



# **NEW MILLENNIUM IRON CORP.**

**FIRST QUARTER REPORT 2017**

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

*The following discussion and analysis of the financial results of New Millennium Iron Corp. ("NML", or "the Company") for the interim three month period ended March 31, 2017 should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements and related notes for the period ended March 31, 2017, and the audited consolidated financial statements and MD&A for the years ended December 31, 2016 and 2015.*

*This MD&A, together with the condensed interim financial statements, including comparatives, have been prepared using accounting policies consistent with International Accounting Standard 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB").*

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

### **READER ADVISORY**

*This MD&A contains certain forward looking statements and forward looking information (collectively referred to herein as "forward looking statements") within the meaning of applicable Canadian securities laws. All statements other than statements of present or historical fact are forward looking statements. Forward looking information is often, but not always, identified by the use of words such as "could", "should", "can", "anticipate", "expect", "believe", "will", "may", "projected", "sustain", "continues", "strategy", "potential", "projects", "grow", "take advantage", "estimate", "well positioned" or similar words suggesting future outcomes. In particular, this MD&A may contain forward looking statements relating to future opportunities, business strategies, mineral exploration, development and production plans and competitive advantages.*

*The forward looking statements regarding the Company are based on certain key expectations and assumptions of the Company concerning anticipated financial performance, business prospects, strategies, regulatory developments, exchange rates, tax laws, the sufficiency of budgeted capital expenditures in carrying out planned activities, the availability and cost of labour and services and the ability to obtain financing on acceptable terms, the actual results of exploration and development projects being equivalent to or better than estimated results in technical reports or prior activities, and future costs and expenses being based on historical costs and expenses, adjusted for inflation, all of which are subject to change based on market conditions and potential timing delays. Although management of the Company consider these assumptions to be reasonable based on information currently available to them, they may prove to be incorrect.*

*By their very nature, forward looking statements involve inherent risks and uncertainties (both general and specific) and risks that forward looking statements will not be achieved. Undue reliance should not be placed on forward looking statements, as a number of important factors could cause the actual results to differ materially from the beliefs, plans, objectives, expectations and anticipations, estimates and intentions expressed in the forward looking statements, including among other things: inability of the Company to continue meeting the listing requirements of stock exchanges and other regulatory requirements, general economic and market factors, including business competition, changes in government regulations or in tax laws; general political and social uncertainties; commodity prices; the actual results of exploration, development or operational activities; changes in project parameters as plans continue to be refined; accidents and other risks inherent in the mining industry; lack of insurance; delay or failure to receive board or regulatory approvals; changes in legislation, including environmental legislation, affecting the Company; timing and availability of external financing on acceptable terms; conclusions of, or estimates contained in, feasibility studies, pre-feasibility studies or other economic evaluations; and lack of qualified, skilled labour or loss of key individuals; as well as those factors detailed from time to time in the Company's interim and annual financial statements and management's discussion and analysis of those statements, along with the Company's annual information form, all of which are filed and available for review on SEDAR at [www.sedar.com](http://www.sedar.com). Readers are cautioned that the foregoing list is not exhaustive.*

*The forward looking statements contained herein are expressly qualified in their entirety by this cautionary*

*statement. The forward looking statements included in this MD&A are made as of the date of this MD&A and the Company does not undertake and is not obligated to publicly update such forward looking statements to reflect new information, subsequent events or otherwise unless so required by applicable securities laws.*

*With respect to the disclosure of historical resources in this MD&A that are not currently in compliance with National Instrument 43-101 (“NI 43-101”), a Qualified Person (as such term is defined under NI 43-101) (a “Qualified Person”) has not done sufficient work to classify the historical estimate as current mineral resources or mineral reserves, the Company is not treating the historical estimate as current mineral resources or mineral reserves and the historical estimate should not be relied upon.*

## **OVERVIEW OF BUSINESS**

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.

The Company is in a strategic partnership with Tata Steel Limited (“Tata Steel”), a global steel producer and industry leader. Tata Steel 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 the remainder of TSMC.

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 initiative called the NuTac Project, for which a NI 43-101 prefeasibility study was carried out and published in June 2016.

NML’s strategic aim is responsible development of the MIR to create a new source of high-quality raw materials for the world’s iron and steel industries. In the currently challenging market environment for new iron ore projects, however, NML continues to implement cash conservation measures, while also protecting its mineral claims and iron ore development positioning and maintaining sufficient liquidity pending the Company’s ability to raise additional financing and further advance its development strategy.

## **MINERAL EXPLORATION AND EVALUATION ASSETS**

### **Overview**

The Company holds interests in 1,799 claims distributed among taconite iron ore properties in Newfoundland and Labrador (“NL”) and Québec. Within this large position, the Company does not foresee any future economic benefit from 345 claims and expects to allow these to lapse when due for renewal.

Table 1 below represents the remaining 1,454 claims with potential economic benefit, while Table 2 below shows NML’s prominent NI 43-101 compliant resource holdings through not only 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<br>[30.5 km <sup>2</sup> ]              | 354<br>[88.5 km <sup>2</sup> ]        | -                                    | -                                     | 18<br>[4.5 km <sup>2</sup> ]         | 494<br>[123.5 km <sup>2</sup> ]          |
|              | LLP       | 256<br>[64 km <sup>2</sup> ]        | -                                     | 145<br>[36.3 km <sup>2</sup> ]              | -                                     | -                                    | 263<br>[65.8 km <sup>2</sup> ]        | -                                    | 664<br>[166.1 km <sup>2</sup> ]          |
| Québec       | NML       | -                                   | 171<br>[80.9 km <sup>2</sup> ]        | -   | -                                     | 97<br>[47.0 km <sup>2</sup> ]        | -                                     | 28<br>[12.1 km <sup>2</sup> ]        | 296<br>[140.0 km <sup>2</sup> ]          |
| <b>Total</b> |           | <b>256</b><br>[64 km <sup>2</sup> ] | <b>171</b><br>[80.9 km <sup>2</sup> ] | <b>267</b><br>[66.8 km <sup>2</sup> ]       | <b>354</b><br>[88.5 km <sup>2</sup> ] | <b>97</b><br>[47.0 km <sup>2</sup> ] | <b>263</b><br>[65.8 km <sup>2</sup> ] | <b>46</b><br>[16.6 km <sup>2</sup> ] | <b>1,454</b><br>[429.6 km <sup>2</sup> ] |

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 80% 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        |
| <b>Total</b>                     | <b>6,317</b>                                    | <b>14,928</b>        | <b>7,613</b> |

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                            | 18,685,000              |
| LabMag                           | 29,130,000              |
| Howells Lake-Howells River North | 5,110,000               |
| Sheps Lake                       | 1,350,000               |
| Perault Lake                     | 5,080,000               |
| Lac Ritchie                      | 2,470,000               |
| <b>Total</b>                     | <b>61,825,000</b>       |

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

## NML TACONITE STUDIES

The taconite deposits controlled by NML have similar characteristics in terms of geology, mineralogy and metallurgical properties. Each is a long-life property that can yield high quality saleable products with the same processing technologies. Similar taconite ores in the United States have been a principal source of iron ore pellets for steelmakers since the 1950s.

Two of NML's deposits have been comprehensively assessed for their technical and commercial development potential through several studies discussed below. These are the KéMag deposit at Lac Harris, Québec, about 50 km to the northwest of Schefferville, QC, and the LabMag deposit at Howells River, NL, in the Menihek region of western Labrador at Howells River, NL, bordering Québec and also near Schefferville. Management believes that these project studies provide sufficiently detailed technical and economic criteria and analysis for discussions with third parties.

Other taconite deposits controlled by the Company and explored to NI 43-101 compliance are also presented in this section.

### ***NUTac Project Initiative***

The NuTac pre-feasibility study ("PFS"), a 2016 NI 43-101 technical report, is a re-scoping of previous mining processing work (see ***The Taconite Project*** section below). The PFS is designed for a project to produce 8.7 million tonnes of concentrate, and manufacture pellets through a plant located at Pointe-Noire, Quebec, with 9 million tonnes of annual capacity. The PFS concept is a pellet project sized and costed for market entry when conditions permit.

### **Pre-Feasibility Study Results**

In June 2016, NML announced the results of its NuTac Project initiative begun in September 2015 to examine a further range of options for development of the MIR taconite properties, together with the use of existing and planned infrastructure for rail haulage, stockpiling and shiploading. NuTac responds to the changed macroeconomic environment for iron ore and supplements the Taconite Project as a development concept.

Under NuTac, a PFS reviewed all development aspects of each of NML's taconite deposits, including resources, location, ownership, jurisdictional considerations, market potential and historical work, and the KéMag deposit, in which NML holds a 100% interest, was selected for base case analysis, although other deposits also showed attractive development potential.

