

New Millennium Capital Corp.

THIRD QUARTER REPORT

2010

## MESSAGE TO SHAREHOLDERS

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

The significant third quarter events were:

- The acquisition of an additional mineral claim to consolidate NML’s Direct Shipping Ore (“DSO”) Goodwood property and the increase of its DSO project resource estimate,
- The court challenge by Quebec North Shore and Labrador Railway (“QNS&L”) of the rail tariff arbitration awarded in Q2 by the Canadian Transportation Agency (“CTA”) regarding a railway tariff on QNS&L,
- An Agreement with the Quebec Innu to eliminate the Schefferville blockade and restart Impact and Benefit Agreement (“IBA”) negotiations, and
- A positive DSO investment decision by Tata Steel Global Minerals Holdings Pte Ltd (“Tata Steel”) thereby exercising its option to acquire an 80% interest in NML’s DSO Project.

The significant subsequent events were:

- The appointment of Tata Steel Limited’s Managing Director, Mr. H.M. Nerurkar to the NML Board,
- The establishment of a Joint Venture Company<sup>1</sup> (“JVC”) with Tata Steel, Tata Steel Minerals Canada Ltd., to advance the DSO project, and
- The completion of the first phase of the Airborne Gravity Gradiometer and High Sensitivity Magnetometer survey near Schefferville, Québec that reveals favourable targets for additional deposits.

## MANAGEMENT’S DISCUSSION AND ANALYSIS

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

*All dollar figures are in Canadian dollars (“C\$”), unless otherwise stated.*

## FORWARD LOOKING STATEMENTS

*This MD&A includes certain statements that constitute “forward-looking statements”, and “forward-looking information” within the meaning of applicable securities laws (“forward-looking statements” and “forward-looking information” are collectively referred to as “forward-looking statements”, unless otherwise stated). These statements appear in a number of places in this MD&A and include statements regarding our intent, or the beliefs or current expectations of NML’s officers and directors. Such forward-looking statements involve known and unknown risks and uncertainties that may cause the Company’s actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. When used in this MD&A, words such as “believe”, “anticipate”, “estimate”, “project”, “intend”, “expect”, “may”, “will”, “plan”, “should”, “would”, “contemplate”, “possible”, “attempts”, “seeks” and similar expressions are intended to identify these forward-looking statements. Forward-looking statements may relate to the Company’s*

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<sup>1</sup> This company will be owned 80% by Tata Steel and 20% by NML.

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

## **OVERALL PERFORMANCE**

### **Overview of Business**

New Millennium controls the emerging Millennium Iron Range, located in the Province of Newfoundland and Labrador and in the Province of Quebec, which holds the world's largest undeveloped magnetic iron ore deposits. In the same area, the Corporation is also advancing to near term production its DSO (Direct Shipping Ore) Project.

Tata Steel, one of the top 10 steel producers of the world, owns 27.3% of New Millennium and is the Corporation's largest shareholder and strategic partner. Tata Steel has exercised its exclusive option to participate in the DSO Project and has a commitment to purchase at world market prices the resulting production, and has an exclusive right to negotiate and settle a proposed transaction by December 31, 2010, in respect of the LabMag Project and the KéMag Project.

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

Indicated resources at an average grade of 31.3 % Fe and 1.0 billion tonnes of Inferred resources at an average grade of 31.2% Fe.

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

## **RESULTS OF OPERATIONS**

### **Consolidation of Goodwood property and increase of DSO resource estimate**

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

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

### **Court challenge by QNS&L of rail tariff arbitration award**

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

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

On July 23, 2010, NML announced that QNS&L had filed an application in the Federal Court of Canada seeking judicial review of the decision of the arbitrator in the railway tariff final offer arbitration proceedings between NML and QNS&L.

QNS&L is wholly owned by the Iron Ore Company of Canada.

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

### **Signature of an Agreement with Quebec Innu to eliminate blockade and restart IBA negotiations**

On September 3, 2010, NML announced that it had reached an agreement with the Innu Matimekush-Lake-John ("NIMLJ") First Nation for the immediate removal of the barricades that were blocking access to NML's property and for the formal recommencement of negotiations of a detailed IBA for the DSO Project in the Schefferville area.

After the agreement was negotiated by NML, together with Labrador Iron Mines Holdings Limited ("LIM") and the Band Council, it was presented to and approved by the members of the community during a public meeting. The joint NML-LIM agreement is comprised of contributions

towards education, health, youth programs, traditional activities and the improvement of a community facility. It also provides free passage to NML's employees and permits the continuation of key environmental studies, hydrological studies and airborne gravity and magnetic surveys which were suspended following the installation of the blockade in early June.

This agreement was reached following the recent helpful involvement of the governments of Canada, Newfoundland and Labrador, and Quebec and their respective commitments to settle certain issues concerning the land claims of the Innu.

### **Positive DSO investment decision by Tata Steel thereby exercising its option to acquire an 80% interest in NML's Schefferville DSO Project**

On September 14, 2010, NML announced that Tata Steel had made a positive investment decision by exercising its option to acquire an 80% interest in the Corporation's DSO Project.

As part of the Joint Venture Agreement ("JVA"), NML will be paid for 80% of NML's cost to date on the DSO Project; Tata Steel will arrange funding for up to CDN \$300 million of capital costs for the Project to earn its 80% share of the Joint Venture, and commit to take 100% of the DSO project's iron ore products of specified quality, at world market prices, for the life of the mining operation. It is expected that the Joint Venture will begin operations in 2012 and that once it is at full capacity it is expected to produce 4 million dry tonnes per year of iron ore products.

