

Management's Discussion and Analysis

This Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") of Niocan ("Niocan" or the "Corporation") is a narrative explanation, through the eyes of Niocan's management, on how the Corporation performed during the three-month period and the twelve-month period ended December 31, 2013.

This MD&A supplements the audited condensed financial statements for the period ended December 31, 2013 but does not form part of them. It is intended to help the reader understand and assess the significant trends, risks and uncertainties related to the results of operations. All amounts in this MD&A are in Canadian dollars unless otherwise indicated. This MD&A contains information available to March 12 2014. Prior to publication, the Board of Directors, on the recommendation of the audit committee, approved Niocan's audited condensed financial statements and this MD&A.

The Corporation's headquarters are located in Montreal, Canada. Niocan is listed on the Toronto Stock Exchange under the symbol NIO. Additional information relating to the Corporation can be found on SEDAR at www.sedar.com.

Forward Looking Statements

This document contains forward-looking statements, which reflect the Corporation's current expectations regarding certain future events. To the extent that any statements in this document contain information that is not historical, the statements are essentially forward-looking and are often identified by words such as "anticipate", "expect", "estimate", "intend", "project", "plan" and "believe". In the interest of providing shareholders and potential investors with information regarding Niocan, including management's assessment of future plans and operations, certain statements in this MD&A are forward-looking and are subject to the risks, uncertainties and other important factors that could cause the Corporation's actual performance to differ materially from that expressed in or implied by such statements. The Corporation disclaims any obligation to update these forward-looking statements unless required to do so by applicable Securities laws. All subsequent forward-looking statements, whether written or orally attributable to the Corporation or persons acting on its behalf, are expressly qualified in their entirety by these cautionary statements.

For information identifying known risks and uncertainties, relating to the issuance by the Ministry of Sustainable Development, Environment and Parks ("MSDEP") of the Certificate of Authorization ("CA") to build the mine in Oka, financial resources, market prices, exchange rates, politico-social conflicts, competition, the purchase of the old St-Lawrence Columbian mine site from the Municipality of Oka should the CA 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 CA from the MSDEP. In the long term, the Corporation plans to recover some by-products from the ore mineral resources and produce ferroalloys, as well as other related products. The Corporation 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 resources). 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 Corporation announced its report on the mineral resources at its Oka property as per the National Instrument 43-101 (“NI 43-101”) and the CIM mineral resources classifications. This report was prepared by Mr. Serge Lavoie, geological engineer and qualified person, 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 ₂ O ₅	Tonnes (in millions)	% 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 millions tonnes at 0.56% Nb ₂ O ₅
SLC unexploited ore below 300m plus zones 112 - 114	21.7 millions tonnes at 0.44% Nb ₂ O ₅

These mineral resources are historical in nature and have not been validated by the independent qualified person. These mineral resources are not compliant with NI 43-101 and should not be relied upon. The Corporation 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 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 dans la zone S-60, Oka, Québec*», reported by Serge Lavoie ing, on February 16, 2010).

Niocan has continued to request the CA from the MSDEP, which would allow the Corporation to build an underground mine in Oka. The Corporation 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 Corporation has contacted the Environment Minister, the mayor of Oka and the Kanesatake Mohawk Council Chief in the past to ask advice and suggestions on how to interest the Mohawk Community to open discussions on an Impacts & Benefits Agreement between Kanesatake and Niocan. The Corporation has received to date no indication as to whether the MSDEP intends to issue the CA, nor the timing of such decision. However the Corporation 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 Kanesatake in relation to the Corporation's plan to build its mine in Oka.

The Corporation's management has met with the Mohawks Council of Kanesatake on two occasions, in February and April 2008, and has also held a public presentation for the community of Kanesatake 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 Kanesatake. 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 Corporation responded to such press release by letter to Grand Chief Paul Nicholas dated October 1, 2009, reiterating the Corporation's invitation to meet with the Council to provide all pertinent technical information which, in the Corporation's view, would bring comfort to the Mohawk Council of Kanesatake. The Corporation is of the opinion that numerous studies performed over the past years as well as two (2) Bureau d'Audiences Publiques sur l'Environnement (BAPE) reports have indicated that the Oka Niobium Mine Project is environmentally safe. In addition, the Corporation believes that the federal government does not have jurisdiction over such matters. The Corporation 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 Corporation 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 Corporation's mine project, based on alleged environmental issues. The Corporation has not responded publicly but has reiterated its offer to open a data room for the perusal of their experts on any subject pertinent to the niobium mine project in the Ste-Sophie range of Oka, six kilometers downstream of Kanesatake.

