NIOCAN INC.

ANNUAL REPORT

2011

Management's Discussion and Analysis

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

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, 2011.

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 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 August 29, 2011 the company completed a private placement whereby the company issued 3,005 convertible debenture units at an issue price of $1,000 per unit for an aggregate of $3,005,000. These debenture units bear interest at the rate of twelve percent (12%) per annum payable monthly.

Each unit is comprised of one $1,000 debenture and 520 transferable share purchase warrants. Each warrant would entitle the holder thereof to purchase one additional common share at a purchase price of $1.45 on the day that is three years from the date of the warrant's issuance at the discretion of the holder.

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 reproduce the Oka Niobium ore resources, which were subject of 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 Columbium 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, 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_2O_5	Tonnes (x MM)	% Nb_2O_5 Content
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% Nb_2O_5 in the concentrate.

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

Other Mineralized Deposits	Historical Resources
HWM-2	5.9 x 10^6T at 0.56% Nb_2O_5
SLC unexploited ore below 300 m plus zones 112 – 114	21.7 x 10^6T at 0.44% Nb_2O_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.

Niocan will also have all of its mineral resources recalculated with the lower cut off grades of 0.35% and 0.30% Nb_2O_5 for the NI 43-101. This decision is based on the current ferroniobium price of $23.25 USD per pound (December 31, 2011; 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 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 the technical report, on table 15.18, the content of pyrochlore concentrate obtained in the test process of mineralization of the S-60 deposit is given, ie: 51.2% of Nb_2O5 and 9% of cerium trioxide (refer to report «Modèle géologique et estimation des ressources de Niobium da la zone S-60, Oka, Québec», reported by Serge Lavoie ing, on February 16, 2010).

Niocan has continued to request the Certificate of Authorization 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 contacted the Environment Minister, the mayor of Oka and the Kanesatake Mohawk Council Chief in the past 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 to the mine project in the Ste-Sophie range of Oka located 6 kilometers from Kanasetake. The Mohawk Council of Kanesatake 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 Kanesatake. 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 Kanesatake 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 Kanesatake.

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, Mozambic 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 possibility of treating the pyrochlore of zone S-60 to produce 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.

Note: Mr. Serge Lavoie M.A.Sc P Eng is the qualified person under National Instrument 43-101 for disclosure of the technical information relating to the Oka project. Mr. Lavoie is an independent consulting geological engineer.

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. (Technical report on Great Whale Iron Property, Final Report August 2006, authors Mary Jean Buchanan Eng.M.Env, Raynald Jean Geol., Alain Dorval Eng., et Lionel Poulin, Eng.. 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 Kuujjuarapik-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. Once the scoping-study project is started, the Company expects that it would take up to 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 (Technical Report on Metallurgical Tests of the Great Whale Iron Property, Final Report, May 2010, authors Raynald Jean Geol. and Alain Dorval Eng.).

The conceptual-scoping study would cost about 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 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 met 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.

As further detailed above, the Company announced a revaluation. 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.

To date, $5,048,484 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.

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, 2011, $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, 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 year ended December 31, 2011, Compared to the year ended December 31, 2010

Niocan's revenues for the year ended December 31, 2011 consist of rental income totalling $12,600 (2010 - $10,600).

The expenses incurred for the year ended December 31, 2011 which totalled $1,300,149 (2010 - $457,425) consist primarily of professional fees in the amount of $633,703 (2010 - $135,131) related primarily to obtaining financing, office and administration fees ($80,354, compared to $81,501 in 2010), directors fees in the amount of $173,700 (2010 - $40,000) of which $75,000 was for the special committee created in connection with obtaining financing and trustees and registration fees ($75,571, compared to $49,758 in 2010).

Net financial income for the year amounted to $90,696 (2010 - $1,865). The increase over last year is due to the debentures and related warrants issued during the year. The decrease in share price reduced the value of the warrants thus creating a gain of $545,348. The other components included the interest cost of the debentures of

$450,485, a foreign exchange loss of $7,695 and interest income of $3,528 (2010 - $1,865).

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:

	2011 ($)	2010 ($)	2009 ($)
Revenues	12,600	10,600	19,096
Net loss	1,074,543	444,960	646,749
Net loss per share	0.05	0.02	0.03
Total assets	9,214,266	7,852,429	7,694,930
Total long-term liabilities	1,337,593	972,372	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 result mainly from variations in expenditures relating to professional and special committee fees incurred in connection with the private placement and other matters explored by the special committee as described above, variations in expenditures relative to engineering studies made for the Company's account, non-cash expenses relating to the grant of stock options and the settlement of litigation.

2.4 Balance Sheet

The Company's total assets on December 31, 2011 totalled $9,214,266 (2010 - $7,852,429). The current assets totalled $1,762,303 (2010 - $375,412), the shareholder's equity totalled $5,627,237 (2010 - $6,701,780) and the cash and cash equivalents totalled $1,734,205 (2010 - $341,109).

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, 2011	8,955	30,578	0.02
September 30, 2011	3,031	492,979	0.01
June 30, 2011	189	297,214	0.01
March 31, 2011	425	253,772	0.01
December 31, 2010	4,980	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

See comments regarding variations in paragraph 2.3 ”Selected Annual Information”.

2.6 Liquidities

On December 31, 2011, the short term assets totalled $1,762,303 (2010 - $375,412).

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 for the Oka project, the Company currently 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

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 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.

