



ANNUAL INFORMATION FORM
FINANCIAL YEAR ENDED DECEMBER 31, 2019

MARCH 25, 2020

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INTRODUCTION

This is the Annual Information Form for New Millennium Iron Corp. (“NML”) or (“the Company”) dated as at March 25, 2020. Unless otherwise indicated, information in this Annual Information Form is provided as of December 31, 2019.

GLOSSARY OF TERMS

“**ABCA**” means the *Business Corporations Act* (Alberta);

“**AIF**” means this annual information form;

“**BBA**” means BBA Inc.;

“**BRASS**” means BRASS Engineering International, LLC;

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

“**Company**” or “**NML**” means New Millennium Iron Corp.;

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

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

“**DSO Project**” means the properties comprising of mineral claims and mining leases in Québec and in Newfoundland and Labrador owned by TSMC;

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

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

“**DTWR**” means Davis Tube weight recovery;

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

“**Howse Deposit**” means a large DSO deposit strategically located near TSMC’s main Timmins operations site.

“**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 drill holes 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 drill holes;

“Investissement Québec” means a legal person created under the laws of the Province of Quebec, in its capacity as mandatory of the Government of Quebec. Ressources Québec Inc., a wholly owned subsidiary of Investissement Québec, was dissolved as of December 31, 2019, further to the filing of a Dissolution Declaration by Investissement Québec;

“IOC” means Iron Ore Company of Canada;

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

“KéMag Property” means the mineral licenses and all interests derived therefrom (the “KéMag Licenses”) held by the Company, which KéMag Licenses represent 171 claims in respect of the magnetite iron ore property covering a total area of approximately 80.85km² (8085.2ha) situated in the Nord-du-Québec Region, centered about 50 km to the northwest of the town of Schefferville, Québec;

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

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

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

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

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

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

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

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

“Met-Chem” means Met-Chem Canada, a wholly owned subsidiary of the DRA Group;

“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;

“MIR” means Millennium Iron Range;

“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;

“NuTac Technical Report” means the report entitled “NI 43-101 Technical Report on the Pre-Feasibility Study on NuTac Project - Final Report” dated July 21, 2016 with an effective date of June 9, 2016, prepared by Yves Buro, Schadrac Ibrango of Met-Chem, Jeffery Cassoff, Angelo Grandillo of BBA, Joseph Poveromo of Raw Materials & Ironmaking Global Consulting, Ann Lamontagne of Lamont Inc., Michael Bilodeau and Rock Gagnon and addressed to NML;

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

“SGS Canada” means SGS Canada Inc., formerly Geostat Systems International Inc.;

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

“Taconite Project” means both the LabMag and KéMag Projects;

“Taconite Project Feasibility Study” means the LabMag Technical Report and the KéMag Technical Report;

“Taconite Resources” means taconite iron ore resource properties controlled by the Company;

“Tata Steel” means Tata Steel Limited, of Mumbai, 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;

“TSMUK Ltd.” means Tata Steel Minerals UK Ltd., a wholly owned indirect subsidiary of 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 McQuat Limited, Consulting Geologists and Engineers.

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

CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING INFORMATION

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

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

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

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

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

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

- risks related to the Company's investment in TSMC;
- risks related to actual results of 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 global economic conditions in the financial markets;
- risks related to foreign currency fluctuations;
- risks related to the Company's share price; changes in environmental regulations;
- changes in project parameters as plans continue to be refined; future prices of iron ore; access to skilled labour;
- dependence upon key personnel and executives;
- timing and availability of external financing on acceptable terms;
- liabilities and risks, including environmental liabilities and risks, inherent in the mining and mineral exploration business;
- reliance on joint venture partners; and
- other factors discussed in the section entitled "Risk Factors" in this AIF.

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

CORPORATE STRUCTURE AND OVERVIEW

Name, Address and Incorporation

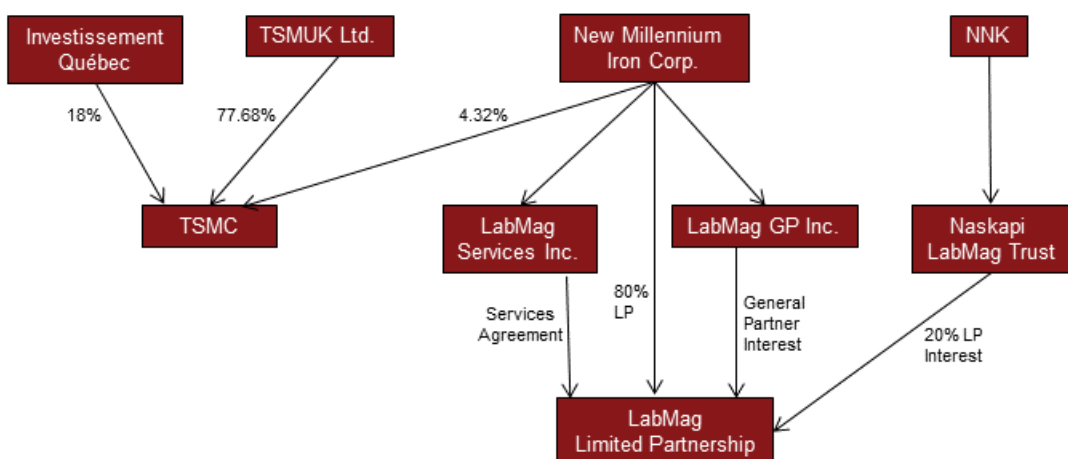
The Company was incorporated as "New Millennium Capital Corp." as evidenced by a Certificate of Incorporation issued pursuant to the provisions of the ABCA on August 8, 2003. On November 10, 2003, the articles of incorporation were amended to remove the "private company" restrictions. The Company changed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

The address of the Company's executive office is 1000 Sherbrooke Street West, Suite 1120, Montreal, Québec, H3A 3G4 and its head, registered and records office is 855, 2 Street Southwest, Suite 3500, Calgary, Alberta, T2P 4K1.

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

Intercorporate Relationships

The Company has a wholly owned subsidiary, LabMag Services Inc., which is incorporated pursuant to the *Canada Business Corporations Act*. The Company also owns 80% of LabMag GP Inc., which is incorporated pursuant to the ABCA and is the general partner of the Partnership. The Company also owns an 80% limited partner's interest in the Partnership and 4.32% of the shares of TSMC. The following chart depicts the intercorporate relationships among the Company and its subsidiaries as at December 31, 2019.



DESCRIPTION OF BUSINESS

ABOUT NML

NML is a Canadian iron ore exploration, evaluation and development company with an extensive property position called the Millennium Iron Range ("MIR") in Canada's principal iron ore district, the Labrador Trough, straddling the Province of Newfoundland and Labrador and the Province of Quebec, in the Menihek Region around Schefferville, Quebec. The Company's project areas are connected via a well-established, heavy-haul rail network to the Port of Sept-Îles, Quebec, where the Company has an interest in reserved shiploading capacity at a newly constructed wharf capable of servicing large, Panamax-class bulk carriers.

Tata Steel Limited ("Tata Steel"), a global steel producer and industry leader, owns approximately 26.2% of the Company and is the Company's largest shareholder.

NML has a 4.32% interest in Tata Steel Minerals Canada Ltd. ("TSMC"), which is owner and operator of a direct shipping ore ("DSO") project near Schefferville. The DSO project produces and ships sinter fines. Subsidiaries of Tata Steel and the Quebec Government's financing arm, Investissement Québec, own

77.68% and 18% respectively of TSMC. NML does not have representation on TSMC's Board of Directors and relies on information provided by TSMC for the operating and financial performance of the DSO project.

Beyond TSMC, the Company offers further development potential through a group of long-life taconite properties capable of producing high quality pellets and pellet feed to service the requirements of steel makers with either blast furnace or direct reduced iron-making operations. Two of these deposits – LabMag and KéMag – were the subject of large-scale development feasibility studies carried out by the Company and Tata Steel and published in March 2014.

With these feasibility study results as a foundation and seven taconite properties now explored to a NI 43-101 compliant resource, the Company optimized its taconite development strategy through the design of a smaller market entry project called the NuTac Project, for which a NI 43-101 prefeasibility study was carried out and published in June 2016.

In the currently challenging market environment for new greenfield iron ore projects, NML has implemented cash conservation measures, while protecting its mineral claims and iron ore development positioning. At the end of 2018, the Company announced the study with assistance from independent advisors of new business opportunities aimed at diversifying its iron ore and infrastructure interests.

MARKET REVIEW

STEEL

Iron ore prices depend to a large extent on steel production. According to the World Steel Association's ("WSA") statistics released January 27, 2020, Global crude steel production reached 1,869.9 million tonnes (Mt) for the year 2019, up by 3.4% compared to 2018.

World crude steel production for the year 2018, in its 64 reporting countries was 1,808.6 million metric tons ("Mt") which represented an increase of 4.6% over 2017.

Crude steel production contracted in all regions in 2019 except in Asia and the Middle East. Asia produced 1,341.6 Mt of crude steel in 2019, an increase of 5.7% compared to 2018.

China's crude steel production in 2019 reached 996.3 Mt, up by 8.3% on 2018. China's share of global crude steel production increased from 50.9% in 2018 to 53.3% in 2019.

India's crude steel production for 2019 was 111.2 Mt, up by 1.8% on 2018.

Crude steel production in North America was 120.0 Mt in 2019, 0.8% lower than in 2018.

The US produced 87.9 Mt of crude steel, up by 1.5% on 2018.

The Middle East produced 45.3 Mt of crude steel in 2019, an increase of 19.2% on 2018, creating increased demand for high quality pellets to produce direct reduced iron..

After a period of good profitability for the steel industry through much of 2018 despite overhanging global trade issues, price and margin weakness began in November and carried over into 2019.

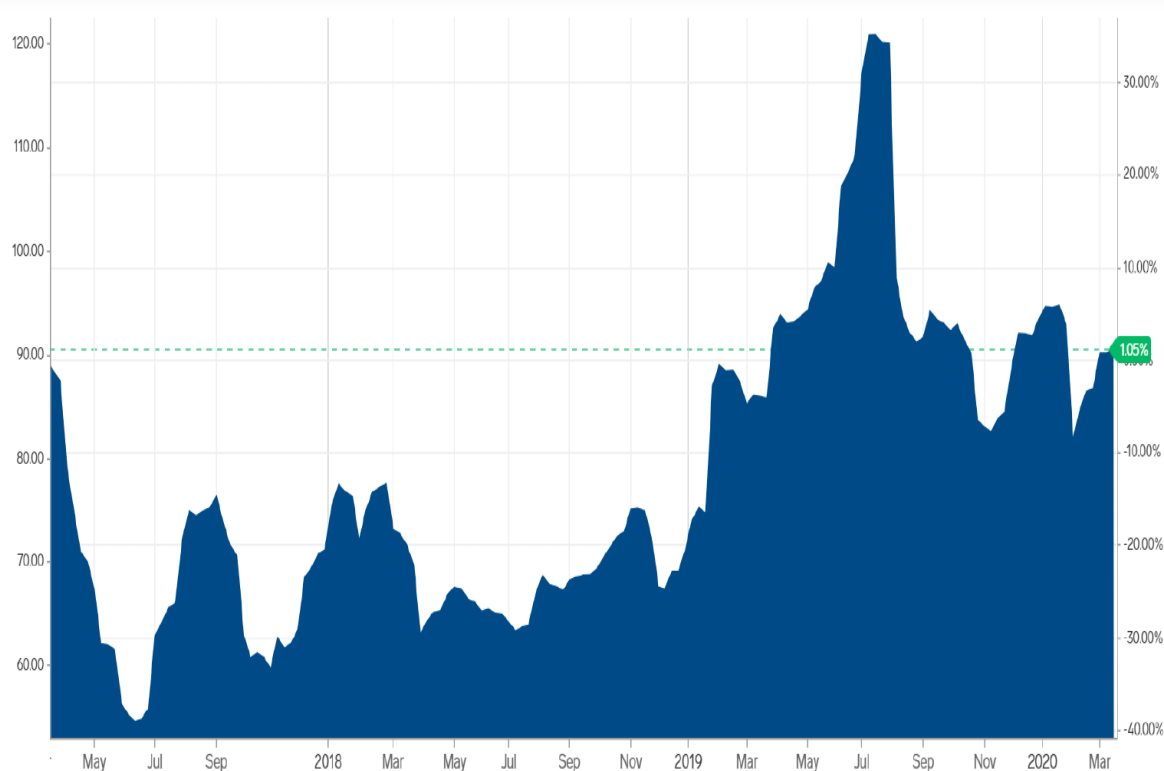
IRON ORE

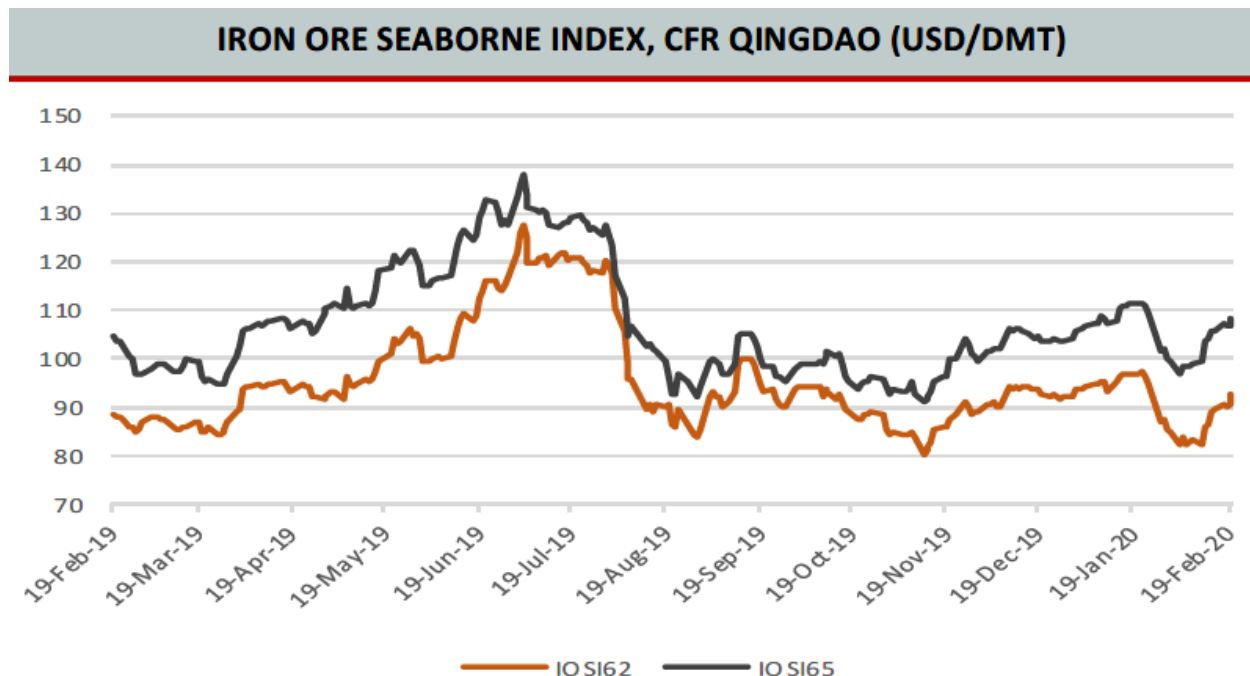
Unexpected steel production growth in 2019, mainly in China and less so in India, along with iron ore supply constraints due to weather conditions in Australia and Brazil, and tailings dam constraints in Brazil, created unexpected iron ore price increases.

Again, characterized by volatility in 2019, the average price was US\$94 per tonne as measured by the 62% Fe Fines CFR North China compared to 2018, when the iron ore price averaged US\$69 per tonne for the year, versus US\$71 per tonne in 2017. The price premiums for pellets, both for blast furnace and for the direct reduction iron making grades, remained strong due to continuing supply-side constraints from Brazil.

A major event impacting the seaborne iron ore market was the widely reported, tragic Brumadinho tailings dam failure at a Vale mine in the Brazilian state of Minas Gerais on January 25, 2019, resulting in a reduction in Vale's 2019 exports by approximately 40 Mt. Analysts' pricing forecasts have been adjusted upwards as a result, including for pellets, where the market remains affected by the November 2016 dam failure at the Samarco operation in Brazil. The Vale situation continues to be problematic with several ongoing tailings dam stability investigations. Vale is switching rapidly to dry processing to reduce the need for dams, but this will take time.

Iron Ore Spot Price 62% Fe CFR China 3 years Source Market Insider 20200319





Global iron ore production will grow modestly over the years due to mine expansions in Brazil and increasing output from India, *Fitch Solutions'* latest industry trend analysis found. Source [MINING.com Editor](#) | February 13, 2020 | 2:18 pm [Intelligence](#) [Top Companies](#) [Australia](#) [China](#) [Latin America](#) [Iron Ore](#)

Meanwhile, analysts say iron ore output growth in China will decline on the back of falling ore grades and high costs of production.

Global iron ore production will grow from 2,896mnt in 2019 to 3,147mnt by 2029, *Fitch forecasts*.

This represents an average annual growth rate of 0.8% during 2020-2029, which is a significant slowdown from an average growth rate of 3.0% during 2010-2019.

Fitch forecasts iron ore production in Australia to grow minimally over 2020-2029, averaging an annual 0.7% growth, compared with 8.7% growth over the previous 10-year period.

Supply growth will be primarily driven by India and Brazil, where Vale is planning to expand output to 390-400 mt by 2022.

In June 2018, BHP approved the A\$2.9 billion development of its South Flank iron ore project in Western Australia to replace existing mines.

The world's number one miner, BHP expects production to start in 2021 at the project.

In the same month, Rio Tinto announced plans to start developing its Koodaideri iron ore mine in Western Australia's Pilbara region in 2019, claiming it is one of the most technologically advanced in the world. It will maintain iron ore grades and replace other depleting mines.

The company will mine its first tonnes from the project in 2021.

In May 2018, Fortescue Metals Group approved the development of a A\$1.3 billion iron ore project, Eliwana, which will come online in 2020. It will increase Fortescue's iron ore grade.

NML believes the outlook for high quality iron ore will continue to be strong as steel producers continue their efforts to reduce CO2 emissions and increase productivity, even if global steel growth slows.

In January, the economy of China was severely impacted by the Coronavirus.

Iron prices dipped but are now recovering to the US\$90 per tonne area, as seen in the Chart above. Chinese steel mills were severely impacted but production is recovering. Chinese iron ore stockpiles are at a low.

The longer-term impact of the virus on world steel consumption is very hard to predict at this time.

COMPETITIVE CONDITIONS

The iron ore mineral exploration and mining business is a competitive business. The ability of the Company to acquire iron ore and other mineral properties in the future will depend not only on its ability to operate and develop its present properties, but also on its ability to select and acquire suitable producing properties or prospects for exploration and development (See **Risk Factors – Competition**).

There are many brownfield and new iron ore projects being proposed. Several projects are progressing mainly in Australia by Rio Tinto, BHP, and Fortescue are being developed to sustain existing volumes or improve declining Fe (iron) grades. The very large high-grade Guinean iron ore resources, mainly Simandou, are being discussed with ownership changes to Guinean and Chinese companies. The construction of the new 650 km rail line from Simandou to the Guinean coast and a new deep-water port are being discussed but no specific financing plans to go forward. If the challenges of financing and ownership are resolved, then these mines eventually could have an important impact on iron ore supplies. Vale in Brazil continues to struggle with its tailings dam issues. The SAMARCO pellet plants continue to be shut down pending a restart of mining with no definite date as of now. Weather conditions in the early part of 2020 have caused a few production problems in Australia and in Brazil resulting in tight supplies. The effects of the coronavirus are currently unknown for steel production and the consequent effect on iron ore demand. Various governments have made financial assistance available, and the impact of these changes are yet to be determined. Although the price for iron ore remains in the \$90 per ton range, some analysts are predicting lower prices later in 2020 and 2021. The trend to using higher quality iron ore continues, especially in the new larger blast furnaces. Lower grades are used in situations where steel producers cut back on production to take advantage of the lower iron ore price. Pellets continue to command a premium price.

EMPLOYEES

As at March 25, 2020, the Company and its subsidiaries have no full-time employees. Six (6) individual consultants provide administration, financial services, IT support and claims management assistance.

ENVIRONMENTAL PROTECTION

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

NML has policies and procedures in place relating to corporate governance, business conduct and general guidelines. Included are procedures and guidelines relating to health, safety and environmental matters, including in local project communities. At this time, NML has no field operations and consequently the policies being implemented apply for the most part to executive office health and safety and administrative procedures.

GENERAL DEVELOPMENT OF THE BUSINESS

THREE YEAR HISTORY

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

YEAR ENDED DECEMBER 31, 2017

NML TACONITE PROPERTIES

No further exploration or development work was carried out in connection with the Company's NI 43-101 compliant NuTac and Taconite Project studies in 2017.

GENERAL CORPORATE AFFAIRS

Liquidity Measures

Entering 2017, the Company accelerated the combination of cash conservation measures and new investment strategies aimed at eventually making the Company at a minimum cash flow neutral. These measures increasingly took effect as the year progressed, resulting in a significant reduction in the run rate for regular operations and an increase in the Company's investment income as reflected in the fourth quarter's financial results.

Along with lowering overhead, NML took steps through which the level of exploration spending necessary to preserve NML's mining claims could be strategically reduced without materially changing the Company's mineral resources.

NML – PSI Contract

During the fourth quarter of 2017, NML resolved its previously reported dispute with the Sept-Îles Port Authority ("PSI") in respect of the July 2012 contract ("Contract") to secure capacity at the new multi-user dock at Pointe Noire.

Under NML's settlement with the PSI, which was announced on December 6, 2017, the Company, as a multi-user dock participant without shipping operations, could apply its previously advanced funds, coupled with a mechanism for adjusting reserved dock capacity over the contractual period, to satisfy its take-or-pay obligation under the Contract and had no further funding requirements in respect of the take-or pay obligation. Upon the previously advanced funds being fully offset against the take-or pay obligation, NML could reduce its reserved capacity proportionately based on the remaining term of the Contract. In all other respects, the Company retained all its rights under the Contract.

As a result of the PSI settlement, and in view of the low probability of NML shipping prior to having fully applied the previously advanced funds to its take-or-pay obligation, NML took an impairment on the Port-related asset as reflected in the Company's 2017 year-end financial statements.

Corporate Governance

Changes to NML's Board of Directors in 2017 included the appointment in July of Mr. Mario Caron as Non-Executive Chairman, succeeding Mr. Howard Lutley, who announced prior to the Annual General Meeting that he would not be standing for re-election to the Board. Mr. Kevin Bullock also left the Board. At the Annual General Meeting, Mr. H. Dean Journeaux, a shareholder and previously an officer and a director of the Company, was elected to the seven-member Board.

Change of Auditors

In December 2017, MNP SENCRL, SRL/LLP were appointed as auditors of the Company upon the resignation of Raymond Chabot Grant Thornton LLP, at the request of the Company. This change was in accordance with Part 4 of National Instrument 52-102 and posted on SEDAR.

TSMC's DSO PROJECT

Operations

During the 2017 season, shipments of crushed and screened ore to China and Europe totalled approximately 2.2 million tonnes.

Howse Deposit

TSMC continued to advance the environmental clearance process and First Nation consultations necessary to bring Howse into operation.

YEAR ENDED DECEMBER 31, 2018

NML TACONITE PROPERTIES

No further exploration or development work was carried out in connection with the Company's NI 43-101 compliant NuTac and Taconite Project studies in 2018.

GENERAL CORPORATE AFFAIRS

Liquidity Measures

NML's previously implemented cash conservation measures and investment strategies increasingly took effect over the course of 2018, thereby stabilizing the Company's finances, while business priorities such as claims management, essential administration and regulatory matters continued to be successfully carried out by a small management team.

