NIOCAN INC.

ANNUAL REPORT

2008

Management's Discussion and Analysis

(in Canadian dollars, unless otherwise indicated, and in accordance with ICCA)

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 the period ended December 31, 2008.

Forward Looking Statements

Certain statements contained in this Management's Discussion and Analysis are forward-looking and are subject to numerous risks and uncertainties, known and unknown. For information identifying known risks and uncertainties, relating to the issuance by the Ministry of Environment of the Certificate of Authorization to build the mine in Oka, financial resources, market prices, exchange rates, politico-social conflicts, competition, the purchase of the old St-Lawrence Columbium mine site from the Municipality of Oka should the Certificate of Authorization be issued, and other important factors that could cause actual results to differ materially from those anticipated in the forward-looking statements, please refer to the Risk and Uncertainties Section of this Management's Discussion and Analysis. Consequently, actual results may differ materially from the anticipated results expressed in these forward-looking statements.

1. Description of Activities

1.1 Summary

Niocan's mission is to become a ferroniobium producer as soon as possible, following the issuance of a Certificate of Authorisation ("CA") from the Ministry of Sustainable Development, Environment and Parks ("MSDEP"). In the long term, the Company plans to recover some byproducts from the ore mineral prospects and produce ferroalloys, as well as other related products. The Company has no significant income at this stage.

The Oka project involves the development of a mining complex based on an underground mine, a concentrator and a converter for the production of ferroniobium. The project has completed all exploration phases, including two drilling campaigns in 1995, 1996, and 1997 for a total of 22,204 meters, to define two historical resource ore bodies– the S-60 and the HWM-2. Numerous metallurgical concentration tests and analyses were undertaken throughout the exploration period. These tests, on the various mineralized facies of the principal historical resource mineral prospect, the S-60, allow for the development of an optimal pyrochlore recovery process. Pyrochlore is the niobium-bearing mineral.

Historical Resources-Oka Niobium Property
Millions of tonnes (0.5% Nb_20_5 cut off grade)

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

The above figures reproduce the description of the Oka Niobium mineral prospect, following a feasibility study completed by Met-Chem/Pellemont in 1998, which indicated the economic potential of the project, as well as an update in January 2000 of this study by Met-Chem/SNC-Lavalin, both studies having been prepared prior to the entry into force of NI 43-101 on the information relating to mining projects. The January 2000 report stated that "*the opinion of Consortium Met-Chem/Pellemont was that the evaluation of the available resource presented in the geological report is adequate. MCSL concurs with the conclusions drawn by MCP*." Considering the fact that the Company does not currently hold a CA nor an updated feasibility study, it can not, since the coming into force of NI 43-101, refer to "mineral reserves" without including the appropriate warnings to indicate that this constitutes an historical estimate.

In 2004, Niocan acquired a property with three mineral prospects (historical resource) of magnetite ore, located near the Great Whale River (the "Great Whale Iron Property"). The Company is currently in discussions with potential partners who would help finance the performance of a scoping study.

1.2 Projects

a) Oka Niobium Mine Project

During the fourth quarter, Niocan has continued to enquire upon the MSDEP in efforts to obtain the Certificate of Authorization which would allow the Company to build a mine in Oka. The Company has exchanged correspondence and has contacted the MSDEP. The Company has received to date no indication as to whether the MSDEP intends to issue the Certificate of Authorization, nor the timing of such decision. However the Company has received a written confirmation from the MSDEP during the fourth quarter that the MSDEP is presently consulting the first nations in Kanasetake in relation to the Company's plan to build its mine in Oka.

The Company's management has met with the Mohawks Council of Kanasetake on two occasions, in February and April 2008, and has also held a public presentation for the community of Kanasetake in April 2008 in relation to the underground mine design including the hydrological Golder Study. The objective of these meetings was to comfort the Mohawks community concerning the alleged environmental issues and the underground water effects potentially related the mine project in the Ste-Sophie range of Oka located nearby Kanasetake.

The election of a new Mohawks Council held in July 2008 has delayed the discussions between the Company and the Mohawks, as well as the consulting process initiated by the MSDEP.

