

NIOBAY METALS INC.
(formerly MDN Inc.)
MANAGEMENT'S DISCUSSION AND ANALYSIS
– QUARTERLY HIGHLIGHTS
FOR THE 3RD QUARTER ENDED SEPTEMBER 30, 2016

The following interim management's discussion and analysis – quarterly highlights (“**Interim MD&A**”) of Niobay Metals Inc. (“**Niobay Metals**” or the “**Company**”) for the three months ended September 30, 2016 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 for the year ended December 31, 2015 (“**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, 2016 (the “**Interim Financial Statements**”), the Company's audited consolidated financial statements for the years ended December 31, 2015 and 2014 (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 24, 2016.

All financial results presented in this Interim MD&A are expressed in Canadian dollars unless otherwise indicated. The number of shares, warrants and stock options presented in this Interim MD&A have all been adjusted to reflect the impact of the one for five share consolidation described under Highlights for the Period.

NATURE OF OPERATIONS

Niobay Metals (formerly MDN Inc.) is a mineral resource company. The business of the Company consists of acquiring, exploring and evaluating mining properties. Niobay Metals has not yet determined whether its properties contain economically viable mineral deposits.

The Company's efforts are focused on critical metals, with a specific interest for properties containing niobium. In June 2016, the Company completed the acquisition of a 100% interest in the James Bay niobium property (the “James Bay Niobium Project”), located in north-eastern Ontario. The Company also holds interests in properties located in Quebec (niobium and tantalum) and in Tanzania (gold). The Company's common shares trade on the TSX Venture Exchange (“TSXV”) under the symbol NBY.

HIGHLIGHTS FOR THE PERIOD

- On September 20, 2016, following receipt of shareholder approval at a special meeting of shareholders held on September 1, 2016 and subsequent approval by the Company's board of directors of the filing of the applicable articles of amendment, the Company changed its name from MDN Inc. to Niobay Metals Inc. and proceeded with the consolidation of its common shares on the basis of one post-consolidation share for every five pre-consolidation

shares. All outstanding share purchase warrants and stock options were also adjusted to reflect the one for five share consolidation. The Company's shares commenced trading on the TSXV on a post-consolidation basis and under the new name and ticker symbol "NBY" on September 21, 2016. As of the date of this Interim M&A, the Company has 31,141,501 common shares, 500,000 common share purchase warrants and 1,118,800 stock options issued and outstanding.

- On August 4, 2016, the Company completed a non-brokered private placement of 7,180,000 common shares at a price of \$0.25 per share for gross proceeds of \$1,795,000. All of the securities issued pursuant to the private placement are subject to a statutory hold period expiring on December 5, 2016. In connection with the private placement, the Company issued 500,000 compensation warrants exercisable into 500,000 common shares at an exercise price of \$0.30 per share expiring on July 5, 2019.
- Following the acquisition of the James Bay Niobium Project, all of the historical data was brought to the Company's head office and compilation is now well advanced. In parallel, a team of geologists is currently working on the core that was drilled in the 1960s by the previous owner, located in Moosonee, a town approximately 40 km north of the James Bay Niobium Project. The planned cleaning, relogging and re-assaying of historical drill core will be completed by the end of the year. The objective of the review of historical data and analysis of the drill core is to complete a geological re-interpretation and a validation of the assay results of the 1960s. These re-assays and re-interpretation will enable the geologists to design a drilling campaign that is tentatively scheduled to take place in early 2017. With the results of the drill campaign, the Company should be in a position to complete a resource estimate in accordance with NI 43-101 standards. This would then lead to the preparation of a preliminary economic assessment by the end of 2017. The geological work is being done under the direct supervision of Jacquelin Gauthier, P.Eng., P. Geo., Senior Technical Advisor to the Company.
- The Company has initiated communications with the various stakeholders impacted by the James Bay Niobium Project and an application with the Ontario Ministry of Northern Development and Mines for an exploration permit has been filed.
- The Company invested an amount of approximately \$85,000 on the James Bay Niobium Project during the three months ended September 30, 2016, and such amounts were capitalized in accordance with the Company's accounting policy. This investment consisted mostly of consulting fees related to the geological work described above.
- The Company incurred a net loss of \$230,226 (\$0.01 per share) for the 3rd quarter ended September 30, 2016 compared to a net income of \$678 (\$0.00 per share) during the comparative period in 2015.

