

New Millennium Capital Corp.

FIRST QUARTER REPORT

2007

MESSAGE TO SHAREHOLDERS

New Millennium Capital Corp. (“NML” or the “Company”) is pleased to report its unaudited financial and operational results for the three month period ended March 31, 2007.

The significant first quarter events were:

- The optimization decision to increase, under certain conditions, iron ore production rates to 22 million tonnes per year (“mtpy”) consisting of 15 mtpy of pellets plus 7 mtpy of concentrates.
- The appointment of the Honourable A. Anne McLellan as strategic advisor.
- The discovery of NML’s 100% owned KéMag property in Quebec and the publication of an iron ore Mineral Resource estimate for that property.

MANAGEMENT’S DISCUSSION AND ANALYSIS

The following discussion and analysis of the financial results for the interim period ended March 31, 2007 should be read in conjunction with the Company’s unaudited interim consolidated financial statements and related notes contained in this report and the audited consolidated financial statements and MD&A for the year ended December 31, 2006 and 2005.

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

Corporate Update

On January 23, 2007, NML provided an update of its iron ore development activities which are focused in two important areas: the optimization of the scope of a feasibility study (“FS”) for the LabMag Project and the identification of a strategic partner or partners.

The FS scope optimization will consider the possibility of increasing the overall production rate to 22 mtpy of iron ore products by producing up to 7 mtpy of concentrate in addition to 15 mtpy of pellets; the use of contract mining; the financing, construction, operation and maintenance of the slurry pipeline and power transmission lines by third parties; the sharing of existing facilities; and the sourcing and supply of equipment from China and India. The objective of this work is to maximize the internal rate of return of the LabMag Project.

On February 6, 2007, NML provided results from its 29 hole, 2,225 meter 2006 diamond drilling program at its 100% owned KéMag Property located at Lac Harris, Quebec, approximately 18 km

north of its LabMag property in Newfoundland and Labrador and 50 km northwest of Schefferville, Quebec (the "KéMag Property").

The results outline 1.349 billion tonnes of Indicated Mineral Resources and an additional 992 million tonnes of Inferred Mineral Resources based on an 18% DTWR cut-off grade.

This discovery increases NML's total iron ore resource in the area to 5.014 billion tonnes, of which 3.545 billion tonnes are Proven and Probable Mineral Reserves, plus an additional 2.467 billion tonnes of Inferred Mineral Resources.

The KéMag resource, which is situated on the same iron formation band as the LabMag Property, is a geological continuation of that deposit. Its known strike length is approximately 9km, its dip ranges from 6 to 12 degrees northeast and its chemical characteristics appear similar to the LabMag deposit. The KéMag and LabMag mineral formations stretch over a combined strike length of 37km in what has been named the Millennium Iron Range.

Development of this iron range contemplates pelletizing LabMag concentrate at Emeril in Labrador, and KéMag concentrate at Sept-Îles in Quebec. NML plans to continue to optimize the capital cost of the LabMag Project and expects to work concurrently on the commencement of a Pre-feasibility Study ("PFS") on the KéMag Project. This process is expected to be completed by June 30, 2007, when a decision is expected to be made to advance one of the projects to the feasibility stage. Both properties, owing to their significant size and geological characteristics, are world-class resources and together represent an important new potential source of supply for the global steel industry.

The KéMag Project allows NML to consider the possibility of increasing the total production rate of pellets and/or concentrate from 15 to 22 mtpy or higher, subject to market demand factors. The anticipated additional 7 mtpy is expected to be in the form of high-grade magnetite concentrate, a commodity that is ideally suited to meet the needs of pellet plant operators.

Geostat was engaged to model the iron ore deposit using results from the 2006 drill holes. The geological model was used as the basis for a categorized block model resource estimate to complete a "Mineral Resource Certification" for the Property based on the drilling described above. NML will integrate these results into its own geological software system for future open pit design and mine planning.

These mineral resource estimates are provided subject to a number of assumptions including that the KéMag Property is economic and technically feasible, that all regulatory and environmental approvals and permits will be obtained, that sufficient financing can be raised to develop the project and that sufficient markets are available to accept the products produced. There is no assurance that the commercial production of iron ore concentrate or pellets will achieve the test results noted above. Mineral resources which are not classified as reserves do not have demonstrated economic viability.

