent variance from one half of the core to the other half. The results for DTWR and HFe show MRC is producing consistent results. Although there are few samples, the results for Fe in DT concentrates do, however, show on a statistical basis that the first half core analyses returned about a half a% Fe less than the equivalent second half core samples. These results are not dissimilar to those shown by the external check samples done by SGS and check sample results from 2004, in that different batches can show variations of 0.5 to 1% Fe.

Results for silica in DTC are also compatible to 2004 results and results shown by the 2005 external checks done by SGS.

Mineral Resource Estimates

SGS Canada was retained by LabMag Services Inc. to carry out an updated categorized Mineral Resource estimate of the Howells River iron deposit. This entailed updating the 2005 estimate for Block A with new drilling results and completing a new estimate for Block B, located southeast of Block A. LabMag Services Inc. provided SGS Canada with a preliminary geological interpretation (which SGS Canada revised during the modelling procedure) and the database for 233 drillholes, which included 55 holes drilled before 1980. As part of the preparation of the LabMag WGM Technical Report, WGM was requested by LabMag Services Inc. to carry out an audit of this new Mineral Resource estimate for both Blocks A and B.

Following the engagement of WGM, discussions and meetings were held between all parties in order to confirm and agree on parameters and methods that were to be used to complete the Mineral Resource estimate. SGS

Canada and LabMag Services Inc. jointly compiled a set of documents/material and supporting digital data that would enable WGM to audit the Mineral Resource estimate and to complete a technical report (the May, 2006 WGM report) to support the updated estimate.

WGM's audit of the Howells River iron deposit Mineral Resource estimate included, but was not limited to:

- A review of all pertinent geological and Mineral Resource estimate reports, memos and e-mails;
- Importing the database, solids (wireframes) and surfaces created by LabMag Services Inc. and SGS Canada into Gemcom Software International Inc.'s GEMS exploration mining software system, and reviewing and validating the results;
- A review of the statistical and geostatistical analysis completed by SGS Canada and a check of the composite calculation of raw assays;
- Validation of the surfaces/solids against geological coding and interpretation;
- The import, review and validation of the block model created by SGS Canada;
- Visual inspection and comparison on cross sections of the block model and the drillhole grades and codes for accuracy;
- Validation of the grade interpolation by independent generation of an IVD1 (as defined herein); and
- Verification of the reporting of the Mineral Resources.

The WGM audited and approved Mineral Resource estimate is summarized below in Table 35.

TABLE 35 - HOWELLS RIVER IRON DEPOSIT MINERAL RESOURCE ESTIMATE (USING A DTWR CUTOFF GRADE OF 18%)

Block	Resource Classification	Tonnes (Millions)	%DTWR	%Fe Head	%Fe DTC	%SiO_2 DTC
A	Measured	1,451	27.5	29.9	69.7	2.5
	Indicated	492	24.4	28.9	69.4	2.5
	Measured + Indicated	1,942	26.7	29.6	69.6	2.5
	Inferred	963	26.2	29.7	69.4	2.5
B	Measured	1,633	26.1	29.7	70.4	1.8
	Indicated	89	24.1	27.9	70.5	1.7
	Measured + Indicated	1,722	26.0	29.6	70.4	1.8
	Inferred	512	25.7	29.5	70.3	1.8
Total	Measured	3,084	26.8	29.8	70.1	2.1
	Indicated	581	24.3	28.8	69.5	2.4
	Measured + Indicated	3,665	26.4	29.6	70.0	2.2
	Inferred	1,475	26.0	29.6	69.7	2.3

The deposit has been divided by LabMag Services Inc. into two Blocks (in a similar fashion to Fink); Block A, located in the northwest portion of the deposit, and Block B, which incorporates the remainder of the defined deposit to the south. The central portion of the LabMag Property between the two Blocks had not been drilled by LabMag Services Inc. prior to May, 2006 (and contains only nine historic holes), hence no Mineral Resource estimate was completed in this area.

On July 17, 2007, the Corporation announced results from its 18 hole (totalling 1,614 metres) diamond drilling program on Block C (the central portion between Block A and Block B) and in-fill drilling on Blocks A and B, at its LabMag Property. The objective of the 2006 LabMag drill program was primarily to further test the area between Blocks A and B of the LabMag Property, now called Block C, for continuity. Some in-fill drilling on Blocks A and B was completed to obtain hydro-geological information for future environmental studies and further delineation of the resource. For Block C, these results outline 695 million tonnes of Indicated Mineral Resources and an additional 233 million tonnes of Inferred Mineral Resources. The total addition to Measured and Indicated Resources as a result of the 2006 LabMag drill program was 925 million tonnes. The total addition to Measured and Indicated Resources as a result of the 2006 LabMag drill program was 925 million tonnes. Geostat completed the update and the results were issued by the Corporation on July 11, 2007. The summary of the Corporation's current updated Mineral Resource Esimate for Blocks A, B and C are set out below in Table 36:

TABLE 36 - SUMMARY OF MINERAL RESOURCE ESTIMATE - FOR LABMAG BLOCKS A, B AND C (USING A DAVIS TUBE WEIGHT RECOVERY ("DTWR") CUT-OFF GRADE OF 18%[6])

Block	Resource Classification	Tonnes (Millions)	%DTWR	%Fe Head	%Fe Conc	%SiO_2 Conc
A	Measured	2,088	26.52	29.60	69.62	2.51
	Indicated	56	24.14	28.54	69.90	1.74
	Measured + Indicated	2,144	26.46	29.57	69.63	2.49
	Inferred	529	25.49	29.56	69.29	2.12
B	Measured	1,680	25.66	29.50	70.34	1.83
	Indicated	71	23.41	27.70	70.49	1.66
	Measured + Indicated	1,751	25.56	29.42	70.35	1.82
	Inferred	390	25.61	29.23	70.34	1.76
C	Measured	-	-	-	-	-
	Indicated	695	25.16	29.16	70.15	1.92
	Measured + Indicated	695	25.16	29.16	70.15	1.92
	Inferred	233	26.50	28.94	69.84	1.94
Total	Measured	3,768	26.13	29.55	69.94	2.20
	Indicated	822	24.94	28.99	70.17	1.89
	Measured + Indicated	4,590	25.92	29.45	69.98	2.15
	Inferred	1,151	25.73	29.32	69.76	1.96

Note: There is no allowance for dilution in the above Mineral Resources.

