NioBay METALS

(formerly MDN Inc.)

ANNUAL REPORT
2016

NIOBAY METALS INC. (formerly MDN Inc.)

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2016

The following management's discussion and analysis ("MD&A") of the operations, results, and financial position of Niobay Metals Inc. ("NioBay" or the "Company") (formerly MDN Inc.), dated March 31, 2017, covers the years ended December 31, 2016 and 2015 and should be read in conjunction with the audited consolidated financial statements and related notes at December 31, 2016 and 2015 (the "December 31, 2016 and 2015 consolidated financial statements"). The December 31, 2016 and 2015 consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All financial results presented in this MD&A are expressed in Canadian dollars, the Company's reporting and functional currency, unless otherwise indicated.

DESCRIPTION OF BUSINESS

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 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 northeastern Ontario. The Company also holds interests in properties located in Quebec (niobium and tantalum). 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 ("TSXV") under the symbol NBY. As of the date of this MD&A, taking into account the one for five consolidation of its shares described in the *Name Change and Share Consolidation* section of this MD&A, the Company has 32,785,127 common shares, 295,294 common share purchase warrants and 1,102,800 stock options issued and outstanding.

On March 31, 2016, at the opening of the markets, the securities of the Company commenced trading on the TSXV market, following a transfer of the Company's shares from the Toronto Stock Exchange to the TSXV.

ACQUISITION OF THE JAMES BAY NIOBIUM PROJECT (ONTARIO)

On June 22, 2016, the Company acquired the James Bay Niobium Project from Barrick Gold Inc., James Bay Columbium Ltd. and Goldcorp Inc. (the "Sellers"). The property is located in the district of Cochrane, in the James Bay Lowlands in northeastern Ontario and covers an area of 6,388 acres. The property rights are held through a Crown mining lease recorded in the name of the Company. The lease was last renewed for a term of 10 years expiring on February 28, 2018. It is renewable for additional 10-year terms subject to the Company filing the required renewal application with payment of the required rental fees.

The James Bay Niobium Project was discovered in 1966 by Consolidated Morrison Explorations Limited. Historical estimates were established by exploratory and detailed drilling totaling over 14,000 meters in 85 holes, outlining the deposit to a maximum depth of 275 meters. The deposit has been drilled along a strike of 730 meters. An historical estimate of 62 million tons at 0.52% Nb_2O_5 was established in the late 1960s by Bechtel Canada Ltd. An exploration shaft was sunk to investigate soil conditions and to provide a 225 tons bulk sample. Subsequent pilot plant operations demonstrated a good quality pyrochlore concentrate with low impurities and a recovery rate of 78% was achieved.

The historical estimates, the historical feasibility and the historical metallurgical testing are based on data obtained by previous operators in the 1960s. NioBay has undertaken some of the work necessary to verify or classify those historical results as described in the following paragraph. Economic studies completed in the 1960s do not mean the James Bay Niobium Project would be found to be economic today. NioBay 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.

Following the acquisition of the James Bay Niobium Project, the Company gathered and compiled all of the historical data. A team of geologists cleaned and re-logged the historical drill core and over 600 samples of drill core sample was sent to a laboratory for re-assaying. A total of 12 historical drill holes that are considered representative of the ore body were re-logged and are in the process of being re-assayed. In early March 2017, the Company announced results from the re-assaying of the first two holes which confirmed results obtained in the 1960s. Based on the results of the re-assays, the Company will design, in cooperation with G Mining Services Inc., a diamond drill hole twinning and in-fill drilling program with the objective of completing a resource estimate in accordance with National Instrument 43-101 Standards of Disclosure for Mineral Projects ("NI 43-101"). 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 this effect has been lodged and is pending. The Company has initiated a process towards obtaining acceptability of the exploration activities by all stakeholders in support of the exploration permit application. The geological work is being done under the direct supervision of Jacquelin Gauthier, P.Ing., P. Geo., Senior Technical Advisor to the Company.

NAME CHANGE AND SHARE CONSOLIDATION

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. The number of shares, warrants and stock options presented in this MD&A have all been adjusted to reflect the impact of this share consolidation.

BOARD AND MANAGEMENT APPOINTMENTS

On May 26, 2016, the Company announced the nomination of Mr. Alain Krushnisky, CPA, CA as Chief Financial Officer, replacing Mr. Yves Therrien, who retired. Mr. Krushnisky has over 25 years of experience in the mining sector including 10 years with a mid-tier producer in various capacities, including Vice-President and Controller. Since 2004, Mr. Krushnisky has been Chief Financial Officer of various publicly listed mineral exploration companies. He is currently CFO of a number of mineral exploration companies listed on the TSXV.

On June 17, 2016, the Company announced the appointment of Mr. Jean Rainville as a Director of the Company following the resignation of Mr. Claude Boulay from the Company's board of directors. Mr. Rainville has over 35 years of experience in the mining industry and financial markets. He is one of the founding members of BlackRock Metals Inc., where he has held the position of president and chief executive officer since 2008. Mr. Rainville has worked as an engineer, fund manager and corporate financing manager, and also served as director of several private and public companies. He holds a bachelor of mining engineering and metallurgy, as well as a bachelor of administration from McGill University.

On December 22, 2016, the Company announced the appointment of Ms. Carole Plante as corporate secretary of the Company. Ms. Plante received a law degree in 1983 from the University of Montreal and is a member of the Québec Bar. She has over 20 years of experience in the mining sector acting mainly as general counsel and corporate secretary for various publicly traded companies with mining activities in many international jurisdictions. Ms. Plante currently acts as general counsel and corporate secretary of a number of mineral exploration companies listed on the TSXV.

FINANCIAL CONDITION

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 and on December 20, 2016, the Company completed a non-brokered private placement of 1,377,626 flow-through common shares (the "FT Shares") at a price of $0.85 per FT Share, for gross proceeds of $1,170,982.

At December 31, 2016, the Company had a working capital of $1,868,586, including cash of $2,281,637. The Company will need to raise additional funds to cover its planned exploration and evaluation work program estimated at $3 million and its general administrative expenses budget of $0.9 million for 2017. 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 the Company is not successful in raising additional funds, it may be required to reduce the scope of, or eliminate its current or future exploration and evaluation activities.

The Company incurred a net loss of $5,708,147 ($0.18 per share) in 2016 compared to a net loss of $17,945,091 ($0.75 per share) in 2015. The 2016 loss includes the write-off of the Company's remaining exploration and evaluation assets related to the Crevier property ($3,491,343) and the Ikungu and Ikungu East properties ($3,896,058), which amount was partially offset by a non-cash gain on foreign exchange of $2,492,620 from the abandonment of the projects in Tanzania. In 2015, the loss included a write down of $9,461,503 related to the Crevier property, a write-down of $6,019,171 related to the Ikungu and Ikungu East properties in Tanzania and a write-off of $1,956,500 related to the Niconga property in Tanzania.

GRANT OF OPTIONS AND NEW STOCK OPTION PLAN

In 2016, the Company granted a total of 464,800 stock options to its directors, officers and consultants, of which 215,000 stock options vested on the grant date and 249,800 will vest over 2 years. The stock options are exercisable at an average price of $0.372 per share and have a five year term, expiring at various dates until September 6, 2021.

In December 2016, the Company's board of directors approved a new "rolling 10%" stock option plan (the "New Plan") subject to approval of the Company's shareholders and the TSXV. The New Plan has been conditionally approved by the TSXV and will be submitted to the Company's shareholders for approval at its 2017 annual meeting of shareholders. Any stock options granted pursuant to the New Plan, prior to shareholder approval, will be subject to, and will not be exercisable until, disinterested shareholder approval has been obtained. If such approval is not obtained, the stock options granted under the New Plan will terminate.

The New Plan will replace the Company's "fixed number" stock option plan. Pursuant to the New Plan, the board of directors may grant stock options to directors, officers, employees, and consultants of the Company up to a maximum of 10% of the total number of issued and outstanding shares of the Company from time to time, less any shares reserved for issuance under the "fixed number" option plan. More details about the New Plan will be provided in the management information circular for the 2017 annual meeting of shareholders.

CREVIER PROPERTY (QUEBEC)

No significant work has been done on the Crevier property in 2016. Following the acquisition of the James Bay Niobium Project in June 2016, the Company established that its focus would be the exploration and evaluation of the James Bay Niobium Project. The Company does not intend to conduct any exploration and evaluation work on the Crevier property in the foreseeable future, unless the price of tantalum appreciates enough to justify further work on the project. The Company has a non-expiring right to acquire an additional interest of 15% in Crevier Minerals Inc by paying in cash or in shares, at the option of the Company, $750,000 to the non-controlling shareholder.

IKUNGU AND IKUNGU EAST PROPERTIES (TANZANIA)

No significant work has been done on the Ikungu and Ikungu East properties in 2016.

In May, 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. The HOA provided for XINYE to conduct exploration work on the properties and the grant of an option to XINYE to acquire the properties.

MDN Tanzania Limited ("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. These extensions were not granted.

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. The Company believes that it has paid all withholding taxes and other statutory deductions in accordance with local requirements and that the amounts claimed are unfounded. MDN Tanzania will vigorously defend its position with the Tanzanian tax authorities.

Given the termination of the HOA and the non renewal of 2 of its permits, the Company has decided to cease all activities in Tanzania. The Company wrote-off in 2016 the remaining exploration and evaluation assets in the amount of $3,896,058, which amount was partially offset by a non-cash gain on foreign exchange of $2,492,620 from the abandonment of the projects in Tanzania.

