

S.E.M. Vior Inc.

MANAGEMENT'S DISCUSSION and ANALYSIS

For the year ended June 30, 2006

Scope of Management's Financial Analysis

This analysis should be read in conjunction with the Company's audited annual financial statements and the related notes thereto for the years ended June 30, 2006 and 2005. Our financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

Nature of Activities

The Company, incorporated under Part IA of the Québec Companies Act, is in the business of acquiring and exploring mining properties. It has not yet determined whether its properties contain ore reserves that are economically recoverable. The recoverability of the amounts shown for mining properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the exploration and development of its properties, and upon future profitable production or proceeds from the disposal of properties. The Company will periodically have to raise additional funds to continue operations, and while it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future.

The Company is engaged in the exploration and development of gold-bearing properties and of quality base metals in known and accessible mining regions of Canada, using advanced exploration techniques. The main focus of the company is the Douay West project, located 60 km south of Matagami, in the northern section of the volcanic belt of Abitibi. This project, at the prefeasibility state, contains resources near the surface of 190,000 ounces grading 5.7 g/t Au.

Selected Financial Information

	Earnings for the years ended June 30,		
	2006	2005	2004
	\$	\$	\$
Revenues			
Royalties	76,534	33,123	29,365
Interest	7,439	8,223	9,688
Gain on sale of short-term investments	62,217	29,510	194,082
	146,190	70,856	233,135
Expenses			
Administrative expenses	460,614	472,199	288,708
Search for mining properties	7,235	12,586	913
Loss on writeoff of mining properties	-	1,715,048	683,487
	467,849	2,199,833	973,108
Future income taxes	-	233,000	200,000
Share in the significantly-influenced company's net earnings	4,042	31,060	44,018
Net loss for the year	(317,617)	(1,864,917)	(495,955)
Basic and diluted net loss per share	(0.006)	(0.038)	(0.010)

Other Information

	As at June 30,		
	2006	2005	2004
	\$	\$	\$
Total assets	3,419,684	2,355,220	3,650,411
Future income tax liabilities	325,376	110,937	461,000
Shareholders' Equity	2,998,267	2,073,779	3,136,730

Since its incorporation, the Company has not paid any cash dividends on its outstanding common shares. Any future dividend payment will depend on the Company's financial needs to fund its exploration programs and its future financial growth, and any other factor that the Board of Directors deems necessary to consider in the circumstances. It is highly unlikely that any dividends will be paid in the near future.

Exploration Activities

The technical data that follows has been revised by Marco Gagnon, geologist and Vice-President Exploration and Acquisitions of the Company. Mr. Gagnon is a Qualified Person as defined by National Instrument 43-101.

Exploration costs for the year ended June 30, 2006, totalled \$1,118,800 (\$611,454 in 2005). Expenses rose as compared to the previous year because the Company carried out more exploration work on its properties. The more active properties were Douay and Douay West, with exploration work totalling \$993,775.

Projects and New Acquisitions

As at June 30, 2006, the Company held a portfolio of 12 mining properties in the province of Quebec, covering more than 26,000 hectares (10 properties totalling 17,000 hectares in 2005).

From July 2005 to June 2006, the Company acquired, by designation and staking, several mining titles, adjacent to and near its Douay, Ligneris, Vezza and Noyard properties. Consequently, the Company has consolidated its presence in these areas.

In November, the Company acquired exploration rights from the former nickel-copper producer of the Lac-Édouard, near La Tuque, Quebec. This acquisition was made after map-selecting a large area favourable to the discovery of nickel-copper mineralization, around the already known deposit. In November 2005 and April 2006, almost 4500 hectares of land favourable to the discovery of gold and base metals was also acquired in the Buteux Township, located 130 kilometres south of Chibougamau, Quebec.

Exploration and Development Work

In October, 2005, following recommendations made by Geostat International Systems Inc., 6 geotechnical drill holes were made above and around the gold-bearing deposits of Douay West to characterize the ground.

Also in October, SOQUEM made two drill holes totalling 513 metres on the Company's Domergue property (equally held partnership). The drill holes testing an electromagnetic conductor of VTEM-type in the area of the "anomaly F", intersected a favourable horizon and returned anomalous grades in base metals. In February 2006, Soquem also made an InfiniTem survey on the property. This detailed survey revealed that several electromagnetic conductors were not tested adequately and suggests additional work.

