



**Copper One Inc.**

**(An Exploration Stage Company)**

**Management's Discussion and Analysis**

**For the three and six months ended June 30, 2016**

## **Introduction**

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The following Management's Discussion and Analysis ("MD&A") of financial results and related data of Copper One Inc. ("Copper One" or the "Company") is intended to complement and supplement the unaudited condensed interim consolidated financial statements of Copper One Inc. for the three and six months ended June 30, 2016 and 2015 (the "Financial Statements") and should be read in conjunction with the Financial Statements as well as the audited annual financial statements for the year ended December 31, 2015. The Company's Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. Except as otherwise disclosed all dollar figures in this report are stated in Canadian dollars. Additional information relevant to the Company can be found on the SEDAR website at [www.sedar.com](http://www.sedar.com).

The commentary is current to August 25, 2016 unless otherwise indicated. References to the 1st, 2nd, 3rd and 4th quarters of 2016 or Q1-2016, Q2-2016, Q3-2016 and Q4-2016, and the 1st, 2nd, 3rd and 4th quarters of 2015 or Q1-2015, Q2-2015, Q3-2015 and Q4-2015 mean the three months ended March 31, June 30, September 30 and December 31, 2016 and 2015 respectively. The reader should be aware that historical results are not necessarily indicative of future performance. The Company is a reporting issuer in the Provinces of Alberta, British Columbia and Ontario. The Company's common shares commenced trading on the TSX Venture Exchange ("TSXV") on November 16, 2009 under the symbol "CUO" and prior to that traded on the Canadian National Stock Exchange.

Paul Cowley, P. Geo, a member of Copper One's Board of Directors, is a "Qualified Person" as such term is defined under National Instrument 43-101 guidelines and has reviewed and approved the scientific and technical information in this MD&A.

## **Cautionary Note Regarding Forward Looking Statements**

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Except for statements of historical fact relating to Copper One, certain information contained herein constitutes forward-looking information under Canadian securities legislation. Forward-looking statements include, but are not limited to, statements with respect to the Company's proposed acquisitions and strategy, development potential and timetable of the Company's properties; the Company's ability to raise required funds; future mineral prices; mineralization projections; conclusions of economic evaluation; the timing and amount of estimated future exploration and development; costs of development; capital expenditures; success of exploration activities; mining or processing issues; currency exchange rates; government regulation of mining operations; and environmental risks. Generally, forward-looking statements can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved". Forward-looking statements are based on the opinions and estimates of management as of the date such statements are made. Estimates regarding the anticipated timing, amount and cost of exploration activities are based on previous industry experience and regional political and economic stability. Capital and operating cost estimates are based on extensive research of the Company, recent estimates of exploration costs and other factors that are set out herein. Forward-looking statements are subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking statements, including but not limited to risks related to: unexpected events and delays during exploration and development; acquisition risks; regulatory risks; revocation of government approvals; timing and availability of external financing on acceptable terms; actual results of current exploration activities; changes in project parameters as plans continue to be refined; future prices of minerals; accidents, labour disputes and other risks of the mining industry. Although management of the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance

on forward-looking statements. The Company does not undertake to update any forward-looking statements, except in accordance with applicable securities laws.

### ***Description of Business***

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The Company is in the process of exploring and evaluating mineral property interests in Quebec, Canada. The Company owns 100% of the 60,000 hectare project area referred to as the Rivière Doré property, which covers an 85 kilometer long newly discovered layered mafic intrusive complex located southeast of the town of Val-d'Or, Quebec.

### ***Company Outlook and Recent Developments***

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The management of Copper One is focused on the development of its primary assets in the Province of Quebec, namely its flagship project Rivière Dore project.

The Rivière Doré property was under suspension since July 4, 2011 as a result of discussions between the Company, government officials and the Algonquin Community of Barriere Lake in relation to the property.

On June 29, 2016, the Company announced that it had received a written notification from the Quebec Ministry of Energy and Natural Resources that all claims under suspension on the Company's Rivière Doré project had been lifted. The notice also stated that pursuant to the claims the Company has a right of access to the land under the claims and has the right to conduct any and all exploration work deemed appropriate, and the claims have been extended by an additional two years.

