

NEW MILLENNIUM
CAPITAL CORP.

ANNUAL REPORT 2007

LETTER TO SHAREHOLDERS

Robert Martin

President and Chief Executive Officer

In 2007, New Millennium successfully advanced both its projects and shareholder value. Most importantly, our achievements last year do not simply mark a discrete period of accomplishment, but promise to significantly increase the long term success of our company. During 2007, we improved the scope and value of our flagship KéMag project, we initiated another project with nearer term production and cash flow potential, and we made decisive progress in increasing New Millennium's market and public recognition.

As we continue our efforts now in 2008 and introduce new objectives, it is important and instructive to reflect on the key objectives that were set for 2007. As part of my accountability to the Company's shareholders, I believe that it is my responsibility to comment on management's efforts and ability to achieve each objective.

Our three key business objectives for 2007 are repeated below along with my remarks.

1. *Complete a Pre-Feasibility Study ("PFS") on the KéMag Project by June 30, 2007*

This objective was achieved and a Preliminary Assessment Study ("PAS")¹ of the KéMag Project was completed and published in late July 2007.

2. *Select the LabMag or the KéMag Project for advancement to the Feasibility Stage by September 30, 2007*

This objective was also achieved and the KéMag Project was advanced to the Feasibility Stage. A comparative financial analysis indicated that the KéMag Project was the best business case owing to its higher net present value ("NPV") and internal rate of return ("IRR").

3. *Obtain a significant strategic partner willing to assume an equity and/or product off-take position by December 31, 2007*

This objective was not achieved; however, significant progress was made by the Company with the assistance of its financial advisors, Credit Suisse and Miller Mathis. A continuing process was established in November that required interested parties to submit non-binding expressions of interest.

Overall, I would characterize our efforts in meeting our 2007 objectives as successful. Where objectives were not fully met, we continue to work towards completing them.

¹ The KéMag Preliminary Assessment was done using similar design details and information as used for the LabMag Pre-feasibility Study; however, owing to the limited number of diamond drill holes (29) management decided to qualify this study as a PAS instead of a PFS. The latter implies a more precise confidence level.

2008 Business Objectives

Moving forward into 2008, the Company has an ambitious schedule of business objectives as it mobilizes resources for the concurrent advancement of two important projects – the DSO Project and the KéMag Project. Management has outlined twelve objectives which are key to continuing the successful growth of the Company. Six of these objectives relate to the DSO project, five are KéMag objectives and one is a LabMag objective. These are listed below:

DSO Objectives

1. *Start DSO Impact and Benefit Agreement (“IBA”) process by Q1, 2008 (completed)*
2. *Obtain a DSO strategic off-take or joint venture partner by Q3, 2008*
3. *Start a DSO bankable feasibility study by Q3, 2008*
4. *Complete a 5000 meter DSO drilling and bulking sampling program by Q3, 2008*
5. *Establish NI 43-101 DSO Mineral Resource Estimate by Q4, 2008*
6. *Complete Agreements in principle relating to three railway tariff agreements for transportation of DSO products and a port agreement for the loading of vessels at Pointe-Noire by Q4, 2008*

KéMag Objectives

1. *Complete a 4000 meter KéMag winter drilling program by Q2, 2008*
2. *Obtain a KéMag strategic off-take/joint venture partner by Q3, 2008*
3. *Start a KéMag bankable feasibility study by Q3, 2008*
4. *Complete a KéMag summer infill drilling and bulk sampling program by Q3, 2008*
5. *Update existing NI 43-101 KéMag Mineral Resource Estimate by Q4, 2008*

LabMag Objectives

1. *Reactivate discussions with the Government of Newfoundland and Labrador by Q2, 2008.*

The Iron Ore and Pellet Market

Steel production increased by 7.3% in 2007 as compared to 2006. Chinese crude steel production was 488 million tonnes (Mt), a 16% increase. Credit Suisse projects that Chinese steel production will further increase by 12% in 2008. In addition to China, other BRIC countries, namely Brazil, Russia and India, also posted strong growth. Another region that is growing rapidly is the Middle East where per capita consumption in the region has reached 380 kg compared to 400 kg in Western Europe.

Record growth in steel production is putting pressure on the supply of iron ore. As a result, the prices of iron ore fines increased by 65-71% in 2008 - a record level. Seaborne trade in iron ore was 798 Mt last year and is expected to reach 870 Mt by 2012 when supply is expected to exceed demand, potentially leading to a price correction.

Pellet demand grew by 12% per annum since 2006 as is increasingly becoming a material of choice for blast furnace based steel producers. More importantly, it is the growth of steelmaking in the Middle East that is driving an increased demand for pellets. This gas rich region is dependent on direct reduction DR grade pellets to produce Direct Reduced Iron (DRI) which feeds the local electric steelmaking furnaces. There was not only tightness in the pellet market, there were also shortages of DR grade pellet feed. DRI plants in the Middle East and in Venezuela are operating at well below the plants' capacity level due to a lack of feed material.

As a consequence of the pellet supply shortage, pellet prices increased by 86.9% in 2008 and Credit Suisse is forecasting a continued potential shortfall in pellet supply beyond 2012. NML's marketing consultant has also forecast a similar trend - a trend that is expected to remain high enough to attract investment in greenfield pelletizing projects like the KéMag and LabMag Projects.

Acknowledgements

Once again, I extend my thanks to my fellow board members for their guidance, my fellow employees at NML for their continued commitment to the success of our Company and to our shareholders for their continued support and encouragement. I also extend my welcome to our newest board member, Mr. Pierre Seccareccia, and to our newly appointed strategic advisor, the Honourable A. Anne McLellan both of whom bring a wealth of experience and knowledge to NML. I would also like to extend my thanks to Mr. Michael Harrington who retired from the board in March following his appointment as a judge of the Supreme Court of Newfoundland and Labrador.

Yours truly,
New Millennium Capital Corp.

“Robert Martin”

Robert A. Martin
President and Chief Executive Officer.

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

Consolidated Financial Statements for the year ended December 31, 2007
(Containing information as at April 22, 2008, except as indicated)

DATED April 24, 2008

Reference is made to the audited Consolidated Financial Statements of New Millennium Capital Corp. ("NML" or the "Company") for the year ended December 31, 2007 ("FYE 2007") and the year ended December 31, 2006 ("FYE 2006"), 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 Canadian dollars ("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

New Millennium holds a 100% interest in the KéMag Property (Quebec) and an 80% interest in the LabMag Property (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, NL and 40 km northwest of Schefferville, QC. The Company also has interest in 306 Direct Shipping ore ("DSO") claims in Quebec and Labrador that, based on historical estimates that are not in compliance with NI 43-101, contain in excess of 100 million tonnes of direct shipping quality ore.

Results of Operations

Corporate Update

On January 23, 2007, NML provided an update of its iron ore development activities which were to be 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 million tonnes per year ("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 was to maximize the internal rate of return of the LabMag Project.

First Estimates for NML's KéMag Discovery

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 outlined 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 increased 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 deposit, which is situated on the same iron formation band as the LabMag Property, is a geological continuation of the LabMag 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 pelletizing KéMag concentrate at Sept-Îles in Quebec. Due to their significant size and geological characteristics, both properties 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 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 worldwide.

Geostat Systems International ("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.

Technical Reports on the KéMag Property

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 confirmed that the results of the 2006 diamond drilling campaign on the KéMag Property, as reported on February 6, 2007, outlined 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.

On September 20, 2007, the Corporation filed on SEDAR, an independent technical report (as defined by NI 43-101) dated September 19, 2007 and prepared by Watts, Griffis and McOuat Limited and BRASS Engineering International, LLC. The report provided, among other things, a Mineral Resource estimate for the KéMag Property. Since the updated total Mineral Resource estimates contained herein do not disclose a 100% or greater change from that report, the Corporation does not intend to prepare a further independent technical report in respect of the KéMag Property at this time.

Increase in Estimated LabMag Mineral Resources

On July 17, 2007, NML provided an update concerning several corporate initiatives and activities, including the increase of 25% in estimated LabMag iron ore mineral resources.

The total addition to estimated Measured and Indicated Resources as a result of the 2006 LabMag drill program was 925 million tonnes. Based on the previously reported¹ total estimated Measured and Indicated Resources of 3,665 million tonnes, this represented a total increase of 25%.

The addition of the Block C resource to the previously defined LabMag mineral resource, coupled with the KéMag resource, brought NML's total estimated Measured and Indicated Resources in the Millennium Iron Range to 5.9 billion tonnes². This included 3.5 billion tonnes³ of Proven and Probable Reserves. In addition, the two deposits included a further 2.1 billion tonnes⁴ which were classified as Inferred Mineral Resources.

Ability to produce DR Grade Pellets

On July 17, 2007, NML also announced that Midrex Technologies Inc. ("Midrex"), the world's largest supplier of direct reduced iron ("DRI") plants, conducted tests at its Charlotte, North Carolina, facility on laboratory-produced NML LabMag DR pellets. Midrex concluded that the pellets performed well in its standard tests and that, consequently, it expects that commercially produced pellets made from NML concentrates will be a suitable feedstock for the Midrex DR Process®. DRI is the fastest growing sector in the steel industry.

Positive KéMag Preliminary Assessment Study Results

On July 30, 2007 NML announced the results of the Preliminary Assessment Study ("PAS") undertaken on its 100% owned KéMag property and its intention to advance the KéMag Project feasibility and environmental studies. The highlights of the KéMag PAS were:

- Production Assumption of 15 mtpy of pellets and 7 mtpy of concentrate;
- Indicated Mineral Resources of 1.349 billion tonnes;
- Inferred Mineral Resources of 992 million tonnes;
- Estimated Total capital cost, including working capital, of US \$3.6 billion;
- Estimated Internal rate of return ("IRR") of 19% (unleveraged and before corporate taxes and mining taxes);
- Estimated Return on equity ("ROE") of 30% (before corporate taxes and mining taxes)⁵;
- Estimated Net present value ("NPV") of US\$ 7.3 billion (before corporate taxes and mining taxes)⁶;
- Estimated 5 year payback after the start of commercial production;
- Estimated minimum 30 year mine life;
- Estimated 1,091 direct jobs at the mine, concentrator, pipeline, pellet plant and ship loading facility.

As defined in NI 43-101, the PAS is preliminary in nature and includes inferred mineral resources that are considered too speculative geologically to have economic considerations applied to them that would enable them to be categorized as mineral reserves, and there is no certainty that results of the study will be realized. Mineral resources that are not mineral reserves do not have demonstrated economic viability.