Met-Chem, on Niocan's request, has produced a short niobium market study during the month of February 2008. The main producers are located in Brazil (CBMM and Mineraçao Catalao) with a production of 77 300 tonnes in 2007 (2008 P; 97 500 T) and Niobec has a constant production of 3 500 tonnes annually. There are also some small producers of 25-200 T/yr. in Australia, Nigeria, Rwanda, Mozambic and Congo. The important users are Germany (41%), USA (27%), Japan (19%) and China (13%). It will be interesting for Niocan to update its 2000 feasibility study considering the evolution in the price of niobium, which was at $6.83 USD/pound in 2002, has reached $26.50 USD in May 2007 and finally $21.50 USD last January. The average price of Niobium for the last three (3) years is $12.88 USD/pound. The Company is often approached by parties interested to purchase ferroniobium or to partner with the Corporation. Also, there is an increased interest for rare earths (National Post, September 11, 2008). According to a report on the Company's Niobium property prepared by Les Consultants Protec inc. on November 5, 1997, Niocan's pyrochlore concentrate contains 14% rare earths and 0.42% tantalum pentoxyde.

b) <u>Great Whale Iron Property ("GWIP")</u>

The Great Whale Iron Property includes three (3) mineral prospects (historical resources) that were visited by geologists from Met-Chem and Niocan in July and August 2006. Met-Chem has delivered a Technical Report on GWIP as per NI 43-101 dated August 31, 2006. In this report, Met-Chem stated the following: "*It should also be understood that resources presented in this technical report consist in historical estimates that were not verified by more recent data and as such may not be categorized or relied upon. However, Met-Chem believes that these historical estimates provide a conceptual indication of the potential of the property and are relevant to planning of future exploration programs and to the assessment of the property.*"

This property of 17,098 acres, with an average of 36% Fe magnetite content indicated 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. Intensive exploration effected in the 1960's indicated an estimate of tonnage and grade of approximately 942 million tonnes of iron historical resources (Belcher Mining Corporation Ltd., November 1960 by L.M.

Scofield). According to the report prepared by Met-Chem on August 31, 2006: "In the 1960's, such calculation method was considered reliable. However today mineral resources or reserve calculations are generally based on mining software which are more robust and can perform 3D calculation. It will be necessary to twin some historic holes with new ones in order to establish a correlation between historic information and new ones before being able to use concentration tests indicator for new mineral resource or reserve estimates for compliance with NI 43-101." Preliminary discussions with certain global mining and/or steel companies indicate that Niocan must update the estimates 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. Since the Company does not at the present time hold an updated preliminary evaluation, it can not, since the coming into force of NI 43-101, refer to "mineral reserves" without including the appropriate warnings to illustrate that this constitutes historical estimates.

In the spring of 2007, after discussions with mining consultants, the Company chose to search means to add value to this mineral property before doing new modern metallurgical testing and possibly raise funds for the scoping study.

During the last 12 months, the Company has discussed with at least four (4) potential serious industry partners. The discussions are still ongoing at this time with two (2) groups. Niocan wishes to identify a partner with the financing capability to share the cost of a scoping study for a percentage of ownership while eventually retaining a position in this historical mineral prospect, referring to the geological works done in the 60's. Once the project is started, the Company expects that it would take approximately three (3) calendar seasons to conduct the scoping study.

c) James Bay Niobium Property

There has been no new development on the future positioning of Niocan on this niobium mineral prospect in James Bay. The Company plans to revisit this subject with the 40% owners of the mining rights, who have also the management rights at the proper time depending on the Oka mine development.

2. Results of Operations

2.1 Summary

a) Oka Niobium Project

The Company has for many years been awaiting the receipt of a CA from the MSDEP which would allow it to exploit its Oka mine project. The Company considers that it has produced all information required by the MSDEP for the issuance of a CA; however, in spite of the Company's repeated attempts to obtain an indication from the MSDEP as to its intentions relatively to the CA, the Company has not received conclusive information to this effect.