Mr. Robert de l'Etoile, Eng. is the Independent Qualified Person responsible for the Mineral Resource Estimate provided herein and Mr. Dean Journeaux, Eng., is the Qualified Person, as defined in NI 43-101, who reviewed and verified the scientific and technical mining information prior to its disclosure to the public.

On March 30, 2007, NML announced that a technical report, prepared by Geostat in compliance with NI 43-101, was posted on www.sedar.com on March 23, 2007. This report confirms that the results of the 2006 diamond drilling campaign on the KéMag Property outline 1.349 billion tonnes

of Indicated Mineral Resources and an additional 992 million tonnes of Inferred Mineral Resources based on an 18% DTWR cut-off grade, as reported on February 6, 2007.

SUBSEQUENT EVENTS

On May 28, 2007, NML announced it had engaged Raymond James Ltd. in connection with a proposed private placement financing of approximately \$6.5-million, comprising approximately \$5-million of common shares and approximately \$1.5-million of flow-through shares. Each flow-through share will comprise one common share issued as a flow-through share within the meaning of the Income Tax Act (Canada). The common shares and flow-through shares will be priced in the context of the market prior to closing the financing. As consideration for their services in connection with the financing, the agent will be entitled to receive a commission of 6 per cent of the gross proceeds of the financing and an agent's option permitting the agent to purchase that number of common shares equal to 6 per cent of the common shares and flow-through shares issued pursuant to the financing, exercisable at a price equal to a 15-per-cent premium to the issue price of the common shares, but no less than 75 cents per share, for a period of 18 months following closing of the financing. The closing of the financing is expected to occur on or about June 12, 2007, and is subject to receipt of normal course regulatory approvals. The net proceeds of the issue will be used primarily to finance exploration and development of the corporation's iron ore projects and for general working capital purposes.

FINANCIAL RESULTS

The following discussion of the Company's financial performance is based on the interim consolidated financial statements contained in this report. As discussed in Note 2, the interim consolidated financial statements are prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP). Management is required to make estimates and assumptions that effect the reported amounts of assets and liabilities at the date of the financial statements and revenue and expenses for the period then ended.

The Interim Consolidated Balance Sheet as of March 31, 2007 indicates a cash position of \$3,104,832, term deposits of \$82,516, sales taxes and other receivables of \$1,320,554 and tax credits and mining duties receivable of \$475,589 resulting in total current assets of \$4,983,491, a decrease of \$2,466,761 from December 31, 2006. The long-term assets are comprised of property and equipment of \$60,701, mineral properties of \$21,927,417 and advances on contracts of \$20,500. The total assets are \$26,992,109 which is a decrease of \$1,965,378 from December 31, 2006.

Current liabilities at March 31, 2007 are composed of accounts payables and accrued liabilities of \$765,126, with the only long-term liability being future income taxes of \$2,050,726 for total liabilities of \$2,815,852, a decrease of \$706,549 from December 31, 2006. Shareholders' equity of \$24,176,257 decreased by \$1,258,829 from December 31, 2006, and is comprised of capital stock of \$23,490,132 and the contributed surplus of \$5,131,993 less the deficit of \$4,445,868.

Working capital at March 31, 2007 of \$4,218,365, is a decrease of \$932,387 from the December 31, 2006 total of \$5,150,752.

These changes in the balance sheet are mainly due to the \$990,165 future income tax effect of the renunciation of \$3,000,500 of Canadian exploration expenses (CEE) in favor of the purchasers which resulted in an equivalent decrease in capital stock. The Company used its term deposits to fund its operating loss for the quarter of \$395,459, pay its accounts payable from December 31 and fund its continuing investment in mineral properties. The cash and cash equivalents and term deposits represent the funds that remain from the last equity financing and will continue to be used to pay current liabilities, continue the pre-feasibility study work in respect of the KéMag property and cover anticipated future operating expenses. During the first quarter

of 2007, \$600,987 of the Company's expenditures were related to the initial work on the KéMag property and on the LabMag property feasibility study. These expenditures were recorded as mineral properties on the balance sheet. The future income taxes continue to be mainly comprised of the future tax liability that arises from the renunciation of CEE which are partially offset by the Company's operating losses.