Assignment of Portion of PSI Contract Capacity

On April 19, 2018, NML announced that it had entered into agreements with the Sept-Îles Port Authority ("PSI") and Tacora Resources Inc. ("Tacora") under which a portion of the Company's multi-user wharf capacity would be sold to Tacora in conjunction with Tacora's planned re-start of the Scully Mine located near the town of Wabush, Newfoundland and Labrador. The agreements called for Tacora to purchase the rights to 6.5 million tonnes of the 15 million tonnes of annual wharf capacity reserved by NML in the July 2012 contract with the PSI, along with the associated rights and obligations, shipping rates and other terms in the July 2012 contract. The Company announced closing of the transaction on November 19, 2018.

Total consideration comprised \$4 million paid to NML on the closing date and further payments to NML of \$0.10 per tonne of iron ore shipped under the sold capacity over a 20-year period to commence from and after the date of Tacora's first shipment through the Port facilities.

Other than the reduction in NML's annual wharf capacity to 8.5 million tonnes, there was no change to NML's existing arrangements with the PSI regarding the rights and shipping rates related to the remaining reserved capacity and the Company would not be required to make any additional cash outlays to meet its take-or-pay obligation.

The multi-user wharf became operational in the first quarter of 2018, actively loading Capesize vessels for the seaborne iron ore market.

Executive Change

On November 7, 2018, NML announced the appointment of Robert P. Boisjoli as Chief Financial Officer, succeeding Mark Freedman, who had become a partner at Ernst & Young. Mr. Boisjoli is Managing Director of Atwater Financial Group and a Fellow Chartered Professional Accountant with over 30 years of operational and advisory experience, including in the mining sector. He is the founder of two companies, sits on the boards of directors of public and private companies where he is also the audit committee chairman.

New Business Initiative

On December 18, 2018, the Company announced the study with assistance from independent advisors of new business opportunities aimed at diversifying its iron ore and infrastructure interests. In addition, a Special Committee of independent directors was formed to assist management and the appointed advisors in reviewing opportunities and to make recommendations to the Board.

TSMC's DSO PROJECT

During the 2018 season, shipments of crushed and screened ore to Asia and Europe totalled approximately 1.7 million metric tons (wet basis).

TSMC in early 2019 completed, its enclosed beneficiation plant that, when fully operational, will increase the DSO Project's scale while adding higher quality fines to the saleable product mix. Shipping activity from the plant is expected by mid-2019.

YEAR ENDED DECEMBER 31, 2019

NML TACONITE PROPERTIES

No further exploration or development work was carried out in connection with the Company's NI 43-101 compliant NuTac and Taconite Project studies in 2019 or any of its properties.

GENERAL CORPORATE AFFAIRS

Liquidity Measures

In 2019, NML continued its cash conservation measures and investment strategies aimed at keeping the Company cash flow neutral. The Company's business priorities such as claims management, essential administration and regulatory matters are being successfully carried out by a small consulting management team.

Assignment of Portion of PSI Contract Capacity

On November 19, 2018, NML closed the previously announced transaction under which 6.5 million tonnes of the 15 million tonnes of annual wharf capacity reserved by NML in a July 2012 contract with the Sept-Îles Port Authority (the "Port"), along with the associated rights and obligations, shipping rates and other terms in the July 2012 contract were sold to Tacora Resources Inc. Tacora is currently re-starting the Scully Mine located near the town of Wabush, Newfoundland and Labrador.

Total cash consideration of \$4 million was paid to NML and further payments to NML of \$0.10 per tonne of iron ore shipped under the sold capacity over a 20-year period through the Port facilities to commence from and after the date of Tacora's first shipment through the Port facilities.

Tacora Resources Inc. ("Tacora") began shipments of its iron ore concentrates during the quarter ended September 30, 2019. NML has received royalty payments in accordance with the agreement between NML and Tacora. The Tacora shipments of its iron ore continued in the fourth quarter and are expected to continue in 2021. The table below indicates the tonnage shipped for the year ended December 31, 2019.

Tacora Resources Inc. - Tonnage Shipped

Quarter	Gross weight (metric tons of iron ore)
Q3 2019	295,291
Q4 2019	622,112
Total	917,403

Other than the reduction in NML's annual wharf capacity to 8.5 million tonnes, there is no change to NML's existing arrangements with the PSI regarding the rights and shipping rates related to the remaining reserved capacity and the Company will not be required to make any additional cash outlays to meet its take-or-pay obligation.

Executive Change

On March 26, 2019, NML announced that Mr. Ernest Dempsey, Chief Executive Officer, is on a medical leave of absence. As a result, Mr. Mario Caron, Chairman of the Board, has been appointed as the acting Chief Executive Officer of the Company.

New Business Initiative

On December 18, 2018, the Company announced the study, with assistance from independent advisors, of new business opportunities aimed at diversifying its iron ore and infrastructure interests. In addition, a Special Committee of independent directors was formed to assist management and the appointed advisors in reviewing opportunities and to make recommendations to the Board.

To date, over 50 opportunities have been reviewed. The Company has entered into several non-disclosure agreements with various parties to review and analyze opportunities in further detail. As part of these detailed reviews, the Company has reviewed various transaction structures, met with management teams and conducted considerable due diligence on the opportunities. The various opportunities reviewed are in sectors including Metals and Mining, Infrastructure, Business Services, Manufacturing, Food & Beverage, Software, Technology and Healthcare. Potential transactions considered under this initiative consist of a wide range of transactions, including mergers, financings and acquisitions of both public and private companies.

It is expected that the Special Committee and its advisors will be able to make recommendations to the Board in the 2020 fiscal year. As of the date of this AIF, the Company has not entered into any definitive documentation regarding a transaction. The Company will manage disclosure obligations and update shareholders as necessary with respect to any transaction pursued under the New Business Initiative.

TSMC's DSO PROJECT

During the 2019 season, shipments of crushed and screened ore to Europe totalled approximately 1.046 million metric tons (wet basis).

TSMC completed, in early 2019, its enclosed beneficiation plant that, when fully operational, will increase the DSO Project's scale while adding higher quality fines to the saleable product mix. Shipping activity from the plant commenced in mid-2019. The plant is currently in a startup mode.

DESCRIPTION OF MATERIAL PROJECTS

Overview

The Company holds interests in 1,223 claims distributed among taconite iron ore properties in Newfoundland and Labrador ("NL") and Québec.

Table 1 below represents the 1,174 claims with potential economic benefit, while Table 2 below shows NML's prominent NI 43-101 compliant resource holdings not only for LabMag and KéMag, but also the other important MIR deposits presented, for which exploration drilling and analysis has been effectively completed. The expenditures incurred to date on each of the Company's Taconite properties are presented in Table 3 below.

Table 1
NML – Summary of Mineral Claims

Province	Ownership	LabMag Property	KéMag Property	Howells Lake-Howells River North Properties	Perault Lake Property	Lac Ritchie Property	Sheps Lake Property	Other Properties	Total
NL	NML	-	-	122 [30.5 km ²]	217 [54.25 km ²]	-	-	18 [4.5 km ²]	357 [89.25 km ²]
	LLP	256 [64 km ²]	-	145 [36.25 km ²]	-	-	120 [30 km ²]	-	521 [130.25 km ²]
Québec	NML	-	171 [83.3 km ²]	-	-	97 [47.0 km ²]	-	28 [13.8 km ²]	296 [144.1 km ²]
		256 [64 km ²]	171 [83.3 km ²]	267 [66.75 km ²]	217 [54.25 km ²]	97 [47.0 km ²]	120 [30 km ²]	46 [18.3 km ²]	1,174 [363.6 km ²]

Note: Claims registered under New Millennium Iron Corp. are owned 100% by the Company. Claims registered under LabMag Limited Partnership ("LLP") are owned 80% by the Company through its interest in LLP.

Although the Company has taken steps to verify title to the mining properties in which it holds an interest in accordance with industry practices for the current stages of exploration and development of such properties, these procedures do not guarantee the validity of the Company's titles. Property titles may be subject to unregistered prior agreements and restrictions arising from regulatory requirements.

Table 2
NML – Millennium Iron Range Taconite Properties

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

Notes: 1) NML owns 100% of the properties mentioned above except for LabMag, Howells River North and Sheps Lake, which are 80% owned through the Company's interest in LabMag Limited Partnership. 2) The cut-off used to report these resources is minimum 18% Davis Tube Weight Recovery.

Table 3
NML – Cumulative Costs Incurred on Taconite Properties –

Property	Cumulative Expenditures
KéMag	\$15,953,851
LabMag	28,489,052
Howells Lake-Howells River North	5,123,611
Sheps Lake	1,361,451
Perault Lake	5,088,918
Lac Ritchie	2,493,931
Total	\$58,510,814

Note: These expenditures are net of tax credits, mining duties and Tata Steel's option payments on the Taconite Projects.

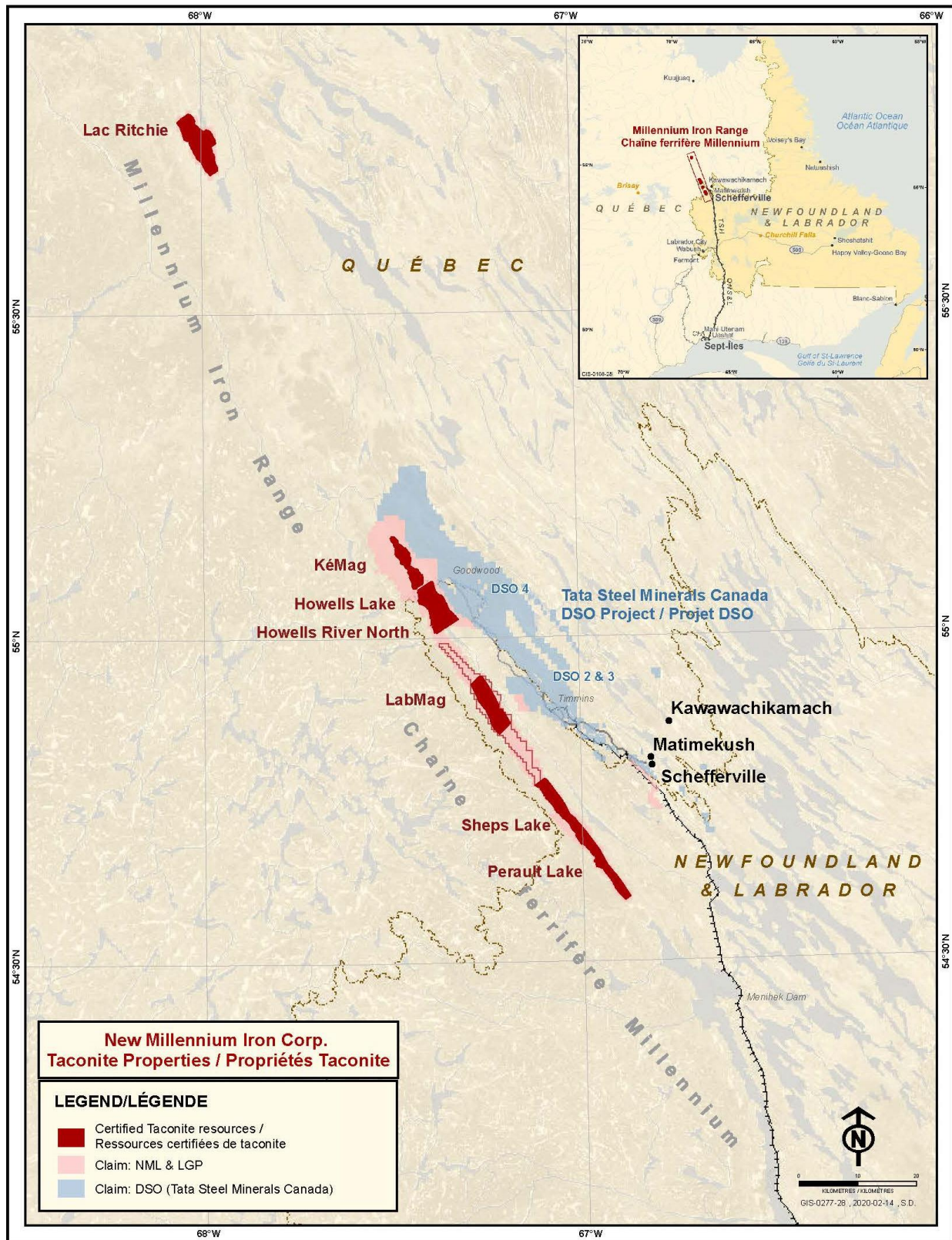
HISTORICAL

With its roots in LabMag Mining Corp., established in 2002 by NML's principal founder, Robert A. Martin, to acquire the LabMag deposit, which is located in Newfoundland and Labrador and one of the largest undeveloped magnetic taconite iron ore deposits in the world, the Company's primary business objective was always to develop its large taconite resources in partnership with a steel company seeking a captive source of iron ore.

In this regard, a comparable deposit to LabMag, called KéMag for its location in Québec, was acquired by NML by claim staking between 2004 and 2008, and the Company eventually gained control over several other promising taconite deposits which, along with LabMag and KéMag, form the 210 km long MIR, which holds among the world's largest undeveloped magnetic iron ore deposits (see **Figure 1** below).

A comprehensive global search for a strategic, steel company relationship was carried out by NML and led to Tata Steel, an industry leader which in 2007 acquired the Anglo-Dutch steel maker Corus Group, thereby establishing a major presence in the European market to supplement its core production base in India. Tata was pursuing a strategy of greater self-sufficiency in raw materials for its European operations. Since the European operations are both geographically proximate to Canada as well as historical consumers of Canadian ore, they are natural outlets for supply from NML's deposits.

Through a series of transactions, Tata also became NML's largest shareholder and established a strategic partnership with NML through interest in the development of NML's taconite resources.



Tata Steel is a long-time operator of iron ore mines in India, but its preferred approach was to first acquire operating experience in Canada through the smaller scale DSO project before considering the more complex, larger-scale and considerably higher capital requirements associated with bringing a taconite deposit to market. Accordingly, Tata Steel signed an agreement with NML announced on October 1, 2008 that provided the option to jointly develop the DSO project, based on the review of a feasibility study to be completed by NML. As discussed below and elsewhere in this AIF, TSMC was formed by NML and TSG through a joint venture agreement dated November 6, 2009, and proceeded with development of the DSO project. Through a financing transaction completed on November 1, 2016, a reorganization of TSMC took place, resulting in the Government of Quebec becoming a shareholder of TSMC (see **TSMC's DSO Project** below).

THE TACONITE PROJECT

The Taconite Heads-of-Agreement

On March 6, 2011 NML and TSG entered into a Heads-of Agreement (“HOA”) in respect of the development of the LabMag and KéMag deposits, collectively referred to the Taconite Project. Under the HOA, the parties undertook to carry out the TFS, with TSG paying NML 64% of the costs in exchange for an option to own a portion of the Taconite Project. The HOA also called for TSG and the Company to enter into a binding joint venture agreement upon the successful completion of the TFS and TSG electing to develop one or both of the deposits. Upon the formation of development enterprise, NML would have the opportunity to hold a 36% equity interest in the Taconite Project, including a 20% free carry equity interest based on a maximum capital expenditure of up to CAD\$4.85 billion if both deposits were to be developed and up to CAD\$4.68 billion and up to CAD\$3.76 billion, respectively, if only the KéMag or LabMag deposits were to be developed. In addition, NML would have a 4% right of first refusal on future equity sales by TSG to increase its equity interest to a maximum of 40%. Arranging debt financing for the Taconite Project would be the responsibility of TSG.

The techno-economic results of the Feasibility Study were announced on March 27, 2014, and presented a compelling case for a profitable, successful, long-term operation under then prevailing market conditions. The shared conclusion of NML and Tata Steel was that the results demonstrated Project viability, and together NML and Tata Steel proceeded with addressing key parameters in order to complete remaining aspects of the TFS required to enable an investment decision by Tata Steel. These included working with governments on the selection of an appropriate Project scenario; completion of environmental assessment work, reviewing refined process models that would permit a ramp-up of production; improving operating expenditures and reducing initial capital costs; and updating financial modeling to make the Project investor and lender ready.

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

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

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

information, reference should be made to the full text of the LabMag Technical Report and/or the KéMag Technical Report.

LABMAG PROJECT

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

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

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

The deposit was explored by IOC in the early 1960s and considerable drilling, sampling and test work was done. The majority of the claims were held by IOC until 1980, when the land reverted to the Crown. The claims were then held by a number of other entities until the lands again reverted to the Crown in 2002, at which time the property of 256 claims covering an area of 64 square kilometres was acquired by LabMag Mining Corp., which in turn sold it to NML.

See **Schedule B** for more details of the LabMag Project

KÉMAG PROJECT

NML holds a 100 % interest in the claims that constitute the KéMag taconite iron ore deposit at Lake Harris in the Province of Québec, Canada. The KéMag Property is located approximately 50 km north of Schefferville, Québec.

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

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

See **Schedule C** for more details of the KéMag Project.

NUTAC PROJECT

As shown by the actions of leading companies in NML's mining, iron and steel product groups in the commodities downturn from 2013 to early 2016, adjustments were required to strategies developed for a market underpinned for a decade by strong growth in China and a tight supply/demand balance for commodities - conditions that no longer existed.

NML was no exception and, over the course of mid-2014 to mid-2015, NML's Board and management similarly reassessed the Company's earlier strategy built on participation in the DSO Project followed by large-scale development of the Company's core Taconite Resource assets.

With the DSO Project already structured and on the path to production through TSMC, efforts turned to finding the right taconite development strategy for the so-called "new normal."

The result was preparation of a pre-feasibility level study, called NuTac, that re-scoped and re-engineered NML's Taconite Resources into a project concept that would improve the potential for market entry and value creation with improvement in the cycle.

Building on Earlier Investment, Expanded Resource Options and In-House Expertise

Recent studies and existing know-how enabled this work to quickly proceed.

While the TFS resulted in project alternatives too large in scale and capital intensity for the changed marketplace, this comprehensive undertaking produced state-of-the-art mining, beneficiation and environmental guideline applications transferrable to other taconite development scenarios and therefore of significant ongoing value.

Concurrently with the TFS, which involved only the KéMag and LabMag deposits, NML successfully explored five other deposits and announced the addition of significant NI 43-101 compliant resources to its taconite holdings. This investment resulted in NML having more options for taconite development and project optimization given the location and connectivity of the expanded resource base.

The mining, processing, environmental management and commercial skills needed to adapt the earlier studies to the wider range of taconite deposits now available for development could immediately be drawn from NML's then existing staff.

Ongoing Market Opportunity

With Australia and Brazil dominant in the internationally traded iron ore market, Canada's market share is relatively small at 2-3% and fits mainly into the high-quality segment, built on low impurity mineralogy that complements higher gangue ores.

Canada also is a highly regarded supplier of iron ore pellets, which maximize value in blast furnace iron-making operations through productivity improvement and reduced energy consumption. Pellets are also an essential input for the growing direct reduced iron making methodology that feeds electric arc furnace steelmakers. Pellets are increasing as a proportion of iron ore grades consumed.

As with most North American ores, NML's taconites must undergo concentration and pelletizing to be transformed into saleable products. This upgrading is done with well-established techniques and NML can access the most modern equipment available to maximize production efficiency and reduce operating cost. Investment in extensive test work has confirmed the ability of our taconite properties to produce high-quality, commercial grade pellets.

Availability of Infrastructure

Reduced activity among existing Labrador Trough producers and projects at various stages as the result of market conditions enabled consideration of the use of existing rail infrastructure for the development of NML's taconites, versus the ferroduct/pipeline slurry transportation concept, a low operating cost but capital intensive alternative set out in the TFS.

The rail network from Schefferville to Sept-Îles, which was potentially capacity constrained when NML's earlier studies were carried out, links the properties the Company controls to established spur rail line and material handling facilities on Pointe Noire at the Port of Sept-Îles. These facilities will be connected to a new deep-water dock that has been constructed. This infrastructure optimizes transportation costs to iron ore markets globally and is significant when building a bulk commodities business.

A Considered Response with Clear Objectives

NuTac is a considered response to market conditions aimed at preserving for shareholders a value-producing means of developing NML's core asset – its Taconite Resources. The NuTac PFS work is sufficiently flexible to respond to new industry developments, particularly an iron ore price recovery, while being prepared to adapt further should prices lag or decline.

See **Schedule D** for more details of the Nutac Project.

OTHER TACONITE PROPERTIES

Beyond the LabMag and KéMag deposits, which are at the advanced feasibility study stage through the Taconite Project, NML has further development potential through its other NI 43-101 compliant holdings in the MIR. The table below summarizes NML's MIR reserves and resources, including LabMag and KéMag, and a brief description of the other properties follows.

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

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

Lac Ritchie Property

The Lac Ritchie Property is located in Nunavik, approximately 134 km northwest of Schefferville, QC. The Property is situated in un-surveyed and unorganized territory. There has been no mining activity on the Property or in the surrounding area. The Property consists of a total of 97 mineral claims covering an area of approximately 47.0 km².

Based on the presence of strong magnetic anomalies and the surface sampling results of 2008 and 2010, a drilling program was undertaken by NML on the Lac Ritchie Property during the summer of 2011.

Reconnaissance mapping and outcrop sampling were carried out by NML geologists during the summers of 2008 and 2010. A total of 49 surface grab samples were collected in 2008 and 2010. This stretch of area

was covered by a 2010 airborne magnetic surveys by Fugro Airborne Surveys. The aeromagnetic data was reviewed and interpreted by Jean M. Hubert, consulting geophysicist for NML. He identified several strong magnetic anomalies along the iron formation bands outlined in the geological map. One anomalous trend coincides with the iron formation occurring in the Lac Ritchie area.

Howells Lake and Howells River North Property

The Howells Lake and Howells River North properties are located in Labrador approximately 47 km to the northwest of Schefferville, QC, and consist of 267 mineral claims covering an area of 66.75 km². There has been no mining activity on the properties and as such there are no mine workings, tailings impoundment areas, waste piles or other infrastructure on or near the Property.

During 2010 NML carried out Airborne High Resolution Magnetic Survey ("AM") over the MIR to identify additional, potential magnetic taconite deposits similar to the two deposits already proven in the MIR: LabMag in the Howells River Area and KéMag in Québec. The survey covered the taconite belt over a length of 150 km starting south of Perault Lake, to north of Lac Ritchie in Québec.

Drilling in this area was conducted in 2006, 2011 and 2012; 2012 being the most detailed exploration drilling of the three; covering an area approximately 8 km long and 4 km-wide.

Sheps Lake and Perault Lake Properties

The Sheps Lake and Perault Lake properties are located in Labrador approximately 20 km and 17 km southwest of Schefferville, QC, respectively. The properties consist of 337 mineral claims covering an area of 84.25 km². The claims have not been marked out on the ground or legally surveyed, nor is there any requirement to do so. NML holds 100% of the Perault property. Through the Partnership, NML holds an 80% interest in the Sheps Lake property.

During 2010, NML carried out AM over the MIR to identify additional, potential magnetic taconite deposits similar to the proven LabMag deposit in the Howells River Area and the KéMag deposit in Québec.

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

TATA STEEL MINERALS CANADA LTD. (TSMC)

As previously discussed, NML has a 4.32% interest in Tata Steel Minerals Canada Ltd. ("TSMC"), which is owner and operator of a direct shipping ore ("DSO") project near Schefferville. The DSO project produces and ships sinter fines. Subsidiaries of Tata Steel and the Quebec Government's financing arm, Investissement Québec, own the remainder of TSMC.

RISK FACTORS

OVERVIEW

The Company's business consists of the exploration, evaluation and development of mineral properties and is subject to certain risks. The risks described below are not the only risks facing the Company and other risks now unknown to the Company may arise or risks now thought to be immaterial may become material. No guarantee is provided that other factors will not affect the Company in the future. Many of these risks are beyond the control of the Company.