In light of favourable modifications in the economics of this project and of NI 43-101, the next step for the Company would be to update the feasibility study prepared by Met-Chem/Pellemont in 1998 and updated by Met-Chem/SNC-Lavalin in January 2000. The Company considers that an update of this feasibility study which would be compatible with NI 43-101 would require approximately three (3) months and would cost over $500,000, cost which the Company could presently assume.

The update of the feasibility study would provide useful information to enable the Company to raise the capital required to the continuation of this project.

In accordance with the 1998 and 2000 feasibility studies mentioned above, the construction of the mine and of the plant would take two (2) years and would require one hundred and ten million dollars ($110,000,000) in funds. Since these estimates are over 9 years-old, they will have to be updated to take into account, amongst other things, the increase in the price of Niobium as well as increased construction costs.

To date, $4,793,581 has been capitalized in the Company's financial statements relatively to deferred expenditures for this project. These essentially consist in geotechnical studies, feasibility studies and studies for the design of the Oka Niobium mining project.

b) Great Wale Iron Property

On August 31, 2006, Met-Chem produced its technical report which recommends a plan of action on the Great Whale project for the period comprised between 2006 and 2008, which totalised seven million three hundred thousand dollars ($7,300,000). The Company has not started this work, and rather is looking for a partner with the financial capability to share the costs of a scoping study in exchange for a participation in this property.

To date, $227,000 has been capitalized in the Company's financial statements relatively to deferred expenditures for this project. These essentially consist in the study prepared by Met-Chem and fees relating to the land survey made by the Company's geologists.

2.2 Revenues and expenses

Niocan's revenues for the period ended December 31, 2008 consist of interest from bank deposits, land lease and house lease which amounted to $52,809 ($52,665 in 2007).

The expenses incurred for the period ended December 31, 2008 in a total amount of $525,290 ($723,539 in 2007) consist mainly in professional fees ($92,247, compared to 93,263 in 2007), costs relating to options ($180,600, compared to $363,580 in 2007) as well as office and administration fees ($71,549, compared to $103,528 in 2007). The decrease in the cost of options is mainly attributable to the reduction of options granted in 2008 compared to 2007, being 360,000 options compared to 740,000 options.

Selected Annual Information

The following table presents certain financial information extracted from the Company's audited financial statements for the last three years:

	2008 **$**	**2007** **$**	**2006** **$**
Revenues	52,809	52,665	72,856
Net loss	531,881	670,874	312,602
Net loss per share	0.02	0.04	0.02
Total assets	8,040,659	7,219,139	7,460,223
Total long-term liabilities	0	0	0

Note: The Company has not declared any abandoned activity or extraordinary elements, and the Company has not declared any dividend.

The Company's total assets have increased in 2008 compared to 2007 due mainly to a private placement of $1,080,000 completed in June 2008.

Summary Quarterly Information

The following table presents certain extracts of the quarterly statements of operations:

Quarterly Information			
Quarter Ended	**TOTAL REVENUE ($)**	**NET LOSS ($)**	**LOSS PER SHARE ($)**
December 31, 2008	24,722	58,149	0.01
September 30, 2008	11,779	124 233	0.01
June 30, 2008	6,582	216,140	0.01
March 31, 2008	9,726	133,360	0.01
December 31, 2007	13,457	112,561	0.01
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

The Company had no significant revenues over the past eight quarters. The variations in net losses result mainly from variations in expenditures relative to engineering studies made for the Company's account.

2.3 Balance Sheet

The Company's total assets on December 31, 2008 totalled $8,040,659 ($7,219,139 in 2007). On December 31, 2008, the current assets totalled $1,703,303 ($1,137,770 in 2007), the shareholder's equity totalled $7,889,872 ($7,144,653) and the cash and cash equivalents totalled $1,592,088 ($1,036,469 in 2007).

2.4 Liquidities

On December 31, 2008, the short term assets totalled $1,703,303 ($1,137,770 on December 31, 2007). A private placement of $1,080,000 took place during this third quarter of 2008 by the issuance of 1,800,000 common shares at $0.60 per share, which price represented a 13% premium relative to the TSX share price of $0.53 on June 5, 2008.

The Company invests solely in liquid, high-grade securities. The Company does not invest in asset backed commercial paper.

