GM 64047

PROJECT SUMMARY, KEMAG IRON ORE PROJECT

New Millennium Capital Corp.

PROJECT SUMMARY

August 2007

This Project Summary is based upon a Preliminary Assessment Study prepared in accordance with NI 43-101 that is preliminary in nature and includes inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves, and there is no certainty that the results of the Study will be realized. Mineral resources that are not mineral reserves do not have demonstrated economic viability.

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Attachment A

Mine Site Surface Facilities Layout — Drawing A1-KEMAG-0002-L
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Attachment B (On Request)

COMFAR Financial Model

1.0 NOTICE

This document is based upon the information contained in the Preliminary Assessment Study Report of the KéMag Iron Ore Deposit prepared by New Millennium Capital Corp. in July 2007.

2.0 BACKGROUND

New Millennium Capital Corp. ("NML") holds a 100% interest in the claims that constitute the KéMag taconite iron ore deposit at Lac Harris in the Province of Québec, Canada (the "KéMag Deposit"). The property is located approximately 50km north of Schefferville, Québec.

The deposit was explored by Iron Ore Company of Canada ("IOCC") from 1949 until 1971 using aeromagnetic surveys, geological mapping and test drilling. Based on the survey work, IOCC obtained an Exploration Permit to conduct a detailed investigation of the Lac Harris area in 1972, but made no such investigation. NML staked claims covering the taconite deposit in 2004 and carried out reconnaissance mapping and sampling in 2005. From June through October 2006, NML carried out a limited diamond drilling campaign on the deposit.

In 2006, Geostat Systems International Inc. ("Geostat") participated in the preparation of a Pre-feasibility Study of the LabMag Iron Ore Project ("LIOP") that was issued in June 2006, preparing and updating the mineral resource estimates of the LabMag Deposit, an iron ore deposit on a property at Howells River in Labrador which is adjacent to the KéMag property in Québec. Given the firm's familiarity with the geology of the area, Geostat was retained by NML to prepare the mineral resource estimate of the KéMag deposit and a Technical Report compliant with the requirements of National Instrument (NI) 43-101 that was filed with the Ontario Security Commission in March 2007 and can be viewed on www.sedar.com.

In that report, Geostat notes the geographic and stratigraphic similarity of the two deposits, which have the same overall thickness and same average dip of 6° towards the east, and Geostat considers the KéMag Deposit to be an extension of the LabMag deposit. In summary, the LabMag Deposit has been extensively explored and the project to develop that deposit is currently beyond the pre-feasibility stage. The KéMag Deposit is not as advanced and does not have as much exploration data but, because of its similarity to the LabMag Deposit, Geostat relied on the knowledge gained from the LIOP and felt confident to apply it in the modelling of the KéMag resources. In classifying those resources, Geostat used the same classification criteria as for the LabMag Deposit and as a result, although the KéMag Deposit only had 29 drillholes with 75% of the cross-sections containing only one drillhole, Geostat was able to delineate Indicated mineral resources on the KéMag Property.

It is to be noted that, whereas the study carried out on the LabMag Deposit was entitled a Pre-feasibility Study ("PFS") and had a level of accuracy of ±25% for the estimates of capital and operating costs, the study on the KéMag Deposit is entitled a Preliminary Assessment Study ("PAS"). Given the similarity of the two deposits and the extent of the work already done for the LabMag PFS, the accuracy of the estimates for the PAS is probably better than that of the PFS. However, Watts Griffis McOuat ("WGM), the firm that is responsible for producing an updated NI 43-101 Technical Report and Economic Analysis in July/August 2007, considers that only after the results of the limited drilling carried out on the KéMag Deposit to-date have been augmented by results from the drilling campaign to be carried of this year will the estimated Indicated Resources be sufficient to support a PFS. Hence the differentiation between the studies.

As a result of this change in the status of this study, it was not acceptable for the Mineral Resources to be converted to Mineral Reserves for the KéMag Deposit. However, it was acceptable for the design of the pit to be based upon the total of Indicated and Inferred Resources, and for that total resource to be used in determining the production life of the Project on which financial analyses were based

As a general rule, the similarity of material in the two deposits also allowed the basic design concepts that were developed from the flowsheets produced from pilot plant testing results on LIOP material were adopted for KéMag facilities. Process equipment was sized based on LIOP equipment, and layouts of facilities showing major equipment locations and plant cross-sections were developed in sufficient detail to provide preliminary quantities for estimating purposes.

3.0 THE PROJECT

This document summarizes the technical, commercial and financial aspects of the project to develop the KéMag deposit and to construct and operate associated processing facilities in one of two scenarios.

Scenario 1

- To produce and sell 15 million tonnes per year ("mtpy") of acid, fluxed, low silica and direct reduction ("DR") grade pellets.

  This scenario requires the establishment of the following facilities:

  - A mine at Lac Harris with an average output of some 50.7 mtpy of iron ore;
  - A 14.2 mtpy concentrator at the Lac Harris site;
  - A 750km-long slurry pipeline to transport 14.2 mtpy of concentrate from the concentrator to a pellet plant at Pointe-Noire, Sept-Îles;
  - A 15 mtpy plant pellet plant, a 3 million tonnes stockyard, and a jetty and ship loading facility for loading 15 mtpy of pellets into vessels up to 360,000 DWT at Pointe-Noire, Sept-Îles, on the north shore of the Gulf of St. Lawrence.

Scenario 2

- To produce and sell 7 mtpy of concentrate as pellet feed fines at an average 69.1% Fe, in addition to the 15 mtpy of pellets.

  This scenario requires the following:

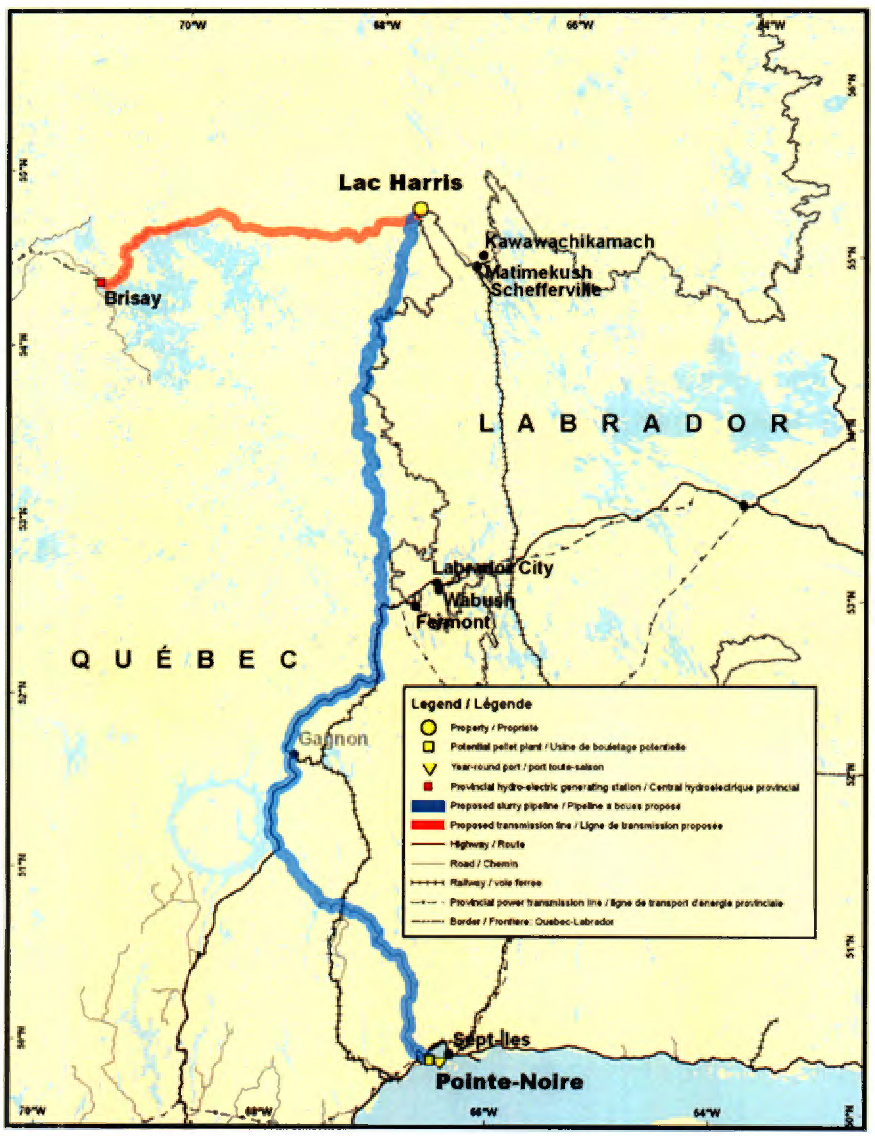
  - The Lac Harris mine produces over 76 mtpy of iron ore,
  - The concentrator produces 21.2 mtpy of concentrate;

- The pipeline transports 21.2 mtpy of concentrate as slurry;
- At Pointe-Noire, product storage space is sufficient to permit 1.5 million tonnes of concentrate to be stocked in addition to 3 million tonnes of pellets and the handling system and ship berths have the capacity to load 22 mtpy of product.

4.0 THE PROPERTY

The KéMag Property is situated in the municipality of Rivière Koksoak in Northern Québec, centred about 50 km to the northwest of the town of Schefferville, Québec. The Property is approximately 245km north of Labrador City, Province of Newfoundland and Labrador, and 550km due north of Sept-Iles, Québec. The location of the Property and other Project elements are shown on Figure 4.1.

Figure 4.1 – Project Location



The area is centred at 55°07'N Latitude and 67°27'W Longitude on National Topographic Map reference 23O/03.

The Property covers a total area of approximately 30km^2 and comprises 76 map-staked claims held 100% by NML. The claim group extends for a distance of about 14.5km aligned on a north-northwest – south-southeast axis as shown in Figure 4.2. The 76 claims were map-staked in three different phases. The first group of 48 was staked in January 2005, the second group of 14 was staked in February 2006 and the third group of 14 claims was staked in March 2007

4.1 Local Resources and Infrastructure

Schefferville, an incorporated municipality in the Province of Québec, has a population of about 250 non-native residents, most of which work directly or indirectly for the First Nations. Some 700 members of the Nation Innu Matimekush-Lac John live in the nearby Matimekush community. The economy of Schefferville is based on hunting and fishing, tourism and public service administration.

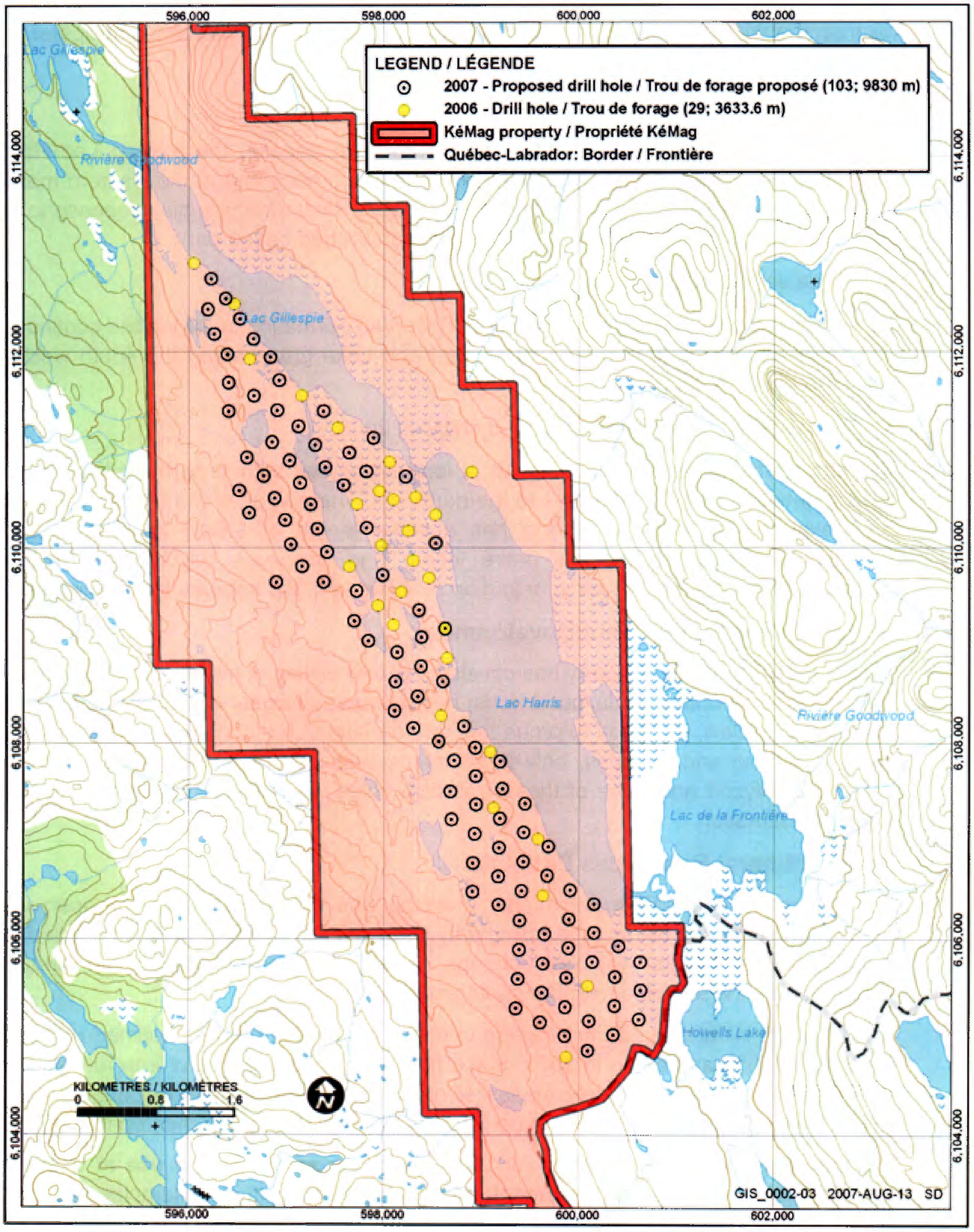
Kawawachikamach (Kawawa), a community located some 20km north of the town of Schefferville, is the home of the Naskapi First Nation of Canada. Some 750 Naskapi live in the modern community that has its own school, medical clinic, recreational complex and swimming pool.