The NuTac initiative thus produced a re-scoped project development plan for KéMag in the form of a lower capital cost project servicing mainly the growing pellet segment of the iron ore market.

Whereas the Taconite Project evaluated the mining of the LabMag and/or KéMag deposits followed by the production of ~23 million tonnes per year ("Mtpy") of concentrate at the mine site and its transportation in slurry form via a buried pipeline to a pellet plant at Sept-Îles, resulting in an overall saleable product mix of ~17 Mtpy of pellets and ~6 Mtpy of concentrate, NuTac targets the production of ~9 Mtpy of pellets. It is not planned to produce fine-sized products such as concentrate or pellet feed for sale, but there would be flexibility to do so if warranted by market demand.

A NI 43-101 Technical Report ("Report") on NuTac confirmed by Qualified Persons in their respective fields and stating the highlights of the PFS results for the NuTac Project initiative was filed on SEDAR on July 21, 2016. 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.

In Management's view, the NuTac PFS shows a solid project outcome targeting the high-quality segment of the iron ore market, based on the established resource identification and processing technology available from earlier studies, along with balanced assumptions. While no decisions on further work have been made, the PFS defines the next engineering, permitting and financing steps required to advance the development of KéMag, thereby providing NML's Board with a range of options to consider in pursuing opportunities to monetize NML's significant taconite assets.

## ***The Taconite Project***

On March 6, 2011, the Company signed a Binding Heads-of-Agreement (“Binding HOA”) with Tata Steel Global Minerals Holdings PTE Ltd. (“Tata Steel”) in respect of development projects for the LabMag Property and the KéMag Property (collectively referred to as the “Taconite Project”). Under the Binding HOA, Tata Steel participated in the development of the Company’s feasibility study of these projects. In exchange for an option to own a portion of the Taconite Project, Tata Steel would pay the Company an amount equal to 64% of the costs to complete the feasibility study. If Tata Steel were to exercise its option, then it would pay the Company 64% of the costs incurred prior to the feasibility study to advance the project(s).

The project(s) upon which Tata Steel exercises its option would be transferred to an entity in which Tata Steel will initially hold an 80% interest and the Company 20%, with this initial 20% interest-bearing a “free carry” equity interest in that Tata Steel would be required to arrange funding in the entity for any capital expenditure requirements on behalf of the Company’s interest up to a maximum of \$4.85 billion. Also, the Company has an option to acquire an additional 16% paid equity interest and a right of first refusal to acquire another 4% paid equity interest should Tata Steel exercise its right to invite third-party investors into the project.

Each of the LabMag and KéMag deposits could support a large-scale iron ore concentrating and pelletizing complex comparable to that of existing Labrador Trough producers, and become a source of saleable product qualities capable of servicing iron making through either the blast furnace or direct reduction route. Recognizing the macro-economic situation poses challenges for development of the Taconite Project as currently conceived in the HOA, NML and Tata Steel intend to review the terms of the HOA.

## ***Other Properties***

### **Howells Lake and Howells River North**

These two Properties are located approximately 47 km northwest of Schefferville in the Elross Township and occur in the same continuous taconite formation. These two areas were drilled in detail in 2012. Based on the drilling results, NML engaged SGS Canada Inc. (“SGS”) to provide a NI 43-101 compliant resource estimation. SGS provided a combined resource estimation report for the Howells Lake and Howells River North Properties.

### **Sheps Lake**

The Sheps Lake Property is located in NL, south of the LabMag property and is approximately 20 km south-west of Schefferville. NML carried out drilling in 2011 and 2012. SGS provided a NI 43-101 compliant resource estimation.

### **Perault Lake**

The Perault Lake Property is located in NL, immediately south of the Sheps Lake Property, approximately 17 km southwest of Schefferville. In 2012, NML carried out a Phase 1 exploration drilling program. Based on the results of the drilling, SGS provided a NI 43-101 compliant mineral resource estimation.

### **Lac Ritchie**

The Lac Ritchie Property is located approximately 134 km northwest of Schefferville and approximately 70 km northwest of the KéMag deposit in Québec. NML conducted Phase 1 drilling in 2011. Based on the results of drilling, SGS provided a NI 43-101 compliant Technical Report on the mineral resource estimates for the property.

## GENERAL CORPORATE AFFAIRS

### ***Cost Reduction Measures***

The Board and management continue to implement cash conservation measures, while protecting NML's mineral claims and iron ore development positioning, and maintaining sufficient liquidity pending the Company's ability to raise additional financing and further advance its development strategy.

These initiatives began in 2014, and measures taken since then have included a significant workforce reduction and consolidation of roles, including at the executive level. In 2016 NML closed its offices in St. John's, NL, Sept-Îles, QC, and Schefferville, QC, having already closed its Labrador City, NL office in 2014 and reduced office space in Montreal, QC in 2015. In addition to lowering overhead, NML is taking measures through which the level of exploration spending necessary to preserve NML's mining claims could be significantly reduced without materially changing the Company's mineral resources.

### ***Multi-User Dock at Sept-Îles and Related Infrastructure***

As previously reported, NML and TSMC advanced funds to the Sept-Îles Port Authority ("PSI") under respective contracts dated July 2012 in order to secure capacity at the new, multi-user dock at Pointe Noire, Sept-Îles, Quebec, along with other companies. The Canadian Government and the PSI are also participants in the dock. The dock is constructed, although not available for use as there is no connection to land-side operations capable of moving product to the dock. TSMC plans to use the dock for DSO shipments and the facility would also be expected to be the loading point for shipments of taconite products produced from NML's taconite properties.

### ***NML - PSI Contract***

In May 2016, NML received a document from the PSI purporting to be a "Notice of Delivery of Operational Multi-User Dock Facilities" which, among other things, stated that the PSI considered that the port facilities had been delivered and were operational and that take or pay obligations under NML's July 2012 contract (the "Contract") with PSI were now in effect. NML responded to the PSI that it considered the purported notice to be inappropriate, without effect and invalid and that it was reserving any and all of its rights and recourses against PSI and any other parties.

The Company believes it is legally entitled to terminate the Contract and announced in June 2016 that it had sent PSI a notice of termination of the Contract, including its take or pay provisions.

## TSMC's DSO PROJECT

### ***Operations***

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

The targeted level of production for the combined product streams is 6 Mtpy and additional production options are being studied.

Shipping of the crushed and screened DSO began in 2013 to Tata Steel Europe and to China, and deliveries to these markets are now being made on a regular basis. During the 2016 season, there were ten shipments totaling approximately 1.6 million tonnes.

### ***Howse Deposit***

As previously reported, TSMC completed its acquisition of the Howse Deposit in April 2015. Howse is a large DSO deposit strategically located near TSMC's main Timmins operations site. The technical

feasibility activities, including a resource re-evaluation and feasibility study, were completed in 2015, and TSMC has also made substantial progress with environmental clearances and First Nation consultations.

### ***Agreement with the Quebec Government***

On July 26, 2016, NML announced the award of a financial contribution of \$175 million by agencies of the Quebec Government to TSMC in support of the DSO project. On November 1, 2016, it was announced that the \$175 million transaction had closed and was comprised of a loan of \$50 million from IQ along with \$125 million for an 18% equity stake in TSMC through Ressources Québec. The transaction resulted in adjustments to the shareholdings in TSMC of Tata Steel (through an affiliate) and NML to 77.68% and 4.32%, respectively.

### ***Outlook***

While the Company is encouraged by TSMC's market entry and the Quebec Government's financial support of TSMC both directly as discussed above and indirectly through investment in regional logistics to facilitate product handling, the DSO project is still in the ramp-up stage operationally and facing volatile iron ore prices. Furthermore, the development of efficient stockpiling and shiploading infrastructure is advancing, but not yet fully established. NML will only derive revenue from the DSO project when TSMC is in a dividend-paying position, which cannot be predicted at this time.

## **FINANCIAL CONDITION**

The following discussion of the Company's financial performance is based on the unaudited Condensed Interim Consolidated Financial Statements as of March 31, 2017 ("financial statements") set forth herein. As discussed in Note 3 to the financial statements, they are prepared in accordance with International Accounting Standards 34, Interim Financial Reporting, as issued by the IASB.

These financial statements should be read in conjunction with the Company's December 31, 2016 audited consolidated financial statements ("FYE 2016").

During 2016, the Company retrospectively changed its accounting policy regarding mineral exploration and evaluation expenditures in order to recognize these expenditures directly to profit or loss instead of capitalizing them as mineral exploration and evaluation assets. Management believes that the new presentation provides a clearer picture of the expenses incurred by the Company, as well as the nature of these expenses, and that this method is being increasingly preferred in the mining industry.

