

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.

The auditors' report on the consolidated financial statements as at December 31, 2004 previously issued on March 30, 2005 has been withdrawn and the consolidated financial statements have been revised to adjust for the correction of an accounting error and the change in accounting policy as described in Note 12.

Grant Thornton LLP

Calgary, Canada
March 30, 2005
except as to Note 12 which is at May 9, 2006

Chartered Accountants

New Millennium Capital Corp.
Consolidated Statements of Loss and Deficit

Year ended December 31	Restated 2004	2003
		(Note 11)
Revenue		
Interest	\$ 22,157	\$ -
Expenses		
General and administrative	292,505	176
Professional fees	75,101	3,816
Depreciation	6,735	-
Evaluation expenses	16,447	-
Stock-based compensation	534,900	-
	925,688	3,992
Loss before income taxes	(903,531)	(3,992)
Income tax recovery – future	192,402	-
	(711,129)	(3,992)
Net loss	\$ (711,129)	\$ (3,992)
Loss per share – basic and diluted	\$ (0.04)	\$ (0.00)
Weighted average number of shares outstanding	17,260,656	1,715,069
<hr/>		
Deficit, beginning of period	\$ (3,992)	\$ -
Net loss	(711,129)	(3,992)
Deficit, end of period	\$ (715,121)	\$ (3,992)

See accompanying notes to the consolidated financial statements.

New Millennium Capital Corp. Consolidated Balance Sheets

December 31	Restated 2004	2003
		(Note 11)
Assets		
Current		
Cash and cash equivalents	\$ 3,317,664	\$ 760,825
Receivables	280,138	-
	<u>3,597,802</u>	<u>760,825</u>
Property and equipment (Note 4)	50,700	-
Mineral properties (Note 5)	4,529,538	-
	<u>4,580,238</u>	<u>-</u>
	<u>\$ 8,178,040</u>	<u>\$ 760,825</u>
Liabilities		
Current		
Payables and accruals	\$ 223,674	\$ 20,864
Future income taxes (Note 6)	464,796	-
	<u>688,470</u>	<u>20,864</u>
Shareholders' equity		
Capital stock (Note 8)	7,408,191	743,953
Contributed surplus	796,500	-
Deficit	(715,121)	(3,992)
	<u>7,489,570</u>	<u>739,961</u>
	<u>\$ 8,178,040</u>	<u>\$ 760,825</u>

On behalf of the Board

_____ Director

_____ Director

See accompanying notes to the consolidated financial statements.

New Millennium Capital Corp.

Consolidated Statements of Cash Flows

	Restated 2004	2003
		(Note 11)
Increase (decrease) in cash and cash equivalents		
Operating		
Net loss	\$ (711,129)	\$ (3,992)
Future income tax recovery	(192,402)	-
Depreciation	6,735	-
Stock-based compensation	534,900	-
	<u>(361,896)</u>	<u>(3,992)</u>
Change in non-cash working capital (Note 7)	(77,328)	20,864
	<u>(439,224)</u>	<u>16,872</u>
Financing		
Issuance of common shares	5,770,000	900,000
Share issue costs	(530,714)	(156,047)
	<u>5,239,286</u>	<u>743,953</u>
Investing		
Purchase of property and equipment	(57,435)	-
Additions to mineral properties	(2,185,788)	-
	<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 the period	760,825	-
End of the 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>Restated 2004 Net Book Value</u>	<u>2003 Net Book Value</u> (Note 11)
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

	Restated <u>2004</u>	<u>2003</u> (Note 11)
Mineral licenses	\$ 2,743,750	\$ -
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	9,216	-
	<u>1,785,788</u>	-
	<u>\$ 4,529,538</u>	<u>\$ -</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:

	Restated <u>2004</u>	<u>2003</u> (Note 11)
Loss before income taxes	\$ (903,531)	\$ (3,992)
Combined federal and provincial tax rate	<u>36%</u>	<u>39%</u>
Computed income tax expense (recovery)	\$ (325,271)	\$ (1,557)
Stock-based compensation	192,563	-
Share of issue costs	(49,447)	(12,172)
Other items	(10,247)	-
Unrecorded future tax benefit	<u>-</u>	<u>13,729</u>
Provision for income taxes	<u>\$ (192,402)</u>	<u>\$ -</u>

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:

	Restated 2004	<u>2003</u> (Note 11)
Mineral properties	\$ 843,750	\$ -
Non-capital losses carried-forward	(192,402)	(13,729)
Share of issue costs	(186,552)	-
	<u>\$ 464,796</u>	<u>\$ (13,729)</u>
Valuation allowance	\$ -	\$ 13,729
Future income tax liability	<u>\$ 464,796</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

	Restated 2004	<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:

Common shares

	Number	Restated Amount
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	-	(156,047)
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
Issued on exercise of stock options	200,000	20,000
Share issue costs	-	(792,314)
Tax effect of share issue costs	-	186,552
Balance, December 31, 2004	36,200,000	\$ 7,408,191

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:

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

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	245,000	4.8
	<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 fulfill 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.

12. Explanation of adjustments resulting in re-issuance of financial statements

During 2004, the Company granted 2,000,000 common share options to the agents involved in a private offering. The fair value of these options was calculated as \$261,600 and incorrectly recorded and presented as stock-based compensation expense on the Company's consolidated 2004 statement of earnings. The 2004 figures have been restated to properly reflect this transaction as share issue costs. As such, the effect of the adjustment of the error to the consolidated 2004 statements is a decrease in the net loss and consolidated deficit of \$261,600, a corresponding decrease in the capital stock of \$261,600 and a reduction in loss per share (basic and diluted) of \$0.02.

Based on Emerging Issues Committee's EIC-146 relating to flow-through shares, the Company has revised its accounting policy regarding the recognition of the tax effects to the Company related to renounced deductions on issue of flow-through shares. Previously, the Company recognized the tax effect related to such renounced deductions when the expenditures were renounced. Effective 2005, the Company recognizes the future income tax liability and reduces the shareholder's equity on the date the Company files the renouncement documents with tax authorities to renounce the tax credits associated with the expenditures, provided there is reasonable assurance that the expenditures will be made. Accordingly, the following table presents the retroactive impact of this change in accounting policy on the December 31, 2004 financial statements:

	<u>Restated 2004</u>	
Increase in capital stock – tax effect	\$	1,614,600
Decrease in future income tax liability	\$	(1,614,600)