2.8 Annual Results

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

Revenues ($)			**Net Loss ($)**		
2011	**2010**	**Difference**	**2011**	**2010**	**Difference**
12,600	10,600	2,000	1,074,543	444,960	629,583

During the year the Company generated revenues of $12,600 (2010 - $10,600) and a net loss of $1,074,543 (2010 - $444,960). The net loss was higher in 2011 compared to 2010 due to professional and special committee fees incurred in connection with the private placement and other matters explored by the special committee.

3. Related party transactions

During the year ended December 31, 2011, there were no related-party transactions, other than the payment of fees and interest to Palos Merchant Bank and the payment of Directors' fees.

4. Accounting policies and changes

In February 2008, the Canadian Accounting Standards Board ("AcSB") announced the changeover from Canadian GAAP to IFRS for Canadian publicly accountable enterprises for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. As such, starting from the first quarter of 2011, the Company's unaudited interim financial statements are prepared in accordance with IAS 34, Interim Financial Reporting, and all 2010 comparative figures have been restated. Reference is made to Note 19 of the audited financial statements for quantitative reconciliations between Canadian GAAP and IFRS.

The Company established its accounting policies and methods used in the preparation of its audited financial statements for the year ended December 31, 2011 in accordance with IFRS. Reference is made to Note 3 to the audited financial statements for more information about significant accounting principles used to prepare the financial statements.

The key assumptions and basis for estimates that management has made under IFRS, and their impact on the amounts reported in the audited financial statements and notes, were disclosed in the Company's audited financial statements and remain unchanged.

5. Standards and interpretations issued to be adopted at a later date

The following standards and amendments to the existing standards have been issued and are applicable to the Company for its annual periods beginning on or after January 1, 2013, with earlier application permitted:

IFRS 9, Financial Instruments, covers the classification and measurement of financial assets and financial liabilities.

IFRS 13, Fair Value Measurement, provides a single source of fair value measurement and disclosure requirements in IFRS.

Amendments to IAS 1, Presentation of Financial Statements, to require entities to group items within other comprehensive income that may be reclassified to net income.

The Company is currently evaluating the impact of adopting these standards and amendments on its financial statements.

6. Number of Shares Issued

As at December 31, 2011, 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	2,338,000
Warrants	1,562,600
Convertible debentures	3,005
Total	24,667,438

7. 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, 2011 and direction concluded that, disclosure controls and procedures contain material weaknesses due to:

1. inadequate segregation of duties between the authorization, recording, review and reconciliation of purchases and sales and recording of cash receipts and bank account reconciliations;
2. inadequate design of controls over income and mining taxes. The annual control was effective; however, the quarterly control was not effective.

These material weaknesses have 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, 2011 and we have concluded that, the internal control over financial reporting contain material weaknesses due to inadequate segregation of duties and inadequate quarterly reporting controls over income and mining taxes, 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").

8. <u>Risks and uncertainties</u>

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. 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.

9. 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 *(signer)*
Interim Chairman, President and Chief Executive Officer
March 15, 2012

Financial Statements of

NIOCAN INC.

Years ended December 31, 2011 and 2010 and as at January 1, 2010

KPMG LLP
Chartered Accountants
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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Niocan Inc.

We have audited the accompanying financial statements of Niocan Inc., which comprise the statements of financial position as at December 31, 2011, December 31, 2010 and January 1, 2010, the statements of comprehensive loss, changes in equity and cash flows for the years ended December 31, 2011 and December 31, 2010, 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 International Financial Reporting Standards, 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.

Auditor's 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, 2011, December 31, 2010 and January 1, 2010, and its financial performance and its cash flows for the years ended December 31, 2011 and December 31, 2010 in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to note 1 in the financial statements which indicates that Niocan Inc. 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 Niocan Inc.'s ability to continue as a going concern.

KPMG LLP*

Chartered Accountants

March 15, 2012

Montréal, Canada

*CA Auditor permit no 18146

NIOCAN INC.

Statements of Financial Position

December 31, 2011, December 31, 2010 and January 1, 2010

	Note	December 31, 2011	December 31, 2010	January 1, 2010
		$	$	$
Assets				
Current assets:				
Cash and cash equivalents	6	1,734,205	341,109	750,303
Trade and other receivables	7	1,294	7,010	35,397
Prepaid expenses and deposits		26,804	27,293	34,210
Total current assets		1,762,303	375,412	819,910
Non-current assets:				
Exploration and evaluation assets	8	6,941,088	6,964,937	6,995,253
Land		506,887	506,887	506,887
Equipment	9	3,988	5,193	6,789
Total non-current assets		7,451,963	7,477,017	7,508,929
Total assets		9,214,266	7,852,429	8,328,839
Liabilities				
Current liabilities:				
Accounts payable and accrued liabilities		54,177	32,865	101,065
Income taxes		139,846	145,412	145,412
Debentures	10	2,055,413	–	–
Total current liabilities		2,249,436	178,277	246,477
Non-current liabilities:				
Derivative financial instruments - warrants	10	487,531	–	–
Deferred tax liability	5	850,062	972,372	972,372
Total non-current liabilities		1,337,593	972,372	972,372
Total liabilities		3,587,029	1,150,649	1,218,849
Equity				
Share capital	11	12,853,902	12,853,902	12,853,902
Contributed surplus		1,210,200	1,210,200	1,173,450
Deficit		(8,436,865)	(7,362,322)	(6,917,362)
Total equity attributable to equity holders of the Company		5,627,237	6,701,780	7,109,990
Commitments and contingencies	14			
Total liabilities and equity		9,214,266	7,852,429	8,328,839

The notes on pages 5 to 32 are an integral part of these financial statements.