The impact of this change is described in Note 2 of the financial statements and all financial figures for prior periods referred to in this MD&A take into account the restatement of prior periods for this retrospective accounting policy change.

Management is required to make estimates and assumptions that effect the reported amounts of assets and liabilities at the date of the financial statements and revenue and expenses for the period then ended.

The unaudited Interim Consolidated Statement of Financial Position as of March 31, 2017 indicates cash of \$2,335,000, investments of \$10,245,000, sales taxes, other receivables and prepaid expenses of \$102,000, and due from Tata Steel of \$2,002,000 resulting in total current assets of \$14,684,000, a decrease of \$1,484,000 from FYE 2016. The non-current assets are comprised of long-term portion of tax credits and mining duties receivable of \$4,918,000, other assets of \$38,503,000, long-term investment of \$10,149,000 and property and equipment of \$346,000. The total assets are \$68,600,000 which is a decrease of \$1,533,000 from FYE 2016.

The Company's current liabilities at March 31, 2017 consist of its trade and other payables of \$986,000, a decrease of \$747,000 from FYE 2016. Non-current liabilities consist of mining duties payable of \$1,373,000, an increase of \$549,000 from FYE 2016 for total liabilities of \$2,359,000, which is a decrease of \$198,000 from FYE 2016. Equity attributable to shareholders of the Company is \$66,003,000, a decrease of \$1,326,000 from FYE 2016, and is comprised of share capital of \$177,585,000, contributed surplus of \$22,432,000, less the deficit of \$134,014,000. The non-controlling interest of \$238,000 relates

to LabMag Limited Partnership whose main property is the LabMag Property and remains unchanged from FYE 2016, for a total equity of \$66,241,000.

During the quarter the Company's cash and investments were used to pay for its trade and other payables. Since the Company did not have any capital injection during the period, the portion of the payments relating to the current and prior periods' operating loss results in a decline in the Company's total current assets and total assets from FYE 2016 to March 31, 2017.

The operating results for the three months ended March 31, 2017 and 2016 are as follows:

|  | 2017               | Restated<br>2016   |
|--|--------------------|--------------------|
|  | \$                 | \$                 |
| Investments                                |                    |                    |
| Investment income                          | 116,000            | 49,000             |
| Markdown of investments to<br>market value | (826,000)          | -                  |
|  | <u>(710,000)</u>   | <u>49,000</u>      |
| Expenses                                   |                    |                    |
| General and administrative                 | 610,000            | 1,692,000          |
| Mineral exploration and evaluation         | 6,000              | 242,000            |
|  | <u>616,000</u>     | <u>1,934,000</u>   |
| Net loss                                   | <u>(1,326,000)</u> | <u>(1,885,000)</u> |
| Loss per share - basic and diluted         | <u>(0.01)</u>      | <u>(0.01)</u>      |

The main changes between the periods are that the Company continued its cash conservation efforts and reduced its operating expenses, aided by the fact that there was no special meeting in the current period, by \$1,318,000. This reduction in expenses was partially offset by the \$826,000 markdown to market value of the investment in Sherritt International Corporation ("Sherritt") debentures.

The Company expects to continue incurring losses that are expected to be funded by current cash, collection of receivables, investments, and then, if necessary, through equity financing, debt financing or investments by third parties, including possible strategic partners.

As at March 31, 2017, the deferred tax assets, which arise as a result of applying the capital and non-capital losses carried forward to taxable income have not been recognized in the accounts due to the uncertainty regarding their utilization.

## **Summary of Quarterly Results**

The following table sets out selected unaudited quarterly financial information of the Company for the eight quarters ended March 31, 2017. This information is derived from unaudited quarterly financial statements prepared by management. The Company's unaudited condensed interim consolidated financial statements are prepared in accordance with IFRS and are expressed in Canadian dollars.

|                                  | Mar-17                     | Dec-16      | (Restated)<br>Sept-16 | (Restated)<br>Jun-16 | (Restated)<br>Mar-16 | (Restated)<br>Dec-15 | (Restated)<br>Sept-15       | (Restated)<br>Jun-15 |
|----------------------------------|----------------------------|-------------|-----------------------|----------------------|----------------------|----------------------|-----------------------------|----------------------|
| Investment<br>Income             | 116,000                    | 49,000      | 47,000                | 64,000               | 49,000               | 56,000               | 161,000                     | 167,000              |
| Net Loss                         | (1,326,000) <sup>(3)</sup> | (1,184,000) | (331,000)             | (2,174,000)          | (1,884,000)          | (1,659,000)          | (28,089,000) <sup>(2)</sup> | (1,300,000)          |
| Loss per<br>Share <sup>(1)</sup> | (0.01)                     | (0.01)      | (0.00)                | (0.01)               | (0.01)               | (0.01)               | (0.16)                      | (0.01)               |

(1) The effect of the exercise of stock options would be anti-dilutive for the purposes of calculating the fully diluted earnings per share for all periods.

(2) Includes an impairment on long-term investment in the amount of \$26,798,000.

(3) Includes a markdown of investments to market value of \$826,000.

## **First Quarter Results**

|  | 2017               | Restated<br>2016   |
|--|--------------------|--------------------|
|  | \$                 | \$                 |
| Investments                                |                    |                    |
| Investment income                          | 116,000            | 49,000             |
| Markdown of investments to<br>market value | (826,000)          | -                  |
|  | <u>(710,000)</u>   | <u>49,000</u>      |
| Expenses                                   |                    |                    |
| General and administrative                 | 610,000            | 1,692,000          |
| Mineral exploration and evaluation         | 6,000              | 242,000            |
|  | <u>616,000</u>     | <u>1,934,000</u>   |
| Net loss                                   | <u>(1,326,000)</u> | <u>(1,885,000)</u> |
| Loss per share - basic and diluted         | <u>(0.01)</u>      | <u>(0.01)</u>      |

The comparative general and administrative expenses for the three months ended March 31, 2017 and 2016, by nature of expenditure, are summarized below:

|   | <b>Three-months ended</b> |           |
|---|---------------------------|-----------|
|   | March 31,                 |           |
|   | 2017                      | 2016      |
|   | \$                        | \$        |
| Consulting, legal and professional fees   | 238,000                   | 849,000   |
| Directors' fees                           | 116,000                   | 102,000   |
| Salaries, wages and benefits              | 91,000                    | 489,000   |
| Rental costs                              | 56,000                    | 95,000    |
| Restructuring costs                       | 43,000                    | -         |
| Office and general                        | 37,000                    | 73,000    |
| Market development                        | 16,000                    | 20,000    |
| Travel and meals                          | 7,000                     | 35,000    |
| Depreciation                              | 6,000                     | 15,000    |
| Share based compensation                  | -                         | 14,000    |
|   | 567,000                   | 1,692,000 |
| Restructuring costs                       | 43,000                    | -         |
| Total general and administrative expenses | 610,000                   | 1,692,000 |

For the first quarter of 2017 versus the same period in 2016, general and administrative expenses decreased by \$1,082,000. The primary reasons for the overall decrease in expenses were: in 2017, consulting, legal, and professional fees decreased by \$611,000 mostly due to the costs associated with the march 2016 Special Meeting, and salaries, wages and benefits decreased by \$398,000 as the Company continued to reduce its payroll. These cost decreases were part of the Company's overall cost cutting initiatives that resulted in decreases in virtually every component of general and administrative expenses.

### **Use of Accounting Estimates and Judgments**

Please refer to Note 4 of the 2016 audited consolidated financial statements for an extended description of the information concerning the Company's significant judgments, estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses.

### **Changes in Accounting Policies Including Initial Adoption**

There were no changes in accounting policies for the interim period ended March 31, 2017.

### **Standards Issued but Not Yet Effective**

The information is provided in Note 5 of the financial statements.

### **Financial Instruments**

All financial instruments are recognized when the Company becomes a party to the contractual provisions of the financial instrument and are initially measured at fair value plus transaction costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value. Financial assets are derecognized when the contractual right to the cash flows from

the financial assets expire, or when the financial asset and all substantial risks and rewards are transferred.

An extended description of the Company's financial instruments and their fair values is provided in Note 19 of the 2016 audited consolidated financial statements.

## **Financial Risk Management, Objectives and Policies**

In the normal course of operations, the Company is exposed to various financial risks. Please refer to Note 13 of the financial statements for an extended description of the Company's financial risk management, objectives and policies.

## **Capital Management Policies and Procedures**

The Company's capital management objectives are to ensure its ability to continue as a going concern and to maximize the return to its shareholders. The Company's definition of capital includes all components of shareholders' equity. In order to meet its objectives, the Company monitors its capital structure and makes adjustments as required in light of changes in economic conditions and the risks characteristics of the underlying assets. These objectives will be achieved by identifying the right investments, including exploration projects, adding value to these projects and ultimately taking them through production and cash flow, either with partners or by the Company's own means.