JAMES BAY NIOBIUM PROPERTY (Ontario)

In June 2016, the Company completed the acquisition of the James Bay Niobium Project located in the James Bay Lowlands in northern Ontario. The acquisition of the James Bay Niobium property marked a significant milestone for the Company. The extensive knowledge of the Company's management team in the niobium field led Niobay Metals to conclude that the James Bay Niobium Project is a strategic asset that has the potential to create the long term growth of

the Company and to become a major player in this critical metal production.

The James Bay Niobium Project was discovered in 1966 by James Bay Columbian Ltd. Historical estimates were established by exploratory and detailed drilling totalling over 14,000 meters in 85 holes, outlining the deposit to a maximum depth of 275 meters. The deposit has been drilled off in sections of 61 meters intervals along a strike of 730 meters. An historical estimate of 62 million tonnes at 0.52% Nb₂O₅ was established in 1967 by Dr. P. Price of Bechtel and Company. An exploration shaft was sunk to investigate soil conditions and to provide a 250 tonnes bulk sample. Subsequent pilot plant operations demonstrated a good quality pyrochlore concentrate and a recovery rate of 78% was achieved. Historical estimates and historical pilot plant results led to the realization in 1969, by Bechtel Canada, of a feasibility study on the project.

The historical estimates, the historical feasibility and the historical metallurgical testing are based on data obtained by previous operators in the 1960s. Niobay Metals has not yet undertaken the work necessary to verify or classify those historical results. Economic studies completed in the 1960s do not mean the James Bay Niobium property would be found to be economic today. Niobay Metals is not treating the historical estimates as having been verified by a qualified person. The Company will have to perform studies to validate the historical estimates.

OTHER PROPERTIES

Crevier (Quebec)

No work has been done on the Crevier property during the current period.

Ikungu and Ikungu East properties (Tanzania)

MDN Tanzania, the Company's wholly-owned subsidiary, applied for the extension of prospecting licences on two of its permits, in April 2015 and in June 2016. The extension applications have not yet been approved. Although the Company believes that the extensions will be obtained, there is no assurance that such extensions will be granted to MDN Tanzania.

MDN Tanzania received notices of assessment in April and June 2016 in respect of withholding taxes, claiming an amount of approximately \$300,000 plus accrued interest of approximately \$600,000. Management of the Company believes that it has always paid its withholding taxes in accordance with local requirements and that the amounts claimed are unfounded. MDN Tanzania intends to vigorously defend its position with the Tanzanian tax authorities.

SUMMARY OF OPERATING RESULTS

The Company incurred a net loss of \$230,226 during the three months ended September 30, 2016 compared to a net income of \$678 in 2015. The loss during the current period included mostly \$204,191 in management and administration expenses and \$25,700 as write-down of an amount related to the Prairie Lake property, on which the option held by the Company had been terminated in early 2016. The income in 2015 was due to the realization of a gain of \$638,414 on settlement of liabilities in Tanzania, partially offset by a write-down of exploration and evaluation assets of \$490,675 related to the Samaqua property and management and administration expenses of \$115,283.

Administrative expenses totalled \$204,191 for the three months ended September 30, 2016 compared to \$115,283 in 2015. Expenses in 2016 include \$50,000 as a retirement allowance to the Company's former CFO and higher investor relations and travel expenses related mostly to the August 2016 private placement of \$1,795,000.

LIQUIDITY AND FINANCIAL POSITION

At September 30, 2016, the Company's cash position amounted to \$1,464,600 compared to \$319,343 at December 31, 2015. On August 4, 2016, the Company completed a non-brokered private placement for a total amount of \$1,795,000. Proceeds from the private placement are being used on the work program on the James Bay Niobium Project, and for working capital purposes. However, management estimates that it will require additional funds to meet all of its exploration and development activities related to the James Bay Niobium Project and to provide for management and administration expenses for at least the next 12 months. Such funding requirements may be met in the future in a number of ways, including the issuance of additional securities or other 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 development 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, 2016, cash flows used in operating activities amounted to \$349,938 compared to cash flows from operating activities of \$26,401 in 2015. This decrease is mainly due to the change in non-cash working capital items of \$106,936 compared to \$472,003 in 2015. In 2015, the Company had received an amount of approximately \$511,000 from the Tanzania Revenue Agency for the refund of sales taxes paid by the Company in prior years. In 2016, the Company received from XINYE a net amount of \$96,878 (US\$75,000) as a reimbursement of legal and other expenses related to the September 2015 Heads of Agreement on the assets in Tanzania, which was subsequently terminated.

