



**NUINSCO RESOURCES LIMITED**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE THREE MONTHS ENDED MARCH 31, 2018**

**DATED MAY 24, 2018**

# **NUINSCO RESOURCES LIMITED**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **For the three months ended March 31, 2018**

The following discussion of the results of operations and financial condition of Nuinsco Resources Limited ("Nuinsco" or "the Company") prepared as of May 24, 2018 consolidates management's review of the factors that affected the Company's financial and operating performance for the three months ended March 31, 2018 and 2017, and factors reasonably expected to impact on future operations and results. This discussion is intended to supplement and complement the Company's unaudited condensed consolidated financial statements as at and for the three months ended March 31, 2018 ("Condensed Interim Consolidated Financial Statements") and the notes thereto which were prepared in accordance with International Financial Reporting Standards ("IFRS").

Certain information and discussion included in this Management's Discussion & Analysis ("MD&A") constitutes forward-looking information. Readers are encouraged to refer to the cautionary notes contained in the section Forward-Looking Statements at the end of this MD&A.

Readers are also encouraged to consult the audited consolidated financial statements for the years ended December 31, 2017 and 2016 ("2017 Audited Consolidated Financial Statements"). The unaudited Condensed Interim Consolidated Financial Statements and the 2017 Audited Consolidated Financial Statements are available at [www.sedar.com](http://www.sedar.com) and at the Company's website [www.nuinsco.ca](http://www.nuinsco.ca). All amounts disclosed are in Canadian dollars unless otherwise stated. All tabular amounts are in thousands of Canadian dollars.

#### **NATURE OF OPERATIONS**

Nuinsco is an exploration and development company that has operated successfully for several decades. Nuinsco has discovered numerous mineral deposits including the Rainy River gold deposit in northwestern Ontario, now in production and owned by New Gold Inc., the Lac Rocher nickel deposit in Quebec now owned by Victory Nickel Inc. ("Victory Nickel") and the Cameron Lake gold deposit in Ontario which is currently owned by First Mining Gold Corp. to name a few. It is focused on identifying, exploring and developing mineral investment opportunities domestically and internationally. The Company currently has interests in projects prospective for gold, phosphate, rare metals and niobium in Canada's province of Ontario. Until August 2017, Nuinsco owned a 7.5% interest in CBay Minerals Inc. ("CBay"), a private company that has the dominant position in Québec's Chibougamau copper-gold mining camp. On August 28, 2017, the Company announced the sale of its interest in CBay for total consideration of \$400,000. In the first quarter of 2018, Nuinsco closed a transaction for the sale of its interest in the Diabase Peninsula uranium property in Saskatchewan's Athabasca Basin to Uranium Energy Corp. (NYSE American: UEC, "UEC") for total consideration of \$471,204.

The Company owns 100% of the very significant Prairie Lake project in Ontario and with its newly optioned Sunbeam Gold Property, is working to build shareholder value through systematic exploration on highly prospective ground. As funding permits, work programs have been planned for the Company's projects. In particular, at the Sunbeam Gold Property, high-grade gold mineralization is the target while at the Prairie Lake project, extensive metallurgical testing has indicated that several marketable minerals and products can be produced including a phosphate concentrate exceeding 30% P<sub>2</sub>O<sub>5</sub>.

The Company is also evaluating the economic viability of the El Sid gold dumps and tailings recovery project in the Eastern Desert of Egypt approximately 90km west of the Red Sea coast. Three past producing gold mines are located on the project—the largest of which is the El Sid Mine that between 1940 and 1957, was Egypt's largest gold producer. Nuinsco has entered into an agreement with the project owner, Shalateen Resources, to evaluate the dumps and tailings for potential exploitation.

In addition to its property holdings, Nuinsco owns a limited participating interest in the net cash flows of Victory Nickel's frac sand business (the "Participating Interest").

#### **Going Concern**

The Company's Condensed Interim Consolidated Financial Statements have been prepared using the going concern assumption, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due. As at March 31, 2018, the Company had working capital of \$319,785 (December 31, 2017 – working capital deficiency of \$93,462). Working capital (deficiency) is defined as current assets less current liabilities.

