

NIOCAN INC.

ANNUAL REPORT

2010

Management's Discussion and Analysis

(in Canadian dollars, unless otherwise indicated, and in accordance with 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 audited financial statements for the year ended December 31, 2010.

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 Sustainable Development, Environment and Parks ("MSDEP") of the Certificate of Authorization ("CA") to build the mine in Oka, financial resources, market prices, exchange rates, politico-social conflicts, competition, the purchase of the old St-Lawrence Columbian mine site from the Municipality of Oka should the CA 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 CA from the MSDEP. In the long term, the Company plans to recover some byproducts from the ore mineral resources 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 resource ore bodies: the S-60 and the HWM-2 (historical resource). Numerous metallurgical concentration tests and analyses were undertaken throughout the exploration period. These tests, on the various mineralized facies of the principal resource mineral prospect, the S-60, allow for the development of an optimal pyrochlore recovery process. Pyrochlore is the niobium-bearing mineral.

In 2004, Niocan acquired a property with three mineral prospects (historical resources) of magnetite ore, located near the Great Whale River (the "Great Whale Iron Property").

In mid-January 2011, Nio-Metals Holdings LLC ("Nio-Metals") and Augyva Mining Resources Inc. each separately announced unsolicited proposals to acquire all of the outstanding shares of the Company. The Company formed a special committee of directors and engaged legal and financial advisors to evaluate these opportunities and to

explore other potential strategic alternatives. On March 2, 2011, Nio-Metals announced that it has withdrawn its proposal for a business combination with the Company. The Special Committee is continuing the process of exploring and evaluating strategic alternatives available to the Company.

1.2 Projects

a) Oka Niobium Mine Project

In February 2010, the Company announced its report on the mineral resources at its Oka property as per NI 43-101 and the CIM mineral resources classifications. This report was prepared by Mr. Serge Lavoie, geological engineer and qualified person (QP), in order to re-evaluate the Oka Niobium ore resources, which were subject to a feasibility study completed by Met-Chem/Pellemont in 1998 as well as an update in January 2000 of this study by Met-Chem/SNC-Lavalin, since these two studies were completed prior to the entry into force of NI 43-101 requirements. Mr. Lavoie was a geologist at the former St. Lawrence Columbian property in Oka when it was in operation.

Additional drilling of the main ore body at Oka, the S-60 deposit, was made by Niocan in 1995-1997 with 59 DDH (Diamond Drill Holes), for a total of 21,976 meters. The steeply dipping cylindrical shaped deposit defined in the drilling campaign has an approximate dimension of 100m by 80m and extends 500 meters below surface. The deposit is still open at depth.

The revised mineral resources estimates calculated by Met-Chem under the supervision of Serge Lavoie (QP) in December 2009 are:

Resources Classification at a 0.40% cut off grade Nb ₂ O ₅	Tonnes (x MM)	% Nb ₂ O ₅
Measured	4.28	0.72
Indicated	6.35	0.65
M & I Total	10.63	0.68
Inferred	3.22	0.61

Met-Chem is in the opinion that more resources could be further identified with additional drilling from mineralized satellite lenses in the immediate proximity of the S-60 deposit. According to preliminary information, this additional drilling could increase the S-60 mineral resource base by up to 30 percent, according to Met-Chem.

The metallurgical testworks were first performed between 1996 and 1998 by the Centre de Recherche Minéral du Québec (CRM, now COREM) on core samples for the S-60 deposit. The pyrochlore recovery was 76.5%, yielding a commercial grade of 51% Nb₂O₅ in the concentrate.

The following table sets forth additional historical resources of other known deposits on the property.

Other Deposits	Historical Resources
HWM-2	5.9 x 10 ⁶ T at 0.56% Nb ₂ O ₅
SLC ore below 300m plus zones 112 – 114	21.7 x 10 ⁶ T at 0.44% Nb ₂ O ₅

These mineral resources are historical in nature and have not been validated by the independent qualified person. These mineral resources are not compliant with NI 43-101 and should not be relied upon.

The Company believes that these historical mineral resources estimates provide a conceptual indication of the potential of the property and are relevant to future exploration and mining.

Niocan will also have all of its mineral resources recalculated with the lower cut off grades of 0.35% and 0.30% Nb₂O₅ for the NI 43-101. This decision is based on the current ferroniobium price of \$23.25 USD per pound (December 31, 2010; Metalprices.com). This activity will be completed in due course for the revised bankable feasibility study since the 0.40% cut off grade was first used when the FeNb price was at \$6.50 USD per pound. This price and cut off grade were used in the 1998 and 2000 feasibility and updated feasibility studies completed by Met-Chem and SNC-Lavalin. The annual production rate in these studies was set at 4,370 tonnes of ferroniobium or 6.3 million pounds of payable niobium product. The daily milling rate, for these studies, remained unchanged at 2,500 tonnes per day.

The following is an extract from *The Economist*, October 2nd, 2010, page 64: "*Rare earths and China. Since 2006 China has behaved in a way that resemble OPEC, the oil-producers' cartel, cutting exports by 5-10 % a year. Prices have soared: the cost of cerium oxide (often used as a catalyst) has increased sixfold since the start of the year, and is 20 times higher than in 2005*". In our press release date March 12, 2010, the Company has reported that its Oka niobium property contains 52% pentoxide of niobium and 9% of trioxide of cerium (please refer to the analysis by Lakefield, reported by Jean-Claude Caron, Protec inc. October 14, 1998). These data are historic and cannot be relied upon until such time as they are qualified under NI 43-101.

