New Millennium Capital Corp.

SECOND QUARTER REPORT

2010

MESSAGE TO SHAREHOLDERS

New Millennium Capital Corp. ("NML" or the "Company") is pleased to report its unaudited financial and operational results for the three month period ended June 30, 2010.

The significant second quarter events were:

- The filing of the Direct Shipping Ore ("DSO") Feasibility Study technical report on SEDAR,
- The completion of a $20,000,000 private placement with Tata Steel whereby Tata Steel now holds 27.4% of the outstanding common shares of the Company,
- The signing of an Impact and Benefit Agreement ("IBA") related to the DSO Project with the Naskapi Nation of Kawawachikamach ("NNK"),
- The confidential award by the Canadian Transportation Agency ("CTA") regarding a railway tariff on the Quebec North Shore and Labrador Railway ("QNS&L"), and
- The acquisition of an additional land claim to consolidate NML's DSO Goodwood property and the increase of its DSO project resource estimate.

The significant subsequent event was:

- The court challenge by QNS&L of the rail tariff arbitration award.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis of the financial results for the interim period ended June 30, 2010 should be read in conjunction with the Company's unaudited interim consolidated financial statements and related notes contained in this report and the audited consolidated financial statements and MD&A for the year ended December 31, 2009 and 2008.

All dollar figures are in Canadian dollars ("C$"), unless otherwise stated.

FORWARD LOOKING STATEMENTS

This MD&A includes certain statements that constitute "forward-looking statements", and "forward-looking information" within the meaning of applicable securities laws ("forward-looking statements" and "forward-looking information" are collectively referred to as "forward-looking statements", unless otherwise stated). These statements appear in a number of places in this MD&A and include statements regarding our intent, or the beliefs or current expectations of NML's officers and directors. Such forward-looking statements involve known and unknown risks and uncertainties that may cause the Company's actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. When used in this MD&A, words such as "believe", "anticipate", "estimate", "project", "intend", "expect", "may", "will", "plan", "should", "would", "contemplate", "possible", "attempts", "seeks" and similar expressions are intended to identify these forward-looking statements. Forward-looking statements may relate to the Company's future outlook and anticipated events or results and may include statements regarding the Company's future financial position, business strategy, budgets, litigation, projected costs, financial results, taxes, plans and objectives. The Company has based these forward-looking statements largely on our current expectations and projections about future events and financial trends affecting the financial condition of our business. These forward-looking statements were derived utilizing numerous assumptions regarding expected growth, results of operations, performance and business prospects and opportunities that could cause NML's actual results to differ materially from those in the forward-looking statements. While the Company considers *these assumptions to be reasonable, based on information currently available, they may prove to be incorrect. Accordingly, the reader is cautioned not to put undue reliance on these forward-looking statements. Forward-looking statements should not be read as a guarantee of future performance or results. To the extent any forward-looking statements constitute future-oriented financial information or financial outlooks, as those terms are defined under applicable Canadian securities laws, such statements are being provided to describe the current anticipated potential of the Company and readers are cautioned that these statements may not be appropriate for any other purpose, including investment decisions. Forward-looking statements are based on information available at the time those statements are made and/or management's good faith belief as of that time with respect to future events, and are subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in or suggested by the forward-looking statements. Material risk factors which could cause actual results to differ materially include those disclosed in NML's Annual Information Form dated April 28, 2010 which is filed on SEDAR at www.sedar.com. To the extent any forward-looking statements constitute future-oriented financial information or financial outlooks, as those terms are defined under applicable Canadian securities laws, such statements are being provided to describe the current anticipated potential of the Company and readers are cautioned that these statements may not be appropriate for any other purpose, including investment decisions. Forward-looking statements speak only as of the date those statements are made. Except as required by applicable law, the Company assumes no obligation to update or to publicly announce the results of any change to any forward-looking statement contained or incorporated by reference herein to reflect actual results, future events or developments, changes in assumptions or changes in other factors affecting the forward-looking statements. If NML updates any one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements. The reader should not place undue importance on forward-looking statements and should not rely upon these statements as of any other date. All forward-looking statements contained in this MD&A are expressly qualified in their entirety by this cautionary statement.*