LabMag Project

¹ News releases 06-07 (April 13, 2006), 06-13 (July 5, 2006) and 07-03 (February 6, 2007).

² Measured: 3.768 billion tonnes; indicated: 2.171 billion tonnes (based on a cut-off grade of 18% DTWR).

³ Proven: 2.981 billion tonnes; probable: 0.564 billion tonnes (based on a cut-off grade of 18% DTWR).

⁴ Inferred: 2.143 billion tonnes (based on a cut-off grade of 18% DTWR).

⁵ Based on a 30/70 equity/debt ratio

⁶ Based on a 5% discount rate

Significant work on the LabMag Project is currently on hold pending the prior development of the KéMag Project and/or future market demand. The environmental and technical work that has been completed to date on the LabMag Project is, nevertheless, applicable to a very large extent to KéMag as the two projects are very similar. For instance, the mine and concentrator are nearly identical as they have the same geology, mining systems, and processing technology. The pellet plant design and Port facilities are the same in both cases.

For LabMag, the power source is projected to be from Churchill Falls, NL, instead of from Brisay, QC, in the case of KéMag. The line voltages will be the same, on a per tonne basis, and respective lengths are 300 km and 270 km.

The value of the LabMag Project as estimated by management has also been significantly enhanced by the major increase in pellet prices of 87% over 2007. NML has not yet updated its financial estimates but plans to do so later this year for both the LabMag and KéMag Projects.

The Company has planned meetings in the near future to continue its discussions with the Government of Newfoundland and Labrador regarding the potential future development of the LabMag Project.

DSO Project

On October 29, 2007, NML announced that it had begun an internal review of its Direct Shipping Ore Properties near Schefferville, Quebec. These properties were part of the Iron Ore Company of Canada's (IOC) historical reserves when IOC was operating mines from 1954 to 1982.

Management believes that these resources could be developed within a shorter time frame than the KéMag deposit and with less capital, thereby producing substantial cash flow for the Company while the larger and more costly KéMag Project is being developed.

The Company's current ownership includes 149 claims covering 6,446 hectares and 157 claims covering 3,925 hectares in the provinces of QC and NL, respectively. These claims are owned 100% by NML, except for 35 claims in NL that are owned 80% by NML. Based on historical estimates of resources that are not in compliance with the requirements of NI 43-101, the claims cover an estimated 100 to 150 million tonnes of DSO. The Company believes that the ore can be suitably upgraded through a simple screening and washing process to meet current market requirements for iron ore fines and lump ore products. Current evaluation of the DSO Project is focusing on this possibility.

Financing

Private Placements

On June 12, 2007, the Company completed a private offering whereby 11,290,000 common shares were issued at a price of \$0.62 per common share for gross proceeds of \$6,999,800 and 2,666,667 flow-through common shares were issued at a price of \$0.75 per flow-through common share for gross proceeds of \$2,000,000. The agents of the offering were paid fees of \$539,990 and were granted 837,400 common share purchase warrants, exercisable at a price of \$0.75 per warrant for a period of 18 months from the closing of the offering.

On October 4, 2007, the Company completed a private offering whereby 1,612,903 common shares were issued at a price of \$0.62 per common share for gross proceeds of \$1,000,000 and 5,333,333 flow-through common shares were issued at a price of \$0.75 per flow-through common share for gross proceeds of \$4,000,000. The agents of the offering were paid fees of \$300,000 and were granted 416,774 common share purchase warrants, exercisable at a price of \$0.75 per warrant for a period of 18 months from the closing of the offering.

Exposure to ABCP Market

At December 31, 2007, the Company holds \$4,400,000 par value of Structured Investment Trust ("SIT") III, Series A asset-backed commercial paper ("ABCP"). On June 15, 2007, when the Company acquired the investment it was rated R1-High by the Dominion Bank Rating Services ("DBRS"), the highest credit rating issued for commercial paper.

Since August 2007, the market for ABCP has experienced significant liquidity problems. There has been no active trading of the ABCP since mid-August and no market quotations are currently available. The SIT trust failed to make payment at maturity, and, along with other ABCP conduits, are subject to restructuring by a consortium of banks, assets providers and major investors (the "consortium").

During the third quarter of 2007, the Company recorded an \$880,000 impairment loss in net earnings on the ABCP.

On December 23, 2007, the consortium announced an agreement in principle to restructure the trusts as disclosed in note 6 of the consolidated financial statements. In accordance with the proposal, holders of ABCP will exchange their paper for floating rate notes with maturities based on the maturities of the assets underlying the ABCP. The implementation of the restructuring proposal is subject to a number of conditions including a vote by all note holders. As a result of the proposal, the Company has re-valued the ABCP and no further impairment loss has been taken at December 31, 2007.

Subsequent Events

Initial Results for the 2007 KéMag Drill Program extend KéMag Mineralization

On January 8, 2008, the Company provided results on 29 (2,344 metres) of its 42-hole 2007 diamond drilling program at its 100%-owned KéMag Property in Quebec, approximately 18 km north of its LabMag property in Newfoundland and Labrador and 50 km northwest of Schefferville, Quebec. By extending the mineralization at KéMag and demonstrating that the deposit remains open to the north and the south, NML established the potential for a significant additional resource.

Production Development Update on Direct Shipping Ore Project

On February 5, 2008, the Company announced that it had completed the proposed development plans and schedule for its Direct Shipping Ore ("DSO") Properties in the Schefferville region of Quebec and Newfoundland and Labrador. NML's plan is to establish a brownfield mining operation that can be developed sooner and with less capital than the KéMag deposit. The expedient and cost effective development of the DSO Project can potentially produce substantial cash flow for the Company while the larger KéMag Project is being developed. Successful development of the DSO Project is aided by management's intimate familiarity with the properties and the Company is also fortunate in being able to assemble a strong project team with past experience in the Schefferville operations.

NML's DSO holdings are contained in 27 deposits that were previously owned by the Iron Ore Company of Canada ("IOC"). They consist of 149 mineral claims in Quebec covering 6,446 hectares and 157 mineral claims in Labrador covering 3,925 hectares. Based on historical estimates that are not compliant with the requirements of NI 43-101, these claims cover approximately 100 million tonnes of direct shipping quality ore.

The DSO holdings controlled by NML are sub-divided into four areas designated Area 1, Area 2, Area 3 and Area 4. The Company's conceptual plan is to consider mining these areas in two phases.

The first phase, which represents about 20% of the Company's historical estimated DSO resources, includes Area 2 and Area 3. This brownfield phase has semi-developed infrastructure which will permit rapid development. The conceptual plan is to transport the crude ore by haulage truck from ten open pit deposits in Area 2 (± 10 km north of Schefferville) and Area 3 (± 20 km north of Schefferville) to a crusher and wash plant to be built and installed in Area 3. The wash plant is expected to produce two products, a lump ore and a fines product. It is planned to transport these products by rail to a marshalling yard near Schefferville prior to their shipment on the main line to Sept Îles.

One of the sites in area 3, Timmins 3, was partially mined and two others, Timmins 4 and Timmins 7 were partially stripped by IOC at the time of closure in 1982. All three are expected to be reopened by NML.

The second phase, which represents about 75% of NML's historical estimated DSO resources, will entail mining in Area 4. This area, about 50 km north of Schefferville, is devoid of infrastructure and, as a consequence, will take longer to develop than Area 2 and Area 3. The conceptual mining plan is to transport the crude ore by haulage truck from nine open pits in Area 4 to a locally-installed crusher from which crushed ore will be transported by an overland conveyor to the wash plant in Area 3. The wash plant products will then be transported by the Phase 1 infrastructure to the Port of Sept-Îles.

NML anticipates the start-up of its Phase 1 production (Areas 2 and Area 3) in 2010 and that of its Phase 2 production (Area 4) in 2013. There are nine Area 1 deposits, representing about 5% of NML's historical estimated DSO resources. Seven of these are jointly owned with Labrador Iron Mines (TSX-V: LIR): the James, the Knob Lake 1, the Redmond 5, the Houston 1, the Houston 2S and the Houston 3. Those deposits would most likely be mined in accordance with the LIR mining schedule which currently plans to commence production in Area 1 in 2009. To-date, there has not been any agreement reached with LIR regarding NML's claims that partially cover the seven LIR deposits. As part of this year's program, NML will attempt to negotiate some mutually satisfactory agreement with LIR regarding the mining of NML's ore and the possible cost sharing of infrastructure.

NML's DSO development is being fast-tracked to take advantage of current shortages of iron ore in the world marketplace. The project is expected to be a relatively low cost capital venture owing to the existence of significant infrastructure in the form of air, rail and hydroelectric links with the Town of Schefferville and, in most cases, road links from Schefferville to the Company's deposits.

Phase 1 development is currently in progress with the commencement of planning related to geology, mining and resource, metallurgy, environmental and pre-feasibility studies. Negotiations with affected First Nations and the TRT railroad are also in progress.

Approximately 4,000 metres of reverse circulation drilling and 2,000 metres of trenching are scheduled. The drilling and trenching program will be done to verify previous work. This is expected to supplement and verify the use of the extensive drilling and trenching previously performed on these properties by IOC. It is also expected to upgrade the historical results to current NI 43-101 standards. Results are expected by the end of December 2008.

To complete metallurgical testing, several bulk samples will be taken for crushing and screening tests to determine the amount of lump ore in the run-of-mine materials along with its grade. Samples of both lump and fines will be sent to an outside testing lab for washing and iron recovery tests, including an assessment of the product grades which may be expected. This work is expected to be completed by the end of September 2008.

The environmental impact assessment has started and the DSO Project Notice is currently being prepared. Contracts will be awarded to consultants by the end of March and the Environmental Impact Statement is expected to be sent to the appropriate governmental authorities by the end of October. Government review and approval is expected for Area 2 and Area 3 by the end of March 2009.

IBA meetings have recently started with some of the affected First Nations. Discussions with the Tshiuetin Railway, which requires a major upgrade to its track structure, the QNS&L Railway and the Arnaud Railway will be initiated to plan the railway transportation agreements required to move the DSO from the crusher and wash plant near Schefferville to the Port of Sept-Iles. Initial discussions with The Port Authority of Sept-Iles have begun and discussions with Wabush regarding the joint use of their ship loading terminal will be scheduled as soon as possible. All agreements are expected to be in place by the end of December 2008.

A Preliminary Feasibility Study will be initiated once the summer program is completed and the sample analysis results start to arrive. The final report and financial analysis is scheduled for completion by the end of December 2008 and the feasibility study is expected by the end of May 2009.

