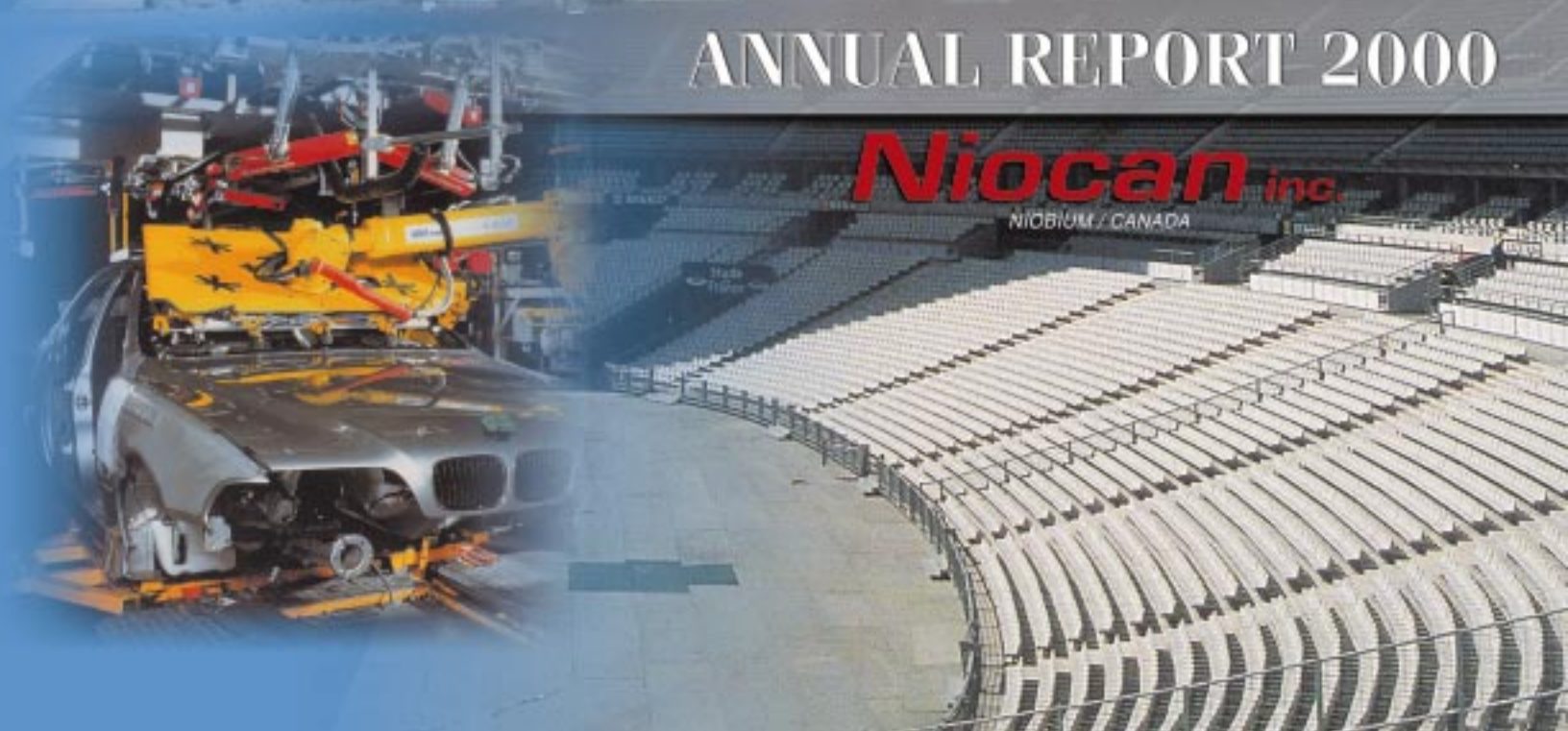




ANNUAL REPORT 2000

Niocan inc.

NIOBIMUM / CANADA



Profile and Mission

Incorporated in 1995, NIOCAN Inc. has invested more than six million dollars over the past five years in developing its niobium property in Oka, located approximately 40 km north-west of Montréal.

A feasibility study completed by the Met-Chem/SNC-Lavalin consortium indicated a high rate of return from the two major deposits on the NIOCAN property, the S-60 and the HWM-2. NIOCAN's mission is to start work on these two ore deposits and become a ferroniobium producer as quickly as possible.

In the long term, the company is planning to recover the by-products in the ore deposits and produce ferroalloys and other related products.

The capital structure of NIOCAN Inc. is comprised of an unlimited number of common shares at no par value. As of April 1, 2000, there have been 12 888 833 shares issued, 1,475,000 of which are held in escrow.



Award

In 1999, Niocan received the prestigious Development of the Year Award from the Quebec Prospectors Association. This award is given to a person or group that has contributed to bringing a mining project to the production phase.

Corporate Information Directors and Officers

- (3)(4) Bernard Coulombe – Vice-Chairman
- (2)(3)(4) René Dufour – Chairman
- (4) Richard Faucher – President and CEO
- (1)(2)(3) Hubert Marleau – Director
- (1)(2) John Mavridis – Director
- (4) Richard Neal – Director
- Alain Robin – Secretary-treasurer
- (1) Mackenzie I. Watson – Director

-
- (1) Audit Committee
 - (2) Compensation Committee
 - (3) Managing Committee
 - (4) Committee for Environment, Health and Safety

Annual Shareholders' Meeting

The annual shareholders' meeting of NIOCAN Inc. will be held on Thursday, May 10, 2001 at 10:00 a.m. in the Matapédia Room of the Queen Elizabeth Hotel, 900 René-Lévesque West, Montreal

Annual report

For additional copies of this report, please write to:
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Corporate Office

NIOCAN inc.

2000 Peel Street, Suite 560, Montreal QC H3A 2W5
Telephone: (514) 288-8506 Fax: (514) 843-4809

Legal Counsel

Ménard Mageau Valiquette

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Montréal (Québec) H2Z 1W7

Auditors

KPMG, s.r.l.

