New Millennium Capital Corp.
Unaudited Interim Consolidated Financial Statements
June 30, 2010

Contents

New Millennium Capital Corp.
Consolidated Balance Sheets

	June 30, 2010 (Unaudited) $	December 31, 2009 (Audited) $
Assets		
Current assets		
Cash and cash equivalents	6,580,864	9,650,874
Treasury bills and term deposits	19,670,844	171,903
Sales taxes receivable and prepaid expenses	423,105	367,892
Current portion of tax credits and mining duties receivable	1,394,528	1,571,837
	28,069,341	11,762,506
Tax credits and mining duties receivable	1,359,731	264,510
Long-term investments (Note 5)	-	2,680,519
Advances on contracts	137,476	36,582
Property and equipment	190,500	43,528
Mineral properties held for sale (Note 6)	17,713,330	-
Mineral properties (Note 6)	30,597,098	43,378,473
	78,067,476	58,166,118
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	2,303,481	1,108,923
Future income taxes	-	311,001
	2,303,481	1,419,924
Shareholders' equity		
Capital stock (Note 7)	84,391,424	64,859,075
Capital stock – to be issued (Note 7)	490,000	-
Contributed surplus	5,644,037	5,392,037
Non-controlling interest (Note 3)	475,000	475,000
Deficit	(15,236,466)	(13,979,918)
	75,763,995	56,746,194
	78,067,476	58,166,118

The accompanying notes are an integral part of these unaudited interim consolidated financial statements.

New Millennium Capital Corp.
Interim Consolidated Loss and Comprehensive Loss
(Unaudited)

	3 months ended June 30		6 months ended June 30	
	2010	2009	**2010**	2009
	$	$	**$**	$
Revenue	**-**	-	**-**	-
Expenses				
General and administrative	**541,814**	411,937	**1,181,867**	1,646,716
Professional fees	**225,859**	166,475	**413,264**	369,885
Market development	**46,104**	29,860	**121,503**	64,191
Foreign exchange loss	**3,462**	6,495	**9,710**	82,196
Amortization of property and equipment	**5,790**	7,272	**11,684**	14,869
	823,029	622,039	**1,738,028**	2,177,857
Loss before other items and income taxes	**(823,029)**	(622,039)	**(1,738,028)**	(2,177,857)
Other items				
Investment income	**4,736**	53,783	**8,969**	99,738
Loss on sale of long-term investments (Note 5)	**(6,490)**	-	**(6,490)**	-
Change in fair value of long-term investments	**-**	-	**168,000**	(180,000)
	(1,754)	53,783	**170,479**	(80,262)
Loss before income taxes	**(824,783)**	(568,256)	**(1,567,549)**	(2,258,119)
Future income taxes (Note 8)	**150,624**	298,464	**311,001**	340,116
Net loss and comprehensive loss	**(674,159)**	(269,792)	**(1,256,548)**	(1,918,003)
Loss per share – basic and diluted	**(0.00)**	(0.00)	**(0.01)**	(0.01)
Weighted average number of shares outstanding	**137,106,516**	131,486,558	**135,058,927**	131,486,558

The accompanying notes are an integral part of these unaudited interim consolidated financial statements.

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

	3 months ended June 30		6 months ended June 30	
	2010 **$**	2009 $	**2010** **$**	2009 $
CONSOLIDATED DEFICIT				
Balance, beginning of period	**(14,562,307)**	(13,319,866)	**(13,979,918)**	(11,671,655)
Net loss	**(674,159)**	(269,792)	**(1,256,548)**	(1,918,003)
Balance, end of period	**(15,236,466)**	(13,589,658)	**(15,236,466)**	(13,589,658)
CONSOLIDATED CONTRIBUTED SURPLUS				
Balance, beginning of period	**5,671,037**	5,670,516	**5,392,037**	4,821,816
Stock-based compensation expense	-	7,200	**308,400**	855,900
Transfer to capital stock upon exercise of stock options	**(27,000)**	-	**(56,400)**	-
Balance, end of period	**5,644,037**	5,677,716	**5,644,037**	5,677,716

The accompanying notes are an integral part of these unaudited interim consolidated financial statements.

