

New Millennium Capital Corp.

THIRD QUARTER REPORT

2008

## 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 September 30, 2008.

The significant third quarter events were:

- The project update on the Direct Shipping Ore ("DSO") 2008 Summer/Fall exploration programs; Impact and Benefit Agreements, and environmental programs;
- The execution of a non-binding Letter of Intent with Al-Tuwairqi for the sale of 30 million tonnes of DR (direct reduction) pellets at an annual rate of 3 million tonnes per year.

The subsequent events include:

- The execution of a binding agreement with Tata Steel Global Minerals Holdings Pte Limited, whereby Tata Steel became a strategic investor of NML and acquired 19.9% of the common shares of the Company through a \$23,529,200 Private Placement and certain rights to participate in the Company's DSO Project.
- The promotion of Mr. Bish Chanda to the position of Senior Vice President, Marketing and Strategy.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

*The following discussion and analysis of the financial results for the interim period ended September 30, 2008 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, 2007 and 2006.*

*Certain statements included in this discussion may constitute forward-looking statements that involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include changes in government regulations, general economic conditions and business conditions, which among other things may affect demand for the Company's services and the ability of the Company to implement its business strategy.*

## RESULTS OF OPERATIONS

### **Project Update on Direct Shipping Ore Project**

On July 21, 2008, the Company provided an update report on the advancement of its DSO project which is expected, subject to a positive feasibility study and financing, to produce 4 million tons of iron ore per year with initial production starting in the third quarter of 2010.

### **Development Plan:**

- The Project has been divided into two phases. Phase I assumes the mining of seven deposits during the first 3 years of the project life. The initial operations are planned to take place in the areas explored and previously mined by the Iron Ore Company of Canada.
- During Phase I, approximately 70% of the resources are expected to be mined in the Province of Newfoundland and Labrador ("NL"), and 30% in Quebec.
- During Phase II, NML plans to develop the northern area which was not previously mined. In this instance, approximately 30% is expected to come from NL and 70% from Quebec.
- It is estimated that the product will be composed of 25% lump ore and 75% sinter feed.

**2008 Summer/Fall Exploration Program:**

- The reverse circulation drilling program, which is intended to upgrade the historical resources to NI 43-101 standards, was expected to total 10,366 meters (154 holes). Subsequent to the third quarter this program was completed with a total of 7,834 meters (140 holes). The lower than expected drilling rate was caused by late mobilization, which was expected mid-June and finally was only possible on the third week of July.

The collection of 2,000 tons of bulk sampling was completed on July 19, 2008. Crushing and screening was completed at the mine site while washing and metallurgical testing of the crushed samples is currently being performed in various laboratories experienced in iron ore processing. The pilot plant results will be used to design the mining plan and wash plant flow sheet, for incorporation in the feasibility study.

**IBA's and environmental studies:**

- Consultations with the four First Nations (the Innu Nation of Matimekush-Lac John (Schefferville), Naskapi Nation (Kawawachikamach), Innu Nation (Labrador), and Innu Takuaikan Uashat mak Mani-Utenam (Sept-Iles)) potentially affected by the project are on going. The aim is to have Impact and Benefit Agreements (IBAs) completed by Q2 2009 bypassing the preliminary MOU stage which is no longer considered necessary.
- Project registration/notices have been registered with the three levels of government. The province of Quebec has responded and waived the necessity of an Environmental Impact Assessment (EIA) for Phase I due to the small tonnage of the Quebec operations. However it has recently been determined that a larger quantity of Quebec ore must be mined for blending purposes. This determination has triggered the need for an EIA for phase I in Quebec and will cause about a one year delay in mine start-up unless the DSO commences operation using 100% NL deposits. NML is continuing its discussion with the other two Governments to determine the scope of its EIA, and believes that mine start-up with a modified plan, is still possible by September 2010.
- Environmental field survey work for the EIA started in early July, and was completed subsequent to the third quarter.

**Engineering and feasibility studies:**

- NML started to negotiate a consulting engineering contract during Q3 to provide detailed engineering for the pre-feasibility study. Assuming positive results from the exploration program, metallurgical test work and flow sheet development by early 2009, a bankable feasibility is expected to be completed by mid 2009.
- NML is also engaged in discussions with Tshuettin Railway (TSH) and other potential users for the rehabilitation of the TSH railroad from Ross Bay Junction to Schefferville. Assessment of the track condition is underway, and a rehabilitation feasibility study is in progress. Similarly, discussions are ongoing with the Sept-Iles Port Authority (SPA) for the unloading, storage and vessel loading of the DSO product.

**LOI with Al-Tuwairqi**

On July 31, 2008, the Company announced the signing of a Letter of Intent ("LOI") for the future sale of up to three million tonnes per year of DR (direct reduction) grade Pellets or Iron Ore Lump to the Al-Tuwairqi Group of Companies. Al-Tuwairqi, headquartered in Dammam in the Kingdom of Saudi Arabia, has production facilities in the Middle East and UK. Al-Tuwairqi currently produces 1.5 mtpy of direct reduced iron (DRI) using the Midrex DR process, and plans to achieve crude steel production of 6.0 mtpy by 2011 in Saudi Arabia alone.

NML's marketing effort has focused on DRI producers in the Middle East because of the high growth projections for steel production in the area. DR grade is also a value added product that currently commands a premium price of about 10% more than the price of BF grade pellets.

Under the Letter of Intent, Al-Tuwairqi would purchase 3 mtpy of DR grade pellets or lump ores for ten years commencing in 2012. The letter of intent is an expression of interest only and any binding contract of purchase and sale will be subject to a production decision by NML and future

negotiations related to terms and conditions of a definitive agreement, which has to be approved by each company's respective directors.

## **SUBSEQUENT EVENTS**

### **Strategic Investment by Tata Steel**

On October 1, 2008, the Company announced that it had entered into a subscription agreement with Tata Steel Global Minerals Holdings Pte Limited ("Tata"), a wholly owned indirect subsidiary of Tata Steel Limited of Jamshedpur, India (listed on The Bombay Stock Exchange, Mumbai and National Stock Exchange of India Ltd.) whereby Tata became a strategic investor in NML.

