New Millennium Capital Corp.

Consolidated Financial Statements
December 31, 2010 and 2009

Raymond Chabot Grant Thornton

Independent Auditor's Report

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To the Shareholders of
New Millennium Capital Corp.

We have audited the accompanying consolidated financial statements of New Millennium Capital Corp, which comprise the consolidated balance sheets as at December 31, 2010 and 2009 and the consolidated statements of loss and comprehensive loss, deficit, contributed surplus and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud of error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of New Millennium Capital Corp. as at December 31, 2010 and 2009 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

S/S Raymond Chabot Grant Thornton [1]

Montréal, April 19, 2011

[1]. Chartered accountant auditor permit no. 22865

New Millennium Capital Corp.
Consolidated Balance Sheets
December 31, 2010 and 2009

	2010	2009
	$	$
ASSETS		
Current assets		
Cash and cash equivalents (Note 5)	12,002,984	9,650,874
Treasury bills and term deposits (Note 6)	3,674,699	171,903
Sales taxes, other receivable and prepaid expenses (note 7)	1,045,687	367,892
Current portion of tax credits and mining duties receivable	3,223,842	1,571,837
	19,947,212	11,762,506
Tax credits and mining duties receivable	198,136	264,510
Long-term investments (Note 8)	-	2,680,519
Advances on contracts	505,500	36,582
Property and equipment (Note 9)	186,933	43,528
Mineral properties held for sale (Note 10)	22,060,670	-
Mineral properties (Note 10)	31,192,830	43,378,473
	74,091,281	58,166,118
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	5,181,237	1,108,923
Future income taxes (Note 13)	-	311,001
Total liabilities	5,181,237	1,419,924
EQUITY		
Capital stock (Note 11)	85,754,874	64,859,075
Capital stock to be issued (Note 11)	203,813	-
Contributed surplus	5,319,477	5,392,037
Deficit	(22,843,120)	(13,979,918)
Total equity attributable to shareholders of the Company	68,435,044	56,271,194
Non-controlling interest	475,000	475,000
	68,910,044	56,746,194
	74,091,281	58,166,118

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

On behalf of the Board,

/S/ Robert Martin	/S/ Pierre Seccareccia
Director	Director

New Millennium Capital Corp.
Consolidated Loss and Comprehensive Loss
Years ended December 31, 2010 and 2009

	2010	2009
	$	$
Revenue	–	–
Expenses		
General and administrative	2,205,867	2,433,567
Professional fees (Note 12)	6,956,352	834,273
Market development	294,122	199,412
Foreign exchange (gain)/loss	(70,265)	84,654
Amortization of property and equipment	29,727	29,469
	9,415,803	3,581,375
Loss before other items and income taxes	(9,415,803)	(3,581,375)
Other items		
Investment income	80,090	140,286
Loss on sale of long-term investments (Note 8)	(6,490)	-
Change in fair value of long-term investments	168,000	460,000
	241,600	600,286
Loss before income taxes	(9,174,203)	(2,981,089)
Future income taxes (Note 13)	311,001	672,826
Net loss and comprehensive loss	(8,863,202)	(2,308,263)
Net loss earnings attributable to non-controlling interests	-	-
Net loss and comprehensive loss attributable to shareholders of the Company	(8,863,202)	(2,308,263)
Loss per share attributable to shareholders of the Company - basic and diluted	(0.06)	(0.02)
Weighted average number of shares outstanding	141,699,360	132,026,654

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, 2010 and 2009

	2010	2009
	$	$
CONSOLIDATED DEFICIT		
Balance, beginning of year	13,979,918	11,671,655
Net loss attributable to New Millennium Capital Corp. shareholders	8,863,202	2,308,263
Balance, end of year	22,843,120	13,979,918
CONSOLIDATED CONTRIBUTED SURPLUS		
Balance, beginning of year	5,392,037	4,821,816
Stock-based compensation expense		
Employees and directors	237,015	752,070
Consultants	88,200	138,000
Transfer to capital stock upon exercise of stock options	(397,775)	(319,849)
Balance, end of year	5,319,477	5,392,037