Financing activities

On August 4, 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 paid totalled \$156,006 and included mostly legal, consulting and regulatory expenses.

Investing activities

For the nine months ended September 30, 2016, the cash inflows related to investing activities amounted to \$97,953 compared to cash outflows of \$122,018 in 2015. In 2016, the Company disposed of an investment of \$250,000 compared to \$400,000 in 2015. Additions to exploration and evaluation assets of \$149,947 in 2016 included cash expenses of \$49,945 related to the

acquisition of the James Bay Niobium Project, \$84,986 related to exploration and evaluation expenditures of the James Bay Niobium Project, \$28,350 related to maintaining the assets in Tanzania in good standing and the application of an extension to the prospecting licences of one of the permits held and \$57,910 in claims-related expenses of the Prairie Lake and Crevier properties. Additions to exploration and evaluation assets of \$522,018 in 2015 related principally to the Samaqua project in Quebec.

RELATED PARTY TRANSACTIONS

The remuneration awarded to key management personnel, including directors, the Chief Executive Officer and the Chief Financial Officer, during the three months ended September 30, 2016 totaled \$33,223 (\$53,970 during the comparative period in 2015).

A company controlled by the CEO of the Company invoiced \$12,100 during the three months ended September 30, 2016 for the services of a financial analyst (\$6,410 in 2015), and invoiced \$8,500 for the rental of office space (\$8,250 in 2015).

RISKS AND UNCERTAINTIES

Reference is made to the description of risks and uncertainties included in the MD&A for the year ended December 31, 2015.

QUALIFIED PERSON

Jacquelin Gauthier, P.Eng., P. Geo., a Qualified Person under NI 43-101, has reviewed and approved all of the technical information in this Interim MD&A. Mr. Gauthier is a senior technical consultant to the Company.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Interim MD&A contains certain forward-looking statements as defined in applicable securities laws (referred to herein as "forward-looking statements"). Specifically, this Interim MD&A includes forward-looking statements regarding the Company's strategic plans and objectives to create long term growth and to become a major player in the production of niobium; the timing, completion and results of planned exploration and drilling programs, planned resource estimate and planned preliminary economic assessment; future financial results and future financings. 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, changes and volatility of metal prices and equity markets, the uncertainties involved in interpreting geological data and estimating mineral resources, changes or delays in exploration plans, the results of exploration programs, risks related to the receipt of regulatory and governmental permits and approvals, the timing and results of consultations with the aboriginal partners, 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, in the Company's MD&A for the year ended December 31, 2015 and in the continuous disclosure documents filed by the Company and available on SEDAR at www.sedar.com. 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) and on SEDAR at (www.sedar.com).

Niobay Metals Inc.
(formerly MDN Inc.)

**CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS**

For the three and nine months ended September 30, 2016

In Canadian Dollars

Unaudited

NOTICE TO READER

The accompanying unaudited condensed interim consolidated financial statements of Niobay Metals Inc. (formerly MDN 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. (formerly MDN Inc.)
Consolidated Statements of Financial Position

<i>(unaudited, in Canadian dollars)</i>	September 30, 2016	December 31, 2015
	\$	\$
ASSETS		
Current		
Cash	1,464,600	69,343
Temporary investments	-	250,000
Accounts receivable	45,543	39,371
Tax credits related to resources and mining taxes receivable	141,158	181,305
Prepaid expenses and deposits	22,751	11,123
	1,674,052	551,142
Non-current		
Accounts receivable	91,912	101,633
Property and equipment	48,664	56,021
Exploration and evaluation assets (Note 3)	484,931	7,638,134
TOTAL ASSETS	2,299,559	8,346,930
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 4)	379,958	236,894
Non-current		
Deferred income tax liability (Note 3)	-	195,188
TOTAL LIABILITIES	379,958	432,082
EQUITY		
Share capital (Note 5)	66,686,758	64,530,913
Contributed surplus	6,825,680	6,653,091
Deficit	(73,513,524)	(67,188,424)
Cumulative translation adjustment	1,699,248	2,786,446
Equity attributable to shareholders of the Company	1,698,162	6,782,026
Non-controlling interests	221,439	1,132,822
TOTAL EQUITY	1,919,601	7,914,848
TOTAL LIABILITIES AND EQUITY	2,299,559	8,346,930

Going concern (Note 1), Contingencies (Note 9).

