

New Millennium Capital Corp.



ANNUAL REPORT 2004

LETTER TO SHAREHOLDERS

Robert Martin

President and Chief Executive Officer

By all accounts, 2004 was a successful year and as we look ahead to 2005 we expect continued success for New Millennium and its stakeholders. Our share price performance affirms that New Millennium is on track, with the right project, the right people and the right strategies for the challenges and opportunities that lie ahead.

Accomplishments

During the first quarter of 2004, the Corporation began trading as a Capital Pool Corporation on the TSX Venture Exchange at an opening share price of \$0.18. The significant activities were the establishment of Guidelines for Investment, the identification of a potential Qualifying Transaction and the establishment of the Corporation's Corporate Governance and Nominating/Assessment Committees.

In the second quarter of 2004, the proposed acquisition of the LabMag Iron Ore Project was announced and negotiations were completed relating to the structure of the acquisition and holding of the property. These agreements lead the way to the successful execution of a purchase agreement for an 80% undivided interest of the property. During this period a National Instrument 43-101 compliant technical report was also completed by Watts, Griffis & McQuat and financing activities were started to raise \$5,750,000 to develop the property.

The significant third quarter activities were the acquisition of the property as the Corporation's Qualifying Transaction - nine months after the completion of the Corporation's Initial Public Offering on December 11, 2003. New Millennium also strengthened its balance sheet at that time by completing the \$5,750,000 private placement. Special corporate governance initiatives relating to management changes and the appointment of an additional outside director were other important features of third quarter activities.

During the fourth quarter, drilling activities that had commenced in early September were concluded. A total of 72 diamond drill holes (5,408 meters) were completed. Including the previous drilling by the Iron Ore Company of Canada, the total diamond drilling on the property is now 129 vertical holes (11,476 meters). The results of this drilling, which are currently being evaluated, show the existence of large continuous areas of magnetite iron mineralization at, or close to, the ground surface and support the earlier geological interpretation and favourable tenor of mineralization reported by the Iron Ore Company.

The controlling objective of the year 2004 field program was to establish, in accordance with current standards, a minimum indicated resource sufficient in size to supply a 10 million tonne per year iron ore concentrator and pellet plant for 20 years. We will only know if we have achieved this objective when the geological and economic modeling, preliminary pit design and resource estimate is completed during the second quarter of 2005. Nevertheless, our preliminary observations lead us to believe that we are close to achieving this ambitious goal.

The environmental work that was done on the LabMag Project in early 2004 related to the compilation and preparation of final reports regarding the baseline field data that was collected in 2003. These studies concerned fish and lake water quality, meteorology and archaeology. A report on avifauna and terrestrial wildlife and flora had been tabled earlier in 2003.

Following the identification and acquisition of the LabMag Project in August 2004 an independent consultant, Golder Associates Ltd., was hired to establish an environmental road map for the LabMag Iron Ore Project. This road map outlined, to the extent it is possible to do so, all of the environmental

work that will need to be completed in order to receive approval of the environmental impact statement (EIS) for the overall project. This work is estimated to cost between \$8 to \$10 million dollars and will take a minimum of 18 months to complete thereby making it one of the critical activities leading up to overall project approval. Subsequent to 2004, in January 2005, Paul Wilkinson & Associates Inc. was mandated by New Millennium to coordinate the environmental and social affairs of the LabMag Project.

The marketing effort, which started during the latter part of 2004, focused on the identification of steel companies in Asia, Europe and North America that could be targeted as potential investors and/or customers. Subsequent to year end, preliminary meetings were held with senior executives at most of the targeted steel companies. The response to the project has been very positive and will lead to further communications and potential future business arrangements as the project moves into a more advanced stage.

Future Goals

A great deal was accomplished in a relatively short period during 2004 and your management has every expectation that 2005 will be another year of accomplishment and success.

Our goals for 2005 are:

1. Establish a minimum indicated resource of sufficient tonnage to produce 10 million tonnes of pellets per year for 20 years.
2. Complete bulk sampling, metallurgical testing and preliminary flow-sheet development.
3. Initiate capital and operating cost estimates, to an accuracy of $\pm 25\%$, that are based on a certified indicated resource with a view to completing a pre-feasibility study by the first quarter of 2006.
4. Establish expressions of interest from steel companies for long-term sale contracts.
5. Submit the overall project description to the environmental authorities and initiate the preparation of the required EIS with a view to tabling same during the first quarter of 2006.

The positive attainment of 2005 goals will position the Corporation to complete the final pre-construction stage, a bankable feasibility study, by mid 2007. These goals are ambitious, but I am confident that your management has the experience and the tenacity to ensure success.

Outlook

The iron ore market is currently being driven by China. At least 90% of global growth in iron ore sales is expected to be a direct consequence of future Chinese demand. Thus any negative change in the development of Chinese demand will have immediate repercussions on the iron ore market, the balance of which could easily shift from shortage to surplus. On the other hand, the current high demand situation has resulted in an unprecedented 86% rise in the price of pellets. A change of this magnitude is very significant for a project like the LabMag. This is because the project's expected revenue increases while its operating cost has virtually no increase.