OUTLOOK

The Company's plan for 2017 is to conduct a drilling campaign on its wholly owned James Bay Niobium Project, subject to obtaining the required exploration permit and raising the required funds. The objective of the drill campaign will be to validate the historical data obtained during the 1960s and enable the Company to be in a position to complete a resource estimate in accordance with NI 43-101 standards. Assuming that the results of the drilling campaign validate the historical estimates, the Company would subsequently initiate the studies required to complete a preliminary economic assessment for the James Bay Niobium Project. The Company also continues to evaluate other mining project opportunities.

QUALIFIED PERSON

Claude Dufresne, P. Eng, acted as the qualified person as defined in National Instrument 43-101. He reviewed and approved the technical and scientific content of this MD&A. Mr. Dufresne is the President and CEO of the Company.

NIOBIUM MARKET

Niobium is used in various forms such as oxide, pure metal, nickel master-alloys and alloys with other noble metals and in its most used form, ferro-niobium, representing approximately 90% of the production of niobium. Ferro-niobium ("FeNb") is used as an additive in the production of high quality steels which are used mostly in the manufacturing of automobiles, bridges, skyscrapers and other large steel structures, pipelines and stainless steels. The addition of niobium in steel reinforces and lightens the steel, makes it more resistant to corrosion, facilitates its welding and helps it withstand forces under high pressure and high temperature. The addition of niobium therefore has a positive impact on the reduction of CO_2 emission in the atmosphere which gives it a "green" metal recognition. The demand for niobium is thus directly related to the manufacture of these steels and the development of new specialty steels.

Niobium is classified as a critical and strategic metal for the United States, Europe and some Asian countries, among others, partly because of the very limited number of producers and also because of its military applications. There are only three major producers, CBMM and Catalao in Brazil and Niobec in Canada.

In 2016, FeNb demand remained stable compared to the previous year due to the lack of demand for pipeline steels. The long-term forecast indicates a steady growth in demand of niobium in the range of 3% to 6.5% per annum, driven by an increase in global steel production and by increasing the intensity of use of niobium in steel, mostly in developing countries.

Over the last 10 years, the global average price of niobium has varied between US$30 and US$45 / kg Nb. In 2016, the average price of FeNb declined by approximately 5%. It is expected that prices should trend towards US$45 / kg over the next few years, when the steel industry renews with profitability.

SELECTED CONSOLIDATED FINANCIAL INFORMATION [(1)(2)]

The following selected financial information should be read in conjunction with the Company's December 31, 2016 and 2015 consolidated financial statements.

		December 31, 2016	December 31, 2015
		$	$
Financial Position			
Cash		**2,281,637**	69,343
Exploration and evaluation assets		**614,777**	7,638,134
Total assets		**3,128,819**	8,346,930
Deferred income tax liability		**-**	195,188
Shareholders' equity		**2,508,218**	7,914,848
Comprehensive Loss	**Year ended December 31, 2016**	Year ended December 31, 2015	Year ended December 31, 2014
	$	**$**	$
Net loss for the year	**(5,708,147)**	(17,945,091)	(6,790,714)
Basic and diluted loss per share	**(0.18)**	(0.75)	(0.32)
Cash Flows			
Operating activities	**(652,029)**	(44,651)	(1,104,996)
Investing activities	**63,428**	(127,454)	308,337
Financing activities	**2,801,812**	-	785,000

1) *On September 20, 2016, the Company's common shares were consolidated on the basis of one post-consolidation share for every five pre-consolidation shares held. The number of shares presented in this MD&A have all been adjusted to reflect the impact of this share consolidation.*
2) *The Selected Consolidated Financial Information was derived from the Company's December 31, 2016 and 2015 consolidated financial statements, prepared in accordance with IFRS.*

Since its incorporation, the Company has not paid any cash dividend on its outstanding common shares. Any future dividend payments will depend on the Company's financial needs to fund its exploration and evaluation programs and any other factor that the board of directors may deem necessary to consider. It is highly unlikely that any dividends will be paid in the near future.

FINANCIAL REVIEW

The Company is in the exploration and evaluation phase and does not yet have revenue-generating activities. Accordingly, the Company's financial performance is largely a function of the level of exploration and evaluation activities undertaken on its projects and the management and administrative expenses required to operate and carry out its activities.

Exploration and evaluation expenses

In accordance with its accounting policy, an amount of $650,434 in exploration and evaluation expenses was capitalized during the year ended December 31, 2016 ($626,454 in 2015).

In 2016, the Company invested an amount of $614,777 on the James Bay Niobium Project, including an amount of $350,000 representing the value of the shares issued as a consideration for the acquisition of the property, $49,945 in acquisition-related expenses such as legal and regulatory expenses and $214,832 in exploration expenses. Exploration expenses consisted mostly in wages and fees of $168,960 related to the compilation of historical data, the re-logging and re-assaying of the historical drill core which began in the fall 2016 and other expenses of $45,872, including travel, lodging and supplies.

Amounts of $5,210 and $30,447 (representing mostly wage-related expenses and technical studies) were spent on the Crevier property and Ikungu and Ikungu East properties, respectively in 2016 before a decision was taken to write-off the related exploration and evaluation assets, as described below.

Given that the Company does not intend to conduct any exploration and evaluation work on the Crevier property in the foreseeable future and the significant amount of investments that would be required to potentially establish economic resources at Crevier, the Company proceeded in 2016 with writing-off its remaining investment of $3,491,343 in the Crevier property.

Following the termination of the HOA with XINYE in May 2016 and the non-renewal of certain prospecting licences part of the Ikungu and Ikungu East properties in Tanzania, the Company has decided that it will cease all activities in Tanzania. As a result, the Company proceeded in 2016 with writing-off its remaining investment of $3,896,058 in the Ikungu and Ikungu East properties, which amount was partially offset by a non-cash gain on foreign exchange of $2,492,620 from the abandonment of the projects in Tanzania.

In 2015, the Company had invested a total amount of $626,454 on its properties, including an option payment of $79,000 for the Prairie Lake property, exploration expenses of $419,148 on the Samaqua and Prairie Lake properties located in Quebec and Ontario, respectively (direct costs related to the completion of 8 drill holes on the Samaqua project and a geological mapping program on the Prairie Lake project) and exploration expenses of $127,091 on the properties in Tanzania.

Triggering events in 2015 required impairment analysis of the Company's mineral properties and resulted in impairment losses of $18,124,459, including $9,461,503 for the Crevier property, $7,975,671 for the properties in Tanzania, $490,675 for the Samaqua property and $196,610 for the Prairie Lake property.

Results for the year ended December 31, 2016 compared to year ended December 31, 2015

The Company incurred a net loss of $5,708,147 during the year ended December 31, 2016 ($0.18 per share) compared to a net loss of $17,945,091 in 2015 ($0.75 per share). The net loss attributable to shareholders of the Company totaled $4,685,382 in 2016 compared to $17,280,198 in 2015. The variance in net loss between the two years is mostly due to non cash charges related to the impairment of the Company's Crevier and Samaqua properties in Quebec, the Prairie Lake property in Ontario and the Ikungu, Ikungu East and Nikonga properties in Tanzania.

Non cash charges, net of a deferred income tax recovery of $195,188 ($267,036 in 2015) and a gain on foreign exchange of $2,492,620 from abandonment of the Tanzanian projects (nil in 2015), totaled $4,822,808 in 2016 ($17,857,423 in 2015), including a write-off of the remaining amount capitalized for the Crevier property ($3,491,343) and a write-off of the remaining amount capitalized for the Ikungu and Ikungu East properties in Tanzania ($3,896,058). The Company also recorded a bad debt expense of $95,358 in 2016 related to sales taxes receivable in Tanzania that the Company deems not to be recoverable following its decision not to pursue its activities in Tanzania and the difficulty in collecting such taxes in the past, and a write-off of $27,857 of property and equipment located in Tanzania following its decision to discontinue its activities in Tanzania.

The Company charged to earnings in 2016 exploration expenses of $16,250 at the James Bay Niobium Project before it acquired the property, $62,326 in remaining expenses at the Prairie Lake property, after a decision was taken not to proceed with the acquisition of that property, and $13,249 in severance payments related to the discontinued activities in Tanzania.

Management and administration expenses of $796,262 in 2016 ($690,919 in 2015) reflect higher wages and consulting fees (including $76,370 as retirement allowance and debt forgiveness to the Company's former CFO), and higher investor relations and travel fees due to increased activities driven by the James Bay Niobium Project, partially offset by lower legal, audit and tax fees and the recovery of expenses related to the termination of the HOA on the Tanzanian properties.

Results for the 4th quarter ended December 31, 2016 compared to the 4th quarter ended December 31, 2015

During the 4th quarter ended December 31, 2016, the Company realized net earnings of $1,262,912 ($0.04 per share), compared to a net loss of $15,616,401 ($0.65 per share) during the 4th quarter ended December 31, 2015. The variation is mainly due to the impairment and write-off of exploration and evaluation assets in the amount of $15,677,285 recorded in the 2015 period. During the 2016 period, the Company recorded a non-cash gain on foreign exchange from abandonment of Tanzanian projects in the amount of $2,492,620. Management and administration expenses totaled $271,339 during the period ended December 31, 2016 compared to $204,294 in 2015 due to higher wages and consulting fees and higher investor relations and travel fees from increased activities driven by the James Bay Niobium Project.

