NioCorp
SUPERALLOY MATERIALS

ANNUAL REPORT TO SHAREHOLDERS

FISCAL YEAR ENDED JUNE 30, 2016

The following Annual Report to Shareholders should be read in conjunction with our audited consolidated financial statements as at and for the fiscal years ended June 30, 2016 and 2015, and the related notes thereto, which have been prepared in accordance with generally accepted accounting principles in the United States ("U.S. GAAP") and are contained at the back of this report. This Annual Report to Shareholders contains forward-looking statements and forward-looking information that involve risks, uncertainties, and assumptions. Our actual results may differ materially from those anticipated in these forward-looking statements and information as a result of many factors, including, but not limited to, those set forth elsewhere in this Annual Report to Shareholders. See section heading "Note Regarding Forward-Looking Statements" below.

As used in this report, unless the context otherwise indicates, references to "we," "our," the "Company," "NioCorp." and "us" refer to NioCorp Developments Ltd. and its subsidiaries collectively.

NOTE REGARDING FORWARD LOOKING STATEMENTS

This Annual Report to Shareholders contains "forward-looking statements" within the meaning of Section 27A of the Securities Act and Section 21E of the United States Exchange Act of 1934, as amended, and "forward-looking information" within the meaning of applicable Canadian securities legislation, collectively "forward-looking statements." Such forward-looking statements concern our anticipated results and developments in the operations of the Company in future periods, planned exploration activities, the adequacy of the Company's financial resources, and other events or conditions that may occur in the future. Forward-looking statements are frequently, but not always, identified by words such as "expects," "anticipates," "believes," "intends," "estimates," "potential," "possible," and similar expressions, or statements that events, conditions, or results "will," "may," "could," or "should" (or the negative and grammatical variations of any of these terms) occur or be achieved. Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions, or future events or performance (often, but not always, using words or phrases such as "expects" or "does not expect," "is expected," "anticipates," or "does not anticipate," "plans," "estimates." or "intends," or stating that certain actions, events, or results "may," "could," "would," "might," or "will" be taken, occur or be achieved) are not statements of historical fact and may be forward-looking statements. Such forward-looking statements reflect the Company's current views with respect to future events and are subject to certain known and unknown risks, uncertainties, and assumptions. Many factors could cause actual results, performance, or achievements to be materially different from any future results, performance, or achievements that may be expressed or implied by such forward-looking statements, including, among others, risks related to:

- risks related to our ability to operate as a going concern;
- risks related to our requirement of significant additional capital;
- risks related to our limited operating history;
- risks related to our history of losses;
- risks related to cost increases for our exploration and, if warranted, development projects;
- risks related to our properties being in the exploration stage;
- risks related to mineral exploration and production activities;
- risks related to our lack of mineral production from our properties;
- risks related to estimates of mineral resources;
- risks related to changes in mineral resource estimates;
- risks related to differences in United States and Canadian reserve and resource reporting;

- risks related to our exploration activities being unsuccessful;
- risks related to our ability to obtain permits and licenses for production;
- risks related to government and environmental regulations that may increase our costs of doing business or restrict our operations;
- risks related to proposed legislation that may significantly affect the mining industry;
- risks related to land reclamation requirements;
- risks related to competition in the mining industry;
- risks related to equipment and supply shortages;
- risks related to current and future joint ventures and partnerships;
- risks related to our ability to attract qualified management;
- risks related to the ability to enforce judgment against certain of our Directors;
- risks related to currency fluctuations;
- risks related to claims on the title to our properties;
- risks related to surface access on our properties;
- risks related to potential future litigation;
- risks related to our lack of insurance covering all our operations;
- risks related to our status as a "passive foreign investment company" under US federal tax code;
- risks related to the Common Shares, including price volatility, lack of dividend payments, dilution, and penny stock rules; and
- risks related to our debt.

Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described herein. This list is not exhaustive of the factors that may affect any of the Company's forward-looking statements. Forward-looking statements are statements about the future and are inherently uncertain, and actual achievements of the Company or other future events or conditions may differ materially from those reflected in the forward-looking statements due to a variety of risks, uncertainties, and other factors, including without limitation those discussed under the heading "Risk Factors" of our Registration Statement on Form S-1, as filed with the SEC on September 2, 2016, as amended September 22, 2016, which are incorporated herein by reference, as well as other factors described elsewhere in this report and the Company's other reports filed with the SEC.

The Company's forward-looking statements contained in this Annual Report to Shareholders are based on the beliefs, expectations, and opinions of management as of the date of this report. The Company does not assume any obligation to update forward-looking statements if circumstances or management's beliefs, expectations or opinions should change, except as required by law. For the reasons set forth above, investors should not attribute undue certainty to or place undue reliance on forward-looking statement.

SUMMARY FINANCIAL INFORMATION

The following tables summarize our financial data for the periods presented. The summary statements of operations and comprehensive loss for the years ended June 30, 2016 and 2015, and the statement of financial position as of June 30, 2016 and 2015, have been derived from our audited financial statements, which are included elsewhere in this Annual Report to Shareholders. The historical results are not necessarily indicative of the results to be expected for any future periods. You should read this data together with our financial statements and the related notes included elsewhere in this Annual Report to Shareholders, as well as “Management's Discussion and Analysis of Financial Condition and Results of Operations” beginning on page 14 of this Annual Report to Shareholders.

Statements of Operations and Comprehensive Loss ($000)

	Years Ended June 30, 2016	2015
Total revenue	$ -	$ -
Total operating expenses	9,518	25,480
Net loss	11,408	23,115
Basic and diluted loss per share	0.07	0.17

Statements of Financial Position ($000)

	As at June 30, 2016	June 30, 2015
Total assets	$ 15,246	$ 11,575
Total liabilities	9,052	6,564
Total shareholders’ equity	6,194	5,011

SUPPLEMENTAL FINANCIAL DATA

The following table summarizes our unaudited financial data for the quarterly periods presented. The historical results are not necessarily indicative of the results to be expected for any future periods. You should read this data together with our financial statements and the related notes included elsewhere in this Annual Report to Shareholders, as well as “Management's Discussion and Analysis of Financial Condition and Results of Operations” beginning on page 13 of this Annual Report to Shareholders.

	Quarter Ended September 30, 2014	Quarter Ended December 31, 2014	Quarter Ended March 31, 2015	Quarter Ended June 30, 2015	Quarter Ended September 30, 2015	Quarter Ended December 31, 2015	Quarter Ended March 31, 2016	Quarter Ended June 30, 2016
	($000)							
Net Sales	--	--	--	--	--	--	--	--
Gross Profit	--	--	--	--	--	--	--	--
Total Operating Expenses	$5,874	$8,191	$4,938	$6,477	$2,640	$1,227	$2,578	$3,073
Net Loss	$3,197	$8,258	$5,067	$6,593	$2,807	$2,815	$2,431	$3,355
Loss Per Common Share	$0.03	$0.07	$0.04	$0.04	$0.02	$0.02	$0.01	$0.02

BUSINESS

General Corporate Information

NioCorp was incorporated under the laws of the Province of British Columbia under the *Business Corporations Act* (British Columbia) on February 27, 1987 under the name "IPC International Prospector Corp." On May 22, 1991, we changed our name to "Kingston Resources Ltd." On June 29, 2001, we changed our name to "Butler Developments Corp." On February 12, 2009, we changed our name to "Butler Resource Corp." On March 4, 2010, we changed our name to "Quantum Rare Earth Developments Corp." On March 4, 2013, we changed our name to "NioCorp Developments Ltd."

NioCorp is a reporting issuer in British Columbia, Alberta, Saskatchewan, Ontario, and New Brunswick. Our registered and records office is located at Robson Court, 1000-840 Howe Street, Vancouver, British Columbia V6Z 2M1 (c/o Miller Thompson LLC). Our head office is located at 7000 South Yosemite Street, Suite 115, Centennial, Colorado 80112.

Historical Development of the Business

During 2009 and 2010, the Company commenced mineral exploration activities in the Elk Creek area, including negotiations with local landowners for land access agreements. The option agreements between Elk Creek Resources Corp ("ECRC"), the Nebraskan corporation and wholly owned subsidiary of NioCorp that was signatory to the option agreements, and individual landowners were in the form of five-year pre-paid Exploration Lease Agreements ("ELA"), with an Option to Purchase ("OTP") the mineral and/or surface rights during the term of the option. The agreements granted the Company an exclusive right to explore and evaluate the landowner's property for a period of 60 months. These agreements expired in 2014 and 2015, as the case may be, and a number have been extended or renegotiated for additional 60 month terms. Please see the section heading "Item 2 - Properties" below for additional information on the current status of the land access agreements. The acquisition of the Elk Creek project by the Company involved the purchase of all of the issued and outstanding common shares of 859404 BC Ltd., ("859404") a private British Columbia company. 859404 holds 100% of the issued and outstanding shares of ECRC.

Following the completion of land negotiations, the Company commenced a field exploration program in 2011 which included verification of previous work that was completed on the property in the 1970s and 1980s, re-assaying of historic drill core, an airborne geophysical survey, and the completion of five new diamond drill holes. The available data for the property was compiled into an updated NI 43-101 resource estimate for the project which was issued in April 2012. Additional drilling and NI 43-101 technical reports were completed by the Company in 2014 and 2015.

The majority of the historic drilling at the project site from the 1970s and 1980s was completed by Molycorp, a then-subsidiary of Union Oil Company of California ("Unocal"). Molycorp wound up its mineral exploration activities in the early 1990s and dissolved its Nebraska subsidiary, Molycorp Nebraska LLC, in the early 2000s. The diamond drill core generated during Molycorp's drilling activities was subsequently donated to the University of Nebraska – Lincoln and was stored at that university's drill core storage facility near Mead, Nebraska.

Loss of Foreign Private Issuer Status under U.S. Securities Laws

Based on our analysis of the number of Common Shares held by persons resident in the United States as of December 31, 2015 and within 30 days of the filing of this Annual Report to Shareholders, as well as the majority of our assets and directors being in the United States, we do not meet the definition of a "foreign private issuer" under Rule 405 of the Securities Act. As a result, effective July 1, 2016, we were subject to United States securities laws as applicable to a United States domestic company and are filing this Annual Report to Shareholders as a domestic issuer.

You may read and copy any materials we file with the SEC in the SEC's Public Reference Section, Room 1580, 100 F Street N.E., Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Section by calling the SEC at 1-800-SEC-0330. Additionally, the SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC, which can be found at http://www.sec.gov.

Emerging Growth Company Status

We qualify as an "emerging growth company" as defined in Section 101 of the Jumpstart our Business Startups Act ("JOBS Act") as we do not have more than $1 billion in annual gross revenue and did not have such amount as of June 30, 2016, being the last day of our fiscal year.

We may lose our status as an emerging growth company on the last day of our fiscal year during which (i) our annual gross revenue exceeds $1 billion or (ii) we issue more than $1 billion in non-convertible debt in a three-year period. We will lose our status as an emerging growth company if at any time we are deemed to be a large accelerated filer. We will lose our status as an emerging growth company on the last day of our fiscal year following the fifth anniversary of the date of the first sale of common equity securities pursuant to an effective registration statement.

As an emerging growth company under the JOBS Act, we have elected to opt out of the extended transition period for complying with new or revised standards pursuant to Section 107(b) of the Act. The election is irrevocable.

As an emerging growth company, we are exempt from Section 404(b) of the Sarbanes-Oxley Act of 2002 and Section 14A(a) and (b) of the Securities Exchange Act of 1934. Such sections are provided below:

- Section 404(b) of the Sarbanes-Oxley Act of 2002 requires a public company's auditor to attest to, and report on, management's assessment of its internal controls.

- Sections 14A(a) and (b) of the Securities and Exchange Act, implemented by Section 951 of the Dodd-Frank Act, require companies to hold shareholder advisory votes on executive compensation and golden parachute compensation.

