

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
– QUARTERLY HIGHLIGHTS  
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2017**

The following interim management's discussion and analysis – quarterly highlights ("**Interim MD&A**") of Niobay Metals Inc. ("**NioBay**" or the "**Company**") for the three months ended September 30, 2017 provides material information about the Company's business activities during the interim period and updates disclosure previously provided in the Company's management's discussion and analysis of financial condition and results of operations for the year ended December 31, 2016 ("**Annual MD&A**").

This Interim MD&A should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements and related notes for the three and nine months ended September 30, 2017 (the "**Interim Financial Statements**"), the Company's audited consolidated financial statements for the years ended December 31, 2016 and 2015 (the "**Annual Financial Statements**"), and the Company's Annual MD&A, including the section describing risks and uncertainties.

The effective date of this Interim MD&A is November 16, 2017.

All financial results presented in this Interim MD&A are expressed in Canadian dollars unless otherwise indicated.

**NATURE OF OPERATIONS**

NioBay is a mineral resource company. The business of the Company consists of acquiring, exploring and evaluating mining properties. NioBay has not yet determined whether its properties contain economically viable mineral deposits. The Company's principal asset is a 100% interest in the James Bay mining lease, a niobium project located in northeastern Ontario (the "James Bay Niobium Project").

In addition to the James Bay Niobium Project, NioBay holds (1) an option to acquire an interest of up to 65% in the La Peltrie gold project in northern Quebec, (2) a 46.9% direct participation in certain mineral titles located close to Chibougamau, Quebec, under a joint venture agreement with SOQUEM, a subsidiary of Investissement Québec, and (3) a 72.5% interest in the Crevier niobium and tantalum project, located in Quebec.

As of the date of this Interim MD&A, the Company has 32,985,127 common shares issued and outstanding. The Company's common shares are listed on the TSX Venture Exchange ("TSXV") under the symbol NBY.

## JAMES BAY NIOBIUM PROJECT

The Company's application for an exploration permit on the James Bay Niobium Project, filed with the Ministry of Northern Development and Mines of Ontario ("MNDM") in October 2016, remains on temporary hold. The Company continues to reach out to all concerned stakeholders in the area of the James Bay Niobium Project while the MNDM is pursuing efforts to engage with the Moose Cree First Nation ("MCFN") to address any concerns they may have about the proposed drilling campaign. The Company has not yet held formal discussions with the leadership of MCFN on the exploration program and the project in general.

### *Mineral Resource Estimate*

On November 16, 2017, the Company announced an initial Mineral Resource estimate for its James Bay Niobium Project prepared in accordance with Canadian National Instrument 43-101 Standards of Disclosure for Mineral Projects ("NI 43-101"). The Mineral Resource estimate was prepared by Roscoe Postle Associates Inc. ("RPA") following a successful re-logging and re-sampling program of representative historical diamond drill holes conducted by NioBay. The effective date of the estimate is November 8, 2017 and the supporting NI 43-101 technical report will be filed on SEDAR by December 31, 2017.

Highlights of the NI 43-101 Mineral Resource estimate:

Classification	Tonnes (Mt)	Grade (%Nb <sub>2</sub> O <sub>5</sub> )	Contained Nb <sub>2</sub> O <sub>5</sub> (Mkg)
<b>Indicated</b>	<b>23.1</b>	<b>0.53</b>	<b>123</b>
<b>Inferred</b>	<b>23.0</b>	<b>0.51</b>	<b>118</b>

Notes:

1. CIM (2014) Definitions Standards were followed for Mineral Resources.
2. Mineral Resources are reported at a cut-off grade of 0.3% Nb<sub>2</sub>O<sub>5</sub> based on an underground mining operating cost of C\$70/tonne and a metallurgical recovery of 70%.
3. Mineral Resources are estimated using a long-term niobium price of US\$40 per kg and a US\$/C\$ exchange rate of 1:1.2.
4. A tonnage factor of 12.2 ft<sup>3</sup>/ton (2.93 g/cm<sup>3</sup>) was used.
5. A minimum mining width of approximately 25 ft (7.6m) was used to build the resource wireframes.
6. Resources situated in a 150 ft (45.7m) thick crown pillar have been excluded.
7. The RPA Qualified Persons for the estimate are Dorota El Rassi, P.Eng. and Paul Chamois, P.Geo.

