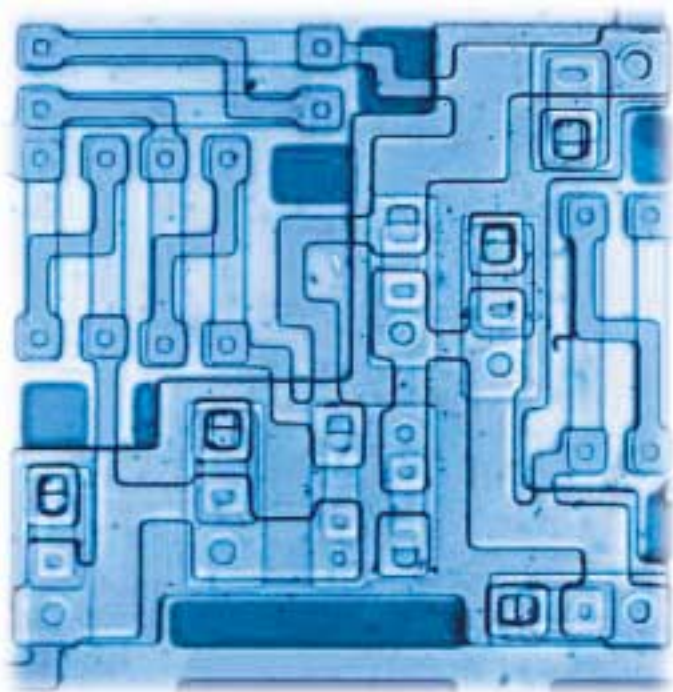


Table of Contents



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.

Cover:

The cover depicts the evolution of the project over the last four years.

Two Drilling programs allowed NIOCAN to outline the S-60 ore body, a shape and a minerology not previously found within the OKA carbonatite.

A feasibility study undertaken by the Met-Chem/SNC Lavalin consortium points to a high return on capital, based on niobium revenues only. The study also identifies other mineral by-products which could provide added revenues.

The world demand for ferroniobium, the product to be produced by NIOCAN, continues to grow. In fact, HSLA-steel enjoys a significant weight advantage over conventional steel, while providing additional strength. Niobium is an ecological metal which has a great future.

- **Year 2001 Highlights**
- **Perspective 2002**
- **Management Overview**
- **Shared Responsibilities**
- **Year 2001 Board Activities**
- **Directors and Officers: An Experienced Team**
- **The Project: An Overview**
 - Basic Engineering Study
 - Marketing
 - Project Assessment and Financing
 - Geology, reserves, mining and concentration
 - Ore Reserves
 - Mining Lease
 - Mining
 - Concentration Plant
 - Ferroniobium Plant
 - Training a Qualified Work Force
- **Environment**
 - Environmental Impact Assessment
 - Additional positive outcomes
- **The Niobium Market**
 - Consistent Growth
 - New Applications
 - By-products Increase Revenues
 - Rare Earths and Niobium Oxide
 - Other by-products
- **Financial Analysis**
 - A look at 1995-1998
 - 1999: A Pivotal Year
 - Year 2000
 - Year 2001
 - Cost Control
 - Working Capital
 - Management Compensation
- **Financial Statements**
 - Auditors' Report to the Shareholders
 - Balance Sheet
 - Statement of Operations and Deficit
 - Statement of Deferred Expenditures
 - Statement of Cash Flows
 - Notes to Financial Statements

Year 2001 Highlights

January

- The Presidents of Cambior and Mazarin made a request to NIOCAN to undertake a due diligence.

February

- NIOCAN turns down Teck's request to transfer its option to purchase 25% of the NIOCAN project to Mazarin, who offered to purchase this option for \$3 million.

March

- A public hearing was held, on March 6th, by the Quebec Agricultural Land Protection Commission (CPTAQ), on the use of 9.4 hectares of land for the mining complex infrastructure.
- The Ministry of Natural Resources (MRN) authorizes NIOCAN to use the St-Lawrence Columbian property as a disposal site for NIOCAN's mine tailings

April

- The CPTAQ requests input from local elected officials on the socio-economic impact of the project
- The Ministry of Natural Resources authorizes NIOCAN to build the required plant on the chosen site (April 2nd)

June

- NIOCAN reaches an important milestone when the CPTAQ authorizes the company's plan to utilise the proposed land for its operation's infrastructure (June 26).