2000 avenue McGill College, bureau 1900
Montréal (Québec) H3A 3H8

Registrar and Transfer Agent

Société de Fiducie Computershare du Canada

1800, ave McGill College
Montréal QC H3A 3K9

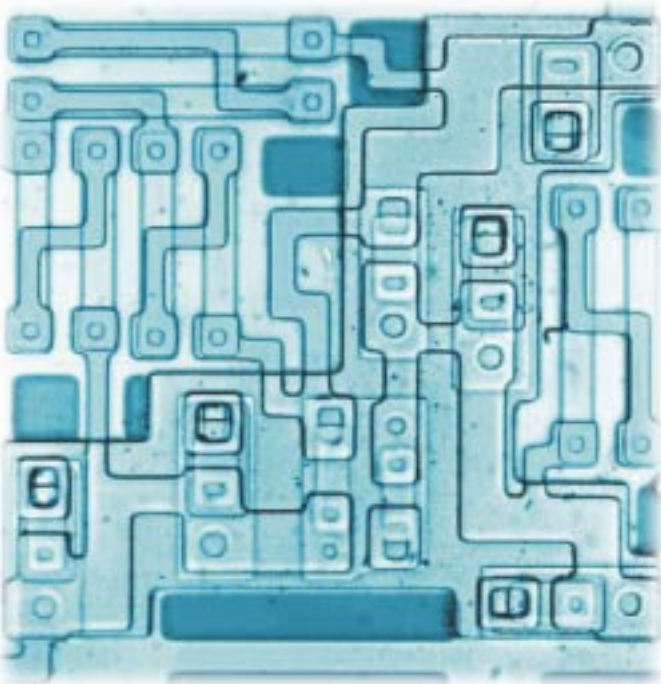
Computershare Trust Company of Canada

100 University Ave., 8th Floor
Toronto, ON H3A 3K9

Exchange Listing

Toronto Stock Exchange – Symbol: NIO

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The superconductivity of niobium alloys are opening new channels for the metal in the microchip sector. Here, niobium alloy is used as a connector in a micro circuit application.

Front Cover:

The use of niobium alloys continues to grow as weight, strength and energy conservation play an ever increasing role in the design of new products and structures. Niobium alloys afford structural engineers and architects more freedom to design larger components without the additional penalties of weight and metal fatigue. The results are beautifully designed structures like the Stade de France and the recently completed 7.9 km dual-purpose Øresund bridge (auto and rail) which spans the waters between Denmark and Sweden. The longest span of the bridge is 490 metres long. Niobium alloys' strength and weight advantage also finds increasing applications in the automotive industry, including the German-built luxury BMW sedan. Niobium's strength is also capitalized upon in the fabrication of high-pressure pipelines, such as this TransCanada Pipeline installation which is buried over countless kilometers of rugged terrain.

NIOCAN would like to thank the German automaker BMW, the Stade de France Corporation, the Øresundsbro Konsortiet and TransCanada Pipelines for the use of their photographs. All make extensive use of niobium alloys in their creations and projects.

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Year 2000 Highlights

NIOCAN project referendum

Forty percent (40%) of the residents who voted from the Parish of Oka support the NIOCAN project. However, 92% of the residents of the Village of Oka indicated, in a signed and notarised document, that they support the project. This results in the favourable support of 65% of the residents of the two recently merged communities.

Offer to purchase Cambior's 50% share of Niobec

NIOCAN Inc. and SOQUEM signed a letter of understanding with Teck Corporation giving NIOCAN access to all technical information relating to the Niobec operations. This was undertaken with an intent to make Cambior an offer for its 50% stake in Niobec.

Teck Corporation pays \$500,000

Teck pays NIOCAN \$500,000 to maintain its right of a 25% option in the NIOCAN project, following due diligence.

Commitment of \$34 million

A number of financial institutions committed \$34 million to support NIOCAN's bid for the purchase of Cambior's interest in Niobec. Cambior then reversed its decision to sell its position.

Permit applications

On October 16th, NIOCAN filed its applications for operating permits simultaneously with the Municipality of Oka, the Commission de protection du territoire agricole (CPTAQ) and the Ministry of the Environment (MENVQ).

Local group supports project

Area residents rallied behind NIOCAN and created a committee to promote the project.

Project information made available to area residents

Production of a number of communication/information tools to explain the project: scale model of the area and the operations; publication of a project overview and an informative video. Four days of 'Open House' meetings were conducted in Oka.

Perspective 2001

Securing operating permits and the environmental certificate of authorisation

All conditions should have been met to successfully obtain the required permits and authorisations at all levels of government to move ahead with the start-up phase of the ferroniobium operating complex. It is anticipated that the Commission de protection du territoire agricole will provide the company with a favourable decision in April, to be followed by the required approvals from the provincial Ministry of the Environment.

Capital project assessed at \$102 million

The Met-Chem / SNC-Lavalin consortium, having completed the engineering and financial analysis of the project, estimates the capital requirements to be \$102,000,000.

Construction phase approval

Build an operating management team

Consolidation of sales contracts and new market opportunities

With the success of our marketing efforts in Europe, Japan and North America, our marketing efforts will be focused on securing Asian customers.



By combining a contemporary design with a no-noise or dust environment, the NIOCAN operation will blend itself into the rural landscape in a harmonious manner. Occupying only 6.2 hectares of agricultural land (which includes a parking lot and a water retention basin), the area will be restored to its original state at the end of the operation's life-cycle.

Management Overview



Securing permits

Our key objective in the year 2000 was to secure the necessary operating permits and the authorisation certificate. This was not accomplished. Management devoted a significant amount of time to the preparation of requests for permits. On October 16th, these were submitted simultaneously to the Municipality of Oka, the Commission de protection du territoire agricole (CPTAQ) and the provincial Ministry of Environment. Having previously invoked Article 246 of the Land Planning and Management Act, the Municipality automatically forwarded our permitting request directly to the CPTAQ.

In January, 2001, the Commission indicated that its initial review was generally favourable, however, it requested additional information in two areas: the restoration of the site to agricultural land at the end of operations and the effects of Niocan's operations on the area's water table. Shortly after the request was made, NIOCAN's response was submitted to the Commission.

On the 6th of March, 2001, the Commission invited the key stakeholders to a public hearing to communicate their respective positions. We anticipate that the Commission will communicate its decision in April. A positive decision will trigger a quick review of the project by the Ministry of Environment, the final phase of the permitting process before issuing its Certificate of Authorisation. Construction could then proceed.

Business Matters

NIOCAN's Board of Directors and its senior management invested a considerable amount of time to secure the necessary technical data required to make a bid for Cambior's 50% stake in NIOBEC, currently the only Canadian producer of niobium. Our due diligence process revealed a number of synergistic opportunities between the NIOCAN and NIOBEC operations. Based upon its assessment, NIOCAN proceeded to secure financial commitments totalling \$34 million from various financial institutions, before Cambior withdrew its offer to sell its position in NIOBEC.

