ANNUAL REPORT 2007

Niocan Inc.

Management's Discussion and Analysis of Financial Condition and Results of Operations
(in Canadian dollars, unless otherwise indicated, and in accordance with Canadian GAAP)

This Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is intended to assist in the understanding and assessment of trends and significant changes in the results of operations and financial condition of the Company. As such, it should be read in conjunction with the unaudited interim financial statements for December 31st, 2008. This MD&A is the responsibility of management and has been reviewed by the Audit Committee and approved by the Board of Directors on March 13th, 2008. The Board of Directors carries out its responsibilities for the financial statements and management's discussion and analysis principally through the Audit Committee, which is comprised of three independent directors.

Forward Looking Statements

Any forward looking statements made in this MD&A involve risks and uncertainties, and actual results could differ materially from those expressed or implied in such statements. Forward-looking statements including statements concerning expectations, business prospects, anticipated economic performance, financial condition and other similar matters are subject to risk and uncertainties which could cause actual results to differ materially from those discussed in the forward-looking statements. Forward-looking statements speak only as of the date of the documents in which they are made. The Company disclaims any obligation or undertaking to provide any update or revision to any forward-looking statement made by or on behalf of the Company to reflect any change in expectations or change in events, conditions or circumstances on which the forward-looking statement was initially based. No undue reliance should be placed on forward-looking statements.

1.1 Nature of Activities

Niocan's mission is the same as described in the 2005 Management Report dated February 22, 2006. However, the description of the Oka Niobium mineral reserves (section 1.2 of the Management Report 2005) has been changed to reflect historical resources instead of reserves, despite the facts that feasibility studies were done in 1998 and up dated in 2000. According to NI 43-101, the term reserve is only to be used only when the economic extraction is justified at the time of the report. Niocan intends to update the feasibility study once the Ministry of Sustainable Development, Environment and Parks (MSDEP) does issues the Certificate of Authorisation (CA).

Historical Resources-Oka Niobium Property

Millions of tonnes (0.5% Nb_20_5 cut off grade)

Deposit	Measured	Indicated	Grade % Nb_20_5
S-60	7.30	3.11	0.66
HWM-2	1.32	2.22	0.56

1.2 Activities – Overall performance and outlook

1.2 a) Oka Niobium Mine Project

On September 25th, 2006, the Company officially filed the final copy of Golder Associates' report with the MSDEP. This report is the result of exhaustive field tests on the potential effects that the mine dewatering could have on the groundwater and the agricultural lands close to Niocan's underground mine project located in the Ste-Sophie Range of Oka.

Most of the work in the last semester of 2007 was still devoted to explain the review of the plans and drawings of the Oka niobium mine project, according to the new data from the 2006 Golder Report, to the professionals of the Ministry of Sustainable Development, Environment and Parks (MSDEP).

A new team, made of two experienced mining engineers, former mines manager, one from the Niobec’s mine, plus one consultant engineer specialized in environment, completed with one renowned lawyer in environmental regulations, was put together in order to finalize the updating and the reconciliation of all the documents given to the government ministries since year 2000 so the MSDEP would issue promptly the CA to build the mine in the Ste-Sophie range of Oka.

Niocan’s revenues in 2007 consist of interest from bank deposits, land and house leases, which amount to $52,665.00. Most of the costs are for Engineering consultants, review of the mine project plans and drawings, the re-writing of the Company's commitment towards the Environmental protection when the mine is in operation and the administration.

1.2 b) <u>Niocan Financial Summury</u>

The Company’s total assets as of December 31, 2007 are $7,219, 139.00 compared to $7,460,233.00 on December 31, 2006.

1.2 c) <u>Great Whale Iron Property (GWIP)</u>

The Great Whale Iron Property (GWIP) includes three (3) deposits that were visited by geologists from Met-Chem and Niocan in July and August 2006 and Met-Chem has delivered a Technical Report on GWIP as per NI 43-101 dated August 31, 2006.

