

NIOCAN INC.  
FINANCIAL STATEMENTS  
(unaudited)

Period ended June 30, 2008

MONTREAL (QUEBEC)

NIOCAN INC.

FINANCIAL STATEMENTS  
(unaudited)

June 30, 2008

Financial Statements

|                                     |         |
|-------------------------------------|---------|
| Certification of the President      | 1       |
| Balance Sheet                       | 2       |
| Statement of Operations and Deficit | 3 and 4 |
| Statement of Deferred Expenditures  | 5       |
| Statement of Cash Flows             | 6       |
| Notes to Financial Statements       | 7 to 15 |

NIOCAN INC.

Report to the Shareholders

June 30, 2008, with comparative  
figures for December 31, 2007

BALANCE SHEET

|   | June 30,<br>2008<br>(unaudited) | December 31,<br>2007 |
|---|---------------------------------|----------------------|
| <b>ASSETS</b>                               |                                 |                      |
| Current assets:                             |                                 |                      |
| Cash  | \$ 1 145 542                    | \$ 86 752            |
| Short-term investments, at cost             | 662 475                         | 949 717              |
| Accounts receivable                         | 17 483                          | 13 929               |
| Prepaid expenses                            | <u>76 023</u>                   | <u>87 372</u>        |
|   | 1 901 523                       | 1 137 770            |
| Equipment (note 2)                          | 6 149                           | 6 882                |
| Land  | 506 887                         | 506 887              |
| Mining and exploration properties (note 3)  | <u>5 691 417</u>                | <u>5 567 600</u>     |
|   | <u>\$ 8 105 976</u>             | <u>\$ 7 219 139</u>  |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b> |                                 |                      |
| Current liabilities:                        |                                 |                      |
| Accounts payable and accrued liabilities    | \$ ..... 33 723                 | \$ ..... 74 486      |
| Shareholders' equity:                       |                                 |                      |
| Capital stock (note 4)                      | 12 853 902                      | 11 757 402           |
| Contributed surplus                         | 968 120                         | 787 520              |
| Deficit                                     | <u>(5 749 769)</u>              | <u>(5 400 269)</u>   |
|   | ..... 8 072 248                 | ..... 7 144 653      |
|   | <u>\$ 8 105 976</u>             | <u>\$ 7 219 139</u>  |

See accompanying notes to financial statements.

On behalf of the Board:



Hubert Marleau, director



Ron Amstutz, Acting Chief Financial Officer

NIOCAN INC.

Report to the Shareholders

Period ended June 30, 2008, with  
comparative figures for 2007

STATEMENT OF OPERATIONS AND DEFICIT  
(unaudited)

|                                 | 3-month period ended<br>June 30 |                   | 6-month period ended<br>June 30 |                   |
|---------------------------------|---------------------------------|-------------------|---------------------------------|-------------------|
|                                 | <u>2008</u>                     | <u>2007</u>       | <u>2008</u>                     | <u>2007</u>       |
| Revenue:                        |                                 |                   |                                 |                   |
| Interest received               | \$ 5 031                        | \$ 10 705         | \$ 12 764                       | \$ 22 670         |
| Leases                          | <u>1 551</u>                    | <u>1 316</u>      | <u>3 544</u>                    | <u>2 694</u>      |
|                                 | <u>6 582</u>                    | <u>12 021</u>     | <u>16 308</u>                   | <u>25 364</u>     |
| Expenses:                       |                                 |                   |                                 |                   |
| Costs of options granted        | 129 360                         | -                 | 180 600                         | 62800             |
| Insurance                       | 3 440                           | 3 442             | 6 639                           | 7 223             |
| Travel and business development | 4 927                           | 4 866             | 11 507                          | 9 096             |
| Reports to shareholders         | -                               | 10 291            | -                               | 10 291            |
| Trustees and registration fees  | 13 463                          | 8 294             | 31 400                          | 22 647            |
| Interest and bank charges       | 118                             | 120               | 221                             | 476               |
| Professional fees               | 40 779                          | 40 994            | 71 158                          | 71 761            |
| Rent                            | 10 395                          | 13 688            | 19 696                          | 22 710            |
| Office                          | 17 633                          | 26 773            | 32 996                          | 52 638            |
| Maintenance                     | 115                             | 355               | 115                             | 530               |
| Publicity and public relations  | -                               | -                 | -                               | 4 938             |
| Taxes and permits               | 1 073                           | 2 194             | 8 363                           | 10 678            |
| Telecommunications and web site | 1 052                           | 1 082             | 2 380                           | 2 548             |
| Amortization                    | <u>367</u>                      | <u>471</u>        | <u>733</u>                      | <u>942</u>        |
|                                 | <u>222 722</u>                  | <u>112 570</u>    | <u>365 808</u>                  | <u>279 278</u>    |
| Net loss                        | \$ <u>216 140</u>               | \$ <u>100 549</u> | \$ <u>349 500</u>               | \$ <u>253 914</u> |