## **SUBSEQUENT EVENTS**

### **Board change**

On October 13, 2010, NML announced that Mr. H.M. Nerurkar, Managing Director of Tata Steel Limited, Mumbai, India, had been appointed a Director of NML.

### **Establishment of a JVC with Tata Steel to advance the DSO Project**

On October 26, 2010, NML announced that in accordance with the terms of the JVA signed on November 6, 2009, with Tata Steel, the JVC had been incorporated.

The JVC, named Tata Steel Minerals Canada Ltd, will acquire all of the DSO mining claims and related assets, carry out detailed engineering and construction of facilities, and will be responsible for the operations of the DSO Project. At closing, Tata Steel will own 80% of the JVC and NML the remaining 20%. NML will receive payment equal to 80% of the DSO Project costs incurred to closing.

In accordance with the JVA, Tata Steel has appointed four Directors to the JVC Board:

- Mr. Partha Sengupta: Vice President, Raw Materials, Tata Steel, and a Director of NML.
- Mr. Rajesh Sharma: Executive In Charge, Southern Africa, Tata Steel.
- Mr. Dinesh Shastri: General Manager, Global Mineral Resources, Tata Steel.
- Mr. Sandip Biswas: Group Head Corporate Finance and Treasury, Tata Steel.

NML has appointed one Director, being Mr. Roy Hudson, currently Secretary and a Director of NML.

### **Completion of the first phase of the Airborne Gravity Gradiometer and Magnetometer Survey**

On November 3, 2010, NML announced the completion of the first phase of the Airborne Gravity Gradiometer and High Sensitivity Magnetometer survey, conducted by Fugro Airborne Surveys Corp. at Schefferville, Québec. The preliminary data has been received and is being reviewed and interpreted by a geophysical consultant.

The preliminary interpretation of the data indicates several strong gravity anomalies associated with low magnetic values. These occur in the iron formation and trend in a north-westerly direction over a length of approximately 50 km from near Schefferville to beyond the large Goodwood deposit. All of the anomalies are located on NML's 100% owned claims and licences in Québec and Newfoundland and Labrador. High gravity anomalies associated with low magnetism are favourable targets for locating enriched DSO deposits.

The second phase of the survey, an airborne magnetometer survey over the claims and licences covering magnetic taconite formations, is underway. Follow-up ground work is planned for the next summer season over both DSO and taconite claims.

## **FINANCIAL CONDITION**

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

The unaudited Interim Consolidated Balance Sheet as of September 30, 2010 indicates cash and cash equivalents of \$7,429,684, treasury bills and term deposits of \$12,171,213, sales taxes receivable and prepaid expenses of \$308,274 and the current portion of tax credits and mining duties receivable of \$1,659,038 resulting in total current assets of \$21,568,209, an increase of \$9,805,703 from December 31, 2009. The long-term assets are comprised of the long-term portion of tax credits and mining duties receivable of \$1,446,904, mineral properties of \$30,892,013, mineral properties held for sale of \$19,363,522, property and equipment of \$207,757 and advances on contracts of \$668,976. The total assets are \$74,147,381 which is an increase of \$15,981,263 from December 31, 2009.

Current liabilities at September 30, 2010 are composed of accounts payables and accrued liabilities of \$4,631,343, with no long-term liabilities, for total liabilities of \$4,631,343, an increase of \$3,211,419 from December 31, 2009. Shareholders' equity of \$69,516,038 increased by \$12,769,844 from December 31, 2009, and is comprised of capital stock of \$85,133,149, capital stock to be issued of \$165,000, contributed surplus of \$5,545,137 and non-controlling interest of \$475,000 less the deficit of \$21,802,248.

Working capital at September 30, 2010 of \$16,936,866 is an increase of \$6,283,283 from the December 31, 2009 total of \$10,653,583.

The increase in working capital is mainly due to the proceeds from the May 17, 2010 private placement with Tata Steel that was invested in treasury bills. Tata Steel acquired 14,285,714 common shares from treasury at \$1.40 per share for gross proceeds of \$20,000,000 resulting in the increase in shareholders' equity. The Company used these proceeds and its cash and cash equivalents to pay its accounts payable and fund its operations and continuing developments of its mineral properties. The cash and cash equivalents and treasury bills and term deposits represent the funds that remain from the 2010 Tata Steel private placement, subsequent issuances of common shares and the sale of the long-term investment in Q2 and will continue to be used to pay for current liabilities, finalize outstanding DSO agreements and environmental work, initiate gravity and magnetic airborne geophysical surveys, and pay future corporate operating expenses. During the third quarter, there was \$1,945,107 of capitalized mineral property expenditures, net of Québec tax credits and mining duties that were mainly related to post-feasibility study work on the DSO project. As at September 30, 2010, the future income tax assets, which arose as a result of applying the capital losses and non-capital losses carried forward to taxable income, have not been recognized in the accounts due to uncertainty regarding their utilization.

For the three months ended September 30, 2010, the Company realized a net loss of \$6,565,782, or \$0.04 per share, compared to a net loss of \$572,040 or \$0.00 per share for the corresponding period in 2009. This loss represents operating expenses of \$6,584,675, (2009 - \$839,573) net of investment income of \$18,893 (2009 - \$12,500), and future income taxes recovery of nil (2009 - \$255,033). The increase in net loss when compared to the same period in 2009 is mainly due to the \$5,930,000 of professional fees that were incurred when Tata Steel exercised their option on the DSO properties.

The Company expects to continue incurring operating losses until it is operating a revenue-producing mine. These losses are expected to be funded by working capital and then, if necessary, through equity financing or investments by strategic partners.