For the three months ended March 31, 2007, NML realized a net loss of \$395,459 or \$0.01 per share, compared to a net loss of \$397,302 or \$0.01 loss per share for the corresponding period in 2006. This loss represents operating expenses of \$602,694 (2006 - \$629,912) net of interest revenue of \$46,292 (2006 - \$92,817) and income taxes recoverable of \$160,943 (2006-\$139,793). This quarter's loss is consistent with the same quarter from 2006, while this quarter's interest income is lower due to less cash and cash equivalents and term deposits on hand which was offset by not having any deferred financing costs remaining to be amortized.

The Company expects to continue incurring operating losses until it is operating a revenue-producing mine. These losses are expected to be funded through the completion of the feasibility study by equity financing or investments by strategic partners.

All costs associated with mineral properties, totaling \$21,927,417, as outlined in Note 4 to the March 31, 2007 interim consolidated financial statements, have been classified as mineral properties. The expenditures are divided between the properties as follows: LabMag Property \$20,261,210, KéMag Property \$1,412,083, and Other Properties \$254,124. The cost centers for these capitalized expenditures are: mineral licenses \$2,805,054, resource evaluation \$6,900,405, drilling \$5,142,532, environmental \$6,140,021, field labour and supplies \$930,655, exploration \$209,624, legal \$181,309, and geological and evaluation \$93,406. These expenditures are partially offset by tax credits and mining duties of \$475,589. The carrying value of the mineral properties are reviewed by the Company 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. At March 31, 2007, management believes that the carrying values of the properties are less than their net recoverable and as such there has been no impairment of value on any of these properties.

In 2006, the Company renounced Canadian Exploration Expenses (CEE) of \$3,000,500 in favour of the purchasers of the 2006 flow-through shares for which the renunciation documents were filed with the Canadian Revenue Agency (CRA) in February 2007. As of March 31, 2007, the Company has fulfilled its spending commitment related to this renunciation. This renunciation also resulted in the Company recording a \$990,165 decrease in its capital stock for the future income tax effect of the renunciation.

SUMMARY OF QUARTERLY RESULTS

The following table sets out selected unaudited quarterly financial information of the Company for the eight quarters ended March 31, 2007. The Company's interim consolidated financial statements are prepared in accordance with Canadian GAAP and expressed in Canadian dollars.

	Mar-07	Dec-06	Sept-06	Jun-06	Mar-06	Dec-05	Sept-05	Jun-05
Interest Income	46,292	87,446	73,304	56,554	92,817	39,983	11,321	18,034
Net Loss	(395,459)	(765,541)	(661,905)	(206,856)	(397,302)	(575,460)	(214,301)	(275,651)
Loss Per Share (1)	(0.01)	(0.01)	(0.01)	(0.00)	(0.01)	(0.01)	(0.01)	(0.01)

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.

FIRST QUARTER RESULTS

For the three months ended March 31, 2007, general and administrative expenses, market development and professional fees and other expenses were \$602,694 compared to \$629,912 for the corresponding period in 2006. Included in the first quarter of 2007 expenses is stock-based compensation expenses of \$116,250 compared to \$89,000 for the corresponding period in 2006. These expenses were partially offset by income taxes recoverable of \$160,943 for which there was \$139,793 recovered in the first quarter of 2006. As a result NML's loss for the first quarter ended March 31, 2007 totalled \$395,459 or \$0.01 per share compared to a loss of \$397,302 or \$0.01 per share for the comparative period in 2006.

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

During the first quarter of 2007, the Company adopted new accounting policies concerning financial instruments and comprehensive income. These changes are discussed in Note 3 to the Interim Consolidated Financial Statements.

LIQUIDITY AND CAPITAL RESOURCES

Working Capital

The Company's working capital at March 31, 2007 decreased from December 31, 2006 by \$932,387 to \$4,218,365 due to the continual use of the Company's funds to explore and develop its mining properties and cover corporate operating expenses. The working capital consists of cash and cash equivalents, term deposits, sales taxes and other receivables and tax credits and mining duties receivable net of accounts payable and accrued liabilities.

Capital Expenditures

There were capital expenditures of \$1,170 (2006 - \$16,477) during the first three months of 2007, all for the acquisition of computer hardware and software.

Capital Resources

At March 31, 2007, NML has paid up capital of \$23,490,132 (December 31, 2006 - \$24,469,752) representing 77,845,499 (December 31, 2006 - 77,711,690) common shares and a deficit of \$4,445,868 (December 31, 2006 - \$4,050,409) that is offset by contributed surplus of \$5,131,993 (December 31, 2006 - \$5,015,743) resulting in shareholders' equity of \$24,176,257 (December 31, 2006 - \$25,435,086).