The Company is subject to the risks and challenges experienced by other companies at a comparable stage. These risks include, but are not limited to: continuing losses, dependence on key individuals, and the ability to secure adequate

financing or to complete corporate transactions to meet the minimum capital required to successfully complete its projects and fund other operating expenses. Advancing the Company's projects through exploration and development to the production stage will require significant financing. Given the current market for junior exploration and development companies and due to the fact that the Company's shares are not presently listed for trading on a formal stock exchange, the ability to raise funds has been and may continue to be difficult. Refer to Note 4 in the Condensed Interim Consolidated Financial Statements.

None of the Company's projects are currently in commercial production and, accordingly, the Company is dependent upon debt or equity financings and the optioning and/or sale of resource or resource-related assets for its funding. The Company's ability to continue as a going concern is dependent upon the Company's ability to finance exploitation of its projects through debt or equity financings and the optioning and/or sale of resource or resource-related assets for its funding.

The Company's management continues to be engaged in securing financing. There are no assurances that the Company will be successful in obtaining any financing on a timely basis or on reasonable or acceptable terms, or at all. If the Company cannot obtain financing or otherwise improve liquidity, it will be unable to fund continuing operations and corporate administration costs. Effective May 11, 2015, the Company voluntarily delisted its shares from the Toronto Stock Exchange. Since delisting the Company has maintained its corporate office and has continued to maintain its website, telephones and email communication with shareholders. During this time the Company has also managed to continue to evaluate exploration and development opportunities and entered into the option agreement on the Sunbeam gold property. At the appropriate time, the Company intends to relist on a Canadian stock exchange.

If the Company is unable to obtain additional financing, it will be required to curtail all of its operations and may be required to liquidate its assets.

Should the Company not be able to continue to obtain the necessary financing, achieve favourable exploration results, achieve future profitable production or the sale of properties or improve its liquidity sufficient to enable it to fund operations, the Company's ability to continue as a going concern will be compromised. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

#### **SIGNIFICANT EVENTS**

In the first quarter of 2018, Nuinsco closed a transaction for the sale of its interest in the Diabase Peninsula uranium property in Saskatchewan's Athabasca Basin to UEC for total consideration of \$471,204 comprised of cash and UEC common shares. Nuinsco has received \$225,000 in cash and 139,418 common shares of UEC, at a fair value of US\$1.41 (C\$1.77) per common share, as consideration for the sale. In addition, Nuinsco issued 10,000,000 common shares at a deemed price of \$0.0012 per share as consideration for transaction costs on the sale. As a result, a recovery of the fair value of this asset was recognized as at December 31, 2017 in the amount of \$459,204. The market price of UEC shares at May 24, 2018 was US\$1.67 per share.

The Sunbeam Gold Property is road accessible and located 30km northeast of Atikokan, Ontario. It is hosted by altered trondhjemite of the Marmion Lake Batholith. At the core of the property are old workings which date from the beginning of the 20<sup>th</sup> century which have not been the subject of any work in over 100 years, but historic records report high-grade gold mineralization, exceeding 13 g/t gold, from old workings. Mineralization around these workings occurs in an inclined shear zone up to 30m wide and known to be more than 300m in length. Multi-ounce gold surface samples have been obtained from sampling. The mineralization within the old workings is open along strike and to depth and grade appears to be improving with depth based upon historic sampling and reporting. Gold mineralization is widespread elsewhere on the property providing additional targets for exploration programs.

The Company has commenced initial evaluation of the project in preparation for more detailed exploration programs as funds become available.

The Company is also evaluating the economic viability of the El Sid gold dumps and tailings recovery project located in the Eastern Desert of Egypt approximately 90km west of the Red Sea coast. El Sid is easily accessible by a paved road that passes within 100m of the site. Three past producing gold mines are located on the project—the largest of which is the El Sid Mine that between 1940 and 1957 was Egypt's largest gold producer. The mineralization mined consists of sulphide and native gold bearing quartz veins in diorite and deformed volcanic rock. The mines were high-grade, averaging approximately 30 g/t Au, for total estimated production of 175,000 tonnes.

A result of the historic mining activities is accumulated dumps of mine waste, which runs to several grams per tonne gold, and tailings. In Q1 2018, Nuinsco entered into an agreement (at a cost of \$147,000) with the project owner, Shalateen Resources, to evaluate the dumps and tailings for potential exploitation. Initial estimates, based in part on historic data, are that the accumulated dumps and tailings have an average grade exceeding 3 g/t gold (all estimates are based upon historic information and Nuinsco is not treating this information as a current mineral resource or mineral reserve). Analytical results from sampling completed by Nuinsco demonstrates gold mineralization consistent with historically reported results.

