TECHNICAL REPORT AND MINERAL RESOURCE ESTIMATE ON THE LABMAG (HOWELLS RIVER) IRON ORE PROJECT, LABRADOR FOR LABMAG SERVICES INC.

prepared by

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Consulting Geologists and Engineers

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1. SUMMARY

The LabMag Limited Partnership (the "Partnership" or "LLP") holds an 100% interest in certain mineral licences that constitute the LabMag Property, previously known as the Howells River Iron Property (the "Property"), containing the Howells River iron deposit(s) in the Howells River area of Labrador. **New Millennium Capital Corp.** ("NML") holds a 80% interest in the Partnership, while the remaining 20% interest is held by the **Naskapi Labmag Trust** ("NNK Trust") owned by the **Naskapi Nation of Kawawachikamach** ("NNK").

The Property hosts deposit(s) of magnetic taconite, which were first recognized by the **Labrador Mining and Exploration Company** ("LM&E") in 1960 as a potential source of feed material for steel mills. From 1966 to 1980, further exploration and development work was carried out on the deposits by the **Iron Ore Company of Canada** ("IOCC"). **LabMag Services Inc.** ("LabMag"), on behalf of LLP, conducted an exploration program on the Property in Summer 2004 towards outlining a minimum of 650 million tonnes of Indicated Mineral Resources required for 20 years of production at 33 million tonnes/year. This program consisted mainly of a diamond drill program aggregating 5,408 m in 72 holes. At the conclusion of the drill program, LabMag contracted **Systemes Geostat International Inc**. ("Geostat") to complete a Mineral Resource estimate for the Property.

Watts, Griffis and McOuat Limited ("WGM") was retained by LabMag to complete a "Mineral Resource certification" of the Howells River Property based in part on the work of Geostat. This audit was to include a review of the work completed by LabMag leading up to, and including, the Geostat Mineral Resource estimate based on the past and current drilling and metallurgical analysis program. The review and report was to be carried out and prepared in compliance with the standards of National Instrument 43-101 ("NI 43-101") in terms of structure and content, and the Mineral Resource audit and classification was to be completed in accordance with the provisions of NI 43-101 guidelines and the Council of the **Canadian Institute of Mining, Metallurgy and Petroleum** ("CIM") definitions.

Sources of Information

Much of the data used to prepare this report was provided to WGM by NML and LabMag. Senior WGM Associate Geologist, Mr. R. Risto, Qualified Person ("QP"), B.Sc., M.Sc., P.Geo., made two site visits to the Property; the first in May 2003 and the second during LabMag's drilling program on the Property in October 2004. Mr. Risto reviewed the Property geology and the drilling and sampling procedures. LabMag provided descriptions of the drill program and results, and provided a draft copy of an incomplete internal Scoping Study in May 2005. Senior WGM Associate Geologist, Mr. H.E. Neal, P.Eng., visited the **Midland Research Centre** ("MRC"), Nashwawk Minnesota, in November 2004 to review the laboratory and quality control procedures being used to process the LabMag samples.

Historical data provided to WGM was collected by LabMag from assessment reports filed with the Department of Mines and Energy, Government of Newfoundland and Labrador. The information recovered and made available from the work by LM&E and IOCC is, however, fragmentary, being only a portion of the total work on the deposits and many important records have not at this time been recovered. Some of the IOCC records are held by the National Archives of Quebec at Sept-Iles, but these data are available for viewing and are not available for commercial use.

In preparing its report, WGM used only reports filed for assessment with the Newfoundland and Labrador government. Additional information for this report came from WGM's files, personal files of consultant H.E. (Buzz) Neal, P.Eng., who was Supervisor of **Ore Testing and Research** ("OT&R") section for IOCC, (1955-1962), and former Supervisor of Exploration and Development (1950-1955); other government sources and personal communication with former IOCC employees that were involved in the original work.

Property

The Property is situated in Western Labrador, centred about 30 km to the west of the town of Schefferville, Quebec. The Property is located approximately 200 km north of Labrador City, Province of Newfoundland and Labrador, and 510 km north of Sept-Iles, Quebec. It is centred at 54°50'N Latitude and 67°15'W Longitude in National Topographic Map reference: 23J/14.

The Property extends for a distance of about 30 km northwest-southeast parallel to the provincial boundary, and is up to about 4 km wide.

The Property covers a total area of approximately 64 km^2 and comprises 256 claims, each 500 m by 500 m, in 3 map-staked licences held by LabMag and NNK. It is accessible by good road for 25 km north of Schefferville to the former open pit mines, then westward for about 5 to 10 km by 4x4 pick-up or all-terrain vehicles over a road crossing the Howells River system on a narrow steel girder bridge just south of Rosemary Lake. The road was upgraded in 2004.

The climate is sub-Arctic supporting boreal forest.