### ***Highlights***

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On August 4, 2016, the Company announced the closing of a first tranche of a brokered private placement financing comprising 17,084,801 units at a price of \$0.13 per unit for gross proceeds of \$2,221,024 (the "First Tranche"). Each unit is comprised of one common share and one-common share purchase warrant. Each whole warrant will entitle the holder thereof to acquire one common share of the Company at an exercise price of \$0.20 per share for a period of 24 months from the date of closing of the First Tranche. An amount equal to 7% of the proceeds from certain subscribers of share issuance cost was paid, and issued 863,987 compensation options (the "Broker Options"). Each Broker Option is exercisable at a price of \$0.13 into one common share of the Company and one Warrant (a "Broker Warrant") for a period of 24 months following the closing date of the First Tranche. Each whole Broker Warrant shall entitle the holder to acquire one additional common share of the Company at a price of \$0.20 for a period of 24 months following the closing date of the First Tranche. Directors and officers of the Company subscribed to 2,972,308 units of this private placement.

On August 17, 2016, the Company announced the closing of a second tranche of a brokered private placement financing comprising 1,650,000 units at a price of \$0.13 per unit for gross proceeds of \$214,500 (the "Second Tranche"). Each unit is comprised of one common share and one-common share purchase warrant. Each whole warrant will entitle the holder thereof to acquire one common share of the Company at an exercise price of \$0.20 per share for a period of 24 months from the date of closing of the Second Tranche. An amount equal to 7% of the proceeds from certain subscribers of share issuance cost was paid, and issued 115,500 Broker Options. Each Broker Option is exercisable at a price of \$0.13 into one common share of the Company and one Broker Warrant for a period of 24 months following the closing date of the Second Tranche. Each whole Broker Warrant shall entitle the holder to acquire one additional common share of the Company at a price of \$0.20 for a period of 24 months following the closing date of the Second Tranche.

On August 19, 2016, the Company announced that it has entered into a settlement agreement with a creditor to settle an aggregate of \$611,250 of debt in consideration for the issuance of an aggregate of 4,701,923 common shares of the Company at a deemed price of \$0.13 per common share (the "Shares for

Debt Settlement"). The Shares for Debt Settlement will not create a new control person holding more than 20% of the issued and outstanding common shares of the Company. The Shares for Debt Settlement is subject to the approval of the TSXV. The common shares issued pursuant to the Shares for Debt Settlement will be subject to a statutory four month and one day hold period.

### **Summarized Financial Results**

#### **Selected Annual Financial Information**

The table below provides a summary of selected annual financial information for the years ended December 31, 2015, 2014 and 2013:

	December 31, 2015	December 31, 2014	December 31, 2013 restated <sup>1)</sup>
(Expressed in Canadian dollars \$)			
Net (loss) from continuing operations	(1,134,824)	(2,039,175)	(2,124,440)
Net (loss) from discontinued operations	-	-	(1,063,192)
Net (loss) for the year	(1,134,824)	(2,039,175)	(3,187,632)
Per share - basic and diluted loss	(0.17)	(0.30)	(0.50)
Total Assets	952,785	1,295,528	2,681,484
Working Capital <sup>2)</sup>	(1,358,080)	(362,075)	1,254,521

<sup>1)</sup> During the year ended December 31, 2014, the Company changed its accounting policy from capitalization of exploration and evaluation costs to expensing these costs. The annual information for 2013 has been restated to reflect the results of this change in accounting policy. See Note 2 of the consolidated financial statements for the years ending December 31, 2014 for further details.

<sup>2)</sup> See Non-GAAP measures.

#### **Selected Quarterly Financial Information**

(Expressed in Canadian dollars \$)	30-Jun-16	31-Mar-16	31-Dec-15	30-Sep-15	30-Jun-15	31-Mar-15	31-Dec-14	30-Sep-14	30-Jun-14	31-Mar-14	31-Dec-13	30-Sep-13
Net (loss)	(91,957)	(79,685)	(361,558)	(282,011)	(212,455)	(278,800)	(398,168)	(408,253)	(874,941)	(357,812)	(473,687)	(455,599)
(Loss) per share - basic and diluted (from continuing operations) <sup>*)</sup>	(0.01)	(0.01)	(0.05)	(0.04)	(0.03)	(0.04)	(0.06)	(0.05)	(0.13)	(0.01)	(0.01)	(0.01)
Total assets	1,017,982	971,836	952,785	1,116,643	1,165,389	1,173,107	1,295,528	1,595,772	1,556,602	2,211,717	2,681,489	3,172,066