In a November 23rd press release, Teck Corporation announced the sale of its 50% stake in NIOBEC to La société Mazarin for \$50 million, including \$7 million in working capital and \$3 million for its option to purchase a 25% share of the NIOCAN project which includes an equivalent proportional share of the cost associated with the start-up. The Teck announcement recognised that the transfer of its option is conditional upon NIOCAN's approval.

Potential for Additional Revenue

The Met-Chem / SNC-Lavalin consortium feasibility study identifies a return on investment of 16% (100% equity) based solely on the operation's niobium output. Until recently, the company has not taken into account the additional revenues which could be derived from the sale of other minerals which are recoverable, such as apatite, magnetite, calcite, rare earths and tantalum.

- Apatite: S-60, the main ore body, has a high-quality apatite content of 9%. Assays undertaken by Lakefield and COREM in 1998 confirmed the potential of producing a concentrate which exceeds market standards. Approximately 60,000 tonnes could be produced annually.
- Magnetite: Magnetite is the first mineral to be extracted in the pyrochlore concentration process. Some 60,000 tonnes could be extracted annually.
- The pyrochlore, containing the niobium, also yields 14% of rare earths. A conceptual study, conducted over the course of the last year, has confirmed that these rare earths can be successfully extracted.

With respect to niobium, it is interesting to note that its consumption continues to grow at a time when the overall consumption of steel in North America is declining. This is due to a noted increase in the use of high-end speciality steels with niobium content at the expense of lower grades.

Communications

Over the past year, we have undertaken a significant public information and awareness program for Oka residents. To ensure clarity and comprehension, we have produced a number of communication tools to assist us in this task:

- a scale model of the area demonstrating our operation's integration in the milieu;
- a project overview document for area residents and shareholders;
- a 25-minute video summary of the project (available upon request).

The company also held four days of 'Open House' where area residents had access to all of the information pertaining to the project.

Also, to provide area residents with a better appreciation of the economic spin-offs from the NIOCAN project, KPGM was retained to provide a socio-economic assessment of the benefits of the project to the area. The study revealed a \$35.8 million contribution to the area on an annual basis, as well as an injection of \$781.5 million into the Quebec economy over 17 years. A summary of the study was distributed to area residents, as well as to appropriate political and governmental stakeholders.

Priorities

As soon as the required permits and authorisations are in place, the focus of our Board of Directors will be to secure the necessary financing for our start-up. A number of American and European financial institutions have already indicated their interest in participating.

On behalf of the Board of Directors, I would like to thank our financial partners and shareholders for their support of NIOCAN's efforts, most of whom have been with us since 1995.

It is with great optimism that we look ahead to 2001, when all of the tools will be in place to meet our mutual objective of starting up a niobium operation that will play an important role in the new economy.


René Dufour, Chairman of the Board

Shared responsibilities

Following the 2000 Annual Shareholders' Meeting, the Board met and made the following nominations:

René Dufour, *Chairman*

Bernard Coulombe, *Vice-Chairman*

Richard Faucher, *President and CEO*

Alain Robin, *Secretary-Treasurer*

Audit Committee

Hubert Marleau, John Mavridis, Mackenzie I. Watson

Compensation Committee

René Dufour, Hubert Marleau, John Mavridis

Management Committee

Bernard Coulombe, René Dufour, Hubert Marleau

Year 2000 Board Activities

The Management Committee, comprising three Directors, meets as needed with the President to review current activities and to make decisions that do not require immediate input from the Board. The Board of Directors meets at two-month intervals or as needed, in the case of pressing matters.

Because of delays in securing the appropriate permits and the resulting setback in our start-up schedule, a number of committees established at the first Board meeting following the Shareholders' Annual Meeting, could not proceed as anticipated. Board members however invested much time and effort in the preparation of the various permit applications required by the municipality, the Commission de la protection du territoire agricole and the Ministry of the Environment. In preparing the applications, a significant amount of effort went into the consideration of quality of life issues, as they related to area residents and the minimisation of our project's environmental impact.

The Audit Committee met to study the Financial Statements prepared by KPMG for the year ending December 31, 2000. After reviewing NIOCAN's statements with KPMG, it was recommended that these be approved by the Board.

Directors and Corporate Officers:

A solid team

Each member of the Board of Directors, as well as the company's Corporate Officers are specialists in various aspects of mining– exploration, project assessment, operations, finance and marketing.

RENÉ DUFOUR, *Mining Engineer*

Chairman of the Board

Director: Noranda Inc., Jeffrey Mine and Mines Cancor.

His experience includes:

- Chief Mining Engineer and Manager of a 100,000 tonne per day operation;
- Full Professor and Director of the Mineral Engineering Department, École Polytechnique de Montréal;
- Advisor to the World Bank, the United Nations, Hydro-Québec, the Canadian International Development Agency (CIDA) and numerous mining companies;
- Member of the Board of Directors of SOQUEM;
- President of the Canadian Institute of Mining, Metallurgy and Petroleum (CIM), which has 12,000 members throughout Canada and the world;
- Chairman of the CIM Centennial Corporation from 1994 to 1999, and Chairman of the CIM Foundation from 1991 to 1997.

RICHARD R. FAUCHER, *Metallurgical Engineer*

President and CEO

Mr. Faucher, a graduate of Université Laval (1971), has held management positions in several mining companies: Noranda Inc.; Vice-President, Brunswick Mining & Smelting; President and General Manager, Falconbridge Dominicana. In 1997, as President and COO of Princeton Mining Corp., he was instrumental in raising \$140 million for the Huckleberry Mining Project in B.C..

BERNARD COULOMBE, *Mining Engineer*

Vice-Chairman of the Board

Mr. Coulombe is the President and principal shareholder of Jeffrey Mine and has been a Director of Placer Dome since 1993. He is an expert in mining, ore concentration and the management of large mining operations.

Seated

From left to right

Bernard Coulombe

René Dufour

Alain Robin

Standing

Hubert Marleau

Richard Neal

Richard Faucher

John Mavridis

Absent

Mackenzie I. Watson



ALAIN ROBIN, Director

Mr. Robin was a member of the École Polytechnique de Montréal's Retirement Plan Management and Investment Committee and sat on the Board of the Caisse Populaire *Les Grands Boulevards* in Laval.

HUBERT MARLEAU, Director

He is currently President and Managing Director of Palos Capital Corp.. A graduate of the University of Ottawa, Mr. Marleau was formerly Chairman and CEO of Marleau, Lemire Inc, Senior Executive Vice-President at Lévesque Beaubien Inc. and Senior Vice-President at Nesbitt Thompson. He sits on the Board of numerous companies.