The Mineral Resource estimate is supported by the results from the recent re-logging and re-sampling of 12 representative historical diamond drill holes, by preliminary metallurgical testing performed by SGS Lakefield on a composite sample and by all of the historical data Niobay recovered from the previous operator: drill logs, assay certificates, surveyed collar coordinates, interpreted geological surface and level plans, interpreted vertical sections, location of the exploration shaft and 1st level, and metallurgical tests.

The data used to estimate the Mineral Resource include 79 diamond drill holes totaling 13,230 m located within the resource model area. The data include 2,517 assays, of which 56 have a value of zero for Nb<sub>2</sub>O<sub>5</sub>. The estimate was prepared using a block model constrained with 3-D wireframes of the mineralized zone. The niobium oxide grades were interpolated using ordinary kriging and three passes.

## **LA PELTRIE GOLD PROJECT**

On September 5, 2017, the Company entered into an option agreement with Midland Exploration Inc. (“Midland”) to acquire up to a 65% interest in the La Peltrie gold property (“La Peltrie Project”). The La Peltrie Project consists of 520 claims totaling approximately 287 square kilometers and covers, over 25 kilometers, a series of NW-SE-trending subsidiary faults to the south of the regional Lower Detour Fault. This project with strong gold potential is wholly owned by Midland and is located approximately 25 kilometers southeast of Zone 58N, a high-grade gold zone in the Lower Detour area held by Detour Gold Corp. and about 25 kilometers northwest of the former Selbaie mine.

The option is valid for a period of six years. To earn a 50% interest in the La Peltrie Project, the Company has issued to Midland on September 18, 2017 (following receipt of TSXV approval), a total of 200,000 common shares valued at \$30,000, and will have to pay, in cash or in common shares, \$50,000, \$70,000 and \$70,000 on or before respectively August 31, 2019, 2020 and 2021. The Company will also have to spend \$3,000,000 in exploration expenditures by August 31, 2021 including a firm commitment of \$500,000 to be spent on the project by December 31, 2017. Following the initial earn-in of a 50% interest, Niobay will be entitled to earn an additional 15% interest in the project by completing a preliminary economic assessment by August 1, 2023.

In October 2017, Midland, as operator of the exploration activities, completed a total of seven (7) drill holes totalling approximately 1,875 metres on the La Peltrie Project. The drilling program was mainly designed to test new structural, geological, and geophysical targets identified following compilation work and OreVision<sup>®</sup> and IP geophysical surveys conducted in 2016 and 2017 by Midland. Results of the drilling will be released once they become available.

## **SOQUEM JOINT VENTURE**

In January 2008, the Company had entered into a joint venture agreement with SOQUEM, for certain mineral titles located in Québec, including the Clairly and Lac Shortt/Lesperance properties.

The Clairly property is located 120 km north from the Chibougamau mining camp and 40 km south of the former Troilus mine. The property includes 56 mining claims covering a surface area of 2,818 hectares. The minerals of interest are copper and zinc.

The Lake Shortt/Lesperance properties are located about 135 km south-west from the Chibougamau mining camp and 15 km north-east from the Bachelor Lake concentrator. The Lac Shortt property includes 98 mining claims covering a surface area of 4,798 hectares. The Lesperance property holds 36 mining claims covering a surface area of 1,978 hectares. The mineral of interest is gold.

During the three months ended September 30, 2017, SOQUEM, as operator of the projects, began compiling and interpreting historical geophysics and lithiogeochimical data collected in previous exploration campaigns on both the Clairly and Lac Shortt/Lesperance properties, under an approved budget of approximately \$200,000, with the Company's share amounting to approximately \$130,000.

#### *Outlook*

The Company's focus remains the development of the James Bay Niobium Project. The Company continues to hold discussions with the local community and the MNDM, and will maintain its efforts to engage with the leadership of the MCFN.

Following the drilling program completed in October 2017 on the La Peltrie Project, discussions will be held with the project partner to determine follow-up programs, once all results are obtained. Results of the interpretation of the historical data at the Clairly and Lac Shortt/Lesperance projects are also expected shortly. The Crevier Project remains on care and maintenance.

### **SUMMARY OF OPERATING RESULTS**

The Company incurred a net loss of \$99,315 (nil per share) during the three months ended September 30, 2017 compared to a net loss of \$230,226 (\$0.01 per share) during the comparative period in 2016. The loss during the current period included \$113,995 in management and administration expenses and an unrealized loss on foreign exchange of \$10,221, partially offset by a non-cash income related to flow-through shares of \$23,925. The comparative period consisted mainly in management and administration expenses of \$204,191 and other exploration expenses of \$25,700.