An investment in the Common Shares involves a number of risks. In addition to the other information contained in this AIF, investors should give careful consideration to the following, factors, which are qualified in their entirety by reference to, and must be read in conjunction with, the detailed information appearing

elsewhere in this AIF. If any of the following events described as risks or uncertainties actually occurs, the business, prospects, financial condition and operating results of the Company would likely suffer, possibly materially. In that event, the market price of the Common Shares could decline and investors could lose all or part of their investment. Additional risks and uncertainties presently unknown, or that are not believed to be material at this time, may also impair or have a material adverse effect on the Company's operations. In addition to the risks described elsewhere and the other information contained in this AIF, prospective investors should carefully consider each of and the cumulative effect of all of the following risk factors. References in the below Risk Factors to "we", "our" or "us" refer to the management of the Company.

COVID-19

Subsequent to the year end, the COVID-19 pandemic is causing significant financial market and social dislocation. The situation is dynamic with various cities and countries around the world responding in different ways to address the outbreak. The Company continues to monitor the investment portfolio and assess the impact COVID-19 will have on its business activities including the uncertainty of revenues from its investments and other assets. The extent of the effect of the COVID-19 pandemic on the Company is uncertain.

Risks Related to the Company's Investment in TSMC

DSO and Howse Project Financing

The DSO Project's scoping and design changes and construction delays have resulted in a significantly higher estimated cost of completion for the project, which was established at a \$300 million capital cost threshold for the Company's initial 20% free carry ownership interest in TSMC. The Company's ownership interest has now been diluted to 4.32%.

In order to complete the startup of the DSO Project and the development of the Howse Project or finance additional capital and operating expenses of TSMC, additional financing may be required and there is no assurance that such financing will be available on reasonable commercial terms, or at all. If such financing cannot be obtained, or cannot be obtained on reasonable terms, TSMC may determine to suspend, alter or terminate operations at those projects, or TSMC may become insolvent, any of which results may significantly devalue, or result in a total loss of, the Company's investment in TSMC.

In addition, under the terms of the settlement agreement between the Company, TSMC and TSG, the Company may receive cash calls from TSMC to invest additional amounts by equity or debt in the DSO and Howse Projects to fund capital and operating costs of the projects over \$1.34 billion. If the Company determines not to meet the cash calls, the interest of the Company in TSMC will, unless other arrangements are agreed to with TSMC and TSG, be diluted below its current 4.32% ownership interest.

As the Company is not obligated to meet cash calls, if any, it does not currently intend to fund future cash calls from TSMC based on the current economic prospects for the DSO and Howse Projects and in light of the limited cash and financing resources available to the Company. However, each cash call will be considered by the Company based on the factors existing at the time of the cash call and a determination will be made at that time. Even if the Company makes a determination that meeting a cash call would be a prudent investment, there is no assurance that the Company will be successful in obtaining required financing as and when required, and may determine not to meet the cash call. If the Company determines not to meet the cash calls, the interest of the Company in TSMC will, unless other arrangements are agreed to with TSMC and TSG, be diluted from its current 4.32% ownership interest.

Liquidity Concerns and Future Financings

TSMC may require further funding to complete startup of the processing plant forming part of the DSO project and for operating expenditures in connection with the development of the DSO and Howse projects or any other businesses in which it has an interest. There can be no assurance that TSMC will be

successful in obtaining required financing if 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 TSMC when required, as a result of limited access to credit markets or otherwise, or is not available on acceptable terms, TSMC may be unable to invest the required capital for its development or operating requirements, take advantage of business opportunities or respond to competitive pressures, any of which could cause the Company to postpone or slow down its development or operating plans, forfeit rights in some or all of its properties, reduce or terminate some or all of its activities or become insolvent. Any of those results may significantly devalue, or result in a total loss of, the Company's investment in TSMC.

Uncertainty of Success of DSO and Howse Projects

The future success of the DSO and Howse projects is dependent upon the completion of the construction and profitable operation of a mine, processing plants and related infrastructure by TSMC, without influence or input by or from the Company. As a result, TSMC is subject to all of the risks associated with establishing mining and processing operations including the timing and cost, of completing development and operating the mining and processing facilities; the availability and costs of skilled labour, power, water, transportation and mining equipment; costs and delays of operating a mine and processing facilities in a harsh, northern 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 sites; and unforeseen events.

The costs, timing and complexities of mine and processing facilities development and operation are increased by the remote location of the DSO and Howse projects. It is not unusual in a new mining and processing operation to experience unexpected problems and delays during the development and initial operating stages. In addition, delays in the commencement or expansion of mineral production often occur and, once commenced or expanded, the production of a mine and processing facilities may not meet expectations or estimates established by TSMC. Accordingly, there are no assurances that TSMC will successfully develop and operate mining and processing activities at its projects. Any of those results may significantly devalue, or result in a total loss of, the Company's investment in TSMC.

Failure to Meet Production Targets and Cost Estimates

The development and operation of the DSO and Howse projects are premised on future production and capital cost estimates determined by TSMC, without input or influence from or by the Company. 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 TSMC's net income, cash flow and overall financial performance.

Any of those results may significantly devalue, or result in a total loss of, the Company's investment in TSMC.

Transportation and Port Access

The Company expects that the iron ore products from the DSO and Howse projects will continue to be transported in railcars, under contract with the four rail carriers presently providing such services to TSMC. To the extent that TSMC cannot enter into or renew rail transportation agreements for reasonable tariffs and other terms with such parties (either through negotiation, dispute resolution or by order of the applicable

regulatory authorities), the operating and financial performance of the DSO and Howse projects could be adversely impacted.

The Company expects that the iron ore products from the DSO and Howse Projects will be continue to be partially stored and shipped from an existing port in Sept-Îles, Québec. Although TSMC has negotiated an agreement with a shipper to obtain port access for storage and loading facilities at Sept-Îles, there can be no assurance that such arrangements will continue to be on commercially reasonable terms. TSMC plans to utilize the Port of Sept-Îles' new deep water dock when possible in order to carry out these activities in the future. Failure of such arrangements or the inability to renew or renegotiate such arrangements on commercially reasonable terms could adversely impact the operating and financial performance of the DSO and Howse projects.

Any of those results may significantly devalue, or result in a total loss of, the Company's investment in TSMC.

Iron Ore Markets

TSMC's future profitability is largely dependent on movements in the price of iron ore. Iron ore prices have in recent years become volatile and are primarily affected by the demand for and price of steel in addition to the supply/demand balance. A marked swing in iron ore prices since 2014 has resulted in suspension or changes in operations, and cancellation of a number of projects.

Factors beyond the control of TSMC may affect the pricing of iron ore or other metals. Metal prices, including iron ore prices, are subject to significant fluctuation and are affected by a number of factors which are beyond the control of the TSMC. The principal risk factors include: diminished demand which may arise if rates of economic growth in key world markets decline or are not sustained; increases in supply resulting from the development of new sources of iron ore or expansion of existing operations by the world's largest iron ore producers, or supply interruptions due to changes in government policies in iron ore consuming nations, war, or international trade embargoes. The effect of these factors on TSMC's operations cannot be predicted.

Given the volatility of iron ore prices, there are no assurances that iron ore prices will remain at economically attractive levels. An increase in iron ore supply without a corresponding increase in iron ore demand would be expected to create downward pressure. Further declines in iron ore prices would adversely impact the business of TSMC.

Iron ore prices are also affected by numerous other factors beyond TSMC'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.. If as a result of a decline in iron ore prices, revenues from iron ore sales were to fall below cash operating costs, TSMC would evaluate the feasibility of continuing operations and if warranted, they could be suspended, altered or discontinued.

Any of those results may significantly devalue, or result in a total loss of, the Company's investment in TSMC.

Iron Ore Prices

Refer to Market Review in the Description of Business section.

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. Production of steel has continued to grow in 2019 but the effect of the Coronavirus will have a negative impact in 2020.

Taconite Project Financing

Pursuant to the terms of the Taconite HOA, TSG has a period of 4 months after the conclusion of the Taconite Project Feasibility Study to exercise its option to participate in the Taconite Project. A positive investment decision could involve the development of either one or both of the LabMag and KéMag deposits. If TSG does not exercise such option, the Company will have to secure alternative financing to develop the Taconite Project. There is no assurance that such financing will be available on reasonable commercial terms, or at all. Furthermore, in the event that TSG does exercise such option, additional third party financing may still be required to bring the Taconite Project to production and there is no assurance that such financing will be available on reasonable commercial terms, or at all.

The Company and TSG are in the process of re-visiting the terms of the Taconite HOA. The discussions are in the preliminary stage and there is no assurance that the eventual agreement will not contain material differences from the current Taconite HOA and as such there may be additional financing risks that have not been previously considered.

Revenues

To date, the Company has recorded minimal revenue and has not commenced commercial production on any property. There can be no assurance that significant losses will not occur in the near future or that the Company will be profitable in the future. The Company's operating expenses and capital expenditures may increase in subsequent years as consultants, personnel and equipment associated with advancing exploration, development and commercial production of the KéMag Project, the LabMag Project or other properties in which the Company has an interest. The Company expects to continue to incur losses unless and until such time as it or an investee enters into commercial production and generates sufficient revenues to fund its continuing operations. The development of the Company's properties will require the commitment of substantial resources to conduct time consuming development. There can be no assurance that the Company will generate any revenues or achieve profitability.

Liquidity Concerns and Future Financings

The Company will require significant capital and operating expenditures in connection with the development of KéMag Project, the LabMag Project or other properties in which the Company has an interest. There can be no assurance that the Company will be successful in obtaining required financing as and when needed. Disruptions in the credit and financial markets have previously adversely affected financial institutions, inhibited lending and limited access to capital and credit for many companies. If future financing is not available to the Company when required, as a result of limited access to credit markets or otherwise, or is not available on acceptable terms, the Company may be unable to invest the capital for the Company's development and exploration programs, take advantage of business opportunities or respond to competitive pressures, any of which could cause the Company to postpone or slow down its development plans, forfeit rights in some or all of the Company's properties or reduce or terminate some or all of its activities.

Securities of junior resource companies have experienced substantial volatility in the past, often based on factors unrelated to the financial performance or prospects of the companies involved. These factors include macroeconomic developments worldwide and global and market perceptions of the attractiveness of particular industries. The share price of the Company is likely to be significantly affected by short-term changes in iron ore prices. Other factors unrelated to the Company's performance that may have an effect on the price of its shares include the following: the extent of analytical coverage available to investors concerning the Company's business may be limited if investment banks with research capabilities do not follow the Company's securities; lessening in trading volume and general market interest in the Company's securities may affect an investor's ability to trade significant numbers of common shares and the size of the Company's public float may limit the ability of some institutions to invest in the Company's securities, and could cause the Company's securities to be delisted from an exchange, further reducing market liquidity.

As a result of any of these factors, the market price of the Company's shares at any given point in time may not accurately reflect the Company's long-term value.

Foreign Exchange

Iron ore is sold in U.S. dollars thus the Company and TSMC are subject to foreign exchange risks relating to the relative value of the Canadian dollar as compared to the U.S. dollar. To the extent that the Company or TSMC generate revenues from production of their properties, it will be subject to foreign exchange risks as revenues will be received in U.S. dollars while operating and capital costs will be incurred primarily in Canadian dollars. A decline in the U.S. dollar would result in a decrease in the real value of the Company or TSMC's revenues and adversely impact the Company or TSMC's financial performance.

Dividends

The future payment of dividends on the common shares of the Company will be dependent upon the financial requirements of the Company to finance future growth, the financial condition and other factors which the Board of Directors may consider appropriate in the circumstances. The Company has not paid any dividends since its incorporation and it is not anticipated that dividends will be paid in the immediate or foreseeable future.

The future payment of dividends on the common shares of TSMC to the Company will be dependent upon the financial requirements of TSMC to finance its operations, its future growth, its financial condition and other factors which TSMC's Board of Directors may consider appropriate in the circumstances. TSMC has not paid any dividends since its incorporation and it is uncertain if, or when, TSMC may pay dividends in the foreseeable future.

Dilution and Future Sales of Common Shares

The Company may issue additional shares in the future, which may dilute a shareholder's holdings in the Company. The Company's articles permit the issuance of an unlimited number of Common Shares and an unlimited number of Preferred Shares issuable in series and shareholders will have no pre-emptive rights in connection with further issuances. The directors of the Company have the discretion to determine the provisions attaching to any series of Preferred Shares and the price and terms of further issuances of Common Shares, subject to compliance with applicable corporate and securities laws and stock exchange regulations.

Operational Risks

Nature of Mining, Mineral Exploration and Development Projects

Mining operations generally involve a high degree of risk. The Company's operations are subject to the hazards and risks normally encountered in the exploration, development and production of iron ore, including environmental hazards, explosions, unusual or unexpected geological formations or pressures and periodic interruptions in both production and transportation due to inclement or hazardous weather conditions. Such risks could result in damage to, or destruction of, mineral properties or producing facilities, personal injury, environmental damage, delays in mining, monetary losses and possible legal liability.

Development projects have no operating history upon which to base estimates of future cash operating costs. For development projects, resource estimates and estimates of cash operating costs are, to a large extent, based upon the interpretation of geologic data obtained from drill holes and other sampling techniques, and feasibility studies, which derive estimates of cash operating costs based upon anticipated tonnage and grades of ore to be mined and processed, ground conditions, the configuration of the ore body, expected recovery rates of minerals from the ore, estimated operating costs, anticipated climatic conditions and other factors. As a result, actual production, cash operating costs and economic returns could differ

significantly from those estimated. It is not unusual for new mining operations to experience problems during the start-up phase, and delays in the commencement of production often can occur.

Mineral exploration is highly speculative in nature. There is no assurance that exploration efforts will be successful. Even when mineralization is discovered, it may take several years until production is possible, during which time the economic feasibility of production may change. Substantial expenditures are required to establish proven and probable mineral reserves through drilling. Because of these uncertainties, no assurance can be given that exploration programs will result in the establishment or expansion of mineral resources or mineral reserves. There is no certainty that the expenditures made towards the search and evaluation of mineral deposits will result in discoveries or development of commercial quantities of ore.

No Assurance of Profitable Production

Resource exploration and development is a speculative business, characterized by a number of significant risks including, among other things, unprofitable efforts resulting not only from the failure to discover mineral deposits but also from finding mineral deposits that, though present, are insufficient in quantity and quality to return a profit from production. The marketability of minerals acquired or discovered by the Company may be affected by numerous factors that are beyond the control of the Company and which cannot be accurately predicted, such as market fluctuations, mineral markets and processing equipment, and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting minerals and environmental protection, the combination of which factors may result in the Company not receiving an adequate return on investment capital.

Substantial expenditures are required to establish reserves through drilling and to develop the mining and processing facilities and infrastructure at any site chosen for mining. No assurance can be given that minerals will be discovered in sufficient quantities to justify commercial operations or that funds required for development can be obtained on a timely basis. The long-term profitability of the Company's operations will in part be directly related to the costs and success of its exploration and development programs, which may be affected by a number of factors.

Mining operations, generally involve a high degree of risk. Such operations are subject to all of the hazards and risks normally encountered in the exploration for, and the development and production of, iron ore, including unusual and unexpected geologic formations, seismic activity, rock bursts, cave-ins, flooding and other conditions involved in the drilling and removal of material, any of which could result in damage to, or destruction of, mines and other producing facilities, damage to life or property, environmental damage and possible legal liability.

Processing operations are subject to hazards such as equipment failure, changes in ore characteristics, such as rock hardness, and mineralogy which may impact production rates and iron ore recovery, or failure of retaining dams which may result in environmental pollution and consequent liability.

The successful commercial development of the Company's properties will depend upon the Company's ability to generate cash flow and or to obtain financing through private placement financing, public financing, joint venturing of projects, bank financing, commodity financing or other means. There can be no assurance that the Company will be successful in obtaining any required financing or in obtaining financing on reasonable or acceptable terms.

The Company has limited experience in placing resource properties into production, and its ability to do so will be dependent upon using the services of appropriately experienced personnel or entering into agreements with other major resource companies that can provide such expertise. There can be no assurance that the Company will have available to it the necessary expertise when and if the Company places its resource properties into production and whether it will produce revenue, operate profitably or provide a return on investment in the future.

Uncertainty in the Estimation of Mineral Resources

There is a degree of uncertainty to the calculation of mineral resources and corresponding grades being mined or dedicated to future production. Until mineral resources are actually mined and processed, the quantity of mineral resources and corresponding grades must be considered as estimates only. In addition, the quantity of mineral resources may vary depending on, among other things, metal prices. Any material change in quantity of mineral resources, grade or stripping ratio may affect the economic viability of the Company's projects. In addition, there can be no assurance that iron ore recoveries in small scale laboratory tests will be duplicated in larger scale tests under on-site conditions or during production. Fluctuation in iron ore prices, results of drilling, metallurgical testing and production and the evaluation of mine plans subsequent to the date of any estimate may require revisions of such estimates. The volume and grade of iron ore mined and processed and recovery rates may not be the same as currently anticipated. Any material reductions in estimates of mineral resources, or of the Company's ability to extract iron ore, could have a material adverse effect on the Company's results of operations and financial condition.

Title to Property

The Company does not own the LabMag Property, Howells River North Property or Sheps Lake Property and only has an interest in them through its interest in the Partnership. If the Partnership fails to meet payments or work commitments on the LabMag Property, Howells River North Property or Sheps Lake Property, the Company may lose its indirect interest in the LabMag Property, Howells River North Property and/or Sheps Lake Property and forfeit any funds expended to such time. As well, if the Company fails to meet payments or work commitments on the KéMag Property, the Howells Lake Property, the Perault Property and the Lac Ritchie Property, the Company may also lose its direct interest in the KéMag Property, the Howells Lake Property, the Perault Property and/or the Lac Ritchie Property and forfeit any funds expended to such time.

If TSMC fails to meet payments or work commitments on the DSO Property or Howse Property then TSMC may lose its interest in the DSO Property and/or Howse 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 Howells Properties, the Sheps and Perault Property, the Lac Ritchie Property, any of its other properties, or the properties in which TSMC has an interest do not exist. The LabMag Property, the KéMag Property, the Howells Properties, the Sheps and Perault Property, the Lac Ritchie Property, any of its other properties, or the properties in which TSMC has an interest may be subject to prior unregistered agreements, interests or native land claims and title may be affected by undetected defects. If title defects do exist, it is possible that the Company or TSMC may lose all or a portion of its right, title, estate and interest in and to the properties to which the title defect relates.

Title to mineral interests in some jurisdictions, is often not susceptible of determination without incurring substantial expense. In accordance with industry practice, the Company or TSMC 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 Howells Properties, the Sheps and Perault Property, the Lac Ritchie Property, any of its other properties, or the properties in which TSMC has an interest will not be challenged or impugned. While, to the best of the Company's knowledge, title to the LabMag Property, the KéMag Property, the Howells Properties, the Sheps and Perault Property, the Lac Ritchie Property, all its other properties, and TSMC's title to the DSO Property and Howse Property, are all 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.

Transportation

The Company's NuTac Project anticipates that the iron ore products from the project will be transported in railcars under contract with rail carriers. No formal agreement has been entered into with a carrier for the provision of such services. To the extent that the Company cannot enter into a rail transportation agreements for reasonable tariffs and other terms with such parties (either through negotiation, dispute resolution or by order of the applicable regulatory authorities), the operating and financial performance of the NuTac Project could be adversely impacted.

Availability of Reasonably Priced Raw Materials and Mining Equipment

The Company will require a variety of raw materials in its business as well as a wide variety of mining equipment. To the extent these materials or equipment are unavailable or available only at significantly increased prices, the Company's production and financial performance could be adversely impacted.

Uncertainty of Exploration and Development Projects

The future development of any of the Company's taconite properties will require the construction and operation of a mine, processing plants and related infrastructure. As a result, the Company is subject to all of the risks associated with establishing mining operations including:

- the timing and cost, which will be considerable, of the construction of mining and processing facilities;
- the availability and costs of skilled labour, power, water, transportation and mining equipment;
- costs of operating a mine in a specific environment;
- the need to obtain necessary environmental and other governmental approvals and permits, and the timing of those approvals and permits;
- adequate access to the site; and
- unforeseen events.

The costs, timing and complexities of mine construction and development are increased by the remote location of the Companies taconite properties. 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 the Company will successfully develop mining activities at its taconite properties.

Litigation

In the normal course of the Company's business, it may become involved in, named as a party to, or be the subject of, various legal proceedings, including regulatory proceedings, tax proceedings and legal actions, related to the personal injuries, property damage, property tax, the environment and contract disputes. The outcome of outstanding, pending or future proceedings cannot be predicted with certainty and may be determined adversely to the Company and as a result, could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

Uninsured Risks Exist and May Affect Certain Values

The Company maintains insurance to cover normal business risks. In the course of exploration and development of mineral properties, certain risks, and in particular, unexpected or unusual geological operating conditions including explosions, rock bursts, cave-ins, dam failures, fire and earthquakes may occur. It is not always possible to fully insure against such risks as a result of high premiums or other reasons. Should such liabilities arise, they could reduce or eliminate any future profitability and result in increasing costs and a decline in the value of the Company's common shares.

Liability Insurance Factors Should be Considered

Although the Company may obtain liability insurance in an amount which management considers adequate, the nature of the risks for mining companies is such that liabilities might exceed policy limits, the liabilities and hazards might not be insurable, or the Company might not elect to insure itself against such liabilities due to high premium costs or other reasons, in which event the Company could incur significant costs that could have a material adverse effect upon its financial condition.

Competition

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

Dependence on Outside Parties

The Company has relied upon consultants, engineers and others and intends to rely on these parties for development, construction and operating expertise. Substantial expenditures are required to construct mines, to establish mineral reserves through drilling, to carry out environmental and social impact assessments, to develop metallurgical processes to extract the metal from the ore and, in the case of new properties, to develop the exploration and plant infrastructure at any particular site. If such parties' work is deficient or negligent or is not completed in a timely manner, it could have a material adverse effect on the Company.

Ability to Attract and Retain Qualified Personnel

Recruiting and retaining qualified personnel is critical to the Company's success. The number of persons skilled in the acquisition, exploration and development of mining properties is limited and competition for such persons is intense. As the Company's business activity grows, they will require additional key financial, administrative and mining personnel as well as additional operations staff. If the Company is not successful in attracting and training qualified personnel, the efficiency of its operations could be affected, which could have a material adverse impact on the Company's future cash flows, earnings, results of operations and financial condition.

Factors Beyond Corporation's Control

The exploration and development of mineral properties and the marketability of any minerals contained in such properties will be affected by numerous factors beyond the control of the Company. These factors include government regulation, high levels of volatility in market prices, availability of markets, availability of adequate transportation and processing facilities and the imposition of new or amendments to existing taxes and royalties. The effect of these factors cannot be accurately predicted.

Environmental and Regulatory Risks

Government Regulation and Permitting

The current or future operations of the Company, including development activities and commencement of production on its properties, require permits from various federal, provincial or territorial and local governmental authorities, and such operations are and will be governed by laws and regulations governing prospecting, development, mining, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, water use, environmental protection, land claims of local people, mine safety and other matters.

Such operations and exploration activities are also subject to substantial regulation under applicable laws by governmental agencies that will require the Company to obtain permits, licences and approvals from various governmental agencies. There can be no assurance, however, that all permits, licences and approvals that the Company may require for its operations and exploration activities will be obtainable on reasonable terms or on a timely basis or that such laws and regulations will not have an adverse effect on any mining project which the Company might undertake.

Failure to comply with applicable laws, regulations, and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions.

Amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in exploration expenses, capital expenditures or production costs or reduction in levels of production at producing properties or require abandonment or delays in development of new mining properties.

To the best of the Company's knowledge, it is operating in compliance with all applicable rules and regulations.

Environmental Risks and Hazards

The Company's activities are subject to extensive national, provincial, and local laws and regulations governing environmental protection and employee health and safety. The Company is required to obtain governmental permits and provide bonding requirements under environmental laws. All phases of the Company's operations are subject to environmental regulation. These regulations mandate, among other things, the maintenance of water quality standards and land reclamation. They also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner, which will require stricter standards and enforcement, increased fines and penalties for non-compliance, and more stringent environmental assessments of proposed projects. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations.