August

- NIOCAN completes a private financing deal worth \$1.3 million with an American group - Electrum Ferrometals LLC, which purchased 2 million shares at \$0.65.

September

- The Quebec Superior Court rejects, with costs, a law suit against NIOCAN by André Chaput, President of the committee opposing the project (Sept. 24th).

December

- Beginning of the Quebec Administrative Tribunal (TAQ) hearings, following objections to the favourable decision given to the project by the CPTAQ. The opponents of the decision were the Union of agricultural producers and the Mohawk Tribal Council of Kanesatake.

Perspective 2002

- Regional and political support for the project;
- Completion of the TAQ hearings in May 2002;
- Granting of the Certificate of Authorisation (C.A.) from the Ministry of the Environment
- Consolidation of sales agreements and moving forward on new sales opportunities in Asia;
- Senior financing of the start-up in the Fall of 2002;
- Start-up decision with a view to begin construction in the first quarter of 2003.



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



Dear Shareholders,

A significant number of you have been loyal supporters of the project since its early days. For this, we are sincerely grateful. Thanks to your support, we have put together an exceptional project which distinguishes itself by its earnings potential, its impeccable environmental standards, its harmonization with nature, all the while, decontaminating and restoring the old St-Lawrence Columbian site.

Having read Niocan's 2000 Annual Report, you will have recognized the exceptional characteristics of niobium and why it is an environmentally sound product. In fact, niobium alloys, used in the construction of bridges, buildings and a variety of equipment, provide a 20-40% reduction in weight, without compromising strength. When used in automobiles, this important weight reduction contributes greatly to the reduction of CO² emissions. Niobium also has other physical properties which make this metal so desirable. Among these are its super-conductivity, making it ideal for the production of new-generation computer chips. Niobium is also anti-corrosive.

The Quebec Natural Resources Ministry recognized the quality of the Niocan project and provided all of the required mining permits to begin operations :

- the mining lease (July 21, 2000)
- a letter of approval related to the use of the site for the operation's infrastructure (April 2, 2001)
- a letter of approval to use the SLC property as a tailings disposal site (March 21, 2001)

The consulting firm, KPMG, undertook a socio-economic study of the region and concluded that the area would benefit from an annual windfall of \$35 million. In relative terms, this compares to total annual revenues of \$11 million generated by the 67 agricultural producers from the municipality of Oka. As for the Province, the study reveals that it will be the beneficiary of some \$781 million over the 17 years lifespan of the mining operation.

On June 26th, 2001, the project reached an important milestone when the Agricultural Land Protection Commission (CPTAQ) authorised NIOCAN to use 6.2 hectares of agricultural land to build its operation's building complex. In a 17 page decision, the Commission agreed that the NIOCAN project and agricultural production could cohabitate in harmony. In its decision, the Commission recognized that the proposed site had a long history of mining activity, dating back to 1953, long before the advent of the laws governing agricultural zoning. The Commission also took into account the formal commitments, made by NIOCAN, to extend Oka's municipal water line some 2.2 km along Rang Ste-Sophie, as well as the creation of a project monitoring committee where representatives of the agricultural community and the municipality would be members.

The Commission's decision was appealed by two groups: the agricultural producers' union (UPA) and the Mohawk Tribal Council of Kanésatake, which was invited by the project opposition group to join ranks against NIOCAN. While it is difficult to comprehend the motive behind the UPA's appeal of a decision made by the very body that was instituted to protect them, the Mohawks' alibi for opposing the project centers around two properties located 2.2 and 2.5 km from the S-60 deposit, which are owned by Mohawks. Despite being located a long distance from the proposed mining site, the Mohawks claim that the mining operation will have a negative impact on those properties. It is interesting to note that the two properties cited are not even located within the carbon-

ate mineralization zone, where the niobium ore bodies lie. They are in a zone of gneiss rock, a precambrian formation outside of the mining area.

The appeal of the land commission's decision is currently being heard by the Quebec Administrative Tribunal. Four days of hearings were held in December, with an additional 10 days added, up to April 5th. A few additional days were set aside in April and May. Opponents of the project present their cases at the beginning of the hearings, with NIOCAN's testimony to be presented near the end of the process. The legal counsel for the CPTAQ will present its defense of the Commission's decision to support the NIOCAN project.