<sup>\*)</sup> Effective October 23, 2015, the Company consolidated its common shares on the basis of one new common share for every ten common shares outstanding. All references to common shares, per share amounts, warrants and options for all periods presented have been retroactively restated to reflect this consolidation

#### **Liquidity and Capital Resources**

The Company does not have any operating assets that generate revenues. The Company incurred a net loss from its continuing operations of \$171,642 for the six months ended June 30, 2016 (June 30, 2015 – net loss from its continuing operations of \$491,255) and incurred a net cash inflow of \$7,972 from its operating activities (June 30, 2015 - net cash outflow of \$211,543).

The Company has a need for financing for working capital. As a result of continuing operating losses, the Company's continuance as a going concern is dependent upon its ability to obtain adequate financing and to reach profitable levels of operation.

### **Working Capital**

As at June 30, 2016, the Company had a working capital deficiency (see Non-GAAP measures) of \$1,373,722 (December 31, 2015 – net working capital deficiency of \$1,358,080).

### **Carrying Value of Balance Sheet Items**

The Company holds investments that include 2,250,000 common shares of Cornerstone Metals Inc. recorded at a fair value of \$90,000 at June 30, 2016 (December 31, 2015: \$11,250). This investment is classified as held-for-trading.

Total accounts payable as at June 30, 2016 were \$1,536,708 (December 31, 2015 - \$1,455,869).

### **Cash Flows**

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#### ***Cash Flows for the three months ended June 30, 2016 and 2015***

(Expressed in Canadian dollar \$)	For the quarter ended	
	June 30,	
	2016	2015
Cash (used in) operating activities	\$ (14,368)	\$ (54,825)
Cash provided by financing activities	-	-
Cash provided by (used in) investing activities	-	-
Decrease in cash and cash equivalents	(14,368)	(54,825)

Cash of \$14,368 used in operating activities during the three months ended June 30, 2016 was lower than the \$54,825 used in operating activities during the three months ended June 30, 2015 mainly due to working capital items. See Non-GAAP measures.

#### ***Cash Flows for the six months ended June 30, 2016 and 2015***

(Expressed in Canadian dollar \$)	For the six months ended	
	June 30,	
	2016	2015
Cash (used in) operating activities	\$ (7,972)	\$ (211,543)
Cash provided by financing activities	-	-
Cash provided by (used in) investing activities	-	-
Decrease in cash and cash equivalents	(7,972)	(211,543)

Cash of \$7,972 used in operating activities during the six months ended June 30, 2016 was lower than the \$211,543 used in operating activities during the six months ended June 30, 2015 primarily due to less operating expenses, coupled with government assistance of \$29,362 received in February 2016 and working capital items. See Non-GAAP measures.

## ***Results of Operations***

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***For the three months ended June 30, 2016 and 2015***

	For the three months ended June 30,	
	2016	2015
Operating expenses		
Management and consulting fees	\$ 117,481	\$ 151,422
Directors' fees	10,000	40,000
Office and rent	2,958	18,996
Investor relations	8,316	9,859
Accounting and legal	6,229	10,000
Regulatory and transfer agent	3,243	4,853
Foreign exchange (gain) loss	(20)	(175)
<b>Total operating expenses</b>	<b>148,207</b>	<b>234,955</b>
Loss before other income (expenses)	(148,207)	(234,955)
Other income (expenses)		
Unrealized gain on held for trading marketable securities	56,250	22,500
<b>Net loss and comprehensive loss for the period</b>	<b>\$ (91,957)</b>	<b>\$ (212,455)</b>

The Company recorded a net loss and comprehensive loss of \$91,957 during the three months ended June 30, 2016 compared to a net loss and comprehensive loss of \$212,455 during the same period of 2015. The net loss and comprehensive loss during three months ended June 30, 2016 resulted primarily from management and consulting fees, directors' fees and investor relations, offset by an unrealized gain on held for trading marketing securities. The net loss and comprehensive loss during the same period in 2015 resulted primarily from management and consulting fees, directors' fees, office and rent expenses, investor relations and accounting and legal.