All costs associated with mineral properties, totaling \$50,255,535 as outlined in Note 6 to the September 30, 2010 financial statements, have been classified as mineral properties. The expenditures are divided between the properties as follows: DSO Properties \$19,363,522, LabMag Property \$21,601,700, KéMag Property \$8,398,034 and Other Properties \$892,279. The cost centers for these capitalized expenditures are: mineral licenses \$4,122,777, resource evaluation \$20,929,054, drilling \$18,576,377, environmental \$11,993,801, amortization of property and equipment \$31,221 and other \$274,715. These expenditures are partially offset by tax credits and mining duties of \$5,672,410. The non-controlling interest of \$475,000 relates to the LabMag Property. The carrying value of the mineral properties are reviewed by the Company on a quarterly basis by reference to the project economics, including the timing of the exploration and/or development work, the work programs and exploration results achieved by the Company. At September 30, 2010, the Company believes that the carrying values of the properties are less than their net recoverable amounts and as such there has been no impairment of value on any of these properties.

## **ASSET HELD FOR SALE**

The Company classifies the DSO Properties as an asset held for sale, as on March 17, 2010, the Company officially notified Tata Steel that the DSO Properties' Feasibility Study had been approved and delivered to Tata Steel pursuant to the terms of the joint venture agreement. This triggered the commencement of Tata Steel's 180 day option period on the DSO Properties. On September 13, 2010, Tata Steel exercised 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. 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 Project up to \$300 million and will commit to purchase, at world market prices, 100% of the DSO's iron ore production meeting certain quality specifications for the life of the mining operation.

The new company, Tata Steel Minerals Canada Ltd., was incorporated on October 26, 2010 and Tata Steel and NML are in the process of completing the steps necessary to finalize the transfer of the DSO properties which is expected to be completed before January 31, 2011.

## **SUMMARY OF QUARTERLY RESULTS**

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

Sept-10	Jun-10	Mar-10	Dec-09	Sept-09	Jun-09	Mar-09	Dec-08
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Investment Income	18,893	4,736	4,233	28,049	12,500	53,783	45,954	147,106
Net Income (Loss)	(6,565,782)	(674,159)	(582,389)	181,780	(572,040)	(269,792)	(1,648,211)	(3,126,558)
Income (Loss) Per Share (1)	(0.04)	(0.00)	(0.00)	0.00	(0.00)	(0.00)	(0.01)	(0.02)

- (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, 2010, general and administrative expenses, professional fees, market development and other expenses were \$6,584,675, compared to \$839,573 for the corresponding period in 2009. The most significant item affecting the third quarter's net loss is professional fees of \$6,149,874 compared to \$295,170 for the corresponding period in 2009. This increase is due to \$5,930,000 of professional fees incurred that related to investment banking activities on Tata Steel's exercise of their option. As a result the Company's net loss for the third quarter ended September 30, 2010 totalled \$6,565,782 (\$0.04 per share) compared to a net loss of \$572,040 (\$0.00 per share) for the comparative period in 2009.

### CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

#### Recently adopted and amended standards

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

#### FUTURE ACCOUNTING CHANGES

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

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

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

The planning phase includes identification, evaluation and selection of accounting policies necessary for the Company to transition from Canadian GAAP to IFRS as well as potential first-

time adoption exemptions. This phase was initiated in the fourth quarter of 2009. This phase involves further assessment of the impact of the transition on the data system and internal control over financial reporting, and disclosure controls and procedures. It also involves assessing the additional training required for the financial team and the impact on business activities. This phase is substantially complete, and did not identify any changes to the above-noted processes. Any accounting policy differences and related impacts that were identified in this phase have been described in further detail in the table below.

The implementation phase, which integrates all the solutions into the Company's financial system and processes that are necessary for the Company to convert to IFRS, was initiated in the third quarter of this year.

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

Key Accounting Area	Identified Differences with Potential Impact to the Company
Presentation of financial statements	Additional disclosures will be required in the notes to the financial statements. Minor amendments will be realized to the presentation of the financial statements.
Property and equipment	<p>Componentization: No additional significant components of property and equipment are expected to be identified on transition.</p> <p>Different recognition and measurement principles: no impact is expected to be realized on transition.</p> <p>As a result of this analysis, depreciation expense will continue to be calculated using the same rates under IFRS</p> <p>The Company has reviewed its property and equipment and determined that no adjustments are expected to be required upon transition to IFRS. Lastly, the Company has selected the cost method of accounting for these assets.</p>
Mineral properties	<p>Exploration and evaluation assets should be classified as tangible or intangible according to the nature of the assets acquired. IFRS 6 varies the facts and circumstances under which exploration and evaluation assets must be tested for impairment from those in IAS 36, "Impairment of Assets," but requires that impairment be measured in accordance with that standard once it is identified. Exploration and evaluation assets are measured at cost which reflects those expenditures that can be associated with finding specific mineral resources.</p> <p>As a result of the above identified differences, mineral properties will be referred to as <i>Mineral Exploration and Evaluation</i> intangible assets. Additionally, the Company will continue to recognize expenditures that can be associated with finding specific mineral resources however, in accordance with IFRS 6, costs incurred prior to obtaining the mining licenses will no longer be capitalized. This will increase the deficit by approximately \$275,000 at the transition date. Lastly, the Company has selected the cost method of accounting for these interests.</p>
Impairment of assets	Grouping of assets in cash-generating units (CGUs) on the basis of independent cash inflows for impairment testing purposes, using a Fair Value or Value-in-Use (i.e. discounted cash-flow method (DCF)) approach.