Following a favorable decision by the Administrative Tribunal, the Ministry of the Environment will complete its assessment of the project, at which time a certificate of authorisation should be granted. This is anticipated in the third quarter of 2002.

A New York-based firm invests in NIOCAN.

At the end of August, Electrum Ferrometals LLC demonstrated its support for the NIOCAN project by purchasing 2 million shares at \$0.65 and was granted 1 million warrants at \$0.80 each and 1 million warrants at \$1.00 per share to be exercised within a period of 30 months. This shareholder also expressed an interest in participating in the production financing.

Three days of open-houses

Over 450 people turned out for three days of open-houses held at the Oka municipal recreation hall on February 1, 2 and 3, 2002. This provided visitors with an ideal opportunity to see various aspects of the project first hand and to understand the importance of this project for the region. We are particularly pleased to have received over 250 job applications and to have met some of the candidates for the 160 permanent jobs that the project will provide.

Project Earnings Potential

The project feasibility study, undertaken by the consortium of Met-Chem/ SNC-Lavalin, demonstrates a return on investment of 16% (100% equity), based solely on niobium. To date, we have not factored in additional revenues which could be derived through the recovery of commercial minerals such as apatite, magnetite, calcite, rare earths and tantalite.

It is interesting to note that, despite a drop in the consumption of steel in North America, the demand for niobium continues to rise. In fact, there is a significant increase in the use of high-end steels, particularly those with a niobium content, while a drop in lesser quality steels is apparent.

Priorities

As soon as NIOCAN receives its authorizations from the Ministry of the Environment, senior financing will be the Board of Directors' principal focus. To date, a number of financial institutions in North America and Europe have expressed their interest in participating in the project.

On behalf of the Board, I would like to thank our financial partners and all of the shareholders that have supported NIOCAN, a large number of them since its creation in 1995. Although the delays in our start-up have been frustrating, the value of the project continues to grow and a start-up is imminent.

René Dufour, *President and Chairman of the Board*

Shared Responsibilities

Following the 2001 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

MANAGEMENT COMMITTEE

Bernard Coulombe, René Dufour, Hubert Marleau

Year 2001 Board Activities

The Management Committee, consisting of the Chairman of the Board, the Vice-Chairman and a third Director, met as required 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, the Health, Safety and Environment Committee, established in 1999, was suspended. Board Members however invested a considerable amount of time informing area residents, meeting the Agricultural Land Protection Commission, the Ministry of the Environment, as well as other ministries and institutions involved in the project. Much of this time was devoted to the demonstration of the project's environmental integrity, as well as issues related to the residents' quality of life concerns.

The Audit Committee met to study the Financial Statements prepared by KPMG for the year ending December 31, 2001. After reviewing NIOCAN's statements with KPMG, it was recommended that these be approved by the Board.

In 2000, KPMG completed a socio-economic impact study of the NIOCAN project on the municipality of Oka and Deux-Montagnes.

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; Assistant to the President of l'École Polytechnique; President, Association des diplômés de Polytechnique; Meritous Prize 2001; President, la Fondation Polytechnique (2001-);
- 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*