Environmental laws and regulations are complex and have tended to become more stringent over time. These laws are continuously evolving. The Company is not able to predict the impact of any future changes in environmental laws and regulations on its future financial position due to the uncertainty surrounding the ultimate form such changes may take.

Existing and possible future environmental legislation, regulations and actions could cause additional expense, capital expenditures, restrictions and delays in the activities of the Company, the extent of which cannot be predicted.

Other Tax Considerations

The Canadian federal and provincial tax treatment of natural resource activities has a material effect on the advisability of investing in mining companies. The ability of the Company to claim and collect tax credits relating to its natural resource activities and the return on an investment in Common Shares will be subject to applicable tax laws. There can be no assurance that applicable tax laws will not be amended so as to fundamentally alter the tax consequences of claiming and collecting tax credits and holding or disposing of the Common Shares.

Aboriginal Land Claims and Consultation Issues

The Company's properties, as well as TSMC's DSO Property and Howse Property, together with their adjacent areas, may be the subject of land claims by aboriginal groups. Management of the Company is not aware of a precedent for land claim agreements affecting previously granted licenses or other rights, however, there is no assurance that they will not. In that event, however, it is reasonable to anticipate that compensation from governmental authorities would be adequate to compensate the Company or TSMC for the loss.

While formal IBAs have been entered into by TSMC with all four First Nations affected by the DSO Project, no formal IBAs have been entered into with respect to any of the Company's properties or projects and there is no assurance that such IBAs will ever be completed.

Other Risk Factors

Share Price Fluctuations

The market price of securities of many companies, particularly development stage companies, experience wide fluctuations in price that are not necessarily related to the operating performance or the underlying asset values of prospects of such companies. There can be no assurance that fluctuations in the Company's share price will not occur.

During the year ended December 31, 2019, the Company's share price marked a high of \$0.11 during February 2019 and a low of \$0.05 during both November and December 2019.

Significant Shareholder

To the best of the Company's knowledge, as of the date hereof, TSG beneficially owns, controls and directs, directly or indirectly, 47,402,908 Common Shares representing approximately 26.2% of the issued and outstanding Common Shares. Pursuant to the HOA, the Company has granted TSG a pre-emptive right to maintain its pro rata ownership interest in the Company (the "Pre-Emptive Right"), subject to certain limited exceptions.

Price Volatility of Publicly Traded Securities

Securities of exploration and mining companies have experienced substantial volatility in the past, often based on factors unrelated to the financial performance or prospects of the companies involved. These factors include macroeconomic developments in North America and globally, and market perceptions of the relative attractiveness of particular industries. The Company's share price is also likely to be significantly affected by short-term changes in metal prices or in the Company's financial condition or results of operations as reflected in quarterly earnings reports. Other factors unrelated to the Company's performance that may have an effect on the price of the Company's shares include the following:

- the extent of analyst coverage available to investors concerning the Company's business may be limited if investment banks with research capabilities do not follow its securities;

- limited trading volumes and general market interest in the Company's securities may affect an investor's ability to trade the Company's shares; and
- the relatively small number of publicly held shares may limit the ability of some institutions to invest in the Company's securities.

As a result of any of these factors, the market price of the Company's shares at any given point in time may not accurately reflect the Company's long-term value.

Conflicts of Interest

There are potential conflicts of interest which the directors and officers of the Company may be subject in connection with the operations of the Company. Some of the directors and officers of the Company may be, or may become, engaged in the mineral exploration or mining industry, and situations may arise where directors, officers and promoters will be in direct conflict with the Company. Such conflicts must be disclosed in accordance with, and are subject to such other procedures and remedies as apply under, the ABCA, and the applicable statutes of the jurisdictions of incorporation of the Company's subsidiaries.

DIVIDENDS AND DISTRIBUTIONS

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

CAPITAL STRUCTURE

GENERAL DESCRIPTION OF SHARE CAPITAL

The Company is authorized to issue an unlimited number of Common Shares and an unlimited number of preferred shares (the "Preferred Shares") issuable in series. As at December 31, 2019, 181,054,146 Common Shares were issued and outstanding as fully paid and non-assessable shares and no Preferred Shares were issued and outstanding. As at March 25, 2020, 181,054,146 Common Shares were issued and outstanding as fully paid and non-assessable shares and no Preferred Shares were issued and outstanding.

COMMON SHARES

The holders of the Common Shares are entitled to receive notice of and attend any meeting of the Company's shareholders and are entitled to one vote for each Common Share held (except at meetings where only the holders of another class of shares are entitled to vote). Subject to the rights attaching to any other class of shares, the holders of the Common Shares are entitled to receive dividends, if, as and when declared by the Board of Directors of the Company and are entitled to receive the remaining property upon liquidation of the Company.

PREFERRED SHARES

The Company is authorized to issue an unlimited number of Preferred Shares. The Preferred Shares may be issued from time to time in one or more series, each series consisting of a number of Preferred Shares as determined by the Board of Directors of the Company, who may fix the designations, rights, privileges, restrictions and conditions attaching to the shares of each series of Preferred Shares. As at the date hereof, there are no Preferred Shares issued and outstanding. The Preferred Shares of each series shall, with respect to dividends, liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, or any other distribution of the assets of the Company among its shareholders for the purpose

of winding up its affairs, shall be entitled to preference over the Common Shares and the shares of any other class ranking junior to the Preferred Shares. The Preferred Shares of any series may also be given such other preferences and priorities over the Common Shares and any other shares of the Company ranking junior to such series of Preferred Shares.

MARKET FOR SECURITIES

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

Trading History

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

Period	High (\$)	Low (\$)	Volume
2019			
January 2019	0.075	0.055	4.1m
February 2019	0.11	0.07	11.1m
March 2019	0.09	0.065	2.3m
April 2019	0.07	0.06	1.6m
May 2019	0.095	0.055	4.0m
June 2019	0.09	0.065	1.8m
July 2019	0.095	0.075	1.4m
August 2019	0.075	0.055	1.9m
September 2019	0.08	0.055	1.7m
October 2019	0.07	0.055	0.8m
November 2019	0.06	0.05	0.8m
December 2019	0.065	0.05	1.3m
2020			
January 2020	0.085	0.055	2.4m
February 2020	0.08	0.05	1.9m
March 1-24, 2020 ♦	0.065	0.035	1.8m

DIRECTORS AND OFFICERS

NAME, OCCUPATION AND SECURITY HOLDINGS

The following table sets forth the names and municipalities of residence of the current directors and executive officers of the Company, their respective positions and offices with the Company and date first appointed or elected as a director and/or executive officer and their principal occupation(s) within the past five (5) years.

Name and Municipality of Residence	Position(s) Held with the Company and Period Service as a Director	Principal Occupation
Robert P. Boisjoli Montreal, Quebec, Canada	Chief Financial Officer since November 7, 2018	President of Atwater Financial Group, CEO of AKESOgen Inc. and CFO of Genius Properties Ltd. and of Genius Metals Inc.
Mario Caron ⁽²⁾ Toronto, Ontario, Canada	Director since November 15, 2015, Non-Executive Chairman since July 13, 2017 and Acting CEO since March 26, 2019	Lead Director of Falco Resources Ltd., Chairman of Alloycorp Mining Inc. and Director of Quebec Precious Metals Corp. He has also been a Director of Algold Resources Ltd., Maya Gold & Silver Inc. and Adventure Gold Inc.
Prasanto Kumar Ghose Montreal, Quebec, Canada	Director since May 15, 2019	Chief Executive Officer and Managing Director of Tata Steel Minerals Canada. Has held various positions within Tata Steel Limited.
H. Dean Journeaux ^{(1) (2)} Rockland, Ontario, Canada	Director since June 21, 2017	Principal and owner of Journeaux International, a consulting firm, since 2002. President and Chief Executive Officer of the Company from July 1, 2011 to January 13, 2014, Chief Operating Officer of the Company from August 8, 2003 to July 1, 2011
W. Scott Leckie ^{(1) (2)} Toronto, Ontario, Canada	Director since June 23, 2016	Mr. Leckie is an experienced value investor, Portfolio Manager, and a founding partner of several companies. Mr. Leckie is an original partner of Aquilon Capital Corporation, a registered investment dealer and portfolio management firm which was organized in September 1990 and sold to National Bank Financial in March 2008. Mr. Leckie is currently the Principal of Takota Asset Management Inc., registered with the OSC as an investment fund manager (IFM), a portfolio manager (PM) and an exempt market dealer (EMD).
Rajiv Mukerji Mumbai, India	Director since December 3, 2019	Group Director Strategic Procurement, Tata Steel Group. Has held various positions within Tata Steel Limited since 1987.
Daniel P. Owen ^{(1) (2)} Toronto, Ontario, Canada 8674028.1	Director since June 23, 2016	Mr. Owen is an investor and entrepreneur. He is currently Chairman and Chief Executive Officer of a private investment management company, Chairman and CEO of a private aerodrome management company, and a former Senior Vice President, Operations, of the Canada Development Corporation (later named Polysar Energy & Chemical Corporation). Mr. Owen has served on the boards of directors and on all the committees of a number of Canadian public companies.
D.B. Sundara Ramam Jamshedpur, India	Director since December 3, 2019	Vice President Raw Materials, Tata Steel Ltd. Has held various positions within Tata Steel Limited since 1990.

Notes:

- (1) Member of the Audit Committee (Messrs. Journeaux, Leckie and Owen).
(2) Member of the Corporate Governance and Compensation Committee (Messrs. Caron, Journeaux, Leckie and Owen).

To the knowledge of the Company, as at March 25, 2020, excluding the ownership of Tata Steel, the directors and executive officers of the Company, as a group, beneficially owned, directly or indirectly or exercised control or direction over, 10,869,837 Common Shares or approximately 6% of the issued and outstanding Common Shares of the Company. The common shares beneficially owned, directly or indirectly, or over which control or direction is exercised, as at the date of this AIF is based upon information furnished to the Company by the above individuals and/or management.

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

CEASE TRADE ORDERS

No director or executive officer of the Company, other than indicated below, is, or within ten years prior to the date of this AIF, has been a director, a chief executive officer or a chief financial officer of any company (including the Company), that:

(a) was subject to: (i) a cease trade order; (ii) an order similar to a cease trade order; or (iii) an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days (collectively, an "Order"), that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or

(b) was subject to an Order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

Mr. Robert Boisjoli was CFO of Canadian Metals Inc. ("CMI"), a Québec corporation listed on the Canadian Securities Exchange, when on July 29, 2016, the Autorité des marchés financiers (Québec) issued a temporary management cease trade order ("MCTO"), against the directors and officers of CMI. The MCTO was issued in connection with the filing by CMI of a technical report that did not comply with the requirements of Regulation 43-101. The MCTO was lifted on October 4, 2016, following the filing of a compliant revised technical report.

BANKRUPTCIES

No director or executive officer of the Company, other than indicated below, or a shareholder holding a sufficient number of securities of the Company to affect materially control of the Company, is, or within ten years prior to the date of this AIF, has been a director or executive officer of any company (including the Company) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

Mr. Scott Leckie was a director of Groupe Bikini Village Inc., which filed a notice of intention to make a proposal under the Bankruptcy and Insolvency Act on February 17, 2015.

PERSONAL BANKRUPTCIES

No director or executive officer or a shareholder holding a sufficient number of securities of the Company to affect materially control of the Company, has, within the past ten years prior to the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or was subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of such person.

PENALTIES OR SANCTIONS

No director or executive officer of the Company, other than indicated below, or a shareholder holding a sufficient number of securities of the Company to affect materially control of the Company, has been subject to (i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, or (ii) any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor in making an investment decision.

On June 30, 2005, Mr. Scott Leckie agreed to pay a fine of \$100,000 under a settlement agreement with Market Regulation Services Inc. with regard to certain trading activities.

Mr. Robert Boisjoli was a director of Palos Management Inc. (the "Manager") when, on November 23, 2011, the Manager reached a settlement with the Autorité des marchés financiers (the "AMF") whereby the Manager agreed to pay a monetary administrative penalty of \$26,500 for a failure by the Manager to include certain components of certain financial statements that were filed for the periods ending June 30, 2009, December 31, 2009 and June 30, 2010. The settlement relates to investment funds managed by the Manager and offered under statutory prospectus.

CONFLICTS OF INTEREST

Certain directors and officers of the Company and its subsidiaries are associated with other reporting issuers or other corporations which may give rise to conflicts of interest. In accordance with corporate laws, directors who have a material interest or any person who is a party to a material contract or a proposed material contract with the Company are required, subject to certain exceptions, to disclose that interest and generally abstain from voting on any resolution to approve the contract. In addition, the directors are required to act honestly and in good faith with a view to the best interests of the Company. Some of the directors of the Company have either other employment or other business or time restrictions placed on them and accordingly, these directors of the Company will only be able to devote part of their time to the affairs of the Company. Conflicts, if any, will be subject to the procedures and remedies available under the ABCA. The ABCA provides that in the event that a director has an interest in a contract or proposed contract or agreement, the director shall disclose his interest in such contract or agreement and shall refrain from voting on any matter in respect of such contract or agreement unless otherwise provided by the ABCA.

AUDIT COMMITTEE

AUDIT COMMITTEE CHARTER

The Company's Audit Committee Terms of Reference is attached hereto as Schedule "A".

AUDIT COMMITTEE COMPOSITION

As at the date hereof, the Audit Committee is comprised of the following members:

W. Scott Leckie ⁽²⁾	Independent ⁽¹⁾	Financially literate ⁽¹⁾
H. Dean Journeaux	Independent ⁽¹⁾	Financially literate ⁽¹⁾
Daniel P. Owen	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

All of the members of the Audit Committee have been either directly or indirectly involved in the preparation of the financial statements, filing of quarterly and annual financial statements, dealing with auditors, or as a member of the Audit Committee. All members of the Audit Committee have the ability to read, analyze and understand the complexities surrounding the issuance of financial statements.

W. Scott Leckie

Mr. Leckie is an experienced value investor, Portfolio Manager, and a founding partner of several companies. Mr. Leckie is an original partner of Aquilon Capital Corporation, a registered investment dealer and portfolio management firm which was organized in September 1990 and sold to National Bank Financial in March 2008. Mr. Leckie is currently the Principal of Takota Asset Management Inc., registered with the OSC as an investment fund manager (IFM) a portfolio manager (PM), and an exempt market dealer (EMD).

H. Dean Journeaux

Mr. Journeaux is a founder of NML and, between August 2003 and August 2015, served successively as Chief Operating Officer, President and Chief Executive Officer, and Executive Vice Chairman. He was also on the Board of Directors during that period and returned as an independent director in June 2017.

Mr. Journeaux has over five decades of experience in the mining industry. He held various engineering, operations and management positions with Quebec Cartier Mining Company (now ArcelorMittal Mines Canada) and MET-CHEM Canada Inc. Among his responsibilities was construction management of the Mont Wright iron ore project at Fermont, Quebec. Beginning in 1999, as an independent consultant, Mr. Journeaux worked on various international projects, including in India and Egypt.

He received a Bachelor of Engineering (Mining) from McGill University in 1960. He is a Member of the Ordre des ingénieurs du Québec (retired), a Member of the Association of Iron and Steel Engineers, and a life member of the Canadian Institute of Mining, Metallurgy and Petroleum.

Daniel P. Owen

Mr. Owen is an investor and entrepreneur. He is currently Chairman and Chief Executive Officer of a private investment management company, Chairman and CEO of a private aerodrome management company, and a former Senior Vice President, Operations, of the Canada Development Corporation (later named Polysar Energy & Chemical Corporation). Mr. Owen has served on the boards of directors and on all the committees of a number of Canadian public companies.

AUDIT COMMITTEE OVERSIGHT

At no time since the commencement of the Company's financial year ended December 31, 2019, was a recommendation of the Committee to nominate or compensate an external auditor not adopted by the Board of Directors.

RELIANCE ON CERTAIN EXEMPTIONS

At no time since the commencement of the Company's financial year ended December 31, 2019, has the Company relied on the exemption in Section 2.4 of NI 52-110 (De Minimis Non-audit Services), or an exemption from NI 52-110, in whole or in part, granted under Part 8 of NI 52-110 (securities regulatory authority exemption).

PRE-APPROVAL POLICIES AND PROCEDURES

The Audit Committee has not adopted specific policies and procedures for the engagement of non-audit services other than the general requirements under the heading "External Auditors" of the Audit Committee Terms of Reference which states that the Audit Committee must pre-approve any non-audit services to the Company and the fees for those services.

EXTERNAL AUDITOR SERVICE FEES

The aggregate fees billed by the Company's external auditors in each of the two fiscal years noted below for audit and other fees are as follows:

Financial Year Ending	Audit Fees⁽¹⁾	Audit Related Fees⁽²⁾	Tax Fees⁽³⁾	All Other Fees⁽⁴⁾
2019	\$36,380	Nil	Nil	Nil
2018	\$41,730	\$4,655	Nil	Nil

(1) These fees include professional services provided by the external auditors for audits of the annual financial statements and related regulatory filings.

(2) These fees relate to the review of interim financial statements and related regulatory filings.

(3) These fees include professional services for tax compliance and tax advice.

(4) These fees include any other permitted services not included in any of the above-stated categories.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Other than disclosed below, to the best of the Company's knowledge, there were no legal proceedings during the year ended December 31, 2019, to which the Company is a party, or of which any of its property is the subject matter, and there are no such proceedings known to the Company to be contemplated.

In September 2017, a former consultant, 1475263 Ontario Inc., filed a statement of claim against the Company with the Ontario Superior Court of Justice claiming damages of \$1.5 million for breach of contract in respect of fees allegedly owing to the consultant for services rendered. The Company believes that there is no merit to this claim and filed a statement of defence in January 2018.

There are no penalties or sanctions imposed against the Company by a court relating to securities legislation or by a securities regulatory authority during legal proceedings material to the Company to which the Company is a party or of which any of its property is the subject matter, and there are no such proceedings known to the Company to be contemplated during the financial year ended December 31, 2019.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as set forth herein, or as disclosed on SEDAR, the Company is not aware of any material interests, direct or indirect, by way of beneficial ownership of securities or otherwise, of any director or executive officer or any shareholder holding more than 10% of the Common Shares or any associate or affiliate of any of the foregoing in any transaction within the three most recently completed financial years or during the current financial year or any proposed or ongoing transaction of the Company which has or will materially affect the Company.

TRANSFER AGENTS AND REGISTRARS

The Company's transfer agent and registrar is Computershare Trust Company of Canada at its Montreal office located at 1500 Robert-Bourassa Blvd., Suite 1120, Montreal, Quebec, H3A 3S8.

INTERESTS OF EXPERTS

NAMES OF EXPERTS

H. 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, April 9, 2010.

Yves Buro, Schadrac Ibrango, Jeffery Cassoff, Luc Belanger, Eric Giroux, Pierre Julien, Joe Poveromo, Michel Bilodeau and Charles Cauchon of Met-Chem, each a "qualified person", as defined in NI 43-101, are the authors responsible for the preparation of the LabMag Technical Report and the KéMag Technical Report, May 9, 2014.

Michel Dagbert and Robert de l'Étoile of SGS Canada, each a "qualified person", as defined in NI 43-101, are the authors responsible for the preparation of the Lac Ritchie Technical Report, March 31, 2012.

Maxime Dupéré of SGS Canada, a "qualified person", as defined in NI 43-101, is the author responsible for the preparation of the Sheps and Perault Technical Report and the Howells Lake and Howells River North Technical Report, March 19, 2013.

Yves A. Buro and Schadrac Ibrango of Met-Chem, Jeffery Cassoff and Angelo Grandillo of BBA, Joseph J.

Poveromo of Raw Materials & Ironmaking Global Consulting, Ann Lamontagne of Lamont Inc., Michel L. Bilodeau and Rock Gagnon, each a “qualified person”, as defined in NI 43-101, are the authors responsible for the preparation of the NuTac Technical Report, July 21, 2016.

INTERESTS OF EXPERTS

The Company's auditor is MNP LLP, Chartered Professional Accountants, who have audited the Company's Consolidated Financial Statements for the financial year ended December 31, 2019. As at the date of hereof, the partners and associates of MNP LLP, Chartered Professional Accountants, are independent within the applicable rules of professional conduct.

Mr. H. Dean Journeaux, a qualified person named or referred above under “Name of Experts”, is a director of the Company. To the best knowledge of the Company, the qualified persons named under “Names of Experts” beneficially own, directly or indirectly, less than 1% of any class of the Company's outstanding securities except for Mr. Journeaux who beneficially owns, directly or indirectly, 2,771,538 Common Shares or approximately 1.53% of the issued and outstanding Common Shares of the Company.

ADDITIONAL INFORMATION

Additional information, including directors' and executive officers' remuneration and indebtedness, principal holders of the Company's securities and securities authorized for issuance under equity compensation plans is contained in the Company's Management Information Circular and Proxy Statement for its most recent annual and special meetings of shareholders. Additional financial information is provided in the Company's consolidated financial statements and management's discussion and analysis for the financial year ended December 31, 2019. Copies of the foregoing documents and any document, including the Company's NI 43-101 technical reports related to its Material Projects, incorporated by reference in this AIF may be obtained by accessing SEDAR, the electronic system recording Canadian public securities filings, at www.sedar.com.

Additional information relating to NML may be found on NML's website at www.nmliron.com and on www.tatasteel.com and www.tatasteelcanada.com

**SCHEDULE “A”
AUDIT COMMITTEE CHARTER**

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 unaudited interim financial reports and audited financial reports and other mandatory disclosure releases containing financial information. The objectives of the Committee, with respect to the Company and its subsidiaries, are as follows:

- To assist Directors to meet their responsibilities in respect of the preparation and disclosure of the financial reports of the Company and related matters;
- Provide an open avenue of communication among the Company’s auditors, financial and senior management and the Board;
- To ensure the external auditors’ independence and qualification and also review and appraise their performance;
- To monitor the integrity as well as increase the credibility and objectivity of financial reports; and
- To strengthen the role of the outside directors by facilitating in depth discussions between directors on the Committee, management and external auditors.

2. Composition

The Committee shall be composed of at least three individuals appointed by the Board from amongst its members, all of which members will be independent (within the meaning of National Instrument 52-110 *Audit Committees*) unless the Board determines to rely on an exemption in NI 52-110. “Independent” generally means free from any business or other direct or indirect material relationship with the Company that could, in the view of the Board, reasonably interfere with the exercise of the member’s independent judgment.

A quorum shall be a majority of the members of the Committee.

All of the members must be financially literate within the meaning of NI 52-110 unless the Board has determined to rely on an exemption in NI 52-110. Being “financially literate” means members have the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Company’s financial statements.

3. Meetings

The Committee shall meet at least four times per year and/or as deemed appropriate by the Committee Chair. As part of its job to foster open communication, the Committee will meet at least annually with management and the external auditors in separate sessions.

Agendas, with input from management, shall be circulated to Committee members and relevant management personnel along with background information on a timely basis prior to the Committee meetings.

The minutes of the Committee meetings shall accurately record the decisions reached and shall be distributed to the Committee members with copies to the Board, the Chief Financial Officer or such other officer acting in that capacity, and the external auditor.

The Chief Executive Officer and the Chief Financial Officer or their designates shall be available to attend at all meetings of the Committee upon the invitation of the Committee.

The Controller, Treasurer and/or such other staff as appropriate to provide information to the Committee shall attend meetings upon invitation by the Committee.