See accompanying notes to financial statements.

NIOCAN INC.

Report to the Shareholders

Period ended June 30, 2008, with  
comparative figures for 2007

STATEMENT OF OPERATIONS AND DEFICIT  
(unaudited)

|                                       | 3-month period ended<br>June 30 |                            | 6-month period ended<br>June 30 |                            |
|---------------------------------------|---------------------------------|----------------------------|---------------------------------|----------------------------|
|                                       | <u>2008</u>                     | <u>2007</u>                | <u>2008</u>                     | <u>2007</u>                |
| Net loss                              | \$ <u>216 140</u>               | \$ <u>100 549</u>          | \$ <u>349 500</u>               | \$ <u>253 914</u>          |
| Deficit, beginning of period          | <u>5 533 629</u>                | <u>4 882 760</u>           | <u>5 400 269</u>                | <u>4 729 395</u>           |
| Deficit, end of period                | \$ <u><u>5 749 769</u></u>      | \$ <u><u>4 983 309</u></u> | \$ <u><u>5 749 769</u></u>      | \$ <u><u>4 983 309</u></u> |
| Net loss per share, basic and diluted | \$ <u><u>0,01</u></u>           | \$ <u><u>0,01</u></u>      | \$ <u><u>0,02</u></u>           | \$ <u><u>0,01</u></u>      |

See accompanying notes to financial statements.

## NIOCAN INC.

Report to the Shareholders

Period ended June 30, 2008, with  
comparative figures for 2007STATEMENT OF DEFERRED EXPENDITURES  
(unaudited)

|  | 3-month period ended<br>June 30 |                            | 6-month period ended<br>June 30 |                            |
|--|---------------------------------|----------------------------|---------------------------------|----------------------------|
|  | <u>2008</u>                     | <u>2007</u>                | <u>2008</u>                     | <u>2007</u>                |
| Balance, beginning of period                       | \$ <u>4 902 060</u>             | \$ <u>4 792 117</u>        | \$ <u>4 767 600</u>             | \$ <u>4 783 932</u>        |
| Increase :   |                                 |                            |                                 |                            |
| Environmental studies                              | <u>56 546</u>                   | <u>41 266</u>              | <u>191 006</u>                  | <u>49 451</u>              |
|  | 56 546                          | 41 266                     | 191 006                         | 49 451                     |
| Less credit for mining rights and resource credits | <u>(67 189 )</u>                | <u>(12 164 )</u>           | <u>(67 189 )</u>                | <u>(12 164 )</u>           |
|  | <u>-10 643</u>                  | <u>29 102</u>              | <u>123 817</u>                  | <u>37 287</u>              |
| Balance, end of period                             | \$ <u><u>4 891 417</u></u>      | \$ <u><u>4 821 219</u></u> | \$ <u><u>4 891 417</u></u>      | \$ <u><u>4 821 219</u></u> |
| Cumulative deferred expenditures by project        |                                 |                            |                                 |                            |
| Oka  | \$ <u>4 663 441</u>             | \$ <u>4 593 243</u>        | \$ <u>4 663 441</u>             | \$ <u>4 593 243</u>        |
| Grande-Baleine                                     | <u>227 976</u>                  | <u>227 976</u>             | <u>227 976</u>                  | <u>227 976</u>             |
| Balance, end of period                             | \$ <u><u>4 891 417</u></u>      | \$ <u><u>4 821 219</u></u> | \$ <u><u>4 891 417</u></u>      | \$ <u><u>4 821 219</u></u> |

