



## MANAGEMENT'S DISCUSSION AND ANALYSIS – QUARTERLY HIGHLIGHTS FOR THE THREE MONTHS ENDED MARCH 31, 2018

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 March 31, 2018 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, 2017 ("**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 months ended March 31, 2018 (the "**Interim Financial Statements**"), the Company's audited consolidated financial statements for the years ended December 31, 2017 and 2016, and the Company's Annual MD&A, including the section describing risks and uncertainties.

The effective date of this Interim MD&A is May 22, 2018.

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**"). NioBay also holds (1) an option to acquire an interest of up to 65% in the La Peltrie gold project in northern Quebec, (2) a 48.7% 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.

The Company's common shares are listed on the TSX Venture Exchange under the symbol NBY. As of the date of this Interim MD&A, the Company has 45,690,111 issued and outstanding common shares.

### FINANCING

Niobay has sufficient funds to pursue its activities for at least the next twelve months, after having completed private placement financings in December 2017 and March 2018 raising a total of \$3,195,800.

On March 28, 2018, Osisko Gold Royalties Ltd ("**Osisko**") purchased, by way of a private placement, 9,000,000 common shares of the Company at a price of \$0.26 per share for proceeds of \$2,340,000. Osisko now owns approximately 19.7% of Niobay's issued and outstanding shares on a non-diluted basis. Pursuant to the subscription agreement entered into between Niobay and Osisko, so long as Osisko holds not less than 10% of the then issued and outstanding shares of Niobay, Osisko will have the right to (i) nominate one director to Niobay's board of directors and (ii) participate in all future equity financings by Niobay to

maintain its relative equity ownership. In addition, Osisko was granted an option to purchase a 1.0% royalty on all products to be produced from the James Bay Niobium Project. The option will be exercisable by paying \$2,000,000 to Niobay at any time within 90 days following the delivery by Niobay to Osisko of a bankable feasibility study on the project.

### **APPOINTMENT OF A NEW DIRECTOR**

On April 30, 2018, the Company appointed Ms. Dawn Madahbee Leach to the Board of Directors of the Company. Ms. Madahbee Leach, General Manager of Waubetek Business Development Corporation since 1988, graduated from the University of Waterloo's Economic Development Program and holds a degree in Political Science and Law from York and Laurentian universities. She currently serves on the boards of Peace Hills Trust, the Northern policy Institute, and is the Vice Chair of the National Indigenous Economic Development Board. She has also served on the boards of the North-East Local Health Integration Network, the Ontario Development Corporation and Innovations Ontario, and was the former Chairperson of the Northern Ontario Development Corporation. Ms. Madahbee Leach also participates on several Federal and Provincial economic advisory committees.

### **GRANT OF STOCK OPTIONS**

The Company approved in April 2018 the grant of a total of 1,800,000 stock options to directors, officers, employees and consultants of the Company at an exercise price of \$0.25 per share. All of the stock options will be vesting over a period of two years and, if not exercised, will expire five years from the date of the grant.

### **JAMES BAY NIOBIUM PROJECT**

In October 2016, the Company filed with the Ministry of Northern Development and Mines of Ontario ("MNDM") an application for an exploration permit on the James Bay Niobium Project. As of the date of this Interim MD&A, this application 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 been able to hold formal discussions with the leadership of MCFN on the exploration program and the project in general.

### **OTHER PROJECTS**

During the reporting period, Midland Exploration Inc. ("**Midland**"), as operator of the exploration activities at the La Peltrie gold property, completed the compilation of all geophysical data, which objective was the determination of the geochemical signature of the area located in the north-west part of the property. This work was conducted as a follow-up to the 7-hole drilling campaign (1,881 meters) conducted in the fall of 2017, which results were reported in a press release dated April 6, 2018. In September 2017, the Company had entered into an option agreement with Midland to acquire up to a 65% interest in the La Peltrie Project.