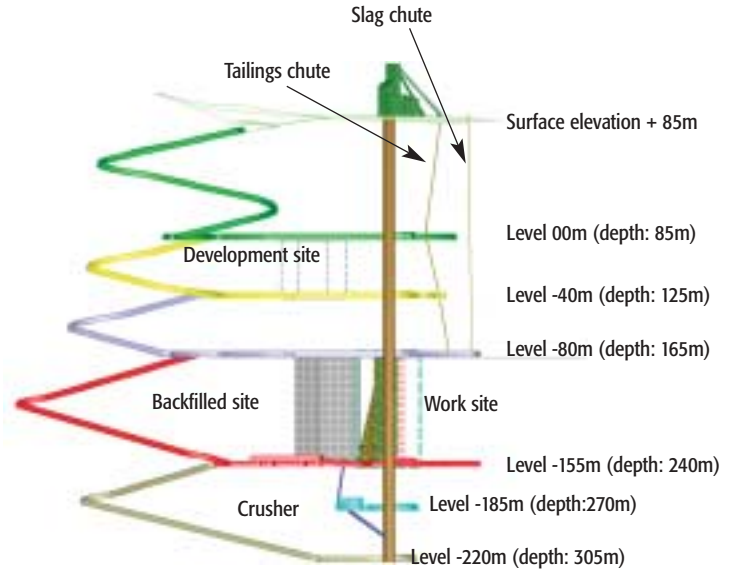
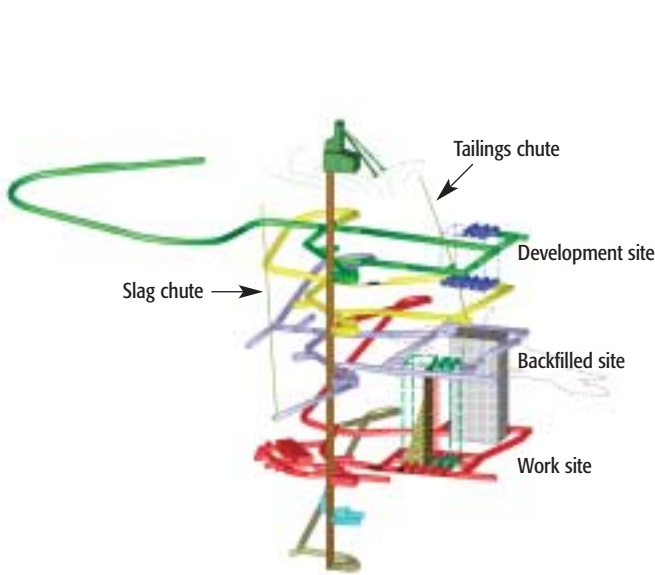
President and CEO

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.



Computer-generated 3-D illustrations of the proposed mine. Illustrations highlight the various working levels over the life of the mine, as well as the main shaft, the underground machine rooms and the way in which process slag from the Niocan operation and the SLC site will be sealed underground. Heavy equipment, such as rock crushers and air compressors, will be located underground precluding any noise disturbance in the countryside.

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, up to May 11th

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.

HENRI A. ROY, Director, beginning May 12th

Mr. Roy is a consultant with a Bachelors degree in mechanical engineering and a Masters degree in Business Administration. Mr. Roy is a Director on numerous Boards and has extensive experience in management, project development and financing in the mining sector.



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

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 construction, 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.

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 time 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

In the months of March and April, 2001, the Quebec Ministry of Natural Resources authorised NIOCAN (subject of an agreement with the Municipality of Oka) to use the SLC site for its tailings disposal and to build its mining complex on the site outlined in the engineering study, the same site authorised in June 2001 by the CPTAQ.

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 – 465 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 development 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 160 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.

In order to plan our manpower requirements and to assess the availability of personnel in Oka and the surrounding area, NIOCAN held three days of open-houses early in 2002. Over 450 visitors participated and 224 resumés were submitted – a clear testimony to the level of interest for the project among area residents.

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 restoration 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 securing 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 restoration of this property by filling the existing open pits with non-toxic and non-polluting calcareous tailings.

The project will create 160 direct jobs in the Oka region, in addition to an annual economic windfall of \$35 million for the region.

Finally, the extension of the municipal water main over a distance of 2.2 km, will provide area residents with an abundant source of higher quality potable water. Residents currently are meeting their needs for water from their own wells, the quality of which varies considerably. The new water main will also provide residents with additional fire protection.