We cannot reasonably expect iron ore prices to remain at this level as supply and demand will eventually come into balance and most likely stabilize price at a slightly lower level. However, we consider the current increase in the price as a signal from the market that new greenfield projects, like the LabMag,

will be necessary to meet future steel industry growth. It takes about 10 years to develop a major iron ore deposit. The LabMag project is an advanced situation, owing to the work completed by ourselves and previous operators. As a consequence, it has the potential, subject to positive feasibility studies and financing, to place iron ore pellets, on the market within 5 years.

Acknowledgements

I would like to thank our employees and consultants whose efforts during the past year have translated into the successful accomplishments described above and whose continuing and dedicated effort will lead to the achievement of our 2005 goals. I would also like to thank our shareholders for their understanding and support in 2004 and for their continued association, cooperation and support in 2005.

Yours truly,

NEW MILLENNIUM CAPITAL CORP.

“Robert A. Martin”

Robert A. Martin
President and Chief Executive Officer

New Millennium Capital Corp.
Consolidated Financial statements
December 31, 2004

Contents

	<u>Page</u>
Auditors' Report	1
Consolidated Statements of Loss and Deficit	2
Consolidated Balance Sheets	3
Consolidated Statements of Cash Flows	4
Notes to the Consolidated Financial Statements	5-14

Auditors' Report

To the Shareholders of
New Millennium Capital Corp.

We have audited the consolidated balance sheets of **New Millennium Capital Corp.** as at December 31, 2004 and 2003 and the consolidated statements of loss and deficit and cash flows for the year ended December 31, 2004 and the period ended December 31, 2003. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2004 and the results of its operations and cash flows for the year ended December 31, 2004 and the period ended December 31, 2003 in accordance with Canadian generally accepted accounting principles.

(Signed) "Grant Thornton LLP"

Calgary, Alberta
March 30, 2005

Chartered Accountants

New Millennium Capital Corp.
Consolidated Statements of Loss and Deficit

	2004	2003 (Note 11)
Revenue		
Interest	\$ <u>22,157</u>	\$ _____ -
Expenses		
General and administrative	292,505	176
Professional fees	75,101	3,816
Depreciation	6,735	-
Evaluation expenses	16,447	-
Stock-based compensation	<u>796,500</u>	_____ -
	<u>1,187,288</u>	_____ 3,992
Loss before income taxes	(1,165,131)	(3,992)
Income tax recovery – future	<u>192,402</u>	_____ -
Net loss	\$ <u>(972,729)</u>	\$ <u>(3,992)</u>
Loss per share – basic and diluted	\$ <u>(0.06)</u>	\$ <u>(0.00)</u>
Weighted average number of shares outstanding	<u>17,260,656</u>	<u>1,715,069</u>
<hr/>		
Deficit, beginning of period	\$ (3,992)	\$ -
Net loss	<u>(972,729)</u>	_____ (3,992)
Deficit, end of period	\$ <u>(976,721)</u>	\$ <u>(3,992)</u>

See accompanying notes to the consolidated financial statements.

New Millennium Capital Corp.

Consolidated Balance Sheets

December 31 2004 2003
(Note 11)

Assets

Current

Cash and cash equivalents	\$ 3,317,664	\$ 760,825
Receivables	<u>280,138</u>	<u>-</u>
	<u>3,597,802</u>	<u>760,825</u>

Property and equipment (Note 4)

50,700 -

Mineral properties (Note 5)

4,529,538 -

4,580,238 -

\$ 8,178,040 \$ 760,825

Liabilities

Current

Payables and accruals	\$ 223,674	\$ 20,864
-----------------------	------------	-----------

Future income taxes (Note 6)

2,079,396 -

2,303,070 20,864

Shareholders' Equity

Capital stock (Note 8)	6,055,191	743,953
------------------------	-----------	---------

Contributed surplus	796,500	-
---------------------	---------	---

Deficit	<u>(976,721)</u>	<u>(3,992)</u>
---------	------------------	----------------

5,874,970 739,961

\$ 8,178,040 \$ 760,825

On behalf of the Board

(Signed) "Robert A. Martin" Director (Signed) "William Almdal" Director

See accompanying notes to the consolidated financial statements.

New Millennium Capital Corp.

Consolidated Statements of Cash Flows

	2004	2003 (Note 11)
Increase (decrease) in cash and cash equivalents		
Operating		
Net loss	\$ (972,729)	\$ (3,992)
Future income tax recovery	(192,402)	-
Depreciation	6,735	-
Stock-based compensation	<u>796,500</u>	<u>-</u>
	(361,896)	(3,992)
Change in non-cash working capital (Note 7)	<u>(77,328)</u>	<u>20,864</u>
	<u>(439,224)</u>	<u>16,872</u>
Financing		
Issuance of common shares	5,770,000	900,000
Share issue costs	<u>(530,714)</u>	<u>(156,047)</u>
	<u>5,239,286</u>	<u>743,953</u>
Investing		
Purchase of property and equipment	(57,435)	-
Additions to mineral properties	<u>(2,185,788)</u>	<u>-</u>
	<u>(2,243,223)</u>	<u>-</u>
Net increase in cash and cash equivalents	2,556,839	760,825
Cash and cash equivalents,		
Beginning of period	<u>760,825</u>	<u>-</u>
End of period	\$ <u>3,317,664</u>	\$ <u>760,825</u>

See accompanying notes to the consolidated financial statements.