COMMITMENTS

At March 31, 2007, the Company had entered into long term agreements expiring by October 2011 where by it has committed to paying \$99,428 in the remainder of 2007, \$90,404 in 2008, \$30,234 in 2009, \$20,300 in 2010 and \$16,917 in 2011.

TRANSACTIONS WITH RELATED PARTIES

During the quarter, NML incurred directors' fees of \$7,000 (2006 - \$8,500), consulting fees of \$39,326 (2006 - \$36,369) to businesses owned by directors and \$65,626 (2006 - \$47,592) in legal fees to a law firm with a partner who is a director. Of these amounts \$62,533 (2006 - \$125,542) is payable at March 31, 2007.

ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE

Additional disclosure concerning the Company's expenditures for mineral properties are provided in Note 4 of the Interim Consolidated Financial Statements for the period ended March 31, 2007 that is available on New Millennium's website at http://www.nmlresources.com/library/financial_statements.asp or on its SEDAR Page Site accessed through www.sedar.com

Included in the Corporation's interim consolidated financial statements were general and administration expenses of \$351,725 (2006 – \$371,417) for the three months ended March 31, 2007, comprised as follows: salaries and benefits of \$148,334 (2006 - \$119,867), stock based compensation of \$116,250 (2006 - \$89,000), office and administration of \$47,438 (2006 – \$107,806), consultants of \$23,624 (2006 – \$41,191) and office rent of \$16,079 (2006 - \$13,593).

OUTLOOK

New Millennium holds a 100% interest in the KéMag Project (Quebec) and an 80% interest in the LabMag Project (Newfoundland and Labrador). Both properties are located within the Millennium Iron Range, the centre of which is located approximately 230 km north of Labrador City, NF and 40 km northwest of Schefferville, QC. The development of this resource is the Corporation's main focus. The development contemplates the construction and operation of a mine, crusher, concentrator, slurry pipeline, pellet plant, shiploading facilities and related infrastructure. Subject to positive feasibility studies and project financing, it is expected that the final pellet product would be shipped by ocean vessels to markets in Canada, the United States, Western Europe and Asia.

The overriding objective for the remainder of this year is to secure a strategic investor by December 31, 2007. A strategic investor will be expected to assume an equity and/or pellet off-take position which would include the funding of a FS for the selected project and reactivation of the environmental approval process.

Two additional key objectives for this year are to conclude a PFS on the KéMag Project by June 30, 2007 and the selection of the LabMag or KéMag Project for advancement to the feasibility study stage by September 30, 2007.

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.

DISCLOSURE OF OUTSTANDING SHARE DATA

The following information relates to share data of the Company as at March 31, 2007.

1. Share capital

(a) Authorized:

Unlimited number of common voting shares.

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

(b) Issued as of March 31, 2007: The Corporation has 77,845,499 common shares issued (\$23,490,132).

(c) Issued as of May 22, 2007: The Corporation has 78,031,713 common shares issued (\$23,665,174).

2. Options

The Corporation has adopted an incentive stock option plan whereby options may be granted from time to time to directors, officers, employees and consultants to the Corporation with shares reserved for issuance as options not to exceed 10% of the issued and outstanding common shares.

At May 22, 2007, there were 6,461,667 common shares reserved for issuance pursuant to the exercise of stock options (March 31, 2007 – 6,461,667) as follows:

Number of Outstanding Options	Exercise Price	Expiry Date
576,667	\$0.10	December 12, 2008
2,080,000	\$0.30	August 11, 2009
225,000	\$0.36	September 13, 2009
215,000	\$0.47	November 1, 2009
25,000	\$0.45	August 19, 2010
300,000	\$0.50	October 7, 2010
25,000	\$0.52	September 27, 2010
190,000	\$0.55	October 19, 2010
675,000	\$0.55	October 19, 2010
60,000	\$0.76	April 6, 2011
1,500,000	\$0.75	September 13, 2011
125,000	\$0.75	October 27, 2011
90,000	\$0.75	November 2, 2011
375,000	\$0.50	February 1, 2011

3. Warrants

At May 22, 2007, there were 12,462,586 common shares reserved for issuance pursuant to the exercise of outstanding warrants (March 31, 2007 – 13,559,800) as follows:

