NIOCORP DEVELOPMENTS LTD.
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended June 30, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion provides information regarding the results of operations for the years ended June 30, 2016 and 2015 and our financial condition, liquidity and capital resources as of June 30, 2016 and 2015. The financial statements and the notes thereto contain detailed information that should be referred to in conjunction with this discussion.

The following discussion and analysis should be read in conjunction with and our historical consolidated financial statements and the accompanying notes included elsewhere in this prospectus, as well as the Risk Factors and the *Cautionary Note Regarding Forward-Looking Statements* included above.

Company Overview

NioCorp is developing the Elk Creek Project, located in southeast Nebraska. The Elk Creek Project is an advanced niobium and scandium exploration project that also contains Titanium. Niobium is used to produce HSLA steel, which is a lighter, stronger steel used in automotive, structural, and pipeline applications. Scandium can be combined with Aluminum to make an alloy with increased strength and improved corrosion resistance. Scandium also is a critical component of advanced solid oxide fuel cells. Titanium is a key component of pigments used in paper, paint, and plastics, and is also used for aerospace applications, armor, and medical implants.

Our primary business strategy is to advance our Elk Creek Project to commercial production. We are focused on obtaining additional funds to carry out our near-term planned work programs to complete a feasibility study for the Elk Creek Project and to begin development. Subject to delivering a positive feasibility study for the Elk Creek Project, we intend to secure the project financing necessary to complete mine development and construction of the Elk Creek Project.

The Company also holds a position in a mineral exploration property located in Canada. At the present time, this property does not comprise a material aspect of the Company's business operations. Please refer to "Item 2 – Properties" above for further detail regarding the Company's mineral exploration properties.

2016 Highlights

The following highlights are from the year ended June 30, 2016:

Strategic

- The Company continued to make progress with respect to completing a feasibility study for its Elk Creek Project, which included bench and pilot scale metallurgical testing to provide data for the Feasibility Study plant design. On June 23, 2016, we announced the successful completion of a Whole Ore Pre-Leach Pilot Plant (WPL). The WPL validated results from earlier bench-scale testing and paves the way for the remaining Feasibility Study pilot plants to commence at the SGS Lakefield metallurgical testing facility in Lakefield, Ontario.

- During 2016, the Company continued to make progress with respect to ongoing permitting activities with the Army Corps of Engineers, the state of Nebraska and Johnson County, Nebraska and advanced hydrogeologic modelling of the regional aquifer associated with the Mineral Resource.

- On June 15, 2016, we announced that we had entered into the CMC Agreement with CMC Cometals, a division of Commercial Metals Company ("CMC") of Fort Lee, New Jersey, under which CMC expects to purchase up to a maximum of 1,875 tonnes per year, or roughly twenty-five (25%), of our potential annual

Ferroniobium production from our Elk Creek, Nebraska resource. Under the CMC Agreement, CMC will purchase this amount of Ferroniobium under a market-based pricing structure for an initial 10-year term, with an option to extend beyond that period upon mutual agreement of the parties.

- In March of 2016, the Company conducted another in a series of Town Hall meetings with residents of Eastern Nebraska to discuss its Elk Creek Project. A capacity crowd of nearly 400 residents attended, with strong and vocal support expressed for the project by many residents.

- The Company conducted its 2016 Annual Meeting on February 23, 2016. In addition to approving the reelection of all Board members standing for reelection, shareholders also elected Anna Castner Wightman, to the Board. Ms. Wightman is a sixth generation Nebraskan who currently serves as Vice President of Government Relations for First National Bank in Omaha, Nebraska.

- On October 16, 2015, the Company announced that, as a result of a review by the British Columbia Securities Commission, it had filed an amendment to its second Preliminary Economic Assessment, filed in Canada on September 4, 2015, for the Elk Creek Project. The October 2015 PEA retains the technical and economic results previously disclosed by NioCorp in its August 4, 2015 and September 4, 2015 news releases, and includes additional guidance and cautionary language required by NI 43-101 regarding uncertainty in realizing the results of the October 2015 PEA.

- On August 4, 2015, the Company announced that during bench and pilot testing of the metallurgical flowsheet for the proposed plant, it was determined that recoveries could be significantly increased by eliminating the flotation step and processing the resource directly through a hydrometallurgical process. Subsequently, on September 4, 2015, the Company filed in Canada a second Preliminary Economic Assessment regarding the Elk Creek Project.

