NIOCAN INC.

FINANCIAL STATEMENTS
(unaudited)

THE INTERIM FINANCIAL STATEMENTS DATED SEPTEMBER 30, 2011
HAVE NOT BEEN AUDITED OR REVIEWED BY THE AUDITORS

Period ended September 30, 2011

MONTREAL (QUEBEC)

NIOCAN INC.

FINANCIAL STATEMENTS
(unaudited)

September 30, 2011

Financial Statements

NIOCAN INC.

Report to the Shareholders

September 30, 2011, with comparative
figures for December 31, 2010

STATEMENT OF FINANCIAL POSITION

	September 30, 2011 (unaudited)	December 31, 2010
ASSETS		
Current assets:		
Cash and cash equivalents	$ 2 392 027	$ 341 109
Accounts receivable	34 818	7 010
Prepaid expenses and deposits	27 870	27 293
	2 454 715	375 412
Equipment (note 4)	4 289	5 193
Land	506 887	506 887
Exploration and evaluation assets (note 5)	6 317 602	6 331 028
	6 828 778	6 843 108
	$ 9 283 493	$ 7 218 520
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	$ 557 720	$ 32 865
Income taxes (note 9)	139 846	145 412
	697 566	178 277
Non-current liabilities:		
Loans and borrowings (note 6)	1 806 786	-
Derivative financial instruments - warrants	782 863	-
	2 589 649	-
	3 287 215	178 277
Shareholders' equity:		
Capital stock (note 7)	12 853 902	12 853 902
Contributed surplus	1 210 200	1 210 200
Deficit	(8 067 824)	(7 023 859)
	5 996 278	7 040 243
	$ 9 283 493	$ 7 218 520

See accompanying notes to financial statements.

On behalf of the Board:

Hubert Marleau (signed)
Interim Chairman, President
and Chief Executive Officer

Ron Amstutz, (signed)
Acting Chief Financial Officer

NIOCAN INC.

Report to the Shareholders

Period ended September 30, 2011, with
comparative figures for 2010

STATEMENT OF COMPREHENSIVE LOSS
(unaudited)

	3-month period ended September 30		9-month period ended September 30	
	2011	2010	2011	2010
Revenue:				
Leases	$ 3 000	$ 3 500	$ 3 000	$ 4 500
	3 000	3 500	3 000	4 500
Expenses:				
Cost of options granted	-	-	-	36 750
Professional fees	460 916	20 292	596 327	71 720
Office and administration	20 853	22 251	57 532	59 734
Directors' fees	92 000	16 000	152 700	52 200
Trustees and registration fees	19 453	8 616	50 642	41 138
Public relations	124	-	619	10 000
Rent	5 811	7 707	25 659	27 211
Taxes and permits	1 078	1 046	9 327	15 257
Travel and business development	13 110	9 290	26 294	28 689
Insurance	4 732	3 731	14 196	10 211
Telecommunications and web site	4 069	2 125	10 472	5 035
Depreciation	302	399	904	1 197
Maintenance	1 058	1 197	1 058	2 077
Bank charges	150	97	394	351
	623 656	92 751	946 124	361 570
Result from operating activities	(620 656)	(89 251)	(943 124)	(357 070)
Finance income	31	370	645	1 120
Finance expenses	(112 696)	-	(112 696)	-
Foreign exchange loss	(7 695)	-	(7 695)	-
Decrease in fair value of derivatives	250 016	-	250 016	-
Net finance income	129 656	370	130 270	1 120
Net loss before other charges	(491 000)	(88 881)	(812 854)	(355 950)
Settlement of litigation (Note 14)	1 979	-	231 111	-
Net loss and comprehensive loss	$ (492 979)	$ (88 881)	$ (1 043 965)	$ (355 950)
Net loss per share, basic and diluted	$ 0,04	$ 0,01	$ 0,08	$ 0,03

See accompanying notes to financial statements.