## **Results of Operations**

### **For the six months ended June 30, 2016 and 2015**

	For the six months ended June 30,	
	2016	2015
Operating expenses		
Management and consulting fees	\$ 264,796	\$ 316,730
Share-based payments	-	3,090
Directors' fees	23,333	80,000
Office and rent	6,545	43,918
Investor relations	9,011	26,388
Travel and promotion	-	6,067
Accounting and legal	6,229	20,298
Regulatory and transfer agent	8,792	10,053
Exploration and evaluation (recovery) expense	(29,362)	7,500
Foreign exchange (gain) loss	48	(175)
Total operating expenses	289,392	513,869
Loss before other income (expenses)	(289,392)	(513,869)
Other income (expenses)		
Gain on debt settlement	39,000	-
Unrealized gain on held for trading marketable securities	78,750	22,500
Interest income	-	114
Net loss and comprehensive loss for the period	\$ (171,642)	\$ (491,255)

The Company recorded a net loss and comprehensive loss of \$171,642 during the six months ended June 30, 2016 compared to a net loss and comprehensive loss of \$491,255 during the same period of 2015. The net loss and comprehensive loss during six months ended June 30, 2016 resulted primarily from management and consulting fees, directors' fees, investor relations, regulation and transfer agent expenses offset by government assistance on exploration and evaluation expense, gain on debt settlement and unrealized gain on held for trading marketing securities. The net loss and comprehensive loss during the same period in 2015 resulted primarily from management and consulting fees, directors' fees, office and rent expenses, investor relations, accounting and legal and exploration and evaluation expense.

Exploration and evaluation (recovery) expenses:

	Six months ended June 30,	
	2016	2015
	\$	\$
Consulting	-	7,500
Government assistance	(29,362)	-
Total	(29,362)	7,500

**Exploration and Evaluation Expenditures**

The exploration and evaluation assets of the Company are comprised as follows:

	Rivière Doré	Queylus	Total
	\$	\$	\$
Balance, December 31, 2014	854,996	135,729	990,725
Impairment (b)	-	(135,729)	(135,729)
Balance, December 31, 2015 and June 30, 2016	854,996	-	854,996

**Rivière Doré**

On November 30, 2011, the Company signed an agreement with Cartier Resources Inc. (“Cartier”) to acquire 100% of the Rivière Doré Copper Nickel property (“Rivière Doré”) located southeast of the town of Val D’Or, Quebec. This agreement superseded the agreement signed with Cartier in January 2011. In consideration for a 100% interest in Rivière Doré, the Company paid \$150,000 in cash, issued 2,000,000 common shares of the Company with an estimated fair value of \$550,000 and granted a royalty of 1% of the net smelter return in connection with ore extracted from the property. The Company is also committed to a 2% royalty payment of the net smelter return on 36 of its 1,052 existing claims on the property. This transaction closed on December 15, 2011.

The Company has also agreed to pay to Cartier an amount equal to 2% of the net present value shown in a bankable feasibility study on Rivière Doré, payable in cash in three equal installments over the 18-month period from the commencement of commercial production on the property.

The Rivière Doré property was under suspension since July 4, 2011 as a result of discussions between the Company, government officials and the Algonquin Community of Barriere Lake in relation to the property.

On June 29, 2016, the Company announced that it has received a written notification from the Quebec Ministry of Energy and Natural Resources that effective June 28, 2016 all claims under suspension on the Company’s Rivière Doré project have been lifted. The notice also stated that pursuant to the claims the Company has a right of access to the land under the claims and has the right to conduct any and all exploration work deemed appropriate, and the claims have been extended by an additional two years.

**Queylus**

The Company has decided to let the Queylus claims lapse and has no longer holds and interest in the property.



## **Financial Commitments and Contractual Obligations**

Summary of contractual obligations at June 30, 2016 is detailed in the table below.

