

Management's Discussion and Analysis

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

This Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is intended to assist in the understanding and assessment of trends and significant changes in the results of operations and financial condition of the Company. As such, it should be read in conjunction with the unaudited financial statements for the quarter ended September 30, 2011.

Forward Looking Statements

Certain statements contained in this Management's Discussion and Analysis are forward-looking and are subject to numerous risks and uncertainties, known and unknown. For information identifying known risks and uncertainties, relating to the issuance by the Ministry of Environment of the Certificate of Authorization to build the mine in Oka, financial resources, market prices, exchange rates, politico-social conflicts, competition, the purchase of the old St-Lawrence 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 by products from the 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 rocks 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 iron deposits (historical resources) mostly of magnetite mineralization, located near the Great Whale River (the "Great Whale Iron Property").

In mid-January 2011, Nio-Metals Holdings LLC ("Nio-Metals") and Augyva Mining Resources Inc. each separately announced unsolicited proposals to acquire all of the

outstanding shares of the Company. The Company formed a special committee of directors and engaged legal and financial advisors to evaluate these opportunities and to explore other potential strategic alternatives.

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

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

1.2 Projects

a) Oka Niobium Mine Project

In February 2010, the Company announced its report on the mineral resources at its Oka property as per NI 43-101 and the CIM mineral resources classifications. This report was prepared by Mr. Serge Lavoie, geological engineer and qualified person (QP), in order to reproduce the Oka Niobium resources, which were subject of a feasibility study completed by Met-Chem/Pellemon 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 deposit body at Oka, the S-60, 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 ₂ O ₅ | Tonnes (x MM) | % Nb ₂ O ₅ Content |
|--|---------------|--|
| Measured | 4.28 | 0.72 |
| Indicated | 6.35 | 0.65 |
| M & I Total | 10.63 | 0.68 |
| Inferred | 3.22 | 0.61 |

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

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

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

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

HWM-2 resources were calculated in 1997 by Serge Lavoie P. Eng geologist for Les Consultants Protec Inc responsible for the exploration work 1995-1997 on Niocan Oka property (Rancourt, A.J. et Lavoie S. (1997). Rapport géologique de la champagne d'exploration de 1997 sur la propriété de Niocan Inc. Oka Québec.)

The ore reserves of SLC were estimated in 1974 by Mr. Serge Lavoie P.Eng and Mr. Gaston Gagnon Mining Eng. (Lavoie Serge et G. Gagnon, (Février 1974) La géologie – Les réserves de l'exploitation souterraine de SLC, Québec).

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

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

Niocan will also have all of its mineral resources recalculated with the lower cut off grades of 0.35% and 0.30% Nb₂O₅ for the NI 43-101. This decision is based on the current ferroniobium price of \$23.25 USD per pound (September 30, 2011; Metalprices.com). This activity will be completed in due course for the revised bankable feasibility study since the 0.40% cut off grade was first used when the FeNb price was at \$6.50 USD per pound. This price and cut off grade were used in the 1998 and 2000 feasibility and updated feasibility studies completed by Met-Chem and SNC-Lavalin.

The following is an extract from The Economist, October 2nd, 2010, page 64: "*Rare earths and China. Since 2006 China has behaved in a way that resemble OPEC, the oil-producers' cartel, cutting exports by 5-10 % a year. Prices have soared: the cost of cerium oxide (often used as a catalyst) has increased sixfold since the start of the year, and is 20 times higher than in 2005*".

In the technical report, on table 15.18, the content of pyrochlore concentrate obtained in the test process of mineralization of the S-60 deposit is given, ie: 51.2% of Nb₂O₅ and 9% of cerium trioxide (refer to report «Modèle géologique et estimation des ressources de Niobium de la zone S-60, Oka, Québec», reported by Serge Lavoie ing, on February 16, 2010).

During the third quarter ended September 30, 2011, 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 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 Kanasatake 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 Kanasatake and Niocan. The Company has received to date no indication as to whether the MSDEP intends to issue the Certificate of Authorization, nor the timing of such decision. However the Company has received a written confirmation from the MSDEP during the first quarter of 2008, as well as more recently, that the MSDEP was consulting the first nations in Kanasetake in relation to the Company's plan to build its mine in Oka.