Mineral Processing and Metallurgical Testing

Routine analysis and testing of samples from LabMag Services Inc.'s 2004 and 2005 drill program included mineral processing and metallurgical testing on an individual sample and composite basis. This work was undertaken at MRC. In 2005, LabMag Services Inc. also engaged MRC to carry out a Pilot Plant metallurgical testwork program on a 240 t bulk sample. The pilot plant utilized a typical magnetic recovery flowsheet incorporating two stages of grinding (SAG mill followed by Ball mill), three stages of magnetic separation, three stages of screening and, for one campaign, a flotation circuit. The objective was to assess the ability to produce a

high-grade magnetite iron ore concentrate with 3% or less silica and to provide concentrate amenable to producing quality pellets conforming to a variety of world market specifications.

Results were positive, with pilot plant concentrate percent total iron ("%TFe") averaging 69.08 and SiO_2 averaging 3.47% for the no-flotation tests, and concentrate %TFe of 69.85 and SiO_2 of 2.81% for the one flotation test. Weight recoveries by assay varied from 27.82% to 32.9% and averaged 30.2% over the course of the three campaigns.

LabMag Services Inc. initiated further testing and process development work on the Howells River deposits starting in 2004. The work was a combination of testing on drill core and bulk samples of the deposit, with the work designed to further confirm earlier conclusions and to start definition of some of the main process design criteria in support of the Pre-Feasibility Study. The work completed to date generally supports earlier conclusions on liberation and weight recovery and concentrate grades. The testing for both SAG milling and ball milling power requirements indicated 17.3 kw/t for SAG milling and a Bond Work Index of 15.9 kw/t for ball milling. In 2005, a 200-tonne bulk sample was taken and sent to MRC for pilot testing work. The sample was made up of quantities in proportions that reflected the distribution of material between the seven stratigraphic units recognized in the deposit and was run in a one tonne per hour flowsheet that simulates all of the unit operations in a typical commercial operation. Three pilot runs were made in late 2005, with the initial campaign including flotation. In 2006, preliminary testwork was carried out at Studiengesellschaft für Eisenerzaufbereitung ("SGA"), KHD and Koppern in Germany on Howells River material, for testing in high pressure grinding rolls ("HPGR") as an alternative and potential energy saving in primary grinding.

Two separate pelletizing tests were carried out by LabMag Services Inc. in 2006, with work completed by COREM in Québec City and SGA in Germany using concentrate produced from the pilot campaign at MRC. The work demonstrated that good quality pellets could be produced and meet the required market specifications. Bench-scale tests were also carried out at SGS in Ontario and the results demonstrated that, by the addition of a flotation circuit to be located just before the pellet plant, concentrate can be upgraded to permit the production of pellets having a silica content sufficiently low to be suitable as feed for direct reduction.

The flowsheet for the proposed concentrator is based on a series of bench and pilot scale metallurgical tests and designed to process an average of 51.6 Mtpy of ore and produce 14.2 Mtpy of concentrates at a grade averaging 69.6% Fe over the 25 year operation. The concentration is based on wet magnetic separation, a process used successfully in concentration of similar deposits in the Mesabi Iron Range in Minnesota. The decision to utilize HPGR in the concentrator in the primary grinding stage, as opposed to SAG milling, is a more recent development coming primarily from advances in equipment technology. The slurry portion of the flowsheet is separated into six separate processing lines to achieve the required liberation of the magnetic iron. The finely ground product is further concentrated in rougher and finishing stages of wet magnetic separation, with a final concentrate grade of 69.1% Fe. Concentrate in slurry form from the circuit will be dewatered to 70% solids, prior to handling through agitated slurry surge tanks and subsequent pumping in the 230 km slurry line to the pellet plant. The tailings from the concentrator will be pumped to a tailings management area sited 25 km to the northwest of the concentrator. The site was selected after due consideration of three alternatives and the limitations of tailings as structural material for dams.

The planned location of the pellet plant will be in Emeril, near Ross Bay Junction, on the TRT railway line, just beyond the northern limit of the QNS&L portion of the railway line to Schefferville. The slurry from the concentrator operation will be delivered by pipeline to the pellet plant site. For the purposes of the pre-feasibility study, LabMag Services Inc. has based the design on a turnkey quotation for a 15 Mtpy plant from a recognized industry supplier. The plant utilizes state of the art technology and standard industry unit operations and equipment. The plant design includes two processing lines capable of producing acid, fluxed or low silica pellets to meet the specifications of global markets. The pellet production will be shipped south, initially on a short rail section operated by TSH to Ross Bay Junction. From that point, the pellets will travel south via the QNS&L main railway haulage line to the junction with the Arnaud Railway north of Sept-Îles, where it will then be

transported westerly to storage and ship loading facilities at Pointe-Noire, adjacent to the Wabush Mine shipping facilities.

Mineral Reserve Estimates, Mining Operations and Concentrate Slurry Pipeline

The pre-feasibility study is based on a large-scale open pit operation utilizing shovels and trucks to move an average of 51.6 million tonnes of ore and 7.7 million tonnes of waste per year over a 25 year mine life. The scale of the mining operation will be similar to the largest operation of IOCC in the region, with the pit operation using similar equipment to the other three open pit operations in the area. Because metallurgical testing to date has been carried out primarily on Block A, the mine plan in the pre-feasibility study starts production mining in Block A, where it is scheduled to continue for 25 years. As further metallurgical work defines the blending requirements of the deposits, it may become necessary to mine both blocks simultaneously.

For the conversion of the Mineral Resources to Mineral Reserves and the open pit optimization, LabMag Services Inc. used an 18% DTWR cutoff resulting in Proven and Probable Mineral Reserves of 3.5 billion tonnes at an average grade of 29.6% Fe, or more than 2.5 times the Mineral Reserves required to be mined in the Pre-Feasibility Study. Tables 37 and 38 below summarize the Mineral Reserve estimates for Blocks A and B (based on the pre-SGS Canada updated Mineral Resource estimate). Table 39 below shows the detailed tonnage and grade schedule for the 25-year mining plan that forms the basis for the pre-feasibility study financial analysis.

