# Khan Resources Inc.

Management Discussion and Analysis

As at and for the nine months ended June 30, 2017

## KHAN RESOURCES INC.

## RESULTS AS AT AND FOR THE NINE MONTHS ENDED JUNE 30, 2017

(In thousands of Canadian dollars unless otherwise indicated)

This Management Discussion and Analysis ("MD&A") has been approved in accordance with a resolution of the board of directors dated August 28 2017. It should be read in conjunction with the unaudited condensed interim consolidated financial statements of the Company as at and for the nine months ended June 30, 2017.

## **Significant Events and Current Status**

**Termination of the Liquidation Plan** – On May 5, 2017 at the Company's annual meeting, the shareholders of the Company elected a new board of directors ("board"). On May 8, 2017 the board announced that it had determined that it will not proceed with the liquidation plan that was approved by the Company's shareholders on November 10, 2016. The liquidation plan approved by the shareholders provided that the board was authorized to stop the liquidation of the Company if it determines in its discretion that doing so is no longer in the best interests of the Company or its shareholders. Management is considering strategic alternatives for the Company with a view to maximizing its value for the benefit of the shareholders.

**Change in basis of presentation** – Due to the termination of the liquidation plan, the condensed interim consolidated financial statements as at June 30, 2017 and for the nine months then ended have been prepared on the going concern basis of accounting.

**Termination of the Arrangement Agreement with Arden Holdings Ltd.** – On May 4, 2017 the Company announced that the arrangement agreement with Arden Holdings Ltd. and its wholly owned subsidiary to purchase the shares of Khan at \$0.05 per share had been terminated. This arrangement agreement had been announced by the Company on March 22, 2017.

**Return of capital** – On November 10, 2016, the shareholders approved a distribution of \$0.85 per share by way of a return of capital that was paid on November 29, 2016 to the shareholders of record at November 22, 2016.

The following table summarizes financial results of the Company for the nine months ended June 30, 2017 and 2016:

|                                       | 2017     | 2016         |         |
|---------------------------------------|----------|--------------|---------|
|                                       |          | (Liquidation |         |
|                                       |          | basis)       | %       |
| Net income (loss)                     |          |              |         |
| Three months ended June 30            | (13)     | 84,314       | 100.0%  |
| Nine months ended June 30             | (680)    | 83,495       | 100.8%  |
| Basic earning (loss) per share (\$)   |          |              |         |
| Three months ended June 30            | 0.00     | 0.96         | 100.0%  |
| Nine months ended June 30             | (0.01)   | 0.98         | 101.0%  |
| Diluted earning (loss) per share (\$) |          |              |         |
| Three months ended June 30            | 0.00     | 0.95         | 100.0%  |
| Nine months ended June 30             | (0.01)   | 0.97         | 101.0%  |
| Cash flow                             |          |              |         |
| Nine months ended June 30             | (78,084) | 85,593       | -191.2% |
| Cash and cash equivalents             |          |              |         |
| As at June 30                         | 6,730    | 87,164       | -92.3%  |
| Working Capital                       |          |              |         |
| As at June 30                         | 6,790    | 86,647       | -92.2%  |

## **Overall Performance**

## International Arbitration Award and the Liquidation Plan

In May, 2016, the Company announced the receipt of US\$70 million from the Government of Mongolia in settlement of an international arbitration award rendered in favour of Khan in March, 2015.

The proceeds of the settlement with Mongolia were allotted to KRI and its subsidiaries, first to KRI as a reimbursement of the expenses incurred to obtain the award and collect the settlement, and the balance to Khan's subsidiaries based on their proportionate ownership of the underlying properties.

On November 10, 2016 the Company announced that the shareholders of the Company had approved a special resolution for the voluntary liquidation and dissolution of Khan. The shareholders also approved, pursuant to the winding up, an initial distribution of \$0.85 per share by way of a return of capital that was paid on November 29, 2016 to shareholders of record at November 22, 2016.

## **Arrangement Agreement with Arden Holding**

On March 22, 2017, the Company announced that it had entered into an agreement with Arden Holdings Ltd., ("Arden") a private Turks and Caicos company and Arden's whollyowned subsidiary ("Arden BidCo") whereby Arden BidCo had agreed to acquire all of Khan's outstanding shares by way of a plan of arrangement (the "Arrangement"). Under the Arrangement, Khan's shareholders would have received cash of C\$0.05 per share.