The Company considers that these funds are sufficient to respect all its current commitments. However, additional funding will be required to finance the Company's two main projects, being the Great Whale project and the Oka project. As mentioned, the Company is currently seeking a financial partner to proceed to the next stages of the Great Whale project. As for the Oka project, the Company currently holds the funds required to update its feasibility study, and if and when the CA is issued by the MSDEP, the Company will have to raise substantial additional funds, the amount of which is to be confirmed by the update of the feasibility study, to proceed to the construction of the mine and the plant.

2.5 Commitments

The Company has a lease commitment for premises in Montreal amounting to approximately $33,000 per year.

On April 24, 2006, the Company renewed its agreement with the Municipality of Oka granting the Corporation an option to acquire of the front half of the St-Lawrence Columbium site for a purchase price of $200,000; such renewal agreement was to expire on December 31, 2007, and was further renewed by the Corporation until June 30, 2008. An amount of $45,000 has been paid to the Municipality of Oka since the signature of this agreement. The Company was interested in acquiring this property to use it as a waste dump for the future niobium mine in Oka and the Company, if it had purchased such property, would also commit to restore and clean a small adjacent site. The Company has decided to postpone discussions relating to the renewal of such option agreement with the Municipality of Oka at the present time, pending further news from the MSDEP relating to the issuance of the CA.

During the second quarter of 2008, the Company has committed expenditures, which were paid in the third quarter of 2008, with engineering consultants for amounts estimated at $34,677 to update and to explain the modifications to the Oka niobium mine design and drawings of 2001, according to the new data from the Golder report upon request by the MSDEP and other ministries.

2.6 Fourth Quarter Results

The following table provides certain financial information extracted from the Company's quarterly financial statements:

Revenues ($)			Net Loss ($)		
Q4 2008	**Q4 2007**	**Difference**	**Q4 2008**	**Q4 2007**	**Difference**
24,722	13,457	11,265	58,149	112,561	54,412

During the fourth quarter of this year, the Company generated revenues of $24,722 ($13,457 in 2007) and a net loss of $58,149 ($112,561 in 2007). The net loss was less in the fourth quarter of 2008 compared to the same quarter in 2007 due mainly to the fact that the Company has spent more fees relating to geotechnical studies in 2007 compared to 2008.

3. Related party transactions

During the third quarter of 2008, Mr. Terence Ortslan, a Director of the Company, received a finders' fee in the amount of $59,400 in connection with the private placement in the amount of $1,080,000 completed in June 2008.

4 Significant accounting policies

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.

We refer you to the note 3 of the Company's financial statements for the period ended December 31, 2008, which details certain accounting policies used in the preparation of the financial statements.

5 Mining and exploration properties

Mining assets include mining rights in two properties and deferred exploration expenses, 48 claims covering 1604 acres as well as surface rights on 231 acres (110 hectares) at Oka and 17 098 acres of claims on the Hudson Bay area (Great Whale iron ore). The claims for GWIP are renewed for 2 years.

Exploration expenses are deferred until the economic viability of the projects have 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.

6. Change in accounting policies

We refer you to note 2 of the Company's financial statements for the year ended December 31, 2008, which provides further information on the changes in accounting policies.

7. Number of Shares Issued

Common shares issued and outstanding	20,763,833
Options granted	2,712,000
Warrants	0
Convertible debentures	0
Total	23,475,833

8. Disclosure Controls and Procedures and Internal Control Over Financial Reporting

8.1 Disclosure Controls and Procedures

National Instrument 52-109, "Certification of Disclosure in Issuers' Annual and Interim Filings", issued by the Canadian Securities Administrators requires Chief Executive Officers ("CEOs") and Chief Financial Officers ("CFOs") to certify that they are responsible for establishing and maintaining disclosure controls and procedures for the Company, that disclosure controls and procedures have been designed and are effective in providing reasonable assurance that material information relating to the Company is made known to them, that they have evaluated the effectiveness of the Company's disclosure controls and procedures, and that their conclusions about the effectiveness of those disclosure controls and procedures at the end of the period covered by the relevant annual filings have been disclosed by the Company.