TABLE 37
MINERAL RESERVE AND STRIPPING ESTIMATES – BLOCK "A"
BASED ON 18% DTWR CUTOFF

BLOCK A	PROVEN					PROBABLE					PROVEN+PROBABLE				
				Concentrate					Concentrate					Concentrate	
ORE TYPE	million tonnes	DTWR (%)	Crude Fe(%)	Fe(%)	SiO_2 (%)	million tonnes	DTWR (%)	Crude Fe(%)	Fe(%)	SiO_2 (%)	million tonnes	DTWR (%)	Crude Fe(%)	Fe(%)	SiO_2 (%)
LC	151	28.2	28.6	69.5	2.8	128	24.4	27.9	68.8	3.1	279	26.4	28.3	69.2	2.9
JUIF	168	25.9	30.5	69.7	2.6	57	25.8	29.6	69.7	2.4	224	25.8	30.3	69.7	2.6
GC	46	24.5	29.5	69.4	2.6	14	24.1	27.2	63.8	2.5	60	24.4	28.9	68.0	2.6
URC	106	29.4	34.3	69.8	2.6	32	26.8	33.9	69.4	2.4	137	28.8	34.2	69.7	2.6
PGC	316	31.6	30.4	69.3	3.3	78	24.5	29.2	69.6	3.1	394	30.2	30.2	69.3	3.3
LRC	92	26.2	28.5	69.9	2.2	34	25.7	28.7	69.9	1.9	126	26.1	28.6	69.9	2.1
LRGC	505	25.1	28.8	70.1	1.8	112	22.8	28.5	70.0	1.9	617	24.6	28.8	70.1	1.8
LRGC (BOT)						24	24.5	28.7	69.9	1.8	24	24.5	28.7	69.9	1.8
TOTAL RESERVES	1,383	27.4	29.8	69.7	2.5	479	24.4	28.9	69.3	2.5	1,862	26.6	29.6	69.6	2.5
WASTE															
OBBR	29														
MS	218														
Rock	223														
Inferred (DTWR>18%)	38														
TOTAL WASTE	507														
STRIPPING RATIO	0.27														

TABLE 38
MINERAL RESERVE AND STRIPPING ESTIMATES – BLOCK "B"
BASED ON 18% DTWR CUTOFF

BLOCK B	PROVEN					PROBABLE					PROVEN+PROBABLE				
				Concentrate					Concentrate					Concentrate	
ORE TYPE	million tonnes	DTWR (%)	Crude Fe(%)	Fe(%)	SiO_2 (%)	million tonnes	DTWR (%)	Crude Fe(%)	Fe(%)	SiO_2 (%)	million tonnes	DTWR (%)	Crude Fe(%)	Fe(%)	SiO_2 (%)
LC	229	28.8	29.0	69.9	2.3						229	28.8	29.0	69.9	2.3
JUIF	386	26.4	30.1	70.5	1.7						386	26.4	30.1	70.5	1.7
GC	28	21.9	27.2	69.4	2.1						28	21.9	27.2	69.4	2.1
URC	150	26.4	34.9	70.3	1.9						150	26.4	34.9	70.3	1.9
PGC	164	34.8	32.3	70.2	2.2						164	34.8	32.3	70.2	2.2
LRC	76	25.7	28.8	70.6	1.5						76	25.7	28.8	70.6	1.5
LRGC	565	22.4	27.8	70.6	1.6	32	23.9	27.9	70.5	1.7	596	22.5	27.8	70.6	1.6
LRGC (BOT)						55	24.2	27.9	70.5	1.7	55	24.2	27.9	70.5	1.7
TOTAL RESERVES	1,597	26.1	29.7	70.4	1.8	86	24.1	27.9	70.5	1.7	1,683	26.0	29.6	70.4	1.8
WASTE															
OBBR	22														
MS	197														
Rock	243														
Inferred (DTWR>18%)	44														
TOTAL WASTE	507														
STRIPPING RATIO	0.30														

TABLE 39 - ANNUAL ORE AND CONCENTRATE PRODUCTION

Year	ROM Million Tonnes	Concentrate Million Tonnes	%DTWR	Crude %Fe	Concentrate	
					%Fe	$\%SiO_2$
1	46.23	14.20	30.7	31.1	69.7	2.7
2	47.64	14.20	29.8	30.6	69.6	2.7
3	46.90	14.20	30.3	30.2	69.6	2.8
4	48.17	14.20	29.5	30.2	69.7	2.7
5	48.57	14.20	29.2	30.1	69.7	2.7
6-8	145.41	42,60	29.3	30.0	69.7	2.4
9-11	156.85	42,60	27.2	29.6	69.4	2.8
12-14	157.88	42,60	27.0	29.7	69.5	2.7
15-17	162.41	42,60	26.2	29.4	69.4	2.7
18-20	163.04	42,60	26.1	29.4	69.5	2.4
21-25	266.94	71.00	26.6	30.0	69.1	2.8
Total/Average	**1,290.03**	**355.00**	**27.5**	**29.8**	**69.5**	**2.7**

WGM believes the level of details in the pit design and equipment is adequate to support the pre-feasibility study. It is probable that variations in the mineralization between Block A and Block B, as well as the variation in the recognized layers of the mineralization, will require more extensive blending than is currently allowed for in the study to ensure an optimum blend is maintained to the concentrator and the pellet plant. This may impact the ultimate pit design, as well as the equipment fleet requirements, to ensure the blending requirements can be met.

An integral part of the LabMag Project is the transport of concentrate between the concentrator to the pellet plant at Emeril, near Ross Bay Junction. The routing will follow a railway line that was originally developed by the IOCC as a common carrier heavy haul line to transport direct shipping iron ore from Schefferville to the port at Sept-Îles. The slurry transport system is proposed as a single pipeline which will be primarily installed in a trench with some surface sections insulated as required to accommodate the freezing conditions encountered in this region. LabMag Services Inc. engaged recognized industry expertise in the design of the line, PSI and addressed all of the obvious concerns with the application of this technology in this northern remote environment. WGM engaged outside industry expertise, BRASS, of San Ramon, California, to review this aspect of the pre-feasibility study.