- On September 17, 2015, the Company announced the production of Ferroniobium using feed material from the Elk Creek Resource that meets specifications for commercial sale. The Ferroniobium was produced during pyrometallurgical testing conducted at Kingston Process Metallurgy Inc. ("KPM") in Kingston, Ontario.

- In July 2015, the Company completed diamond drill holes at the prospective locations of the mine shaft and the ventilation raise. The data collected from these holes will assist in developing cost estimates for the establishment of these key components of the mine infrastructure, and will serve to reduce risk in these areas of the project.

Financing and Other

- On June 17, 2016, we completed a warrant exercise program resulting in gross proceeds of C$4.8 million. A total of approximately 7.4 million C$0.65 share purchase warrants expiring November 10, 2016 were exercised. Each holder who exercised one warrant during the program received 1.11029 Common Shares, representing one Common Share and 0.11029 of a Common Share, as the incentive portion. The program had been previously approved by our shareholders on May 17, 2016.

- On January 19, 2016, the Company announced the closing of a non-brokered private placement of 9,074,835 Units of the Company at a price of C$0.57 per Unit, which raised gross proceeds of C$5.2 million. Each "Unit" consists of one Common Share of the Company and one transferable Common Share purchase warrant. Each warrant is exercisable to acquire one additional Common Share for a period of 3 years at a price of C$0.75 per Common Share.

- On December 15, 2015, the Company announced the signing of the Lind Agreement with Lind Asset Management IV, LLC ("Lind"). Through December 31, 2015, an initial $4.0 million was funded pursuant to the issuance of an initial convertible security ("Convertible Security"), with an additional $0.5 million received as of January 19, 2016 on the issuance of a further equivalent amount of the Convertible Security, including interest. The Convertible Security is for a term of two years, and carries prepaid interest at a rate of 10% per annum. Lind can increase the funding under the Convertible Security by an additional $1.0 million during its two-year term. Further, provided certain conditions are met, the Company will have the right to call an additional $1.0 million under the initial Convertible Security.

- In November 2, 2015, the Company announced the appointment of Jim Sims to the position of Vice President of External Affairs. In this capacity, Mr. Sims manages investor relations, media relations, marketing, and government affairs.

- On October 22, 2015, the Company announced the closing of a non-brokered private placement of unsecured convertible promissory notes (the "Notes"), for gross proceeds $0.8 million (the "Private Placement").

- On July 1, 2015, the Company entered into a non-revolving credit facility agreement in the amount of $2 million with Mr. Mark Smith, Chief Executive Officer, President, and Executive Chairman of NioCorp, under which $0.5 million was drawn down. The arrangement bears an interest rate of 10%, is secured by the Company's assets pursuant to a general security agreement, is subject to both a 2.5% establishment fee and 2.5% prepayment fee, and became due and payable on June 17, 2016.

Results of Operations

Comparison of Year Ended June 30, 2016 to June 30, 2015

	For the year ended June 30,	
	2016	**2015**
	(US$000)	
Operating expenses	$ 9,518	$ 25,480
Net loss	$ 11,408	$ 23,115
Net loss per share (basic and diluted)	$ 0.07	$ 0.17

The Company's net loss decreased to $11.4 million for 2016 from $23.1 million for 2015. These changes resulted primarily from decreased exploration activities as work efforts transitioned from on-site drilling and related metallurgical testing to engineering efforts related to the in-process feasibility study.

During the years ended June 30, 2016 and 2015, the Company had no revenues. Operating expenses incurred related primarily to performing exploration activities, as well as the activities necessary to support corporate and shareholder duties, and are detailed in the following table.

	For the year ended June 30, 2016	For the year ended June 30, 2015
	(US$000)	
Operating expenses:		
Consulting	$ 201	$ 242
Depreciation	9	10
Employee related costs	1,988	3,413
Finance costs	242	39
Professional fees	512	435
Exploration expenditures	4,719	18,051
Other operating expenses	1,847	3,178
Impairment of equipment	-	112
Total operating expenses	**9,518**	**25,480**
Change in financial instrument fair value	2,719	-
Other gains	(587)	
Interest and other income	-	(16)
Foreign exchange (gain) loss	(528)	434
Interest expense	275	-
Loss (gain) on available for sale securities	11	(28)
Income tax expense (benefit)	-	(2,755)
Net Loss	**$ 11,408**	**$ 23,115**

Overall decreases in operating expenses reflect decreased exploration expenditures as compared to the prior year. Significant items affecting operating expenses are noted below:

Employee related costs decreased from $3.4 million in 2015 to $2.0 million in 2016 primarily due to a $1.6 million decrease in share-based compensation costs reflecting the timing and amount of stock option grants, as well as changes in vesting periods. Options granted in 2015 were vested immediately, resulting in 100% of the value being expensed upon grant. Options granted in 2016 vest over an 18-month period, and the corresponding option value is being expensed over the vesting period. This decrease in share-based compensation expense was partially offset by a $0.2 million increase related to headquarters personnel costs to support increased financing efforts and general operational activities.