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

New Millennium Capital Corp.
Consolidated Cash Flows
Years ended December 31, 2010 and 2009

	2010	2009
	$	$
OPERATING ACTIVITIES		
Net loss	(8,863,202)	(2,308,263)
Interest received on long-term investments	-	172,113
Non-cash items		
Stock-based compensation expense	325,215	890,070
Amortization of property and equipment	29,727	29,469
Change in fair value of long-term investments	(168,000)	(460,000)
Loss on sale of long-term investment	6,490	-
Future income taxes	(311,001)	(672,826)
	(8,980,771)	(2,349,437)
Changes in working capital items (Note 14)	3,097,830	(2,502,243)
Cash flows used by operating activities	(5,882,941)	(4,851,680)
INVESTING ACTIVITIES		
Net (purchases) redemptions of treasury bills and term deposits	(3,502,796)	13,098,176
Proceeds on sale and redemption of long-term investments	2,842,029	7,651
Advances on contracts	(668,975)	(277,583)
Acquisition of property and equipment	(213,027)	(30,905)
Tax credits and mining duties received	197,448	1,184,297
Additions to mineral properties	(10,427,652)	(9,040,392)
Cash flows (used) provided for investing activities	(11,772,973)	4,941,244
FINANCING ACTIVITIES		
Issuance of common shares	20,618,650	446,500
Share issue costs	(610,626)	-
Cash flows provided by financing activities	20,008,024	446,500
Increase in cash and cash equivalents	2,352,110	536,064
Cash and cash equivalents, beginning of year	9,650,874	9,114,810
Cash and cash equivalents, end of year	12,002,984	9,650,874

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

1 - GOVERNING STATUTES AND NATURE OF OPERATIONS

New Millennium Capital Corp. (Company) was incorporated pursuant to the provisions of the Alberta Business Corporations Act on August 8, 2003.

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) applicable to a going concern, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of operations. Management has assessed that the Company has sufficient funds available to continue operations and development of programs for at least the next twelve months ending December 31, 2011.

2 - CHANGES IN ACCOUNTING POLICIES

Effective January 1, 2010 the Company adopted earlier than required, as permitted by the transitional provisions, the following new accounting standard issued by the Canadian Institute of Chartered Accountants (CICA).

Section 1602 “Non-Controlling Interest” which establishes standards for the accounting and presentation of non-controlling interests subsequent to a business combination. The effect of the change in accounting standards will be with regards to where non-controlling interest is presented on the balance sheet. Previously, non-controlling interest was shown outside of shareholders’ equity. Upon adoption of the new standard it is included within shareholders’ equity for the current period and the comparative period’s figures were restated. Except for the inclusion of minority interest in the definition of capital, the new standard had no other impact on the Company’s financial statements.

Upon adopting section 1602, the Company also adopted, as required, section 1582, “Business Combinations” and section 1601 “Consolidated Financial Statements”. These sections had no impact on the Company’s financial statements.

3 - FUTURE ACCOUNTING CHANGES

International financial reporting standards

In 2008, the Canadian Accounting Standards Board announced that as of January 1, 2011, Canadian publicly accountable enterprises will be required to changeover to Canadian Generally Accepted Accounting Principles for Publicly Accountable Enterprises which will be equivalent to International Financial Reporting Standards as issued by the International Accounting Standards Board. The Company will adopt on January 1, 2011, retroactively, with restatement of comparative information taking into consideration exemptions available under IFRS 1. The Company’s IFRS implementation project is progressing according to plan.

4 - ACCOUNTING POLICIES

Basis of presentation

The financial statements are prepared in Canadian dollars 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 GAAP 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 term deposits and 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.

New Millennium Capital Corp.
Notes to Consolidated Financial Statements
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4 - ACCOUNTING POLICIES (Continued)

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 and reflecting the initial contribution of the Partner holding the 20% interest in the Partnership in the consolidated financial statements as a non-controlling interest.

At December 31, 2010, the Company owns 19% of Tata Steel Minerals Canada Ltd. (TSMC) which was acquired at a cost of $19. As the Company has no significant influence on the activities of TSMC, this investment is recorded at cost.

Cash and cash equivalents

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

Mineral properties

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.