OVERALL PERFORMANCE

Overview of Business

New Millennium controls the emerging Millennium Iron Range, located in the Province of Newfoundland and Labrador and in the Province of Quebec, which holds amongst the world's largest undeveloped magnetic iron ore deposits. In the same area, the Company is also advancing to near term production its DSO Project. Tata Steel, the world's eighth largest steel corporation, now owns 27.4% of New Millennium and is the Company's largest shareholder and strategic partner. Tata Steel has an exclusive option to participate in the DSO Project and a commitment to take the resulting production at world price if the option is exercised. They also have an exclusive right to negotiate and settle a proposed transaction in respect of the LabMag Project and the KéMag Project. The DSO Project and LabMag-KéMag Projects options will expire on September 13, 2010 if the DSO Project option is not exercised on or before that date. If the DSO Project option is exercised, the option on the LabMag-KéMag Projects will continue until December 31, 2010.

The Millennium Iron Range currently hosts two advanced projects: LabMag contains 3.5 billion tonnes of Proven and Probable reserves at a grade of 29.6% Fe plus 1.0 billion tonnes of Measured and Indicated resources at an average grade of 29.5% Fe and 1.2 billion tonnes of Inferred resources at an average grade of 29.3% Fe; KéMag contains 2.1 billion tonnes of Proven and Probable reserves at an average grade of 31.3% Fe, 0.3 billion tonnes of Measured and Indicated resources at an average grade of 31.3 % Fe and 1.0 billion tonnes of Inferred resources at an average grade of 31.2% Fe.

The Company's DSO project contains 64.1 million tonnes of Proven and Probable Mineral Reserves at an average grade of 58.8% Fe, 8.1 million tonnes of Measured and Indicated Mineral Resources at an average grade of 58.8% Fe, 7.2 million tonnes of Inferred Resources at an average grade of 56.8% Fe and about 40.0 - 45.0 million tonnes of historical resources that are not currently in compliance with NI 43-101. A qualified person has not done sufficient work to classify the historical estimate as current mineral resources and the historical estimate should not be relied upon.

RESULTS OF OPERATIONS

Filing of technical report on DSO Feasibility Study

On April 13, 2010, NML announced the filing on SEDAR of the technical report summarizing the results of the Feasibility Study of its 100% owned DSO Project located near Schefferville, Quebec.

Board changes

On April 14, 2010, NML announced that Mr. Partha Sengupta of Tata Steel Limited, Mumbai, India, had been appointed a director of NML and that Mr. Arun Baijal had resigned from the Board.

Private placement

On May 17, 2010, NML announced that it had entered into a letter of intent with Tata Steel pursuant to which Tata Steel indicated its intention to consider a subscription for 14,285,714 common shares of the Company at a subscription price of $1.40 per share for an aggregate subscription price of $20,000,000.

On June 4, 2010, NML announced completion of the private placement whereby Tata Steel now holds an aggregate of 40,429,270 common shares, representing 27.4% of the outstanding common shares of the Company.

The net proceeds of the offering will be used to finalize outstanding DSO agreements and environmental work; initiate gravity and magnetic airborne geophysical surveys; commence taconite project feasibility and for general corporate and working capital purposes.

Impact and Benefit Agreement

On June 10, 2010, NML and NNK announced that they had signed an IBA. The “life of mine” agreement was signed in Montreal by Chief Louis Einish and Robert Martin.

NNK represents the community of Kawawachikamach located near Schefferville, Quebec. This First Nation has been a long standing partner supporting NML’s quest to develop vast iron ore resources in the region.

The agreement with NNK is the first of four such agreements that are in the process of being concluded. Negotiations with three other affected First Nations, namely Nation Innu Matimekush-Lac-John, Innu Takuaikan Uashat mak Mani Utenam, both of Quebec and the Innu Nation from Labrador are currently in progress with the Federal, Quebec, Newfoundland and Labrador governments and NML.

Award of railway tariff

On June 21, 2010, NML announced that the CTA had made a confidential award regarding a railway tariff to be charged to NML on the 216 mile iron ore haul over the QNS&L from Emeril Junction to Arnaud Junction near Sept-Iles.