Finance costs represent fees and costs associated with financial transactions. Costs incurred for 2016 primarily reflect Lind Agreement transaction costs.

Exploration expenditures decreased to $4.7 million (2015: $18.1 million) reflecting the timing of expenditures at the Elk Creek Project. 2016 expenditures primarily related to engineering and metallurgical testing work in support of our feasibility study, while 2015 costs included $10.3 million for drilling, metallurgical work, and geologists and field staff, which was necessary to support the preparation and filing of an updated Canadian National Instrument 43-101 Mineral Resource Statement and the completion of a Preliminary Economic Assessment. The following table provides additional details on exploration expense by period:

	Year ended June 30, 2016	Year ended June 30, 2015
	(US$000)	
Feasibility study and engineering	$ 2,671	$ 5,892
Field management and other	940	1,791
Drilling, sampling and assaying	197	4,976
Metallurgical	844	4,506
Geologists and field staff	67	886
Total	$ 4,719	$ 18,051

Other operating expenses include investor relations, general office expenditures, stock and proxy expenditures and other miscellaneous costs. Costs incurred during 2016 include $525,000 relating to the fair value of additional shares issued in connection with the warrant exercise program discussed below under "*Recent Financing Activities*". Similarly, 2015 costs include $2,159,000 relating to the fair value of warrants issued to MRCC in connection with the 2015 Offering discussed above under "*Financing*" and warrants issued in connection with the offtake agreement discussed below under "*Contractual Obligations and Off Balance Sheet Arrangements*".

Other significant items impacting the change in the Company's net loss are noted below*:*

Change in financial instrument fair value represents non-cash changes in the market value of the Convertible Security, which is carried at Fair value, as well as changes in the market value of the derivative liability component of the Notes.

Other gains recorded in 2016 represents the one-time reversal of a Canadian tax-related accrual associated with flow-through capital shares issued in 2010.

Foreign exchange (gain) loss is primarily due to changes in the United States dollar ("USD") against the Canadian dollar ("CAD"). And reflects the timing of foreign currency transactions and subsequent changes in exchange rates. The gain recorded in 2016 primarily relates to the USD-denominated Convertible Security, which is recorded on the Canadian parent company books.

Interest expense represents interest incurred in connection with loans from Mark A. Smith and the Notes. Increases in 2016 over 2015 are based on the timing of the closing of the individual debt instruments.

Income tax benefit booked in 2015 reflects the recognition of $2.8 million of deferred tax benefit which was generated during 2015 to offset existing deferred tax liabilities associated with the acquisition of the Elk Creek mineral interest.

Recent Financing Activities

During the three years preceding the date hereof, the Company has granted an aggregate total 16,590,000 incentive stock options and issued 45,597,616 share purchase warrants. During the three years preceding the date hereof, The Company's option holders have exercised an aggregate total of 9,305,000 incentive stock options and 19,771,581 share purchase warrants.

On November 10, 2014, the Company closed a partially brokered and partially non-brokered private placement of 19,245,813 special warrants ("2014 Special Warrants") at an issue price of C$0.55 per 2014 Special Warrant to raise aggregate gross proceeds of C$10,585,197 (the "2014 Offering"). The brokered portion of the 2014 Offering was completed using Mackie Research Capital Corporation ("MRCC"), and each 2014 Special Warrant was exchangeable for no additional consideration into one unit of the Company (a "2014 Unit"). Each 2014 Unit consisted of one Common Share and one Common Share purchase warrant (a "2014 Warrant"). Each 2014 Warrant entitles the holder to acquire one Common Share at a price of C$0.65 until November 10, 2016. MRCC received C$112,917.59 and 205,304 options to acquire 2014 Units in consideration of its services in connection with the 2014 Offering. On January 15, 2015 the Company announced it had filed and obtained a receipt from the British Columbia Securities Commission for a final short form prospectus dated January 14, 2015. The receipt also evidences that the Ontario Securities Commission has received the filing, as well as regulators in Alberta and New Brunswick under the Multilateral Instrument 11-102 Passport System. That prospectus qualified the distribution of 19,245,813 2014 Units underlying the 2014 Special Warrants pursuant to the terms thereof, which were deemed to be issued on January 19, 2015. Proceeds of the Special Warrant private placement were to be used to advance the Elk Creek Property and for general working capital.