## Termination of the Arrangement and the Liquidation

On May 4, 2017 the Arrangement with Arden was terminated based on received proxies that indicated that there would be less than the required two-third majority of votes in favour of the transaction.

On May 5, 2017 at the Company's Annual and Special Meeting of Shareholders ("AGM"), the shareholders of the Company elected a new board.

On May 8, 2017 the board announced that it had determined that it would not proceed with the liquidation plan that was approved by the Company's shareholders on November 10, 2016. The liquidation plan approved by the shareholders provided that the board was authorized stop the liquidation of the Company if it determines in its discretion that doing so is no longer in the best interests of the Company or its shareholders. Management is considering strategic alternatives for the Company with a view to maximizing its value for the benefit of the shareholders. Management also made certain administration changes to align the business with the new board.

## Netherlands preliminary tax assessment

On February 15, 2017, the Company received an income tax reassessment from the Netherlands tax authority reassessing the Company's Dutch subsidiary Khan Resources BV (KRBV) for an amount payable of 3.3 million euros. This reassessment was pursuant to management challenging an earlier preliminary assessment for an amount payable by KRBV of 11.4 million euros. The preliminary tax assessment and the reassessment were both issued before KRBV had filed its 2016 tax return and as such are based on incomplete information. Based on tax professionals advice, management is of the opinion that the reassessed amount payable of 3.3 million euros continues to be an over assessment. The 2016 tax return has since been filed and management believes that this issue will be resolved when the Netherlands tax authority has the opportunity to review all the facts. As a result no provision has been made for this reassessment in the condensed consolidated interim financial statements as at June 30, 2017.

#### KRBV dividend and Netherlands withholding tax

On May 2, 2017, the board of directors of KRBV approved a dividend in the amount of US\$ 3 million to the Company who is the sole shareholder of KRBV. The withholding tax on this transaction of US\$ 150 (\$204) was remitted to the Netherlands tax authorities during the third quarter of 2017.

# **Selected Quarterly Information**

|   | June 30<br>2017 | 0.000   | June 30<br>2015 |
|---|-----------------|---------|-----------------|
| Revenue   | 11              | 6       | 1               |
| Compensation for impairment in value of investments in subsidiray | -               | 90,139  | -               |
| Legal expenses  | (383)           | (5,337) | (439)           |
| Net income (loss)   | (161)           | 84,314  | (650)           |
| Total assets  | 7,103           | 87,600  | 2,274           |
| Total non-current liabilities                                     | -               | -       | -               |
| Basic earnings (loss) per share (in Canadian dollars)             | 0.00            | 0.96    | (0.01)          |
| Diluted earnings (loss) per share (in Canadian dollars)           | 0.00            | 0.95    | (0.01)          |

The revenue results from the interest earned on the bank accounts and the guaranteed investment certificates (GIC). It fluctuates over the quarters due to changes in the cash balances.

The income in the third quarter of 2016 resulted from the US\$70 million (\$90,139) settlement payment from the Government of Mongolia.

Legal costs in the third quarter of 2017 were related to negotiation and subsequent termination of the Arrangement with Arden.

Legal costs were higher in 2016 due to a US\$3,805 (\$4,992) completion fee paid to the legal counsel handling the international arbitration. The fee was based on the actual cost of the legal work completed but had been deferred pending completion. The Company also incurred legal and tax consulting costs related to the negotiating and structuring of the settlement amount.

Legal costs in the third quarter of 2015 were related to enforcement and collection of the international arbitration award.

The main component of total assets of the Company is cash and cash equivalents. Total assets decreased significantly in 2017 in comparison to 2016 due to a distribution to shareholders of \$0.85 per share by way of a return of capital that was paid on November 29, 2016 to shareholders of record at November 22, 2016. This decrease of \$76,641 was partially offset by proceeds of \$698 from the exercise of 1,500,000 share options by directors, officers and employees of the Company and proceeds from sale of an investment in Plateau Uranium Inc. (Plateau) of \$685.

In 2016, total assets benefited from the receipt of the US\$70 million (\$90,139) settlement payment from the Government of Mongolia and were further supplemented by \$1,407 in proceeds from the exercise of 3,680,000 share options by directors, officers and employees of the Company.