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:

	Period
Office furniture, equipment, trucks and campsite	18 to 60 months

4 - ACCOUNTING POLICIES (Continued)

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 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.

Loss per share

Basic loss per common share is computed by dividing the net 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 11. 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 11. 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.

Financial Instruments

Financial instruments have been classified as follows:

– Cash and cash equivalents and long-term investments are classified as held-for-trading financial assets. Treasury bills and term deposits have been designated by the Company as held-for-trading. 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;

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4 - ACCOUNTING POLICIES (Continued)

On initial recognition, certain financial assets and liabilities are designated by the Company as held-for-trading because the Company considers that the financial information provided from this classification is more relevant for decision-making and provides for a better valuation of the Company's performance.

– Accounts payable and accrued liabilities are classified as other financial liabilities. They are measured at amortized cost using the effective interest method.

Asset retirement obligations

During the course of acquiring and exploring potential mining properties, the Company must comply with government environmental regulations concerning 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. To date, during exploration all such costs have been met on a progressive basis. Management believes that no additional asset retirement obligations exist at this time and no amount has been recorded in these financial statements.

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 net loss for the year.

5 - CASH AND CASH EQUIVALENTS

Cash and cash equivalents include $10,153,746 (2009 – $8,499,235) of treasury bills maturing by February 2011 and bearing interest from 0.15% to 0.88% (2009 – 0.12%).

6 – TREASURY BILLS AND TERM DEPOSITS

In 2010, treasury bills and term deposits include a treasury bill with a value of $3,501,976 maturing in March 2011 and bearing interest at 0.90%.and guaranteed investment certificates (GIC's) with values of $17,008 and $155,715 maturing in June 2011 and July 2011 respectively and bearing interest at 0.75%.

In 2009, term deposits included GIC's with costs of $16,911 and $154,992 maturing in June 2010 and July 2010 respectively and bearing interest at 0.40%.

7 – SALES TAXES, OTHER RECEIVABLE AND PREPAID EXPENSES

Included in sales taxes, other receivable and prepaid expenses is $495,261 of other receivables due from TMSC, a company in which NML owns a 19% equity interest. This amount is non-interest bearing and resulted from advances made by NML to help begin the operations of the Company.

8 – LONG-TERM INVESTMENTS

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 (2009 - $4,407,581), and a fair value of $2,846,734 (2009 – $2,680,519), resulting in the Company recognizing a loss on disposal of $6,490 and an increase in fair value of $168,000 (2009 - $460,000) for the year ended December 31, 2010.

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8 – LONG-TERM INVESTMENTS (Continued)

The fair value of the Notes as at December 31, 2009 and June 16, 2010, were determined based on management's judgment using available information and assumptions market participants would use in pricing such notes at the valuation dates. 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.

9 - PROPERTY AND EQUIPMENT

	2010		
	Cost	Accumulated Amortization	Net
	$	$	$
Office furniture, equipment, trucks and campsite	334,813	147,880	186,933

	2009		
	Cost	Accumulated Amortization	Net
	$	$	$
Office furniture and equipment	121,787	78,259	43,528

During the year the Company wrote off Nil (2009 – $12,838) of fully amortized assets no longer in use.

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Notes to Consolidated Financial Statements
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10 - MINERAL PROPERTIES

	Direct Shipping Ore Holdings (DSO) Properties $	LabMag Property $	KéMag Property $	Other Properties $	Balance as at Dec. 31 2010 $	Balance as at Dec. 31 2009 $
Balance, beginning of year	12,931,637	21,498,329	8,345,928	602,579	-	-
Mineral licenses	556,576	(12,002)	(13,356)	76,256	4,180,248	3,572,774
Resource evaluation	6,006,501	83,207	92,046	321,240	22,143,025	15,640,031
Drilling	581,051	62,117	17,538	316,457	18,786,565	17,809,402
Environmental	3,530,581	-	-	-	13,817,499	10,286,918
Amortization of property and equipment	28,724	2,793	399	7,979	39,895	-
Other	-	-	-	-	274,715	274,715
	10,146,857	148,117	109,983	645,676	55,061,699	44,011,066
Tax credits and mining duties	(1,574,400)	-	(49,736)	(158,944)	(5,988,447)	(4,205,367)
Balance, end of year	**22,060,670**	**21,634,444**	**8,392,819**	**1,165,567**	**53,253,500**	**43,378,473**
Mineral properties held for sale – DSO Properties					**22,060,670**	
Mineral properties not held for sale					**31,192,830**	