Until the end of November 2005, the QNS&L railway, owned by IOCC, ran between Sept-Îles and Schefferville and offered weekly passenger and freight services. On December 1, 2005, that part of the rail line that runs from Emeril to the northern terminus at Schefferville was acquired from QNS&L by TRT, which is owned in equal parts by the Naskapi Nation of Kawawachikamach, the Nation Innu Matimekush - Lac John and Innu Takuaikan Uashat mak Mani-Utenam. Today, TRT operates two trains per week between Schefferville and Sept-Îles for passengers and community freight.

The region is also served by an airport capable of handling Boeing 737 aircraft. Service to Sept-Îles is offered six days per week and service to Québec City and Montreal is offered twice weekly.

Kawawachikamach receives its electricity by a 25kV power line from Schefferville, which in turn is supplied by a 69kV power line from the 15MW hydro-electric generating station at Menihek Lake, Labrador, about 40km south of Schefferville.

Figure 4.2 – Claims Map



5.0 EXPLORATION PROGRAMS

As shown on Figure 4.2, in the 2006 campaign, 29 holes were drilled, samples were taken and analyses were carried out. The 2007 program, now underway, anticipates the drilling of up to 103 additional holes.

6.0 GEOLOGY AND RESOURCES

As with the LabMag Howells River taconite iron ore deposit, the KéMag Lac Harris taconite deposit is part of the Sokoman Iron Formation occurring at the western margin of the Labrador trough. The continuity of the Howells River stratigraphic sequence to the north-northwest into the Lac Harris area is well established based on:

- The aeromagnetic response;
- The sporadic exposures of the lower Sokoman Formation overlying the continuous outcrops of the lowermost unit of the Knob Lake group along the south western margin of the deposit;
- The results of drilling carried out by NML in 2006.

The Lac Harris taconite is exposed as a long linear belt with a northwest strike and dipping between 5 and 12 degrees to the northeast. The portion of the Property that has been explored by diamond drilling has a strike length of 9.5km and the taconite formation is present along this entire length and continues beyond the Property boundary. In the KéMag Property, based on drillhole data, dip appears to be around 6°.

6.1 Historical Exploration and Development

Historical drilling on the Property has consisted of test drilling of mostly over the lakes. In 1958, IOCC test-drilled 23 favourable dip-needle survey targets during the winter. The holes were shallow, designed to probe the iron formation and of 16 holes drilled on Lacs Harris, Gillespie and Jacques, only three intersected unleached UIF. Those samples were not analyzed and none of these historical holes was used in the current mineral resource estimation.

6.2 KéMag Mineral Resources Estimate

In the summer of 2005, a preliminary mapping and outcrop sampling program was undertaken in the Lac Harris area, using a fly-in, fly-out camp. The mapping revealed the boggy nature of the area with few outcrops. A few scattered outcrops of MIF and LIF were mapped and sampled near the south end of the property.

In 2006, NML initiated a drilling program to check airborne anomalies outlined by others during the 1950s and again in 1971. Since there are no exposures of iron formation in the Property, drilling is the only means of obtaining subsurface information. A total of 3,633.6 m in 29 holes was drilled, out of which 2,224.7m intersected the iron formation.

The sampling method established for LIOP based on procedures in use at operating taconite mines in Minnesota was adopted for KéMag, and split core samples were sent to Midland Research Center ("MRC"), Nashwauk, Minnesota, USA, for chemical and Davis Tube analyses. The following test work and sample analyses were completed:

- Crude assay for total iron ("TFe");
- Determination of %DTWR on -325 mesh DT concentrates;
- Determination of iron and silica in all DT concentrates.

In addition, 12 samples on three fractions (Crude, DT Concentrate and DT Tails) were analyzed for trace elements and sulphur.

A total of 488 samples were submitted, including 13 check samples, and the entire LIF drill core was sampled.

In addition to MRC's routine internal QA/QC program, which was audited by WGM for the LIOP, NML arranged for 60 sample pulps to be sent from MRC to Lerch Brothers Inc. laboratory for an external assaying check. 29 pulps were assayed for Fe in crude and 30 pulps were assayed for Fe in concentrate.

As explained in Section 1, Geostat was retained by NML to prepare a preliminary mineral resource estimate based on data provided by NML for 29 drill-holes.

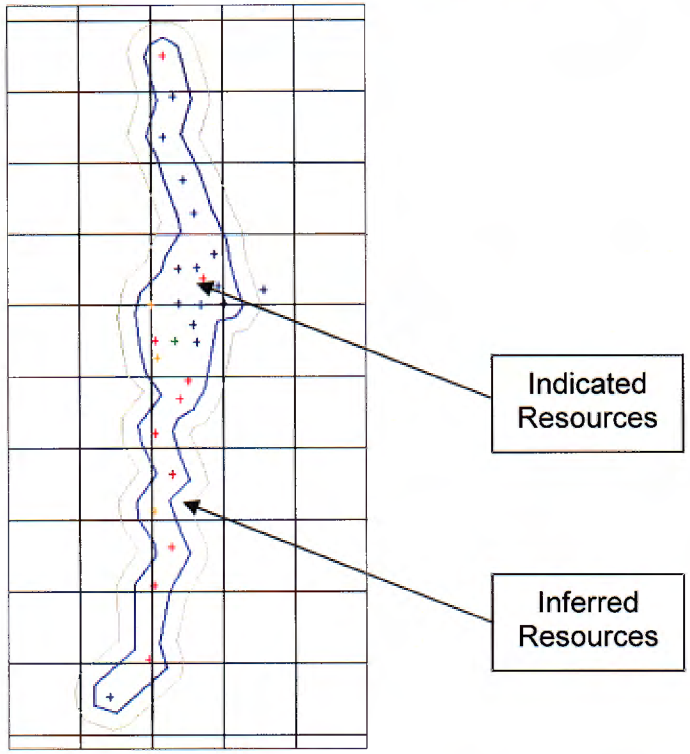
According to Geostat, it was able to use the experience gained from the LIOP resource estimation on the KéMag Project, due to the fact that the LabMag Deposit and the KéMag Deposit are considered to be similar and an extension of each other. Both deposits feature the same stratigraphy, structure, orientation and dip. Furthermore, assay values showed the iron content to be similar in both deposits, as is the specific gravity. Hence, Geostat considered that it is reasonable to apply to the KéMag Deposit the classification scheme used on LIOP material.

Again according to Geostat, if KéMag classification was evaluated on its own merit, most of the resources would be classified as Inferred since the drillhole layout does not really cover a grid but rather a line with holes every 500m. However, based on knowledge from the LIOP, Geostat considered that where a drillhole intersects the iron formation, a classification of Indicated material could be applied provided that a spacing of 500m separated the drillholes.

As was done for the LIOP, a fringe of Inferred material was added all around the drill-hole layout since it is reasonable to expect that the iron formation extends beyond the limits of the drilling. A 250m fringe was added, as shown in Figure 5.1.

The terms Indicated and Inferred are as defined in National Instrument 43-101 as prescribed by the Canadian Institute of Mining, Metallurgy and Petroleum.

Figure 6.1 – Outline of Resource Classification Used at KéMag



The 2006 Mineral Resource Estimate at 18% DTWR is summarized in Table 6.1.

Table 6.1: 2006 Mineral Resource Estimate at 18% DTWR

Category	Million tonnes	DTWR %	Crude %Fe	Concentrate	
				%Fe	$\%SiO_2$
Indicated	1,349	27.13	30.85	69.09	2.92
Inferred	992	26.91	30.85	68.98	2.97

7.0 OPEN PIT OPTIMIZATION

For the reason set out in Section 1.0, the estimated Mineral Resources were not converted to Mineral Reserves for the KéMag Deposit.

However, the requirement of the Canadian NI 43-101 Standards of Disclosure for Mineral Projects that only ore blocks classified in the Measured and Indicated categories can used to drive the pit optimizer does not apply to a PAS. Therefore, Inferred resource blocks were added to Indicated blocks as the basis for the pit optimization exercise that involved the Mineral Resource model prepared by Geostat and the Lerch-Grossman 3D ("LG 3D") pit optimization algorithm in the MedSystem/MineSight software. The exercise used to develop the configuration of the open-pit at the end of its economic life also involved parameters derived from an internal cost database and information from the LIOP.

Based on the material definition exercise using geological data available to-date, the life-of-mine resources for the ultimate pit design for KéMag were calculated using a DTWR cut-off of 18%.

The estimated Indicated and Inferred in-pit resources are summarized by type in Table 7.1.

Table 7.1: Indicated and Inferred Resources by Type (Cut-off Grade 18% DTWR)

Type	ROM (million tonnes)	% DTWR	Crude %Fe	Concentrate	
				%Fe	$\%SiO_2$
LC/JUIF	567.4	25.8	29.1	69.1	2.6
GC	117.6	23.1	28.1	69.6	2.2
URC	147.8	26.3	30.0	69.7	2.3
PGC	338.3	30.7	32.4	69.3	2.9
LRC	71.2	27.6	32.7	69.1	3.0
LRGC	1,044.2	27.2	31.6	68.8	3.3
Total	**2,286.5**	**27.1**	**30.9**	**69.0**	**2.9**

8.0 MINING AND CRUSHING

For Scenario 1, production of run-of-mine ore is planned at 50.8 mtpy, using conventional open pit mining methods based on 406mm rotary drills, $26m^3$ electric rope shovels, 218-tonne trucks and other auxiliary equipment. Crude ore will be crushed to -305mm in two 60" (1,524mm) by 110" (2,795mm) gyratory crushers and conveyed via a surge pile to five MP-1000 secondary cone crushers. Operating in closed circuit with vibrating screens, these crushers will produce a -63mm product that will be fed by an overhead tripper conveyor into a 300,000 tonnes capacity storage shed.

For Scenario 2, production is planned to be some 76.1 mtpy and requirements for all drilling, loading, hauling and auxiliary equipment will be correspondingly increased from the levels of Scenario 1. An additional three HP-1000 cone crushers and screens, plus larger bins, apron feeders and associated conveyor belts, will be required.

The layout of the mine surface facilities, the crushers, concentrator and camp is shown on Drawing A1-KEMAG-0002-L, presented in ***Attachment A***.

9.0 GRINDING AND CONCENTRATION

Ore will be reclaimed from the storage shed through an underground tunnel and transferred to surge bins ahead of processing lines which will begin with high pressure grinding rolls ("HPGRs").

For Scenario 1, six lines will be installed. The HPGR units will operate in closed circuit with wet screens and will produce a –0.12" (–3 mm) product in a slurry form that will be pumped to cobber wet drum magnetic separators where a large portion of the liberated non-magnetic gangue will be removed. The cobber concentrate together with the rougher screens oversize will be further ground in ball mills to increase the fineness of the magnetic portion to liberate it further at about 95% -325 mesh (–44 µm). Two more stages of magnetic separation and a desliming stage will complete the process that will recover 14.2 mtpy of magnetite (Fe_3O_4) in a final concentrate containing 69.2% Fe and only low percentages of minor elements. The concentrate will be stored in agitated slurry tanks for feeding the slurry pipeline pumps and tailings will be pumped to a tailings basin. To conserve water, the concentrator will be in closed circuit with the tailings system and will use recycled water. Make-up water will come from Lac Gillespie. .