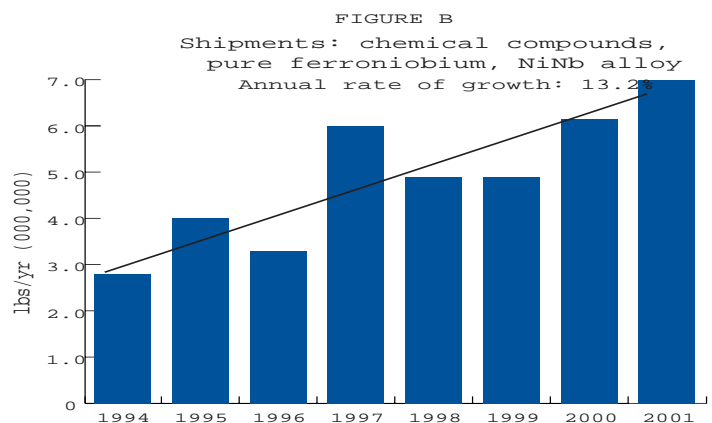
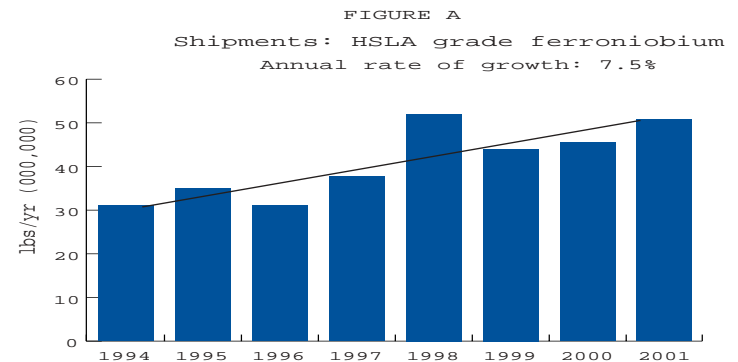
The Niobium Market

The Niobium Market

Unlike the general slowdown we have seen in the demand for metals, demand for niobium continued to grow significantly through 2001. This trend is illustrated in the two accompanying charts sourced in the December 2001 newsletter No. 108, published by the Tantalum (and Niobium) International Centre (TIC).

Figure A (Ferroniobium shipments for HSLA steel) illustrates a continued growth trend of 7.5 to 8%. When we add a 13% growth in specialty alloys, high purity ferroniobium and its chemical composites (figure B), we obtain a combined growth rate of 9.5 to 9.7%. (Consumption figures for the 2nd half of 2001 are extrapolated from those in the 1st half of 2001, as final figures have yet to be tabulated.)

Niobium shipments, in the form of ferroniobium, will have reached close to 60M lbs of niobium in 2001. Of this quantity, some 51M lbs of niobium, or 86%, have been dedicated to HSLA steel. This represents an increase in demand for niobium use in HSLA steel of 4M lbs over 2000.





Growth Potential

China, currently with the largest steel production capacity in the world, has an enormous potential for niobium use. "The current levels of niobium use in Chinese steel is only 15% of that found in Europe and the United States," reports the TIC in its December 2001 newsletter.

This circumstance also exists in India and other developing countries, where the addition of niobium to their steel production and use (for bridges, buildings and transport vehicles) could result in significant savings in energy consumption, due to the lighter weight niobium imparts per unit of production.

New Markets

High tech industries are discovering the qualities of niobium and are putting the metal to use in a variety of ways. Among these is the replacement of cellular phone capacitors made from tantalum and aluminium ceramics, for those made with niobium. This market is estimated at some 1.5M to 2M lbs per year.

Also, new niobium-titanium superconductive magnets, with a 53-54% niobium content, are being used in the latest Magnetic Resonance Imaging equipment.

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 from rare earths extraction is enhanced by the production 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.

Year 2001

At the end of August, a private investment was made by a New York group, as Electrum Ferrometals LLC purchased \$2M of shares at \$0.65. This company has an option to purchase 1 million shares at \$0.80 and one million shares at \$1.00 within 30 months.

Over the last year, 75,000 options were exercised at \$0.50 per share. A total of 275,000 options were withdrawn.

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, 2001, the current assets of the company, after the deduction of accrued liabilities, were \$1,518,984.

A total of 14,963,833 common shares have been issued, including 1,475,000 of which are held in escrow.