This decision by the CTA provides NML with reasonable rates and conditions for the movement of its iron ore traffic over the QNS&L and a greater degree of certainty in determining its overall cost to deliver iron ore products into ships at the Port of Sept-Iles.

Consolidation of Goodwood property and increase of DSO resource estimate

On June 22, 2010, NML acquired an additional land claim to consolidate its DSO Goodwood property. The purchase price for the mineral claim was $497,500. This was paid by a cash payment in the amount of $7,500 and the issuance of 350,000 common shares of NML at a deemed price of $1.40 per share amounting to $490,000 in aggregate. The registration and rights to the Goodwood property was transferred to NML on June 22, 2010, however the 350,000 common shares were only issued on July 8, 2010.

As a result, NML now owns 100% of the Goodwood property. Based on extensive drilling undertaken in 2008, SGS Geostat Ltd has increased the mineral resource estimate for Goodwood by 5.12 million tonnes (Measured + Indicated).

Disposal of Asset Backed Commercial Paper

On June 17, 2010, the Company disposed of its asset backed notes (Notes) for proceeds of $2,840,244. These Notes were issued by Master Asset Vehicle II (MAV2) as a result of the restructuring of the Company's previous investment in Third Party Asset Backed Commercial Paper. As at June 16, 2010, the Notes had a face value of $4,405,792, and a fair value of $2,846,734 (December 31, 2009 – face value of $4,407,581 and fair value of $2,680,519), resulting in loss on disposal of $6,490 for the three-month and six month period ended June 30, 2010 and an increase in fair value of $168,000 (2009 decrease of $180,000) for the six-month period ended June 30, 2010.

The fair value of the Notes as at December 31, 2009, was determined based on management's judgment using available information and assumptions market participants would use in pricing such notes at the balance sheet date. The Company reviewed information provided by Dominion Bond Rating Service and BlackRock, the administrator of MAV2, including current and anticipated credit ratings, composition and valuation estimates of the underlying assets and general economic conditions in considering the fair value of the investments.

The details of the Company's long-term investments at December 31, 2009 were as follows:

Notes	**Face Value ($)**	**Maturity Date (i)**	**Required Yield (ii)**	**Fair Value December 31, 2009 $**
MAV2				
A-1	2,937,825	January 22, 2017	9.75%	1,943,784
A-2	738,574	January 22, 2017	12.75%	402,645
B	134,072	January 22, 2017	33.00%	17,904
C	118,086	January 22, 2017	50.00%	6,745
IA Tracking Notes				
Class 15	479,024	December 20, 2013	15.00%	309,441
Total	4,407,581			2,680,519

(i) The legal maturity dates for the MAV2 A-1, A-2, B and C Notes are in July 2056 but for valuation purposes a maturity date of January 2017 was used based upon the maturities of the underlying assets.

(ii) The estimated yield to maturity required by prospective investors.

SUBSEQUENT EVENT

Court challenge by QNS&L of rail tariff arbitration award

On July 23, 2010, NML announced that QNS&L had filed an application in the Federal Court of Canada seeking judicial review of the decision of the arbitrator in the railway tariff final offer arbitration proceedings between NML and QNS&L (as announced on June 21). QNS&L is wholly owned by the Iron Ore Company of Canada.

The judicial review application seeks, among other relief, a declaration that the final offer arbitration provisions of the enabling legislation for the arbitration proceedings are inoperative, being in contravention of the Canadian Bill of Rights and a declaration setting aside the arbitrator's decision. NML expects to successfully oppose this application.

FINANCIAL CONDITION

The following discussion of the Company's financial performance is based on the unaudited Interim Consolidated Financial Statements as of June 30, 2010 ("financial statements") set forth herein. As discussed in Note 1 to the financial statements, they are prepared in accordance with Canadian generally accepted accounting principles ("GAAP") applicable to a going concern. Management is required to make estimates and assumptions that effect the reported amounts of assets and liabilities at the date of the financial statements and revenue and expenses for the period then ended.