Under the supervision of and with the participation of management, including the President and Chief Executive Officer and Acting Chief Financial Officer, we have evaluated the effectiveness of the Company's disclosure controls and procedures as at December 31, 2008 and direction concluded that, disclosure controls and procedures contain a material weakness due to inadequate segregation of duties between the authorization, recording, review and reconciliation of purchases and sales and recording of cash receipts and bank account reconciliations. This material weakness has the potential to result in a material misstatement in the company's financial statements, and should also be considered a material weakness in its internal control over financial reporting. Management and Board of Director has concluded and agreed that, taking into account the present stage of the company's development and the best interests of its shareholders, the company does not have sufficient size and scale to warrant the hiring of an additional staff to correct this weakness at this time.

8.2 Internal controls over financial reporting

National Instrument 52-109 also requires CEOs and CFOs to certify that they are responsible for establishing and maintaining internal controls over financial reporting for the Company, that those internal controls have been designed and are effective in providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with Canadian generally accepted accounting principles, and that the Company has disclosed any changes in its internal controls during its most recent interim period that has materially affected, or is reasonably likely to materially affect, its internal control over financial reporting.

Under the supervision of and with the participation of management, including the President and Chief Executive Officer and Acting Chief Financial Officer, we have evaluated the effectiveness of internal controls over financial reporting as of December 31, 2008 and we have concluded that, the internal control over financial reporting contain a material weakness due to inadequate segregation of duties as previously mentioned in the "*Disclosure Controls and Procedures***"** section.

To evaluate the efficiency of the internal controls over financial reporting, management used the recognized and suited entitled working environment Internal Control Integrated Framework, issued by Committee of sponsoring Organizations of the Treadway Commission ("COSO").

9. Risks and uncertainties

The Corporation needs to obtain a Certificate of Authorization from the MSDEP in order to build the Oka mine project. There is no assurance that the MSDEP will issue this CA or that the CA will be issued in the near future.

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 mineral prospect. 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 Corporation has not renewed its option to the purchase part of the old St-Lawrence Columbium mine site from the Municipality of Oka, which expired on

June 30, 2008, pending a decision from the MSDEP relating to the issuance of the Certificate of Authorization. There is no assurance that the municipality of Oka will accept to extend this offer to purchase in the future should the Certificate of Authorization be issued by the MSDEP.

The Company takes great care to minimize these risks by carefully choosing consultants and advisors that are experienced leaders in their field of environment, mining engineering and law.

10. Other

The reader is referred to financial statements and notes to financial statements for more details. These are filed on SEDAR at www.sedar.com. Additional information relating to the Company, including the Company's Annual Information Form, may be consulted on SEDAR at www.SEDAR.com.

Bernard Coulombe
Director,
President and Chief Executive Officer
March 20, 2009

Financial Statements of

NIOCAN INC.

Years ended December 31, 2008 and 2007

KPMG LLP
Chartered Accountants
600 de Maisonneuve Blvd. West
Suite 1500
Tour KPMG
Montréal Québec H3A 03A

Telephone (514) 840-2100
Fax (514) 840-2187
Internet www.kpmg.ca

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the balance sheets of Niocan Inc. as at December 31, 2008 and 2007 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, 2008 and 2007 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 6, 2009

* CA Auditor permit no 14006

NIOCAN INC.
Balance Sheets

December 31, 2008 and 2007

		2008		2007
Assets				
Current assets:				
Cash and cash equivalents	$	1,592,088	$	1,036,469
Accounts receivable		21,538		13,929
Prepaid expenses and deposits		89,677		87,372
		1,703,303		1,137,770
Equipment (note 4)		8,912		6,882
Land		506,887		506,887
Mining and exploration properties (note 5)		5,821,557		5,567,600
	$	8,040,659	$	7,219,139
Liabilities and Shareholders' Equity				
Current liabilities:				
Accounts payable and accrued liabilities	$	150,787	$	74,486
Shareholders' equity:				
Capital stock (note 6)		12,853,902		11,757,402
Contributed surplus (note 7)		968,120		787,520
Deficit		(5,932,150)		(5,400,269)
		7,889,872		7,144,653
Commitments and contingencies (note 12)				
	$	8,040,659	$	7,219,139