No work was conducted during the period on the mineral titles located near Chibougamau, Québec, held by the Company through a joint venture agreement with Soquem, and on the Company's 72.5% indirect interest in the Crevier niobium and tantalum property.

## 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.

The Company is currently evaluating various options to finance subsequent work programs on the La Petrie Project and on those mineral properties held jointly with Soquem. The Company plans to conduct evaluation work later in 2018 on the Crevier property if niobium and tantalum prices continue to improve.

## FINANCIAL REVIEW

In accordance with its accounting policy, an amount of \$77,659 in exploration and evaluation expenses was capitalized during the three months ended March 31, 2018 (\$134,000 in 2017), including \$62,074 on the James Bay Niobium Project. The amounts spent by project are presented below:

Three months ended March 31, 2018	James	La	Soquem	Total
	Bay	Peltrie	JV	
	\$	\$	\$	\$
Wages	-	13,718	-	13,718
Consultants	45,168	563	-	45,731
Transportation	7,861	-	-	7,861
Studies	5,910	-	-	5,910
Depreciation	182	-	-	182
Share-based compensation	1,317	-	-	1,317
Administrative and others	1,636	1,304	-	2,940
	62,074	15,585	-	77,659
Three months ended March 31, 2017	James	La	Soquem	Total
	Bay	Peltrie	JV	
	\$	\$	\$	\$
Property payments	7,755	-	-	7,755
Consultants	45,525	-	-	45,525
Transportation	1,880	-	-	1,880
Studies	73,643	-	-	73,643
Depreciation	234	-	-	234
Share-based compensation	2,738	-	-	2,738
Administrative and others	2,225	-	-	2,225
	134,000	-	-	134,000

The Company incurred a net loss of \$145,279 (nil per share) during the three months ended March 31, 2018 compared to a net loss of \$157,011 (\$0.01 per share) during the comparative period in 2017. The loss during the current period included \$159,779 in management and administration expenses, partially offset by a non-cash income related to flow-through shares of \$13,157. The comparative period consisted mainly in management and administration expenses of \$187,379, partially offset by a non-

cash income related to flow-through shares of \$12,785, an unrealized gain on foreign exchange of \$8,554 and the recovery of 2015 mining duties of \$8,259.

Management and administration expenses for the three months ended March 31, 2018 are lower by \$27,600 compared to the same period in 2017 due to reduced wages and consulting expenses (during the comparative period in 2017, the Company was paying for the services of a market analyst), office expenses (\$5,302) and reporting issuer costs (\$5,674).

### **Operating activities**

For the three months ended March 31, 2018, cash outflows related to operating activities amounted to \$104,857 compared to \$377,529 in 2017 due mostly to a variation of changes in working capital items of \$257,170.

### **Financing activities**

In March 2018, the Company completed a non-brokered private placement with Osisko through the issuance of 9,000,000 common shares at a price of \$0.26 per share for proceeds of \$2,340,000. Share issue expenses of \$18,925 included mostly regulatory and legal expenses.

### **Investing activities**

For the three months ended March 31, 2018, the Company invested a total of \$77,659 on its exploration and evaluation assets, including \$62,074 at the James Bay Niobium Project. During the comparative period in 2017, the Company had invested a total of \$134,000 at the James Bay Niobium Project.

## **LIQUIDITY AND FINANCIAL POSITION**

At March 31, 2018, the Company's working capital totaled \$3,137,844 compared to \$1,035,834 at December 31, 2017. The Company's cash position at March 31, 2018 includes unspent flow-through funds of \$148,753, which the Company is committed to spending by December 31, 2018 on eligible flow-through expenditures. The increase in the working capital during the three months ended March 31, 2018 is mainly attributable to the proceeds from financing of \$2,340,000, partially offset by the additions to exploration and evaluation assets of \$77,659 and management and administration expenses of \$157,405.