Contractual Obligations	Payments (Receipts) Due by Period				
	Total	Less than 1 Year	1 – 3 Years	4 – 5 Years	After 5 Years
Minimum commitment under management contracts (i)	\$ 362,000	\$ 362,000	\$ -	\$ -	\$ -
Minimum commitment under Montreal office space lease (ii)	33,000	33,000	-	-	-
Minimum commitment under Montreal office sub-lease (iii)	(26,000)	(26,000)	-	-	-

- (i) The Company is party to certain management contracts. These contracts contain clauses requiring additional payments of up to approximately \$1,020,000 be made upon the occurrence of certain events such as a change of control. As a triggering event has not taken place, the contingent payments have not been reflected in these consolidated financial statements. Additional minimum management contract commitments remaining under these contracts approximate \$362,000 due within one year.
- (ii) In June 2012, the Company entered into a 52 month lease agreement for office space rental in Montreal, ending on September 30, 2016. The commitments remaining under this lease agreement is approximately \$33,000 at June 30, 2016.
- (iii) In December 2013, the Company signed a sublease agreement with a third party to rent out the Montreal office space, ending on September 30, 2016. Total rent receivable over the term of the sublease is expected to be approximately \$26,000.

The Company's exploration and evaluation activities are subject to various laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company conducts its operations so as to protect public health and the environment and believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

## **Transactions with Related Parties**

During the three and six months ended June 30, 2016 and 2015, the Company entered into the following transactions in the ordinary course of business with related parties that are not subsidiaries of the Company.

	Purchase of goods and services			
	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
Forbes & Manhattan, Inc.	\$ 75,000	\$ 75,000	\$ 150,000	\$ 150,000

The following balances were outstanding at the end of the reporting period:

	Amounts owed to related parties			
	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
Forbes & Manhattan Inc.	\$ 84,750	\$ 84,750	\$ 611,250	\$ 367,250

## **Compensation of Key Management, Directors and Officers**

The remuneration of directors and other members of key management personnel during the three and six months ended 2016 and 2015 were as follows:

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
Short-term benefits	\$ 62,500	\$ 92,500	\$ 128,333	\$ 215,000
Share-based payments	-	-	-	3,090

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including directors (executive and non-executive) of the Company.

All of the above transactions have been in the normal course of operations and have been recorded at their exchange amount, which are actual amounts spent by the transacting parties.

### **Off Balance Sheet Arrangements**

To the best of management's knowledge, there are no off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the company.

### **Financial Instruments**

The Company's financial instruments consist of cash and cash equivalents, held for trading investments, accounts receivable, and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The carrying values of these financial instruments approximate their fair values due to the short maturity of those instruments. See Note 10 of the Financial Statements.

### **Outstanding Share Data**

As at the date of this report, there were 33,722,263 common shares outstanding, 19,714,288 warrants outstanding with a weighted average price of \$0.20 per share and 477,000 stock options outstanding with a weighted average exercise price of \$1.07 per share.

### **Non-GAAP Measures**

The MD&A contains the term working capital. The Company believes that, in addition to conventional measures prepared in accordance with GAAP, we and certain investors use this information to evaluate the Company's performance and ability to generate cash, profits and meet financial commitments. These Non-GAAP measures are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP.

### **Working Capital**

Current assets	June 30, 2016	December 31, 2015
Cash and cash equivalents	\$ 45,877	\$ 53,849
Marketable securities	90,000	11,250
Receivables	27,109	31,306
Prepaid expenses and deposits	-	1,384
<b>Total current assets</b>	<b>162,986</b>	<b>97,789</b>
Current liabilities		
Accounts payable and accrued liabilities	\$ 1,536,708	\$ 1,455,869
<b>Total liabilities</b>	<b>1,536,708</b>	<b>1,455,869</b>
Working capital (current assets less current liabilities)	\$ (1,373,722)	\$ (1,358,080)

### **Net cash (used in) operating activities**

(Expressed in Canadian dollars \$)	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
Cash (used in) operating activities before change in working capital items	\$ (148,207)	\$ (234,955)	\$ (250,392)	\$ (510,665)
Cash provided by change in working capital items	133,839	180,130	242,420	299,122
Net cash provided by (used in) operating activities	\$ (14,368)	\$ (54,825)	\$ (7,972)	\$ (211,543)

### **Recent accounting pronouncements**

IAS 1 – Presentation of Financial Statements (“IAS 1”) was amended in December 2014 in order to clarify, among other things, that information should not be obscured by aggregating or by providing immaterial information, that materiality consideration apply to all parts of the financial statements and that even when a standard requires a specific disclosure, materiality considerations do apply. The amendments are effective for annual periods beginning on or after January 1, 2016. This new standard did not have any material impact on the Company’s condensed interim consolidated financial statements.