Selected Quarterly Financial Information

The following is a summary of the Company's financial results for the past eight quarters:

	Revenues	Net earnings (loss)	Net earnings (loss) attributable to shareholders of the Company	Basic and diluted earnings (loss) per share
Period ended	$	$	$	$
December 31, 2016	550	1,262,912	1,374,294	0.04
September 30, 2016	379	(230,226)	(229,622)	(0.01)
June 30, 2016 (1)	128	(6,610,540)	(5,703,395)	(0.25)
March 31, 2016	383	(130,293)	(126,659)	(0.01)
December 31, 2015 (2)	827	(15,616,391)	(14,971,610)	(0.65)
September 30, 2015 (3)	839	678	7,062	(0.00)
June 30, 2015 (4)	1,769	(2,118,461)	(2,111,380)	(0.09)
March 31, 2015	1,253	(210,917)	(204,270)	(0.01)

(1) includes a write-off of exploration and evaluation assets of $6,617,456 related to the Crevier property in Quebec and the Ikungu and Ikungu East properties in Tanzania, partially offset by a deferred income tax recovery of $195,188 due to the write-off of the Crevier property.

(2) includes a write-down of exploration and evaluation assets of $15,677,285 related to the Crevier property in Quebec ($9,461,503), the Ikungu and Ikungu East properties in Tanzania ($6,019,171) and the Prairie Lake property in Ontario ($196,610), partially offset by a deferred income tax recovery of $267,036 due to the write-down of the Crevier property.

(3) includes a gain on settlement of liabilities of $681,779; at December 31, 2014, the Company had an accounts payable of US$478,392 representing its share of the management fees of the Tulawaka mine for the last five quarters of the mine operation; this amount was to be deducted from the available cash generated after the final sale of assets of the mine; after obtaining the detail for the final settlement of the disposal of assets in September 2015, the Company received confirmation that the available cash balance was negative; in accordance with the partnership agreement, the Company wrote-off this account which resulted in a gain on settlement of liabilities of $681,779.

(4) includes a write-down of exploration and evaluation assets related to the Nikonga property in Tanzania of $1,956,500.

Liquidity and Capital Resources

The Company's working capital at December 31, 2016 totaled $1,868,586 compared to a working capital of $314,248 at December 31, 2015. The increase in the working capital during the year ended December 31, 2016 is mainly attributable to the net proceeds of $1,638,994 received on August 4, 2016, from a non-brokered private placement of 7,180,000 common shares at $0.25 per share; the net proceeds of $1,106,318 received on December 20, 2016, from a non-brokered private placement of 1,377,626 flow-through common shares at $0.85 per share; partially offset by management and administration expenses of $723,843, pre-exploration expenses of $91,825 and additions to exploration and evaluation assets of $290,134 (other than non-cash items).

The Company estimates that the working capital available at December 31, 2016 will not be sufficient to cover its general administrative expenses and its planned exploration and evaluation budget for 2017. The Company's properties are in the exploration and evaluation stage and, as a result, the Company currently has no source of operating cash flow. The potential sources of future funds presently available to the Company are through equity financing, joint venture or other arrangements. The ability of the Company to arrange the required financing depends in part upon global economic and capital market conditions, the potential of its projects as well as the business performance of the Company. There can be no assurance that the Company will be successful in its efforts to arrange additional financing on terms satisfactory to the Company.

Capital Management

In managing its capital, the objective of the Company is to preserve its ability to continue its mining exploration while maintaining the current exploration programs and evaluation of mining assets, to provide sufficient working capital to meet its current commitments and to pursue potential investments. The capital of the Company consists of equity attributable to shareholders of the Company of $2,398,161 ($6,782,026 at December 31, 2015). The Company manages its capital structure and makes adjustments to it in accordance with the aforementioned objectives, as well as in light of changes in economic conditions and the risk characteristics of the underlying assets.

Off-Balance Sheet Arrangements

At December 31, 2016, the Company has no off-balance sheet arrangements.

Transactions with Related Parties

Remuneration to directors and key management of the Company, including the President and CEO, the CFO and the former CFO totaled $309,915 during the year ended December 31, 2016 ($229,474 in 2015), including a retirement allowance of $50,000 and debt forgiveness of $26,370 to the Company's former CFO.

A company controlled by the CEO of the Company invoiced $43,925 for the services of a market analyst ($24,985 in 2015) and invoiced $32,500 for the rental of office space and communication expenses ($33,000 in 2015).

Contingencies

MDN Tanzania received notices of assessment in April and June 2016 in respect of withholding taxes and other 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 Company for the period from 2004 to 2011. The Company has not recorded any provisions 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.

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 on the Company's consolidated statements of financial position at December 31, 2016 and 2015.

Outstanding Share Data

At March 31, 2017, the Company has 32,785,127 common shares issued and outstanding, 295,294 share purchase warrants with an average exercisable price of $0.45 per share, expiring at various dates until July 2019, and 1,102,800 stock options outstanding with an average exercise price of $0.38, expiring at various dates until March 2022.

BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

The Company's consolidated financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board. The accounting policies, methods of computation and presentation applied in the Company's consolidated financial statements are consistent with those of the previous year. The significant accounting policies of NioBay, including significant accounting judgements and estimates, are presented in Note 3 to the December 31, 2016 and 2015 consolidated financial statements filed on SEDAR.

ACCOUNTING STANDARDS ISSUED BUT NOT YET APPLIED

Standards, amendments and interpretations issued but not yet effective up to the date of the issuance of the Company's consolidated financial statements that are expected to be relevant to the Company are presented in Note 3 to the December 31, 2016 and 2015 consolidated financial statements filed on SEDAR.

FINANCIAL RISK FACTORS

The Company thoroughly examines the various financial risks to which it is exposed and assesses the impact and likelihood of those risks. These risks include foreign exchange risk, credit risk, liquidity risk and interest rate risk. Where material, these risks are reviewed by the board of directors. These risks are described and presented in Note 14 to the December 31, 2016 and 2015 consolidated financial statements filed on SEDAR.

OTHER RISKS AND UNCERTAINTIES

The Company is subject to a number of significant risks and uncertainties which include but are not limited to the nature of its business and the present stage of exploration and evaluation of its mineral projects and the requirement for additional funds to pursue its planned exploration and evaluation activities on its project. Failure to successfully address such risks and uncertainties could have a significant negative impact on the Company's overall operations and financial condition and could materially affect the value of the Company's assets and future operating results. Therefore, an investment in the securities of the Company involves significant risks and should be considered speculative. The risks and uncertainties described herein are not necessarily the only ones that the Company could be facing. The Company cannot give assurance that it will successfully address these risks or other unknown risks that may affect its business. Readers should carefully consider the risks and uncertainties described below.

Company Specific Risks

- The Company has not yet been granted the exploration permit required to conduct its planned drilling program at the James Bay Niobium Project; the granting of the exploration permit may be delayed or altogether denied for numerous reasons, including the non acceptability of the exploration activities by affected stakeholders, including First Nations;
- There can be no assurance that the permits required to conduct the Company's exploration and evaluation activities will be granted on reasonable terms or on a timely basis or at all, and this could have a material adverse effect on the value of an investment in the Company and the business, financial condition or operating results of the Company;
- The Company may not incur sufficient eligible flow-through eligible expenditures to spend all of the flow-through funds raised in December 2016 by December 31, 2017, in which case the Company will be required to compensate the affected investors for the tax impact of the renounced expenditures;
- The Company may be unable to continue funding the exploration, evaluation and development of its projects and achieve its business objectives and milestones;
- The Company's plans and objectives as well as its ability to raise funds may be affected by low niobium prices;
- In Ontario, mineral rights are property rights that can be sold, transferred or leased. The Company is taking steps to verify title with respect to its most material mineral properties. Although the Company believes that title to its mineral properties are in good standing, specifically its title to the James Bay Niobium Project, there is no guarantee that title to such properties will not be challenged or impugned;
- The Company's historical resources estimates are not mineral reserves. There is no assurance that minerals will be discovered in sufficient quantities to justify commercial operations and that the Company will be able to demonstrate the economic viability of its deposit;
- The Company may not obtain all necessary permits to conduct its activities and operate a mine;
- Future issuance of common shares into the public market may result in dilution to the existing shareholders;
- The Company faces substantial competition within the mining industry from other mineral companies with much greater financial and technical resources;
- The Company does not expect to receive revenues from operations in the foreseeable future;
- Certain directors and senior officers of the Company also serve as officers and/or directors of other mineral resource companies, which may give rise to conflicts.

Industry Risks

- Mineral exploration and evaluation is a high risk, speculative business. Few properties that are explored are ultimately developed into producing mines.
- Mineral exploration is subject to geological uncertainties and interpretation.
- Mineral exploration is subject to numerous industry operating and environmental hazards and risks, many of which are beyond the Company's control.
- Substantial expenditures are required to explore mineral projects, define mineral resources, and complete all metallurgical, engineering, environmental, financial and other studies required to complete a feasibility study.
- Changes in mining and environmental laws.
- Necessary permits to operate may not be granted or may be granted later than anticipated.

- Current economic uncertainties globally have created market volatility and risk aversion among investors, limiting capital raising options.
- Commodity prices including the price of niobium have fluctuated in the past and may to continue to do so in the future.
- Mining operations including exploration and evaluation activities are subject to numerous laws and regulations.
- Social and environmental groups may be opposed to the development of mining projects.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This MD&A contains certain forward-looking statements as defined in applicable Canadian securities laws (referred to herein as "forward-looking statements"). Specifically, this 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 MD&A. All forward-looking statements in this 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

This MD&A has been prepared as at March 31, 2017. Additional information on the Company is available through regular filings of press releases, financial statements and MD&A on SEDAR (www.sedar.com) and on the Company's website (www.niobaymetals.com).