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, 2008 and 2007

	2008	2007
Interest and other revenues	$ 52,809	$ 52,665
Expenses:		
Professional fees	92,247	93,263
Directors' fees	39,567	15,335
Cost of options granted (note 7)	180,600	363,580
Reports to shareholders	-	10,291
Rent	35,899	40,162
Office and administration	71,549	103,528
Trustees and registration fees	46,978	28,118
Taxes and permits	10,469	14,592
Travel and business development	26,746	27,039
Insurance	12,972	13,872
Telecommunications and Website	5,057	4,974
Amortization	2,835	1,884
Publicity and public relations	-	6,278
Interest and bank charges	371	623
	525,290	723,539
Net loss and comprehensive loss	(472,481)	(670,874)
Deficit, beginning of year	(5,400,269)	(4,729,395)
Share issue expenses	(59,400)	-
Deficit, end of year	$ (5,932,150)	$ (5,400,269)
Net loss per share, basic and diluted	$ (0.02)	$ (0.04)

See accompanying notes to financial statements.

NIOCAN INC.

Statements of Deferred Expenditures

Years ended December 31, 2008 and 2007

	2008	2007
Balance, beginning of year	$ 4,767,600	$ 4,783,932
Increase:		
Environmental studies	360,293	191,969
Less credits for mining rights and resource credits	(106,336)	(208,301)
Balance, end of year	$ 5,021,557	$ 4,767,600

See accompanying notes to financial statements.

NIOCAN INC.

Statements of Cash Flows

Years ended December 31, 2008 and 2007

	2008	2007
Cash flows from operating activities:		
Net loss and comprehensive loss	$ (472,481)	$ (670,874)
Adjustments for:		
Cost of options granted	180,600	363,580
Amortization	2,835	1,884
Net change in non-cash operating working capital	66,387	(6,858)
	(222,659)	(312,268)
Cash flows from financing activities:		
Issue of capital stock	1,096,500	71,200
Share issue expenses	(59,400)	-
	1,037,100	71,200
Cash flows from investing activities:		
Addition to equipment	(4,865)	-
Deferred expenditures, net of credits	(253,957)	16,332
	(258,822)	16,332
Increase (decrease) in cash and cash equivalents	555,619	(224,736)
Cash and cash equivalents, beginning of year	1,036,469	1,261,205
Cash and cash equivalents, end of year	$ 1,592,088	$ 1,036,469

See accompanying notes to financial statements.

The Company, incorporated under Part 1A of the Québec Companies Act on August 29, 1995, holds a niobium property in Oka, Québec and exploration properties in the province of Québec.

1. Nature of operations and going concern:

The Company is in a development stage and has mineral exploration and development properties in the province of Québec. Substantially, all of the Company's efforts are currently devoted to financing, developing and obtaining permits for its niobium property in Oka.

The Company is in the process of exploring and evaluating its mineral properties and projects and has not yet determined whether its properties and projects, excluding its Oka Niobium Project, contain ore reserves that are economically recoverable. With respect to the Oka Niobium Project, the Company has determined in 1999 that the property contains ore reserves which are economically recoverable. The ability of the Company to meet its commitments as they become payable, including the acquisitions of mineral properties and the development of projects, is dependent on the ability of the Company to obtain necessary financing. The recoverability of amounts shown for mineral properties is dependent upon the ability of the Company to obtain necessary financing to complete the acquisition, exploration and development thereof, and upon future profitable production or proceeds from the disposal of properties.

The financial statements do not reflect the adjustments to the carrying values of assets and liabilities that would be necessary if the Company were unable to realize its assets or discharge its obligations in anything other than the ordinary course of operations.

Although the Company has taken steps to verify title to mineral properties in which it has an interest in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

2. Change in accounting policies:

Effective in 2008:

Effective January 1, 2008, the Company adopted the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1535, *Capital Disclosures*, Section 3862, *Financial Instruments - Disclosures*, and Section 3863, *Financial Instruments - Presentation*.

2. Change in accounting policies (continued):

Effective in 2008 (continued):

Changes in accounting policies in conformity with these new accounting standards are as follows:

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.