Management of the Company believes it has sufficient funds for the ensuing twelve months to pay for its ongoing general and administrative expenses and to meet its liabilities, obligations and existing commitments as they fall due. The Company's ability to continue future operations beyond March 31, 2019 and fund its exploration and evaluation expenditures is dependent on management's ability to secure additional financing in the future, which may be completed in a number of ways, including, but not limited to, the issuance of debt or equity instruments or a combination of strategic partnerships or joint venture arrangements. Management will pursue such additional sources of financing when required, and 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 for the Company or that they will be available on terms that are acceptable to the Company.

## RELATED PARTY TRANSACTIONS

The remuneration awarded to key management personnel, including directors, the president and CEO and the CFO, during the three months ended March 31, 2018 totaled \$66,268 (\$68,805 in 2017). A company controlled by the CEO of the Company invoiced nil during the three months ended March 31, 2018 for the services of a market analyst (\$14,400 in 2017).

## 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 extent, results and timing of exploration programs and various studies, the timing and receipt of necessary permits, 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 2017 in eligible flow-through expenditures by December 31, 2018, 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 and in the Annual 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 months ended  
March 31, 2018**

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>	March 31, 2018	December 31, 2017
	\$	\$
<b>ASSETS</b>		
Current		
Cash	3,224,756	1,233,957
Sales taxes receivable	37,916	76,427
Tax credits related to resources and mining taxes receivable	139,608	139,608
Prepaid expenses and deposits	10,609	24,149
	<b>3,412,889</b>	<b>1,474,141</b>
Non-current		
Exploration and evaluation assets (Note 3)	1,995,385	1,917,726
Property and equipment	19,156	20,274
<b>TOTAL ASSETS</b>	<b>5,427,430</b>	<b>3,412,141</b>
<b>LIABILITIES</b>		
Current		
Accounts payable and accrued liabilities (Note 4)	247,499	397,604
Liability related to flow-through shares (Note 5)	27,546	40,703
<b>TOTAL LIABILITIES</b>	<b>275,045</b>	<b>438,307</b>
<b>EQUITY</b>		
Share capital (Note 5)	71,042,682	68,702,682
Contributed surplus	6,814,504	6,811,749
Deficit	(72,813,250)	(72,649,736)
Equity attributable to shareholders of the Company	5,043,936	2,864,695
Non-controlling interests	108,449	109,139
<b>TOTAL EQUITY</b>	<b>5,152,385</b>	<b>2,973,834</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>5,427,430</b>	<b>3,412,141</b>

Contingencies (Note 10) and Event after the reporting date (Note 11).

*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 March 31,	
	2018	2017
	\$	\$
<b>Expenses and other items</b>		
Management and administration (Note 7)	159,779	187,379
Income related to flow-through shares (Note 5)	(13,157)	(12,785)
Finance income	(1,371)	(770)
Loss (gain) on foreign exchange	28	(8,554)
<b>Loss before income taxes</b>	<b>(145,279)</b>	<b>(165,270)</b>
Recovery of mining duties	-	8,259
<b>Net loss and comprehensive loss for the period</b>	<b>(145,279)</b>	<b>(157,011)</b>
Net loss and comprehensive loss attributable to:		
Shareholders of the Company	(144,589)	(156,838)
Non-controlling interests	(690)	(173)
Basic and diluted loss per common share	(0.00)	(0.01)
Weighted average number of common shares - basic and diluted	36,990,111	32,770,683