NioBay METALS

(formerly MDN Inc.)

CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2016 and 2015

In Canadian Dollars

April 3, 2017

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Niobay Metals Inc. (formerly MDN Inc.)

We have audited the accompanying consolidated financial statements of Niobay Metals Inc. (formerly MDN Inc.), which comprise the consolidated statements of financial position as at December 31, 2016 and 2015 and the consolidated statements of comprehensive loss, changes in shareholders’ equity and cash flows for the years then ended, and related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

PricewaterhouseCoopers LLP/s.r.l./s.e.n.c.r.l.
1250 René-Lévesque Boulevard West, Suite 2500, Montréal, Quebec, Canada H3B 4Y1
T: +1 514 205 5000, F: +1 514 876 1502, www.pwc.com/ca

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Niobay Metals Inc. as at December 31, 2016 and 2015, and its financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of matter
Without qualifying our opinion, we draw attention to Note 2 in the consolidated financial statements which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about Niobay Metals Inc.'s ability to continue as a going concern.

PricewaterhouseCoopers LLP[1]

[1] CPA auditor, CA, public accountancy Permit No. A122718

Niobay Metals Inc. (formerly MDN Inc.)
Consolidated Statements of Financial Position

(in Canadian dollars)	**December 31, 2016**	December 31, 2015
	$	$
ASSETS		
Current		
Cash	**2,281,637**	69,343
Temporary investments (Note 4)	**-**	250,000
Accounts receivable (Note 5)	**51,717**	39,371
Tax credits related to resources and mining taxes receivable	**139,608**	181,305
Prepaid expenses and deposits	**16,225**	11,123
	2,489,187	551,142
Non-current		
Accounts receivable (Note 5)	**-**	101,633
Exploration and evaluation assets (Note 6)	**614,777**	7,638,134
Property and equipment (Note 7)	**24,855**	56,021
TOTAL ASSETS	**3,128,819**	8,346,930
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 8)	**482,838**	236,894
Liability related to flow-through shares (Note 9)	**137,763**	-
	620,601	236,894
Non-current		
Deferred income tax liability (Note 12)	**-**	195,188
TOTAL LIABILITIES	**620,601**	432,082
EQUITY		
Share capital (Note 9)	**67,805,705**	64,530,913
Contributed surplus	**6,813,357**	6,653,091
Deficit	**(72,220,901)**	(67,188,424)
Cumulative translation adjustment	**-**	2,786,446
Equity attributable to shareholders of the Company	**2,398,161**	6,782,026
Non-controlling interests	**110,057**	1,132,822
TOTAL EQUITY	**2,508,218**	7,914,848
TOTAL LIABILITIES AND EQUITY	**3,128,819**	8,346,930

Going concern (Note 2), Contingencies (Note 17).

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

/s/ Claude Dufresne	*/s/ Raymond Legault*
Claude Dufresne, Director	Raymond Legault, Director

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

(in Canadian dollars)	Year ended December 31, 2016	2015
	$	$
Expenses		
Management and administration (Note 11)	**796,262**	690,919
Pre-exploration and other exploration	**91,825**	-
Bad debt (Note 5)	**95,358**	-
Write-down and write-off of exploration and evaluation assets (Note 6)	**7,387,401**	18,124,459
Write-off of property and equipment (Note 7)	**27,857**	-
Gain on settlement of liabilities (Note 13)	**-**	(681,779)
Gain on foreign exchange from abandonment of Tanzanian projects (Note 6)	**(2,492,620)**	-
Operating loss	**(5,906,083)**	(18,133,599)
Finance income	**1,440**	4,688
Gain (loss) on foreign exchange	**1,308**	(131,274)
Income related to flow-through shares	**-**	48,058
Loss before income taxes	**(5,903,335)**	(18,212,127)
Deferred income tax recovery (Note 12)	**195,188**	267,036
Net loss	**(5,708,147)**	(17,945,091)
Other comprehensive income (loss)		
Foreign currency translation differences of foreign operations (Note 6)	**(2,786,446)**	1,507,430
Comprehensive loss	**(8,494,593)**	(16,437,661)
Net loss attributable to:		
Shareholders of the Company	**(4,685,382)**	(17,280,198)
Non-controlling interests	**(1,022,765)**	(664,893)
Comprehensive loss attributable to:		
Shareholders of the Company	**(7,471,828)**	(15,772,768)
Non-controlling interests	**(1,022,765)**	(664,893)
Basic and fully diluted loss per common share	**(0.18)**	(0.75)
Weighted average number of common shares - basic and diluted (Note 9)	**26,451,324**	22,909,645

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

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

(in Canadian dollars)	Number of issued and outstanding common shares (1)	Share capital	Contributed surplus	Deficit	Cumulative translation adjustment	Equity attributable to shareholders of the company	Non-controlling interests	Total shareholders' equity
		$	$	$	$	$	$	$
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 on acquisition of the James Bay project (Note 9)	**1,000,000**	**350,000**	**-**	**-**	**-**	**350,000**	**-**	**350,000**
Shares issued pursuant to a private placement (Note 9)	**7,180,000**	**1,795,000**	**-**	**-**	**-**	**1,795,000**	**-**	**1,795,000**
Share issue expenses on private placement	**-**	**-**	**109,418**	**(265,424)**	**-**	**(156,006)**	**-**	**(156,006)**
Flow-through shares issued (Note 9)	**1,377,626**	**1,033,219**	**-**	**-**	**-**	**1,033,219**	**-**	**1,033,219**
Share issue expenses on flow-through shares	**-**	**-**	**17,007**	**(81,671)**	**-**	**(64,664)**	**-**	**(64,664)**
Shares issued on exercise of warrants (Note 9)	**150,000**	**77,825**	**(32,825)**	**-**	**-**	**45,000**	**-**	**45,000**
Shares issued on exercise of stock options (Note 9)	**46,000**	**18,748**	**(7,248)**	**-**	**-**	**11,500**	**-**	**11,500**
Share-based compensation	**-**	**-**	**73,914**	**-**	**-**	**73,914**	**-**	**73,914**
Net loss	**-**	**-**	**-**	**(4,685,382)**	**-**	**(4,685,382)**	**(1,022,765)**	**(5,708,147)**
Foreign currency translation differences of foreign operations (Note 6)	**-**	**-**	**-**	**-**	**(2,786,446)**	**(2,786,446)**	**-**	**(2,786,446)**
Total comprehensive loss				**(4,685,382)**	**(2,786,446)**	**(7,471,828)**	**(1,022,765)**	**(8,494,593)**
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**
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 compensation	-	-	30,783	-	-	30,783	-	30,783
Net loss	-	-	-	(17,280,198)	-	(17,280,198)	(664,893)	(17,945,091)
Foreign currency translation differences of foreign operations	-	-	-	-	1,507,430	1,507,430	-	1,507,430
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

(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 consolidated financial statements have all been adjusted to reflect the impact of this share consolidation.

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

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

	Year ended December 31,	
(in Canadian dollars)	**2016**	2015
	$	$
Operating activities		
Net loss	**(5,708,147)**	(17,945,091)
Adjustments		
Debt forgiveness to related party (Note 16)	**26,370**	-
Share-based compensation	**63,622**	30,783
Amortization of property and equipment	**8,797**	10,722
Bad debt	**95,358**	-
Write-down and write-off of exploration and evaluation assets	**7,387,401**	18,124,459
Write-off of property and equipment	**27,857**	-
Income related to flow-through shares	**-**	(48,058)
Gain on settlement of liabilities	**-**	(681,779)
Gain on foreign exchange from abandonment of Tanzanian projects	**(2,492,620)**	
Deferred income tax recovery	**(195,188)**	(267,036)
Finance income accrued	**(1,440)**	(4,688)
Finance income received	**1,850**	(11,052)
Foreign exchange (gain) loss	**(1,308)**	72,073
Changes in working capital items	**135,419**	675,016
	(652,029)	(44,651)
Investing activities		
Disposal of investments	**250,000**	450,000
Additions to property and equipment	**(6,905)**	-
Additions to exploration and evaluation assets	**(179,667)**	(577,454)
	63,428	(127,454)
Financing activities		
Private placements	**2,965,982**	-
Share issue expenses	**(220,670)**	-
Exercise of warrants and stock options	**56,500**	-
	2,801,812	-
Effect of exchange rate changes on cash held in foreign currency	**(917)**	(23,348)
Net change in cash	**2,212,294**	(195,453)
Cash, beginning of year	**69,343**	264,796
Cash, end of year	**2,281,637**	69,343
Supplemental cash flow information		
Change in tax credits related to resources capitalized to exploration and evaluation assets	**-**	(40,146)
Share-based compensation capitalized to exploration and evaluation assets	**10,292**	-
Change in accounts payable and accrued liabilities related to exploration and evaluation assets	**110,475**	-
Value of shares issued on acquisition of exploration and evaluation assets	**350,000**	49,000
Liability related to flow-through shares	**(137,763)**	-
Fair value of warrants and stock options exercised	**40,073**	-

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

1. GENERAL INFORMATION AND NAME CHANGE

Niobay Metals Inc. ("Niobay or the "Company") is primarily engaged in the acquisition, exploration and evaluation of mineral properties. Niobay is a Company domiciled in Canada and incorporated under Part 1A of the Québec *Companies Act*. The address of the Company's registered office is 1693 Saint-Patrick Street, Suite 106, Montréal, Quebec, Canada.