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

Niobay Metals Inc. (formerly MDN Inc.)
Consolidated Statements of Comprehensive (Loss) Income

<i>(unaudited, in Canadian dollars)</i>	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
	\$	\$	\$	\$
Expenses and other items				
Management and administration (Note 7)	204,191	115,283	524,923	486,625
Write-down of exploration and evaluation assets (Note 3)	25,700	490,675	6,643,156	2,447,175
Income related to flow-through shares	-	(287)	-	(48,058)
Gain on settlement of liabilities	-	(638,414)	-	(638,414)
Finance income	(379)	(839)	(890)	(3,861)
Loss (gain) on foreign exchange	714	32,904	(942)	85,223
(Loss) income before income taxes	(230,226)	678	(7,166,247)	(2,328,690)
Deferred income tax recovery (Note 3)	-	-	(195,188)	-
Net (loss) income for the period	(230,226)	678	(6,971,059)	(2,328,690)
Other comprehensive income (loss)				
Foreign currency translation differences for foreign operations	1,310	606,974	(1,087,198)	1,351,387
Total comprehensive (loss) income for the period	(228,916)	607,652	(8,058,257)	(977,303)
Net (loss) income attributable to:				
Shareholders of the Company	(229,622)	7,062	(6,059,676)	(2,308,588)
Non-controlling interests	(604)	(6,384)	(911,383)	(20,102)
Total comprehensive (loss) income attributable to:				
Shareholders of the Company	(228,312)	614,036	(7,146,874)	(957,201)
Non-controlling interests	(604)	(6,384)	(911,383)	(20,102)
Basic and diluted (loss) earnings per common share	(0.01)	0.00	(0.28)	(0.10)
Weighted average number of common shares - basic and diluted	28,396,283	22,931,501	24,873,554	22,902,270

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

Niobay Metals Inc. (formerly MDN Inc.)
Consolidated Statements of Shareholders' Equity

	Number of issued and outstanding common shares (1)	Share	Contributed		Cumulative	Equity	Non-	Total
		capital	surplus	Deficit	translation adjustment	attributable to shareholders of the company	controlling interests	shareholders' equity
<i>(unaudited, in Canadian dollars)</i>		\$	\$	\$	\$	\$	\$	\$
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 (Note 5)	7,180,000	1,795,000	-	-	-	1,795,000	-	1,795,000
Share issue expenses (Note 5)	-	-	109,418	(265,424)	-	(156,006)	-	(156,006)
Shares issued on acquisition of the James Bay project (Note 5)	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 remuneration	-	-	66,516	-	-	66,516	-	66,516
Net loss for the period	-	-	-	(6,059,676)	-	(6,059,676)	(911,383)	(6,971,059)
Other comprehensive loss								
Foreign currency translation differences	-	-	-	-	(1,087,198)	(1,087,198)	-	(1,087,198)
Balance at September 30, 2016	31,141,501	66,686,758	6,825,680	(73,513,524)	1,699,248	1,698,162	221,439	1,919,601
Balance at December 31, 2014	22,791,501	64,481,913	6,622,308	(49,908,226)	1,279,016	22,475,011	1,797,715	24,272,726
Shares issued to acquire the Prairie Lake project	140,000	49,000	-	-	-	49,000	-	49,000
Share-based remuneration	-	-	30,056	-	-	30,056	-	30,056
Net loss for the period	-	-	-	(2,308,588)	-	(2,308,588)	(20,102)	(2,328,690)
Other comprehensive income								
Foreign currency translation differences	-	-	-	-	1,351,387	1,351,387	-	1,351,387
Balance at September 30, 2015	22,931,501	64,530,913	6,652,364	(52,216,814)	2,630,403	21,596,866	1,777,613	23,374,479

(1) On September 20, 2016, the Company's common shares were consolidated on the basis of one post-consolidation share for every 5 pre-consolidation shares held. The number of shares presented in these condensed interim consolidated financial statements have all been adjusted to reflect the impact of this share consolidation.