NIOCAN INC.
Report to the Shareholders

Period ended September 30, 2011, with comparative figures for 2010

STATEMENT OF CHANGES IN EQUITY
(unaudited)

	Share Capital Common Shares	Contributed Surplus	Deficit	Total Equity	Equity Attributable to Non-controlling interests
Balance as at January 1, 2010	$ 12 853 902	$ 1 173 450	$ (6 578 899)	$ 7 448 453	$ 7 448 453
Net loss and comprehensive loss	-	-	(444 960)	(444 960)	(444 960)
Stock options	-	36 750	-	36 750	36 750
Balance as at December 31, 2010	$ 12 853 902	$ 1 210 200	$ (7 023 859)	$ 7 040 243	$ 7 040 243
Balance as at January 1, 2010	$ 12 853 902	$ 1 173 450	$ (6 578 899)	$ 7 448 453	$ 7 448 453
Net loss and comprehensive loss	-	-	(355 950)	(355 950)	(355 950)
Balance as at September 30, 2010	$ 12 853 902	$ 1 173 450	$ (6 934 849)	$ 7 092 503	$ 7 092 503
Balance as at January 1, 2011	$ 12 853 902	$ 1 210 200	$ (7 023 859)	$ 7 040 243	$ 7 040 243
Net loss and comprehensive loss	-	-	(1 043 965)	(1 043 965)	(1 043 965)
Balance as at September 30, 2011	$ 12 853 902	$ 1 210 200	$ (8 067 824)	$ 5 996 278	$ 5 996 278

See accompanying notes to financial statements.

NIOCAN INC.

Report to the Shareholders

Period ended September 30, 2011, with
comparative figures for 2010

STATEMENT OF CASH FLOWS
(Unaudited)

	3-month period ended September 30		9-month period ended September 30	
	2011	2010	2011	2010
Operating activities:				
Result from operating activities	$ (620 656)	$ (89 251)	$ (943 124)	$ (357 070)
Adjustments for:				
Amortization	302	399	904	1 197
Cost of options granted	-	-	-	36 750
Net finance income	129 656	370	130 270	1 120
Settlement of litigation	(1 979)	-	(231 111)	-
Net change in non-cash operating working capital items	161 005	22 133	490 904	(23 774)
	(331 672)	(66 349)	(552 157)	(341 777)
Investing activities:				
Derivatives	-	-	13 426	30 318
	-	-	13 426	30 318
Financing activities:				
Loans and borrowings	1 806 786	-	1 806 786	
Derivative financial instruments - warrants	782 863	-	782 863	-
	2 589 649	-	2 589 649	-
Net decrease in cash and cash equivalents	2 257 977	(66 349)	2 050 918	(311 459)
Cash and cash equivalents, beginning of period	134 050	505 193	341 109	750 303
Cash and cash equivalents, end of period	$ 2 392 027	$ 438 844	$ 2 392 027	$ 438 844

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

See accompanying notes to financial statements.

NIOCAN INC.

Report to the Shareholders

Period ended September 30, 2011

NOTES TO 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 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 in a development stage and has mineral exploration and development properties in the province of Québec. Substantially, all of the Company's efforts are currently devoted to financing, developing and obtaining permits for its niobium property in Oka. Although the Company has taken steps to verify title to mineral properties in which it has an interest in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

Financial statements has been prepared on a going concern basis which supposed that the Company will pursue its activities in a foreseeable future and will be able to realize its assets or discharge its obligations in anything other than the ordinary course of operations. The Company is in the process of exploring and evaluating its mineral properties and projects and has not yet determined whether its properties and projects, excluding its Oka Niobium Project, contain ore reserves that are economically recoverable. The Company does not have any revenues coming from its operations that would enable the Company to discharge its obligations in the ordinary course of its operations.

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

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

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

NIOCAN INC.