New Millennium Capital Corp.

Notes to the Consolidated Financial Statements

December 31, 2004

1. Nature of operations

New Millennium Capital Corp. (the "Company") was incorporated pursuant to the provisions of the Alberta Business Corporations Act on August 8, 2003. The Company was classified as a capital pool company as defined pursuant to TSX Venture Exchange Policy 2.4. During the year, the Company completed its Qualifying Transaction as outlined in Note 3.

The Company is in the process of exploring and evaluating its mineral properties and projects and has not yet determined whether its properties and projects contain ore reserves that are economically recoverable. The recoverability of amounts shown for mineral properties and deferred exploration costs is dependent upon the ability of the Company to obtain necessary financing to complete the exploration, development and discovery of economically recoverable reserves in the mineral property, renewal of the underlying mineral claims, and future profitable production of these reserves or sufficient proceeds from the disposition thereof.

2. Summary of significant accounting policies

The accounting policies of the Company are in accordance with Canadian generally accepted accounting principles.

Principles of consolidation

These consolidated financial statements include the accounts of the Company, its wholly-owned subsidiary Labmag Services Inc., 80% owned subsidiary, Labmag GP Inc. and its 80% interest in Labmag Limited Partnership.

Use of estimates

The preparation of the financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from and affect the results reported in these financial statements.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and balances with banks and short-term investments with original maturities of three months or less.

New Millennium Capital Corp.

Notes to the Consolidated Financial Statements

December 31, 2004

2. Summary of significant accounting policies (Continued)

Mineral property expenditures

Costs relating to the acquisition, exploration and development of mineral properties are capitalized on an area of interest basis. These expenditures will be charged against income, through unit of production depletion, when properties are developed to the stage of commercial production. If an area of interest is abandoned, or management determines that there is a permanent and significant decline in value, the related costs are charged to operations. The Company reviews the carrying values of mineral property interests on a quarterly basis by reference to the project economics, including the timing of the exploration and/or development work, the work programs and exploration results experienced by the Company and others, and the extent to which optionees have committed, or are expected to commit to, exploration on the property. When it becomes apparent that the carrying value of the property exceeds its estimated net recoverable amount based on the foregoing criteria, an impairment provision is made for the other than temporary decline in value.

Property and equipment

Property and equipment are recorded at cost and include office furniture, fixtures, equipment, computer hardware and software and are amortized straight-line over the useful life of the asset ranging from 18 to 60 months.

Income taxes

Income taxes are recorded using the liability method of tax allocation. Future income taxes are calculated based on temporary timing differences arising from the difference between the tax basis of an asset or liability and its carrying value using tax rates anticipated to apply in the periods when the timing differences are expected to reverse. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment or enactment occurs. To the extent that the Company does not consider it more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

Flow-through common shares

Resource expenditure deductions for income tax purposes related to exploration and development activities funded by flow-through share arrangements are renounced to investors in accordance with income tax legislation. Future income tax liability is increased and capital stock is reduced by the estimated tax benefits transferred to shareholders.

New Millennium Capital Corp.

Notes to the Consolidated Financial Statements

December 31, 2004

2. Summary of significant accounting policies (Continued)

Stock options

The Company has a stock option plan as described in Note 8(c). Effective January 1, 2004, the Company has adopted the fair value method of recognizing all stock-based compensation awards (including stock options), including those made to employees, consultants, officers and directors of the Company.

Financial instruments

The carrying amounts of cash and cash equivalents, receivables and payables approximate the fair values of those financial instruments due to the short-term maturity of such instruments.

Asset retirement obligations

During the course of acquiring and exploring potential mining properties, the Company must comply with government regulated environmental evaluation, updating and reclamation requirements. The costs of complying with these requirements are capitalized as incurred. The carrying value will be amortized over the life of the related assets on a unit-of-production basis and the related liabilities are accreted to the original value estimate. Asset retirement obligations, if any, cannot be determined at this time and no amount has been recorded in these financial statements.

Earnings (loss) per share

Basic earnings (loss) per common share is computed by dividing the net earnings (loss) by the weighted average number of common shares outstanding for the year. Diluted per share amounts reflect the potential dilution that could occur if securities or other contracts to issue common shares were exercised or converted to common shares. For the years presented this calculation proved to be anti-dilutive. The treasury stock method is used to determine the dilutive effect of stock options and other dilutive instruments. Under the treasury stock method only "in-the-money" dilutive instruments impact the dilution calculations.

New Millennium Capital Corp.

Notes to the Consolidated Financial Statements

December 31, 2004

3. Acquisition and qualifying transaction

Pursuant to an Asset Purchase Agreement, the Company acquired an 80% interest in 256 mineral licenses, known as the Labmag Property, that are located in Western Labrador, Canada for the following consideration:

Cash	\$	400,000
6,000,000 Common shares		<u>1,500,000</u>
	\$	<u>1,900,000</u>
Assets acquired	\$	2,743,750
Less future income taxes		<u>(843,750)</u>
	\$	<u>1,900,000</u>

The licenses were acquired from a company related by virtue of two directors of New Millennium Capital Corp. owning 40% of the shares of the vendor.