In order to maintain or adjust the capital structure, the Company may issue common shares or securities convertible or exercisable into common shares. No changes were made in the objectives, policies and processes for managing capital during the interim period ending March 31, 2017. The Company is not subject to any externally imposed capital requirements.

## **Liquidity and Capital Resources**

### ***Working Capital***

Working capital at March 31, 2017 of \$13,699,000 represents a decrease of \$736,000 from the FYE 2016 total of \$14,435,000. This decrease in working capital is due to the markdown to market of the Company's investment in Sherritt and the Company's usage of cash and investments to fund its operational loss for the period.

The Company's working capital has been invested in cash, guaranteed investment certificates with relatively short maturities that are guaranteed by Canadian Federal and Provincial governments or their crown corporations and debentures of Sherritt. These investments have been classified as current assets. The Company intends to use a portion of its cash and investments to fulfill assessment work required to maintain claims and pay corporate operating expenses.

### ***Capital Expenditures***

There were \$Nil of acquisitions of property and equipment during the first three months of 2017 and 2016.

### ***Capital Resources***

At March 31, 2017, NML has paid up capital of \$177,585,000 (FYE 2016 - \$177,585,000) representing 181,054,000 (FYE 2016 - 181,054,000) common shares, contributed surplus of \$22,432,000 (FYE 2016 - \$22,432,000) a deficit of \$134,014,000 (FYE 2016 - \$132,689,000) resulting in total equity attributable to shareholders of the Company of \$66,003,000 (FYE 2016 - \$67,328,000). In addition, there is a non-controlling interest of \$238,000 (FYE 2016 - \$238,000) resulting in total equity of \$66,241,000 (FYE 2016 - \$67,567,000).

## **Transactions with Related Parties**

Please refer to Note 15 of the financial statements for a summary of the Company's transactions with related parties and the related period end balances.

## **Commitments and Contingencies**

Please refer to Note 17 of the financial statements for a summary of the Company's commitments and contingencies.

## **Controls and Procedures Over Financial Reporting**

In compliance with the Canadian Securities Administrators' National Instrument 52-109, the Company has filed certificates signed by the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") that, among other things, report on the design and effectiveness of disclosure controls and procedures, and the design and effectiveness of internal control over financial reporting.

### ***Disclosure Control and Procedures***

The CEO and the CFO have designed disclosure controls and procedures, or have caused them to be designed under their supervision, in order to provide reasonable assurance that:

- material information relating to the Company has been made known to them; and
- information required to be disclosed in the Company's filings is recorded, processed, summarized and reported within the time periods specified in securities legislation.

An evaluation was carried out, under the supervision of the CEO and the CFO, of the design and effectiveness of the disclosure controls and procedures. Based on this evaluation, the CEO and the CFO concluded that the disclosure controls and procedures are effective as at March 31, 2017.

### ***Internal Control over Financial Reporting***

The CEO and the CFO have also designed internal control over financial reporting, or have caused them to be designed under their supervision, in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for financial reporting purposes in accordance with IFRS.

Management, including the CEO and CFO, does not expect that our internal controls and procedures over financial reporting will prevent all error and all fraud. A control system can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Due to the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision making can be faulty, and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts, by collusion of two or more people, or by management override of the control. The design of any system of controls is partially based upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving our stated goals under all potential future conditions. Due to the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

An evaluation was carried out, under the supervision of the CEO and the CFO, of the design and operating effectiveness of our internal control over financial reporting. Based on this evaluation, the CEO and the CFO concluded that the internal controls over financial reporting are effective as at March 31, 2017, using the criteria set forth in the 2013 Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations (COSO) of the Treadway Commission.

## **Changes to Internal Control over Financial Reporting**

No changes were made to our internal control over financial reporting during the quarter ended March 31, 2017, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## **DISCLOSURE OF OUTSTANDING SHARE DATA**

The following information relates to share data of the Company.

### **1. Share capital**

(a) Authorized:

Unlimited number of common voting shares.

Unlimited number of preferred shares, without nominal or par value, issuable in series.

(b) Issued as of March 31, 2017: The Company has 181,054,146 common shares issued (\$177,584,512).

(c) Issued as of May 9, 2017: The Company has 181,054,146 common shares issued (\$177,584,512).

### **2. Options**

The Company had adopted an incentive stock option plan whereby options may be granted from time to time to directors, officers, employees and consultants to the Company with shares reserved for issuance as options not to exceed 10% of the issued and outstanding common shares. At the June 25, 2015, Annual General and Special Meeting of the Shareholders, the Shareholders did not approve any further grants from the stock option plan and so no additional stock options can be issued at this time.

As of May 9, 2017, there were 4,064,667 common shares reserved for issuance pursuant to the exercise of stock options (March 31, 2017 - 4,233,667) as follows:

| <b>Number of Outstanding Options</b> | <b>Exercise Price</b> | <b>Expiry Date</b> |
|--------------------------------------|-----------------------|--------------------|
| 1,605,000                            | \$1.35                | July 27, 2017      |
| 1,107,000                            | \$0.89                | April 24, 2018     |
| 266,667                              | \$0.42                | March 31, 2019     |
| 1,061,000                            | \$0.44                | May 21, 2019       |
| 25,000                               | \$0.31                | September 2, 2019  |

## **MARKET REVIEW**

According to the World Steel Association's statistics released April 24, 2017, world crude steel production in its 67 reporting countries was 410.5 million metric tons ("Mt") in the first three months of 2017, which represented an increase of 5.4% over the first quarter of 2016.

All regions showed increases, reflecting a broadening and strengthening recovery. Crude steel production in China, which accounts for almost half of the world's output, reached 201 Mt, up by 4.6% on 2016.

The overall reporting countries' crude steel capacity utilization rate at March 2017 was 72.7%. This was 2.2% higher than at March 2016 and 2.0% higher than at February 2017, but is still low. Excess global steelmaking capacity remains an issue, especially in China, but steps have been implemented to address this issue, including through steel company merger activity.

After jumping significantly in the fourth quarter of 2016, the iron ore price as measured by the 62% Fe Fines CFR North China reference maintained buoyancy over much of the first quarter of 2017 before beginning to trend downward in late March. With new iron ore supply coming to market in 2017, the pricing outlook remains cautious but more optimistic in light of the improvement over the course of 2016.

The price premiums for pellets have remained strong, especially for blast furnace grades in the Atlantic region and for the direct reduction pellet grade generally, due mainly to the continued idling of the Samarco operation in Brazil, which sustained a major tailings dam failure in November 2015.

Premiums for higher quality ore have also increased, reflecting China's increased priority on pollution control and productivity, and the need to offset the lower grades of ores from Australia. Stockpiles of the lower grade material have increased in China.

## **BUSINESS RISKS**

The Company is engaged in the exploration evaluation and development of mineral properties. These activities involve a high degree of risk which, even with a combination of experience, knowledge and careful evaluation, may not be overcome. Consequently, no assurance can be given that commercial quantities of minerals will be successfully found or produced.

The Company has no history of profitable operations and its present business is at an early stage. As such, the Company is subject to many common risks to such enterprises, including under-capitalization, cash shortages and limitations with respect to personnel, financial and other resources and the lack of revenues. There is no assurance that the Company will be successful in achieving a positive return on shareholders' investment. The Company has no source of operating cash flow and no assurance that additional funding will be available to it for further exploration and development of its projects when required. Although the Company has been relatively successful in the past in obtaining financing through the sale of equity securities, there can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in the delay or indefinite postponement of further exploration and development of its properties.

The Company has determined a project construction and operation plan based on best available knowledge and with certain assumptions that will enable it to initiate work and enter into contracts. Events outside the control of the Company, such as funding or permit approvals as examples, may adversely affect these plans and result in delays for construction and for start of operations.

The Company's property interests are located in remote, undeveloped areas and the availability of infrastructure such as surface access, skilled labour, fuel and power at an economic cost, cannot be assured. These are integral requirements for exploration, development and production facilities on mineral properties. Power will need to be generated on site. Due to its location, weather events may cause disruptions or other difficulties in operations.

Certain of the Company's properties are located in the Province of Newfoundland and Labrador and therefore subject to its mining legislation, which may require that primary processing be done within the province in order to obtain mining rights. Furthermore, provincial and federal legislators may enact laws or budgets that have a negative impact on this project or on the mining industry as a whole.

The Company is actively engaged in including First Nations participation in the project and expects to enter into agreements with these First Nations. Although such agreements are not mandatory, failure to agree may result in disruption to the project execution or operations.

Volatile market conditions for resource commodities, including iron ore, after several years of improving prices has resulted in a dramatic decrease in market capitalization and the inability of companies to acquire funding for their exploration and development properties. An extended period of poor macro-economic conditions could lead to an inability of the Company to finance future operations.

