

# Oceanic Iron Ore Corp.

## Management's Discussion and Analysis of Financial Condition and Results of Operations Six months ended – September 30, 2017 and 2016

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The following discussion is management's assessment and analysis of the results and financial condition of Oceanic Iron Ore Corp. ("Oceanic" or the "Company"), and should be read in conjunction with the accompanying unaudited condensed interim financial statements and related notes for the three and six months ended September 30, 2017, as well as the audited consolidated financial statements with accompanying notes for the years ended March 31, 2017 and 2016. The Company reports its financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). All figures are reported in Canadian dollars unless otherwise indicated.

Certain information included in this discussion may constitute forward looking statements. Forward looking statements are based on current expectations and entail various risks and uncertainties. These risks and uncertainties could cause or contribute to actual results that are materially different from those expressed or implied. Please see the section entitled "Forward Looking Statements" of this document for further detail on forward looking statements. The effective date of this report is November 22, 2017.

### Description of Business

The Company was incorporated on March 8, 1986 under the British Columbia Business Corporations Act. Its common shares are traded on the TSX Venture Exchange.

The Company is focused on the development of the Ungava Bay iron property (the "Property") in Nunavik, Québec, which the Company acquired in November, 2010. The Property comprises three project areas: Hopes Advance, Morgan Lake and Roberts Lake, which cover over 39,717 hectares of iron formation and are located within 20 – 50 km of tidewater. The Company has a 100% interest, subject to a 2% net smelter returns royalty ("NSR") in the Property. The Company is currently focused on continuing its development of the Hopes Advance project through a feasibility study and environmental assessment as well as securing a strategic partner for the Hopes Advance project.

### Hopes Advance Project Update

On August 11, 2016, the Company executed a Pre Engineering, Procurement, and Construction ("EPC") Framework Agreement (the "Agreement") with PowerChina International Group Limited ("PowerChina Int'l"), in respect of the EPC infrastructure requirements for the Company's Hopes Advance project (the "Project"). Under the terms of the Agreement, PowerChina Int'l was provided a period of exclusivity to complete further technical and financial analysis of the Project. Moreover, PowerChina Int'l was to submit an EPC Proposal to the Company to form the basis for a future EPC Contract. In November 2016, Montréal based SNC Lavalin Inc. ("SNC") and PowerChina entered into a memorandum of understanding in respect of a cooperative association in the preparation of the EPC Proposal. In recognition of the time taken to conclude the SNC/ Power China association, and to facilitate additional evaluation and detail in its EPC Proposal the Company and the EPC service providers mutually agreed to revise the exclusivity period from November 30, 2016 to March 31, 2017.

On March 31, 2017, based on the work performed by a dedicated team of 20 engineers and technical specialists, the Company received the EPC proposal from PowerChina Int'l, supported by SNC. The EPC proposal's scope of work, construction methodology, and the proposed capital are not materially different from the conclusions derived in the Company's previously announced pre-feasibility study.

Included in the EPC proposal was a recommendation to advance the Project to a Front End Engineering Design ("FEED") stage. The FEED will allow for additional detail to be undertaken and applied in support of the future requirements for project financing for the Hopes Advance Project. Management is actively continuing discussions with PowerChina in respect of commencing a FEED program. Management also continues in various discussions with other potential strategic partners and will provide updates as and when required.

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Despite depressed iron ore prices in 2015 and 2016, the Project maintains its status as an economically robust project. With the recent recovery of iron ore prices in 2017, along with the quality of product within the defined reserves at Hopes Advance, management believes that while there may be some volatility in pricing in the near term, the general trend for bulk commodities (and metals), and particularly seaborne sources of high quality iron ore products, such as those planned to be produced by the Company, will see increasing demand as overall needs increase given the general decline in quality that has been observed globally in recent years.

## **Achievements to Date – Hopes Advance Project**

Active development of the Hopes Advance project commenced in March 2011 with the start of the Company's resource verification program.

Since then, milestones have been achieved in a number of areas:

### *1. Project Technical Study and Economics*

- In November 2012, the Company published its Pre-Feasibility Study. Further information in respect of the Company's Pre-Feasibility Study is available in the full National Instrument 43-101 ("NI 43-101") technical report on the Company's website ([www.oceanicironore.com](http://www.oceanicironore.com)) and on SEDAR ([www.sedar.com](http://www.sedar.com)).

### *2. Resource definition*

- In November 2012, as part of its Pre-Feasibility Study, the Company published an updated NI 43-101 compliant In-Pit Mineral Resource Estimate for the Hopes Advance project. The Resource Estimate NI 43-101 technical report is available on the Company's website ([www.oceanicironore.com](http://www.oceanicironore.com)) and on SEDAR ([www.sedar.com](http://www.sedar.com)).