Met-Chem, on Niocan's request, has produced a short niobium market study in February 2008. The main producers are located in Brazil (CBMM and Mineraçao Catalao) with a production of 77 300 tonnes in 2007 (2008 P; 97 500 T) and Niobec has a constant production of 3 500 tonnes annually. There are also some small producers of 25-200 T/yr. in Australia, Nigeria, Rwanda, Mozambic and Congo. The important users are Germany (41%), USA (27%), Japan (19%) and China (13%).

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

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

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

b) Great Whale Iron Property ("GWIP")

In October 2012, the Corporation adopted a Work Program which consisted in the staking of additional claims, as further described herein, as well as in a regional airborne magnetics survey which was conducted in the vicinity of the GWIP, followed by a detailed airborne MAG-EM survey on the primary targets. The airborne surveys were conducted during the last quarter of 2012 and the first quarter of 2013. An analysis of this new data will help the Corporation delineate targets of greater interest for ground and field based follow-up.

During the second quarter of 2013 the results of the airborne survey were received and analyzed. Management is presently evaluating its options for the future development of the property.

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

This property of 17,098 acres, with an average of 36% Fe magnetite content indicated by drilling in 1957-1960, was acquired by Niocan on February 10, 2004. The GWIP is located 80 kilometres from the twin villages of 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. Once the scoping-study project is started, the Corporation expects that it would take up to three (3) calendar seasons to conduct this study.

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

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

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

The construction of a 250 kilometers road between Radisson (James Bay, LG2 hydroelectric project), and the twin villages at the discharge of the Great Whale River, is planned by the Ministry of Transport of Quebec (News: Nunavick November 12th, 2009, Jane George). Credible information obtained by Niocan indicates that this road will pass at 3 kilometers South-East from Niocan's GWIP Deposit A.

Niocan will first concentrate its scoping-conceptual study on Deposit A (historical resources inside a design pit shell of 530,000,000T) before performing additional works on Deposit D (historical resources in

a design pit shell of 145,000,000T) and Deposit E (historical resources in a design pit shell of 265,000,000T).

2 Results of Operations

2.1 Summary

a) Oka Niobium Project

The Corporation 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 Corporation considers that it has produced all information required by the MSDEP for the issuance of a CA; however, in spite of the Corporation's repeated attempts to obtain an indication from the MSDEP as to its intentions relatively to the CA, the Corporation has not received conclusive information to this effect. During 2010, the Corporation met with different stakeholders in the Oka region to obtain additional support to convince the MSDEP to issue the CA, which would allow the Corporation to build its underground Niobium mine in the Ste. Sophie range of Oka, Quebec as soon as possible. In February 2010, representatives of the Corporation met with representatives of the Deputy Minister of Sustainable Development, Environment and Parks to further discuss the issuance of the CA. While the Corporation believes that this meeting was constructive and positive, the Corporation 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 Corporation's stakeholders, shareholders, government officials and departments and the regional communities. A press release was issued on this subject on March 17, 2010.

As further detailed above, the Corporation announced a revaluation. Niocan plans to complete the remaining segments of the feasibility study as per NI 43-101 only when the CA is issued by the MSDEP, and this information will be needed at that time for financing purposes. The Corporation 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, \$5,512,019 has been capitalized in the Corporation's financial statements relative to exploration and evaluation assets 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 Corporation has not started this work.

In July 2009, the Corporation 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 Corporation announced in February 2010 the delivery of this report, the results of which are further detailed above.

As at December 31, 2013, \$817,363 was capitalized in the Corporation's financial Statements relatively to exploration and evaluation assets for this project. These essentially consist in the study prepared by Met-Chem and fees relating to the land survey made by the Corporation, as well as costs engaged during the third and fourth quarters of 2009 for the metallurgical testing at Corem and more recently the work program which started in the fall of 2012.

2.2 Results of Operations for the quarter ended and the year December 31, 2013

Niocan's revenues for the quarter ended December 31, 2013 consist of rent income totalling \$6,600 (2012 - \$6,601); interest income of \$2,400 (2012 - \$1,022) was included in net finance expenses. During the year, Niocan recorded revenues of \$9,600 (2012 - \$10,102) for the rent of its property and interest income of \$8,921 (\$12,254 - 2012).