The unaudited Interim Consolidated Balance Sheet as of June 30, 2010 reports cash and cash equivalents of $6,580,864, treasury bills and term deposits of $19,670,844, sales taxes receivable and prepaid expenses of $423,105 and the current portion of tax credits and mining duties receivable of $1,394,528 resulting in total current assets of $28,069,341, an increase of $16,306,835 from December 31, 2009. The long-term assets are comprised of the long-term portion of tax credits and mining duties receivable of $1,359,731, mineral properties of $30,597,098, mineral properties held for sale of $17,713,330, property and equipment of $190,500 and advances on contracts of $137,476. The total assets are $78,067,476 which is an increase of $19,901,358 from December 31, 2009.

Current liabilities at June 30, 2010 are composed of accounts payables and accrued liabilities of $2,303,481, with no long-term liabilities for total liabilities of $2,303,481, an increase of $883,557 from December 31, 2009. Shareholders' equity of $75,763,995 increased by $19,017,801 from December 31, 2009, and is comprised of capital stock of $84,391,424, capital stock to be issued of $490,000 contributed surplus of $5,644,037 and non-controlling interest of $475,000 less the deficit of $15,236,466.

Working capital at June 30, 2010 of $25,765,860 is an increase of $15,112,277 from the December 31, 2009 total of $10,653,583.

The increase in working capital is mainly due to the net proceeds from the private placement with Tata Steel that were invested in treasury bills. As described in the Results of Operations section above, Tata Steel acquired 14,285,714 common shares from treasury at $1.40 per share for gross proceeds of $20,000,000 resulting in the increase in shareholders' equity. The Company used the net proceeds and its cash and cash equivalents to pay its accounts payable and fund its operations and continuing development of its mineral properties. The cash and cash equivalents and treasury bills and term deposits represent the funds that remain from the 2008 and 2010 Tata Steel private placements and subsequent issuances of common shares and the sale of the long-term investment in Q2 and will continue to be used to pay for current liabilities, finalize outstanding DSO agreements and environmental work, initiate gravity and magnetic airborne geophysical surveys, and pay future corporate operating expenses. During the second quarter, there was $4,931,955 of capitalized mineral property expenditures, net of Québec tax credits and mining duties that were mainly related to the post-feasibility study work on the DSO project. As at June 30, 2010, the future income tax assets, which arose as a result of applying the capital losses and non-capital losses carried forward to taxable income, have not been recognized in the accounts due to uncertainty regarding their utilization.

For the three months ended June 30, 2010, the Company realized a net loss of $674,159, or $0.00 per share, compared to a net loss of $269,792 or $0.00 per share for the corresponding period in 2009. This loss represents operating expenses of $823,029, (2009 - $622,039) net of investment income of $4,736 (2009 - $53,783), loss on sale of long-term investments of $6,490 (2009 - $Nil) and future income taxes recovery of $150,624 (2009- $298,464). The increase in net loss is mainly due to the increase in general and administrative expenses and professional fees, when compared to the same period in 2009, a decrease in investment income and in future income tax recovery.

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

All costs associated with mineral properties, totaling $48,310,428 as outlined in Note 6 to the June 30, 2010 financial statements, have been classified as mineral properties. The expenditures are divided between the properties as follows: DSO Properties $17,713,330, LabMag Property $21,543,871, KéMag Property $8,391,077 and Other Properties $662,150. The cost centers for these capitalized expenditures are: mineral licenses $4,089,522, resource evaluation $19,701,705, drilling $18,122,289, environmental $11,424,713, amortization of property and equipment $18,211 and other $274,715. These expenditures are partially offset by tax credits and mining duties of $5,320,727. The non-controlling interest of $475,000 relates to the LabMag Property. The carrying value of the mineral properties are reviewed by the Company on a quarterly basis by reference to the project economics, including the timing of the exploration and/or development work, the work programs and exploration results achieved by the Company. At June 30, 2010, 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.