In 2015, the Company replenished the treasury through a non-brokered private placement of 5 million common shares at a price of \$0.40 per share for gross proceeds of \$2 million and from exercise of 1,875,000 share options for \$480.

# **Results of Operations**

#### Revenue

In thousands of dollars

|                | Three     | months      | Nine months |             |  |
|----------------|-----------|-------------|-------------|-------------|--|
|                | 2017 2016 |             | 2017        | 2016        |  |
|                |           | Liquidation |             | Liquidation |  |
|                |           | basis       |             | basis       |  |
| Revenue        |           |             |             |             |  |
| Finance income | 11        | 6           | 118         | 9           |  |
| Total revenue  | 11        | 6           | 118         | 9           |  |

Finance income increase by \$5 in the quarter and \$109 year-to-date as a result of interest earned on higher cash balances on hand compared to the prior year.

## Compensation for impairment in the value of investments in subsidiaries

In May 2016, the Company received US\$70 million (\$90,139) as settlement by the Government of Mongolia of the award rendered by the international arbitration tribunal for the Government of Mongolia's illegal actions in relation to the cancellation of Khan's uranium licenses in 2009.

## **Legal Expenses**

Legal expenses of \$383 in the third quarter of 2017 and \$668 year-to-date and were related to the negotiation and subsequent termination of the Arrangement with Arden. Included in these legal expenses was a breakage fee to Arden of \$175.

In the comparable periods of 2016, the Company paid a completion fee of US\$3,500 (\$4,591) to legal counsel who had handled the international arbitration. This fee was based on the actual cost of the legal work completed but had been deferred pending completion. Also paid during the third quarter was a separate contingent fee capped at US\$305 (\$401) for the work on certification of the award in the US and to support the efforts of French counsel defending against the annulment proceedings in Paris.

## **General Corporate Expenses**

|                                  | Three months |             | Nine months |             |
|----------------------------------|--------------|-------------|-------------|-------------|
|                                  | 2017         | 2016        | 2017        | 2016        |
|                                  |              |             |             |             |
|                                  |              | Liquidation |             | Liquidation |
|                                  |              | basis       |             | basis       |
| Accounting and audit             | 6            | 22          | 22          | 53          |
| Investor relations               | 38           | 3           | 71          | 27          |
| Insurance                        | 4            | 12          | 18          | 40          |
| Consulting                       | 86           | 184         | 104         | 257         |
| Salaries                         | 229          | 146         | 559         | 427         |
| Office and travel                | 37           | 45          | 136         | 157         |
| Total general corporate expenses | 400          | 412         | 910         | 961         |

Audit fees are comparable between 2016 and 2017 and are accrued on the basis of the cost of the audit for the prior year. Accounting fees were higher in 2016 due to additional fees paid for matters associated with the Company's Dutch subsidiary.

Investor relations expenses were higher in 2017 first of all, for additional preparation and mailing fees related to the special Management Information Circular ("MIC") that covered the distribution to shareholders of \$0.85 per share in way of a return of capital. The usual MIC covering the included extra fees related to the Arrangement with Arden.

Insurance expenses were lower in 2017 due to lower rates negotiated by the management.

Consulting expenses and travel expenses in 2016 were higher due to costs associated with the settlement and collection of the international arbitration award.

In addition to ongoing administration expenses for maintaining the Netherlands subsidiary, consulting expenses of \$86 in the third quarter of 2017 and \$104 year-to-date include costs for preparation and filing of Canadian and Dutch tax returns and for tax professional advice with regards of Netherlands preliminary tax assessments.

Salary expenses were higher in 2017 due to more frequent directors' meetings related to the Arrangement with Arden.

## Gain on provision over-estimate

A provision for liquidation costs of \$1,450 was recognized in the year-ended September 30, 2016. It included restructuring costs that qualified as restructuring obligations that were expected to be incurred in 2017.

During the six months ended March 31, 2017, \$426 was incurred and charged against the provision. The remaining balance of the liquidation provision of \$1,024 was reversed and taken into income during the period due to the termination of the liquidation plan.

## Income Tax

The Company calculates the period income tax expense using the tax rate that would be applicable to the expected total annual earnings. The Company only recognizes a tax recovery after assessing the probability that taxable profit will be available against which tax losses or tax credits can be utilized.