The occurrence of broken mineralized rock in the waste dumps and tailings piles already at surface streamlines the process of evaluation of grade, tonnage, metallurgy and exploitation. Gravity concentration has been demonstrated to be an effective method of gold recovery at other projects in the area. Assuming the same holds true at the El Sid site, capital and operating costs are anticipated to be low and the timeline to production and revenue generation short relative to typical underground mine development.

## **OUTLOOK**

Nuinsco management is very optimistic about the Company's future.

The past few years have been challenging for the Company and its shareholders. The decision in 2015 to voluntarily delist Nuinsco shares from the Toronto Stock Exchange was made for good reason – the high costs of sustaining a TSX listing could no longer be justified. With minimal cash in the treasury and a difficult financing market for junior exploration companies, management made the decision that preserving the value of Nuinsco's quality property assets must take precedence over the continuous public listing of its shares. While this has made for some lean times, that decision has proven to be justified.

In the interim Nuinsco management has monetized non-core assets in Chibougamau, Quebec (CBay) and Saskatchewan's Athabasca Basin (Diabase Peninsula), optioned a new exploration project in an excellent jurisdiction with low upfront cost and tremendous upside (the Sunbeam Gold project) and identified and is now evaluating a gold production opportunity with the potential to generate near-term cash flow and give the Company a measure of independence from the ups and downs of the equity markets (El Sid). Each of these projects is discussed in some detail elsewhere in this MD&A.

The next step is to list Nuinsco's shares on a Canadian public stock exchange. This is expected to occur in the second half of 2018. In addition, management has substantial field work planned for the balance of the year. Ground geophysics and an initial drill program are being organized at present, and field evaluation of the El Sid opportunity has begun. If the results from this initial work are as anticipated, the Company expects to begin mobilizing in preparation for processing of the El Sid gold-rich dumps and tails likely during the third quarter.

Management and the Board of Directors would like to take this opportunity to thank its shareholders for their patience and support. 2018 represents a new beginning for Nuinsco. Management will continue to make every effort to create value for shareholders this year and beyond, and sincerely hopes that shareholders will see the potential in Nuinsco's strategy, projects and programs as we enter the next exciting chapter of your company's growth.

## **MINERAL PROJECTS**

### **Sunbeam Gold Property**

The Sunbeam Gold Property includes the historic Sunbeam Mine – a high-grade underground gold mine which operated from 1898 to 1905. The property consists of nine unpatented mining claims (97 units) in Ramsay-Wright Township in Northwestern Ontario and is accessible via well-maintained logging roads from Hwy 11.

The Sunbeam Gold Property is located 15km southeast of Agnico Eagle's Hammond Reef gold deposit and 27km northeast of the town of Atikokan. The Sunbeam Mine is hosted by a 30m wide sheared zone of altered schistose greenstone rock within the ~3.0Ga Marmion Batholith. Gold mineralization occurs within a 2.5-3.0m wide southwest striking quartz vein/chloritic schist system which dips moderately to the northwest. Development consisted of a combined inclined/vertical shaft to an approximate 400-foot depth with drifting along three levels (at ~100, 200 & 300 feet).

No records of the production totals from 1899-1903 exist. Reportedly 1,000 ounces of gold were recovered from 2,400 tons mined in 1904. A 1903 plan of the mine shows an average grade of ~13g/t Au in the historic workings. Previous workers have estimated that there could be 50,000-70,000t grading 13.0g/t Au remaining in old workings alone. There has been no exploration of the formerly patented mine site since the mine closed in 1905. Intermittent exploration surrounding the patent area was conducted between 1981 and 2012 by previous owners. In addition to property wide evaluation

Nuinsco plans to establish grid control in preparation for ground geophysics leading ultimately to a diamond drill program to evaluate the potential extension of gold mineralization around the Sunbeam mine.

### **Prairie Lake**

The Prairie Lake project, located near Marathon, Ontario, is a large multi-commodity deposit containing phosphorus (P), niobium (Nb) tantalum (Ta), uranium, rare earth elements (“REEs”), and other elements and compounds of economic interest. The Prairie Lake property is owned 100% by the Company, is royalty-free and the mining-land tenure is secure for decades to come.