For Scenario 2, to produce 21.2 mtpy of concentrate, an additional three processing lines will be installed, each comprising one HPGR unit with two vibrating screens, six cobber magnetic separators, one hydrosizer, one cluster of six cyclones, one ball mill, ten rougher magnetic separators, ten stacksizers, one deslimer, and four finisher magnetic separators each with four multifeed screens, plus handling equipment.

The layout of the concentrator is shown on Drawing A1-KEMAG-0004-L, presented in ***Attachment A***.

10.0 TAILINGS MANAGEMENT

Tailings will be pumped through two rubber-lined pipes to a single tailings basin located north of the planned location of the concentrator plant. The containment system will operate in closed circuit with the concentrator to which water will be recycled and the design, incorporating water-tight dykes with an impermeable membrane, will meet all existing safety and environmental standards. The basin will be constructed on land that does not have resources with the potential for economic development and that is on claims held by NML.

Using downstream construction methods, a rock dam will be constructed to a height of about 200' (60m) over the first three years of basin operation. Tailings will be spigotted off the top of the dam, and the length of the dam will be extended periodically as the elevation increases. At elevations higher than the crests of the rock starter dams, dams will be constructed of tailings by spigotting tailings at points along the dams and pushing coarse tailings with a dozer to create dams.

Based on an analysis of drill cores, there are only trace amounts of sulphur in the mineralized rock and therefore it is unlikely that the tailings will generate acid, but this will be confirmed during operations by an ongoing monitoring program on representative tailings samples.

As mining operations progress and a sufficiently large area of the pit is mined out, NML may consider using part of the pit bottom for tailings storage.

At the end of the mine life, the material in the tailings basin will be re-sloped and covered, firstly with a layer of waste rock over the last tailings to eliminate dust generation and then a layer of organic material retained during initial stripping at the mine will be used to promote plant growth.

The possibility of constructing two basins in the northern area, to give operating flexibility, will be addressed in the next stage of the Project.

11.0 SLURRY PIPELINE

Concentrate slurry at 65% solids by weight will be pumped by pipeline from the concentrator at Lac Harris to the pellet plant at Pointe-Noire, Sept-Îles, on the Gulf of St. Lawrence. The total length of the pipeline will be approximately 750km, and a booster station will located some 475km along the pipeline towards Pointe-Noire, just south of the site of the old town of Gagnon, where highway 389 crosses the Hart-Jaune River

As presently planned, for approximately the first 300km from Lac Harris, the pipeline will pass through an area with no existing roads until it reaches highway 389 near Mont-Wright, after which the pipeline will run alongside highways until it turns off at an appropriate point to join up with storage tanks ahead of the pellet plant at Pointe-Noire.

Scenario 1 requires that the slurry pipeline system transports 14.2 mtpy of concentrate. The pipe will have an outside diameter of 22 inches and each of the main and booster pumping stations will have six operating and one stand-by positive-displacement mainline piston diaphragm pumps equipped with a variable speed drive train of 1,750kW capacity, sized to provide the head required to overcome friction losses and elevation rises in certain sections along the pipe.

To permit the pipeline to transport 21.2 mtpy of concentrate in Scenario 2, the outside diameter of the pipe will be 28" and one additional pump will be installed in each of the main and booster pumping stations.

11.1 Freeze Protection, Temperature Control and Physical Protection

To the extent practicable, the pipeline will be buried with its top at some 1.0m to 1.5m below ground level to reduce slurry temperature loss and to protect against physical damage. The pipeline will only be insulated where it is above ground and a slurry heating system will only be used if absolutely necessary.

Above-ground installations will be kept to a minimum, but where the pipeline will have to be supported across rivers, narrow valleys and other obstacles, an appropriate thickness of insulation and a galvanized steel weather jacket will be provided, as will a heat tracing cable supplied with electricity from a temperature-controlled diesel-driven generator.

At the concentrator, conservation of grinding energy will be achieved through design and insulation of process piping to keep winter temperatures of process water as high as possible. Thickeners and slurry storage tanks will be insulated, and in winter, the temperature of the slurry at the pumps at the head of the pipeline is expected to be above 5°C.

Friction in the pipeline will cause heat to be generated at the same time as heat is dissipated from the slurry through radiation and conduction through the steel pipe walls. Thermocouples to continuously register slurry temperature will be installed at regular intervals between the terminals. Should the temperature fall below a pre-determined limit of, say, 2°C, a slurry heating system will be started. Heating will be by steam injection or induction heating at the pumping station.

In an extreme case where it is necessary to stop pumping slurry for a long period of time in the winter, the pipeline will be operated with clear water. If a total long-term shut-down of the system is planned, glycol will be added to the water before shut-down, to prevent freezing.

12.0 FLOTATION PLANT

Concentrate as received via the slurry pipeline from the concentrator will contain approximately 3% SiO_2. After processing, the resultant pellets will have an SiO_2 level of below 3.9% and will therefore be excellent blast furnace feed material. However, the iron ore market also calls for pellets with more particular specifications such as low silica fluxed pellets with 2% SiO_2, or DR quality pellets with less than 2% SiO_2. Therefore, a flotation circuit will be installed next to one of the two pellet lines and will be operated as and when required, with the length of campaigns being dictated by the tonnage required to produce pellets with reduced silica content that will meet the requirements of the global iron ore market.

The required output of the circuit will be 5.0 million tonnes in a year but during the circuit's operating campaigns, it will produce upgraded concentrate at the rate of 7.5 mtpy, to match the consumption rate of the pelletizing line to which it will be linked by a transfer pipe. The circuit will consist of a bank of ten first-stage rougher cells followed by a bank of five first-cleaner cells and two second-cleaner floatation columns, and the sink of these two units will then have the desired low silica content and will be the final product of flotation. A rougher stage froth will be reground in an IsaMill to liberate the significant amount of iron in the froth. The flotation tailings will be pumped to a tailings pond where the solids will settle and surface water will be returned to the main pellet plant process water treatment plant for clarification and polishing

The required facilities at the Flotation Plant will be the same for Scenario 1 as for Scenario 2, because the output of low silica pellets from the pellet plant will also be the same under either scenario.

13.0 PELLET PLANT

In both Scenario1 and Scenario 2, the pellet plant located at Pointe-Noire, near Sept-Îles, Québec will produce 15 million tonnes per year of pellets containing an average of approximately 67% Fe from some 14.2 million tonnes of concentrate received in the form of slurry in storage tanks at the end of the pipeline.

The layout of the pellet plant is shown on Drawing No. A1-01-KEMAG-0052-L, presented in ***Attachment A***.

The slurry, received at 65% solids, will be filtered to approximately 9% moisture, mixed with bentonite and flux additives, balled and indurated in two oil-fired furnaces. While other technologies are available for indurating, it was decided to use the oil-fired straight grate system with closed-circuit balling discs at the PAS stage of the Project..

Based on pelletizing tests on LIOP concentrate at SGA in Germany, NML anticipates that it will have the capability to produce acid, fluxed, low silica and DR quality pellets for sale in the global market produce pellets. The expected qualities of three grades are given in Table 13.1.

Table 13.1: Pellet Quality

	Acid Pellets with 1% Limestone	Fluxed Pellets with Basicity of 0.7	Low Silica Pellets
Fe (%)	66.4	64.9	67.5
SiO_2 (%)	3.87	3.80	1.72
Compression (kg)	290	266	295
Tumble (%)	96.9	96.9	95.0
Dynamic LTD (%)	93.1	85.9	98.6

14.0 CONCENTRATE FILTER PLANT

In Scenario 1, the 14.2 mtpy of concentrate slurry transported through the pipeline will be processed in two filtration units, one ahead of each pelletizing line, as described in the preceding Section. Each filtration unit will consist of a thickener for slurry reception, two slurry storage tanks, a filter feed tank and five pressure filters, and will be operated as an integral part of the pellet plant.

In Scenario 2, 21.2 mtpy of concentrate slurry will be transported through the pipeline and of that quantity, 7 mtpy will be destined not for the pellet plant but for sale on the international market. To prepare the concentrate for stacking and ship loading, the slurry at 65% solids will be fed to a thickener for de-watering and then transferred at 72% solids to two agitated slurry storage tanks that will provide an eight-hour feed buffer. The slurry will then be pumped to five pressure filters, each with fifty filtration chambers, and the resulting filter cake with a moisture content of 8% or less will be transferred by belt conveyor to the product stockyard.

The filtrate from the pressure filters is expected to contain only a minor amount of solids and will be re-circulated to the thickener to be further clarified.

15.0 PRODUCT STORAGE AND SHIP LOADING

15.1 Scenario 1

Scenario 1 requires stockpiling, storage, handling and ship loading facilities of sufficient capacity to support the sale of 15 mtpy of pellets.

A pellet stockyard and ship loading facilities capable of operating year-round will be constructed in the Pointe-Noire area on the Baie de Sept-Îles, close to the pellet plant. Two rows of uncovered stockpiles containing four different types of pellet plus off-specification material will have a combined storage capacity of some 3.0 million tonnes. The ship loading berth will be located clear of existing navigation channels and east of the existing Wabush Dock. With a water depth at low tide of approximately 24m, the berthing facility will be able to accommodate ships from 25,000 DWT to 360,000 DWT. Ship loading will be at the rate of up to 16,000tph on large ocean-going vessels and 4,500tph on "Laker-sized" vessels.

The layout of the facilities is shown on Howe (India) Figure 11.2, presented in ***Attachment A***.

Pellets withdrawn from the piles created by stacking tubes at the discharge end of each pelletizing line will be fed to either of two travelling and slewing stackers that will discharge pellets at a rate of up to 2,400 tonnes onto either of two conveyors, each serving a travelling and slewing stacker. The stackers will be mounted on rails running the length of the stockyard outside the two rows of stockpiles that will contain acid, fluxed, low silica, DR grade and off-specification pellets. The overall dimensions of the stockyard will be approximately 225m wide by 1,250m long.

Running on rails between the stockpile rows will be a bucket-wheel reclaimer capable of operating at the rate of 16,000tph to match the capacity of the shiploader. With a 70m reach, the reclaimer will discharge pellets onto a belt that will run the length of the stockyard and then feed onto another 16,000tph covered conveyor belt which will transport pellets for some 4km to a surge bin at the landward end of a jetty.

A 700m long jetty to the berth will accommodate a 16,000tph covered conveyor that will transport pellets from the surge bin to the shiploader. The jetty will also carry pipes to supply bunker fuel and water from a bunkering company's tanks on shore, and a passageway alongside the conveyor will provide access for light battery-powered vehicles to transport personnel, supplies for ships and small spare parts such as conveyor idlers. Large vehicle access to the berth is not foreseen.

The ore loading berth will consist of a quadrant shiploader and a series of mooring and breasting dolphins connected by steel walkways. A single quadrant ship loader with an outreach of up to 75m will be capable of loading ships up to 200,000 DWT to capacity at the rate of 16,000tph. To fully load a ship of 360,000 DWT will require that the ship be moved along the berth for 20m in each direction.

15.2 Scenario 2

Scenario 2 requires stockpiling, storage, handling and ship loading facilities of sufficient capacity to support the sale of 7mtpy of concentrate in addition to 15 mtpy of pellets.

Compared with Scenario 1, this will require a completely different stockyard layout; different handling equipment and a different configuration of ship loading facilities, with two separate berths and two shiploaders to permit the loading of Laker-size and large ships at the same.

The layout of the facilities is shown on Howe (India) Figure 4.1, presented in ***Attachment A***.

The overall dimensions of the stockyard will be increased to approximately 315m wide by 1,360m long to permit the creation of a 1.5 million tonnes concentrate stockpile alongside the pellet stockpiles.

The two conveyors from under the pellet stacking tubes will feed pellets onto one of two belts running the length of the stockyard between the stockpiles, each feeding two travelling and slewing stacker/reclaimers. In the stacking mode, each machine will be capable of discharging pellets at a rate of 2,400 tonnes per hour.