In addition to the slurry pipeline, the project must make considerable investment in railway rolling stock necessary for transportation of materials and supplies to sustain the two separate remote parts of the operation. BRASS has identified some areas that require attention in the next project phases, however, the design was regarded as adequate to support the pre-feasibility study and the associated capital and operating cost requirements for the project at this stage.

Exploration and Development

Drilling and Exploration Activities in 2011/2012

The Corporation has received project release, subject to a number of customary terms and conditions, from the Government of Newfoundland and Labrador following the approval of the Corporation's Environmental Impact Statement for Phase 1 of the DSO Project. The release will allow completion of the permitting process required to start construction in the third quarter of 2011 and management of the Corporation expects commencement of iron ore production in the second half of 2012. Phase 1 of mining operations includes the Timmins 3N, Timmins 4, Timmins 7 and Fleming 7N deposits in Newfoundland and Labrador.

The Canadian Environmental Assessment Agency has also completed its review of the DSO Project and has determined that a federal level Canadian Environmental Assessment is not required. In September 2010, the Corporation also submitted an Environmental Impact Statement to the Government of Québec for Phase 2 of the DSO Project. Management of the Corporation expects approval from the Government of Québec in the fourth quarter of 2011. Phase 2 of mining operations includes the Goodwood, Sunny 1, Kivivic 3 S and Leroy deposits in Québec.

On January 31, 2011, the Corporation announced that its geophysical consultant Jean Hubert completed the final interpretation of the airborne gravity and magnetometer survey. This survey was conducted by Fugro Airborne Surveys Corp. at Schefferville, Québec between September 14 and November 11, 2010 on the Corporation's LabMag, KéMag and DSO Properties. The results of the survey indicates the presence of more than 50 strong gravity anomalies associated with low magnetic values. These anomalies are located in a north-westerly trending iron formation from Schefferville to Goodwood and further northward over a length of approximately 50 km. All these anomalies are located on the Corporation's 100% owned claims and licences in Québec and Newfoundland and Labrador. At the south end of the survey area, a group of 13 anomalies are outlined within a radius of 5 km of the proposed Timmins processing plant location.

The survey results also show a second group of 10 anomalies occurring within a radius of 5 km of the Goodwood-Kivivic, near the north end of the surveyed area, where over 80% of all currently known resources are located. Between Timmins and Goodwood over a length of 19 km, 20 anomalies are outlined over the iron formation bands. Beyond Goodwood-Kivivic, over a length of 12 km, 11 anomalies are identified. High gravity anomalies associated with low magnetism are favourable targets for locating enriched DSO deposits.

The interpretation of the airborne high sensitivity magnetometer survey data conducted over the Millennium Iron Range in Québec and Newfoundland and Labrador covering magnetic taconite bearing formations was also completed. Several magnetic anomalies comparable in intensity to the LabMag and KéMag taconite deposits are outlined in the north and south sections of these areas. In Newfoundland and Labrador, five anomalies, one to the north and four to the south of the LabMag Property were identified. In Québec, five anomalies to the north of the KéMag Property were outlined.

On April 27, 2011, the Corporation announced that it would proceed with the exploration of two 100% owned taconite magnetic anomalies located in the Millennium Iron Range. These anomalies were identified by the airborne magnectic survey undertaken in 2010. The Corporation’s objective was to carry out significant drilling in 2011 to produce NI 43-101 compliant resources by March 31, 2012.

In summer 2011 George Downing completed drilling selected portions of the KéMag deposit to collect representative bulk samples for pilot plant testing that would be jointly undertaken by Tata Steel. The contract was for approximately 5,500 meters of PQ size core (3.345″/85 mm) at the KéMag deposit. About 85 tonnes of materials was collected to validate the process flowsheet and to produce sufficient quantities of concentrates to be used for the design of the pelletizing equipment and by other vendors to size their respective equipment.

In July, 2011, the surface lease application by TSMC had been approved by the Government of Newfoundland and Labrador. Permits for the site preparation and construction of the camp had also been issued by the Government of Newfoundland and Labrador. Erection of the camp was completed in 2011. The surface lease application covers the Timmins area, where the camp, processing plant, offices, warehouse, maintenance shops and related infrastructure are to be installed.

In July 2011, the Corporation announced that it extended the current contract with George Downing to add a third drill and include drilling of the taconite exploration targets at Lac Ritchie and Perault Lake. The Corporation estimated undertaking about 5,000 meters of drilling in those two targets.

In August 8, 2011, TSMC started hydrogeological as well as exploration drilling at several DSO deposits. TSMC engaged the services of Forages Lbm Inc of Victoriaville, Québec to undertake about 4000 meters of reverse circulation drilling. Hydrological drilling was carried out to establish ground water profiles and pattern for deposits located in both areas. The information is required to satisfy certain pre-conditions that were part of the approval of the EIS for Area 3 by the Government of Newfoundland and Labrador. The collected information will also be used to support the on-going EIS review for the Area 4 by the Government of Québec as well as further hydrological information required for the operation of the mines.

Also in August of 2011, the Corporation announced that based on its ongoing evaluation of historical drill results incorporating recent airborne magnetic survey data it had identified another high priority target. The target coincides with drill hole HR179D drilled on the strike extension of the taconite formation connecting the LabMag and KéMag deposits. This zone extends for approximately 18 km from the north end of the LabMag Deposit to the south end of the KéMag Deposit. Hole HR1279D was drilled in 2006 as an exploratory hole to check the taconite extension north west of the LabMag deposit. The hole was drilled to a depth of 105 m intersecting all economic stratigraphic units. Although the results of the testing and analysis were encouraging no additional drilling was carried out as the Corporation decided to concentrate its efforts on KéMag and LabMag. However, the airborne magnetic survey conducted in 2010 indicated the presence of groups of magnetic anomalies over the taconite extension between LabMag and KéMag deposits. Recent analysis by the Corporation demonstrates a strong connection between the drill hole results and certain anomalies that support further exploration. The Corporation conducted an initial drilling program in the fall of 2011 to outline the extent of a potential additional deposit.