This property of 17,098 acres, with an average of 36% Fe magnetite content displayed by drilling in 1957 - 1960, was acquired by Niocan on February 10, 2004. It is located 80 km from the mouth of the Great Whale River on Hudson Bay, Inuit territory Class III. Historical mineral resources indicate approximately 942 million tonnes of iron ore (Belcher Mining Corporation Ltd., November 1960 by L.M. Scofield). Preliminary discussions with different global mining and/or steel companies indicate that Niocan must update data and studies made in the 50’s and 60’s to demonstrate the feasibility of an iron mine in order to interest one or more partners in this potential project. During Spring 2007, the Company, after consultation, has decided to find avenues to enhance the shareholders value of this property instead of doing some new metallurgical testing.

During the Fall of 2007, the company has been busy discussing with potential partners some non binding letters of intent (LOI). Presently the directors are evaluating the last two best LOI. The company is looking for a partner who could perform soon a prefeasibility study while the price for iron ore is historically high.

1.2 d) James Bay Niobium Property

Since the Ontario Ministry of Northern Development and Mines had confirmed early in 2006 the legal ownership covering this niobium deposit, Niocan had intended to acquire a significant share of this property and to renew the Agreement with the owners. If successful with the acquisition strategy, the goal would have been to perform additional drilling to increase the indicated historical resources of 17,000,000 T of ore and to proceed with a pre-feasibility study eventually. During Spring 2007, the negotiations were advanced and the company was waiting for the Corporate documentation to close the purchase of 60% of the mining rights by Year end, but the deal was abandoned by the third party. The company has resumed its efforts to get the other 40% and to reposition its stakes on this niobium resource.

1.3 Results from operations

1.3a)

The majority of expenditures charged to operations, as well as those capitalized as deferred expenditures over the last 7 years, were related to activities undertaken to obtain the Certificate of Authorisation (CA) for the Oka mine from the Ministry of Sustainable Development, Environment and Parks (MSDEP).

Management believes that these delays in obtaining the CA have contributed to a sharp decrease in the Company's share value on the stock market, particularly in late 2005 with no correction yet. It is the view of Management that the ultimate release of the CA, coupled with the initiatives currently progressing for the GWIP Project, will lead investors and analysts to pay more attention to the Company.

The second semester of 2007 was very intensive with the MSDEP. Three engineering firms were busy with our new team of two experienced mining people, including the former mine manager of Niobec's niobium mine, in order to revisit to the satisfaction of the ministry all the plans and designs that were to be adapted to the worse case scenario of the effects on the underground water table during the projected mine life. Also, the company has to supply dependable designs on the process to control the temperature of the mine dewatering water discharging in the nearby creek, the control on a new lower norm for the fluorine content in the tailing slurry and the plans for a water reservoir to supply the nearby forms in case their ponds are dried out due to the mine underground operations, etc…

On February 7th, 2008, the company has delivered, to the MSDEP satisfaction, the final package of documents. Now, it remains to obtain a small extension of green land dezoning from the "Commission de la Protection du Territoire Agicole du Québec" (CPTAQ) for the water reservoir adjacent to the plant site which was approved in year 2001. Our consultant lawyer, who is specialized in this field, has this task on a fast track… In the meantime, the company has continued to contact the local and regional stakeholders in order to keep them aware of the status with the MSDEP and the company's plan to build the mine while the niobium market is now growing and the price is historically high.

1.3 b) Niobium Market overview

According to (TIC) Tantalum-Niobium International Study Center Bulletin no. 132, December 2007, the ferro-niobium (Fe Nb) production has increased steadily to average a growth rate of 19% over the past four years. The spot price of ferro-niobium has reached 29.5 US $/lb from April to July 2007 and closed at 21.50 US $/lb (Metalprices.com). In 2000 for the updating of the feasibility study, a price of 6.50 US $/lb was used… The company would want to review again the feasibility study as soon as the MSDEP's Ca is issued by using realistic medium to long term price forecasts and, of course, increased construction costs.

1.4 Liquidity

On December 31, 2007, the Company's cash and cash equivalent assets aggregated were $1,137,770.00. An amount of $183,209 was received from the mining rights tax credit and 130 000 options were exercised for $71 200 cash entry. The Company considers these funds sufficient to cover existing commitments and planned operations for the foreseeable future.