The operating expenses incurred for the quarter ended December 31, 2013 which totalled \$195,549 (2012 - \$126,479) consist primarily of the following:

- i) Office and administration fees of \$53,682 (2012 - \$25,260) for payment of a Director as Niocan's permanent Chief Executive Officer;
- ii) Directors' fees in the amount of \$38,000 (2012 - \$15,000) and Share-based expenses of \$37,200 (2012 - \$nil), the fees were adjusted for services on committees.

The operating expenses incurred for the year ended December 31, 2013 which totalled \$640,292 (2012 - \$448,690) consist primarily of the following:

- i) Office and administration fees of \$214,808 (2012 - \$140,157) for payment of a Director as Niocan's permanent Chief Executive Officer;
- ii) Directors' fees in the amount of \$69,667 (2012 - \$30,000) and Share-based expenses of \$37,200 (2012 - \$nil), the fees were adjusted for services on committees.

There was a net finance expense for the fourth quarter of \$53,939 as compared to 2012 of \$308,962. The decreased expense as compared to last year was due to the debentures and related warrants. The discount on the prior debentures was much higher and therefore the quarterly amortization was also higher in 2012. The discount on the new debentures was less and resulted in a smaller quarterly amortization. The net finance expense for the year decreased by \$842,189 to \$271,380 (2012 - \$1,113,569) for the same reasons.

The net loss for the fourth quarter of fiscal 2012 was \$242, 887 or \$0.01 per share, compared to a loss of \$303,269, or \$0.02 per share, for the fourth quarter ended on December 31, 2012. For the twelve month period, the net loss was \$902,072 compared to a loss of \$1,528,713 for previous year.

2.3 Balance Sheet

The Corporation's assets on December 31, 2013 totalled \$8,743,091 (2012 - \$8,459,647). The current assets totalled \$1,061,822 (2012 - \$984,754) the shareholder's equity totalled \$6,695,730 (2012 - \$5,152,603) and the cash and cash equivalents combined with the short term-investments totalled \$841,287 (2012 - \$703,474).

2.4 Summary Quarterly Information

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

(in \$)	2013				2012			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue	6,600	3,000	—	—	6,601	3,501	—	—
Net Loss	242,887	133,869	166,699	358,617	399,624	409,152	289,519	430,418
Net Loss, per share	(0.01)	(0.00)	(0.01)	(0.02)	(0.02)	(0.02)	(0.01)	(0.02)

Since the Corporation has no mining operations at the present time, the Corporation has no significant revenues over the past three years. The variations in net losses result mainly from variations in expenditures relating to professional and special committee fees incurred in connection with the private placement and other matters explored by the special committee as described above, variations in expenditures relative to engineering studies made for the Corporation's account, expenses relating to the issuance of debentures and the settlement of litigation.

2.5 Current assets

On December 31, 2013 the current assets totalled \$1,061,822 (2012 - \$984,754).

The Corporation invests solely in liquid, high-grade securities.

The Corporation considers that these funds are sufficient to respect all its current commitments. However, additional finding will be required to finance the Corporation's two main projects, being the Great Whale project and the Oka project. As for the Oka project, the Corporation currently will have to raise additional funds to update the feasibility study as per NI 43-101 once the CA is issued by the MSDEP, before raising substantial funds to proceed to the construction of the mine and the plant.

2.6 Commitments

The Company has a lease commitment for its premises expiring February 28, 2016 with a company affiliated with a director. Future minimum lease payments total \$25,200 and include the following payments over the next two years:

	\$
1 year	21,600
Over 1 year	3,600

3 Related party transactions

Key management personnel compensation

Key management personnel corresponds to the directors of the Company, including the Chief Executive Officer who is remunerated through a salary agreement.

During the year ended December 31, the Company incurred the following expenses with key management personnel:

	2013	2012
	\$	\$
Management fees included in office and administration	72,000	65,000
Directors' fees	69,667	30,000

The Company has the following amounts owing to related parties as at December 31:

	2013	2012
	\$	\$
Debentures:		
Major shareholder	1,096,203	1,196,996
A company affiliated with a director	—	239,399

In March 2012, the Company signed a sublease agreement with a company affiliated with a director. During the year, the Company incurred \$21,600 (2012 - \$18,000) of rent expenses related to this agreement.