## NIOCAN INC.

Report to the Shareholders

Period ended June 30, 2008, with  
comparative figures for 2007STATEMENT OF CASH FLOWS  
(Unaudited)

|   | 3-month period ended<br>June 30 |                     | 6-month period ended<br>June 30 |                     |
|---|---------------------------------|---------------------|---------------------------------|---------------------|
|   | 2008                            | 2007                | 2008                            | 2007                |
| Operating activities:                                     |                                 |                     |                                 |                     |
| Net loss for the period                                   | \$ (216 140)                    | \$ (100 549)        | \$ (349 500)                    | \$ (253 914)        |
| Adjustments for:  |                                 |                     |                                 |                     |
| Amortization  | 367                             | 471                 | 733                             | 942                 |
| Cost of options granted                                   | 129 360                         | -                   | 180 600                         | 62 800              |
| Net change in non-cash operating<br>working capital items | <u>4 139</u>                    | <u>(7 186)</u>      | <u>(32 968)</u>                 | <u>(33 650)</u>     |
|   | <u>(82 274)</u>                 | <u>(107 264)</u>    | <u>(201 135)</u>                | <u>(223 822)</u>    |
| Financing activities:                                     |                                 |                     |                                 |                     |
| Issuance of common shares for cash                        | <u>1 096 500</u>                | <u>58 000</u>       | <u>1 096 500</u>                | <u>58 000</u>       |
|   | <u>1 096 500</u>                | <u>58 000</u>       | <u>1 096 500</u>                | <u>58 000</u>       |
| Investing activities:                                     |                                 |                     |                                 |                     |
| Deferred expenditures, net of credits                     | <u>10 643</u>                   | <u>(29 102)</u>     | <u>(123 817)</u>                | <u>(37 287)</u>     |
|   | <u>10 643</u>                   | <u>(29 102)</u>     | <u>(123 817)</u>                | <u>(37 287)</u>     |
| Net decrease in cash and cash equivalents                 | 1 024 869                       | (78 366)            | 771 548                         | (203 109)           |
| Cash and cash equivalents, beginning of period            | <u>783 148</u>                  | <u>1 136 462</u>    | <u>1 036 469</u>                | <u>1 261 205</u>    |
| Cash and cash equivalents, end of period                  | <u>\$ 1 808 017</u>             | <u>\$ 1 058 096</u> | <u>\$ 1 808 017</u>             | <u>\$ 1 058 096</u> |

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

See accompanying notes to financial statements.

**NIOCAN INC.**

Report to the Shareholders

Period ended June 30, 2008

**NOTES TO FINANCIAL STATEMENTS**

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

**1. Significant accounting principles :****(a) Mining and exploration properties and deferred expenditures :**

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

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

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

**(b) Equipment :**

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

| Asset                   | Rate |
|-------------------------|------|
| Equipment and furniture | 20%  |
| Computer equipment      | 30%  |



**NIOCAN INC.**

Report to the Shareholders

Period ended June 30, 2008

**NOTES TO FINANCIAL STATEMENTS****1. Significant accounting principles (continued) :**

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

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

## (d) Future income taxes :

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

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

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

## (e) Use of estimates:

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

**NIOCAN INC.**

Report to the Shareholders

Period ended June 30, 2008

**NOTES TO FINANCIAL STATEMENTS****1. Significant accounting principles (continued) :**

## (f) Cash and cash equivalents:

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

|                   | June 30,<br>2008 | December 31,<br>2007 |
|-------------------|------------------|----------------------|
| Cash              | \$ 1,145,542     | \$ 86,752            |
| Money market fund | 662,475          | 949,717              |
|                   | \$ 1,808,017     | \$ 1,036,469         |

**2. Equipment :**

|                         | June 30,<br>2008 |                             | December 31,<br>2007 |                   |
|-------------------------|------------------|-----------------------------|----------------------|-------------------|
|                         | Cost             | Accumulated<br>amortization | Net book<br>Value    | Net book<br>Value |
| Equipment and furniture | \$ 15,670        | \$ 10,278                   | \$ 5,392             | \$ 5,992          |
| Computer equipment      | 12,790           | 12,033                      | 757                  | 890               |
|                         | \$ 28,460        | \$ 22,311                   | \$ 6,149             | \$ 6,882          |