4. Mandate and Responsibilities

To fulfill its responsibilities and duties, the Committee shall:

- 1) undertake annually a review of this mandate and make recommendations to the Board as to proposed changes;
- 2) satisfy itself on behalf of the Board with respect to the Company's internal control systems, including, where applicable, relating to derivative instruments:
 - (a) identifying, monitoring and mitigating business risks; and
 - (b) ensuring compliance with legal and regulatory requirements;
- 3) review the Company's financial reports, management discussion and analysis ("MD&A"), any annual earnings, interim earnings and press releases before the Company publicly discloses this information and any reports or other financial information (including quarterly financial reports), which are submitted to any governmental body, or to the public, including any certification, report, opinion, or review rendered by the external auditors; the process should include but not be limited to:
 - (a) reviewing changes in accounting principles, or in their application, which may have a material impact on the current or future years' financial reports;
 - (b) reviewing significant accruals, reserves or other estimates;
 - (c) reviewing accounting treatment of unusual or non-recurring transactions;
 - (d) ascertaining compliance with covenants under loan agreements;
 - (e) reviewing financial reporting relating to asset retirement obligations;
 - (f) reviewing disclosure requirements for commitments and contingencies;
 - (g) reviewing adjustments raised by the external auditors, whether or not included in the financial reports;
 - (h) reviewing unresolved differences between management and the external auditors;

- (i) obtain explanations of significant variances with comparative reporting periods; and
 - (j) determine through inquiry if there are any related party transactions and ensure the nature and extent of such transactions are properly disclosed;
- 4) review the financial reports and related information included in prospectuses, MD&A, information circular-proxy statements and annual information forms, prior to Board approval;
- 5) with respect to the appointment of external auditors by the Board:
 - (a) require the external auditors to report directly to the Committee;
 - (b) review annually the performance of the external auditors who shall be ultimately accountable to the Board and the Committee as representatives of the shareholders of the Company;
 - (c) obtain annually, a formal written statement of external auditors setting forth all relationships between the external auditors and the Company and confirming their independence from the Company;
 - (d) review and discuss with the external auditors any disclosed relationships or services that may impact the objectivity and independence of the external auditors;
 - (e) be directly responsible for overseeing the work of the external auditors engaged for the purpose of issuing an auditors' report or performing other audit, review or attest services for the Company, including the resolution of disagreements between management and the external auditor regarding financial reporting;
 - (f) review management's recommendation for the appointment of external auditors and recommend to the Board appointment of external auditors and the compensation of the external auditors;
 - (g) review the terms of engagement of the external auditors, including the appropriateness and reasonableness of the auditors' fees;
 - (h) when there is to be a change in auditors, review the issues related to the change and the information to be included in the required notice to securities regulators of such change;
 - (i) take, or recommend that the full Board take, appropriate action to oversee the independence of the external auditors; and
 - (j) at each meeting where the auditors are present, consult with the external auditors, without the presence of management, about the quality of the Company's accounting principles, internal controls and the completeness and accuracy of the Company's financial reports;
- 6) review all public disclosure containing audited or unaudited financial information before release;
- 7) review financial reporting relating to risk exposure;

- 8) satisfy itself that adequate procedures are in place for the review of the Company's public disclosure of financial information from the Company's financial reports and periodically assess the adequacy of those procedures;
- 9) review and approve the Company's hiring policies regarding partners, employees and former partners and employees of the present and former external auditors of the Company;
- 10) review annually with the external auditors their plan for their audit and, upon completion of the audit, their reports upon the financial reports of the Company and its subsidiaries;
- 11) review and approve all audit and audit-related services and the fees and other compensation related thereto, and any non-audit services, provided by the Company's external auditors and consider the impact on the independence of the auditors;
- 12) evaluate the performance of the independent auditor and, if so determined by the Audit Committee, recommend that the shareholders replace the independent auditor;
- 13) review with independent auditor any problems or difficulties the auditor may have encountered, and any managerial letters provided by the auditor and the Corporation's response to such letters. Such review should include:
 - (a) any difficulties encountered in the course of the audit work, including any restrictions on the scope of activities or access to required information; and
 - (b) any changes required in the planned scope of the audit;
- 14) review any other matters that the Audit Committee feels are important to its mandate or that the Board chooses to delegate to it; and
- 15) with respect to the financial reporting process:
 - (a) in consultation with the external auditors, review with management the integrity of the Company's financial reporting process, both internal and external;
 - (b) consider the external auditors' judgments about the quality and appropriateness of the Company's accounting principles as applied in its financial reporting;
 - (c) consider and approve, if appropriate, changes to the Company's auditing and accounting principles and practices as suggested by the external auditors and management;
 - (d) review significant judgments made by management in the preparation of the financial reports and the view of the external auditors as to appropriateness of such judgments;
 - (e) review any significant disagreement among management and the external auditors regarding financial reporting;
 - (f) establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters; and
 - (g) establish procedures for the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

5. Authority

Following each meeting, in addition to a verbal report, the Committee will report to the Board by way of providing copies of the minutes of such Committee meeting at the next Board meeting after a meeting is held (these may still be in draft form).

Supporting schedules and information reviewed by the Committee shall be available for examination by any director.

The Committee shall have the authority to investigate any financial activity of the Company and to communicate directly with the internal and external auditors. All employees are to cooperate as requested by the Committee.

The Committee may retain, and set and pay the compensation for, persons having special expertise and/or obtain independent professional advice to assist in fulfilling its duties and responsibilities at the expense of the Company.

SCHEDULE “B” LABMAG PROJECT

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

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

LabMag Project

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

Introduction

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

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

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

The deposit was explored by IOC in the early 1960s and considerable drilling, sampling and test work was done. The majority of the claims were held by IOC until 1980, when the land reverted to the Crown. The claims were then held by a number of other entities until the lands again reverted to the Crown in 2002, at which time the property of 256 claims covering an area of 64 square kilometres was acquired by LabMag Mining Corp. (“**LMC**”), which in turn sold it to NML.

Property Description and Location

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

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

Accessibility, Climate, Local Resources, Infrastructure and Physiography

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

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

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

History

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

The LME deposit was explored by IOC in the early 1960s and the majority of the claims held by IOC until 1980 and later by other parties reverted to the Crown in 2002. In 2002, LabMag acquired the ground of the LabMag Property comprising 256 claims covering an area of 64 km² and signed a partnership agreement with the NNK in 2003. In August 2003, NML was formed as a capital pool company listed on the TSX Venture. In August 2004, the LabMag deposit was acquired and held through the Partnership in which NML held 80 % and NNK retained the remaining 20 %.

Geological Setting and Mineralization

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

The units of the Knob Lake Group underlie the majority of the Property and lie on Archean gneiss. The Sokoman formation is essentially undeformed, strikes northwest and has a shallow dip to the northeast.

The iron formation at LabMag has been explored by diamond drilling over a strike length of 9.5 km (Blocks A, B and C) and it extends beyond the northwest and southeast Property boundaries.

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

Deposit Types

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

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

Exploration

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

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

Drilling

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

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

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

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

Sample Preparation, Analysis and Security

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

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

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

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

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

- Fourteen (14) half (½) core saves re-submitted to MRC;
- Ten (10) percent of the samples sent to Lerch Brothers Inc. (“LBI”) for re-determination of TotFe on crude samples and TotFe and SiO₂ on Davis Tube Concentrate (“DTC”).

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

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

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

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

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

WGM believes that the check assay program illustrates that MRC's analytical data in terms of TotFe, DTC Fe and SiO₂ are of high quality, although some uncertainty remains in the reliability of the DTC Fe results. Thirty-six (36) 2004 and 2005 sample pulps originally analyzed at MRC randomly selected by LabMag were re-submitted to MRC. The head samples were re-assayed for TotFe and their DTC were re-assayed for total iron and silica. The sample pairs with the greatest differences were subjected to another blind assay.

LabMag concluded that the results indicated a good level of confidence in the results reported by MRC. WGM agreed that the results as reported indicate a good level of laboratory precision for the 2005 program. Twelve (12) second half (½) core samples selected by LabMag were submitted to the MRC laboratory for TotFe and DTC Fe and SiO₂ analyses. WGM is of the opinion that the data for all parameters are well correlated considering the inherent variance from one half (½) of the core to the other half (½).

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

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

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

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

Data Verification

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

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

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

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

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

Mineral Processing and Metallurgical Testing

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

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

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

Mineral Resources Estimates

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

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

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

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

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

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

TABLE 1: SUMMARY OF THE MINERAL RESOURCES – (CUT-OFF OF 18 % DTWR)

Resource by Category	Tonnage (Mt)	TotFe (%)	DTWR (%)	Concentrate	
				Fe (%)	SiO ₂ (%)
Measured	3,689	29.81	26.18	69.93	2.10
Indicated	632	29.24	25.03	70.08	2.00
Measured + Indicated	4,321	29.73	26.01	69.96	2.09
Inferred	1,063	29.64	25.22	69.88	1.85

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

Mineral Reserve Estimates

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

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

The pit optimization analysis determined that the ultimate pit limits for the LabMag deposit should be based on a minimum DTWR cut-off of 21.5 %. In order to ensure a high quality concentrate product with a SiO₂ value below 2.1 %, the optimization analysis also determined that a maximum SiO₂ cut-off of 4.0 % should be applied. The Measured and Indicated Mineral Resources that are contained within the ultimate pit limits and meet the cut-off grade criteria have been converted into Class 1 Proven and Probable Mineral Reserves. The Measured and Indicated Mineral Resources that are contained within the ultimate pit limits but do not meet the cut-off grade criteria have been converted into Class 2 Proven and Probable Mineral Reserves. This material will be stockpiled close the plant site for future processing once the Class 1 Mineral Reserves are depleted.

After the completion of a detailed pit design and the addition of mining losses and waste dilution, the Mineral Reserves for the LabMag deposit have been estimated to include 3,321 Mt of Proven Mineral Reserves and 611 Mt of Probable Mineral Reserves for a total of 3,932 Mt. In order to access these reserves, 69 Mt of overburden, 554 Mt of Menihek Shale and 135 Mt of Inferred Mineral Resources must be mined. This total waste quantity of 758 Mt results in a stripping ratio of 0.19 to 1. The Class 1 Mineral Reserves for the LabMag deposit contain an average DTWR of 27.0 %, an average TotFe of 29.8 %, an average Fe in the concentrate of 69.9 % and an average SiO₂ in the concentrate of 2.1 %. The Class 2 Mineral Reserves for LabMag contain an average DTWR of 20.4 %, an average TotFe of 28.8 %, an average Fe in the concentrate of 69.5 % and an average SiO₂ in the concentrate of 2.6 %. Table 2 presents the Mineral Reserves for the LabMag deposit.

TABLE 2: LABMAG MINERAL RESERVES BY CATEGORY

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

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

Mining Methods

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

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

Even though the Mineral Reserves can support a 40-year mine plan at the planned production rate, the feasibility study was limited to a 25-year mine plan. In order to carry out this mine plan, a smaller pit was designed within the ultimate pit limits. This pit was designed to ensure that the Mineral Reserves that remain following a 25-year operation can be mined and processed at a profit. In other words, for the remaining pit, the DTWR of the Class 1 ore is close to 27.0 %, the SiO₂ in the concentrate is close to 2.1 % and the stripping ratio is around 0.2 to 1.

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

run of mine feed that is as close to a DTWR of 27 % and a value of 2.1 % SiO₂ in the concentrate as possible.

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

Recovery Methods

Concentration

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

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

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

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

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

To produce low silica BF fluxed or DR grade pellets, the concentrate must contain 2.2 % and 1.5 % silica, respectively, so four (4) flotation lines each with rougher, regrind down to a P₈₀ of 18 µm and cleaner have been added to reduce the silica grade. All flotation steps will use tank type flotation cells. Regrinding will be performed in fine ore mills and classified by hydrocyclones.

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

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

Pelletizing

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

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

After completion of the 2013 tests, Outotec issued a confirmation letter guaranteeing a nominal annual capacity of 8.5 Mt/y for each 816 m² pellet machine. It was also stated that the equipment is expected to ramp up to 9.0 Mt/y after a period of stable and routine operation. Each pelletizing line can produce low silica fluxed BF grade pellets or DR grade pellets.

The production is divided as follows:

- Twelve (12) Mt/y of low silica BF pellets with 2.5 % SiO₂;
- Five (5) Mt/y of DR pellets with 1.8 % SiO₂; and
- Six (6) Mt/y of concentrate for direct sales.

Process and Plant Description

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

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

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

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

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

Project Infrastructure

Slurry Transportation System

BRASS was contracted by ISLLP to prepare a study for the taconite slurry transportation system to transport 22 Mt/y of iron concentrate slurry, from the mine site to the terminal station at Pointe-Noire. The slurry transportation system is designed to operate continuously with an operating range bounded by minimum

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

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

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

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

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

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

High Voltage Electrical Distribution Network

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

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

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

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

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

Emergency Power Plant

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

Explosives Preparation and Storage

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

Roads

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

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

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

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

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

Tailings Management Facilities

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

Process Water Pumping Station

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

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

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

Temporary Construction Camps

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

Permanent Residential Complex

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

Pellet Storage and Ship Loading

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

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

Maintenance Facilities

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

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

Boiler Houses and Fuel Storage

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

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

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

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

Market and Strategy Summary

The iron ore market is directly related to iron and steel production. NML/TS retained leading steel information analyst World Steel Dynamics (“WSD”) to carry out a comprehensive overall market assessment.

To summarize, Project development by NML/TS would be underpinned by the following key market assumptions and strategic rationale:

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

Recent years have seen extreme price volatility, signalling the difficulty of predicting even a one-year price. With regard to the long-term price for iron ore, there are numerous views among industry analysts and forecasting services, resulting in a wide range of predictions. Working with WSD, NML/TS incorporated cyclical steel industry conditions into its analysis in order to develop long-term pricing that would be as representative as possible.

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

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

Environmental and Social Impact Assessment Process

Applicable Environmental Assessment Regimes

The LabMag Project is expected to trigger the environmental assessment (“**EA**”) regimes of general application established by the Canadian Environmental Assessment (“**CEA**”) Act 2012, the Environmental Protection Act of the Government of Newfoundland and Labrador (“**GoNL**”) and the Environment Quality Act (Chapter I, Division IV.1) of the Government of Quebec (“**GoQ**”), in addition to the regulatory regime of the National Energy Board Act (“**NEBA**”).

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

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

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

Environment Impact Statement Status

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

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

Timetable

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

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

Capital and Operating Costs

Capital Costs Estimate

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

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

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

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

Basis of Estimate

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

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

Area	Table 5: Capital Costs Estimate Summary Title	Total Costs (\$'000)
1000	Mine Area	68,329
2000	ROM Crushing, Storage and Reclaim	364,522
3000	Concentration, Grinding, Separation and Upgrade	1,003,473
4000	Tailings Disposal and Water Management	115,779
5000	Concentrate Slurry Transport	237,356
5210	Slurry Transport	1,337,481
6000	Port Area (Sept-Îles)	332,376
6200	Pellet Plant (Outotec)	1,226,084
8100	Infrastructure and Utilities (Schefferville)	471,271
8200	Infrastructure and Utilities (Sept-Îles)	144,359
	Total Direct Cost	5,301,030
9000	Indirect Costs	1,371,000
9000	Contingency	867,000
	Total Indirect Cost	2,238,000
	Total Direct + Indirect	7,539,030
	Owners Cost (by NML)	210,000
	Total Project Capex	7,749,000
	EXCLUSIONS FROM Capex	
	Mine Mobile Equipment in Opex	336,000

Area	Table 5: Capital Costs Estimate Summary Title	Total Costs (\$'000)
	Hydro-Quebec / Nalcor Transmission Line in Opex	453,000
	Risk	495,980
	Escalation	Excluded

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

TABLE 6: CAPITAL COST VS LEASING

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

¹ Costs of major mining equipment and power transmission line are not included in Capex, but servicing costs are in cash cost.

² Consists of slurry transportation system, product storage and reclaiming system are to be financed on the basis of long-term debt.

TABLE 7: CURRENCY EXCHANGE RATES AND PERCENT CONTENT

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

The capital cost estimate covers the facilities.

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

Cost Basis and Methodology

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

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

Operating Costs

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

TABLE 8: SUMMARY OF ESTIMATED OPEX BY AREA (AVERAGE)

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

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

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

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

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

TABLE 9: LABOUR FORCE YEAR-4

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

Economic Analysis

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

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

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

TABLE 10: BASE CASE FINANCIAL RESULTS (100% EQUITY)

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

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

Financing

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

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

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

Financial Model and Results

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

TABLE 11: BEFORE-TAX FINANCIAL INDICATORS

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

** Includes Royalty and Benefit Agreement payments*

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

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

TABLE 12: AFTER-TAX FINANCIAL INDICATORS

After-tax Financial Indicators	Results (\$M)
Total LOM Corporate Taxes	6,569.1
Total LOM Mining Taxes	4,418.1
Total Cash Flow	16,419.5
Net Present Value @ 8%	2,848.8
Net Present Value @ 10%	1,593.0
Net Present Value @ 12%	690.3
Internal Rate of Return	14.1 %
Payback Period	5.6 Years

TABLE 13: EFFECT OF LEVERAGE

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

Sensitivity Analysis

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

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

FIGURE 2: SENSITIVITY OF THE BEFORE-TAX NET PRESENT VALUE

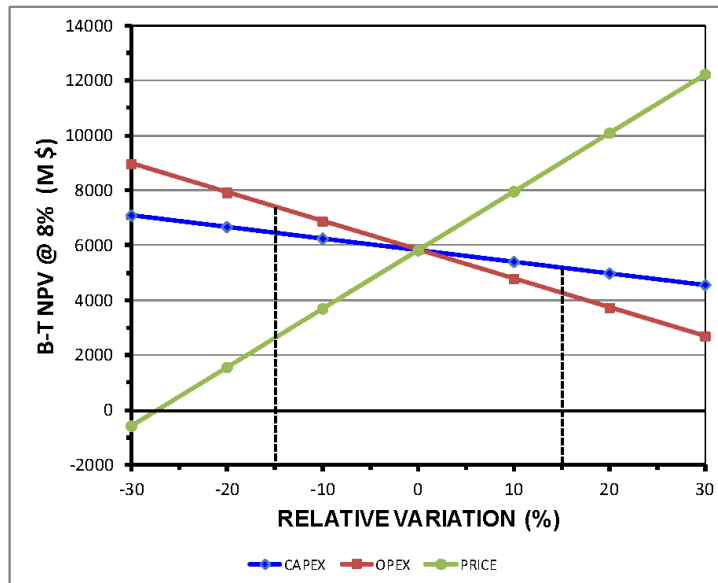


Figure 3, showing variations in IRR, provides similar conclusions. In contrast with Figure 2, which shows linear variations in NPV for the three (3) variables studied, variations associated with IRR are not linear. Due to the different timing of pre-production capital expenditure versus operating expenses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

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

FIGURE 3: SENSITIVITY OF THE BEFORE-TAX INTERNAL RATE OF RETURN

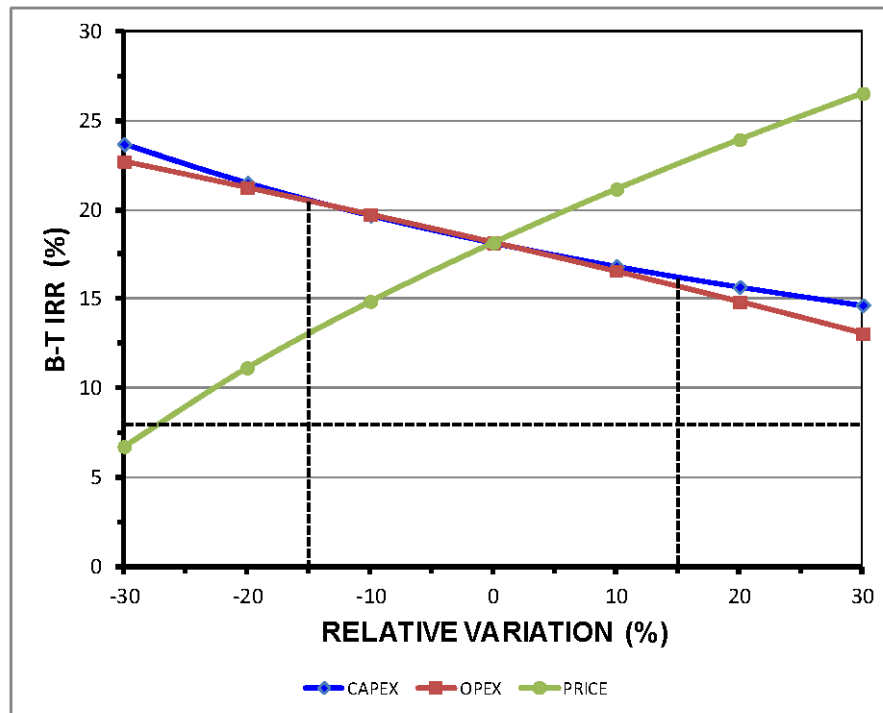


FIGURE 4: SENSITIVITY OF THE AFTER-TAX NET PRESENT VALUE

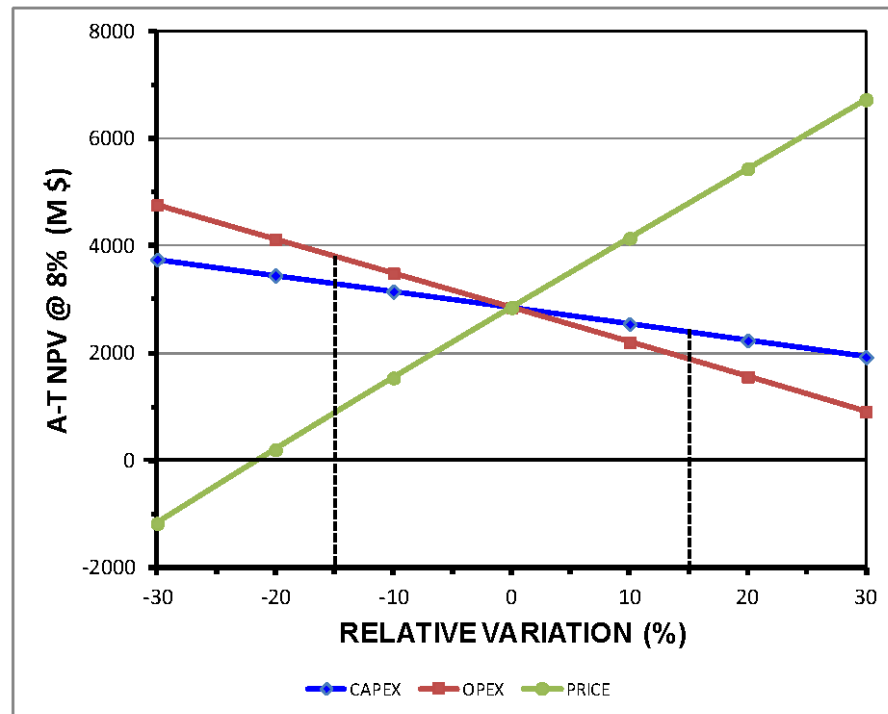
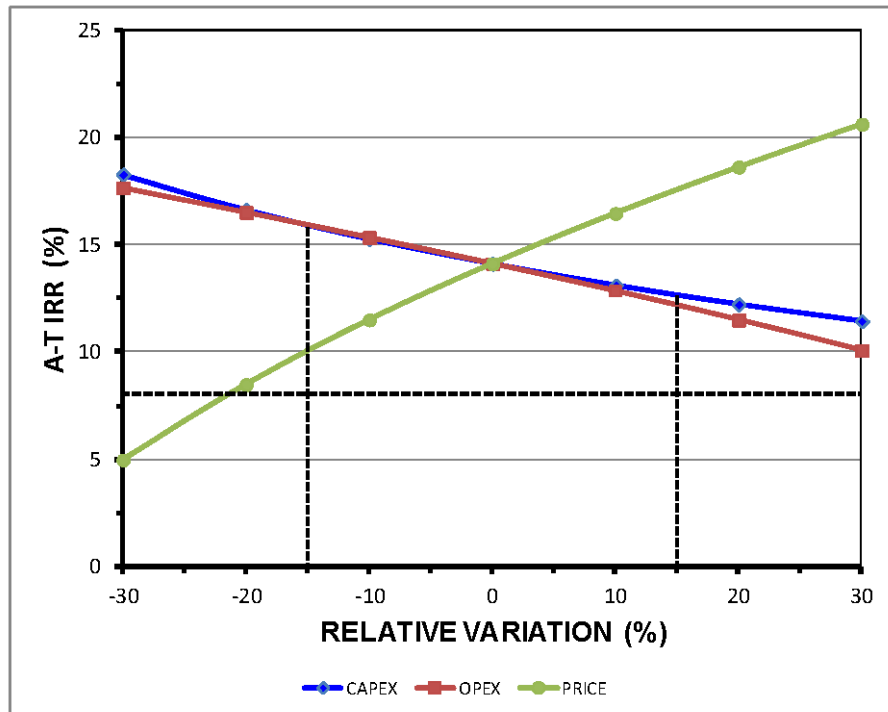


FIGURE 5: SENSITIVITY OF THE AFTER-TAX INTERNAL RATE OF RETURN



Adjacent Properties

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

Other Relevant Data and Information

Schedule

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

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

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

TABLE 14: MAJOR MILESTONES

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

Project Execution Plan

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

Interpretation and Conclusions

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

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

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

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

Project Highlights

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

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

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

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

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

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

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

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

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

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

Risk Evaluation

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

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

Key Project Concerns

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

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

Conclusion and Next Phase

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

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

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

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

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

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

Recommendations

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

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

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

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

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

To accelerate the LabMag Project an estimated \$6 M (2014) would need to be spent for completion of the EIS and miscellaneous items mostly related with alternative tailing disposal option and confirmation of the depth of frost penetration along the slurry transport route. The expected cost is shown in Table 15 below.