When in the bucket-wheel reclaim mode, any two of the stacker/reclaimers will be capable of operating at a combined rate matching the ship loading capacity. With a 70m reach, each machine will discharge pellets onto one of the two belts running through the stockyard that will feed via transfer towers onto the covered conveyor belt which will transport pellets for some 4km and deliver them at the rate of 16,000tph to a transfer tower at the landward end of the jetty. There, pellets destined for Laker-size vessels will be fed by a tripper conveyor into three silos and pellets destined for other, much larger ships will be transferred onto another covered conveyor belt running along the jetty.

From the three silos, a covered conveyor belt, capable of running at the rate of 4,500tph, will transport pellets some 400m along the jetty to a transfer tower from where the pellets will be conveyed to a shuttle type traversing and slewing shiploader for loading into Lakers. The berth will be perpendicular to the jetty and pipes to supply fuel and water to the Lakers, lighting and necessary navigational equipment will also be provided.

The loading of ships other than Lakers at the rate of 16,000tph will continue to take place at the berth consisting of a quadrant shiploader and a series of mooring and breasting dolphins at the end of the jetty.

16.0 INFRASTRUCTURE

The sit of the mine and concentrator at Lac Harris, site of the pellet plant, product storage and ship loading facilities at Pointe-Noire and, to a lesser extent, the site of the booster pumping station will have the infrastructure required to support operations, including:

- Access roads;
- Site roads and drainage;
- Fences and gatehouses;
- Offices, warehouses, workshops, laboratories;
- Communications systems;
- Potable and process water supplies;
- Wastewater and sewage treatment systems based on the rotating biological contactor technology which produces an effluent in compliance with Quebec's regulations governing discharge into a body of water. The plant effluent will be reused in the process or for toilet flushing. The treatment plant will produce no noticeable odour and can be located relatively near residential areas;
- Incinerators for domestic solid waste and sanitary waste treatment sludge, using Eco Waste Oxidizer technology. Residual ash is non-hazardous, non-leaching and essentially inert.
- Firefighting systems;
- Service vehicles;

- Bunker C fuel oil, diesel oil, gasoline and propane reception, storage and distribution systems.

17.0 ELECTRICAL POWER SUPPLY AND DISTRIBUTION

17.1 Scenario 1 Design Basis

17.1.1 Mine and Concentrator Site

The estimated electrical power required at the site for the mine, crushers, concentrator, slurry pumping station and associated infrastructure totals some 235MW when 14.2 mtpy of concentrate are being produced. Due to the large proportion of Variable Frequency Drive ("VFD") fed motors and synchronous motors in the Project load, the overall power factor will be very high at 0.95. The project MVA requirement is estimated to be 250MVA for the 14.2 mtpy scenario. No additional power factor compensation equipment will be required.

The nearest source of power in Québec is the Brisay hydro-electric power station, some 270km from the Lac Harris site and, based on a review of the topography, it was considered that the best route for an overhead power line between Brisay and the Lac Harris site is some 270km long. To transmit 235MW across such a distance will require a 315kV single-circuit or 230kV double-circuit, AC transmission line. Hydro-Québec has confirmed that the required 250 MVA can be made available for the Project.

Power will be distributed to mining equipment and auxiliary facilities at 34.5kV.

Transmission

To provide power from the Brisay power station to the Lac Harris site, the traditional method of transmission based on the use of overhead lines was adopted for the purpose of this PAS. However, in the last few years, a relatively new technology known as HVDC Light® has become available. It has the potential of being competitive with conventional overhead AC transmission for up to 400MW and over distances of 125 to 200 miles (200 to 300km). It consists of converter equipment at the sending and receiving terminals using solid state insulated gate bipolar transistors ("IGBTs"), and insulated extruded direct current ("DC") cables especially designed to be installed underground and submarine for river crossings thereby requiring no maintenance and avoiding weather impact. The appropriateness of this technology for the KéMag Project will be further assessed during the Feasibility Study of the Project.

17.1.2 Pipeline Booster Station

Power demand is estimated to be 13MW for six operating slurry pumps and auxiliary equipment at the booster pumping station near the site of the old town of Gagnon and this power will be supplied at 34.5kV from the Hart-Jaune hydro-electric power station some 10km away.

17.1.3 Pointe-Noire Site

Power demand is estimated to be 67MW for the flotation and pellet plants at Pointe-Noire and 22MW for the stockpiling, conveying and ship loading facilities. A substation supplied with electricity by a 161kV overhead line from the Hydro–Québec grid will provide power for the plant and other facilities. Hydro-Québec has confirmed that this power will be available from its Arnaud substation.

17.2 Scenario 2 Design Basis

17.2.1 Mine and Concentrator Site

The estimated electrical power required at the site for the mine, crushers, concentrator, slurry pumping station and all associated infrastructure increases to some 290MW when 21.2 mtpy of concentrate are being produced.

With the addition of a third production line, a third set of two 34.5kV feeders originating from the main electrical room will be required.

17.2.2 Pipeline Booster Station

Power demand is estimated increase only slightly to 15MW for seven operating slurry pumps and auxiliary equipment. Transmission and distribution systems will be unchanged.

17.2.3 Pointe-Noire Site

Power demand remains unchanged at 67MW for the flotation and pellet plants at Pointe-Noire but increases to 27.5MW for the stockpiling, conveying and ship loading facilities. No significant changes in the transmission and distribution systems are foreseen.

18.0 MANPOWER

18.1 Manning Levels

It is estimated that in the first full year of operation, the Project will directly employ a total of 899 persons in Scenario 1 and 1,128 persons in Scenario 2. The numbers for the various categories of person are given in Table 18.1

The Project will draw upon the resources of Schefferville, Kawawachikamach, Matimekush, Fairmont, Betsaimites, Uashat, Mani-Utenam, Sept-Îles and elsewhere in Québec to provide the required manpower.

18.2 Training

At each of the Project locations in Québec, every effort will be made to train and employ the greatest number of Aboriginals and Québecers.

Well before commissioning begins, a master training program to provide suitable employment training will be set up and will include structured training in partnership with aboriginal and regional institutions.

In addition, arrangements will be made for on-the-job internships to enable employees to acquire experience in companies having similar operations; and for on-the-job training. It is anticipated that equipment suppliers will actively participate in the latter process.

Training expenditures were assumed to be necessary during the year ahead of commissioning and during the first year after personnel has been hired. However, it is understood that various sources of financing for training may be available through the federal government and, possibly, the provincial government, and training costs were therefore excluded from the estimate.

Table 18.1: Manning by Category

	Scenario 1	Scenario 2
Mine	308	398
Mine & Concentrator Site Services	60	76
Crushers	72	97
Concentrator	146	205
Pipeline	36	36
Flotation Plant	6	6
Pellet Plant	131	131
Concentrate Filter Plant		15
Pointe-Noire Site Services	58	76
Stockyard & Shiploading	35	39
Administration	47	49
Total	**899**	**1,128**

19.0 ENVIRONMENTAL CONSIDERATIONS

19.1 Applicable/e Environmental Assessment Regimes

The Project is expected to trigger the environmental assessment regimes of general application established by the "Canadian Environmental Assessment Act" ("CEAA")[1], the "Environment Quality Act" ("EQA") (Chapter I, Division IV.1), the provincial and federal regimes established by Sections 22 and 23 of the "James Bay and Northern Québec Agreement" ("JBNQA") (EQA, Chapter II, Divisions II and III) and the provincial and federal regimes of Section 14 of the "Northeastern Québec Agreement" (*Règlement sur l'évaluation et l'examen des impacts sur l'environnement dans une partie du Nord-est québécois*) ("NEQA").

Table 19.1 shows how each regime may apply to the various components of the Project.

[1] In *Moses v. Canada*, the Québec Superior Court ruled on 30 March, 2006, that the CEAA does not apply in the "Territory" defined in Section 22 of the JBNQA. Both sides have appealed that judgment. Pending the outcome of those appeals, the CEAA continues to apply.

Table 19.1: Environmental Impact Assessment Regimes Applicable to Project Components

	Environmental Assessment Regime	Infrastructure
(1)	Provincial regime of JBNQA Section 23 and EQA Chapter II, Division III. Kativik Environmental Quality Commission (5 Québec members, including Chair; 4 Inuit members).	Lac Harris site. Major sand and gravel pits north of 55th parallel. Transmission line north of 55th parallel (if > 75 kV). Access road north of 55th parallel. Pipeline north of 55th parallel. New significant sewage and wastewater collection and disposal system north of 55th parallel. Solid waste collection and disposal (including land fill and incineration) north of 55th parallel. Note: Air and ground reconnaissance, surveying, mapping and core sampling by drilling do not require impact statements.
(2)	Federal regime of JBNQA Section 23. Environmental and Social Impact Review Panel (3 federal members, including Chair; 2 Inuit members).	Lac Harris site. Transmission line north of 55th parallel. Access road north of 55th parallel. Pipeline north of 55th parallel. May apply to other infrastructure listed under (1) above.
(3)	Provincial regime of JBNQA Section 22 and EQA Chapter II, Division II. Evaluating Committee (2 Québec members, 2 Canada members, 2 Cree members; rotating Chair).	Transmission line south of 55th parallel and west of 69th meridian (if > 75kV).
(4)	Federal regime of JBNQA Section 22.	As for (3) above.
(5)	Provincial regime of NEQA Section 14. Regime of EQA Division IV.1 with special consultation with Naskapi Village of Kawawachikamach.	Pipeline between 55th and 53rd parallels and east of 69th meridian.
(6)	Federal regime of NEQA Section 14.	As for (5) above.
(7)	EQA Chapter I, Division IV.1.	Pipeline south of 53rd parallel. MDDEP claims jurisdiction over all of the proposed infrastructure at Pointe-Noire. A legal opinion of 12 December, 2006, from Me Robert Daigneault argues that EQA does not apply to the deep-water dock. Me Daigneault's opinion on the application of the EQA to the other infrastructure at Pointe-Noire, particularly that outside the land of the Sept-Îles Port Authority, is not known. LabMag GP Inc. has not yet decided how to proceed in the light of Me Daigneault's opinion.
(8)	CEAA.	Subject to the outcome of *Moses v. Canada*, all major infrastructure in the "Territory" as defined at Sub-section 1.16 of the JBNQA, the pipeline south of 53rd parallel[2]. Deep-water dock at Pointe-Noire. Possibly other infrastructure (including pellet plant) at Pointe-Noire.

[2] The 53rd parallel is the approximate southern limit of the "Territory" as defined in the JBNQA in the area where the pipeline will pass.

19.2 Harmonization of Environmental Impact Assessment Regimes

Harmonization between the governments of Canada and Québec was formalized by the execution of the Canada-Québec Cooperation Agreement in May 2004. Official discussions on the form of the harmonized assessment for the Project are expected to start once the Project Notice has been filed.

19.3 General Timetable

The timetable for the Environmental Impact Assessment cannot be established until the dates of the tabling of the Project Notice and of the start of collection of baseline data have been established. Most of the required baseline data can be collected within twelve months of the start of baseline data-collection, but two seasons of baseline data will probably be required in some cases such as micro-mammals at the Lac Harris site.

The duration of the regulatory process starting from the tabling of the Environmental Impact Statement ("EIS") to the granting of Certificates of Authorization is estimated to take 12 to 18 months

19.4 Applicability of LIOP Baseline Data to the KéMag Project

The types of infrastructure planned for the KéMag Project and the LIOP are virtually identical, except that the transmission line to the mine and concentrator site for the KéMag Project will be an overhead line carried on towers.

Pointe-Noire is common to both projects. The mine sites are at similar elevations. The northern limit of the mine site of the KéMag Project is only some18 km north of the northern extremity of the mine site of the LIOP, although they are in different watersheds. The first half of the pipeline route from Lac Harris to Pointe-Noire for the KéMag Project is roughly parallel to the routing of the LIOP pipeline from the Howells River valley to Emeril. The transmission line for the KéMag Project, like the eastern half of that for the LIOP, is oriented roughly east – west, but it is located much further north.

19.5 Baseline Data Studies

As of April 2007, 27 baseline studies had been completed for the LIOP, 17 studies required analysis and two studies were in progress. The completed LIOP studies at Pointe-Noire apply also to the KéMag Project.

A total of 37 baseline studies, including literature reviews, is planned for the KéMag Project.

19.6 Sustainable Development

A sustainable development model is currently being developed with the assistance of an advisor. It will cover all phases of the Project, from exploration to post-closure. The development of a model to comply with the Kyoto Protocol will be initiated.

19.7 Native Issues

The First Nations whose land-claims settlements and negotiations may fall in potentially affected areas are Naskapi Nation of Kawawachikamach ("NNK"), Nation Innu

Matimekush-Lac John ("NIMLJ"), Innu Takuaikan Uashat mak Mani Utenam ("ITUM"), Betsiamites, James Bay Crees and Inuit.