Report to the Shareholders

Period ended September 30, 2011

NOTES TO FINANCIAL STATEMENTS

2. Basis of preparation:

Statement of compliance

The financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting, ("IAS 34"). They are the Company's second IFRS interim financial statements for part of the period covered by the first annual financial statements and IFRS 1, First-time Adoption of International Financial Reporting Standards, ("IFRS 1") has been applied.

The preparation of interim financial statements in accordance with IAS 34, Interim Financial Reporting, ("IAS 34") resulted in changes to the accounting policies as compared to the most recent annual financial statements prepared under Canadian generally accepted accounting principles ("GAAP"). An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Company is provided in note 15.

The financial statements were authorized for issue by the Board of Directors on August 10, 2011.

Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

i) financial instruments at fair value through profit or loss are measured at fair value;

ii) available-for-sale financial assets are measured at fair value.

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 IFRSs 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.

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 the following notes:

Note 3 – 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 Note 8 – fair value of share-based payments and Note 9 – recoverability of income tax assets.

NIOCAN INC.

Report to the Shareholders

Period ended September 30, 2011

NOTES TO FINANCIAL STATEMENTS

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 IFRSs, unless otherwise indicated.

Financial instruments

Non-derivative financial assets

The Company initially recognizes loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company has the following non-derivative financial assets: financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets.

Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. Upon initial recognition attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss.

NIOCAN INC.

Report to the Shareholders

Period ended September 30, 2011

NOTES TO FINANCIAL STATEMENTS

3. Significant accounting policies:

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 accounts 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 initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

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

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.

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.

3. Significant accounting policies (continued):

Repurchase of share capital (treasury shares)

When share capital recognized as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity.

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, metals and diamonds 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.

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.

Equipment

Items of equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is 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.

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

The cost of replacing a part of an item of equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of equipment are recognized in profit or loss as incurred.

NIOCAN INC.

Report to the Shareholders

Period ended September 30, 2011

NOTES TO FINANCIAL STATEMENTS

3. Significant accounting policies (continued):

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, 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.

Impairment

Financial assets (including receivables)

A financial asset not carried at fair value through profit or loss is 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.

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.

Impairment losses on available-for-sale investment securities are recognized by transferring the cumulative loss that has been recognized in other comprehensive income, and presented in unrealized gains/losses on available-for-sale financial assets in equity, to profit or loss. The cumulative loss that is removed from other comprehensive income and recognized in profit or loss is the difference between the acquisition cost, net of any principal repayment and amortization, and the current fair value, less any impairment loss previously recognized in profit or loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognized in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognized in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income.

NIOCAN INC.

Report to the Shareholders

Period ended September 30, 2011

NOTES TO FINANCIAL STATEMENTS

3. Significant accounting policies (continued):

Non-financial assets

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

The carrying amounts of mining properties and 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.

Mining properties and 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 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 Company's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

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 CGU's 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.

NIOCAN INC.

Report to the Shareholders

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NOTES TO FINANCIAL STATEMENTS

3. Significant accounting policies (continued):

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.

The Company records the present value of estimated costs of legal and constructive obligations resulting from restoration activities in the period in which the obligation is incurred. When the liability is initially recognised, the present value of the estimated cost is capitalised by increasing the carrying amount of the related assets. The periodic unwinding of the discount is recognised in the statement of comprehensive income as a finance cost. The Company does not currently have any obligations resulting from restoration activities.

Government grants

Government grants are recognized initially as deferred income at fair value when there is reasonable assurance that they will be received and the Company will comply with the conditions associated with the grant. Grants that compensate the Company for expenses incurred are recognized in profit or loss as other income on a systematic basis in the same periods in which the expenses are recognized. Grants that compensate the Company for the cost of an asset are recognized in profit or loss on a systematic basis over the useful life of the asset.

The Company is eligible for a refundable credit on mining duties under the Quebec Mining Duties Act. This refundable credit on mining duties is equal to 12% of expenses incurred for mining activities on mining properties in Quebec and is recognized as a credit against deferred exploration expenditures in accordance with the above-mentioned accounting treatment for government grants that compensate the Company for the cost of an asset recognized.