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

Niobay Metals Inc. (formerly MDN Inc.)
Consolidated Statements of Cash Flows

<i>(unaudited, in Canadian dollars)</i>	Nine months ended September 30,	
	2016	2015
	\$	\$
Operating activities		
Net loss for the period	(6,971,059)	(2,328,690)
Adjustments		
Share-based remuneration	59,007	30,056
Amortization of property and equipment	7,785	4,938
Write-down of exploration and evaluation assets	6,643,156	2,447,175
Gain on settlement of liabilities	-	(638,414)
Deferred income tax recovery	(195,188)	-
Finance income accrued	(890)	(3,861)
Finance income received	1,257	(9,209)
Foreign exchange (gain) loss	(942)	52,403
Changes in working capital items	106,936	472,003
	(349,938)	26,401
Investing activities		
Disposal of investments	250,000	400,000
Additions to property and equipment	(2,100)	-
Additions to exploration and evaluation assets	(149,947)	(522,018)
	97,953	(122,018)
Financing activities		
Issuance of shares	1,802,500	-
Share issue expenses	(156,006)	-
	1,646,494	-
Effect of exchange rate changes on cash held in foreign currency	748	(17,899)
Net change in cash	1,395,257	(113,516)
Cash, beginning of period	69,343	264,796
Cash, end of period	1,464,600	151,280
Supplemental cash flow information		
Change in tax credits related to resources capitalized to exploration and evaluation assets	-	40,146
Share-based remuneration capitalized to exploration and evaluation assets	7,509	-
Change in accounts payable and accrued liabilities related to exploration and evaluation assets	63,735	67,203
Value of shares issued on acquisition of exploration and evaluation assets	350,000	49,000

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

1. GENERAL INFORMATION AND GOING CONCERN

On September 20, 2016, following receipt of shareholder approval at a special meeting of shareholders held on September 1, 2016 and subsequent approval by the Company's board of directors of the filing of the applicable articles of amendment, the Company changed its name from MDN Inc. to Niobay Metals Inc. ("Niobay" or the "Company") and proceeded with the consolidation of its common shares on the basis of one post-consolidation share for every five pre-consolidation shares. All outstanding share purchase warrants and stock options were also adjusted to reflect the one for five share consolidation. The Company's shares commenced trading on the TSX Venture Exchange ("TSXV") on a post-consolidation basis and under the new name and ticker symbol "NBY" on September 21, 2016.

Niobay is primarily engaged in the acquisition and exploration of mineral properties. In June 2016, the Company completed the acquisition of the James Bay niobium property, located in northern Ontario, Canada. The Company also holds interests in other exploration properties located in Quebec, Canada and Tanzania through its subsidiaries Crevier Minerals Inc. ("CMI", 72.5% interest) and MDN Tanzania Ltd. ("MDN Tanzania", 100% interest). All amounts in these condensed interim consolidated financial statements are expressed in Canadian dollars unless otherwise indicated. The Board of Directors approved and authorized for issuance these unaudited condensed interim consolidated financial statements on November 24, 2016.

Going concern

These unaudited condensed interim consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assume that the Company will continue to operate for the foreseeable future and will be able to realize its assets and discharge its 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. Management is aware, in making its assessment, of material uncertainties related to events and conditions that may cast a significant doubt about the Company's ability to continue as a going concern as described in the following paragraph, and accordingly, the appropriateness of the use of accounting principles 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 classification that would be necessary if the going concern assumption was not appropriate. These adjustments could be material.

At September 30, 2016, the Company had a working capital of \$1,294,094, had an accumulated deficit of \$73,513,524 and incurred a loss of \$6,971,059 for the nine months ended September 30, 2016. Working capital included cash of \$1,464,600. However, the Company will require additional funds to meet its exploration and development objectives, to provide for management and administration expenses for at least the next 12 months and to settle all current obligations. Such funding requirements may be met in the future in a number of ways, including the issuance of securities or other arrangements. If the Company is not successful in raising additional funds, it may be required to reduce the scope of, or eliminate its future exploration and development activities, any of which could have a negative impact on the business, financial condition and results of operation of the Company.

