Niocan inc.
NIOBIUM / CANADA

Condensed Interim Financial Statements

For the three-month and the six-month periods ended June 30, 2019 and 2018

NIOCAN INC.

MANAGEMENT'S REPORT

Management's comments on unaudited Condensed Interim Financial Statements for the three-month and the six-month periods ended June 30, 2019 and 2018

Notice of no auditor review of interim financial statements

The accompanying unaudited Condensed Interim Financial Statements of the Company have been prepared by and are the responsibility of the Company's Management.

The Company's independent auditor, Guimond, Lavallée, Inc., has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

Dated this 15th day of August 2019

NIOCAN INC.

Condensed Interim Statements of Financial Position

(in Canadian dollars)

	Note	Unaudited As at June 30, 2019	Audited As at December 31, 2018
Assets			
Current assets			
Cash and cash equivalents		120,102	81,039
Sales tax receivable		4,825	1,103
Prepaid expenses and deposits	4	29,450	35,228
Total current assets		154,377	117,370
Non-current assets			
Prepaid expenses and deposits	4	6,959	16,643
Land		506,887	506,887
Total non-current assets		513,846	523,530
Total assets		668,223	640,900
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	5	672,551	576,077
Debentures	6	2,270,000	2,120,000
Total current liabilities		2,942,551	2,696,077
Equity (Deficiency)			
Share capital	7	15,352,101	15,352,101
Contributed surplus		1,247,400	1,247,400
Warrants	8	231,000	231,000
Deficit		(19,104,829)	(18,885,678)
Total equity (deficiency)		(2,274,328)	(2,055,177)
Total liabilities and equity (deficiency)		668,223	640,900
Going concern	1		

The notes are an integral part of these condensed interim financial statements.

On behalf of the Board:

(signed) Hubert Marleau, Director

(signed) Guy Charette, Director

NIOCAN INC.

Condensed Interim Statements of Loss and Comprehensive Loss

(in Canadian dollars, unless otherwise stated)

	Note	For the three months ended June 30, 2019	June 30, 2018	For the six months ended June 30, 2019	June 30, 2018
		$	$	$	$
Revenues		4,050	3,700	5,100	4,750
Expenses					
Professional fees		13,600	9,075	21,788	24,421
Office and administration		16,653	16,846	33,003	33,203
Directors' fees		8,098	8,100	16,258	16,121
Mining rights		7,090	33,813	13,473	65,825
Stock exchange, authorities and shareholders relations		6,793	9,019	15,096	17,560
Rent		3,145	3,150	3,730	3,735
Taxes and permits		37	3,858	5,287	8,655
Travel and business development		44	93	728	720
Insurance		3,715	3,651	7,430	7,303
Telecommunication & website		469	360	1,326	1,680
Bank charges		95	124	222	208
Total expenses		59,739	88,089	118,341	179,431
Net loss before net finance expenses		(55,689)	(84,389)	(113,341)	(174,681)
Net finance expense	4	53,636	49,115	105,910	97,692
Net loss and comprehensive loss for the period		(109,325)	(133,504)	(219,151)	(272,373)
Basic and diluted net loss per outstanding common share					
Net loss	9	(0,00)	(0,00)	(0,01)	(0,01)
Weighted average number of outstanding common shares	9	25,979,868	25,979,868	25,979,868	25,979,868

The notes are an integral part of these condensed interim financial statements.

NIOCAN INC.

Condensed Interim Statements of Changes in Shareholders' Equity

For the six-month periods ended June 30, 2019 and 2018

Unaudited

(in Canadian dollars, unless otherwise stated)

	Number of shares	Share Capital	Contribute Surplus	Warrants	Deficit	Total
	#	$	$	$	$	$
Balance at December 31, 2017	25,979,868	15,352,101	1,247,400	231,000	(12,750,171)	4,080,330
Net loss and comprehensive loss	—	—	—	—	(272,373)	(272,373)
Balance at June 30, 2018	25,979,868	15,352,101	1,247,400	231,000	(13,022,544)	3,808,957
Balance at December 31, 2018	**25,979,868**	**15,352,101**	**1,247,400**	**231,000**	**(18,885,678)**	**(2,055,177)**
Net loss and comprehensive loss	**—**	**—**	**—**	**—**	**(219,151)**	**(219,151)**
Balance at June 30, 2019	**25,979,868**	**15,352,101**	**1,247,400**	**231,000**	**(19,104,829)**	**(2,274,328)**

The notes are an integral part of these condensed interim financial statements.