On November 10, 2014 the Company entered into an off-take agreement with ThyssenKrupp Metallurgical Products GmbH ("TK") whereby TK will purchase approximately 3,750 tonnes or roughly 50 per cent of the Company's planned ferro-niobium production from its Elk Creek Project for an initial 10-year term, with an option to extend beyond that time frame. The agreement presupposes the company obtaining project financing, obtaining all necessary approvals and constructing a mine at the Elk Creek Project. Pursuant to the agreement with TK, the Company also granted TK a non-transferable warrant entitling TK to acquire 8,569,000 Common Shares at an exercise price of C$0.67 until December 12, 2015.

Pursuant to a financial services advisory agreement with MRCC, the Company issued 500,000 advisory warrants on December 4, 2014 and 250,000 advisory warrants on January 14, 2015 (the "Advisory Warrants"). Each Advisory Warrant entitled MRCC to purchase a unit of the Company at a price of C$0.55 each, on or before December 4, 2016 (each an "Advisory Unit"). Each Advisory Unit consisted of one Common Share and one warrant exercisable at a price of C$0.65 per share until December 4, 2016. These Advisory Warrants were exercised during the three-month period ended March 31, 2016, resulting in gross proceeds to the Company of C$412,500, the issuance of 750,000 Common Shares and granting of an additional 750,000 warrants comprised in the Advisory Units.

Pursuant to a sponsorship agreement between MRCC and the Company in connection with the Company's graduation to the Toronto Stock Exchange, the Company issued 250,000 agent's sponsorship warrants on January 14, 2015 (the "Sponsor Warrants"), entitling MRCC to purchase a unit of the Company (the "Sponsor Units") at C$0.60 per Sponsor Unit until January 14, 2017. Each Sponsor Unit consisted of one common Share and one warrant exercisable at C$0.65 per share until January 14, 2017. These Sponsor Warrants were exercised during the year ended June 30, 2016, resulting in gross proceeds to the Company of C$150,000, the issuance of 250,000 Common Shares and the granting of an additional 250,000 warrants comprised in the Sponsor Units.

On February 27, 2015 the Company announced that it had closed a bought deal private placement offering with MRCC consisting of 2,914,000 special warrants ("2015 Special Warrants"), including the exercise of 15% over-allotment option in full, at an issue price of C$0.75 per 2015 Special Warrant for aggregate gross proceeds of C$2,185,500 (the "2015 Offering"). Each 2015 Special Warrant was exchangeable for no additional consideration into one unit of the Company (a "2015 Unit"). Each 2015 Unit consisted of one Common Share and one Common Share purchase warrant (a "2015 Warrant"). Each 2015 Warrant entitles the holder to acquire one Common Share at a price of C$1.00 until February 27, 2017.

In consideration for its services in connection with the 2015 Offering, MRCC received a cash commission of C$137,183 and 182,910 non-transferable Compensation Options ("Compensation Options"). Each Compensation Option entitles MRCC to purchase one Common Share at a price of C$0.85 for a period of 24 months from the closing date of the 2015 Offering. On March 26, 2015 the Company announced it had filed and obtained a receipt from the securities regulators in British Columbia, Ontario, Alberta and Saskatchewan for a final short form prospectus dated March 23, 2015. That prospectus qualified the distribution of 2,914,000 2015 Units issuable pursuant to the terms thereof, which were deemed to be exercised on Monday, March 30, 2015.

On March 5, 2015, the Company announced that it obtained in-principle eligibility approval for a loan guarantee to be provided by the Federal Republic of Germany which will support the Company's debt financing strategy. This approval, which is the first of four approvals, is based on the signed offtake agreement discussed below under "Three Year History of Material Corporate Agreements", and demonstrates that the Elk Creek Project will contribute in securing strategic raw materials supplies for Germany and that the supply of Ferroniobium is in the economic interest of Germany. In addition, NioCorp appointed Northcott Capital Limited as its financial advisor with respect to project debt financing for the development of the Elk Creek Project.