The Company is also eligible for a refundable tax credit for resources for mining industry companies in relation to eligible expenses incurred. The refundable tax credit for resources represents up to 15% of the amount of eligible expenses incurred. This tax credit is recognized as a credit against deferred exploration expenditures in accordance with the above-mentioned accounting treatment for government grants that compensate the Company for the cost of an asset recognized.

Leases

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

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.

NIOCAN INC.

Report to the Shareholders

Period ended September 30, 2011

NOTES TO FINANCIAL STATEMENTS

3. Significant accounting policies (continued):

Finance income and finance costs

Finance income comprises interest income on funds invested (including available-for-sale financial assets), gains on the disposal of available-for-sale financial assets, and changes in the fair value of financial assets at fair value through profit or loss. Interest income is recognized as it accrues in profit or loss, using the effective interest method.

Finance costs comprise unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through profit or loss, and impairment losses recognized on financial assets.

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.

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.

NIOCAN INC.

Report to the Shareholders

Period ended September 30, 2011

NOTES TO FINANCIAL STATEMENTS

3. Significant accounting policies (continued):

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.

4. Equipment :

	Equipment and furniture	Computer equipment	Total
Cost	$	$	$
Balance at January 1, 2010	16,565	16,760	33,325
Additions	-	-	-
Disposals	-	-	-
Balance at December 31, 2010	16,565	16,760	33,325
Balance at January 1, 2011	16,565	16,760	33,325
Additions	-	-	-
Disposals	-	-	-
Balance at September 30, 2011	16,565	16,760	33,325
Depreciation and impairment losses	$	$	$
Balance at January 1, 2010	12,156	14,380	26,536
Depreciation	882	714	1,596
Impairment losses	-	-	-
Balance at December 31, 2010	13,038	15,094	28,132
Balance at January 1, 2011	13,038	15,094	28,132
Depreciation	529	375	904
Impairment losses	-	-	-
Balance at September 30, 2011	13,567	15,469	29,036
Carrying amounts			
At January 1, 2010	4,409	2,380	6,789
At December 31, 2010	3,527	1,666	5,193
At January 1, 2011	3,527	1,666	5,193
At September 30, 2011	2,998	1,291	4,289

NIOCAN INC.

Report to the Shareholders

Period ended September 30, 2011

NOTES TO FINANCIAL STATEMENTS

5. Exploration and evaluation assets:

			September 30, 2011
	Cost of properties	Deferred Expenditures	Total
Oka	$ 845,000	$ 5,035,058	$ 5,880,058
Grande-Baleine	-	437,544	437,544
	$ 845,000	$ 5,472,602	$ 6,317,602

			December 31, 2010
	Cost of properties	Deferred Expenditures	Total
Oka	$ 845,000	$ 5,048,484	$ 5,893,484
Grande-Baleine	-	437,544	437,544
	$ 845,000	$ 5,486,028	$ 6,331,028

	3 month period ended September 30,		9 month period ended September 30,	
	2011	2010	2011	2010
Balance beginning of period	$ 5,486,028	$ 5,539,671	$ 5,486,028	$ 5,516,344
Additions	-	17,142	-	40,469
Less credit for mining rights and resource credits	(13,426)	(70,785)	(13,426)	(70,785)
Balance end of period	$ 5,472,602	$ 5,486,028	$ 5,472,602	$ 5,486,028

a) 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.

NIOCAN INC.

Report to the Shareholders

Period ended September 30, 2011

NOTES TO FINANCIAL STATEMENTS

5. Exploration and evaluation assets (cont'd):

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

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

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

6. Loans and borrowings

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 principal amount and interest of 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. 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 as the contracts do not meet the equity classification criteria of IFRS. The change in fair value recorded through income from inception to the end of the period equals $250,016.