Previous Work

Between 1949 and 1961, IOCC and LM&E conducted airborne magnetic and reconnaissance prospecting and mapping in the area. In 1966, IOCC obtained licences that included parts of the Property and began grid cutting, ground geophysical surveys, mapping and surface sampling.

In 1968, IOCC drilled 10 diamond drillholes on the Property totalling 2,830 ft. Work continued in 1969. In 1970, further mapping was completed. Channel and bulk samples were collected and 15 more diamond drillholes totalling 6,043 ft were completed. Metallurgical testwork included a pilot plant testing of a 100-ton bulk sample.

In 1971, geological mapping and channel sampling were continued. Twenty-two diamond drillholes totalling 8,658 ft were completed, along with a geostatistical study of all drillhole sample data. An airborne geophysical survey was also completed. Sampling and geostatistical studies of data continued in 1972.

In 1979, IOCC completed 10 diamond drillholes totalling 2,378 ft and more grindability and liberation testwork was conducted. In 1980, metallurgical testwork continued. WGM is aware that a number of evaluation studies on the Property were completed in 1980, but most of this material is not available for commercial use. IOCC allowed its mineral rights in the Property to expire in 1980 when it started withdrawing from the Schefferville area due to a global downturn in iron markets, and closed all of its Schefferville operations.

In early 2004, WGM completed a NI 430-101 report on the Property for NML in support of its obligations for a Qualifying Transaction concerning the Property. This report included recommendations for a comprehensive exploration program.

Geology and Mineralization

The Property is located on the extreme western margin of the Labrador Trough adjacent to Archean basement gneisses. The Trough is comprised of a sequence of Proterozoic sedimentary rocks including iron formation, volcanic rocks and mafic intrusions known as the Kaniapiskau Supergroup. The Kaniapiskau Supergroup consists of the Knob Lake Group in the western part of the Trough and the Doublet Group, which is primarily volcanic, in the eastern part. The Property is underlain by the Knob Lake Group.

Units of the Knob Lake Group, including the Sokoman Formation, which is the major iron formation host in the Labrador Trough, underlie the majority of the Property and comprise a north-northwest striking sequence of rocks. The iron formation is classified as Lake Superior-type. This sequence lies unconformably on Archean granitic gneisses (Ashuanipi Complex), which are exposed along the southwest margin of the Property.

The lowermost unit of the Knob Lake Group exposed on the Property is the Wishart Formation, consisting of basal feldspathic quartzites and conglomerates. This Wishart Formation is conformably overlain by the Ruth and Sokoman Formations. All three Sokoman members: Lower Iron Formation ("LIF"), Middle Iron Formation ("MIF"), and Upper Iron Formation ("UIF") are present on the Property. Each of these three members is further divided into individual stratigraphic units called sub-members. Various sub-members represent individual silicate, sulphide, carbonate and magnetite and hematite oxide iron formation.

Member	**Sub-member**
Upper Iron Formation	LC – Lean Chert JUIF – Jasper Upper Iron Formation GC – Green Chert
Middle Iron Formation	URC – Upper red Cherty PGC – Pink-grey Cherty LRC – Lower Red Cherty
Lower Iron Formation	LRGC – Lower Red-green Cherty LIF – Lower iron Formation

The Sokoman Formation in the Howells River area has undergone only very low grade metamorphism and shows very few effects of structural deformation. Furthermore, it has been subject to only minimal post-depositional leaching or weathering. The Sokoman Iron Formation is overlain by the Menihek Formation, which consists of dark grey to black shales. Menihek Formation shales are exposed along the northeast margin of the Property.

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

The Wishart and Sokoman Formations are essentially undeformed and strike at 145° to 148°, and dip 5° to 12° east-northeast. Folds, where present, are described as broad monoclinal flexures, with low amplitudes and shallow dipping limbs. Faults are rare.

The iron formation at Howells River consists mostly of recrystalized chert and jasper with bands (beds) and disseminations of magnetite, which is the target mineral. Minor hematite is also present, but is not of economic interest because it cannot be recovered by a magnetic beneficiation process. Other gangue minerals also present are mostly iron silicates, particularly minnesotaite and stilpnomelane and iron carbonates.

Magnetite and gangue distribution is primarily controlled by sub-member geology and hence stratigraphy. The units on the Property that contain the highest consistent concentrations of magnetite are PGC and LRC. In the southeastern part of the drilled area LC and JUIF also contain higher concentrations of magnetite.

Hematite is most common in LRC and URC sub-members. Silicate iron minerals are most prevalent in LC, just beneath the Menihek Formation, and in the LIF. Siderite is also common in the LC and LIF Members. Silicate iron minerals also give the GC (the lowermost sub-member of the UIF) its defining colour. Manganese carbonates are also said to be present (Fink, 1972). Calcite fills some fractures. Goethite and limonite are also common as fracture facings and are likely due to percolating groundwater.