Project Update increases KéMag Measured plus Indicated Resources by 71.5%

On February 27, 2008, the Company provided an update of its estimated Mineral Resources as a result of the completion of the latest 45-hole (totalling 4,885 metres) diamond drilling program in 2007 on its 100%-owned KéMag Iron Ore Property (the "KéMag Property") in Quebec.

The objective of the 2007 KéMag drill program was to upgrade and expand the resource base and the results showed that 991 million tonnes are in the Measured Resources category. The tonnages of Indicated and Inferred Mineral Resources remain around the same level. As a result of the 2006 and 2007 KéMag drill programs, total Mineral Resources are estimated at 2,314 million tonnes of Measured and Indicated Resources and 1,034 million tonnes of Inferred Resources. Based on the previously reported Mineral Resources of 1,349 million tonnes of Indicated Resources and 992 million tonnes of Inferred Resources, these figures represent increases of 71.5% in Measured and Indicated Resources and 4% in Inferred Resources.

The Millennium Iron Range NI 43-101 Resources have increased to 6.9 billion tonnes of Measured and Indicated Resources, plus an additional 2.2 billion tonnes of Inferred Resources. This does not include an estimated 100 million tonnes of direct shipping quality ore from 306 claims in Quebec and Labrador, which are based on historical estimates that are not in compliance with NI 43-101.

Resources Summary (in millions of tonnes)

| | Proven | Grade (%) | Probable | Grade (%) | Measured | Grade (%) | Indicated | Grade (%) | Inferred | Grade (%) | Historical |
|--|--------|-----------|----------|-----------|----------|-----------|-----------|-----------|----------|-----------|------------|
| LabMag ⁽¹⁾ | 2,981 | 29.6 | 564 | 29.6 | 3,768 | 29.6 | 822 | 29.0 | 1,151 | 29.3 | - |
| KéMag ⁽²⁾ | - | - | - | - | 991 | 31.0 | 1,323 | 31.5 | 1,034 | 31.4 | - |
| DSO | - | - | - | - | - | - | - | - | - | - | 100 |
| Total Proven & Probable ("P&P") | | | | | 3,545 | | | | | | |
| Total Measured & Indicated (incl. P&P) | | | | | 6,904 | | | | | | |
| Total Measured, Indicated + Inferred (incl. P&P) | | | | | 9,089 | | | | | | |
| Total Resources (incl. historical) | | | | | 9,189 | | | | | | |

(1) LabMag figures from July 2006 pre-feasibility by Met-Chem

(2) KéMag figures based on 2006 & 2007 drilling - resource calculation by Geostat Systems

FINANCIAL CONDITION

The following discussion of the Company's financial performance is based on the audited Consolidated Financial Statements referenced herein. As discussed in Note 3 to the financial statements, the financial statements are prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP). Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and revenues and expenses for the year then ended.

At December 31, 2007, the Company had cash and cash equivalents of \$4,332,010, term deposits of \$1,896,181, sales taxes and other receivables of \$423,999, and tax credits and mining duties receivable of \$1,304,589 resulting in total current assets of \$7,956,779, an increase of \$506,527 from December 31, 2006. The long term assets are comprised of mineral properties of \$26,413,603, property and equipment of \$56,201, advances on contracts of \$75,037 and long-term investment of \$3,520,283. The total assets are \$38,021,903 which is an increase of \$9,064,416 from December 31, 2006.

The long-term investment is a result of the Company's investment of \$4,400,283 on June 15, 2007 in Structured Investment Trust III, Series A. This asset-backed commercial paper (ABCP) was rated R1-High by the Dominion Bond Rating Service at the time it was purchased. Though the ABCP matured on September 13, 2007, repayment of the ABCP has not been received. As discussed in Note 6 to the financial statements, the implementation of a proposed restructuring that would see the Company's ABCP converted into 4 different note classes all with expected maturity dates of December 2016 is subject to a number of conditions including a vote by all note holders. The Company's management has made an assessment of the fair value of the long-term ABCP that takes into account available public information on the proposed restructuring plan and the maturity dates and interest rates applicable to the notes if the plan is approved. The outcome of this assessment was that a combined impairment loss of \$880,000 has been recognized in the Consolidated loss and comprehensive loss for the year. Due to the uncertainty of how much, when or if the Company will receive the interest earned to date, the Company has not accrued any interest as of December 31, 2007.

Current liabilities at December 31, 2007 are composed of accounts payable and accrued liabilities of \$693,275, with the only long term liability being future income taxes of \$1,107,128 for total liabilities of \$1,800,403, a decrease of \$1,721,998 from December 31, 2006. Shareholders' equity of \$36,221,500, increased by \$10,786,414 from December 31, 2006, is comprised of capital stock of \$37,330,528 and contributed surplus of \$5,613,402 less the deficit of \$6,722,430.

Working capital at December 31, 2007 is \$7,263,504, an increase of \$2,112,752 from the December 31, 2006 total of \$5,150,752.

These changes in the balance sheet are mainly due to the Corporation having increased during the year shareholders' equity by \$10,786,414 through various equity financings, with the last two closings on June 12, 2007 and October 4, 2007 with total net proceeds of \$12,952,834, less the \$990,165 future income tax effect of the renunciation of \$3,000,500 of Canadian exploration expenses (CEE) in favour of the purchasers, which resulted in an equivalent decrease in capital stock. The Company used its term deposits and cash and cash equivalents to fund its operations and 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 for current liabilities, complete the pre-feasibility study of the KéMag property, exploration work on the DSO Project and cover future corporate operating expenses. During the year, \$5,843,098 of the Corporation's expenditures were related to the pre-feasibility study work on the KéMag Project, the LabMag Project feasibility study and exploration on the DSO Project. These expenditures were recorded as mineral properties. 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 Corporation's operating losses.

For the FYE 2007 NML realized a net loss of \$2,672,021 or \$0.03 per share, compared to a net loss of \$2,031,604 or \$0.03 per share in FYE 2006. This loss represents operating expenses of \$2,789,170 (2006 - \$3,458,277), the \$880,000 (2006 - Nil) impairment of the ABCP, net of investment income of \$229,529 (2006 - \$310,121) and future income tax recovery of \$767,620 (2006 - \$1,116,552). A reduction in general and administrative expenses, professional fees and future income tax recovery was offset by an increase in market development costs and the impairment loss on the ABCP and, as such, resulted in a higher loss when compared to FYE 2006.

The Corporation 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 strategic investments.

All costs associated with mineral properties totaling \$26,413,603, as outlined in Note 8 to the Consolidated Financial Statements, have been classified as mineral properties. The expenditures are divided between the properties as follows: LabMag Property \$20,733,087, KéMag Property \$5,333,117, DSO Properties \$204,527 and Other Properties \$142,872. The cost centers for these capitalized items are: mineral licenses (\$2,881,574), resource evaluation (\$8,338,210), environmental (\$6,482,333), drilling (\$8,323,828), field labour and supplies (\$1,417,532) and other (\$274,715). These expenditures are partially offset by tax credits and mining duties of \$1,304,589. The carrying values 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 December 31, 2007, the Company believes that the carrying values of the properties are less than their net recoverable amounts 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 December 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. In December 2007, the Company renounced CEE of \$6,000,000 in favour of the purchasers of the 2007 flow-through shares. The renunciation documents were filed with the CRA in February 2008. As of December 31, 2007, the Company has spending commitments of \$3,185,000 related to these flow-through shares.

ANNUAL INFORMATION

The following table shows selected annual information for the Company derived from the Company's Audited Annual Financial Statements for the last three completed financial years.

| Item | December 31, 2007 | December 31, 2006 | December 31, 2005 |
|-------------------------------|----------------------|----------------------|----------------------|
| Investment Income | 229,529 | 310,121 | 93,631 |
| Net Loss | (2,672,021) | (2,031,604) | (1,303,684) |
| Loss Per Share ⁽¹⁾ | (0.03) | (0.03) | (0.03) |
| Total Assets | 38,021,903 | 28,957,487 | 18,454,999 |
| Long-term Liabilities | 1,107,128 | 1,222,901 | 1,230,504 |
| Dividends | Nil | Nil | Nil |

⁽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 eight quarters of operation ended December 31, 2007. 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-07 | Sept-07 | June-07 | Mar-07 | Dec-06 | Sept-06 | June-06 | Mar-06 |
|-------------------------------|-----------|-------------|-----------|-----------|-----------|-----------|-----------|-----------|
| Investment Income | 68,578 | 54,682 | 59,977 | 46,292 | 87,446 | 73,304 | 56,554 | 92,817 |
| Net Loss | (506,547) | (1,339,969) | (430,046) | (395,459) | (765,541) | (661,905) | (206,856) | (397,302) |
| Loss Per Share ⁽¹⁾ | (0.01) | (0.01) | (0.01) | (0.01) | (0.01) | (0.01) | (0.00) | (0.01) |

⁽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, 2007, the general and administrative expenses, professional fees, market development and other expenses were \$662,479 compared to \$1,290,647 in the corresponding period in 2006. Included in the fourth quarter of 2007 expenses were \$49,000 of professional fees incurred in investment banking related activities to identify strategic investors and equity financing opportunities compared to \$525,000 in the corresponding period of 2006. This reduction in expenses was partially offset during the three-month period by a future tax recovery of \$87,355, for which there was \$437,660 recovered in the fourth quarter of 2006. As a result, NML's loss for the fourth quarter ended December 31, 2007 totalled \$506,547 or \$0.01 per share as compared to a loss of \$765,541 or \$0.01 per share for the comparative period in 2006.

MILESTONES AND BUSINESS OBJECTIVES

2007 Milestones

The Company outlined three main business objectives for the 2007 fiscal year. These are restated below along with the milestones achieved.

1. Securing a strategic investor by December 31, 2007.

This milestone was not completed, but significant progress was made in search for a strategic investor through a defined process by our financial advisors, Credit Suisse and Miller Mathis. This continuing process has led to the receipt of confidential non-binding expressions of interest from several potential strategic investors.

2. Concluding a Pre Feasibility Study on the KéMag Project by June 30, 2007, which included an in-fill drilling program and metallurgical testing.

This milestone was completed. The positive KéMag Preliminary Assessment Study results were published on July 30, 2007.

3. Selecting the KéMag or the LabMag project for advancement to the Feasibility Stage by September 30, 2007.

This milestone was completed. The KéMag Project was selected for advancement to Feasibility Study on July 30, 2007.