Inflation has not been a significant factor affecting the cost of goods and services in Canada in recent years; however renewed exploration and development activity may result in a shortage of experienced technical staff, and heavy demand for goods and services needed by the mining community.

The mineral industry is intensely competitive in all its phases. NML competes with many other mineral exploration companies who have greater financial resources and technical capacity.

The Company invests in debentures of public companies consequently the Company's investment is exposed to all the business risks of the investee as well as the volatility of interest rates and the liquidity of the specific debentures on the market or at maturity. There is no certainty that the Company will be able to realize the full value of its investment should funds be required or at maturity.

The price of iron ore and other commodities reflects the aforementioned market volatility. The purchase of securities of the Company involves a high degree of risk and should be undertaken only by investors whose financial resources are sufficient to enable them to assume such risks. The Company's securities should not be purchased by persons who cannot afford the possibility of the loss of their entire investment. Furthermore, an investment in securities of the Company should not constitute a major part of an investor's portfolio.

In recent years securities markets have experienced extreme price and volume volatility. The market price of securities of many early stage companies have experienced fluctuations in price which may not necessarily be related to the operating performance, underlying asset values or prospects of such companies. It may be anticipated that any market for the Company's shares will be subject to market trends generally and the value of the Company's shares on the Toronto Stock Exchange may be affected by such volatility.

In order to develop the DSO Project to commercial production or to finance operations, additional third party financing may be required and there is no assurance that such financing will be available on reasonable commercial terms, or at all. The Company may receive additional cash calls from TSMC to invest additional amounts of equity or debt in TSMC to fund capital and operating costs of TSMC. If the cash calls cannot be met, the 4.32% interest of the Company in TSMC may be diluted further.

The success of the Company is very dependent upon the personal efforts and commitment of its existing management. To the extent that management's services would be unavailable for any reason, a disruption to the operations of the Company could result, and other persons would be required to manage and operate the Company.

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.

Additional risk factors are contained in the 2016 Annual Information Form dated March 27, 2017 filed on SEDAR at [www.sedar.com](http://www.sedar.com).

## **ADDITIONAL INFORMATION**

For further information, please visit [www.NMLIron.com](http://www.NMLIron.com), [www.tatasteel.com](http://www.tatasteel.com), [www.tatasteelcanada.com](http://www.tatasteelcanada.com), and the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com)

Mr. H. Dean Journeaux, Eng., is the Qualified Person as defined in National Instrument 43-101 who has reviewed and verified the scientific and technical mining disclosure contained in this MD&A.

**New Millennium Iron Corp.**  
**Unaudited Condensed Interim**  
**Consolidated Financial Statements**  
**March 31, 2017**

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**New Millennium Iron Corp.**  
**Condensed Interim Consolidated Statement of Financial Position**

(Unaudited)  
(Expressed in Canadian Dollars)

|   | March 31, 2017           | December 31, 2016        |
|---|--------------------------|--------------------------|
|   | \$                       | \$                       |
| <b>ASSETS</b>   |                          |                          |
| <b>Current assets</b>   |                          |                          |
| Cash  | 2,334,825                | 2,219,293                |
| Investments (Note 6)  | 10,244,923               | 11,865,725               |
| Sales taxes, other receivables and prepaid expenses (Note 15) | 102,032                  | 80,209                   |
| Due from Tata Steel (Note 15)                                 | 2,002,571                | 2,002,571                |
|   | <u>14,684,351</u>        | <u>16,167,798</u>        |
| <b>Non-current assets</b>                                     |                          |                          |
| Tax credits and mining duties receivable (Note 7)             | 4,918,346                | 4,952,495                |
| Other assets (Note 8)   | 38,502,545               | 38,502,545               |
| Long-term investment (Note 9)                                 | 10,148,595               | 10,148,595               |
| Property and equipment  | 346,108                  | 352,039                  |
| <b>Total assets</b>   | <u><u>68,599,945</u></u> | <u><u>70,123,472</u></u> |
| <b>EQUITY AND LIABILITIES</b>                                 |                          |                          |
| <b>LIABILITIES</b>  |                          |                          |
| <b>Current liabilities</b>                                    |                          |                          |
| Trade and other payables                                      | 985,528                  | 1,732,511                |
| <b>Non-current liabilities</b>                                |                          |                          |
| Mining duties payable (Note 7)                                | 1,373,490                | 824,339                  |
| <b>Total liabilities</b>                                      | <u>2,359,018</u>         | <u>2,556,850</u>         |
| <b>EQUITY</b>   |                          |                          |
| Share capital (Note 10)                                       | 177,584,512              | 177,584,512              |
| Contributed surplus   | 22,432,336               | 22,432,336               |
| Deficit   | (134,014,272)            | (132,688,577)            |
| <b>Equity attributable to shareholders</b>                    |                          |                          |
| <b>of the parent Company</b>                                  | 66,002,576               | 67,328,271               |
| Non-controlling interest                                      | 238,351                  | 238,351                  |
| <b>Total equity</b>   | <u>66,240,927</u>        | <u>67,566,622</u>        |
| <b>Total liabilities and equity</b>                           | <u><u>68,599,945</u></u> | <u><u>70,123,472</u></u> |

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.

These condensed interim consolidated financial statements were approved and authorized for issue by the Board of Directors on May 9, 2017 and signed on their behalf by:

/S/ Howard Lutley  
Director

/S/Mario Caron  
Director

# New Millennium Iron Corp.

## Condensed Interim Consolidated Statement of Comprehensive Loss

(Unaudited)

Three months ended March 31, 2017 and 2016

(Expressed in Canadian Dollars)

|  | 2017               | (Restated - Note 2)<br>2016 |
|--|--------------------|-----------------------------|
|  | \$                 | \$                          |
| Revenue  | —                  | —                           |
| Expenses   |                    |                             |
| General and administrative (Note 11)             | 609,535            | 1,691,984                   |
| Mineral exploration and evaluation               | 5,637              | 241,822                     |
|  | <u>615,172</u>     | <u>1,933,806</u>            |
| Loss before under noted Items                    | (615,172)          | (1,933,806)                 |
| Investment income                                | 115,877            | 49,160                      |
| Markdown of investments to market value (Note 6) | (826,400)          | —                           |
|  | <u>(1,325,695)</u> | <u>(1,884,646)</u>          |
| <b>Net loss and comprehensive loss</b>           | <u>(1,325,695)</u> | <u>(1,884,646)</u>          |
| Attributable to:                                 |                    |                             |
| Non-controlling interest                         | —                  | —                           |
| Shareholders of the parent Company               | <u>(1,325,695)</u> | <u>(1,884,646)</u>          |
| <b>Loss per share - basic and diluted</b>        | <u>(0.01)</u>      | <u>(0.01)</u>               |
| <br>   |                    |                             |
| Weighted average number of shares outstanding    | <u>181,054,146</u> | <u>181,054,146</u>          |

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.

**New Millennium Iron Corp.**  
**Condensed Interim Consolidated Statement of Changes in Equity**

(Unaudited)

Three Months ended March 31, 2017 and 2016

(Expressed in Canadian Dollars)

|   | Share Capital                                |                    |                   | Contributed<br>Surplus<br>\$ | Deficit<br>\$     | Total<br>Attributable to<br>Shareholders of<br>the parent Company<br>\$ | Jun-17<br>Controlling<br>Interest<br>\$ | Total<br>Equity<br>\$ |
|---|--|--------------------|-------------------|------------------------------|-------------------|---|---|-----------------------|
|   | Number of<br>Shares Issued<br>and Fully Paid | Amount<br>\$       | Amount<br>\$      |                              |                   |   |   |                       |
| <b>Balance at January 1, 2016</b>                       | <b>181,054,146</b>                           | <b>177,584,512</b> | <b>22,405,324</b> | <b>(127,115,063)</b>         | <b>72,874,773</b> | <b>238,351</b>  | <b>73,113,124</b>                       |                       |
| Net loss (as restated - Note 2)                         | -  | -                  | -                 | (1,884,646)                  | (1,884,646)       | -   | (1,884,646)                             |                       |
| Share-based remuneration<br>- employees and directors   | -  | -                  | 14,398            | -                            | 14,398            | -   | 14,398                                  |                       |
| <b>Balance at March 31, 2016 (As restated - Note 2)</b> | <b>181,054,146</b>                           | <b>177,584,512</b> | <b>22,419,722</b> | <b>(128,999,709)</b>         | <b>71,004,525</b> | <b>238,351</b>  | <b>71,242,876</b>                       |                       |
| <b>Balance at January 1, 2017</b>                       | <b>181,054,146</b>                           | <b>177,584,512</b> | <b>22,432,336</b> | <b>(132,688,577)</b>         | <b>67,328,271</b> | <b>238,351</b>  | <b>67,566,622</b>                       |                       |
| Net loss  | -  | -                  | -                 | (1,325,695)                  | (1,325,695)       | -   | (1,325,695)                             |                       |
| <b>Balance at March 31, 2017</b>                        | <b>181,054,146</b>                           | <b>177,584,512</b> | <b>22,432,336</b> | <b>(134,014,272)</b>         | <b>66,002,576</b> | <b>238,351</b>  | <b>66,240,927</b>                       |                       |

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.