*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	attributable to shareholders of the Company	Non- controlling interests	
<i>(unaudited, in Canadian dollars)</i>		\$	\$	\$	\$	\$	\$
Balance at December 31, 2017	36,690,111	68,702,682	6,811,749	(72,649,736)	2,864,695	109,139	2,973,834
Private placement (Note 5)	<b>9,000,000</b>	<b>2,340,000</b>	-	-	<b>2,340,000</b>	-	<b>2,340,000</b>
Share issue expenses	-	-	-	(18,925)	(18,925)	-	(18,925)
Share-based compensation	-	-	2,755	-	2,755	-	2,755
Net loss and comprehensive loss for the period	-	-	-	(144,589)	(144,589)	(690)	(145,279)
<b>Balance at March 31, 2018</b>	<b>45,690,111</b>	<b>71,042,682</b>	<b>6,814,504</b>	<b>(72,813,250)</b>	<b>5,043,936</b>	<b>108,449</b>	<b>5,152,385</b>
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 on exercise of warrants	100,000	51,880	(21,880)	-	30,000	-	30,000
Share-based compensation	-	-	6,965	-	6,965	-	6,965
Net loss and comprehensive loss for the period	-	-	-	(156,838)	(156,838)	(173)	(157,011)
<b>Balance at March 31, 2017</b>	<b>32,785,127</b>	<b>67,857,585</b>	<b>6,798,442</b>	<b>(72,377,739)</b>	<b>2,278,288</b>	<b>109,884</b>	<b>2,388,172</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>	Three months ended March 31,	
	2018	2017
	\$	\$
<b>Operating activities</b>		
Net loss for the period	(145,279)	(157,011)
Adjustments		
Share-based compensation	1,438	4,227
Amortization of property and equipment	936	1,479
Income related to flow-through shares	(13,157)	(12,785)
Finance income accrued	(1,371)	(770)
Finance income received	1,371	1,850
Gain on foreign exchange	-	(8,554)
Changes in working capital items (Note 9)	51,205	(205,965)
	<b>(104,857)</b>	<b>(377,529)</b>
<b>Investing activities</b>		
Additions to exploration and evaluation assets	(225,419)	(62,517)
Additions to property and equipment	-	(2,105)
	<b>(225,419)</b>	<b>(64,622)</b>
<b>Financing activities</b>		
Issuance of shares (Note 5)	2,340,000	-
Share issue expenses	(18,925)	-
Exercise of warrants	-	30,000
	<b>2,321,075</b>	<b>30,000</b>
Effect of exchange rate changes on cash held in foreign currency	-	7,203
Net change in cash	<b>1,990,799</b>	<b>(404,948)</b>
Cash, beginning of period	<b>1,233,957</b>	<b>2,281,637</b>
Cash, end of period	<b>3,224,756</b>	<b>1,876,689</b>
<b>Supplemental cash flow information</b>		
Share-based compensation capitalized to exploration and evaluation assets	1,317	2,738
Amortization of property and equipment capitalized to exploration and evaluation assets	182	234
Change in accounts payable and accrued liabilities related to exploration and evaluation assets	(149,259)	68,511
Fair value of warrants exercised	-	21,880

*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

March 31, 2018 (unaudited - in Canadian dollars)

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## 1. GENERAL INFORMATION AND LIQUIDITY RISK

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 an option to acquire up to a 65% interest in the La Peltrie gold project in northern Québec. The Company also holds a 48.7% 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 May 22, 2018.

### *Liquidity risk*

Management of the Company believes it has sufficient funds to pay for its ongoing general and administrative expenses and to meet its liabilities, obligations and existing commitments for the ensuing twelve months as they fall 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. The Company's ability to continue future operations beyond March 31, 2019 and fund its exploration and evaluation expenditures is dependent on management's ability to secure additional financing in the future, which may be completed in a number of ways, including, but not limited to, the issuance of debt or equity instruments or a combination of strategic partnerships or joint venture arrangements. Management will pursue such additional sources of financing when required, and 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 for the Company or that they will be available on terms that are acceptable to the Company.

# Niobay Metals Inc.

Notes to Condensed Interim Consolidated Financial Statements  
March 31, 2018 (unaudited - in Canadian dollars)

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## 2. BASIS OF PRESENTATION AND CHANGES IN ACCOUNTING POLICIES

### *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, except as described below. These unaudited condensed interim consolidated financial statements 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, 2017 and 2016 which have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB").