	The Company has defined a CGU at the property level.
Share-based payments	<p>Compensation expense for a share-based payment award issued to non-employees should be measured at the fair value of services received. Expected forfeitures are considered in estimates of stock option values.</p> <p>The Company does not expect to realize an impact as a result of these differences.</p>
Income taxes	<p>Recognition and measurement criteria for deferred income tax assets and liabilities differ.</p> <p>The Company is still currently evaluating the impact of these differences but does not expect to realize a significant impact as a result of these differences.</p>
IFRS 1:	
Share-based payments exemption	IFRS 2, Share-based Payments, encourages application of its provisions to equity instruments granted on or before November 7, 2002, but permits the application only to equity instruments granted after November 7, 2002 that had not vested by the Transition Date. The Company has decided to elect to apply IFRS 2 for all equity instruments granted after November 7, 2002 that had not vested by its Transition Date.

The Company has started to develop draft financial statements based on its selection of accounting policies in accordance with IFRS and expects to finalize the third phase of transition by the end of 2010 or early 2011. The Company does not expect to realize any significant business impacts, or significant changes to its internal control over financial reporting as a result of the IFRS transition. This assessment may change as the Company continues to evolve during its transition to IFRS.

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

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

## **ACCOUNTING ESTIMATES**

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. The estimates include the recoverability of mineral properties, the fair value of term deposits, the useful life of property and equipment, future income taxes as well as the fair value estimates of stock options, agents' warrants and share purchase warrants. These estimates are based upon management's best knowledge of current events and actions that the Company may undertake in the future, they are reviewed periodically and adjustments are made in the period in which they become known, if necessary. Actual results could differ materially from these estimates.

## **FINANCIAL INSTRUMENTS**

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

## **FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

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

## **CAPITAL MANAGEMENT**

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

## **LIQUIDITY AND CAPITAL RESOURCES**

### **Working Capital**

The Company's working capital at September 30, 2010 increased from December 31, 2009 by \$6,283,283 to \$16,936,866 due to the cash and cash equivalents and treasury bills and term deposits purchased during the nine months ended September 30, 2010 using the proceeds from the private placement with Tata Steel. The working capital consists of cash and cash equivalents, treasury bills and term deposits, sales taxes receivables and prepaid expenses and current portion of tax credits and mining duties receivable net of accounts payable and accrued liabilities.

### **Capital Expenditures**

There was \$213,754 in capital expenditures during the first nine months of 2010 compared to \$30,905 in the corresponding period in 2009.

### **Capital Resources**

At September 30, 2010, NML has paid up capital of \$85,133,149 (December 31, 2009 - \$64,859,075) representing 148,042,273 (December 31, 2009 - 132,901,559) common shares, capital stock to be issued with an estimated value of \$165,000 representing approximately 172,000 common shares (December 31, 2009 - Nil) and a deficit of \$21,802,248 (December 31, 2009 - \$13,979,918) that is partially offset by contributed surplus of \$5,545,137 (December 31, 2009 - \$5,392,037) and non-controlling interest of \$475,000 (December 31, 2009 - \$475,000) resulting in shareholders' equity of \$69,516,038 (December 31, 2009 - \$56,746,194).

## **TRANSACTIONS WITH RELATED PARTIES**

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

## **ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE**

Additional disclosure concerning the Company's expenditures for mineral properties are provided in Note 6 of the September 30, 2010 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 Company's Interim Consolidated Financial Statements were general and administration expenses of \$370,788 (2009 – \$423,422) for the three months ended September 30, 2010, comprised as follows: salaries and benefits \$176,556 (2009 - \$193,909), office and administration \$145,657 (2009 – \$182,713), and office rent \$48,575 (2009 - \$46,800).

## **MARKET OUTLOOK**

### **Iron Ore market:**

The world crude steel production continued to grow robustly due to improved demand and an inventory built up by steelmakers. Crude steel production during the first nine months of 2010 was 19% higher compared to during the same period in 2009. Chinese Steel production in 2010 was set to reach over 630 Mt with the production reaching 474Mt during the first 9 months, which is 13% higher than 2009 production for the same period. However, the momentum of growth of the Chinese steel industry has slowed down since July. In order to meet its energy efficiency target, the Central Government has mandated electricity supply cut in some of China's key steel producing regions. This has resulted in reductions in steel production. It also appears that the fiscal tightening measures adopted by the Government to cool speculations in the property market have effectively slowed the country's industrial growth. Despite the mandated cut in steel production, the Chinese steel inventory has barely fallen, but prices continued to remain under downward pressure. Demand outlook remains slow into Q4 for both structural, as well as, seasonal reasons.

After reaching a yearly low of US\$ 115 CIF China in mid July, iron ore spot prices recovered in Q3. Since the prices fell below the production costs of some high cost Chinese mines, demand started to firm up as mills turned to higher quality imported ores. In addition to the rising Chinese demand, supplies became tight because of reduced shipments from the Goa region due to the onset of the monsoon season. Exports from India were further reduced because of the measures taken by the State Governments to stop illegal mining. The State of Karnataka banned exports outright to discourage illegal transport of the ore to export destinations. The tight supplies put an upward pressure for spot prices CIF China to rise to US\$ 148 by mid August. The spot prices have remained stable as Chinese steelmakers refrained from excessive buying because of the continued weakness in the steel market.