Management and administration expenses for the three months ended September 30, 2017 are lower by \$90,196 compared to the same period in 2016. During the comparative period, expenses included an amount of \$50,000 as debt forgiveness to the Company's former CFO and higher investor relations and travel expenses (\$49,116) related mostly to the August 2016 private placement of \$1,795,000.

## **LIQUIDITY AND FINANCIAL POSITION**

At September 30, 2017, the Company's cash position amounted to \$1,346,657 compared to \$2,281,637 at December 31, 2016. The Company's cash position at September 30, 2017 includes unspent flow-through funds of \$721,240, which the Company is committed to spending by December 31, 2017 on eligible flow-through expenditures.

Management estimates that it will require additional funds to meet all of its planned exploration and evaluation activities and to provide for management and administration expenses for at least the next 12 months. Since the Company does not generate cash flows, it will need to raise funds which could be met in the future through the issuance of debt or equity instruments or a combination of strategic partnerships or joint venture arrangements.

While management has been successful in securing financing in the past, there can be no guarantee that it will be able to do so in the future or that these sources of funding or initiatives will be available to the Company or that they will be available on terms which are acceptable to the Company. If management is unable to obtain new funding, the Company may be required to reduce the scope of, or eliminate future exploration and evaluation activities, any of which could have a negative impact on the business, financial condition and results of operation of the Company.

### **Operating activities**

For the nine months ended September 30, 2017, cash outflows related to operating activities amounted to \$660,821 compared to \$349,938 in 2016. During the 2016 comparative period, the Company had received a payment of \$96,878 (US\$75,000) in accordance with a Heads of Agreement entered in September 2015 regarding the Ikungu and Ikungu East projects in Tanzania.

### **Financing activities**

During the nine months ended September 30, 2017, 100,000 compensation share purchase warrants were exercised for cash proceeds of \$30,000. In August 2016, the Company completed a non-brokered private placement through the issuance of 7,180,000 common shares at a price of \$0.25 per share for proceeds of \$1,795,000. Share issue expenses of \$156,006 included mostly legal, consulting and regulatory expenses.

### **Investing activities**

For the nine months ended September 30, 2017, the Company invested a total of \$379,006 at the James Bay Niobium Project, including consulting fees of \$329,483, of which \$103,746 related to geology, \$145,239

to metallurgy, and \$80,498 to relations with concerned stakeholders. Other expenses included mostly travel expenses and fees related to the mining lease. The Company also invested a total of \$58,000 at the La Peltrie Project, including \$30,000 representing the value of the shares issued to Midland on signing the option agreement, and \$62,500 at the projects under a joint venture with SOQUEM. During the comparative period in 2016, the Company had invested a total of \$518,491, including \$350,000 representing the value of the shares issued on the acquisition of the James Bay Niobium Project, \$134,931 for other acquisition-related and exploration expenses of the James Bay Niobium Project, \$5,210 at the Crevier property and \$28,350 at the Ikungu and Ikungu East projects in Tanzania. During the 2016 comparative period, the Company had also disposed of an investment of \$250,000.

### **RELATED PARTY TRANSACTIONS**

The remuneration awarded to key management personnel, including directors, the president and CEO and the CFO, during the three and nine months ended September 30, 2017 totaled \$65,000 and \$202,201, respectively (\$33,223 and \$212,065, respectively during the comparative periods in 2016).

A company controlled by the CEO of the Company invoiced nil and \$26,400, respectively during the three and nine months ended September 30, 2017 for the services of a market analyst (\$12,100 and \$29,525 in 2016), and invoiced nil in 2017 for the rental of office space (\$8,500 and \$25,000 in 2016).

### **QUALIFIED PERSON**

Claude Dufresne, P.Eng., a Qualified Person under NI 43-101, has reviewed and approved all of the technical information in this Interim MD&A. Mr. Dufresne is the Company's president and CEO.