On behalf of the Board:

/s/ Hubert Marleau, director

/s/ Remo J. Mancini, director

NIOCAN INC.

Statements of Comprehensive Loss

Years ended December 31, 2011 and 2010

	Note	December 31, 2011	December 31, 2010
		$	$
Revenues		12,600	10,600
Expenses:			
Professional fees		633,703	135,131
Directors' fees		173,700	40,000
Share-based payments	13	–	36,750
Rent		28,711	34,918
Office and administration		80,354	81,501
Trustees and registration fees		75,571	49,758
Taxes and permits		11,505	17,827
Travel and business development		30,372	38,375
Insurance		18,928	14,922
Telecommunications and website		13,150	6,188
Depreciation		1,205	1,596
Maintenance		1,283	–
Interest and bank charges		556	459
Settlement of litigation	18	231,111	–
		1,300,149	457,425
Loss from operating activities		(1,287,549)	(446,825)
Net finance income	4	90,696	1,865
Loss and comprehensive loss before income and mining taxes		(1,196,853)	(444,960)
Deferred tax recovery	5	122,310	–
Net loss and comprehensive loss for the period		(1,074,543)	(444,960)
Loss per share:			
Basic and diluted loss per share (dollars)	12	(0.05)	(0.02)
Basic and diluted average number of shares outstanding		20,763,833	20,763,833

The notes on pages 5 to 32 are an integral part of these financial statements.

NIOCAN INC.

Statements of Changes in Equity

Years ended December 31, 2011 and 2010

	Note	Share capital	Contributed surplus	Deficit	Total equity
		$	$	$	$
Balance at January 1, 2010		12,853,902	1,173,450	(6,917,362)	7,109,990
Total comprehensive loss for the period		–	–	(444,960)	(444,960)
Share-based payment transactions	13	–	36,750	–	36,750
Balance at December 31, 2010		12,853,902	1,210,200	(7,362,322)	6,701,780
Total comprehensive loss for the period		–	–	(1,074,543)	(1,074,543)
Balance at December 31, 2011		12,853,902	1,210,200	(8,436,865)	5,627,237

The notes on pages 5 to 32 are an integral part of these financial statements.

NIOCAN INC.

Statements of Changes in Cash Flows

Years ended December 31, 2011 and 2010

	Note	December 31, 2011	December 31, 2010
		$	$
Cash flows used in operating activities:			
Net loss		(1,074,543)	(444,960)
Adjustments for:			
Depreciation		1,205	1,596
Decrease in fair value of derivatives		(545,348)	–
Deferred tax recovery		(122,310)	–
Finance expense		420,435	–
Share-based payment transactions		–	36,750
		(1,320,561)	(406,614)
Changes in non-cash working capital items:			
Trade and other receivables		5,716	28,387
Prepaid expenses and deposits		489	6,917
Accounts payables and accrued liabilities		21,312	(68,200)
Income taxes		(5,566)	–
		(1,298,610)	(439,510)
Cash flows from financing activities:			
Proceeds from issuance of debentures and warrants, net of issue costs	10	2,758,007	–
Interest paid		(90,150)	–
		2,667,857	–
Cash flows from investing activities:			
Credits received on exploration and evaluation assets		23,849	70,785
Acquisition of exploration and evaluation assets		–	(40,469)
		23,849	30,316
Net increase (decrease) in cash and cash equivalents		1,393,096	(409,194)
Cash and cash equivalents at January 1		341,109	750,303
Cash and cash equivalents at December 31		1,734,205	341,109

The notes on pages 5 to 32 are an integral part of these financial statements.

1. Reporting entity and going concern:

Niocan Inc. (the “Company”) is domiciled in Canada. The address of the Company’s registered office is 2000 Peel Street, Suite 760, Montréal, Québec.

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

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 "Oka Niobium Project").

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 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 resources which provide a conceptual indication of the potential of the property. 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.

1. Reporting entity and going concern (continued):

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. Basis of preparation:

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). These are the Company's first financial statements prepared in accordance with IFRS and IFRS 1, *First-time Adoption of International Financial Reporting Standards*, has been applied.

The significant accounting policies applied in these financial statements are presented in note 3 and are based on IFRS effective for financial years beginning January 1, 2011.

Note 19 discloses the impact of the transition to IFRS on the Company's reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies, from those used in the Company's financial statements for the year ended December 31, 2010.

The financial statements were authorized for issue by the Board of Directors on March 15, 2012.

Basis of measurement

The financial statements have been prepared on the historical cost basis, except for the derivative financial instruments, which are measured at fair value through profit or loss.

Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the Company's functional currency.

Use of estimates and judgements

The preparation of the financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

2. Basis of preparation (continued):

Use of estimates and judgements (continued)

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in note 3 with regards to the determination of capitalizable costs as exploration and evaluation assets.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- Notes 3 and 8 - recoverability of mining properties and other exploration and evaluation assets;
- Note 3 - assessment of refundable tax credits for resources;
- Note 3 - recoverability of deferred tax assets;
- Note 10 - fair value of the debentures and the warrants;
- Note 13 - fair value of share-based payments.

3. Significant accounting policies:

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and in preparing the opening IFRS statement of financial position at January 1, 2010 for the purposes of the transition to IFRS, unless otherwise indicated.

3. Significant accounting policies (continued):

(a) Financial instruments:

Non-derivative financial assets

Non-derivative financial assets and liabilities are initially recognized at fair value, plus any attributable transaction costs.