1.5 Commitments

The Company has a lease commitment for premises in Montreal amounting to $33,000 per year, renewable in August 2008 for one year.

On April 24, 2006, the Company signed a renewal agreement with the Municipality of Oka, which expired on December 31, 2007, for the acquisition of the front half of the St.Lawrence Columbium site for $200,000. The amount of $40,000 was paid since the signing of this agreement. This property will be used as a waste dump for the future niobium mine in the Ste-Sophie's range of Oka and the Company is also committed to restore and clean a small adjacent site.

While waiting for the CA from the MSDEP the agreement was extended to June 31st, 2008.

1.6 <u>Related party transactions</u>

The President, G. Bernard Coulombe, who is also a Director of the Company, was paid a cumulated amount for salary and special assignments of $28,900.00 during 2007 and the four independent Directors each received a fee of $4,000 during 2007. Also, each Director was granted 140 000 options in 2007.

1.7 <u>Significant accounting policies</u>

Use of estimates

The preparation of Financial Statements in conformity with generally accepted accounting principles in Canada requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

Mining and exploration properties

Mining assets include rights in mining properties and deferred exploration expenses, as well as surface rights on 231 acres (110 hectares) at Oka.

Exploration expenses are deferred until the economic viability of the projects has been established, at which time the expenses will be added to mining properties. Expenses are written off when properties are abandoned or when expense recovery is uncertain. Management has defined uncertainty as either, there are no financial resources available for development over a period of three consecutive years, or results from exploration work not warranting further investment.

1.8 Change in accounting policies

Effective January 1, 2004, the Company has retroactively applied the fair value to account for options granted to its employees, officers, directors after January 1, 2002, without restatement of prior periods. The balance sheets and statements of operations and deficit reflect the adoption of the fair value method of accounting for stock options. Any consideration paid on the exercise of stock options is credited to share capital.

1.9 Others

The reader is referred to the audited financial statements and notes to financial statements dated December 31, 2007 for more details. These are filed on SEDAR at www.sedar.com

1.10

Quarterly Information			
Quarter Ended	**TOTAL REVENUE $**	**NET LOSS $**	**LOSS PER SHARE $**
December 31, 2007	52 665	670 874	0.04
September 30, 2007	13 844	367 199	0.03
June 30, 2007	12 021	100 549	0.01
March 31, 2007	13 343	153 365	0.01
December 31 2006 (12 mo.)	78 856	312 602	0.02
September 30, 2006	14 766	90 127	0.01
June 30, 2006	20 692	117 592	0.01
March 31 2006	20 672	41 031	0.01
December 31 2005 (12 mo.)	68 975	571 527	0.03

The cost of $363 580 for the options granted to the directors in 2007 is accounted in the net loss figure.

1.11 Risks and uncertainty

The Corporation needs to secure new equity and debt financing in order to ultimately realize the Oka Project and pursue the exploration/development of other properties it has acquired, particularly that of the Great Whale Iron deposit. Given the nature of the speculative investment it is seeking in the capital markets, there is no assurance that the required financing will be available.

There are many factors that could affect the Company's results that are not controlled by management, such as market prices, exchange rates, politico-social conflicts, competition and regulatory approvals. The Company takes great care to minimize these risks by carefully choosing consultants and advisors that are experienced leaders in their field.

B. Coulombe
President and Chief Executive Officer
March 14, 2008

KPMG

Financial Statements of

NIOCAN INC.

Years ended December 31, 2007 and 2006

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AUDITORS' REPORT TO THE SHAREHOLDERS

To the Shareholders of Niocan Inc.

We have audited the balance sheets of Niocan Inc. as at December 31, 2007 and 2006 and the statements of operations, comprehensive loss and deficit, deferred expenditures and cash flows for the years 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 audits.

We conducted our audits 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, 2007 and 2006 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Montréal, Canada

February 7, 2008

NIOCAN INC.