During the fourth quarter and throughout the year ended December 31, 2010, Niocan has continued requesting the CA from the MSDEP, which would allow the Company to build an underground mine in Oka. The Company has visited the mine site with senior officials from the Ministry of Natural Resources and has met with the mayor of Oka, Mr. Richard Lalonde. The Company has also insisted that the new Environment Minister, Mr. Pierre Arcand, accept its invitation to visit the mine site, the abandoned SLC mine site to be rehabilitated by Niocan and to meet the Mayor of Oka and the Kanesatake Mohawk Grand Chief, Paul Sohenrise Nicolas. The Company contacts regularly the Canadian government's Indian and Northern Affairs Senior Negotiator to ask advice and suggestions on how to interest the Mohawk Community to open discussions on an Impacts & Benefits Agreement between Kanesatake and Niocan. 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 first quarter of 2008, as well as more recently, that the MSDEP was 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 6 kilometers from Kanasetake. The Mohawk Council of Kanasetake issued a press release on September 24, 2009 indicating that it is "*demanding a full Environmental Assessment be conducted immediately by the Federal Government in regard to a niobium mine planned for the area. Federal involvement is essential due to the safety concerns, aboriginal rights and fiduciary responsibility issues.*" The Company responded to such press release by letter to Grand Chief Paul Nicholas dated October 1, 2009, reiterating the Company's invitation to meet with the Council to provide all pertinent technical information which, in the Company's view, would bring comfort to the Mohawk Council of Kanasetake. The Company is of the opinion that numerous studies performed over the past years as well as two (2) BAPE ("Bureau d'Audiences Publiques sur l'Environnement") reports have indicated that the Oka Niobium Mine Project is environmentally safe. In addition, the Company believes that the federal government does not have jurisdiction over such matters. The Company has in fact received letters in 2001, 2002 and 2003 from the Canadian Environmental Assessment Agency stating that Environment Canada, Health Canada, Natural Resources Canada, Fisheries and Oceans Canada and the Canadian Commission on Nuclear Security have confirmed their absence of "trigger" as per Section 5 of the *Canadian Environmental Assessment Act*, following their analysis of the Oka Niobium Mine Project. However, the Company will be required to comply with Canadian environmental regulations with respect to rejected waters from metallic mines.

On June 9, 2010, the Mohawks Council of Kanasetake issued a press release, reiterating its opposition to the Company's mine project, based on alleged environmental issues. The Company has not responded publicly but has reiterated its offer to open a data room for the perusal of their experts on any subject pertinent to the niobium mine project in the Ste-Sophie range of Oka, six kilometers downstream of Kanasetake.

Met-Chem, on Niocan's request, has produced a short niobium market study in 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, Mozambique and Congo. The important users are Germany (41%), USA (27%), Japan (19%) and China (13%).

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. A conceptual study made by J. R. Goode and Associates Metallurgical Consulting dated December 18, 2000 for Niocan considered the processing of

unleashed pyrochlore (mineral containing the niobium) concentrate to produce a high grade niobium product (about 99% pure) plus an intermediate grade tantalum product (about 80% grade), a semi-refined cerium oxide (95% grade) and a mineral rare earth product (about 80% total rare earths). Since China has announced the cutting of their rare earth exports in December 2009, it could be interesting for Niocan to examine the niobium ore processing for ferroniobium and/or pure niobium plus rare earths. New test work, market studies and further engineering work will be needed to determine if the proposed products could be produced and sold or if it would be better to produce different products or purities.

On March 31, 2010, the Company announced an update of the capital and operating costs ("capex/opex") for its Oka niobium project. A recent engineering and financial review by Met-Chem of the capex/opex concluded to the enhanced economics of the Oka niobium mine project.

The Board of Directors of Niocan mandated Met-Chem in 2009 to update, for internal use only (not yet as per NI 43-101 reporting practices), the Oka niobium mine project economic feasibility studies of 1998 and 2000. The results of the Met-Chem update indicate improved economics of the initial studies, and this is despite the significant increases in the operating and capital costs in the comparable mining sector in the last decade.

The Met-Chem review was based on the same parameters as per the original project design of an annual production of 4,370 tonnes of ferroniobium equivalent to 6,263,600 pounds of contained niobium for a mine life of 17 years. The original plant included the paste backfill, a ferroniobium converter using aluminothermic process, but the recent review has added the costs for additional environmental measures as required by the MSDEP. The purpose of these measures was, among others, to reduce the potential impact of the mine dewatering on the surrounding farm lands water table and to add a fluorine element reject system.

Met-Chem estimated an expected increase of 71% in capital expenditures based on 2009 dollars and an increase of 61% of the operating expense compared to the 1998 study figures. However, in the interim, the price of FeNb has increased by over 300% in the international markets where Niocan would sell its product but a more representative price has been considered.

The economics remain sensitive to variations in capex and opex but are more impacted by the variations in revenue. Met-Chem has calculated an average price for ferroniobium (65% Nb contained) for the project Internal Rate Return ("IRR") calculations. The price of ferroniobium over the last five (5) years was a running average of \$16.77 USD per pound. The economics of the project at this aforementioned average price, without any optimization of the mining and metallurgical features, would yield after taxes IRR of 23%. If the FeNb average 2009 price of \$21 USD per pound is applied, Met-Chem's calculations give after taxes IRR of 34% for the project.