At the end of August, it became evident that the weakness in the spot prices in Q3 compared to Q2 would result in a lower benchmark price in Q4. The miners have adopted a pricing formula based on the spot price indices of last quarter which were used to set the benchmark price for the next quarter. This index referenced benchmark price setting mechanism is known as QALOM or Quarterly-in-Arrears–Less-One-Month. The spot reference prices during the months of June-July-August were used to determine the benchmark price for Q4. Since CIF China Spot index was US\$ 135 in Q3 compared to US\$159 in Q2, the Q3 benchmark price was set to fall at least by 11%. At the end of September, BHP announced a reduction of 13% in the Q4 reference price compared to Q3. This translated to US\$ 127 FOB Australia or US\$ 136 CIF China. Global steelmakers stood to benefit from a 13% reduction in the Q4 benchmark price.

### **Outlook:**

It appears that the global steel producers are coming to terms with the newly installed market driven pricing mechanism. Some of the steelmakers are considering various types of derivatives to deal with the volatility of the quarterly price setting system compared to annual benchmark pricing. Mining companies are now talking about a monthly benchmark pricing system in order to be more responsive to the changes in spot market prices. Some Analysts believe that the current QALOM will be replaced by a monthly system in 2011. The Chinese steelmakers have also

adjusted to the new system, by buying at the benchmark price when spot prices are higher and renegeing the contract if the spot price falls below the benchmark price. Due to continued export restrictions from India and slowdown of domestic mining in China during harsh winter months, the average CIF spot prices to China are expected to remain around US\$ 140 range in Q4. As a result, QALOM is heading towards a Q1 2011 rollover.

## **BUSINESS RISKS**

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

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

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

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

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

Certain of the Company's properties are located in the Province of Newfoundland and Labrador and therefore subject to its mining legislation, which may require that primary processing be done within the province in order to obtain mining rights. Furthermore, provincial and federal legislators may enact laws or budgets that have a negative impact on this project or on the mining industry as a whole.

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

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

Inflation has not been a significant factor affecting the cost of goods and services in Canada in recent years; however renewed exploration and development activity has resulted in a shortage of experienced technical staff, and heavy demand for goods and services needed by the mining community.

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

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

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

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

Additional risk factors are contained in the 2009 Annual Information Form of the Company filed on SEDER at [www.sedar.com](http://www.sedar.com).

## DISCLOSURE OF OUTSTANDING SHARE DATA

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

### 1. Share capital

(a) Authorized:

Unlimited number of common voting shares.

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

(b) Issued as of September 30, 2010: The Company has 148,042,273 common shares issued (\$85,133,149).

(c) Issued as of November 18, 2010: The Company has 148,752,273 common shares issued (\$85,755,174).

### 2. Options

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

As of November 18, 2010, there were 11,456,000 common shares reserved for issuance pursuant to the exercise of stock options (September 30, 2010 – 12,191,000) as follows:

Number of Outstanding Options	Exercise Price	Expiry Date
25,000	\$0.76	06-Apr-11
1,500,000	\$0.75	13-Sep-11
80,000	\$0.75	02-Nov-11
375,000	\$0.50	01-Feb-12
880,000	\$0.75	02-Aug-12
250,000	\$0.65	13-Nov-12
25,000	\$0.73	19-Nov-12
1,500,000	\$0.83	30-Jan-13
250,000	\$1.44	25-Mar-13
100,000	\$1.65	30-Apr-13
70,000	\$1.75	01-Jun-13
2,300,000	\$0.37	20-Jan-14

<b>Number of Outstanding Options</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
33,000	\$0.65	09-Oct-14
49,000	\$0.59	04-Dec-14
33,000	\$0.88	02-Feb-15
3,950,000	\$0.90	29-Jun-15
36,000	\$0.87	31-Aug-15

## **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.

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

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## New Millennium Capital Corp. Consolidated Balance Sheets

	September 30, 2010 (Unaudited) \$	December 31, 2009 (Audited) \$
<b>Assets</b>		
Current assets		
Cash and cash equivalents	7,429,684	9,650,874
Treasury bills and term deposits	12,171,213	171,903
Sales taxes receivable and prepaid expenses	308,274	367,892
Current portion of tax credits and mining duties receivable	1,659,038	1,571,837
	21,568,209	11,762,506
Tax credits and mining duties receivable	1,446,904	264,510
Long-term investments (Note 5)	-	2,680,519
Advances on contracts	668,976	36,582
Property and equipment	207,757	43,528
Mineral properties held for sale (Note 6)	19,363,522	-
Mineral properties (Note 6)	30,892,013	43,378,473
	74,147,381	58,166,118
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities	4,631,343	1,108,923
Future income taxes	-	311,001
	4,631,343	1,419,924
<b>Shareholders' equity</b>		
Capital stock (Note 7)	85,133,149	64,859,075
Capital stock – to be issued (Note 7)	165,000	-
Contributed surplus	5,545,137	5,392,037
Non-controlling interest (Note 3)	475,000	475,000
Deficit	(21,802,248)	(13,979,918)
	69,516,038	56,746,194
	74,147,381	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 September 30		9 months ended September 30	
	2010	2009	2010	2009
	\$	\$	\$	\$
<b>Revenue</b>	-	-	-	-
<i>Expenses</i>				
Professional fees (Note 6)	6,149,874	295,170	6,563,138	665,055
General and administrative	370,788	423,422	1,552,656	2,070,138
Market development	50,165	114,715	171,668	178,906
Foreign exchange loss (gain)	7,228	(1,601)	16,938	80,595
Amortization of property and equipment	6,620	7,867	18,303	22,736
	<u>6,584,675</u>	<u>839,573</u>	<u>8,322,703</u>	<u>3,017,430</u>
Loss before other items and income taxes	<u>(6,584,675)</u>	<u>(839,573)</u>	<u>(8,322,703)</u>	<u>(3,017,430)</u>
Other items				
Investment income	18,893	12,500	27,862	112,238
Loss on sale of long-term investments (Note 5)	-	-	(6,490)	-
Change in fair value of long-term investments	-	-	168,000	(180,000)
	<u>18,893</u>	<u>12,500</u>	<u>189,372</u>	<u>(67,762)</u>
Loss before income taxes	<u>(6,565,782)</u>	<u>(827,073)</u>	<u>(8,133,331)</u>	<u>(3,085,192)</u>
Future income taxes (Note 8)	-	255,033	311,001	595,149
<b>Net loss and comprehensive loss</b>	<u><b>(6,565,782)</b></u>	<u><b>(572,040)</b></u>	<u><b>(7,822,330)</b></u>	<u><b>(2,490,043)</b></u>
Loss per share – basic and diluted	<u><b>(0.04)</b></u>	<u><b>(0.00)</b></u>	<u><b>(0.06)</b></u>	<u><b>(0.02)</b></u>
Weighted average number of shares outstanding	<u><b>147,786,159</b></u>	<u><b>132,248,026</b></u>	<u><b>139,347,457</b></u>	<u><b>131,743,170</b></u>