TABLE 15: NEXT PHASE ESTIMATED COSTS

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

Source: LabMag Technical Report

SCHEDULE “C” KÉMAG PROJECT

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

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

KéMag Project

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

Introduction

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

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

Property Description and Location

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

The Property is comprised of one block of 171 contiguous claims covering an area of approximately 81 km² along a NNW-SSE trend and within a large block of claims held by NML. The Property is contiguous on the southeast with NML's claims and lies approximately 18 km to the northwest of the LabMag iron Property in Labrador. The claims were acquired as Map-Designated Claims by NML. All the claims are currently active and in good standing. The drilled portion of the deposit is located in the southern half of the claims.

Accessibility, Climate, Local Resources, Infrastructure and Physiography

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

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

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

History

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

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

Geological Setting and Mineralization

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

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

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

Deposit Types

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

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

Exploration

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

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

Drilling

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

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

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

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

Sample Preparation, Analysis and Security

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

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

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

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

Data Verification

Geostat visited the site in 2007 and collected 27 samples from the remaining core halves ($\frac{1}{2}$). Geostat observed a bias in the head Fe of the check samples, but Met-Chem’s coarse rejects check samples submitted to XRF analysis showed a high correlation with the original results. Watts, Griffis and McQuat Limited (“**WGM**”) completed a site visit in 2007 and noted that the drill core handling was well done. A BBA

Senior Metallurgist travelled to the site in 2008 and examined some drill core, but did not complete a new validation of the analytical results. Neither WGM nor BBA were required to collect check samples because independent validation had already been completed by Geostat.

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

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

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

Mineral Processing and Metallurgical Testing

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

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

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

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

Mineral Resources Estimates

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

Eighty-nine (89) holes drilled by NML between 2006 and 2008 were used to interpolate 3D blocks constrained within surfaces (top and bottom) related to each geological seam. The same variorum

parameters that had been defined for the more densely drilled LabMag deposit were used for grade interpolation. A block model was created using the MineSight® software package and Mineral Resources were interpolated on a seam by seam basis. The resource interpolation was performed using the Inverse Distance Weighted to the power of 2 (“IDW2”) and Ordinary Kriging (“OK”) was used to validate the results of IDW2. The block size used by Geostat in the previous estimates was adjusted to take into account the drilling density at KéMag. The Mineral Resources summarized in Table 1 are reported to a cut-off grade of 18 % DTWR and are not constrained to a pit.

TABLE 1: SUMMARY OF THE MINERAL RESOURCES – (CUT-OFF OF 18 % DTWR)

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

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

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

Mineral Reserve Estimates

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

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

The pit optimization analysis determined that the ultimate pit limits for the KéMag deposit should be based on a minimum DTWR cut-off of 19.0 %. In order to ensure a high quality concentrate product with a SiO₂ value below 2.1 %, the optimization analysis also determined that a maximum SiO₂ cut-off of 4.2 % should be applied. The Measured and Indicated Mineral Resources that are contained within the ultimate pit limits and meet the cut-off grade criteria have been converted into Class 1 Proven and Probable Mineral Reserves. The Measured and Indicated Mineral Resources that are contained within the ultimate pit limits

but do not meet the cut-off grade criteria have been converted into Class 2 Proven and Probable Mineral Reserves. This material will be stockpiled close the plant site for future processing once the Class 1 Mineral Reserves are depleted.

After the completion of a detailed pit design and the addition of mining losses and waste dilution, the Mineral Reserves for the KéMag deposit have been estimated to include 1,172 Mt of Proven Mineral Reserves and 718 Mt of Probable Mineral Reserves for a total of 1,891 Mt. In order to access these reserves, 231 Mt of overburden, 440 Mt of Menihek Shale and 120 Mt of Inferred Mineral Resources must be mined. This total waste quantity of 791 Mt results in a stripping ratio of 0.33 to 1. The Class 1 Mineral Reserves for the KéMag deposit contain an average DTWR of 27.0 %, an average TotFe of 31.3 %, an average Fe in the concentrate of 69.9 % and an average SiO₂ in the concentrate of 2.2 %. The Class 2 Mineral Reserves for KéMag contain an average DTWR of 19.6 %, an average TotFe of 28.1 %, an average Fe in the concentrate of 64.8 % and an average SiO₂ in the concentrate of 3.6 %. Table 2 presents the Mineral Reserves for the KéMag deposit.

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

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

TABLE 2: MINERAL RESERVES BY CATEGORY

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

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

Mining Methods

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

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

The 22-year mine plan is based on an annual production of 22 Mt of concentrate. This production is divided in 16 Mt of concentrate which will yield 17 Mt of BF and DR grade pellet and 6 Mt of pellet feed. The mine plan has a ramp up of 60 % in Year-1 (13.2 Mt of concentrate) and 85 % in Year-2 (18.7 Mt of concentrate) before reaching full capacity in Year-3. The mine plan incorporates blending of the different rock types in order to minimize the variations in hardness of the material that is sent to the plant and to supply a constant run of mine feed that is as close to a DTWR of 27 % and a value of 2.2 % SiO₂ in the concentrate as possible.

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

Recovery Methods

Concentration

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

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

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

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

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

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

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

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

Pelletizing

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

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

After completion of the 2013 tests, Outotec issued a confirmation letter guaranteeing a nominal annual capacity of 8.5 Mt/y for each 816 m² pellet machine. It was also stated that the equipment is expected to ramp up to 9.0 Mt/y after a period of stable and routine operation. Each pelletizing line can produce low silica fluxed BF grade pellets or DR grade pellets.

The production is divided as follows:

- Twelve (12) Mt/y of low silica BF pellets with 2.5 % SiO₂;
- Five (5) Mt/y of DR pellets with 1.8 % SiO₂; and
- Six (6) Mt/y of concentrate for direct sales.

Process and Plant Description

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

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

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

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

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

Project Infrastructure

Slurry Transportation System

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

The design will adopt a "No Freezing, No Plugging philosophy", which means that the slurry transportation system will either be buried below the frost depth (no freezing) or if it is buried above the frost line, it will have the necessary reliability and emergency backup equipment to maintain no-freeze conditions during

an emergency stoppage and the slurry transportation system slope will be restricted to avoid plugs even if the line is shut down full of slurry.

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

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

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

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

High Voltage Electrical Distribution Network

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

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

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

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

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

Emergency Power Plant

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

Explosives Preparation and Storage

All required turn-key infrastructure for the manufacturing and the delivery of bulk explosives as well as for a down-the-hole blasting service will be provided and executed by an explosives supplier who will be under

contract. The explosives plant will consist as a minimum of an emulsion plant, a storage area for ammonium nitrate, emulsion and explosives and the support installations.

Roads

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

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

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

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

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

Tailings Management Facilities

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

Process Water Pumping Station

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

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

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

Temporary Construction Camps

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

Permanent Residential Complex

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

Pellet Storage and Ship Loading

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

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

Maintenance Facilities

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

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

Boiler Houses and Fuel Storage

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

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

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

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

Market and Strategy Summary

The iron ore market is directly related to iron and steel production. NML/TS retained leading steel information analyst World Steel Dynamics (“WSD”) to carry out a comprehensive overall market assessment. To summarize, Project development by NML/TS would be underpinned by the following key market assumptions and strategic rationale:

- The market for iron ore pellets is structurally growing owing to both productivity and environmental reasons in the blast furnace sector, and organically in the DRI sector;
- The Project's range of high quality pellets and location gives it a global market reach;

- With its year-round shipping capability and ability to handle among the largest ore carriers, the Port of Sept-Îles provides a competitive advantage to the Project;
- The Project would have a core market for its output at TSE's operations;
- Lower natural gas prices and the relatively high price of steel scrap in the USA have made the construction of DRI facilities an attractive option for a USA-based ironmaking. This a natural market geographically for the Project;
- Other market opportunities exist in Western Europe, the Middle East and the Asia/Pacific.

Recent years have seen extreme price volatility, signalling the difficulty of predicting even a one-year price. With regard to the long-term price for iron ore, there are numerous views among industry analysts and forecasting services, resulting in a wide range of predictions. Working with WSD, NML/TS incorporated cyclical steel industry conditions into its analysis in order to develop long-term pricing that would be as representative as possible.

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

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

Environmental and Social Impact Assessment Process

Applicable Environmental Assessment Regimes

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

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

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

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

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

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

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

Environmental Impact Statement Status

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

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

Timetable

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

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

Capital and Operating Costs

Capital Costs Estimate

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

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

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

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

TABLE 5: CAPITAL COSTS ESTIMATE SUMMARY

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

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

TABLE 6: CAPITAL COST VS LEASING

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

1 Costs of major mining equipment and power transmission line are not included in Capex, but servicing costs are in cash cost.

2 Consists of slurry transportation system, product storage and reclaiming system are to be financed on the basis of long-term debt.

Basis of Estimate

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

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

TABLE 7: CURRENCY EXCHANGE RATES AND PERCENT CONTENT

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

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

Cost Basis and Methodology

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

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

Operating Costs

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

TABLE 8: SUMMARY OF ESTIMATED OPEX BY AREA (AVERAGE)

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

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

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

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

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

TABLE 9: LABOUR FORCE YEAR-4

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

Economic Analysis

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

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

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

TABLE 10: BASE CASE FINANCIAL RESULTS (100 % EQUITY)

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

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

Financing

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

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

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

Financial Model and Results

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

TABLE 11: BEFORE-TAX FINANCIAL INDICATORS

Before-tax Financial Indicators	Results (\$M)
Total LOM Revenue	61,346.6
Total LOM Operating Costs*	24,298.3
Total LOM Lease Payments	6,990.6
Initial Capital Cost	5,291.9
Total LOM Sustaining Capital	1,096.9
Total Cash Flow	23,668.9
NPV @ 8 %	5,261.8
NPV @ 10 %	3,455.0
NPV @ 12 %	2,135.8
IRR	17.5
Payback Period	4.9

* Includes Agreement payments

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

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

TABLE 12: AFTER-TAX FINANCIAL INDICATORS

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

TABLE 13: EFFECT OF LEVERAGE

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

Sensitivity Analysis

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

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

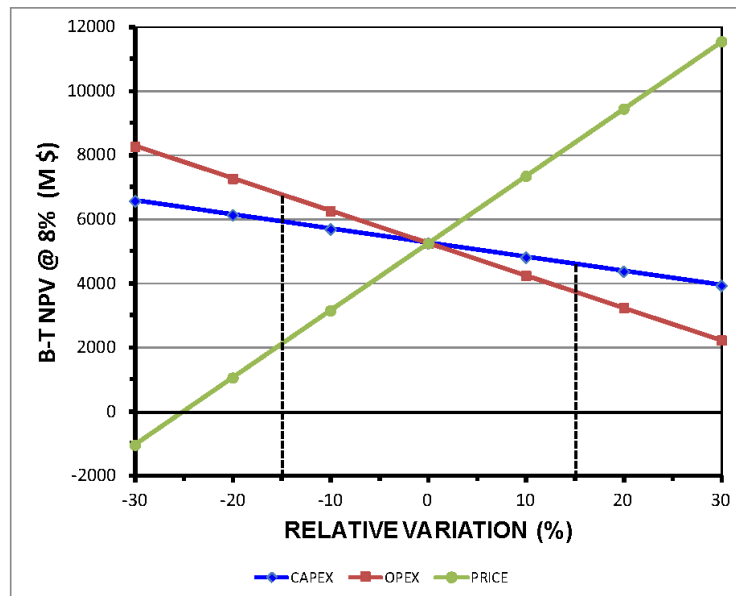
Figure 2: Sensitivity of the Before-tax Net Present Value

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

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

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

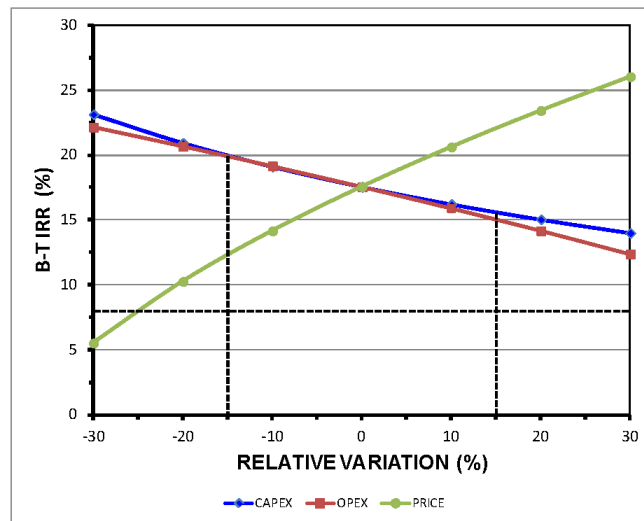


Figure 4: Sensitivity of the After-tax Net Present Value

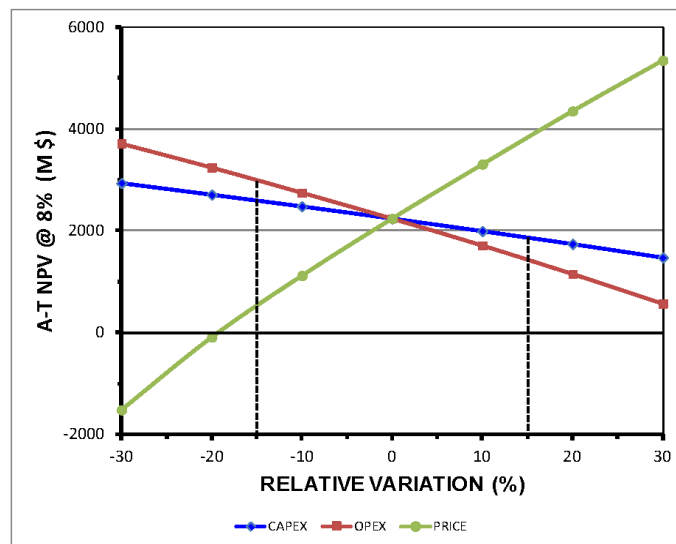
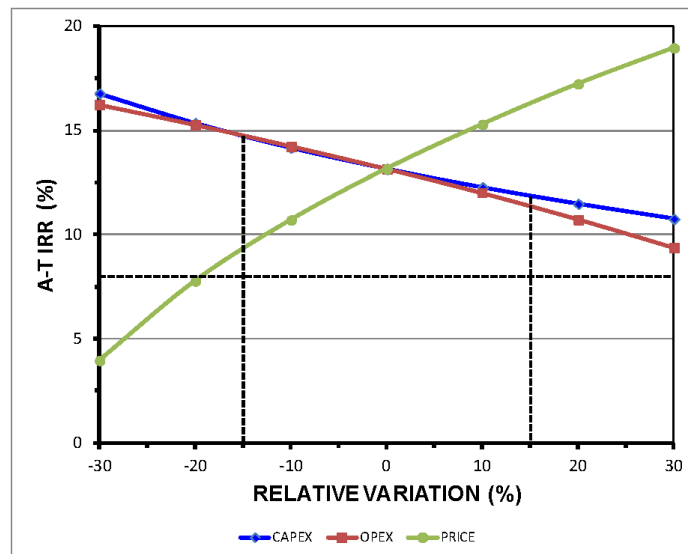


Figure 5: Sensitivity of the After-tax Internal Rate of Return



Adjacent Properties

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

Other Relevant Data and Information

Schedule

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

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

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

TABLE 14: MAJOR MILESTONES

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

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

Project Execution Plan

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

Interpretation and Conclusions

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

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

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

Project Highlights

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

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

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

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

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

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

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

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

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

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

Risk Evaluation

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

Key Project Concerns

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

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

Conclusion and Next Phase

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

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

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

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

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

Recommendations

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

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

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

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

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

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

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

To accelerate the Project an estimated \$ 6 M (2014) would need to be spent for completion of the EIS and miscellaneous items mostly related with alternative tailing disposal option and confirmation of the depth of frost penetration along the slurry transport route. The expected cost is shown in Table 15 below.

TABLE 15: NEXT PHASE ESTIMATED COSTS

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

Source: KéMag Technical Report

SCHEDULE “D” NUTAC PROJECT

The summary of the NuTac Project below has been extracted from the summary section of the report, entitled, NI 43-101 Technical Report on the Pre-Feasibility Study on NuTac Project - Final Report. The NuTac Technical Report was prepared by Yves Buro, Schadrac Ibrango, Jeffery Cassoff, Angelo Grandillo, Joseph Poveromo, Ann Lamontagne, Michael Bilodeau and Rock Gagnon and was filed on SEDAR at www.sedar.com on July 21, 2016, and is incorporated by reference herein. The NuTac Technical Report was prepared for the Company in accordance with NI 43-101 by “qualified persons”, as defined in NI 43-101. Defined terms used in this summary shall have the meanings ascribed to such terms in the NuTac Technical Report.

The information included or incorporated by reference herein is based on assumptions, qualifications and procedures which are set out in the NuTac 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 NuTac Technical Report.

SUMMARY

1.1 Introduction

In September 2015, New Millennium Iron Corp (“NML”) announced its NuTac Project and commissioned a Pre-Feasibility Study (“PFS”) to examine a further range of options for the development of the seven NI 43-101 compliant iron ore taconite properties it controls all of which are in the region of Schefferville, Québec, adjacent to the Newfoundland and Labrador border and about 550 km north of port city of Sept-Îles, Québec. Among these is the KéMag Deposit in which NML holds a 100% interest.

This PFS draws from the comprehensive KéMag Feasibility Study carried out by Innu/SNC-Lavalin Limited Partnership and published in March 2014 and the related NI 43-101 Technical Report issued by Met-Chem Canada Inc. in May 2014. It was in response to the widely reported macro-economic changes development.

The NuTac Project thus produced the re-scoped project development plan for KéMag discussed herein (the “Project”), featuring transferrable, state-of-the-art mining and since 2014 that had impacted the commodities markets and resulted in the need for a new approach to project processing technologies from the earlier study with the same focus on high-quality products at a competitive cost, but with a lower capital cost, the use of infrastructure that could not previously be considered, and a scale adaptable to changing market conditions.

This PFS incorporates several changes that improve Project economics:

Process flowsheet optimization,

Use of the existing rail network (TSH, QNS&L, CFA) that already hauls saleable products from the Schefferville region to shiploading facilities at Sept-Îles, and will connect to a new deep-water shipping terminal system on the Pointe-Noire side of the Bay of Sept-Îles;

The Government of Quebec’s March 2016 purchase of land and infrastructure at Pointe-Noire, as well as the Chemin de Fer Arnaud (“CFA”) railway, to facilitate multi-user stockpiling and shiploading.

1.2 Property Description and Location

The KéMag property (the “Property”), previously known as the Lac Harris Iron property, is situated in the non-organized territory of Rivière Koksoak in Northern Québec, about 40 km to the northwest of the town of Schefferville. The Property lies approximately 245 km north of Labrador City, Labrador and Newfoundland, and 550 km due north of Sept-Îles.

KéMag is comprised of one block of 171 contiguous claims covering an area of approximately 81 km² along a north northwest-south southeast trend and within a large block of claims held by NML. The Property is contiguous on the southeast with NML's claims and lies approximately 18 km to the northwest of NML's LabMag Iron property in Labrador. The claims were acquired as Map-Designated Claims by NML. All the claims are currently active and in good standing. The drilled portion of the KéMag Deposit is located in the southern half of the claims.

1.3 Accessibility, Climate, Local Resources, Infrastructure and Physiography

The Property is accessible by well-maintained roads for 25 km northwest of Schefferville and for a further 30 km westward along a trail that reaches Lac de la Frontière, seven (7) km away from the Property. Schefferville is connected to the populous south by both air and train service.

The Project area is under the influence of humid, sub-arctic continental climate conditions experiencing very severe winters and cool summers. Daily temperatures exceed 0°C for only about five (5) months per year.

Schefferville survived despite the closing of IOC's iron mining operations in 1982 and experienced an influx of workers after 2011 principally triggered by the re-start of iron exploration in the region, some of which has now been curtailed. According to the 2011 census, 213 persons inhabited Schefferville in 2011, while 2014 government registers indicated that some 780 members of the Nation Innu Matimekush-Lake John were living on the nearby Matimekush community and Lac John reserves. The Naskapi Nation of Kawachikamach, located about 15 km northeast of Schefferville counted some 884 members in 2014 according to the registers.

The town of Schefferville and the local First Nations collectively provide basic services, supplies and equipment, contractors and charter flight operators. A significant portion of the labour force required for a mining operation at KéMag would come from the First Nations population and the remainder from other parts of Québec, supported by intensive training programs, some of which have been established by other operators. A camp at the mine site would be required to house the construction crews and the permanent work force.

1.4 History

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

IOC conducted reconnaissance mapping, airborne magnetic and electro-magnetic surveying, and drilled a series of short holes, between 1949 and 1971. Since 2005, NML has conducted different phases of ground and airborne geophysical surveying, drilling and metallurgical test work, including resource estimates in 2006, 2007 and 2008. These were historical estimates and were superseded by the previously mentioned KéMag Project Feasibility Study and NI 43-101 compliant estimate published in 2014. Since then, there has been no further exploration and the PFS is therefore based on the same 2014 resource estimate.

1.5 Geological Setting and Mineralization

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

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

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

1.6 Deposit Types

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

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

1.7 Exploration

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

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

1.8 Drilling

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

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

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

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

1.9 Sample Preparation, Analysis and Security

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

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

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

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

1.10 Data Verification

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

In September 2012, the KéMag Property was visited by Yves Buro, Eng., and Schadrac Ibrango, P. Geo., Ph.D., both senior geologists at Met-Chem. Met-Chem independently selected 26 samples from the Deposit.

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

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

1.11 Mineral Processing and Metallurgical Testing

The main ore characteristics and beneficiation properties of NML's taconite deposits can be derived from the deposit core testing results. The Davis Tube ("DT") test provides an evaluation of the magnetite content in the ore, and the DT concentrate assays provide the liberation characteristics that can be expected from the industrial plant performance through correlations with pilot plant tests and industrial operation experience. Blending will ensure a proper quality of feed to the concentration plant.

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

From multiple test programs performed over the years, NML developed a significant database of information related to ore behaviour and equipment performance data to develop process models and energy requirements to reach various grind fineness under different concentrator arrangements. These results were used to calculate the process plant mass balance and size equipment for the selected flowsheet. The main features of the process plant are the use of secondary crushing with High Pressure Grinding Rolls ("HPGR") in an innovative arrangement which substantially reduces the power requirement and grinding cost. To complete the magnetic concentration process, the plant uses flotation to reach the targeted silica grades for pelletizing. The final concentrate was tested for freezing properties to enable the design of a dewatering and drying system that will mitigate material handling issues during cold weather periods.