As long as we qualify as an emerging growth company, we will not be required to comply with the requirements of Section 404(b) of the Sarbanes-Oxley Act of 2002 and Section 14A(a) and (b) of the Securities Exchange Act of 1934.

Geographic and Segment Information

We have one reportable segment, consisting of evaluation, acquisition, exploration, and, if warranted, development activities that are focused principally in Nebraska, U.S.A. We reported no material revenues during our fiscal years ended 2015 and 2016.

Corporate Structure

The Company's business operations are conducted primarily through ECRC, a private Nebraska corporation and wholly-owned subsidiary of 0896800 B.C. Ltd. ("0896800"), a wholly-owned subsidiary of the Company. The below table provides an overview of the Company's current subsidiaries and their activities.

Name	**State/Province of Formation**	**Ownership**	**Business**
0896800 B.C. Ltd.	British Columbia	100% by the Company	The only business of 0896800 is to hold the shares of ECRC
Elk Creek Resources Corp.	Nebraska	100% by 0896800	The business of ECRC is the development of the Elk Creek Project

Business Operations

NioCorp through ECRC is developing a superalloy materials project that, if and when developed, will produce niobium, scandium, and titanium products. Known as the "Elk Creek Project," it is located near Elk Creek, Nebraska, in the southeast portion of the state.

- Niobium is used to produce various superalloys that are extensively used in high performance aircraft and jet turbines. It also is used in High Strength, Low Alloy ("HSLA") steel, a stronger steel used in automotive, bridges, structural systems, buildings, pipelines, and other applications and which generally enables those applications to be stronger and lighter in mass. This "lightweighting" benefit often results in environmental benefits, including reduced fuel consumption and material usage, which can result in fewer air emissions.

- Scandium can be combined with aluminum to make super-high-performance alloys with increased strength and improved corrosion resistance. Scandium also is a critical component of advanced solid oxide fuel cells, an environmentally preferred technology for high-reliability, distributed electricity generation.

- Titanium is a component of various superalloys and other applications that are used for aerospace applications, weapons systems, protective armor, medical implants, and many others. It also is used in pigments for paper, paint, and plastics.

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.

NioCorp is a mineral exploration company engaged in the acquisition, exploration, and development of mineral properties. We are in the exploration stage as our properties have not yet reached commercial production, and none of our properties is beyond the exploration stage at this time. All work presently planned by us is directed at defining mineralization and increasing understanding of the characteristics of, and economics of, that mineralization. In addition, we have also conducted permitting, land reclamation, and other related activities at and for the Elk Creek Project.

As noted above, the Company conducts its business operations and holds assets primarily through its subsidiary entities. The following describes the operations and assets of NioCorp's subsidiaries through which NioCorp conducts its business operations.

Elk Creek Project

As at the date of this Annual Report to Shareholders, the Company's material mineral property is the Elk Creek Property. NioCorp's interest in the Elk Creek Project is held pursuant to exploration lease and option agreements between the Company's subsidiary, ECRC, and individual Nebraskan landowners (the "Elk Creek Leases"). The Elk Creek Leases held by ECRC comprise a series of agreements with individual property owners in the form of a five-year pre-paid lease on the underlying mineral and/or surface rights. The agreements contain a pre-determined buyout figure for permanent ownership of the mineral rights and, in certain instances, include an option to acquire surface rights. The option to exercise the purchase option lies entirely with the Company. All Elk Creek Leases that cover the mineral resource associated with the project were renegotiated during the fiscal year ended June 30, 2015, on substantially identical terms, for a period of five years.

After filing the initial Preliminary Economic Assessment on the Elk Creek Project ("PEA") on May 19, 2015, the Company engaged in additional bench and pilot testing of the metallurgical flowsheet for the proposed plant. During this testing, it was determined that recoveries of targeted elements could be significantly increased by eliminating the flotation step and processing the resource directly through a hydrometallurgical process. The discovery of this positive change to the flowsheet prompted the Company's decision to prepare a new Preliminary Economic Assessment. These changes are expected to allow the Company to recover significantly higher percentages of all three elements from the mineral resource, including niobium recovery of 89.2%, scandium recovery of 90.0%, and titanium recovery of 87.6%. This in turn will reduce the volume of the resource required to be mined on a daily basis and enable the Company to achieve the same level of ferroniobium and titanium dioxide production, as was noted in the Company's initial PEA, while increasing scandium trioxide output by approximately 661%. These changes result in minimal increases to

CAPEX as compared to the initial PEA. On August 4, 2015, the Company announced the completion of a second Preliminary Economic Assessment ("PEA2") for the Elk Creek Project, and the related technical report was filed in Canada on SEDAR on September 4, 2015. PEA2 was amended and re-filed in response to comments from the BCSC on October 16, 2015 ("October 2015 PEA"). The October 2015 PEA reflects the impacts of the changes to the metallurgical flowsheet described above, additional information available regarding the hydrogeologic conditions at the project site, and the completion of third-party market studies for ferroniobium and scandium trioxide. 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.

In addition to the underground mine, facilities described in the October 2015 PEA also include a crushing and grinding operation. The ground material will be fed to a hydrometallurgical operation that will produce a niobium precipitate, a scandium trioxide co-product, and a Titanium dioxide by-product. A final pyrometallurgical step will convert the niobium precipitate to ferroniobium using an aluminothermic reduction process. In order to support these processing steps, a number of ancillary facilities would be constructed, including stockpile areas, water pumping and treatment facilities, reagent and fuel storage areas, warehousing, utility installations, rail infrastructure, office space, and a tailings impoundment. The underground mine would be accessed by a shaft and would be mined using longhole stoping methods supported by a mine backfill plant located on surface.

Recent Corporate Developments

On July 31, 2014, NioCorp entered into a financial advisory agreement to engage Mackie Research Capital Corporation ("MRCC") to assist in reviewing strategic options to meet NioCorp's growth objectives and enhance shareholder value. NioCorp executed a subsequent advisory agreement with MRCC on November 17, 2014 (the "Current Advisory Agreement") to replace and supersede the agreement of July 31, 2014. Pursuant to the Current Advisory Agreement, MRCC will assist NioCorp in the preparation of presentation marketing materials, provide strategic guidance through NioCorp's next stage of development, and expose NioCorp to MRCC's network of retail and institutional investors.

As consideration under the Current Advisory Agreement, NioCorp paid MRCC a work fee (the "Work Fee") of C$190,000 (plus applicable taxes) and issued MRCC 750,000 broker warrants (the "Broker Warrants") for a work period commencing effective August 1, 2014 and ending April 31, 2015. Each Broker Warrant entitles MRCC to acquire one unit of the Company (an "MRCC Unit") at an exercise price equal to C$0.55 at any time up to December 4, 2016. Each MRCC Unit consists of one Common Share and one full Common Share purchase warrant (a "MRCC Warrant"). Each MRCC Warrant entitles MRCC to acquire one additional Common Share at an exercise price equal to C$0.65 at any time up to December 4, 2016.

On November 28, 2014, NioCorp entered into a sponsorship engagement agreement with MRCC, pursuant to which MRCC has agreed to assist and sponsor the Company for a listing on a senior North American stock exchange. In consideration for its services, MRCC was paid a cash fee and issued 250,000 non-transferable compensation options (the "Compensation Options"). Each Compensation Option entitles MRCC to acquire one unit of the Company (a "MRCC Comp Unit") at an exercise price equal to C$0.60 at any time up to January 14, 2017. Each MRCC Comp Unit consists of one Common Share and one full Common Share purchase warrant (a "MRCC Comp Warrant"). Each MRCC Comp Warrant entitles MRCC to acquire one additional Common Share at an exercise price equal to C$0.65 at any time up to January 14, 2017.

On November 10, 2014 the Company entered into an offtake agreement (the "Offtake Agreement") with ThyssenKrupp Metallurgical Products GmbH ("ThyssenKrupp") whereby ThyssenKrupp will purchase, at market rates, approximately 3,750 metric tons per year, or roughly fifty percent (50%), of the Company's current planned annual Ferroniobium production from the Elk Creek Project for an initial 10-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 and associated production plant 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 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. During the six months ended December 31, 2015, 1,500,500 of these warrants were exercised, with the remainder expiring unexercised.

On January 29, 2016, the Company announced that Tony Fulton resigned from the NioCorp Board of Directors, effective immediately, as a result of his confirmation by the Nebraska Legislature to serve as Nebraska Tax Commissioner. Subsequently, on February 23, 2016, the Company's shareholders approved a motion appointing Anna Castner Wightman of Omaha, Nebraska, to the Company's Board of Directors. A sixth generation Nebraskan and a graduate of Nebraska Wesleyan University, Ms. Wightman currently serves as Vice President of Government Relations for First National Bank in Omaha, Nebraska, and served on the Boards of Directors of the Nebraska Chamber of Commerce, Rose Theater for Performing Arts, and Joslyn Castle.

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 and for an initial 10-year term, with an option to extend beyond that period upon mutual agreement of the parties.

On June 20, 2016, we announced that we had entered into a joint development agreement with IBC Advanced Alloys Corp. to investigate and develop applications for scandium-containing alloys for multiple downstream markets.

On July 1, 2016, we appointed Neal Shah as our Chief Financial Officer. Mr. Shah had served as our Interim Chief Financial Officer since April of 2015. Prior to that, he was our Vice President of Finance.

On September 8, 2016, we announced the successful completion of a Jurisdictional Determination (JD) process with the US Army Corps of Engineers (ACOE) for the Elk Creek Project. The JD issued by the ACOE identifies wetlands and streams within the Elk Creek Project's footprint that are considered Waters of the US (WOTUS) and are therefore regulated under the federal Clean Water Act. The Elk Creek Project, as laid out in the Company's October 2015 PEA, was designed to minimize impacts on WOTUS wetlands and streams. The JD defined all of the streams and wetlands in the area of the mine and product processing facilities, which are being avoided as an integral part of the engineering design process for the project.

Competitive Business Conditions

There is aggressive competition within the minerals industry to discover and acquire mineral properties considered to have commercial potential. We compete for the opportunity to participate in promising exploration projects with other entities. In addition, we compete with others in efforts to obtain financing to acquire and explore mineral properties, acquire and utilize mineral exploration equipment, and hire qualified mineral exploration personnel. We may compete with other junior mining companies for mining claims in regions adjacent to our existing claims, or in other parts of the world should we dedicate resources to doing so in the future. These companies may be better capitalized than us and we may have difficulty in expanding our holdings through the staking or acquisition of additional mining claims or other mineral tenures.

In competing for qualified mineral exploration personnel, we may be required to pay compensation or benefits relatively higher than those paid in the past, and the availability of qualified personnel may be limited in high-demand mining periods, such as was the case in past years when the price of gold and other metals was higher than it is now.

Specialized Skill and Knowledge

The Company's ability to continue to progress the Elk Creek Project will rely on the Company's ability to attract and retain individuals with (among other) financial, administrative, engineering, geological and mining skills, and knowledge of our industry and targeted markets. Much of the necessary specialized skills and knowledge required by the Company as a mineral exploration company are available from the Company's management team and Board of Directors. The Company retains outside consultants if additional specialized skills and knowledge are required.

Cycles

The mining business is subject to mineral price cycles. The marketability of minerals and mineral concentrates is also affected by worldwide economic cycles. At the present time, the weak demand for minerals in many countries are suppressing commodity prices, but it is difficult to assess how long such trend may continue. Fluctuations in supply and demand in various regions throughout the world are common.

The following table sets forth commodity prices for the last five years for the products the Company anticipates extracting from its Elk Creek Project: Ferroniobium, Scandium Trioxide and Titanium Dioxide.