NIOCAN INC.

Condensed Interim Statements of Cash Flows

For the six-month periods ended June 30, 2019 and 2018

(in Canadian dollars, unless otherwise stated)

	Note	2019	2018
		$	$
Cash flows from operating activities:			
Net loss		(219,151)	(272,373)
Changes in non-cash working capital items		108,214	171,898
		(110,937)	(101,475)
Cash flows from financing activities:			
Debenture issuance	6	150,000	—
		150,000	—
Cash flows from investing activities:		—	—
Net increase (decrease) in cash		39,063	(101,475)
Cash and cash equivalents at beginning		81,039	142,090
Cash and cash equivalents at the end		120,102	40,615

The notes are an integral part of these condensed interim financial statements.

1. Reporting entity and going concern

Niocan Inc. (the "Company") is domiciled in Canada. The address of the Company's registered office is 1, Place Ville-Marie, Suite 1670, Montréal, Québec. The Company, incorporated under the Québec *Companies Act* on August 29, 1995, holds a niobium property in Oka, Québec and exploration properties in the province of Québec. The Company is a publicly traded company listed on the TSX Venture Exchange (the "TSX-V") under the symbol "NIO".

The Company is in a development stage and has mineral exploration and development properties in the province of Québec. The Company does not capitalize the exploration and evaluation expenses. The Oka mining property consists of mining rights comprised of one mining lease and 49 claims covering over 2,350 acres and the Great Whale property consists of surface and mining rights covering over 35,000 acres on the Hudson Bay territory. Substantially, all the Company's efforts are currently devoted to financing, developing and obtaining permits for its niobium property in Oka.

Financial statements have been prepared on a going concern basis which supposed that the Company will pursue its activities in a foreseeable future and will be able to realize its assets or discharge its obligations in the ordinary course of operations. The Company is in the process of exploring and evaluating its mineral properties and projects and has not yet determined whether its properties and projects contain ore reserves that are economically recoverable. The Company does not have any revenues coming from its operations that would enable the Company to discharge its obligations in the ordinary course of its operations.

With respect to the niobium property in Oka, the Company has determined in 1999 that the property contains ore resources which provide a conceptual indication of the potential of the property. The Company's application is under study with the Québec Ministry of Sustainable Development, Environment and Parks ("MDDEP") and the community of Oka to obtain all permits, certificates and other authorizations to allow the Company to operate the niobium property. Management is currently working to obtain all the required permits and authorization to develop the Oka property.

The $2.27 million debentures are maturing on October 31, 2019 and are secured by all the property and assets of the Company. Management is currently negotiating with the debentures holders to renew or convert the debentures at the best interest of the Company. If no agreements are reached before October 31, 2019, the debentures holders may exercise their rights.

The ability of the Company to meet its commitments as they become payable, including the acquisitions of mineral properties and the development of projects, is dependent on its ability to obtain necessary financing. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. The financial statements do not reflect the adjustments to the carrying values of assets and liabilities that would be necessary if the Company were unable to realize its assets or discharge its obligations in the ordinary course of operations.

Although the Company has taken steps to verify title to mineral properties in which it has an interest in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

2. Basis of preparation

Statement of compliance

These unaudited condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") under international accounting standard IAS 34, Interim Financial Reporting, using the same basis of presentation, accounting policies and methods of computation that were applied for the annual financial statements for the year ended December 31, 2018.

The financial statements were authorized for issue by the Board of Directors on August 15, 2019.

Basis of measurement
The financial statements have been prepared on the historical cost basis, except for the warrants associated with the Debenture (note 6), which are measured at fair value through profit or loss.

Functional and presentation currency
These financial statements are presented in Canadian dollars, unless otherwise stated, which the Company's functional currency is.

Use of estimates and judgements
The preparation of the financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- Note 6 - carrying value of all assets of the Company if no agreements are reached with the debenture holders before October 31, 2019.

3. Significant accounting policies

The Company's significant accounting policies and estimates under IFRS are disclosed in the audited annual financial statements for the year ended December 31, 2018 and were applied consistently to all years.