Iron formation is exposed over the entire length of the Property, a distance of about 30 km long by 2 km wide. The portion of the Property that has been explored by diamond drilling has a strike length of 9.5 km oriented northwest-southeast, and iron formation is present along this entire length and extends beyond the Property limits. To the northeast, the Sokoman dips under the Menihek shale, and as the Menihek shale cover becomes thicker and the dip of the Sokoman iron-rich members becomes steeper, then increased stripping would be required.

To the southwest, the Sokoman laps onto, and pinches out against, the Archean basement. The iron formation on the Property is thus wedge shaped in cross section perpendicular to

strike. To the southwest it pinches to zero thickness, and to the northeast it thickens. In the diamond drillholes furthest to the northeast, the iron formation is about 110 m to 120 m thick and is covered by an approximately 20 m to 30 m thickness of Menihek Formation shales.

The target mineralized zone comprises that portion of the iron formation wedge that might be mined economically. The ultimate size of the potentially exploitable zone will depend on the grade of the magnetic portion of the iron formation, the vertical and lateral continuity of the magnetite-rich zones, the waste:ore stripping ratio and the mining, processing and transportation costs.

Exploration and Diamond Drilling

The exploration program initiated in August 2004 by LabMag on behalf of LLP was the first exploration work to be conducted on the Property since IOCC ceased work in 1980. LabMag's program consisted mostly of diamond drilling, but also included a component of geological mapping and an aerial photographic component. The purpose of the aerial photography was to enable the production of detailed topographic contour maps for the Property, to support geological mapping and for general site development and exploration planning.

The diamond drill program consisted of an aggregate of 5,408 m in 72 holes. Drilling started August 30 and was concluded November 15. The drilling contractor was INNU-Cartwright Drilling LP. of Happy Valley-Goose Bay, Newfoundland and Labrador. The program was started with the Differential Global Positioning System ("DGPS") surveying of the historical IOCC baseline, IOCC drillhole collars and proposed drillhole collars. The holes were drilled mostly within the Block A area, placing new holes between historical IOCC drillholes on existing cross sections and on new cross sections established half way between historical cross sections. A few drillholes were drilled in the Block B area. For the most part, new drilling was confined to an area about 4,000 m long by 1,000 m to 1,500 m wide. The resulting pattern is one characterized by drillholes on an average of 243 m by 305 m centres. All new drillholes were drilled vertically. No downhole surveys were conducted and WGM

agrees such surveys were not necessary. All drilling, except for a few holes that were NQ size (47.6 mm diameter), was BTW (42 mm diameter). Drillholes were drilled to terminate in the LIF unit, the lowermost unit of the Sokoman Iron Formation, known from historical results to return very low Davis Tube recoveries. Drillholes ranged from 12 m to 136 m in length.

Sampling and Assaying

Core recovered from the 2004 diamond drill program was transported to Schefferville from the drill sites, logged in Schefferville and stored in a locked core storage facility. In-field core handling included: descriptive and geotechnical logs, core photography, magnetic susceptibility measurements at 0.3 m intervals down the core, core sampling and splitting.

Split core samples were bagged, and boxed in wooden crates and shipped in trailers to MRC for sample preparation, testwork and chemical analysis. In total, 999 samples were shipped. MRC crushed and pulverized the split core samples to 100% -325 mesh using standardized grinding procedures. Heads (or crudes) were analysed for total Fe ("%TFe"). Davis Tube ("DT") concentrates were produced for all samples and analysed for %TFe and $\%SiO_2$. Major element rock analyses were completed on a selected 361 DT concentrates. Composites of drill core, representing the various mineralized units were assembled and on these composites specific gravity ("SG"), Loss on Ignition ("LOI") and Sulphur ("S") were determined. Trace element analysis was also completed on selected crude, DT concentrates and DT tails. The results of the major element rock analyses, composite results and trace element analyses of DT concentrate and tails were not available for review by WGM.

Quality Control/Quality Assurance measures included in-laboratory repeat and regular analysis of reference standards, repeat analysis on DT concentrates and second laboratory analysis of 72 pulps of crude and DT concentrates. **Lerch Brothers Inc.** ("LBI") performed the second laboratory analysis. LBI determined %TFe on the crude pulps and %TFe and $\%SiO_2$ on the DT concentrates. Good agreement was found between assays done at MRC and LBI, but LBI found the initial samples were contaminated with metallic iron likely derived

from MRC's steel buckboards used for sample pulverization. MRC then ceased sample preparation using the steel buckboards and switched to pulverization using motorized ceramic mortar and pestle and all affected samples were analysed for metallic iron. A correction procedure based on the metallic iron analytical result was then applied to all samples prepared using the buckboard method, adjusting them for metallic iron contamination. This correction procedure was vetted by WGM.