The acquisition was recorded at the fair market value of the mineral interests. The terms of the purchase were negotiated with the vendors by an independent committee of the directors who had no interest in the assets acquired.

In addition, the transaction was completed using Section 85(1) of the Income Tax Act of Canada and as a result the adjusted cost base for tax purposes was agreed to be \$400,000.

4. Property and equipment

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>2004 Net Book Value</u>	<u>2003 Net Book Value (Note 11)</u>
Office furniture and equipment	\$ <u>57,435</u>	\$ <u>6,735</u>	\$ <u>50,700</u>	\$ <u>-</u>

New Millennium Capital Corp.

Notes to the Consolidated Financial Statements

December 31, 2004

5. Mineral properties	2004	2003 (Note 11)
Mineral licenses	\$ <u>2,743,750</u>	\$ _____ -
Geological and evaluation	126,878	-
Legal fees	181,205	-
Site infrastructure	212,660	-
Field labour and supplies	162,400	-
Engineering	88,620	-
Mapping	12,531	-
Drilling	899,006	-
Analysis	93,272	-
Environmental	<u>9,216</u>	_____ -
	<u>1,785,788</u>	_____ -
	\$ <u>4,529,538</u>	\$ _____ -

Represents the Company's investment in the Labmag Property located in western Labrador, Canada.

6. Income taxes

The Company has recorded future income tax liabilities and a future income tax recovery arising from temporary differences between accounting values and tax base values of various net capital assets of the Company as follows:

	2004	2003 (Note 11)
Loss before income taxes	\$ <u>(1,165,131)</u>	\$ <u>(3,992)</u>
Combined federal and provincial tax rate	<u>36%</u>	<u>39%</u>
Computed income tax expense (recovery)	\$ (419,447)	\$ (1,557)
Stock-based compensation	286,739	-
Share of issue costs	(49,447)	(12,172)
Other items	2,425	-
Unrecorded future tax benefit	<u>179,730</u>	<u>13,729</u>
Provision for income taxes	\$ _____ -	\$ _____ -

New Millennium Capital Corp.
Notes to the Consolidated Financial Statements
December 31, 2004

6. Income taxes (Continued)

The future tax liabilities at December 31, 2004 are summarized as follows:

	<u>2004</u>	<u>2003</u> (Note 11)
Mineral properties	\$ 2,458,350	\$ -
Non-capital losses carried-forward	(192,402)	(13,729)
Share issue costs	<u>(186,552)</u>	<u>-</u>
	\$ <u>2,079,396</u>	\$ <u>(13,729)</u>
Valuation allowance	\$ <u>-</u>	\$ <u>13,729</u>
Future income tax liability	\$ <u>2,079,396</u>	\$ <u>-</u>

The Company has non-capital tax losses of approximately \$534,000 (2003 - \$35,000) which are available to reduce future taxable income. These losses expire as follows:

2010	\$ 35,000
2011	\$ 499,000

7. Supplemental cash flow information

	<u>2004</u>	<u>2003</u> (Note 11)
Changes in non-cash operating working capital:		
Receivables	\$ (280,138)	\$ -
Payables and accruals	<u>202,810</u>	<u>20,864</u>
	\$ <u>(77,328)</u>	\$ <u>20,864</u>

There were no income taxes or interest paid in 2004 or 2003.

During the year, the Company issued 6,000,000 common shares as partial consideration for the purchase of mineral interests (see Note 3).

New Millennium Capital Corp.

Notes to the Consolidated Financial Statements

December 31, 2004

8. Share capital

a) Authorized:

Unlimited number of common shares

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

b) Issued:

	<u>Number</u>	<u>Amount</u>
Common shares		
Balance, August 8, 2003	-	\$ -
Issued by private placement under escrow	2,000,000	100,000
Initial public offering	8,000,000	800,000
Share issue costs	-	<u>(156,047)</u>
Balance, December 31, 2003	10,000,000	743,953
Issued on acquisition of mining claims	6,000,000	1,500,000
Issued for cash	5,000,000	1,250,000
Issued for cash on a flow-through basis	15,000,000	4,500,000
Tax effect of flow-through shares	-	(1,614,600)
Issued on exercise of stock options	200,000	20,000
Share issue costs	-	(530,714)
Tax effect of share issue costs	-	<u>186,552</u>
Balance, December 31, 2004	<u>36,200,000</u>	<u>\$ 6,055,191</u>

c) Stock options

The Company has 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.