The Company has the following non-derivative financial assets:

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash and cash equivalents and trade and other receivables.

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Non-derivative financial liabilities

The Company has the following non-derivative financial liabilities: accounts payable and accrued liabilities and debentures.

Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

Derivative financial instruments

The Company has derivative financial instruments in regards to the warrants which are classified as financial instruments at fair value through profit and loss. Derivative instruments are initially recorded at fair value and subsequent to initial recognition, they are measured at fair value with changes in fair value included in the statement of comprehensive loss as an increase (decrease) in fair value of derivatives at each reporting date.

3. Significant accounting policies (continued):

(a) Financial instruments (continued):

Fair value hierarchy

The following fair value hierarchy, which reflects the significance of the inputs, is used in making the measurements of fair value of financial assets and liabilites.

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(b) Share capital:

Common shares

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

Warrants

Warrants that are derivatives over the Company’s own equity that will be settled only by the Company exchanging a fixed amount of cash for a fixed number of the Company’s own equity instruments are classified as equity.

Warrants that include a contractual obligation to deliver cash or do not meet the fixed requirements of IAS 32 are classified as financial liabilities.

(c) Exploration and evaluation assets:

Exploration and evaluation assets include mining properties and other exploration and evaluation costs. Mining properties correspond to acquired interests in mining exploration permits / claims which include the rights to explore for, mine, extract and sell all minerals from such claims.

All pre-exploration costs, i.e. costs incurred prior to obtaining the legal right to undertake exploration and evaluation activities on an area of interest, are expensed as incurred. Once the legal right to explore has been acquired, exploration and evaluation expenditure are capitalized in respect of each identifiable area of interest until the technical feasibility and commercial viability of extracting a mineral resource are demonstrable.

Costs incurred include appropriate technical and administrative overheads. Exploration and evaluation assets are carried at historical cost less any impairment losses recognized.

3. Significant accounting policies (continued):

(c) Exploration and evaluation assets (continued):

When technical feasibility and commercial viability of extracting a mineral resource are demonstrable for an area of interest, the Company stops capitalizing exploration and evaluation costs for that area, tests recognized exploration and evaluation assets for impairment and reclassifies any unimpaired exploration and evaluation assets either as tangible and intangible mine development assets according to the nature of the assets.

(d) Equipment:

Items of equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment. The costs of the day-to-day servicing of equipment are recognized in profit or loss as incurred.

When parts of an item of equipment have different useful lives, they are accounted for as separate items (major components) of equipment.

Depreciation is calculated over the depreciable amount, which is the cost of an asset less its residual value. Depreciation is recognized in profit or loss using the declining balance method at the following annual rates, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset:

Equipment and furniture	20%
Computer equipment	30%

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted, if appropriate.

(e) Impairment:

Financial assets

Financial assets are assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

3. Significant accounting policies (continued):

(e) Impairment (continued):

Financial assets (continued)

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of equipment are reviewed at each reporting date to determine whether there is any indication of impairment.

The carrying amount of exploration and evaluation assets are assessed for impairment only when indicators of impairment exist, typically when one of the following circumstances apply:

- Exploration rights have / will expire in the near future;
- No future substantive exploration expenditures are budgeted;
- No commercially viable quantities discovered and exploration and evaluation activities will be discontinued;
- Exploration and evaluation assets are unlikely to be fully recovered from successful development or sale.

If any such indication exists, then the asset's recoverable amount is estimated.

Exploration and evaluation assets are also assessed for impairment upon the transfer of exploration and evaluation assets to development assets regardless of whether facts and circumstances indicate that the carrying amount of the exploration and evaluation assets is in excess of their recoverable amount.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU"). The level identified by the group for the purposes of testing exploration and evaluation assets for impairment corresponds to the mining property.

3. Significant accounting policies (continued):

(e) Impairment (continued):

Non-financial assets (continued)

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated to the assets in the unit (group of units) on a pro rata basis.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(f) Provisions:

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

(g) Refundable credit on mining duties and refundable tax credit related to resources:

The Company is eligible for a refundable credit on mining duties under the Québec *Mining Duties Act*. This refundable credit on mining duties is equal to 7.5% (12% prior to March 2010) of expenses incurred for mining activities in Québec. The accounting treatment for refundable credit on mining duties depends on management's intention to go into production in the future or rather to sell its mining properties to another mining producer once the technical feasibility and the economic viability of the properties have been demonstrated. This assessment is made at the level of each mining property.

3. Significant accounting policies (continued):

(g) Refundable credit on mining duties and refundable tax credit related to resources (continued):

In the first case, the credit on mining duties is recorded as an income tax recovery under IAS 12, *Income Taxes*, which generates a deferred tax liability and deferred tax expense simultaneously, since the exploration and evaluation assets have no more tax basis following the Company's election to claim the refundable credit. In the second case, it is expected that no mining duties will be paid in the future; accordingly, the credit on mining duties is recorded as a government grant under IAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, which is recorded against exploration and evaluation assets. Currently, it is management's intention to have the Company become a producer in the future, as such, credits on mining duties are recorded in compliance with IAS 12, *Income Taxes*.

The Company is also eligible for a refundable tax credit related to resources for mining industry companies in relation to eligible expenses incurred. The refundable tax credit related to resources represents up to 38.75% of the amount of eligible expenses incurred and is recorded as a government grant against exploration and evaluation assets.

Credits related to resources and credits on mining duties recognized against exploration and evaluation expenditures are recorded at fair value when there is reasonable assurance that they will be received and the Company will comply with the conditions associated with the credits. They will be recognized in profit or loss on a systematic basis over the useful life of the related assets.