RICHARD NEAL, Director

Consultant. Mr. Neal has a BA in Administration and has held several management positions.

JOHN MAVRIDIS, Lawyer

Director

Mr Mavridis specializes in corporate law. He is a partner in the law firm, Brouillette, Charpentier, Fortin.

MACKENZIE I. WATSON, Geologist

Director

He is President and principal shareholder of Freewest Resources Canada Inc. Mr. Watson has specialized in mining exploration. He has discovered several deposits and has founded a number of mining companies.

The Project: An overview

Richard Faucher

President and Chief Executive Officer

Early in the Year 2000, the consortium of Met-Chem and SNC-Lavalin completed a project feasibility study for NIOCAN which showed a 17.5% rate of return on investment, or 16% before inflation (100% equity), based solely on the operation's niobium output and its conversion to ferroniobium. The study went on to identify additional minerals in the ore which could provide additional revenue. The principal ones were apatite, magnetite, calcite and rare earths.

A review of the assay results undertaken before March 1999 confirmed a significant under estimation of the niobium mineralization by at least 3%. The methodology employed before March 1999 did not factor in the presence of rare earths in the fluorescent analysis of niobium. Accounting for this crucial factor increases the internal rate of return by 1.3%, to 17.3%.

Basic Engineering Study

Over \$1 million have been invested in the feasibility study and basic engineering for the NIOCAN project. This study has confirmed that, based on its operating model, NIOCAN should rank as the second lowest cost producer of niobium in the world.

Marketing

NIOCAN has invested a total of \$150,000 to conduct market studies and to sign distribution agreements in Europe, Japan and North America. A visit to the Brazilian operations of CBMM and Catalão (world's largest ferroniobium producer) was made to assess NIOCAN's competitive position.

Agreements have been finalized with world class producers and distributors of ferroalloys. This guarantees the sale of 80% of NIOCAN's output in the 3rd year of operation.

Project Assessment and Financing

Using a 10% discount rate, the project is estimated to have a value of \$3.20 per issued share (12.9 million shares). The total project start-up cost, including working capital, is pegged at \$102 million,

The project could support a debt to equity ratio of 65/35, which would significantly raise the rate of return on equity.

With respect to start-up, two possibilities are currently being considered: either a turnkey proposal by a major engineering/construction firm, or the creation of a construction team under the direction of NIOCAN. Management is assessing various options with the assistance of its financial advisors and SOQUEM, which has confirmed its interest in taking a 20% position in the project.

Geology, reserves, mining and concentration

Two main mineralized zones are of interest to NIOCAN; the S-60 deposit with an average grade of 0.66% Nb₂O₅ (the niobium is contained in the pyrochlore host mineral) and the HWM-2 deposit with an average grade of 0.56% Nb₂O₅.

Geologically speaking, the S-60 is a chimney-like endoskarn deposit of 100 by 200 meters. Its structure is quite different from those usually found in carbonatite. Usually, the deposits are present in the shape of lenses within the sub-vertical alkaline rock bands. The HWM-2 deposit, concentrated in one band, is over 600 m long and 25 m thick, but only the central portion of 300m is considered in the mining plan.

A total of 12.3 M tonnes will be mined during the first 14 years from the S-60 deposit, followed by 2.2 M tonnes from the HWM-2 deposit. These proven and probable reserves will support 17 years of production.

Both deposits have the potential to be expanded at depth, as well as laterally. Geologists consider that there is an excellent possibility of locating other endoskarn deposits on the property, similar to the S-60 deposit. Exploration programs will be carried out once the S-60 deposit is in production.

Ore Reserves

Reserves of the main body, the S-60, have been calculated down to a depth of 500m and those of the HWM-2 deposit to a depth of 350m by Niocan consulting geologists and certified by the geologists of the Met-Chem / SNC-Lavalin consortium.

No additional drilling is required to go into production since the identified reserves are sufficient to recover the initial capital investment four to five times over. Only proven and probable reserves have been used in the feasibility study.

Mining Lease

In July 2000, NIOCAN received its mining lease from the Ministry of Natural Resources. It grants NIOCAN appropriate access and surface usage rights to allow it to mine its niobium ore reserves. Such a lease is granted only if the ore reserves are proven and commercially viable. This step is critical to the next steps involved in obtaining the required permits to operate.

Ore Reserves Millions of tonnes (0.5% cut-off)					
ORE DEPOSITS	PROVEN	PROBABLE	POSSIBLE	TOTAL	GRADE Nb ₂ O ₅ (%)
S-60	7.63	3.11	3.63	14.37	0.66
HWM-2	1.32	2.22	2.41	5.95	0.56
TOTAL	8.95	5.33	6.04	20.32	0.63

Mining

During 1999, Golder and Associates carried out a geotechnical study to determine the thickness and stability of the crown pillar. This allowed NIOCAN engineers to establish a precise mining plan.

The mining plan sets the first level of operation (0 m) at 82 m below the surface. The mine infrastructure will be developed in two phases:

Phase 1 consists of sinking a rectangular shaft with three compartments to a depth of 295 m and driving a service ramp at minus 17% down to the level -220 m.

Phase 2 (starting in the seventh year) consists of deepening the shaft down to -456 m level. Skipping capacity will be 313 tonnes an hour.

Mine water pumping stations located at various levels will keep the mine dry and discharge the water into a settling pond at the surface.

Mine production is based on a throughput of 892,000 tonnes a year. The first and second years are planned for 80% capacity, so as to enter the market in an orderly fashion. Mining stopes will be paste back-filled as soon as their extraction is completed.

At the end of 1999, all of the planning for the mine was completed and the bid documents had been prepared for sinking the shaft and opening the mine.

Concentration Plant

The mill, the conversion plant and the project infrastructure have been scoped out and a capital budget has been established. All of the equipment has been specified and quotes have been received from suppliers. The concentration process consists of three parts: ore preparation, followed by primary flotation and a re-treatment and polishing circuit.

The optimization work carried out in 1999 shows that recovery in excess of 80% Nb₂O₅ can be obtained with the addition of a re-treatment circuit. By obtaining a higher grade of concentrate, one less step is required in ferroniobium production.

Ferroniobium Plant

SNC-Lavalin designed the ferroniobium plant with the help of specialized external consultants.

The ferroniobium produced will be crushed into different sizes, varying from 5 to 50 mm, depending on customer requirements.