### *Changes in accounting policies*

#### **IFRS 2, Classification and Measurement of Share-based Payment Transactions**

The Company has adopted the amendments to IFRS 2 which became effective on January 1, 2018. The adoption of the amendments to IFRS 2 (which relate to cash-settled share-based payments) did not have an impact on the Company's consolidated financial statements as Niobay has no cash-settled share-based payments.

#### **IFRS 9, Financial Instruments**

The Company has adopted IFRS 9 effective January 1, 2018. The adoption of this standard did not have an impact on the Company's consolidated financial statements. There was no impact on carrying values and equity as at January 1, 2018 as a result of the adoption of the standard and no measurement differences on the Company's financial instruments.

The classification of financial instruments in accordance with IFRS 9 is based on the entity's business model and the contractual cash flow characteristics of the financial asset or liability. Also, IFRS 9 introduced a single expected credit loss impairment model, based on changes in credit quality since initial application. The adoption of the expected credit loss impairment model had no impact on the Company's consolidated financial statements.

The Company's financial instruments are accounted for as follows under IFRS 9 as compared to the Company's previous policy in accordance with IAS 39:

**Cash:** Amortized cost under IFRS 9 (loans and receivables, measured at amortized cost under IAS 39)

**Accounts payable and accrued liabilities:** Amortized cost under IFRS 9 (financial liabilities measured at amortized cost under IAS 39).

# Niobay Metals Inc.

Notes to Condensed Interim Consolidated Financial Statements  
March 31, 2018 (unaudited - in Canadian dollars)

## 3. EVALUATION AND EXPLORATION ASSETS

Evaluation and exploration assets by properties are detailed as follows:

	James Bay	La Peltrie	Soquem JV	Total
	\$	\$	\$	\$
Balance, December 31, 2017	1,139,747	640,001	137,978	1,917,726
Wages	-	13,718	-	13,718
Consultants	45,168	563	-	45,731
Transportation	7,861	-	-	7,861
Studies	5,910	-	-	5,910
Depreciation	182	-	-	182
Share-based compensation	1,317	-	-	1,317
Administrative and others	1,636	1,304	-	2,940
	62,074	15,585	-	77,659
<b>Balance, March 31, 2018</b>	<b>1,201,821</b>	<b>655,586</b>	<b>137,978</b>	<b>1,995,385</b>

	James Bay	La Peltrie	Soquem JV	Total
	\$	\$	\$	\$
Balance, December 31, 2016	614,777	-	-	614,777
Property payments	7,755	-	-	7,755
Consultants	45,525	-	-	45,525
Transportation	1,880	-	-	1,880
Studies	73,643	-	-	73,643
Depreciation	234	-	-	234
Share-based compensation	2,738	-	-	2,738
Administrative and others	2,225	-	-	2,225
	134,000	-	-	134,000
Balance, March 31, 2017	748,777	-	-	748,777

## 4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

At March 31, 2018, 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 (\$103,499).

# Niobay Metals Inc.

Notes to Condensed Interim Consolidated Financial Statements

March 31, 2018 (unaudited - in Canadian dollars)

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## 5. SHARE CAPITAL AND WARRANTS

### *Issued and fully paid*

At March 31, 2018, the Company had 45,690,111 issued and outstanding common shares (36,690,111 at December 31, 2017).

### *Issuance of shares*

On March 28, 2018, Osisko Gold Royalties Ltd. ("Osisko") purchased, by way of a private placement, 9,000,000 common shares of the Company at a price of \$0.26 per share for proceeds of \$2,340,000, following which Osisko owns approximately 19.7% of Niobay's issued and outstanding shares on a non-diluted basis. Pursuant to the subscription agreement entered into between Niobay and Osisko, so long as Osisko holds not less than 10% of the then issued and outstanding shares of Niobay, Osisko has the right to (i) nominate one director to Niobay's board of directors and (ii) participate in all future equity financings by Niobay to maintain its relative equity ownership. Osisko was also granted an option to purchase a 1.0% royalty on all products to be produced from the James Bay niobium project. The option will be exercisable by paying \$2,000,000 to Niobay at any time within 90 days following the delivery by Niobay to Osisko of a bankable feasibility study on the project.