(h) Share-based payments:

The grant date fair value of share-based payment awards granted to employees and directors is recognized as an employee expense, with a corresponding increase in contributed surplus, over the period that the employees unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date.

Share-based payment arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the Company. The Company measures the foods or services received, and the corresponding increase in equity, directly, at the fair value of the goods or services received, except when that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted.

3. Significant accounting policies (continued):

(i) Leases:

All leases are classified as operating leases and as such the leased assets are not recognized in the Company's statement of financial position.

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

(j) Finance income and finance expense:

Finance income comprises interest income on funds invested and changes in the fair value of financial assets and liabilities at fair value through profit or loss.

Finance expense comprises interest expense recognized as it accrues in profit or loss, using the effective interest method, and changes in the fair value of financial assets and liabilities through profit or loss.

(k) Income tax:

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

3. Significant accounting policies (continued):

(k) Income tax (continued):

A deferred tax asset is recognized for unused tax losses and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(l) Earnings per share:

The Company presents basic and diluted earnings per share (“EPS”) data for its common shares. Basic EPS is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding, adjusted for own shares held, for the effects of all dilutive potential common shares, which comprise warrants and share options granted to employees.

(m) Segment reporting:

The Company determined that it had only one operating segment, i.e. the mining exploration.

(n) New standards and interpretations not yet adopted:

Adoption of new accounting standards:

Annual improvements to IFRS:

The improvements to IFRS 2010 are the result of the IASB’s annual improvements project. This project has involved the IASB accumulating, throughout 2010, those improvements believed to be non-urgent, but necessary, and processing the amendments collectively. Effective dates, early application and transitional provisions are dealt with on a standard-by-standard basis with the majority of the amendments effective for periods beginning on or after January 1, 2011, with early adoption permitted. The Company has adopted and reflected applicable amendments in these financial statements.

3. Significant accounting policies (continued):

(n) New standards and interpretations not yet adopted (continued):

Adoption of new accounting standards (continued):

Annual improvements to IFRS (continued):

The following new standard has been issued but is not yet applicable to the Company:

(i) IFRS 9, *Financial Instruments*:

Effective for annual periods beginning on or after January 1, 2013, with earlier adoption permitted.

As part of the project to replace IAS 39, *Financial Instruments: Recognition and Measurement*, this standard retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets. More specifically, the standard:

– deals with classification and measurement of financial assets;

– establishes two primary measurement categories for financial assets: amortized cost and fair value;

– prescribes that classification depends on entity's business model and the contractual cash flow characteristics of the financial asset;

– eliminates the existing categories: held to maturity, available for sale, and loans and receivables.

Certain changes were also made regarding the fair value option for financial liabilities and accounting for certain derivatives linked to unquoted equity instruments.

The extent of the impact of adoption of IFRS 9 has not yet been determined.

3. Significant accounting policies (continued):

(n) New standards and interpretations not yet adopted (continued):

Adoption of new accounting standards (continued):

Annual improvements to IFRS (continued):

(ii) IFRS 13, *Fair Value Measurement*:

In May 2011, the IASB published IFRS 13, *Fair Value Measurement*, which is effective prospectively for annual periods beginning on or after January 1, 2013. The disclosure requirements of IFRS 13 need not be applied in comparative information for periods before initial application.

IFRS 13 replaces the fair value measurement guidance contained in individual IFRS with a single source of fair value measurement guidance. It defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, i.e. an exit price. The standard also establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements to provide information that enables financial statement users to assess the methods and inputs used to develop fair value measurements and, for recurring fair value measurements that use significant unobservable inputs (Level 3), the effect of the measurements on profit or loss or other comprehensive income.

IFRS 13 explains how to measure fair value when it is required or permitted by other IFRS. IFRS 13 does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards.

The Company intends to adopt IFRS 13 prospectively in its financial statements for the annual period beginning on January 1, 2013. The Company does not expect IFRS 13 to have a material impact on the financial statements.

4. Net finance income:

	2011	2010
Finance income	$ 3,528	$ 1,865
Finance expense	(450,485)	–
Foreign exchange loss	(7,695)	–
Decrease in fair value of derivatives (note 10)	545,348	–
Net finance income recognized in profit of loss	$ 90,696	$ 1,865

5. Income and mining taxes:

Effective income tax expense (recovery) differs from income tax expense (recovery) computed based on the combined federal and provincial income tax rate of 28.4% (2010 - 29.9%) as a result of the following:

	2011	2010
Net loss for the year	$(1,074,543)	$ (444,960)
Deferred total tax recovery	(122,310)	–
Loss before income and mining tax	(1,196,853)	(444,960)
(Recovery) tax using the Company's domestic tax rate	(339,906)	(133,043)
Share-based payments	–	11,400
Mining tax expenses	158,008	9,038
Non-deductible expenses and other	(43,115)	(16,225)
Difference between current and future tax rate	20,483	11,790
Current year losses for which no deferred tax assets is recognized	82,220	117,040
Income and mining taxes (recovery)	$ (122,310)	$ –

Unrecognized deferred tax assets:

	2011	2010
Non-capital losses carryforwards	$ 293,221	$ 211,000
Financing cost	66,441	–
	$ 359,662	$ 211,000

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilize benefits therefrom. The capital losses do not expire under current tax legislation.