On March 30, 2016, the Company's securities were delisted from the TSX and commenced trading on the TSX Venture Exchange ("TSXV") at the opening of markets on March 31, 2016.

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). The Company has not conducted any work on its properties in Quebec and Tanzania in 2016 and does not intend to continue its activities in Tanzania in the future.

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.

All amounts in these consolidated financial statements are expressed in Canadian dollars unless otherwise indicated.

The Board of Directors approved and authorized for issuance these consolidated financial statements on March 31, 2017.

2. GOING CONCERN

These 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 December 31, 2016, the Company had a working capital of $1,868,586, had an accumulated deficit of $72,220,901 and incurred a loss of $5,708,147 for the year ended December 31, 2016. Working capital included cash of $2,281,637.

The Company estimates that the working capital available at December 31, 2016 will not be sufficient to cover its general administrative expenses and its planned exploration and evaluation budget for 2017. 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 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 consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities, expenses and financial position classifications that would be necessary if the going concern assumption was not appropriate. These adjustments could be material.

3. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

These consolidated financial statements have been prepared in accordance with IFRS as published by the International Accounting Standards Board ("IASB"). The accounting policies followed in these consolidated financial statements are consistent with those of the previous year.

b) Basis of measurement

These consolidated financial statements have been prepared using the historical cost basis, except for the revaluation of certain financial instruments using fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

c) Basis of consolidation

These consolidated financial statements include the accounts of the Company and its subsidiaries, CMI (72.5% interest) and MDN Tanzania (100% interest).

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Company.

A subsidiary which is fully consolidated but not fully owned by the Company results in a non-controlling interest that is presented separately on the consolidated statements of comprehensive loss and the consolidated statements of financial position.

The share of net assets of subsidiaries attributable to non-controlling interests is presented as a component of equity. The share of net income (loss) and other comprehensive income (loss) attributable to non-controlling interests is recognized directly in equity even if the results of the non-controlling interests have a deficit balance.

The Company treats transactions with non-controlling interests as transactions with equity shareholders. Changes in the Company's ownership interest in subsidiaries that do not result in loss of control are accounted for as equity transactions.

Inter-company balances and transactions, and any unrealized income and expenses arising from inter-company transactions, are eliminated in preparing the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Foreign currency

These consolidated financial statements are presented in Canadian dollars, which is the functional currency of Niobay and its subsidiary CMI. Following the Company's decision in 2016 to cease its activities in Tanzania, the functional currency of MDN Tanzania was changed from the US dollar to the Canadian dollar.

Transactions in foreign currencies are translated to the respective functional currencies of each entity at exchange rates at the date of transaction. Monetary assets and liabilities denominated in a foreign currency other than the functional currency of each entity are translated at the exchange rate in effect at the reporting date. Non-monetary assets and liabilities denominated in a foreign currency that are measured at fair value are translated at the exchange rate at the date that the fair value was determined. Non-monetary items denominated in a foreign currency that are measured at historical cost are translated at the exchange rate in effect at the transaction date. Foreign currency differences arising on translation are recognized in profit or loss.

On consolidation, the assets and liabilities of MDN Tanzania are translated to Canadian dollars at the exchange rate in effect at the reporting date and components of equity are translated using the historical rate. Income and expenses are translated to Canadian dollars at the exchange rate in effect at the transaction date. Exchange differences are presented as other comprehensive income (loss) and recognized in the cumulative translation adjustment account in equity.

When a foreign operation is disposed of, the related amount in the cumulative translation adjustment account is transferred to profit or loss as part of the profit or loss on disposal. On the partial disposal of a subsidiary that includes a foreign operation, the relevant share of such cumulative amount is allocated to non-controlling interest. In any other partial disposal of a foreign operation, the relevant proportion is reclassified to profit or loss.

Foreign exchange gains or losses arising from a monetary item which consist of a receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely to occur in the foreseeable future and which in substance is considered to form part of the net investment in the foreign operation, are presented as other comprehensive income (loss) and recognized in the cumulative translation adjustment account in equity.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Financial instruments

Financial assets and liabilities are initially recognized at fair value plus any directly attributable transaction costs, and their subsequent valuation is dependent on their classification.

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. The Company classified its cash as loans and receivables.

Cash includes cash and bank balances and highly liquid investments which original maturity was no more than three months at the acquisition date.

The Company classified its trade accounts payable and accrued liabilities as financial liabilities at amortized cost. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Exploration and evaluation assets

Mining properties correspond to acquired interests in mining exploration permits or claims which include the rights to explore for, mine, extract and sell all minerals and metals from such claims.

All pre-exploration costs, being those costs incurred prior to obtaining the legal right to undertake exploration and evaluation activities on an area of interest, are expensed as incurred.

Once the legal right to explore has been acquired, exploration and evaluation expenditures are capitalized in respect of each identifiable area of interest until the technical feasibility and commercial viability of extracting a mineral resource are demonstrable.

Exploration and evaluation expenditures for each separate area of interest are capitalized and include costs associated with prospecting, sampling, trenching, drilling and other work involved in searching for ore like topographical, geological, geochemical and geophysical studies. They also reflect costs related to establishing the technical and commercial viability of extracting a mineral resource identified through exploration or acquired through a business combination or asset acquisition. Exploration and evaluation expenditures include the cost of:

- establishing the volume and grade of deposits through drilling of core samples, trenching and sampling activities in an ore body;
- determining the optimal methods of extraction and metallurgical and treatment processes;
- studies related to surveying, transportation and infrastructure requirements;
- permitting activities; and
- economic evaluations to determine whether development of the mineralized material is commercially justified, including scoping, prefeasibility and final feasibility studies.

Costs incurred include appropriate technical and administrative overheads.

Exploration and evaluation assets and mining properties are carried at historical cost less any impairment losses recognized.

When technical feasibility and commercial viability of extracting a mineral resource are demonstrable for an area of interest, the Company stops capitalizing exploration and evaluation costs for that area, tests recognized exploration and evaluation assets for impairment and reclassifies any unimpaired exploration and evaluation assets either as tangible and intangible mine development assets according to the nature of the assets.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Property and equipment

Property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. The costs of the day-to-day servicing of equipment are recognized in profit or loss as incurred.

Depreciation is calculated based on the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

The depreciation is recorded using the declining balance method at the rate of 20% for exploration equipment, 20% for furniture and equipment and 30% for computer equipment, insofar as it best reflects the expected pattern of realization of future economic benefits associated with the asset.

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted accordingly.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Impairment of non-financial assets

The carrying amounts of mining properties and exploration and evaluation assets are assessed for impairment only when indicators of impairment exist, typically when one of the following circumstances apply: exploration rights have expired or will expire in the near future; no future substantive exploration expenditures are budgeted; no commercially viable quantities or minerals have been discovered and exploration and evaluation activities will be discontinued; exploration and evaluation assets are unlikely to be fully recovered from successful development or sale. If any such indication exists, then the asset's recoverable amount is estimated.

Mining properties and exploration and evaluation assets are also assessed for impairment upon the transfer of exploration and evaluation assets to development assets even if there are no facts and circumstances that indicate that the carrying amount of the exploration and evaluation assets is in excess of their recoverable amount.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the “cash-generating unit” or “CGU”). The level identified by the Company for the purposes of testing exploration and evaluation assets and mining properties for impairment corresponds to each property.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated to the assets in the unit (“group of units”) on a pro rata basis.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

The carrying amounts of exploration and evaluation assets and property and equipment are reviewed at each reporting date to determine whether there is any indication of impairment.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

j) Share capital and warrants

Common shares are classified as equity. Expenses directly attributable to the issue of common shares are presented as a deduction of deficit, net of any tax effects.

k) Flow-through financing

The Canadian tax legislation permits an entity to issue securities to investors whereby the deductions for tax purposes relating to resource expenditures may be claimed by the investors and not by the entity. These securities are referred to as flow-through shares. The Company finances a portion of its exploration programs with flow-through shares.

At the time that flow-through shares are issued, the Company allocates the proceeds between share capital and an obligation to deliver the tax deductions, which is recorded as a liability related to flow-through shares. The Company estimates the fair value of the liability using the residual method, by comparing the price of the flow-through share to the quoted price of the Company's share at the date of the announcement of the financing.

A Company may renounce the deductions for tax purposes under either what is referred to as the "general" method or the "look-back" method. When tax deductions are renounced under the general method, and the Company has the expectation of renouncing and has capitalized the expenditures during the current year, then the entity records a deferred tax liability with a corresponding income tax expense. The liability is reduced to zero and a corresponding income is recorded. When tax deductions are renounced under the look-back method, the Company records a deferred tax liability with a corresponding income tax expense when expenditures are made and capitalized. At that time, the liability is reduced to zero and a corresponding income is recorded.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Share-based payments

The fair value of share-based payment awards granted to directors and employees is recognized as a compensation expense, with a corresponding increase to contributed surplus, over the period that the employees unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of options granted for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of options granted that do meet the related service and non-market performance conditions at the vesting date.

m) Finance income

Finance income is recorded using the effective interest method in profit or loss. Finance income received is classified under operating activities in the consolidated statements of cash flows.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

n) Income taxes

The income tax expense includes current and deferred tax. Current tax and deferred tax are recognized in profit or loss, except to the extent that they relate to a business combination, or items recognized directly in equity or in other comprehensive income (loss).

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill.

Deferred taxes are recognized as income or expense in profit or loss except to the extent that tax arises from business combinations and transactions recognized in equity. When deferred taxes relate to equity items, a retroactive analysis is necessary to determine the adjustment to taxes (for example a change in tax rates or a change in the valuation allowance) that should be recorded in equity.