From December 2005 to April 2006, 22 exploration drill holes totalling 7,184 metres were made on the Douay and Douay West properties. The highlights of this drilling programme were the discovery of three new gold-bearing structures: the 116 Zone, with 12g/t Au over 4 metres, the 5-4 South Zone with 8.7g/t Au over 5.5 metres and the 5-4 North Zone, with 2888 g/t Au over 0.5 metre.

During April and June, 6 drill holes totalling 1,148 metres were drilled on the upper western area of the West Douay deposit. The best drilling intersections graded 7.6 g/t Au over 3 metres (D-123) and 6.2 g/t over 4 metres (D-124).

In April and May, a petrographic study on the mineralogical association of gold was done on three of the mineralized lens of the West Douay deposit. This study concluded that all the gold grains discovered were either close to or embedded in pyrite.

Douay Area Properties

Since the beginning of 1990, Vior acquired attractive mining properties totalling 11,400 hectares, located within map sheet NTS 32E/09 in Abitibi, Quebec. This area is distinguished by the presence of a volcano-sedimentary assemblage cross-cut by the Casa Berardi-Douay-Cameron deformation corridor. The Douay properties are located 50 kilometres south-west of the town of Matagami, Québec, and are easily accessed by a road linking Matagami with the town of Amos. Four distinct properties (Douay East, Douay, Douay West and the Joutel Block) are owned 100% by the Company. The Douay North-West JV, located north-west of the Douay West property, is

owned partially by Northern Abitibi Mining Corp. (50 %), SOQUEM (25 %; the operator of the project) and Vior (25%). These properties cover the key prospecting terrain of the Douay auriferous mining camp.

Douay

Since the end of 2005, 12 drill holes totalling 4,216 metres were drilled on the Douay property. This drilling led to the discovery of two new significant mineralized zones: Zones 5-4 South and 5-4 North. The discovery of these high-grade zones (8.7 g/t Au over 5.5 metres and 2 888 g/t Au over 0.5 metres respectively) located halfway between the Douay West and the 531 Zone (inferred resources of 730,000 tonnes grading 4.9 g/t Au) indicate clearly that the potential of discovering new zones remains excellent on this large property. You may recall that this property contains a wide-scale auriferous system with six distinct mineralized zones within an eight kilometre segment of the Casa Berardi-Douay-Cameron fault. These auriferous zones have been generally well delimited by drilling; however a strong potential for discovery still exists both within and around the area because of the weak density of the drilling done to date. These six zones consist of the Douay West deposit, the 531 Zone, the Main Zone (inferred resources of 300,000 tonnes grading 4.8 g/t Au) and three porphyry zones with lower grades and large tonnage (NI 43-101 - Geostat Systems International Inc. 2005).

The new mineralized zones recently discovered remain open for exploration and more drilling must be done to determine their extensions. This work may be done in the autumn of 2006. Over the course of the summer, results obtained from the most recent drilling will be analyzed and integrated into our geological model.

Douay West

During the first six months of 2005, the Company carried out development work on the property, namely 12 drill holes, that increased the auriferous resources to 1.0 million tonnes grading 5.7 g/t Au or 190,000 ounces of gold. This resource calculation shows a 36% increase in the total number of ounces of gold versus the previous calculation. In accordance with Canadian Standard 43-101, the indicated resources total 515,000 metric tons at 5.94 g/t Au, or 98,000 ounces of gold, whereas inferred resources total 529,000 metric tons at 5.43 g/t Au, or 92,000 ounces of gold (Geostat Systems International Inc. 2005).

In October 2005, 6 geotechnical drill holes were done on top and on the edge of the Douay West auriferous deposit. This drilling aimed to validate the simulated slopes in the overburden of the open pit model proposed by Geostat Systems International Inc. in 2005 (press release of September 8, 2005). Subsequent to receiving this latest data, a new simulation was conducted. In February 2006, Geostat submitted a geotechnical report to the Company, indicating that the entire eastern part of the open pit model should be updated as 4 of the new holes intersected material of lesser quality than anticipated. This could mean that the slopes in the overburden of the problematic area must be flattened and there would be a greater quantity of overburden to remove, thus raising pre-production costs. At this stage, the Company does not envision revisiting the economical pit model proposed in 2005.

During a drill campaign of 10 holes totalling 2,968 metres that started in February 2006, the Company made a new discovery 250 metres east of the Douay West deposit and approximately 150 metres beneath the surface. Zone 116, intersected by drill hole D-116 and grading 12 g/t Au over 4 metres, clearly demonstrates the potential to discover other auriferous lenses close to the West Douay deposit. Over the course of the coming year, the Company intends to explore very

actively around the deposit. The extensions near the deposit are relatively unexplored and additional drilling should be done in 2007. The addition of new resources near the deposit has a direct impact on the economy of the deposit.