5. Income and mining taxes (continued):

The non-capital losses expire as follows:

	Federal	Québec
2014	$ 379,884	$ 469,656
2015	481,645	583,958
2026	430,422	249,285
2027	328,025	325,441
2028	461,358	460,450
2029	449,845	448,896
2030	430,422	429,028
2031	1,031,323	1,031,323
	$ 3,992,924	$ 3,998,037

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

	December 31, 2011	December 31, 2010	January 1, 2010
Future tax assets:			
Equipment	$ 7,997	$ 7,596	$ 7,596
Financing costs	100,039	6,415	6,415
Non-capital losses	753,972	558,820	558,820
	862,008	572,831	572,831
Future tax liabilities:			
Mining properties	227,305	216,000	216,000
Exploration and evaluation assets	1,484,765	1,329,203	1,329,203
	1,712,070	1,545,203	1,545,202
Net future tax liabilities	$ (850,062)	$ (972,372)	$ (972,372)

5. Income and mining taxes (continued):

Movement in deferred tax balances during the year.

	Balance January 1, 2010	Recognized in profit or loss	Balance December 31, 2010	Recognized in profit or loss	Balance December 31, 2011
Equipment	$ 7,596	$ –	$ 7,596	$ 401	$ 7,997
Share issue costs	–	–	–	–	–
Non-capital losses	558,820	–	558,820	195,152	753,972
Exploration and evaluation assets	(1,329,203)	–	(1,329,203)	(155,562)	(1,484,765)
Mining properties	(216,000)	–	(216,000)	(11,305)	(227,305)
Financing costs	6,415	–	6,415	93,624	100,039
	$ (972,372)	$ –	$ (972,372)	$ 122,310	$ (850,062)

6. Cash and cash equivalents:

	December 31, 2011	December 31, 2010	January 1, 2010
Bank balances	$ 131,350	$ 35,676	$ 96,710
Term deposits (December 31, 2011, bearing interest at 1.905%, maturing on January 16, 2012; December 31, 2010, bearing interest at 0.75%, maturing on January 14, 2011; January 1, 2010, bearing interest at 0.35%, maturing on January 13, 2010)	1,602,855	305,433	653,593
Cash and cash equivalents	$ 1,734,205	$ 341,109	$ 750,303

7. Trade and other receivables:

	December 31, 2011	December 31, 2010	January 1, 2010
Federal sales taxes	$ 558	$ 2,722	$ 13,799
Québec sales taxes	736	4,288	21,598
Trade and other receivables	$ 1,294	$ 7,010	$ 35,397

8. Exploration and evaluation assets:

Capitalized exploration and evaluation assets can be detailed as follows:

	Oka Property		Grande-Baleine Property		Total
	Mining properties	Other evaluation and exploration assets	Mining properties	Other evaluation and exploration assets	
Cost as at January 1, 2010	$ 845,000	$ 5,739,607	$ –	$ 410,646	$ 6,995,253
Additions	–	13,571	–	26,898	40,469
Tax credit for resources	–	(70,785)	–	–	(70,785)
Cost as at December 31, 2010	845,000	5,682,393	–	437,544	6,964,937
Additions	–	–	–	–	–
Tax credit for resources	–	(23,849)	–	–	(23,849)
Cost as at December 31, 2011	$ 845,000	$ 5,658,544	$ –	$ 437,544	$ 6,941,088

Oka property:

The Oka mining property consists of mining rights comprised of 49 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.

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.

9. Equipment:

	Equipment and furniture	Computer equipment	Total
	$	**$**	**$**
Cost:			
Balance, January 1, 2010	16,565	16,760	33,325
Additions	–	–	–
Disposals	–	–	–
Balance, December 31, 2010	16,565	16,760	33,325
Balance, January 1, 2011	16,565	16,760	33,325
Additions	–	–	–
Disposals	–	–	–
Balance, December 31, 2011	16,565	16,760	33,325
Depreciation:			
Balance, January 1, 2010	12,156	14,380	26,536
Depreciation for the year	882	714	1,596
Balance, December 31, 2010	13,038	15,094	28,132
Balance, January 1, 2011	13,038	15,094	28,132
Depreciation for the year	705	500	1,205
Balance, December 31, 2011	13,743	15,594	29,337
Carrying amounts:			
At January 1, 2010	4,409	2,380	6,789
At December 31, 2010	3,527	1,666	5,193
At December 31, 2011	2,822	1,166	3,988

10. Debentures and warrants:

On August 29, 2011 the Company completed a private placement whereby the Company issued 3,005 units for an aggregate consideration of $3,005,000. Each unit is comprised of one $1,000 principal amount of a secured debenture (“Debenture”) and 520 transferable common share purchase warrants of Niocan Inc. (“Warrant”). Each Debenture will mature August 29, 2012 and bears interest at an annual rate of 12%. The effective interest rate is 104%.

10. Debentures and warrants (continued):

The principal amount and interest on the debentures may be payable in cash or common shares of the Company at the Company's sole option, with the number of shares to be determined based on a conversion price of $1.45 per common share.

The following table presents the details of the Debentures as at:

	December 31, 2011	December 31, 2010	January 1, 2010
	$	$	$
Debentures:			
Fair value at inception	1,972,121	–	–
Issue costs	(246,993)	–	–
	1,725,128	–	–
Effective interest rate adjustment	330,285	–	–
Balance	2,055,413	–	–

Each Warrant entitles the holder to purchase one common share at a price of $1.45 until August 29, 2014. The Warrants are presented as a liability and recorded at fair value each reporting dates using the Black-Scholes pricing model. The decrease in fair value recorded through income from inception to the end of the period totaled $545,348. The Warrants are classified as Level 3 in the fair value hierarchy.