<u>Adoption of new accounting standards:</u>

The Company has adopted the following new standard and amendment to standards and interpretations, with a date of initial application of January 1, 2019 and have been applied in preparing these condensed interim financial statements:

IFRS 9 - Financial Instruments ("IFRS 9")
In November 2009, the IASB issued IFRS 9, Financial Instruments ("IFRS 9 (2009)"), and in October 2010, the IASB published amendments to IFRS 9 ("IFRS 9 (2010)"). In November 2013, the IASB issued a new general hedge accounting standard, which forms part of IFRS 9, Financial Instruments (2013). The new standard removes the January 1, 2015 effective date of IFRS 9. The new mandatory effective date will be determined once the classification and measurement and impairment phases of IFRS 9 are finalized. The mandatory effective date is not yet determined; however, early adoption of the new standard is still permitted. The adoption of these amendments did not have a significant impact on the financial statements.

IFRS 16, Leases ("IFRS 16")
IFRS 16 specifies how an IFRS reporter will recognize, measure, present and disclose leases. This standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. The standard is effective for annual periods

(in Canadian dollars, unless otherwise stated)

beginning on or after January 1, 2019. The adoption of these amendments did not have a significant impact on the financial statements.

IAS 12 – Income taxes
On January 19, 2016, the IASB published and amendment to IAS-12 "Income Taxes". The amendments to this standard relate to the recognition of deferred tax assets and liabilities, with the latter also being subject to a 'probable profits' test. The amendments are effective for annual periods beginning on or after 1 January 2019, with earlier application being permitted. The adoption of these amendments did not have a significant impact on the financial statements.

Future accounting standards:
Several new standards, amendments to standards and interpretations are effective for annual periods beginning on or after January 1, 2020 and have not been applied in preparing these financial statements. Those which may be relevant to the Company are set out below.

IAS 1 – Presentation of Financial Statements
IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors
In October 2018, the IASB issued amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors". The amendments make minor changes to the definition of the term "material" and align the definition across all IFRS Standards. Materiality is used in making judgments related to the preparation of financial statements. The amendments are effective January 1, 2020 with earlier adoption permitted. The Company is assessing the impact of these amendments on its financial statements.

4. Prepaid expenses

Prepaid expenses consist mostly of payment of rights on mining properties.

Oka property:
The Oka mining property consists of surface and mining rights comprised of one mining lease and 49 claims (49 in 2018) covering over 2,350 acres (2,350 in 2018).

Great Whale property:
The Company owns surface and mining rights for the iron property of Great Whale comprising covering over 35,000 acres (61,516 in 2018) on the Hudson Bay territory.

5. Accounts payable and accrued liabilities

	As at June 30, 2019	As at December 31, 2018
	$	$
Accounts payable	**27,180**	4,051
Accrued liabilities	**54,084**	46,928
Accrued interest	**619,242**	513,340
Payroll benefits payable	**—**	11,758
	672,551	576,077

6. Debentures

On February 19, 2013, the Company completed a private placement with Nio-Metals Holdings LLC ("Nio-Metals") pursuant to which Nio-Metals subscribed for a unit comprising of $1,200,000 aggregate principal amount of secured subordinated debentures of the Company (the "Debenture") and 1,000,000 warrants to purchase common shares, representing aggregate gross proceeds of $1,200,000. The Debenture bear interest at an annual rate of 10%, payable quarterly as originally set to mature August 19, 2015 and got extended until October 31, 2019, subject to the ability of the Company to repay them at any time without penalty. The warrants expired on February 19, 2015. The Debenture is secured by all property and assets of the Company.

Since 2016, the Company amended the debentures to consider various cash injections. The amendments also considered payment of the interest in shares instead of cash, starting in March 31, 2016.

In June 2019, the Company amended the debentures to consider a $150,000 cash injection to support the working capital

7. Share capital

The number of shares issued and outstanding as at June 30, 2019 was 25,979,868 (December 31, 2018 – 25,979,868). The Company is authorized to issue an unlimited number of common shares, without par value.

8. Warrants

The number of warrants outstanding as at June 30, 2019 was 3,000,000 (December 31, 2018 – 3,000,000). During the period, no warrants were issued nor expired.

The weighted average remaining contractual life for the warrants outstanding as at June 30, 2019 was 1.22 years (December 31, 2018 – 1.72 years).

The weighted average exercisable price for the warrants outstanding as at June 30, 2019 was $0.15 (December 31, 2018 - $0.15).

9. Net loss per share

The calculation of basic net loss per share at June 30, 2019 was based on the loss attributable to common shareholders which corresponds to the loss for the period of $219,151 (June 30, 2018 – loss of $272,373), and a weighted average number of common shares of 25,979,868 (June 30, 2018 – 25,979,868).

The calculation of diluted net loss per share at June 30, 2019 is the same as the basic net loss per share as all options had an anti-dilutive effect (same at June 30, 2018).