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

	3 months ended June 30		6 months ended June 30	
	2010 **$**	2009 $	**2010** **$**	2009 $
Operating activities				
Net loss	**(674,159)**	(269,792)	**(1,256,548)**	(1,918,003)
Interest received on long-term investments	**-**	21,016	**-**	172,112
Non-cash items				
Stock-based compensation expense	**-**	7,200	**308,400**	855,900
Amortization of property and equipment	**5,790**	7,272	**11,683**	14,869
Change in fair value of long-term investments	**-**	-	**(168,000)**	180,000
Loss on sale of long-term investments	**6,490**	-	**(6,490)**	-
Future income taxes	**(150,624)**	(298,464)	**(311,001)**	(340,116)
	(812,503)	(532,768)	**(1,408,976)**	(1,035,238)
Changes in working capital items (Note 9)	**(99,588)**	(44,708)	**130,543**	(2,320,464)
Cash flows used by operating activities	**(912,091)**	(577,476)	**(1,278,433)**	(3,355,702)
Investing activities				
Purchase of treasury bills and term deposits	**(19,515,853)**	(18,859)	**(19,515,853)**	(49,393)
Redemption of term deposits	**16,912**	13,147,806	**16,912**	13,147,806
Proceeds on sale and redemption of long-term investments	**2,840,244**	-	**2,842,029**	-
Advances on contracts	**(137,476)**	-	**(137,476)**	(50,892)
Acquisition of property and equipment	**-**	(24,975)	**(176,867)**	(24,975)
Mining duties received	**197,448**	-	**197,448**	-
Additions to mineral properties	**(2,583,094)**	(1,526,539)	**(4,518,210)**	(3,325,019)
Cash flows provided (used) by investing activities	**(19,181,819)**	11,577,433	**(21,292,017)**	9,697,527
Financing activities				
Issuance of common shares	**20,041,250**	-	**20,086,575**	-
Share issue costs	**(586,135)**	-	**(586,135)**	-
Cash flows provided by financing activities	**19,455,115**	-	**19,500,440**	-
Increase (decrease) in cash and cash equivalents	**(638,795)**	10,999,957	**(3,070,010)**	6,341,825
Cash and cash equivalents, beginning of the period	**7,219,659**	4,456,678	**9,650,874**	9,114,810
Cash and cash equivalents, end of the period	**6,580,864**	15,456,635	**6,580,864**	15,456,635

The accompanying notes are an integral part of these unaudited interim 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 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 unaudited interim consolidated 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, except within the limits described above, and discharge its liabilities in the normal course of operations. Management has assessed that the June 4, 2010 private placement with Tata Steel Global Minerals Holdings PTE Ltd. (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.

2. Summary of significant accounting policies

The unaudited interim consolidated financial statements have been prepared in accordance with GAAP applicable to the preparation of interim financial information. Accordingly, these statements do not include all of the information and disclosures required in annual consolidated financial statements. The accounting policies used in the preparation of these unaudited interim consolidated financial statements are the same as those described in our audited consolidated financial statements and the notes thereto for the years ended December 31, 2009 and 2008 except for changes described in Note 3.

In the opinion of management, all adjustments considered necessary for the fair presentation of results for the periods presented have been reflected in these consolidated financial statements. These unaudited interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements and the notes thereto for the years ended December 31, 2009 and 2008.

3. 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.

4. 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 is currently assessing the impact of this change on its consolidated financial statements.

5. 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, 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

5 - Long-term investments *(Continued)*

(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.