Niobay Metals Inc. (formerly MDN Inc.)
Notes to Condensed Interim Consolidated Financial Statements
September 30, 2016 (unaudited - in Canadian dollars)

2. 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, 2015 and 2014 which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Restatement for the three and six months ended June 30, 2016

The Company's condensed interim consolidated financial statements for the three and six months ended June 30, 2016 have been restated to properly reflect the foreign exchange impact of the write-down of the Tanzanian properties recorded during those periods. The effect of the restatement is summarized as follows:

	Previously reported	Adjustment	Restated
	\$	\$	\$
Financial Position at June 30, 2016			
Deficit	(73,939,216)	920,738	(73,018,478)
Cumulative translation adjustment	2,618,676	(920,738)	1,697,938
Comprehensive Loss for the three months ended June 30, 2016			
Write-down of exploration and evaluation assets	7,538,194	(920,738)	6,617,456
Net loss for the period	(7,531,278)	920,738	(6,610,540)
Other comprehensive (income) loss			
Foreign currency translation difference for foreign operations	95,940	(920,738)	(824,798)
Total comprehensive loss of the period	(7,435,338)	-	(7,435,338)
Comprehensive Loss for the six months ended June 30, 2016			
Write-down of exploration and evaluation assets	7,538,194	(920,738)	6,617,456
Net loss for the period	(7,661,571)	920,738	(6,740,833)
Other comprehensive loss			
Foreign currency translation difference for foreign operations	(167,770)	(920,738)	(1,088,508)
Total comprehensive loss of the period	(7,829,341)	-	(7,829,341)

The restatement had no impact on total Operating Activities and Investing Activities in the Consolidated Statements of Cash Flows statement for the six-months ended June 30, 2016.

Niobay Metals Inc. (formerly MDN Inc.)
Notes to Condensed Interim Consolidated Financial Statements
September 30, 2016 (unaudited - in Canadian dollars)

3. EVALUATION AND EXPLORATION ASSETS

Evaluation and exploration assets by properties are detailed as follows:

	January 1, 2016	Additions	Write-down	Effect of foreign exchange	September 30, 2016
	\$	\$	\$	\$	\$
Mineral properties					
Canada					
James Bay (Nb) - 100%	-	399,945	-	-	399,945
	-	399,945	-	-	399,945
Exploration and evaluation expenditures					
Canada					
James Bay (Nb) - 100%	-	84,986	-	-	84,986
Crevier (Nb) - 72.5%	3,486,133	5,210	(3,491,343)	-	-
Prairie Lake (Nb)	-	52,700	(52,700)	-	-
Tanzania					
Ikungu (Au) - 84%	3,825,363	16,495	(2,848,171)	(993,687)	-
Ikungu East (Au) - 100%	326,638	11,855	(250,942)	(87,551)	-
	7,638,134	171,246	(6,643,156)	(1,081,238)	-
	7,638,134	571,191	(6,643,156)	(1,081,238)	484,931

James Bay

On June 22, 2016, the Company completed the acquisition of the James Bay niobium property, located in northern Ontario, from Barrick Gold Inc., James Bay Columbian Ltd. and Goldcorp Inc. (the "Sellers"). In exchange for a 100% interest in the property, the Company issued to the Sellers a total of 1,000,000 common shares and paid a cash consideration of \$25,000. The Sellers retain a 2% net smelter returns royalty ("Royalty") over all metals produced from the property. The Company has the right to buy-back 1% of the Royalty for an amount of \$2,000,000 (in constant 2016 dollars, subject to a cap of \$3,000,000) at any time. Moreover, the Sellers have the right to re-acquire a 51% interest in the property (the "Back-in Right"), in case of the establishment on the property of one or more deposits containing no less than 2 million gold ounces and/or gold equivalent ounces of resources in aggregate, upon payment by the Sellers to the Company of 2.5 times the Company's expenditures incurred on the property. The Back-In Right does not apply to the niobium content.

The acquisition cost of the James Bay property includes an amount of \$350,000 representing the value of the shares issued, using the closing price of the shares on the day immediately prior to the closing date, the cash consideration of \$25,000 and legal and regulatory fees of \$24,945.

3. EVALUATION AND EXPLORATION ASSETS (continued)

Crevier

Following the acquisition of the James Bay property, the Company has established that its focus will be the development of the James Bay property in Northern Ontario. The Company does not intend to conduct any exploration and / or development work on the Crevier property in the foreseeable future. Given the above and the significant amount of investments that would be required to potentially establish economic resources at Crevier, the Company proceeded with writing-down to nil during the three months ended June 30, 2016 its investments in the project, thus estimating no recoverable value of the Crevier property. The write-down resulted in the reversal of the deferred income tax liability and a corresponding deferred income tax recovery was recorded during the three months ended June 30, 2016.