In April and June of 2006, following recommendations made by Geostat Systems International Inc., 6 definition drill holes totalling 1,148 metres were drilled on the upper west portion of the Douay West deposit. The best drill intersections graded: 7.6 g/t Au over 3 metres (D-123), 6.2 g/t Au over 4 metres (D-124), 12.8 g/t Au over 0.5 metres and 10.1 g/t Au over 0.9 metres (D-128). This developmental work allowed us to better define and characterize the mineralization of the upper portion west of the main lens, located around 100 metres from the surface infrastructure. This area of the main lens, by virtue of its grade content, thickness and proximity, could be an excellent place to take a bulk sample. The zone is accessible either by a ramp or a mine shaft. The Douay West infrastructure is easily accessible by road and includes offices, a mechanical workshop, a dry, a compressor room, a hoist, a head frame and an electrical station. This coming fall, Vior expects to have the mineral inventory updated and have an independent study conducted on an underground mine scenario for Douay West.

In April and May 2006, a petrographic study was carried out in order to obtain a detailed description of the mineralized environment of Douay West. Five mineralized core drill sections coming from three of the four mineralized lenses of the deposit were used to pinpoint the mineralogical and textural positions of the gold. This study concluded that the 885 grains of gold that were seen were all at close proximity to or embedded in the crude pyrite. As a result of this, in the autumn of 2006, the Company will mandate a mineral laboratory to carry out detailed metallurgical assays.

In 2006-2007, the Company anticipates pursuing exploration and development work at the same rhythm as last year. Negotiations with potential partners are also ongoing in order to speed up exploration and possibly put Douay West into production.

Domergue

This property, held equally by Vior and SOQUEM (the project operator), consists of 49 claims totalling 784 hectares. The property is located in the Clairiy Township, 125 kilometres north of the city of Chibougamau, within map sheet NTS 32J/10. Previously, stripping and drilling identified copper and zinc mineralization associated with pyroclastites and cherts. In fact, hole D95-02, drilled by SOQUEM in 1995, intersected massive sulphides grading 4.1 % Zn, 3 % Cu and 30 g/t Ag over 1 metre. Numerous mineralized showings have been discovered to date, in this environment favourable to the presence of massive volcanogenic sulphides. An airborne electromagnetic (VTEM) survey was carried out on the property in the autumn of 2004. Interpretation of the collected data in 2005 identified many electromagnetic conductors. One of these conductors was tested by two drill holes totalling 513 metres between October 15 and 21, 2005. Both drill holes, implanted in the "anomaly F" sector, intersected some anomalous levels of base metals, but always less than 1%. Drilling cross-cut the favourable volcano-sedimentary horizon but the target conductor was not explained by any of the drill holes. In February 2006, SOQUEM also conducted an InfiniTem survey on the property. This detailed survey revealed that some electromagnetic conductors were not adequately tested and suggests supplementary work. Given the major restructuring that SOQUEM is currently undergoing, no additional work is foreseen until the end of 2006.

Veza and Noyard

These properties consist of three blocks of claims totalling 300 hectares and are located close to the Veza deposit, approximately 25 kilometres south-west of Matagami within map sheet NTS 32F/12. Last winter, a detailed geological compilation of the auriferous system of the Veza sector identified several high quality drill targets. One of these drill targets is the depth extension of the Veza auriferous deposit (approximately 300,000 ounces identified: Agnico Eagle Annual Report 1997). The deposit is located fewer than 300 metres from the northern boundary of the Noyard property. Deep drilling is planned on the property towards the end of 2006.

Lac-Édouard

In November 2005 the Company acquired the exploration rights from the previous nickel-copper producer of the Lac-Édouard, near La Tuque, Quebec, in map sheet NTS 31P/09. This acquisition was made after a map selection of a large area (4,125 hectares) favourable to the discovery of magmatic nickel-copper mineralization, around the already known deposit. The Lac-Édouard mine produced approximately 400 tons of nickel and 200 tons of copper between the months of March 1973 and January 1974, from 48,000 tons of ore. Aside from the deposit itself, several nickel-copper showings were reported in the area. Some of these correspond to geophysical anomalies of weak depth and remain unexplored. It must equally be noted that there has been no deep geophysical work done on this property. Last spring, a detailed geoscientific compilation, as well as reconnaissance work, was done on the property. Over the course of the coming months, the Company plans to conduct a geophysical survey, using the VTEM technology.