Balance Sheets

December 31, 2007 and 2006

	2007	2006
Assets		
Current assets:		
Cash and cash equivalents	$ 1,036,469	$ 1,261,205
Accounts receivable	13,929	38,187
Prepaid expenses and deposits	87,372	61,246
	1,137,770	1,360,638
Equipment (note 3)	6,882	8,766
Land	506,887	506,887
Mining and exploration properties (note 4)	5,567,600	5,583,932
	$ 7,219,139	$ 7,460,223
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 74,486	$ 79,476
Shareholders' equity:		
Capital stock (note 5)	11,757,402	11,686,202
Contributed surplus (note 6)	787,520	423,940
Deficit	(5,400,269)	(4,729,395)
	7,144,653	7,380,747
Commitments and contingencies (note 10)		
	$ 7,219,139	$ 7,460,223

See accompanying notes to financial statements.

On behalf of the Board:

(signed) Bernard Coulombe Director

(signed) Hubert Marleau Director

NIOCAN INC.

Statements of Operations, Comprehensive Loss and Deficit

Years ended December 31, 2007 and 2006

		2007		2006
Interest and other revenues	$	52,665	$	72,856
Expenses:				
Loss on abandonment of exploration property		-		34,469
Professional fees		93,263		92,671
Director's fees		15,335		8,000
Management fees		-		542
Cost of option granted (note 6)		363,580		55,200
Reports to shareholders		10,291		6,602
Rent		40,162		31,540
Office and administration		103,528		78,880
Trustees and registration fees		28,118		28,334
Taxes and permits		14,592		10,710
Travel and business development		27,039		13,498
Insurance		13,872		12,825
Telecommunications and website		4,974		3,746
Amortization		1,884		2,087
Publicity and public relations		6,278		6,037
Interest and bank charges		623		317
		723,539		385,458
Net loss and comprehensive loss		(670,874)		(312,602)
Deficit, beginning of year		(4,729,395)		(4,416,793)
Deficit, end of year	$	(5,400,269)	$	(4,729,395)
Net loss per share, basic and diluted	$	(0.04)	$	(0.02)

See accompanying notes to financial statements.

NIOCAN INC.

Statements of Deferred Expenditures

Years ended December 31, 2007 and 2006

	2007	2006
Balance, beginning of year	$ 4,783,932	$ 4,356,083
Increase:		
Environmental studies	191,969	384,797
Geological and metallurgy work and technical report	-	124,265
	191,969	509,062
Less credits for mining rights and resource credits	(208,301)	(46,744)
Loss on abandonment of exploration property	-	(34,469)
Balance, end of year	$ 4,767,600	$ 4,783,932

See accompanying notes to financial statements.

NIOCAN INC.
Statements of Cash Flows

Years ended December 31, 2007 and 2006

	2007	2006
Cash flows from operating activities:		
Net loss and comprehensive loss	$ (670,874)	$ (312,602)
Adjustments for:		
Cost of options granted	363,580	55,200
Amortization	1,884	2,087
Loss on abandonment of exploration property	-	34,469
Net change in non-cash operating working capital	(6,858)	(35,490)
	(312,268)	(256,336)
Cash flows from financing activities:		
Issue of capital stock	71,200	-
Cash flows from investing activities:		
Equipment	-	(1,189)
Deferred expenditures, net of credits	16,332	(462,318)
	16,332	(463,507)
Net decrease in cash and cash equivalents	(224,736)	(719,843)
Cash and cash equivalents, beginning of year	1,261,205	1,981,048
Cash and cash equivalents, end of year	$ 1,036,469	$ 1,261,205

See accompanying notes to financial statements.

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

1. Change in accounting policies:

Effective in 2007:

Effective January 1, 2007, the Company adopted the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1530, *Comprehensive Income*, Section 3251, *Equity*, Section 3855, *Financial Instruments - Recognition and Measurement* and Section 3865, *Hedging*. Changes in accounting policies in conformity with these new accounting standards are as follows:

(a) Comprehensive income:

Section 1530 introduces the concept of comprehensive income, which is calculated by including other comprehensive income with net income. Other comprehensive income represents changes in shareholders' equity arising from transactions and other events with non-owner sources such as unrealized gains and losses on financial assets classified as available-for-sale. The adoption of this section had no material impact on the Company's financial statements.