A summary of the Company's stock option plan and changes during the periods then ended is as follows:

	<u>2004 Average Price</u>		<u>2003 Average Price</u>	
Balance, beginning of period	<u>1,800,000</u>	<u>\$ 0.10</u>	-	\$ -
New options granted	<u>4,550,000</u>	<u>\$ 0.31</u>	1,800,000	\$ 0.10
Options exercised	<u>(200,000)</u>	<u>\$ 0.10</u>	-	\$ -
Balance, end of period	<u>6,150,000</u>	<u>\$ 0.26</u>	<u>1,800,000</u>	<u>\$ 0.10</u>
Balance exercisable	<u>6,100,000</u>	<u>\$ 0.26</u>	<u>1,800,000</u>	<u>\$ 0.10</u>

New Millennium Capital Corp.

Notes to the Consolidated Financial Statements

December 31, 2004

8. Share capital (Continued)

c) Stock options (Continued)

Options outstanding as at December 31, 2004:

<u>Exercise Price</u>	<u>Number of Outstanding</u>	<u>Remaining Contractual (years)</u>
\$0.10	1,600,000	2.6
\$0.30	4,080,000	3.1
\$0.36	225,000	4.7
\$0.47	<u>245,000</u>	<u>4.8</u>
	<u>6,150,000</u>	<u>3.1</u>

The weighted average fair value at the date of grant for stock options granted during the current year was \$0.18 per share. The fair value of each option was estimated on the date of grant using the Black-Scholes model.

Risk-free interest rate	4%
Expected life	4.5 years
Estimated volatility in the market price of the common shares	90%
Dividend yield	Nil

Subsequent to December 31, 2004, 600,000 shares were issued on the exercise of stock options.

d) Escrow

Pursuant to an escrow agreement, 7,200,000 common shares are held in escrow at December 31, 2004. 1,200,000 common shares will be released each six-month anniversary of the final exchange bulletin of the qualifying transaction until all common shares have been released from escrow.

e) Capital stock offering

On August 11, 2004, the Company completed a private offering whereby 5,000,000 regular units were issued at a price of \$0.25 per unit for gross proceeds of \$1,250,000 and 15,000,000 flow-through units were issued at a price of \$0.30 per unit for gross proceeds of \$4,500,000. Each regular unit consisted of one common share and one common share purchase warrant of the Company exercisable at \$0.40 per warrant. Each flow-through unit consisted of one flow-through common share and one common share purchase warrant of the Company exercisable at \$0.50 per share. The agents of the offering were paid agency fees of \$460,000 and were granted 2,000,000 common share options exercisable at a price of \$0.30 per share. These agent options expire February 10, 2006.

New Millennium Capital Corp.

Notes to the Consolidated Financial Statements

December 31, 2004

8. Share capital (Continued)

f) Share purchase warrants

As at December 31, 2004, the Company had share purchase warrants outstanding for the issue of up to 5,000,000 common shares at \$0.40 and 15,000,000 common shares at \$0.50 to August 10, 2005.

Subsequent to December 31, 2004, 162,000 shares were issued on the exercise of warrants.

9. Contingency and commitments

After undertaking the issuance of flow-through shares in 2004, the Company fulfilled its spending commitments by incurring in excess of \$1,400,000 on Canadian properties for the current year. The Company has spending commitments of \$3,085,000 by December 31, 2005. If the company is not able to fulfil this commitment Canadian Exploration Expenses (CEE) renounced in 2004 will be rescinded.

The Company has entered into a lease for office premises to August 31, 2006 with annual payments of \$12,448 in 2005 and \$8,300 in 2006, prior to operating costs and related estate taxes.

The Company is committed through Labmag Limited Partnership to pay a royalty of 2.33% of gross revenues from the mineral interests acquired as outlined in Note 3. Under certain conditions this royalty may be reduced to 2.0% by August 2006.

10. Related party transactions

The Company through the Limited Partnership incurred the following transactions with companies controlled by directors.

Deferred exploration costs	\$	15,490
Professional fees	\$	2,900

In addition, the Company purchased an 80% interest in mineral claims from a Company related by virtue of two directors of New Millennium Capital Corp. owning 40% of the shares in the vendor company.

These transactions, concluded in the normal course of operations, were measured at the exchange amount, which is the amount established and accepted by the parties.

New Millennium Capital Corp.

Notes to the Consolidated Financial Statements

December 31, 2004

11. Comparative figures

The comparative figures are for the period from date of incorporation of August 8, 2003 to December 31, 2003.

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

Consolidated Financial Statements for the year ended December 31, 2004

(Containing information as at April 10, 2005, except as indicated)

DATED April 10, 2005

Reference is made to the audited Consolidated Financial Statements of New Millennium Capital Corp. (“**NML**” or the “**Company**”) for the year ended December 31, 2004 (“**FYE 2004**”) and the year ended December 31, 2003 (“**FYE 2003**”), upon which the following discussion is based. The Consolidated Financial Statements and the notes thereto, have been prepared in accordance with generally accepted accounting principles (“**GAAP**”) in Canada.

All dollar figures are in C\$, unless otherwise stated.

FORWARD LOOKING STATEMENTS

Certain statements included in this discussion may constitute forward-looking statements that involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include changes in government regulations, general economic conditions and business conditions, which among other things may affect demand for the Company's services and the ability of the Company to implement its business strategy.