Number of Common Shares	Exercise Price	Expiry Date
202,786	\$0.50	June 1, 2007
1,000,000	\$0.75	August 15, 2007
1,055,000	\$0.75	October 6, 2007
1,945,000	\$0.75	December 1, 2007
859,800	\$0.75	February 22, 2008
2,000,000	\$1.25	March 24, 2008
5,400,000	\$1.00	August 22, 2008

DISCLOSURE CONTROLS AND PROCEDURES

Management has evaluated the effectiveness of the Company's disclosure controls and procedures as of March 31, 2007. Based on this evaluation some improvements were introduced to existing controls to conclude that the Company's disclosure controls and procedures, as defined in Multilateral Instrument 52-109, are effective to ensure that the information required to be disclosed in reports that are filed or submitted under Canadian securities legislation are recorded, processed, summarized and reported within the time period specified in those rules.

MANAGEMENT'S ASSESSMENT OF INTERNAL CONTROLS

Internal controls over financial reporting have been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for

external purposes in accordance with Canadian GAAP.

During the three month period ending March 31, 2007, there have been no changes in the design of the Company's internal controls over financial reporting that has materially affected, or is reasonably likely to materially affect, the Corporation's internal control over financial reporting.

ADDITIONAL INFORMATION

Additional information relating to the Company is available on SEDAR at www.sedar.com. Dean Journeaux, Eng., is the Qualified Person as defined in National Instrument 43-101 who has reviewed and verified the scientific and technical mining disclosure contained in this First Quarter Report.

May 29, 2007

New Millennium Capital Corp.
Interim Consolidated Financial Statements
March 31, 2007 and 2006



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New Millennium Capital Corp.
Interim Consolidated Balance Sheets
(Unaudited)

	March 31, 2007	December 31, 2006
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	3,104,832	3,414,039
Term deposits	82,516	2,581,816
Sales taxes and other receivables	1,320,554	1,083,019
Tax credits and mining duties receivable	475,589	371,378
	<u>4,983,491</u>	<u>7,450,252</u>
Advances on contracts	20,500	20,500
Property and equipment	60,701	71,973
Mineral properties (Note 4)	21,927,417	21,414,762
	<u>26,992,109</u>	<u>28,957,487</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	765,126	2,299,500
Future income taxes	2,050,726	1,222,901
	<u>2,815,852</u>	<u>3,522,401</u>
Shareholders' equity		
Capital stock (Note 5)	23,490,132	24,469,752
Contributed surplus	5,131,993	5,015,743
Deficit	(4,445,868)	(4,050,409)
	<u>24,176,257</u>	<u>25,435,086</u>
	<u>26,992,109</u>	<u>28,957,487</u>

See accompanying notes to the unaudited interim consolidated financial statements.

On behalf of the Board,

/S/ Robert Martin

Director

/S/ William Almdal

Director

**New Millennium Capital Corp.
Interim Consolidated Earnings
(Unaudited)**

Three-month period ended March 31	2007 \$	2006 \$
Interest income	46,292	92,817
Expenses		
General and administrative	351,725	371,457
Professional fees	172,374	145,579
Market development	66,153	53,095
Amortization of property and equipment	12,442	13,352
Amortization of deferred financing costs	-	46,429
	<u>602,694</u>	<u>629,912</u>
Loss before income taxes	(556,402)	(537,095)
Future income taxes	160,943	139,793
Net loss	<u>(395,459)</u>	<u>(397,302)</u>
Loss per share – basic and diluted	<u>(0.01)</u>	<u>(0.01)</u>
Weighted average number of shares outstanding	<u>77,812,790</u>	<u>58,729,262</u>

See accompanying notes to the unaudited interim consolidated financial statements.

**New Millennium Capital Corp.
Interim Consolidated Deficit
Interim Consolidated Contributed Surplus
(Unaudited)**

Three-month period ended March 31	2007 \$	2006 \$
<i>CONSOLIDATED DEFICIT</i>		
Balance, beginning of period	4,050,409	2,018,805
Net loss	395,459	397,302
Balance, end of period	<u>4,445,868</u>	<u>2,416,107</u>
<i>CONSOLIDATED CONTRIBUTED SURPLUS</i>		
Balance, beginning of period	5,015,743	2,629,361
Stock-based compensation expense - Consultants	116,250	89,000
Share purchase warrants issued through capital stock offering	-	355,263
Transfer to capital stock upon exercise of agents' warrants	-	(261,600)
Balance, end of period	<u>5,131,993</u>	<u>2,812,024</u>

See accompanying notes to the unaudited interim consolidated financial statements.