On June 17, 2015, the Company entered into a one-year loan in the amount of $1.5 million with Mark Smith, Chief Executive Officer and Executive Chairman of NioCorp. Additionally, on July 1, 2015, the Company entered into a non-revolving credit facility agreement in the amount of $2.0 million with Mr. Smith, and drew down $0.5 million. Both arrangements (collectively, the "Smith loans") bear an interest rate of 10%, are secured by the Company's assets pursuant to a general security agreement, are subject to both a 2.5% establishment fee and 2.5% prepayment fee, and become due and payable on June 17, 2016. In January 2016, Company repaid $1.1 million of the outstanding Smith Loans, representing 100% of amounts drawn down under the credit facility, plus $0.5 million of the amount due under the one-year loan. On July 19, 2016 the Company announced an extension of the original one-year loan agreement until June 17, 2017. Total indebtedness under the Smith Loans as of June 30, 2016 was $1 million.

On October 22, 2015, the Company announced that it had closed a non-brokered private placement of unsecured convertible promissory notes (the "Notes"), for gross proceeds of up to $0.8 million. The Notes bear interest at a rate of 8%, payable annually in arrears, are non-transferable and have a term of three years from the date of issue. Principal under the Notes is convertible by lenders into, and payable by the Company in, common shares of the Company at a conversion price of C$0.97 per common share, calculated on conversion or repayment using the then-current Bank of Canada noon exchange rate. Accrued but unpaid interest on the Notes will be convertible by lender into, and payable by the Company in, Common Shares at a price per Common Share equal to the most recent closing price of the Company's common shares prior to the delivery to the Company of a request to convert interest, or the annual due date of interest, as applicable, calculated using the then-current Bank of Canada noon exchange rate. Total indebtedness under the Notes as of June 30, 2016 was $0.8 million.

On December 15, 2015, the Company announced that it would conduct a private placement of up to nine million units (each a "Unit") of the Company at a price of C$0.57 per Unit to raise gross proceeds of up to C$5.13 million (the "December Private Placement"). On January 19, 2016, the Company announced the closing of the December Private Placement on an oversubscribed basis and issued 9,074,835 Units of the Company at a price of C$0.57 per Unit, which raised total gross proceeds of C$5.2 million. Each Unit consists of one Common Share of the Company and one transferable Common Share purchase warrant (a "Warrant"). Each Warrant is exercisable to acquire one additional Common Share of the Company for a period of 3 years at a price of C$0.75 per Common Share. In addition, the Company issued 75,450 broker warrants at closing, each having the same terms as a Warrant, with the exception of transferability.

On December 15, 2015, the Company announced the signing of a definitive convertible security funding agreement (the "Lind Agreement") with Lind Asset Management IV, LLC ("Lind"). Through December 31, 2015, an initial $4.0 million was funded pursuant to the issuance of an initial convertible security ("Convertible Security"), with an additional $0.5 million received as of January 19, 2016 on the issuance of a further equivalent amount of the Convertible Security, including interest. Lind can increase the funding under the Convertible Security by an additional $1.0 million during its two-year term. Further, provided certain conditions are met, the Company will have the right to call an additional $1.0 million under the initial Convertible Security.

On December 22, 2015, the Company closed the first tranche of its private placement with Lind, which comprised an aggregate of (received in tranches ending January 19, 2016) $4.5 million principal amount 10% secured Convertible Security and 3,125,000 transferable Common Share purchase warrants (the "Lind Warrants"). The Convertible Security has a term of two years from its date of issuance, and interest on the Convertible Security is prepaid and added to its principal amount; accordingly, the initial face value of the Convertible Security is $5.4 million, and the yield of the Convertible Security (if held, unconverted, to maturity) will be 10% per annum, or $0.9 million. Each Lind Warrant entitles the holder to purchase one additional Common Share at a price of C$0.72 on or before December 22, 2018. The Convertible Security and Lind Warrants were issued pursuant to the Lind Agreement. The Convertible Security is convertible into Common Shares of the Company at a conversion price equal to 85% of the volume weighted average trading price of the Common Shares on the TSX (in Canadian dollars) for the five (5) consecutive trading days immediately prior to the date on which Lind provides the Company with notice of its intention to convert an amount of the Convertible Security from time to time. The issuance of the Convertible Security and the Lind Warrants was completed on a non-brokered private placement basis. The Convertible Security is classified as a compound financial instrument for accounting purposes. Because the Convertible Security is denominated in a currency that is different from the Company's functional currency, both the liability and conversion components are carried as borrowings. The Convertible Security is secured by the assets of the Company, being the shares of its subsidiaries 0896800 and ECRC. The Convertible Security is also secured by a security interest over all assets of ECRC. The Convertible Security contains financial and non-financial covenants customary for a facility of this size and nature, and includes a financial covenant defining an event of default as all present and future liabilities of the Company or any of its subsidiaries, exclusive of related party loans, for an amount or amounts exceeding C$2.0 million, and which have not been satisfied on time or within 90 days of invoice, or have become prematurely payable as a result of its default or breach. This covenant became effective after February 1, 2016, and the Company remains in compliance through to the date hereof.