2008 Business Objectives

The 2008 objectives of the Company are:

1. Start DSO Impact and Benefit Agreement (“IBA”) process by Q1 2008 (completed)
2. Obtain DSO strategic investor by Q3 2008
3. Initiate DSO bankable feasibility study by Q3 2008
4. Complete a 5000 meter DSO drilling and bulking sampling program by Q3 2008
5. Establish NI 43-101 DSO Mineral Resource Estimate by Q4 2008
6. Complete agreements in principle relating to three railway tariff agreements for transportation of DSO products and a port agreement for the loading of vessels at Pointe-Noire by Q4 2008
7. Complete a 4000 meter KéMag winter drilling program by Q2 2008
8. Obtain a KéMag strategic investor by Q3 2008
9. Start a KéMag bankable feasibility study by Q3 2008
10. Complete a KéMag summer infill drilling and bulk sampling program by Q3 2008
11. Update existing NI 43-101 KéMag Mineral Resource Estimate by Q4 2008
12. Reactivate discussions concerning the LabMag Project with the Government of NL by Q2 2008.

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

During 2007, the Company adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants (CICA). These standards are fully described in Note 2 of the audited Consolidated Financial Statements.

Section 1506 “Accounting Changes” prescribes the criteria for changing accounting policies and the disclosure of changes in accounting policies and accounting estimates and corrections of errors. The new standard also requires the communication of new primary sources of GAAP that are issued, but not yet effective or adopted by the Company.

Section 3855 “Financial Instruments – Recognition and measurement” requires all financial assets, financial liabilities and non-financial derivatives to be recognized on the balance sheet and measured based on specific categories. Section 3861 “Financial Instruments – disclosure and presentation” identifies and details information to be disclosed in the financial statements.

Section 1530 “Comprehensive income” introduces new standards for the presentation and disclosure of the components of comprehensive income. Comprehensive income is defined as the change in net assets of an enterprise during a reporting period from transactions and other events and circumstances from non-owner sources.

Section 3251 “Equity” establishes new standards for the presentation of equity and changes in equity relating to “accumulated other comprehensive income (loss).”

The CICA issued the following accounting standards that the Company will implement for annual or interim accounting periods beginning on January 1, 2008.

Section 1535 "Capital Disclosures" establishes standards for disclosing information about an entity's capital and how it is managed.

Section 3862 and 3863 "Financial Instruments – Disclosure and Presentation" which establish disclosures related to the significance of financial instruments on the entity's financial position and performance and the extent of the risk the Company is exposed to arising from financial instruments and how this risk is managed.

Section 1400 "General Standards of Financial Presentation" requires management to assess the Company's ability to continue as a going concern.

Finally, the CICA has issued a standard which the Company will implement January 1, 2009, section 3064 "Goodwill and Intangible Assets" which establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets.

The Company is currently evaluating the full impact of these standards.

ACCOUNTING ESTIMATES

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. The estimates include the recoverability of mineral properties, the fair value of long-term investments, the useful life of property and equipment, future income taxes as well as the fair value estimates of stock options. These estimates are reviewed periodically and adjustments are made in the period in which they become known, if necessary. Actual results could differ materially from these estimates.

FAIR VALUE AND FINANCIAL RISK MANAGEMENT

The fair value of cash and cash equivalents, term deposits, other receivables, accounts payable and accrued liabilities approximate their carrying amount given their short-term maturities. The fair value of the long-term investment has been estimated by management as discussed in note 6 to the financial statements.

The Company is exposed to various financial risks in the normal course of operations and management manages financial risks. The Company's main financial risks are as follows:

Exchange risk

The Company does not hold any material assets or liabilities denominated in foreign currencies and as such a fluctuation between the exchange rates would not have a material impact on the financial results.

Interest rate risk

Cash and cash equivalents and term deposits bear interest at fixed rates and the Company is, therefore exposed to the risk of changes in fair value resulting from interest rate fluctuations. The long-term investment will earn interest at fluctuating rates if the proposal is successful. As such, the Company is exposed to the risk of fluctuating interest rates.

Liquidity risk

Management serves to maintain sufficient amounts of cash and cash equivalents to meet commitments. The Company establishes budgets and cash flow requirements monthly to ensure that it has the necessary funds to fulfill its obligations.

Credit risk

The Company manages credit risk through an emphasis on quality in its investment portfolio. Cash and cash equivalents, including treasury bills, and term deposits are held through one Canadian chartered bank.

Off-Balance Sheet arrangements

Disclosure is required of all off-balance sheet arrangements such as transactions, agreements or contractual arrangements with unconsolidated entities, structured finance entities, special purpose entities or variable interest entities that are reasonably likely to materially affect liquidity or the availability of capital resources. The Company has no such off-balance sheet arrangements.

LIQUIDITY AND CAPITAL RESOURCES

Working Capital

The Company's working capital at December 31, 2007 increased from December 31, 2006 by \$2,112,752 to \$7,263,504 due to equity financings completed during 2007. The working capital consists of cash and cash equivalents, term deposits, sales taxes receivables and tax credits and mining duties receivable net of accounts payable and accrued liabilities.

Capital Expenditures

The Company incurred capital expenditures of \$29,172 (2006 - \$47,378) during 2007, all for the acquisition of computer hardware, software, furniture and equipment.

Capital Resources

At December 31, 2007, NML has paid up capital of \$37,330,528 (2006 - \$24,469,752), representing 99,737,402 (2006 - 77,711,690) common shares and deficit of \$6,722,430 (2006 - \$4,050,409) that is partially offset by contributed surplus of \$5,613,402 (2006 - \$5,015,743) resulting in shareholders' equity of \$36,221,500 (2006 - \$25,435,086).

TRANSACTIONS WITH RELATED PARTIES

During the year ended December 31, 2007, NML incurred directors' fees of \$32,800 (2006 - \$30,000), consulting fees included in mineral properties of \$92,820 (2006 - \$206,582) and consulting fees included in expenses of \$90,530 (2006 - \$73,969) to firms owned by directors and \$262,654 (2006 - \$325,423) in legal expenses included in share issuance costs and professional fees to a law firm with a partner who is a director. Of these amounts \$55,208 (2006 - \$146,472) is payable at December 31, 2007.

ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE

Additional disclosure concerning the Corporation's resource property expenditures are provided in Note 8 of the December 31, 2007 audited Consolidated Financial Statements that is available on the Company'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 audited Consolidated Financial Statements were general and administrative expenses of \$1,596,777 (2006 - \$1,864,571) comprised of stock based compensation of \$544,567 (2006 - \$731,325), salaries and benefits of \$591,874 (2006 -

\$436,195), office and administration of \$242,313 (2006 - \$282,776), business taxes and licences of \$21,635 (2006 - \$171,996), consultants of \$114,086 (2006 - \$171,512) and office rent \$82,302 (2006 - \$70,767).

OUTLOOK

2007 was another strong year for iron ore producers. Steel production increased by 7.3% as compared to 2006. The record growth in steel production is putting pressure on the supply of iron ore. As a result, the price of iron ore fines have increased by 65-71% in 2008 to a record level. The seaborne trade is expected to reach 870 Mt, with a projection of a continued supply deficit. This situation is expected to persist until 2012 when the supply will exceed the demand, leading to a price correction.

Pellet demand grew by 12% per annum since 2006 as it is increasingly becoming a material of choice for the blast furnace based steel producers. More importantly, it is the growth of steelmaking in the Middle East that is driving the increased demand for pellets. This gas rich region is dependent on DR grade pellets to produce Direct Reduced Iron (DRI) which feeds the local electric steelmaking furnaces. There was not only tightness in the pellet market, there were also shortages of DR grade pellet feed. DRI plants in the Middle East and in Venezuela are operating at well below the plants' capacity level due to a lack of feed material.

As a result, in 2008 pellet prices increased by 86.9%. Credit Suisse is forecasting a potential shortfall in pellet supply beyond 2012. NML's marketing consultant has also forecast a similar trend. Prices are expected to remain at a high enough level throughout this period to attract investments in greenfield pelletizing projects such as the KéMag and LabMag Projects.

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 relatively 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.

The LabMag Project is located in the Province of Newfoundland and Labrador and therefore subject to its mining legislation which may require that primary processing be done within the province in order to obtain mining rights.

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.

DISCLOSURE OF OUTSTANDING SHARE DATA

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

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 as of December 31, 2007: The Corporation has 99,737,402 common shares issued (\$37,330,528).
- (c) Issued as of April 22, 2008: The Corporation has 104,676,335 common shares issued (\$43,393,775)

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 April 22, 2008, there were 8,554,934 common shares reserved for issuance pursuant to the exercise of stock options (December 31, 2007 – 7,096,667) as follows:

| Number of Outstanding Options | Exercise Price | Expiry Date |
|--------------------------------------|-----------------------|--------------------|
| 576,667 | \$0.10 | December 12, 2008 |
| 1,688,267 | \$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 |
| 25,000 | \$0.52 | September 27, 2010 |
| 190,000 | \$0.55 | October 19, 2010 |
| 675,000 | \$0.55 | October 19, 2010 |
| 40,000 | \$0.76 | April 6, 2011 |
| 1,500,000 | \$0.75 | September 13, 2011 |
| 90,000 | \$0.75 | November 2, 2011 |
| 375,000 | \$0.50 | February 1, 2011 |
| 905,000 | \$0.75 | August 2, 2012 |
| 250,000 | \$0.65 | November 13, 2012 |
| 25,000 | \$0.73 | November 19, 2012 |
| 1,500,000 | \$0.83 | January 30, 2013 |
| 250,000 | \$1.44 | March 25, 2013 |

3. Warrants

At April 22, 2008, there were 4,866,774 common shares reserved for issuance pursuant to the exercise of outstanding warrants (December 31, 2007 –9,513,974), as follows:

| Number of Outstanding Warrants | Exercise Price | Expiry Date |
|---------------------------------------|-----------------------|--------------------|
| 4,050,000 | \$1.00 | August 22, 2008 |
| 400,000 | \$0.75 | December 12, 2008 |
| 416,774 | \$0.75 | April 4, 2009 |

ADDITIONAL INFORMATION

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

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

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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, 2007 and 2006 and the consolidated statements of loss and comprehensive loss, deficit, contributed surplus and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2007 and 2006 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

/S/ Raymond Chabot Grant Thornton LLP

Chartered Accountants

Montréal, Canada
March 7, 2008
(except as to Note 6 which is as of April 17, 2008)

New Millennium Capital Corp.