Management Compensation

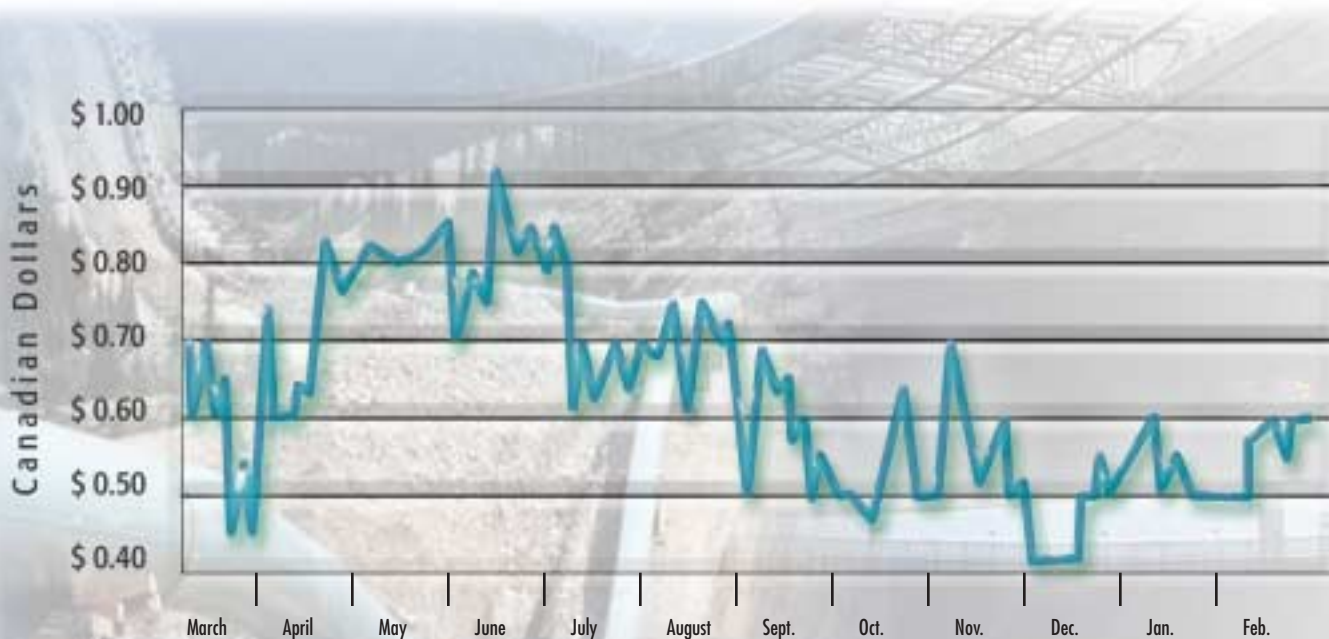
The Board puts a great deal of emphasis on the company's option program as a means of ensuring the full commitment of its officers in promoting the shareholders' interests.

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, 2001, a total of 1,795,000 purchase options had been granted at prices varying from \$0.50 to \$0.95 a share.

During 2001, no share options were allocated.



Financial Statements

for the year ended December 31, 2001

Auditors' Report to the Shareholders

We have audited the balance sheet of Niocan Inc. as at December 31, 2001 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, 2001 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG S.P.L.

Chartered Accountants
Montréal, Canada
February 6, 2002

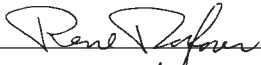

Balance Sheet

December 31, 2001,
with comparative figures for 2000

	2001	2000
Assets		
Current assets:		
Cash	\$60,085	\$104,812
Short-term investment, at cost	1,564,769	1,112,343
Accounts receivable	40,889	43,819
Prepaid expenses	1,528	10,590
	1,667,271	1,271,564
Fixed assets (note 2)	7,658	10,084
Land	506,887	506,887
Mining properties (note 3)	800,000	800,000
Deferred expenditures	3,683,412	3,427,909
	\$6,665,228	\$6,016,444
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$148,287	\$64,029
Shareholders' equity:		
Capital stock (note 4)	8,438,852	7,101,352
Deficit	(1,921,911)	(1,148,937)
	6,516,941	5,952,415
	\$6,665,228	\$6,016,444

See accompanying notes to financial statements.

On behalf of the Board:

 _____, Director
 _____, Director

Statement of Operations and Deficit

Year ended December 31, 2001,
with comparative figures for 2000

	2001	2000
Interest revenues and others	\$58,469	\$70,132
Expenses:		
Professional fees	358,030	187,602
Travel and business development	86,267	65,103
Management fees	115,496	70,725
Publicity and public relations	73,782	94,979
Reports to shareholders	54,339	31,364
Trustees and registration fees	24,504	15,611
Office	17,322	23,280
Rent	12,000	17,606
Insurance	8,971	9,236
Taxes and permits	8,142	5,961
Telecommunications	4,213	8,982
Amortization	2,976	3,008
Interest and bank charges	401	337
	766,443	533,794
Net loss	(707,974)	(463,662)
Deficit, beginning of year	(1,148,937)	(685,275)
Share issue expenses	(65,000)	-
Deficit, end of year	\$(1,921,911)	\$(1,148,937)
Net loss per share	\$(0.05)	\$(0.04)

See accompanying notes to financial statements.