### *3. Economic Mineral Reserves*

- In November 2012, as part of its Pre-Feasibility Study, the Company published an NI 43-101 compliant mineral reserve estimate.

### *4. Metallurgy*

- Metallurgical bench scale testing program and pilot plant testwork was conducted by SGS Mineral Services Lakefield which was completed to optimize the process flow sheet for the recovery of hematite and magnetite ores.

### *5. Product Versatility and Marketability*

- Completion of a Product Value-In-Use Marketing Study, led by Vulcantech Technologies Pty Ltd. Further discussion of the results of the study can be found in the press release on the Company's website ([www.oceanicironore.com](http://www.oceanicironore.com)).
- Completed a Pot Grate test work program, performed by Coleraine Minerals Research Laboratory and supervised by Rod Johnson, VP Geometallurgy. Details on the results of the program can be found in the press release on the Company's website ([www.oceanicironore.com](http://www.oceanicironore.com)).

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- Completion of a Shipping Optimization Study, led by AMEC Environment and Infrastructure. Details on the results of the study can be found in the press release on the Company's website ([www.oceanicironore.com](http://www.oceanicironore.com)).

### 6. *Community/Government Relations and Support*

- As noted above, in June 2015, the Québec government, through its subdivision Ressources Québec, provided the Company with a Letter of Intent, whereby Ressources Québec would contribute up to 25% or \$3.75 million of a potential future \$15 million financing to bring the Hopes Advance project through a Feasibility Study, subject to additional future government approvals.

### 7. *Environmental*

- To date, all of the terrestrial baseline work for the Environmental Impact Assessment has been completed. As noted above, the outstanding components include marine baseline data inventories and additional consultations with relevant stakeholders.
- A time sensitive migratory bird survey was completed during May 2016. Further, in September 2016, the Company completed baseline data collection focused on marine mammals, fish studies, water quality, and mollusk habitat. With the insights obtained from baseline data collection and environmental studies the Company will engage in additional future dialogue with Inuit stakeholders in the region to optimize the Project's benefits and minimize the impacts associated with the Project's construction and subsequent operations
- No additional environmental work or expenditure is presently contemplated until the Company succeeds at securing additional short term financing.

Eddy Canova, P.Geo., OGQ(403), a Qualified Person as defined by NI 43-101, has reviewed and is responsible for the technical information contained in this document.

### **Overall Performance and Results of Operations**

Total assets increased to \$42,818,168 at September 30, 2017 from \$42,282,529 at March 31, 2017. The most significant assets at September 30, 2017 were mineral properties of \$42,150,852 (March 31, 2017: \$41,974,448), and cash and cash equivalents of \$647,294 (March 31, 2017: \$234,085). The Company had a working capital deficit at September 30, 2017 of \$1,721,496.

The net increase in mineral properties of \$176,404 largely reflects accretion of the Company's advance royalty payable as well as the associated holding costs of the Company's properties, land access payments, amortization of the Company's equipment, as well as office and administrative costs.

The increase in cash during the period of \$413,209 resulted largely from \$810,000 of proceeds received on a convertible debenture private placement that during the quarter, partially offset by \$72,746 interest paid on the Company's existing convertible debentures. Further, the Company incurred cash outflows from operating activities of \$259,383 and \$93,212 cash outflow from investing activities. Cash outflows from investing activities related in their entirety to mineral property expenditures as described above.

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### Three-month period ended September 30, 2017 and 2016

The Company incurred a net loss of \$291,829 during the three months ended September 30, 2017 (2016: \$307,669). The most significant operating expenses incurred were consulting and management fees of \$58,750 (2016: \$43,750) incurred to support the Company's operations, wages and benefits of \$37,344 (2016: \$76,334), and share-based payments of \$43,905 (2016: \$52,720). Consulting and management fees increased slightly from the same period in the prior year as a result of consulting fees paid to the Company's interim CEO. Wages and benefits decreased from the same period in the prior year as a result of the resignation of the Company's CEO, which occurred in June 2017. Further, the decrease in share-based payments as compared to same period in the prior year is a result of a decreased number of stock options and restricted share units vesting during the current year as compared to the prior year. Non-cash share based payments represent the Black-Scholes calculated fair value of the stock options vested during the period from options granted to directors, officers, employees and consultants.

During the three months ended September 30, 2017, the Company incurred \$97,294 of accretion expense on the Company's convertible debentures (2016: \$85,341).