The following assumptions were used in calculating the fair value of the Warrants:

	December 31, 2011	August 29, 2011
Risk-free interest rate	1%	1%
Expected life	2.68 years	3 years
Expected volatility	108%	141%
Expected dividend yield	–	–

Number of warrants issued and outstanding as at:

	December 31, 2011	December 31, 2010	January 1, 2010
	1,562,600	–	–

11. Share capital and other components of equity:

Number of shares issued and outstanding as at:

	December 31, 2011	December 31, 2010	January 1, 2010
	20,763,833	20,763,833	20,763,833

The Company is authorized to issue an unlimited number of common shares, without par value.

12. Earnings (loss) per share:

The calculation of basic earnings per share at December 31, 2011 was based on the loss attributable to common shareholders which corresponds to the loss for the period of $1,074,543 (2010 - loss of $444,960), and a weighted average number of common shares:

	2011	2010
Issued common shares at January 1	20,763,833	20,763,833
Weighted average number of common shares as at December 31	20,763,833	20,763,833

The calculation of diluted earnings per share at December 31, 2011 is the same as the basic earnings per share as all options had an anti-dilutive effect (same in 2010).

13. Share-based payments:

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. Options are exercisable at the market price of the shares at the date of the grant. The number of stock options outstanding fluctuated as follows:

		2011		**2010**
	Number of shares	**Weighted average exercisable price**	**Number of shares**	**Weighted average exercisable price**
		$		**$**
Balance, beginning of year	2,722,000	0.66	2,677,000	0.64
Granted	–	–	150,000	0.59
Expired	(384,000)	0.56	(105,000)	0.55
Balance, end of year	2,338,000	0.60	2,722,000	0.66

The table below summarizes the information about the stock option plan as at December 31, 2011:

Maturity date	Exercise price	Number of outstanding and vested options
March 26, 2012	$0.53	120,000
September 15, 2013	$0.85	40,000
March 17, 2014	$1.10	75,000
March 2, 2015	$0.98	33,000
August 31, 2016	$0.44	130,000
January 8, 2017	$0.40	160,000
August 2, 2017	$0.72	540,000
January 23, 2018	$0.50	120,000
May 8, 2018	$0.63	240,000
May 3, 2019	$0.34	580,000
August 20, 2019	$0.31	150,000
April 6, 2020	$0.32	150,000
		2,338,000

13. Share-based payments (continued):

During the year ended December 31, 2011, the Company did not grant stock options (2010 - 150,000 options at a price of $0.32). 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 nil (2010 - $0.245) per option. The following weighted average assumptions were used in the calculations made during 2010:

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

14. Commitments and contingencies:

(i) The Company has a lease commitment for its premises, and the minimum amount payable is $20,000 in 2012.

(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 Niobium Project.

15. Financial instruments and financial risk management:

(a) Financial instruments fair value:

The following table summarizes the carrying value and estimated fair values of the Company's financial instruments:

	December 31, 2011		December 31, 2010		January 1, 2010	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
	$	$	$	$	$	$
Financial assets						
Cash and cash equivalents	1,734,205	1,734,205	341,109	341,109	750,303	750,303
Trade and other receivables	1,294	1,294	7,010	7,010	35,397	35,397
Financial liabilities						
Accounts payable and accrued liabilities	54,177	54,177	32,865	32,865	101,065	101,065
Debentures	2,055,413	2,055,413	–	–	–	–
Derivative financial instruments - warrants	487,531	487,531	–	–	–	–

The carrying values of cash and cash equivalents, trade and other receivables and accounts payable and accrued liabilities approximate their fair value because of the short-term nature of these items.

The carrying value of Debentures approximates their fair value as there has not been any changes in the market conditions associated with this instrument.

(b) Risk overview:

The Company has exposure to the following risks from its use of financial instruments:

(i) 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.

15. Financial instruments and financial risk management (continued):

(b) Risk overview (continued):

The Company has exposure to the following risks from its use of financial instruments (continued):

(ii) 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.

The following are the contractual maturities of the financial liabilities amounts:

	0 - 6 months	7 - 12 months	13 - 36 months
Accounts payable and accrued liabilities	$ 54,177	$ –	$ –
Debentures	–	3,275,450	–
Derivative financial instruments - Warrants	–	–	487,531
	$ 54,177	$ 3,275,450	$ 487,531

(iii) Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates.

The Company holds the majority of its cash and cash equivalents balance in interest-bearing accounts which are therefore exposed to future cash flow fluctuations coming from changes in market interest rates. A fluctuation of 100 basis points on market interest rates would not have a significant impact on the financial results of the Company due to the short-term nature of these cash and cash equivalents.

16. Related party transactions:

Key management personnel compensation:

Key management personnel corresponds to the directors of the Company, including the chief executive officer who is remunerated through a consulting agreement.

During the year, the Company incurred the following expenses with key management personnel:

	2011	2010
Administration expenses - professional fees	$ 133,700	$ 40,400
Administration expenses - directors' fees	40,000	40,000
Share issue expenses - commission	–	14,400

In relation to the August 29, 2011 private placement, the Company issued 1,750 units to their major shareholder, and 350 units to a company affiliated with a director. A company affiliated with a director received a referral fee of $23,750 in relation to this private placement. The Company has incurred $70,000 of interest expense to their major shareholder and $14,000 of interest expense to a company affiliated with a director on the Debentures.