On October 9, 2008 Tata acquired, in a private placement, 19.9% of the post-acquisition common shares of the Company and will acquire, at its option, an 80% equity interest in NML's Direct Shipping Ore project located in the Province of Newfoundland and Labrador and the Province of Quebec. The agreement provides exclusivity with respect to each of the DSO Project and the LabMag taconite iron ore property located in NL which is 80% owned by NML and 20% owned by the Naskapi Nation of Kawawachikamach.

The Company closed this private placement whereby it issued 26,143,556 common shares in the capital of the Corporation at a price of \$0.90 per common share to Tata, raising aggregate gross proceeds of \$23,529,200. The Company will pay its financial advisors approximately \$1,350,000 in connection with this transaction. The net proceeds from the private placement will be used by the Company primarily to develop the DSO Project through a feasibility study to be completed in the second quarter of 2009.

Pursuant to a related agreement, Tata will have exclusivity on the DSO Project through completion of the feasibility study. After the completion of the feasibility study, Tata will have an option for a 180 day period to acquire an 80% equity interest in the DSO Project. Upon exercising the option, Tata will pay 80% of NML's costs incurred to the exercise date to advance the DSO Project. Tata will fund up to \$300 million to earn its 80% share and will commit to purchase at world price 100% of the DSO Project's iron ore production for the life of the mining operation. The Company has committed to pay a financial advisor U.S. \$2,000,000 in connection with the commitment of Tata to enter into the related agreement. Subject to completion of a positive feasibility study, regulatory approvals and project financing, NML expects to produce 4 million tonnes per annum of iron ore products from the DSO Project commencing in 2010. There is no assurance that the planned production and timeline will be achieved or that the DSO Project will be determined to be economically viable.

Tata will also have an exclusivity to negotiate and settle a proposed transaction in respect of the LabMag project until June 30, 2009. The LabMag deposit contains 3.5 billion tonnes of proven and probable mineral reserves. These reserves are contained in 4.6 billion tonnes of measured and indicated resources and 1.2 billion tonnes of inferred resources. The parties intend to work together to find an economically viable solution to advance this project.

In addition, Tata is entitled to two nominees on NML's board of directors upon completion of the placement, the number being subject to adjustment upwards or downwards based on each 9% change in ownership, provided Tata will be entitled to one nominee if it holds at least 5% of the Issuer's common shares.

### **Management Promotion**

On October 23, 2008 the Company announced that Mr. Bish Chanda had been promoted from Vice President, Marketing to Senior Vice President, Marketing and Strategy. In addition to his regular responsibilities of marketing and product development, Mr. Chanda's new responsibilities will include strategic planning and special activities related to investor relations and liaison with Tata.

## **Exposure to ABCP Market**

At September 30, 2008, the Company holds \$4,400,000 par value of Structured Investment Trust ("SIT") III, Series A asset-backed commercial paper ("ABCP"). On June 15, 2007, when the Company acquired the investment it was rated R1-High by the Dominion Bank Rating Services ("DBRS"), the highest credit rating issued for commercial paper.

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

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

On April 25, 2008, the consortium announced an agreement to restructure the trusts which, as disclosed in Note 5 of the interim consolidated financial statements, had been approved by a vote of note holders. In accordance with the agreement, holders of ABCP will exchange their paper for floating rate notes with maturities based on the maturities of the assets underlying the ABCP. The process of tendering existing holdings of ABCP in exchange for new restructuring notes has begun, and the consortium expects it to be completed by the end of November.

The ABCP were originally classified as held to maturity by the Company. As a result of the ABCP restructuring, the Company changed its classification of these investments to available for sale in the fourth quarter of 2007. As such, any current or future change in fair value will be recognized in other comprehensive income or loss by the company.

The Company's management has made an assessment of the fair value of the ABCP that takes into account available public information on the proposed restructuring plan and the maturity dates and interest rates applicable to the notes if the plan is implemented. At September 30, 2008 a further decrease of \$370,000 has been taken to reflect the change in fair value. No estimate of the restructuring costs, which have been stated as being immaterial by the consortium, nor any interest income which may have been earned since August 2007, have been included in the fair value assessment due to the lack of verifiable information. Any interest income will be recognized on a cash basis.

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

An increase of 1% in the discount rate used in the valuation of the ABCP would result in a decrease in fair value of \$166,000.

The liquidity crisis in Canadian and global markets has had no significant impact on the Company's operations. Cash and cash equivalents at September 30, 2008 is either held as cash or invested in Government of Canada treasury bills. The Company has no further exposure to the current ABCP market disruption.

## **FINANCIAL CONDITION**

The following discussion of the Corporation's financial performance is based on the Interim Consolidated Financial Statements set forth herein. As discussed in Note 2 to the Interim Consolidated financial statements, the financial statements are prepared in accordance with

Canadian Generally Accepted Accounting Principles (GAAP). Management is required to make estimates and assumptions that effect the reported amounts of assets and liabilities at the date of the financial statements and revenue and expenses for the period then ended.

The Interim Consolidated Balance Sheet as of September 30, 2008 indicates cash and cash equivalents of \$4,197,606, term deposits of \$166,527, sales taxes and other receivables of \$528,416 and tax credits and mining duties receivable of \$807,842 resulting in total current assets of \$5,700,391 a decrease of \$2,256,388 from December 31, 2007. The long-term assets are comprised of mineral properties of \$33,186,689, property and equipment of \$50,779 advances on contracts of \$34,500 and long-term investment in ABCP of \$3,150,283, net of a \$1,250,000 impairment loss. The total assets are \$42,122,642 which is an increase of \$4,100,739 from December 31, 2007.

Current liabilities at September 30, 2008 are composed of accounts payables and accrued liabilities of \$2,225,312, with the only long-term liability being future income taxes of \$2,448,353 for total liabilities of \$4,673,665, an increase of \$2,873,262 from December 31, 2007. Shareholders' equity of \$37,448,977 increased by \$1,227,477 from December 31, 2007, and is comprised of capital stock of \$41,626,925 and the contributed surplus of \$4,737,149 less the deficit of \$8,545,097 and accumulated other comprehensive loss of \$370,000.