### Six-month period ended September 30, 2017 and 2016

The Company incurred a net loss of \$625,720 during the six months ended September 30, 2017 (2016: \$627,216). The most significant operating expenses incurred were consulting and management fees of \$102,500 (2016: \$87,500) incurred to support the Company's operations, wages and benefits of \$108,009 (2016: \$152,298), and share-based payments of \$115,640 (2016: \$116,361). Consulting and management fees increased slightly from the same period in the prior year as a result of consulting fees paid to the Company's interim CEO. Share-based payments remained consistent with the same period in the prior year. Non-cash share based payments represent the Black-Scholes calculated fair value of the stock options vested during the period from options granted to directors, officers, employees and consultants. Wages and benefits decreased from the same period in the prior year as a result of the resignation of the Company's CEO, which occurred in June 2017.

During the six months ended September 30, 2017, the Company incurred \$191,259 of accretion expense on the Company's convertible debentures (2016: \$168,024).

## **Liquidity and Capital Resources**

While the financial statements have been prepared on the basis that the Company will continue as a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due, certain conditions and events result in a material uncertainty casting significant doubt on the validity of this assumption. For the six months ended September 30, 2017, the Company reported a loss of \$625,720 and as at that date had an accumulated deficit of \$29,086,464. The Company has a working capital deficit of \$1,721,496 at September 30, 2017 largely in respect of a convertible debenture which matures on November 23, 2017, of which may be settled in common shares at the discretion of the Company. Although the Company completed a convertible debenture financing in September 2017, the Company's ability to continue on a going concern basis beyond the next twelve months depends on its ability to successfully raise additional financing for continued operations and for the necessary capital expenditures required to achieve planned principal operations. The Company continues to pursue a number of options to improve its financial capacity, including securing a strategic partner to

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further advance the Hopes Advance project, and obtaining cash flow through other forms of financing. While the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms acceptable to the Company. These material uncertainties cast significant doubt upon the Company's ability to continue as a going concern.

Factors that could affect the availability of financing include the Company's performance, the state of international debt and equity markets, investor perceptions and expectations, the retention of key executive management and the state of global financial and metals markets.

### Convertible Debentures – 2017 Private Placement

On September 26, 2017, the Company completed a non-brokered financing of \$810,000 by way of issuance of convertible debentures (the "2017 Debentures"). The 2017 Debentures carry an interest rate of 8.5%, payable quarterly, with a maturity date of September 26, 2022. The 2017 Debentures are secured against the assets of the Company.

The principal amount of the 2017 Debentures are convertible at any time at the election of the Company. The 2017 Debentures are convertible into Units, whereby each Unit consists of one common share of the Company and one share purchase warrant of the Company. The conversion price during the first year of the 2017 Debentures is \$0.08 per Unit, increasing to \$0.10 per Unit for the remainder of the life of the 2017 Debentures. Each share purchase warrant entitles the holder to purchase one common share of the Company at a price of \$0.10 per common share, expiring September 26, 2022.

The Company intends to use the proceeds of the 2017 Debentures to fund ongoing negotiations with potential strategic partners, general claims maintenance, and corporate and working capital purposes.

### Convertible Debentures – Sino-Canada Natural Resources Fund I ("Sino-Canada Debenture")

The Company's convertible debenture with Sino-Canada originally entered into in May 2013, and subsequently amended in November 2015, has a remaining principal balance of \$2,025,329. The maturity date of the remaining principal amounts of the Sino-Canada Debenture is November 23, 2017, with an interest rate of 6%, payable quarterly.

Pursuant to the Sino-Canada Debenture agreement, the remaining principal amount of the debenture is convertible to common shares of the Company at a price of \$0.43 per share at the election of the subscriber. In addition, and subject to receipt of all required regulatory approvals, the Company has the right at any time to pay all or any part of the unpaid principal in respect of the debenture in common shares, where the issue price of each common share will be equal to the volume weighted average trading price for the 20 days prior to the date of notice of the conversion.

In the event that the volume weighted average trading price of common shares is equal to or greater than \$0.43 per share for any 20-consecutive trading day period during the term of the debenture, the principal and interest owing under the debenture will be automatically converted into common shares of the Company.

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On November 17, 2017, the Company provided formal notice that the Company will repay the remaining principal balance and any unpaid accrued interest of the Sino-Canada Debentures, through the issuance of 16,734,703 common shares of the Company on November 23, 2017, being the maturity date of the Sino-Canada Debentures. The conversion price is based on the volume weighted average share price during the 20 trading days ending on the day before the Company provided notice of its intent to repay the Sino-Canada Debentures in common shares of the Company, being \$0.1221. The amount to be repaid of \$2,043,307 comprises a principal balance owing of \$2,025,329 plus accrued and unpaid interest up to the maturity date of \$17,798.