### **CAUTIONARY STATEMENT**

This Interim MD&A contains certain forward-looking statements as defined in applicable Canadian securities laws (referred to herein as "forward-looking statements"). Specifically, this Interim MD&A includes forward-looking statements regarding the resource estimate, the potential extension of the mineralization, exploration results, completion of work programs, assessments, studies, future financial results and future financings. There is no certainty that the required permits for the exploration and development of the James Bay Niobium Project will be issued or that Niobay will have the required funds to conduct the required drilling program and studies. Forward-looking statements involve a number of risks and uncertainties, and there can be no assurance that such statements will prove to be accurate. Therefore, actual results and future events could differ materially from those anticipated in such statements.

Risks and uncertainties that could cause results or future events to differ materially from current expectations expressed or implied by the forward-looking statements include, but are not limited to, variations in the quality and quantity of minerals that may be located, the Company's inability to obtain any necessary permits, consents or authorizations required for its planned activities, the Company's inability to raise the necessary capital to fully implement its programs and objectives, the Company's inability to spend all of the flow-through funds raised in December 2016 in eligible flow-through expenditures by December 31, 2017, changes and volatility of metal prices and equity markets, uncertainties involved in interpreting geological data and estimating mineral resources, changes or delays in exploration plans, the results of exploration programs, the timing and results of consultations with aboriginal groups, increases in costs, changes in environmental legislation and regulation, general economic conditions and mining industry risks, as well as other risk factors discussed in this Interim MD&A. All forward-looking statements in this Interim MD&A are qualified by this cautionary statement. Accordingly, readers should not place undue reliance on forward-looking statements. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking statements whether as a result of new information or future events or otherwise, except as may be required by law.

#### **ADDITIONAL INFORMATION AND CONTINUOUS DISCLOSURE**

The Company regularly discloses additional information through press releases and financial statements available on the Company's website at [www.niobaymetals.com](http://www.niobaymetals.com) and on SEDAR at [www.sedar.com](http://www.sedar.com).



**CONDENSED INTERIM CONSOLIDATED  
FINANCIAL STATEMENTS**

**For the three and nine months ended  
September 30, 2017**

In Canadian Dollars

**Unaudited**

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**NOTICE TO READER**

The accompanying unaudited condensed interim consolidated financial statements of Niobay Metals Inc. have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these unaudited condensed interim consolidated financial statements.

# Niobay Metals Inc.

## Consolidated Statements of Financial Position

<i>(unaudited, in Canadian dollars)</i>	September 30, 2017	December 31, 2016
	\$	\$
<b>ASSETS</b>		
Current		
Cash	1,346,657	2,281,637
Sales taxes receivable	49,823	51,717
Tax credits related to resources and mining taxes receivable	139,608	139,608
Prepaid expenses and deposits	28,845	16,225
	<b>1,564,933</b>	2,489,187
Non-current		
Property and equipment	20,480	24,855
Exploration and evaluation assets (Note 4)	1,114,283	614,777
<b>TOTAL ASSETS</b>	<b>2,699,696</b>	3,128,819
<b>LIABILITIES</b>		
Current		
Accounts payable and accrued liabilities (Note 5)	427,152	482,838
Liability related to flow-through shares (Note 6)	84,852	137,763
<b>TOTAL LIABILITIES</b>	<b>512,004</b>	620,601
<b>EQUITY</b>		
Share capital (Note 6)	67,887,585	67,805,705
Contributed surplus	6,808,874	6,813,357
Deficit	(72,618,332)	(72,220,901)
Equity attributable to shareholders of the Company	2,078,127	2,398,161
Non-controlling interests	109,565	110,057
<b>TOTAL EQUITY</b>	<b>2,187,692</b>	2,508,218
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>2,699,696</b>	3,128,819

Going concern (Note 2) and Contingencies (Note 10).

*The accompanying notes form an integral part of these unaudited condensed interim consolidated financial statements.*