**New Millennium Iron Corp.**  
**Condensed Interim Consolidated Statement of Cash Flows**

(Unaudited)

Three months ended March 31, 2017 and 2016

(Expressed in Canadian Dollars)

|   | 2017                    | (Restated -<br>Note 2)<br>2016 |
|---|-------------------------|--------------------------------|
|   | \$                      | \$                             |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                         |                                |
| Net loss                                      | (1,325,695)             | (1,884,646)                    |
| Adjustments for:                              |                         |                                |
| Share-based remuneration                      |                         |                                |
| - Employees and directors                     | -                       | 14,398                         |
| Depreciation of property and equipment        | 5,931                   | 14,607                         |
| Markdown of Investments to market value       | 826,400                 | -                              |
| Investment income                             | (115,827)               | (49,160)                       |
| Net change in working capital items (Note 14) | (768,806)               | 105,445                        |
| Cash flows used by operating activities       | <u>(1,377,997)</u>      | <u>(1,799,356)</u>             |
| <b>CASH FLOW FROM INVESTING ACTIVITIES</b>    |                         |                                |
| Redemption of GIC's                           | 6,188,156               | 1,078,441                      |
| Purchase of investments                       | (5,185,650)             | -                              |
| Net interest received (paid) (Note 6)         | (92,277)                | 71,157                         |
| Tax credits and mining duties received        | 583,300                 | -                              |
| Cash flows provided by investing activities   | <u>1,493,529</u>        | <u>1,149,598</u>               |
| <b>Net increase (decrease) in cash</b>        | 115,532                 | (649,758)                      |
| Cash, beginning of period                     | <u>2,219,293</u>        | <u>3,039,729</u>               |
| <b>Cash, end of period</b>                    | <u><u>2,334,825</u></u> | <u><u>2,389,971</u></u>        |

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.

# **New Millennium Iron Corp.**

## **Notes to Condensed Interim Consolidated Financial Statements**

(Unaudited)

March 31, 2017

(Expressed in Canadian Dollars)

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### **1 - GOVERNING STATUTES AND NATURE OF OPERATIONS**

The current principal activities of New Millennium Iron Corp. (“the Parent Company”) and its subsidiaries (“the Company” or “NML”) are the exploration, evaluation and development of mineral properties. The Parent Company was incorporated pursuant to the provisions of the Alberta Business Corporations Act on August 8, 2003.

The address of the Company’s executive office is 2<sup>nd</sup> floor, 1303 Greene Avenue, Westmount, Quebec, H3Z 2A7 and its head office, registered and records office is 1000, 250 – 2<sup>nd</sup> Street SW, Calgary, Alberta, T2P 0C1.

### **2 – CHANGE IN ACCOUNTING POLICY**

#### **Mineral exploration and evaluation expenditures**

During the fiscal year 2016, the Company retrospectively changed its accounting policy regarding mineral exploration and evaluation expenditures in order to recognize these expenditures directly to profit or loss instead of capitalizing them as mineral exploration and evaluation assets. Management believes that the new presentation provides a clearer picture of the expenses incurred by the Company, as well as the nature of these expenses.

As a result of the retrospective application of this change, net loss for the three months ended March 31, 2016 increased by \$241,822 and the loss per share remained unchanged.

### **3 - SIGNIFICANT ACCOUNTING POLICIES**

#### **Statement of compliance**

These unaudited condensed interim consolidated financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards (“IFRS”) and in accordance with International Accounting Standard (“IAS”) 34, Interim Financial Reporting. The unaudited condensed interim consolidated financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the annual audited consolidated financial statements for the year ended December 31, 2016 as they follow the same accounting policies and methods of application.

#### **Basis of presentation**

The unaudited condensed interim consolidated financial statements have been prepared on the basis that the Company will continue as a going concern, which assumes that the Company will be able to realize its assets, and discharge its liabilities in the normal course of operations.

# **New Millennium Iron Corp.**

## **Notes to Condensed Interim Consolidated Financial Statements**

(Unaudited)

March 31, 2017

(Expressed in Canadian Dollars)

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### **3 - SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **Basis of measurement**

The unaudited condensed interim consolidated financial statements are prepared using the historical cost basis, except for certain financial instruments that are recognized at fair value. These unaudited condensed interim consolidated financial statements are presented in Canadian dollars (\$), which is also the Company's functional currency and the functional currency of each of its subsidiaries.

### **4 - USE OF ACCOUNTING ESTIMATES AND JUDGMENTS**

The preparation of the unaudited condensed interim consolidated financial statements requires management to undertake a number of judgments, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from these judgments and estimates. These estimates and judgments are based on management's best knowledge of the events or circumstances and actions the Company may take in the future. The estimates are reviewed on an ongoing basis. Information about the significant judgments, estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses are discussed in Note 4 of the Company's 2016 annual financial statements and are still applicable for the period ended March 31, 2017.

### **5 – STANDARDS ISSUED BUT NOT YET EFFECTIVE**

At statement date, a number of new standards, amendments to standards and interpretations have been issued but are not yet effective. Accordingly, they have not been applied in preparing these unaudited condensed interim consolidated financial statements. The Company is currently assessing the impact that these standards will have on the unaudited condensed interim consolidated financial statements.

The standards issued but not yet effective that are expected to be relevant to the Company's unaudited condensed interim consolidated financial statements are provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Company's unaudited condensed interim consolidated financial statements.

Management anticipates that all of the pronouncements will be adopted in the Company's accounting policies for the first period beginning after the effective date of each pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Company's unaudited condensed interim consolidated financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have an impact on the Company's unaudited condensed interim consolidated financial statements and are not listed.

# New Millennium Iron Corp.

## Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

March 31, 2017

(Expressed in Canadian Dollars)

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### 5 – STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

#### IFRS 9 Financial Instruments

The International Accounting Standards Board (“IASB”) released IFRS 9 Financial Instruments (2014), representing the completion of its project to replace IAS 39 Financial Instruments: Recognition and Measurement. The new standard introduces extensive changes to IAS 39’s guidance on the classification and measurement of financial assets and introduces new “expected credit loss” model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting.

Management has started to assess the impact IFRS 9 but is not yet in a position to provide quantified information. At this stage the main areas of expected impact are as follows:

- the classification and measurement of the Company’s financial assets will need to be reviewed based on the new criteria that considers the assets’ contractual cash flows and the business model in which they are managed.
- it will no longer be possible to measure equity investments at cost less impairment and all such investments will instead be measured at fair value. Changes in fair value will be presented in profit or loss unless the Company makes an irrevocable designation to present them in other comprehensive income.
- if the group continues to elect the fair value option for certain financial liabilities, fair value movements will be presented in other comprehensive income to the extent those changes relate to the Company’s own credit risk.

The new standard is required to be applied for annual reporting periods beginning on or after January 1, 2018, with early adoption permitted.

#### IFRS 16 Leases

IFRS 16 replaces IAS 17 Leases and related interpretations. The core principle is that a lessee recognize assets and liabilities for all leases with a lease term of more than 12 months. A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. The new standard is intended to provide a faithful representation of leasing transactions, in particular those that do not currently require the lessees to recognize an asset and liability arising from an operating lease. IFRS 16 is effective for annual periods beginning on January 1, 2019, with early adoption permitted for entities that would also apply IFRS 15 Revenue from Contracts with Customers. The Company has yet to assess the impact of IFRS 16 on its consolidated financial statements. However, no existing Company leases will be in effect when this IFRS becomes effective.

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### 6 – INVESTMENTS

At March 31, 2017, investments include:

| Security   | Carrying Value<br>\$ | Face Value<br>\$ | Maturity                                | Interest Rate on Face Value<br>(per annum) |
|--|----------------------|------------------|---|--|
| GIC's  | 5,658,264            | 5,592,522        | Between June 2017 and March 2018        | Between 0.55% and 1.70%                    |
| Sherritt senior unsecured notes and expenditures | <u>4,586,659</u>     | 6,380,000        | Between November 2021 and October 2025. | Between 7.50% and 8.00%                    |
|  | <u>10,244,723</u>    |                  |   |  |

At December 31, 2016, investments include:

| Security | Carrying Value<br>\$ | Face Value<br>\$ | Maturity                          | Interest Rate on Face Value<br>(per annum) |
|----------|----------------------|------------------|-----------------------------------|--|
| GIC's    | <u>11,865,725</u>    | 11,865,725       | Between January and November 2017 | Between 1.25% and 1.70%                    |

The Sherritt International Corporation (“Sherritt”) investments were purchased for \$5,170,650 plus accrued interest of \$135,282. At March 31, 2017 due to the decline in the market value of these investments, the Company took a markdown to market in the amount of \$826,400.