### Off-Balance Sheet Arrangements

As at September 30, 2017, the Company had no off-balance sheet arrangements.

### Summary of Quarterly Results

Below is a summary of results for the eight most recently completed quarters in accordance with IFRS:

	Q2 2018		Q1 2018		Q4 2017		Q3 2017	
Revenues ( <b>Note 1</b> )	\$	-	\$	-	\$	-	\$	-
Net loss	\$	(291,829)	\$	(333,892)	\$	(414,562)	\$	(314,935)
Basic and diluted loss per share	\$	(0.01)	\$	(0.01)	\$	(0.01)	\$	(0.01)

  

	Q2 2017		Q1 2017		Q4 2016		Q3 2016	
Revenues ( <b>Note 1</b> )	\$	-	\$	-	\$	-	\$	-
Net loss	\$	(307,669)	\$	(319,547)	\$	(382,640)	\$	(408,632)
Basic and diluted loss per share	\$	(0.01)	\$	(0.01)	\$	(0.02)	\$	(0.01)

**Note 1** – As the Company has yet to achieve commercial production from its mineral related assets, the Company has no revenue to report during the financial reporting periods noted above.

The decrease in net loss in Q1 2017 from Q4 and Q3 2016 is a result of a lower number of share-based payments vesting during the period. The net loss remained relatively consistent from Q1 2017 to Q3 2017. The increase in net loss from Q3 2017 to Q4 2017 is largely a result of an increase in share based payments as a result of the stock option grant that occurred during Q4 2017. The decrease in the net loss in Q1 2018 from Q4 2017 was a result of lower professional fees incurred due to the Company's year end audit which took place in the prior quarter, in addition to decreased corporate development costs due to less travel in managements efforts to preserve cash. Lastly there was decreased share-based payment expense recognized during the quarter as a result of a lower number of stock options vesting during the quarter. The decrease in Q2 2018 from Q1 2018 is a result of lower wages and benefits resulting from the Company's CEO resigning in June 2017. Further, there was a decrease in share-based payment expense recognized

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during the quarter as a result of lower number of stock options and restricted share units vesting during the quarter.

## **Critical Accounting Policies**

A detailed summary of all the Company's significant accounting policies is included in Note 3 to the audited annual financial statements for the year ended March 31, 2017.

## **Critical Accounting Estimates**

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Areas requiring the use of estimates include measurement of advance royalty payables, fair value of the liability component of the convertible debenture (which includes estimates of (i) the amount and timing of cash flows, and (ii) the Company's cost of debt), and measurement and recovery of deferred tax benefits. Actual results may differ from these estimates.

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

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the notes to the annual audited financial statements for the year ended March 31, 2017 where applicable.

## **Financial Instruments and Other Instruments**

### *Financial Risk Management*

The Company is exposed in varying degrees to a variety of financial instrument related risks. The board approves and monitors the risk management processes.

### Credit Risk

Credit risk arises from the potential for non-performance by counterparties of contractual financial obligations. The Company's exposure to credit risk is on its cash and cash equivalents and receivables. The Company has concentration of risk with respect to cash being held with one large Canadian financial institution. The Company's credit risk is mitigated by maintaining its financial liquid assets with highly reputable counterparties. The maximum exposure to credit risk is equal to the carrying value of the financial assets noted above.

### Liquidity Risk

Liquidity risk is the risk that the Company cannot meet its obligations as they fall due. The Company's cash and cash equivalents are invested in business accounts and term deposits which are available on demand. The Company manages liquidity risk by preparing and maintaining cash forecasts, which illustrate cash spent to date and the Company's cash needs over the short term. Contractual undiscounted cash flow requirements for financial liabilities as at September 30, 2017 and March 31, 2017 are presented below.

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September 30, 2017

	Less than 1 year	1 - 3 years	4 - 5 years	Total
Accounts payable and accrued liabilities	\$ 127,186	\$ -	\$ -	\$ 127,186
Due to related parties	87,554	-	-	87,554
Sino-Canada convertible debenture - liability component*	2,025,329	-	-	2,025,329
Advance royalty payable	200,000	400,000	400,000	1,000,000

March 31, 2017

	Less than 1 year	1 - 3 years	4 - 5 years	Total
Accounts payable and accrued liabilities	\$ 149,361	\$ -	\$ -	\$ 149,361
Due to related parties	4,374	-	-	4,374
Convertible debenture - liability component*	2,025,329	-	-	2,025,329
Advance royalty payable	200,000	400,000	400,000	1,000,000

\*The convertible debentures may be convertible into common shares at the discretion of the Company. On November 17, 2017, the Company provided notice to convert into 16,734,703 common shares of the Company.