On November 22, 2011, the Corporation announced that TSMC had awarded a general construction contract to IML. IML will be responsible for the general construction at the Timmins area, where the processing plant, offices, warehouse, maintenance shops and related infrastructure are to be installed under a 106 meters wide x 182 meters long dome with an apex height of 42 meters.

On December 1, 2011, the Corporation announced that it engaged engineering consulting company SNC-Lavalin, of Montreal, Quebec, to act as the study manager for the Taconite Project feasibility study, currently being undertaken by the Corporation with Tata Steel. SNC-Lavalin will manage and integrate the work of several specialized subcontractors, which are recognized as renowned experts in their respective fields. The study manager will be responsible for the preparation of a feasibility report to be used for making an investment decision as to the financing and development of the Taconite Project by Tata Steel. Pilot plant concentrating and pelletizing tests are being conducted at Studien Gesellschaft für Eisenerz-Aufbereitung in Germany. A pelletizing technology supplier will be engaged during the course of the study to design the pelletizing facility.

On December 8, 2011, the Corporation announced additional drill core assay results from its 100% owned Lac Ritchie property. The drilling on this property was completed on October 11, 2011 and during that period 40 holes for a total of 3,800 m were drilled.

On January 19, 2012, the Corporation, announced further drill core assay results from its 100% owned Lac Ritchie property. The LC unit test and assay results from 32 of 40 holes drilled are set out below. The average thickness of the magnetic mineralized formation of these 32 holes is 46.2 meters.

On February 16, 2012, the Corporation announced that it signed a contract with George Downing for its 2012 drilling program on taconite exploration targets at the Perault Lake and Howells Lake properties. Drilling is expected to start at Perault Lake in early March, 2012. Three drills are currently being mobilized.

It is expected that the Taconite Feasibility Study will be completed by the end of 2012.

It is expected that the DSO Project will commence production by the end of 2012.

RISK FACTORS

Overview

The Corporation'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 Corporation and other risks now unknown to the Corporation may arise or risks now thought to be immaterial may become material. No guarantee is provided that other factors will not affect the Corporation in the future. Many of these risks are beyond the control of the Corporation.

An investment in the Common Shares involves a number of risks. In addition to the other information contained in this Annual Information Form, 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 Corporation 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 Corporation'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 Corporation.

Taconite Project Financing

Pursuant to the terms of the Taconite HOA, TSG has a period of 4 months after the conclusion of the Taconite Feasibility Study to exercise its option to participate in the Taconite Project. The Taconite Feasibility Study is expected to be completed by the end of 2012. 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 Corporation 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.

Current Global Financial Conditions

In the event of a general economic downturn or a recession, there can be no assurance that the business, financial condition and results of operations of the Corporation would not be materially adversely affected.

Recent global financial conditions have been characterized by increased volatility and several financial institutions have either gone into bankruptcy or have had to be rescued by governmental authorities. Access to public financing has been negatively impacted by both the rapid decline in the value of sub-prime mortgages and the liquidity crisis affecting the asset-backed commercial paper market. These factors may affect the ability of the Corporation to obtain equity or debt financing in the future on terms favorable to it. In addition, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary,

which may result in impairment losses. If increased levels of volatility and market turmoil occur, the operations of the Corporation could be adversely impacted and the price of the securities of the Corporation may be adversely affected.

Nature of Mining, Mineral Exploration and Development Projects

Mining operations generally involve a high degree of risk. The Corporation'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.

Iron Ore Prices

The Corporation's principal business is the exploration and future production of iron ore. The Corporation'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.

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. A decline in iron ore prices would adversely impact the business of the Corporation.

Iron ore prices are also affected by numerous other factors beyond the Corporation'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 Corporation has not recorded any revenues from operations nor has the Corporation commenced commercial production on any property. There can be no assurance that significant losses will not occur in the near future or that the Corporation will be profitable in the future. The Corporation'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 Corporation has an interest. The Corporation expects to continue to incur losses unless and until such time as it enters into commercial production and generates sufficient revenues to fund its continuing operations. The development of the Corporation's properties will require the commitment of substantial resources to conduct time consuming development. There can be no assurance that the Corporation will generate any revenues or achieve profitability.

Liquidity Concerns and Future Financings

The Corporation 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 Corporation has an interest. There can be no assurance that the Corporation 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 Corporation when required, as a result of limited access to credit markets or otherwise, or is not available on acceptable terms, the Corporation may be unable to invest the capital for the Corporation’s development and exploration programs, take advantage of business opportunities or respond to competitive pressures, any of which could cause the Corporation to postpone or slow down its development plans, forfeit rights in some or all of the Corporation's properties or reduce or terminate some or all of its activities.

Foreign Exchange

Iron ore is sold in U.S. dollars thus the Corporation 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 Corporation 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 continuing decline in the U.S. dollar would result in a decrease in the real value of the Corporation's revenues and adversely impact the Corporation's financial performance.

Mineral Resource and Mineral Reserve Estimates May be Inaccurate

There are numerous uncertainties inherent in estimating mineral resources and mineral reserves, including many factors beyond the Corporation's control. Such estimates are a subjective process, and the accuracy of any mineral resources and mineral reserves estimate is a function of the quantity and quality of available data and of the assumptions made and judgments used in engineering and geological interpretation. These amounts are estimates only and the actual level of recovery of iron ore from such deposits may be different. Differences between management's assumptions, including economic assumptions such as metal prices, market conditions and actual events could have a material adverse effect on the Corporation's mineral reserve estimates, financial position and results of operations.

Licenses and Permits, Laws and Regulations

The Corporation's exploration and development activities, including mine, mill, road, rail and port facilities, require permits and approvals from various government authorities, and are subject to extensive federal, provincial and local laws and regulations governing prospecting, development, production, exports, taxes, labour standards, occupational health and safety, mine safety and other matters. Such laws and regulations are subject

to change, can become more stringent and compliance can therefore become more costly. In addition, the Corporation may be required to compensate those suffering loss or damage by reason of its activities. The Corporation may be required to obtain additional licenses and permits from various governmental authorities to continue and expand its exploration and development activities. There can be no guarantee that the Corporation will be able to maintain or obtain all necessary licenses, permits and approvals that may be required to explore and develop its properties, commence construction or operation of mining facilities.