Total indebtedness under the Convertible Security as of June 30, 2016 was $6.0 million.

On June 17, 2016, we completed a warrant exercise program resulting in gross proceeds of C$4.8 million. A total of approximately 7.4 million C$0.65 share purchase warrants expiring November 10, 2016 were exercised during the incentive period, representing about 50% of all C$0.65 Warrants outstanding and nearly 70% of warrant holders eligible to participate. Each holder who exercised one warrant during the program received 1.11029 Common Shares, representing one warrant share and 0.11029 of a Common Share, as the incentive portion. A total of 8,210,394 common shares were issued under the program, which was previously approved by our shareholders on May 17, 2016.

Liquidity and Capital Resources

We have no revenue generating operations from which we can internally generate funds. To date, our ongoing operations have been financed by the sale of our equity securities by way of private placements and the exercise of incentive stock options and share purchase warrants. We believe that we will be able to secure additional private placements financings in the future, although we cannot predict the size or pricing of any such financings. In addition, we can raise funds through the sale of interests in our mineral properties, although current market conditions have substantially reduced the number of potential buyers/acquirers of any such interest(s). This situation is unlikely to change until such time as we can develop a bankable feasibility study on one of our projects. When acquiring an interest in mineral properties through purchase or option we will sometimes issue Common Shares to the vendor or optionee of the property as partial or full consideration for the property interest in order to conserve our cash.

As of June 30, 2016, the Company had cash of $4.4 million and working capital of $2.3 million, compared to cash of $0.75 million and a working capital deficiency of $5.7 million on June 30, 2015. This positive change in working capital is the result of the closing of financing transactions initiated by the Company during 2016.

We expect that the Company will operate at a loss for the foreseeable future. The Company's current planned operation needs are $9.3 million until June 30, 2017. Burn rate averages to approximately $775,000 a month where approximately $250,000 is for administrative purposes and approximately $550,000 is for planned exploration expenditures related to the completion of the feasibility study, permitting efforts, and third party consultants until June 30, 2017. We currently have sufficient cash on hand to meet these planned expenditures for approximately the next four to six months (December 2016 – February 2017). The Company's ability to continue operations and fund our current work plan is dependent on management's ability to secure additional financing on or prior to December 2016. The Company anticipates that it will need to raise of minimum of $5 – 6 million to continue planned operations for the next twelve months. Management is actively pursuing such additional sources of debt and equity financing, and while it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future.

We currently have no further funding commitments or arrangements for additional financing at this time (other than the potential exercise of options and warrants) and there is no assurance that we will be able to obtain additional financing on acceptable terms, if at all. There is significant uncertainty that we will be able to secure any additional financing in the current equity markets. The quantity of funds to be raised and the terms of any proposed equity financing that may be undertaken will be negotiated by management as opportunities to raise funds arise. Specific plans related to the use of proceeds will be devised once financing has been completed and management knows what funds will be available for these purposes. Management intends to pursue funding sources of both debt and equity financing, including but not limited to the issuance of equity securities in the form of common shares, warrants, subscription receipts or any combination thereof in units of the Company pursuant to private placements to accredited investors or pursuant to equity lines of credit or public offerings in the form of underwritten offerings, at-the-market offerings, registered direct offerings or other forms of equity financing and public or private issuances of debt securities including secured and unsecured convertible debt instruments or secured debt project financing. Management does not currently know the terms pursuant to which such financings may be completed in the future, but any such financings will be negotiated at arms length. Future financings involving the issuance of equity securities or derviatives thereof will likely be completed at a discount to the then current market price of the Company's securities and will likely be dilutive to current shareholders.