Overview

The Company holds interests in 3,360 claims distributed between properties in Newfoundland and Labrador (NL) and Québec. Claims registered under New Millennium Capital Corp. (NML) are owned 100% by the Company. Claims registered under LLP are owned 80% by the Company through its 80% interest in LLP. Claims registered jointly are owned 71.37% directly by NML and 28.63% directly by LLP.

Province	Ownership	DSO Properties	LabMag Property	KéMag Property	Other Properties	Total
Newfoundland & Labrador	NML	217 [54.3 km^2]	-	-	812 [203 km^2]	1,029 [257.3 km^2]
	LLP	32 [8 km^2]	256 [64 km^2]	-	383 [95.8 km^2]	671 [167.8 km^2]
	NML / LLP	8 [2 km^2]	-	-	-	8 [2 km^2]
Québec	NML	525 [239.6 km^2]	-	171 [80.9 km^2]	956 [458.3 km^2]	1,652 [778.8 km^2]
Total		**782** [303.9 km^2]	**256** [64 km^2]	**171** [80.9 km^2]	**2,151** [757.1 km^2]	**3,360** [1,205.9 km^2]

10 - MINERAL PROPERTIES (Continued)

DSO Properties – Asset held for sale:

The Company's DSO Project involves exploration and development work on hematite deposits in Québec and Labrador which were previously held and/or mined by the Iron Ore Company of Canada. The properties, located in isolated claim blocks, extend from 15 kms SE of Schefferville to the Goodwood area some 50 kms NW of Schefferville. A Feasibility Study was completed in March 2010 on this Project based on annual shipments of 4 million tonnes of sinter fines and super fines ore per year. The resulting product is expected to be composed of 80% sinter Fines and 20% super Fines.

The Company classified the DSO Properties as an asset held for sale, as on March 17, 2010, the Company officially notified Tata Steel Global Minerals Holdings PTE Ltd. (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 closing date to advance the DSO Properties. If Tata Steel acquires their 80% interest, all the DSO Properties will be transferred to a new company owned 80% by Tata Steel and 20% by the Company. 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.

On September 13, 2010, Tata Steel exercised this option and NML and Tata Steel are in the process of completing the steps necessary to finalize the transfer of the DSO Properties and expect the closing date to be before May 15, 2011. The new company, TSMC, was incorporated on October 26, 2010. At that time, NML acquired a 19% interest for $19 and intends to transfer the DSO properties to TSMC in return for an additional 1% interest.

In connection with Tata Steel's exercise of their option, NML has incurred $6,059,000 in professional fees.

LabMag Property:

The LabMag Iron Ore Project involves the exploration and development of a taconite deposit at Howells River, NL. The property is situated in western Labrador, in Elross Township, about 30 kms to the northwest of the town of Schefferville, Québec. A Pre-feasibility Study completed in 2006 on this Project assumed 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 ton per year pellet plant located at Emeril, near Wabush Township. The pellets produced are assumed in the study to be delivered via railway to a new dock at Pointe-Noire, near Sept-Îles for export overseas.

KéMag Property:

The KéMag Iron Ore Project involves the exploration and development of a taconite deposit at Lac Harris, Québec. The property, situated in the Kativik Region in northern Québec, is centered about 50 kms to the northwest of the town of Schefferville, Québec. A Pre-Feasibility Study was completed in 2009 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. The concentrate is proposed to be shipped by a pipeline to a 15 million ton per year pellet plant located in Sept-Îles, Québec, where it is estimated in the study to be sufficient to feed the pellet plant and provide 7 million tonnes per year of concentrate for export in addition to 15 million tonnes per year of pellets.

Other Properties:

The remaining claims include holdings of magnetic taconite and dolomite as well as the site of the potential Emeril plant.