For this purpose, the accounting policy of the Company is to allocate changes in the recognition of deferred tax assets based on their expected maturity date.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority for the same taxable entity, or for different taxable entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

o) Refundable credit on mining duties and refundable tax credit related to resources

The Company is eligible for a refundable credit on mining duties under the Québec Mining Duties Act. This refundable credit on mining duties is equal to 8% of expenses incurred for mining activities in Québec. The accounting treatment for refundable credit on mining duties depends on whether management's intention is to go into production in the future or it is to sell its mining properties to another mining producer once the technical feasibility and the economic viability of the properties have been demonstrated. This assessment is made for each mining property held in the province of Quebec. In the first case, the credit on mining duties is recorded as an income tax recovery under IAS 12, *Income Taxes*, which generates at the same time a deferred tax liability and deferred tax expense since the exploration and evaluation assets have no more tax basis following the Company's election to claim the refundable credit. In the second case, it is expected that no mining duties will be paid in the future, accordingly the credit on mining duties is recorded as a government grant under IAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, which is recorded against exploration and evaluation assets.

Prior to its impairment in 2016, the Company had determined that its intention regarding the Crevier property was to eventually go into production. Therefore, the mining tax credit on this property was treated under IAS 12, *Income Taxes*. For other properties, the mining tax credits are accounted for under IAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*.

The Company is also eligible for a refundable tax credit related to resources on eligible expenses incurred. The rate of the refundable tax credit related to resources can be up to 31% of the amount of eligible expenses incurred. This tax credit is recorded against the deferred exploration costs.

Credits related to resources and credits on mining duties recognized against exploration and evaluation expenditures are recorded at fair value when there is reasonable assurance that they will be received and the Company will comply with the conditions associated with the grant. They will be recognized in profit or loss on a systematic basis over the useful life of the related assets.

p) Earnings per share

The Company presents basic and diluted earnings per share ("EPS") data for its common shares issued. Basic EPS is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding, for the effects of all dilutive potential common shares, which comprise warrants and share options granted to directors and employees.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

q) Segment reporting

The Company determined that it had only one operating segment, being mining exploration and evaluation.

r) Accounting standards issued but not yet effective

Standards, amendments and interpretations issued but not yet effective up to the date of the issuance of these consolidated financial statements that are expected to be relevant to the Company are listed below. Certain other standards and interpretations have been issued but are not expected to have a material impact on the Company's consolidated financial statements.

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

On June 20, 2016, the IASB issued amendments to IFRS 2, *Share-based Payment*, clarifying how to account for certain types of share-based payment transactions. The amendments apply for annual periods beginning on or after January 1, 2018. As a practical simplification, the amendments can be applied prospectively. Retrospective or early application is permitted if information is available without the use of hindsight. The amendments provide requirements on the accounting for: the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The Company intends to adopt the amendments to IFRS 2 in its financial statements for the annual period beginning on January 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

IFRS 9, Financial Instruments

The IASB released IFRS 9, *Financial Instruments (2014)* ("IFRS 9"), representing the completion of its project to replace IAS 39, *Financial Instruments: Recognition and Measurement* ("IAS 39"). The new standard introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new "expected credit loss model" for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting. The new standard is required to be applied for annual reporting periods beginning on or after January 1, 2018. The Company's management has yet to assess the impact of IFRS 9 on its consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

s) Judgments, estimates and assumptions

Many of the amounts included in the consolidated financial statements require management to make judgments and/or estimates. These judgments and estimates are continuously evaluated and are based on management's experience and knowledge of the relevant facts and circumstances. Actual results may differ from the amounts included in the consolidated financial statements. Areas of significant judgment and estimates affecting the amounts recognized in the consolidated financial statements include:

Impairment of non-financial assets

The Company's evaluation of the recoverable amount with respect to the non-financial assets is based on numerous assumptions and may differ significantly from actual values. The recoverable amounts are based, in part, on certain factors that may be partially or totally outside of the Company's control. This evaluation involves a comparison of the estimated recoverable amounts of non-financial assets to their carrying values. The recoverable amount estimates may differ from actual values and these differences may be significant and could have a material impact on the Company's financial position and result of operations. Assets are reviewed for an indication of impairment at each consolidated statement of financial position date and when there are indicators of impairment. This determination requires significant judgment. Factors which could trigger an impairment review include, but are not limited to: the right to explore in the specific area will expire during the period or in the near future and is not expected to be renewed; substantive exploration and evaluation expenditures in a specific area are neither budgeted nor planned; exploration and evaluation of mineral resources in a specific area have not led to the discovery of commercially viable quantities of mineral resources and the Company has decided to discontinue such activities in the specific area; and sufficient data exists to indicate that, although a development in a specific area is likely to proceed, the carrying amount of the assets is unlikely to be recovered in full from their successful development or by sale due to significant negative industry or economic trends, or a significant drop in metal prices (Notes 6 and 7).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

s) Judgments, estimates and assumptions (continued)

Uncertain tax positions

In 2013 and 2016, the Company received notices of assessment from the Tanzanian tax authorities, which have not yet been resolved. The Tanzanian tax authorities are claiming that the Company has not withheld sufficient taxes and other deductions on alleged interest payments and compensation matters. The Company has not recorded any provision related to these matters at December 31, 2016, as management believes that it has paid all taxes in accordance with local requirements. There is uncertainty as to the final outcome in resolving these matters. Given the uncertainty inherent in resolving the issues with the Tanzanian tax authorities, the amount of tax and other deductions that will actually be recorded or paid, as well as the timing of such payment, could differ materially from the accounting estimates, which would affect the Company's financial position and cash flows (Note 17).

The refundable tax credit related to resources and the refundable credit on mining duties (the "tax credits") for the current period and prior periods are measured at the amount the Company expects to recover from the tax authorities as at the closing date. However, uncertainties remain as to the interpretation of tax rules and the amount and timing of the recovery of such tax credits. To determine whether the expenses it incurs are eligible, the Company must exercise considerable judgment and interpretation, which makes the recovery of tax credits uncertain. Accordingly, there may be a significant difference between the recorded amount of tax credits receivable and the actual amount of tax credits received following the tax authorities' review of issues whose interpretation is uncertain. Should such a difference arise, an adjustment would have to be made to tax credits receivable and provisions may potentially need to be recognized for previous tax credits received by the Company. It may take considerable time for the tax administration to render its decisions on issues related to tax credits, and it can therefore take a long time to recover tax credits. Tax credits that the Company expects to recover within more than one year are classified as non-current assets. The amounts recognized in the financial statements are based on the Company's best estimates and according to its best judgment, as stated above. However, given the uncertainty inherent in obtaining the approval of the relevant tax authorities, the amount of tax credits that will actually be recovered or the amount to be repaid, as well as the timing of such recovery or repayment, could differ materially from the accounting estimates, which would affect the Company's financial position and cash flows (Notes 8 and 17).

Going concern

The assessment of the Company's ability to execute its strategy by funding future working capital requirements involves judgment. Estimates and assumptions are continually assessed and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

December 31, 2016 and 2015 (in Canadian dollars)

4. TEMPORARY INVESTMENTS

	December 31, 2016	2015
	$	$
Guaranteed investment certificate, rate of 1.12% maturing in January 2016	**-**	100,000
Guaranteed investment certificate, rate of 0.70% maturing in January 2016	**-**	150,000
	-	250,000

5. ACCOUNTS RECEIVABLE

	December 31, 2016	2015
	$	$
Sales taxes receivable	**51,717**	113,549
Others	**-**	27,455
	51,717	141,004

At December 31, 2016, the Company determined that the amount of sales taxes receivable in Tanzania would not be recovered as the Company does not intend to maintain its activities in Tanzania, the recent receipt of further notices of assessments from the Tanzania Revenue Authority (Note 17) and given the past history and experience in the collection of sales taxes in Tanzania. As a result, a bad debt expense of $95,358 was recorded in the consolidated statement of loss for the year ended December 31, 2016.

December 31, 2016 and 2015 (in Canadian dollars)

6. EXPLORATION AND EVALUATION ASSETS

Evaluation and exploration assets by properties are detailed as follows:

	December 31, 2015	Additions	Write-down and write-off	Effect of foreign exchange	December 31, 2016
	$	$	$	$	$
Mineral properties					
James Bay, Ontario (Nb) - 100%	-	**399,945**	**-**	**-**	**399,945**
	-	**399,945**	**-**	**-**	**399,945**
Exploration and evaluation expenditures					
James Bay, Ontario (Nb) - 100%	-	**214,832**	**-**	**-**	**214,832**
Crevier, Quebec (Nb) - 72.5%	3,486,133	**5,210**	**(3,491,343)**	**-**	**-**
Ikungu, Tanzania (Au) - 84%	3,825,363	**24,308**	**(3,588,269)**	**(261,402)**	**-**
Ikungu East, Tanzania (Au) - 100%	326,638	**6,139**	**(307,789)**	**(24,988)**	**-**
	7,638,134	**250,489**	**(7,387,401)**	**(286,390)**	**-**
	7,638,134	**650,434**	**(7,387,401)**	**(286,390)**	**614,777**