Test work also included multiple suppliers' tests to design equipment such as thickeners, filters, HPGRs, grinding mills, and so forth.

A specific focus of the NuTac Project design is the safe management of tailings through the use of tailings dry stacking. NML retained Paterson & Cooke to carry out test work and produce a PFS level design of a filtration plant for tailings, including the associated stacking systems.

Finally, there has been a comprehensive series of pelletizing tests at leading specialist laboratories and vendors to confirm pellet quality and the capacity of a new pellet plant. The latest program was done by Outotec, a well-known pellet plant supplier which optimized the induration cycle while evaluating the plant's capacity and product quality criteria needed to meet international standards for pellet marketing.

1.12 Mineral Resources Estimate

Although there has been no drilling at KéMag since the last Resource Estimate by Geostat in 2008, Met-Chem was able to refine the resource estimate by introducing changes to the drillhole database and geological interpretation. In addition, Met-Chem calculated a new regression function to take into account the secondary porosity in the density model, and another regression function to model density with varying iron content in the mineralization. The estimate was done in accordance with NI 43-101 Rule (2011) and guidelines on resource classification adopted by the Council of the Canadian Institute of Mining, Metallurgy and Petroleum ("CIM") (November 2010).

Eighty-nine (89) holes drilled by NML between 2006 and 2008 were used to interpolate 3D blocks constrained within surfaces (top and bottom) related to each geological seam. The same variogram parameters that had been defined for the more densely drilled LabMag Deposit were used for grade interpolation. A block model was created using MineSight® software package and Mineral Resources were interpolated on a seam by seam basis. The resource interpolation was performed using the Inverse Distance Weighted to the power of 2 ("IDW2"), and ordinary kriging ("OK") was used to validate the results of IDW2. The block size used by Geostat in the previous estimates was adjusted to take into account the drilling density at the KéMag Deposit. The Mineral Resources summarized are reported to a cut-off grade of 18 % DTWR and are not constrained to a pit.

Table 5.1 – Summary of the Mineral Resources – (Cut-Off of 18 % DTWR)

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

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

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

1.13 Mineral Reserves Estimate

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

A pit optimization analysis was carried out on the Mineral Resources block model to determine the appropriate cut-off grades and to what extent the Deposit can be mined profitably. The pit optimization for the KéMag Deposit was done using the MS Economic Planner module of MineSight® Version 10.50.

The optimizer uses the 3D Lerchs-Grossman algorithm to determine the economic pit limits based on input of mining and processing costs and revenue per block. In order to comply with NI 43-101 guidelines regarding the Standards of Disclosure for Mineral Projects, only blocks classified in the Measured and Indicated categories are allowed to drive the pit optimizer. Inferred Resource blocks are treated as waste, bearing no economic value.

The pit optimization analysis used a DTWR cut-off of 18% to be consistent with the Mineral Resources estimate. However, indications show that a lower cut-off grade could be beneficial to the operation and should be further studied during the next Project phase.

After the completion of a detailed pit design and the addition of mining losses and waste dilution, the Mineral Reserves for the KéMag Deposit have been estimated to include 328 Mt of Proven Mineral Reserves and 487 Mt of Probable Mineral Reserves for a total of 815 Mt. In order to access these reserves, 88 Mt of overburden, 0.2 Mt of Menihek Shale and 55 Mt of Inferred Mineral Resources must be mined. This total waste quantity of 144 Mt results in a stripping ratio of 0.18 to 1. The Mineral Reserves are included in the Mineral Resources and the reference point is the mill feed.

Table 5.2 – Mineral Reserves for KéMag Deposit

Category	Tonnage (Mt)	DTWR (%)	TotFe (%)	DT Concentrate	
				Fe (%)	SiO ₂ (%)
Proven	328	27.9	30.4	68.8	3.3
Probable	487	27.0	32.0	70.3	2.0
Proven & Probable	815	27.3	31.4	69.7	2.5

The totals may not add up due to rounding errors.

A portion of KéMag's resources lie underneath Lac Harris. In order to mine these, a system of dams and ditches will be constructed. As the mine progresses into Lac Harris in the area that is actually below the water surface, water will be pumped in the mainstream and all water from this zone will flow towards the Goodwood River.

1.14 Mining Methods

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

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

The 25-year mine plan is based on an annual production of 8.7 Mt of concentrate to yield 4 Mt of BF and 5 Mt of DR grade pellets. The mine plan has a planned ramp-up of 60% in Year-1 (5.1 Mt of concentrate) and 85% in Year-2 (7.5 Mt of concentrate) before reaching full capacity in Year-3. The mine plan incorporates blending of the different rock types in order to minimize the variations in properties of the material that is sent to the plant and to supply a run-of-mine feed suitable for the desired pellet produced. The mine operation will be batched to provide a low silica feed when DR pellets are produced and the constraints will be removed for the production of BF pellets which have a higher silica tolerance.

During peak production, the total number of 180-tonne haul trucks is expected to reach ten (10), along with three (3) wheel loaders, three (3) production drills and a fleet of support and service equipment. The total mine workforce during peak production is expected to reach 191 employees.

1.15 Recovery Methods

1.15.1 Concentration

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

The process plant is designed to treat approximately 35 Mtpy of taconite ore (dry basis), at a DTWR of 27% and Fe grade of approximately 32%. Any hematite present will not be recovered as it is uneconomical to

do so. Operating 360 days per year, 24 hours per day with an availability of 92%, (at a nominal rate of 4,334 t/h), the process plant will recover a nominal 8.7 Mtpy of concentrate (1,082 t/h, dry basis after flotation). The concentrate product quality will be such that DR grade and BF grade pellet feed can be produced as needed. The plant design is based on a 25-year plant life.

The basic process flow sheet consists of primary and secondary crushing and screening circuits feeding the concentrator. The first and main grinding stage uses two (2) passes of HPGRs in closed circuit with screens and cobber magnetic separation. During this separation stage, a large amount of tailings is rejected. After cobbing, the liberation of the iron-bearing mineral (magnetite) is completed in two (2) stages of Vertimill grinding. Two (2) additional stages of low intensity magnetic separators are also used. If needed, the magnetic separation concentrate is sent to the flotation circuit. The final concentrate is thickened and stored in slurry storage tanks prior to pressure filtration.

The combination of HPGRs with secondary crushing has been selected to replace the conventional SAG mill circuit for the primary grinding circuit. The main advantages of HPGR over other mills are their low energy consumption and the fact that they require no grinding media. NML has done extensive pilot scale testing of HPGR for the grinding of its taconite ore, which is a very hard and abrasive material and test work by all three major HPGR suppliers has been successful.

Depending on the product silica level required at the pellet plant, part or all of the concentrate will be floated. Final concentrate will be filtered for transportation via rail. During winter, drying will be required to achieve the moisture level of less than 4% that prevents freezing during the transportation to the port.

To produce low silica BF fluxed or DR grade pellets, the concentrate must contain 2.2% and 1.5% silica respectively so two flotation lines, each with roughers, regrind down to a P_{80} of 14 μm and cleaner magnetic separators have been added to reduce silica. The flotation circuit uses tank-type flotation cells. Regrinding will be performed in ultra-fine grinding mills.

All tailings will be dewatered by pressure filters and conveyed for dry stacking disposal to a dedicated storage pile.

1.15.2 Pelletizing

Outotec's mandate, during the KéMag Feasibility Study, was to engineer the additives preparation, balling and pelletizing for a pellet line with a capacity of 9.0 Mtpy complete with capital and operating cost estimates and design criteria. The plant will be located in Pointe-Noire adjacent to the stockyard and near the shipping facility.

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

After completion of the 2013 tests, Outotec issued a confirmation letter guaranteeing a nominal annual capacity of 8.5 Mtpy for the 816 m² pellet machine operating 330 days per year. It was also stated that the equipment is expected to ramp up to 9.0 Mtpy after a period of stable and routine operation. The pelletizing line can produce low silica fluxed BF pellets or DR grade pellets.

For the purposes of this PFS, the production is divided as follows:

Four (4) Mtpy of low silica BF pellets with 2.5% SiO₂; and

Five (5) Mtpy of DR grade pellets with 1.8% SiO₂

The concentrate arrives by train from the mine site and is unloaded using the existing rotary car dumper at Pointe-Noire. The concentrate is conveyed to ore storage sheds. From there, the concentrate is directed to the pellet plant feed bins.

The pellet plant includes wet grinding of dolomite and limestone and dry grinding of bentonite as well as feeding systems for organic binders, if required, for low silica DR grade pellets.

A proper mix of concentrate and additives is made into green balls which are screened to meet a narrow size distribution specification, and then hardened in a 204 m long by 4 m wide induration furnace. The discharged pellets are screened and transported to the storage yard via dedicated conveying and stacking systems, where they are stored according to BF or DR grade.

Pellets are reclaimed for ship loading via a bucket wheel and then conveyed to the Sept-Îles Port Authority's multi-user dock capable of loading the full range of vessel sizes needed to reach global markets.

Project Infrastructure

High Voltage Electrical Distribution Network

Two (2) incoming lines at different voltage will feed each of the Project installation locations, one at the mine site and another at Pointe-Noire.

The KéMag mine site will be powered by a new 315 kV aerial power line. The expected power requirement is 130 MW at the mine and concentrator site.

The pellet plant requires approximately 35 MW of power in operation and will be fed from an existing pellet plant electric substation fed by Hydro-Québec.

1.16.2 Emergency Power Plant

The mine and process plant emergency loads will be supplied from a set of three (3) diesel generators. The facilities in Pointe-Noire will be equipped with a similar arrangement of diesel generators properly sized to cover all the emergency load requirements.

Explosives Preparation and Storage

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

Roads

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

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

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

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

Process Water Pumping Station

A process water pumping station is installed inside the process plant with two horizontal pumps. Each pump delivers the water necessary for one ore processing line.

The make-up water for the process plant comes from the site water collection and treatment system. When there is insufficient water from this system, fresh water from the Goodwood River will be used.

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

Temporary Construction Camps

Lodging requirements are estimated based on the total construction hours for the Project and the planned schedule. The construction camp at the mine site is presently sized to 1,000 rooms which includes 350 beds from the site's permanent accommodation complex. The camp design includes all required ancillary facilities such as catering, recreational rooms and other amenities.

Permanent Accommodation Complex

The permanent accommodation complex will be designed to meet the sleeping, hygiene, dining and recreational requirements for 350 workers and future employees. Each room will be equipped with shower/water closets and all furniture and related equipment. The central kitchen is used to prepare all meals that are served in the central dining area for the operations personnel.

Railway

The concentrate will be transported by rail from the mine site to the pellet plant at Pointe-Noire. A new 80 km section of rail will be required from the existing Tshiuetin Rail Transportation Inc. (TSH) line to the mine site. A new rail loop will be required at the mine site for loading of the concentrate into 100 t railcars, and new sidings required to receive materials and supplies.

The new railway will connect to the TSH line down to Emeril, at which point the QNS&L line will be utilized to transport the concentrate to Arnaud Junction at Sept-Îles, and then the material will move to Pointe-Noire on the CFA.

The train size will consist of 240 cars transporting approximately 24,000 tonnes of concentrate. Five (5) sets of railcars are required to transport the required tonnages on a consistent schedule.

At Pointe-Noire, railcars will be unloaded by a multi-user car dumper and concentrate conveyed to the pellet plant storage shed. Unloading services will be provided by a common service provider.

Product Storage and Ship Loading

Products from the pellet plant are transported to the storage yard owned by the Government of Québec. The pellets will be reclaimed by a bucket wheel and transported to ship loaders via conveyors to the transfer tower and ship loading system. Pellet storage and reclaim will be a contracted service provided by the operator of the common train unloading, product storage and reclaim facility. The operator is appointed by the Sept-Îles Port Authority

Maintenance Facilities

The mine trucks, heavy equipment and light vehicles will be serviced by common facilities that include mine truck washing and tire changing stations.

The port facilities' existing maintenance workshop and main warehouse are sized to support the pellet plant and other port operations equipment on a leased basis.

The railcars and locomotives will be maintained using the existing CFA maintenance shop through a rental or a contractual services agreement.

Fuel Storage

Three (3) diesel storage tanks provide sufficient capacity for mine and process plant operations. Two (2) vehicle refuel stations are provided. One is dedicated to mine trucks and one to light vehicles. Two diesel tanks will be dedicated to provide sufficient capacity for the drying of the concentrate during the winter months.

Bunker C oil storage at the port will be done with the existing Wabush Mines Bunker C storage tanks. A Bunker C delivery will be sufficient to supply the pellet plant for 8 months of operation which is the expected size of ships plus some reserve.

Emergency power plant diesel fuel day tanks provide fuel for diesel generator sets at both sites.

Marketing

NuTac is a pellet supply opportunity underpinned by changes in iron making production and practices that continue to structurally increase the consumption of pellets globally even through periods of market volatility.

The NuTac project would be a competitive new producer of pellets in terms of cost and product quality, with the ability to supply high quality grades for both the blast furnace (BF) and direct reduced iron (DRI) production routes for steelmaking, and to a diversified portfolio of customers across Europe, the Americas, the Middle East/North Africa ("MENA") and Asia.

There are growing changes in the way steel is made with focus on cleaner and optimized primary ironmaking operations. As a result, the following technical and environmental developments are structurally increasing the use of pellets globally:

Productivity improvement in BF operations with pellets as a higher quality alternative to lump or sinter, or as a low-silica input that reduces slag volumes and, in turn, coke consumption;

Addressing environmental concerns as BF operations and sinter plants come under pressure for emissions, a noteworthy development in China, where domestic pellet plants could also be affected;

New demand from DRI-based EAF steelmaking, especially in the Americas and MENA, where cheap natural gas makes DRI production attractive.

It is acknowledged that the steel and iron ore industries have undergone a period of adjustment as the rate of economic growth in China slows and measures are taken globally to reduce excess steelmaking capacity. Increased production from expansions and new projects in Australia and Brazil has amply supplied the fines segment of the iron ore market. However, as demonstrated through the steadiness of the pellet price premium structure, the pellet supply side capacity is more limited.

KéMag – Properties of BF Grade Fluxed Pellet

SGA Studiengesellschaft für Eisenerzaufbereitung GmbH & Co. KG

Pellet test No.:		A 7228 - No. 19
Physical properties		
<u>Crushing strength, ISO 4700</u>		
Mean	[daN/p]	275
Portion <150 daN/p	[% <150daN/p]	9,5
<u>ISO-tumbler test, ISO 3271</u>		
Strength >6.3 mm	[%]	95,5
Abrasion <0,5 mm	[%]	4,0
Chemical analysis		
Fe _{tot}	[%]	66,42
SiO ₂	[%]	2,44
Al ₂ O ₃	[%]	0,13
CaO	[%]	2,04
MgO	[%]	0,15
P	[%]	0,005
S	[%]	<0,01
Na ₂ O	[%]	0,010
K ₂ O	[%]	0,010
Mn	[%]	0,135
TiO ₂	[%]	0,017
V	[%]	0,004
L.O.I	[%]	0,04
Basicity CaO/SiO ₂	[]	0,84
Metallurgical properties		
<u>Reduction under load RUL, ISO 7992</u>		
Reducibility R ₄₀	[%/min]	1,35
dp ₈₀	[mmWG]	2
<u>Reducibility, ISO 4695</u>		
Reducibility R ₄₀	[%/min]	1,12
<u>Swelling index, ISO 4698</u>		
Volume increase by buoyancy method	[%]	16,3
<u>Static Disintegration, ISO 4696-1</u>		
Strength >6.3mm	[%]	93,8
Index <3.15mm	[%]	5,0
Abrasion <0.5mm	[%]	4,3
<u>Dynamic Low Temp. Disint. LTD, ISO 13930</u>		
Strength >6.3mm	[%]	84,9
Index <3.15mm	[%]	8,0
Abrasion <0.5mm	[%]	6,4
Physical, chemical and metallurgical properties of KéMag BF grade fluxed pellet (Pot grate Test No. 19, August 2012)		

A7228_NML_KéMag-Pelletizing-2012_results.xlsm (KéMag-BF)

KéMag – Properties of DR Grade Pellet

SGA Studiengesellschaft für Eisenerzaufbereitung GmbH & Co. KG

Pellet test No.:		A 7228 - No. 5	
Physical properties			
Screen analysis			
+16 mm	{%} {cum.%}	0,1 / 0,1	
+12,5 mm	{%} {cum.%}	43,0 / 43,1	
+10 mm	{%} {cum.%}	55,4 / 98,5	
+ 8 mm	{%} {cum.%}	1,2 / 99,7	
Crushing strength, ISO 4700			
Mean	{daN/p}	310	
Portion <150 daN/P	{% <150daN/p}	7,2	
ISO-tumbler test, ISO 3271			
Strength >6.3 mm	{%}	96,3	
Abrasion <0,5 mm	{%}	2,8	
Chemical analysis			
Fe _{tot}	{%}	67,92	
SiO ₂	{%}	1,78	
Al ₂ O ₃	{%}	0,12	
CaO	{%}	0,68	
MgO	{%}	0,12	
P	{%}	0,004	
S	{%}	<0,005	
Na ₂ O	{%}	0,019	
K ₂ O	{%}	0,008	
Mn	{%}	0,124	
TiO ₂	{%}	0,016	
V	{%}	0,004	
L.O.I	{%}	0,03	
Basicity CaO/SiO ₂	{ }	0,38	
Metallurgical properties			
Sticking test, ISO 11256 (on coated pellets)			
Clustering index CI	{%}	4,0	
Disintegration and Metallisation, ISO 11257			
"MIDREX-LINDER-Test"			
Red.-disint. index (RDI _{DR}) <3.15 mm	{%}	3,0	
Metallisation	{%}	95,5	
Fe _{met} / Fe _{tot}	{%}	89,51	93,73
Reducibility, ISO 11258			
Reducibility R ₃₀ / R ₉₀	{%/min}	1,23	0,23
Metallisation	{%}	88,1	
Fe _{met} / Fe _{tot}	{%}	81,25	92,27
Physical, chemical and metallurgical properties of KéMag DR grade pellet (Pot grate Test No. 5, August 2012)			

A7228_NML_KéMag-Pelletizing-2012_results.xlsx (KéMag-DR)

1.18 Environmental Studies, Permitting and Social or Community Impact

1.18.1 Applicable Environmental Assessment Regimes and Permitting

The Project is expected to trigger the environmental assessment (“EA”) regimes of general application established by the Canadian Environmental Assessment Act 2012, the *Loi sur la qualité de l’environnement* of the Government of Québec, and the Environmental Protection Act of the Government of Newfoundland and Labrador, in addition to the regime of Section 23 of the James Bay and Northern Québec Agreement.

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

1.18.2 Baseline Data Collection and Environmental Impact Statement Status

NuTac is a variant of the Taconite Project (“TP”), for which much of the baseline data have been collected and analyzed and part of the EIS has been drafted.

Given that the study areas of NuTac overlap to a large degree with those of the TP, much of the baseline data collection/analysis and EIS drafting done to date can be used to a significant degree in the NuTac EA.

1.18.3 Timetable

The tentative timetable for the filing of the EIS starting from the filing of the Project Description is 15-18 months.

The tentative timetable for the EA releases starting from the tabling of the EIS is 24 months.

1.18.4 Communities

Six Aboriginal groups are potentially affected by NuTac: Naskapi Nation of Kawawachikamach, Nation Innu Matimekush-Lac John, Innu Takuaikan Uashat mak Mani-Utenam, Inuit of Kuujuaq, Innu Nation and NunatuKavut Community Council.

Two non-Native communities, Ville de Schefferville and Ville de Sept-Îles, would be directly affected, while other non-Native communities would be indirectly affected, mainly in terms of positive economic impacts.

1.18.5 Potential Impacts, Mitigation and Monitoring

It is anticipated that all the potential negative impacts can be mitigated to a satisfactory degree. Monitoring programs would ensure that the mitigation measures are effective.

1.19 Capital and Operating Costs

1.19.1 Capital Costs Estimate (Capex)

The Capex estimate for the NuTac Project is based on data derived from the capital costs finalized in February 2013 for the KéMag Feasibility Study, and prepared for the Taconite Project NI 43-101 Technical Report submitted in May 2014. That Capex estimate was based on a higher concentrate and pellet production.

The current Capex has been further adjusted based on the design improvements adopted since May 2014 and on the new production quantities of concentrate and pellets. Additional pricing was obtained from suppliers to verify current pricing and numbers adjusted to a February 2016 basis.

The Project includes the mine, process plant, rail loadout facilities and a new railroad spur starting at the KéMag mine/concentrator site and continuing on the existing railway network to a pellet plant at a multi-user port in Pointe-Noire, Québec.

The Capex shown in Table 5.3 has been developed on the basis of a number of engineering, procurement and construction management (EPCM) contractors that will provide the design, procurement and construction activities for the Project. All EPCM contractors will be managed by the Owner's Team.

Table 5.3 – Capital Cost Estimate Summary

Cat	Area	Direct	Indirects Contingency /	Total Cost
1000	Mine Area	149,793	Incl	\$149,793
2000	ROM Crushing, Storage and Reclaim	162,607	65,043	\$227,650
3000	Concentration (Grinding, Separation & Upgrade)	372,596	149,038	\$521,634
4000	Tailings Disposal and Water Management	152,919	61,168	\$214,087
5000	Train Load out, Concentrate Drying and Rail	284,286	113,714	\$398,000
	Rail Cars	108,000	Incl	\$108,000
6200	Pellet Plant (Outotech Package)	618,550	204,121	\$822,671
8100	Infrastructure and Utilities – Mine Site	188,304	75,322	\$263,626
	Powerline to Mine Site	303,000	Incl	\$303,000
8200	Infrastructure and Utilities – Pellet Plant and Port	84,569	27,908	\$112,477
	Owner's cost	0	98,628	\$98,628
	Total Costs	2,424,624	794,941	3,219,566

Basis of Estimate

The estimated Capex is based on the following key assumptions:

Use of existing facilities where applicable, such as railways, port infrastructure, car dumping and storage yards;

A project strategy using the latest successful project execution methods;

Modularization to the extent possible;

The estimate is expressed in February 2016 Canadian Dollars (CAD);

The Capex consists of items quoted in various foreign currencies that have been converted into CAD using exchange rates as of February 2016. The vast majority of pricing for equipment and bulk materials are based on CAD. Table 5.4 shows the currency exchange rates and the percentage content for different currencies and the percent content of costs for each of the listed currencies;

Table 5.4 – Currency Exchange Rates and Percent Content

Currency Code	Currency Name	Canada	Percent Content
CAD	Canadian Dollar	1.00	84%
USD	US Dollar	1.35	10%
EUR	Euro	1.50	6%

The proposed construction work week is on the basis of 60-hours with rotations of 21 days in followed by seven (7) days out.

Operating Costs (Opex)

The Opex was developed for each component of the Project and the costs at Year 4 of operation are summarized in Table 5.5 below.

The Opex presented is based on the estimated utilization of consumables, reagents and power. Maintenance supplies cost factors were used for buildings and regular equipment maintenance parts. Vendor data were used where possible. The accuracy level is in the range of $\pm 15\%$. The Opex has been updated to comply with the latest flow sheet and equipment selection.

The currency exchange rates applied are the same rates used for the Capex presented in this section.

The base date of the operating cost estimate is February 2016. The Capex used for factoring operating supplies, maintenance of buildings and of fixed equipment was updated in February 2016. The Bunker C fuel oil is based on a price of \$60 US per barrel and the diesel cost is \$1/l delivered at mine site.