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10 - MINERAL PROPERTIES (Continued)

Tata Steel has an exclusive right to negotiate and settle a proposed transaction in respect of the LabMag and KéMag Properties until February 28, 2011. The parties successfully agreed upon the structure of a potential transaction in 2011 (see Note 20).

11 - 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, 2008	131,486,558	64,092,726
Issued for cash on exercise of stock options	1,415,001	446,500
Transferred from contributed surplus on exercise of stock options		319,849
Balance, as at December 31, 2009	132,901,559	64,859,075
Issued for cash	14,285,714	20,000,000
Issued for mineral claims	350,000	490,000
Tax effect of flow-through shares		
Issued for cash on exercise of stock options	1,215,000	618,650
Transferred from contributed surplus on exercise of stock options		397,775
Share issue costs		(610,626)
Balance, as at December 31, 2010	148,752,273	85,754,874

The Company has taken a full valuation allowance on the future income tax asset of $164,258 related to the 2010 share issue costs above.

Capital stock offerings

On June 4, 2010, the Company completed a private placement to Tata Steel whereby 14,285,714 common shares were issued at $1.40 per share. The Company received gross proceeds of $20,000,000 and its financial advisors were paid $525,000 in connection with the private placement. Subsequent to this placement Tata Steel owns 40,429,270 common shares in the Company, which represents 27.18% of the December 31, 2010, issued and outstanding common shares of the Company.

Capital stock – to be issued

NML entered into an agreement with legal counsel whereby NML, at their option, could pay $203,813 of legal fees related to legal work in cash or by issuance of shares of NML. The legal work related to this agreement was completed in June 2010 and NML decided to make their payment by issuance of shares, subject to regulatory approval. The related expenditures are included in DSO Properties at December 31, 2010.

On March 11, 2011, the Company issued 212,306 shares at a price of $0.96 per share to settle the outstanding debt of $203,813.

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11 - *CAPITAL STOCK (Continued)*

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.

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

	2010		2009	
	Number of outstanding options	Weighted average exercise price	Number of outstanding options	Weighted average exercise price
		$		$
Balance, beginning of year	8,677,000	0.65	8,108,267	0.66
Granted	4,019,000	0.90	2,682,000	0.38
Exercised	(1,215,000)	0.51	(1,415,001)	0.32
Expired/forfeited	(25,000)	0.75	(698,266)	0.34
Balance, end of year	11,456,000	0.76	8,677,000	0.65
Options exercisable, end of year	5,161,000	0.71	5,075,000	0.75

Options exercisable and outstanding as at December 31, 2010 as set forth in the previous table are as follows:

Exercise price	Number of exercisable options	Number of outstanding options	Expiry Date
$0.76	25,000	25,000	April 6, 2011
$0.75	750,000	1,500,000	September 13, 2011
$0.75	80,000	80,000	November 2, 2011
$0.50	375,000	375,000	February 1, 2012
$0.75	880,000	880,000	August 2, 2012
$0.65	250,000	250,000	November 13, 2012
$0.73	25,000	25,000	November 19, 2012
$0.83	1,500,000	1,500,000	January 30, 2013
$1.44	50,000	250,000	March 25, 2013
$1.65	100,000	100,000	April 30, 2013
$1.75	70,000	70,000	June 1, 2013
$0.37	1,015,000	2,300,000	January 20, 2014
$0.65	16,500	33,000	October 9, 2014
$0.59	24,500	49,000	December 4, 2014
$0.88	-	33,000	February 2, 2015
$0.90	-	3,950,000	June 29, 2015
$0.87	-	36,000	August 31, 2015
	5,161,000	11,456,000	
Weighted average exercise price	0.71	0.75	

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11 - CAPITAL STOCK (Continued)

The weighted average remaining contractual years of the options outstanding is 2.9 years.

The weighted average fair value of stock options granted during 2010 was $0.63 per share ($0.25 per share in 2009). The fair value of each option was estimated on the date of grant using the Black-Scholes model. The following assumptions were used:

	2010	2009
Risk-free interest rate	2.46%	2.05%
Expected life (years)	5	5
Estimated volatility of the market price of the common shares	90%	79%
Dividend yield	Nil	Nil

Agents' warrants

As at December 31, 2010, the Company had no agents' warrants outstanding. No agents' warrants were issued during 2009 or 2010, while 416,774 expired unexercised April 4, 2009.