On an annual basis, the plant should produce 2,800 tonnes of niobium contained in 4,500 tonnes of ferroniobium.

Training a Qualified Work Force

NIOCAN will provide specialized training before the construction period for new employees in certain sectors. The purpose of this training is twofold: it will create a qualified work force, and also facilitate the hiring of local people.

To carry out mining and certain specialized activities, NIOCAN will hire approximately 40 employees from outside the immediate area. Since the Oka region is not large enough to have a pool of skilled professionals to fill all the jobs, NIOCAN will have to recruit some of its specialists from beyond the immediate Oka area. The arrival of these workers with their families will boost real estate values in the area by encouraging new construction, as well as stimulating the sale of existing properties.

From the outset of the project, NIOCAN will become one of the key employers in the Oka region with 150 employees. The arrival of technicians, engineers, miners, equipment operators, professionals and administrative staff from the region, as well as from other areas, will provide an important economic stimulus to the region. A \$1 million training budget has been put aside to train local residents who will be recruited by the company.

Environmental

Environmental Impact Assessment

"NIOCAN's mining project integrates a number of elements that make it a remarkably environmentally-friendly project." This is the general conclusion drawn by the experts at Roche Ltd, internationally recognized leaders in environmental assessment. Roche is the firm that NIOCAN selected to undertake the environmental impact assessment (EIA) related to its ferroniobium project.

The EIA is based upon the concept of returning 55% of the tailings underground in the form of a paste backfill and to pump the balance of the tailings to the abandoned SLC site. "This is the first time in Quebec where a disposal site for tailings will actually restore another mine site", commented the experts at Roche Ltd in their EIA.

The overall approach minimizes the operation's need to use agricultural land to dispose of tailings and results in a requirement of only 6.2 hectares of agricultural land for the entire complex. It also reduces the size of underground openings, thus limiting the operation's impact on the water table. In addition to this, the need to dispose of mill residues is a non-issue since it is put to good use in restoring an abandoned mine site.

"This will be the only tailing site without effluents", noted the environmental experts at Roche Ltd. There are no mine effluent discharged to local streams. Because the process water remains in a closed circuit from the operations to the tailing site, no spill can occur. Since the tailings used for the restauration of the SLC site contain 70% carbonate and are non-acid, there will be no environmental impact.

The environmental impact assessment undertaken by Roche clearly indicates that the entire NIOCAN project easily complies with all existing environmental laws and regulations.

Additional positive outcomes

NIOCAN will be removing the financial burden from the Municipality of Oka by appropriating itself of the \$200,000 lien the town owes the Quebec Ministry of Natural Resources for the cleanup of the abandoned SLC site located 1 km away from NIOCAN's operations.

Niocan will also restore a section of the Ste-Sophie road embankment along the SLC site where a large rock pile was left at the end of their operation. NIOCAN has also committed itself to remove a large quantity of slag on the abandoned site and to complete the restauration of this property by filling the existing open pits with non-toxic and non-polluting calcareous tailings.

The niobium market

Consistent Growth

According to the International Centre for the Study of Tantalum (and niobium)'s bulletin N° 104 of December 2000, the growth in demand for ferroniobium in the production of high strength low alloys has been 8.9% per year since 1993. This spectacular growth can be attributed to the increasing recognition of the particular characteristics of niobium.

As for special alloys, the annual growth in demand has reached 12.1% over the same period, from 1993 to 2000.

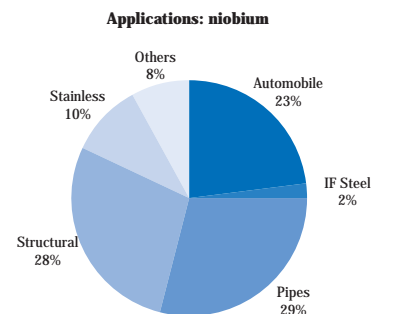
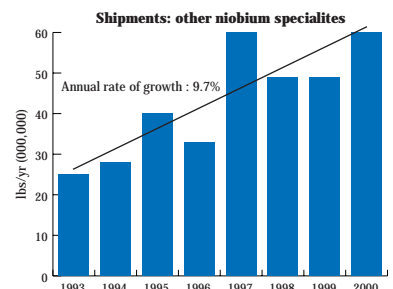
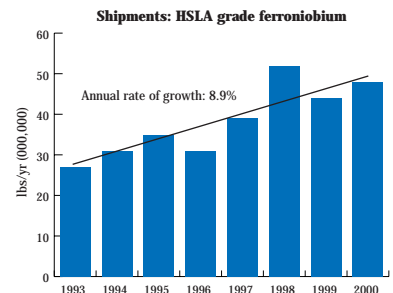
The resulting average annual growth of 9.7% per year currently represents a demand for some 60M lbs per year of niobium.

New uses are constantly being found for niobium and market penetration into developing countries will ensure continued demand for ferroniobium, niobium oxides and niobium alloys.

New Applications

While most of the niobium applications are in the High Strength Low Alloy categories of steel, in the form of ferro-niobium, it must be noted that the use of niobium in specialty applications has grown considerably in the last few years.

Thanks to its super-conductive properties, niobium and its titanium alloy are finding new applications. For example, Geneva's new atomic and sub-atomic particle accelerator requires 23 tonnes of niobium metal and 400 tonnes of niobium-titanium alloy. These alloys are now being used in MRI equipment to scan human tissue. Another increasingly important area where niobium-titanium alloys are in use is in the research and development phases of new transportation systems using electro-magnetic levitation.



New Markets

A recent article in an IEEE publication reported on the creation of new integrated super-conductor circuits for the next generation of PCs with speeds of 100 Ghz, compared to today's equipment rated at 1 Ghz. This is made possible through RSFQ technology (Rapid Single Flux Quantum) which uses integrated circuits made from Josephson chips and junctions containing niobium and niobium nitride. Hypres Inc. of Elmsford, NY, have perfected the manufacturing process for these circuits and say that commercial production levels can be achieved within 3 to 5 years.

The use of ferroniobium for high strength low alloy steels (HSLA) has a growth potential that has yet to be tapped. In effect, its current use is concentrated in the developed world. Developing countries, such as China and India, could make extensive use of niobium to significantly lighten steel structures resulting in considerable savings in their energy costs. This growth potential should maintain itself and even grow significantly in the years ahead.