At Prairie Lake the Company continues to evaluate the potential for producing concentrates containing a number of minerals – including those containing phosphorus, REEs, niobium and other marketable products. With continued study and interpretation, the Company is developing a greater understanding of the technical and economic viability of the Prairie Lake project. The sheer size of the project, with a current Exploration Target of between 515 and 630 million tonnes of mineralization, coupled with the excellent logistics and ease of production all speak to its potential. The Company is actively seeking funding that will enable further work programs to be conducted – a desirable and useful goal in the near-term is the estimation of a maiden resource estimate on the project.

Further, Prairie Lake has the potential to produce a number of minerals for industries which are forecast to require substantially increasing supply over the coming years – high-tech and “green” industries that require the rare earth minerals and niobium to fabricate the products of tomorrow. Prairie Lake could also be a very significant source of phosphorus – an element with vital agricultural and industrial applications. The use of phosphorus in agriculture is essential in sustaining crop yields to supply an increasing world population. Other compounds with industrial applications are also being examined for economic viability. The abundance and diversity of minerals in the rocks that comprise the Prairie Lake complex provides broad scope for potential exploitation – the Company continues to evaluate the options to determine those elements and minerals that provide the greatest economic potential.

No additional field work was conducted on the project during 2017. All work on the project is dependent on future funding.

### **Egypt**

Nuinsco has retained a presence in Egypt through its interest in Egypt-based Z-Gold Resources. The Company was actively exploring in Egypt and in total has been evaluating opportunities there for approximately nine years. Management regards the country as an underexplored opportunity for future mineral exploration and development and, as noted earlier, has entered into an agreement to evaluate El Sid (at a cost of \$147,000), a near-term gold production opportunity (see “Nature of Operations” and “Significant Events” above). To fund the acquisition, the Company began selling royalties on future gold and associated minerals produced from El Sid. As at March 31, 2018, the Company has received proceeds of \$95,550 from the sale of the royalties (“Royalties”) representing 10 % of the distributable cash flow from the production of gold and associated minerals. This amount has been credited to the purchase price of El Sid.

The Company continues to evaluate other mineral exploration, mining and processing opportunities in Egypt.

## **RESULTS OF OPERATIONS**

### ***Three months ended March 31, 2018 compared to the three months ended March 31, 2017***

#### *Revenues*

The exploration properties acquired by the Company are still in the early exploration and development stage. Until sufficient work has been completed to confirm the feasibility of any specific interest being placed into production, it is not anticipated that the Company will have any material revenue.

An excerpt of the expenses and other items for the three months ended March 31, 2018 and March 31, 2017 is as follows:

(in Canadian dollars)	2018	2017
<b>Other expenses</b>		
General and administrative (a)	\$ 154,318	\$ 64,669
Depreciation of property and equipment	2,025	2,539
Pre-exploration write-offs	2,495	-
Expenses on exploration and evaluation projects	16,518	-
<b>Operating loss</b>	<b>175,356</b>	67,208
<b>Loss before the undernoted</b>	<b>(175,356)</b>	(67,208)
Decrease in fair value of financial assets (b)	(16,420)	-
Accretion income (c)	2,500	-
<b>Net loss and comprehensive loss for the period</b>	<b>\$ (189,276)</b>	<b>\$ (67,208)</b>

(a) General and administrative expenses consisted of accrued management and directors' fees, rent, salary for administrative staff, insurance, transfer agent, legal and other administrative costs to maintain the company in good standing. During 2017, pursuant to the Management Agreement with CBay, a portion of these expenses were recovered, and netted against the Company's expenses, therefore reducing the overall expense category.

(b) Represents the fair value adjustment on the shares of UEC that were received on the sale of Diabase.

(c) Accretion income related to the promissory note received on the sale CBay.