Subsequent event

On August 30, 2006, the company granted Inco Ltd. an option to acquire a 70% interest in the Lac-Édouard property in consideration of \$175,000 in cash and the carrying-out of exploration work totalling \$1,000,000 no later than August 30, 2010.

Other properties

Vior also owns the Ligneris, Beauchastel and Buteux properties in north-western Quebec. In 2006, the Company either undertook or completed detailed geological compilations for each of these properties. Furthermore, several field visits were necessary in order to validate compiled information and gather new geoscientific data. Supplementary exploration work has been identified for each property. Taking into account our limited exploration budget and the fact that these properties, as per the Quebec Mining Act, require minimal, if any, work in 2007, the Company does not anticipate any significant labour on them in the short term. The Company is constantly in discussion with possible partners to accelerate exploration on these properties.

Outlook

During the coming months, the Company will continue to concentrate its efforts on exploring and developing its best auriferous and base metal projects using advanced exploration techniques. Following the needs and trends of the industry, the Company will also consider the acquisition of new mining properties to explore. To this end, financing may be necessary and if so, will be done during fiscal 2006-2007.

Results of Operations

The Company reported a net loss of \$317,617 during the current fiscal year, as compared to a net loss of \$1,864,917 for the previous fiscal year. The Company receives royalty payments from the Mouska mine. The operator, Cambior, suspended production at Mouska during a ten-month period in 2004 in order to allow the deepening of the internal shaft by 210 metres down to 880 metres to give access to mineral resources of 142,000 tonnes at 15.4 g/t Au. The Mouska mine resumed production in October 2004, on budget and one month earlier than scheduled, following the completion of the shaft-deepening program. Royalties have increased considerably during the current year. This rise is due to the increase in the gold price and to the production work made over a twelve-month period for this year compared to a nine-month period for the prior year. The appointment of the Vice-President, Exploration and Acquisitions in mid-September 2004 and the recognition of the fair value of the stock options granted in September 2004 for an amount of \$72,500 explain the significant change in the item "salaries and fringe benefits". The increase in professional and maintenance fees is mainly due to the recognition of \$7,950 representing the fair value of the stock options granted in January 2006 to a service supplier.

Quarterly Information

The information presented below details total revenues, overall net loss, and net loss per participating share over the last eight quarters.

Quarter ended	Total revenues	Net loss	Net loss per share	
			Basic	Diluted
06-30-2006	38,330	(94,387)	(0.002)	(0.002)
03-31-2006	19,062	(95,587)	(0.002)	(0.002)
12-31-2005	35,781	(71,386)	(0.001)	(0.001)
09-30-2005	53,017	(56,257)	(0.001)	(0.001)
06-30-2005	19,988	(1,454,719)	(0.031)	(0.031)
03-31-2005	18,548	(260,296)	(0.005)	(0.005)
12-31-2004	8,176	(31,414)	(0.001)	(0.001)
09-30-2004	56 135	(118,488)	(0.003)	(0.003)

Liquidity and Financing

During the year ended June 30, 2006, cash flows used in operating activities were \$317,445 compared to \$418,763 for the previous year ended June 30, 2005. This difference is mainly due to a decrease in amounts receivable.

Cash flows provided from financing activities include the issuance of private placements and the exercise of stock options and warrants. Proceeds from private placements rose to \$ 1,376,250 for the year ended June 30, 2006, compared to \$907,500 for the year ended June 30, 2005. The exercise of stock options and warrants raised cash flows related to financing activities by \$77,917 for the year ended June 30, 2006. No stock options or warrants were exercised in the year ended June 30, 2005.

The Company's investing activities include mainly the acquisition of mining properties and the carrying-out of exploration work and the purchase and sale of short-term investments. The acquisition of mining properties and exploration work required disbursements of \$1,208,167 for the year ended June 30, 2006, compared to \$529,471 for the year ended June 30, 2005. For the

year ended June 30, 2006, transactions related to short-term investments generated cash outflows of \$233,031, compared to \$76,645 for the year ended June 30, 2005.

In the opinion of management, working capital as at June 30, 2006 will cover the cost of current expenses and some exploration costs for the next fiscal year. Additional financing is expected towards the end of 2006.