OVERALL PERFORMANCE

Overview of Business

The Company is a mineral exploration company engaged in the acquisition and exploration of strategic mineral properties. NML holds an 80% interest in the LabMag Limited Partnership (“**LLP**”), a partnership incorporated in Calgary, Alberta, Canada that holds the LabMag Iron Ore Project situated 30 kilometers west of Schefferville, Quebec in western Labrador, Canada. The Naskapi Nation of Kawawachikamach (“**NNK**”) holds the remaining 20% interest.

On August 11, 2004, NML completed the acquisition (the “**Acquisition**”) from LabMag Mining Corp. and the Naskapi Nation of Kawawachikamach of an 80% undivided interest in the LabMag magnetite iron ore property comprised of 256 mineral licenses on 64 square km located in the Howells River area of western Labrador. The acquisition comprised the “Qualifying Transaction” of NML for the purposes of Policy 2.4 of the TSX Venture Exchange.

Also on August 11, 2004, NML closed a financing of 5,000,000 units (“**Units**”) at a price of \$0.25 per unit and 15,000,000 flow-through units (“**FT Units**”) at a price of \$0.30 per flow-through unit for total gross proceeds of \$5,750,000 (the “**August PP**”). Each Unit is comprised of one common share and one common share purchase warrant, each warrant exercisable for one year from the date of issue at a price of \$0.40 per share. Each FT Unit is comprised of one flow-through common share and one common share purchase warrant, each warrant exercisable for one year from the date of issue at a price of \$0.50 per share.

The objective of NML is to develop a mining and concentrating complex in Labrador that would mine 33 million tonnes of crude iron ore per year to produce 10 million tonnes per year of concentrate and pellets for a minimum of 20 years. Subject to the completion of positive feasibility studies, project financing and project construction, the concentrate would be pumped from Labrador through a slurry pipeline, about 600 kilometres, to the Port of Sept-Iles, Quebec where it would be pelletised. This port, which is located on the north shore of the St. Lawrence River, about 900 km east of Montreal, is open for year round vessel shipping. It is expected that the final pellet product

would be shipped to markets in Canada, the United States, Western Europe and Asia.

The Company's activities are primarily directed at the exploration, development and financing of the LabMag Iron Ore Project. Under Canadian GAAP, direct exploration, engineering, development, environmental and feasibility costs have been capitalised. Administrative and other costs have been expensed.

Results of Operations

Following its Qualifying Transaction in August 2004, the Company commenced in-fill drilling activities on its LabMag Iron Ore Project. The objective of this work was to establish an indicated resource of 660 million tonnes, large enough to support a 20 year mining operation. The in-fill drilling program was only partly completed in 2004 due to a late start in early September and winter conditions that set in by mid-November. It is anticipated that the remainder of this in-fill drilling will be completed in 2005. Analysis and testing of the 2004 drill core samples were completed in the second quarter of 2005 and are intended to be used to calculate an indicated resource, in accordance with NI 43-101, by June 2005.

Marketing activities were started in October 2004 and by the end of the first quarter of 2005 preliminary meetings had been held with most of the major steel producers in Asia (South Korea, China and the Province of Taiwan); Europe (Germany, Italy, France and England) and North America (Canada and the United States). Meetings were also held with major trading companies in both China and Japan. These steelmakers and buyers have shown significant interest in the project and further meetings are scheduled to develop potential business relationships.

Environmental activities included the preparation of an environmental road map by an outside consultant. This was completed during the fall of 2004 and in April 2005 the Company implemented the first stage of this road map by submitting a Preliminary Project description to the Canadian Environmental Assessment Agency ("CEAA"). This will be used by the CEAA and other environmental organizations for initial project review purposes.

Financial Condition

The audited Consolidated Balance Sheet as of December 31, 2004 indicates a cash position of \$3,317,664 and receivables of \$280,138 resulting in total current assets of \$3,597,802. Current liabilities at December 31, 2004 were \$223,674 resulting in working capital of \$3,374,128. This is sufficient working capital to complete the phase 1 resource certification and to start the phase 2 pre-feasibility work - bulk sampling, pilot plant testing and additional in-fill drilling, marketing and environmental work. If the 20,000,000 warrants that were issued in August 2004 are exercised prior to expiry in August 2005, this will generate another \$9,500,000 which will be sufficient to complete the pre-feasibility study by the end of 2005 or early 2006.

Total assets increased in FYE 2004 to \$8,178,040 from \$760,825 in FYE 2003. Current assets (cash and receivables) increased by \$2,836,977; property and equipment increased by \$50,700 and mineral properties increased by \$4,529,538. Working capital increased by \$2,634,167. Shareholders' equity was \$5,874,970 in FYE 2004 compared to \$739,961 in FYE 2003.

For FYE 2004 NML realized a net loss of \$972,729 or \$0.06 per share. This loss represents operating expenses of \$1,187,288 net of interest revenue of \$22,157 and future income tax recovery of \$192,402. These results compare to a net loss of \$3,992 or \$0.00 per share for FYE 2003. The latter fiscal year includes the period from August 8, 2003, the date of incorporation, to December 31, 2003. During fiscal 2003 most of the Company's expenses were related to share issue costs.