Year	Ferroniobium US Import Price ($/kg-Nb)[1]	Scandium Trioxide US Price ($/kg)[2]	Titanium Dioxide US Price ($/kg)[3]
2015	$ 42.00	$ 5,100	$ 0.84
2014	$ 42.00	$ 5,400	$ 0.95
2013	$ 43.42	$ 5,000	$ 1.25
2012	$ 43.66	$ 4,700	$ 2.20
2011	$ 41.83	$ 4,700	$ 1.35

Source: USGS Mineral Commodity Summary, 2016
[1]Unit value is mass-weighted average U.S. import value of ferroniobium assuming 65% niobium content
[2]Scandium Trioxide, 99.99% purity, 5-kilogram lot size
[3]Rutile mineral concentrate, bulk, minimum 95% TiO_2, f.o.b. Australia

As NioCorp's mining and exploration business is in the exploration stage, and NioCorp has not yet generated any revenue from the operation of the Elk Creek Project, it is not currently significantly affected by changes in commodity demand and prices, except to the extent that these may impact the availability of capital for mineral exploration and development projects. As it does not carry on production activities, NioCorp's ability to fund ongoing exploration is affected by the availability of financing which is, in turn, affected by the strength of the economy and other general economic factors.

Seasonality

The Elk Creek Project is not subject to material restrictions on our operations due to seasonality.

Economic Dependence

Other than the Elk Creek Leases and the Offtake Agreements, NioCorp's business is not substantially dependent on any contract such as a contract to sell the major part of its product or services or to purchase the major part of its requirements for goods, services, or its raw materials, or any franchise or license or other agreement to use a patent, formula, trade secret, process, or trade name upon which its business depends.

Government Regulation

The exploration and development of a mining prospect is subject to regulation by a number of federal and state government authorities. These include the United States Environmental Protection Agency (EPA) and the United States ACOE as well as the various state and local environmental protection agencies. The regulations address many environmental issues relating to air, soil, and water contamination, and apply to many mining related activities including exploration, mine construction, mineral extraction, ore milling, water use, waste disposal, and use of toxic substances. In addition, we are subject to regulations relating to labor standards, occupational health and safety, mine safety, general land use, export of minerals, and taxation. Many of the regulations require permits or licenses to be obtained, the absence of which and/or inability to obtain such permits or licenses will adversely affect our ability to conduct our exploration, development, and operation activities. The failure to comply with the regulations and terms of permits and licenses may result in fines or other penalties, or in revocation of a permit or license or loss of a prospect.

Federal

While none of the lands on which the Elk Creek Project is proposed to be built are government-owned lands, or lands owned by the United States, mining rights are governed by the General Mining Law of 1872, as amended, which allows the location of mining claims on certain federal lands upon the discovery of a valuable mineral deposit and compliance with location requirements. The exploration of mining properties and development and operation of mines are governed by both federal and state laws. Federal laws that govern mining claim location and maintenance and mining operations on federal lands are generally administered by the US Bureau of Land Management (BLM). Additional federal laws, governing mine safety and health, also apply. State laws also require various permits and approvals before exploration, development, or production operations can begin. Among other things, a reclamation plan must typically be prepared and approved, with bonding in the amount of projected reclamation costs. The bond is used to ensure that proper reclamation takes place, and the bond will not be released until that time. Local jurisdictions may also impose permitting requirements (such as conditional use permits or zoning approvals).

Environmental Regulation

Our mineral projects are subject to various federal, state, and local laws and regulations governing protection of the environment. These laws are continually changing and, in general, are becoming more restrictive. The development, operation, closure, and reclamation of mining projects in the United States requires numerous notifications, permits, authorizations, and public agency decisions. Compliance with environmental and related laws and regulations requires us to obtain permits issued by regulatory agencies and to file various reports and keep records of our operations. Certain of these permits require periodic renewal or review of their conditions and may be subject to a public review process during which opposition to our proposed operations may be encountered. We are currently operating under various permits for activities connected to mineral exploration, reclamation, and environmental considerations. Our policy is to conduct business in a way that safeguards public health and the environment. We believe that our operations are conducted in material compliance with applicable laws and regulations.

Changes to current local, state, or federal laws and regulations in the jurisdictions in which we operate could require additional capital expenditures and increased operating and/or reclamation costs. Although we are unable to predict what additional legislation, if any, might be proposed or enacted, additional regulatory requirements could impact the economics of our project.

U.S. Federal Laws

The Comprehensive Environmental, Response, Compensation, and Liability Act ("CERCLA"), and comparable state statutes, impose strict, joint, and several liability on current and former owners and operators of sites and on persons who disposed of, or arranged for the disposal of, hazardous substances found at such sites. It is not uncommon for the government to file claims requiring cleanup actions and/or demands for reimbursement for government-incurred cleanup costs or natural resource damages. It is also not uncommon for neighboring landowners and other third parties to file claims for personal injury and property damage allegedly caused by hazardous substances released into the environment. The Federal Resource Conservation and Recovery Act ("RCRA"), and comparable state statutes, govern the disposal of solid waste and hazardous waste and authorize the imposition of substantial fines and penalties for noncompliance, as well as requirements for corrective actions. CERCLA, RCRA, and comparable state statutes can impose liability for clean-up of sites and disposal of substances found on exploration, mining, and processing sites long after activities on such sites have been completed.

The Clean Air Act ("CAA"), as amended, restricts the emission of air pollutants from many sources, including mining and processing activities. Any future mining operations by the Company may produce air emissions, including fugitive dust and other air pollutants from stationary equipment, storage facilities, and the use of mobile sources such as trucks and heavy construction equipment, which are subject to review, monitoring, and/or control requirements under the CAA and state air quality laws. New facilities may be required to obtain permits before work can begin, and existing facilities may be required to incur capital costs in order to remain in compliance. In addition, permitting rules may impose limitations on our production levels or result in additional capital expenditures in order to comply with the rules.

The National Environmental Policy Act ("NEPA") requires federal agencies to integrate environmental considerations into their decision-making processes by evaluating the environmental impacts of their proposed actions, including issuance of permits to mining facilities, and assessing alternatives to those actions. If a proposed action could significantly affect the environment, the agency must prepare either a detailed statement known as an Environmental Impact Statement ("EIS") or a less detailed statement known as an Environmental Assessment ("EA"). EPA, other federal agencies, and any interested third parties will review and comment on the scoping of the EIS or EA and the adequacy of and findings set forth in the draft and final EIS or EA. This process can cause delays in issuance of required permits or result in changes to a project to mitigate its potential environmental impacts, which can in turn impact the economic feasibility of a proposed project.

The Clean Water Act ("CWA"), and comparable state statutes, impose restrictions and controls on the discharge of pollutants into waters of the United States. The discharge of pollutants into regulated waters is prohibited, except in accordance with the terms of a permit issued by the EPA or an analogous state agency. The CWA regulates storm water from mining facilities and requires a storm water discharge permit or Stormwater Pollution Prevention Plan for certain activities. Such a permit requires the regulated facility to monitor and sample stormwater run-off from its operations. The CWA and regulations implemented thereunder also prohibit discharges of dredged and fill material in wetlands and other Waters of the United States unless authorized by an appropriately issued permit. The CWA and comparable state statutes provide for civil, criminal, and administrative penalties for unauthorized discharges of pollutants, and impose liability on parties responsible for those discharges for the costs of cleaning up any environmental damage caused by the release and for natural resource damages resulting from the release.

The Safe Drinking Water Act ("SDWA"), and the Underground Injection Control ("UIC") program promulgated thereunder, regulate the drilling and operation of subsurface injection wells. The EPA directly administers the UIC program in some states; in others, the responsibility for the program has been delegated to the state. The program requires that a permit be obtained before drilling a disposal or injection well. Violation of these regulations and/or contamination of groundwater by mining related activities may result in fines, penalties, and remediation costs, among other sanctions and liabilities under the SDWA and state laws. In addition, third party claims may be filed by landowners and other parties claiming damages for alternative water supplies, property damages, and bodily injury.

Nebraska

Nebraska has a well-developed set of environmental regulations and responsible agencies, but does not have clearly defined regulations with respect to permitting mines. As such, review of the project and the issuance of permits by Nebraska agencies and regulatory bodies could potentially impact the total time to market for our Elk Creek Project. Other Nebraska regulations govern operating and design standards for the construction and operation of any source of air contamination and landfill operations. Any changes to these laws and regulations could have an adverse impact on our financial performance and results of operations by, for example, requiring changes to operating constraints, technical criteria, fees, or surety requirements.

Employees

As of October 12, 2016 we employed eleven (11) employees, each of whom is a full-time employee.

Availability of Raw Materials

All of the raw materials we require to carry on our business are readily available through normal supply or business contracting channels in Canada and the United States. Since commencing current operations in August 2010, we have been able to secure the appropriate personnel, equipment, and supplies required to conduct our contemplated programs. As a result, we do not believe that we will experience any shortages of required personnel, equipment, or supplies in the foreseeable future.

Reorganization

Except as disclosed elsewhere herein, the Company has not undergone any material reorganizations in its three most recently completed financial years.

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 Annual Report to Shareholders, as well as the *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 ACOE, 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 three 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	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	**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 ferroniobium 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, the first of four approvals needed, 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 derivatives 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 one 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 roughly 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.

DIRECTORS AND EXECUTIVE OFFICERS

As of the date of this Annual Report to Shareholders, the names, titles, and ages of the members of the Company's Board of Directors and its executive officers are as set forth in the below table.

Name	Age	Position	Date of Appointment
Mark A. Smith	57	CEO, President, Executive Chairman and Director	CEO and Director: Sept. 23, 2013 President and Executive Chairman: May 31, 2015
Neal Shah	42	CFO	July 1, 2016; Interim CFO on March 31, 2015
Scott Honan	45	Vice President, Business Development	May 6, 2014
John Ashburn, Jr.	61	Vice-President, General Counsel and Corporate Secretary	April 2, 2015
Jim Sims	55	VP of External Affairs	November 2, 2015
Joseph A. Carrabba	63	Lead Director	December 15, 2014
Michael Morris	70	Director	July 28, 2014
David C. Beling	74	Director	June 6, 2011
Joseph D. Cecil	67	Director	November 14, 2014
Anna Castner Wightman	49	Director	February 23, 2016

The following sets forth a brief description of the business experience of each director and executive officer of the Company:

Mark Smith – Director, President and Chief Executive Officer

Mr. Smith has 36 years of experience in operating, developing, and financing mining and strategic materials projects in the Americas and abroad. In September 2013, he was appointed CEO and a Director of NioCorp. Mr. Smith also serves as the President and Chief Executive Officer for Largo Resources Ltd., a mineral company with an operating property in Brazil and projects in Brazil & Canada. From October 2008 through December 2012, Mr. Smith served as Chief Executive Officer and Director of Molycorp Inc., where he was instrumentally involved in taking it from a private company to a publicly traded company with a producing mine. From November 2011 through May 2015, he served on the Board of Directors at Avanti Mining (TSXv: AVT), which changed its name to AlloyCorp in early 2015. From December 2012 through September 2013, he served as the Managing Director of KMSmith LLC, where he served as a consultant.

Prior to Molycorp, he held numerous engineering, environmental, and legal positions within Unocal Corporation ("Unocal") and later served as the President and Chief Executive Officer of Chevron Mining Inc. ("Chevron"), a wholly-owned subsidiary of Chevron Corporation. Mr. Smith also served for over seven years as the shareholder representative of CBMM, a private company that currently produces approximately 85% of the world supply of niobium. During his tenure with Chevron, Mr. Smith was responsible for Chevron's three coal mines, one molybdenum mine, a petroleum coke calcining operation, and the Mountain Pass mine. At Unocal, he served as the Vice-President from June 2000 to April 2006, and managed the real estate, remediation, mining, and carbon divisions. Mr. Smith is a Registered Professional Engineer and serves as an active member of the State Bars of California and Colorado. He received his Bachelor of Science degree in Agricultural Engineering from Colorado State University in 1981 and his Juris Doctor, cum laude, from Western State University, College of Law, in 1990.