/s/ Claude Dufresne  
Claude Dufresne, Director

/s/ Raymond Legault  
Raymond Legault, Director

# Niobay Metals Inc.

## Consolidated Statements of Comprehensive Loss

<i>(unaudited, in Canadian dollars)</i>	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
	\$	\$	\$	\$
<b>Expenses and other items</b>				
Management and administration (Note 8)	113,995	204,191	464,613	524,923
Write-down of exploration and evaluation assets	-	-	-	6,590,456
Other exploration	-	25,700	-	52,700
Income related to flow-through shares (Note 6)	(23,925)	-	(52,911)	-
Finance income	(976)	(379)	(2,382)	(890)
Loss (gain) on foreign exchange	10,221	714	(3,138)	(942)
<b>Loss before income taxes</b>	<b>(99,315)</b>	<b>(230,226)</b>	<b>(406,182)</b>	<b>(7,166,247)</b>
Recovery of mining duties	-	-	(8,259)	-
Deferred income tax recovery	-	-	-	(195,188)
<b>Net loss for the period</b>	<b>(99,315)</b>	<b>(230,226)</b>	<b>(397,923)</b>	<b>(6,971,059)</b>
Other comprehensive loss				
Foreign currency translation differences for foreign operations	-	1,310	-	(1,087,198)
<b>Comprehensive loss for the period</b>	<b>(99,315)</b>	<b>(228,916)</b>	<b>(397,923)</b>	<b>(8,058,257)</b>
Net loss attributable to:				
Shareholders of the Company	(99,012)	(229,622)	(397,431)	(6,059,676)
Non-controlling interests	(303)	(604)	(492)	(911,383)
Comprehensive loss attributable to:				
Shareholders of the Company	(99,012)	(228,312)	(397,431)	(7,146,874)
Non-controlling interests	(303)	(604)	(492)	(911,383)
Basic and diluted loss per common share	(0.00)	(0.01)	(0.01)	(0.28)
Weighted average number of common shares - basic and diluted	32,811,214	28,396,283	32,789,156	24,873,554

*The accompanying notes form an integral part of these unaudited condensed interim consolidated financial statements.*

# Niobay Metals Inc.

## Consolidated Statements of Shareholders' Equity

	Number of issued and outstanding common shares	Equity						Total shareholders' equity
		Share capital	Contributed surplus	Deficit	Cumulative translation adjustment	attributable to shareholders of the Company	Non- controlling interests	
<i>(unaudited, in Canadian dollars)</i>		\$	\$	\$	\$	\$	\$	\$
Balance at December 31, 2016	32,685,127	67,805,705	6,813,357	(72,220,901)	-	2,398,161	110,057	2,508,218
Shares issued related to the La Peltrie option agreement (Note 6)	200,000	30,000	-	-	-	30,000	-	30,000
Shares issued on exercise of warrants (Note 6)	100,000	51,880	(21,880)	-	-	30,000	-	30,000
Share-based compensation	-	-	17,397	-	-	17,397	-	17,397
Net loss for the period	-	-	-	(397,431)	-	(397,431)	(492)	(397,923)
<b>Balance at September 30, 2017</b>	<b>32,985,127</b>	<b>67,887,585</b>	<b>6,808,874</b>	<b>(72,618,332)</b>	<b>-</b>	<b>2,078,127</b>	<b>109,565</b>	<b>2,187,692</b>
Balance at December 31, 2015	22,931,501	64,530,913	6,653,091	(67,188,424)	2,786,446	6,782,026	1,132,822	7,914,848
Shares issued pursuant to a private placement	7,180,000	1,795,000	-	-	-	1,795,000	-	1,795,000
Share issue expenses	-	-	109,418	(265,424)	-	(156,006)	-	(156,006)
Shares issued on acquisition of the James Bay project	1,000,000	350,000	-	-	-	350,000	-	350,000
Shares issued on exercise of stock options	30,000	10,845	(3,345)	-	-	7,500	-	7,500
Share-based compensation	-	-	66,516	-	-	66,516	-	66,516
Net loss for the period	-	-	-	(6,059,676)	-	(6,059,676)	(911,383)	(6,971,059)
Foreign currency translation differences of foreign operations	-	-	-	-	(1,087,198)	(1,087,198)	-	(1,087,198)
<b>Balance at September 30, 2016</b>	<b>31,141,501</b>	<b>66,686,758</b>	<b>6,825,680</b>	<b>(73,513,524)</b>	<b>1,699,248</b>	<b>1,698,162</b>	<b>221,439</b>	<b>1,919,601</b>

The accompanying notes form an integral part of these unaudited condensed interim consolidated financial statements.