The Company's management has met with the Mohawks Council of Kanasetake on two occasions, in February and April 2008, and has also held a public presentation for the community of Kanasetake in April 2008 in relation to the underground mine design including the hydrological Golder Study. The objective of these meetings was to comfort the Mohawks community concerning the alleged environmental issues and the underground water effects potentially related to the mine project in the Ste-Sophie range of Oka located 6 kilometers from Kanasetake. The Mohawk Council of Kanasetake issued a press release on September 24, 2009 indicating that it is "*demanding a full Environmental Assessment be conducted immediately by the Federal Government in regard to a niobium mine planned for the area. Federal involvement is essential due to the safety concerns, aboriginal rights and fiduciary responsibility issues.*" The Company responded to such press release by letter to Grand Chief Paul Nicholas dated October 1, 2009, reiterating the Company's invitation to meet with the Council to provide all pertinent technical information which, in the Company's view, would bring comfort to the Mohawk Council of Kanasetake. The Company is of the opinion that numerous studies performed over the past years as well as two (2) BAPE ("Bureau d'Audiences Publiques sur l'Environnement") reports have indicated that the Oka Niobium Mine Project is environmentally safe. In addition, the Company believes that the federal government does not have jurisdiction over such matters. The Company has in fact received letters in 2001, 2002 and 2003 from the Canadian Environmental Assessment Agency stating that Environment Canada, Health Canada, Natural Resources Canada, Fisheries and Oceans Canada and the Canadian Commission on Nuclear Security have confirmed their absence of "trigger" as per Section 5 of the *Canadian Environmental Assessment Act*, following their analysis of the Oka Niobium Mine Project. However, the Company will be required to comply with Canadian environmental regulations with respect to rejected waters from metallic mines.

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

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 Mineração Catalao) with a production of 77 300 tonnes in 2007 (2008 P; 97 500 T) and Niobec has a constant production of 3 500 tonnes annually. There are also some small producers of 25-200 T/yr. in Australia, Nigeria, Rwanda, Mozambique and Congo. The important users are Germany (41%), USA (27%), Japan (19%) and China (13%).

Also, there is an increased interest for rare earths (National Post, September 11, 2008). According to a report on the Company's Niobium property prepared by Les Consultants Protec inc. on November 5, 1997, Niocan's pyrochlore concentrate contains 14% rare earths. A conceptual study made by J. R. Goode and Associates Metallurgical Consulting dated December 18th, 2000 for Niocan considered the processing of unleached pyrochlore (mineral containing the niobium) concentrate to produce a high grade niobium product (about 99% pure) plus an intermediate grade tantalum product (about 80% grade), a semi-refined cerium oxide (95% grade) and a mineral rare earth product (about 80% total rare earths). Since China has announced the cutting of their rare earth exports in December 2009, it could be interesting for Niocan to examine the possibility of treating the pyrochlore of zone S-60 to produce ferroniobium and/or pure niobium plus rare earths. New test work, market studies and further engineering work will be needed to determine if the proposed products could be produced and sold or if it would be better to produce different products or purities.

On March 31, 2010, the Company announced an update of the capital and operating costs ("capex/opex") for its Oka niobium project.

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

b) Great Whale Iron Property ("GWIP")

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

This property of 17,098 acres, drilled 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 with an average of 36% of magnetite content 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 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 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 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, Niocan is not treating the historical estimate as current mineral resources as defined in sections 1.2 and 1.3 of NI 43-101, and therefore, the historical estimate should not be relied upon.

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

The testwork on Deposit A (36% - 41% Fe, mainly magnetite) responded well to low intensity magnetic separation and the first indication of the iron recovery are in the 90%+ with a percentage Fe in the concentrate of 65% to 68%. The testwork on Deposits D and E with coarser magnetic grains indicates similar to reach liberation. At this stage it is anticipated that a high quality concentrate could be produced at industrial scale. It is worthy to mention that the potential contaminants in the concentrate such as phosphorous are low (0.05%) because it appears that they could be easily removed (Technical Report on Metallurgical Tests of the Great Whale Iron Property, Final Report, May 2010, authors Raynald Jean Geol. and Alain Dorval Eng.).

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

The construction of a 250 kilometers road between Radisson (James Bay, LG2 hydroelectric project), and the twin villages at the discharge of the Great Whale River, is planned within the next 5-10 years by the Ministry of Transport of Quebec (News:

Nunavick November 12th, 2009, Jane George). Credible information obtained by Niocan indicates that this road will pass at 3 kilometers South-East from Niocan's GWIP Deposit A.

Niocan will first concentrate its scoping-conceptual study on Deposit A (historical resources inside a design pit shell of 530,000,000T) before performing additional works on Deposit D (historical resources in a design pit shell of 145,000,000T) and Deposit E (historical resources in a design pit shell of 265,000,000T). These historical estimates that were not verified by more recent data and as such may not be categorized or relied upon.

c) James Bay Niobium Property

There has been no new development on the future positioning of Niocan on this niobium mineral prospect in James Bay. The Company plans to revisit this subject with the 40% owners of the mining rights, who have also the management rights, at the proper time depending on the Oka mine development.