Mr. Smith's extensive leadership, management, strategic planning, and strategic materials industry expertise through his various leadership and directorship roles in public companies large and small makes him well-qualified to serve as a member of the board of directors of NioCorp.

Neal Shah – CFO

Mr. Shah joined NioCorp in September 2014 as Vice President of Finance, and now serves as the Company's CFO. Mr. Shah served as Finance Manager at Covidien Ltd., based out of the company's Boulder, CO office from May 2014 through September 2014. From April 2011 until May 2014, he held the positions of Senior Manager of Corporate Development and M&A and, more recently, the Director of Strategy and Business Planning at Molycorp Inc.'s corporate offices in Greenwood Village, CO. Mr. Shah graduated from the University of Colorado with a B.Sc. in Mechanical Engineering in 1996, and from Purdue University with an MBA in 2002. Since the completion of his MBA, Mr. Shah also held key finance roles with Intel Corporation and IBM.

Scott Honan – Vice President, Business Development

Mr. Honan joined NioCorp in May 2014 and now serves as Vice President, Business Development. He also serves as President of Elk Creek Resources Corporation, the NioCorp subsidiary that is developing the Elk Creek Project in Nebraska. Prior to his work at NioCorp, Mr. Honan served in several leadership capacities at Molycorp, Inc. from February 2001 - May 2014, including as Vice President Health, Environment, Safety and Sustainability, and General Manager and Environmental Manager. With over 23 years of experience in the gold and rare earth industries, Mr. Honan is a graduate of Queen's University in Mining Engineering in both Mineral Processing (B.Sc. Honors) and Environmental Management (M.Sc.) disciplines.

Jim Sims - Vice President, External Affairs

Mr. Sims has more than 25 years of experience in devising and executing marketing, media relations, public affairs, and investor relations operations for companies in the mining, chemical, manufacturing, utility, and renewable energy sectors. He joined NioCorp in November 2015, after serving for more than five years as Director (and then Vice President) of Corporate Communications for Molycorp, Inc from March 2010 through November 2015. Jim also serves as Director of Investor and Public Relations for IBC Advanced Alloys Corporation. Jim is President and CEO of Policy Communications, Inc. and served as White House Director of Communications for the Energy Policy Development Group. A former U.S. Senate Chief of Staff, he is the co-founder and former Executive Director of the Geothermal Energy Association, and he has served as Board Chairman of the Rare Earth Technology Alliance. He is an honors graduate of Georgetown University.

John Ashburn – Vice President, General Counsel and Corporate Secretary

An attorney with 35 years of experience, including 25 years in extractive industries, Mr. Ashburn joined NioCorp in January 2015 and was appointed to Vice President, General Counsel, and Corporate Secretary on April 2, 2015. He served as Vice President, Chief Legal Officer, and a member of the Board of Directors of Simbol, Inc., a privately held development stage Lithium production company, from May 2013 – January 2015, and was Executive Vice President and General Counsel of Molycorp, Inc. from December 2008 – April 2013. Prior to that, he held senior legal positions with Chevron and Unocal. Mr. Ashburn holds a Juris Doctorate from Northern Illinois University, School of Law.

Joseph Carrabba – Lead Director

Mr. Carrabba served as the Chairman, President, and Chief Executive Officer of Cliffs Natural Resources Inc., a publicly-held international mining and natural resources company, from September 2006 until his retirement in November 2013. From 2013 until the present day, he has served as CEO of Irati Energy, a private mining company in Brazil, and as a corporate director and consultant. Prior to joining Cliffs Natural Resources Inc., Mr. Carrabba gained broad experience in the mining industry throughout Canada, the United States, Asia, Australia and Europe. He was the former General Manager of Weipa Bauxite Operation of Comalco Aluminum and served in a variety of leadership capacities at Rio Tinto, a global mining company, including as President and Chief Operating Officer of Rio Tinto's Diavik Diamond Mines, Inc. Mr. Carrabba is also a director of Newmont Mining Corporation, TimkenSteel

Corporation, Key Bank, and the Aecon Group. He holds a bachelor's degree in geology from Capital University and his MBA from Frostburg State University in Maryland.

Mr. Carrabba's qualification to serve on our Board is based upon his many years of leadership and executive experience in large publicly traded companies in the mining and materials processing industries.

Michael Morris – Director

Mr. Morris is currently Chairman of the Board of Heritage Oaks Bankcorp. He joined Heritage Oaks' Board in January 2001 and assumed the Board chairmanship in 2007. In addition, Mr. Morris has worked since 1972 at Andre, Morris & Buttery, a professional law corporation, where he now serves as Senior Principal and Chairman of the Board. From 2000 to late 2006, Mr. Morris served on the board of Molycorp, which at the time was a wholly owned subsidiary of Unocal and then Chevron. Mr. Morris was the only independent director of Molycorp at that time. Mr. Morris is a graduate of Georgetown University and received his law degree from the University of the San Francisco School of Law. He has practiced business and environmental law for over 40 years. Mr. Morris served as a member of the Board of Governors and Vice President of the State Bar of California. He served as a 1st Lieutenant in the U.S. Army from 1970 to 1972.

Mr. Morris's qualification to serve on our Board is based on his based upon his years of senior executive leadership with publicly traded companies and his long experience in the financial, banking, legal, and manufacturing fields.

David Beling – Director

Mr. Beling is a Registered Professional Mining Engineer with 52 years of experience and, since 1981, has been on the board of directors of 14 mining companies. He is President, CEO, CFO, and director of Bullfrog Gold Corp. since July 2011, and was the Executive Vice President and Chief Operating Officer of Geovic Mining Corp. from 2004 to 2010. Mr. Beling has examined, significantly reviewed, or been directly involved with 88 underground mines, 131 open pit mines, and 164 process plants in the global metal, energy, and industrial mineral sectors. Employment included 14 years with five majors in addition to 38 years of employment and consulting for 25 junior mining companies.

Mr. Beling's qualification to serve on our Board is based upon his decades of senior leadership and executive positions with companies in the mining and minerals processing sectors.

Joseph D. Cecil – Director

Mr. Cecil served as Vice President and Comptroller of Unocal from December 1997 until 2005. From 2005 until the present day, Mr. Cecil has been self-employed. He also served as Unocal's Principal Accounting Officer. During 1997, Mr. Cecil was Comptroller, International Operations of Unocal. He was Comptroller of the 76 Products Company from 1995 until the sale of the West Coast refining, marketing, and transportation assets in March 1997. Mr. Cecil also served on the Board of Directors for Molycorp.

Anna Castner Wightman – Director

A sixth generation Nebraskan and a graduate of Nebraska Wesleyan University, Ms. Wightman serves as Vice President of Government Relations for First National Bank of Omaha, Nebraska, a position she has held since 2000. Prior to that, she worked for the Greater Omaha Chamber of Commerce and served in the U.S. Congress for former Congressman Bill Barrett and former Congresswoman Virginia Smith, both of whom represented the 3rd Congressional District of Nebraska. Anna serves on the Boards of Directors of the Nebraska Chamber of Commerce, Rose Theater for Performing Arts, and Joslyn Castle.

Ms. Wightman's qualification to serve on our Board is based on her extensive executive experience in the banking and financial services sectors, and her deep knowledge of the Nebraska business and public policy landscapes.

MARKET FOR COMMON EQUITY AND RELATED SHAREHOLDER MATTERS

Market Information

The outstanding Common Shares were first listed and posted for trading on the Vancouver Stock Exchange on December 1, 1987. On March 9, 2015 the Common Shares commenced trading on the TSX under the trading symbol "NB". In addition, the Company trades on the United States Over-the-Counter Bulletin Board ("OTCBB") and the OTCQX under the symbol "NIOBF" and on the Frankfurt Stock Exchange as "BR3."

The table below sets forth the high and low closing prices of the Company's Common Shares quoted on the OTCBB and OTCQX during the periods indicated as reported by the Internet source OTC Markets (*http://otcmarkets.com*). The quotations reflect inter-dealer prices without retail mark-up, mark-down, or commission, and may not reflect actual transactions.

	2014		2015		2016	
Fiscal Quarter	Price Range		Price Range		Price Range	
	High	Low	High	Low	High	Low
First Quarter	$ 0.190	$ 0.091	$ 0.720	$ 0.498	$ 0.689	$ 0.478
Second Quarter	0.196	0.135	0.699	0.405	0.550	0.370
Third Quarter	0.253	0.137	1.510	0.585	0.870	0.370
Fourth Quarter	0.730	0.235	1.230	0.570	0.800	0.620

	2017	
Fiscal Quarter	Price Range	
	High	Low
First Quarter (Through September 15, 2016)	$ 0.765	$ 0.640

The closing sales price of the Company's Common Shares on the OTCQX as reported on October 12, 2016, was $0.597 per share.

The table below sets forth the high and low closing prices in Canadian dollars of the Company's Common Shares quoted on the TSX or TSX Venture Exchange during the periods indicated as reported by the Internet source TMXmoney (*http://www.tmxmoney.com*). The quotations reflect inter-dealer prices without retail mark-up, mark-down or commission and may not reflect actual transactions.

	2014		2015		2016	
Fiscal Quarter	Price Range		Price Range		Price Range	
	High	Low	High	Low	High	Low
First Quarter(1)	$ 0.28	$ 0.15	$ 1.76	$ 0.70	$ 0.09	$ 0.06
Second Quarter	0.78	0.27	1.54	0.72	0.69	0.53
Third Quarter	0.78	0.55	0.84	0.61	1.14	0.51
Fourth Quarter	0.81	0.49	0.69	0.54	1.13	0.53

	2017	
Fiscal Quarter	Price Range	
	High	Low
First Quarter (Through September 15, 2016)	$ 1.00	$ 0.53

(1) The Company graduated its listing form the TSX Venture Exchange to the TSX on March 11, 2015.

The closing sales price of the Company's Common Shares on the TSX as reported on October 12, 2016, was C$0.79 per Common Share.

Holders

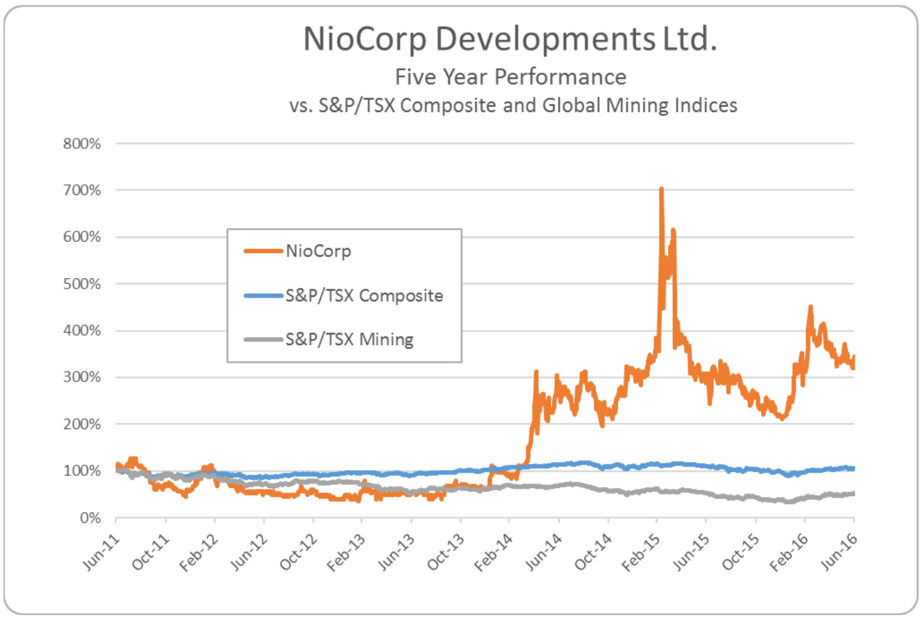
As of October 12, 2016, we have 6,163 holders of record of the Common Shares.