	<u>2000</u>	<u>2009</u>
After taxes IRR	15%±	23-34%±

The updated analysis and results of the engineering and financial review of capex/opex completed by Met-Chem in 2009 cannot be relied upon since they were not performed in

accordance with the requirements of NI 43-101. The Company believes that these results provide a conceptual indication of the financial potential of the project and are therefore relevant. The capex/opex studies of 1998 and 2000 cannot be relied upon since they were completed before the adoption of NI 43-101.

b) Great Whale Iron Property ("GWIP")

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. The GWIP is located 80 kilometres from the twin villages of Kuujuarapik-Whapmagoostui at the South East end of the Hudson Bay. Intensive exploration carried out in the 1960's indicated an estimate of 942,000,000 tonnes from 3 open pit shells defined as Deposits A, D and E (still open at depth and laterally) of iron historical resources (Great Whale Iron Mine Limited for Belcher Mining Corporation Limited; November 1960 by L. M. Scofield). According to the compilation report prepared by Met-Chem on August 31, 2006, it is mentioned: *"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"*.

Niocan has not established new drilling campaign and converted the past historical resource into mineral resources. The past historical resource is not considered as mineral resources or reserves under NI 43-101 and new drilling is needed. In addition, since no qualified person has performed sufficient work required to classify the historical estimate as current mineral resources or mineral reserves, Niocan is not treating the historical estimate as current mineral resources or mineral reserves as defined in sections 1.2 and 1.3 of NI 43-101, and therefore, the historical estimate should not be relied upon.

Niocan must update the estimates and studies made in the 50's and 60's to demonstrate the feasibility of a contemporary iron mine in order to interest one or more partners in this potential project. Niocan wishes to identify a joint-venture partner with the financing capability to share the cost of a conceptual-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 this study.

From July 1st to July 10, 2009, the Company proceeded to an expedition to the Great Whale Iron Property to collect new core samples to proceed to metallurgic tests. In February 2010, the Company announced that it has received positive preliminary metallurgical testing results. Eleven (11) short boreholes were drilled under Met-Chem Canada Inc (Met-chem) supervision, 9 boreholes on Deposit A and 1 borehole on respectively Deposits D and E. The preliminary metallurgical testwork realized on new core drilling, performed during 2009 by Corem laboratory under Met-Chem directives, indicates positive results and a quality grade concentrate with no contaminant.

The testwork on Deposit A (36% - 41% Fe, mainly magnetite) responded well to low intensity magnetic separation and the first indication of the iron recovery are in the 90%+ with a percentage Fe in the concentrate of 65% to 68%. The testwork on Deposits D and E with coarser magnetic grains indicates similar to reach liberation. At this stage it is anticipated that a high quality concentrate could be produced at industrial scale. It is worthy to mention that the potential contaminants in the concentrate such as phosphorous are low (0.05%) because it appears that they could be easily removed by magnetic separation.

The conceptual-scoping study would cost approximately \$ 6,000,000 and will include: preliminary environmental base line, stakeholders and native issues, geological mapping, diamond drill on deposit A (45 DDHs, 13,000 meters), bulk sampling, additional metallurgical tests to better define the concentration and the pelletizing process as well as the preliminary Capex and Opex of this project.

The construction of a 250 kilometers road between Radisson (James Bay, LG2 hydroelectric project), and the twin villages at the discharge of the Great Whale River, is planned within the next 5-10 years by the Ministry of Transport of Quebec (News: Nunavick November 12th, 2009, Jane George). Credible information obtained by Niocan indicates that this road will pass at 3 kilometers South-East from Niocan's GWIP Deposit A.

Niocan will first concentrate its scoping-conceptual study on Deposit A (historical resources inside a design pit shell of 530,000,000T) before performing additional works on Deposit D (historical resources in a design pit shell of 145,000,000T) and Deposit E (historical resources in a design pit shell of 265,000,000T).

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. During 2010, the Company continued to meet with different stakeholders in the Oka region to obtain additional support to convince the MSDEP to issue the CA, which would allow the Company to build its underground Niobium mine in the Ste. Sophie range of Oka, Quebec as soon as possible. In February 2010, representatives of the Company met with representatives of the Deputy Minister of Sustainable Development, Environment and Parks to further discuss the issuance of the CA. While the Company believes that this meeting was constructive and positive, the Company has not received further information as to if and when the CA will be issued by the MSDEP.

During the third quarter of 2009, Niocan granted a mandate to Met-Chem for the formal update of the capital/operating costs of the projected mine complex in Oka. This project was completed during the first quarter of 2010 and a press release was issued on this subject in March 2010.

Moreover, the update to the 2000 socio-economic study performed by KPMG relative to the Oka Niobium Project was completed during the first quarter of 2010 to provide additional new information to all the Company's stakeholders, shareholders, government officials and departments and the regional communities. A press release was issued on this subject on March 17, 2010.

Also, as further detailed above, the Company also announced during the first quarter of 2010 that its Oka niobium ore resources were re-evaluated as per NI 43-101 requirements by a qualified person. Niocan plans to complete the remaining segments of the feasibility study as per NI 43-101 only when the CA is issued by the MSDEP, and this information will be needed at that time for financing purposes. The Company considers that an update of the complete feasibility study which would be compatible with NI 43-101 would require approximately six (6) months and would cost over \$500,000.