6. Mineral properties

	Asset Held For Sale - Direct Shipping Ore-Holdings (DSO)	LabMag Property	KéMag Property	Other Properties	Balance as at June 30 2010 (Unaudited)	Balance as at Dec. 31 2009 (Audited)
	$	$	$	$	$	$
Beginning balance	12,931,637	21,498,329	8,345,928	602,579	-	-
Mineral licenses	509,505	(347)	15,374	(7,784)	4,089,522	3,572,774
Drilling	248,046	24,078	2,528	38,237	18,122,291	17,809,402
Resource evaluation	3,951,857	20,536	56,765	32,515	19,701,704	15,640,031
Environmental	1,137,794	-	-	-	11,424,712	10,286,918
Amortization of property and equipment	13,112	1,275	182	3,642	18,211	-
Other	-	-	-	-	274,715	274,715
	5,350,809	45,889	59,475	74,394	49,541,633	44,011,066
Tax credits and mining duties	(1,078,621)	-	(29,700)	(7,039)	(5,320,727)	(4,205,367)
Ending balance	17,713,330	21,543,871	8,391,077	662,150	48,310,428	43,378,473
Mineral Properties held for sale – DSO Properties					17,713,330	
Mineral Properties not held for sale					30,597,098	

6. Mineral properties *(Continued)*

Overview

The Company holds interests in 3,167 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 LabMag Limited Partnership (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]	-	-	797 [199.3 km^2]	1,014 [253.6 km^2]
	LLP	32 [8 km^2]	619 [154.8 km^2]	-	20 [5 km^2]	671 [167.8 km^2]
	NML / LLP	8 [2 km^2]	-	-	-	8 [2 km^2]
Québec	NML	525 [239.6 km^2]	-	406 [194.9]	543 [257.7 km^2]	1,474 [692.1 km^2]
Total		**782** [303.9 km^2]	**619** [154.8 km^2]	**406** [194.9 km^2]	**1,360** [462 km^2]	**3,167** [1,115.5 km^2]

DSO Properties – Asset held for sale:

The Company's DSO Project involve 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 per year. The resulting product is expected to be composed of 80% sinter Fines and 20% super Fines.

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.

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.

6. Mineral properties *(Continued)*

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.

Tata Steel also has an exclusive right to negotiate and settle a proposed transaction in respect of the LabMag and KéMag Properties until December 31, 2010, subject to early termination if Tata Steel does not exercise its option to participate in the DSO Project. The parties intend to work together to find an economically viable solution to advance these projects.

7. Capital stock

Authorized:

Unlimited number of shares

Common shares

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

Issued and fully paid:

	Number of common shares	Amount $
Balance, as at December 31, 2009 (Audited)	132,901,559	64,859,075
Issued for cash	14,285,714	20,000,000
Share issue costs	-	(610,626)
Issued for cash on exercise of stock options	197,500	86,575
Transferred from contributed surplus upon exercise of stock options	-	56,400
Balance, as at June 30, 2010	147,384,773	84,391,424

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. Tata Steel now owns 40,429,270 common shares, which represents 27.4% of the post acquisition issued and outstanding common shares of the Company.

7. Capital stock *(Continued)*

Capital stock - to be issued

On May 1, 2010, the Company entered into an agreement to purchase a 100% interest in a mineral claim covering property located in northern Québec for proceeds amounting to $497,500, payable by (i) $7,500 of cash and (ii) issuance of 350,000 common shares of the Company at a price of $1.40 per common share amounting to $490,000 in aggregate. The registration and rights to the mineral claim were transferred to the Company on June 22, 2010; however the 350,000 common shares were only issued on July 8, 2010. This mineral claim is included in the Company's DSO properties at June 30, 2010.

Stock options

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

During the six-month period ended June 30, 2010, 3,983,000 options were granted (2,600,000 for 2009).

The weighted average fair value of stock options granted during the six-month period was $0.63 ($0.24 in 2009) per option. 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%	2.03%
Expected life (years)	5	5
Estimated volatility of the market price of the common shares	89.84%	79.16%
Dividend yield	Nil	Nil

8. Future income taxes

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 June 30, 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.

9. Information included in consolidated cash flows

The changes in working capital items are detailed as follows:

	3 months ended June 30		6 months ended June 30	
	2010	2009	**2010**	2009
	$	$	**$**	$
Sales taxes receivable and prepaid expenses	**(146,846)**	(35,636)	**(55,213)**	314,521
Accounts payable and accrued liabilities	**47,258**	(9,072)	**185,756**	(2,634,985)
	(99,588)	(44,708)	**130,543**	(2,320,464)

9. Information included in consolidated cash flows *(Continued)*

Included in the accounts payable and accrued liabilities is an amount of $1,805,111 at June 30, 2010 ($602,821 at June 30, 2009) pertaining to additions to mineral properties.