10. Share-based payments

Under the stock option plan, the Company may grant options to directors, officers and consultants to purchase common shares provided that the aggregate number of shares subject to such option may not exceed 10% of the issued and outstanding common shares at the time of any option grant on a rolling basis. The exercise price of each option is determined by the Board of Directors and is required not to be lower than the discounted market price based on last closing market price of the common shares before the date of the grant of the option. The options vest immediately upon issuance and their life may not exceed 5 years. All options are recorded at fair value when granted.

(in Canadian dollars, unless otherwise stated)

The plan must receive shareholder and TSX-V approval annually at the Company's annual general meeting of shareholders. No stock options were issued during the year. The number of exercisable stock options outstanding fluctuated as follows:

	As at June 30, 2019		As at December 31, 2018	
	Number of stock options	Weighted average exercisable price	Number of stock options	Weighted average exercisable price
	#	$	#	$
Balance at beginning	160,000	0.33	484,000	0.30
Expired	60,000	0.34	(324,000)	0.28
Balance at the end	60,000	0.31	160,000	0.33

The following table summarizes information about stock options outstanding and exercisable at June 30, 2019:

	Options outstanding		Options exercisable
Exercise prices	Number of options	Weighted average remaining contractual life	Number of options
$ 0.31 – $ 0.34	60,000	0.45	160,000

Share-based compensation expense for the period ended June 30, 2019 totaled $ nil (June 30, 2018 – $ nil).

11. Financial instruments and financial risk management

a) Financial instruments fair value:
The carrying values of cash and cash equivalents, other receivables, accounts payable and accrued liabilities and debentures approximate their fair value because of the short-term nature of these items.

b) Risks overview:

The Company has exposure to the following risks from its use of financial instruments:

i) Credit risk:
Credit risk results from the possibility that a loss may occur from the failure of another party to perform according to the terms of the contract. Financial instruments that potentially subject the Company to concentrations of credit risk consist of cash and cash equivalents and other receivables. Cash is maintained with high-credit, quality financial institutions.

ii) Liquidity risk:
Management serves to maintain a sufficient amount of cash and cash equivalents, and to ensure that the Company has at its disposal sufficient sources of financing such as private placements. The Company establishes cash budgets to ensure it has the necessary funds to fulfill its obligations. Being able to obtain new funds allows the Company to pursue its activities and even though the Company was successful in the past, there is no guarantee that it will succeed in the future.

(in Canadian dollars, unless otherwise stated)

The following are the contractual maturities of the financial liabilities amounts:

	0 - 6 months	7 - 12 months	13 - 36 months
	$	$	$
Accounts payable and accrued liabilities	672,551	—	—
Debentures	2,270,000	—	—
Total contractual liabilities	2,942,551	—	—

The $2.27 million debentures matured on August 19, 2015 got extended subsequently until October 31, 2019 and are secured by all the property and assets of the Company. Management is currently negotiating with the debentures holders to renew or convert the debentures at the best interest of the Company. If no agreements are reached before October 31, 2019, the debentures holders may exercise their rights.

12. Related party transactions

Key management personnel compensation
Key management personnel correspond to the directors of the Company, including the Chief Executive Officer who is remunerated through a salary agreement.

During the period, the Company incurred the following expenses with key management personnel:

	2019	2018
	$	$
Management fees included in office and administration	32,953	33,203
Directors' fees	16,258	16,121

The Company has the following amounts owing to related parties:

	As at June 30, 2019	As at December 31, 2018
	$	$
Debentures - Major shareholder	2,270,000	2,120,000
Accrued interest	619,249	513,340

During the period, interest expenses of $105,910 (2018 - $97,692) were incurred on the debentures, of which $ nil were paid (2018 - $ nil).

13. Capital disclosures

The Company's objectives when managing its capital are to safeguard the Company's ability to continue as a going concern to support ongoing exploration programs and development of its mining assets, to provide sufficient working capital to meet its ongoing obligations and to pursue potential investments.

The Company’s capital items are the following:

	As at June 30, 2019	As at December 31, 2018
	$	$
Cash and cash equivalents	120,102	81,039
Debentures	2,270000	2,120,000
Share capital	15,352,101	15,352,101

The Company manages its capital structure and adjusts it in accordance with the objectives, as well as considering changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may issue new shares, acquire or dispose of assets or adjust the amount of cash and cash equivalents and short-term investments. There is no dividend policy. The Company is not subject to externally imposed capital requirements. The Company's management of capital remained unchanged since the last year.