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 September 30		9 months ended September 30	
	2010	2009	2010	2009
	\$	\$	\$	\$
<b><i>CONSOLIDATED DEFICIT</i></b>				
Balance, beginning of period	(15,236,466)	(13,589,658)	(13,979,918)	(11,671,655)
Net loss	(6,565,782)	(572,040)	(7,822,330)	(2,490,043)
Balance, end of period	<u>(21,802,248)</u>	<u>(14,161,698)</u>	<u>(21,802,248)</u>	<u>(14,161,698)</u>
<b><i>CONSOLIDATED CONTRIBUTED SURPLUS</i></b>				
Balance, beginning of period	5,644,037	5,677,716	5,392,037	4,821,816
Stock-based compensation expense	-	-	308,400	855,900
Transfer to capital stock upon exercise of stock options	(98,900)	(303,014)	(155,300)	(303,014)
Balance, end of period	<u>5,545,137</u>	<u>5,374,702</u>	<u>5,545,137</u>	<u>5,374,702</u>

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 September 30		9 months ended September 30	
	2010 \$	2009 \$	2010 \$	2009 \$
<b>Operating activities</b>				
Net loss	(6,565,782)	(572,040)	(7,822,330)	(2,490,043)
Interest received on long-term investments	-	-	-	172,112
Non-cash items				
Stock-based compensation expense	-	-	308,400	855,900
Amortization of property and equipment	6,620	7,867	18,303	22,736
Change in fair value of long-term investments	-	-	(168,000)	180,000
Loss on sale of long-term investments	-	-	6,490	-
Future income taxes	-	(255,033)	(311,001)	(595,149)
	<u>(6,559,162)</u>	<u>(819,206)</u>	<u>(7,968,138)</u>	<u>(1,854,444)</u>
Changes in working capital items (Note 9)	<u>3,105,942</u>	<u>668,099</u>	<u>3,236,486</u>	<u>(1,652,365)</u>
Cash flows used by operating activities	<u>(3,453,220)</u>	<u>(151,107)</u>	<u>(4,731,652)</u>	<u>(3,506,809)</u>
<b>Investing activities</b>				
Purchase of treasury bills and term deposits	(2,000,050)	(1,154,554)	(21,515,902)	(1,203,947)
Redemption of term deposits	9,499,682	154,876	9,516,594	13,302,682
Proceeds on sale and redemption of long-term investments	-	7,652	2,842,029	7,652
Advances on contracts	(531,500)	(190,109)	(668,976)	(241,001)
Acquisition of property and equipment	(36,887)	(5,930)	(213,754)	(30,905)
Mining duties received	-	1,041,029	197,448	1,041,029
	<u>(2,757,540)</u>	<u>(3,265,462)</u>	<u>(7,275,751)</u>	<u>(6,590,481)</u>
Additions to mineral properties				
Cash flows provided (used) by investing activities	<u>4,173,705</u>	<u>(3,412,498)</u>	<u>(17,118,312)</u>	<u>6,285,029</u>
<b>Financing activities</b>				
Issuance of common shares	152,825	423,000	20,239,400	423,000
Share issue costs	(24,490)	-	(610,626)	-
	<u>128,335</u>	<u>423,000</u>	<u>19,628,774</u>	<u>423,000</u>
Cash flows provided by financing activities				
Increase (decrease) in cash and cash equivalents	<u>848,820</u>	<u>(3,140,605)</u>	<u>(2,221,190)</u>	<u>3,201,220</u>
<b>Cash and cash equivalents, beginning of the period</b>	<u>6,580,864</u>	<u>15,456,635</u>	<u>9,650,874</u>	<u>9,114,810</u>
<b>Cash and cash equivalents, end of the period</b>	<u>7,429,684</u>	<u>12,316,030</u>	<u>7,429,684</u>	<u>12,316,030</u>

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

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# **New Millennium Capital Corp.**

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

September 30, 2010

(Unaudited)

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### **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 Company has sufficient funds available to continue operations and development programs for at least the next twelve months ending September 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 unaudited 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.

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# New Millennium Capital Corp.

## Notes to Interim Consolidated Financial Statements

September 30, 2010

(Unaudited)

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### 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 and effecting the necessary changes to its accounting practices.