The following table presents the allocation of the proceeds received for the instruments at inception and the liability related to the debentures at the end of the period:

	September 30, 2011	December 31, 2010
Debentures		
Issued - 3,005 units	$ 3,005,000	$ -
Less:		
Fair market value of warrants	1,032,879	-
Issue costs	246,993	-
	1,725,128	-
Amortization	81,658	-
	$ 1,806,786	$ -

NIOCAN INC.

Report to the Shareholders

Period ended September 30, 2011

NOTES TO FINANCIAL STATEMENTS

7. Capital stock:

Authorized:

An unlimited number of common shares without par value.

	September 30, 2011	December 31, 2010
Issued:		
20,763,833 common shares	$ 12,853,902	$ 12,853,902

8. 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.

The number of stock options outstanding fluctuated as follows:

	September 30, 2011	Average Exercisable Price	December 31, 2010	Average Exercisable Price
Balance, beginning of period	2,722,000	$ 0.60	2,677,000	$ 0.66
Issued	-	-	150,000	0.33
Exercised	-	-	(105,000)	0.56
Expired	(384,000)	0.79	-	-
Balance, end of period	2,338,000	$ 0.52	2,722,000	$ 0.60

As at September 30, 2011, the following options were outstanding and could be exercised:

120,000	shares at $0.53 per share until March 26, 2012
40,000	shares at $0.85 per share until September 15, 2013
75,000	shares at $1.10 per share until March 17, 2014
33,000	shares at $0.98 per share until March 2, 2015
130,000	shares at $0.44 per share until August 31, 2016
160,000	shares at $0.40 per share until January 8, 2017
540,000	shares at $0.72 per share until August 2, 2017
120,000	shares at $0.50 per share until January 23, 2018
240,000	shares at $0.63 per share until May 8, 2018
580,000	shares at $0.34 per share until May 3, 2019
150,000	shares at $0.31 per share until August 20, 2019
150,000	shares at $0.32 per share until April 6, 2020

NIOCAN INC.

Report to the Shareholders

Period ended September 30, 2011

NOTES TO FINANCIAL STATEMENTS

9. Income tax:

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

	December 31, 2010
Deferred tax assets:	
Operating loss carry forwards	$ 769,800
Financing costs	6,400
Credits and other	133,800
	910,000
Deferred tax liabilities:	
Mining properties	(216,000)
Deferred exploration expenditures	(694,000)
	(910,000)
Net deferred tax assets	$ -

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

Expiry date	Amount
2014	$ 380,000
2015	482,000
2026	228,000
2027	327,000
2028	462,000
2029	450,000
2030	430,000
	$ 2,759,000

The Company also has Canadian exploration expenditures of approximately $ 2,810,000 which may be deducted from future taxable income.

During 2009 the Company was advised by the taxation authorities that certain resource tax credits were being re-examined. For the two years being examined (2007 and 2008), management estimated the maximum potential liability to be approximately $139,846. This amount was provided in the financial statements.

NIOCAN INC.

Report to the Shareholders

Period ended September 30, 2011

NOTES TO FINANCIAL STATEMENTS

10. Related party transactions:

During the quarter ended September 30, 2011, the Company incurred the following expenses with Directors or companies controlled by a director of the Company and key management personnel. These transactions were measured at the exchange amount.

	September 30, 2011	December 31, 2010
Administration expenses – professional fees	$ 75,000	$ 40,400
Administration expenses – directors' fees	$ 17,000	$ 40,000
Key management personnel – professional fees	$ 7,225	$ 14,400

11. Quarterly information:

Quarter ended	Total revenue	Net loss	Loss per share
	$	$	$
September 30, 2011	3,031	495,979	0.04
June 30,2011	189	297,214	0.02
March 31, 2010	425	254,197	0.02
December 31, 2010	6,845	89,010	0.01
September 30, 2010	3,870	88,881	0.01
June 30, 2010	1,362	148,605	0.01
March 31,2010	388	118,464	0.01
December 31,2009	3,967	152,917	0.01

12. Financial instruments and risk management:

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

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

a) Credit risk:

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

NIOCAN INC.