All historical sampling and assaying of geological materials from the Property was conducted by IOCC. WGM understands that IOCC collected grab, channel, bulk, percussion drill chip and diamond drill core samples. However, only a very minimal amount of explicit data describing sampling and assaying procedures conducted by IOCC was accessible. Most head or crude samples were assayed for a number of major elements. Davis Tube concentrates were prepared from samples pulverized to -200 mesh and/or -325 mesh. The IOCC records we have seen, which include diamond drill logs and sampling ledgers, were professionally done. We believe IOCC operated in a professional manner using procedures which were of industry standards at the time the work was conducted.

Some questions regarding the accuracy of Davis Tube weight recoveries and %TFe and $\%SiO_2$ results for samples from historical drillholes from 1968 to 1971, HR-1001D to HR-1047D prevail. The Davis Tube concentrates for drillholes in 1979, HR-1048D to HR-1057D, were prepared with a grind standardized to 100% -325 mesh. The core samples for the earlier drillholes were not prepared using standardized grinding and were pulverized to -200 mesh.

Data Corroboration

WGM completed a site visit to the Property on May 5, 2004, and a second visit during LabMag's 2004 exploration program in October 2004.

Snow cover on the Property during the May visit was deep, exceeding 1.2 m. Because of the snow cover, no outcrops were observed or sampled. Parts of the old IOCC cut grid were located and walked. WGM confirms that the Property includes what IOCC called the Howells River iron deposit(s) and that IOCC performed considerable work to evaluate the economic potential of the Property.

The October site visit was made during drilling operations on the Property. WGM reviewed drilling, core handling and sampling procedures and protocols. WGM confirmed that logging and sampling procedures were appropriate and to industry standard, but recommended shorter sampling intervals and more twin hole drilling with tighter sampling. WGM checked several drill sites for correct location using a hand-held Global Positioning System ("GPS") instrument and confirmed the holes were accurately located. WGM independently collected five second half core samples from 5 rock types. These samples were kept secure and submitted to a second laboratory, **SGS-Lakefield Research** ("SGS") for independent analysis. At SGS, these samples were pulverized to 100% -325 mesh. Head samples were analysed for %TFe and DT concentrates were produced and analysed for iron and silica.

WGM visited the MRC laboratory facility in November 2004 to review the laboratory and quality control procedures of MRC for the handling, analysis and testing of drill core samples sent from the Property by LabMag. WGM's review included the collection of six samples of -10 mesh crushed drill core and 15 duplicate samples of -325 mesh pulp from MRC saves. These samples were shipped to SGS for verification of chemical analysis on head samples, %DTWR and iron and silica in DT concentrates.

Results for analysis of all products at SGS were closely comparable to results obtained on originals analysed at MRC, and confirmed MRC results were good quality and accurate.

Adjacent Properties

WGM is not aware of any immediately adjacent properties of comparable geology and mineralization that are being explored or developed at this time. Recently, **Bedford Resource Partners** ("Bedford") of Toronto staked 99 claims covering 11,767 acres in north central Quebec, 100 miles north of Schefferville. The claims cover the Lac Otelnuk meta-taconite iron ore deposit. Bedford reports a historical resource estimate of 10 to 12 billion tons of 30% Fe.

Exploration for gold, polymetallic sulphides, uranium, nickel and platinum group metals was reported for properties northeast and northwest of Schefffferville in 2004.

The major current iron ore mining areas at Wabush, Labrador City and Mont-Wright are within 250 km of the Howells River property and have been mined since the 1950s and 1960s.

Mineral Processing and Metallurgical Testing

Routine analysis and testing of samples from LabMag's 2004 drill program included mineral processing and metallurgical testing on an individual sample and composite basis. This work was undertaken at MRC.

Historical sample preparation and mineral processing testwork, including Davis Tube tests and liberation studies, were primarily conducted by the IOCC OT&R located in Schefferville. Surface, drill core and bulk samples of Howells River taconite were also sent to the Hibbing (Minnesota) Laboratory of **Hanna Mining Company** ("HMC") for grindability testing.

This OT&R laboratory received and recorded all samples collected by the Development section, including chip and channel samples, split drill core and bulk samples. The expected grade of concentrate from the Howells River taconite produced by laboratory and pilot plant tests is:

% TFe	67 to 69
% P	0.002 to 0.01
% Mn	0.1 to 0.3
% SiO_2	3 to 4
% MgO	Insufficient data
% CaO	Insufficient data
% Al_2O_3	Insufficient data

These historic tests demonstrate that a high quality concentrate can be produced from the Howells River taconite and that more detailed analyses are required. Higher silica levels in commercial plants can normally be reduced by reverse flotation of silica or by hydraulic separation.

Three 10-ton bulk samples were sent by IOCC to the Hibbing Laboratory for batch testing. These bulk samples are composites of surface grab samples collected in 1968 according to three rock types, without identification of the sample locations. They consisted of three rock types, PGC, URC and GUIF (WGM considers that GUIF is likely mislabelled JUIF, or GUIF may have been the term used in the early days), the same terminology used in the drill logs and mapping. Two hundred-pound samples of each composite accompanied the 10-ton samples. The 200-pound samples were used for batch metallurgical tests using standard grinding procedures.