The Company's ability to continue operations in the normal course of business is dependent on several factors, including the ability to secure additional financing. In addition, the recoverability of the amounts shown for mineral properties are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production, all of which are uncertain.

### Market Risk

Market risk is the risk that the fair market value of the Company's financial instruments will significantly fluctuate due to changes in market prices. The value of the financial instruments can be affected by changes in interest rates, foreign exchange rates and equity and commodity prices. The Company is exposed to market risk in its cash and cash equivalents. The Company manages market risk by investing funds with a reputable financial institution that provides competitive rates of return.

The Company's financial instruments are not subject to significant fluctuation due to changes in equity prices of investments included in commodity prices or foreign exchange rates.

The Company also invests surplus cash in fixed rate term deposits. It is the Company's policy to reduce interest rate risk over future cash flows through the use of instruments with a history of returns. A 1% change in interest rates would have a negligible impact on net loss and comprehensive loss.

### Fair value

Fair value is based on available public market information or, when such information is not available, estimated using present value techniques and assumptions concerning the amount and timing of future cash flows and discount rates which factor in the appropriate credit risk. The carrying values of cash and cash equivalents, receivables, restricted cash, accounts payable and accrued liabilities, and due to related parties approximate their fair values due to their short term nature.

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### Commitments

Effective March 1, 2011 (amended on July 1, 2012) the Company entered into an agreement with an affiliated company, with a director and officer in common, in respect of shared lease, overhead and service costs. Under the agreement, the Company is billed quarterly for office rental and other services relating to its office in Vancouver. The agreement expires on December 31, 2018. Either party may terminate the agreement by providing 90 days' notice.

As part of the acquisition of the Ungava Bay mineral properties, commencing on November 30, 2011, Oceanic must pay advance net smelter royalty ("NSR") payments of \$200,000 per year, which will be credited against all future NSR payments payable from production.

Subsequent to period end, the Company signed an amending agreement with one of the royalty holders, whereby the annual advance royalty payment of \$100,000, originally due on November 30, 2017, was deferred for a period of one year. On November 30, 2018, the Company will have the option to settle the advance royalty payment by cash payment or by way of issuance of Common Shares of the Company.

The committed charges for the Company are as follows:

	Vancouver	NSR	Total
September 30,	office rent	payments	commitments
2018	34,219	200,000	234,219
2019	8,486	200,000	208,486
Thereafter	-	600,000	600,000
	\$ 42,705	\$ 1,000,000	\$ 1,042,705

### Related Party Transactions and Key Management Compensation

#### a) Key management compensation

Key management includes the Company's directors, Chief Executive Officer, Chief Financial Officer and President and Chief Operating Officer. Compensation awarded to key management is presented in the table below:

Related Party	Relationship	Compensation Type	Three months ended	Three months ended	Three months ended	Three months ended
			September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Steven Dean	Executive Chairman and Director	Share-based payments and Directors' fees	\$ 12,386	\$ 19,593	\$ 24,501	\$ 41,788
Alan Gorman *	Former President and CEO	Wages, benefits, and share-based payments	8,917	\$ 61,830	70,406	124,162
Bing Pan *	Interim CEO	Share-based payments	3,120	\$ -	7,133	-
Gordon Keep	Director	Directors' fees and share-based payments	6,558	6,196	14,097	12,912
Hon. John D. Reynolds P.C.	Director	Directors' fees and share-based payments	6,558	5,709	14,097	11,742
Jean Martel**	Director	Directors' fees and share-based payments	933	6,034	9,097	12,522
Daisy Zhu***	Director	Share-based payments	2,652	-	6,063	-
Chris Batalha	CFO and Corporate Secretary	Wages, benefits, and share-based payments	20,307	21,586	41,949	42,046
			\$ 61,431	\$ 120,948	\$ 187,343	\$ 245,172

\*On June 14, 2017, Mr. Alan Gorman resigned as President, CEO and director of the Company. Mr. Bing Pan succeeded Mr. Gorman as Interim CEO. Mr. Bing Pan was formerly a consultant to the Company.

\*\*On April 7, 2017, Mr. Jean Martel resigned as a director of the Company.

\*\*\*On September 26, 2017, Daisy Zhu resigned as a director of the Company, Cathy Chan succeeded Ms. Zhu as a director of the Company.