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods on or after January 1, 2016 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

IFRS 9 – Financial Instruments (“IFRS 9”) was issued by the IASB in November 2009 with additions in October 2010 and May 2013 and will replace IAS 39 Financial Instruments: Recognition and Measurement (“IAS 39”). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value

due to changes in the entity's own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted.

IAS 12 – Income Taxes (“IAS 12”) was amended in January 2016 to clarify that, among other things, unrealized losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use; the carrying amount of an asset does not limit the estimation of probable future taxable profits; and estimates for future taxable profits exclude tax deduction resulting from the reversal of deductible temporary differences. The amendments are effective for annual periods beginning on or after January 1, 2017. Earlier adoption is permitted.

### ***Critical Judgments and Estimation Uncertainties***

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The preparation of the Company's Consolidated Financial Statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Consolidated Financial Statements and reported amounts of expenses during the reported period. Such estimates and assumptions affect the carrying value of assets, impact decisions as to when exploration and development costs should be capitalized or expensed, and affect estimates for provisions for reclamation costs. Other significant estimates made by the Company include factors affecting valuations of stock based compensation and the valuation of income tax accounts. The Company regularly reviews its estimates and assumptions, however, actual results could differ from these estimates and these differences could be material. See Note 3 of the Financial Statements for detail.

### ***Risks and Uncertainties***

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The Company is engaged in the exploration and development of mineral properties. These activities involve a high degree of risk which, even with a combination of experience, knowledge and careful evaluation, may not be overcome. Consequently, no assurance can be given that commercial quantities of minerals will be successfully found or produced.

#### *Liquidity Concerns and Future Financings*

The Company will require significant capital and operating expenditures in connection with the development of its properties. There can be no assurance that the Company will be successful in obtaining required financing as needed. Volatile markets may make it difficult or impossible for the Company to obtain debt financing or equity financing on favorable terms, if at all. Failure to obtain additional financing on a timely basis may cause the Company to postpone or slow down its development plans, forfeit rights in some or all of its properties or reduce or terminate some or all of its activities.

While the Company's financial statements have been prepared on the basis of a going concern which contemplates the realization of assets and satisfaction of liabilities in the normal course of operations, there are conditions and events that may cast doubt about the validity of that assumption.

#### *Nature of Mining, Mineral Exploration and Development Projects*

Mining operations generally involve a high degree of risk. The Company's operations are subject to the hazards and risks normally encountered in mineral exploration, development and production, including environmental hazards, explosions, unusual or unexpected geological formations or pressures and periodic interruptions in both production and transportation due to inclement or hazardous weather conditions. Such risks could result in damage to, or destruction of, mineral properties or producing facilities, personal injury, environmental damage, delays in mining, monetary losses and possible legal liability.

The Company's property interests are located in remote, undeveloped areas and the availability of infrastructure such as surface access, skilled labour, fuel and power at an economic cost, cannot be assured. These are integral requirements for exploration, development and production facilities on mineral properties. Power may need to be generated on site.

Mineral exploration is highly speculative in nature. There is no assurance that exploration efforts will be successful. Even when mineralization is discovered, it may take several years until production is possible, during which time the economic feasibility of production may change. Substantial expenditures are required to establish proven and probable mineral reserves through drilling. Because of these uncertainties, no assurance can be given that exploration programs will result in the establishment or expansion of mineral resources or mineral reserves. There is no certainty that the expenditures made by the Company towards the search and evaluation of mineral deposits will result in discoveries or development of commercial quantities of ore.

Exploration and development projects have no operating history upon which to base estimates of future cash operating costs. For development projects, reserve and resource estimates and estimates of cash operating costs are, to a large extent, based upon the interpretation of geologic data obtained from drill holes and other sampling techniques, and feasibility studies, which derive estimates of cash operating costs based upon anticipated tonnage and grades of ore to be mined and processed, ground conditions, the configuration of the ore body, expected recovery rates of minerals from the ore, estimated operating costs, anticipated climatic conditions and other factors. As a result, actual production, cash operating costs and economic returns could differ significantly from those estimated. Indeed, there have been a number of mining operations that have ceased or been suspended or delayed because operations costs are greater than projected. Current market conditions are forcing many mining operations to increase capital and operating cost estimates. It is not unusual for new mining operations to experience problems during the start-up phase, and delays in the commencement of production often can occur.