2. Results of Operations

2.1 Summary

a) Oka Niobium Project

The Company has for many years been awaiting the receipt of a CA from the MSDEP which would allow it to exploit its Oka mine project. The Company considers that it has produced all information required by the MSDEP for the issuance of a CA; however, in spite of the Company's repeated attempts to obtain an indication from the MSDEP as to its intentions relatively to the CA, the Company has not received conclusive information to this effect. During 2010, the Company met with different stakeholders in the Oka region to obtain additional support to convince the MSDEP to issue the CA, which would allow the Company to build its underground Niobium mine in the Ste. Sophie range of Oka, Quebec as soon as possible. In February 2010, representatives of the Company met with representatives of the Deputy Minister of Sustainable Development, Environment and Parks to further discuss the issuance of the CA. While the Company believes that this meeting was constructive and positive, the Company has not received further information as to if and when the CA will be issued by the MSDEP.

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

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.

Also, as further detailed above, the Company also announced during the first quarter of 2010 a revaluation. Niocan plans to complete the remaining segments of the feasibility study as per NI 43-101 only when the CA is issued by the MSDEP, and this information

will be needed at that time for financing purposes. The Company considers that an update of the complete feasibility study which would be compatible with NI 43-101 would require approximately six (6) months and would cost over \$500,000.

To date, \$5,035,058 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).

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 in 2009, was to perform modern metallurgical tests to confirm the optimum ore grain size of the prospects (historical resources) for maximum iron liberation. The Company announced in February 2010 the delivery of this report, the results of which are further detailed above.

As at September 30, 2011, \$437,544 was capitalized in the Company's financial statements relatively to deferred expenditures for this project. These essentially consist in the study prepared by Met-Chem and fees relating to the land survey made by the Company, as well as costs engaged during the third and fourth quarters of 2009 for the metallurgical testing at Corem.

2.2 Results of Operations for the Three Months Ended September 30, 2011, Compared to the Three Months Ended September 30, 2010

Niocan's revenues for the quarter ended September 30, 2011 consist of interest from bank deposits and rental income, which amounted to \$3,031 (\$3,870 in 2010).

The expenses incurred for the quarter ended September 30, 2011 in a total amount of \$623,656 (\$92,751 in 2010) consist primarily of professional fees in the amount of \$460,916 (\$20,292 in 2010) related primarily to the private placement completed during the quarter, office and administration fees (\$20,853, compared to \$22,251 in 2010), directors fees in the amount of \$92,000 (\$16,000 in 2010) of which \$75,000 was for the special committee and trustees and registration fees (\$19,453, compared to \$8,616 in 2010).

2.3 Balance Sheet

The Company's total assets on September 30, 2011 totalled \$9,283,493 (\$7,319,386 on September 30, 2010). On September 30, 2011, the current assets totalled \$2,454,715 (\$520,881 on September 30, 2010), the shareholder's equity totalled \$5,996,278 (\$7,129,253 on September 30, 2010) and the cash and cash equivalents totalled \$2,392,027 (\$438,844 on September 30, 2010).

2.4 Summary Quarterly Information

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

| Quarterly Information | | | |
|------------------------------|---------------------------|----------------------|--------------------------------|
| Quarter Ended | TOTAL REVENUE (\$) | NET LOSS (\$) | NET LOSS PER SHARE (\$) |
| September 30, 2011 | 3,031 | 492,979 | 0.04 |
| June 30, 2011 | 189 | 297,214 | 0.02 |
| March 31, 2011 | 425 | 253,772 | 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 | 152,916 | 0.01 |

The Company had no significant revenues over the past eight quarters. The variations in net losses result mainly from variations in expenditures relating to professional and special committee fees incurred in connection with the private placement and other matters explored by the special committee as described above, variations in expenditures relative to engineering studies made for the Company's account, non-cash expenses relating to the grant of stock options and the settlement of litigation.

2.5 Liquidities

On September 30, 2011, the short term assets totalled \$2,454,715 (\$520,881 on September 30, 2010).

The Company invests solely in liquid, high-grade securities. The Company does not invest in asset backed commercial paper.

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 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

On April 24, 2006, the Company renewed its agreement with the Municipality of Oka granting the Corporation an option to acquire the front half of the St-Lawrence Columbian site for a purchase price of \$200,000; such renewal agreement was to expire on December 31, 2007, and was further renewed by the Corporation until June 30, 2008. An amount of \$45,000 has been paid to the Municipality of Oka since the signature of this agreement. The Company was interested in acquiring this property to use it as a waste dump for the future niobium mine in Oka and the Company, if it had purchased such property, would also commit to restore and clean a small adjacent site. The Company has decided to postpone discussions relating to the renewal of such option

agreement with the Municipality of Oka at the present time, pending further news from the MSDEP relating to the issuance of the CA.

