

**NIOBAY METALS INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**– QUARTERLY HIGHLIGHTS**  
**FOR THE 1<sup>ST</sup> QUARTER ENDED MARCH 31, 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 March 31, 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 months ended March 31, 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 May 18, 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 the 100%-owned James Bay niobium property (the “James Bay Niobium Project”), located in northeastern Ontario. The Company also holds interests in other exploration properties located in Quebec through its 72.5%-owned subsidiary Crevier Minerals Inc. In 2016, following the non-renewal of certain prospecting licenses held in Tanzania, the Company ceased all activities in Tanzania. The Company's common shares are listed on the TSX Venture Exchange under the symbol NBY.

**HIGHLIGHTS FOR THE PERIOD**

- In the fall of 2016, drill core from 12 drill holes completed in the 1960's by the previous owner of the James Bay Niobium Project were re-logged and re-assayed to validate the historical data. The Company provided partial results of the re-assaying program in press releases issued on March 6, 2017 and April 10, 2017. The Company subsequently posted on its website all the results of the re-assaying program. The overall average grade of niobium over large intervals obtained in the re-assaying program is similar to the 1967 historical assays results;
- With the results of the re-assaying program, the Company, in cooperation with G Mining Services Inc., designed a diamond drill hole twinning and in-fill program with the objective of

completing a resource estimate in accordance with National Instrument 43-101 standards. This program provides for the drilling of 10 to 12 holes for a total of approximately 4,000 meters, to a maximum depth of 275 meters. The drilling program is subject to the Company obtaining an exploration permit as required under the Ontario Mining Act and applicable regulations. An application to obtain such exploration permit was lodged in the fall of 2016 and is pending;

- As part of the process to obtain an exploration permit, the Company has reached out to all affected stakeholders in the area of the James Bay Niobium Project, including the Moose Cree First Nation (“MCFN”). The Company has hosted on May 17, 2017 an information session in Moosonee, a town located approximately 40 km north of the project, which purpose was to communicate to the surrounding communities all relevant information about the project, the Company’s plans and objectives, and the potential benefits for all stakeholders. The objective of this session was also to answer questions and get an understanding of the concerns of the community in order to incorporate such concerns into the Company’s future programs. Meaningful discussions between the Company and the MCFN have not yet taken place;
- On May 10, 2017, the Company announced preliminary metallurgical test results using core from the drilling program completed in the 1960s at the James Bay Niobium Project. These tests were conducted by SGS Lakefield in Ontario. The initial results of heavy liquid separation performed on a representative material compound from the James Bay Niobium Project has shown excellent potential for the concentration by gravimetry. A concentration of 90% to 93% of the niobium minerals was obtained in residual masses of only 5% to 22% of the original weight. The historical treatment mode predicted a rejection of almost 40% of the initial mass with a loss of only 4 to 5% of the niobium units. The results of detailed mineralogy performed by QEMSCAN show a very good liberation of minerals in general which are relatively coarse. This may prove, if feasible, to have a clear advantage in terms of the size of the required infrastructures. Additional metallurgical tests will be required once the Company has completed its drilling program;
- The Company invested an amount of \$134,000 on the James Bay Niobium Project during the three months ended March 31, 2017, and such amounts were capitalized in accordance with the Company’s accounting policy. This investment consisted mostly of consulting fees related to the design of the proposed drill program and the ongoing metallurgical testwork described above.

## **SUMMARY OF OPERATING RESULTS**

The Company incurred a net loss of \$157,011 (\$0.01 per share) during the three months ended March 31, 2017 compared to a net loss of \$130,293 (\$0.01 per share) in 2016. The loss during the current period included mostly \$187,379 in management and administration expenses partially offset by a non-cash income related to flow-through shares of \$12,785, the recovery of 2015 mining duties of \$8,259 and an unrealized gain on foreign exchange of \$8,554.

Administrative expenses totaled \$187,379 for the three months ended March 31, 2017 compared to \$131,516 in 2016. This increase is mainly due to higher consulting expenses, which totaled \$103,230 during the three months ended March 31, 2017 (\$63,392 during the three months ended March 31, 2016), reflecting an increase of the annual fees for the services of the

Company's president and CEO, and higher investor relations and travel expenses, which totaled \$36,390 during the three months ended March 31, 2017 (\$3,935 during the three months ended March 31, 2016), for attending key mining conferences and other investor relations events.

## **LIQUIDITY AND FINANCIAL POSITION**

At March 31, 2017, the Company's cash position amounted to \$1,876,689 compared to \$2,281,637 at December 31, 2016. The Company's cash position at March 31, 2017 includes flow-through funds of \$1,049,261, 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 related to the James Bay Niobium Project 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 three months ended March 31, 2017, cash outflows related to operating activities amounted to \$377,529 compared to cash inflows of \$136,805 in 2016. During the 2016 period, the Company received a payment of \$259,740 (US\$200,000) in accordance with a Heads of Agreement entered into in September 2015 with Sichuan Xinye Investment Corporation regarding the Ikungu and Ikungu East projects in Tanzania.