All costs associated with mineral properties (\$4,529,538) were classified as deferred exploration costs. The cost centres for these capitalized items are: mineral licenses (\$2,743,750), geological (\$126,878), legal (\$181,205), site infrastructure (\$212,660), field labour and supplies (\$162,400), engineering (\$88,620), mapping (\$12,531), drilling (\$899,006), analysis (\$93,272) and environmental (\$9,216).

The weighted average number of common shares outstanding for the period ended December 31, 2003 was 1,715,069 and increased to 17,260,656 for the year ended December 31, 2004. The deficit at the beginning of the year was \$3,992 and increased to \$976,721 at the end of 2004.

ANNUAL INFORMATION

The following table shows selected annual information for the Company derived from the Company's Audited Annual Financial Statements for the two completed financial years since incorporation of the Company on August 8, 2003.

Item	December 31, 2004	December 31, 2003
Total Revenue	22,157	Nil
Net Loss	(976,729)	(3,992)
Loss Per Share ⁽¹⁾	(0.057)	(0.002)
Total Assets	8,178,040	760,825
Long Term Liabilities	2,079,396	Nil
Dividends	Nil	Nil

Note:

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

SUMMARY OF QUARTERLY RESULTS

The following table sets out selected unaudited quarterly financial information of the Company for the five quarters of operation since incorporation of the Company on August 8, 2003. This information is derived from unaudited quarterly financial statements prepared by management. The Company's interim financial statements are prepared in accordance with Canadian GAAP and expressed in Canadian dollars.

	Dec-04	Sept-04	June-04	Mar-04	Dec-03
Revenue	15,159	2,212	2,310	2,476	Nil
Net Loss	(922,062)	(1,566)	(17,175)	(31,926)	(3,992)
Loss Per Share ⁽¹⁾	(0.06)	(0.00)	(0.00)	(0.00)	(0.00)

Note:

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

FOURTH QUARTER RESULTS

For the three-month period ended December 31, 2004, general and administrative expenses, professional fees and other expenses were \$317,964 compared to \$3,992 in the corresponding period of 2003. The fourth quarter of 2004 in particular reflects a stock based compensation charge of \$796,500 for which there was no corresponding expense in 2003. These expenses were partially offset during the three-month period by a future tax recovery of \$192,402 for which there was no corresponding amount recorded in the fourth quarter of 2003. As a result, NML's loss for the fourth quarter ended December 31, 2004 totalled \$922,062 or \$0.06 per share as compared to a loss of \$3,992 or \$0.00 per share for the comparative period in 2003.

LIQUIDITY AND CAPITAL RESOURCES

The capital requirements of NML consist primarily of the funding of the phase 1 and phase 2 (2005) work programs and working capital. The source of funds available to satisfy these capital requirements includes the existing cash balance, external debt financing and the equity markets.

Working Capital

The Company's working capital at December 31, 2004 was \$3,374,128. This consists of cash and cash equivalents and receivables net of accounts payable and accrued liabilities.

Capital Expenditures

The Company incurred capital expenditures of \$57,435 during 2004. The main categories of this capital expense were computer hardware, software and electronic equipment (\$47,711) and office furniture and fixtures (\$9,724).

Capital Resources

At December 31, 2004, NML has paid up capital of \$6,055,191, representing 36,200,000 common shares and a deficit of \$976,721 that is partially offset by contributed surplus of \$796,500 resulting in shareholders' equity (or net assets) of \$5,874,970 (2003 - \$739,961).

Additional Disclosure for Venture Issuers Without Significant Revenue

Additional disclosure concerning NML's general and administrative expenses and resource property costs is provided in NML's Consolidated Financial Statements for December 31, 2004 that is available on SEDAR at www.sedar.com.

TRANSACTIONS WITH RELATED PARTIES

The acquisition of NML's 80% interest in the LabMag Iron Ore Project was not considered to be a Non Arm's Length Qualifying Transaction under the TSX Venture Exchange policies. However, previous to the acquisition, of the total issued shares of the LabMag Mining Corp. ("LMC"), the original owner of 83.3% of the LabMag Iron Ore Project, 40% were owned by Robert A. Martin, a director and officer of the Company and LMC, and Dean Journeaux, a director of the Company and a director and officer of LMC. Prior to the acquisition, Mr. Martin and Mr. Journeaux owned 1.2% and 2.0%, respectively, of the total issued shares of the Company and upon completion of the acquisition and the financing, they owned 0.3% and 0.6%, respectively, of the total issued shares of the Company (not including the NML Shares issued to LMC as part of the consideration for the acquisition). An independent committee of the Board of Directors of the Company, consisting of all the directors of the Corporation other than Mr. Martin and Mr. Journeaux, was established to negotiate the terms of the acquisition with LMC and NNK.

During the current year, NML incurred costs of \$190,987 for legal fees payable to two legal firms with a partner who became a director of the Company during the year. As at December 31, 2004, the Company owes \$17,731 to one of these firms. Also, during the year NML paid \$15,490 in consulting fees to two companies owned by directors.

One insider of NML purchased 65,000 units at a price of \$0.30 per unit in the August PP for \$19,500.