Table 5.5 – Summary of Estimated Opex by Area

Areas	Description	Costs for LOM (\$'000)	Unit Costs (\$)	Units
1000	Mine	1,862,292	8.46	per tonne of pellets
2000/3000/4000	Crushing, concentration and tailings management	2,481,111	11.27	per tonne of pellets
5000	Concentrate Drying and Loadout	696,258	3.16	Per tonne of pellets
5000	Concentrate transportation	3,722,787	16.92	per tonne of pellets
6100/6200	Pelletizing plant	2,735,884	12.43	per tonne of pellets
6300/6600	Port operation	747,503	3.40	per tonne of pellets
8000	G&A and infrastructure	1,061,493	4.82	per tonne of pellets
Unit Cost for Pellets			60.46	per tonne of pellets
Note: IBAs cost not included in unit costs				

Table 5.6 presents the Project operating labour force at Year 4 of operations.

Table 5.6 – Labour Force Year-4

Area	Total
Mine	187
Concentrator	148
Concentrate Drying and Loadout	20
Pellet Plant (Port)	169
General Administration and Infrastructure	110
Total	634

The organizational structure for the operations phase is designed to support the successful operation of an iron ore mine and beneficiation plant in a remote location, a rail transportation system and a pelletizing facility with associated material handling systems, while producing high quality and cost-competitive iron ore pellets.

1.20 Economic Analysis

The economic/financial assessment of the Project is based on first quarter 2016 price projections and cost estimates in Canadian currency. An exchange rate of USD/CAD 0.80 is assumed for long-term sales of pellets.

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

The assessment of the Project assumes that all infrastructure elements are capitalized except for third party owned systems in Pointe-Noire. The financial indicators under base case conditions are presented in Table 5.7.

Table 5.7 – Base Case Financial Results (100 % Equity)

Financial Indicators	Results	Units
Before-tax Net Present Value (“NPV”) @ 8 %	1,319.5	\$M
After-tax NPV @8 %	482.6	\$M
Before-tax Internal Rate of Return (“IRR”)	12.2	%
After-tax IRR	9.8	%
Before-tax Payback Period	7.1	Years
After-tax Payback Period	7.6	Years

A sensitivity analysis reveals that the Project’s viability is not significantly vulnerable to variations in capital and operating costs, within the margins of error associated with PFS estimates. However, the Project’s viability remains vulnerable to the larger uncertainty in future sale prices and the USD/CAD exchange rate.

1.20.1 Financial Model and Results

Table 5.8 presents the financial analysis results on a before-tax basis.

Table 5.9 presents the financial analysis results on an after-tax basis

Table 5.8 – Before-tax Financial Indicators

Before-tax Financial Indicators	Results (\$M)
Total LOM Revenue	27,456.4
Total LOM Operating Costs*	13,733.0
Initial Capital Cost	3,219.6
Total LOM Sustaining Capital	537.3
Closure Costs	100.0
Total Cash Flow	9,866.5
NPV @ 8 %	1,319.5
NPV @ 10 %	565.8
NPV @ 12 %	34.7
IRR	12.2%
Payback Period	7.1 Years

* Includes Agreement Payments

Table 5.9 – After-tax Financial Indicators

After-tax Financial Indicators	Results (\$M)
Total LOM Corporate Taxes	2,358.6
Total LOM Mining Taxes	1,147.1
Total Cash Flow	6,360.9
Net Present Value @ 8 %	482.6
Net Present Value @ 10 %	-44.5
Net Present Value @ 12 %	-417.1
Internal Rate of Return	9.8%
Payback Period	7.6 Years

1.20.2 Sensitivity Analysis

A sensitivity analysis was carried out on the base case scenario described above to assess the impact of changes in market prices (across-the-board variations in pellet prices), total pre-production capital cost and operating costs on the Project's NPV @ 8% discount rate and IRR. Each variable was examined one-at-a-time. An interval of $\pm 30\%$ with increments of 10% was used for all three (3) variables. It is to be noted that the margin of error for cost estimates at the pre-feasibility study level is typically $\pm 25\%$. However, the uncertainty in price forecasts usually remains significantly higher, and is a function of price volatility.

The before-tax results of the sensitivity analysis are shown in Figures 5.1 and 5.2. The Project's before-tax viability is not significantly vulnerable to the under-estimation of capital and operating costs, taken one at a time. The NPV is more sensitive to variations in operating expenses than it is to capital expenditure, as shown by the steeper curve. As expected however, the NPV is most sensitive to variations in product prices. Across-the-board reductions of about 16.3% in prices result in break-even conditions, i.e., a net present value of zero.

Figure 5.1 – Sensitivity of the Before-Tax Net Present Value

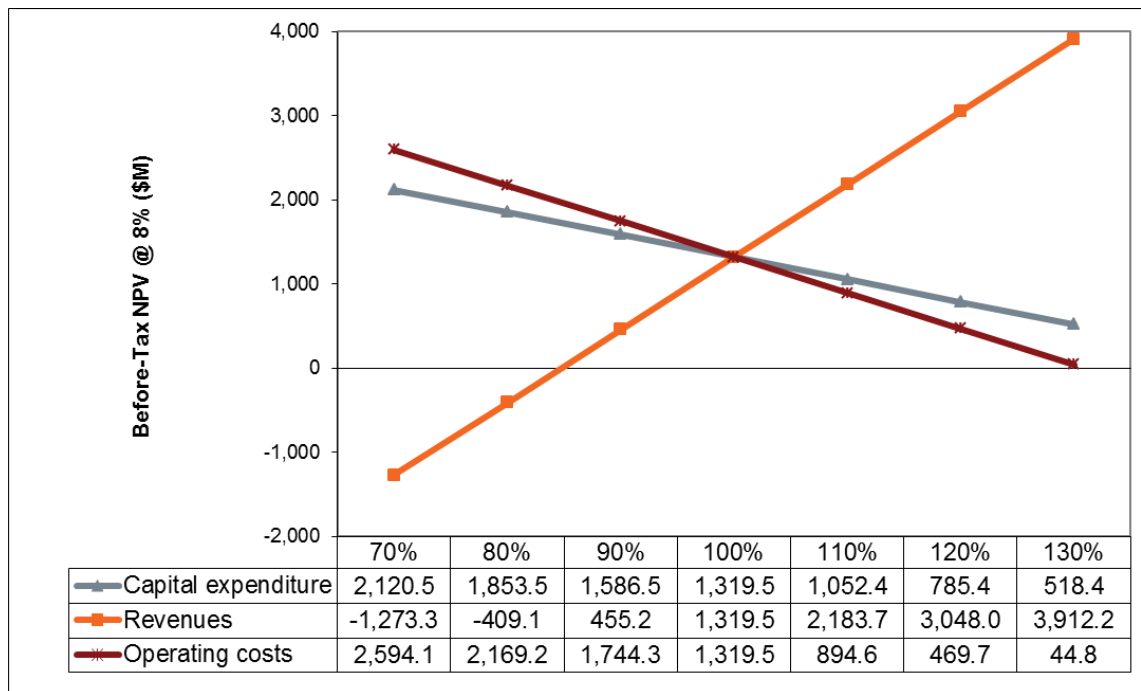


Figure 5.2 showing variations in IRR provides similar conclusions. In contrast with Figure 5.3, which shows linear variations in NPV for the three (3) variables studied, variations associated with IRR are not linear. Due to the different timing of pre-production capital expenditure versus operating expenses over the mine life, the IRR is more sensitive to negative variations in capital expenditure. The IRR is reduced to 8%, i.e., break-even conditions (shown by the horizontal dashed line), for the same across-the-board reductions in prices as noted above in the case of the NPV.

The after-tax results of the sensitivity analysis are shown in Figure 5.4. The same conclusions about the sensitivity of the Project's viability to variations in capital expenditure, operating expenses and prices can be drawn here. On an after-tax basis however, break-even conditions are reached at across-the-board reductions in prices of 8.5%. As well, it can be seen that the Projects breaks-even for variations in operating expenses of about +30%.

Figure 5.2 – Sensitivity of the Before-Tax Internal Rate of Return

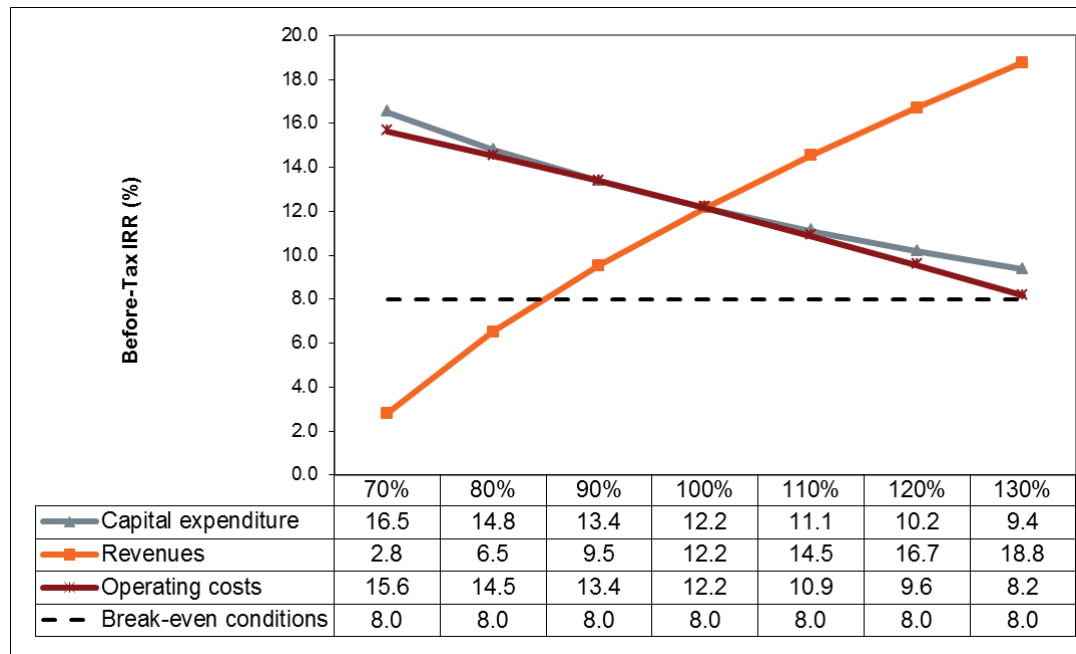


Figure 5.3 – Sensitivity of the After-tax Net Present Value

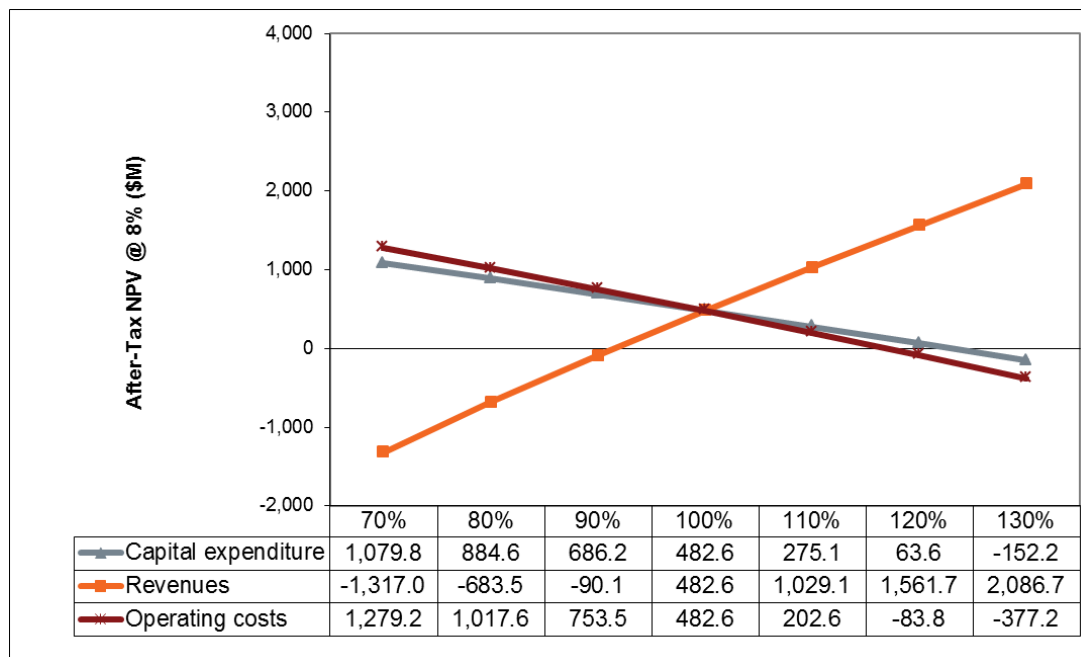
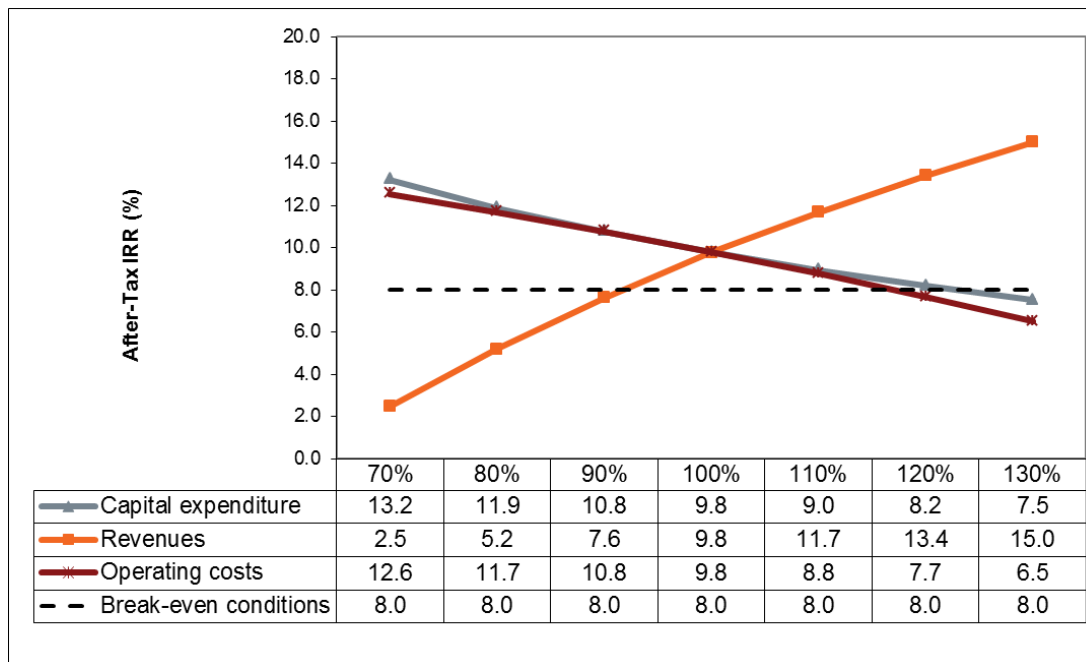


Figure 5.4 – Sensitivity of the After-tax Internal Rate of Return



Adjacent Properties

The Property is surrounded on all sides by claims held by NML, except for a block of adjacent claims at the southeastern boundary registered under Tata Steel Minerals Canada (in which NML has a 4.32% ownership interest). The southeastern limit of the KéMag Property follows the Québec-Labrador boundary and abuts against the licenses held by NML, Tata Steel Minerals Canada and LabMag Limited Partnership, the latter hosting the LabMag iron deposit.

1.22 Other Relevant Data and Information

1.22.1 Schedule

A Project master schedule for the Feasibility Study was developed to present the major Project milestones. The Project master schedule contains engineering, procurement, construction and pre-operational testing and commissioning activities at a level of detail commensurate with the progress of scope definition.

The major milestones for Project activities through its cycle are shown in Table 5.10.

Table 5.10 – Major Milestones

Description	Duration	Month from Project Description
Stage 1 Financing Secured		-2
Start of FS and Tabling of Project Description		0
Final FS Study and NI 43-101	18	18
Tabling of EIS	18	18
Project Approval	1	19
Stage 2 Financing Secured	3	21
Start Basic Engineering	10	24
EIS Acceptance		34
Geotechnical Survey Completed	8	37
Procurement Start	8	37
EA Releases		42
Stage 3 Approval and Full Project Funding	4	43
Start Detailed Engineering	18	43
Start Construction	32	46
End of Construction		78
Plant Commercial Operation Start	7	85

1.22.2 Project Execution Plan

The project execution plan has been developed based on a number of EPCM contractors under the direction of a strong Owner's Team. The plan anticipates that the basic engineering activities will be carried out during the EA process and detail engineering activities can commence promptly following EA Release.

1.23 Interpretation and Conclusions

The Project is technically feasible and economically viable given the assumed product pricing environment. Ore can be mined, treated and delivered into export vessels by incorporating proven processes, technologies and infrastructure either in place or near completion.

Based on 25-year cash-flow, the IRR before taxes is 12.2% and 9.8% after taxes assuming 100% equity and standard mining income taxes.

1.23.1 Project Highlights

The geology and mineral reserve are well known and can supply a consistent quality run of mine ore to the concentrator for 25 years of production and possibly much longer.

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

Dry stacking of tailings can be engineered to meet and exceed environmental requirements while remaining economically viable.

Concentrate transportation to the port will be by existing rail and a new rail spur extension of 80 km.

Pelletizing testing has confirmed high plant throughput and the laboratory pellets produced met or exceeded all quality requirement for marketing.

The new multi-user dock with a capacity of 50 Mtpy and capability of handling 350,000 DWT vessels will be available for ship loading. The product handling facilities will connect to this deep-water port terminal for which NML advanced funds in order to secure shiploading capacity at favourable rates.

The Project is expected to trigger several regimes of EA. An EIS is proposed to be prepared during the feasibility study phase and tabled soon thereafter.

The construction strategy of using pre-engineered structures, skid mounted equipment and modularization to the maximum extent allowed by the transportation routes to the mine site is expected to lower the risk of cost and schedule overruns.

1.23.2 Risk Evaluation

A risk review was conducted to identify risks, mitigations and action plans in the PFS phase to pursue in the next study phase. The outcome of this review is compiled in a risk register and an action plan formulated for the Project.

1.23.3 Principal Risks

Mining below Lac Harris although the area impacted is limited in the 25-year mine plan while the lake is shallow and its flow can be maintained;

Concentrate freezing during transportation to the port although the tests indicate this can be managed by partial drying below 4% moisture in winter

Government environmental approvals and permitting,

Developing partnerships for offtake agreement and project financing

1.23.4 Conclusion and Next Phase

The next project development phase would be to undertake a feasibility study for the Nutac project as well as to initiate the EIS. Early identification of construction techniques to maximize pre-assembly of concrete, steel, equipment, and any other means of reducing the installation time on site, is paramount for a successful project.

Early in the Project's lifecycle, an experienced construction engineering team should review the design layouts, specifications, objectives and site conditions to work with the design engineers to establish possible

guidelines to standardize buildings, foundations and any other criteria to minimize labour costs and impact on schedules.

During the feasibility study, the construction team should also work very closely with the logistics group to determine the ideal transportation and construction philosophy for the engineering team.

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

Establish the Project execution strategy based on recent successful projects;

Incorporate an analysis of operations and maintenance into the facility design;

Review site conditions and access;

Audit of condition of existing facilities and scope and estimate of improvements;

Design development considering construction details and strategy;

Design quality control;

Standardize, modularize, coordinate and involve suppliers, consultants and subcontractors;

Complete the 3D model of the plant and facilities; and

Refine the scheduling strategy.

1.24 Recommendations

Subject to the Project economic results and a balanced market outlook, it is recommended to proceed with a feasibility study and preparation of the EIS. It is also recommended to execute test work and field surveys that are required to support basic engineering. Topographical surveys would be best executed prior to the basic and detailed engineering activities. Table 5.11 presents an estimate of the costs for the next Project phase excluding the costs of owner's team.

At this stage, there are areas of lesser definition that need to be developed on, before, or during the feasibility study stage. The main areas are:

Mine dewatering (hydrogeology);

Detailed logistics survey and transportation of materials and modules to the mine site and specifically over the Menihek Dam.

Field work and test work must be done, as required, in each area of lesser definition. This will be followed by trade-offs and complementary studies required for basic engineering for each of the facilities. During that period of time, the Owner(s) must establish a Project team and carry out the EA process.

Table 5.11 – Cost Estimate of Next Phase

	\$ Millions
NuTac Feasibility Study	5.60
Powerline FS (Hydro-Québec)*	6.00
EIS preparation	7.80
EA releases	2.41
Others**	3.55
Total	25.36

* Includes powerline EIS/EA done by Hydro-Québec

** Test work, geotechnical investigations, contingency

2.0 COMPARISON WITH PREVIOUS KÉMAG STUDY

This project is appropriately called NuTac-KéMag (NuTac) and it has as its foundation key elements and information from the KéMag FS.

While NML has maintained much of the original design of the KéMag Feasibility Study, there are numerous changes that have been made in the new PFS. Table 5.12 outlines the major design differences between the KéMag FS and the NuTac PFS.

Other than the major differences shown in Table 5.12, two additional preliminary studies were conducted.

The first preliminary study was to determine whether to locate the pellet plant at the mine site or at the Port of Sept-Îles, and it was determined that the latter location is clearly preferred.

The second preliminary study was to determine the optimal power supply arrangement. This included a study of a power line feed from Hydro-Québec (either High Voltage Alternating Current or High Voltage Direct Current) or alternatively, the use of a power plant at the mine site. It was determined that the High Voltage Alternating Current power line feed was the most economical option and this option was thus retained for the PFS.

Table 5.12 – Major Design Differences (Taconite vs NuTac)

Item	Description	KéMag FS	NuTac PFS
1	Production Capacity	12 Mtpy BF Pellets 5 Mtpy DR Pellets 6 Mtpy concentrate	4 Mtpy BF Pellets 5 Mtpy DR Pellets
2	Mining	87 Mtpy plant feed with 20 Mtpy low grade material stockpiled + balanced waste mining	35 Mtpy plant feed with no low grade stockpiling and reduced and deferred waste mining
3	Crushing	1 permanent crushing station with 2 crushers	2 semi mobile in-pit crushers
4	Concentration Plant	Traditional HPGR and Ball Mill process	Improved HPGR and Vertimill process
5	Concentrate Filtration	22 Mtpy capillary filtration	8.7 Mtpy pressure filtration
6	Tailings Disposal	Coarse tailings filtered Fine tailings in a traditional pond	Combined tailings filtration and dry stacking
7	Pellet Plant Location	At Pointe-Noire - Independent on greenfield land	At Pointe-Noire - Use of existing GoQ infrastructure - brownfield
8	Transportation	620 km slurry pipeline	Existing railway network + rail spur connection to mine site
9	Power Supply (Mine Site)	Powerline @ 315 MW	Powerline @ 130 MW

3.0 RELIANCE ON OTHER EXPERTS

The authors compiled the PFS using information contained in the previous FS on KéMag, in consultants' reports and other documents supporting this PFS.

A NI 43-101 Technical Report ("Report") stating the highlights of the PFS results for the NuTac Project was filed on SEDAR on July 21, 2016.

The Report was prepared in collaboration with a group of Independent Qualified Persons with expertise in all aspects of the PFS, namely Mr. Yves A. Buro, P.Eng. and Dr. Schadrac Ibrango, P.Geo. of Met-Chem Canada Inc. for the mineral resources statement; Mr. Jeffrey Cassoff, P.Eng. and Mr. Angelo Grandillo, P.Eng. of BBA Inc. for mineral reserves, processing, pelletizing, infrastructure, and capital and operating costs; Dr. Joseph J. Poveromo, President, Raw Materials & Ironmaking Global Consulting, for marketing; Dr. Ann Lamontagne, P.Eng. of Lamont Inc. for environmental matters; and Mr. Michel L. Bilodeau, P.Eng. for financial analysis.

The effective date of the Report is June 9, 2016, and there are no material differences between the PFS results announced earlier and those contained in the Report.

4.0 UPDATE

There has been no further work on the NuTac PFS since filing of the NI 43-101 Technical Report in July 2016.