ASSET HELD FOR SALE

The Company classifies the DSO Properties as an asset held for sale, as on March 17, 2010, the Company officially notified Tata Steel that the DSO Properties' Feasibility Study had been approved and delivered to Tata Steel pursuant to the terms of the joint venture agreement. This triggered the commencement of the 180 day option period on the DSO Properties, whereby Tata Steel has the option to acquire an 80% equity interest in the DSO Properties by paying the Company 80% of the Company's costs incurred to the exercise date to advance the DSO Properties. Once Tata Steel has acquired their 80% interest, all the DSO Properties will be transferred to a new company owned 80% by Tata Steel and 20% by NML. Tata Steel will arrange funding of the capital costs of DSO development up to $300 million and will commit to purchase, at world prices, 100% of DSO's iron ore production meeting certain quality specifications for the life of the mining operation.

SUMMARY OF QUARTERLY RESULTS

The following table sets out selected unaudited quarterly financial information of the Company for the eight quarters ended June 30, 2010. This information is derived from unaudited quarterly financial statements prepared by management. The Company's interim consolidated financial statements are prepared in accordance with Canadian GAAP and expressed in Canadian dollars.

	Jun-10	**Mar-10**	**Dec-09**	**Sept-09**	**Jun-09**	**Mar-09**	**Dec-08**	**Sept-08**
Investment Income	4,736	4,233	28,049	12,500	53,783	45,954	147,106	32,328
Net Income (Loss)	(674,159)	(582,389)	181,780	(572,040)	(269,792)	(1,648,211)	(3,126,558)	(413,823)
Income (Loss) Per Share (1)	(0.00)	(0.00)	0.00	(0.00)	(0.00)	(0.01)	(0.02)	(0.00)

(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.

SECOND QUARTER RESULTS

For the three-month period ended June 30, 2010, general and administrative expenses, professional fees, market development and other expenses were $823,029, compared to $622,039 for the corresponding period in 2009. Items affecting the second quarter's net loss were the investment income of $4,736 compared to $53,783 for the three months in 2009, loss on sale of long-term investments of $6,490 compared to $Nil for the three months in 2009, and future income taxes recovery of $150,624 compared to $298,464 recovered in the second quarter of 2009. As a result the Company's net loss for the second quarter ended June 30, 2010 totalled $674,159 ($0.00 per share) compared to a net loss of $269,792 ($0.00 per share) for the comparative period in 2009.

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

Recently adopted and amended standards

Please refer to Note 3 of the June 30, 2010 financial statements for an extended description of the changes in accounting policies since December 31, 2009.

FUTURE ACCOUNTING CHANGES

In February 2008, the Canadian Accounting Standards Board ("AcSB") confirmed that publicly accountable enterprises will be required to transition from Canadian GAAP to International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") for interim and annual financial reporting purposes for fiscal years beginning on or after January 1, 2011 with comparative information. Therefore, the Company will be required to report using the converged standards effective for interim and annual financial statements relating to fiscal years beginning on January 1, 2011. The transition to IFRS will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. The IASB's work plan currently has projects underway that may result in amendments to pronouncements that continue to evolve IFRS, and, as a result, IFRS as at the transition date of January 1, 2010 may differ from its current form.

The Company has established a changeover plan that consists primarily of three phases: assessment; planning; and implementation. An external advisor has been engaged to work closely with the Company's dedicated staff to complete the changeover to IFRS. The Company's management has continued to receive training periodically from this advisor and this training is expected to continue throughout the transition on an as-needed basis. Members of the audit committee have also received IFRS information as part of their meetings.

The assessment phase includes the identification of significant differences between the Company's existing Canadian GAAP and IFRS that are relevant to the Company and a high-level review of the alternatives available upon adoption. This phase was completed during 2009. During this phase, an analysis was also performed to assess whether information technology systems used to collect and report financial data required modification in order to meet new reporting requirements under IFRS and it was determined that due to the modest number of topics possibly impacting the Company that system modifications were minimal.

The planning phase includes identification, evaluation and selection of accounting policies necessary for the Company to transition from Canadian GAAP to IFRS as well as potential first-time adoption exemptions. This phase was initiated in the fourth quarter of 2009. The Company is currently in the process of finalizing this phase. This phase involves further assessment of the impact of the transition on the data system and internal control over financial reporting, and disclosure controls and procedures. It also involves assessing the additional training required for the financial team and the impact on business activities.