On May 18, 2016, the subsidiaries of the Company collectively received an award of US\$55,167 (US\$70,000 less costs of US\$14,833 awarded to the parent company). The allocation of the award is attributable to each entity's interest in the underlying historic assets of the two Mongolian subsidiaries (now discontinued). For Canadian tax purposes, the arbitration award received by the subsidiaries is considered to be proceeds in respect of the impairment in value of the receivables from and shares of the Mongolian subsidiaries, as applicable.

In 2016, management repatriated the cash award received by its subsidiaries to Canada in a tax efficient manner such that the total award should be sheltered from tax with the exception of withholding taxes on dividend distributions from the KRBV subsidiary to the parent company. The estimated amount of this withholding tax of \$437 was recognized as current income tax in the three and nine months ended June 30, 2016. This amount was adjusted to \$417 in the audited consolidated financial statements for the year ended September 30, 2016.

For the nine months ended June 30, 2017, the Company recognized a current income tax recovery of \$93 that is related to changes in estimates in the prior year. Also, \$384 of deductible temporary difference related to the liquidation provision was derecognized due to the termination of the liquidation plan.

In the nine months ended June 30, 2017, the Company recognized income tax of \$56 in other comprehensive income ("OCI") related to the gain on the sale of the Plateau shares. The Company is able to offset this tax by utilizing a previously unused tax asset. This tax recovery is recognized in the statement of loss because the tax asset originated in operations. The net result of the tax recovery on the statement of loss and the income tax in OCI is zero.

## **Other Comprehensive Income**

#### Investments

At June 30, 2017 the Company held no investments. At September 30, 2016 the Company held equity instruments in the form of 1,055,291 common shares of Plateau with a fair value of \$264. During the six months ended March 31, 2017, the value of the Plateau investment was increased resulting in a valuation gain of \$421 before income tax of \$56 that was recognized in OCI. During the second quarter of 2017, the Company sold all Plateau shares for cash proceeds of \$685 and transferred the cumulative loss on this investment of \$3,174 from accumulated OCI to the deficit.

# **Summary of Quarterly Results**

|  | June 30 | Mar. 31     | Dec. 31     | Sep 30      | June 30     | Mar. 31     | Dec 31      | Sep 30 | Jun 30 |
|--|---------|-------------|-------------|-------------|-------------|-------------|-------------|--------|--------|
|  | 2017    | 2017        | 2016        | 2016        | 2016        | 2016        | 2015        | 2015   | 2015   |
|  |         | Liquidation | Liquidation | Liquidation | Liquidation | Liquidation | Liquidation |        |        |
|  |         | basis       | basis       | basis       | basis       | basis       | basis       |        |        |
| Revenue  | 11      | 10          | 97          | 66          | 6           | 1           | 2           | 2      | 1      |
| Other income                                       | -       | -           | -           | 455         | 90,139      | -           | -           | -      | -      |
| Expenses   | (172)   | (406)       | (220)       | (4,393)     | (5,831)     | (490)       | (332)       | (514)  | (646)  |
| Net income (loss)                                  | (161)   | (396)       | (123)       | (3,872)     | 84,314      | (489)       | (330)       | (512)  | (645)  |
| Basic earnings (loss) per share (Canadian cents)   | 0.00    | 0.00        | 0.00        | (0.04)      | 0.96        | (0.01)      | (0.01)      | (0.01) | (0.01) |
| Diluted earnings (loss) per share (Canadian cents) | 0.00    | 0.00        | 0.00        | (0.04)      | 0.95        | (0.01)      | (0.01)      | (0.01) | (0.01) |

# **Financial and Capital Management**

## **Outstanding share data**

Common shares outstanding

| · ·                                     |            |
|---|------------|
|   | Number     |
|   | of shares  |
| Outstanding, October 1, 2016            | 88,666,482 |
| Shares issued for the private placement | -          |
| Shares issued under share option plan   | 1,500,000  |
| Outstanding, June 30, 2017              | 90,166,482 |

Share options outstanding

|                                | Number      | Weighted average    |
|--------------------------------|-------------|---------------------|
|                                | of shares   | exercise price (\$) |
| Outstanding, October 1, 2016   | 1,500,000   | 0.47                |
| Granted                        | -           | -                   |
| Exercised                      | (1,500,000) | 0.47                |
| Forfeited                      | -           | •                   |
| Outstanding, June 30, 2017 (a) | -           | -                   |

(a) All outstanding options were exercised before March 31, 2017. No new options were granted.