Consolidated Balance Sheets

December 31, 2007 and 2006

| | 2007 | 2006 |
|--|--------------------|--------------------|
| | \$ | \$ |
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents (Note 4) | 4,332,010 | 3,414,039 |
| Term deposits (Note 5) | 1,896,181 | 2,581,816 |
| Sales taxes and other receivables | 423,999 | 1,083,019 |
| Tax credits and mining duties receivable | 1,304,589 | 371,378 |
| | <u>7,956,779</u> | <u>7,450,252</u> |
| Long-term investment (Note 6) | 3,520,283 | – |
| Advances on contracts | 75,037 | 20,500 |
| Property and equipment (Note 7) | 56,201 | 71,973 |
| Mineral properties (Note 8) | <u>26,413,603</u> | <u>21,414,762</u> |
| | <u>38,021,903</u> | <u>28,957,487</u> |
| LIABILITIES | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities | 693,275 | 2,299,500 |
| Future income taxes (Note 11) | 1,107,128 | 1,222,901 |
| | <u>1,800,403</u> | <u>3,522,401</u> |
| SHAREHOLDERS' EQUITY | | |
| Capital stock (Note 9) | 37,330,528 | 24,469,752 |
| Contributed surplus | 5,613,402 | 5,015,743 |
| Deficit | <u>(6,722,430)</u> | <u>(4,050,409)</u> |
| | <u>36,221,500</u> | <u>25,435,086</u> |
| | <u>38,021,903</u> | <u>28,957,487</u> |

The accompanying notes are an integral part of the consolidated financial statements.

On behalf of the Board,

/S/ Robert Martin
Director

/S/ William Almdal
Director

New Millennium Capital Corp.

Consolidated Loss and Comprehensive Loss

Years ended December 31, 2007 and 2006

| | 2007 | 2006 |
|--|---------------------------|---------------------------|
| | \$ | \$ |
| Revenue | — | — |
| Expenses | | |
| General and administrative | 1,596,777 | 1,864,571 |
| Professional fees (Note 10) | 717,508 | 1,119,428 |
| Market development | 429,941 | 376,275 |
| Amortization of property and equipment | 44,944 | 51,574 |
| Amortization of deferred financing costs | — | 46,429 |
| | <u>2,789,170</u> | <u>3,458,277</u> |
| Loss before other items and income taxes | <u>(2,789,170)</u> | <u>(3,458,277)</u> |
| Other items | | |
| Investment income | 229,529 | 310,121 |
| Changes in fair value of long-term investment (Note 6) | (880,000) | — |
| | <u>(650,471)</u> | <u>310,121</u> |
| Loss before income taxes | <u>(3,439,641)</u> | <u>(3,148,156)</u> |
| Future income taxes (Note 11) | <u>767,620</u> | <u>1,116,552</u> |
| Net loss and comprehensive loss | <u><u>(2,672,021)</u></u> | <u><u>(2,031,604)</u></u> |
| Loss per share - basic and diluted | <u>(0.03)</u> | <u>(0.03)</u> |
| Weighted average number of shares outstanding | <u>87,488,995</u> | <u>65,365,749</u> |

The accompanying notes are an integral part of the consolidated financial statements.

New Millennium Capital Corp.
Consolidated Deficit
Consolidated Contributed Surplus

Years ended December 31, 2007 and 2006

| | <u>2007</u> | <u>2006</u> |
|--|-------------------------|-------------------------|
| | \$ | \$ |
| CONSOLIDATED DEFICIT | | |
| Balance, beginning of year | 4,050,409 | 2,018,805 |
| Net loss | <u>2,672,021</u> | <u>2,031,604</u> |
| Balance, end of year | <u><u>6,722,430</u></u> | <u><u>4,050,409</u></u> |
| CONSOLIDATED CONTRIBUTED SURPLUS | | |
| Balance, beginning of year | 5,015,743 | 2,629,361 |
| Stock-based compensation expense | | |
| Employees and directors | 371,817 | 618,325 |
| Consultants | 172,750 | 113,000 |
| Agents' warrants granted for stock offering | 326,162 | 283,734 |
| Share purchase warrants issued through capital stock offering | - | 1,669,923 |
| Transfer to capital stock upon exercise of agents' warrants | (171,160) | (298,600) |
| Transfer to capital stock upon exercise of share purchase warrants | (80,420) | - |
| Transfer to capital stock upon exercise of stock options | <u>(21,490)</u> | <u>-</u> |
| Balance, end of year | <u><u>5,613,402</u></u> | <u><u>5,015,743</u></u> |

The accompanying notes are an integral part of the consolidated financial statements.

New Millennium Capital Corp.

Consolidated Cash Flows

Years ended December 31, 2007 and 2006

| | 2007 | 2006 |
|--|---------------------|---------------------|
| | \$ | \$ |
| OPERATING ACTIVITIES | | |
| Net loss | (2,672,021) | (2,031,604) |
| Non-cash items | | |
| Stock-based compensation expense | | |
| Employees and directors | 371,817 | 618,325 |
| Consultants | 172,750 | 113,000 |
| Amortization of property and equipment | 44,944 | 51,574 |
| Amortization of deferred financing costs | — | 46,429 |
| Unrealized changes in fair value of long-term investment | 880,000 | — |
| Future income taxes | <u>(767,620)</u> | <u>(1,116,552)</u> |
| | (1,970,130) | (2,318,828) |
| Changes in working capital items (Note 12) | <u>385,614</u> | <u>(746,221)</u> |
| Cash flows used by operating activities | <u>(1,584,516)</u> | <u>(3,065,049)</u> |
| INVESTING ACTIVITIES | | |
| Purchase of term deposits | (1,935,340) | (2,581,816) |
| Redemptions of term deposits | 2,620,975 | 4,298,391 |
| Acquisition of long-term investment | (4,400,283) | — |
| Advances on contracts | (211,255) | (42,100) |
| Acquisition of property and equipment | (29,172) | (47,378) |
| Additions to mineral properties | <u>(7,024,223)</u> | <u>(11,046,095)</u> |
| Cash flows used by investing activities | <u>(10,979,298)</u> | <u>(9,418,998)</u> |
| FINANCING ACTIVITIES | | |
| Repayment of loan payable | — | (2,000,000) |
| Issuance of common shares | 14,612,681 | 14,779,452 |
| Share issue costs | <u>(1,130,896)</u> | <u>(919,254)</u> |
| Cash flows provided by financing activities | <u>13,481,785</u> | <u>11,860,198</u> |
| Increase (decrease) in cash and cash equivalents | <u>917,971</u> | <u>(623,849)</u> |
| Cash and cash equivalents, beginning of year | <u>3,414,039</u> | <u>4,037,888</u> |
| Cash and cash equivalents, end of year | <u>4,332,010</u> | <u>3,414,039</u> |

The accompanying notes are an integral part of the consolidated financial statements.

New Millennium Capital Corp.

Notes to Consolidated Financial Statements

December 31, 2007 and 2006

1 - GOVERNING STATUTES AND 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 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 - ACCOUNTING CHANGES

Recently adopted standards

On January 1, 2007, in accordance with the applicable transitional provisions, the Company adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants (CICA):

Section 1506, "Accounting Changes"

Section 1530, "Comprehensive Income"

Section 3251, "Equity"

Section 3855, "Financial Instruments – Recognition and Measurement"

Section 3861, "Financial Instruments – Disclosure and Presentation"

Accounting Changes

The new section prescribes the criteria for changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates and correction of errors. Furthermore, the new standard requires the communication of the new primary sources of generally accepted accounting principles that are issued, but not yet effective or not yet adopted by the Company. The new standard has no impact on the Company's financial results.

New Millennium Capital Corp.

Notes to Consolidated Financial Statements

December 31, 2007 and 2006

2 - ACCOUNTING CHANGES (Continued)

Comprehensive Income

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 "accumulated 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" in the shareholders' equity section of the consolidated balance sheets. Pursuant to the transitional provisions of the section, the Company's financial statements of prior fiscal years are not restated.

Equity

Equity establishes new standards for the presentation of equity and changes in equity during the reporting period relating to the "accumulated other comprehensive income". Pursuant to the transitional provisions of the section, the Company's financial statements of prior fiscal years are not restated.

Financial Instruments – Recognition, Measurement, Disclosure and Presentation

These standards set out the criteria for the recognition, measurement, presentation and disclosure of financial instruments and non-financial derivatives in the financial statements. The traditional provisions of these sections require the Company to remeasure the financial assets and liabilities as appropriate at the beginning of its fiscal year. Any adjustment to the previous carrying amount is recognized as an adjustment of the balance of deficit at the beginning of the fiscal year of initial application or as an adjustment of the opening balance of a separate component of "accumulated other comprehensive income", as appropriate. The Company has not restated financial statements of prior fiscal years.

Adoption of these new recommendations resulted in the following impacts on the classification and measurement of the Company's financial instruments, which were previously recognized at cost:

- Cash and cash equivalents and term deposits, excluding investments in commercial paper, are classified as held-for-trading financial assets. They are measured at fair value and changes in fair value are recognized in net loss and presented under investment income. Transaction costs from held-for-trading financial assets and liabilities are recognized in net loss and presented under general and administrative expenses. This change had no impact on the current financial statements;
- Other receivables are classified as loans and receivables. They are measured at amortized cost, which is generally the initially recognized amount, less any allowance for doubtful accounts. This change had no impact on the current financial statements;
- Investments in commercial paper were classified as held-to-maturity investments. They were measured at amortized cost. This change had no impact on the current financial statements;

New Millennium Capital Corp.

Notes to Consolidated Financial Statements

December 31, 2007 and 2006

2 - ACCOUNTING CHANGES (Continued)

- Long-term investment is classified as available-for-sale financial assets. It is measured at fair value and changes in fair value are recognized in "accumulated other comprehensive income" unless it is an impairment loss which is recognized in net earnings. Interest earned on the asset is recognized in net earnings. This change had no impact on the current financial statements;
- Accounts payable and accrued liabilities are classified as other financial liabilities. They are measured at amortized cost using the effective interest method. This change had no impact on the current financial statements.

Future Accounting Changes

Capital Disclosures

In December 2006, the CICA issued Section 1535, "Capital Disclosures". This new section establishes standards for disclosing information about an entity's capital and how it is managed. This new standard is effective for fiscal years beginning on or after October 1, 2007 and the Company will implement it as of January 1, 2008. The new standard only addresses disclosures and will have no impact on the Company's financial results.