Working capital, at September 30, 2008 of \$3,475,079, is a decrease of \$3,788,425 from the December 31, 2007 total of \$7,263,504.

The increase in shareholders' equity is mainly due to proceeds received by the Corporation of \$5,025,196 related to the issuance of 5,493,695 common shares upon exercise of stock options, share purchase warrants and agents' warrants, less the future income tax effect of \$1,920,000 relating to the renunciation of \$6,000,000 of Canadian exploration expenses (CEE) in favour of the purchasers which resulted in an equivalent decrease in capital stock. The Corporation used its term deposits and cash and cash equivalents to fund its operations and continuing investment in mineral properties. The cash and cash equivalents and term deposits represent the funds that remain from the last equity financings and subsequent issuances of common shares and will continue to be used to pay for current liabilities, continue work on the pre-feasibility study of the KéMag property, continue exploration work on the DSO project and cover future corporate operating expenses. During the third quarter, \$3,865,967 of the Corporation's expenditures were mainly related to the pre-feasibility study work on the KéMag project, and the feasibility study work on the DSO project. These expenditures were recorded as mineral properties. The future income taxes continue to be mainly comprised of the future tax liability that arises from the renunciation of CEE which are partially offset by the Corporation's operating losses.

For the three months ended September 30, 2008, NML realized a comprehensive loss of \$783,823 or \$0.01 per share, compared to a comprehensive loss of \$1,339,969 or \$0.01 per share for the corresponding period in 2007. This loss represents operating expenses of \$688,384 (2007 - \$765,925) net of investment income of \$32,328 (2007 - \$54,682), future income taxes recovery of \$242,233 (2007- \$251,274) and change in fair value of long-term investment in ABCP of \$370,000 (2007- \$880,000). A decrease in general and administrative costs and particularly a lower change in fair value of the ABCP resulted in a lower loss when compared to the same period in 2007.

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

All costs associated with mineral properties, totaling \$33,186,689 as outlined in Note 6 to the September 30, 2008 Interim Consolidated Financial Statements, have been classified as mineral properties. The expenditures are divided between the properties as follows: LabMag Property \$20,907,244, KéMag Property \$8,109,642, DSO Properties \$3,905,016 and Other Properties \$264,787. The cost centers for these capitalized expenditures are: mineral licenses \$2,898,964, resource evaluation \$9,935,545, drilling \$12,866,464, environmental \$7,198,623, field labour and

supplies \$2,004,943 and other \$274,715. These expenditures are partially offset by tax credits and mining duties of \$1,992,565. The carrying value of the mineral properties are reviewed by the Company on a quarterly basis by reference to the project economics, including the timing of the exploration and/or development work, the work programs and exploration results experienced by the Company and others. At September 30, 2008 the Company believes that the carrying values of the properties are less than their net recoverable amounts and as such there has been no impairment of value on any of these properties.

In 2007, the Company renounced CEE of \$6,000,000 in favour of the purchasers of the 2007 flow-through shares for which the renunciation documents were filed with the CRA in February 2008. This renunciation resulted in the Corporation recording a \$1,920,000 decrease in 2008 in its capital stock for the future income tax effect of the renunciation. As of September 30, 2008, the Corporation has met its commitment related to these flow-through shares.

## SUMMARY OF QUARTERLY RESULTS

The following table sets out selected unaudited quarterly financial information of the Company for the eight quarters ended September 30, 2008. The Company's interim consolidated financial statements are prepared in accordance with Canadian GAAP and expressed in Canadian dollars.

	Sept-08	Jun-08	Mar-08	Dec-07	Sept-07	June-07	Mar-07	Dec-06
Investment Income	32,328	45,312	59,173	68,578	54,682	59,977	46,292	87,446
Net Comprehensive Loss	(783,823)	(734,550)	(674,294)	(506,547)	(1,339,969)	(430,046)	(395,459)	(765,541)
Loss Per Share (1)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)

- (1) The effect of the exercise of stock options and warrants would be anti-dilutive for the purposes of calculating the fully diluted earnings per share.

## THIRD QUARTER RESULTS

For the three-month period ended September 30, 2008, general and administrative expenses, market development and professional fees and other expenses were \$688,384 compared to \$765,925 for the corresponding period in 2007. Included in the third quarter of 2008 expenses are stock-based compensation charges included in general and administrative expenses of nil (2007-\$223,200) and market development costs of \$127,733 (2007-\$106,049). Also included in the third quarter was a \$370,000 (2007 - \$880,000) change in fair value of ABCP. These expenses were partially offset by investment income of \$32,328 compared to \$54,682 for the three months in 2007 and future income taxes recovery of \$242,233 for which there was \$251,274 recovered in the third quarter of 2007. As a result NML's comprehensive loss for the third quarter ended September 30, 2008 totalled \$783,823 or \$0.01 per share compared to a comprehensive loss of \$1,339,969 or \$0.01 per share for the comparative period in 2007.

## CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

The Corporation adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants (CICA) on January 1, 2008. These standards are fully described in Note 3 of the Interim Consolidated Financial Statements.

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

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

instruments and how this risk is managed.

Section 1400 “General Standards of Financial Presentation” requires management to assess the Corporation’s ability to continue as a going concern over a period that is at least, but not limited to, twelve months from the balance sheet date.

## **FUTURE ACCOUNTING CHANGES**

In February 2008, the CICA announced the adoption of International Financial Reporting Standards (IFRS) for publicly accountable enterprises. The CICA announced the changeover date for these enterprises to use IFRS, replacing Canadian GAAP, is for interim and annual financial statements relating to fiscal years beginning after January 1, 2011. The adoption of IFRS on the transition date will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. The Company is currently assessing the impact of the convergence of Canadian GAAP with IFRS on the Company's financial results and disclosures. The Company will provide disclosures of the Company's transition plan and progress as the information becomes available during the transition period.