Environmental

The Corporation's activities are subject to extensive federal, provincial and local laws and regulations governing environmental protection and employee health and safety. Environmental legislation is evolving in a manner that is creating stricter standards, while enforcement, fines and penalties for non-compliance are more stringent. The cost of compliance with changes in governmental regulations has the potential to reduce the profitability of operations. Furthermore, any failure to comply fully with all applicable laws and regulations could have significant adverse effects on the Corporation, including the suspension or cessation of operations.

Title to Property

The Corporation does not own the LabMag Property or the DSO Property, and only has an interest in the LabMag 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 or the DSO Property, the Corporation 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 Corporation fails to meet payments or work commitments on the KéMag Property, the Corporation may also lose its direct interest in the KéMag 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 or any of its other properties do not exist. The LabMag Property, the KéMag Property, the DSO 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 Corporation 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 Corporation 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 or any of its other properties will not be challenged or impugned. While, to the best of the Corporation's knowledge, title to the LabMag Property, the KéMag Property, the DSO 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

The Corporation 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 Corporation's common shares.

Key-Man and Liability Insurance

The success of the Corporation will be largely dependent upon the performance of its key officers. The Corporation 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 Corporation 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 Corporation might not elect to insure itself against such liabilities due to high premium costs or other reasons, in which event the Corporation could incur significant costs that could have a material adverse effect upon its financial condition.

Competition

The Corporation competes with many other mining companies that have substantially greater resources. Such competition may result in the Corporation being unable to acquire desired properties, recruit or retain qualified employees or acquire the capital necessary to fund the Corporation's operations and develop its properties. The Corporation's inability to compete with other mining companies for these resources would have a material adverse effect on the Corporation's results of operations and business.

Dependence on Outside Parties

The Corporation 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 Corporation.

Ability to Attract and Retain Qualified Personnel

Recruiting and retaining qualified personnel is critical to the Corporation'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 Corporation's business activity grows, they will require additional key financial, administrative and mining personnel as well as additional operations staff. If the Corporation 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 Corporation'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 Corporation expects that the DSO iron ore deposits from the DSO Project will be transported in railcars, under contract with three existing carriers. As at the date of this AIF, TSMC has entered into a formal agreement with only one 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.

Availability of Reasonably Priced Raw Materials and Mining Equipment

The Corporation 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 Corporation'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 Corporation 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.

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 Corporation's share price will not occur.

During the year ended December 31, 2011, the Corporation’s share price closed at a high of $4.96 during March 2011 and a low of $0.90 during October 2011.

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 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 holding or disposing of the Common Shares.

Dilution and Future Sales of Common Shares

The Corporation may issue additional shares in the future, which may dilute a shareholder's holdings in the Corporation. The Corporation'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 Corporation 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 Corporation's knowledge, as of the date hereof, TSG beneficially owns, controls and directs, directly or indirectly, 47,402,908 Common Shares representing approximately 26.63% of the issued and outstanding Common Shares. Pursuant to the HOA, the Corporation has granted TSG a pre-emptive right to maintain its pro rata ownership interest in the Corporation (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 Corporation'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 Corporation's other properties, together with adjacent areas, may be the subject of land claims by aboriginal groups. Management of the Corporation 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 Corporation 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 Corporation's other properties or projects and there is no assurance that such IBAs will ever be completed.

Dividends

The future payment of dividends on the common shares of the Corporation will be dependent upon the financial requirements of the Corporation to finance future growth, the financial condition and other factors which the Board of Directors may consider appropriate in the circumstances. The Corporation 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 Corporation may be subject in connection with the operations of the Corporation. Some of the directors and officers of the Corporation 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 Corporation. 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 Corporation's subsidiaries.

DIVIDENDS AND DISTRIBUTIONS

No dividends or distributions have been declared in the three most recently completed financial years of the Corporation. Any decision to pay dividends or distributions on the Common Shares will be made by the Board of Directors on the basis of the Corporation's earnings, financial requirements and other conditions existing at the relevant time.

CAPITAL STRUCTURE

General Description of Share Capital

The Corporation 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, 2011, 176,267,964 Common Shares were issued and outstanding as fully paid and non-assessable shares and no Preferred Shares were issued and outstanding. As at March 28, 2012, 178,030,146 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 Corporation'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 Corporation and are entitled to receive the remaining property upon liquidation of the Corporation.

Preferred Shares

The Corporation 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 Corporation, 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 Corporation, whether voluntary or involuntary, or any other distribution of the assets of the Corporation 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 Corporation ranking junior to such series of Preferred Shares.

MARKET FOR SECURITIES

The Common Shares of the Corporation are listed and posted for trading on the TSX under the stock market symbol "NML".

Trading History

The following table sets forth the price range in Canadian dollars of Common Shares and volume traded on the TSX and the TSX Venture, as applicable, for the periods indicated.

Period	High ($)	Low ($)	Volume
2011			
January 2011	3.95	2.06	27,409,155
February 2011	4.21	3.45	14,964,571
March 2011	4.96	3.11	22,097,189
April 2011	3.66	2.77	7,062,513
May 2011	3.15	2.13	11,416,967
June 2011	2.85	2.18	4,839,135
July 2011	2.88	2.15	4,758,768
August 2011	2.42	1.58	6,968,200
September 2011	1.97	1.08	7,829,125
October 2011[(1)]	1.81	0.90	7,670,488
November 2011	1.85	1.14	7,279,672
December 2011	1.54	1.21	6,166,817
2012			
January 2011	2.15	1.50	7,815,536
February 2012	3.23	2.00	15,007,012
March 1- 27	2.88	2.13	6,361,785

Note:
(1) The Common Shares of the Corporation began trading on the TSX as of the opening of market on October 19, 2011.

Prior Sales

The following table summarizes the issuances of unlisted securities for the year ended December 31, 2011.