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As at September 30, 2017, the Company had the following balances owed to certain officers and directors of the Company:

Related Party	Relationship	Compensation Type	Amount Payable (\$)
Gordon Keep	Director	Directors' fees	7,500
Hon. John D. Reynolds P.C.	Director	Directors' fees	7,500
Steven Dean	Director	Directors' fees	2,500
Chris Batalha	CFO and Corporate Secretary	Wages and benefits	5,000

### b) Payments for services by related parties

During the three and six months ended September 30, 2017, the Company incurred corporate consulting fees of \$28,750 and \$57,500, respectively (September 30, 2016: \$28,750 and \$57,500, respectively), to Sirocco Advisory Services Ltd., a company controlled by Steven Dean, a director and officer of the Company.

During the three and six months ended September 30, 2017, the Company incurred corporate consulting fees of \$15,000 and \$30,000, respectively (September 30, 2016: \$10,500 and \$21,000, respectively) to Sinocan Consultant Hong Kong Ltd., a company controlled by Bing Pan, the Interim CEO of the Company.

As disclosed in the section entitled "Commitments", the Company is charged shared lease and overhead, and service costs by Atlantic Gold Corporation, a company with a director and officer in common, being Steven Dean and Chris Batalha, respectively. During the three and six months ended September 30, 2017, the Company incurred \$18,844 and \$38,095, respectively (September 30, 2016: \$19,057 and \$37,607, respectively) in shared lease, overhead, and service costs. As at September 30, 2017, the Company owed \$49,147 to Atlantic Gold Corporation (March 31, 2017: \$4,374).

In September 2017, the Company completed a non-brokered financing by way of issuance of convertible debentures. The convertible debentures are secured against the assets of the Company. The following table outlines the debentures held by officers and directors of the Company:

Related Party	Relationship	2017 Debentures Held (\$)
Steven Dean*	Executive Chairman	33,000
Gordon Keep	Director	50,000
Chris Batalha	CFO and Corporate Secretary	22,000

*\*Convertible Debentures are held through Sirocco Advisory Services, a company controlled by Steven Dean*

Related party transactions were made on terms equivalent to those that prevail in arm's length transactions.

### Outstanding Share Data

As at the date of this report, there were 50,129,480 common shares issued and outstanding.

As at the date of this report, there were 4,430,949 stock options, 4,925,000 common share purchase warrants, and 566,665 RSUs outstanding.

As discussed in the section entitled "Convertible Debenture", the remaining principal amount of \$2,025,329 of the Company's Sino-Canada Debentures can be converted, at the election of the subscriber, to 4,710,067 common shares of the Company at a price of \$0.43 per share. In addition, and subject to receipt

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of all required regulatory approvals, the Company has the right at any time to pay all or any part of the unpaid principal in respect of the debenture in common shares, where the issue price of each common share will be equal to the volume weighted average trading price for the 20 days prior to the date of notice of the conversion.

In the event that the volume weighted average trading price of common shares is equal to or greater than \$0.43 per share for any 20-consecutive trading day period during the term of the debenture, the principal and interest owing under the debenture will be automatically converted into common shares of the Company at \$0.43 per common share.

On November 17, 2017, the Company provided notice to convert the Sino-Canada Debentures into common shares.

Further, the Company's 2017 Debentures with a principal balance of \$810,000 can be converted to 10,125,000 common shares of the Company at a price of \$0.08 per share during the first year of the 2017 Debentures, and decreasing to 8,100,000 common shares of the Company at a price of \$0.10 per share for the remainder of the life of the 2017 Debentures. Further, the 2017 Debentures also entitle each holder share purchase warrants to purchase one common share of the company at a price of \$0.10 per common share, expiring September 26, 2022.

### **Risks and Uncertainties**

The Company is in the business of acquiring, exploring and, if warranted, developing and exploiting natural resource properties. At present, the mineral properties owned by the Company are located in Québec, Canada. Due to the nature of the Company's proposed business and the present stage of exploration of its mineral properties (which are primarily exploration), the following risk factors, among others, will apply:

#### *Going Concern*

The financial statements have been prepared on a going concern basis, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business.