(b) Equity:

Section 3251 establishes standards for the presentation of equity and change in equity during the reporting period and requires the Company to present separately equity components and changes in equity arising from (i) net earnings (loss); (ii) other comprehensive income (loss); (iii) other changes in retained earnings; (iv) changes in contributed surplus and (v) changes in capital stock.

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1. Change in accounting policies (continued):

(c) Financial instruments:

Sections 3855 and 3865 establish standards for recognizing and measuring financial assets, financial liabilities and derivatives. Under these standards, financial instruments are now classified as held-for-trading, available-for-sale, held-to-maturity, loans and receivables, or other financial liabilities and measurement in subsequent periods depends on their classification. Transaction costs are expensed as incurred for financial instruments classified as held-for-trading. For other financial instruments, transaction costs are capitalized on initial recognition and presented as an adjustment to the underlying financial instruments. Financial assets and financial liabilities held-for-trading are measured at fair value with changes recognized in income. Available-for-sale financial assets are measured at fair value or at cost, in the case of financial assets that do not have a quoted market price in an active market, and changes in fair value are recorded in comprehensive income.

Financial assets held-to-maturity, loans and receivables, and other financial liabilities are measured at amortized cost using the effective interest method of amortization. The Company has classified its cash and short-term investments as held-for-trading. Accounts receivable were classified as loans and receivable. All of the Company's financial liabilities were classified as other financial liabilities.

Upon adoption of these new sections, the transition rules require that the Company adjusts either the opening deficit or accumulated other comprehensive income as if the new rules had always been applied in the past, without restating comparative figures of prior years. No such adjustments were necessary. Finally, the adoption of the new standards had no material impact on the net loss for the year ended December 31, 2007.

Future accounting pronouncements:

In December 2006, the CICA published three new accounting standards: Section 1535, *Capital Disclosures*; Section 3862, *Financial Instruments - Disclosures*; and Section 3863, *Financial Instruments - Presentation*. These new standards will apply to the Company effective January 1, 2008.

Section 1535 establishes disclosure requirements concerning (i) an entity's objectives, policies and processes for managing capital; (ii) the quantitative data about what the entity regards as capital; and (iii) whether the entity has complied with any capital requirements and the consequences of non-compliance with such capital requirements.

1. Change in accounting policies (continued):

Future accounting pronouncements (continued):

Sections 3862 and 3863 consist of a comprehensive series of disclosure requirements and presentation rules applicable to financial instruments. They revise and enhance the disclosure requirements set out in Section 3861, *Financial Instruments - Disclosure and Presentation*, and carry forward unchanged the presentation requirements of Section 3861.

Section 3862 establishes disclosure requirements that enable users of financial statements to evaluate the significance of financial instruments for an entity's financial position and performance and the nature and extent of risks arising from financial instruments to which the entity is exposed and how the entity manages those risks.

2. Significant accounting policies:

(a) Mining and exploration properties and deferred expenditures:

Mining assets consist of deferred expenditures and development costs related to properties for which economically recoverable reserves exist. Mining assets are, upon commencement of production, depleted over the estimated life of the ore reserve to which they relate or are written off if the property is abandoned or when there is an impairment in value.

Exploration assets are carried at cost. Exploration and development expenses relating to a non-producing property are deferred until the property is brought into production or abandoned. If exploration work does not provide positive results or upon abandonment, these costs are charged to earnings. Management reviews the carrying values of assets on a regular basis to determine whether any write-downs are necessary.

Recovery of the cost of mining and exploration assets depends on the discovery of economically recoverable ore reserves for the exploration assets, the Company’s ability to obtain the necessary financing to complete the exploration and development of the properties and future profitable production or the disposal of the properties for proceeds in excess of their carrying value.

2. Significant accounting policies (continued):

(b) Equipment:

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

Asset	Rate
Equipment and furniture	20%
Computer equipment	30%

(c) Stock-based compensation and other stock-based payments:

The Company adopted the new accounting recommendations published by the Canadian Institute of Chartered Accountants ("CICA") relating to stock-based compensation and other stock-based payments made in exchange for goods and services. Effective as of January 1, 2004, the Company uses the fair value method to record the stock options granted to all participants.