**NIOCAN INC.**

Report to the Shareholders

Period ended June 30, 2008

## NOTES TO FINANCIAL STATEMENTS

**3. Mining and exploration properties :**

|                | June 30,<br>2008      |                          |              |
|----------------|-----------------------|--------------------------|--------------|
|                | Cost of<br>properties | Deferred<br>Expenditures | Total        |
| Oka            | \$ 800,000            | \$ 4,663,441             | \$ 5,463,441 |
| Grande-Baleine | -                     | 227,976                  | 227,976      |
|                | \$ 800,000            | \$ 4,891,417             | \$ 5,691,417 |

|                | December 31,<br>2007  |                          |              |
|----------------|-----------------------|--------------------------|--------------|
|                | Cost of<br>properties | Deferred<br>Expenditures | Total        |
| Oka            | \$ 800,000            | \$ 4,539,624             | \$ 5,339,624 |
| Grande-Baleine | -                     | 227,976                  | 227,976      |
|                | \$ 800,000            | \$ 4,767,600             | \$ 5,567,600 |

## a) Oka property :

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

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

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

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

**NIOCAN INC.**

Report to the Shareholders

Period ended June 30, 2008

**NOTES TO FINANCIAL STATEMENTS****3. Mining and exploration properties (continued):**

b) Grande-Baleine Property:

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

**4. Capital stock:**

Authorized:

An unlimited number of common shares without par value

|                          | June 30,<br>2008 | December 31,<br>2007 |
|--------------------------|------------------|----------------------|
| Issued:                  |                  |                      |
| 20,763,833 common shares | \$ 12,853,902    | \$ 11,757,402        |

**5. Stock option plan:**

Under the stock option plan for the benefit of the directors and officers of the Company, 2,950,000 common shares are available and their life cannot exceed 10 years. The options vest immediately upon issuance.

The number of stock options outstanding fluctuated as follows:

|                              | June 30,<br>2008 | Average<br>Exercisable<br>Price | December 31,<br>2007 | Average<br>Exercisable<br>Price |
|------------------------------|------------------|---------------------------------|----------------------|---------------------------------|
| Balance, beginning of period | 2,502,000        | \$ 0.64                         | 2,262,000            | \$ 0.64                         |
| Issued                       | 240,000          | 0.63                            | 740,000              | 0.63                            |
| Exercised                    | (30,000)         | 0.55                            | (130,000)            | 0.70                            |
| Expired                      | -                | -                               | (370,000)            | 0.58                            |
| Balance, end of period       | 2,712,000        | \$ 0.64                         | 2,502,000            | \$ 0.64                         |

**NIOCAN INC.**

Report to the Shareholders

Period ended June 30, 2008

**NOTES TO FINANCIAL STATEMENTS****5. Stock option plan (continued):**

As at June 30, 2008, the following options were outstanding and could be exercised:

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|         |   |
|---------|---|
| 60,000  | shares at \$0.50 per share until February 23, 2009  |
| 600,000 | shares at \$0.50 per share until May 1, 2009        |
| 105,000 | shares at \$0.95 per share until October 5, 2009    |
| 105,000 | shares at \$0.72 per share until November 13, 2010  |
| 240,000 | shares at \$0.53 per share until March 26, 2012     |
| 40,000  | shares at \$0.50 per share until June 11, 2012      |
| 120,000 | shares at \$0.85 per share until September 15, 2013 |
| 175,000 | shares at \$1.10 per share until March 17, 2014     |
| 77,000  | shares at \$0.98 per share until March 2, 2015      |
| 130,000 | shares at \$0.44 per share until August 31, 2016    |
| 160,000 | shares at \$0.40 per share until January 8, 2017    |
| 540,000 | shares at \$0.72 per share until August 2, 2017     |
| 120,000 | shares at \$0.50 per share until January 16, 2018   |
| 240,000 | shares at \$0.63 per share until May 8, 2018        |

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During the period ended June 30, 2008, the Company granted 240,000 stock options at a price of \$0.63 per share. These options vest immediately. The fair value of each option granted was determined using the Black-Scholes option pricing model. At the date of the grant, this weighted average fair value of stock options granted was \$0.539 per option. The following weighted average assumptions were used in these calculations:

---

|                         |                  |
|-------------------------|------------------|
| Risk-free interest rate | 4%               |
| Expected life           | 10 years         |
| Expected volatility     | 85.03% to 87.32% |
| Expected dividend yield | 0.00%            |