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, \$5,893,484 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 Whale 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 conceptual-scoping study in exchange for a participation in this property.

In July 2009, the Company collected new drilled core samples and cores drilled in 1957-60 by Belcher Mining Corporation Ltd from the A, D and E iron mineralized (36% Fe magnetite) sites on the GWIP (17,098 acres) located 80 kilometers from the twin villages of Kuujjuarapik – Whapmagoostui on the Hudson Bay. The objective of the 2009 program, for which \$183,000 was spent in 2009, was to perform modern metallurgical tests to confirm the optimum ore grain size of the prospects (historical resources) for maximum iron liberation. The Company announced in February 2010 the delivery of this report, the results of which are further detailed above.

As at December 31, 2010, \$437,544 was 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, as well as costs engaged during the third and fourth quarters of 2009 for the metallurgical testing at Corem.

2.2 Results of Operations for the Twelve Months Ended December 31, 2010, Compared to the Twelve Months Ended December 31, 2009

Niocan's revenues for the year ended December 31, 2010 consist of interest from bank deposits as well as revenues from leases, which amounted to \$12,465 (\$19,096 in 2009). The reduction in revenues result from lower revenues from interest, since the Corporation's investments were lower in 2010 compared to 2009.

The expenses incurred for the year ended December 31, 2010 in a total amount of \$457,425 (\$665,845 in 2009) consist in non-cash expenses relating to the grant of stock options (\$36,750, compared to \$205,330 in 2009), professional fees (\$135,131, compared to \$195,862 in 2009), office and administration fees (\$81,501, compared to \$79,460 in 2009), directors fees (\$40,000, compared to \$40,000 in 2009) and trustee and registration fees (\$49,758, compared to \$54,611 in 2009). The professional fees have decreased in 2010 compared to 2009, due to 2009 expenses related to the updating of the OPEX/CAPEX, the qualification of the resources according to NI 43-101 and consultations with geologists for the GWIP field sampling.

2.3 Selected Annual Information

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

	2010 (\$)	2009 (\$)	2008 (\$)
Revenues	12,465	19,096	52,809
Net loss	444,960	646,749	472,481
Net loss per share	0.02	0.03	0.02
Total assets	7,218,520	7,694,930	8,040,659
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.

Since the Company has no mining operations at the present time, the Company has had no significant revenues over the past three years. The variations in net losses are mainly related to variations in expenditures relative to engineering studies made for the Company's account, as well as non cash expenses relating to the grant of stock options.

2.4 Balance Sheet

The Company's total assets on December 31, 2010 totalled \$7,218,520 (\$7,694,930 on December 31, 2009). On December 31, 2010, the current assets totalled \$375,412 (\$819,910 on December 31, 2009), the shareholder's equity totalled \$7,040,243 (\$7,448,453 on December 31, 2009) and the cash and cash equivalents totalled \$341,109 (\$750,303 on December 31, 2009).

2.5 Summary Quarterly Information

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

Quarterly Information			
Quarter Ended	TOTAL REVENUE (\$)	NET LOSS (\$)	NET LOSS PER SHARE (\$)
December 31, 2010	6,845	89,010	0.01
September 30, 2010	3,870	88,881	0.01
June 30, 2010	1,362	148,605	0.01
March 31, 2010	388	118,464	0.01
December 31, 2009	3,967	152,917	0.01
September 30, 2009	7,399	114,552	0.01
June 30, 2009	1,581	286,471	0.01
March 31, 2009	6,149	92,809	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, as well as non-cash expenses relating to the grant of stock options.

2.6 Liquidity

On December 31, 2010, the short term assets totalled \$375,412 (\$819,910 on December 31, 2009).

The Company invests solely in liquid, high-grade securities.

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 for the Oka project, the Company will have to raise additional funds to update the feasibility study as per NI 43-101 once the CA is issued by the MSDEP, before raising substantial funds to proceed to the construction of the mine and the plant.

2.7 Commitments

The Company has a lease commitment for premises in Montreal amounting to approximately \$20,552 per year.

On April 24, 2006, the Company renewed its agreement with the Municipality of Oka granting the Corporation an option to acquire the front half of the St-Lawrence Columbian 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.

2.8 Fourth Quarter Results

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

Revenues (\$)			Net Loss (\$)		
Q4 2010	Q4 2009	Difference	Q4 2010	Q4 2009	Difference
6,845	3,967	2,878	89,010	152,917	63,907

During the fourth quarter of 2010 the Company generated revenues of \$6,845 (\$3,967 in 2009) and a net loss of \$89,010 (\$152,917 in 2009). The net loss was higher in 2009 compared to 2010 due to increased expenditures relating to studies made for the account of the Company, namely the qualification as per NI 43-101 of the mineral resources of the Oka niobium property, the socio-economic study performed by KPMG as well as the metallurgic testing in relation to the GWIP and the OPEX/CAPEX review for internal use only.

3. Related party transactions

During the year ended December 31, 2010, there were payments of fees to Mr. Coulombe for his duties as President of the Company and the payment of Director fees. In addition, there was a \$15,000 payment to Palos Management Bank to raise capital for the corporation.

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 notes 2 and 3 of the Company's financial statements for the year ended December 31, 2010, 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 were renewed until 2011.

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. Deferred exploration 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, 2010, which provides further information on the changes in accounting policies.