(d) Future income taxes:

The Company uses the asset and liability method of accounting for income taxes. Under this method, future income taxes are recognized for the future tax consequences attributable to differences between the financial statement carrying values and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates anticipated to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is included in income in the period that includes the enactment date.

The Company renounces tax deductions relating to resource expenditures that are financed by the issuance of flow-through shares for the benefit of its shareholders, as permitted by the tax legislation.

Under the asset and liability method used to account for income taxes, future income taxes related to the temporary differences created by this renouncement are recorded in accordance with EIC-146 when the Company renounces these deductions and a corresponding cost of issuing the securities is also recorded.

2. Significant accounting policies (continued):

(e) Resource tax credits and mining rights:

The Company incurs exploration expenses that are eligible for tax credits. The tax credits are recorded based on the estimated amounts to be recovered. The amounts claimed are subject to an audit by the tax authorities.

Tax credits on exploration costs relating to mining and exploration assets are deducted from the related asset.

(f) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

(g) Cash and cash equivalents:

The Company considers deposits in banks, certificates of deposit and short-term investments with original maturities of three months or less as cash and cash equivalents. The major components of cash and cash equivalents are as follows:

	2007	2006
Cash	$ 86,752	$ 53,967
Money market fund	949,717	1,207,238
	$ 1,036,469	$ 1,261,205

3. Equipment:

						2007		2006
		Cost		Accumulated amortization		Net book value		Net book value
Equipment and furniture	$	15,670	$	9,678	$	5,992	$	7,492
Computer equipment		12,790		11,900		890		1,274
	$	28,460	$	21,578	$	6,882	$	8,766

4. Mining and exploration properties:

						2007
		Cost of properties		Deferred expenditures		Total
Oka	$	800,000	$	4,539,624	$	5,339,624
Grande-Baleine		-		227,976		227,976
	$	800,000	$	4,767,600	$	5,567,600

						2006
		Cost of properties		Deferred expenditures		Total
Oka	$	800,000	$	4,555,956	$	5,355,956
Grande-Baleine		-		227,976		227,976
	$	800,000	$	4,783,932	$	5,583,932

4. Mining and exploration properties (continued):

(a) Oka property:

The Oka mining property consists of mining rights comprised of 33 claims covering 1,604 acres, and surface rights on 231 acres.

The Company granted SGF Mines Inc. the option to acquire a 20% interest in two ore deposits of its mining property in consideration of a payment, representing 20% of total expenses incurred to bring the said ore deposits into production.

The Company also granted Teck Corporation the option to acquire a 25% interest of its mining property in consideration of a payment, representing 25% of total expenses incurred to bring the said ore deposits into production, and by the payment of $1,000,000 cash, of which $500,000 was received.

The options cannot be transferred without the Company's approval.

(b) Grande-Baleine property:

The Company owns a 100% interest in surface and mining rights for the iron property of Grande-Baleine covering 17,097.93 acres on the Hudson Bay territory.

5. Capital stock:

Authorized:

An unlimited number of common shares without par value

	2007	2006
Issued:		
18,933,833 common shares (2006 - 18,803,833)	$ 11,757,402	$ 11,686,202

During the year, the Company issued 130,000 common shares (2006 - none) against $71,200 (2006 - nil) cash following the exercise of stock options.

6. 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 and their life cannot exceed 10 years. The options vest immediately upon issuance.