## **ACCOUNTING ESTIMATES**

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

## **FAIR VALUE, FINANCIAL RISK AND CAPITAL MANAGEMENT**

The fair value of cash and cash equivalents, term deposits, sales taxes and other receivables, accounts payable and accrued liabilities approximate their carrying amount given their short-term maturities. The fair value of the long-term investment has been estimated by management as discussed in Note 5 to the Interim Consolidated Financial Statements.

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

### **Exchange risk**

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

### **Interest rate risk**

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

### **Liquidity risk**

Management serves to maintain sufficient amounts of cash and cash equivalents to meet commitments. The Corporation establishes budgets and cash flow requirements monthly to ensure that it has the necessary funds to fulfill its obligations. In light of the liquidity crisis in the Canadian and global markets, the Company has been careful to keep excess cash liquid by only investing in low-risk government treasury bills. Management believes the Company has sufficient cash on hand at September 30, 2008 and raised sufficient cash through a private placement on October 9, 2008 as disclosed in the subsequent event section above to meet its commitments and operating needs for the next twelve months.

### Credit risk

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

### Off-Balance Sheet arrangements

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

### 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.

## **LIQUIDITY AND CAPITAL RESOURCES**

### **Working Capital**

The Corporation's working capital at September 30, 2008 decreased from December 31, 2007 by \$3,788,425 to \$3,475,079 due to financing on-going operations of the Company. The working capital consists of cash and cash equivalents, term deposits, sales taxes and other receivables and tax credits and mining duties receivable net of accounts payable and accrued liabilities.

### **Capital Expenditures**

There were capital expenditures of \$22,501 (2007 - \$26,046) during the first nine months of 2008.

### **Capital Resources**

At September 30, 2008, NML has paid up capital of \$41,626,925 (December 31, 2007 - \$37,330,528) representing 105,231,097 (December 31, 2007 - 99,737,402) common shares, a deficit of \$8,545,097 (December 31, 2007 - \$6,722,430) and accumulated other comprehensive loss of \$370,000 (December 31, 2007 - nil) that is offset by contributed surplus of \$4,737,149 (December 31, 2007 - \$5,613,402) resulting in shareholders' equity of \$37,448,977 (December 31, 2007 - \$36,221,500).

## **TRANSACTIONS WITH RELATED PARTIES**

During the quarter, NML incurred directors' fees of \$14,000 (2007 - \$7,000), consulting fees included in mineral properties of nil (2007 - \$26,000) and consulting fees included in expenses of \$44,000 (2007 - \$11,000) to businesses owned by directors and \$20,000 (2007 - \$67,000) in legal expenses to a law firm with a partner who is a director.

During the nine month period ending September 30, 2008, NML incurred directors' fees of \$42,000 (2007 - \$19,000), consulting fees included in mineral properties of \$32,000 (2007 - \$51,000) and consulting fees included in expenses of \$88,000 (2007 - \$79,000) to businesses owned by directors and \$126,000 (2007 - \$217,000) in legal expenses to a law firm with a partner who is a director. Of these amounts \$89,000 (2007 - \$75,000) is payable at September 30, 2008.

## **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 September 30, 2008 Interim Consolidated Financial Statements that is available on NML's website at [http://www.nmlresources.com/library/financial\\_statements.asp](http://www.nmlresources.com/library/financial_statements.asp) or on its SEDAR Page Site accessed through [www.sedar.com](http://www.sedar.com)

Included in the Corporation's Interim Consolidated Financial Statements were general and administration expenses of \$323,782 (2007 – \$440,666) for the three months ended September 30, 2008, comprised as follows: salaries and benefits \$208,479 (2007 - \$120,811), stock based compensation nil (2007 - \$223,200), office and administration \$89,605 (2007 – \$70,056), consultants \$1,500 (2007 – \$1,275) and office rent \$24,198 (2007 - \$25,324).

## **OUTLOOK**

2008 started on a strong note with a growing demand for iron ore straining supply capabilities. As a result, pellet prices increased by 86.9% indicating a tight supply situation. Experts continued to project a continuation of strong trends until 2012, when the supply of fines was expected to outstrip demand. However, analysts projected a 10-20% price increase in 2009 for fines. It was believed that the pellet supply situation would not be in balance by 2012 due to a strong demand for DR grade materials that would require new production capacity.

As the year progressed, defaulting subprime mortgages started to strain the banking system in the US. This has now developed into a worldwide credit crunch leading to a meltdown of the global financial system. As the banks have severely curtailed lending, global economic activities have drastically slowed due to a lack of credit. This has affected global steel production with a down turn in auto production and construction activities. Many of the world's leading steel producers, including Chinese steelmakers, have announced cutbacks of up to 30% in order to cope with falling demand and the resultant reduction in the price of steel. Major iron ore producers have also announced cut backs to maintain a balance.

In response to the economic slowdown, central banks around the world have reduced interest rates, injected liquidity into the system and extended life support for the weak banking sector. It is too early to predict how long the current weakness will last or what consequences can be expected. Many expansion projects have been put on hold and financing of new projects will most likely become challenging as banks have become more selective in their lending policies. Recently, China has announced a \$600 billion stimulus package in order to get its economy moving. Other developing countries might follow with their own program. Because of this uncertainty, iron ore producers are facing a difficult negotiating climate. Instead of price increases, some analysts are projecting price reductions in 2009.

In spite of the current turmoil, NML is in a strong position to weather the crisis. The strategic partnership with Tata Steel has provided sufficient cash reserves to complete the feasibility study for its DSO Project. Tata Steel's subsidiary Corus Group, located in Western Europe, has no captive iron ore source and it consumes up to 30 mtpy of ore. Tata Steel has an option that, if exercised, would require them to finance 100% of the capital expenditures up to \$300 million to develop NML's DSO Project. Tata Steel is also required to purchase 100% of the iron ore production from the project at world price.

## **BUSINESS RISKS**

The Company is engaged in the exploration and development of mineral properties. These activities involve a high degree of risk which, even with a combination of experience, knowledge and careful evaluation, may not be overcome. Consequently, no assurance can be given that commercial quantities of minerals will be successfully found or produced.