7. Effects of New Accounting Standards Not Yet Implemented

Adoption of International Financial Reporting Standards (IFRS) in Canada

In February 2008, the Canadian Accounting Standards Board confirmed that Canadian publicly accountable enterprises will be required to adopt IFRS for fiscal years beginning on or after January 1, 2011. Changing from current Canadian GAAP to IFRS is a significant undertaking that may materially affect the Company's reported financial position and results of operations.

Therefore the Company will issue its last financial statements prepared in accordance with Canadian GAAP in 2010. Starting from the first quarter of 2011, the Company's financial statements will be prepared in accordance with IFRS in effect in 2011, with 2010 comparative figures and January 1, 2010 ("date of transition") opening balance sheet restated to conform with such IFRS, along with reconciliations from Canadian GAAP to IFRS, as per the guidance provided in IFRS 1, First-Time Adoption of International Financial Reporting Standards ("IFRS 1").

As part of its transition to IFRS, the Company has completed the initial phase of its implementation plan which consisted of the establishment of a steering committee comprising senior executives and the identification of resources to conduct the implementation and is progressing well on the remaining phases of the Company's implementation plan as described below.

1. Extensive analysis of the expected accounting differences between Canadian GAAP and IFRS and assessment of the expected impact of the accounting differences on the financial statements, including the review of choices available upon the initial adoption of IFRS.
2. Training sessions provided to key finance personnel and management and the preparation of additional training sessions to be taken throughout the implementation process.
3. Review of the potential impact on: (i) the business activities of the Company, (ii) its internal controls over financial reporting and disclosure controls and processes; and (iii) its financial reporting systems.

The following is a detailed analysis of each of the above phases:

1. Expected accounting differences between Canadian GAAP and IFRS and their impact expected on the Company's financial statements:

As at December 31, 2010, the process of identifying fundamental accounting differences between Canadian GAAP and IFRS having a significant impact on the Company's financial statements and the review of choices available upon the initial adoption of IFRS were completed.

The second step of the phase, which is the assessment of the expected impact of the accounting differences identified on the Company's financial statements, was completed in the fourth quarter of 2010.

IFRS 2 – Payments based on shares:

When the vesting is gradual, this IFRS requires that each purchase be evaluated and accounted for separately. As the options granted vested immediately, there should not be any accounting policy change on transition to IFRS.

IFRS 6 – Exploration and Evaluation:

The Company's policy under Canadian GAAP requires exploration and evaluation costs to be capitalized when a project is determined to be potentially economically viable. The Company only capitalizes costs that are closely related to its exploration and evaluation activities. This policy is compliant with IFRS 6 and as such the Company plans to adopt the same policy under IFRS.

As a result, there should not be any accounting policy change on transition in this respect.

IAS 12 – Income Taxes:

The overall methodology for recording deferred taxes is consistent between Canadian GAAP and IFRS. As a result, there should not be any accounting policy change on transition in this respect.

IFRS 1 Exemptions

Most adjustments required on transition to IFRS will be made, retrospectively, against opening retained earnings as of January 1, 2010, the date of the first comparative balance sheet presented under IFRS. However, IFRS 1 provides entities adopting IFRS for the first time a number of optional exemptions and mandatory exemptions, in certain areas, to the general requirement for full retrospective application of IFRS on the date of transition.

The Company will not apply any of the optional exemptions permitted by IFRS 1.

Quantification of impacts

There will be no significant impact on the financial statements other than on the presentation of financial statements and extent of disclosures required under IFRS.

Preparation of IFRS shell financial statements

The final step of this phase was the preparation of IFRS shell financial statements. A first draft was prepared in the fourth quarter of 2010.

2. Training sessions

Key personnel have followed appropriate training courses offered both by accounting firms and by the Ordre des comptables agréés du Québec. In addition, the implementation program is being overseen by the Company's auditors.

3. Review of the potential impact on business activities, internal controls over financial reporting disclosure controls and processes, and financial reporting systems.

This phase was completed during the fourth quarter.

The Company does not foresee any significant impact on business activities, and in particular with respect to contractual agreements.

The Company does not expect its internal control over financial reporting and disclosure controls and processes to be significantly impacted by its transition to IFRS.

The assessment of the impact on information systems regarding IFRS requirements for capturing data is substantially completed, resulting in no significant impact.

8. Number of Shares Issued

As at December 31, 2010, the number of nominal and fully diluted number of shares of the Corporation was as follows:

Common shares issued and outstanding	20,763,833
Options granted	2,722,000
Warrants	0
Convertible debentures	0
Total	23,485,833

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

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 Interim Chief Financial Officer, we have

evaluated the effectiveness of the Company's disclosure controls and procedures as at December 31, 2010 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.

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 the interim Chief Financial Officer, we have evaluated the effectiveness of internal controls over financial reporting as of December 31, 2010 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").

10. 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 Columbiun 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. While the Company has a verbal understanding with the municipality of Oka that the parties will wait for the issuance of the CA before finalizing the purchase agreement, 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.

11. 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.



Hubert Marleau
Director,
President and Chief Executive Officer
March 3rd, 2011

Financial Statements of

NIOCAN INC.