Niobium is a new metal which was first commercially produced some 40 years ago. Current research and development point to many significant properties of niobium that make it increasingly attractive as a means to rejuvenate the steel industry, to reduce the consumption of energy and find new applications in the area of high tech components.

Market Penetration

With an annual growth rate of 6% (1965-1998), the equivalent of NIOCAN's entire production could be absorbed in the marketplace within two years. Should the rate of growth between 1993 and 2000 be sustained at 8.9% per year, our entire production would be absorbed within only 18 months.

In 1999, NIOCAN signed agreements with three enterprises to cover sales in the key markets of Europe, Japan and North America. The volume guarantees (pricing to be established at the time of delivery) provided by these firms ensure NIOCAN's participation and future penetration into key markets for high strength low alloy steels (HSLA).

The high purity levels of NIOCAN's ferroniobium, relative to other producers, make its products very interesting to particular market niches.

NIOCAN intends to leverage these agreements and relationships in its bid to obtain senior financing for its project in 2001.

Market Overview and Changes

In 2000, all three current niobium producers increased their production capacity significantly— between 20 to 30% – to meet the increase in demand.

Early in 2001, Mazarin acquired Teck Corporation's 50% share of Niobec for \$47 million.

By-products Increase Revenues

One of NIOCAN's business objectives is to identify potential additional revenues from its by-products.

The objective of this strategy is to generate by-product credits that would drive down the company's costs to a level close to the most cost-effective producer of niobium. In addition to this, the successful marketing of mineral by-products, such as apatite, magnetite and calcite would significantly reduce the volume of tailings that are generated by the complex and sent to the SLC site, thus increasing the life of the tailings disposal area.

Rare Earths and Niobium Oxide

In 2000, NIOCAN, with the assistance of a process specialist, undertook the task of designing a rare earths and tantalum extraction process in its complex. The process and its potential payback of rare earths extraction are estimated to be in the range of 500 to 1,000 tonnes of niobium oxide with a 99.9% purity grade providing revenues that are twice those of niobium in ferroniobium.

Other by-products

Samples of calcite assessed in 2000 revealed the potential for a high quality by-product which could be sold to local farmers for agricultural amendment on their land. The local market is estimated to be in the neighborhood of 10,000 tonnes per year, with an additional requirement for 10,000 to 20,000 tonnes per year in the broader region.

An evaluation undertaken by Lakefield Research Lab in 1998 on the production potential of an apatite concentrate revealed that NIOCAN could potentially produce some 60,000 tonnes per year, with a selling price of \$45-\$50 US per tonne.

As for the potential to commercialize magnetite, no further study has been undertaken during the year.

The above preliminary results justify NIOCAN's optimism of successfully marketing its by-products.

Financial Analysis

A look at 1995-1998

NIOCAN Inc. was incorporated in August 1995. The company's capital structure is comprised of an unlimited number of common shares at no par value.

The first investment, which was to be a working fund for the company, was subscribed to in 1995 by the five founding directors.

The first financing was through an offering notice on November 17, 1995. This involved 800,000 flow-through shares that were sold at \$0.50 a share, and 312,500 free common shares at \$0.40 each, accompanied by a stock purchase warrant priced at \$0.52.

The first public offering by a prospectus was launched in the fall of 1996 and closed on March 19, 1997. The offering was comprised of flow-through shares at \$1.00 a share and free common shares at \$0.80 a share, for a total amount of \$ 2,454,000. Gestion Sodemex Inc. subscribed to 125,000 free shares in the offering and an additional 125,000 shares at the same price of \$0.80 that it was committed to acquire if the maximal amount was subscribed to.

In December 1997, 266,333 flow-through shares were sold at a \$0.60 a share.

In March 1998, the Fonds FTQ acquired 500,000 treasury shares at \$0.50 a share. In 1999, the Fonds exercised 250,000 warrants at \$0.65 a share.

In April 1998, two shareholders purchased 200,000 shares at \$0.50 a share, and in 1999 they exercised 100,000 warrants that had been issued to them at \$0.65 a share.

1999: A Pivotal Year

In May 1999, NIOCAN benefited from several private investments. SOQUEM, an affiliate of SGF Mineral Inc., acquired 1,500,000 shares at \$0.50 a share; Norshield Financial Corp. acquired 2,000,000 shares at \$0.50 a share, and 11 shareholders also acquired 1,550,000 shares at \$0.50 a share, for a total investment of \$ 2,525,000.

As of December 1999, the shareholders had invested \$ 6,508,700 in the company. Brokerage expenses amounting to \$664,000 should be deducted from this, as well as related legal and auditing expenses.

NIOCAN received a \$427,000 grant from the Quebec Ministry of Natural Resources in the framework of its development assistance program. A contribution of \$50,000 from Hydro-Quebec for marketing research was added to this.

These funds were used to support the two drilling campaigns of 1995-96 and 1996-97 that delineated the S-60 deposit, as well as the HWM-2 deposit that had been partially drilled by Kennecott Copper, the previous owner of the mining rights. The following work was also funded:

- Development work on the concentration process and definition of the recovery rate during a three-year period in the laboratories and pilot plant facilities of the Quebec Department of Mines, as well as in Lakefield, Golder and other laboratories;
- Purchase of the surface rights for three farms covering 266 arpents (91 ha);
- Base engineering and feasibility study by Met-Chem / SNC-Lavalin;
- Environmental Impact Study by Roche Ltd. Consulting Firm;
- Market studies, including a summary done by KPMG.

Year 2000

In September 2000, Progenesis exercised the 100,000 stock warrants it held at a price of \$0.50 per share.

In the same year, the Ministry of Natural Resources provided the company with a grant to cover 50% of the expenditures (up to \$15,000) associated with a study we undertook to determine the economic potential of rare earths contained in the pyrochlore concentrate.

Given the many delays in obtaining our operating permits, the company's employment agreement with Mr. Jean-François Ricard, who joined us in July of 1999, was not renewed. Company President and CEO, Richard Faucher is NIOCAN's only salaried employee.

Cost Control

Until the appointment of Mr. Richard Faucher as President and CEO in May 1999 and since the creation of the company in 1995, the exploration work and business development were carried out by Mr. Alain Robin, Mr. Bernard Coulombe and Mr. René Dufour, Secretary, Vice-President and President of NIOCAN respectively. They exercised these duties without any remuneration and continue to invest a great deal of their time conducting company affairs under the same conditions.

The Management Committee, consisting of company directors, meets as needed to review current activities and make decisions on matters that do not require input from the Board.