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

During the three months ended March 31, 2018, an amount of \$13,157 was recorded as income related to flow-through shares (\$12,785 during the three months ended March 31, 2017), representing the decrease in the liability related to the exploration and evaluation expenses incurred during the period. At March 31, 2018, the Company had \$148,753 of unspent flow-through funds (\$219,800 at December 31, 2017).

### *Share purchase warrants*

The following table reflect the number of issued and outstanding share purchase warrants at March 31, 2018 and December 31, 2017:

Grant date	Number of Warrants	Price per share	Expiry date
		\$	
August 4, 2016	250,000	0.30	July 5, 2019
December 19, 2016	45,294	1.25	Dec 19, 2018
	295,294	0.45	
Average price	0.45		

# Niobay Metals Inc.

Notes to Condensed Interim Consolidated Financial Statements

March 31, 2018 (unaudited - in Canadian dollars)

## 6. STOCK OPTIONS

The following table sets out the activity in stock options:

	Three months ended March 31, 2018	
	Number	Weighted average exercise price (\$)
Options, beginning of period	962,800	0.39
Expired	(40,000)	(0.35)
Options, end of period	922,800	0.39

The following table reflects the stock options issued and outstanding at March 31, 2018:

Issue date	Number of options	Exercise price \$	Remaining Contractual life (years)	Number of exercisable options	Exercise price of exercisable options \$
March 12, 2010	8,000	2.50	2.0	8,000	2.50
January 21, 2011	8,000	2.38	2.8	8,000	2.38
December 16, 2011	24,000	1.25	0.7	24,000	1.25
March 23, 2012	8,000	1.00	4.0	8,000	1.00
May 13, 2014	230,000	0.30	1.1	230,000	0.30
June 12, 2014	110,000	0.28	1.2	110,000	0.28
June 5, 2015	170,000	0.25	2.2	170,000	0.25
March 22, 2016	30,000	0.28	3.0	30,000	0.28
June 14, 2016	290,000	0.35	3.2	240,000	0.35
September 6, 2016	44,800	0.63	3.4	29,867	0.63
	922,800	0.39	2.2	857,867	0.38

# Niobay Metals Inc.

Notes to Condensed Interim Consolidated Financial Statements  
March 31, 2018 (unaudited - in Canadian dollars)

## 7. MANAGEMENT AND ADMINISTRATION EXPENSES

The Company incurred the following management and administration expenses:

	Three months ended March 31,	
	2018	2017
	\$	\$
Wages and fees	85,272	103,230
Legal, audit and tax	6,521	7,343
Office	14,653	19,955
Investor relations and travel	39,994	36,390
Reporting issuer costs	8,511	14,185
Mining titles management	2,454	570
	157,405	181,673
Share-based compensation	1,438	4,227
Amortization of property and equipment	936	1,479
	159,779	187,379

## 8. SEGMENTED INFORMATION

The Company has one reportable operating segment being the acquisition and exploration of mineral properties. At March 31, 2018 and December 31, 2017, all non-current assets are located in Canada.

## 9. CASH FLOWS

Changes in working capital items are as follows:

	Three months ended March 31,	
	2018	2017
	\$	\$
Sales taxes receivable	38,511	(22,112)
Prepaid expenses and deposits	13,540	(27,558)
Accounts payable and accrued liabilities	(846)	(156,295)
	51,205	(205,965)



# Niobay Metals Inc.

Notes to Condensed Interim Consolidated Financial Statements

**March 31, 2018** (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 March 31, 2018 and December 31, 2017.

## 11. EVENT AFTER THE REPORTING DATE

In April 2018, the Company granted a total of 1,800,000 stock options to its directors, officers and consultants. The stock options granted will vest over 2 years. The options have a five-year term and are exercisable at a price of \$0.25 per share.