## SUMMARY OF QUARTERLY RESULTS

Selected financial information for each of the last eight quarters ended is as follows (rounded):

	1 <sup>th</sup> Quarter 2018	4 <sup>th</sup> Quarter 2017	3 <sup>rd</sup> Quarter 2017	2 <sup>nd</sup> Quarter 2017
Net income (loss)	\$ (189,276)	\$ 261,087	\$ 266,966	\$ (62,111)
Total comprehensive income (loss)	\$ (189,276)	\$ 261,087	\$ 266,966	\$ (62,111)
Income (loss) per share - basic and diluted	\$ 0.00	\$ 0.00	\$ 0.00	\$ (0.00)
	1 <sup>th</sup> Quarter 2017	4 <sup>th</sup> Quarter 2016	3 <sup>rd</sup> Quarter 2016	2 <sup>nd</sup> Quarter 2016
Net loss	\$ (67,208)	\$ (276,000)	\$ (45,000)	\$ (294,000)
Total comprehensive loss	\$ (67,208)	\$ (245,000)	\$ (45,000)	\$ (294,000)
Loss per share - basic and diluted	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)

Variations in the quarterly results of operations are largely a function of the timing of property and other write-downs, gains on sales of properties, income tax recoveries, the recording of amortization of flow-through premiums and the recognition of gains on derivatives or other fair value changes recognized through operations. Variations in comprehensive income are primarily a function of the changes in the fair values of the Company's marketable securities.

## LIQUIDITY AND CAPITAL RESOURCES

As at March 31, 2018, the Company had a working capital of \$319,785 (December 31, 2017 – working capital deficiency of \$93,462); being defined as current assets less current liabilities.

The Company had an increase of cash and cash equivalents of \$64,342 during the quarter, compared with a decrease of \$45,477 during Q1 2017. The increase in cash was related to the \$225,000 cash proceeds from the sale of the Diabase property, \$95,550 received on the sale of Royalties, and \$23,033 for the sale of flow through shares received in advance of issuance. These cash proceeds were offset by cash used in operations of \$122,244 and \$156,997 on exploration and evaluation projects.

On May 3, 2018, the Company settled debt in the amount of \$473,605 with the issuance of 47,360,500 common shares.

\$367,630 of the debt was owed to directors and management.

The table below summarizes Nuinsco's contractual commitments as at the date of this MD&A.

<b>Contractual Commitment</b>	<b>Term</b>
Operating lease - premises	One-year term expiring September 2018

As described above, management is continuing to actively pursue additional ways to realize on the potential of its assets or secure financing in order to continue to provide funds for operations in light of the current difficult economic circumstances. Flow-through financings can be used for domestic work programs but do not provide the funding necessary to meet corporate or foreign expenditures which do not qualify for flow-through eligibility.

The Company's management continues to hold discussions on securing financing. There are no assurances that the Company will be successful in obtaining any form of financing on a timely basis or on reasonable or acceptable terms, or at all. If the Company cannot obtain financing or otherwise improve liquidity, then the Company's treasury will be depleted and it will be required to curtail all of its operations and may be required to liquidate its assets under a formal process. Failure to continue as a going concern would require that the Company's assets and liabilities be restated on a liquidation basis, which would differ from the going concern basis.

### **IMPAIRMENT ANALYSIS UPDATE**

As at December 31, 2015, all projects were written down due to the lack of funding of the Company and related uncertainty as to future spending on the properties. IFRS requires a write-down of the carrying value of assets to the net recoverable amount. Given the current market uncertainties, the valuation of resource properties is difficult, and management cannot reliably estimate any recoverable amount. As a result, the Company has chosen to write down the value of the property assets. The Company will revisit the valuation of these assets at the end of every reporting period and will recognize a recovery if the fair value of these assets can be reliably determined (as was done with the Diabase property as at December 31, 2017).

The Company also monitors the value of the Participating Interest on an ongoing basis. In light of uncertainty over the timing of the payments and the depressed state of the oil and gas industry at the time, the Company wrote down the valuation of the Participating Interest to nil.

### **CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

Critical accounting estimates used in the preparation of the Condensed Interim Consolidated Financial Statements include determining the carrying value of investments and Evaluation and Exploration ("E&E") projects, assessing the impairment and classification of long-lived assets, assessing the allocation of assets into their components, the fair value of the Participating Interest and the valuation of share-based payments and warrants, assessing the value of deferred income tax assets and the disclosure of contingencies and going concern matters. These estimates involve considerable judgement and are, or could be, affected by significant factors that are out of the Company's control.

For a complete list of the significant accounting policies as well as information concerning the use of estimates, judgements and measurement uncertainty, reference should be made to Notes 2 and 3 to the Company's 2017 Audited Consolidated Financial Statements. The Company's financial statements have been prepared using the going concern assumption.