At the end of each month, a chartered accountant (Jean Chassé, C.A.) prepares financial statements, thus ensuring systematic and accurate monitoring of expenses. KPMG has been the company's official auditor since the 1999 Annual Meeting.

Working Capital

On December 31, 2000, the current assets of the company were \$1,271,564.

Average monthly expenses are estimated to be \$60,000.

A total of 12,888,833 common shares have been issued, including 1,475,000 of which are held in escrow.

Based on the current value of the revenues expected during the first 15 years of production, as estimated by Met-Chem / SNC-Lavalin, the price of the shares should be higher. This evaluation is based exclusively on an assessment of niobium. It is a known fact that marketing the by-products in the ore (magnetite, rare earths, apatite, calcite) should also contribute significantly to company revenues.

Management Compensation

The Board puts a great deal of emphasis on the company's option program as a means of ensuring the full commitment of its officers in promoting the shareholders' interests.

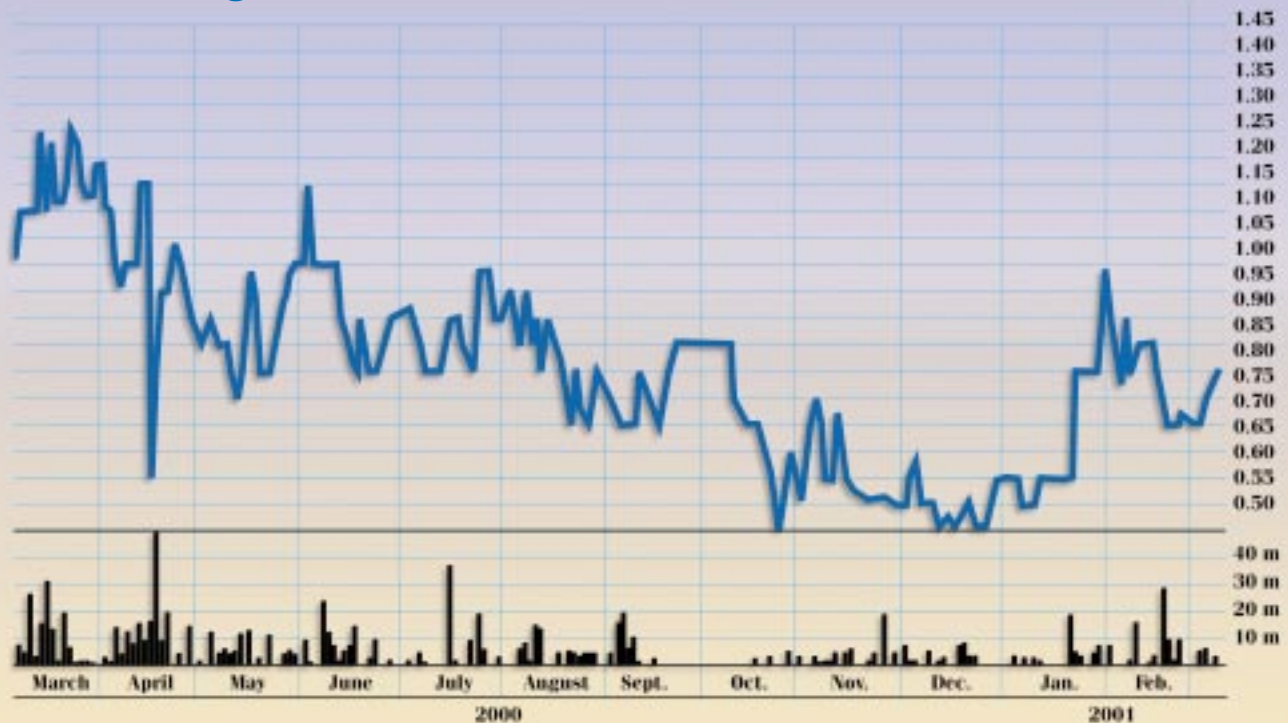
The President and CEO has been awarded 670,000 options to buy shares at \$0.50 a share. These options can be converted over a four-year period beginning with his appointment in 1999.

At the 1999 Annual Meeting, the shareholders authorised 2,500,000 shares for the directors and officers of the company within NIOCAN's purchase option program.

As of December 31, 1999, a total of 1,780,000 purchase options had been granted at prices varying from \$0.50 to \$0.95 a share.

During 2000, a total of 130,000 options were granted to the Directors at a price of \$0.72 a share.

Stock Exchange: TSE



Financial Statements

for the year ended December 31, 2000

Auditors' Report to the Shareholders

We have audited the balance sheet of Niocan Inc. as at December 31, 2000 and the statements of operations and deficit, deferred expenditures and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2000 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

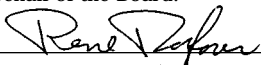
Chartered Accountants
Montréal, Canada
January 31, 2001


Balance Sheet

December 31, 2000,
with comparative figures for 1999

	2000	1999
Assets		
Current assets:		
Cash	\$104,812	\$120,764
Short-term investment, at cost	1,112,343	1,544,891
Accounts receivable	43,819	247,631
Prepaid expenses	10,590	2,000
	1,271,564	1,915,286
Fixed assets (note 2)	10,084	7,942
Land	506,887	229,387
Mining properties (note 3)	800,000	800,000
Deferred expenditures	3,427,909	3,462,736
	\$6,016,444	\$6,415,351
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$64,029	\$49,274
Shareholders' equity:		
Capital stock (note 4)	7,101,352	7,051,352
Deficit	(1,148,937)	(685,275)
	5,952,415	6,366,077
	\$6,016,444	\$6,415,351

On behalf of the Board:


_____, Director


_____, Director

Statement of Operations and Deficit

Year ended December 31, 2000,
with comparative figures for 1999

	2000	1999
Interest revenues and others	\$70,132	\$46,184
Expenses:		
Professional fees	187,602	34,189
Management fees	70,725	20,550
Travel and entertainment	65,103	57,337
Public relations	55,375	-
Publicity	39,604	8,880
Reports to shareholders	31,364	22,646
Office	23,280	15,381
Rent	17,606	7,250
Trustees and registration fees	15,611	11,862
Insurance	9,236	9,384
Telecommunications	8,982	5,482
Taxes and permits	5,961	4,975
Amortization	3,008	884
Interest and bank charges	337	419
	533,794	199,239
Net loss	(463,662)	(153,055)
Deficit, beginning of year	685,275	230,327
Share issue expenses	-	301,893
Deficit, end of year	\$1,148,937	\$685,275
Net loss per share	\$(0.04)	\$(0.02)