### 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 nine month period ended September 30, 2010 and an increase in fair value of \$168,000 (2009 decrease of \$180,000) for the nine-month period ended September 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 \$
<b>MAV2</b>				
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
<b>IA Tracking Notes</b>				
Class 15	<u>479,024</u>	December 20, 2013	15.00%	<u>309,441</u>
<b>Total</b>	<u>4,407,581</u>			<u>2,680,519</u>

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

September 30, 2010  
(Unaudited)

**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**

	<b>Asset Held For Sale - Direct Shipping Ore- Holdings (DSO)</b>	<b>LabMag Property</b>	<b>KéMag Property</b>	<b>Other Properties</b>	<b>Balance as at Sept. 30 2010 (Unaudited) \$</b>	<b>Balance as at Dec. 31 2009 (Audited) \$</b>
	\$	\$	\$	\$	\$	\$
Beginning balance	12,931,637	21,498,329	8,345,928	602,579	-	-
Mineral licenses	526,298	(347)	15,374	8,678	4,122,777	3,572,774
Resource evaluation	5,129,477	49,026	64,024	46,496	20,929,054	15,640,031
Drilling	409,341	52,506	3,773	301,355	18,576,377	17,809,402
Environmental	1,706,883	-	-	-	11,993,801	10,286,918
Amortization of property and equipment	22,479	2,186	312	6,244	31,221	-
Other	-	-	-	-	274,715	274,715
	<u>7,268,180</u>	<u>103,718</u>	<u>68,109</u>	<u>354,095</u>	<u>51,805,168</u>	<u>44,011,066</u>
Tax credits and mining duties	<u>(1,362,593)</u>	-	<u>(31,377)</u>	<u>(73,073)</u>	<u>(5,672,410)</u>	<u>(4,205,367)</u>
Ending balance	<u>19,363,522</u>	<u>21,601,700</u>	<u>8,398,034</u>	<u>892,279</u>	<u>50,255,535</u>	<u>43,378,473</u>
Mineral Properties held for sale – DSO Properties					<u>19,363,522</u>	
Mineral Properties not held for sale					<u>30,892,013</u>	

# New Millennium Capital Corp.

## Notes to Interim Consolidated Financial Statements

September 30, 2010

(Unaudited)

### 6. Mineral properties (Continued)

#### Overview

The Company holds interests in 3,229 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 <sup>2</sup> ]	-	-	797 [199.3 km <sup>2</sup> ]	1,014 [253.6 km <sup>2</sup> ]
	LLP	32 [8 km <sup>2</sup> ]	619 [154.8 km <sup>2</sup> ]	-	20 [5 km <sup>2</sup> ]	671 [167.8 km <sup>2</sup> ]
	NML / LLP	8 [2 km <sup>2</sup> ]	-	-	-	8 [2 km <sup>2</sup> ]
Québec	NML	525 [239.6 km <sup>2</sup> ]	-	406 [194.9 km <sup>2</sup> ]	605 [287.2 km <sup>2</sup> ]	1,536 [721.7 km <sup>2</sup> ]
<b>Total</b>		<b>782</b> [303.9 km <sup>2</sup> ]	<b>619</b> [154.8 km <sup>2</sup> ]	<b>406</b> [194.9 km <sup>2</sup> ]	<b>1,422</b> [491.5 km <sup>2</sup> ]	<b>3,229</b> [1,145 km <sup>2</sup> ]

#### DSO Properties – Asset held for sale:

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

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

On September 13, 2010, Tata Steel exercised this option and NML and Tata Steel are in the process of completing the steps necessary to finalize the transfer of the DSO properties and expect the closing date to be before January 31, 2011. The new company, Tata Steel Minerals Canada Ltd. (Tata Canada) was subsequently incorporated on October 26, 2010.

In connection with Tata Steel's exercise of their option, NML has incurred \$5,930,000 in professional fees in investment banking related activities.

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# New Millennium Capital Corp.

## Notes to Interim Consolidated Financial Statements

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(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, NL. The property is situated in western Labrador, in Elross Township, about 30 kms to the northwest of the town of Schefferville, Québec. A Pre-feasibility Study completed in 2006 on this Project assumed a mining operation and concentrator, located at Howells River, with an annual production of 14.2 million tonnes of concentrate to be shipped by a pipeline to a 15 million ton per year pellet plant located at Emeril, near Wabush Township. The pellets produced are assumed in the study to be delivered via railway to a new dock at Pointe-Noire, near Sept-Îles for export overseas.

#### KéMag Property:

The KéMag Iron Ore Project involves the exploration and development of a taconite deposit at Lac Harris, Québec. The property, situated in the Kativik Region in northern Québec, is centered about 50 kms to the northwest of the town of Schefferville, Québec. A Pre-Feasibility Study was completed in 2009 on this Project based on a mining operation and concentrator located at Lac Harris with an estimated annual production rate of 21.2 million tonnes of concentrate. The concentrate is proposed to be shipped by a pipeline to a 15 million ton per year pellet plant located in Sept-Îles, Québec, where it is estimated in the study to be sufficient to feed the pellet plant and provide 7 million tonnes per year of concentrate for export in addition to 15 million tonnes per year of pellets.

#### Other Properties:

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

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.

### 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
Issued for mineral claims	350,000	490,000
Share issue costs	-	(610,626)
Issued for cash on exercise of stock options	505,000	239,400
Transferred from contributed surplus upon exercise of stock options	-	155,300
Balance, as at September 30, 2010	<u>148,042,273</u>	<u>85,133,149</u>

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# New Millennium Capital Corp.