### **Financing activities**

During the three months ended March 31, 2017, 100,000 compensation share purchase warrants were exercised for cash proceeds of \$30,000 (no financing activities were conducted during the three months ended March 31, 2016).

### **Investing activities**

For the three months ended March 31, 2017, cash outflows related to investing activities amounted to \$64,622 compared to cash inflows of \$84,677 during the same period in 2016. Additions to exploration and evaluation assets of \$62,517 in 2017 related to the James Bay Niobium Project, compared to \$15,323 for 2016 for the Ikungu and Ikungu East projects in Tanzania. During the 2016 comparative period, the Company also disposed of an investment of \$100,000.

## **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, 2017 totaled \$68,805 (\$39,570 during the comparative period in 2016).

A company controlled by the CEO of the Company invoiced \$14,400 during the three months ended March 31, 2017 for the services of a market analyst (\$7,929 in 2016), and invoiced nil for the rental of office space (\$8,250 in 2016).

## **RISKS AND UNCERTAINTIES**

Reference is made to the description of risks and uncertainties included in the Annual MD&A.

## **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 REGARDING FORWARD-LOOKING STATEMENTS**

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 timing, completion and results of planned exploration and drilling programs and planned resource estimate; 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. 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 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).

# **Niobay Metals Inc.**

## **CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**For the three months ended March 31, 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>	March 31, 2017	December 31, 2016
	\$	\$
<b>ASSETS</b>		
Current		
Cash	1,876,689	2,281,637
Sales taxes receivable	73,829	51,717
Tax credits related to resources and mining taxes receivable	139,608	139,608
Prepaid expenses and deposits	43,783	16,225
	<b>2,133,909</b>	2,489,187
Non-current		
Property and equipment	25,247	24,855
Exploration and evaluation assets (Note 4)	748,777	614,777
<b>TOTAL ASSETS</b>	<b>2,907,933</b>	3,128,819
<b>LIABILITIES</b>		
Current		
Accounts payable and accrued liabilities (Note 5)	394,783	482,838
Liability related to flow-through shares (Note 6)	124,978	137,763
<b>TOTAL LIABILITIES</b>	<b>519,761</b>	620,601
<b>EQUITY</b>		
Share capital (Note 6)	67,857,585	67,805,705
Contributed surplus	6,798,442	6,813,357
Deficit	(72,377,739)	(72,220,901)
Equity attributable to shareholders of the Company	2,278,288	2,398,161
Non-controlling interests	109,884	110,057
<b>TOTAL EQUITY</b>	<b>2,388,172</b>	2,508,218
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>2,907,933</b>	3,128,819

Going concern (Note 2), 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 March 31,	
	2017	2016
	\$	\$
<b>Expenses and other items</b>		
Management and administration (Note 8)	187,379	131,516
Income related to flow-through shares (Note 6)	(12,785)	-
Finance income	(770)	(383)
Gain on foreign exchange	(8,554)	(840)
<b>Loss before income taxes</b>	<b>(165,270)</b>	(130,293)
Recovery of mining duties	8,259	-
<b>Net loss for the period</b>	<b>(157,011)</b>	(130,293)
Other comprehensive loss		
Foreign currency translation differences for foreign operations	-	(263,710)
<b>Comprehensive loss for the period</b>	<b>(157,011)</b>	(394,003)
Net loss attributable to:		
Shareholders of the Company	(156,838)	(126,659)
Non-controlling interests	(173)	(3,634)
Comprehensive loss attributable to:		
Shareholders of the Company	(156,838)	(390,369)
Non-controlling interests	(173)	(3,634)
Basic and diluted loss per common share	(0.01)	(0.01)
Weighted average number of common shares - basic and diluted	32,770,683	22,931,501

*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	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, 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 (Note 6)	100,000	51,880	(21,880)	-	-	30,000	-	30,000
Share-based compensation	-	-	6,965	-	-	6,965	-	6,965
Net 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>-</b>	<b>2,278,288</b>	<b>109,884</b>	<b>2,388,172</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
Share-based compensation	-	-	416	-	-	416	-	416
Net loss for the period	-	-	-	(126,659)	-	(126,659)	(3,634)	(130,293)
Foreign currency translation differences of foreign operations	-	-	-	-	(263,710)	(263,710)	-	(263,710)
<b>Balance at March 31, 2016</b>	<b>22,931,501</b>	<b>64,530,913</b>	<b>6,653,507</b>	<b>(67,315,083)</b>	<b>2,522,736</b>	<b>6,392,073</b>	<b>1,129,188</b>	<b>7,521,261</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,	
	2017	2016
	\$	\$
<b>Operating activities</b>		
Net loss for the period	(157,011)	(130,293)
Adjustments		
Share-based compensation	4,227	416
Amortization of property and equipment	1,479	1,273
Income related to flow-through shares	(12,785)	-
Advance payment received for assets in Tanzania	-	259,740
Finance income accrued	(770)	(383)
Finance income received	1,850	(1,129)
Gain on foreign exchange	(8,554)	(840)
Changes in working capital items	(205,965)	8,021
	<b>(377,529)</b>	<b>136,805</b>
<b>Investing activities</b>		
Disposal of investments	-	100,000
Additions to property and equipment	(2,105)	-
Additions to exploration and evaluation assets	(62,517)	(15,323)
	<b>(64,622)</b>	<b>84,677</b>
<b>Financing activities</b>		
Exercise of warrants	30,000	-
	<b>30,000</b>	<b>-</b>
Effect of exchange rate changes on cash held in foreign currency	7,203	1,622
Net change in cash	(404,948)	223,104
Cash, beginning of period	2,281,637	69,343
Cash, end of period	<b>1,876,689</b>	<b>292,447</b>
<b>Supplemental cash flow information</b>		
Share-based compensation capitalized to exploration and evaluation assets	2,738	-
Amortization of plant and equipment capitalized to exploration and evaluation assets	234	-
Change in accounts payable and accrued liabilities related to exploration and evaluation assets	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, 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. 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 through its subsidiary Crevier Minerals Inc. ("CMI", 72.5% interest). 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 18, 2018.