The Company has a non-expiring right to acquire an additional interest of 15% in CMI by paying in cash or in shares, at the option of the Company, \$750,000 to the non-controlling shareholder.

Prairie Lake

The Company incurred claims-related expenses of \$52,700 during the nine-months ended September 30, 2016. In February 2016, the Company terminated its option on the property with the claim owners and has therefore written-down to nil its costs incurred on the property, thus estimating no recoverable value of the Prairie Lake property.

Ikungu and Ikungu East

MDN Tanzania applied for the extension of prospecting licences on two of its permits, in April 2015 and in June 2016. The extension applications have not yet been approved. Although the Company believes that the extensions will be obtained, there is no assurance that such extensions will be granted to MDN Tanzania.

On May 10, 2016, the Company advised Sichuan Xinye Investment Corporation of Mining and Exploration ("XINYE") that it was terminating the Heads of Agreement ("HOA") entered into in September 2015, as the parties did not succeed in concluding a definitive agreement under the terms of the HOA. Given the termination of the HOA and that the Company does not anticipate conducting any exploration work on these properties in the foreseeable future, the Company proceeded with writing-down to nil during the three months ended June 30, 2016 its investments in the Tanzanian properties, thus estimating no recoverable value of the Ikungu and Ikungu East properties.

Following the completion of the due diligence period and in accordance with the HOA, XINYE paid to MDN in January 2016 an amount of US\$200,000, which included an amount of US\$75,000 as reimbursement of transaction-related expenses and a break fee of US\$125,000. Following the termination of the HOA, the Company agreed to return the amount of US\$125,000 to XINYE, which amount was paid on August 10, 2016. The difference of \$96,878 (US\$75,000) was presented as a reduction of management and administration expenses in Note 7.

4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

At September 30, 2016, accounts payable and accrued liabilities included a provision of \$144,000 related to the April 2015 notice of assessment issued by Revenu Québec (Note 9), a remaining retirement allowance of \$25,000 payable to the Company's former CFO on the anniversary date of his retirement, being May 26, 2017, and various payables and accruals in Tanzania (\$7,252) and in Canada (\$203,706).

5. SHARE CAPITAL AND WARRANTS

Issued and fully paid

On September 20, 2016, the Company proceeded with the consolidation of its common shares on a 1 for 5 basis. The number of shares, warrants, options and loss per share data presented in these condensed interim consolidated financial statements have all been adjusted to reflect the impact of this share consolidation.

At September 30, 2016, the Company had 31,141,501 issued and outstanding common shares (22,931,501 at December 31, 2015).

Issuance of shares

On August 4, 2016, the Company completed a non-brokered private placement of 7,180,000 shares at a price of \$0.25 per share for gross proceeds of \$1,795,000. As part of the private placement, the Company granted 500,000 compensation warrants exercisable into 500,000 common shares at an exercise price of \$0.30 per share expiring on July 5, 2019. The fair value of the compensation warrants, estimated at \$109,418 and presented as share issue expenses, was measured based on the Black-Scholes option pricing model, using a risk-free interest rate of 0.54%, an expected life of 3 years, an annualized volatility of 73% and a dividend rate of 0%. The underlying expected volatility was determined by reference to historical data of the Company's share price over the expected life of the warrants. Other issue expenses of \$156,006 consisted of legal, consulting and regulatory expenses.

On June 22, 2016, the Company issued 1,000,000 of its common shares as consideration for the acquisition of the James Bay niobium property (Note 3). These shares were valued at an amount of \$350,000 using the June 21, 2016 closing price of the Company's shares.

Warrants

At September 30, 2016, the Company had 500,000 issued and outstanding compensation warrants, granted as part of the August 4, 2016 non-brokered private placement (nil at December 31, 2015). The compensation warrants are exercisable at a price of \$0.30 per unit until July 5, 2019.

On July 17, 2016, 736,349 share purchase warrants exercisable at a price of \$0.55 per unit expired unexercised (736,349 outstanding share purchase warrants at December 31, 2015).