Financial Instruments – Disclosure and Presentation

In December 2006, the CICA revised and enhanced Section 3861, "Financial Instruments – Disclosure and Presentation", and issued two new sections to replace it, Section 3862, "Financial Instruments – Disclosures", and Section 3863, "Financial Instruments – Presentation". These modified disclosure standards relate to the significance of financial instruments on the entity's financial position and performance and the nature and extent of risks arising from financial instruments to which the entity is exposed and how the entity manages those risks. The presentation standards are unchanged from Section 3861 and contain standards for presentation of financial instruments and non-financial derivatives. These new sections are effective for fiscal years beginning on or after October 1, 2007 and the Company will implement them as of January 1, 2008. These new requirements address disclosure and presentation and will have no impact on the Company's financial results.

General Standards of Financial Statement Presentation

In June 2007, the CICA modified Section 1400, "General Standards of Financial Statement Presentation", in order to require that management make an assessment of the Company's ability to continue as a going concern over a period that is at least, but is not limited to, twelve months from the balance sheet date. These new requirements are effective for fiscal years beginning on or after January 1, 2008 and the Company will implement them as of that date. The new requirements only address disclosures and will have no impact on the Company's financial results.

New Millennium Capital Corp.

Notes to Consolidated Financial Statements

December 31, 2007 and 2006

2 - ACCOUNTING CHANGES (Continued)

Goodwill and Intangible Assets

In February 2008, the CICA issued Section 3064, "Goodwill and Intangible Assets". This new section establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. This new standard is effective for fiscal years beginning on or after October 1, 2008 and the Company will implement it as of January 1, 2009. The Company is currently evaluating the impact of these new standards on the Company's financial results.

3 - ACCOUNTING POLICIES

Basis of presentation

The financial statements are prepared using the historical cost method, except for certain financial instruments that are recognized at fair value. No information on fair value is presented when the carrying amount corresponds to a reasonable approximation of the fair value.

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. The estimates include the recoverability of mineral properties, the fair value of long-term investments, the useful life of property and equipment, future income taxes as well as the fair value estimate of stock options, agents' warrants and share purchase warrants. These estimates are based on management's best knowledge of current events and actions that the Company may undertake in the future. Actual results may 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 (LLP).

In accordance with the Partnership agreement between LLP and the Company, the Company shall be responsible for providing and arranging for all capital in excess of initial contributions of each partner and all 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.

Cash and cash equivalents

Cash and cash equivalents include cash and investments having a term of three months or less from the acquisition date.

New Millennium Capital Corp.

Notes to Consolidated Financial Statements

December 31, 2007 and 2006

3 - ACCOUNTING POLICIES (Continued)

Mineral properties

The Company capitalizes costs, net of tax credits and mining duties, relating to the acquisition, exploration and development of mineral properties on an area of interest basis. These expenses will be charged against revenue, 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 a property. When it becomes apparent that the carrying value of a property exceeds its estimated net recoverable amount based on the foregoing criteria, an impairment is recognized.

Tax credits and mining duties

The tax credits and mining duties are recorded as a reduction of the mineral properties during the year in which the costs are incurred, provided that the Company is reasonably certain that the tax credits and mining duties will be received. The tax credits and mining duties claimed and recorded must be examined and approved by the tax authorities and it is possible that the amount granted will differ from the amount recorded.

Amortization

Property and equipment are amortized over their estimated useful lives according to the straight-line method over the following period:

| | <u>Period</u> |
|--------------------------------|--------------------|
| Office furniture and equipment | 18 to 60 months |

Deferred financing costs

Deferred financing costs, prior to the adoption of Section 3855 from the CICA, were amortized on a straight-line basis over the term of the loan.

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.

New Millennium Capital Corp.

Notes to Consolidated Financial Statements

December 31, 2007 and 2006

3 - ACCOUNTING POLICIES (Continued)

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 during the year. Diluted earnings 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 warrants, as described in Note 9. Under the treasury stock method, only "in-the-money" dilutive instruments impact the dilution calculations.

Share and unit issue costs

Share and unit issue costs are recorded as a decrease of capital stock.

Stock-based compensation

The Company has a stock option plan as described in Note 9. The Company adopted the fair value method of recognizing all stock-based compensation awards. Such stock-based compensation expense for all options granted under the Company's option plan is determined using the fair value method and the fair value of the stock options is determined using the Black-Scholes valuation model and is recognized over the vesting period of such options.

When directors, officers, employees and consultants exercise their stock options, the capital stock is credited by the sum of the consideration paid by directors, officers, employees and consultants together with the related portion previously credited to contributed surplus when compensation expenses were charged in the consolidated statements of loss and comprehensive loss.

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 on the date the Company files the renunciation documents with the tax authorities.

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 estimated costs of complying with these requirements are capitalized as mineral properties and the corresponding liability is increased accordingly. The carrying value will then 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.

New Millennium Capital Corp.

Notes to Consolidated Financial Statements

December 31, 2007 and 2006

3 - ACCOUNTING POLICIES (Continued)

Foreign currency translation

Monetary assets and liabilities in foreign currency are translated at the exchange rate in effect at the balance sheet date, whereas non-monetary items are translated at the historical rate. Revenue and expenses are translated at the exchange rate in effect at the transaction date. Gains and losses are included in the earnings for the year.

4 - CASH AND CASH EQUIVALENTS

Cash and cash equivalents include \$2,985,010 of treasury bills (\$2,483,394 of commercial paper in 2006) maturing in February 2008 and bearing interest at rates varying between 3.6% and 3.8% (4.3% in 2006).

5 - TERM DEPOSITS

In 2007, term deposits include \$494,950 maturing in January 2008 and bearing interest at 3.8%, \$1,385,093 maturing in April 2008 and bearing interest at 4.3% and \$16,138 maturing in June 2008 and bearing interest at 3.25%.

In 2006, term deposits include \$2,499,300 maturing in January 2007 and bearing interest at 4.3%, and \$82,516 maturing by August 2007 and bearing interest at rates varying between 2.75% and 4.05%.

6 - LONG-TERM INVESTMENT

At December 31, 2007, the Company holds \$4,400,000 of Structured Investment Trust III, Series A ("SIT") asset-backed commercial paper ("ABCP"). On June 15, 2007, when the Company acquired the investment, it was rated R1-High by the Dominion Bond Rating Services ("DSRS"), the highest credit rating issued for commercial paper.

Since August 2007, the market for ABCP has experienced significant liquidity problems. There has been no active trading of the ABCP since mid-August and no market quotations are currently available. SIT failed to make payment at maturity and, along with other ABCP conduits, are subject to restructuring by a consortium of banks, assets providers and major investors (the "consortium").

The ABCP was originally classified as held-to-maturity investments as the Company had the intent and financial resources to hold the investment to maturity. As such, during the third quarter of 2007 the ABCP was valued at amortized cost and the Company recorded a \$880,000 impairment loss in net loss and comprehensive loss. As a result of the proposed restructuring, the Company has changed its classification of this investment as available-for-sale financial assets.

On December 23, 2007, the consortium announced an agreement in principle to restructure the trusts. In accordance with the proposal, holders of ABCP will exchange their paper for floating rate notes with maturities based on the maturities of the assets underlying the ABCP. The implementation of the restructuring proposal is subject to a number of conditions including a vote by all note holders.

New Millennium Capital Corp.

Notes to Consolidated Financial Statements

December 31, 2007 and 2006

6 - LONG-TERM INVESTMENT (Continued)

Under the proposal, management anticipates that the Company's ABCP will be converted into MAV2 class notes of the following maturity amounts:

\$3,269,000 into MAV2 Class A-1 Notes (A-1)

\$852,000 into MAV2 Class A-2 Notes (A-2)

\$147,000 into MAV2 Class B Notes (B)

\$132,000 into MAV2 Class C Notes (C)

The A-1, A-2 and B notes will earn interest based upon the average bid rates of 30 days Canadian bankers' acceptance less 0.5%, while the C notes will earn interest at 20%. The interest on A-1 and A-2 notes will be payable quarterly, while interest on B and C notes will only be paid at maturity if funds remain. Maturity for all the classes is December 20, 2016, and it is anticipated that the first principal payment on A-1 notes will be in 2013. The order of preference with regard to repayments of principal are A-1, A-2, B and C notes. The consortium has indicated that they believe the MAV2 Class A-1 and A-1 notes will receive a credit rating from DBRS of AA and that a market will develop where these notes can be traded. They believe that the MAV2 Class B and C notes will not be rated by DBRS.

There is a significant amount of uncertainty in estimating the amount and timing of cash flows associated with the ABCP. The Company estimates the fair value of its ABCP by discounting expected future cash flows determined using a valuation model that incorporates management's best estimate, based on the best available data, of credit risk attributable to the underlying assets, relevant market interest rates, amounts to be received and maturity dates. Based on the data available, the Company estimates that the long-term notes received on conversion of the ABCP will generate interest at 3.44%. These future cash flows are discounted, depending on the series, over six to nine year periods using discount rates ranging from 6% to 12%, which factors in liquidity. There is no further impairment of the Company's ABCP required as a result of this valuation.

The above estimated fair values may not be indicative of the ultimate net realizable value of the ABCP. While management believes that its valuation technique is appropriate in the circumstances, changes in significant assumptions, especially those relating to the probability of realization scenarios, returns, discount rates and attributes of underlying assets could significantly affect the value of the ABCP in subsequent periods. The resolution of these uncertainties could result in the value of these investments varying significantly from management's current estimates.

The liquidity crisis in the Canadian market for third-party sponsored ABCP has had no significant impact on the Company's operations. The Company has sufficient cash to meet all of its financial, operational and regulatory obligations. Cash and cash equivalents at December 31, 2007 is either held as cash or invested in term deposits and have no exposure whatsoever to the current ABCP market disruption.