The number of stock options outstanding fluctuated as follows:

	2007	Average exercisable price	2006	Average exercisable price
Balance, beginning of year	2,262,000	$ 0.64	2,307,000	$ 0.67
Issued	740,000	0.63	160,000	0.44
Expired	(370,000)	0.70	(205,000)	0.80
Exercised	(130,000)	0.58	-	-
	2,502,000	$ 0.64	2,262,000	$ 0.64

As at December 31, 2007, the following options were outstanding and could be exercised:

120,000 shares at $0.55 per share until January 16, 2008
30,000 shares at $0.55 per share until April 16, 2008
60,000 shares at $0.50 per share until February 23, 2009
600,000 shares at $0.50 per share until May 1, 2009
105,000 shares at $0.95 per share until October 5, 2009
105,000 shares at $0.72 per share until November 13, 2010
240,000 shares at $0.53 per share until March 26, 2012
40,000 shares at $0.50 per share until June 11, 2012
120,000 shares at $0.85 per share until September 15, 2013
175,000 shares at $1.10 per share until March 17, 2014
77,000 shares at $0.98 per share until March 2, 2015
130,000 shares at $0.44 per share until August 31, 2016
160,000 shares at $0.40 per share until January 8, 2017
540,000 shares at $0.72 per share until August 2, 2017

6. Stock option plan (continued):

During the year ended December 31, 2007, the Company granted 740,000 stock options at a price of $0.40 for 200,000 shares and $0.72 for 540,000 shares (160,000 options at a price of $0.44 in 2006). These options vest immediately. The fair value of each option granted was determined using the Black-Scholes option pricing model. At the date of the grant, the weighted average fair value of stock options granted was $0.491 (2006 - $0.345) per option. The following weighted average assumptions were used in these calculations:

	2007	2006
Risk-free interest rate	4%	4%
Expected life	7 years	7 years
Expected volatility	85 to 87%	87%
Expected dividend yield	0%	0%

Contributed surplus:

	2007	2006
Balance, beginning of year	$ 423,940	$ 368,740
Stock-based compensation	363,580	55,200
Balance, end of year	$ 787,520	$ 423,940

7. Future tax benefit:

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

	2007	2006
Future tax assets:		
Operating loss carry forwards	$ 828,000	$ 1,334,000
Financing costs	-	16,000
Credits and other	266,000	221,000
	1,094,000	1,571,000
Valuation allowance	(210,000)	(551,000)
	884,000	1,020,000
Future tax liabilities:		
Mining properties	(216,000)	(249,000)
Deferred exploration expenditures	(668,000)	(771,000)
	(884,000)	(1,020,000)
Net future tax assets	$ -	$ -

As at December 31, 2007, the Company has tax losses of approximately $2,932,000 available to apply against future taxable income as follows:

Expiry date	Amount
2008	$ 588,000
2009	564,000
2010	363,000
2014	380,000
2015	482,000
2026	228,000
2027	327,000

The Company also has Canadian exploration expenditures of approximately $2,292,000 at the federal level and $2,292,000 at the provincial level which may be deducted from future taxable income.

8. Related party transactions:

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

	2007	2006
Administration expenses - professional fees	$ 33,500	$ 36,620
Administration expenses - director's fees	15,335	8,000

9. Financial instruments:

(a) Fair value:

The Company has determined that the fair value of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximates their carrying amount due to the relatively short periods to maturity of these instruments.

(b) Credit risk:

Credit risk results from the possibility that a loss may occur from the failure of another party to perform according to the terms of the contract. Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents. Cash is maintained with high-credit, quality financial institutions. Cash equivalents consist of money market funds.

10. Commitments and contingencies:

(i) The Company has a lease commitment for premises, and the minimum amount payable is $20,056 in 2008.

10. Commitments and contingencies (continued):

(ii) On February 2, 2004, the Company entered into a purchasing agreement with the city of Oka for the acquisition of the St. Lawrence Columbium site in the amount of $200,000. A total non-refundable amount of $40,000 was paid, and the balance of $160,000 will be payable at the beginning of the construction work on the site and at the latest on June 30, 2008. The Company has also committed itself to restore and clean an adjacent site. The acquisition of the site and the commitment for the restoration and clean-up of the adjacent site are conditional on obtaining all necessary permits, certificates and other authorizations from the Ministère du Développement durable de l'Environnement et des Parcs (MDDEP) du Québec for the Oka project.

(iii) The Company has been named a defendant in a legal action claiming damages in the amount of $172,000. Management is of the opinion that there is a strong defense against the claim. Accordingly, no provision for losses has been reflected in the accounts of the Company for this matter.