# Niobay Metals Inc.

## Consolidated Statements of Cash Flows

<i>(unaudited, in Canadian dollars)</i>	Nine months ended September 30,	
	2017	2016
	\$	\$
<b>Operating activities</b>		
Net loss for the period	(397,923)	(6,971,059)
Adjustments		
Share-based compensation	9,476	59,007
Amortization of property and equipment	5,769	7,785
Write-down of exploration and evaluation assets	-	6,590,456
Deferred income tax recovery	-	(195,188)
Income related to flow-through shares	(52,911)	-
Finance income accrued	(2,382)	(890)
Finance income received	2,382	1,257
Gain on foreign exchange	(3,138)	(942)
Changes in working capital items	(222,094)	159,636
	<b>(660,821)</b>	<b>(349,938)</b>
<b>Investing activities</b>		
Disposal of investments	-	250,000
Additions to property and equipment	(2,105)	(2,100)
Additions to exploration and evaluation assets	(304,193)	(149,947)
	<b>(306,298)</b>	<b>97,953</b>
<b>Financing activities</b>		
Issuance of shares	-	1,802,500
Share issue expenses	-	(156,006)
Exercise of warrants	30,000	-
	<b>30,000</b>	<b>1,646,494</b>
Effect of exchange rate changes on cash held in foreign currency	2,139	748
Net change in cash	(934,980)	1,395,257
Cash, beginning of period	2,281,637	69,343
Cash, end of period	1,346,657	1,464,600
<b>Supplemental cash flow information</b>		
Share-based compensation capitalized to exploration and evaluation assets	7,921	7,509
Amortization of property and equipment capitalized to exploration and evaluation assets	711	-
Change in accounts payable and accrued liabilities related to exploration and evaluation assets	156,681	18,544
Fair value of warrants exercised	21,880	-
Value of shares issued related to the La Peltrie option agreement	30,000	-
Value of shares issued on acquisition of the James Bay project	-	350,000

*The accompanying notes form an integral part of these unaudited condensed interim consolidated financial statements.*

# Niobay Metals Inc.

Notes to Condensed Interim Consolidated Financial Statements

**September 30, 2017** *(unaudited - in Canadian dollars)*

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## 1. GENERAL INFORMATION

Niobay Metals Inc. (“Niobay” or the “Company”) is primarily engaged in the acquisition and exploration of mineral properties. The Company holds a 100% interest in the James Bay niobium property, located in northern Ontario, Canada and has entered into an option agreement to acquire up to a 65% interest in the La Peltrie gold project in northern Québec (Note 4). The Company also holds a 46.9% direct participation in certain mineral titles located north of Chibougamau, Québec, under a joint venture agreement dated January 18, 2008 with SOQUEM, a subsidiary of Investissement Québec. The Company holds through its 72.5%-owned subsidiary Crevier Minerals Inc. (“CMI”), the Crevier niobium and tantalum project, located in Quebec.

All amounts in these condensed interim consolidated financial statements are expressed in Canadian dollars unless otherwise indicated. Niobay’s common shares are listed on the TSX Venture Exchange (the “TSXV”) under the symbol NBY.

The Board of Directors approved and authorized for issuance these unaudited condensed interim consolidated financial statements on November 16, 2017.

# Niobay Metals Inc.

Notes to Condensed Interim Consolidated Financial Statements

**September 30, 2017** (unaudited - in Canadian dollars)

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## 2. GOING CONCERN

These unaudited condensed interim consolidated financial statements have been prepared using International Financial Reporting Standards (“IFRS”) applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of operations as they come due. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period.

At September 30, 2017, the Company had a working capital of \$1,052,929, had an accumulated deficit of \$72,618,332 and incurred a loss of \$397,923 for the nine-months ended September 30, 2017. Working capital at September 30, 2017 included cash of \$1,346,657.

The Company estimates that the working capital available at September 30, 2017 will not be sufficient to cover its general administrative expenses and its planned exploration and evaluation budget for the next 12 months. Since the Company does not generate cash flows, it will need to raise funds through the issuance of debt or equity instruments or a combination of strategic partnerships or joint venture arrangements. While management has been successful in securing financing in the past, there can be no assurance it will be able to do so in the future or that these sources of funding or initiatives will be available to the Company or that they will be available on terms which are acceptable to the Company.

If management is unable to obtain new funding, the Company may be unable to continue its operations, and amounts realized for assets might be less than amounts reflected in these unaudited condensed interim consolidated financial statements. These circumstances indicate the existence of material uncertainties that cast significant doubt upon the Company’s ability to continue as a going concern and accordingly, the appropriateness of the use of IFRS applicable to a going concern. These unaudited condensed interim consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities, expenses and financial position classifications that would be necessary if the going concern assumption was not appropriate. These adjustments could be material.

