

## **Management's Discussion and Analysis**

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

This Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is intended to assist in the understanding and assessment of trends and significant changes in the results of operations and financial condition of the Company. As such, it should be read in conjunction with the unaudited financial statements for the quarter ended September 30, 2010.

### **Forward Looking Statements**

Certain statements contained in this Management's Discussion and Analysis are forward-looking and are subject to numerous risks and uncertainties, known and unknown. For information identifying known risks and uncertainties, relating to the issuance by the Ministry of 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 Columbiac 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").

## 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 Columbian property in Oka when it was in operation.

Additional drilling of the main ore body at Oka, the S-60 deposit, was made by Niocan in 1995-1997 with 59 DDH, 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 <sub>2</sub> O <sub>5</sub>	Tonnes (x MM)	% Nb <sub>2</sub> O <sub>5</sub>
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 of 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<sub>2</sub>O<sub>5</sub> in the concentrate.

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

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

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

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

Niocan will also have all of its mineral resources recalculated with the lower cut off grades of 0.35% and 0.30% Nb<sub>2</sub>O<sub>5</sub> for NI 43-101. This decision is based on the current ferroniobium price of \$23.25 USD per pound (September 30, 2010; Metalprices.com). This activity will be completed in due course for the revised bankable feasibility study since the 0.40% cut off grade was first used when the FeNb price was at \$6.50 USD per pound. This price and cut off grade were used in the 1998 and 2000 feasibility and updated feasibility studies completed by Met-Chem and SNC-Lavalin. The annual production rate in these studies was set at 4,370 tonnes of ferroniobium or 6.3 million pounds of payable niobium product. The daily milling rate, for these studies, remained unchanged at 2,500 tonnes per day.

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

During the third quarter of 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 also insisted that the new Environment Minister, Mr. Pierre Arcand, accept its invitation to visit the mine site, the abandoned SLC mine site to be rehabilitated by Niocan and to meet the Mayor of Oka and the Kanosatake Mohawk Grand Chief, Paul Sohenrise Nicolas. The Company contacts regularly the Canadian government's Indian and Northern Affairs Senior Negotiator to ask advice and suggestions on how to interest the Mohawk Community to open discussions on an Impacts & Benefits Agreement between Kanosatake and Niocan. The Company has received to date no

indication as to whether the MSDEP intends to issue the Certificate of Authorization, nor the timing of such decision. However the Company has received a written confirmation from the MSDEP during the first quarter of 2008, as well as more recently, that the MSDEP was consulting the first nations in Kanasetake in relation to the Company's plan to build its mine in Oka.

The Company's management has met with the Mohawks Council of Kanasetake on two occasions, in February and April 2008, and has also held a public presentation for the community of Kanasetake in April 2008 in relation to the underground mine design including the hydrological Golder Study. The objective of these meetings was to comfort the Mohawks community concerning the alleged environmental issues and the underground water effects potentially related the mine project in the Ste-Sophie range of Oka located 6 kilometers from Kanasetake. The Mohawk Council of 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 kilometres 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 niobium ore processing for ferroniobium and/or pure niobium plus rare earths. New test work, market studies and further engineering work will be needed to determine if the proposed products could be produced and sold or if it would be better to produce different products or purities.

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

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

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

Met-Chem estimated an expected increase of 71% of the 2009 dollar base project capex and an increase of 61% of the opex compared to the 1998 figures. However, in the interim, the price of FeNb has increased by over 300% in the international markets where Niocan would sell its product but a more representative price has been considered.

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

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

The updated analysis and results of the engineering and financial review of capex/opex completed by Met-Chem in 2009 cannot be relied upon since they were not performed in accordance with the requirements of NI 43-101. The Company believes that these results provide a conceptual indication of the financial potential of the project and are therefore relevant. The capex/opex studies of 1998 and 2000 cannot be relied upon since they were completed before the adoption of NI 43-101.

b) Great Whale Iron Property ("GWIP")

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

This property of 17,098 acres, with an average of 36% Fe magnetite content indicated by drilling in 1957-1960, was acquired by Niocan on February 10, 2004. The GWIP is located 80 kilometres from the twin villages of Kuujuarapik-Whapmagoostui at the South East end of the Hudson Bay. Intensive exploration carried out in the 1960's indicated an estimate of 942,000,000 tonnes from 3 open pit shells defined as Deposits A, D and E (still open at depth and laterally) of iron historical resources (Great Whale Iron Mine Limited for Belcher Mining Corporation Limited; November 1960 by L. M. Scofield). According to the compilation report prepared by Met-Chem on August 31, 2006, it is mentioned: *"In the 1960's, such calculation method was considered reliable. However today mineral resources or reserve calculations are generally based on mining software which are more robust and can perform 3D calculation. It will be necessary to twin some historic holes with new ones in order to establish a correlation between historic information and new ones before being able to use concentration tests indicator for new mineral resource or reserve estimates for compliance with NI 43-101"*.