	December 31, 2014	Additions	Tax credits related to resources	Write-down and write-off	Effect of foreign exchange	December 31, 2015
	$	$	$	$	$	$
Mineral properties						
Crevier, Quebec (Nb) - 72.5%	7,481,515	-	-	(7,481,515)	-	-
Samaqua, Quebec (Nb) - 100%	6,336	1,105	-	(7,441)	-	-
Prairie Lake, Ontario (Nb) - option	-	79,000	-	(79,000)	-	-
Ikungu, Tanzania (Au) - 84%	315,181	-	-	(328,359)	13,178	-
Nikonga, Tanzania (Au) - 100%	110,398	-	-	(110,398)	-	-
	7,913,430	80,105	-	(8,006,713)	13,178	-
Exploration and evaluation expenditures						
Crevier, Quebec (Nb) - 72.5%	5,464,906	1,215	-	(1,979,988)	-	3,486,133
Samaqua, Quebec (Nb) - 100%	222,947	300,433	(40,146)	(483,234)	-	-
Prairie Lake, Ontario (Nb) - option	-	117,610	-	(117,610)	-	-
Ikungu, Tanzania (Au) - 84%	7,634,221	44,946	-	(5,066,227)	1,212,423	3,825,363
Ikungu East, Tanzania (Au) - 100%	754,603	77,617	-	(624,585)	119,003	326,638
Nikonga, Tanzania (Au) - 100%	1,733,291	4,528	-	(1,846,102)	108,283	-
	15,809,968	546,349	(40,146)	(10,117,746)	1,439,709	7,638,134
	23,723,398	626,454	(40,146)	(18,124,459)	1,452,887	7,638,134

6. EXPLORATION AND EVALUATION ASSETS (continued)

James Bay, Ontario

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 Columbium 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 property rights are held through a Crown mining lease recorded in the name of the Company. The lease was last renewed for a term of 10 years expiring on February 28, 2018. It is renewable for additional 10-year terms subject to the Company filing the required renewal application with payment of the required rental fees.

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.

Prairie Lake, Ontario

In February 2015, the Company signed two option agreements to acquire a 100% interest in two properties located in the mining district of Thunder Bay, 45 km northwest of Marathon, Ontario known by the names of Prairie Lake Property and Prairie Lake South Property. The Company had the option to acquire a 100% interest in the two properties by paying a total amount of $283,000 and issuing a total of 830,000 common shares over a four-year period. The Company was also required to incur a minimum of $420,000 in exploration expenditures over the same period. In 2015, the Company issued 140,000 common shares and paid $30,000 on signing of the agreement.

In February 2016, the Company terminated the option agreement with the claim owners due to the preliminary state of the project and to preserve its liquidities for more advanced projects. In 2015, the Company wrote-down an amount of $196,610, estimating no recoverable value of the Prairie Lake property.

6. EXPLORATION AND EVALUATION ASSETS (continued)

Crevier, Quebec

Following the acquisition of the James Bay property in June 2016, the Company established that its focus would 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-off to nil in 2016 its investment in the project, thus estimating no recoverable value of the Crevier property (write-off of $3,491,343). The write-down resulted in the reversal of the remaining deferred income tax liability of $195,188 and a corresponding deferred income tax recovery was recorded in 2016.

In 2015, the Company determined that there were triggering events requiring an impairment analysis for the Crevier project given the lack of exploration and evaluation work in prior years and the lack of budgeted expenditures in 2016. Management established the recoverable amount at that time based on the fair value less selling costs by comparing historical exploration and evaluation amounts incurred by the Company and the replacement cost for similar services, as if these costs had been incurred at December 31, 2015. The Company impaired the asset by an additional 20% of the remaining recoverable value to reflect the risk that the project would not be put in service in the short-term either by the Company or by a third party who would take an interest in the project. Selling costs were estimated at 2% of the recoverable value of the asset. Thus, management proceeded with an impairment of $9,461,503 in 2015 to establish the recoverable value of $3,486,133 at December 31, 2015 by considering the following assumptions: a) the exploration rights acquired in exchange of shares of the Company and cash payments were impaired at 100% due to the significant drop in the Company's share price since the acquisition of the rights, and b) drilling, engineering costs and other studies were impaired at 20 to 30% due to the drop of similar costs if they were incurred today.

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.

Samaqua, Québec

In 2015, the Company proceeded to a complete impairment (estimating no recoverable value) of the Samaqua evaluation and exploration assets and mining property for an amount of $490,675, due to disappointing drill results.

6. EXPLORATION AND EVALUATION ASSETS (continued)

Ikungu and Ikungu East, 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 intend to maintain its activities in Tanzania, the Company proceeded with writing-off in 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 the Company 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. The difference of $96,878 (US$75,000) was presented as a reduction of management and administration expenses in Note 11.

Following the decision to abandon the Tanzanian operations and the related winding down of the activities, the cumulative translation adjustment amounting to $2,492,620 was transferred from other comprehensive loss to "Gain on foreign exchange from abandonment of Tanzanian projects" in the consolidated statements of income.

The September 2015 agreement with XINYE provided for a total investment of US$7M in exploration work on the properties over three phases totalling 42 months. Over the course of the three phases XINYE always had the option to acquire 100% of the properties by paying an amount ranging from US$3M to US$6M. In 2015, the Ikungu and Ikungu East projects were impaired to an amount representing the minimum recoverable amount for the Company in accordance with the agreement, or US$3M ($4,152,000), representing an impairment of $6,019,171.

Nikonga, Tanzania

In 2015, the Company proceeded to a complete impairment (estimating no recoverable value) of the Nikonga evaluation and exploration assets and mining property of an amount of $1,956,500. Considering the financial commitments in relation with the joint venture agreement on the Nikonga project, and considering the difficult environment for gold exploration in Tanzania at that time, the Company has concluded that it was too expensive to continue to disburse the annual payments required to maintain the exploration rights.

December 31, 2016 and 2015 (in Canadian dollars)

7. PROPERTY AND EQUIPMENT

			December 31, 2016
	Cost	**Accumulated amortization**	**Net book value**
Exploration equipment	**56,193**	**38,329**	**17,864**
Furniture and equipment	**22,162**	**19,976**	**2,186**
Computer equipment	**49,244**	**44,439**	**4,805**
	127,599	**102,744**	**24,855**

			December 31, 2015
	Cost	**Accumulated amortization**	**Net book value**
Exploration equipment	51,388	34,791	16,597
Furniture and equipment	87,663	52,683	34,980
Computer equipment	57,333	52,889	4,444
	196,384	140,363	56,021

At December 31, 2016, the net book value of property and equipment in Canada and Tanzania was $24,855 and nil, respectively ($23,417 and $32,604 in Canada and Tanzania, respectively at December 31, 2015). In 2016, the Company wrote-off the value of its property and equipment in Tanzania for a total amount of $27,857, as the Company does not intend to maintain its activities in Tanzania.

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

At December 31, 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 17) and various payables and accruals in Tanzania ($9,145) and in Canada ($329,693).

9. 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, stock options and loss per share data presented in these consolidated financial statements have all been adjusted to reflect the impact of this share consolidation.

Issuance of shares

In 2016, a total of 150,000 compensation warrants were exercised for proceeds of $45,000 and a total of 46,000 stock options were exercised for proceeds of $11,500.

On December 19, 2016, the Company completed a private placement of 1,377,626 flow-through shares at a price of $0.85 per share, for total proceeds of $1,170,982. The carrying value of the flow-through shares is presented net of the liability related to the premium on flow-through shares of $137,763 which was recorded at the date of issuance of the flow-through shares. Given that no exploration expenditures were incurred between the date of the private placement and December 31, 2016, the liability related to flow-through shares at December 31, 2016 remained at $137,763. As part of the private placement, the Company granted 45,294 compensation warrants exercisable into 45,294 common shares at an exercise price of $1.25 per share expiring on December 19, 2018. The fair value of the compensation warrants, estimated at $17,007 and presented as share issue expenses, was measured based on the Black-Scholes option pricing model, using a risk-free interest rate of 0.80%, an expected life of 2 years, an annualized volatility of 130% 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 $64,664 consisted of legal, consulting and regulatory expenses.

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 6). These shares were valued at an amount of $350,000 using the June 21, 2016 closing price of the Company's shares.

December 31, 2016 and 2015 (in Canadian dollars)

9. SHARE CAPITAL AND WARRANTS (continued)

Share purchase warrants

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

Grant date	Number of Warrants December 31, 2015	Granted	Exercised	Expired	**Number of warrants December 31, 2016**	Price Per Share	Expiry Date
						$	
July 15, 2014 (1)	736,349	-	-	(736,349)	**-**	-	-
August 4, 2016	-	500,000	(150,000)	-	**350,000**	0.30	July 5, 2019
December 19, 2016	-	45,294	-	-	**45,294**	1.25	Dec 19, 2018
	736,349	545,294	(150,000)	(736,349)	**395,294**	0.41	
Average price	0.55	0.38	(0.30)	(0.55)	**0.41**		

(1) These share purchase warrants expired unexercised in July 2016.

December 31, 2016 and 2015 (in Canadian dollars)

10. STOCK OPTIONS

In December 2016, the Company's board of directors approved a new "rolling 10%" stock option plan (the "New Plan") subject to approval of the Company's shareholders and the TSXV. The New Plan has been conditionally approved by the TSXV and will be submitted to the Company's shareholders for approval at its next annual meeting of shareholders. Any stock options granted pursuant to the New Plan prior to shareholder approval of the New Plan will also be subject to, and will not be exercisable until, disinterested shareholder approval has been obtained. If such approval is not obtained, the stock options granted under the New Plan will terminate.

The New Plan will replace the Company's "fixed number" stock option plan. Pursuant to the New Plan, the board of directors may grant stock options to directors, officers, employees, and consultants of the Company up to a maximum of 10% of the total the number of issued and outstanding shares of the Company from time to time, less any shares reserved for issuance under the "fixed number" option plan.