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6. STOCK OPTIONS

The following table sets out the activity in stock options:

	Three months ended September 30, 2016		Nine months ended September 30, 2016	
	Number	Weighted average exercise price (\$)	Number	Weighted average exercise price (\$)
Options, beginning of period	1,112,000	0.36	726,000	0.40
Granted	44,800	0.63	464,800	0.37
Exercised	(30,000)	(0.25)	(30,000)	(0.25)
Expired	(8,000)	(1.25)	(42,000)	(1.04)
Options, end of period	1,118,800	0.37	1,118,800	0.37

In September 2016, the Company granted a total of 44,800 stock options to a consultant. These will vest over 2 years. The options have a five year term and are exercisable at a price of \$0.625 per share. On the grant date, the market price of the Company's shares was \$0.625. The fair value of the stock options was estimated at \$0.37 per option by applying the Black-Scholes option pricing model, using an expected time-period of 5 years, a semi-annual weighted-average risk-free interest rate of 0.7%, a volatility rate of 72% and a 0% dividend factor.

In June 2016, the Company granted a total of 390,000 stock options to its directors, officers and consultants. A total of 215,000 stock options vested on the grant date and 175,000 stock options will vest over 2 years. The options have a five year term and are exercisable at a price of \$0.35 per share. On the grant date, the market price of the Company's shares was \$0.35. The fair value of the stock options was estimated at \$0.19 per option by applying the Black-Scholes option pricing model, using an expected time-period of 5 years, a semi-annual weighted-average risk-free interest rate of 0.6%, a volatility rate of 68% and a 0% dividend factor.

In March 2016, the Company granted a total of 30,000 stock options to a consultant. These will vest over 2 years. The options have a five year term and are exercisable at a price of \$0.275 per share. On the grant date, the market price of the Company's shares was \$0.275. The fair value of the stock options was estimated at \$0.19 per option by applying the Black-Scholes option pricing model, using an expected time-period of 5 years, a semi-annual weighted-average risk-free interest rate of 0.7%, a volatility rate of 90% and a 0% dividend factor.

The underlying expected volatility of all option grants was determined by reference to historical data of the Company's share price over the expected stock option life. No special features inherent to the stock options granted were incorporated into the measurement of fair value.

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6. STOCK OPTIONS (continued)

The following table reflects the stock options issued and outstanding at September 30, 2016:

Range of exercise prices	Number of outstanding options	Remaining contractual life (years)
\$0.05 - \$0.99	1,070,800	3.8
\$1.00 - \$1.99	32,000	3.0
\$2.00 - \$2.50	16,000	3.9
	1,118,800	3.8

7. MANAGEMENT AND ADMINISTRATION EXPENSES

The Company incurred the following management and administration expenses:

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
	\$	\$	\$	\$
Wages and consulting	111,245	67,285	272,822	205,751
Legal, audit and tax	24,386	19,900	64,632	126,804
Office	27,192	17,909	66,563	55,200
Investor relations and travel	53,914	3,849	87,491	39,689
Reporting issuer costs	9,501	2,713	55,096	22,010
Recovery of expenses (Note 3)	-	-	(96,878)	-
Mining titles management	1,909	1,254	8,405	2,177
	228,147	112,910	458,131	451,631
Share-based remuneration	(26,534)	727	59,007	30,056
Amortization of property and equipment	2,578	1,646	7,785	4,938
	204,191	115,283	524,923	486,625

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8. SEGMENTED INFORMATION

The Company has one reportable operating segment being the acquisition and exploration of mineral properties. Non-current assets are located as follows:

	September 30, 2016		
	Canada	Tanzania	Total
	\$	\$	\$
Accounts receivable	-	91,912	91,912
Property and equipment	21,698	26,966	48,664
Exploration and evaluation assets	484,931	-	484,931
	506,629	118,878	625,507

	December 31, 2015		
	Canada	Tanzania	Total
	\$	\$	\$
Accounts receivable	-	101,633	101,633
Property and equipment	23,417	32,604	56,021
Exploration and evaluation assets	3,486,134	4,152,000	7,638,134
	3,509,551	4,286,237	7,795,788

9. CONTINGENCIES

Tanzania Revenue Authority (“TRA”)

MDN Tanzania received notices of assessment in April and June 2016 in respect of withholding taxes, claiming an amount of approximately \$300,000 plus accrued interest of approximately \$600,000. No provision has been recorded in these condensed interim consolidated financial statements as management believes that it has always paid its withholding taxes in accordance with local requirements and that the amounts claimed are unfounded. MDN Tanzania intends 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 Crevier Minerals Inc. 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, 2016 and December 31, 2015.