New Millennium Capital Corp.
Notes to Consolidated Financial Statements

December 31, 2007 and 2006

7 - PROPERTY AND EQUIPMENT

| | 2007 | | |
|--------------------------------|----------------|-----------------------------|---------------|
| | Cost | Accumulated amortization | Net |
| | \$ | \$ | \$ |
| Office furniture and equipment | 198,711 | 142,510 | 56,201 |
| | <u>198,711</u> | <u>142,510</u> | <u>56,201</u> |
| | 2006 | | |
| | Cost | Accumulated amortization | Net |
| | \$ | \$ | \$ |
| Office furniture and equipment | 169,539 | 97,566 | 71,973 |
| | <u>169,539</u> | <u>97,566</u> | <u>71,973</u> |

New Millennium Capital Corp.
Notes to Consolidated Financial Statements

December 31, 2007 and 2006

8 - MINERAL PROPERTIES

| | LabMag Property | KéMag Property | Direct Shipping Ore Holdings (DSO) | Other Properties | Balance as at Dec. 31 2007 | Balance as at Dec. 31 2006 |
|-------------------------------|--------------------|-------------------|---|---------------------|-------------------------------------|-------------------------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Balance, beginning of year | 19,920,972 | 1,264,538 | 185,159 | 44,093 | — | — |
| Mineral licenses | (3,390) | 28,390 | 1,341 | 62,613 | 2,881,574 | 2,792,620 |
| Resource evaluation | 439,461 | 1,326,265 | 11,479 | 13,041 | 8,338,210 | 6,547,964 |
| Drilling | (3,123) | 3,171,119 | 5,002 | 6,124 | 8,323,828 | 5,144,706 |
| Environmental | 339,946 | 155,124 | 2,239 | 782 | 6,482,333 | 5,984,242 |
| Field labour and supplies | 39,221 | 275,130 | 28,899 | 32,389 | 1,417,532 | 1,041,893 |
| Other | — | — | — | — | 274,715 | 274,715 |
| | 815,505 | 4,927,638 | 47,619 | 52,336 | 24,836,618 | 18,993,520 |
| Tax credits and mining duties | — | (887,449) | (29,592) | (16,170) | (1,304,589) | (371,378) |
| Balance, end of year | 20,733,087 | 5,333,117 | 204,527 | 142,872 | 26,413,603 | 21,414,762 |

New Millennium Capital Corp.

Notes to Consolidated Financial Statements

December 31, 2007 and 2006

8 - MINERAL PROPERTIES (Continued)

LabMag Property

The LabMag Iron Ore Project involves the exploration and development of a taconite deposit at Howells River, Newfoundland and Labrador (NL). The LabMag taconite property covers a total area of approximately 159.5 square kilometers and comprises 638 claims covered by licenses held 100% by LLP, in which the Company has an 80% interest, are subject to aggregate royalties of 2% of gross revenue payable to others. The LabMag Property is situated in Western Labrador, in Elross Township, about 30 kilometers to the northwest of the town of Schefferville, Québec.

A pre-feasibility study was completed in 2006 on this Project assuming a mining operation and concentrator located at Howells River with an annual production of 14.2 million tonnes of concentrate to be shipped by a pipeline to a 15 million tonnes per year pellet plant located at Emeril, near Wabush township. The pellets produced are assumed to be delivered to a new dock at Sept-Îles via railway for overseas export.

KéMag Property

The KéMag Iron Ore Project involves the exploration and development of a taconite deposit at Lac Harris, Quebec. The property covers a total area of approximately 102 square kilometers and comprises 214 claims held 100% by the Company. The KéMag taconite property is situated in the municipality of Rivière Koksoak in northern Québec, centered about 59 kilometers to the northwest of the town of Schefferville, Québec. A preliminary study was completed in 2007 on this Project based on a mining operation and concentrator located at Lac Harris with an estimated annual production rate of 21.2 million tonnes of concentrate to be shipped by a pipeline to a 15 million tonnes per year pellet plant located in Sept-Îles, Québec. The concentrate delivered to the Sept-Îles plant is estimated to feed the pellet plant requirement with an estimated 7 tonnes of concentrate for export in addition to the pellet production.

DSO Properties

The Company's DSO Projects involve exploration and development work on hematite deposits which were previously held and mined by Iron Ore Company of Canada. The properties, located in isolated claim blocks, extend from 15 km SE of Schefferville to the Goodwood area 50 km NW of Schefferville. The Company owns 100% of 146 claims in Québec and 122 claims in NL and holds an 80% interest through LLP in an additional 35 claims in NL.

Other Properties

The Company holds 100% interest in an additional 993 claims, of which 443 are in NFLD and 550 are in Québec. These claims include magnetic taconite and dolomite properties and the possible Emeril plant site.

New Millennium Capital Corp.

Notes to Consolidated Financial Statements

December 31, 2007 and 2006

9 - CAPITAL STOCK

Authorized

Unlimited number of shares

Common shares

Preferred shares, issuable in series, without nominal or par value

| | Number of common shares | Amount \$ |
|---|----------------------------|--------------------------|
| Issued and fully paid | | |
| Balance, as at December 31, 2005 | 56,992,166 | 13,457,490 |
| Issued for cash | 14,800,000 | 9,430,077 |
| Issued for cash on a flow-through basis | 3,530,000 | 3,000,500 |
| Tax effect of flow-through shares | – | (1,440,000) |
| Issued for cash on exercise of stock options | 289,524 | 28,952 |
| Issued for cash on exercise of agents' warrants | 2,100,000 | 650,000 |
| Transferred from contributed surplus on exercise of agents' warrants | – | 298,600 |
| Share and unit issue costs | – | (1,286,918) |
| Tax effect of share and unit issue costs | – | 331,051 |
| Balance, as at December 31, 2006 | <u>77,711,690</u> | <u>24,469,752</u> |
| Issued for cash | 12,902,903 | 7,999,800 |
| Issued for cash on a flow-through basis | 8,000,000 | 6,000,000 |
| Tax effect of flow-through shares | – | (990,165) |
| Issued for cash on exercise of stock options | 233,809 | 43,381 |
| Issued for cash on exercise of share purchase warrants | 500,000 | 375,000 |
| Issued for cash on exercise of agents' warrants | 389,000 | 194,500 |
| Transferred from contributed surplus on exercise of agents' warrants | – | 171,160 |
| Transferred from contributed surplus on exercise of share purchase warrants | – | 80,420 |
| Transferred from contributed surplus on exercise of stock options | – | 21,490 |
| Share issue costs | – | (1,373,128) |
| Tax effect of share issue costs | – | 338,318 |
| Balance, as at December 31, 2007 | <u><u>99,737,402</u></u> | <u><u>37,330,528</u></u> |

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. The exercise price of each option cannot be less than the common share market closing price on the day before the option grant less a permitted discount. The vesting period is determined by the Board of Directors and the maximum term of these options is five years. Some of the options only vest if certain performance criteria are met.

New Millennium Capital Corp.

Notes to Consolidated Financial Statements

December 31, 2007 and 2006

9 - CAPITAL STOCK (Continued)

A summary of the Company's stock option plan is as follows:

| | 2007 | | 2006 | |
|----------------------------------|-------------------------------------|---|-------------------------------------|---|
| | Number of outstanding options | Weighted average exercise price \$ | Number of outstanding options | Weighted average exercise price \$ |
| Balance, beginning of year | 6,345,476 | 0.47 | 4,760,000 | 0.33 |
| Granted | 1,555,000 | 0.67 | 1,900,000 | 0.75 |
| Exercised | (233,809) | 0.19 | (289,524) | 0.10 |
| Expired | (570,000) | 0.62 | (25,000) | 0.45 |
| Balance, end of year | <u>7,096,667</u> | 0.51 | <u>6,345,476</u> | 0.47 |
| Options exercisable, end of year | <u>5,736,250</u> | 0.45 | <u>5,026,726</u> | 0.41 |

Options exercisable and outstanding as at December 31, 2007 as set forth in the previous table are as follows:

| Exercise price | Number of exercisable options | Number of outstanding options | Remaining contractual years |
|------------------|-------------------------------------|-------------------------------------|-----------------------------------|
| \$0.10 | 576,667 | 576,667 | 1.0 |
| \$0.30 | 1,980,000 | 1,980,000 | 1.6 |
| \$0.36 | 225,000 | 225,000 | 1.7 |
| \$0.45 to \$0.47 | 240,000 | 240,000 | 1.9 |
| \$0.50 | 375,000 | 375,000 | 4.1 |
| \$0.52 to \$0.55 | 890,000 | 890,000 | 2.6 |
| \$0.65 | 83,333 | 250,000 | 4.9 |
| \$0.73 to \$0.76 | 1,366,250 | 2,560,000 | 4.0 |
| | <u>5,736,250</u> | <u>7,096,667</u> | 2.5 |

The weighted average fair value of stock options granted during 2007 was \$0.43 per share (\$0.47 per share in 2006). 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 | 4.3% | 4% |
| Expected life (years) | 5 | 5 |
| Estimated volatility of the market price of the common shares | 74% | 80% |
| Dividend yield | Nil | Nil |

New Millennium Capital Corp.

Notes to Consolidated Financial Statements

December 31, 2007 and 2006

9 - CAPITAL STOCK (Continued)

Agents warrants

The Company has also granted warrants to the agents involved in the Company's equity financings. A summary of these agents' warrants is as follows:

| | 2007 | | 2006 | |
|-----------------------------------|--------------------------------------|---|--------------------------------------|---|
| | Number of outstanding warrants | Weighted average exercise price \$ | Number of outstanding warrants | Weighted average exercise price \$ |
| Balance, beginning of year | 2,159,800 | 0.60 | 3,400,000 | 0.38 |
| Granted | 1,254,174 | 0.75 | 859,800 | 0.75 |
| Exercised | (389,000) | 0.50 | (2,100,000) | 0.31 |
| Expired | (911,000) | 0.50 | — | — |
| Balance, end of year | <u>2,113,974</u> | 0.75 | <u>2,159,800</u> | 0.60 |
| Warrants exercisable, end of year | <u>2,113,974</u> | 0.75 | <u>2,159,800</u> | 0.60 |

Warrants exercisable and outstanding as at December 31, 2007 as set forth in the previous table are as follows:

| <u>Exercise price</u> | <u>Number of exercisable warrants</u> | <u>Number of outstanding warrants</u> | <u>Remaining contractual years</u> |
|-----------------------|---|---|--|
| \$0.75 | <u>2,113,974</u> | <u>2,113,974</u> | 0.7 |

The weighted average fair value of agents' warrants granted during 2007 was \$0.26 per share (\$0.33 per share in 2006). The fair value of each warrant was estimated on the date of grant using the Black-Scholes model. The following assumptions were used:

| | <u>2007</u> | <u>2006</u> |
|---|-------------|-------------|
| Risk-free interest rate | 4.5% | 4% |
| Expected life (years) | 1.5 | 1.5 |
| Estimated volatility of the market price of the common shares | 75% | 80% |
| Dividend yield | Nil | Nil |

Capital stock offerings

On October 4, 2007, the Company completed a private offering whereby 1,612,903 common shares were issued at a price of \$0.62 per common share for gross proceeds of \$1,000,000 and 5,333,333 flow-through common shares were issued at a price of \$0.75 per flow-through common share for gross proceeds of \$4,000,000. The agents of the offering were paid fees of \$300,000 and were granted 416,774 common share purchase warrants, exercisable at a price of \$0.75 per warrant for a period of eighteen months from the closing of the offering.