## 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 March 31, 2017, the Company had a working capital of \$1,614,148, had an accumulated deficit of \$72,377,739 and incurred a loss of \$157,011 for the three-months ended March 31, 2017. Working capital included cash of \$1,876,689.

The Company estimates that the working capital available at March 31, 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.

# Niobay Metals Inc.

Notes to Condensed Interim Consolidated Financial Statements

March 31, 2017 (unaudited - in Canadian dollars)

## 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 International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

## 4. EVALUATION AND EXPLORATION ASSETS

Evaluation and exploration assets by properties are detailed as follows:

	January 1, 2017	Additions	March 31, 2017	
	\$	\$	\$	
<b>Mineral properties</b>				
Ontario, Canada				
James Bay (Nb) - 100%	399,945	-	399,945	
<b>Exploration and evaluation expenditures</b>				
Ontario, Canada				
James Bay (Nb) - 100%	214,832	134,000	348,832	
	614,777	134,000	748,777	
	January 1, 2016	Additions	Effect of foreign exchange	March 31, 2016
	\$	\$	\$	\$
<b>Exploration and evaluation expenditures</b>				
Québec, Canada				
Crevier (Nb)	3,486,133	-	-	3,486,133
Tanzania				
Ikungu (Au)	3,825,363	14,318	(235,713)	3,603,968
Ikungu East (Au)	326,638	1,005	(20,187)	307,456
	7,638,134	15,323	(255,900)	7,397,557

# Niobay Metals Inc.

Notes to Condensed Interim Consolidated Financial Statements

March 31, 2017 (unaudited - in Canadian dollars)

## 5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

At March 31, 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), 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 (\$225,783).

## 6. SHARE CAPITAL AND WARRANTS

### *Issued and fully paid*

At March 31, 2017, the Company had 32,785,127 issued and outstanding common shares (32,685,127 at December 31, 2016).

### *Issuance of shares*

During the three months ended March 31, 2017, a total of 100,000 compensation warrants were exercised for proceeds of \$30,000.

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

During the three months ended March 31, 2017, an amount of \$12,785 was recorded as income related to flow-through shares on the consolidated statements of comprehensive loss (nil during the three months ended March 31, 2016), representing the decrease in the liability related to the exploration and evaluation expenses incurred during the period.

### *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 March 31, 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		

# Niobay Metals Inc.

Notes to Condensed Interim Consolidated Financial Statements

March 31, 2017 (unaudited - in Canadian dollars)

## 7. STOCK OPTIONS

There was no activity in stock options during the three months ended March 31, 2017. The following table reflects the stock options issued and outstanding at March 31, 2017:

Range of exercise prices	Number of outstanding options	Average price \$	Remaining contractual life (years)
\$0.05 - \$0.99	1,054,800	0.32	3.3
\$1.00 - \$1.99	32,000	1.19	2.5
\$2.00 - \$2.50	16,000	2.44	3.4
	1,102,800	0.38	3.3

## 8. MANAGEMENT AND ADMINISTRATION EXPENSES

The Company incurred the following management and administration expenses:

	Three months ended March 31,	
	2017	2016
	\$	\$
Wages and consulting	103,230	63,392
Legal, audit and tax	7,343	17,328
Office	19,955	20,095
Investor relations and travel	36,390	3,935
Reporting issuer costs	14,185	21,182
Mining titles management	570	3,896
	181,673	129,828
Share-based compensation	4,227	415
Amortization of property and equipment	1,479	1,273
	187,379	131,516

## 9. SEGMENTED INFORMATION

The Company has one reportable operating segment being the acquisition and exploration of mineral properties. All non-current assets are located in Canada.

# Niobay Metals Inc.

Notes to Condensed Interim Consolidated Financial Statements

**March 31, 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 March 31, 2017 and December 31, 2016.