**New Millennium Capital Corp.
Interim Consolidated Cash Flows
(Unaudited)**

Three-month period ended March 31	2007 \$	2006 \$
Operating activities		
Net loss	(395,459)	(397,302)
Stock-based compensation - Consultants	116,250	89,000
Amortization of property and equipment	12,442	13,352
Amortization of deferred financing costs	-	46,429
Future income tax recoveries	(160,943)	(139,793)
	<u>(427,710)</u>	<u>(388,314)</u>
Changes in working capital items	(522,284)	(255,963)
Cash flows used by operating activities	<u>(949,994)</u>	<u>(644,277)</u>
Financing activities		
Repayment of loan payable	-	(2,000,000)
Issuance of common shares and units	13,381	3,628,953
Share and unit issue costs	(88,163)	-
Cash flows provided (used) by financing activities	<u>(74,782)</u>	<u>1,628,953</u>
Investing activities		
Cashing in of term deposits	2,499,300	4,257,422
Advances on contracts	-	(42,100)
Property and equipment	(1,170)	(16,477)
Mineral properties	(1,782,561)	(1,861,522)
Cash flows provided by investing activities	<u>715,569</u>	<u>2,337,323</u>
Increase (decrease) in cash and cash equivalents	(309,207)	3,321,999
Cash and cash equivalents, beginning of the period	<u>3,414,039</u>	<u>4,037,888</u>
Cash and cash equivalents, end of the period	<u>3,104,832</u>	<u>7,359,887</u>

See accompanying notes to the unaudited interim consolidated financial statements.

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 2004, the Company completed its qualifying transaction.

The Company is in the process of exploring and evaluating its mineral properties. The recoverability of amounts shown for mineral properties and deferred exploration expenses is dependent upon the ability of the Company to obtain necessary financing to complete the exploration and development of economically recoverable reserves in the mineral properties, upon the renewal of the underlying mineral claims, maintaining of the Company's interest in the underlying mining titles and compliance with filing obligations, and upon future profitable production of these reserves or sufficient proceeds from the disposition thereof.

2. Summary of significant accounting policies

The unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles for the preparation of interim financial information. Accordingly, these statements do not include all of the information and disclosures required in annual consolidated financial statements. The accounting policies used in the preparation of these unaudited interim consolidated financial statements are the same as those described in our audited consolidated financial statements and the notes thereto for the years ended December 31, 2006 and 2005 except for changes described in Note 3.

In the opinion of management, all adjustments considered necessary for the fair presentation of results for the periods presented have been reflected in these consolidated financial statements. These unaudited interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements and the notes thereto for the years ended December 31, 2006 and 2005.

Accounting estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts recorded in the financial statements and notes to financial statements. These estimates are based on management's best knowledge of current events and actions that the Company may undertake in the future. Actual results could differ from these estimates.

Principles of consolidation

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

In accordance with the Partnership agreement between LabMag Limited Partnership and the Company, the Company shall be responsible for providing and arranging for all capital in excess of initial contributions of each partner and operating costs for exploration until commercial production commences. Consequently, the Company included 100% of assets, liabilities and losses excluding the initial contribution of the Partner holding the 20% interest in the Partnership in the consolidated financial statements.

3. Changes in accounting policies

Effective January 1, 2007, the Company adopted the following new accounting standards issued by the CICA relating to financial instruments. These new standards have been adopted on a prospective basis with no restatement to prior period financial statements.

a) Financial instruments – Recognition and Measurement (Section 3855)

This standard sets out criteria for the recognition and measurement of financial instruments for fiscal years beginning on or after October 1, 2006. This standard requires all financial instruments within its scope, including derivatives, to be included on a Company's balance sheet and measured either at fair value, or in certain circumstances where fair value may not be considered most relevant, at cost or amortized cost. Changes in fair value are to be recognized in the statements of operations and comprehensive income. The adoption of this standard did not have any impact on the current period.

b) Comprehensive income (Section 1530)

Comprehensive income is the change in shareholders' equity during the period from transactions and other events from non-shareholder sources. The standard requires certain gains and losses that would otherwise be recorded as part of net income to be presented in other "comprehensive income" until it is considered appropriate to recognize them in net income. This standard requires the presentation of comprehensive income, and its components in a separate financial statement that is displayed with the same prominence as the other financial statements. Accordingly, the Company would now report a consolidated statement of comprehensive income and include "accumulated other comprehensive income (loss)" in the shareholders' equity section of the consolidated balance sheet. The adoption of this standard did not have any impact on the current period. As the Company does not have any gains or losses that should be reported through comprehensive income it accordingly did not present a statement of comprehensive income for the quarter ended March 31, 2007.

