

New Millennium Capital Corp.

SECOND INTERIM REPORT

2004

## MESSAGE TO SHAREHOLDERS

New Millennium Capital Corp. ("NML") is pleased to report its unaudited financial and operational results for the three month period ended June 30, 2004.

The significant second quarter activities were:

- The announcement of a proposed Qualifying Transaction – the LABMAG IRON ORE PROJECT
- The completion of negotiations to enter into a Partnership Agreement
- The completion of negotiations to enter into a Royalty Agreement
- The completion of negotiations to enter into a Services Agreement
- The execution of an Asset Purchase Agreement for an 80% undivided interest in the property
- The successful completion of a National Instrument 43-101 compliant technical report
- The commencement of financing activities to raise \$5,750,000 to develop the property

## MANAGEMENT'S DISCUSSION AND ANALYSIS

*The following discussion and analysis of the financial results for the interim periods ended June 30, 2004 should be read in conjunction with the Company's unaudited interim financial statements and related notes contained in this report and the audited financial statements and MD&A for the year ended December 31, 2003.*

*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.*

## RESULTS OF OPERATIONS

The Interim Statement of Loss and Deficit indicates a net loss for the six months ended June 30, 2004 of \$49,101. This loss represents evaluation expenses of \$16,874 related to the review and evaluation of potential Qualifying Transactions and general and administrative expenses of \$37,013 net of interest revenue of \$4,786.

On April, 22, 2004 the Company entered into a non-binding agreement in principle for the proposed acquisition from LMC and NNK of an 80% undivided interest in the LabMag magnetite iron ore property (News Release 04-02 dated May 3, 2004). This property is comprised of 256 mineral licenses on 64 square km located in the Howells River area of western Labrador. NML will pay \$1,900,000 for the property. This consideration will be comprised of a cash payment of \$400,000 and 6,000,000 common shares of NML at a deemed price of \$0.25 per share. All of the common shares shall be issued to LMC; whereas, NNK shall retain the remaining 20% undivided interest in the Licenses that are not acquired by NML. The cash consideration will be allocated to LMC and NNK on the basis of their respective

expenditures incurred in respect of the property to and including the Closing Date. .

During May NML completed negotiations to enter, upon completion of the Proposed Qualifying Transaction, into:

- 1) a Partnership Agreement between NML (80%) and NNK (20%) to form a limited liability partnership, LabMag Limited Partnership, (LLP) to purchase a 100% interest in the LabMag iron ore property from NML and NNK;
- 2) a Royalty Agreement whereby LMC and NNK shall have the right to receive royalties of 1.6666% and 0.6666%, respectively, of the gross revenue from the sale of iron ore products produced from the LabMag iron ore property; and,
- 3) a Services Agreement whereby LabMag Services Inc.(LSI), a wholly owned subsidiary of the Corporation, shall be contracted to manage the exploration and development of the assets of LLP and provide management of the operation of the assets both before and during commercial production.

On June 1, 2004 NML entered into a formal Asset Purchase Agreement for the proposed acquisition of an 80% undivided interest in the LabMag iron ore property from LMC and NNK . (News Release 04-04 dated June 22, 2004).

On June 21, 2004, Watts, Griffis and McOuat ("WGM") completed a National Instrument 43-101 compliant technical report on the LabMag iron ore property. The Technical Report provides a comprehensive description of the property, previous work, the geology and mineralization and recommendations for work on the property. WGM recommended a two-phase program including a budget. The first phase will cost \$4.7 million and consists of a 160 hole (16,000 m) diamond drill program and will attempt to establish a minimum indicated resource of 660,000,000 tonnes of crude ore. The second stage, which is dependant on the successful completion of the first phase will cost \$4.0 million and involves the preparation and completion of a pre-feasibility study. Bulk sampling and plant design would be part of this process as well as any additional drilling and development work required to provide the detailed cost base required for a full bankable feasibility study.

NML's concept is to attempt 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 for a minimum of 20 years. The concentrate would be pumped through a slurry pipeline, about 600 km, to the Port of Sept-Iles, Quebec. This port, which is located on the north shore of the St. Lawrence River about 800 km east of Montreal, is open for vessel shipping 365 days per year. The concentrate from Labrador would be pelletized in Sept-Iles and the final pellet product would be shipped to markets in Canada, the United States, Western Europe and Asia.