Date of Issuance	Securities	Number of Securities	Price/Exercise Price per Security (C$)
February 11, 2011	Stock Options	42,000[(1)]	$3.52
February 28, 2011	Compensation Options	1,084,386[(2)]	$3.50
April 1, 2011	Stock Options	3,315,000[(1)]	$3.36
April 29, 2011	Stock Options	175,000[(1)]	$3.16
May 16, 2011	Stock Options	52,000[(1)]	$2.48
July 18, 2011	Stock Options	48,000[(1)]	$2.48
July 26, 2011	Stock Options	72,000[(1)]	$2.65
October 18, 2011	Stock Options	32,000[(1)]	$1.61
November 1, 2011	Stock Options	135,000[(1)]	$1.65
November 28, 2011	Stock Options	110,000[(1)]	$1.16
December 6, 2011	Stock Options	350,000[(1)]	$1.43
December 20, 2011	Stock Options	160,000[(1)]	$1.23

Note:
(1) Issue of stock options. Stock options expire five years from the date of issue.
(2) Each compensation option may be exercised for one Common Share at an exercise price of $3.50 for a period of 18 months after February 28, 2011.

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 Corporation, their respective positions and offices with the Corporation 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 Corporation 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.
Dean Journeaux[(3)] Rockland, Ontario	President and Chief Executive Officer since July 1, 2011 and a Director since August 8, 2003	Chief Operating Officer of the Corporation 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.
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, Quebec	Director since November 13, 2007	Fellow of the Ordre des comptables 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.
Partha Sengupta[(2)] Bistupur, Jamshedpur, Jharkhand, India	Director since April 14, 2010	Currently Vice-President, Raw Materials (Global Minerals) of Tata Steel Limited. Has held various positions within Tata Steel Limited since 1980.
Sandip Biswas[(1)] 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.
H.M Nerurkar Mumbai, India	Director since October 2010	Managing Director of Tata Steel Limited. Has held various positions within Tata Steel Limited since 1982.
Mark Freedman Montreal, Quebec	Chief Financial Officer	Partner with the Montreal based accounting firm of Roll Harris & Associés since 2001 and a member of the Ordre des comptables agréés du Québec.

Name and Municipality of Residence	Position(s) Held with the Corporation and Period of Service as a Director	Principal Occupation
Moulaye Melainine Montreal, Quebec	Senior Vice-President, Development	Senior Vice-President, Development, since April 23, 2010. Prior thereto, Mr. Melainine was Vice-President, Development of the Corporation since April 2008; prior thereto, Manager of Project Evaluation of the Corporation from November 2005 to April 2008. Prior thereto, Mr. Melainine was the Regional Vice-President for Middle East of Tecsult International Inc. from May 2000 to October 2005.
Bish Chanda Montreal, Quebec	Senior Vice-President, Marketing & Strategy	Senior Vice-President, Marketing & Strategy since October 2008. Prior thereto, Vice-President, Marketing of the Corporation since April 2008; prior thereto the Marketing Director of the Corporation from 2004 to April 2008.
Jean-Charles Bourassa Montreal, Quebec	Vice-President, Mining	Vice-President of Mining of the Corporation since April 2008. Prior thereto, professional engineer and consulting mining engineer from 2001 to April 2008.
Paul F. Wilkinson Montreal, Quebec	Senior Vice-President, Environment and Social Affairs	Senior Vice-President, Environment and Social Affairs, since April 23, 2010. Prior thereto, Mr. Wilkinson was Coordinator, Environment and Social Affairs, of the Corporation since 2004. Mr. Wilkinson has also been President of Paul F. Wilkinson and Associates, Inc. since 1982.
Ernest Dempsey Montreal, Quebec	Vice-President, Investor Relations and Corporate Affairs	Vice-President , Investor Relations and Corporate Affairs since 2011. Prior thereto, Mr. Dempsey served as Vice President of Sales and Marketing for Mitsubishi Development Pty. Ltd.'s 50% owned Crosslands Resources Ltd. iron ore joint venture in Perth, Western Australia. Mr. Dempsey held the same position at Iron Ore Company of Canada (IOC) from 1997 to 2004, and subsequently represented Rio Tinto's iron ore businesses in Europe. Earlier in his career, Mr. Dempsey was with US-based mining companies Cleveland Cliffs Inc. (now Cliffs Natural Resources Inc.) and Pickands Mather & Co., where his roles included commercial responsibilities in Canadian iron ore.

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 Corporation, as at March 28, 2012, the directors and executive officers of the Corporation, as a group, beneficially owned, directly or indirectly or exercised control or direction over, 8,141,813 Common Shares or approximately 4.57% of the issued and outstanding Common Shares of the Corporation (this includes, 1,043,038 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 Corporation by the above individuals and/or management.

The directors listed above will hold office until the next annual meeting of the Corporation or until their successors are elected or appointed.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

No director or executive officer of the Corporation 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 Corporation), 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 Corporation, or a shareholder holding a sufficient number of securities of the Corporation to affect materially control of the Corporation, is, or within ten years prior to the date of this AIF, has been a director or executive officer of any company (including the Corporation) 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 Corporation to affect materially control of the Corporation, 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 Corporation, or a shareholder holding a sufficient number of securities of the Corporation to affect materially control of the Corporation, 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 Corporation 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 Corporation 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 Corporation. Some of the directors of the Corporation have either other employment or other business or time restrictions placed on them and accordingly, these directors of the Corporation will only be able to devote part of their time to the affairs of the Corporation. 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 Corporation'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.A.

Mr. Seccareccia is Chair of the Audit Committee. Mr. Seccareccia, Fellow of the Ordre des comptables 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), Genivar Income Fund (TSX: GNV.UN), MedicaGo Inc. (TSX-V: MDG), Fondation de la Famille Lemaire, ARX Capital Inc., Langevin & Forest Inc., and Robichaud Conseil Inc.

In addition, Mr. Seccareccia is Chairman of the Board of les Oeuvres de la Maison du Père, Chairman of the Board of la Fondation Père Eusèbe-Ménard, Member of the Board, Chairman of the audit committee and member of the research committee of UHC Sainte-Justine.

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 Corporation's financial year ended December 31, 2011, 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 Corporation's financial year ended December 31, 2011, has the Corporation 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 Corporation and the fees for those services.

External Auditor Service Fees

The aggregate fees billed by the Corporation'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]
2011	$87,472	$128,250	$56,055	$13,647
2010	$92,090	$31,685	$29,386	$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, related regulatory filings and due diligence.
(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 Corporation's knowledge, there were no legal proceedings during the year ended December 31, 2011, to which the Corporation is a party or of which any of its property is the subject matter, and there are no such proceedings known to the Corporation to be contemplated.