The recorded value of the Company's E&E projects is based on historic costs (subject to impairment) that are expected to be recovered in the underlying mineral resources associated with the properties. The Company is in an industry that is exposed to a number of risks and uncertainties and there is always the potential for a material adjustment to the value assigned to these assets.

The fair value of the share-based payments, until exercise, is calculated using the Black-Scholes option-pricing model that takes into account the exercise price, the expected life of the option/warrant, expected volatility of the underlying shares, expected dividend yield and the risk-free interest rate for the term of the option/warrant.

The Company has determined that it is not probable that it will generate returns sufficient to utilize its taxable losses prior to their expiry. This is a significant judgement that, dependent upon future events, may turn out to be incorrect.

### **NEW ACCOUNTING POLICIES**

There have been no new accounting policies adopted by the Company.

## FUTURE ACCOUNTING CHANGES

### New Standards and Interpretations Not Yet Adopted

The IASB and International Financial Reporting Interpretations Committee ("IFRIC") have issued several new and revised standards and interpretations which are not yet effective for the year ended December 31, 2018 and have not been applied in preparing the unaudited Condensed Interim Consolidated Financial Statements unless stated otherwise. However, the revised standards and interpretations are not applicable to the Company or are expected to have minimal impact.

## CORPORATE GOVERNANCE

As noted above, the Company's Board of Directors is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control and exercises this responsibility principally through the Audit Committee. The Audit Committee, which is comprised of directors, none of whom are employees or officers of the Company, meets with management to review the Condensed Interim Consolidated Financial Statements to satisfy itself that management is properly discharging its responsibilities to the directors who approve the financial statements.

The Board of Directors has an Audit Committee consisting of financially literate, independent and unrelated directors. Given the small size of the current Board of Directors, formal Corporate Governance and Nominating and Compensation Committees have not been constituted, however Mr. Galipeau and Mr. Goldie, both of whom are considered independent and unrelated, perform the functions of the Corporate Governance and Nominating and Compensation Committees as part of their larger role as directors of the Corporation. Subsequent to the Company's Annual and Special Meeting, scheduled for June 15, 2018, the Board of Directors intends to appoint both Corporate Governance and Nominating and Compensation Committees.

## RELATED PARTY TRANSACTION AND BALANCES

Short-term employee benefits provided by the Company to key management personnel include salaries, consulting fees and directors' fees. The Company's non-monetary benefit package for key management personnel is the same as that available to all full-time employees. In addition to short-term employee benefits, the Company may also issue shares as part of the Share Bonus Plan and the Stock Option Plan.

Transactions with related parties for the three months ended March 31, 2018 and March 31, 2017 are shown in the following table:

	2018		2017	
Short-term employee benefits	\$	78,500	\$	78,500
	\$	78,500	\$	78,500

During the three months ended March 31, 2018, the Company was charged \$9,000 (three months ended March 31, 2017 - \$9,000) by CFO Advantage Inc., a company controlled by Kyle Appleby, the Chief Financial Officer of the Company. As at March 31, 2018, \$67,800 (December 31, 2017 - \$61,020) is included in accounts payable and accrued liabilities.

During the three months ended March 31, 2018, the Company was charged \$37,500 (three months ended March 31, 2017 - \$37,500) by Paul Jones, the Chief Executive Officer of the Company. As at March 31, 2018, \$504,778 (December 31, 2017- \$451,696) is owing and included in accounts payable and accrued liabilities.

During the three months ended March 31, 2018, the Company was charged \$12,000 (2017 - \$12,000) by Sean Stokes, Executive Vice President of the Company. As at March 31, 2018, \$110,000 (December 31, 2017 - \$98,000) is owing and included in accounts payable and accrued liabilities.

During the three months ended March 31, 2018, the Company was charged \$nil (2017 - \$nil) by David Mchaina, Vice President of the Company. As at March 31, 2018, \$nil (December 31, 2017 - \$2,960) is owing and included in accounts payable and accrued liabilities.

## OUTSTANDING SHARE DATA

As at May 24, 2018, the Company had 412,944,123 common shares issued and outstanding. In addition, there were 34,325,000 stock options and 1,495,000 warrants outstanding.



## RECENT DEVELOPMENTS

There have been no additional developments not already discussed elsewhere in this MD&A.