Years ended December 31, 2010 and 2009



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INDEPENDENT AUDITORS' REPORT

To the Shareholders

We have audited the accompanying financial statements of Niocan Inc., which comprise the balance sheets as at December 31, 2010 and December 31, 2009, the statements of operations, comprehensive loss and deficit, deferred exploration expenditures, and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Niocan Inc. as at December 31, 2010 and December 31, 2009, and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Emphasis of Matter

Without qualifying our opinion, we draw attention to note 1 in the financial statements which indicates that the Company is still waiting for the authorization and obtaining the permits for the mining property in Oka, and obtaining the financing to operate that property. These conditions, along with other matters as set forth in note 1, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

*KPMG LLP**

Chartered Accountants

March 3, 2011

Montréal, Canada

NIOCAN INC.

Balance Sheets

December 31, 2010 and 2009

	2010	2009
Assets		
Current assets:		
Cash and cash equivalents (note 3 (h))	\$ 341,109	\$ 750,303
Sales tax receivable	7,010	35,397
Prepaid expenses	27,293	34,210
	<u>375,412</u>	<u>819,910</u>
Equipment (note 4)	5,193	6,789
Land	506,887	506,887
Mining properties and deferred exploration expenses (note 5)	6,331,028	6,361,344
	<u>\$ 7,218,520</u>	<u>\$ 7,694,930</u>

Liabilities and Shareholders' Equity

Current liabilities:		
Accounts payable and accrued liabilities	\$ 178,277	\$ 246,477
Shareholders' equity:		
Capital stock (note 6)	12,853,902	12,853,902
Contributed surplus (note 7)	1,210,200	1,173,450
Deficit	(7,023,859)	(6,578,899)
	<u>7,040,243</u>	<u>7,448,453</u>
Commitments and contingencies (note 13)		
	<u>\$ 7,218,520</u>	<u>\$ 7,694,930</u>

See accompanying notes to financial statements.

On behalf of the Board:

Hubert Marleau Director

Terence Ortslan Director

NIOCAN INC.

Statements of Operations, Comprehensive Loss and Deficit

Years ended December 31, 2010 and 2009

	2010	2009
Revenues:		
Rent	\$ 10,600	\$ 10,486
Interests	1,865	8,610
	<u>12,465</u>	<u>19,096</u>
Expenses:		
Professional fees	135,131	195,862
Directors' fees	40,000	40,000
Cost of options granted (note 8)	36,750	205,330
Rent	34,918	34,430
Office and administration	81,501	79,460
Trustees and registration fees	49,758	54,611
Taxes and permits	17,827	11,164
Travel and business development	38,375	23,226
Insurance	14,922	13,040
Telecommunications and Website	6,188	5,856
Amortization	1,596	2,123
Interest and bank charges	459	743
	<u>457,425</u>	<u>665,845</u>
Net loss and comprehensive loss	(444,960)	(646,749)
Deficit, beginning of year	(6,578,899)	(5,932,150)
Deficit, end of year	<u>\$(7,023,859)</u>	<u>\$(6,578,899)</u>
Net loss per share, basic and diluted	\$ (0.02)	\$ (0.03)

See accompanying notes to financial statements.

NIOCAN INC.

Statements of Deferred Exploration Expenditures

Years ended December 31, 2010 and 2009

	2010	2009
Balance, beginning of year	\$ 5,516,344	\$ 5,021,557
Environmental and feasibility studies	40,469	427,598
Tax credits relating to resources	(70,785)	67,189
	(30,316)	494,787
Balance, end of year	\$ 5,486,028	\$ 5,516,344

See accompanying notes to financial statements.

NIOCAN INC.

Statements of Cash Flows

Years ended December 31, 2010 and 2009

	2010	2009
Cash flows from operating activities:		
Net loss and comprehensive loss	\$ (444,960)	\$ (646,749)
Adjustments for:		
Cost of options granted	36,750	205,330
Amortization	1,596	2,123
Net change in non-cash operating working capital	(32,896)	92,298
	(439,510)	(346,998)
Cash flows from investing activities:		
Deferred exploration expenses, net of credits	30,316	(494,787)
Decrease in cash and cash equivalents	(409,194)	(841,785)
Cash and cash equivalents, beginning of year	750,303	1,592,088
Cash and cash equivalents, end of year	\$ 341,109	\$ 750,303

See accompanying notes to financial statements.

NIOCAN INC.

Notes to Financial Statements

Years ended December 31, 2010 and 2009

Niocan Inc. (the "Company") is incorporated under Part 1A of the Québec *Companies Act* on August 29, 1995. The Company 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. 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.

Financial statements has been prepared on a going concern basis which supposed that the Company will pursue its activities in a foreseeable future and will be able to realize its assets or discharge its obligations in anything other than the ordinary course of operations. 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. The Company does not have any revenues coming from its operations that would enable the Company to discharge its obligations in the ordinary course of its operations.

With respect to the Oka Niobium Project, the Company has determined in 1999 that the property contains ore reserves which are economically recoverable. The Company is actually in discussion with the Québec Ministry of Sustainable Development, Environment and Parks and the community of Oka in order to obtain all permits, certificates and other authorizations to allow the Company to operate the Oka Niobium Project.

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 its ability to obtain necessary financing. The recoverability of amounts shown for mineral properties is dependent upon the ability of the Company to obtain necessary authorizations and financing to complete the acquisition, exploration and development thereof, and upon future profitable production or proceeds from the disposal of properties. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

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.

NIOCAN INC.