Dividends

We have not paid any cash dividends on the Common Shares since our inception and do not anticipate paying any cash dividends in the foreseeable future. We plan to retain our earnings, if any, to provide funds for the expansion of our business.

Performance Graph

The following graph compares total cumulative shareholder return for $100 invested in common shares of the Company from June 30, 2011 to June 30, 2016with the cumulative total return of the S&P/TSX Composite Index and the S&P/TSX Mining Index:



The chart includes the Company's performance over a five-year period relative to the performance of these indices. The Company's cumulative return was materially more than the performance of both indices. This trend may be a factor in determining executive compensation for the coming financial year.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest rate risk

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.

Foreign currency exchange risk

The company incurs expenditures in both U.S. and Canadian dollars. Canadian dollar expenditures are related to engineering and metallurgical-related exploration expenses, as well as certain professional services. As a result, currency exchange fluctuations may impact the costs of our operating activities. To reduce this risk, we maintain sufficient cash balances in Canadian dollars to fund expected near-term expenditures.

Commodity price risk

The Company is exposed to commodity price risk related to the elements associated with the Elk Creek Project. A significant decrease in the global demand for these elements may have a material adverse effect on our business. The Elk Creek project is not in production, and the Company does not currently hold any commodity derivative positions.

CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Effective June 24, 2015, we ended our relationship with Davidson & Company LLP Charted Professional Accountants ("Davidson") as our independent registered public accounting firm. Davidson's dismissal as our independent registered public accounting firm was approved by our Board.

Davidson's reports regarding the Company's financial statements for the fiscal years ended June 30, 2014 and 2013 did not contain any adverse opinion or disclaimer of opinion and were not qualified or modified as to uncertainty, audit scope, or accounting principles, except that the audit report of Davidson on the Company's financial statements for fiscal years ended June 30, 2014 and 2013 contained an explanatory paragraph which noted that there was substantial doubt about the Company's ability to continue as a going concern.

During the fiscal years ended June 30, 2014 and 2013, and during the period from July 1, 2014 to the date of dismissal, (i) there were no disagreements with Davidson on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedures, which disagreements, if not resolved to the satisfaction of Davidson, would have caused it to make reference to such disagreement in its reports; and (ii) there were no reportable events as defined in Item 304(a)(1)(v) of Regulation S-K.

The Company has provided Davidson with a copy of the foregoing disclosures and requested that Davidson furnish the Company with a letter addressed to the SEC stating whether or not it agrees with the above statements. A copy of such letter was filed as Exhibit 16.1 to our Registration Statement on Form S-1 (333-213451) as filed on September 2, 2016 and is incorporated herein by reference.

Effective June 24, 2015, we engaged BDO USA, LLP ("BDO") as the Company's independent registered public accounting firm to audit the Company's financial statements for the fiscal year ending June 30, 2015.

During each of the Company's two most recent fiscal years and through the interim periods preceding the engagement of BDO, we (a) have not engaged BDO as either the principal accountant to audit the Company's financial statements, or as an independent accountant to audit a significant subsidiary of the Company and on whom the principal accountant is expected to express reliance in its report; and (b) has not consulted with BDO regarding (i) the application of accounting principles to a specific transaction, either completed or proposed, or the type of audit opinion that might be rendered on the Company's financial statements, and no written report or oral advice was provided to the Company by BDO concluding there was an important factor to be considered by the Company in reaching a decision as to an accounting, auditing, or financial reporting issue; or (ii) any matter that was either the subject of a disagreement, as that term is defined in Item 304(a)(1)(iv) of Regulation S-K or a reportable event, as that term is described in Item 304(a)(1)(v) of Regulation S-K.

NioCorp Developments Ltd.

Consolidated Financial Statements

June 30, 2016

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Spokane, WA 99201

Report of Independent Registered Public Accounting Firm

Board of Directors and Shareholders
NioCorp Developments Ltd.
Denver, Colorado

We have audited the accompanying consolidated balance sheets of NioCorp Developments Ltd. (the "Company") as of June 30, 2016 and 2015 and the related consolidated statements of operations and comprehensive loss, shareholders' equity, and cash flows for the years then ended June 30, 2016 and 2015. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of NioCorp Developments Ltd. at June 30, 2016 and 2015, and the results of its operations and its cash flows for the years then ended June 30, 2016 and 2015, in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As described in Note 4 to the consolidated financial statements, the Company has suffered recurring losses from operations and has a net capital deficiency that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 4. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

/s/ BDO USA, LLP
Spokane, Washington
September 1, 2016

NioCorp Developments Ltd.
Consolidated Balance Sheets

(expressed in thousands of U.S. dollars, except share data)

	Note	As of June 30, 2016	2015
ASSETS			
Current			
Cash		$ 4,412	$ 753
Receivables		5	14
Prepaid expenses		101	58
Total current assets		4,518	825
Non-current			
Deposits		65	67
Available for sale securities at fair value		32	46
Equipment		14	20
Mineral interests	5	10,617	10,617
Total assets		$ 15,246	$ 11,575
LIABILITIES			
Current			
Accounts payable and accrued liabilities		$ 1,256	$ 4,440
Related party loan	9	1,000	1,500
Flow-through tax liability	6	-	624
Total current liabilities		2,256	6,564
Convertible debt	7	6,466	-
Derivative liability, convertible debt	7	330	-
Total liabilities		9,052	6,564
Commitments	13		
SHAREHOLDERS' EQUITY			
Common stock, unlimited shares authorized; shares outstanding: 180,467,990 at June 30, 2016 and 156,420, 334 at June 30, 2015	8	58,401	47,617
Additional paid-in capital		8,630	7,250
Accumulated deficit		(60,222)	(48,814)
Accumulated other comprehensive loss		(615)	(1,042)
Total shareholder equity		6,194	5,011
Total liabilities and equity		$ 15,246	$ 11,575

The accompanying notes are an integral part of these consolidated financial statements

NioCorp Developments Ltd.
Consolidated Statement of Operations and Comprehensive Loss

(expressed in thousands of U.S. dollars, except share and per share data)

	Note	For the year ended June 30, 2016	2015
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	10	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	7	2,719	-
Other gains	6	(587)	-
Interest and other income		-	(16)
Foreign exchange (gain) loss		(528)	434
Interest expense		275	-
Loss (gain) on available for sale securities		11	(28)
Loss before income taxes		11,408	25,870
Income tax benefit		-	(2,755)
Net loss		$ 11,408	$ 23,115
Other comprehensive (gain) loss:			
Net loss		$ 11,408	$ 23,115
Other comprehensive loss:			
Reporting currency translation		(427)	959
Total comprehensive loss		$ 10,981	$ 24,074
Loss per common share, basic and diluted		$ 0.07	$ 0.17
Weighted average common shares outstanding		164,038,509	136,045,244

The accompanying notes are an integral part of these consolidated financial statements

NioCorp Developments Ltd.
Consolidated Statement of Cash Flows
(expressed in thousands of U.S. dollars)

	For the year ended June 30, 2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Total loss for the period	$ (11,408)	$ (23,115)
Adjustments for:		
Depreciation	9	10
Change in financial instrument fair value	2,719	-
Warrants expense	540	2,159
Unrealized loss (gain) on available-for-sale investments	11	(28)
Impairment of equipment	-	112
Accretion of convertible debt	81	-
Deferred taxes	-	(2,755)
Foreign exchange (gain) loss	(247)	183
Other non-cash items	(587)	-
Share-based compensation	1,049	2,506
	(7,833)	(20,928)
Change in non-cash working capital items:		
Receivables	8	25
Prepaid expenses	(63)	(39)
Accounts payable and accrued liabilities	(3,086)	3,625
Net cash used in operating activities	(10,974)	(17,317)
CASH FLOWS FROM INVESTING ACTIVITIES		
Deposits	-	(14)
Acquisition of equipment	(4)	(27)
Net cash used in investing activities	(4)	(41)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of capital stock	9,993	13,979
Share issue costs	(151)	(521)
Issuance of convertible debt, net of issuance costs	5,060	-
Related party debt draws	600	1,500
Related party debt repayment	(1,100)	-
Net cash provided by financing activities	14,402	14,958
Exchange rate effect on cash	235	345
Change in cash during the period	3,659	(2,055)
Cash, beginning of period	753	2,808
Cash, end of period	$ 4,412	$ 753
Supplemental cash flow information:		
Amounts paid for interest	$ 144	$ -
Amounts paid for income taxes	$ -	$ -
Non-cash financing transaction	$ 638	$ -

The accompanying notes are an integral part of these consolidated financial statements

NioCorp Developments Ltd.
Consolidated Statements of Shareholders' Equity

(expressed in thousands of U.S. dollars, except share data)

	Common Shares Outstanding	Common Stock	Additional paid-in capital	Deficit	Accumulated other comprehensive income	Total
Balance, July 1, 2014	122,884,716	$ 33,667	$ 2,933	$ (25,699)	$ (83)	$ 10,818
Private placement - November 2014	19,245,813	8,846	-	-	-	8,846
Private placement - March 2015	2,914,000	1,722	-	-	-	1,722
Issue costs	-	(708)	187	-	-	(521)
Exercise of warrants	5,125,805	2,368	-	-	-	2,368
Exercise of options	6,250,000	1,042	-	-	-	1,042
Fair value of stock options exercised	-	680	(680)	-	-	-
Fair value of warrants granted to ThyssenKrupp	-	-	1,854	-	-	1,854
Fair value of warrants for financial services agreement	-	-	268	-	-	268
Fair value of warrants for sponsorship agreement	-	-	99	-	-	99
Share-based payments	-	-	2,589	-	-	2,589
Reporting currency presentation	-	-	-	-	(959)	(959)
Loss for the year	-	-	-	(23,115)	-	(23,115)
Balance, June 30, 2015	156,420,334	$ 47,617	$ 7,250	$ (48,814)	$ (1,042)	$ 5,011
Exercise of warrants	12,549,309	5,838	-	-	-	5,838
Exercise of options	1,415,000	405	-	-	-	405
Fair value of broker warrants granted	-	-	15	-	-	15
Fair value of Lind Warrants granted	-	-	620	-	-	620
Private placement - January 2016	9,074,835	3,750	-	-	-	3,750
Debt conversions	1,008,512	638				638
Share issuance costs	-	(151)	-	-	-	(151)
Fair value of stock options exercised	-	304	(304)	-	-	-
Share-based payments	-	-	1,049	-	-	1,049
Reporting currency presentation	-	-	-	-	427	427
Loss for the year	-	-	-	(11,408)	-	(11,408)
Balance, June 30, 2016	180,467,990	$ 58,401	$ 8,630	$ (60,222)	$ (615)	$ 6,194

The accompanying notes are an integral part of these consolidated financial statements

(expressed in thousands of U.S. dollars, unless otherwise stated)

1. DESCRIPTION OF BUSINESS

NioCorp Developments Ltd. (the "Company") was incorporated on February 27, 1987 under the laws of the Province of British Columbia and currently operates in one reportable operating segment consisting of exploration and development of mineral deposits in North America, specifically, the Elk Creek Niobium/Scandium/Titanium property (the "Elk Creek Project") located in Southeastern Nebraska.

These consolidated financial statements have been prepared on a going concern basis that contemplates the realization of assets and discharge of liabilities at their carrying values in the normal course of business for the foreseeable future. These financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern.