The implementation phase will integrate all the solutions into the Company's financial system and processes that are necessary for the Company to convert to IFRS.

To date, the transition process has identified the following significant accounting issues:

Key Accounting Area	**Identified Differences with Potential Impact to the Company**
Presentation of financial statements	Additional disclosures in the notes to the financial statements. Presentation of financial statements will change, the Company has not yet decided on the most appropriate presentation.
Property and equipment	Evaluating impact of componentization on accounting policy: all significant components of property and equipment will be amortized accordingly to their useful lives determined in accordance with IFRS. Evaluating impact of different recognition and measurement principles, including but not limited to amortization policies and residual values. The Company has reviewed its property and equipment and preliminarily determined that no adjustments were required upon transition to IFRS.
Mineral properties	Exploration and evaluation assets should be classified as tangible or intangible according to the nature of the assets acquired. IFRS 6 varies the facts and circumstances under which exploration and evaluation assets must be tested for impairment from those in IAS 36, "Impairment of Assets," but requires that impairment be measured in accordance with that standard once it is identified. Exploration and evaluation assets are measured at cost which reflects those expenditures that can be associated with finding specific mineral resources. The Company is still analyzing the effect of the above differences but does not expect the impact to be significant.
Impairment of assets	Grouping of assets in cash-generating units (CGUs) on the basis of independent cash inflows for impairment testing purposes, using a Fair Value or Value-in-Use (i.e. discounted cash-flow method (DCF)) approach. The Company is currently in the process of defining a CGU.
Share-based payments	Compensation expense for a share-based payment award issued to non-employees should be measured at the fair value of services received. Expected forfeitures are considered in estimates of stock option values. The Company is currently evaluating the impact of these differences.
Income taxes	Recognition and measurement criteria for deferred income tax assets and liabilities differ. The Company is still currently evaluating the impact of these differences.
IFRS 1:	
Share-based payments exemption	IFRS 2, Share-based Payments, encourages application of its provisions to equity instruments granted on or before November 7, 2002, but permits the application only to equity instruments granted after November 7, 2002 that had not vested by the Transition Date. The Company has determined on a preliminary basis to elect to apply IFRS 2 for all equity instruments granted after November 7, 2002 that had not vested by the Transition Date.

The Company currently has not finalized its selection of IFRS accounting policies or the selection of IFRS 1 exemptions available upon transition but it expects to finalize these selections and assessment by the end of the third quarter 2010. The Company has started to develop draft financial statements based on preliminary accounting policies in accordance with IFRS and expects to finalize the third phase of transition by the end of 2010. As such, quantification of the impact of transition is still not available at this time. The Company does not expect to realize any significant business impacts, or significant changes to its internal control over financial reporting as a result of the IFRS transition. This assessment may change as the Company continues to evolve during its transition to IFRS.

As the Company's transition activities progress, disclosures of accounting policy differences is expected to increase. The Company will also ensure that its key stakeholders are continuously informed about the anticipated effects of the IFRS transition through its public disclosure documents which highlight such anticipated effects on the Company.

The Company will present its results for fiscal 2010 using Canadian GAAP. In 2011, the Company will present its comparative results for fiscal 2010 using IFRS as issued by the IASB effective at that time. To accomplish this, in 2010 the Company will track any adjustments required to its accounting records in order to effect its reconciliations from Canadian GAAP to IFRS.

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 term deposits, the useful life of property and equipment, future income taxes as well as the fair value estimates of stock options, agents' warrants and share purchase warrants. These estimates are based upon management's best knowledge of current events and actions that the Company may undertake in the future, they 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.

FINANCIAL INSTRUMENTS

Please refer to Note 13 of the June 30, 2010 financial statements for an extended description of the Company's financial instruments and their fair values.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

In the normal course of operations, the Company is exposed to various financial risks. The Company does not enter into financial instrument agreements including derivative financial instruments for speculative purposes. Please refer to Note 13 of the June 30, 2010 financial statements for an extended description of the Company's main financial risks and policies.