The Company has no history of profitable operations and its present business is at an early stage. As such, the Company is subject to many common risks to such enterprises, including under-capitalization, cash shortages and limitations with respect to personnel, financial and other resources and the lack of revenues. There is no assurance that the Company will be successful in achieving a positive return on shareholders' investment.

The Company has no source of operating cash flow and no assurance that additional funding will be available to it for further exploration and development of its projects when required. Although the Company has been relatively successful in the past in obtaining financing through the sale of equity securities, there can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in the delay or indefinite postponement of further exploration and development of its properties.

The Company's property interests are located in remote, undeveloped areas and the availability of infrastructure such as surface access, skilled labour, fuel and power at an economic cost, cannot be assured. These are integral requirements for exploration, development and production facilities on mineral properties. Power may need to be generated on site.

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

Recent, catastrophic market conditions for resource commodities, 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. Even though the company is currently well financed, 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, this renewed exploration and development activity has resulted in a shortage of experienced technical staff, and heavy demand for goods and services needed by the mining community.

The mineral industry is intensely competitive in all its phases. NML competes with many other mineral exploration companies who have greater financial resources and technical capacity.

The market price of iron ore and other commodities is volatile and cannot be controlled.

The purchase of securities of the Company involves a high degree of risk and should be undertaken only by investors whose financial resources are sufficient to enable them to assume such risks. The Company's securities should not be purchased by persons who cannot afford the possibility of the loss of their entire investment. Furthermore, an investment in securities of the Company should not constitute a major part of an investor's portfolio.

In recent years securities markets have experienced extremes in price and volume volatility. The market price of securities of many early stage companies, among others, have experienced fluctuations in price which may not necessarily be related to the operating performance, underlying asset values or prospects of such companies. It may be anticipated that any market for the Company's shares will be subject to market trends generally and the value of the Company's shares on the TSX Venture Exchange may be affected by such volatility.

The Company is very dependent upon the personal efforts and commitment of its existing management. To the extent that management's services would be unavailable for any reason, a disruption to the operations of the Company could result, and other persons would be required to manage and operate the Company.

## DISCLOSURE OF OUTSTANDING SHARE DATA

The following information relates to share data of the Company as at September 30, 2008.

### 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 September 30, 2008: The Corporation has 105,231,097 common shares issued (\$41,626,925).

(c) Issued as of November 20, 2008: The Corporation has 131,486,558 common shares issued (\$63,647,231).

### 2. Options

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

At November 20, 2008, there were 8,108,267 common shares reserved for issuance pursuant to the exercise of stock options (September 30, 2008 – 8,220,172) as follows:

Number of Outstanding Options	Exercise Price	Expiry Date
1,688,267	\$0.30	August 11, 2009
225,000	\$0.36	September 13, 2009
200,000	\$0.47	November 1, 2009
25,000	\$0.52	September 27, 2010
865,000	\$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

### 3. Warrants

At November 20, 2008, there were 816,774 common shares reserved for issuance pursuant to the exercise of outstanding warrants (September 30, 2008 – 816,774) as follows:

Number of Outstanding Warrants	Exercise Price	Expiry Date
400,000	\$0.75	December 12, 2008
416,774	\$0.75	April 4, 2009

## **ADDITIONAL INFORMATION**

Additional information relating to the Company is available on SEDAR at [www.sedar.com](http://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 Third Quarter Report.

**On Behalf of the Board of Directors**

*signed* **“Robert Martin”**

**President & Chief Executive Officer**  
November 20, 2008 Calgary, Alberta

New Millennium Capital Corp.  
Interim Consolidated Financial Statements  
September 30, 2008

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## New Millennium Capital Corp. Interim Consolidated Balance Sheets

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	Sept.30, 2008	December 31, 2007
	\$	\$
	(unaudited)	(audited)
<b>Assets</b>		
Current assets		
Cash and cash equivalents	4,197,606	4,332,010
Term deposits	166,527	1,896,181
Sales taxes and other receivables	528,416	423,999
Tax credits and mining duties receivable	807,842	1,304,589
	<u>5,700,391</u>	<u>7,956,779</u>
Long-term investment (Note 5)	3,150,283	3,520,283
Advances on contracts	34,500	75,037
Property and equipment	50,779	56,201
Mineral properties (Note 6)	33,186,689	26,413,603
	<u>42,122,642</u>	<u>38,021,903</u>
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities	2,225,312	693,275
Future income taxes	2,448,353	1,107,128
	<u>4,673,665</u>	<u>1,800,403</u>
<b>Shareholders' equity</b>		
Capital stock (Note 7)	41,626,925	37,330,528
Contributed surplus	4,737,149	5,613,402
Deficit	(8,545,097)	(6,722,430)
Accumulated other comprehensive loss	(370,000)	-
	<u>37,448,977</u>	<u>36,221,500</u>
	<u>42,122,642</u>	<u>38,021,903</u>

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

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

	3 months ended Sept. 30		9 months ended Sept. 30	
	2008	2007	2008	2007
	\$	\$	\$	\$
<b>Revenue</b>	-	-	-	-
<i>Expenses</i>				
General and administrative	323,782	440,666	1,308,807	1,248,965
Professional fees	227,795	207,918	714,721	570,583
Market development	127,733	106,049	493,426	272,069
Amortization of property and equipment	9,074	11,292	27,923	35,074
	<u>688,384</u>	<u>765,925</u>	<u>2,544,877</u>	<u>2,126,691</u>
Loss before other item and income taxes	<u>(688,384)</u>	<u>(765,925)</u>	<u>(2,544,877)</u>	<u>(2,126,691)</u>
Other item				
Investment income	32,328	54,682	136,813	160,952
Change in fair value of long-term investment (Note 5)	-	(880,000)	-	(880,000)
Loss before income taxes	<u>(656,056)</u>	<u>(1,591,243)</u>	<u>(2,408,064)</u>	<u>(2,845,739)</u>
Future income tax	242,233	251,274	585,397	680,265
<b>Net loss</b>	<u>(413,823)</u>	<u>(1,339,969)</u>	<u>(1,822,667)</u>	<u>(2,165,474)</u>
Other comprehensive loss, net of income tax				
Change in fair value of long-term investment (Note 5)	(370,000)	-	(370,000)	-
<b>Comprehensive loss</b>	<u>(783,823)</u>	<u>(1,339,969)</u>	<u>(2,192,667)</u>	<u>(2,165,474)</u>
Loss per share – basic and diluted	<u>(0.01)</u>	<u>(0.01)</u>	<u>(0.02)</u>	<u>(0.03)</u>
Weighted average number of shares outstanding	<u>104,919,962</u>	<u>92,191,166</u>	<u>103,344,028</u>	<u>83,643,980</u>