The Company currently earns no operating revenues and will require additional capital in order to advance the Elk Creek Project. The Company's ability to continue as a going concern is uncertain and is dependent upon the generation of profits from mineral properties, obtaining additional financing and maintaining continued support from its shareholders and creditors.

2. BASIS OF PREPARATION

a) Basis of Preparation and Consolidation

These consolidated financial statements have been prepared in conformity with generally accepted accounting principles of the United States of America ("US GAAP"). Certain transactions include reference to Canadian dollars ("C$") where applicable.

These consolidated financial statements include the accounts of the Company and the subsidiaries listed in the following table. All intercompany transactions and balances have been eliminated.

	Country of incorporation	Ownership at June 30, 2016	2015
0896800 BC Ltd.	Canada	100%	100%
Elk Creek Resources Corp.	USA	100%	100%
Silver Mountain Mines Corp.	USA	100%	100%

b) Use of Estimates

The preparation of consolidated financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period. The Company regularly evaluates estimates and assumptions related to the deferred income tax asset valuations and share-based compensation. The Company bases its estimates and assumptions on current facts, historical experience and various other factors that it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the other sources. The actual results experienced by the Company may differ materially and adversely from the Company's estimates. To the extent there are material differences between estimates and the actual results, future results of operations will be affected.

3. SIGNIFICANT ACCOUNTING POLICIES

a) Exploration Stage Enterprise

The Company is in the exploration stage of operation and devotes substantially all of its efforts to acquiring and exploring mining interests that management believes should eventually provide sufficient net profits to sustain the Company's existence. Until such interests are engaged in commercial production, the Company will continue to seek additional funding to support the completion of its exploration and development activities. The Company's activities are subject to significant risks and uncertainties, including its ability to secure sufficient funding to continue operations, to obtain proven and probable reserves, to comply with industry regulations and obtain permits necessary for development of the Elk Creek Project, as well as environmental risks and market conditions.

b) Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, cash in banks, investments in certificates of deposit with original maturities of 90 days or less, and money market funds.

c) Foreign Currency Translation

Functional and reporting currency

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The functional currency of the Company is the Canadian Dollar. Effective July 1, 2015, the Corporation changed the functional currency for Elk Creek Resources Corp., a wholly-owned subsidiary, from the Canadian Dollar to the U.S. Dollar. This change was made as a greater percentage of expenditures for technical and administrative services, and raised financings are denominated in U.S. Dollars. No other entities in the Group were affected by this change in functional currency. This change in judgment has been accounted for prospectively in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 830.

The reporting currency for these consolidated financial statements is U.S. Dollars.

Transactions in foreign currency

Transactions made in a currency other than Canadian Dollars are translated to the functional currency at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date and non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Foreign currency gains and losses arising from translation are included in profit or loss.

Translation to reporting currency

The results and financial position of entities that have a functional currency different from the reporting currency are translated into the reporting currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting date.
- Income and expenses for each statement of income are translated at average exchange rates, unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions.
- All resulting exchange differences are recognized in other comprehensive income.

d) Available for Sale Securities

Available for sale securities are recorded at fair value through the statement of operations pursuant to the fair value option permitted by ASC 825, Financial Instruments.

e) Equipment

Equipment is stated at cost less accumulated depreciation. The residual value, useful life and depreciation method are evaluated every reporting period and changes to the residual value, estimated useful life or depreciation method resulting from such review are accounted for prospectively. Depreciation is provided for using the straight line basis at the following rates per annum:

Computer equipment	three years
Furniture and equipment	five years

f) Mineral Properties

Mineral property acquisition costs, including indirectly related acquisition costs, are capitalized when incurred. Acquisition costs include cash consideration and the fair market value of common shares issued as consideration. Properties acquired under option agreements, whereby payments are made at the sole discretion of the Company, are capitalized as mineral property acquisition costs at such time as the payments are made. Exploration costs are expensed as incurred. When it is determined that a mining deposit can be economically and legally extracted or produced based on established proven and probable reserves under SEC Industry Guide 7, development costs related to such reserves and incurred after such determination will be considered for capitalization. The establishment of proven and probable reserves is based on results of feasibility studies, which indicate whether a property is economically feasible. Upon commencement of commercial production, capitalized costs will be amortized over their estimated useful lives or units of production, whichever is a more reliable measure. Capitalized amounts relating to a property that is abandoned or otherwise considered uneconomic for the foreseeable future are written off.

g) Long Lived Assets

Long-lived assets held and used by the Company are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. For purposes of evaluating the recoverability of long-lived assets, the recoverability test is performed using undiscounted net cash flows related to the long-lived assets. If such assets are considered to be impaired, the impairment recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

h) Financial Instruments

The Company’s financial instruments consist of cash, receivables, available for sale securities, accounts payable and accrued liabilities, convertible debt and the related party loan. It is management’s opinion that the Company is not exposed to significant interest, currency or credit risks arising from its financial instruments. The fair values of these instruments approximate their carrying value unless otherwise noted.

i) Concentration of Credit Risk

The financial instrument which potentially subjects the Company to credit risk is cash and cash equivalents, The Company holds invests or maintains available cash primarily in two commercial banks located in Vancouver, British Columbia and Santa Clara, California. As part of its cash management process, the Company regularly monitors the relative credit standing of these institutions.

j) Asset Retirement Obligation

The Company is subject to various government laws and regulations relating to environmental disturbances caused by exploration and evaluation activities. The estimated costs associated with environmental remediation obligations are accrued in the period in which the liability is incurred if it is reasonably estimable or known. Until such time that a project life is established, the Company records the corresponding cost as an exploration stage expense, and has accrued $85 related to estimated obligations as of June 30, 2016 (2015 - $nil).

Future reclamation and environmental-related expenditures are difficult to estimate in many circumstances due to the early stage nature of the exploration project, the uncertainties associated with defining the nature and extent of environmental disturbance, the application of laws and regulations by regulatory authorities and changes in reclamation or remediation technology. The Company periodically reviews accrued liabilities for such reclamation and remediation costs as evidence indicating that the liabilities have potentially changed becomes available. Changes in estimates are reflected in the consolidated statement of operations in the period an estimate is revised.

k) Income Taxes

Income taxes are provided based upon the liability method of accounting pursuant to ASC 740-10-25, *"Income Taxes – Recognition"*. Under the approach, deferred income taxes are recorded to reflect the tax consequences in future years of differences between the tax basis of assets and liabilities and their financial reporting amounts at each year-end. A valuation allowance is recorded against deferred tax assets if management does not believe the Company has met the "more likely than not" standard imposed by ASC 740-10-25-5 to allow recognition of such an asset.

l) Basic and Diluted Per Share Disclosure

Basic earnings (loss) per share is computed by dividing net income (loss) by the weighted average number of common shares outstanding. In computing diluted earnings per share, the weighted average number of shares outstanding is adjusted to reflect the effect of potentially dilutive securities. Potentially dilutive shares, such as stock options and warrants, are excluded from the calculation when their inclusion would be anti-dilutive, such as when the exercise price of the instrument exceeds the fair market value of the Company's common stock and when a net loss is reported. The dilutive effect of convertible debt securities is reflected in the diluted earnings (loss) per share calculation using the if-converted method. Conversion of the debt securities is not assumed for purposes of calculating diluted earnings (loss) per share if the effect is anti-dilutive.

m) Stock Based Compensation

The Company grants stock options to directors, officers, and employees. Option terms and vesting conditions are at the discretion of the Board of Directors. The option exercise price is equal to the closing market price on the Toronto Stock Exchange on the Toronto Stock Exchange on the day preceding the date of grant.

The Company estimates the fair value of stock options using the Black-Scholes option pricing model. The Company estimates forfeitures of stock-based awards based on historical data and periodically adjusts the forfeiture rate. The adjustment of the forfeiture rate is recorded as a cumulative adjustment in the period the forfeiture estimate is changed.

n) Recent Accounting Standards

From time to time, new accounting pronouncements are issued by the FASB that are adopted by the Company as of the specified effective date. Unless otherwise discussed, management believes that the impact of recently issued standards did not or will not have a material impact on the Company's consolidated financial statements upon adoption.

In February 2016, the FASB issued *Accounting Standard Update* ("ASU") *2016-02, Leases*. The standard requires that a lessee recognize on the balance sheet assets and liabilities for leases with lease terms of more than 12 months. The recognition, measurement, and presentation of expenses and cash flows arising from a lease have not significantly changed from the previous GAAP. The standard is effective for fiscal years beginning after December 15, 2018, including interim periods within such fiscal year, with early adoption permitted. The Company is currently assessing the impact, if any, of implementing this guidance on its consolidated financial position, results of operations and liquidity.

In November 2015, the FASB issued ASU 2015-17 which simplifies income tax accounting. The update requires that all deferred tax assets and liabilities be classified as noncurrent on the balance sheet instead of separating deferred taxes into current and noncurrent amounts. This update is effective for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years, and early adoption is permitted. The Company elected to early adopt this standard as of July 1, 2014.

In April 2015, the FASB issued *ASU 2015-03, Interest – Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*. This update simplifies the presentation of debt issuance costs by requiring debt issuance costs to be presented as a deduction from the corresponding debt liability. The update is effective in fiscal years, including interim periods, beginning after December 15, 2015, and early adoption is permitted. The Company elected to early adopt this standard effective July 1, 2014.

In November 2014, the FASB issued *ASU 2014-16, Determining Whether the Host Contract in a Hybrid Financial Instrument Issued in the Form of a Share Is More Akin to Debt or to Equity*. The ASU clarifies how current guidance should be interpreted in evaluating the economic characteristics and risks of a host contract in a hybrid financial instrument that is issued in the form of a share. Specifically, the amendments clarify that an entity should consider all relevant terms and features, including the embedded derivative feature being evaluated for bifurcation, in evaluating the nature of a host contract. The ASU is effective for fiscal years and interim periods beginning after December 15, 2015. The Company is currently assessing the impact, if any, of implementing this guidance on its consolidated financial position, results of operations and liquidity.

In August 2014, the FASB issued *ASU 2014-15, Presentation of Financial Statements – Going Concern*. The new standard requires management of public and private companies to evaluate whether there is substantial doubt about the entity's ability to continue as a going concern and, if so, disclose that fact. Management will also be required to evaluate and disclose whether its plans alleviate that doubt. The new standard is effective for annual periods ending after December 15, 2016, and interim periods within annual periods beginning after December 15, 2016. Adoption of the new guidance is not expected to have a material impact on the financial statement presentation of the Company.

4. GOING CONCERN ISSUES

The Company incurred a loss of $11,408 for the year ended June 30, 2016 (2015 - $23,115), and has an accumulated deficit of $60,222 as of June 30, 2016. These factors indicate the existence of a material uncertainty that raises substantial doubt about the Company's ability to continue as a going concern.

(expressed in thousands of U.S. dollars, unless otherwise stated)

The Company's ability to continue operations and fund its expenditures is dependent on Management's ability to secure additional financing. Management is actively pursuing such additional sources of 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.

These consolidated financial statements do not give effect to any adjustments required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying financial statements.

5. MINERAL INTERESTS

During the year ended June 30, 2011, the Company completed the acquisition of the Elk Creek property through a share exchange agreement with 0859404 BC Ltd, a Canadian company, which owned all the issued and outstanding shares of Elk Creek Resources Corp. ("Elk Creek"). The Company issued 18,990,539 common shares to acquire all of the issued and outstanding shares of 0859404 BC Ltd. and issued 1,034,348 common shares as a finder's fee with respect to the acquisition. The transaction did not meet the definition of a business acquisition, as set forth in ASC 805, and therefore was accounted for as a purchase of assets. The acquisition price was based on the market value of the Company's common shares on the closing date and total consideration given was C$13,246, including associated deferred tax impacts, of C$4,736.