## Notes to Interim Consolidated Financial Statements

September 30, 2010

(Unaudited)

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### 7. Capital stock (Continued)

#### 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 27.3% of the post acquisition issued and outstanding common shares of the Company.

#### Capital stock - to be issued

NML entered into an agreement with legal counsel whereby NML, at their option, could pay an estimated \$165,000 of legal fees related to legal work in cash or by issuance of shares of NML. The legal work related to this agreement was completed in June 2010 and NML has decided to make their payment by issuance of shares, subject to regulatory approval.

The shares will be issued in December 2010, when the payment is due. The related expenditures are included in DSO Properties at September 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 nine-month period ended September 30, 2010, 4,019,000 options were granted (2,600,000 for 2009).

The weighted average fair value of stock options granted during the nine-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 September 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.

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# New Millennium Capital Corp.

## Notes to Interim Consolidated Financial Statements

September 30, 2010

(Unaudited)

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### 9. Information included in consolidated cash flows

The changes in working capital items are detailed as follows:

	3 months ended Sept. 30		9 months ended Sept. 30	
	2010 \$	2009 \$	2010 \$	2009 \$
Sales taxes receivable and prepaid expenses	114,830	(222,939)	59,618	91,582
Accounts payable and accrued liabilities	2,991,112	891,038	3,176,868	(1,743,947)
	<u>3,105,942</u>	<u>668,099</u>	<u>3,236,486</u>	<u>(1,652,365)</u>

Included in the accounts payable and accrued liabilities is an amount of \$1,166,349 at September 30, 2010 (\$1,184,135 at September 30, 2009) pertaining to additions to mineral properties.

Included in the cash used in advances on contracts is \$36,582 for the nine months ended September 30, 2010 (\$143,896 for nine months ended September 30, 2009) and nil for three months ended September 30, 2010 (nil for the three months ended September 30, 2009) 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	
	2010 \$	2009 \$	2010 \$	2009 \$
Income taxes paid	-	-	-	-
Interest received	18,893	14,008	27,862	214,823

### 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

The Company has entered into long-term leases for premises, equipment and consulting agreements amounting to \$445,408 and expiring by June 2012. The minimum payments for the next three years are \$109,301 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 ensures an ongoing positive relationship between the Company and the NNK. In return for their consent and support of the DSO Project, NNK will benefit through training, employment, business opportunities and financial participation in the project. It is expected that this commitment will be transferred to Tata Canada along with the DSO properties.

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# New Millennium Capital Corp.

## Notes to Interim Consolidated Financial Statements

September 30, 2010  
(Unaudited)

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### 11. Commitments and Contingency (Continued)

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

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

### 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 Sept. 30		9 months ended Sept. 30	
	2010	2009	2010	2009
	\$	\$	\$	\$
<b><u>Consolidated Balance Sheet</u></b>				
Mineral properties	46,936	(63,834)	220,564	109,023
Share issue costs	-	-	39,043	-
<b><u>Consolidated Loss</u></b>	6,538	12,350	37,835	27,056
General and administrative expenses				
Directors fees	16,600	11,500	39,600	34,500
Professional fees	52,991	234,088	457,089	472,021
	<u>223,065</u>	<u>194,104</u>	<u>794,131</u>	<u>642,600</u>

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 \$264,731 at September 30, 2010 (\$210,268 at September 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 \$2,656 for the period ended September 30, 2010.

# New Millennium Capital Corp.

## Notes to Interim Consolidated Financial Statements

September 30, 2010

(Unaudited)

### 13. Financial Instruments (Continued)

#### Fair Value Hierarchy

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

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

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

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	7,429,684	-	-	7,429,684
Treasury bills	11,998,845	-	-	11,998,845
Term deposits	-	172,368	-	172,368
<b>Total financial instruments</b>	<b>19,428,529</b>	<b>172,368</b>	<b>-</b>	<b>19,600,897</b>

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

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

September 30, 2010

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**13. Financial Instruments (Continued)**

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

	<b>September 30, 2010</b>	December 31, 2009
	<b>\$</b>	<b>\$</b>
Fair value as at December 31, 2009 (December 31, 2008)	<b>2,680,519</b>	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	<b>168,000</b>	460,000
Sale of MAV2 Notes	<b>(2,840,244)</b>	-
Loss on sale of MAV2 notes	<b>(6,490)</b>	-
Redemption of Class A-1 Notes	<b>(1,785)</b>	(7,651)
Fair value as at September 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.

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 September 30, 2010, the Company had \$3,014,200 US, \$3,102,075 CAD (Nil at December 31, 2009) in accounts payable and accrued liabilities, which has been translated to Canadian dollars at the exchange rate on September 30, 2010. A \$0.01 increase or decrease in the USD/CAD exchange rate would result in a change in net loss of \$30,142.

At September 30, 2010, the Company had no Euro accounts payable or accrued liabilities (€112,501, \$170,822 CAD at December 31, 2009).

**Interest rate risk**

The cash equivalents, treasury bills and term deposits bear interest at fixed rates and the Company is therefore exposed to the risk of changes in fair value resulting from interest rate fluctuations. The Company does not use derivative financial instruments to reduce its interest rate exposure.

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

September 30, 2010  
(Unaudited)

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**13. Financial Instruments (Continued)****Liquidity risk**

Management maintains sufficient amounts of cash and cash equivalents to meet commitments. The Company establishes budgets and cash flow requirements monthly to ensure that it has the necessary funds to fulfill its obligations. The contractual maturities of accounts payable and accrued liabilities are less than three months.

**Credit risk**

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

**Price risk**

The Company is exposed to price risk with respect to iron ore prices. The price of iron ore 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 continued during 2010.