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**NIOCAN INC.**

Report to the Shareholders

Period ended June 30, 2008

**NOTES TO FINANCIAL STATEMENTS****6. Future tax benefits:**

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

|                                   | December 31,<br>2007 |
|-----------------------------------|----------------------|
| Future tax assets:                |                      |
| Operating loss carryforwards      | \$ 828,000           |
| Financing costs                   | -                    |
| Credits and other                 | 266,000              |
|                                   | 1,094,000            |
| Valuation allowance               | (210,000)            |
|                                   | 884,000              |
| Future tax liabilities:           |                      |
| Mining properties                 | (216,000)            |
| Deferred exploration expenditures | (668,000)            |
|                                   | (884,000)            |
| Net future tax assets             | \$ -                 |

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

|      | Amount       |
|------|--------------|
| 2008 | \$ 588,000   |
| 2009 | 564,000      |
| 2010 | 363,000      |
| 2014 | 380,000      |
| 2015 | 482,000      |
| 2026 | 228,000      |
| 2027 | 327,000      |
|      | \$ 2,932,000 |

**NIOCAN INC.**

Report to the Shareholders

Period ended June 30, 2008

**NOTES TO FINANCIAL STATEMENTS****6. Future tax benefits (continued):**

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

The potential tax benefit relating to these elements has not been recorded.

**7. Related party transactions:**

During the quarter ended June 30, 2008, the Company incurred the following expenses with Directors or companies controlled by a director of the Company. These transactions were measured at the exchange amount.

|   | June 30,<br>2008 | December 31,<br>2007 |
|---|------------------|----------------------|
| Administration expenses – professional fees | \$ 9,769         | \$ 33,500            |
| Administration expenses – director’s fees   | \$ 10,000        | \$ 15,335            |

**8. Quarterly information:**

| Quarter ended      | Total revenue | Net loss | Loss per share |
|--------------------|---------------|----------|----------------|
|                    | \$            | \$       | \$             |
| June 30, 2008      | 6,582         | 216,140  | 0.01           |
| March 31, 2008     | 9,726         | 133,360  | 0.01           |
| December 31, 2007  | 13,457        | 112,561  | 0.01           |
| September 30, 2007 | 13,844        | 367,199  | 0.03           |
| June 30 2007       | 12,021        | 100,549  | 0.01           |
| March 31, 2007     | 13,343        | 90,565   | 0.01           |
| December 31, 2006  | 22,254        | 104,883  | 0.01           |
| September 30, 2006 | 14,766        | 90,127   | 0.01           |
| June 30, 2006      | 15,164        | 76,561   | 0.01           |
| March 31, 2006     | 20,672        | 41,031   | 0.01           |
| December 31, 2005  | 15,644        | 67,927   | 0.01           |

**NIOCAN INC.**

Report to the Shareholders

Period ended June 30, 2008

**NOTES TO FINANCIAL STATEMENTS****9. Financial instruments:**

The following methods and assumptions were used to determine the estimated fair value of each class of financial instruments.

Short-term financial instruments:

Cash, short-term investment, accounts receivable, accounts payable and accrued liabilities are short-term financial instruments whose fair value approximates their carrying amount given that they will mature shortly.

**10. Commitments and contingencies:**

- (a) The Company has leases commitment for premises and the minimum amount payable is \$20,056 in 2008.
- (b) On February 2, 2004, the Company entered into a purchasing agreement with the city of Oka for the acquisition of the St. Lawrence Columbian site in the amount of \$200,000. A total non-refundable amount of \$45,000 was paid and the balance of \$155,000 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 is conditional on obtaining all necessary permits, certificates and other authorizations from the Ministère de l'Environnement, du Développement durable et des Parcs (MDDEP) du Québec for the Oka project.
- (c) The Company has been named a defendant in a legal action claiming damages in the amount of \$172,000. Management is of the opinion that there is a strong defense against the claim. Accordingly, no provision for losses has been reflected in the accounts of the Company for this matter.

**11. Liquidity:**

The Company's working capital is \$1,867,800 as compared to \$1,063,284 at the beginning of the period. The Company has no long-term debt and the working capital on hand is sufficient to cover the cost of current administrative expenses.

**12. Capital resources:**

There was a private placement of 1,800,000 common shares at \$0.60 per share during the second quarter.