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

Niocan must update the estimates and studies made in the 50's and 60's to demonstrate the feasibility of a contemporary iron mine in order to interest one or more partners in this potential project. Niocan wishes to identify a joint-venture partner with the financing capability to share the cost of a conceptual-scoping study for a percentage of ownership while eventually retaining a position in this historical mineral prospect, referring to the geological works done in the 60's. Once the project is started, the Company expects that it would take approximately three (3) calendar seasons to conduct this study.

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

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

The conceptual-scoping study would cost 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 within the next 5-10 years by the Ministry of Transport of Quebec (News: Nunavick November 12<sup>th</sup>, 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 the third quarter of 2010, the Company continued to meet with different stakeholders in the Oka region to obtain additional support to convince the MSDEP to issue the CA, which would allow the Company to build its underground Niobium mine in the Ste. Sophie range of Oka, Quebec as soon as possible. In February 2010, representatives of the Company met with representatives of the Deputy Minister of Sustainable Development, Environment and Parks to further discuss the issuance of the CA. While the Company believes that this meeting was constructive and positive, the Company has not received further information as to if and when the CA will be issued by the MSDEP.

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

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

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

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

As at September 30, 2010, \$5,061,236 has been capitalized in the Company's financial statements relatively to deferred expenditures for this project. These essentially consist in geotechnical studies, feasibility studies and studies for the design of the Oka Niobium mining project.

b) Great Whale Iron Property

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

In July 2009, the Company collected new drilled core samples and cores drilled in 1957-60 by Belcher Mining Corporation Ltd from the A, D and E iron mineralized (36% Fe magnetite) sites on the GWIP (17,098 acres) located 80 kilometers from the twin villages of Kuujuarapik – Whapmagoostui on the Hudson Bay. The objective of the 2009 program, for which \$183,000 was spent, 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 September 30, 2010, \$424,790 was capitalized in the Company's financial statements relatively to deferred expenditures for this project. These essentially consist in the study prepared by Met-Chem and fees relating to the land survey made by the Company's geologists, as well as costs engaged in 2009 for the metallurgical testing at Corem.

2.2 Revenues and Expenses

Niocan's revenues for the quarter ended September 30, 2010 consist of interest from bank deposits and revenues from leases, which total revenues amounted to \$3,870 (\$7,399 in 2009).

The expenses incurred for the quarter ended September 30, 2010 in a total amount of \$92,751 (\$121,951 in 2009) consist mainly in office and administration fees (\$22,251, compared to \$23,718 in 2009), professional fees (\$20,292, compared to \$9,936 in 2009), directors fees (\$16,000, compared to \$16,400 in 2009), travel and business development fees (\$9,290, compared to \$4,327 in 2009) and trustee and registration fees (\$8,616, compared to \$12,533 in 2009).

2.3 Balance Sheet

The Company's total assets on September 30, 2010 totalled \$7,319,386 (\$7,694,930 on September 30, 2009). On September 30, 2010, the current assets totalled \$520,881 (\$864,910 on September 30, 2009), the shareholder's equity totalled \$7,129,253 (\$7,448,453 on September 30, 2009) and the cash and cash equivalents totalled \$438,844 (\$750,303 on September 30, 2009).

## 2.4 Summary Quarterly Information

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

<b>Quarterly Information</b>			
<b>Quarter Ended</b>	<b>TOTAL REVENUE (\$)</b>	<b>NET LOSS (\$)</b>	<b>NET LOSS PER SHARE (\$)</b>
September 30, 2010	3,870	88,881	0.01
June 30, 2010	1,362	149,355	0.01
March 31, 2010	388	118,464	0.01
December 31, 2009	3,967	152,916	0.01
September 30, 2009	7,399	114,552	0.01
June 30, 2009	1,581	286,471	0.01
March 31, 2009	6,149	92,809	0.01
December 31, 2008	24,722	58,149	0.01

The Company had no significant revenues over the past eight quarters. The variations in net losses result mainly from variations in expenditures relative to engineering studies made for the Company's account, as well as non-cash expenses relating to the grant of stock options.

## 2.5 Liquidity

On September 30, 2010, the short term assets totalled \$520,881 (\$864,910 on September 30, 2009).

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 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.

## 2.6 Commitments

The Company has a lease commitment for premises in Montreal amounting to an amount of \$33,000 in 2010.

On April 24, 2006, the Company renewed its agreement with the Municipality of Oka granting the Company an option to acquire the front half of the St-Lawrence Columbiac site for a purchase price of \$200,000; such renewal agreement was to expire on December 31, 2007, and was further renewed by the Company 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.

### **3. Related party transactions**

During of the quarter ended September 30, 2010, there were no related-party transactions, other than the payment of fees to Mr. Coulombe for his duties as President of the Company and the payment of Director fees.

### **4. Significant accounting policies**

Use of estimates:

The preparation of Financial Statements in conformity with generally accepted accounting principles in Canada requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

We refer you to the note 3 of the Company's financial statements for the quarter ended September 30, 2010, which details certain accounting policies used in the preparation of the financial statements.