In order to finance the first phase of the work on the property, the Corporation and Investpro Securities Inc. ("Investpro") entered into an engagement agreement dated June 18, 2004, and accepted June 21, 2004, suspending the agreement announced May 3, 2004 (News Release 04-02). Investpro has agreed to act as agent in connection with 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 FT Unit for total gross proceeds of \$5,750,000. Each Unit is composed of one common share and one common share purchase warrant, each warrant exercisable for one year after 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 after the date of issue at a price of \$0.50 per share. The net proceeds of the financing will be used to complete the first phase of work as recommended by the Technical Report and for working capital. Investpro will receive a cash commission equal to 8% of gross proceeds raised under the financing and a non-transferable option to acquire that number of common shares equal to 10% of the total number of Units and FT Units issued pursuant to the financing at an exercise price of \$0.30, for a period of 18 months after the completion of the acquisition. In addition, Investpro will receive a corporate finance fee of \$15,000 and be entitled to reimbursement of certain expenses incurred in connection with

the financing.

## **LIQUIDITY AND CAPITAL RESOURCES**

The capital requirements of NML consist primarily of the funding of the Qualifying Transaction, the phase 1 work program and working capital. The source of funds available to satisfy these capital requirements includes existing cash balances, external debt financing and the equity markets.

### **Working Capital**

The Company's working capital is \$690,860. This consists of cash and cash equivalents, interest receivables and prepaid and deferred expenses net of accounts payable and accrued liabilities.

### **Capital Expenditures**

There were no capital expenditures during the first half of 2004.

## **BUSINESS RISKS AND OUTLOOK**

The acquisition and financing discussed above was completed on August 11, 2004. Additional financing will be required to complete the second phase of the work program and other aspects of the proposed development of the mine and concentrating facility. There is no assurance that such financing will be available for such purposes.

### **On Behalf of the Board of Directors**

(signed) "*Robert Martin*"

**Chief Executive Officer**

**August 20, 2004**  
**Calgary, Alberta**

(signed) "*William Almdal*"

**Chief Financial Officer**

Notice to Reader

The accompanying unaudited interim financial statements of New Millennium Capital Corp. for the quarter ended June 30, 2004 have been prepared by management and approved by the Audit Committee and/or the Board of Directors of the Corporation. These statements have not been reviewed by the Corporation's external auditors.

DATED the 20<sup>th</sup> day of August, 2004.

**(signed) "Robert Martin"**  
Chief Executive Officer

**(signed) "William Almdal"**  
Chief Financial Officer

**NEW MILLENNIUM CAPITAL CORP.**  
**INTERIM BALANCE SHEET**

	<b>As at June 30 2004 (unaudited)</b>	<b>As at December 31 2003 (audited)</b>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 615,959	\$ 760,825
Receivables	425	-
Prepaid and deferred charges (Note 2)	240,589	-
	<b>\$ 856,973</b>	<b>\$ 760,825</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 166,113	\$ 20,864
Shareholders' Equity		
Share capital (Note 3)	743,953	743,953
Deficit	(53,093)	(3,992)
	<b>690,860</b>	<b>739,961</b>
	<b>\$ 856,973</b>	<b>\$ 760,825</b>

*See accompanying notes to the interim financial statements*

**NEW MILLENNIUM CAPITAL CORP.**  
**INTERIM STATEMENT OF LOSS AND DEFICIT**  
(Unaudited)

	Three Months Ended June 30, 2004	Six Months Ended June 30, 2004
<b>REVENUE</b>		
Interest	\$2,310	\$ 4,786
<b>EXPENSES</b>		
General and administrative	24,839	37,013
Evaluation expenses	(5,354)	16,874
	19,485	53,887
<b>Net loss for the period</b>	<b>(17,175)</b>	<b>(49,101)</b>
<b>Deficit, beginning of period</b>	<b>(35,918)</b>	<b>(3,992)</b>
<b>Deficit, end of period</b>	<b>\$(53,093)</b>	<b>\$(53,093)</b>
<b>Net loss per share – Basic and Diluted</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>

*See accompanying notes to the interim financial statements*

**NEW MILLENNIUM CAPITAL CORP.**  
**INTERIM STATEMENT OF CASH FLOW**  
(Unaudited)

	Three Months Ended June 30, 2004	Six Months Ended June 30, 2004
<b>CASH PROVIDED BY (USED IN):</b>		
<b>OPERATING ACTIVITIES</b>		
Net loss for the period	\$ (17,175)	\$ (49,101)
Items not affecting working capital		
Net changes in non-cash working capital	(77,082)	(95,765)
	(94,257)	(144,866)
Increase (decrease) in cash and cash equivalents	(94,257)	(144,866)
Cash and cash equivalents, beginning of period	710,216	760,825
Cash and cash equivalents, end of period	\$615,959	\$ 615,959

*See accompanying notes to the interim financial statements*

**NEW MILLENNIUM CAPITAL CORP.**  
**Notes to the Interim Financial Statements**  
(Unaudited)

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**1. Basis of presentation**

New Millennium Capital Corp. (the "Corporation") was incorporated pursuant to the provisions of the Alberta Business Corporations Act on August 8, 2003. The Corporation is classified as a capital pool company as defined pursuant to TSX Venture Exchange Policy 2.4. The Corporation proposes to identify and evaluate corporations, businesses or assets for acquisition and once identified, to negotiate an acquisition or participation subject to regulatory approval and in certain circumstances, shareholder approval.