OUTLOOK

The Company's objective is to develop a mining and concentrating complex in Labrador that will mine 33 million tonnes of crude iron ore per year to produce 10 million tonnes per year of concentrate and pellets for a minimum of 20 years. Subject to the completion of positive feasibility studies, project financing and project construction, the concentrate would be pumped from Labrador through a slurry pipeline, about 600 kilometres, to the Port of Sept-Iles, Quebec. This port, which is located on the north shore of the St. Lawrence River, about 900 km east of Montreal, is open for year round vessel shipping. The concentrate would be pelletised in Sept-Iles and it is the Company's objective to produce 10 million tonnes of pellets per year. It is expected that the final pellet product would be shipped to markets in Canada, the United States, Western Europe and Asia.

BUSINESS RISKS

The Company is engaged in the exploration 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 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'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 may need to be generated on site.

Recent, improved market conditions for resource commodities, including iron ore, after several years of record low prices has resulted in a dramatic increase in mineral exploration and development investment and activity in Canada. While inflation has not been a significant factor affecting the cost of goods and services in Canada in recent years, this renewed exploration and development activity has resulted 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 market price of iron ore and other commodities is volatile and cannot be controlled.

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 extremes in price and volume volatility. The market price of securities of many early stage companies, among others, 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 TSX Venture Exchange may be affected by such volatility.

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.

NML's directors and officers serve as directors and officers, or may be associated with other reporting companies or have significant shareholdings in other public companies. To the extent that such other companies may participate in business or asset acquisitions, dispositions, or ventures in which the Company may participate, the directors and officers of the Company may have a conflict of interest in negotiating and concluding terms respecting the

transaction. If a conflict of interest arises, the Company will follow the provisions of the Business Corporations Act (Alberta) dealing with conflicts of interest. These provisions state that where a director has such a conflict, that director must, at a meeting of the Company's directors, disclose the interest and refrain from voting on the matter unless otherwise permitted by the Business Corporations Act (Alberta). The directors and officers of the Company are required to act honestly, in good faith and in the best interests of the Company.

DISCLOSURE OF OUTSTANDING SHARE DATA

The following information relates to share data of the Company as at the date of this report.

1. Share capital

- (a) Authorized:
An unlimited number of common voting shares.
An unlimited number of preferred shares, without nominal or par value, issuable in series.
- (b) Issued:
The Company has 36,200,000 common shares issued and its share capital is \$6,055,191.

2. Options

The Company has issued 6,350,000 options to purchase common shares. A total of 1,800,000 options were issued in 2003 and 4,550,000 options were issued in 2004. During 2004, a total of 200,000 options were exercised leaving a balance on December 31, 2004 of 6,150,000 options.

As at December 31, 2004 the following options are outstanding:

	Number of Options	Price per share	Expiry Date
Directors and Officers	1,000,000	\$0.10	December 11, 2008
Investpro	600,000	\$0.10	July 4, 2005
Directors and Officers	2,080,000	\$0.30	August 11, 2009
Director	225,000	\$0.36	September 13, 2009
Investpro	2,000,000	\$0.30	February 10, 2006
Employees and Consultants	245,000	\$0.47	November 1, 2009
TOTAL	6,150,000		

3. Warrants

The Company has issued the following warrants: 5,000,000 at an exercise price of \$0.40 and 15,000,000 at an exercise price of \$0.50 expiring August 10, 2005. No warrants were exercised in 2004.

ADDITIONAL INFORMATION

Additional information relating to the Company is available on SEDAR at www.sedar.com

CORPORATE DIRECTORY

Head Office

New Millennium Capital Corp.

140, 2723- 37 Avenue NE
Calgary, Alberta, Canada
T1Y 5R8

Tel: (403) 266-1150

Fax: (403) 233-0841

Chairman: Lee Nichols

E-mail: lee.nichols@terracon.ca

Directors and Officers

- Robert Martin, President, CEO and Director
- Lee C. G. Nichols, Chairman and Director
- Bill Almdal, CFO and Director
- Gerard (Tim) Wood, Secretary and Director
- Roy H. Hudson, Director
- Dean Journeaux, Director
- John N. Schindler, Director

Auditors

Grant Thornton LLP

Chartered Accountants

Executive Office

New Millennium Capital Corp.

1303 Green Avenue, Suite 400
Westmount, Quebec, Canada
H3Z 2A7

Tel: (514) 935-3204

Fax: (514) 935-9650

President and CEO: Robert Martin

E-mail: rmartin@nmlresources.com

Registrar and Transfer Agent

Inquiries regarding change of address, registered shareholders, share transfers, duplicate mailings and lost certificates should be directed to:

Valiant Trust Company
310, 606 4th Street SW
Calgary, Alberta T2P 1T1

Tel: (403) 233-2801

Fax: (403) 233-2857

Email inquiries: valiant@telusplanet.net

Legal Counsel

Davis & Company

Barristers and Solicitors

Certain statements in this Annual Report may constitute "forward-looking statements". Although management of the Corporation believes that its expectations are based upon reasonable assumptions, it can give no assurance its expectations will be achieved. Such forward-looking statements involve risk, uncertainties and other factors which may cause the actual results, performance or achievements of the Corporation to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.