The Labrador Innu, through the Innu Nation, may assert claims in and to parts of Québec, possibly over a part of the pipeline, the mine site and the access road. These claims have not been accepted by Canada or Québec.

The concerned First Nations are given written notice in advance of all field studies on lands on which they assert an interest. Numerous notices were issued for the LIOP, and no complaints were received.

19.8 Preliminary Identification of Potential Impacts and Mitigation Measures

Project construction, operation and rehabilitation will comply with relevant Canadian, Québec and local environmental laws, regulations and guidelines.

Nonetheless, a preliminary identification has been made of potential impacts and they and the corresponding mitigation measures have been summarized for each main area of the Project and for each of the construction, operation and restoration phases. Final identification of potential impacts will be part of the Environmental Impact Assessment to be made in the Feasibility Study phase of the Project.

19.9 Rehabilitation

Provision will be made for the rehabilitation of the Lac Harris site as stipulated in the Québec "Guideline for preparing a mining site rehabilitation plan and general mining site rehabilitation requirements". Rehabilitation and closure plans will be produced and submitted before the start of operations.

19.10 Environmental Management Plan

An Environmental Management Plan will form part of the EIS and will provide a detailed description of environmental surveillance and monitoring practices and of mitigation measures during all phases and in all areas of the Project.

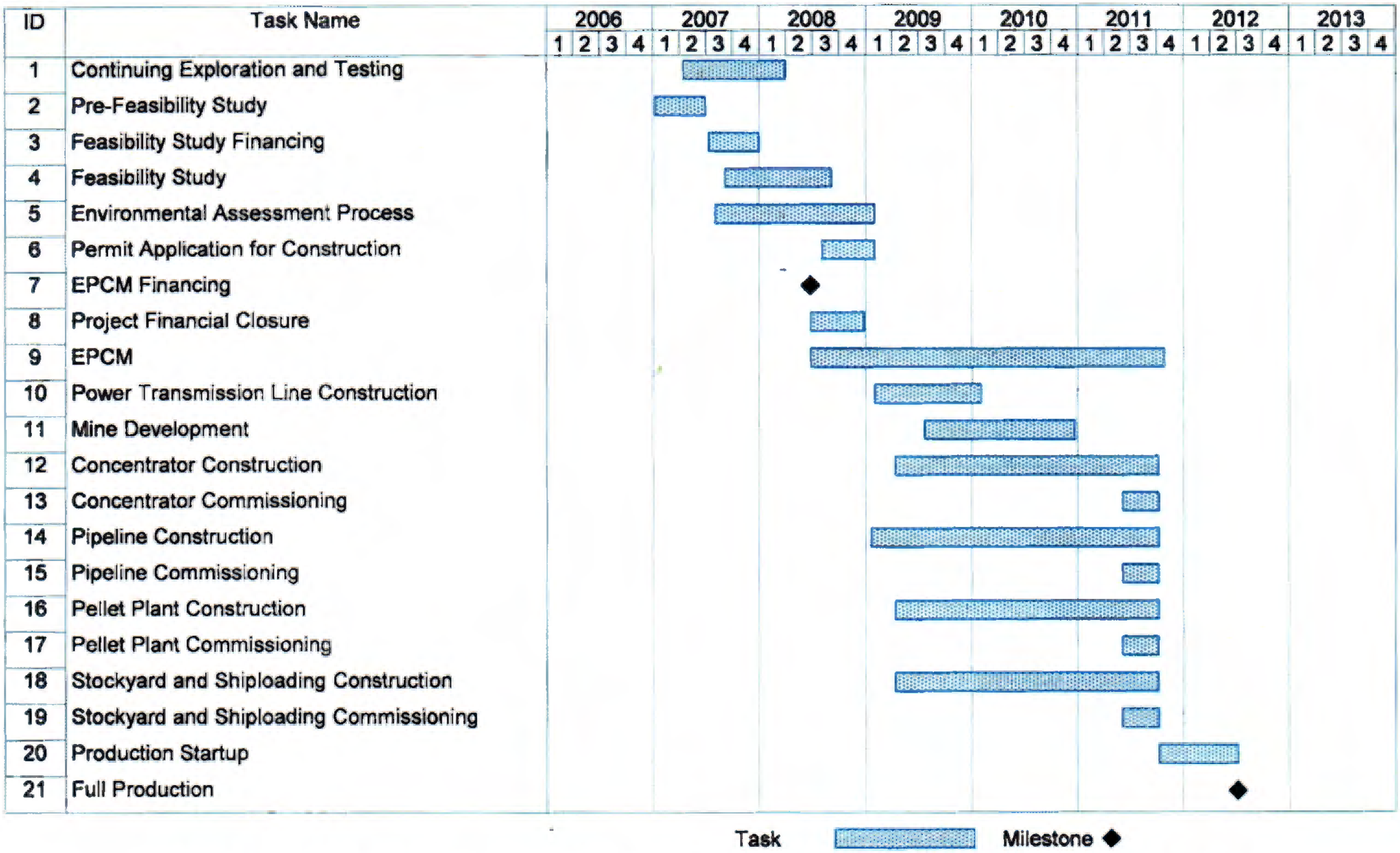
20.0 PROJECT MASTER SCHEDULE

Assuming that a Feasibility Study can be completed and Environmental Permitting obtained in the next two years, it is estimated that either Scenario 1 or Scenario 2 of the Project can be engineered so that:

- Construction will start in the spring of 2009;
- Start-up will begin in the last quarter of 2011;
- Sale of pellets will start in the first quarter of 2012
- The full production rate will be achieved in mid-2012.

The major activities to be undertaken in that timeframe are described hereafter and shown on the bar-chart presented as Figure 20.1.

Figure 20.1 – Preliminary Master Schedule



The scheduled development of the mine and construction of the concentrator hinge on the timely transportation of all construction material and equipment from the port of Sept Îles to Ross Bay Junction on IOCC's QNS&L railway and from there on the TRT railway to Schefferville, where the Project includes a railway yard with sidings, offloading ramps, explosive siding and mobile handing equipment. It has been assumed that TRT will take the necessary measures to ensure that the railway is upgraded to meet KéMag requirements and schedule and that TRT will acquire all the required rolling stock. NML considers that the QNS&L railway system can handle all the required material movement.

21.0 MARKET

NML has received reports from a company and an individual that are experts in the world iron ore and, more particularly, pellet markets. The reports cover:

- Crude Steel Production;
- Iron Ore Demand From Integrated Steel Mills;
- Direct Reduction Sector;
- Iron Ore Supply;

- Pellet Supply;
- Pellet Demand – 2005;
- Longer Range Pellet Demand;
- Supply-Demand Balance;
- Freight issues;
- Iron Ore Price Development;
- Technical Issues;
- Pricing

21.1 Price Assumption

For the LabMag PFS Report, based on an assumed price of US 60.0 ¢/mtu for fines and an assumed pellet premium of US 36.0 ¢/mtu, a long-term pellet price of US 96.0 ¢/mtu was used.

In the light of the above forecasts, the long-term prices used for the estimation of KéMag revenues are based on the LabMag prices plus the percentage increases realized for 2007:

Pellet feed fines	US 60.0 ¢/mtu plus 9.5% = US 66 ¢/mtu
Acid pellet price:	US 96.0 ¢/mtu plus 5.8% = US 102 ¢/mtu;
DR grade pellet price	a 10% premium over acid pellet price.

21.2 Marketing

The sales and marketing plan implemented for the LIOP has been extended to cover the KéMag products, and indications of interest are being obtained from ore purchasers.

22.0 CAPITAL AND OPERATING COST ESTIMATES

As a general rule, basic design concepts were developed for all facilities based on knowledge of the LIOP and other similar operations elsewhere. Process equipment was sized and layouts of facilities showing major equipment locations and plant cross-sections were made in sufficient detail to develop preliminary quantities for estimating purposes.

The prices of equipment and materials were based on quotes provided by potential suppliers for the LabMag PFS as well as in-house data which reflect experience from previous similar work. Equipment erection and installation costs were determined on the basis of a percentage of the value of the equipment in some cases, and on labour estimates in other cases.

As for the LabMag PFS, costs for the pellet plant were derived from published data on the Samarco 7.25 million tonnes per year pellet plant and from past studies for similar plants. Cost estimates for the concentrate slurry pipeline and the product stockyard and ship loading facilities were based on information provided by PSI and Howe (India) respectively.

Process and service piping was estimated based on the cost of equipment to which it is related, using a percentage base on experience from the LIOP and other similar projects. Cabling was sized and quantities estimated from drawings, and instrumentation and process control systems were factored from electrical costs. High and low voltage power lines were specified and design, supply and build prices obtained. Electrical substation prices were obtained based on capacity, voltage and service required.

The cost of civil work and local supplies was based on unit prices supplied for the LabMag PFS by qualified contractors with prior experience in similar fields.

Manpower costs were based on composite crews and Canadian productivity rates appropriate for the locations of the various facilities. The base rates for labour were based on the non union rates currently in force in the region.

Owner's costs, such as engineering, procurement and construction management costs, interest during construction, working capital, sales and marketing and other financial costs were estimated based on knowledge of the LIOP and similar projects. A separate estimate was made for environmental baseline studies, impact statements, public consultation, public hearings and permitting.

The basis for the majority of the direct and indirect costs was data generated in the preparation of the LabMag PFS, which was issued at the end of June 2006. Based on the Bank of Canada Inflation Calculator of 29 May 2007, an overall inflation factor of 2.15% was applied to total estimated direct and indirect capital costs.

In estimating operating costs:

- The price of energy was assumed to be $0.042/kWh for electricity, $0.85/litre for No. 2 diesel fuel and $0.40/litre for No. 6 Bunker C fuel oil;
- The cost of manpower was based on the latest collective bargaining agreement between IOCC and its unionized labour;
- Maintenance and repair costs were estimated from manufacturer's data or based on the LIOP and other similar projects.

Summaries of the estimated capital and operating costs are presented in the following Section.

23.0 FINANCIAL ANALYSIS

23.1 General

This Section describes the method of analysis, the basic assumptions made, and the findings of the analyses to evaluate the viability of KéMag Iron Ore Project in each of two scenarios:

Scenario 1

- To produce and sell 15 million tonnes per year of pellets at an average 66.3% Fe.

Scenario 2

- To produce and sell 7 million tonnes per year of concentrate as pellet feed fines at an average 69.1% Fe, in addition to the 15 million tonnes per year of pellets.

The analyses were performed using estimates of capital and operating costs, an estimated construction schedule and an estimated production schedule, all as set out elsewhere in preceding Sections of this report. In addition, financial conditions of required funds were examined.

It is to be noted that, not being limited to the use of a mine life based on Indicated Resources as would have been the case with a PFS, the Financial Analyses carried out for the PAS were based upon the sum of estimated Indicated and Inferred Resources, which gave a production life of 25 years after a construction period of three years for each scenario.

All financial amounts were expressed in second quarter 2007 Canadian dollars. Prices obtained in American dollars were converted at the rate of US$ 0.88 = Can$ 1.00.

The financial analyses were made on the basis of a financing structure assuming a mix of equity, suppliers' credit and funds borrowed from commercial banks.

The estimates and assumptions were fed into a financial model constructed on COMFAR III-Expert software, developed by UNIDO. The COMFAR software produced an Income and Cash Flow Statement, a Balance Sheet, and other financial schedules for the chosen financial structure. The Internal Rate of Return ("IRR") was calculated according to the discounted cash flow methodology, and sensitivity analyses were undertaken.

The complete model, including financial statements, sensitivity analyses and calculation details, is presented in ***Attachment B.***

23.2 Revenue

Details related to tonnages and sales prices for iron ore pellets and concentrate are given on the Data page of the financial model. Following discussions between NML management and experts in the global iron ore market, it was decided that the FOB prices of pellets and concentrate used for this Preliminary Assessment Study would be 5.8% and 9.5% higher respectively than the LIOP prices that were based on 75% of the average prices projected for the years 2011 to 2015 inclusive. Therefore, for pellets at 66.5% Fe, the average price used was Can$76.75 per tonne and for concentrate at

69.1% the average price was Can$51.64 per tonne. DR grade pellets sales assumed a 10% premium over the price for blast furnace pellets with an Fe content of 67.52%

For the purposes of the financial analyses, no inflation was applied to those prices, which were assumed to be constant for the life of the Project.

There will be no revenue during construction from early 2009 to the end of 2011. For the year 2012 and for subsequent years, estimated sales tonnages and revenues for Scenario 1 will be as shown in Table 23.1.