A 200-ton bulk sample was taken in 1970 from one surface pit (28' x 16' x 8' deep) located over drillhole HR-1004D on Section 869, 2+00SW. A 100-ton portion of this bulk sample was ground in an autogenous mill with the magnetite recovered on wet drum magnetic

separators. No details of the test results are given, except for the following comparative analyses to Butler (Minnesota) taconite:

	Howells River	**Butler**
Crude	32.5% TFe	30.1
	24.5% Magnetic Fe	22.0
Concentrate	34.4% Weight Recovery	32.7
	69.7% TFe	69.0
	3.0% SiO_2	3.0
	73.8% Fe Recovery	75.0
Grinding Net KWH/LT	21.0	18.0

It is apparent that OT&R conducted several thousands of DT tests on 5-foot intervals of drill core for most of the 19,909 ft of drilling, except for overburden and slate on the northeast side of the deposit. OT&R also did DT tests on surface grab samples and channel samples, along with portions of bulk samples sent to the Hibbing Laboratory.

WGM concludes on the basis of our review of the metallurgical work carried out that:

- The results for drillholes HR-1026D to HR-1057D and of other samples shows that the expected liberation is 90% at -325 mesh;
- Most DT testing at -200 mesh and all at -325 mesh (few exceptions) gave a DT concentrate with 67%-70% TFe;
- The results of the testing of the 200-pound samples of each of the three rock types at the Hibbing Laboratory showed slightly different liberation and concentrate percent TFe, but considerable differences in the %Wt recovery and %TFe recovery between the three rock types;
- The most complete liberation study by rock types is from the Hibbing Laboratory testing of the complete core from hole HR-1001D, which was grouped according to 9 rock types.

Considerable variations in liberation, %Wt recovery and % TFe recovery occurred between the different rock types. The variability of results from this one centrally located drillhole indicates the importance of testing by rock types and compiling all available related crude and test results;

- Grinds are difficult to compare due to different grinding energies;

The following results highlight some of the differences:

Hardest to grind	LC.
Lowest %Wt Recovery	LIF, LRC, Transition Zone and JUIF.
Highest %Wt Recovery	URC but it had the highest crude grade followed by LC.
%TFe	URC lowest, but coarsest grind (79% at -325); all others in the 68 to 70% range.
TFe Recovery	LC had the highest followed by URC and PGC (ignoring RF which is an anomalous result).

WGM believes that the testwork indicated that:

- Further testing and analyses are required on the DT concentrate from individual rock types for trace elements (Na, K, Ti and S);

- Bulk samples of different rock types to be mined should be tested to determine the grinding power required and to provide concentrate for complete analyses and pelletizing testwork; analyses would also be made on high-grade concentrates for major elements (18) and trace elements (18), which might also be of interest to electric furnace customers;

- Batch grindability tests are required on different rock types using bulk samples to calibrate the batch tests;

- DT tests must be continued on future drill core according to rock types, with more complete analysis of the crude and concentrate samples;

- Individual rock types must be tested until enough data are compiled to determine which stratigraphic units are the highest priority for mining; and

- Compilation of historical test data could help to significantly reduce required future testwork, and every effort should be made to locate and recover this data.

Mineral Resource and Mineral Reserve Estimates

Historical Estimate

One historical resource estimate was completed by Fink (a geologist working for IOCC) in 1972. WGM is aware that other, more recent, Mineral Resource estimates were also completed by IOCC, but these are not available and are confidential. WGM has only seen Fink's summary of method and results and has not seen actual cross sections or level plans with "blocked-out resources". Exact procedures applied are unclear, and any conclusions regarding this estimate are tentative.

The Fink (1972) estimate was based on 47 holes and did not include the ten 1979 drillholes. The holes were drilled along cross section lines at 488 m (1,600 ft) intervals along strike and were located at 975 m (3,200 ft) intervals along the cross section lines. This provided two tiers of holes parallel to strike and separated by 975 m. The northeast tier of holes was collared in Menihek Formation rocks ("MS") while the southwest line of holes was collared in GC or JUIF. All holes were drilled vertically and terminated (with few exceptions) near the base of the Sokoman sequence. The holes were normally sampled in 1.5 m (5 ft) intervals. Fink's estimate considers what IOCC called the Block A and Block B deposits, originally defined on the basis of airborne electromagnetic and magnetic surveys flown in 1971. He also made an estimate for what he called the Isolated Block, between Blocks A and B, and some un-drilled areas between the drilled blocks.

The Block A deposit comprised the northwest part, and the Block B deposit comprised the southeast part, of the same iron formation sequence. Block A extended from Section 965 (in

the northwest) to Section 853 (southeast), a strike length of 3,414 m (11,200 ft). Block B extended southeast from Section 753 to the IOCC property Block 1 - LM&E Block 98 boundary in the southeast, a strike distance of approximately 2,896 m to 2,987 m (9,500 ft to 9,800 ft). The Isolated Block extended from section 821 to section 789, a strike distance of 975 m (3,200 ft).