Exploration expenditure commitments (for example, lease payments) are $125,000 until June 30, 2017 and planned exploration and development activities are approximately $5.3 million until June 30, 2017. In order for the Company to maintain its currently held properties, and fund its currently anticipated general and administrative costs and planned exploration expenditures for the fiscal year ending June 30, 2017, the Company will therefore require additional financing during 2016-2017 in order to be able to carry out all of its planned exploration and development activities at the Elk Creek Project. Should such financing not be available in that time-frame, we will be required to reduce our activities and will not be able to carry out all of our presently planned exploration and development activities at the Elk Creek Project on its currently anticipated scheduling.

The audit opinion and notes that accompany our financial statements for the year ended June 30, 2016, disclose a "going concern" qualification to our ability to continue in business. The accompanying financial statements have been prepared under the assumption that we will continue as a going concern. We are an exploration stage company and we have incurred losses since our inception. We do not have sufficient cash to fund normal operations and meet debt obligations for the next 12 months without deferring payment on certain current liabilities and raising additional funds. We believe that the going concern condition cannot be removed with confidence until the Company has entered into a business climate where funding of its planned ongoing operating activities is secured.

We have no exposure to any asset-backed commercial paper. Other than cash held by its subsidiaries for their immediate operating needs in Colorado and Nebraska, all of our cash reserves are on deposit with a major United States chartered bank. We do not believe that the credit, liquidity or market risks with respect thereto have increased as a result of the current market conditions. However, in order to achieve greater security for the preservation of its capital, we have, of necessity, been required to accept lower rates of interest, which has also lowered our potential interest income.

Operating Activities

During 2016, the Company's operating activities consumed $11.0 million of cash compared to $17.3 million in 2015. The cash used in operating activities reflects the Company's funding of losses of $11.4 million, non-cash changes in financial instrument fair value of $2.7 million and non-cash items of share-based compensation and warrants totaling $1.6 million, and other minor non-cash adjustments. Overall, the decrease in operating cash outflows is due to decreased exploration and development activities as discussed above under "*Comparison of Year Ended June 30, 2016 to June 30, 2015*". Going forward, the Company's working capital requirements are expected to increase substantially in connection the development of the Elk Creek Project.

Cash Flow Considerations

As of June 30, 2016, the Company had cash of $4.4 million and working capital of $2.3 million compared to cash of $0.75 million and a working capital deficiency of $5.7 million on June 30, 2015. This positive change in working capital is the result of the closing of financing transactions initiated by the Company during 2016.

The Company has historically relied upon equity financings to satisfy its capital requirements and will continue to depend heavily upon equity capital to finance its activities. The Company may pursue debt financing in the medium term if it is able to procure such financing on terms more favorable than available equity financing, however there can be no assurance the Company will be able to obtain any required financing in the future on acceptable terms.

The Company has limited financial resources compared to its proposed expenditures, no source of operating income and no assurance that additional funding will be available to it for current or future projects, although the Company has been successful in the past in financing its activities through the sale of equity securities.

The ability of the Company to arrange additional financing in the future will depend, in part, on the prevailing capital market conditions and its success in developing the Elk Creek Project. Any quoted market for the Company's shares may be subject to market trends generally, notwithstanding any potential success of the Company in creating revenue, cash flows or earnings, and any depression of the trading price of the Company's Common Shares could impact its ability to obtain equity financing on acceptable terms.

Historically, the Company has used net proceeds from issuances of Common Shares to provide sufficient funds to meet its near-term exploration and development plans and other contractual obligations when due. However, further development and construction of the Elk Creek Project will require substantial additional capital resources. This includes near-term funding and, ultimately, funding for project construction and other costs. See "*Financing*" above for greater detail on the Company's recent equity financings and discussion of arrangements related to possible future debt financing(s).

Financial and Other Instruments

The Company's financial instruments consist of cash, receivables, marketable securities, accounts payable and accrued liabilities, related party loan, convertible debt, and the derivative liability. The carrying value of receivables, accounts payable and accrued liabilities, and related party loan approximates their fair values due to their immediate or short-term maturity. Cash and marketable securities are carried at fair value using a level 1 fair value measurement. Convertible debt and derivative liability are carried at fair value using level three measurements. The Company's exposure to changes in market interest rates, relates primarily to the Company's earned interest income on cash deposits and short term investments. The Company maintains a balance between the liquidity of cash assets and the interest rate return thereon. The carrying amount of financial assets, net of any provisions for losses, represents the Company's maximum exposure to credit risk.