## Common shares outstanding - diluted

|                            | Number     |
|----------------------------|------------|
|                            | of shares  |
| Outstanding, June 30, 2017 | 90,166,482 |

## **Cash Flows**

For the nine months ended June 30, 2017 operating cash outflow was \$2,782. This includes cash used in operations of \$2,112 and \$912 of income tax paid offset by the interest revenue of \$152 and income tax refund of \$90.

During the nine months ended June 30, 2017, the investing cash inflow was \$646 consisting of cash proceeds of \$685 from the sale of the Plateau shares and cash outflow of \$39 for the pre-payment of the long-term portion of the insurance

Financing cash outflow in 2017 of \$75,943 is attributed to the distribution of \$76,641 (\$0.85 per share) by way of a return of capital that was paid on November 29, 2016 to the shareholders of record at November 22, 2016 offset by proceeds from the exercise of stock options of \$698.

For the nine months ended June 30, 2016 operating cash inflow was \$83,840. This is attributed to the receipt of US\$70 million of the settlement proceeds from the Government of Mongolia offset by an increase in legal costs due to US\$3,805 of completion fee paid to the legal counsel handling the international arbitration. The sale of Plateau common shares generated investment cash inflow of \$209 and exercise of stock options provided cash of \$1,408.

## **Financial Instruments and Financial Risks**

As at June 30, 2017, the Company's financial instruments consist of cash and cash equivalents and current and non-current financial assets. The risk exposure related to these holdings is described below.

## Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities. This risk is mitigated by the fact that as at June 30, 2017, the Company had cash and cash equivalents of \$6,730 to cover total liabilities of \$274. The Company has positive working capital and does not have any contractual obligations, including those in the nature of long-term debt, capital lease obligations, operating leases, purchase obligations or other long-term obligations.

## Credit risk

Credit risk is the risk of loss due to the counterparty's inability to meet its obligations. The Company is exposed to credit risk from its cash and cash equivalents, the maximum exposure of which is represented by the carrying amounts reported on the consolidated statement of financial position. This risk is mitigated is by using major banks in Canada and the Netherlands that are of high credit quality as determined by rating agencies.

#### Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market factors. Market factors include three types of risks: currency risk, interest rate risk and price risk. The Company is exposed to currency risk only at June 30, 2017. Interest rate risk is minimal at this time.

Currency risk – Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market currency rates.

The Company is exposed to currency risk because it maintains bank accounts denominated in Euros (EUR) and U.S. dollars (USD). The Company undertakes transactions denominated in these currencies and is exposed to foreign exchange risk arising from such transactions.

The Company currently does not engage in foreign currency hedging. As at June, 2017, with other variables unchanged, a 1% strengthening (weakening) of the EUR and USD against the CAD would have increased (decreased) net income by approximately \$400.

#### Equity risk

The Company no longer has a significant equity price risk. The Company's holdings of marketable equity securities in the form of shares of Plateau were sold during the second quarter of 2017.

## **Accounting Policies**

This MD&A should be read in conjunction with Khan's unaudited condensed interim consolidated financial statements and notes as at and for the nine months ended June 30, 2017.

Effective May 8, 2017, the Company changed the basis of presenting its financial statements from liquidation to going concern. The adoption of a going concern basis of presentation did not result in a change to the Company's accounting policies that were applied on a liquidation basis of presentation that was used for preparation of consolidated financial statements for year ended September 30, 2016 and for the first two quarters of 2017.

For additional information on Khan's significant accounting policies and methods used in preparation of Khan's 2016 audited consolidated financial statements and notes, please refer to Note 2 to Khan's 2016 audited consolidated financial statements.

The preparation of Khan's financial statements in conformity with International Financial Reporting Standards (IFRS) requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements. Khan evaluates these estimates and assumptions on a regular basis, based on historical experience and other relevant factors. Actual amounts could differ materially from those estimates and assumptions. Khan's critical accounting estimates are discussed later in this MD&A.

## **Off-Balance Sheet Arrangements**

The Company does not have any off-balance sheet arrangements with the exception of an indemnification agreement with the independent third party that purchased the Company's subsidiary, Khan Resources Bermuda Ltd. on August 17, 2016. The Company has indemnified the purchaser against certain contingencies. The indemnity is capped at \$2 million and expired on August 16, 2017. Khan has not recognized this

indemnity in its consolidated financial statements because management judged that the probability that the indemnity would be utilized was remote and this judgement proved to be correct.