12 - PROFESSIONAL FEES

Included in professional fees are $6,059,000 (2009 – Nil) in fees relating to Tata Steel's exercised option on the DSO properties.

13 - INCOME TAXES

The Company has recorded a future income tax recovery arising from temporary differences between accounting values and tax base values of various net capital assets of the Company. In assessing the realizability of future income tax assets, management considers whether it is more likely than not that some portion or all of the future income tax assets will not be realized. As at December 31, 2010, the future tax benefits from the future income tax assets, which arose as a result of applying the losses and non-capital losses carried forward to taxable income, have not been recognized in these accounts due to uncertainty regarding their utilization.

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

	2010	2009
	$	$
Loss before income taxes	(9,174,203)	(2,981,089)
Combined federal and provincial tax rates	29.90%	30.90%
Computed income tax recovery	(2,743,087)	(921,157)
Stock-based compensation expense	97,239	275,032
Mining duties	(58,716)	(73,158)
Professional fees	1,837,484	52,588
Unrecognized tax items	439,448	(110,468)
Change in tax rate and other items	116,631	104,337
	(311,001)	(672,826)

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13 - INCOME TAXES (Continued)

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

	2010	2009
	$	$
Future income tax liabilities		
Mineral properties	7,515,804	7,319,420
Mining tax credits	186,212	165,949
	7,702,016	7,485,369
Future income tax assets		
Non-capital losses carried-forward	7,985,099	6,736,044
Capital losses carried forward	210,566	232,289
Share and unit issue costs	354,497	416,770
Losses of LLP that exceed at risk amount	75,166	127,599
Property and equipment	40,282	21,554
	8,665,610	7,534,256
Valuation Allowance	963,594	359,888
	-	311,001

The Company has non-capital tax losses, which are available to reduce income taxes in the future years. They aggregate $29,684,000 and can be carried over to the following years:

	$
2014	503,000
2015	2,968,000
2026	7,572,000
2027	3,302,000
2028	7,532,000
2029	3,130,000
2030	4,677,000
	29,684,000

The Company has limited partnership losses, through LLP, in the amount of $279,000 (2009 - $474,000) for which no tax benefit has been recognized.

During the year the Company earned Federal investment tax credits (ITC's) of $194,177 (2009 - $288,575) which have not been recorded in these financial statements due to the uncertainty as to whether the Company will be able to utilize them.

The Company has a total of $845,395 of Federal ITC's that can be carried forward for 20 years and expiring from 2028 to 2030 and $179,794 of Quebec tax credits that can be carried forward for 10 years and expiring in 2016 and 2017.

14 - INFORMATION INCLUDED IN CONSOLIDATED CASH FLOWS

The changes in working capital items are detailed as follows:

	2010	2009
	$	$
Sales taxes, other receivables and prepaid expenses	(677,795)	219,558
Accounts payable and accrued liabilities	3,775,625	(2,721,801)
	3,097,830	(2,502,243)

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14 - INFORMATION INCLUDED IN CONSOLIDATED CASH FLOWS (Continued)

Included in the accounts payable and accrued liabilities is an amount of $1,117,489 (2009 - $820,799) pertaining to additions to mineral properties. Included in the cash flows used by advances on contracts is $200,057 (2009 - $334,005) pertaining to mineral properties.

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

	2010	2009
	$	$
Interest received	76,615	242,871
Income taxes paid	-	-

15 - CAPITAL MANAGEMENT

The Company's capital management objectives are to ensure its ability to continue as a going concern and to maximize the return of its shareholders. The Company's definition of capital includes all components of shareholder's equity. In order to meet its objectives, the Company monitors its capital structure and makes adjustments as required. The Company is not subject to any externally imposed capital requirements.

16 - RELATED PARTY TRANSACTIONS

The Company incurred the following transactions with the directors and companies under their control and partnerships in which a director and the interim chief financial officer are partners.