CAPITAL MANAGEMENT

The Company's capital management objectives are to ensure its ability to continue as a going concern and to maximize the return to its shareholders. The Company's definition of capital includes all components of shareholders' equity. In order to meet its objectives the Company monitors its capital structure and makes adjustments as required. Management has assessed that the June 4, 2010 private placement with Tata Steel ensures that the Company has sufficient funds available to continue operations and development programs for at least the next twelve months ending June 30, 2011. The Company is not subject to any externally imposed capital requirements.

LIQUIDITY AND CAPITAL RESOURCES

Working Capital

The Company's working capital at June 30, 2010 increased from December 31, 2009 by $15,112,277 to $25,765,860 due to the cash and cash equivalents and treasury bills and term deposits purchased during the six months ended June 30, 2010 using the net proceeds from the private placement with Tata Steel. The working capital consists of cash and cash equivalents, treasury bills and term deposits, sales taxes receivables and prepaid expenses and current portion of tax credits and mining duties receivable net of accounts payable and accrued liabilities.

Capital Expenditures

There was $176,867 in capital expenditures during the first six months of 2010 compared to $24,975 in the corresponding period in 2009.

Capital Resources

At June 30, 2010, NML has paid up capital of $84,391,424 (December 31, 2009 - $64,859,075) representing 147,384,773 (December 31, 2009 – 132,901,559) common shares , capital stock to be issued of $490,000 representing 350,000 common shares (December 31, 2009 – Nil) and a deficit of $15,236,466 (December 31, 2009 - $13,979,918) that is offset by contributed surplus of $5,644,037 (December 31, 2009 - $5,392,037) and non-controlling interest of $475,000 (December 31, 2009 – $475,000) resulting in shareholders' equity of $75,763,995 (December 31, 2009 - $56,746,194).

TRANSACTIONS WITH RELATED PARTIES

Please refer to Note 12 of the June 30, 2010 financial statements for a summary of the Company's transactions with related parties and the related period end balance.

ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE

Additional disclosure concerning the Company's expenditures for mineral properties are provided in Note 6 of the June 30, 2010 Interim Consolidated Financial Statements that is available on NML'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 Company's Interim Consolidated Financial Statements were general and administration expenses of $541,815 (2009 – $411,937) for the three months ended June 30, 2010, comprised as follows: salaries and benefits $250,495 (2009 - $176,495), stock based compensation Nil (2009 - $7,200), office and administration $242,870 (2009 – $188,181), and office rent $48,450 (2009 - $40,061).

MARKET OUTLOOK

Iron Ore market:

In 2010, world crude steel production continued to improve due to stronger demand and an inventory built up by steelmakers. Crude steel production during the first six months of 2010 was 28% higher compared to during the same period in 2009. Chinese Steel production in 2010 was set to surpass 600 Mt with the production reaching 323 Mt during the first 6 months, which is 21% higher than 2009 production. The global recovery in steel production resulted in an increased demand for iron ore. Supported by record steel production, the buoyant Chinese demand for iron ore lifted the spot market price in April CFR China to its highest level of $ 180-$190 per tonne. As result, iron ore miners increased the Q3 contract price 26% higher than the Q2 spot price indices. The FOB contract price at the Chinese market for Australian ore was in the range of $145-$149 per tonne.

The situation rapidly started to change soon after the spot prices had reached their peak in mid-April. The sovereign debt crisis involving several European countries had a destabilizing impact on world markets. There were fears about a renewed credit crunch triggered by a possible default by Greece to its bond holders, which impacted the health of some European financial institutions because of their exposure as lenders to several European countries, which were running high budget deficits. In addition, the data from the US started to indicate a trend towards the slowing down of economic activity. With a deteriorating situation in Europe and an indication of a slowdown in the US, there was anticipation of a double dip recession which could derail the global recovery.

The stimulus measures introduced by the Chinese Government in early 2009 to combat the effects of a global recession resulted in increased real estate prices and encouraged rampant speculation. The Government introduced tightening measures in an effort to cool down the market and prevent the formation of an asset bubble. These actions were designed to discourage excessive building activities and to slow down the rate of price increases. The Government's actions impacted the price of steel products as construction activities were reduced. Higher iron ore prices and lower steel prices affected the steelmakers' profits. As a result, Chinese steel companies reduced purchases of imported ores by using the ore inventories or turning to their domestic suppliers. Spot prices tumbled as demand began to dry up. By the end of Q2, spot market prices CFR China had declined to $142-144 per tonne, which was lower than the contract price set for Q3.