#### **Transactions with Related Parties**

During the nine months ended June 30, 2017, certain directors, officers and employees of the Company exercised all outstanding share options as at September 30, 2016 acquiring 1,500,000 shares for total proceeds of \$698. Included with these shares were 200,000 shares and proceeds of \$91 related to a management entity that provided key management personnel services to the Company.

## **Proposed Transactions**

There are no significant transactions that are awaiting the approval of the Board of Directors at the date of this MD&A.

## **Critical Accounting Estimates**

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the amounts reported in the consolidated financial statements and notes. Actual results could differ from those estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty considered by management in preparing the consolidated financial statements is described below.

#### **Estimates**

## i. Recovery of deferred tax assets

Judgment is required in determining whether deferred tax assets are recognized on the balance sheet. Deferred tax assets, including those arising from un-utilized tax losses require management to assess the likelihood that the Company will generate taxable earnings in future periods, in order to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the reporting date could be impacted. Additionally, future changes in tax laws in the jurisdictions in which the Company operates could limit the ability of the Company to obtain tax deductions in future periods.

#### ii. Fair value of financial assets and liabilities

Where the fair value of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, their fair value is determined using valuation techniques including discounted cash flow models. The Company's current

financial assets and financial liabilities are derived from active markets so there is no need to use valuation techniques.

#### **Judgments**

#### i. Going concern assumption

The going concern assumption is a fundamental principle in the preparation of financial statements. Under the going concern assumption, an entity is ordinarily viewed as continuing in business for the foreseeable future with neither the intention nor the necessity of liquidation, ceasing trading or seeking protection from creditors pursuant to laws or regulations. Accordingly, unless the going concern assumption is inappropriate in the circumstances of the entity, assets and liabilities are recorded on the basis that the entity will be able to realize its assets, discharge its liabilities, and obtain refinancing (if necessary) in the normal course of business. The assessment of an entity's ability to continue as a going concern is the responsibility of the entity's management.

The condensed interim consolidated financial statements as at June 30, 2017 and for the nine months then ended have been prepared on a going concern basis of accounting due to the termination of the liquidation plan (see note 1 and 2 to condensed interim consolidated financial statements as at June 30, 2017)

## **Risks Factors**

The Company has previously described certain risks associated with the liquidation plan but with that plan now terminated, those risks no longer exist. Other risks which the Company is not aware of or which the Company currently deems to be immaterial may surface and have a material adverse impact on the Company's business income and financial condition.

## **Additional Information**

Additional information is available by accessing SEDAR at <a href="www.sedar.com">www.sedar.com</a> or the Company's website at <a href="www.khanresources.com">www.khanresources.com</a>.

## **Forward-Looking Statements**

Certain statements included or incorporated by reference in this MD&A, including information as to the future financial or operating performance of the Company, its subsidiaries and its projects, constitute forward-looking statements. The words "believe", "expect", "anticipate", "contemplate", "target", "plan", "intends", "continue", "budget", "estimate", "may", "schedule" and similar expressions identify forward-looking statements. This MD&A includes, but is not limited to, forward-looking statements regarding: the Company's ability to meet its working capital needs for the twelve-month period ending June 30, 2018 and statements regarding the Company's critical accounting estimates. Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by the

Company, are inherently subject to significant business, economic, competitive, political and social uncertainties and contingencies. Many factors could cause the Company's actual results to differ materially from those expressed or implied in any forward-looking statements made by, or on behalf of, the Company. Such factors include, among others, risks relating to additional funding requirements, political and foreign risk, uninsurable risks, competition, environmental regulation and liability, government regulation, currency fluctuations, recent losses and write-downs and dependence on key employees. See "Risk and Uncertainties" section of this MD&A. Due to risks and uncertainties, including the risks and uncertainties identified above, actual events may differ materially from current expectations. Investors are cautioned that forward-looking statements are not guarantees of future performance and, accordingly, investors are cautioned not to put undue reliance on forward-looking statements due to the inherent uncertainty therein. Forward-looking statements are made as of the date of this MD&A and the Company disclaims any intent or obligation to update publicly such forwardlooking statements, whether as a result of new information, future events or results or otherwise.