Table 23.1: Estimated Sales Tonnages and Revenues by Year for Scenario 1

	Year	2012	2013	2014 to 2036 (per yr)
Blast Furnace Pellets	**Tonnes**	7,000,000	9,000,000	10,000,000
	$'000	537,255	690,755	767,500
DR Grade Pellets	**Tonnes**	3,500,000	4,500,000	5,000,000
	$'000	300,125	385,875	428,750
Total	**$'000**	**837,380**	**1,076,630**	**1,196,250**

For Scenario 2, additional sales of 7 million tonnes per year of concentrate at a price of $51.64 per tonne will result in additional revenue of $253.04 million in year 2012, $325.33 for 2013 and $361.48 every year thereafter until the seventieth and last year of production when total revenue drops to $1,196.25 million due to the depletion of currently known resources. Results of an on-going drilling program on the KéMag property are expected to increase the resource base and therefore provide an extension to the cash flow period for this scenario.

23.3 Expenses

Operating expenses were generated on a year-to-year basis in second quarter 2007 Canadian dollars. Expenses were developed on a year-by-year basis for the mine, to reflect the evolution of the pit, and as a yearly average for other sectors of the operation.

Table 23.2 summarizes operating expenses for year 1, Scenario 1.

Table 23.2: Estimated Annual Operating Cost per Tonne of Pellet for Scenario 1 (Can$)

Cost Item	Mine	Concen-trator	Pipe-line	Flot-ation	Pellet Plant	Stock & Load	Admin.	Total
Total $ million	88.89	142.23	18.2	7.59	112.37	13.3	15.92	398.5
$ per tonne BF pellets	5.93	9.48	1.21	-	7.49	0.89	1.06	26.06
$ per tonne DR grade pellets	**5.93**	**9.48**	**1.21**	**1.52**	**7.49**	**0.89**	**1.06**	**27.58**
Production	**Crude**	**Conc.**	**Conc.**	**Conc.**	**Pellet**	**Pellet**	**Pellet**	**Pellet**
Million tonnes per year	50.8	14.2	14.2	4.73	15.0	15.0	15.0	15.0

Table 23.3 summarizes operating expenses for year 1, Scenario 2.

Table 23.3: Estimated Annual Operating Cost per Tonne of Product for Scenario 2 (Can$)

Cost Item	Mine	Concen-trator	Pipe-line	Flot-ation	Pellet Plant	Filter Plant	Stock & Load	Admin. & Serv.	Total
Total $ million	125.84	206.61	19.48	7.59	112.37	5.77	14.18	20.31	512.15
$ per tonne concentrate	5.63	9.23	0.87	-	7.49		0.64	0.91	19.01
$ per tonne BF pellets	5.63	9.23	0.87	1.52	7.49		0.64	0.91	24.77
$ per tonne DR Grade pellets	5.94	9.75	0.92	1.52	-	0.82	0.64	0.94	26.29
Production	Crude	Conc.	Conc.	Conc.	Pellet	Conc.	Conc. & Pellet	Conc. & Pellet	Conc. & Pellet
Million tonnes	76.2	21.2	21.2	4.7	15.0	7.0	22.0	22.0	22.0

Mine operating costs are on par with those for Minnesota Iron Range operations as published in Skillings Mining Review, and processing and pelletizing costs are lower than those of similar operations. The KéMag Project benefits from the low cost of electrical energy and the quality of the ore, which is hard but not difficult to concentrate. Furthermore, the cost of transporting concentrate by pipeline instead of by railroad represents a substantial saving.

23.4 Capital Expenditures

The capital cost of the Project for Scenario 1 was estimated to be approximately $3,388 million, including direct costs of $2,648 million, indirect costs of $668 million, and an amount of $71 million to account for inflation because the basis for the estimate of direct costs was price quotations received in 2006. The indirect cost includes an estimated amount of approximately $191.5 million for initial working capital. Furthermore, accounts payable and receivable are established at 30 days.

Table 23.4 gives a breakdown of the estimated capital expenditure for each of the two scenarios.

Table 23.4: Estimated Capital Expenditures for Scenarios 1 and 2 (Can$)

	Million $	
Component	**Scenario 1**	**Scenario 2**
Mine	157.8	204.6
Crushers	234.4	284.3
Concentrator	449.9	529.1
Pipeline	831.9	1,085.1
Pellet Plant	707.7	701.1
Port Facilities	184.4	280.9
Power Supply	117.4	122.1
Sub-total Direct costs	**2,683.5**	**3,207.2**
EPCM	201.3	240.5
Owner's costs	198.9	267.5
Contingency	277.7	331.2
Sub-total Indirect costs	**677.9**	**839.2**
Total	**3,361.4**	**4,046.4**

Details of the capital expenditures appear in the financial model under Sources and Application of Funds, as do estimated capitalized interest charges during construction of $191.5 million for Scenario 1 and $222.0 million for Scenario 2. The levels of capital expenditures were not adjusted for future inflation and the initial expenditures stated above were scheduled for disbursement over the entire period of construction.

In addition to the initial capital expenditures, provision of $155 million and $209 million were made for Scenario 1 and Scenario 2 respectively for sustaining capital to cover equipment replacement and increasing mining fleet and tailings handling and storage requirements.

23.5 Fiscal Considerations and Depreciation

Given the complexity of the taxation issue with regard to the various taxation levels and numerous allowances involved, special software supplied by a taxation expert was used for tax evaluation. The product of that software was then fed into COMFAR for the after-tax financial analysis.

The following fiscal conditions were assumed to apply for both scenarios:

- For federal and Québec provincial corporate income tax:
    - Federal income tax rate of 19%;
    - Provincial Income tax rate of 11% for subsequent years;
    - Accelerated depreciation of 25% per year up to 100% on Class 41A mining concentrator, pipeline, pellet plant and power supply assets,;
    - Depreciation of 25% on the declining balance for Class 41B mining and port installation assets;
    - Canadian development expenditure depreciation on the basis of 30% per year;
    - Canadian exploration expenditure depreciation on the basis of 100%:
    - Mining duties.
- For Québec provincial mining tax:
    - Mining tax rate of 12%;
    - Processing allowances of 15% per year of the cost of processing assets, up to a maximum of 65% of the profit for the year;
    - Northern mine allowance of 166.67% of the cost of processing assets, deductible in the first ten years of production;
    - Exploration and development expenditures deductible at 100%;
    - Depreciation up to 100% of capital expenditures.

Taxes payments are shown in the financial model presented in ***Attachment B***. For Scenario 1, the combined effects of depreciation and allowances result in tax holidays of about five years for corporate income tax and eleven years for the provincial mining tax. For Scenario 2, the respective periods are five and nine years. The impact of taxes on project profitability is demonstrated by the "After Tax IRR" shown in Table 22.4.

23.6 Residual Value

For the purpose of this financial evaluation, it was assumed that any revenue realized from the sale of fixed assets at the end of the Project would be offset by the cost of rehabilitating the sites. Therefore, a net residual value of zero was used.

23.7 Financing

The financial model was created to address the case where equity is assumed to be around 30% of the Project capital cost for both Scenario 1 and Scenario 2. To the extent possible, the disbursement of the borrowed funds was delayed in order to reduce the amount of interest payable.

As financing was not yet in place, for the 30% equity analyses the annual interest rate was assumed to be 7.00% (Average U.S. Prime for 2005, 2006 and first quarter 2007 + 2.34%) for the Project.

The mix of long-term borrowed funds was assumed to be:

- Suppliers' credits arranged with their equipment as collateral for a period of seven years and amounting to $1,322.4 million or 36.7% of the total long-term project financing for Scenario 1;
- One or more loans from one or more commercial banks for a period of 10 years, totalling $1,225.25 million or 34.0% of the total long-term project financing for Scenario 1.

In both cases, the assumed terms of repayment were single payment at the end of each civil year starting at the end of the first full year of production. It is important to note that no additional work was done to confirm these assumptions with potential lenders. The financing terms are used only to show the positive leverage of financing.

A similar mix of long-term borrowed funds was assumed for Scenario 2.

It is important to note that no additional work was done to confirm these assumptions with potential lenders. The financing terms are used only to show the positive leverage of financing.

23.8 Results

The results of financial analyses with the Net present value ("NPV") discounted at 5% for each of the pre-tax and post-tax cases for each of the scenarios are presented in Table 23.5.

The results show that Scenario 1 generates sufficient funds to service debt and has an attractive return on investment. However, although the capital cost for Scenario 2 is, of course, greater than that for Scenario 1, Scenario 2 is even more financially attractive in all respects, with higher IRR and ROE and a greater NPV.

Table 23.5: Project Financial Results

	Scenario 1		Scenario 2	
	Before taxes*	After taxes*	Before taxes*	After taxes*
Project IRR (%)	18.31	16.06	19.56	17.06
Equity ROE (%)	29.56	26.41	31.72	28.34
Payback (Years from production start-up)	5	5	5	5
Net Present Value ($ million)	6,105	4,069	8,300	5,395

* Corporate income tax and provincial mining tax

23.9 Sensitivity

A sensitivity analysis was prepared for each Scenario by measuring the effect of variations of up to ± 20% in key parameters on the Project IRR for the case "Before corporate and provincial mining taxes". The selected parameters were Revenue, Capital Expenditure and Annual Operating Costs.

As shown in Table 23.6 and Figures 23.1 and 23.2, for the pre-tax case the viability of the Project is most sensitive to variations in Revenue, and least sensitive to variations in Annual Operating Costs.

Sensitivity analyses were also carried out for the case "After corporate and provincial mining taxes" and are included in the financial model presented in ***Attachment B***.

Table 23.6: Project IRR with Variations in Key Parameters (%)

	Internal Rate of Return (IRR)					
	Scenario 1 (Pre-tax)			Scenario 2 (Pre-tax)		
Variation (%)	**Sales Revenue (%)**	**Capital Cost (%)**	**Annual Operating Costs (%)**	**Sales Revenue (%)**	**Capital Cost (%)**	**Annual Operating Costs (%)**
-20.00	12.92	22.23	20.02	13.95	23.64	21.34
-16.00	14.07	21.32	19.68	15.14	22.70	20.99
-12.00	15.18	20.49	19.34	16.30	21.83	20.64
-8.00	16.25	19.71	19.00	17.41	21.02	20.28
-4.00	17.29	18.99	18.66	18.50	20.27	19.92
-	**18.31**	**18.31**	**18.31**	**19.56**	**19.56**	**19.56**
+4.00	19.30	17.67	17.96	20.59	18.90	19.20
+8.00	20.27	17.08	17.60	21.61	18.28	18.83
+12.00	21.21	16.52	17.25	22.59	17.69	18.46
+16.00	22.14	15.98	16.88	23.56	17.14	18.08
+20.00	23.05	15.48	16.52	24.51	16.61	17.70

Figure 23.1 – Sensitivity of IRR to Variations in Key Parameters
Scenario 1 (Pre-tax)