There are no penalties or sanctions imposed against the Corporation by a court relating to securities legislation or by a securities regulatory authority during legal proceedings material to the Corporation to which the Corporation is a party or of which any of its property is the subject matter, and there are no such proceedings known to the Corporation to be contemplated during the financial year ended December 31, 2011.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as set forth herein, or as previously disclosed on SEDAR, the Corporation 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 Corporation which has or will materially affect the Corporation.

TRANSFER AGENTS AND REGISTRARS

The Corporation'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. Asset Purchase Agreement dated June 1, 2004 among the Corporation, LMC and NNK, relating to the purchase of an 80% undivided interest in the LabMag Property by the Corporation, described under "Description of the Business - LabMag Iron Ore Project - Description of the Project".

2. Limited Partnership Agreement dated August 4, 2004 among LabMag GP Inc., as general partner and the Corporation and Naskapi LabMag Trust, as limited partners, relating to the Partnership, terms of which are described in "Description of the Business - LabMag Iron Ore Project - Description of the Project".

3. Royalty Agreement dated August 11, 2004 as amended dated October 23, 2006 among the Corporation, 6299661 Canada Inc., 6333621 Canada Inc., 6309801 Canada Incorporated, 6308180 Canada Inc., 662172 Alberta Corp., NNK and the Partnership, 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, which is described in "Description of the Business - LabMag Iron Ore Project - Description of the Project".

4. Services Agreement dated August 11, 2004 among the LabMag Services Inc. and the Partnership relating to operational and management services to the Partnership , terms of which are described in "Description of the Business - LabMag Iron Ore Project - Description of the Project".

5. Heads of Agreement dated September 24, 2008, as amended, among the Corporation, the Partnership and TSG, relating to TSG becoming a strategic investor of the Corporation, the material terms of which are described in "General Development of the Business".

6. Asset Exchange Agreement dated October 16, 2009 between the Corporation and LIM in respect of the exchange of certain DSO properties located in the Provinces of Newfoundland and Labrador and Québec, the material terms of which are described in "General Development of the Business".

7. Rail Co-operation Agreement dated October 16, 2009 between the Corporation and LIM regarding the reconstruction and permitting of the “Timmins Extension” rail tracks from TSH Railroad main line near Schefferville to the Timmins mining areas, the material terms of which are described in "General Development of the Business".

8. Joint Venture Agreement dated November 6, 2009 among the Corporation, 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".

9. Taconite HOA dated March 6, 2011 among the Corporation, 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".

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.

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, each a "qualified person", as defined in NI 43-101, are the authors responsible for the preparation of the DSO Met-Chem Technical Report.

Andre Allaire, Langis Charron, John Dinsdale of BBA, and Robert de l'Etoile of SGS Canada, each a "qualified person", as defined in NI 43-101, are the authors responsible for the preparation of the KéMag BBA Technical Report.

Michael W. Kociumbas, G. Ross MacFarlane, Gordon D. Watts, and Rick W. Risto of WGM, and Brad Ricks of BRASS, each a "qualified person", as defined in NI 43-101, are the authors responsible for the preparation of the LabMag WGM Technical Report.

Interests of Experts

The Corporation's auditor is Raymond Chabot Grant Thornton LLP, Chartered Accountants, who have audited the Corporation's Consolidated Financial Statements for the financial year ended December 31, 2011. As at the date of hereof, the partners and associates of Raymond Chabot Grant Thornton LLP, Chartered 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 President, Chief Executive Officer and a director of the Corporation.

Mr. Bish Chanda, a qualified person named or referred above under "Name of Experts", is the Senior Vice-President, Marketing & Strategy of the Corporation.

Mr. Jean-Charles Bourassa, a qualified person named or referred above under "Name of Experts", is the Vice-President, Mining of the Corporation.

Mr. Moulaye Melainine, a qualified person named or referred above under "Name of Experts", is the Senior Vice-President, Development of the Corporation.

To the best knowledge of the Corporation, the qualified persons named under "Names of Experts" beneficially own, directly or indirectly, less than 1% of any class of the Corporation's outstanding securities except for Mr. Dean Journeaux who beneficially owns directly or indirectly 2,378,038 Common Shares or approximately 1.34% of the issued and outstanding Common Shares of the Corporation.

ADDITIONAL INFORMATION

Additional information, including directors' and executive officers' remuneration and indebtedness, principal holders of the Corporation's securities and securities authorized for issuance under equity compensation plans is contained in the Corporation's Management Information Circular and Proxy Statement for its most recent annual meeting of shareholders. Additional financial information is provided in the Corporation's consolidated financial statements and management's discussion and analysis for the financial year ended December 31, 2011. 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 Corporation 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 Corporation and related matters;
- Provide an open avenue of communication among the Corporation'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 Corporation 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 Corporation'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 Corporation'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 Corporation's financial reports, management discussion and analysis ("**MD&A**"), any annual earnings, interim earnings and press releases before the Corporation 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 Corporation;

(c) obtain annually, a formal written statement of external auditors setting forth all relationships between the external auditors and the Corporation and confirming their independence from the Corporation;

(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 Corporation, 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 Corporation's accounting principles, internal controls and the completeness and accuracy of the Corporation'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 Corporation's public disclosure of financial information from the Corporation's financial reports and periodically assess the adequacy of those procedures;

9) review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and former external auditors of the Corporation;

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 Corporation 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 Corporation'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 Corporation constitutes not more than five percent (5%) of the total amount of revenues paid by the Corporation to its external auditors during the fiscal year in which the non-audit services are provided;

(b) such services were not recognized by the Corporation 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

Corporation 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 Corporation's financial reporting process, both internal and external;

(b) consider the external auditors' judgments about the quality and appropriateness of the Corporation's accounting principles as applied in its financial reporting;

(c) consider and approve, if appropriate, changes to the Corporation'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 Corporation regarding accounting, internal accounting controls, or auditing matters; and

(j) establish procedures for the confidential, anonymous submission by employees of the

Corporation 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 Corporation 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 Corporation.