	2010	2009
	$	$
Consolidated Balance Sheet		
Mineral properties	269,192	268,070
Share issue costs	39,043	-
Consolidated Loss		
General and administrative expenses	39,043	29,050
Directors fees	52,800	46,000
Professional fees	683,233	593,429
Market development	3,113	2,600

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 $244,512 ($181,409 in 2009) and are included in accounts payable and accrued liabilities.

17 - COMMITMENTS AND CONTINGENCY

The Company has entered into long-term leases for premises, equipment and consulting agreements amounting to $447,273 expiring by June 2012. The minimum payments for the next two years are $357,273 in 2011 and $90,000 in 2012.

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17 - COMMITMENTS AND CONTINGENCY (Continued)

In June 2010, the Company and the Naskapi Nation of Kawawachkamach (NNK) located near Schefferville, Québec entered into an Impact and Benefits Agreement (IBA). The IBA is a life of mine agreement that promotes and governs a mutually beneficial development of the Company's DSO Project and ensures an ongoing positive relationship between the Company and the NNK. In return for their consent and support of the DSO Project, NNK will benefit through training, employment, business opportunities and financial participation in the project. This commitment will be transferred to TSMC along with the DSO properties.

In September 2010, the Company, Labrador Iron Mines Holdings Limited and the Innu Matimekush-Lake-John First Nation reached an agreement to start IBA negotiations in return for contributions towards education, health, youth programs, traditional activities and the improvement of a community facility. This commitment will be transferred to TSMC along with the DSO properties.

The Company is committed through LLP to pay aggregate royalties of 2% of gross revenue from mineral interests subject to the LLP Limited Partnership agreement.

18 - FINANCIAL INSTRUMENTS

Fair value

Fair value is the amount that willing parties would accept to exchange a financial instrument based on the current market for instruments with similar risks and remaining maturity.

The fair value of accounts payable and accrued liabilities carrying value approximate their fair value due to their short-term maturities. The fair value of the treasury bills is based on their market values, which approximates their carrying value.

The fair value of the GIC's is determined by discounting expected future cash flows using interest rates of 0.2% (2009 – 0.2%), which represent the rate that the Company can get for GIC with similar terms and conditions and maturity dates.

Sensitivity to an increase of 1% in rates for the treasury bills and GIC's would not have a material effect on net loss for the period ended December 31, 2010.

Fair Value Hierarchy

Financial instruments recorded at fair value on the Consolidated Balance Sheet are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurement. The fair value hierarchy has the following levels:

- Level 1 – valuation based on quoted prices (unadjusted) observed in active markets for identical assets or liabilities;
- Level 2 – valuation techniques based on inputs that are quoted prices of similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; inputs other than quoted prices used in a valuation model that are observable for that instrument; and inputs that are derived principally from or corroborated by observable market data by correlation or other means;
- Level 3 – valuation techniques with significant unobservable market inputs.

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

New Millennium Capital Corp.
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18 - FINANCIAL INSTRUMENTS (Continued)

The following table presents the financial instruments recorded at fair value in the Consolidated Balance Sheet classified using the fair value hierarchy described above.

2010

	Level 1	Level 2	Level 3	Total financial instruments at fair value
	$	$	$	$
Cash and cash equivalents	12,002,984	-	-	12,002,984
Treasury Bills	3,501,976	-	-	3,501,976
Term deposits	-	172,723	-	172,723
Total financial instruments	15,504,960	172,723	-	15,677,683

2009

	Level 1	**Level 2**	**Level 3**	Total financial instruments at fair value
	$	$	$	$
Cash and cash equivalents	9,650,874	-	-	9,650,874
Term deposits	-	171,903	-	171,903
Long-term investments	-	-	2,680,519	2,680,519
Total financial instruments	9,650,874	171,903	2,680,519	12,503,296

The following table summarizes the changes in the fair value of the MAV2 Notes.