Outlook:

The sovereign debt crisis in Europe has led to rescue efforts by stronger nations of the European Union in order to avert another economic meltdown. A stabilizing fund was created to provide liquidity to the debtor nations to prevent a further deterioration of the credit market. Countries with excessive budget deficits are in the process of drastically reducing spending and raising taxes in order to stabilize their fiscal health and restore investor confidence. The US economic data remain mixed with healthy corporate sectors and continued weaknesses in the consumer sectors. While the current situation is less supportive of a vigorous growth prospect in the near term, recovery is expected to continue at a moderate pace.

There are indications that the Chinese economy is slowing down from the above 10% growth experienced earlier to the 9% range. This is believed to be the result of the Government's effort to prevent the economy from overheating. The demand for seaborne ores is expected to remain strong to support on-going expansion activities. The current destocking of the ore inventory is believed to be a temporary phenomenon. The supply situation is forecast to remain tight because of the low shipping period during Indian monsoon season. The Indian State of Karnataka has effectively banned iron ore export. However, a global slowdown and efforts by the Chinese Government to restrain the economy should reduce the risk of excessive steel supply. This will limit the increases in the iron spot market price for iron ore. After a sharp rise in iron ore contract prices during the last two quarters, analysts are now projecting a correction in Q4 with the possibility of a slight decline.

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 has determined a project construction and operation plan based on best available knowledge and with certain assumptions that will enable it to initiate work and enter into contracts. Events outside the control of the Company, such as funding or permit approvals as examples, may adversely affect these plans and result in delays for construction and for start of operations.

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 will need to be generated on site. Due to its location, weather events may cause disruptions or other difficulties in operations.

The DSO 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. Furthermore, provincial and federal legislators may enact laws or budgets that have a negative impact on this project or on the mining industry as a whole.

The Company is actively engaged in including First Nations participation in the project and expects to enter into agreements with these First Nations. Although such agreements are not mandatory, failure to agree may result in disruption to the project execution or operations.

Volatile market conditions for resource commodities in the recent past, including iron ore, after several years of improving prices has resulted in a dramatic decrease in market capitalization and the inability of companies to acquire funding for their exploration and development properties. An extended period of poor macro-economic conditions could lead to an inability of the Company to finance future operations.

Inflation has not been a significant factor affecting the cost of goods and services in Canada in recent years; however 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 relatively 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 extreme price and volume volatility. The market price of securities of many early stage companies 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.

Additional risk factors are contained in the 2009 Annual Information Form of the Company dated April 28, 2010, filed on SEDAR at www.sedar.com.

DISCLOSURE OF OUTSTANDING SHARE DATA

The following information relates to share data of the Company as at June 30, 2010.

1. Share capital

(a) Authorized:

Unlimited number of common voting shares.

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

(b) Issued as of June 30, 2010: The Company has 147,384,773 common shares issued ($84,391,424).

(c) Issued as of August 19, 2010: The Company has 147,844,773 common shares issued ($84,978,524).

2. Options

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

As of August 19, 2010, there were 12,352,500 common shares reserved for issuance pursuant to the exercise of stock options (June 30, 2010 – 12,462,500) as follows:

Number of Outstanding Options	Exercise Price	Expiry Date
25,000	$0.52	September 27, 2010
690,000	$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, 2012
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
100,000	$1.65	April 30, 2013
70,000	$1.75	June 1, 2013
2,437,500	$0.37	January 20, 2014
30,000	$0.37	April 29, 2014
33,000	$0.65	October 9, 2014
49,000	$0.59	December 4, 2014
33,000	$0.88	February 2, 2015
3,950,000	$0.90	June 29, 2015

ADDITIONAL INFORMATION

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

Dean Journeaux, Eng., is the Qualified Person as defined in National Instrument 43-101 who has reviewed and verified the scientific and technical mining disclosure contained in this Second Quarter Report.