The property interests of Elk Creek consist of a number of prepaid five-year mineral exploration lease agreements, and include a pre-determined buyout for permanent ownership of the mineral rights. Terms of the agreements require no further significant payments until the conclusion of the prepaid lease, at which time the Company may negotiate lease extensions or elect to buyout the mineral rights. Certain agreements also contain provisions to purchase surface rights, and several contain provisions whereby the landowners would retain a 2% NSR. During the year ended June 30, 2015, the Company executed 5-year extensions to all landholder agreements covering 100% of the mineralized materials at the Elk Creek Project.

6. FLOW THROUGH LIABILITIES

The Company issued 8,337,000 common shares to Canadian investors on a flow-through basis for gross proceeds of C$2,501 in November 2010. The Company was required to incur eligible flow-through expenditures up to November 2011. The Company was short by approximately C$1,470 in meeting this requirement. Under the subscription agreement with the Canadian investors, the Company has an obligation to indemnify the subscriber for any taxes that may arise from the Company failing to meet the flow-through expenditure requirements. The Company did not receive any claims through April 30, 2016 against this accrual, and the accrual was reversed on April 30, 2016 and the Company recorded a corresponding gain of $587 in 'other gains'. All claims after May 1, 2016 will be evaluated through the statute of limitations of the Canada Revenue Agency and expensed as incurred.

7. CONVERTIBLE DEBT

	As of June 30, 2016	2015
Convertible Notes	$ 475	$ -
Convertible Security	5,991	-
	$ 6,466	$ -

(expressed in thousands of U.S. dollars, unless otherwise stated)

Convertible Notes

The Company completed a non-brokered private placement of unsecured convertible promissory notes (the "Notes"), for gross proceeds of $800 (the "Private Placement") in October 2015. The Notes bear interest at a rate of 8%, payable quarterly 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 at any time 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 due date of interest, as applicable, calculated using the then-current Bank of Canada noon exchange rate. Interest, when due, is payable either in cash or Shares, at the election of the Company.

The conversion feature of the debentures meets the definition of a derivative liability instrument because the conversion feature is denominated in a currency other than the Company's Canadian dollar functional currency and the conversion rate is variable and therefore does not meet the "fixed-for-fixed" criteria outlined in ASC 815-40-15. As a result, the conversion feature of the debentures is required to be recorded as a derivative liability recorded at fair value and marked-to-market each period with the changes in fair value each period being charged or credited to income.

The following table discloses the components associated with this transaction on the closing date:

	Convertible Notes
Face value of Notes on closing	$ 800
Less:	
Transaction costs	(47)
Conversion component	(360)
Convertible notes, opening balance	$ 393

The Company incurred transaction costs of $47, which have been added to the carrying amount of the financial liability and are amortized as part of the effective interest rate.

Changes in the Notes balance are comprised of the following:

	Convertible Notes
Notes, balance on closing	$ 393
Accreted interest, net of interest paid	82
Balance, June 30, 2016	$ 475

The changes in the derivative liability related to the conversion feature are as follows:

	Derivative Liability
Opening balance	$ 360
Change in fair value of derivative liability	(30)
Balance, June 30, 2016	$ 330

Lind Partners Convertible Security Funding

On December 22, 2015, the Company closed a definitive convertible security funding agreement (the "Lind Agreement") with Lind Asset Management IV, LLC ("Lind"). The Lind Agreement is comprised of a $4,500 principal amount, 10% secured convertible security (the "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 is prepaid and added to its principal amount; accordingly, the initial face value of the Convertible Security is $5,400, and the yield of the Convertible Security (if held, unconverted, to maturity) will be 10% per annum, or $900. Each Lind Warrant will entitle the holder to purchase one additional common share (a "Lind Warrant Share") at a price of C$0.72 on or before December 22, 2018. Lind can increase the funding under the Convertible Security by an additional $1,000 during its two-year term. Further, provided certain conditions are met, the Company will have the right to call an additional $1,000 under the funding agreement.

(expressed in thousands of U.S. dollars, unless otherwise stated)

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 (in Canadian dollars) for the five consecutive trading days immediately prior to the date on which the Investor 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 Company has elected to account for the Convertible Security at fair value. Transaction costs of $214, including a 3% closing fee paid to Lind $135, were expensed at closing. In addition, the Company recognized $620 in change in financial instrument fair value in the consolidated statement of operations related to fair value of the Lind Warrants at closing. The fair value of the Lind Warrants was estimated based on the Black Scholes pricing model using a risk free interest rate of 1.30%, an expected dividend yield of 0%, a volatility of 86.58%, and an expected life of 3.0 years.

Changes in the Convertible Security balance are comprised of the following:

	Convertible Security
Opening balance	$ 4,500
Conversions	(638)
Change in fair market value	2,129
Balance, June 30, 2016	$ 5,991

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 $2,000, 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 was in compliance as of June 30, 2016.

8. COMMON STOCK

a) Issuances

2016 Issuances

On January 19, 2016, the Company closed a private placement and issued 9,074,835 units (each a “Unit”) at a price of C$0.57 per Unit, resulting in total gross proceeds of $3,750. Each Unit consisted of one common share of the Company and one transferable common share purchase warrant (a “Private Placement Warrant”). Each Private Placement Warrant is exercisable to acquire one additional common share of the Company for a period of three years at a price of C$0.75 per common share. In addition, the Company issued 75,450 broker warrants at closing, under the same terms as a Private Placement Warrant. The fair value of the broker warrants of $15 was estimated based on the Black-Scholes pricing model using a risk free interest rate of 0.75%, an expected dividend yield of 0%, a volatility of 100.13%, and an expected life of 3.0 years.

2015 Issuances

In February 2015 the Company announced it had closed a partially brokered and partially non-brokered private placement of 2,914,000 special warrants ("2015 Warrants") at an issue price of C$0.75 to raise aggregate gross proceeds of $1,722. Each 2015 Warrant is exchangeable at any time after the closing date of the offering into one unit of the Company; each unit consists of one common share of the Company and one common share purchase warrant. Each warrant entitles the holder to acquire one additional common share at a price of C$1.00 per share until February 27, 2017. The Company filed a prospectus and obtained the required receipt for that prospectus on March 23, 2015 and qualified the distribution of 2,914,000 2015 Warrants which were deemed exercised on March 30, 2015.

The agent, Mackie Research Capital Corporation ("MRCC") received a cash commission equal to 6.5% of the gross proceeds of the brokered portion of the offering being $112 and 182,910 compensation warrants. The broker warrants are exercisable into common shares at a price C$0.85 per share until February 27, 2017. The fair value of the agent warrants of $79 was estimated based on the Black-Scholes pricing model using a risk free interest rate of 1.25%, an expected dividend yield of 0%, a volatility of 100.95%, and an expected life of 2.0 years. Total cash issue costs including agents' commission, legal and filing fees were $230.

In November 2014 the Company announced it had 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 to raise aggregate gross proceeds of $8,846. Each 2014 Special Warrant is exchangeable at any time after the closing date of the offering into one unit of the Company; each unit consists of one common share of the Company and one common share purchase warrant. Each warrant entitles the holder to acquire one additional common share at a price of C$0.65 per share until November 10, 2016. The Company filed a prospectus and obtained the required receipt for that prospectus on January 14, 2015 and qualified the distribution of 19,245,813 2014 Special Warrants which were deemed exercised on January 19, 2015.

The agent, MRCC received a cash commission equal to 6.5% of the gross proceeds of the brokered portion of the offering and 205,304 non-transferable compensation units. The broker warrants are exercisable into units having the same terms as the units issued under the Offering. Each unit entitles the agent to purchase a unit at a price of C$0.55 each. Each unit consists of one common share and one warrant exercisable at a price of C$0.65 per share until November 10, 2016. The fair value of the agent warrants of $108 was estimated based on the Black Scholes pricing model using a risk free interest rate of 1.25%, an expected dividend yield of 0%, a volatility of 108.9%, and an expected life of 2.0 years. Total cash issue costs including agents' commission, legal and filing fees was $300.

b) Stock Options

The Company has a rolling stock option plan (the "Plan") whereby the Company may grant stock options to executive officers and directors, employees, and consultants at an exercise price to be determined by the board of directors, provided the exercise price is not lower than the market value on the date of grant. The Plan provides for the issuance of up to 10% of the Company's issued common shares as at the date of grant with each stock option having a maximum term of five years. The board of directors has the exclusive power over the granting of options and their vesting provisions.

Stock option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price (C$)
Balance, July 1, 2014	7,060,000	$ 0.19
Granted	7,320,000	0.76
Exercised	(6,250,000)	0.20
Cancelled/expired	(25,000)	0.30
Balance, June 30, 2015	8,105,000	0.69
Granted	5,875,000	0.62
Exercised	(1,415,000)	0.38
Cancelled/expired	(1,100,000)	0.75
Balance June 30, 2016	11,465,000	$ 0.69
Number of options currently exercisable	5,765,000	$ 0.75

The following table summarizes the information and assumptions used to determine option costs:

	Year ended June 30, 2016	Year ended June 30, 2015
Fair value per option granted during the period (C$)	$ 0.30	$ 0.42
Risk-free interest rate	0.75%	1.25%
Expected dividend yield	0%	0%
Expected stock price volatility (historical basis)	98.2%	105.6%
Expected option life in years	2.15	2.15

The following table summarizes information about stock options outstanding at June 30, 2016:

Exercise price (C$)	Expiry date	Number outstanding	Aggregate Intrinsic Value (C$000s)	Number exercisable	Aggregate Intrinsic Value (C$000s)
$ 0.50	May 9, 2017	370,000	133	370,000	133
$ 0.62	January 19, 2021	5,575,000	1,338	-	-
$ 0.65	May 20, 2017	50,000	11	50,000	11
$ 0.65	July 28, 2017	1,250,000	263	1,250,000	263
$ 0.76	September 2, 2017	500,000	50	500,000	50
$ 0.80	December 22, 2017	3,220,000	193	3,220,000	193
$ 0.94	April 28, 2018	500,000	-	375,000	-
Balance June 30, 2016		11,465,000	$ 1,988	5,765,000	$ 650

The aggregate intrinsic value in the preceding table represents the total intrinsic value, based on the Company's closing stock price of C$0.86 as of June 30, 2016, which would have been received by the option holders had all option holders exercised their options as of that date. The total number of in-the-money options vested and exercisable as of June 30, 2016 was 5,390,000. The total intrinsic value of options exercised during the year ended June 30, 2016 was $322.

As of June 30, 2016, there was $328 of unrecognized compensation cost related to unvested share-based compensation arrangements granted under the Plan. The cost is expected to be recognized over a weighted average period of approximately one year.

(expressed in thousands of U.S. dollars, unless otherwise stated)

c) Warrants

Warrant transactions are summarized as follows:

	Warrants	Weighted average exercise price (C$)
Balance, July 1, 2014	1,064,140	$ 0.25
Granted:		
Warrants: November financing	19,245,813	0.65
Warrants: March financing	2,914,000	1.00
Agents' warrants: November financing	205,304	0.55
Agents' warrants: November financing	205,304	0.65
Agents' warrants: March financing	182,910	0.85
Agents' advisory warrants*	750,000	0.55
Agents' sponsorship warrants**	250,000	0.60
ThyssenKrupp offtake agreement***	8,569,000	0.67
Exercised	(5,125,805)	0.35
Expired	-	-
Balance, June 30, 2015	28,260,666	0.73
Granted:		
Lind Warrants	3,125,000	0.72
January Private Placement	9,074,835	0.75
Broker warrants: December Private Placement	75,450	0.75
Advisory Warrants*	750,000	0.65
Sponsorship warrants**	250,000	0.65
Exercised	(12,549,309)	0.65
Expired	(7,068,500)	0.67
Balance June 30, 2016	21,918,142	$ 0.75

* Pursuant to a financial services advisory agreement with Mackie Research Capital Corporation ("MRCC") the Company issued 500,000 advisory warrants on December 4, 2014 and 250,000 advisory warrants on January 14, 2015. 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 such unit consisted of one Common Share and one warrant exercisable at a price of C$0.65 per share until December 4, 2016. These units were exercised during the year ended June 30, 2016, resulting in the granting of these additional 750,000 warrants.