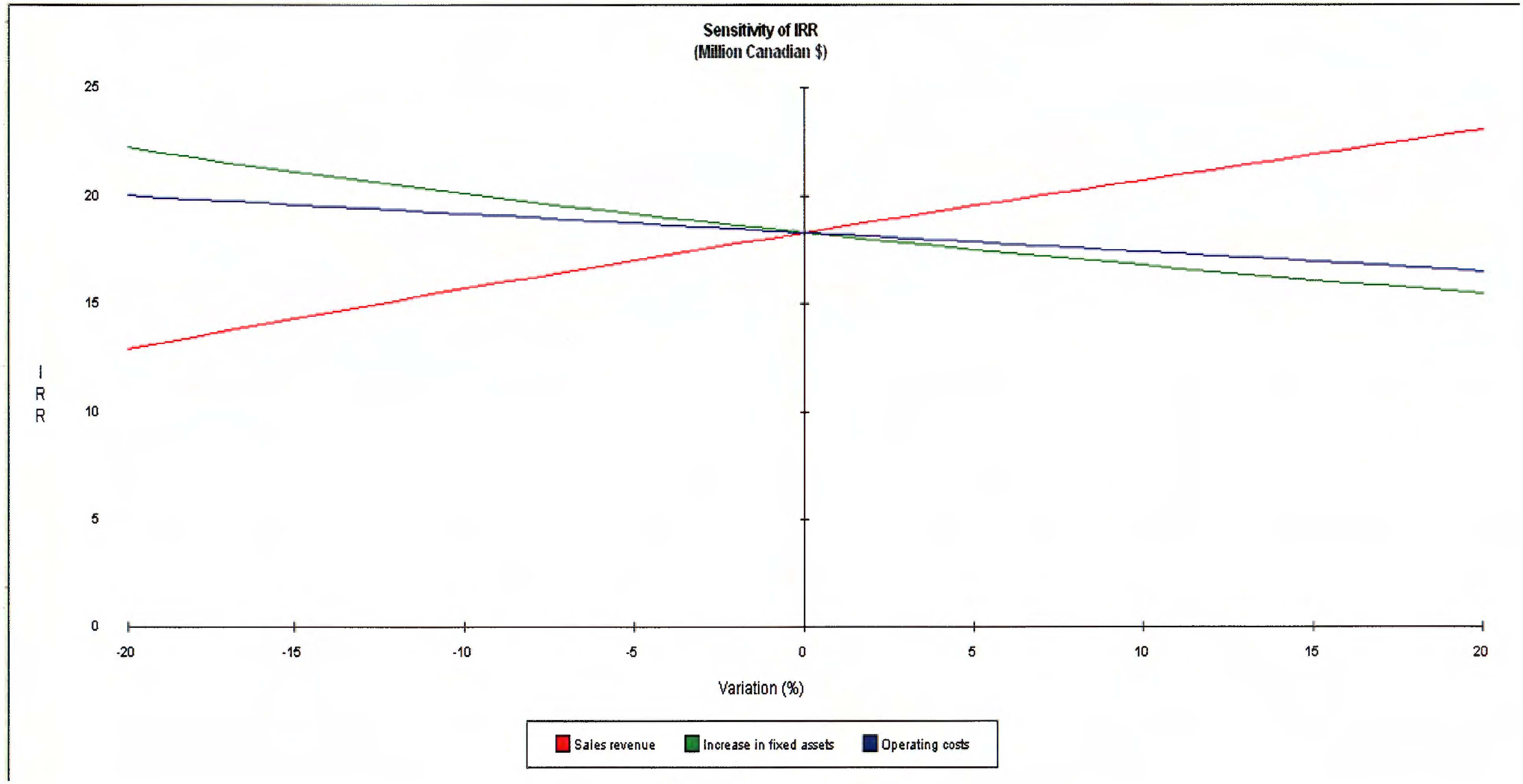
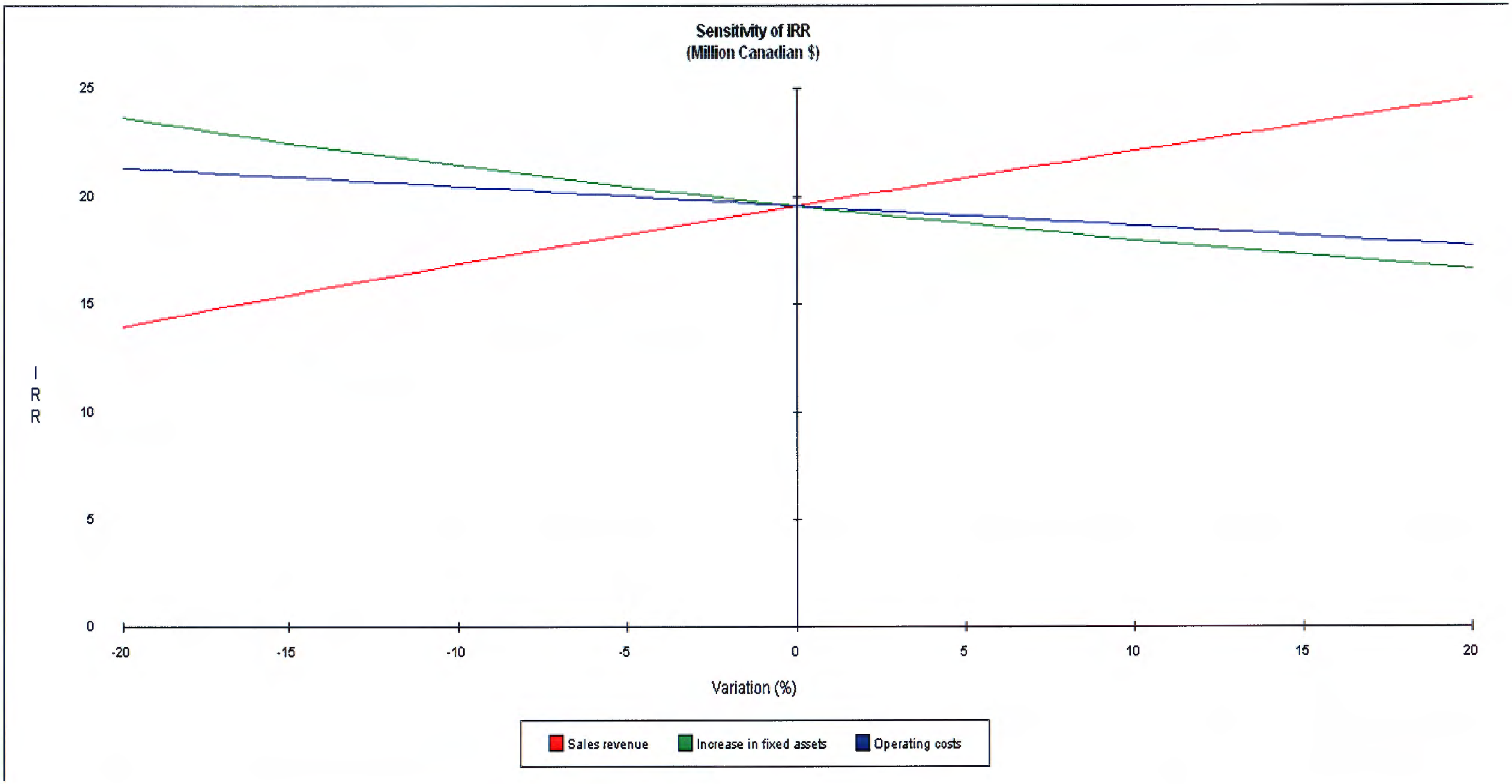
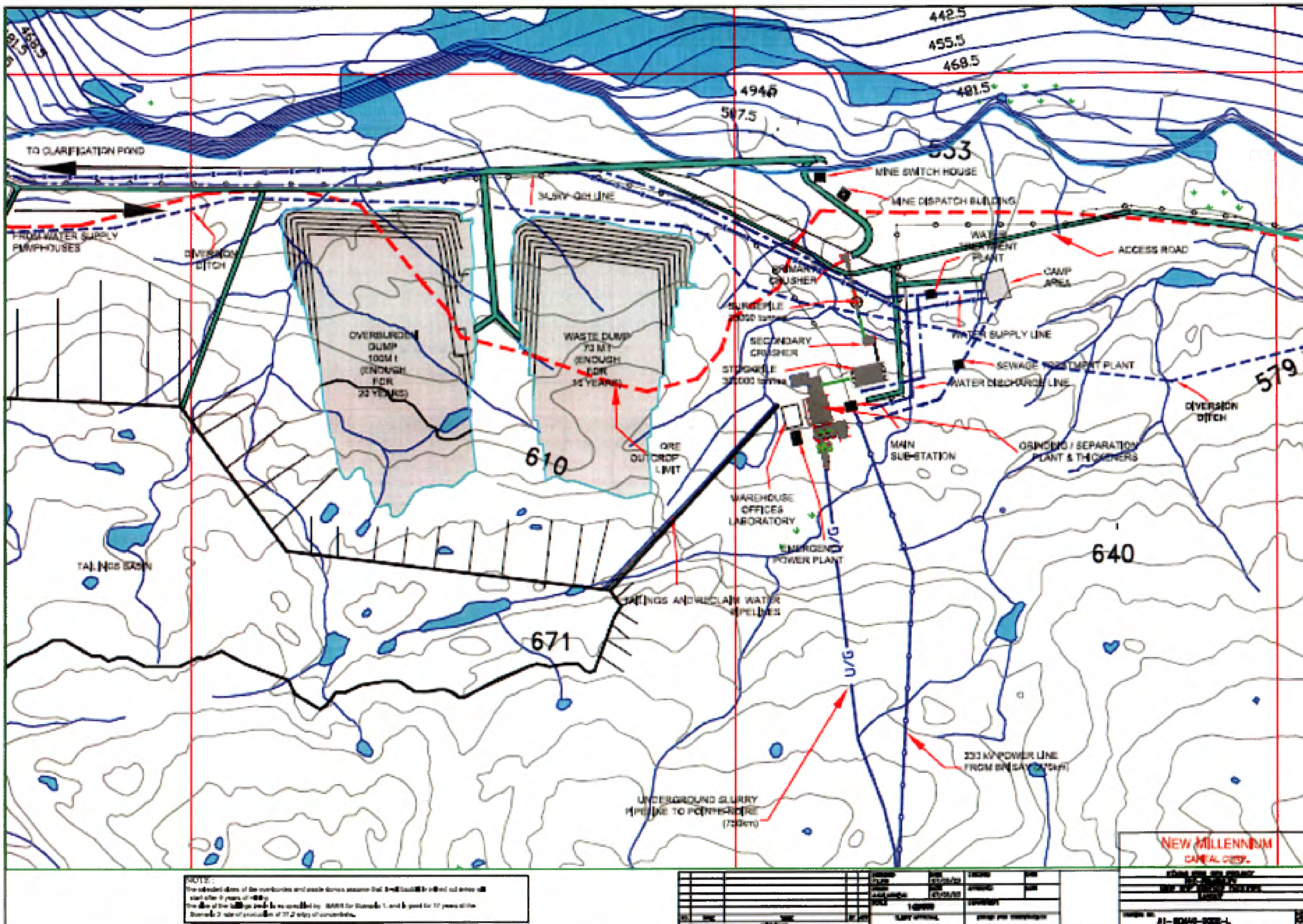


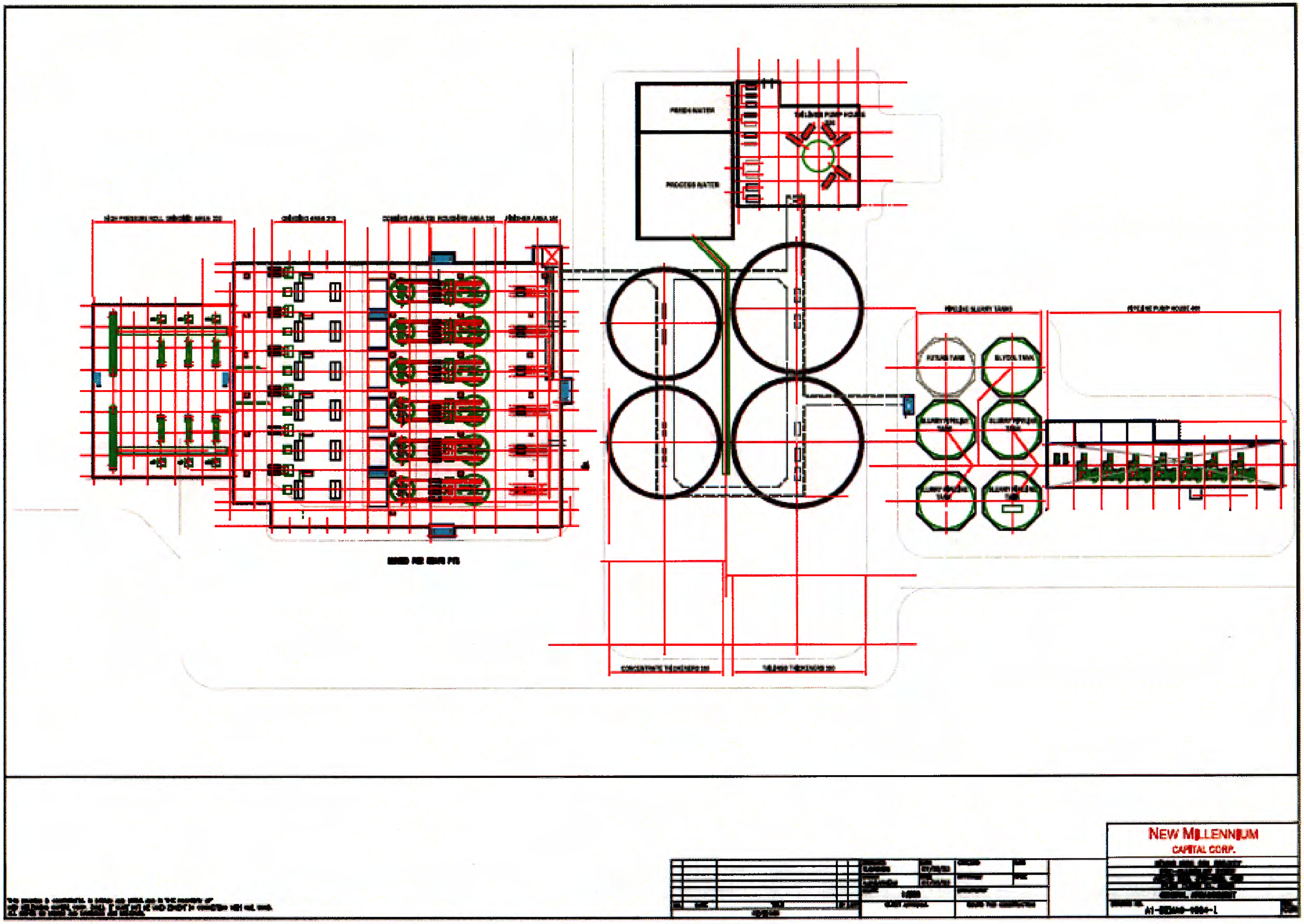
Figure 23.2 – Sensitivity of IRR to Variations in Key Parameters
Scenario 2 (Pre-tax)