4 Basis of preparation:

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

The financial statements were authorized for issue by the Board of Directors on March 12, 2013.

Basis of measurement

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

Functional and presentation currency

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

Use of estimates and judgements

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

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

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in Note 3 with regards to the determination of capitalizable costs as exploration and evaluation assets (Note 3 c)), and management's intention to become or not a producer in the future with respect to refundable credit on mining duties (Note 3 g)).

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

- Notes 3 and 6 - recoverability of mining properties and other exploration and evaluation assets;
- Note 3 - assessment of refundable tax credits for resources.

5 **Significant accounting policies:**

The accounting policies set out below have been applied consistently to all years presented in these financial statements.

a) Financial instruments:

Non-derivative financial assets

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

The Company has the following non-derivative financial assets:

Loans and receivables

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

Loans and receivables comprise cash and cash equivalents.

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less.

Non-derivative financial liabilities

The Company has the following non-derivative financial liabilities: accounts payable and accrued liabilities and debentures. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

Derivative financial instruments

The Company has derivative financial instruments in regards to the warrants which are classified as financial instruments at fair value through profit and loss. Derivative instruments are initially recorded at fair value and subsequent to initial recognition, they are measured at fair value with changes in fair value included in the statement of comprehensive loss at each reporting date as a component of net finance costs.

Fair value hierarchy

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

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

b) Share capital:

Common shares

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

Warrants

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

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

c) Exploration and evaluation assets:

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

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

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

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

d) Equipment:

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

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

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

Computer equipment 30%

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

e) Impairment:

Financial assets

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

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 the asset. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

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

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

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

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

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

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

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

Impairment losses recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a

change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

f) Provisions:

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

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

The Company is eligible for a refundable credit on mining duties under the Québec *Mining Duties Act*. This refundable credit on mining duties is equal to 16% on 50% of the eligible expenses. The accounting treatment for refundable credit on mining duties depends on management's intention to go into production in the future or rather to sell its mining properties to another mining producer once the technical feasibility and the economic viability of the properties have been demonstrated. This assessment is made at the level of each mining property.

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

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

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

h) Share-based payments:

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

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

i) Leases:

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

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

j) Net finance costs:

Net finance costs comprise interest income on funds invested, interest expense using the effective interest method, and changes in the fair value of the warrants.

k) Income tax:

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

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

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

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

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

l) Earnings per share:

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

m) Segment reporting:

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

n) Adoption of new accounting standards:

The adoption of these new standards has not had a material impact on the financial statements.

IFRS 11, Joint Arrangements:

Under IFRS 11, joint arrangements are now classified as either joint operations or joint ventures, depending upon the rights and obligations of the parties to the arrangement. IFRS 11 essentially carves out of previous jointly controlled entities, those arrangements for which, although structured through a separate vehicle, such separation is ineffective and the parties to the arrangement have direct and primary rights to the assets and obligations for the liabilities. Such arrangements are accounted for as joint operations in a fashion consistent with jointly controlled assets/operations under IAS 31. In addition, under IFRS 11, joint ventures are stripped of the free choice of equity accounting or proportionate consolidation; these entities must now use the equity method.

IFRS 13, Fair Value Measurement:

IFRS 13 replaces the fair value measurement guidance contained in individual IFRS with a single source of fair value measurement guidance. It defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, i.e. an exit price.

The standard also establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements to provide information that enables financial statement users to assess the methods and inputs used to develop fair value measurements and, for recurring fair value measurements that use significant unobservable inputs (Level 3), the effect of the measurements on profit or loss or other comprehensive income.

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

Amendments to IAS 1, Presentation of Financial Statements:

The amendments require that an entity present separately the items of OCI that may be reclassified to profit or loss in the future from those that would never be reclassified to profit or loss. Consequently an entity that presents items of OCI before related tax effects will also have to allocate the aggregated tax amount between these categories.

The existing option to present the profit or loss and other comprehensive income in two statements has remained unchanged.

IFRIC 20, Stripping Costs in the Production Phase of a Surface Mine:

In October 2011 the IFRS Interpretations Committee issued IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine*, which is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted.

The interpretation applies prospectively to production stripping costs incurred on or after the beginning of the earliest period presented. Specific transitional provisions are applied to asset balances relating to stripping activity which exist on the transition.