** 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 sponsorship warrants on January 14, 2015, entitling MRCC to purchase units of the Company at C$0.60 per unit until January 14, 2017. Each such unit consisted of one Common Share and one warrant exercisable at C$0.65 per share until January 14, 2017. These units were exercised during the year ended June 30, 2016, resulting in the granting of these additional 250,000 warrants.

***The Company entered into an offtake agreement with ThyssenKrupp Metallurgical Products GmbH ("ThyssenKrupp") whereby ThyssenKrupp will purchase 50% of future ferroniobium production up to 3,750 metric tons from the Elk Creek property for an initial term of ten years from commencement of commercial production which may be extended by mutual agreement of the parties. The Agreement presupposes the Company obtaining project financing, obtaining all necessary approvals and constructing a mine at Elk Creek. Pursuant to the agreement, the Company 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.

(expressed in thousands of U.S. dollars, unless otherwise stated)

At June 30, 2016 the Company has outstanding exercisable warrants, as follows:

Number	Exercise Price (C$)	Expiry Date
6,745,947	$ 0.65	November 10, 2016
182,910	0.85	February 27, 2017
2,714,000	1.00	February 27, 2017
3,125,000	0.72	December 22, 2018
9,150,285	0.75	January 19, 2019
21,918,142		

On April 20, 2016, the Company announced an early warrant exercise program (the "Program") designed to encourage the early exercise of (unlisted) share purchase warrants exercisable at C$0.65 that otherwise expire on November 10, 2016 (the "November 2016 Warrants"). The Program and its commencement were approved at a Special Meeting of Shareholders held on Tuesday May 17, 2016.

The warrant exercise program closed on June 17, 2016, resulting in gross proceeds of C$4,807. A total of 7,394,822 C$0.65 share purchase warrants expiring November 10, 2016 were exercised during the incentive period, representing about 47.6% of all C$0.65 Warrants outstanding and 66% 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. The Company recognized a warrant expense of $535 in other operating expenses in the consolidated statement of operations related to the fair market value of the incentive shares issued.

9. RELATED PARTY TRANSACTIONS AND BALANCES

On June 17, 2015, the Company entered into a one-year loan in the amount of $1,500 with Mark A. Smith, Chief Executive Officer and Executive Chairman of NioCorp. The one-year term loan bears an interest rate of 10%, is secured by the Company's assets pursuant to a concurrently executed general security agreement, and is subject to both a 2.5% establishment fee and 2.5% prepayment fee.

On July 1, 2015, the Company entered into a non-revolving credit facility agreement (collectively, with the loan above, the "Smith Loans") in the amount of $2,000 with Mark Smith and completed a drawdown of $500 on that day, and an additional $100 was drawn under the credit facility on December 2, 2015. The credit facility bears an interest rate of 10%, is secured by the Company's assets pursuant to a general security agreement, and is subject to both a 2.5% establishment fee and 2.5% prepayment fee.

With the receipt of additional funding proceeds from the December Private Placement and Convertible Security, on January 13, 2016, the Company repaid $1,100 of the outstanding Smith Loans, representing 100% of amounts drawn down under the credit facility, plus $500 of the amount due under the one-year loan. Interest and establishment fees payable as of December 31, 2015 were also paid. As of June 30, 2016 accounts payable and accrued liabilities included interest payable to Mr. Smith of $53.

Effective June 16 2016, the Company and Mr. Smith agreed to extend the due date for the remaining loan amount of $1,000 until June 16, 2017.

(expressed in thousands of U.S. dollars, unless otherwise stated)

10. EXPLORATION EXPENDITURES

	For the year ended June 30, 2016	2015
Feasibility study and engineering	$ 2,671	$ 5,892
Field management and other	940	1,791
Drilling	197	4,976
Metallurgical	844	4,506
Geologists and field staff	67	886
Total	$ 4,719	$ 18,051

Additions to exploration and evaluation assets during the year ended June 30, 2016 related to ongoing engineering and metallurgical costs incurred in connection with a feasibility study, as well as land-related payments and general project management costs.

11. INCOME TAXES

Domestic and foreign components of loss before income taxes for the years ended June 30, 2016 and 2015 are as follows:

	For the year ended June 30, 2016	2015
Canada	$ 4,542	$ 7,365
United States	6,866	18,505
Total	$ 11,408	$ 25,870

Major components of income tax benefit for the year ended June 30, 2016 and 2015 are as follows:

	For the year ended June 30, 2016	2015
Current taxes	$ -	$ -
Deferred taxes:		
Canada	-	-
United States	-	(2,755)
Total deferred tax benefit	-	(2,755)
Total income tax benefit	$ -	$ (2,755)

(expressed in thousands of U.S. dollars, unless otherwise stated)

The following table is a reconciliation of income taxes at statutory rates with the reported taxes:

	For the year ended June 30, 2016	2015
Loss before income taxes	$ 11,408	$ 25,870
Combined federal and provincial statutory income tax rate	26%	26%
Income tax recovery at statutory tax rates	2,966	6,726
Foreign rate differential	893	2,405
Warrant expense	(399)	-
Share based compensation	(270)	(651)
Change in estimates related to prior years	(635)	-
Change in valuation allowance	(2,169)	(5,725)
Other	(386)	-
Income tax benefit	$ -	$ 2,755

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The Company's net deferred tax asset balances as of June 30, 2016 and 2015 have been revised to reflect the appropriate jurisdictional tax rate applied to Canadian temporary differences. On a consolidated basis, there was no impact on the Company's income tax provision for the years ended June 30, 2016 and 2015 and the net deferred tax balance as of June 30, 2016 and 2015 has not changed due to a full valuation allowance, however, the net deferred tax assets before valuation allowance as of June 30, 2016 and 2015 decreased by $1,783 and $1,996, respectively. The significant components of deferred taxes are as follows:

	As of June 30, 2016	2015
Deferred tax assets		
Mineral interest	$ 6,555	$ 4,963
Net operating losses available for future periods	3,951	3,312
Other	144	206
Total deferred tax assets	10,650	8,481
Valuation allowance	(10,650)	(8,481)
Net deferred tax assets	$ -	$ -

The Company establishes a valuation allowance against future income tax assets if, based on available information, it is more likely than not that all of the assets will not be realized. The valuation allowance of $10,650 at June 30, 2016 relates mainly to net operating loss carryforwards in Canada and mineral interest due to deferred exploration expenditures in the United States, where the utilization of such attributes is not more likely than not. During the year ended June 30, 2015, the Company recognized $2,755 of deferred tax benefit which was generated during the year to offset existing deferred tax liabilities associated with the acquisition of the Elk Creek mineral interest.

The Company had cumulative net operating losses of $13,625 as of June 30, 2016 (2015 - $12,453) for federal income tax purposes and these carryforwards will expire between 2017 and 2035.

The Company had no unrecognized tax benefits as of June 30, 2016 or 2015. The Company recognizes interest accrued related to unrecognized tax benefits and penalties in its income tax provision. The Company has not recognized any interest or penalties in the fiscal years presented in these financial statements. The Company is subject to income tax in the U.S. federal jurisdiction and Canada. Certain years remain subject to examination but there are currently no ongoing exams in any taxing jurisdictions.

(expressed in thousands of U.S. dollars, unless otherwise stated)

12. FAIR VALUE MEASUREMENTS

The Company measures the fair value of financial assets and liabilities based on US GAAP guidance which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements.

The Company classifies financial assets and liabilities as held-for-trading, available-for-sale, held-to-maturity, loans and receivables or other financial liabilities depending on their nature. Financial assets and financial liabilities are recognized at fair value on their initial recognition.

Financial assets and liabilities classified as held-for-trading are measured at fair value, with gains and losses recognized in net income. Financial assets classified as held-to-maturity, loans and receivables, and financial liabilities other than those classified as held-for-trading are measured at amortized cost, using the effective interest method of amortization. Financial assets classified as available-for-sale are measured at fair value, with unrealized gains and losses being recognized in income.

Financial instruments, including receivables, accounts payable and accrued liabilities, and related party loans are carried at amortized cost, which management believes approximates fair value due to the short term nature of these instruments.

The following table presents information about the assets and liabilities that are measured at fair value on a recurring basis as at June 30, 2016 and 2015, and indicates the fair value hierarchy of the valuation techniques the Company utilized to determine such fair value. In general, fair values determined by Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical instruments. Fair values determined by Level 2 inputs utilize data points that are observable such as quoted prices, interest rates, and yield curves. Fair values determined by Level 3 inputs are unobservable data points for the financial instrument, and included situations where there is little, if any, market activity for the instrument:

As of June 30, 2016

	Total	Level 1	Level 2	Level 3
Assets:				
Cash and cash equivalents	$ 4,412	$ 4,412	$ -	$ -
Available for sale securities	32	32	-	-
Total	$ 4,444	$ 4,444	$ -	$ -
Liabilities:				
Convertible debt	$ 5,991	$ -	$ -	$ 5,991
Derivative liability, convertible debt	330	-	-	330
	$ 6,321	$ -	$ -	$ 6,321

As of June 30, 2015

	Total	Level 1	Level 2	Level 3
Assets:				
Cash and cash equivalents	$ 753	$ 753	$ -	$ -
Available for sale securities	46	46	-	-
Total	$ 799	$ 799	$ -	$ -

(expressed in thousands of U.S. dollars, unless otherwise stated)

The Company measures the fair market value of the Level 3 components using the Black-Scholes model and discounted cash flows, as appropriate. These models are prepared by a third party and take into account management's best estimate of the conversion price of the stock, an estimate of the expected time to conversion, an estimate of the stock's volatility, and the risk-free rate of return expected for an instrument with a term equal to the duration of the convertible debt.

The significant unobservable valuation inputs for the Convertible Debt includes an expected return of 51.06%. A 15% decrease (increase) in the expected return would result in an increase (decrease) to fair value of $94, or approximately 2%.

The derivative liability was valued using a Black-Scholes pricing model with the following inputs:

Risk-free interest rate	1.25%
Expected dividend yield	0%
Expected stock price volatility	88.63%
Expected option life in years	2.50

The following table sets forth a reconciliation of changes in the fair value of the Company's convertible debt components classified as Level 3 in the fair value hierarchy:

	As of June 30,	
	2016	2015
Beginning balance	$ -	$ -
Convertible securities closings	4,860	-
Conversions to equity	(638)	-
Realized and unrealized losses	2,099	-
Ending balance	$ 6,321	$ -

13. COMMITMENTS AND CONTINGENCIES

Other Exploration Properties
The Company held an option to acquire a 100% interest in certain claim units located in the Kenora Mining Division, Ontario, referred to as the Tait Lake property, and had previously written the exploration asset down to $nil. In April 2015, the Company sold the Tait Lake option for a cash payment of $9.

The Company, through its wholly-owned subsidiary, Northeast Minerals, held exploration rights for the Jungle Well and Laverton projects in Australia (the "Exploration Rights"). On July 2, 2015, the Company entered into an agreement to sell its investment in Northeast Minerals to a third party. Assets of Northeast Minerals included the Explorations Rights, with a nil book value, and 3,750,000 shares of Victory Mines Limited ("Victory"), an Australian public entity. The book value of the Victory shares was written down to one dollar at June 30, 2015 to reflect the estimated market value. No other gain or loss was incurred related to the sale of Northeast Minerals.

NioCorp has the following land, office, facility and equipment lease commitments in place as of June 30, 2016:

		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	$ -