Included in the accounts payable and accrued liabilities is an amount of $39,043 at June 30, 2010 ($Nil at June 30, 2009) pertaining to share issue costs.

Included in the cash used in advances on contracts is $36,582 for the six and three months ended June 30, 2010 ($143,896 for six months ended June 30, 2009 and $81,178 for three months ended June 30, 2009) pertaining to mineral properties.

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

	3 months ended June 30		6 months ended June 30	
	2010	2009	**2010**	2009
	$	$	**$**	$
Income taxes paid	**-**	-	**-**	-
Interest received	**4,736**	184,071	**8,969**	202,323

10. 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. The Company is not subject to any externally imposed capital requirements.

11. Commitments and Contingency

If Tata Steel exercises their option on either of the projects, then the Company is committed to pay financial advisors, pursuant to agreements with such advisors, the amount of US$5,763,615 ($6,135,945 CAD).

The Company has entered into long-term leases for premises, equipment and consulting agreements amounting to $567,709 and expiring by June 2012. The minimum payments for the next three years are $231,602 in the remainder of 2010, $246,107 in 2011, and $90,000 in 2012.

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 ensure 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.

The Company is committed through LLP to pay aggregate royalties of 2% of LLP's gross revenues from the mineral interests acquired in 2004.

12. 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.

	3 months ended June 30		6 months ended June 30	
	2010 **$**	2009 $	**2010** **$**	2009 $
Consolidated Balance Sheet				
Mineral properties	**131,815**	126,502	**173,628**	172,724
Share issue costs	**39,043**	-	**39,043**	-
Consolidated Loss				
General and administrative expenses	**20,265**	8,606	**31,297**	14,706
Directors fees	**11,500**	11,500	**23,000**	23,000
Professional fees	**161,366**	99,012	**304,098**	237,541
	363,898	245,620	**571,066**	447,971

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 balance included in accounts payable and accrued liabilities resulting from the above transactions amount to $370,257 at June 30, 2010 ($265,403 at June 30, 2009).

13. 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 approximate their carrying 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 0.15% (2009 – 0.2%), which represent the rate that the Company can use for a GIC with similar terms and conditions and maturity dates.

Sensitivity to an increase of 1% in rates for the GIC's and treasury bills would increase the net loss and comprehensive loss by $47,422 for the period ended June 30, 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;

13. Financial Instruments *(Continued)*

– 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.

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

	Level 1	Level 2	Level 3	Total financial instruments at fair value
	$	$	$	$
Cash and cash equivalents	6,580,864	-	-	6,580,864
Treasury bills	19,498,941	-	-	19,498,941
Term deposits	-	171,903	-	171,903
Total financial instruments	26,079,805	171,903	-	26,251,708

Before they were sold, the MAV2 Notes were a Level 3.

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

	June 30, 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 June 30, 2010 (December 31, 2009)	**-**	**2,680,519**

Financial risk management objectives and policies

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

13. Financial Instruments *(Continued)*

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 of the expenditures are transacted in Canadian dollars. The Company funds certain foreign currency transactions by buying the foreign currency at the spot rate when required.

At June 30, 2010, the Company had €115,927, $153,225 CAD (€112,501, $170,822 CAD at December 31, 2009) in accounts payable and accrued liabilities, which has been translated to Canadian dollars at the exchange rate on June 30, 2010. A $0.01 increase or decrease in the EUR/CAD exchange rate would result in a change to net loss and comprehensive loss of approximately $1,200.

At June 30, 2010, the Company had $98,583 US, $103,151 CAD (Nil at December 31, 2009) in accounts payable and accrued liabilities, which has been translated to Canadian dollars at the exchange rate on June 30, 2010. A $0.01 increase or decrease in the USD/CAD exchange rate would result in a change to net loss and comprehensive loss of approximately $1,000.

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, except for an amount of $165,000 due in December 2010.

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 has declined somewhat 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, began to recover by the end of 2009 and throughout 2010.