The interpretation requires recognition of production stripping costs that improve access to ore to be mined in the future as a non-current asset if, and only if, all the following criteria are met:

- It is probable that future economic benefits will flow to the entity;
- The entity can identify the component of the ore body for which access has been improved; and
- The costs relating to the stripping activity associated with that component can be measured reliably.

Subsequent to initial recognition, the life of the component will determine the period of depreciation; it will differ from the life of the mine unless the stripping activity improves access to the whole of the remaining ore body.

When the costs of the stripping activity asset versus inventory produced are not separately identifiable, the entity allocates production stripping costs between the two based on a 'relevant' production measure.

The Company intends to adopt the interpretation in its financial statements for the annual period beginning on January 1, 2013. The adoption of the interpretation will have no impact up until the Company enters into the production phase.

The following new standards, interpretations and amendments have been issued but are not yet effective and therefore have not been applied in preparing these financial statements:

IFRS 9, Financial Instruments:

In November 2009, the IASB issued IFRS 9, *Financial Instruments* (IFRS 9 (2009)), and in October 2010, the IASB published amendments to IFRS 9 (IFRS 9 (2010)).

In November 2013, the IASB issued a new general hedge accounting standard, which forms part of IFRS 9 *Financial Instruments* (2013). The new standard removes the January 1, 2015 effective date of IFRS 9. The new mandatory effective date will be determined once the classification and measurement and impairment phases of IFRS 9 are finalized.

IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows.

IFRS 9 (2010) introduces additional changes relating to financial liabilities.

IFRS 9 (2013) includes a new general hedge accounting standard which will align hedge accounting more closely with risk management. This new standard does not fundamentally change the types of hedging relationships or the requirement to measure and recognize ineffectiveness, however it will

provide more hedging strategies that are used for risk management to qualify for hedge accounting and introduce more judgment to assess the effectiveness of a hedging relationship.

Special transitional requirements have been set for the application of the new general hedging model.

The mandatory effective date is not yet determined, however, early adoption of the new standard is still permitted. Canadian reporting entities cannot early adopt IFRS 9 (2013) until it has been approved by the Canadian Accounting Standards Board.

6 Number of Shares Issued

As at December 31, 2013, the number of nominal and fully diluted number of shares of the Corporation was as follows:

Common shares issued and outstanding	22,979,868
Options granted	2,418,000
Warrants	2,562,600
Total	27,960,468

7 Disclosure Controls and Procedures and Internal Control Over Financial Reporting

Disclosure Controls and Procedures

National Instrument 52-109, "*Certification of Disclosure in Issuers' Annual and Interim Filings*", issued by the Canadian Securities Administrators requires Chief Executive Officers ("CEOs") and Chief Financial Officers ("CFOs") to certify that they are responsible for establishing and maintaining disclosure controls and procedures for the Corporation, that disclosure controls and procedures have been designed and are effective in providing reasonable assurance that material information relating to the Corporation is made known to them, that they have evaluated the effectiveness of the Corporation'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 Corporation.

Under the supervision of and with the participation of management, including the President and Chief Executive Officer and Chief Financial Officer, we have evaluated the effectiveness of the Corporation's disclosure controls and procedures as at December 31, 2013 and direction concluded that, disclosure controls and procedures contain material weaknesses due to:

- i) inadequate controls in respect of the accounting treatment of the conversion of the debentures. The annual control was effective however the quarterly control was not effective; the Corporation is in the process of refilling its quarterly financial disclosures for the year;
- ii) inadequate design of controls over income and mining taxes. The annual control was effective; however, the quarterly control was not effective.

These material weaknesses have the potential to result in a material misstatement in the Corporation'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 Corporation's development and the best interests of its shareholders, the Corporation does not have sufficient size and scale to warrant the hiring of an additional permanent 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 Corporation, 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 accounting standards, and that the Corporation 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 Chief Financial Officer, we have evaluated the effectiveness of internal controls over financial reporting as of December 31, 2013 and we have concluded that, the internal control over financial reporting contain material weaknesses inadequate quarterly reporting controls over income and mining taxes and accounting for the convertible debentures, as previously mentioned in the “*Disclosure Controls and Procedures*” section.

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

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

9 Other

The reader is referred to financial statements and notes to financial statements for more details. These are filed on SEDAR at www.sedar.com. Additional information relating to the Corporation, including the Corporation's Annual Information Form, may be consulted on SEDAR at www.SEDAR.com.

(signed)
Hubert Marleau
Chairman, President and Chief Executive Officer
March 12th, 2014