Financial Statements

for the year ended December 31, 2000

Statement of Deferred Expenditures

Year ended December 31, 2000,
with comparative figures for 1999

	2000	1999
Balance, beginning of year	\$3,462,736	\$3,046,326
Increase:		
Environmental study	302,055	308,401
Geological and metallurgy work	45,311	234,454
Characterization and engineering	105,911	247,541
Market study	22,600	83,324
Consulting services	18,680	19,890
	<u>494,557</u>	<u>893,610</u>
Less grants and credit for mining rights	(29,384)	(477,200)
Less consideration received for an option granted on the mining property	(500,000)	-
	<u>(34,827)</u>	<u>416,410</u>
Balance, end of year	<u>\$3,427,909</u>	<u>\$3,462,736</u>

Statement of Cash Flows

Year ended December 31, 2000,
with comparative figures for 1999

	2000	1999
Cash flows from operating activities:		
Net loss for the year	\$(463,662)	\$(153,055)
Depreciation	3,008	884
Net change in non-cash operating working capital items	209,977	(74,313)
	<u>(250,677)</u>	<u>(226,484)</u>
Cash flows from financing activities:		
Proceeds of share issuance	50,000	2,752,500
Share issue expenses	-	(251,893)
	<u>50,000</u>	<u>2,500,607</u>
Cash flows from investing activities:		
Fixed assets	(5,150)	(8,826)
Land	(277,500)	(161,000)
Deferred expenditures	34,827	(584,791)
	<u>(247,823)</u>	<u>(754,617)</u>
Increase (decrease) in cash and cash equivalents	(448,500)	1,519,506
Cash and cash equivalents, beginning of year	1,665,655	146,149
Cash and cash equivalents, end of year	<u>\$1,217,155</u>	<u>\$1,665,655</u>

Cash and cash equivalents are composed of cash and short-term investment maturing within 90 days.

Non-cash investing and financing activities:

Land of \$5,000 and share issue expenses of \$50,000 were financed by share issuance at December 31, 1999.

A grant on deferred expenditures of \$168,381 is included in accounts receivable at December 31, 1999.

Notes to Financial Statements

Year ended December 31, 2000

The Company, incorporated under Part 1A of the Quebec Companies Act on August 29, 1995, holds a niobium property in Oka, Québec. The Company is at the stage of development of its mineral properties and has determined in 1999 that these properties contain ore reserves which are economically recoverable.

1. Significant accounting principles:

(a) Mining properties and deferred expenditures:

Deferred expenditures are presented net of amounts recovered on a property basis. These expenditures are carried at cost until a decision is made either to proceed with production or to abandon the property.

Recovery of the cost of mining properties and deferred expenses depends on the Company's ability to obtain the necessary financing to complete the development of the mining properties and future profitable production or disposal of the properties for proceeds in excess of their carrying value.

(b) Fixed assets:

Fixed assets are stated at cost. Depreciation is provided using the declining balance method at the following annual rates:

Equipment and furniture	20%
Computer equipment	30%

(c) Stock option plan:

The Company offers a stock option plan as mentioned in note 5. Any consideration given by employees is credited to capital stock.

2. Fixed assets:

	Cost	Accumulated depreciation	2000 Net book value	1999 Net book value
Equipment and furniture	\$1,625	\$455	\$1,170	\$1,461
Computer equipment	12,351	3,437	8,914	6,481
	\$13,976	\$3,892	\$10,084	\$7,942

3. Mining properties:

The Company granted Soquem the option to acquire a 20% interest in two ore deposits of its mining property in consideration of 20% of total expenses incurred to bring the said ore deposits at production.

The Company also granted Teck Corporation the option to acquire a 25% interest of its mining property in consideration of 25% of total expenses incurred to bring the said ore deposits at production and by the payment of \$1,000,000 cash of which \$500,000 was received. The option cannot be transferred without the Company's approval.

4. Capital stock:

Authorized:

An unlimited number of common shares without par value

	2000	1999
Issued:		
12,888,833 common shares (12,788,833 in 1999)	\$7,101,352	\$7,051,352
1,475,000 common shares are escrowed.		

Issuance during the period:

	2000	1999
For cash:		
No share (5,050,000 in 1999) pursuant to private placements	\$-	\$2,525,000
100,000 shares pursuant to exercise of warrants (350,000 in 1999)	50,000	227,500
For services granted or acquired assets:		
No share (110,000 in 1999)		55,000
	\$50,000	\$2,807,500

5. Stock option plan:

Under the stock option plan for the benefit of the directors and officers of the Company, 2,500,000 common shares are available.

The number of stock options outstanding fluctuated as follows:

	2000	Average exercisable price	1999	Average exercisable price
Balance, beginning of year	2,015,000	\$0.59	630,000	\$-
Issued	130,000	0.72	1,385,000	0.59
Balance, end of year	2,145,000	\$0.64	2,015,000	\$0.59

Notes to Financial Statements, page 4

5. Stock option plan (continued):

As at December 31, 2000, the following options were outstanding:

205,000 shares at \$0.80 until June 11, 2006
490,000 shares at \$0.70 until June 19, 2007
140,000 shares at \$0.55 until January 16, 2008
30,000 shares at \$0.55 until April 16, 2008
350,000 shares at \$0.50 until October 29, 2001
670,000 shares at \$0.50 until February 23, 2009
130,000 shares at \$0.95 until October 5, 2009
130,000 shares at \$0.72 until November 13, 2010

6. Future tax benefit:

As at December 31, 2000, the Company has tax losses of approximately \$1,508,000 available to apply against future taxable income as follows:

Year incurred	Amount	Expiry date
1995	\$25,000	2002
1996	279,000	2003
1997	113,000	2004
1998	73,000	2005
1999	555,000	2006
2000	463,000	2007

The Company also has Canadian exploration expenditures of approximately \$992,000 which may be deducted from future taxable income.

The potential tax benefit relating to these elements has not been recorded.

7. Related party transactions:

During the year, the Company incurred the following expenses with a company controlled by a director of the Company. These transactions were measured at the exchange amount.

	2000	1999
Share issue expenses	\$-	\$139,500
Administration expenses	25,000	10,000

8. Financial instruments:

The following methods and assumptions were used to determine the estimated fair value of each class of financial instruments.

Short-term financial instruments:

Cash, short-term investment, accounts receivable, accounts payable and accrued liabilities are short-term financial instruments whose fair value approximates their carrying amount given that they will mature shortly.