	December 31, 2010	December 31, 2009
	$	$
Fair value as at December 31, 2009 (December 31, 2008)	**2,680,519**	2,400,283
Payments received pursuant to restructuring of ABCP notes	**-**	(172,113)
Derecognition of ABCP	**-**	(2,228,170)
Recognition of MAV2 Notes	**-**	2,228,170
Change in fair value	**168,000**	460,000
Sale of MAV2 Notes	**(2,840,244)**	-
Loss on sale of MAV2 notes	**(6,490)**	-
Redemption of Class A-1 Notes	**(1,785)**	(7,651)
Fair value as at December 31, 2010 (December 31, 2009)	**-**	2,680,519

19 - FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

In the normal course of operations, the Company is exposed to and manages various financial risks.

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

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

Exchange risk

The Company's functional currency is the Canadian dollar and most expenditures are transacted in Canadian dollars. The Company funds certain foreign currency transactions by buying the foreign currency at the spot rate when required.

On December 31, 2010, the Company had $3,170,104 USD, $3,152,985 CAD (2009 – Nil) in cash and cash equivalents which has been translated to Canadian dollars at the exchange rate on December 31, 2010.

At December 31, 2010, the Company had $3,209,365 USD, $3,192,250 CAD (2009 - Nil) in accounts payable and accrued liabilities which has been translated to Canadian dollars at the exchange rate on December 31, 2010.

The Company purchased US dollars when they became aware of the USD liability owing to an investment banker related to the exercise of the Tata Steel DSO option. The Company was uncertain as to the timing of the payment of this liability and purchased the US dollars to hedge this payable. As a result of holding almost equivalent amounts of USD and USD payables, a $0.01 increase or decrease in the USD/CAD exchange rate would not have a material impact on net loss.

At December 31, 2010, the Company had no Euros in accounts payable and accrued liabilities while they had 112,501 Euro, $170,822 CAD in 2009, which had been translated to Canadian dollars at the exchange rate on at December 31, 2009.

Interest rate risk

The cash equivalents, treasury bills 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 Company does not use derivative financial instruments to reduce its interest rate exposure.

Liquidity risk

Management maintains 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. The contractual maturities of accounts payable and accrued liabilities are less than three months.

Credit risk

The Company manages credit risk through an emphasis on quality in its investment portfolio. Cash and cash equivalents, treasury bills and term deposits are held through two Canadian chartered banks and in government of Canada treasury bills and management believes the risk of loss to be remote.

Price risk

The Company is exposed to price risk with respect to iron ore prices. The price of iron ore declined during the most recent economic downturn which commenced in the third quarter of 2008. While future significant price declines could cause continued exploration and development to become uneconomical, commodity prices, particularly iron ore have completely recovered by the end of 2010.

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20 – SUBSEQUENT EVENTS

On February 28, 2011, the Company completed a bought deal offering whereby 18,071,429 of its common shares were issued at a price of $3.50 per common share for gross proceeds of $63,250,002. The underwriters were paid fees of $3,478,750 and were granted 1,084,285 common share purchase options exercisable at a price of $3.50 per purchase option for a period of eighteen months from the closing of the offering. In addition, Tata Steel purchased 6,739,956 common shares, to maintain its proportional ownership in the Company under its pre-emptive right, at $3.50 per share for gross proceeds of $23,589,846. There were $648,721 of fees paid pursuant to Tata Steel's purchase.

On March 6, 2011, the Company signed a binding heads of agreement (Binding HOA) with Tata Steel to develop the LabMag Project and the KéMag Project. Under the Binding HOA, Tata Steel shall participate in the development of a feasibility study of these projects and will contribute 64% of the costs to complete the feasibility study. After completion of the feasibility study, Tata Steel will have an option for four months to make an investment decision involving the development of either one or both of the projects. If Tata Steel exercises its option then it will pay the Company 64% of the costs incurred to date to advance the project(s).

The project(s) upon which Tata Steel exercises its option will be transferred to an entity where Tata Steel will initially hold an 80% interest and the Company 20%, with this initial 20% interest a free carry interest in that Tata Steel will be required to contribute as part of their investment in the entity any capital expenditure requirements on behalf of the Company's interest up to a maximum of 4.85 billion. The Company also has an option to acquire an additional 16% paid equity and a right of first refusal to acquire another 4% should Tata Steel exercise its right to invite third party investors into the project.

21 – COMPARATIVE FIGURES

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