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

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

	3 months ended Sept. 30		9 months ended Sept. 30	
	2008 \$	2007 \$	2008 \$	2007 \$
<b>CONSOLIDATED DEFICIT</b>				
Balance, beginning of period	<b>(8,131,274)</b>	(4,875,914)	<b>(6,722,430)</b>	(4,050,409)
Net loss	<b>(413,823)</b>	(1,339,969)	<b>(1,822,667)</b>	(2,165,474)
Balance, end of period	<b>(8,545,097)</b>	(6,215,883)	<b>(8,545,097)</b>	(6,215,883)
<b>CONSOLIDATED CONTRIBUTED SURPLUS</b>				
Balance, beginning of period	<b>4,740,149</b>	5,275,030	<b>5,613,402</b>	5,015,743
Stock-based compensation expense				
Employees and directors	-	187,200	<b>231,375</b>	262,425
Consultants	-	36,000	<b>69,500</b>	156,750
Agents' warrants granted for stock offering	-	-	-	234,472
Transfer to capital stock upon				
Exercise of agents' warrants	-	-	<b>(406,206)</b>	(171,160)
Exercise of share purchase warrants	<b>(3,000)</b>	-	<b>(695,928)</b>	-
Exercise of stock options	-	-	<b>(74,994)</b>	-
Balance, end of period	<b>4,737,149</b>	5,498,230	<b>4,737,149</b>	5,498,230

See accompanying notes to the unaudited interim consolidated financial statements.

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

	3 months ended Sept. 30		9 months ended Sept. 30	
	2008 \$	2007 \$	2008 \$	2007 \$
<b>Operating activities</b>				
Net loss	(413,823)	(1,339,969)	(1,822,667)	(2,165,474)
Non-cash items				
Stock-based compensation expense				
Employees and directors	-	187,200	231,375	262,425
Consultants	-	36,000	69,500	156,750
Unrealized change in fair value of long-term investment	-	880,000	-	880,000
Amortization of property and equipment	9,074	11,292	27,923	35,074
Future income tax	(242,233)	(251,274)	(585,397)	(680,265)
	<u>(646,982)</u>	<u>(476,751)</u>	<u>(2,079,266)</u>	<u>(1,511,490)</u>
Changes in working capital items (Note 8)	(179,472)	(417,714)	(18,611)	298,209
Cash flows used by operating activities	<u>(826,454)</u>	<u>(894,465)</u>	<u>(2,097,877)</u>	<u>(1,213,281)</u>
<b>Investing activities</b>				
Purchase of term deposits	(150,128)	(12,166)	(204,341)	(1,387,727)
Redemption of term deposits	-	41,620	1,933,995	2,583,132
Advances on contracts	(123,007)	(100,000)	(295,737)	(134,337)
Acquisition of long-term investment	-	(4,400,283)	-	(4,400,283)
Acquisition of property and equipment	-	(19,877)	(22,501)	(26,046)
Tax credit and mining duties received	867,393	-	1,184,723	-
Additions to mineral properties	(2,401,271)	(2,085,886)	(5,678,557)	(4,703,005)
Cash flows used by investing activities	<u>(1,807,013)</u>	<u>(6,576,592)</u>	<u>(3,082,418)</u>	<u>(8,068,266)</u>
<b>Financing activities</b>				
Issuance of common shares	58,976	-	5,025,196	9,207,681
Share issue costs	-	(42,705)	20,695	(741,698)
Cash flows provided by financing activities	<u>58,976</u>	<u>(42,705)</u>	<u>5,045,891</u>	<u>8,465,983</u>
Decrease in cash and cash equivalents	(2,574,491)	(7,513,762)	(134,404)	(815,564)
<b>Cash and cash equivalents, beginning of the period</b>	<u>6,772,097</u>	<u>10,112,237</u>	<u>4,332,010</u>	<u>3,414,039</u>
<b>Cash and cash equivalents, end of the period</b>	<u>4,197,606</u>	<u>2,598,475</u>	<u>4,197,606</u>	<u>2,598,475</u>

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

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# **New Millennium Capital Corp.**

## **Notes to Interim Consolidated Financial Statements**

September 30, 2008

(Unaudited)

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### **1. Governing statutes and nature of operations**

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

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

### **2. Summary of significant accounting policies**

The unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) for the preparation of interim financial information. Accordingly, these statements do not include all of the information and disclosures required in annual consolidated financial statements. The accounting policies used in the preparation of these unaudited interim consolidated financial statements are the same as those described in our audited consolidated financial statements and the notes thereto for the year ended December 31, 2007 and 2006 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, 2007 and 2006.

### **3. Changes in accounting policies**

Effective January 1, 2008, the Company adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants (CICA). These standards have been adopted on a prospective basis with no restatement to prior period financial statements.

#### *Capital Disclosures*

In December 2006, the CICA issued Section 1535, "Capital Disclosures". This new section establishes standards for disclosing information about an entity's capital and how it is managed to enable users of financial statements to evaluate the entity's objectives, policies and procedures for managing capital. (See Note 9)

#### *Financial Instruments*

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

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# **New Millennium Capital Corp.**

## **Notes to Interim Consolidated Financial Statements**

September 30, 2008

(Unaudited)

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### **3. Changes in accounting policies** (*Continued*)

#### *General Standards of Financial Statement Presentation*

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

### **4. Future accounting changes**

#### International Financial Reporting Standards ("IFRS")

On February 13, 2008 the CICA announced the adoption of IFRS for publicly accountable enterprises. IFRS will replace Canadian GAAP. The change applies to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. We are currently assessing the impact of the convergence of Canadian GAAP with IFRS on the Company's financial results and disclosures.