New Millennium Capital Corp.

Notes to Consolidated Financial Statements

December 31, 2007 and 2006

9 - CAPITAL STOCK (Continued)

On June 12, 2007, the Company completed a private offering whereby 11,290,000 common shares were issued at a price of \$0.62 per common share for gross proceeds of \$6,999,800 and 2,666,667 flow-through common shares were issued at a price of \$0.75 per flow-through common share for gross proceeds of \$2,000,000. The agents of the offering were paid fees of \$539,990 and were granted 837,400 common share purchase warrants, exercisable at a price of \$0.75 per warrant for a period of eighteen months from the closing of the offering.

On August 23, 2006, the Company completed an equity financing whereby 10,800,000 unit special warrants were issued at a price of \$0.75 per unit special warrant for gross proceeds of \$8,100,000 and 3,530,000 flow-through special warrants were issued at a price of \$0.85 per flow-through special warrants for gross proceeds of \$3,000,500. Each unit special warrant consisted of one common share and one-half of one common share purchase warrant of the Company, exercisable for a period of two years at \$1.00 per common share. Each flow-through special warrant was converted on October 12, 2006 into one flow-through common share. The agents of the offering were paid fees of \$666,030 and were granted 859,800 common share purchase warrants, exercisable at a price of \$0.75 per warrant. These agents' warrants were exercised subsequent to December 31, 2007.

On March 24, 2006, the Company completed an equity financing whereby 4,000,000 units were issued at a price of \$0.75 per unit for gross proceeds of \$3,000,000. Each unit consisted of one common share and one-half of one common share purchase warrant of the Company exercisable for a period of two years at \$1.25 per whole warrant.

Share purchase warrants

As at December 31, 2007, the Company has share purchase warrants outstanding, in addition to the agents' warrants, for the issuance of up to 2,000,000 common shares at \$1.25 per share, expiring on March 23, 2008, and up to 5,400,000 common shares at \$1.00 per share, expiring on August 23, 2008. No share purchase warrants were issued during 2007, while 4,000,000 expired unexercised on December 1, 2007.

10 - PROFESSIONAL FEES

In 2007, professional fees include \$216,000 (\$525,000 in 2006) of costs incurred in investment banking related activities to identify potential strategic partners and equity financing opportunities.

New Millennium Capital Corp.

Notes to Consolidated Financial Statements

December 31, 2007 and 2006

11 - INCOME TAXES

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

The future income taxes in the consolidated statements of loss is summarized as follows:

| | <u>2007</u> | <u>2006</u> |
|---|--------------------|--------------------|
| | \$ | \$ |
| Loss before income taxes | <u>(3,439,641)</u> | <u>(3,148,156)</u> |
| Combined federal and provincial tax rates | <u>32.02%</u> | <u>32.02%</u> |
| | <u>2007</u> | <u>2006</u> |
| | \$ | \$ |
| Computed income tax recovery | (1,101,373) | (1,008,040) |
| Stock-based compensation expense | 174,370 | 234,170 |
| Mining duties | (43,488) | (17,836) |
| Deferred financing costs | - | 14,867 |
| Professional fees | (10,236) | 78,187 |
| Unrecognized tax benefit | 140,888 | - |
| Change in tax rate and other items | <u>72,219</u> | <u>(417,900)</u> |
| | <u>(767,620)</u> | <u>(1,116,552)</u> |

The future income tax assets and liabilities result from differences between the carrying amount and the tax basis of the following items:

| | <u>2007</u> | <u>2006</u> |
|------------------------------------|--------------------|--------------------|
| | \$ | \$ |
| Future income tax assets | | |
| Non-capital losses carried-forward | (4,555,028) | (3,644,441) |
| Share and unit issue costs | (577,543) | (470,406) |
| Property and equipment | <u>(45,603)</u> | <u>(32,197)</u> |
| | <u>(5,178,174)</u> | <u>(4,147,044)</u> |
| Future income tax liabilities | | |
| Mineral properties | <u>6,285,302</u> | <u>5,369,945</u> |
| | <u>1,107,128</u> | <u>1,222,901</u> |

New Millennium Capital Corp.

Notes to Consolidated Financial Statements

December 31, 2007 and 2006

11 - INCOME TAXES (Continued)

The Company has non-capital tax losses, which are available to reduce income taxes in the future years. They aggregate \$14,234,000 and can be carried over the following years:

| | <u>\$</u> |
|------|-------------------|
| 2010 | 16,000 |
| 2014 | 503,000 |
| 2015 | 2,968,000 |
| 2026 | 7,573,000 |
| 2027 | 3,174,000 |
| | <u>14,234,000</u> |

In February 2008, the Company filed the renunciation documents relating to the flow-through shares of \$6,000,000 issued in 2007 (\$3,000,500 renounced in February 2007, but issued in 2006). The corresponding decrease in capital stock and the increase in future income taxes relating to these flow-through shares of \$1,920,000 will be accounted for in 2008 (\$990,165 in 2006 accounted for in 2007).

12 - INFORMATION INCLUDED IN CONSOLIDATED CASH FLOWS

The changes in working capital items are detailed as follows:

| | <u>2007</u> | <u>2006</u> |
|--|----------------|------------------|
| | \$ | \$ |
| Sales taxes and other receivables | 659,020 | (838,860) |
| Accounts payable and accrued liabilities | (273,406) | 92,639 |
| | <u>385,614</u> | <u>(746,221)</u> |

Included in the accounts payable and accrued liabilities is an amount of \$357,414 (\$1,606,303 in 2006) pertaining to additions to mineral licenses and nil (\$83,930 in 2006) pertaining to share and unit issue costs. Included in the cash used in advances on contracts is \$156,718 (\$166,600 in 2006) pertaining to mineral properties.

In 2007, the Company granted 1,254,174 common share purchase warrants (859,800 in 2006) to its agents in connection with equity financings. These agents' warrants valued at \$326,162 (\$283,734 in 2006) are excluded from the consolidated cash flows as they are non-monetary transactions.

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

| | <u>2007</u> | <u>2006</u> |
|-------------------|-------------|-------------|
| | \$ | \$ |
| Income taxes paid | - | - |
| Interest received | 249,029 | 268,121 |

New Millennium Capital Corp.

Notes to Consolidated Financial Statements

December 31, 2007 and 2006

13 - RELATED PARTY TRANSACTIONS

The Company, principally through LLP, incurred the following transactions with the directors and companies controlled by the directors and officers of the Company:

| | 2007 | 2006 |
|-------------------------------------|---------|---------|
| | \$ | \$ |
| Mineral properties | 92,820 | 206,582 |
| General and administrative expenses | 90,530 | 73,969 |
| Professional fees | 210,260 | 265,864 |
| Directors fees | 32,800 | 30,000 |
| Share and unit issue costs | 52,394 | 59,559 |

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

The unpaid balances resulting from the above transactions amount to \$55,208 (\$146,472 in 2006) and are included in accounts payable and accrued liabilities.

14 - COMMITMENTS AND CONTINGENCY

After undertaking the issuance of flow-through shares in 2007, the Company partially fulfilled its spending commitments by incurring in excess of \$2,815,000 on Canadian mineral properties in the current fiscal year. The Company has spending commitments of \$3,185,000 by December 31, 2008. If the Company is not able to fulfill these commitments, Canadian exploration expenses renounced in 2008 will be rescinded and the Company will be required to indemnify the subscribers for such flow-through shares for losses suffered as a result of not recovering all such expenses. The Company expects to fulfill the spending commitments.

The Company has entered into long-term leases for office premises amounting to \$196,625 and expiring by October 2011. The minimum lease payments for the next years are \$124,174 in 2008, \$35,234 in 2009, \$20,300 in 2010 and \$16,917 in 2011.

Also, the Company is committed through LLP to pay aggregate royalties of 2% of gross revenue from the mineral interests acquired in 2004.

15 - FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES, AND FINANCIAL RISKS

Financial risk management objectives and policies

In the normal course of operations, the Company is exposed to various financial risks. The Company's management manages financial risks.

The Company does not enter into financial instrument agreements including derivative financial instruments for speculative purposes.

Financial risks

The Company's main financial risks and policies are as follows.

New Millennium Capital Corp.

Notes to Consolidated Financial Statements

December 31, 2007 and 2006

15 - FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES, AND FINANCIAL RISKS **(Continued)**

Exchange risk

The Company does not hold any material assets or liabilities denominated in foreign currencies and as such a fluctuation between the exchange rates would not have a material impact on the financial results.

Interest rate risk

The cash equivalents and term deposits bear interest at fixed rates and the Company is therefore exposed to the risk of changes in fair value resulting from interest rate fluctuations.

The long-term investment will earn interest at varying rates if the proposal is successful. As such the Company is exposed to the risk of fluctuating interest rates.

The Company does not use derivative financial instruments to reduce its interest rate exposure.

Liquidity risk

Management serves to maintain sufficient amounts of cash and cash equivalents to meet commitments. The Company establishes budgets and cash flow requirements monthly to ensure that it has the necessary funds to fulfill its obligations.

Credit risk

The Company manages credit risk through an emphasis on quality in its investment portfolio. Cash and cash equivalents, including treasury bills, and term deposits are held through one Canadian chartered bank.

Fair value

The fair value of treasury bills is determined by discounting expected future cash flows using interest rates of 3.86%, which represent the rate that the Company can use for treasury bills with similar terms and conditions and maturity dates.

The fair value of the term deposits is determined by discounting expected future cash flows using interest rates of 2.88%, which represent the rate that the Company can use for term deposits with similar terms and conditions and maturity dates.

The fair value of the long-term investment is determined based on assumptions disclosed in Note 6 of the consolidated financial statements.

16 - COMPARATIVE FIGURES

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

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
- Dean Journeaux, Chief Operating Officer and Director
- Bill Almdal, CFO and Director
- Roy H. Hudson, Secretary and Director
- John N. Schindler, Director
- Pierre Seccareccia, Director
- Bish Chanda, Vice President, Marketing
- Moulaye Melainine, Vice President, Development
- Jean-Charles Bourassa, Vice-President, Mining

Auditors

Raymond Chabot 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 LLP

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.