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.

The adoption of the new standards impacted the Company's disclosures provided but has not affected the Company's results on financial position.

Future accounting pronouncements:

(i) Goodwill and intangible assets:

In February 2008, the CICA issued Handbook Section 3064, *Goodwill and Intangible Assets*, which replaces Section 3062, *Goodwill and Other Intangible Assets*, and amends Section 1000, *Financial Statements Concepts*. The new section establishes standards for the recognition, measurement, presentation and disclosure of goodwill and other intangible assets subsequent to its initial recognition. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. This new standard is applicable to fiscal years beginning on or after October 1, 2008 and the Company will be implementing it as of January 1, 2009.

The implementation of this new standard should not have a significant impact on the financial position or the results of the Company.

2. Change in accounting policies (continued):

Future accounting pronouncements (continued):

(ii) International financial reporting standards:

In February 2008, the Accounting Standards Board ("AcSB") announced that accounting standards in Canada are to converge with IFRS and that public companies will be required to present their financial statements, with comparative data, under these standards for fiscal years beginning on or after January 1, 2011. The Company is currently evaluating the impact of these requirements on its financial statements.

3. 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.

(b) Equipment:

Equipment is 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%

3. Significant accounting policies (continued):

(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.

(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.

3. Significant accounting policies (continued):

(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:

	2008	2007
Cash	$ 26,255	$ 86,752
Money market fund	1,565,833	949,717
	$ 1,592,088	$ 1,036,469

(h) 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 receivables. All of the Company's financial liabilities were classified as other financial liabilities.

4. Equipment:

2008	Cost	Accumulated amortization	Net book value
Equipment and furniture	$ 16,565	$ 11,055	$ 5,510
Computer equipment	16,760	13,358	3,402
	$ 33,325	$ 24,413	$ 8,912

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

5. Mining and exploration properties:

2008	Cost of properties	Deferred expenditures	Total
Oka	$ 800,000	$ 4,793,581	$ 5,593,581
Grande-Baleine	-	227,976	227,976
	$ 800,000	$ 5,021,557	$ 5,821,557

5. Mining and exploration properties (continued):

						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

(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 in 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.

6. Capital stock:

Authorized:

An unlimited number of common shares without par value

	2008	2007
Issued:		
20,763,833 common shares (2007 - 18,933,833)	$ 12,853,902	$ 11,757,402

During the year, the Company issued 30,000 common shares (2007 - 130,000) against $16,500 (2007 - $71,200) cash following the exercise of stock options. The Company also issued 1,800,000 shares (2007 - none) against $1,080,000 (2007 - nil) cash pursuant to a private placement.

7. Stock option plan:

Under the stock option plan for the benefit of the directors and officers of the Company, 2,950,000 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:

	2008	Average exercisable price	2007	Average exercisable price
Balance, beginning of year	2,502,000	$ 0.64	2,262,000	$ 0.64
Issued	360,000	0.59	740,000	0.63
Expired	(120,000)	0.55	(370,000)	0.70
Exercised	(30,000)	0.55	(130,000)	0.58
	2,712,000	$ 0.66	2,502,000	$ 0.64

7. Stock option plan (continued):

As at December 31, 2008, the following options were outstanding and could be exercised:

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
120,000	shares at $0.50 per share until January 23, 2018
240,000	shares at $0.63 per share until May 8, 2018

During the year ended December 31, 2008, the Company granted 360,000 stock options at a price of $0.63 for 240,000 shares and $0.50 for 120,000 shares (2007 - 740,000 options at a price of $0.40 for 200,000 shares and $0.72 for 540,000 shares). 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 $0.501 (2007 - $0.491) per option. The following weighted average assumptions were used in these calculations:

	2008	2007
Risk-free interest rate	4%	4%
Expected life	10 years	7 years
Expected volatility	85 %	85 to 87%
Expected dividend yield	0%	0%

Contributed surplus:

	2008	2007
Balance, beginning of year	$ 787,520	$ 423,940
Stock-based compensation	180,600	363,580
Balance, end of year	$ 968,120	$ 787,520