### **5. Long-term investment**

At September 30, 2008, the Company holds \$4,400,000 of Structured Investment Trust III, Series A ("SIT") asset-backed commercial paper ("ABCP").

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

On April 25, 2008, the note holders approved a restructuring proposal under which the holders of ABCP will exchange their paper for floating rate notes with maturities based on the maturities of the assets underlying the ABCP. The Ontario Superior Court of Justice sanctioned the restructuring plan and subsequent legal proceedings have affirmed their decision. The process of tendering existing holdings of ABCP in exchange for new restructured notes has begun, and the consortium expects it to be completed by the end of November

Based on the current restructuring proposal, management anticipates that the Company's ABCP will be converted into the following notes:

\$2,910,000 into MAV2 Class A-1 Notes ("A-1")

\$736,000 into MAV2 Class A-2 Notes ("A-2")

\$128,000 into MAV2 Class B Notes ("B")

\$117,000 into MAV2 Class C Notes ("C")

\$509,000 into IA Tracking Notes ("IA")

The A-1, A-2 and B notes will earn interest based upon the average bid rates of 30 days Canadian bankers' acceptance less 0.5%, while the C notes will earn interest at 20%. The interest on A-1 and A-2 will be payable quarterly, while interest on B and C will only be paid at maturity if funds remain. Maturity for the A-1, A-2, B and C class notes are December 20, 2016, and it is anticipated that the first principal payment on A-1 will be in 2013. The order of preference with regard to repayments of principal is A-1, A-2, B and C. The Dominion Bond Rating Service indicated on April 24, 2008 that it will provisionally rate the MAV2 Class A-1 and A-2 Notes as AA but that it will not rate the MAV2 Class B and C Notes. The IA notes will bear and pay interest commensurate with the nature of the underlying assets less the cost of the

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**New Millennium Capital Corp.**  
**Notes to Interim Consolidated Financial Statements**

September 30, 2008

(Unaudited)

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**5. Long-term investment** (*Continued*)

margin funding facility and other administrative expenses, however the interest rate and timing of the interest payments have not been announced as of yet.

The ABCP were originally classified as held to maturity by the Company. As a result of the ABCP restructuring, the Company changed its classification of these investments to available for sale in the fourth quarter of 2007. As such, any current or future change in fair value will be recognized in other comprehensive income or loss by the company.

There is a significant amount of uncertainty in estimating the amount and timing of cash flows associated with the ABCP. The Company estimates the fair value of its ABCP by discounting expected future cash flows determined using a valuation model that incorporates management's best estimate, based on the best available data, of credit risk attributable to the underlying assets, relevant market interest rates, amounts to be received and maturity dates. In 2007, an \$880,000 impairment loss was recognized in the financial statements. As a result of the valuation done at September 30, 2008, a further write down for change in fair value of \$370,000 was recorded by the Company in the third quarter of 2008.

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

An increase of 1% in the discount rate used in the valuation of the ABCP would result in a decrease in fair value of \$166,000.

The liquidity crisis in the Canadian and global markets has had no significant impact on the Company's operations. Cash and cash equivalents at September 30, 2008 is either held as cash or invested in Government of Canada treasury bills and have no exposure to the current ABCP market disruption.

The future income tax affect of the \$1,250,000 decrease in fair value is a future income tax asset of \$200,000. As the Company does not anticipate having capital gains in the foreseeable future, a valuation allowance of \$200,000 has been recognized.

**New Millennium Capital Corp.**  
**Notes to Interim Consolidated Financial Statements**

September 30, 2008  
(Unaudited)

**6. MINERAL PROPERTIES**

	LabMag Property \$	KéMag Property \$	Direct Shipping Ore Holdings (DSO) \$	Other Properties \$	Balance as at Sept. 30 2008 \$	Balance as at Dec. 31 2007 \$
Beginning balance	20,733,087	5,333,117	204,527	142,872	-	-
Mineral licenses	(5,880)	100	1,456	21,714	2,898,964	2,881,574
Resource evaluation	61,748	630,534	876,840	28,213	9,935,545	8,338,210
Drilling	15,225	2,002,231	2,525,180	-	12,866,464	8,323,828
Environmental	99,754	83,333	533,843	(640)	7,198,623	6,482,333
Field labour and supplies	3,310	97,090	410,531	76,480	2,004,943	1,417,532
Other	-	-	-	-	274,715	274,715
	<u>180,037</u>	<u>2,813,188</u>	<u>4,346,394</u>	<u>104,053</u>	<u>32,280,290</u>	<u>24,836,618</u>
Tax credits and mining duties	-	(36,763)	(647,361)	(3,852)	(1,992,565)	(1,304,589)
Ending balance	<u><u>20,907,244</u></u>	<u><u>8,109,642</u></u>	<u><u>3,905,016</u></u>	<u><u>264,787</u></u>	<u><u>33,186,689</u></u>	<u><u>26,413,603</u></u>

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# **New Millennium Capital Corp.**

## **Notes to Interim Consolidated Financial Statements**

September 30, 2008

(Unaudited)

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### **6. MINERAL PROPERTIES** *(Continued)*

#### **LabMag Property:**

The LabMag Iron Ore Project involves the exploration and development of a taconite deposit at Howells River, Newfoundland and Labrador ("NL"). The LabMag Property is situated in Western Labrador, in Elross Township, about 30 kilometers ("kms") to the northwest of the Town of Schefferville, Quebec. The LabMag taconite property covers a total area of approximately 155 square kms and comprises a number of licenses covering 619 claims held 100% by LabMag General Partner Inc. ("LGP"), of which the Company owns 80%. Revenue from the LabMag Property is subject to aggregate royalties of 2% of gross revenue payable to others.