## 3. STATEMENT OF COMPLIANCE AND BASIS OF PRESENTATION

These unaudited condensed interim consolidated financial statements have been prepared in accordance with IAS 34, *Interim Financial Reporting* and follow the same accounting policies as the Company’s most recent annual consolidated financial statements. They do not contain all of the information and disclosures required for annual financial statements, and should be read in conjunction with the Company’s audited consolidated financial statements for the years ended December 31, 2016 and 2015 which have been prepared in accordance with IFRS as issued by the International Accounting Standards Board (“IASB”).

# Niobay Metals Inc.

Notes to Condensed Interim Consolidated Financial Statements  
**September 30, 2017** (unaudited - in Canadian dollars)

## 4. EVALUATION AND EXPLORATION ASSETS

Evaluation and exploration assets by properties are detailed as follows:

	January 1, 2017	Additions	September 30, 2017
	\$	\$	\$
<b>Mineral properties</b>			
James Bay (Nb) - Ontario, Canada	399,945	-	399,945
La Peltrie (Au) - Québec, Canada	-	30,000	30,000
	399,945	30,000	429,945
<b>Exploration and evaluation expenditures</b>			
James Bay (Nb) - Ontario, Canada	214,832	379,006	593,838
La Peltrie (Au) - Québec, Canada	-	28,000	28,000
Joint venture with SOQUEM, Québec, Canada (1)	-	62,500	62,500
	214,832	469,506	684,338
	614,777	499,506	1,114,283

(1) Includes the Clairly, Lac Shortt / Lesperance and other properties.

	January 1, 2016	Additions	Write-down	Effect of foreign exchange	September 30, 2016
	\$	\$	\$	\$	\$
<b>Mineral properties</b>					
James Bay (Nb) – Ontario, Canada	-	399,945	-	-	399,945
	-	399,945	-	-	399,945
<b>Exploration and evaluation expenditures</b>					
James Bay (Nb) - Ontario, Canada	-	84,986	-	-	84,986
Crevier (Nb) – Québec, Canada	3,486,133	5,210	(3,491,343)	-	-
Ikungu and Ikungu East (Au) - Tanzania	4,152,001	28,350	(3,099,113)	(1,081,238)	-
	7,638,134	118,546	(6,590,456)	(1,081,238)	84,986
	7,638,134	518,491	(6,590,456)	(1,081,238)	484,931

# Niobay Metals Inc.

Notes to Condensed Interim Consolidated Financial Statements  
**September 30, 2017** (unaudited - in Canadian dollars)

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## 4. EVALUATION AND EXPLORATION ASSETS (continued)

### *La Peltrie Project*

On September 5, 2017, the Company entered into an option agreement with Midland Exploration Inc. ("Midland") to acquire up to a 65% interest in the La Peltrie gold property ("La Peltrie Project") located in Québec, Canada. The La Peltrie Project consists of 520 claims totaling approximately 287 square kilometers. The option will be valid for a period of six years. To earn a 50% interest in the La Peltrie Project, the Company has issued to Midland on September 18, 2017, a total of 200,000 common shares valued at \$30,000, and will have to pay, in cash or in common shares, \$50,000, \$70,000 and \$70,000 on or before respectively August 31, 2019, 2020 and 2021. The Company will also have to spend \$3,000,000 in exploration expenditures by August 31, 2021 including a firm commitment of \$500,000 to be invested by December 31, 2017. Following the initial earn-in of a 50% interest, Niobay will be entitled to earn an additional 15% interest in the project by completing a preliminary economic assessment by August 1, 2023.

## 5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

At September 30, 2017, accounts payable and accrued liabilities included a provision of \$144,000 related to the April 2015 notice of assessment issued by Revenu Québec (Note 10), and various payables and accruals (\$283,152).

## 6. SHARE CAPITAL AND WARRANTS

### *Issued and fully paid*

At September 30, 2017, the Company had 32,985,127 issued and outstanding common shares (32,685,127 at December 31, 2016).

### *Issuance of shares*

During the nine months ended September 30, 2017, a total of 100,000 compensation warrants were exercised for proceeds of \$30,000. The Company also issued 200,000 common shares pursuant to the option agreement to acquire an interest in the La Peltrie Project (Note 4). These shares were valued at an amount of \$30,000, using the 5-day weighted average price of the Niobay shares immediately before the date of the option agreement.