Contractual Obligations

The Company currently has an offtake agreement dated November 10, 2014 (the "Offtake Agreement") with ThyssenKrupp Metallurgical Products GmbH ("ThyssenKrupp") whereby ThyssenKrupp will purchase, at market rates, approximately 3,750 metric tons, or fifty percent (50%), of the Company's current planned ferroniobium production from the Elk Creek Project for an initial ten-year term, with an option to extend beyond that timeframe. The Offtake Agreement presupposes the Company obtaining project financing, obtaining all necessary approvals and constructing a mine at the Elk Creek Project. ThyssenKrupp is based in Essen, Germany, and is part of the Business Area Materials Services, a global materials distributor and service provider with 500 branches in 44 countries. The Company appointed ThyssenKrupp as its exclusive sales agent of its production in Europe, with a stated amount to be sold in Germany. Pursuant to the Offtake Agreement, the Company has granted ThyssenKrupp a non-transferable warrant to acquire 8,569,000 Common Shares of the Company at an exercise price of C$0.67 per Common Share, which expired on December 12, 2015.

On June 15, 2016, we announced that we had entered into a commercial sales agreement ("CMC Agreement") with CMC Cometals, a division of Commercial Metals Company ("CMC") of Fort Lee, New Jersey, under which CMC expects to purchase up to a maximum of 1,875 tonnes per year, or roughly twenty-five (25%), of our potential annual

Ferroniobium production from our Elk Creek, Nebraska resource. Under the CMC Agreement, CMC will purchase this amount of Ferroniobium under a market-based pricing structure for an initial 10-year term, with an option to extend beyond that period upon mutual agreement of the parties.

Tabular Disclosure of Contractual Obligations

Information regarding our known contractual obligations of the types described below as of June 30, 2016 is set forth in the following table ($000):

		Payments due by period			
	Total	Less than 1 year	1 - 3 years	4 - 5 years	After 5 years
Debt	$ 7,510	$ 1,214	$ 6,296	$ -	$ -
Operating leases	349	207	123	19	-
Total contractual obligations	$ 7,859	$ 1,421	$ 6,419	$ 19	$ -

Off Balance Sheet Arrangements

The Company had no off balance sheet arrangements for the fiscal years ended June 30, 2016 and 2015.

Critical Accounting Policies

In applying the Company's accounting policies, management undertakes a number of judgments, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. Actual results may differ from the judgments, estimates and assumptions made by management and will seldom equal the estimated results.

The most significant critical judgment that members of management have made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements is the policy on exploration and evaluation assets.

In particular, management is required to assess mineral interests for impairment. Note 5 to the consolidated financial statements discloses the carrying values of such assets. As part of this assessment, management must make an assessment as to whether there are indicators of impairment. If there are indicators, management performs an impairment test on the major assets within this balance.

The recoverability of exploration and evaluation assets is dependent on a number of factors common to the natural resource sector. These include the extent to which the Company can continue to renew its exploration and future development licenses with local authorities, establish economically recoverable reserves on its properties, the ability of the Company to obtain necessary financing to complete the development of such reserves and future profitable production or proceeds from the disposition thereof. The Company will use the evaluation work of professional geologists, geophysicists and engineers for estimates in determining whether to commence or continue mining and processing. These estimates generally rely on scientific and economic assumptions, which in some instances may not be correct, and could result in the expenditure of substantial amounts of money on a deposit before it can be determined whether or not the deposit contains economically recoverable mineralization. If a determination is made that a deposit does not contain economically recoverable mineralization, or if other factors are present that indicate the existence of an impairment, a property is written down to net realizable value, which could have a material effect on the financial positon and financial performance of the Company.

Share-based compensation is determined using the Black-Scholes pricing model based on estimated fair values of all share-based awards at the date of grant and is expensed to the consolidated statement of loss over each award's vesting period. The Black-Scholes pricing model utilizes subjective assumptions such as expected price volatility and expected life of the option. Changes in these input assumptions can significantly affect the fair value estimate, which could impact amounts recognized as expense and carried as a component of shareholders' equity. See Note 8b in the Company's consolidated financial statements for the year ended June 30, 2016 for a summary of the assumptions used to calculate the value of share-based compensation.