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 tonnes 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, Quebec. The property covers a total area of approximately 81 square kilometers and comprises 171 claims held 100% by the Company. The KéMag taconite property is situated in the municipality of Rivière Koksoak in northern Quebec, centered about 50 kms to the northwest of the town of Schefferville, Quebec. A Preliminary Assessment Study was completed in 2007 on this Project based on a mining operation and concentrator located at Lac Harris with an estimated annual production rate of 21.2 million tonnes of concentrate. The concentrate is proposed to be shipped by a pipeline to a 15 million tonnes per year pellet plant located in Sept-Îles, Quebec, 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.

#### **DSO Properties:**

The Company's DSO Project involves exploration and development work on hematite deposits which were previously held and mined by Iron Ore Company of Canada. The properties, located in isolated claim blocks, extend from 15 kms SE of Schefferville to the Goodwood area some 50 kms NW of Schefferville. The Company owns 100% of the 159 claims in Quebec. In NL, 122 claims are owned 100% by the Company and an additional 35 claims are held by LabMag Limited Partnership in which the Company holds an 80% interest.

#### **Other Properties:**

The Company holds a 100% interest in an additional 1,422 claims, of which 792 are located in NL and 630 are located in Quebec. These claims include prospective magnetic taconite and dolomite properties and the location of the possible Emeril plant site.

# New Millennium Capital Corp.

## Notes to Interim Consolidated Financial Statements

September 30, 2008

(Unaudited)

### 7. Capital stock

#### a) Authorized:

Unlimited number of common shares

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

#### b) Issued and fully paid:

	Number of common shares	Amount \$
Balance, as at December 31, 2007	99,737,402	37,330,528
Issued for cash on exercise of stock options	796,495	152,296
Issued for cash on exercise of share purchase warrants	3,400,000	3,900,000
Issued for cash on exercise of agents' warrants	1,297,200	972,900
Transferred from contributed surplus upon exercise of agents' warrants	-	406,206
Transferred from contributed surplus upon exercise of share purchase warrants	-	695,928
Transferred from contributed surplus upon exercise of stock options	-	74,994
Reimbursement of share issue costs	-	20,695
Tax effect of flow-through shares issued in 2007	-	(1,920,000)
Tax effect of share issue costs	-	(6,622)
Balance, as at September 30, 2008	<u>105,231,097</u>	<u>41,626,925</u>

#### c) Stock options

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

During the nine-month period ended September 30, 2008, 1,920,000 options were granted (1,280,000 for 2007).

The weighted average fair value of stock options granted during the nine-month period was \$0.57 (\$0.43 in 2007) 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:

	2008	2007
Risk-free interest rate	3.45%	4.0%
Expected life (years)	5	5
Estimated volatility of the market price of the common shares	72.4%	73%
Dividend yield	Nil	Nil

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**New Millennium Capital Corp.**  
**Notes to Interim Consolidated Financial Statements**  
September 30, 2008  
(Unaudited)

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**8. Information included in consolidated cash flows**

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

	3 months ended Sept. 30		9 months ended Sept. 30	
	2008	2007	2008	2007
	\$	\$	\$	\$
Sales taxes and other receivables	(166,052)	(55,205)	(104,417)	727,947
Accounts payable and accrued liabilities	(13,420)	(362,509)	85,806	(429,738)
	<u>(179,472)</u>	<u>(417,714)</u>	<u>(18,611)</u>	<u>298,209</u>

Included in the accounts payable and accrued liabilities is an amount of \$1,803,642 at September 30, 2008 and \$484,935 at June 30, 2008 (\$1,603,958 at September 30, 2007 and \$422,978 at June 30, 2007) pertaining to additions to mineral properties.

Included in the cash used in advances on contracts is \$336,274 for the nine months ended September 30, 2008 and \$146,905 for the three months ended September 30, 2008 (\$123,337 for nine months ended September 30, 2007 and \$143,837 for three months ended September 30, 2007) pertaining to mineral properties.

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

	3 months ended Sept. 30		9 months ended Sept. 30	
	2008	2007	2008	2007
	\$	\$	\$	\$
Income taxes paid	-	-	-	-
Interest received	28,028	69,882	151,323	187,952

**9. 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.

**10. Commitments and Contingency**

After undertaking the issue of flow-through shares in 2007, the Company has fulfilled its spending commitments by incurring \$4,000,000 of renounced Canadian exploration expenses prior to September 30, 2008.

The Company has entered into long-term leases for premises amounting to \$110,662 and expiring by October 2011. The minimum payments until expiry are \$36,411 in the remainder of 2008, \$37,034 in 2009, \$20,300 in 2010 and \$16,917 in 2011.

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

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**New Millennium Capital Corp.**  
**Notes to Interim Consolidated Financial Statements**  
September 30, 2008  
(Unaudited)

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**11. Subsequent event**

On September 24, 2008, the Company entered into a subscription agreement with Tata Steel Global Minerals Holdings PTE Ltd. ("Tata") to issue through a private placement 26,143,556 common shares representing 19.9% of the total issued and outstanding common voting shares of the Company for \$0.90 per share, subject to certain conditions including regulatory approval.

On October 9, 2008, the Company received gross proceeds of \$23,529,200 for these shares. The Company will pay its financial advisors approximately \$1,350,000 in connection with the completion of the private placement.

Pursuant to a related agreement, Tata will have an exclusive right to participate in the DSO Project through completion of the feasibility study. After the completion of the feasibility study, Tata will have an option for a 180 day period to acquire an 80% equity interest in the DSO Project. Upon exercising the option, Tata will pay 80% of NML's costs incurred to the exercise date to advance the DSO Projects. Tata will fund up to \$300 million to earn its 80% share and will commit to take 100% of the DSO Projects' iron ore production for the life of the mining operation. The Company has committed to pay a financial advisor U.S.\$2,000,000 in connection with the commitment of Tata to enter into the related agreement.

Tata Steel will also have an exclusive right to negotiate and settle a proposed transaction in respect of the LabMag Project until June 30, 2009.

Tata Steel is also entitled to a right of first refusal in connection with private placements of equity securities conducted by the Corporation and a pre-emptive right in connection with private placements (if it does not exercise its right of first refusal) and other offerings of equity securities.

**12. Comparative figures**

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