While these financial statements have been prepared on the basis that the Company will continue as a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due, certain conditions and events result in material uncertainty casting significant doubt on the validity of this assumption. For the six months ended September 30, 2017, the Company reported a loss of \$625,720 and as at that date had an accumulated deficit of \$29,086,464 and working capital deficit of \$1,721,496 largely in respect of a convertible debenture which matures on November 23, 2017, which will be settled in common shares of the Company. Despite the private placement financing that completed in September 2017, the Company may need to raise additional funds in order to finance ongoing exploration, development and administrative expenses over the coming 12 months. The Company continues to pursue a number of options to improve its financial capacity, including securing a strategic partner to further advance the Hopes Advance project, and obtaining cash flow through other forms of financing. The success of raising such funds cannot be assured. Factors that could affect the availability of financing include the Company's performance, the state of international debt and equity markets, investor

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perceptions and expectations, the retention of key executive management and the state of global financial and metals markets.

These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary were the going concern assumption deemed to be inappropriate, and these adjustments could be material.

### *Exploration, Development and Operating Risks*

The exploration for and development of mineral deposits involves significant risks which even a combination of careful evaluation, experience and knowledge may not eliminate. Few properties that are explored are ultimately developed into producing mines. Major expenses may be required to locate and establish mineral reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site. It is impossible to ensure that the exploration or development programs planned by the Company will result in a profitable commercial mining operation. Whether a mineral deposit will be commercially viable depends on a number of factors, some of which are: the particular attributes of the deposit, such as quantity and quality of the minerals and proximity to infrastructure; mineral prices, which are highly cyclical; and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. The exact effect of these factors cannot be accurately predicted but could have a material adverse effect upon the Company's operations.

Mining operations generally involve a high degree of risk. The operations of the Company are subject to all the hazards and risks normally encountered in the exploration, development and production of minerals, including unusual and unexpected geologic formations, seismic activity, rock bursts, cave-ins, flooding and other conditions involved in the drilling and removal of material, any of which could result in damage to, or destruction of, mines and other producing facilities, damage to life or property, environmental damage and possible legal liability. Although adequate precautions to minimize risk will be taken, milling operations are subject to hazards such as equipment failure or failure of retaining dams around tailings disposal areas, which may result in environmental pollution and consequent liability.

There is no certainty that the expenditures made by the Company toward the search and evaluation of minerals will result in discoveries of mineral resources, Mineral Reserves or any other mineral occurrences.

### *Political Stability and Government Regulation Risks*

The operations of the Company are currently conducted in Québec, Canada. As such, the operations of the Company are exposed to various levels of political, economic and other risks and uncertainties. These risks and uncertainties include, but are not limited to: terrorism; extreme fluctuations in currency exchange rates; and changing political conditions, currency controls and governmental regulations. Changes, if any, in mining or investment policies or shifts in political attitudes in Québec or Canada more broadly may adversely affect the operations or profitability of the Company. Operations may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on production, price controls, export controls, currency remittance, income taxes, expropriation of property, foreign investment, maintenance of claims, environmental legislation, land use, land claims of local people, water use and mine safety. For example, in 2013 the Government of Québec announced proposed changes to Québec's Mining Act, which were subsequently defeated in the Legislature. It is possible that amended changes may be proposed at some future date. Failure to comply strictly with applicable laws, regulations and local practices relating to mineral rights applications and tenure could result in loss, reduction or expropriation of

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entitlements, or the imposition of additional local or foreign parties as joint venture partners with carried or other interests.

The occurrence of these various factors and uncertainties cannot be accurately predicted and could have an adverse effect on the operations or profitability of the Company.

## *Insurance and Uninsured Risks*

The business of the Company is subject to a number of risks and hazards in general, including adverse environmental conditions, industrial accidents, labor disputes, unusual or unexpected geological conditions, ground or slope failures, changes in the regulatory environment and natural phenomena such as inclement weather conditions, floods and earthquakes. Such occurrences could result in damage to mineral properties or facilities and equipment, personal injury or death, environmental damage to properties of the Company or others, delays in mining, monetary losses and possible legal liability.

Although the Company may maintain insurance to protect against certain risks in such amounts as it considers being reasonable, its insurance may not cover all the potential risks associated with a mining company's operations. The Company may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not be available or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as environmental pollution or other hazards as a result of exploration and production is not generally available to the Company or to other companies in the mining industry on acceptable terms. The Company might also become subject to liability for pollution or other hazards which it may not be insured against or which the Company may elect not to insure against because of premium costs or other reasons. Losses from these events may cause the Company to incur significant costs that could have a material adverse effect upon its financial performance and results of operations.