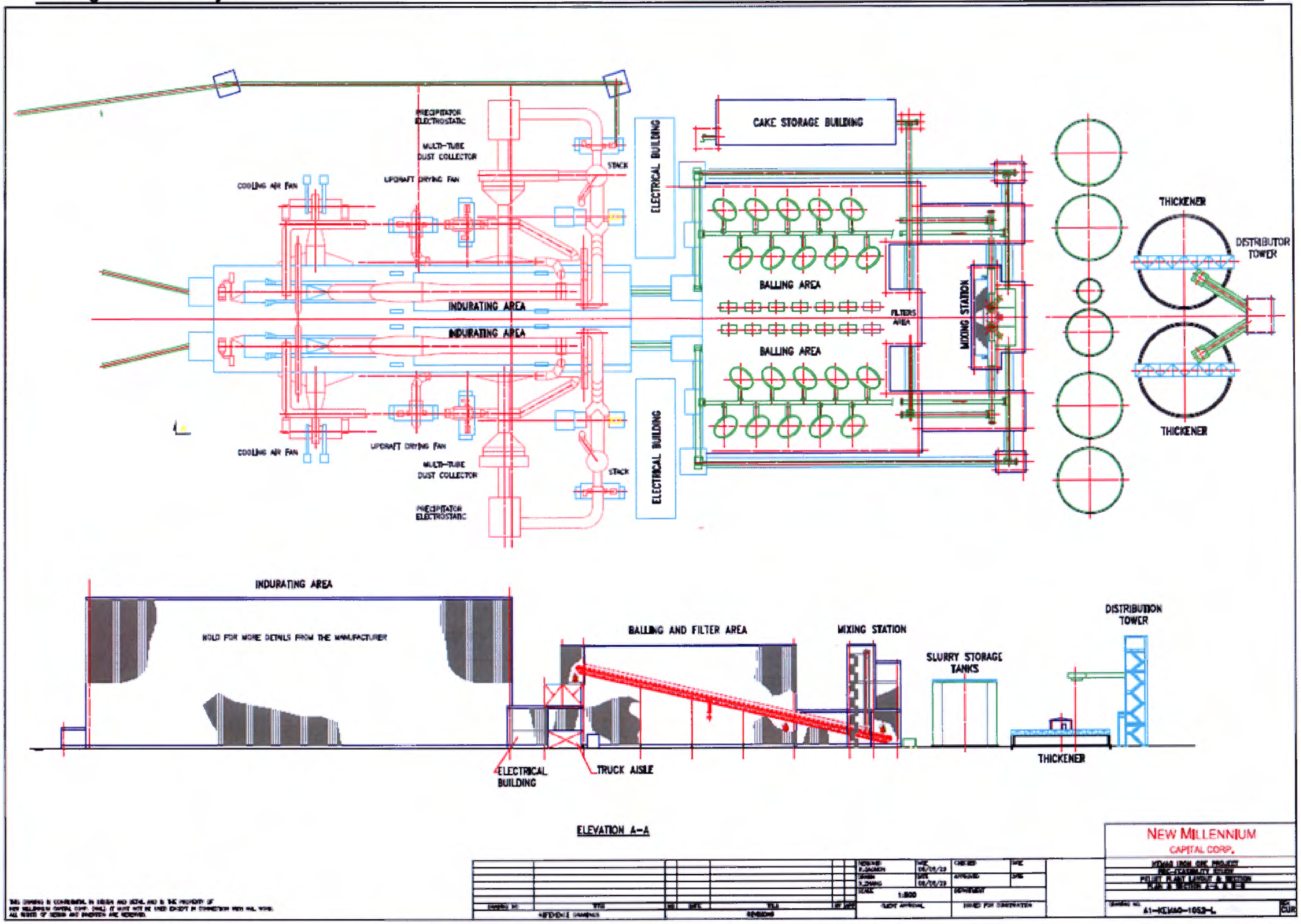


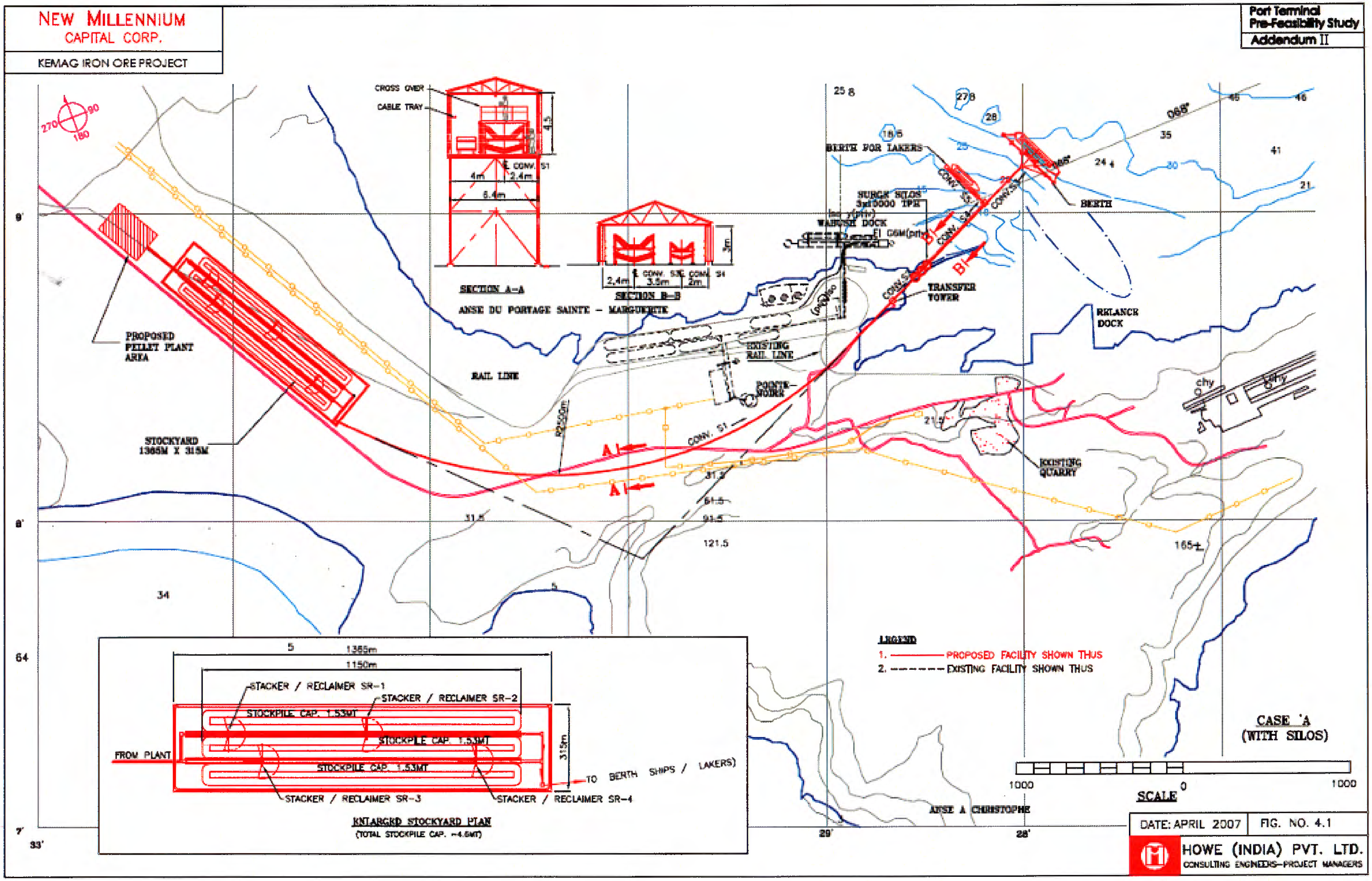
Attachment A

Mine Site Surface Facilities Layout	Drawing A1-KEMAG-0002-L
Concentrator Layout	Drawing A1-KEMAG-1004-L
Pellet Plant Layout	Drawing A1-KEMAG-1052-L
Pellet Storage and Ship Loading Site	
Scenario 1	Howe (India) Figure 11.2
Scenario 2	Howe (India) Figure 4.1


442.5
455.5
468.5
481.5
507.5
533
TO CLARIFICATION POND
FROM WATER SUPPLY PUMPHOUSES
DIVERSION DITCH
MINE SWITCH HOUSE
MINE DISPATCH BUILDING
ACCESS ROAD
CAMP AREA
PRIMARY CRUSHER
SECONDARY CRUSHER
OVERBURDEN DUMP
WASTE DUMP
WATER SUPPLY LINE
SEWAGE TREATMENT PLANT
WATER DISCHARGE LINE
579
DIVERSION DITCH
MAIN SUB-STATION
GRINDING / SEPARATION PLANT & THICKENERS
ORE OUTCROP LIMIT
610
WAREHOUSE OFFICES LABORATORY
EMERGENCY POWER PLANT
640
TAILINGS BASIN
671
U/G
U/G
NEW MILLENNIUM CAPITAL CORP.


NEW MILLENNIUM
CAPITAL CORP.


CAKE STORAGE BUILDING
ELECTRICAL BUILDING
PRECIPITATOR ELECTROSTATIC
MULTI-TUBE DUST COLLECTOR
UPDRAFT DRYING FAN
COOLING AIR FAN
STACK
INDURATING AREA
INDURATING AREA
BALLING AREA
BALLING AREA
FILTERS AREA
MIXING STATION
THICKENER
DISTRIBUTOR TOWER
THICKENER
INDURATING AREA
HOLD FOR MORE DETAILS FROM THE MANUFACTURER
BALLING AND FILTER AREA
MIXING STATION
DISTRIBUTION TOWER
SLURRY STORAGE TANKS
THICKENER
ELECTRICAL BUILDING
TRUCK AISLE
ELEVATION A-A
NEW MILLENNIUM
CAPITAL CORP.


NEW MILLENNIUM CAPITAL CORP.
KEMAG IRON ORE PROJECT
Port Terminal Pre-Feasibility Study Addendum II
CROSS OVER
CABLE TRAY
SECTION A–A
SECTION B–B
ANSE DU PORTAGE SAINTE – MARGUERITE
PROPOSED PELLET PLANT AREA
STOCKYARD 1365M X 315M
RAIL LINE
EXISTING RAIL LINE
POINTE-NOIRE
BERTH FOR LAKERS
SURGE SILOS
WABUSH DOCK
BERTH
TRANSFER TOWER
RELIANCE DOCK
EXISTING QUARRY
LEGEND
1. PROPOSED FACILITY SHOWN THUS
2. EXISTING FACILITY SHOWN THUS
CASE 'A (WITH SILOS)
SCALE
ANSE A CHRISTOPHE
STACKER / RECLAIMER SR-1
STACKER / RECLAIMER SR-2
STACKER / RECLAIMER SR-3
STACKER / RECLAIMER SR-4
STOCKPILE CAP. 1.53MT
FROM PLANT
TO BERTH SHIPS / LAKERS)
ENLARGED STOCKYARD PLAN
(TOTAL STOCKPILE CAP. ~4.6MT)
DATE: APRIL 2007
FIG. NO. 4.1
HOWE (INDIA) PVT. LTD.
CONSULTING ENGINEERS–PROJECT MANAGERS

Affidavit

J'affirme par la présente que le travail effectué entre 2006 et 2007 sur la propriété KéMag de New Millennium Capital Corp., réalisé par le géologue T. (BK) Balakrishnan a été fais sous ma supervision. Je suis membre en règle de l'Ordes des Ingénieurs du Québec.

Moulaye Melainine, ing.
V.P. Development
(Superviseur)

22/02/2009
Date

T. (BK) Balakrishnan
Chef Géologue

FEB. 22/09
Date