## CONTINGENCY

### CRA Reassessment

In March, 2011, the Company received notices of reassessment in the aggregate amount of approximately \$4,400,000 from the CRA related to transactions completed in 2006; this amount does not include interest and penalties which could be substantial. The Company filed notices of objection on May 19, 2011. On July 22, 2011, the Company filed a request for adjustment to correspondingly adjust its tax pools and losses, in the unlikely event that the Company's appeal is unsuccessful. On March 7, 2014, the Company received a notice of confirmation with respect to one entity whereby the CRA denied that entity's notice of objection and confirmed the reassessment. The Company has sought, and is following the advice of its tax counsel in this matter.

The appeal process could be lengthy and the Company believes that its position is correct and that it will prevail. Accordingly, the Company has not recorded any liability with respect to this matter.

## RISKS AND UNCERTAINTIES

For a discussion in respect of risks and other factors that could influence forward looking events, please refer to the factors discussed in the Company's MD&A for the year ended December 31, 2017, under the heading "Risks and Uncertainties". These factors are not and should not be construed as being exhaustive.

### Summary

The future success of the Company is subject to a number of risk factors that are common to the junior natural resources sector as well as those specific to the Company. Currently, the most significant risk is the ability of the Company to meet its cash obligations as they come due as the Company currently has very limited funds. Other risks include obtaining necessary financing under acceptable terms or finding strategic partners to fund expenditure commitments as they fall due, the extent to which it can outline natural resources on its properties and establish the economic viability of developing those properties and the political, economic and legislative stability of the territories in which the Company's interests are located. Furthermore, the development of any natural resource interest may take years to complete and the resulting income, if any, from the sale of any natural resources produced by the Company is largely dependent upon factors that are beyond its control, such as costs of development, operating costs and the market value of the end product. Such risks are likely to be more extensive in foreign jurisdictions.

## FORWARD-LOOKING STATEMENTS

**Forward-Looking Information:** This MD&A contains forward-looking information. All statements, other than statements of historic fact, that address activities, events or developments that the Company believes, expects or anticipates will or may occur in the future (including, without limitation, statements regarding estimates, working capital, ability to maintain operations and/or assumptions in respect of production, revenue, cash flow, financing, the probability of cash flows from the Participating Interest in Victory Nickel's frac sand business, costs, economic return, net present value, mine life and financial models, mineral resource estimates, potential mineralization, potential mineral resources, timing of possible production and the Company's development plans and objectives) constitute forward-looking information. This forward-looking information reflects the current expectations or beliefs of the Company based on information currently available to the Company. Forward-looking information is subject to a number of risks and uncertainties that may cause the actual results of the Company to differ materially from those discussed in the forward-looking information, and even if such actual results are realized or substantially realized, there can be no assurance that they will have the expected consequences to, or effects on the Company.

Factors that could cause actual results or events to differ materially from current expectations include, among other things: uncertainties relating to the availability and costs of financing needed in the immediate future to permit the Company to continue to operate; uncertainty of estimates of capital and operating costs, production estimates and estimated economic return; the possibility that actual circumstances will differ from estimates and assumptions; uncertainty of amount and timing of cash flows from the limited Participating Interest in Victory Nickel's frac sand business; failure to establish estimated mineral resources; fluctuations in commodity prices and currency exchange rates; inflation; recoveries being less than those indicated by the testwork carried out to date (there can be no assurance that recoveries in small scale laboratory tests will be duplicated in large tests under on-site conditions or during production); changes in equity or debt markets; operating performance of facilities; environmental and safety risks; delays in obtaining or failure to obtain necessary permits and approvals from government authorities; unavailability of plant, equipment or labour; inability to retain key management and personnel; changes to regulations or policies affecting the Company's activities; the uncertainties involved in interpreting geological data; and the other risks disclosed under the heading "Risks

and Uncertainties" and elsewhere. Any forward-looking statement speaks only as of the date on which it is made and, except as may be required by applicable securities laws, the Company disclaims any intent or obligation to update any forward-looking information, whether as a result of new information, future events or results or otherwise. Although the Company believes that the assumptions inherent in the forward-looking information are reasonable, forward-looking information is not a guarantee of future performance and accordingly undue reliance should not be put on such information due to the inherent uncertainty therein.