Contractual Obligations

The Company has no contractual obligations.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Related Party Transactions

The Company entered into the following transactions with two companies owned by directors:

	<i>2006</i>	<i>2005</i>
	\$	\$
Management fees	50,000	51,250
Rent and office expenses	49,930	59,214

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Carrying Value of Mining Properties

At the end of each quarter, exploration work performed on mining properties is reviewed to evaluate their potential. Following this analysis, writeoffs are made if deemed necessary.

New Accounting Standards

In January 2005, the CICA issued four new accounting standards relating to financial instruments: Section 3855, “Financial Instruments — Recognition and Measurement”, Section 3865, “Hedges”, Section 1530, “Comprehensive Income”, and Section 3251, “Equity”.

Section 3855 expands on Section 3860, “Financial Instruments — Disclosure and Presentation”, by prescribing when a financial instrument is to be recognized on the balance sheet and at what amount. It also specifies how financial instrument gains and losses are to be presented in the financial statements.

Section 3865 provides alternative treatments to Section 3855 for entities which choose to designate qualifying transactions as hedges for accounting purposes. It replaces and expands on Accounting Guideline AcG13, “Hedging Relationships”, and the hedging guidance in Section 1650, “Foreign Currency Translation”, by specifying how hedge accounting is applied and what disclosures are necessary when it is applied.

Section 1530, “Comprehensive Income”, introduces a new requirement to temporarily present certain gains and losses outside net income.

Consequently, Section 3250, "Surplus" has been revised as Section 3251, "Equity".

Sections 1530, 3251, 3855 and 3865 apply to fiscal years beginning on or after October 1, 2006. The Company will adopt these new standards on July 1, 2007, and has not yet determined their impact on its financial statements.

Financial Instruments

Fair value

Cash and cash equivalents, amounts receivable, as well as accounts payable and accrued liabilities are financial instruments whose fair value approximates their carrying value due to their short-term maturity or to current market rates.

The fair value of short-term investments, determined based on market value, amounts to \$21,072 and \$237,876 as at June 30, 2006 and 2005, respectively.

Interest rate risk

As at June 30, 2006 and 2005, the Company's exposure to interest rate risk is summarized as follows:

- Cash and cash equivalents	Variable interest rate
- Amounts receivable	Non-interest bearing
- Accounts payable and accrued liabilities	Non-interest bearing

Disclosure of Outstanding Share Data

Shares

The Company may issue an unlimited number of common shares, without par value. As at October 11, 2006, 57,779,556 shares were issued and outstanding.

Warrants

As at October 11, 2006, these warrants were outstanding:

Number	Exercise price \$	Maturity date
1,000,000	0.30	11-22-06
750,000	0.30	11-23-06
1,207,500	0.25	12-22-06
553,500	0.25	12-29-06
371,786	0.40	10-26-07
568,182	0.30	22-06-08
<u>4,450,968</u>		

Stock Options

Number of shares issuable under the Company's stock option plan: 4,686,262. As of October 11, 2006, these stock options were outstanding:

Date of grant	Number	Exercise price	Maturity date
		\$	
Dec-18-1996	735,000	0.15	12-18-06
Jul-22-1997	735,000	0.15	07-22-07
Apr-9-2001	765,000	0.15	04-09-11
Mar-23-2004	900,000	0.16	03-23-09
Sep-13-2004	570,000	0.15	09-13-09
Jan-20-2006	<u>50,000</u>	0.20	01-20-11
TOTAL	3,755,000		

Risks and Uncertainties

Financial risks

The Company is considered to be in the exploration stage, and is dependent on obtaining regular financing in order to continue its exploration work. Despite previous successes in securing such financing, there is no guarantee in obtaining any future financing.

Risks on ownership titles

Although the Company has taken steps to verify title to mining properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

Environmental risks

The Company is subject to various environmental incidents that could occur during exploration work. The Company maintains an environmental management system including operational plans and practices.

Disclosure Controls and Procedures

For the year ended June 30, 2006, a review was performed under the supervision and with the collaboration of the Company's management, including the President and the Treasurer, on the effectiveness of the Company's disclosure controls and procedures. Based on this review, the President and the Treasurer concluded that the design and operation of these controls and procedures were efficient as of June 30, 2006, and were performed so as to provide reasonable assurance that significant information related to the Company was disclosed adequately.

Additional Information and Continuous Disclosure

This Management's Discussion and Analysis is dated October 11, 2006. Additional information on the Company is available through regular filings of press releases and financial statements on SEDAR (www.sedar.com).

(s) Patrick Bradley

President

(s) Gaétan Mercier

Treasurer