The following table sets out the activity in stock options:

	Year ended December 31, 2016		Year ended December 31, 2015	
	Number	Weighted average exercise price ($)	Number	Weighted average exercise price ($)
Options, beginning of year	**726,000**	**0.40**	**762,000**	**1.20**
Granted	**464,800**	**0.37**	**250,000**	**0.25**
Exercised	**(46,000)**	**(0.25)**	**-**	**-**
Expired	**(42,000)**	**(1.04)**	**(286,000)**	**(2.40)**
Options, end of year	**1,102,800**	**0.38**	**726,000**	**0.40**
Exercisable options, end of year	**936,208**	**0.37**	**709,625**	**0.40**

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.

December 31, 2016 and 2015 (in Canadian dollars)

10. STOCK OPTIONS (continued)

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.

The following table reflects the stock options issued and outstanding at December 31, 2016:

Range of exercise prices	Number of outstanding options	Average price	Remaining contractual life
		$	(years)
$0.05 - $0.99	1,054,800	0.32	3.5
$1.00 - $1.99	32,000	1.19	2.8
$2.00 - $2.50	16,000	2.44	3.6
	1,102,800	0.38	3.5

11. MANAGEMENT AND ADMINISTRATION EXPENSES

The Company incurred the following management and administration expenses:

	Year ended December 31, 2016	2015
	$	$
Wages and consulting	**306,935**	276,869
Retirement allowance and debt forgiveness to former CFO (Note 16)	**76,370**	-
Legal, audit and tax	**113,419**	181,556
Office	**97,966**	77,829
Investor relations and travel	**158,103**	57,269
Reporting issuer costs	**60,023**	25,550
Recovery of expenses (Note 6)	**(96,878)**	-
Mining titles management	**7,905**	30,341
	723,843	649,414
Share-based compensation	**63,622**	30,783
Amortization of property and equipment	**8,797**	10,722
	796,262	690,919

December 31, 2016 and 2015 (in Canadian dollars)

12. INCOME TAXES

The reconciliation of the effective tax rate is as follows:

	Year ended December 31,	
	2016	2015
	$	$
Loss before income tax	**(5,903,335)**	(18,212,127)
Tax using the Company's domestic tax rate (26.9% for 2016 and 2015)	**(1,587,997)**	(4,899,062)
Share-based compensation	**17,114**	8,281
Renunciation of exploration expenses	**-**	42,247
Non-deductible expenses and others	**173,274**	(150,651)
Impact of change of tax rate	**124,865**	-
Tax attributes for which no deferred tax assets are recognized	**1,219,744**	3,078,964
Tax benefit related to mining tax	**53,000**	71,833
Permanent differences resulting from the depreciation of mining property	**-**	1,848,388
Mining taxes	**(195,188)**	(267,036)
Recovery of corporate and mining taxes	**(195,188)**	(267,036)

Recognized deferred tax assets and liabilities are attributable to the following:

			December 31, 2016
	Assets	**Liabilities**	**Net**
	$	**$**	**$**
Deferred tax assets (liabilities)			
Exploration and evaluation assets	-	-	-
Non-capital loss carry-forwards	-	-	-
	-	**-**	**-**
Offsetting of tax assets and liabilities	-	-	-
	-	**-**	**-**

			December 31, 2015
	Assets	Liabilities	Net
	$	$	$
Deferred tax assets (liabilities)			
Exploration and evaluation assets	-	(195,188)	(195,188)
Non-capital loss carry-forwards	-	-	-
	-	(195,188)	(195,188)
Offsetting of tax assets and liabilities	-	-	-
	-	(195,188)	(195,188)

December 31, 2016 and 2015 (in Canadian dollars)

12. INCOME TAXES (continued)

Unrecognized deductible temporary differences, related to Canadian entities, for which no deferred tax assets have been recognized are as follows:

	December 31, 2016	December 31, 2015
	$	$
Non-capital losses carry-forwards	**4,866,000**	5,102,000
Capital losses carry-forwards	**223,000**	226,000
Mining properties	**313,000**	317,000
Exploration and evaluation assets	**2,778,000**	1,459,000
Capital assets	**14,000**	14,000
Share issue cost	**74,000**	-
Other	**16,000**	16,000
	8,284,000	7,134,000

Deferred tax assets have not been recognised in respect of these items because of the uncertainties that future taxable profit will be available against which the Company can utilise these benefits.

Non-capital losses, related to Canadian entities, expire as follows:

	$
2027	**8,641,547**
2028	**287,863**
2029	**2,910**
2030	**3,770,250**
2031	**330,322**
2032	**2,239,049**
2033	**1,423,290**
2034	**884,291**
2035	**94,657**
2036	**730,034**
	18,404,213

13. GAIN ON SETTLEMENT OF A LIABILITY

As at December 31, 2014, the Company had an accounts payable of US$478,392 representing its share of the management fees of the Tulawaka mine for the last five quarters of the mine operation. This amount was to be deducted from the available cash generated after the final sale of the assets of the mine. Following the receipt of the details of the final settlement of the disposal of assets on September 2015, the Company received confirmation that the available cash balance was negative, thus eliminating the amount due to nil. In accordance with the partnership agreement, the Company proceeded to write off this account for an amount of $681,779.

14. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS

Fair value

Cash and trade accounts payable and accrued liabilities are financial instruments whose fair value approximates their carrying value due to their short-term maturity and due to market interest rates.

Foreign exchange risk

The balance of financial assets and liabilities denominated in US dollars is as follows:

		December 31,
	2016	2015
	$	$
Cash	**5,914**	10,079
Accounts receivable	**-**	73,424
Trade accounts payable and accrued liabilities	**(22,572)**	(12,326)
	(16,658)	71,177

All other things being equal, a variation of 5% of the US dollar in relation with the Canadian dollar would have a negligible effect on the loss.

Credit risk

The credit risk is the risk that the Company is not paid by a third party who does not respect its agreement obligations. It is mainly reflected in cash. The carrying value of the Company's financial assets represents the maximum credit risk exposure.

The Company invests its cash in high quality titles issued by Canadian financial institutions and minimal amounts are kept in Tanzania.

14. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (continued)

Liquidity risk

The liquidity risk is the risk the Company may encounter when payment of its obligations become due.

The Company manages its liquidity risk by using budgets allowing it to determine the necessary funds required to meet its exploration plans and administrative expenses. Moreover, the Company ensures that the working capital is sufficient to meet its current obligations.

As at December 31, 2016, the Company had $2,281,637 in cash to meet its current liabilities of $482,838.

Management considers that these funds are insufficient to cover its general administrative expenses and its planned exploration and evaluation budget for 2017 (Note 2).

Any future funding shortfall may be met in a number of ways, including the issuance of new equity instruments or other measures. While management has been successful in securing financing in the past, there can be no insurance it will be able to do so in the future, that such sources of funding or initiatives will be available to the Company or that they will be available on terms 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 consolidated financial statements.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates.

The Company holds the majority of its cash in interest-bearing accounts which are therefore exposed to future cash flow fluctuations coming from changes in market interest rates. A fluctuation of 100 basis points on market interest rate would not have a significant impact on the financial results of the Company for the year ended December 31, 2016.

December 31, 2016 and 2015 (in Canadian dollars)

15. CAPITAL MANAGEMENT

In terms of capital management, the objective of the Company is to preserve its ability to continue its mining exploration while maintaining the current exploration programs and development of mining assets, to provide sufficient working capital to meet its current commitments and to pursue potential investments. The capital of the Company consists of equity attributable to shareholders of the Company of $2,398,161 ($6,782,026 at December 31, 2015).

The Company manages its capital structure and makes adjustments to it in accordance with the aforementioned objectives, as well as in light of changes in economic conditions and the risk characteristics of the underlying assets. Changes in capital are presented in the consolidated statements of shareholders' equity.

16. RELATED PARTIES

Remuneration of directors and key management of the Company

The remuneration awarded to directors and to key management personnel, including the President and CEO and the CFO, is as follows:

	Year ended December 31,	
	2016	2015
	$	$
Salaries, professional fees and other short-term benefits	**176,882**	201,196
Retirement allowance and debt forgiveness to former CFO	**76,370**	-
Share-based compensation	**56,663**	28,278
	309,915	229,474

The Company recorded an amount of $50,000 during the year ended December 31, 2016 as retirement allowance to the Company's former CFO, of which $25,000 is included in accounts payable and accrued liabilities at December 31, 2016, and forgave the balance of the loan owed by the former CFO in the amount of $26,370. A company controlled by the CEO of the Company invoiced $43,925 for the services of a market analyst ($24,985 in 2015) and invoiced $32,500 for the rental of office space ($33,000 in 2015).

*Termination and Change of Control Provision*s

The employment agreement between the Company's president and CEO and the Company contain termination without cause and change of control provisions. Assuming that the Company's president and CEO had been terminated without cause or that a change of control had occurred on December 31, 2016, the total amount payable to the Company's president and CEO would have totaled $82,667.

December 31, 2016 and 2015 (in Canadian dollars)

17. CONTINGENCIES

Tanzania Revenue Authority ("TRA")

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 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 December 31, 2016 and 2015.

18. SEGMENTED INFORMATION

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

			December 31, 2016
	Canada	**Tanzania**	**Total**
	$	**$**	**$**
Exploration and evaluation assets	**614,777**	**-**	**614,777**
Property and equipment	**24,855**	**-**	**24,855**
	639,632	**-**	**639,632**

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