The accounting policies used in the preparation of these interim financial statements conform to those used in the Company's annual audited financial statements. These interim financial statements do not include all of the disclosures included in the annual audited financial statements and accordingly, these interim financial statements should be read in conjunction with the annual audited financial statements.

**2. Prepaid and deferred charges**

Costs associated with the pending qualifying transaction have been deferred until agreements have been finalized.

	<b>June 30, 2004</b>
<b>Legal fees</b>	<b>\$ 113,991</b>
<b>Geological and evaluation</b>	<b>109,474</b>
<b>Agents fee</b>	<b>16,050</b>
<b>Other expenses</b>	<b>1,074</b>
	<b>\$ 240,589</b>

**3. 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:

<b>Common shares</b>	<b>Number</b>	<b>Amount</b>
<b>Balance, August 8, 2003</b>	-	\$ -
<b>Issued by private placement under escrow</b>	<b>2,000,000</b>	<b>100,000</b>
<b>Initial public offering</b>	<b>8,000,000</b>	<b>800,000</b>
<b>Share issue costs</b>	-	<b>(156,047)</b>
<b>Balance, December 31, 2003 &amp; June 30, 2004</b>	<b>10,000,000</b>	<b>\$ 743,953</b>

(c) Options

The Company follows the intrinsic value method of accounting for stock-based compensation and as a result no compensation cost has been recognized for its stock option plan.

The following table sets forth a reconciliation of stock options granted, exercised and cancelled during the periods ended June 30, 2004 and December 31, 2003.

Options	Issue Date	Name of Optionee	Number of Options	Exercise Price	Expiry Date
Issued	Dec 12, 2003	Robert Martin	352,857	\$ 0.10	Dec 11, 2008
Issued	Dec 12, 2003	Lee Nichols	133,809	\$ 0.10	Dec 11, 2008
Issued	Dec 12, 2003	William Almdal	155,715	\$ 0.10	Dec 11, 2008
Issued	Dec 12, 2003	Gerard Wood	133,809	\$ 0.10	Dec 11, 2008
Issued	Dec 12, 2003	Dean Journeaux	111,905	\$ 0.10	Dec 11, 2008
Issued	Dec 12, 2003	John Schindler	111,905	\$ 0.10	Dec 11, 2008
Issued	Dec 12, 2003	Investpro Securities	800,000	\$ 0.10	July 4, 2005
			<u>1,800,000</u>		

**4. Subsequent events**

On July 22, 2004, in accordance with Policy 2.4 of the TSX Venture Exchange, the Corporation published its Filing Statement, dated June 23, 2004, on SEDAR.

On August 11, 2004 the Corporation announced that it had completed the acquisition from LabMag Mining Corp. ("LMC") and Naskapi Nation of Kawawachikamach ("NNK") of an 80% undivided interest in the LabMag magnetite iron ore property. The terms of this acquisition were announced May 3, 2004. The Acquisition comprises the "Qualifying Transaction" of NML for the purposes of Policy 2.4 ("the CPC Policy) of the TSX Venture Exchange.

On the same date, the Corporation further announced that it had closed a financing of 5,000,000 units at a price of \$0.25 per unit and 15,000,000 flow-through units at a price of \$0.30 per flow-through unit for total gross proceeds of \$5,750,000. The net proceeds of this financing will be used to complete the Phase 1 program recommended by the Technical Report described in the June 22, 2004 news release and for working capital.

# CORPORATE INFORMATION

## HEAD OFFICE

140, 2723 – 37 Avenue NE  
Calgary, Alberta, T1Y 5R8

## AUDITORS

Grant Thornton LLP  
Chartered Accountants  
Calgary, Alberta

## DIRECTORS

Robert Martin  
John Schindler  
Dean Journeaux  
William Almdal  
Gerard Wood  
Lee C. G. Nichols

## OFFICERS

Robert Martin, Chief Executive Officer  
William Almdal, Chief Financial Officer  
Lee C. G. Nichols, President  
Gerard Wood, Secretary

## BANK

Royal Bank of Canada  
333-5<sup>th</sup> Avenue S.W.  
Calgary, Alberta

## SOLICITORS

Borden Ladner Gervais LLP  
Calgary, Alberta

## TRANSFER AGENT

Valiant Trust Company  
Calgary, Alberta

## LISTING INFORMATION

TSX Venture Exchange  
Trading Symbol – “NML.P”