4. Mineral properties

	LabMag Property	KéMag Property	Other Properties	Balance as at March 31, 2007	Balance as at Dec. 31, 2006
	\$	\$	\$	\$	\$
Beginning balance	19,901,675	1,264,538	248,549	-	-
Mineral licenses	-	10,304	2,130	2,805,054	2,792,620
Resource evaluation	244,208	158,812	-	6,900,405	6,497,385
Drilling	(26,127)	46,902	-	5,142,532	5,121,757
Environmental	150,352	11,660	-	6,140,021	5,978,009
Field labour and supplies	(8,898)	24,078	-	930,655	915,475
Exploration	-	-	3,445	209,624	206,179
Legal fees	-	-	-	181,309	181,309
Geological and evaluation	-	-	-	93,406	93,406
	<u>359,535</u>	<u>241,452</u>	<u>3,445</u>	<u>19,597,952</u>	<u>18,993,520</u>
Tax credits and mining duties		(104,211)		(475,589)	(371,378)
Ending balance	<u>20,261,210</u>	<u>1,412,083</u>	<u>254,124</u>	<u>21,927,417</u>	<u>21,414,762</u>

5. Capital stock

a) Authorized:

Unlimited number of common shares

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

b) Issued and fully paid:

Common shares	Number	Amount \$
Balance, as at December 31, 2006	77,711,690	24,469,752
Issued for cash on exercise of stock options	133,809	13,381
Share issue costs	-	(4,233)
Tax effect of flow-through shares issued in 2006	-	(990,165)
Tax effect of share issue costs	-	1,397
Balance, as at March 31, 2007	77,845,499	23,490,132

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 of the Company with shares reserved for issuance as options not to exceed 10% of the issued and outstanding common shares.

During the three-month period ended March 31, 2007, 375,000 (NIL in 2006) options were granted.

The weighted average fair value of stock options granted during the three-month period was \$0.31 per share. The fair value of each option was estimated on the date of grant using the Black-Scholes model. The following assumptions were used:

	2007	2006
Risk-free interest rate	4.0%	4.0%
Expected life (years)	5	5
Estimated volatility of the market price of the common shares	73%	80%
Dividend yield	Nil	Nil

d) Escrow

Pursuant to an escrow agreement, 1,200,000 common shares are held in escrow at March 31, 2007 (3,600,000 in 2006). These common shares will be released from escrow in the third quarter of 2007.

6. Information included in consolidated cash flows

a) The changes in working capital items are detailed as follows:

	2007	2006
	\$	\$
Sales taxes and other receivables	(237,535)	(211,983)
Accounts payable and accrued liabilities	(284,749)	(43,980)
	(522,284)	(255,963)

Included in the accounts payable and accrued liabilities is an amount of \$440,608, (\$349,522 in 2006) pertaining to additions to mineral properties. Included in the cash used in advances on contracts is NIL (\$85,000 in 2006) pertaining to mineral properties.

Cash flows relative to income taxes and interest on operating activities are detailed as follows:

	2007	2006
	\$	\$
Income taxes paid	-	-
Interest received	80,742	82,262

7. Commitments and Contingency

After undertaking the issue of flow-through shares in 2006, the Company has fulfilled its spending commitments by incurring the full \$3,000,500 of renounced Canadian exploration expenses prior to March 31, 2007.

The Company has entered into long-term agreements expiring by October 2011, under which it is committed to pay \$257,283. The minimum payments for the next five years are \$99,428 in 2007, \$90,404 in 2008, \$30,234 in 2009, \$20,300 in 2010 and \$16,917 in 2011.

The Company is committed through LabMag Limited Partnership to pay aggregate royalties of 2% of gross revenues from the mineral interests acquired in 2004.

8. Comparative figures

Certain comparative figures have been reclassified to conform to the presentation adopted in the current period.