Financial Statements

for the year ended December 31, 2001

Statement of Deferred Expenditures

Year ended December 31, 2001,
with comparative figures for 2000

	2001	2000
Balance, beginning of year	\$3,427,909	\$3,462,736
Increase:		
Environmental study	220,420	302,055
Geological and metallurgy work	20,153	45,311
Characterization and engineering	9,930	105,911
Market study	-	22,600
Research and development	5,000	-
Consulting services	-	18,680
	<u>255,503</u>	<u>494,557</u>
Less grants and credit for mining rights	-	(29,384)
Less consideration received for an option granted on the mining property	-	(500,000)
	<u>-</u>	<u>(34,827)</u>
Balance, end of year	<u>\$3,683,412</u>	<u>\$3,427,909</u>

Statement of Cash Flows

Year ended December 31, 2001,
with comparative figures for 2000

	2001	2000
Cash flows from operating activities:		
Net loss for the year	\$(707,974)	\$(463,662)
Adjustment for:		
Depreciation	2,976	3,008
Net change in non-cash operating working capital items	96,250	209,977
	<u>(608,748)</u>	<u>(250,677)</u>
Cash flows from financing activities:		
Proceeds of share issuance	1,337,500	50,000
Share issue expenses	(65,000)	-
	<u>1,272,500</u>	<u>50,000</u>
Cash flows from investing activities:		
Fixed assets	(550)	(5,150)
Land	-	(277,500)
Deferred expenditures	(255,503)	34,827
	<u>(256,053)</u>	<u>(247,823)</u>
Net increase (decrease) in cash and cash equivalents	407,699	(448,500)
Cash and cash equivalents, beginning of year	1,217,155	1,665,655
Cash and cash equivalents, end of year	<u>\$1,624,854</u>	<u>\$1,217,155</u>

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

See accompanying notes to financial statements.

Notes to Financial Statements

Year ended December 31, 2001

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:

Asset	Rate
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	2001 Net book value	2000 Net book value
Equipment and furniture	\$1,925	\$719	\$1,206	\$1,170
Computer equipment	12,601	6,149	6,452	8,914
	\$14,526	\$6,868	\$7,658	\$10,084

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 payment 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

	2001	2000
Issued:		
14,963,833 common shares (12,888,833 in 2000)	\$8,438,852	\$7,101,352
1,475,000 common shares are escrowed.		

Issuance during the period:

	2001	2000
For cash:		
2,000,000 shares (no shares in 2000) pursuant to a private placement	\$1,300,000	\$-
75,000 shares pursuant to exercise of options (100,000 in 2000 pursuant to exercise of warrants)	37,500	50,000
	\$1,337,500	\$50,000

Share purchase warrants:

The Company has granted share purchase warrants in a financing and could be required to issue shares as follows:

- 1,000,000 shares at \$0.80 until February 20, 2004
- 1,000,000 shares at \$1.00 until February 20, 2004

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:

	2001	Average exercisable price	2000	Average exercisable price
Balance, beginning of year	2,145,000	\$0.64	2,015,000	\$0.59
Issued	-	-	130,000	0.72
Exercised	(75,000)	0.50	-	-
Expired	(275,000)	0.50	-	-
Balance, end of year	1,795,000	\$0.63	2,145,000	\$0.64

As at December 31, 2001, 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
- 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:

The income tax effect of temporary differences that give rise to future tax assets and liabilities are as follows:

	2001	2000
Operating losses carry forward	\$ 893,000	\$ 543,000
Canadian exploration expenditures	378,000	357,000
	1,271,000	900,000
Valuation allowance	(1,271,000)	(900,000)
	\$ -	\$ -

As at December 31, 2001, the Company has tax losses of approximately \$2,481,000 available to apply against future taxable income as follows:

Expiry date	Amount
2002	\$ 25,000
2003	279,000
2004	113,000
2005	73,000
2006	555,000
2007	433,000
2008	1,003,000

The Company also has Canadian exploration expenditures of approximately \$1,051,000 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.

	2001	2000
Administration expenses	\$4,500	\$25,000

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.