### 7- TAX CREDITS AND MINING DUTIES

Revenu Québec (“RQ”) has completed its audits of the 2011, 2012, 2013 and 2014 mining tax credit claims and the assessments reduced the Company’s previously claimed mining tax credits by \$4,658,000, mainly for work on the Taconite Feasibility Study. The Company prepared the claims based on its interpretation of the regulations and is vigorously contesting the assessments.

The Company has filed notice of objections (“NOO”) relating to the denial of expenditures for 2011, 2012, 2013 and 2014. RQ has denied the 2011 NOO and its decision on the 2012, 2013 and 2014 NOO’s is currently pending. Subsequent to receiving RQ’s decision on the 2011 NOO an appeal was filed with the Court of Quebec, but is being held in abeyance to permit the 2011 and 2012 taxation years to be heard together.

If the final outcomes of the claims are different from the amounts initially recorded, such difference will reduce the mining tax credits receivable with a related offset to mineral exploration and evaluation expenditures and the Due from Tata Steel.

# **New Millennium Iron Corp.**

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### **7- TAX CREDITS AND MINING DUTIES (continued)**

The provincial government's interpretation of the expenditures also resulted in the Company receiving payments for mining duties from the Ministère des Ressources naturelles for the 2011 and 2012 returns in excess of the amounts filed by the Company of \$1,373,500. The 2013 and 2014 mining duty returns have not yet been assessed by the government. The Company recorded this excess amount as a liability to be consistent with its interpretation of the regulations in the above claims and, therefore, if the Company's interpretation is correct, expects that this amount will have to be repaid.

### **8 – OTHER ASSETS**

On July 13, 2012, the Company entered into a contract with the Sept-Îles Port Authority ("PSI") providing NML with access to a new multi-user deep water dock facility ("multi-user dock"). As part of the contract, NML has a minimum annual shipping capacity of 15 million tons a year for 20 years, with options to renew for four more five-year terms. Construction of the facility is completed; however the Company does not have legal or physical access to the multi-user dock, nor has it been provided information as to when it will have such access. NML's buy-in for this contract was calculated at \$38,372,000, which was paid and the total amount is reflected in these consolidated financial statements as other assets. This buy-in constitutes an advance by the Company on future shipping fees. In addition, included in other assets is an amount of \$130,545 which represents the cost of opening letters of credits required to guarantee the above payments to the PSI.

On May 9, 2016 the PSI notified the Company that it considered the multi-user dock to be delivered and operational. On May 11, 2016 the Company advised the PSI of its position that this notice was inappropriate without effect and invalid.

The Company believes it is legally entitled to terminate the contract and announced on June 28, 2016 that it had sent the PSI a notice of termination of the contract.

### **9 – LONG-TERM INVESTMENT**

The long-term investment TSMC resulted from an initial acquisition of 19 Class B shares of TSMC at a cost of \$19 and an additional Class B share that was received as part of the transfer of the DSO properties, valued at \$31,542,586. As a result, the Company owns 20 Class B shares at a cost of \$31,542,605, which represented its initial estimated fair value. The investment initially represented a 20% ownership in TSMC. In order to maintain this ownership level, NML was required to contribute 20% of all funding requests to shareholders, in shareholder loans or share subscriptions as approved by the Board of Directors of TSMC, in respect of those amounts required to be contributed by TSMC shareholders to fund amounts in excess of TSMC's first \$300 million of specified expenditures.

In 2015, the Company received requests for equity cash calls totalling \$82.4 million, approved by TSMC's Board of Directors, to fund certain expenses for the DSO and Howse projects operated by TSMC. The Company decided not to fund these cash calls and entered into negotiations with TSMC and Tata Steel which resulted in the Minutes of Settlement and Release dated October 2, 2015 ("2015 Dilution Agreement"). The 2015 Dilution Agreement resulted in the Company's ownership interest in TSMC being diluted from 20% to 6%.

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### 9 – LONG-TERM INVESTMENT (continued)

The company took an impairment on its investment in TSMC as at December 31, 2015 in the amount of \$26,798,589.

Subsequently, the Company received on June 22, 2016 an additional cash call from TSMC in the amount of \$9.97 million which further diluted the Company's interest in TSMC to 5.15%.

On November 1, 2016, TSMC closed a transaction with Quebec government agencies for a \$175 million investment comprised of a loan of \$50 million, along with an equity investment of \$125 million, which further diluted the Company's interest in TSMC to 4.32%.

### 10 – EQUITY

#### SHARE CAPITAL

##### Authorized

Unlimited number of shares

Common shares, without nominal or par value

Preferred shares, issuable in series, without nominal or par value

#### SHARE-BASED PAYMENTS

##### Stock options

The Company had adopted an incentive share-based compensation plan whereby options may be granted from time to time to directors, officers, employees and consultants of the Company with shares reserved for issuance as options not to exceed 10% of the issued and outstanding common shares. The exercise price of each option cannot be less than the exercise price permitted by the any stock exchange on which the Company's common shares are listed. The vesting period is determined by the Board of Directors and the maximum term of the options granted is five years.

A summary of the Company's stock options are as follows:

|                                    | 3 month period ended<br>March 31, 2017 |  | Year ended<br>December 31, 2016     |  |
|------------------------------------|--|--|-------------------------------------|--|
|                                    | Number of<br>outstanding<br>options    | Weighted<br>average<br>exercise<br>price | Number of<br>outstanding<br>options | Weighted<br>average<br>exercise<br>price |
| Balance, beginning of period       | 4,958,917                              | 0.93                                     | 11,047,000                          | 1.49                                     |
| Granted                            | –                                      | –  | –                                   | –  |
| Exercised                          | –                                      | –  | –                                   | –  |
| Expired                            | –                                      | –  | (2,459,000)                         | 3.19                                     |
| Forfeited                          | (725,250)                              | 0.93                                     | (3,629,083)                         | 1.11                                     |
| Balance, end of period             | <u>4,233,667</u>                       | <u>0.93</u>                              | <u>4,958,917</u>                    | <u>0.93</u>                              |
| Options exercisable, end of period | <u>4,233,667</u>                       | <u>0.93</u>                              | <u>4,958,917</u>                    | <u>0.93</u>                              |

# New Millennium Iron Corp.

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### 10 – EQUITY (continued)

The share-based payments expense during the three months ended March 31, 2017 was \$NIL (March 31, 2016 - \$14,398) and is included in general and administrative expenses.

No options were granted during the three months ended March 31, 2017 (March 31, 2016 - NIL).

### 11 - INFORMATION INCLUDED IN THE CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

|   | 3 month period<br>ended<br>March 31, 2017<br>\$ | (Restated – Note 2)<br>3 month period<br>ended<br>March 31, 2016<br>\$ |
|---|---|--|
| <b>Employee benefit expense</b>               |   |  |
| Wages, salaries and other short-term benefits | 234,600   | 861,653  |
| Defined contributions                         | 6,267   | 19,115   |
| Share-based payments                          | -   | 14,398   |
|   | <u>240,867</u>                                  | <u>895,166</u>   |
| <b>Employee benefit expense</b>               |   |  |
| Employee benefit expense                      | <u>240,867</u>                                  | <u>895,166</u>   |
| <b>Other elements of expenses</b>             |   |  |
| Depreciation of property and equipment        | <u>5,931</u>                                    | <u>14,607</u>  |

### 12 – INCOME TAXES

Deferred income taxes arise from temporary differences between accounting values and tax base values of various net capital assets of the Company. In assessing the reliability of future income tax assets, management considers whether it is more likely than not that some portion or all of the future income tax assets will not be realized. As at March 31, 2017, the future tax benefits from the future income tax assets, which arose as a result of applying the losses and non-capital losses carried forward to taxable income, have not been recognized in these accounts due to uncertainty regarding their utilization.

### 13 - FINANCIAL RISK MANAGEMENT, OBJECTIVES AND POLICIES

In the normal course of operations, the Company is exposed to and manages various financial risks in relation to financial instruments. The Company does not enter into financial instrument agreements including derivative financial instruments for speculative purposes.

The Company's main financial risks and policies are as follows:

#### Exchange risk

The Company's functional currency is the Canadian dollar and most expenditures are transacted in Canadian dollars. The Company funds foreign currency transactions by buying the foreign currency at the spot rate when required.