#### *No Revenues*

To date the Company has recorded no revenues from operations and the Company has not commenced commercial production or development on any property. There can be no assurance that significant losses will not occur in the near future or that the Company will be profitable in the future. The Company's operating expenses and capital expenditures may increase in subsequent years in relation to the engagement of consultants, personnel and equipment associated with advancing exploration, development and commercial production of the Company's properties. The Company expects to continue to incur losses for the foreseeable future. The development of the Company's properties will require the commitment of substantial resources to conduct time-consuming exploration. There can be no assurance that the Company will generate any revenues or achieve profitability.

#### *Mineral Resource and Mineral Reserve Estimates May be Inaccurate*

There are numerous uncertainties inherent in estimating mineral resources and mineral reserves, including many factors beyond the control of the Company. Such estimates are a subjective process, and the accuracy of any mineral resource or mineral reserve estimate is a function of the quantity and quality of available data and of the assumptions made and judgments used in engineering and geological interpretation. These amounts are estimates only and the actual level of mineral recovery from such deposits may be different. Differences between management's assumptions, including economic assumptions such as metal prices and market conditions, could have a material adverse effect on the Company's financial position and results of operations.

#### *Licenses and Permits, Laws and Regulations*

The Company's exploration and development activities, including mine, mill, road, rail and other transportation facilities, require permits and approvals from various government authorities, and are subject to extensive federal, provincial, state and local laws and regulations governing prospecting, development,

production, exports, taxes, labour standards, occupational health and safety, mine safety and other matters. Such laws and regulations are subject to change, can become more stringent and compliance can therefore become more costly. In addition, the Company may be required to compensate those suffering loss or damage by reason of its activities. There can be no guarantee that the Company will be able to maintain or obtain all necessary licenses, permits and approvals that may be required to explore and develop its properties, commence construction or operation of mining facilities.

#### *Mineral Commodity Prices*

The profitability of the Company's operations will be dependent upon the market price of mineral iron ore. Iron ore prices fluctuate widely and are affected by numerous factors beyond the control of the Company. The level of interest rates, the rate of inflation, the world supply of iron ore and the stability of exchange rates can all cause significant fluctuations in prices. Such external economic factors are in turn influenced by changes in international investment patterns, monetary systems and political developments. The price of iron ore has fluctuated widely in recent years, and future price declines could cause commercial production to be impracticable, thereby having a materially adverse effect on the Company's business, financial condition and result of operations.

#### *Environmental*

The Company's activities are subject to extensive federal, provincial state and local laws and regulations governing environmental protection and employee health and safety. Environmental legislation is evolving in a manner that is creating stricter standards, while enforcement, fines and penalties for non-compliance are also increasingly stringent. The cost of compliance with changes in governmental regulations has the potential to reduce the profitability of operations. Further, any failure by the Company to comply fully with all applicable laws and regulations could have significant adverse effects on the Company, including the suspension or cessation of operations.

#### *Title to Properties*

The acquisition of title to resource properties is a very detailed and time-consuming process. The Company holds its interest in certain of its properties through mining claims. Title to, and the area of, the mining claims may be disputed. There is no guarantee that such title will not be challenged or impaired. There may be challenges to the title of the properties in which the Company may have an interest, which, if successful, could result in the loss or reduction of the Company's interest in the properties.

One of the Company's projects is the Rivière Doré project, which is located southeast of the town Val-d'Or, Quebec. Canadian law related to aboriginal rights, including aboriginal title rights, is in a period of change. There is a risk that future changes to the law may adversely affect the Company's rights to its Canadian projects, including the Rivière Doré project. Consultation with First Nations is required of the Company in environmental assessment, subsequent permitting, development and operation of its proposed projects. There is a risk that the First Nations may publicly oppose the proposed project at any stage and this potential opposition may adversely affect the project or the Company's public image.