Fink used a tonnage factor of 10.77 ft^3 per long ton ("LT") for all estimates. WGM believes this figure was derived from SG determination of 3.33 based on 74 core samples. WGM believes that the application of this SG is appropriate for this level of estimate for all of the oxide iron formation without discrimination based on rock unit.

Fink's resource estimates for Block A and B are summarized in below.

Summary - Historical Resource Estimate for IOCC Blocks A & B Deposits, After Fink (1972)

Criteria	Mineralization (Long Tons millions)			Total Stripping (Cubic Yards)		
Cutoff	30% DTWR	32% DTWR	34% DTWR	Iron Formation	Menihek Formation	Total
No Stripping	643.0	404.1	234.9	-	-	-
Stripping	1,065.0	561.2	280.5	32.6	258.7	291.3
Total	**1,708.0**	**965.3**	**515.4**			

Fink estimates a total potential of 2.12 billion LT (including the Isolated Block and un-drilled gaps) at a possible grade of 30% DTWR or better for the Howells River deposit(s), extending from the northwest end of Block A to the southeast end of Block B. This figure includes some resources under the Menihek shales along the northeast edge of the drilled area, and some internal waste.

Although WGM believes that the general approach for resource estimation undertaken by Fink was reasonable, much of the detailed information is not available. WGM also notes that Fink's estimate does not include all the drilling completed, includes un-drilled sections of the same stratigraphy between Blocks A and B and that no economic criteria were employed to determine cutoff %DTWR or amounts of Menihek and internal waste permissible. Although

WGM believes that Fink's estimates closely resemble Inferred Resources, WGM has not verified these historical resource estimates and therefore they are not in accordance with NI 43-101.

Geostat's 2005 Mineral Resource Estimate and WGM's Audit

Geostat was retained by LabMag to carry out an updated categorized Mineral Resource estimate of the Howells River iron deposit. LabMag provided Geostat with a geological interpretation and the database for 127 drillholes, which included 57 old holes from the 1960s. Geostat and LabMag jointly compiled a set of documents/material and supporting digital data and WGM was requested to audit the Mineral Resource estimate and to complete this NI 43-101 report.

The deposit was divided by LabMag into Block A, located in the northwest portion of the deposit, and Block B, which incorporates the remainder of the deposit to the south. The Mineral Resource estimate includes only iron mineralization within Block A. For the Howells River deposit, it was decided that two distinct drilling patterns/densities were included inside Block A, and hence two Mineral Resource categorizations were appropriate. It was decided to classify the Mineral Resources in the area of regular drilling as Indicated, with the remainder of the Mineral Resources in Block A classified as Inferred.

WGM did not generate any new geological interpretations, however, we have reviewed the information supplied by Geostat and LabMag and we are satisfied with the interpretation. WGM's audit of the Howells River iron deposit Mineral Resource estimate included, but was not limited to:

- Review of all pertinent geological and Mineral Resource estimate reports, memos and e-mails;
- Import into Gemcom Software International Inc.'s GEMS exploration mining software system, to review and validate the database, solids (wireframes) and surfaces created by LabMag and Geostat;

- Review of the statistical and geostatistical analysis completed by Geostat and a check of the composite calculation of raw assays;
- Validation of the surfaces/solids against geological coding and interpretation;
- Import, review and validate the block model created by Geostat;
- Visual inspection and comparison on cross sections of the block model and the drillhole grades and codes for accuracy;
- Validation of the grade interpolation by independent generation of an IVD[1]; and,
- Verification of the reporting of the Mineral Resources.

WGM concluded from its audit of the Mineral Resource estimate that, in general, the database was in good order and no errors were identified that would have a significant impact on the estimate. The WGM block model checks compared well with the Geostat Mineral Resource estimate, with only minor differences, due primarily to the different software used and differences in the techniques employed for grade interpolation. Accordingly, WGM is satisfied with, and endorses, the Geostat Mineral Resource estimate as stated. The WGM audited and approved Mineral Resource estimate is summarized below:

Howells River Iron Deposit Mineral Resource Estimate for Block A (using a DTWR cutoff grade of 20%)

Resource Classification	Tonnes (millions)	DTWR%	%Fe Head	%Fe Concentrate	$\%SiO_2$ Concentrate
Indicated	1,045.1	27.8	30.0	69.4	2.34
Inferred	760.7	25.7	30.0	69.3	1.60

The Mineral Resources for the Howells River iron deposit were estimated by Geostat by inverse distance to the power of one ("IVD[1]") and checked by ordinary kriging ("OK") within each individual strata/layer or seam. This geological interpretation was supplied to Geostat by LabMag as triangulated surfaces of these contacts. The assay values were composited into intervals of regular length (5 m) on a per seam basis. Geostat used a 3-D block modelling method to determine the Howells River iron deposit Mineral Resources. Each block was assigned grades by interpolating the grades from the surrounding 5 m composites. Blocks were 25 m (NE) by 50 m (NW) by 13 m (vertical) in size.