### *Reduction in liability from flow-through shares*

During the three and nine months ended September 30, 2017, an amount of \$23,925 and \$52,911, respectively was recorded as income related to flow-through shares on the consolidated statements of comprehensive loss (nil during the three and nine months ended September 30, 2016), representing the decrease in the liability related to the exploration and evaluation expenses incurred during the period. At September 30, 2017, the Company had \$721,240 of unspent flow-through funds (\$1,170,982 at December 31, 2016).

# Niobay Metals Inc.

Notes to Condensed Interim Consolidated Financial Statements  
**September 30, 2017** (unaudited - in Canadian dollars)

## 6. SHARE CAPITAL AND WARRANTS (continued)

### Share purchase warrants

The following table sets out the activity in share purchase warrants:

Grant date	Number of warrants December 31, 2016	Granted	Exercised	Number of warrants September 30, 2017	Price per share \$	Expiry date
August 4, 2016	350,000	-	(100,000)	250,000	0.30	July 5, 2019
December 19, 2016	45,294	-	-	45,294	1.25	Dec 19, 2018
	395,294	-	(100,000)	295,294	0.45	
Average price	0.41	-	(0.30)	0.45		

## 7. STOCK OPTIONS

During the three and nine months ended September 30, 2017, 140,000 stock options having an average exercise price of \$0.30, expired. The following table reflects the stock options issued and outstanding at September 30, 2017:

Range of exercise prices	Number of outstanding options	Average price \$	Remaining contractual life (years)
\$0.05 - \$0.99	914,800	0.32	2.8
\$1.00 - \$1.99	32,000	1.19	2.0
\$2.00 - \$2.50	16,000	2.44	2.9
	962,800	0.39	2.7

At September 30, 2017, a total of 887,867 stock options were exercisable at a price of \$0.38 per share.

# Niobay Metals Inc.

Notes to Condensed Interim Consolidated Financial Statements  
**September 30, 2017** (unaudited - in Canadian dollars)

## 8. MANAGEMENT AND ADMINISTRATION EXPENSES

The Company incurred the following management and administration expenses:

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
	\$	\$	\$	\$
Wages and consulting	73,591	111,245	271,377	272,822
Legal, audit and tax	6,338	24,386	36,573	64,632
Office	18,629	27,192	54,065	66,563
Investor relations and travel	4,798	53,914	55,284	87,491
Reporting issuer costs	4,770	9,501	30,405	55,096
Recovery of expenses	-	-	-	(96,878)
Mining titles management	1,094	1,909	1,664	8,405
	109,220	228,147	449,368	458,131
Share-based compensation	1,471	(26,534)	9,476	59,007
Amortization of property and equipment	3,304	2,578	5,769	7,785
	113,995	204,191	464,613	524,923

## 9. SEGMENTED INFORMATION

The Company has one reportable operating segment being the acquisition and exploration of mineral properties. At September 30, 2017 and December 31, 2016, all non-current assets are located in Canada.

# Niobay Metals Inc.

Notes to Condensed Interim Consolidated Financial Statements

**September 30, 2017** *(unaudited - in Canadian dollars)*

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## 10. CONTINGENCIES

### **Tanzania Revenue Authority (“TRA”)**

MDN Tanzania Ltd., the Company’s wholly-owned subsidiary in Tanzania (“MDN Tanzania”), received notices of assessment in April and June 2016 in respect of withholding taxes and other statutory deductions for the period from 2007 to 2011, claiming an amount of approximately \$300,000 plus accrued interest of approximately \$600,000. In 2013, the Company had received notices of assessment totalling approximately \$470,000 in respect of withholding taxes on alleged interest payments by MDN Tanzania to the Company for the period from 2004 to 2011. No provision has been recorded in these unaudited condensed interim consolidated financial statements on these matters as management believes that it has paid all of its withholding taxes and other statutory deductions in accordance with local requirements and that the amounts claimed are unfounded. MDN Tanzania continues to vigorously defend its position with the Tanzanian tax authorities.

### **Revenu Québec**

Following an audit of the tax credits relating to resources claimed by and paid to CMI for the years 2010, 2011 and 2012, Revenu Québec issued in April 2015 a notice of assessment for an amount of \$370,517, stipulating that certain expenses were not eligible for such tax credits relating to resources. Despite its disagreement with the notice of assessment, the Company recorded a specific provision of \$144,000 presented as accounts payable and accrued liabilities at September 30, 2017 and December 31, 2016.