#### *Uninsured Risks*

The Company maintains insurance to cover normal business risks. In the course of exploration and development of mineral properties, certain risks, and in particular, unexpected or unusual geological operating conditions including explosions, rock bursts, cave-ins, fire and earthquakes may occur. It is not always possible to fully insure against such risks as a result of high premiums or other reasons. Should such liabilities arise, they could result in significant liabilities to the Company and increase projected costs.

### *Competition*

The Company competes with many other mining companies that have substantially greater resources than the Company. Such competition may result in the Company being unable to acquire desired properties, recruit or retain qualified employees or acquire the capital necessary to fund its operations and develop its properties. The Company's inability to compete with other mining companies for these resources would have a material adverse effect on the Company's results of operation and business.

### *Dependence on Outside Parties*

The Company has relied upon consultants, engineers and others, and intends to rely on these parties for development, construction and operating expertise. Substantial expenditures are required to establish mineral reserves through drilling, to carry out environmental and social impact assessments, to develop metallurgical processes to extract the metal from the ore. If such parties' work is deficient or negligent or is not completed in a timely manner, it could have a material adverse effect on the Company.

### *Share Price Fluctuations*

The market price of securities of many companies, particularly exploration stage companies, experience wide fluctuations in price that are not necessarily related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that fluctuations in the Company's share price will not occur.

### *Conflicts of Interest*

Certain of the Company's directors and officers serve or may agree to serve as directors or officers of other companies and, to the extent that such other companies may participate in ventures in which the Company may participate, the directors of the Company may have a conflict of interest in negotiating and concluding terms respecting such participation.

### *Current Management*

The Company is very dependent upon the personal efforts and commitment of its existing management. To the extent that management's services would be unavailable for any reason, a disruption to the operations of the Company could result, and other persons would be required to manage and operate the Company.

### **Subsequent event**

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On August 4, 2016, the Company announced the closing of first tranche of a brokered private placement financing comprising 17,084,801 units at a price of \$0.13 per unit for gross proceeds of \$2,221,024 (the "First Tranche"). Each unit is comprised of one common share and one-common share purchase warrant. Each whole warrant will entitle the holder thereof to acquire one common share of the Company at an exercise price of \$0.20 per share for a period of 24 months from the date of closing of the First Tranche. An amount equal to 7% of the proceeds from certain subscribers of share issuance cost was paid, and issued 863,987 compensation options (the "Broker Options"). Each Broker Option is exercisable at a price of \$0.13 into one common share of the Company and one Warrant (a "Broker Warrant") for a period of 24 months following the closing date of the First Tranche. Each whole Broker Warrant shall entitle the holder to acquire one additional common share of the Company at a price of \$0.20 for a period of 24 months following the closing date of the First Tranche. Directors and officers of the Company subscribed to 2,972,308 units of this private placement.

On August 17, 2016, the Company announced the closing of a second tranche of a brokered private placement financing comprising 1,650,000 units at a price of \$0.13 per unit for gross proceeds of \$214,500 (the "Second Tranche"). Each unit is comprised of one common share and one-common share purchase

warrant. Each whole warrant will entitle the holder thereof to acquire one common share of the Company at an exercise price of \$0.20 per share for a period of 24 months from the date of closing of the Second Tranche. An amount equal to 7% of the proceeds from certain subscribers of share issuance cost was paid, and issued 115,500 Broker Options. Each Broker Option is exercisable at a price of \$0.13 into one common share of the Company and one Broker Warrant for a period of 24 months following the closing date of the Second Tranche. Each whole Broker Warrant shall entitle the holder to acquire one additional common share of the Company at a price of \$0.20 for a period of 24 months following the closing date of the Second Tranche.

On August 19, 2016, the Company announced that it has entered into a settlement agreement with a creditor to settle an aggregate of \$611,250 of debt in consideration for the issuance of an aggregate of 4,701,923 common shares of the Company at a deemed price of \$0.13 per common share ((the “Shares for Debt Settlement”). The Shares for Debt Settlement will not create a new control person holding more than 20% of the issued and outstanding common shares of the Company. The Shares for Debt Settlement is subject to the approval of the TSXV. The common shares issued pursuant to the Shares for Debt Settlement will be subject to a statutory four month and one day hold period.

### ***Additional Information***

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Additional information about the Company is available for viewing on SEDAR at [www.sedar.com](http://www.sedar.com).