## *Environmental Risks and Hazards*

All phases of the Company's operations are subject to environmental regulation in the various jurisdictions in which it operates. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner that will require stricter standards and enforcement and involve increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects, and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations. Environmental hazards may exist on properties in which the Company holds interests which are unknown to the Company at present and which have been caused by previous or existing owners or operators of the properties.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions there under, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions. Parties engaged in mining operations or in the exploration or development of mineral properties may be required to compensate those suffering loss or damage by

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reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Amendments to current laws, regulations and permits governing operations and activities of mining and exploration companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in exploration expenses, capital expenditures or require abandonment or delays in development of new mining properties.

### *Fluctuations in Metal Prices*

The price of the common shares, and the financial results and exploration, development and mining activities of the Company, may in the future be significantly and adversely affected by declines in the prices of iron ore and other metals or minerals. The prices of iron ore and other metals or minerals fluctuate widely and are affected by numerous factors beyond the control of the Company such as the sale or purchase of commodities by various central banks and financial institutions, interest rates, exchange rates, inflation or deflation, fluctuations in the value of the United States dollar and other foreign currencies, global and regional supply and demand, the political and economic conditions and production costs of major mineral-producing countries throughout the world, the cost of substitutes, inventory levels and carrying charges. Future serious price declines in the market prices of iron ore or other metals or minerals could cause continued development of and commercial production from the properties in which the Company holds an interest to be impracticable. Depending on the prices of iron ore and other metals and minerals, cash flow from mining operations could not be sufficient and the Company may lose its interest in, or may be forced to sell, some of its properties. Future production from the Company's properties is dependent upon the prices of iron ore and other metals and minerals being adequate to make these properties economically viable.

In addition to adversely affecting the resource estimates of the Company and its financial condition, declining commodity prices can affect operations by requiring a reassessment of the feasibility of a particular project. Such a reassessment may be the result of a management decision or be required under financing arrangements related to a particular project. Even if a project is ultimately determined to be economically viable, the need to conduct such a reassessment may cause substantial delays or interrupt operations until the reassessment can be completed.

### *Key Personnel*

The Company is dependent upon the services of key executives, including the directors of the Company and a small number of highly skilled and experienced executives and personnel. Due to the relatively small size of the Company, the loss of these persons or the inability of the Company to attract and retain additional highly-skilled employees may adversely affect its business and future operations.

### *Share Price Volatility and Liquidity*

Publicly quoted securities are subject to a relatively high degree of price volatility. It may be anticipated that the quoted market for our shares will be subject to market trends generally, notwithstanding any potential success of us in creating sales and revenues. In addition, our shareholders may be unable to sell significant quantities of shares into the public trading markets without a significant reduction in the price of their shares, if at all.

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## Forward Looking Statements

This document includes certain "Forward-Looking Statements" as that term is used in applicable securities law. All statements included herein, other than statements of historical fact, including, without limitation, statements regarding potential mineralization and resources, exploration results, and future plans and objectives of the Company, are forward-looking statements that involve various risks and uncertainties. In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "scheduled", "believes", or variations of such words and phrases or statements that certain actions, events or results "potentially", "may", "could", "would", "might" or "will" be taken, occur or be achieved. There can be no assurance that such statements will prove to be accurate, and actual results could differ materially from those expressed or implied by such statements. Forward-looking statements are based on certain assumptions that management believes are reasonable at the time they are made. In making the forward-looking statements in this presentation, the Company has applied several material assumptions, including, but not limited to, the assumption that: (1) there being no significant disruptions affecting operations, whether due to labour/supply disruptions, damage to equipment or otherwise; (2) permitting, development, expansion and power supply proceeding on a basis consistent with the Company's current expectations; (3) certain price assumptions for iron ore; (4) prices for availability of natural gas, fuel oil, electricity, parts and equipment and other key supplies remaining consistent with current levels; (5) the accuracy of current mineral resource estimates on the Company's property; (6) labour and material costs increasing on a basis consistent with the Company's current expectations; and (7) the ability to achieve the required financing from equity markets, debt markets and/or a strategic partner/off-taker to facilitate the development and eventual construction of the Company's projects. Important factors that could cause actual results to differ materially from the Company's expectations are disclosed under the heading "Risks and Uncertainties" in this MD&A. Such factors include, among others, risks related to the ability of the Company to obtain necessary financing and adequate insurance; the economy generally; fluctuations in the currency markets; fluctuations in the spot and forward price of iron ore or certain other commodities (e.g., diesel fuel and electricity); changes in interest rates; disruption to the credit markets and delays in obtaining financing; the possibility of cost overruns or unanticipated expenses; employee relations. Accordingly, readers are advised not to place undue reliance on Forward-Looking Statements. Except as required under applicable securities legislation, the Company undertakes no obligation to publicly update or revise Forward-Looking Statements, whether as a result of new information, future events or otherwise.

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