LabMag based its cutoff grade on capital and operating costs and technical assumptions developed as part of an internal Scoping Study. These costs and assumptions are based on experience of LabMag personnel, assumed costs and production rates at similar operations in North America. WGM reviewed a draft version of this study and found the costs and assumptions to be reasonable and to support the 20% DTWR cutoff grade.

WGM reviewed Geostat's statistics and re-generated selected statistical analysis using GEMS software using the supplied database and found no major differences. All variogram components were modelled with a spherical model equation. A single search ellipsoid was used for all the variables in all the seams and was as follows: 500 m by 500 m by 50 m, dipping 6° toward the local east (or to the UTM northeast). The variograms were reviewed by WGM and were found to be properly constructed and interpreted.

After a review of the available SG data, WGM concluded that the historical SG dataset slightly underestimates the true SGs and therefore slightly underestimates the tonnage. We are of the opinion that the use of the historical SG values is therefore conservative and we recommend that more SG determinations be done during the next drilling phase, however, we accept the values used for this stage in the Mineral Resource estimation process.

WGM also performed an analysis of the twin hole results using data provided by LabMag. WGM believes that, given the results from the twin hole drilling and sample results, more twin holes are necessary to more definitely establish the relationship between historical -200 mesh, IOCC 1979 -325 mesh and LabMag's 2004 -325 mesh data. We are also of the opinion that LabMag's procedure for adjusting the historical analytical results is likely satisfactory for Mineral Resources classified as Indicated and Inferred Mineral Resources, but more definitive results are required if mineralization is going to be classified as Measured Mineral Resources.

Conclusions and Recommendations

- The Property contains the Howells River magnetic taconite deposits explored and evaluated by IOCC in a highly professional manner from mid-1960s to 1980. The Property is located on the western margin of the Labrador Trough and the iron formation constituting the deposit is in the Sokoman Formation, the main iron formation unit in the Trough;

- IOCC conducted various work programs including: prospecting, mapping, grab and channel surface sampling, diamond drilling, bulk sampling, metallurgical testing, resource estimation and feasibility studies on magnetic taconite iron-formation on the Property before withdrawing from the Schefferville area in 1982. Some of this data remains confidential or not for commercial use;

- A total of 57 diamond drillholes was completed by IOCC. The holes were spaced 975 m (3,200 ft) apart on section with 488 m (1,600 ft) between sections. These holes were sampled in 1.52 m (5 ft) intervals. Head assays were completed for iron and silica and other oxides and Davis Tube concentrates were prepared from pulverized samples of most of the drill core. For most of the drilling prior to 1979, grinding was to -200 mesh. The 1979 samples were ground to -325 mesh. Results show that the magnetite grade varies along strike and down dip but is essentially controlled by stratigraphy;

- Metallurgical testwork completed by IOCC and HMC demonstrates that a high quality magnetic concentrate can be produced by standard industrial processes or treatment;

- The expected grade and recovery of concentrate from the Howells River taconite based on laboratory testwork and one pilot plant test are:

%TFe	67 to 69	
% P	0.002 to 0.01	%CaO, MgO and Al_2O_3 not complete
% Mn	0.1 to 0.3	
% SiO_2	3 to 4	
%Wt Recovery	30-31	

- Geostat completed a Mineral Resource estimate for the Property using all of the historical and new data. The table below summarizes Geostat's estimate; and,

Howells River Iron Deposit Mineral Resource Estimate for Block A (using a DTWR cutoff grade of 20%)

Resource Classification	Tonnes (millions)	DTWR%	%Fe Head	%Fe Concentrate	%SiO_2 Concentrate
Indicated	1,045.1	27.8	30.0	69.4	2.34
Inferred	760.7	25.7	30.0	69.3	1.60

- WGM completed an audit of the Geostat Mineral Resource estimate and accepts the numbers as supplied.