Report to the Shareholders

Period ended September 30, 2011

NOTES TO FINANCIAL STATEMENTS

12. Financial instruments and risk management (cont'd):

b) Interest rate risk:

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

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

c) Liquidity risk:

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

d) Fair value

The fair value of accounts payable and accrued charges approximates their carrying amount because of the short-term maturity of those instruments. Cash equivalents are measured at fair value using Level 2.

13. Capital disclosures:

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

The Company manages its capital structure and makes adjustments to it in accordance with the aforementioned objectives, as well as in light of changes in economic conditions and the risk characteristics of the underlying assets. In 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 capital management remained unchanged since the last period.

14. Commitments and contingencies:

During the period ended September 30, 2011 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.

NIOCAN INC.

Report to the Shareholders

Period ended September 30, 2011

NOTES TO FINANCIAL STATEMENTS

15. Explanation of transition to IFRS's:

As stated in note 2, these are the Company's third interim financial statements prepared in accordance with IFRSs.

The accounting policies set out in note 3 have been applied in preparing the financial statements for the period ended September 30, 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) which was attached to the first interim financial statements..

In preparing its opening IFRS statement of financial position, there have been no material adjustments between amounts reported previously in the financial statements prepared in accordance with previous Canadian GAAP. An explanation of how the transition from previous Canadian GAAP to IFRSs has affected the Company's financial position, financial performance and cash flows is set out in the tables attached as Schedules 1 and 2.

NIOCAN INC.

Schedule 1

Report to the Shareholders

September 30, 2011

Explanation of transition to IFRS

Reconciliation of equity as at September 30, 2010
(unaudited)

	Previous Canadian GAAP	Effect of Transition to IFRSs	IFRSs
ASSETS			
Current assets:			
Cash and cash equivalents	$ 438 844	$ -	$ 438 844
Accounts receivable	4 763	-	4 763
Prepaid expenses and deposits	77 274	-	77 274
	520 881	-	520 881
Equipment	5 592	-	5 592
Land	506 887	-	506 887
Exploration and evaluation assets	6 286 026	-	6 286 026
	$ 7 319 386	$ -	$ 7 319 386
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Accounts payable and accrued liabilities	$ 190 133	$ -	$ 190 133
	190 133	-	190 133
Shareholders' equity:			
Capital stock	12 853 902	-	12 853 902
Contributed surplus	1 210 200	-	1 210 200
Deficit	(6 934 849)	-	(6 934 849)
	7 129 253	-	7 129 253
	$ 7 319 386	$ -	$ 7 319 386

NIOCAN INC. Schedule 2

Report to the Shareholders

Period ended September 30, 2011

Explanation of transition to IFRS

Reconciliation of comprehensive income for the period ended September 30, 2010

(unaudited)

	Previous Canaadian GAAP	Effect of Transition to IFRSs	IFRSs
Revenue:			
Leases	$ 4 500	$ -	$ 4 500
	4 500	-	4 500
Expenses:			
Professional fees	71 720	-	71 720
Directors' fees	52 200	-	52 200
Cost of options granted (Note 7)	36 750	-	36 750
Public relations	10 000	-	10 000
Rent	27 211	-	27 211
Office and administration	59 734	-	59 734
Trustees and registration fees	41 138	-	41 138
Taxes and permits	15 257	-	15 257
Travel and business development	28 689	-	28 689
Insurance	10 211	-	10 211
Telecommunications and web site	5 035	-	5 035
Depreciation	1 197	-	1 197
Maintenance	2 077	-	2 077
Bank charges	351	-	351
	361 570	-	361 570
Result from operating activities	(357 070)	-	(357 070)
Finance income	1 120	-	750
Finance expenses	-	-	-
Net finance income	1 120	-	750
Net loss and comprehensive loss	$ (355 950)	$ -	$ (356 320)