Notes to Financial Statements, page 2

Years ended December 31, 2010 and 2009

2. Change in accounting policies:

Future accounting pronouncements:

International financial reporting standards ("IFRS"):

In February 2008, the Accounting Standards Board ("AcSB") announced that accounting standards in Canada would converge with IFRS and that public companies would 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) Basis of presentation:

The financial statements of the Company have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP").

(b) Mining and properties and deferred exploration expenses:

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.

NIOCAN INC.

Notes to Financial Statements, page 3

Years ended December 31, 2010 and 2009

3. Significant accounting policies (continued):

(c) 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%

(d) Stock-based compensation:

The Company records stock-based compensation to its participants at fair value. According to the fair value method, a compensation expense is charged to expenses based on the fair value of the stock options issued over their vesting period. Upon the exercise of stock options, capital stock is credited in the amount paid plus the corresponding employee compensation expense previously recorded.

(e) 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 or the substantively enacted 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 Emerging Issues Committee ("EIC") Abstract 146 when the Company renounces these deductions and a corresponding cost of issuing the securities is also recorded.

NIOCAN INC.

Notes to Financial Statements, page 4

Years ended December 31, 2010 and 2009

3. Significant accounting policies (continued):

(f) 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 are deducted from the related asset.

(g) Use of estimates:

The preparation of financial statements in conformity with Canadian GAAP 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 dates of the financial statements and the reported amounts of revenues and expenses during the years.

Significant areas requiring the use of estimates relate to assessing the realizable values of mining properties and deferred exploration expenses. Consequently, actual results could differ from those estimates.

(h) Cash and cash equivalents:

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

	2010	2009
Cash	\$ 35,676	\$ 96,710
Guaranteed investments certificates (effective interest rate of 0.75% (2009 - 0.51%))	305,433	653,593
	<u>\$ 341,109</u>	<u>\$ 750,303</u>

(i) Financial instruments:

Section 3855 of the Canadian Institute of Chartered Accountants ("CICA") Handbook, *Financial Instruments - Recognition and Measurement*, establishes standards for recognizing and measuring financial assets, financial liabilities and derivatives. Under this standard, financial instruments are classified as held-for-trading, available-for-sale, held-to-maturity, loans and receivables, or other financial liabilities.

The initial measurement of financial assets and financial liabilities is done using fair value.

NIOCAN INC.

Notes to Financial Statements, page 5

Years ended December 31, 2010 and 2009

3. Significant accounting policies (continued):

(i) Financial instruments (continued):

Subsequent measurement of financial instruments depends on their classification. Financial assets and financial liabilities held-for-trading are measured at fair value with changes recognized in income. Financial assets held-to-maturity, loans and receivables and other financial liabilities are measured at amortized cost using the effective interest method.

The Company has classified its cash and cash equivalents as held-for-trading. All the Company's financial liabilities are classified as other financial liabilities.

The CICA Handbook Section 3862, *Financial Instruments - Disclosures*, also requires a three-level hierarchy that reflects the significance of the inputs used in making the fair value measurements. The hierarchy of fair values includes the following levels:

Level 1: inputs are unadjusted quoted prices of identical instruments in active markets.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: one or more significant inputs used in a valuation technique are unobservable in determining the fair values of the instruments.

The classification of a financial instrument in the hierarchy is based upon the lowest level of input that is significant to the measurement of fair value.

4. Equipment:

	2010		
	Cost	Accumulated amortization	Net book value
Equipment and furniture	\$ 16,565	\$ 13,038	\$ 3,527
Computer equipment	16,670	15,094	1,666
	\$ 33,325	\$ 28,132	\$ 5,193

NIOCAN INC.

Notes to Financial Statements, page 6

Years ended December 31, 2010 and 2009

4. Equipment (continued):

	2009		
	Cost	Accumulated amortization	Net book value
Equipment and furniture	\$ 16,565	\$ 12,157	\$ 4,408
Computer equipment	16,760	14,379	2,381
	\$ 33,325	\$ 26,536	\$ 6,789

5. Mining properties and deferred exploration expenses:

	2010		
	Mining properties	Deferred exploration expenses	Total
Oka	\$ 845,000	\$ 5,048,484	\$ 5,893,484
Grande-Baleine	–	437,544	437,544
	\$ 845,000	\$ 5,486,028	\$ 6,331,028

	2009		
	Mining properties	Deferred exploration expenses	Total
Oka	\$ 845,000	\$ 5,105,698	\$ 5,950,698
Grande-Baleine	–	410,646	410,646
	\$ 845,000	\$ 5,516,344	\$ 6,361,344

NIOCAN INC.

Notes to Financial Statements, page 7

Years ended December 31, 2010 and 2009

5. Mining properties and deferred exploration expenses (continued):

(a) Oka property:

The Oka mining property consists of mining rights comprised of 48 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 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

	2010	2009
Issued:		
20,763,833 common shares (2009 - 20,763,833)	\$12,853,902	\$12,853,902

During 2010, the Company did not issue any common shares (2009 - nil).

NIOCAN INC.

Notes to Financial Statements, page 8

Years ended December 31, 2010 and 2009

7. Contributed surplus:

The following table shows the variation of contributed surplus:

	2010	2009
Balance, beginning of year	\$ 1,173,450	\$ 968,120
Stock-based compensation	36,750	205,330
Balance, end of year	\$ 1,210,200	\$ 1,173,450

8. 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:

	2010		2009	
	Number of options	Average exercisable price	Number of options	Average exercisable price
Balance, beginning of year	2,677,000	\$ 0.60	2,712,000	\$ 0.66
Issued	150,000	0.32	730,000	0.33
Expired	(105,000)	0.72	(765,000)	0.56
	2,722,000	\$ 0.56	2,677,000	\$ 0.60

As at December 31, 2010, all outstanding stock options were vested.