The Company has accordingly the following amounts owing to related parties as at:

	December 31, 2011	December 31, 2010	January 1, 2010
Debentures:			
Major shareholder	$ 1,196,996	$ –	$ –
A company affiliated with a director	239,399	–	–

17. 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.

17. Capital disclosures (continued):

The Company's capital items are the following:

	December 31, 2011	December 31, 2010	January 1, 2010
Cash and cash equivalents	$ 1,734,205	$ 341,109	$ 750,303
Debentures	2,055,413	–	–
Share capital	12,853,902	12,853,902	12,853,902

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.

18. Settlement of litigation:

During the year the Company settled a legal action claiming damages for the termination of an employment contract. The legal action was settled for $231,111 including all related costs.

19. Explanation of transition to IFRS:

As stated in note 2, these are the Company's first financial statements prepared in accordance with IFRS.

The accounting policies set out in note 3 have been applied in preparing the financial statements for the year ended December 31, 2011, the comparative information presented in these financial statements for the year ended December 31, 2010 and in the preparation of an opening IFRS statement of financial position at January 1, 2010 (the Company's date of transition).

In preparing its opening IFRS statement of financial position, the Company has adjusted amounts reported previously in financial statements prepared in accordance with previous Canadian generally accepted accounting principles ("GAAP"). An explanation of how the transition from previous Canadian GAAP to IFRS has affected the Company's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

19. Explanation of transition to IFRS (continued):

Reconciliation of equity:

	January 1, 2010			December 31, 2010		
	Previous Canadian GAAP	Effect of transition to IFRS	IFRS	Previous Canadian GAAP	Effect to transition to IFRS	IFRS
	$	$	$	$	$	$
Assets						
Current assets:						
Cash and cash equivalents	750,303	–	750,303	341,109	–	341,109
Taxes and other receivables	35,397	–	35,397	7,010	–	7,010
Prepaid expenses and deposits	34,210	–	34,210	27,293	–	27,293
Total current assets	819,910	–	819,910	375,412	–	375,412
Non-current assets:						
Exploration and evaluation assets (note (a))	6,361,344	633,909	6,995,253	6,331,028	633,909	6,964,937
Land	506,887	–	506,887	506,887	–	506,887
Equipment	6,789	–	6,789	5,193	–	5,193
Total non-current assets	6,875,020	633,909	7,508,929	6,843,108	633,909	7,477,017
Total assets	7,694,930	633,909	8,328,839	7,218,520	633,909	7,852,429
Liabilities						
Current liabilities:						
Accounts payable and accrued liabilities	101,065	–	101,065	32,865	–	32,865
Current tax liabilities	145,412	–	145,412	145,412	–	145,412
Total current liabilities	246,477	–	246,477	178,277	–	178,277
Non-current liabilities:						
Deferred tax liabilities (note (a))	–	972,372	972,372	–	972,372	972,372
Total non-current liabilities	–	972,372	972,372	–	972,372	972,372
Equity						
Share capital	12,853,902	–	12,853,902	12,853,902	–	12,853,902
Contributed surplus	1,173,450	–	1,173,450	1,210,200	–	1,210,200
Deficit (note a)	(6,578,899)	(338,463)	(6,917,362)	(7,023,859)	(338,463)	(7,362,322)
Total equity	7,448,453	(338,463)	7,109,990	7,040,243	(338,463)	6,701,780
Total liabilities and equity	7,694,930	633,909	8,328,839	7,218,520	633,909	7,852,429

(a) Income tax adjustments:

Since it is currently management's intention to have the Company become a producer, the deferred taxes for mining duties were recognized in compliance with IAS 12, *Income Taxes*, in the amount of $633,909 as at January 1, 2010 with the counterpart in exploration and evaluation assets.

In addition certain non-refundable tax credits were recognized erroneously under Canadian GAAP in the amount of $338,463. Under IFRS, it was determined that those tax credits should not be recognized and as such, deferred tax assets were reduced by $338,463 and deficit increased by the same amount as at January 1, 2010.

19. Explanation of transition to IFRS's (continued):

Reconciliation of comprehensive income for the year ended December 31, 2010

	Canadian GAAP	Effect to transition to IFRS	IFRS
	$	$	$
Other revenues	10,600	–	10,600
Expenses:			
Professional fees	135,131	–	135,131
Directors' fees	40,000	–	40,000
Share-based payments	36,750	–	36,750
Rent	34,918	–	34,918
Office and administration	81,501	–	81,501
Trustees and registration fees	49,758	–	49,758
Taxes and permits	17,827	–	17,827
Travel and business development	38,375	–	38,375
Insurance	14,922	–	14,922
Telecommunications and website	6,188	–	6,188
Depreciation	1,596	–	1,596
Interest and bank charges	459	–	459
Total operating expenses	457,425	–	457,425
Results from operating activities	(446,825)	–	(446,825)
Finance income	1,865	–	1,865
Net loss	(444,960)	–	(444,960)
Comprehensive loss attributable to:			
Owners of the Company	(444,960)	–	(444,960)
Total comprehensive loss for the year	(444,960)	–	(444,960)
Loss per share:			
Basic and diluted loss per share (dollars)	(0.02)	–	(0.02)

Material adjustments to the statement of cash flows for 2010

Interest paid and income taxes paid have moved into the body of the *Statements of Cash Flows*, whereas they were previously disclosed as supplementary information. As there wasn't any interest or income taxes paid during 2010, there is no impact on the statements of cash flows upon transition to IFRS. There are no other material differences between the statements of cash flows presented under IFRS and the statement of cash flows presented under previous Canadian GAAP.