WGM makes the following recommendations:

- The project operator should prepare a technical report at the conclusion of each phase of exploration providing full description of the work program parameters and results with recommendations;
- The analytical database should be expanded to include all historical and new chemical data;
- More research on SG for the various rock types and types of mineralization are necessary during the next phase of field work. Parts of the deposit for which lower than nominal SGs prevail need to be blocked out;
- More twin hole drilling is required to determine functions for adjusting historical drillhole sample results to improve compatibility with recent results;

- A "statistical cross" should also be completed in order to better understand the variability over short ranges and to aid in defining required drillhole spacing for definition of Measured Resources (for eventual conversion to Proven Reserves);
- A search should be made of Government of Newfoundland and Labrador assessment office to ascertain whether historical geological mapping is available for improving geological modelling for the Property;
- QA/QC efficacy could be improved if Standards were available in the field for insertion into the sample stream. Consideration should be given to making up a series of Standards of various %TFe by fine crushing, homogenization and repeat analyses of sizeable samples of iron formation from the Property;
- Sample preparation should be standardized using a chrome steel shatterbox pulverizer; and
- Chemical analysis and metallurgical testwork should be conducted by an ISO certified laboratory;
- Metallurgical studies for the deposit require updating based on new chemical data on Davis Tube concentrates acquired in 2004, and historical data; and
- The distribution of %TFe, $\%SiO_2$, other major and trace elements and thickness parameters for each rock unit needs to be studied and evaluated on the basis of horizontal projection on a rock unit by rock unit basis to establish trends and discontinuities in pattern to confirm or refute historically inferred patterns.

LabMag has developed a program with a budget in conjunction with WGM to advance the project. The proposed program consists of:

1. A diamond drilling program of 8,000 m of NQ drilling in approximately 120 drillholes. The 2005 drill program is designed to increase the Indicated and Inferred Mineral Resources and to convert Indicated Mineral Resources to the Measured category;

2. A bulk sampling program and metallurgical testing to develop a concentrating plant flowsheet, determine grinding energy and power requirements, equipment sizing and capital and operating costing. Concentrate will be produced for pelletizing, to establish

parameters for pelletizing process development and to produce material for samples to be sent to steel makers for their internal testing programs;

3. Technical and economic scenarios will be developed that include estimates of capital and operating costs and a more detailed marketing study than that performed in the scoping study. These studies will be part of an exercise to determine the expected return on investment of a minimum 35 million tonne/year mining and 10 million tonne/year pelletizing operation and identify all the steps, schedule and studies required to complete the preliminary feasibility and permitting stage for a project;

4. An updated geological interpretation and Mineral Resource estimate for the deposit using all of the available drillhole, analytical and testwork data from previous work and component 1 above. The Mineral Resource estimation component will include: data compilation, inputting and validation; geological reviews and interpretation (including plotting), 3-D modelling of zones and surfaces, statistical and Geostatistical analyses, variography and block (grade) modelling and classification and reporting of Mineral Resources;

5. Additional Lerch Grosman (or Whittle^{TM}) runs on the block model from component 4 above using a range of conservative and optimistic cost and revenue scenarios from component 3 above to assess potential ore and waste tonnages and waste:ore stripping ratios.

6. The preliminary feasibility study will provide the information required to assess whether the LabMag deposit can compete in the market place;

7. Continue collection of baseline data for the EIA study; and

8. Prepare and submit Project Description to Government Authorities for EIA process initiation, and start the process for Environmental permitting.

The estimated cost of this program, excluding the marketing, EIA process including permitting, and the preliminary feasibility study.

The proposed program assumes the results of the internal Scoping Study in progress is positive. The proposed program spans and adjusts previously proposed Phases II and III in WGM's previous report dated May 31, 2004, Amended June 21, 2004.

Proposed Exploration and Development Program Phase II
Howells River Property

Part A – Drilling	Cost ($)	**Total Cost ($)**
Contract drilling, mobilization, demobilization and consumables approximate 80 holes aggregating 8,000 m	$1,220,000	
Site infrastructure – roads, bridge, camp, core shack, office, water, power, etc.	352,000	
Field Labour & Supplies – Geologist, helpers, cook, temporary labourers, consumables etc.	695,800	
Surveying	30,000	
Drill core Sample Transportation & Storage at Lab	50,000	
Drill core Analysis	190,000	
Audit checks	20,000	
Metallurgical testing	40,000	**$2,597,800**
Cost per metre: ~$150		
Part B - Bulk Sampling Program and Metallurgical Testing		
Bulk Sampling of 250 Tonnes	250,000	
Transportation & Storage of Bulk Sample at Lab	115,000	
Pilot Plant Testing and analysis	250,000	
SAG Grinding tests	72,000	
Concentrate and Pellet Production	100,000	
Metallurgical Consultants	300,000	
Test Reports	75,000	**1,162,000**
Part C - Geotechnical Field Work for Planning and Design		
Aerial Photography	15,000	
Base Map production, 1 m contours	50,000	
Mine, Plant site and Tailings area	150,000	
Pipeline	500,000	
Power Transmission Line	100,000	
Pellet Plant and Water disposal and yard	100,000	
Dock	100,000	**1,015,000**
Part D - Engineering and technical –Mine Planning & Mineral Resource Estimate Update		
Mine Planning	200,000	
Mine Planning Technician	120,000	
Geostatistics, Magnetic Survey	15,000	
Resource estimate QP	45,000	
Report drafting, plotting etc.	50,000	
Mine Planning Software	50,000	
Whittle Runs	25,000	**505,000**
Total (say)		**$5,279,800**