NIOCAN INC.

Notes to Financial Statements, page 9

Years ended December 31, 2010 and 2009

8. Stock option plan (continued):

The table below summarizes the information about the stock option plan as at December 31, 2010:

Exercise price	Number of outstanding and vested options	Remaining contractual life
\$0.53	240,000	1.24
\$0.50	40,000	1.45
\$0.85	120,000	2.71
\$1.10	175,000	3.21
\$0.98	77,000	4.17
\$0.44	130,000	5.67
\$0.40	160,000	6.03
\$0.72	540,000	6.59
\$0.50	120,000	7.07
\$0.63	240,000	7.36
\$0.34	580,000	8.34
\$0.31	150,000	8.64
\$0.32	150,000	9.27
	2,722,000	6.23

NIOCAN INC.

Notes to Financial Statements, page 10

Years ended December 31, 2010 and 2009

8. Stock option plan (continued):

During the year ended December 31, 2010, the Company granted 150,000 stock options at a price of \$0.32 (2009 - 730,000 options at a price of \$0.34 for 580,000 shares and \$0.31 for 150,000 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 \$0.245 (2009 - \$0.255) per option. The following assumptions were used in these calculations:

	2010	2009
Risk-free interest rate	2.25%	2.25%
Expected life	10 years	10 years
Expected volatility	71%	72%
Expected dividend yield	-	-

9. Income tax:

Effective income tax expense (recovery) differs from income tax expense (recovery) computed based on the combined federal and provincial income tax rate of 29.9% (2009 - 30.9%) as a result of the following:

	2010	2009
Loss before taxes	\$ (444,960)	\$ (646,749)
Tax recovery based on statutory income tax rate	\$ (133,043)	\$ (199,845)
Increase in income taxes resulting from:		
Stock-based compensation non-deductible expenses	10,988	63,446
Unrecognized tax benefits on loss of the period	122,055	113,604
Impact of decrease in income tax rate on future income tax balance	-	22,795
	\$ -	\$ -

NIOCAN INC.

Notes to Financial Statements, page 11

Years ended December 31, 2010 and 2009

9. Income tax (continued):

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

	2010	2009
Future tax assets:		
Operating loss carry forwards	\$ 769,800	\$ 763,000
Financing costs	6,400	10,000
Credits and other	344,800	344,000
	1,121,000	1,117,000
Valuation allowance	(211,000)	(221,000)
	910,000	896,000
Future tax liabilities:		
Mining properties	(216,000)	(216,000)
Deferred exploration expenses	(694,000)	(680,000)
	(910,000)	(896,000)
Net future tax assets	\$ -	\$ -

As at December 31, 2010, the Company has tax losses of approximately \$2,759,000 available to apply against future taxable income as follows:

Expiry date	Amount
2014	\$ 380,000
2015	482,000
2026	228,000
2027	327,000
2028	462,000
2029	450,000
2030	430,000

Also the Company has Canadian exploration expenses of approximately \$2,810,000 which may be deducted from future taxable income.

NIOCAN INC.

Notes to Financial Statements, page 12

Years ended December 31, 2010 and 2009

10. Related party transactions:

During the year, the Company incurred the following expenses with directors or companies controlled by a director of the Company:

	2010	2009
Administration expenses - professional fees	\$ 40,400	\$ 29,000
Administration expenses - directors' fees	40,000	40,000

These transactions, made in the normal course of business, were measured at the exchange amount, which is the amount established and agreed to by the parties.

11. Financial instruments and risk management:

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

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 guaranteed investments certificates.

(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.

Fluctuations of market interest rates have no material impact on the Company's financial results.

NIOCAN INC.

Notes to Financial Statements, page 13

Years ended December 31, 2010 and 2009

11. Financial instruments and risk management (continued):

(c) Liquidity risk:

Management serves to maintain a sufficient amount of cash and cash equivalents, and to ensure that the Company has at its 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.

(d) Fair value:

The fair value of accounts payable and accrued liabilities approximates their carrying amount because of the short-term maturity of those instruments.

Cash equivalents are measured at fair value using Level 2.

12. 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.

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 the management of capital, the Company includes the components of shareholders' equity. In order to maintain its capital structure, the Company prioritizes the issuance of new shares. The Company does not use long-term debts since it does not generate operating revenues. The Company is not subject to externally imposed capital requirements. The Company's management of capital remained unchanged since the last period.

13. Commitments and contingencies:

- (i) The Company has a lease commitment for premises, and the minimum amount payable is \$20,552 in 2011.
- (ii) In 2006, the Company has been named a defendant in a legal action claiming damages for the termination of an employment contract. In April 2009, the Superior Court pronounced a decision in favor of the Company. In May 2009, the plaintiff decided to appeal against the decision. Based on the first favorable judgment of the court, management is of the opinion that there is a strong defense against the claim and did not provide the amount claimed in the financial statements as at December 31, 2010. The amount claimed totaled \$172,000, plus interests and penalties.

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14. Comparative figures:

Certain 2009 comparative figures have been reclassified to conform with the financial statement presentation adopted for 2010.