2.7 Third Quarter Results

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

| Revenues (\$) | | | Net Loss (\$) | | |
|------------------|---------|------------|------------------|---------|------------|
| Q3 2011 | Q3 2010 | Difference | Q3 2011 | Q3 2010 | Difference |
| 3,031 | 3,870 | 839 | 492,979 | 88,881 | 404,098 |

During the third quarter of 2011 the Company generated revenues of \$3,031 (\$3,870 in 2010) and a net loss of \$492,979 (\$88,881 in 2010). The net loss was higher in 2011 compared to 2010 due to professional and special committee fees incurred in connection with the private placement and other matters explored by the special committee.

3. Related party transactions

During the quarter ended September 30, 2011, there were no related-party transactions, other than the payment of fees to Mr. Marleau for his duties as President of the Company and the payment of Director fees.

4. Significant accounting policies

Use of estimates:

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 deferred exploration expenses.

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.

We refer you to note 3 of the Company's financial statements for the quarter ended September 30, 2011, which details certain accounting policies used in the preparation of the financial statements.

5. Exploration and evaluation assets

Mining assets include mining rights in two properties and deferred exploration expenses, 49 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, substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned, or results from exploration work not warranting further investment.

6. Changes in Accounting Policies and Initial Adoption

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs). These are the Company's first interim financial statements prepared in accordance with IFRSs. IFRS 1, First-time Adoption of International Financial Reporting Standards, has been applied.

An explanation of how the transition to IFRSs has affected the reported financial position, financial performance and cash flows of the Company is provided in note 15 to the quarterly financial statements.

7. Financial instruments and other 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.

Loans and receivables

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

Loans and receivables comprise cash, cash equivalents and 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.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the previous categories. The Company's investments in equity securities and certain debt securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale equity instruments, are recognized in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognized, the cumulative gain or loss in other comprehensive income is transferred to profit or loss.

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.

8. Number of Shares Issued

As at September 30, 2011, the number of nominal and fully diluted number of shares of the Corporation was as follows:

| | |
|--------------------------------------|------------|
| Common shares issued and outstanding | 20,763,833 |
| Options granted | 2,338,000 |
| Warrants | 1,562,600 |
| Convertible debentures | 3,005 |
| Total | 24,667,438 |

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

Disclosure Controls and Procedures

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

Under the supervision of and with the participation of management, including the President and Chief Executive Officer and Interim Chief Financial Officer, we have evaluated the effectiveness of the Company's disclosure controls and procedures as at December 31, 2010 and direction concluded that, disclosure controls and procedures contain a material weakness due to inadequate segregation of duties between the authorization, recording, review and reconciliation of purchases and sales and recording of cash receipts and bank account reconciliations. This material weakness has the potential to result in a material misstatement in the company's financial statements, and should also be considered a material weakness in its internal control over financial reporting. Management and Board of Director has concluded and agreed that, taking into account the present stage of the company's development and the best interests of its shareholders, the company does not have sufficient size and scale to warrant the hiring of an additional staff to correct this weakness at this time.

Internal controls over financial reporting

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

Under the supervision of and with the participation of management, including the President and Chief Executive Officer and the interim Chief Financial Officer, we have evaluated the effectiveness of internal controls over financial reporting as of December 31, 2010 and we have concluded that, the internal control over financial reporting contain a material weakness due to inadequate segregation of duties as previously mentioned in the "*Disclosure Controls and Procedures*" section.

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

10. Risks and uncertainties

The Corporation needs to obtain a Certificate of Authorization from the MSDEP in order to build the Oka mine project. There is no assurance that the MSDEP will issue this CA or that the CA will be issued in the near future.

The Corporation needs to secure new equity and debt financing in order to ultimately realize the Oka Project and pursue the exploration/development of other properties it has acquired, particularly that of the Great Whale Iron mineral prospect. Given the nature of the speculative investment it is seeking in the capital markets, there is no assurance that the required financing will be available.

There are many factors that could affect the Company's results that are not controlled by management, such as market prices, exchange rates, politico-social conflicts, competition and regulatory approvals.

The Corporation has not renewed its option to the purchase part of the old St-Lawrence 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. Additional information relating to the Company, including the Company's Annual Information Form, may be consulted on SEDAR at www.SEDAR.com.

Hubert Marleau (*signed*)
Interim Chairman,
President and Chief Executive Officer
November 3, 2011