# **New Millennium Iron Corp.**

## **Notes to Condensed Interim Consolidated Financial Statements**

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### **13 - FINANCIAL RISK MANAGEMENT, OBJECTIVES AND POLICIES (continued)**

A \$0.01 increase or decrease in the USD/CAD exchange rates would not have a material impact on net loss or equity at March 31, 2017.

The sensitivity analysis is based on the Company's foreign currency financial instruments held at each reporting date. Exposure to foreign exchange rates varies during the quarter depending on the volume of foreign transactions. Nonetheless, the analysis above is considered to be representative of the Company's exposure to exchange risk.

#### **Interest rate risk**

The Investments bear interest at fixed rates and the Company is therefore exposed to the risk of changes in fair value resulting from interest rate fluctuations. The investment in the GIC's mitigate the risk because they have relatively short maturities and are backed by Canadian Federal and Provincial Governments or their Crown Corporations.

The sensitivity analysis is based on the Company's financial assets which bear interest at fixed or variable rates. A 0.1% increase or decrease in interest rates would not have a material impact on comprehensive loss or equity at March 31, 2017. The Company does not use derivative financial instruments to reduce its interest rate exposure.

#### **Liquidity risk**

Management maintains sufficient amounts of cash and cash equivalents to meet the Company's commitments. The Company establishes budgets and cash flow requirements regularly to ensure that it has the necessary funds to fulfill its obligations. The contractual maturities of trade and other payables are less than three months for all periods presented.

Over the past quarters, the Company has financed its operations, exploration expense commitments and its working capital requirements through existing cash resources.

#### **Credit risk**

Cash and investments are held through two Canadian chartered banks and their subsidiaries and two independent investment dealers with high quality external credit ratings.

The Company is also exposed to credit risk relating to its investments in Sherritt, receivable from TSMC, Due from Tata Steel, and other receivables. This credit risk is minimized by reviews of the third parties' credit worthiness. The Company's maximum exposure to credit risk is limited to the carrying amount of financial assets after deducting applicable allowances for loss recognized at the reporting date, of which there was a \$826,400 markdown to market during the current period on the investments in Sherritt.

#### **Market risk**

The Company is exposed to the risk of changes in the fair value of its investments in Sherritt resulting from changes in Sherritt's operations, its results, and overall market ratings. The Company manages market risk by continually monitoring the ratings of its investees and overall market conditions.

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### 14 – INFORMATION INCLUDED IN INTERIM CONSOLIDATED CASH FLOWS

The changes in working capital items are detailed as follows:

|   | 3 month period<br>ended<br>March 31, 2017<br>\$ | (Restated – Note 2)<br>3 month period<br>ended<br>March 31, 2016<br>\$ |
|---|---|--|
| Sales taxes, other receivables and prepaids | (21,823)  | (33,336)   |
| Trade and other payables                    | (746,983)                                       | 87,978   |
| Due from Tata Steel                         | -   | 50,803   |
|   | <u>(768,806)</u>                                | <u>105,445</u>   |

### 15 – RELATED PARTY TRANSACTIONS

Balances and transactions between the Company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note. Details of the transactions between the Company and other related parties and key management are disclosed below.

| Related Party                | Nature of relationship                                    | Nature of transaction |
|------------------------------|---|-----------------------|
| Balance Consultants Inc.     | Controlled by executive officer of the Company            | Consulting            |
| DLA Piper (Canada) LLP       | Partnership in which the Corporate Secretary is a partner | Legal services        |
| Ernest Dempsey               | Executive Officer of the Company                          | Consulting            |
| Nexia Friedman LLP           | Partnership in which an executive officer is a partner    | Consulting            |
| Takota Asset Management Inc. | Company controlled by a Director                          | Advisory fees         |
| Tata Steel                   | 26.2% shareholder of NML                                  | Advances              |

The Company incurred the following revenue, fees and expenses in the normal course of operations in connection with the above entities and individuals. Expenses have been measured at the exchange amount which is determined on a cost recovery basis.

|  | 3 months ended<br>March 31, 2017<br>\$ | 3 months ended<br>March 31, 2016<br>\$ |
|--|--|--|
| <b><u>Consolidated Net Loss and Comprehensive Loss</u></b> |  |  |
| General and administrative expenses                        | 214,855                                | 319,698                                |

# **New Millennium Iron Corp.**

## **Notes to Condensed Interim Consolidated Financial Statements**

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### **15 – RELATED PARTY TRANSACTIONS (continued)**

Amounts due to and from related parties, are unsecured, non-interest bearing and due on demand.

Other receivables related to advances to TSMC at March 31, 2017 was \$13,524 (December 31, 2016 - \$13,524).

Accounts payable related to the above transactions at March 31, 2017 were \$780,160 (December 31, 2016 - \$785,890).

The Due from Tata Steel at March 31, 2017 was \$2,002,571 (December 31, 2016 – \$2,002,571).

These amounts have not been discounted as the time-value of money is not material.

### **16 - CAPITAL MANAGEMENT POLICIES AND PROCEDURES**

The Company's capital management objectives are to ensure its ability to continue as a going concern and to maximize the return of its shareholders. The Company's definition of capital includes all components of equity. Capital for the reporting periods under review is summarized in Note 10 and in the Condensed Interim Consolidated Statement of Changes in Equity. In order to meet its objectives, the Company monitors its capital structure and makes adjustments as required in light of changes in economic conditions and the risk characteristics of the underlying assets. These objectives will be achieved by identifying the right exploration projects, adding value to these projects and ultimately taking them through production and cash flow, either with partners or by the Company's own means.

In order to maintain or adjust the capital structure, the Company may issue new shares or flow-through shares. No changes were made in the objectives, policies and processes for managing capital during the quarter. The Company is not subject to any externally imposed capital requirements.

### **17- COMMITMENTS AND CONTINGENCIES**

#### **Commitments**

The Company is committed through LLP to pay aggregate royalties of 2% of gross revenue from mineral interests subject to the LLP Limited Partnership agreement, including certain DSO Properties sold to TSMC in certain circumstances.

As at March 31, 2017, the Company has a 4.32% (2016 – 6%) ownership interest in TSMC and in order to maintain this ownership level it will be required to contribute 4.32% of all funding requests to shareholders, in shareholder loans or share subscriptions as approved by the Board of Directors of TSMC, in respect of those amounts required to be contributed by TSMC shareholders to fund amounts in excess of TSMC's first \$1,342,782,000 of funding requirements. At March 31, 2017, there are no outstanding funding requests made to the Company by TSMC.

The Company has entered into long-term operating leases for premises and equipment and consulting agreements amounting to \$111,000, all expiring by June 2018.

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### 17- COMMITMENTS AND CONTINGENCIES (continued)

No sublease payments or contingent rent payments were made or received. The Company's operating lease agreements do not contain any contingent rent clauses. No sublease income is expected as all assets held under lease agreements are used exclusively by the Company.

Minimum obligations due over the next five years and thereafter are as follows:

|              | Operating<br>Leases<br>\$ | Consulting<br>Agreements<br>\$ | Total<br>\$    |
|--------------|---------------------------|--------------------------------|----------------|
| Up to 1 year | 66,000                    | 36,000                         | 102,000        |
| 1 to 5 years | —                         | 9,000                          | 9,000          |
| Over 5 years | —                         | —                              | —              |
|              | <u>66,000</u>             | <u>45,000</u>                  | <u>111,000</u> |

### Contingent Liability

In relation to NML's contract with the PSI described in Note 8, the Company has a take or pay obligation based on a discounted rate applied on 50% of the 15 million tons minimum annual shipping capacity which is payable even if NML does not use the facilities. The amount of the take or pay obligation is confidential information according to the contract with the PSI and as such is not disclosed. The company has agreed with TSMC that should TSMC meet its various take or pay commitments that any additional shipments may, at the Company's option, be made by TSMC via NML's shipping capacity through the Port of Sept-Îles thereby potentially reducing the Company's take or pay obligation.

On May 9, 2016, the PSI sent to the Company a Notice of Delivery of Operational Multi-User Dock Facilities ("Notice") which states, among other things, that the port facilities are delivered and operational, and that the take or pay provisions of the contract are now in effect.

The Company has advised the PSI that the Notice is inappropriate, without effect and invalid and that it reserves any and all rights and recourses against the PSI and any other parties.

The Company believes it is legally entitled to terminate the contract and announced on June 28, 2016 that it had sent the PSI a notice of termination of the contract, including its take or pay provisions.

Should developments in this matter cause a change in the Company's determination as to the outcome and result in the need to recognize an obligation which is material, it could have a materially adverse effect on the Company's cash flows and financial position in the period or periods in which such change occurs.

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***18- COMPARATIVE FIGURES***

Certain comparative figures have been reclassified in accordance with the current year's presentation.