8. Income tax:

Income tax expense (recovery) differs from the amounts computed by applying the combined federal and provincial income tax rate of 30.9% (2007 - 32.02%) as a result of the following:

	2008	2007
Loss before taxes	$ (472,481)	$ (670,874)
Computed "expected" tax recovery	$ (145,997)	$ (214,814)
Increase in income taxes resulting from:		
Stock-based compensation non-deductible expenses	55,805	116,418
Change in valuation allowance	68,000	(341,000)
Impact of decrease in income tax rate on future income tax balance	22,192	439,396
	$ -	$ -

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

	2008	2007
Future tax assets:		
Operating loss carry forwards	$ 814,000	$ 828,000
Financing costs	12,000	-
Credits and other	326,000	266,000
	1,152,000	1,094,000
Valuation allowance	(278,000)	(210,000)
	874,000	884,000
Future tax liabilities:		
Mining properties	(216,000)	(216,000)
Deferred exploration expenditures	(658,000)	(668,000)
	(874,000)	(884,000)
Net future tax assets	$ -	$ -

8. Income tax (continued):

As at December 31, 2008, the Company has tax losses of approximately $2,806,000 available to apply against future taxable income as follows:

Expiry date		Amount
2009	$	564,000
2010		363,000
2014		380,000
2015		482,000
2026		228,000
2027		327,000
2028		462,000

The Company also has Canadian exploration expenditures of approximately $2,448,000 which may be deducted from future taxable income.

9. 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.

		2008		2007
Administration expenses - professional fees	$	32,300	$	33,500
Administration expenses - directors' fees		39,567		15,335
Share issue expenses - commission		59,400		-

10. Financial instruments and risk management:

The Company is exposed to various financial risks resulting from both its operations and its investments activities. The Company's management monitors financial risks. The Company does not enter into financial instrument agreements including derivative financial instruments for speculative purposes.

10. Financial instruments and risk management (continued):

The Company's main financial risk exposure and its financial risk management policies are as follows:

(a) 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.

(b) Interest rate risk:

The cash and cash equivalents bear interest at a variable rate and the Company is, therefore, exposed to the risk of changes in fair value resulting from interest rate fluctuations. The Company's other financial assets and liabilities do not comprise any interest rate risk since they do not bear interest.

(c) Liquidity risk:

Management serves to maintain a sufficient amount of cash and cash equivalents, and to ensure that the Company has at his disposal sufficient sources of financing such as private placements. The Company establishes cash budgets to ensure it has the necessary funds to fulfill its obligations. Being able to obtain new funds allows the Company to pursue its activities and even though the Company was successful in the past, there is no guarantee that it will succeed in the future.

10. Financial instruments and risk management (continued):

(d) Fair value:

The fair value of financial instruments is summarized as follows:

	2008		2007	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Held-for-trading				
Cash and cash equivalents	$ 1,592,088	$ 1,592,088	$ 1,036,469	$ 1,036,469
Loans and receivables				
Taxes and other receivables	21,538	21,538	13,929	13,929
Financial liabilities				
Other liabilities				
Accounts payable and accrued liabilities	150,787	150,787	74,486	74,486

Fair value estimates are made at the balance sheet date, based on relevant market information and other information about financial instruments.

11. Capital disclosures:

The Company's objectives when managing its capital are to safeguard the Company's ability to continue as a going concern in order to support ongoing exploration programs and development of its mining assets, to provide sufficient working capital to meet its ongoing obligations and to pursue potential investments.

In the management of capital, the Company includes the components of shareholders' equity, cash and cash equivalents as well as short-term investments.

11. Capital disclosures (continued):

The Company manages its capital structure and makes adjustments to it in accordance with the aforementioned objectives, as well as in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust its capital structure, the Company may issue new shares, acquire or dispose of assets or adjust the amount of cash and cash equivalents and short-term investments. The Company does not use long-term debts since it does not generate operating revenues. There is no dividend policy. The Company is not subject to externally imposed capital requirements. The Company's management of capital remained unchanged since the last period.

12. Commitments and contingencies:

(i) The Company has a lease commitment for premises, and the minimum amount payable is $20,289 in 2009.

(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. 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.