### **5. Mining and exploration properties**

Mining assets include mining rights in two properties and deferred exploration expenses, 48 claims covering 1604 acres as well as surface rights on 231 acres (110 hectares) at Oka and 17 098 acres of claims on the Hudson Bay area (Great Whale iron ore). The claims for GWIP were renewed until 2011.

Exploration expenses are deferred until the economic viability of the projects have been established, at which time the expenses will be added to mining properties. Expenses are written off when properties are abandoned or when expense recovery is uncertain. Management has defined uncertainty as either, there are no financial resources available for development over a period of three consecutive years, or results from exploration work not warranting further investment.

### **6. Change in Accounting Policies**

We refer you to note 2 of the Company's financial statements for the quarter ended September 30, 2010, which provides further information on the changes in accounting policies.

## **7. Effects of New Accounting Standards Not Yet Implemented**

### **Adoption of International Financial Reporting Standards (IFRS) in Canada**

In February 2008, the Accounting Standards Board (“AcSB”) confirmed that IFRS, as issued by the International Accounting Standards Board (“IASB”), will replace Canadian generally accepted accounting principles (“GAAP”) for publicly accountable enterprises and must be adopted for fiscal years beginning on or after January 1, 2011. Changing from current Canadian GAAP to IFRS is a significant undertaking that may materially affect the Company’s reported financial position and results of operations.

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

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

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

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

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

As at September 30, 2010, the process of identifying fundamental accounting differences between Canadian GAAP and IFRS having a significant impact on the Company’s financial statements and the review of choices available upon the initial adoption of IFRS were substantially completed.

The second step of the phase, which is the assessment of the expected impact of the accounting differences identified on the Company’s financial statements, is progressing well and the quantification of the potential impact is expected to be

completed in the fourth quarter of 2010, with a publication of a summary of the results expected in the fourth quarter of 2010 as well.

#### IFRS 6 – Exploration and Evaluation:

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

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

#### IAS 12 – Income Taxes:

While the overall methodology for recording deferred taxes is consistent between Canadian GAAP and IFRS, there are several areas of differences that may have an impact on the Company's financial statements. The Company is currently in the process of evaluating these differences.

#### IFRS 1 Exemptions

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

The Company does not expect to apply any of the optional exemptions permitted by IFRS 1.

#### Quantification of impacts

Based on its current analysis of expected accounting differences, which is subject to changes pending finalization of this phase and potential modifications to IFRS by the IASB, the Company estimates that there will be no significant impact on the financial statements other than on the presentation of financial statements and extent of disclosures required under IFRS.

#### Preparation of IFRS shell financial statements

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

## 2. Training sessions

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

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

This phase will be completed during the fourth quarter.

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

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

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

#### **8. Number of Shares Issued**

As at September 30, 2010, the number of nominal and fully diluted number of shares of the Company was as follows:

Common shares issued and outstanding	20,763,833
Options granted	2,827,000
Warrants	0
Convertible debentures	0
Total	23,590,833

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

##### **Disclosure Controls and Procedures**

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

Under the supervision of and with the participation of management, including the President and Chief Executive Officer and Interim Chief Financial Officer, we have evaluated the effectiveness of the Company's disclosure controls and procedures as at September 30, 2010 and direction concluded that, disclosure controls and procedures contain a material weakness due to inadequate segregation of duties between the authorization, recording, review and reconciliation of purchases and sales and recording of cash receipts and bank account reconciliations. This material weakness has the potential to result in a material misstatement in the company's financial statements, and should also be considered a material weakness in its internal control over financial reporting. Management and Board of Director has concluded and agreed that, taking into account the present stage of the company's development and the best interests of its shareholders, the company does not have sufficient size and scale to warrant the hiring of an additional staff to correct this weakness at this time.

### **Internal controls over financial reporting**

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

Under the supervision of and with the participation of management, including the President and Chief Executive Officer and the interim Chief Financial Officer, we have evaluated the effectiveness of internal controls over financial reporting as of September 30, 2010 and we have concluded that, the internal control over financial reporting contain a material weakness due to inadequate segregation of duties as previously mentioned in the "*Disclosure Controls and Procedures*" section.

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

## **10. Risks and uncertainties**

The Company 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 Company 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 Company has not renewed its option to the purchase part of the old St-Lawrence Columbiac mine site from the Municipality of Oka, which expired on June 30, 2008, pending a decision from the MSDEP relating to the issuance of the Certificate of Authorization. While the Company has a verbal understanding with the municipality of Oka that the parties will wait for the issuance of the CA before finalizing the purchase agreement, there is no assurance that the municipality of Oka will accept to extend this offer to purchase in the future should the Certificate of Authorization be issued by the MSDEP.

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

#### 11. Other

The reader is referred to financial statements and notes to financial statements for more details. These are filed on SEDAR at [www.sedar.com](http://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](http://www.SEDAR.com).



Bernard Coulombe  
Director,  
President and Chief Executive Officer  
November 10, 2010