



**SULLIDEN**  
MINING CAPITAL

**MANAGEMENT'S DISCUSSION AND  
ANALYSIS**

**For the three and nine months ended April 30, 2017 and 2016  
(Expressed in Canadian dollars)**

**SULLIDEN MINING CAPITAL INC.  
(an exploration stage mining company)**

65 Queen Street West, Suite 800  
Toronto, ON M5H 2M5

**Date: June 14, 2017**

## **INTRODUCTION**

The following Management Discussion and Analysis (“MD&A”) of Sulliden Mining Capital Inc. (“we”, “our”, “us”, the “Company” or “SMC”) provides a discussion and analysis of the operations, results, and financial condition of the Company for the three and nine months ended April 30, 2017 and 2016, and should be read in conjunction with the Company’s condensed interim consolidated financial statements for the three and nine months ended April 30, 2017 as well as the Company’s annual consolidated financial statements for the year ended July 31, 2016. This discussion covers the period for the nine months ended April 30, 2017 and the subsequent period up to the date of the filing of this MD&A. Other pertinent information about the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com) as well as on the Company’s website at [www.sulliden.com](http://www.sulliden.com).

For the purpose of preparing our MD&A, the Company considers the materiality of information. Information is considered material if in the opinion of management: (i) such information results in, or would reasonably be expected to result in, a significant effect in the market price or value of our shares; (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) it would significantly alter the total mix of information available to investors. We evaluate materiality with reference to all relevant circumstances. All dollar amounts are stated in Canadian dollars unless otherwise indicated.

This MD&A contains forward-looking information that also involves numerous risks and uncertainties. Actual results of the Company’s business and operations could differ materially from those discussed in such forward-looking information as a result of the risks and uncertainties faced by the Company, including those set forth in this MD&A under “Forward Looking Information and Cautionary Statements”, “Risk and Uncertainties”, and as discussed in the Company’s annual information form (AIF) which is available under the Company’s profile at [www.sedar.com](http://www.sedar.com).

References to the first, second and third quarters of 2017 and 2016 or Q1-, Q2- and Q3-2017 and Q1-, Q2- and Q3-2016 mean the quarters ending October 31, 2016, January 31, 2017 and April 30, 2017, and October 31, 2015, January 31, 2016 and April 30, 2016 respectively.

Stéphane Amireault, P.Eng (B.Eng; MScA), is the Company’s in-house Qualified Person for geology for the purposes of National Instrument 43-101 (“NI 43-101”). Joseph C. Milbourne, FAusIMM, is the Company’s in-house Qualified Person for all technical materials (except geology) for the purposes of NI 43-101. Mr. Amireault and Mr. Milbourne have reviewed and approved the respective scientific and technical disclosure in this MD&A.

## **UPDATE AND OUTLOOK**

The Company was incorporated on June 10, 2014 as a wholly owned subsidiary of the former Sulliden Gold Corporation Ltd. (“Sulliden”). Pursuant to a statutory plan of arrangement (the “Arrangement”) under section 182 of the *Business Corporations Act* (Ontario) among the Company, Sulliden and Rio Alto Mining Limited (“Rio Alto”), all of the issued and outstanding common shares of Sulliden were, effective August 5, 2014, exchanged for 0.525 of a common share of Rio Alto and 0.10 of a common share of the Company. Effective August 11, 2014, the common shares of the Company commenced trading on the Toronto Stock Exchange under the symbol SMC.

Upon completion of the Arrangement, the Company assumed Sulliden’s interests in the East Sullivan Property, valued in the amount of \$133,538 and the Company was capitalized with \$24,760,514 in cash.

In May 2016, Sulliden Moçambique Ltd. was incorporated in Mozambique and is 100% owned subsidiary of the Company. As well, 2507868 Ontario Inc. is a 100% subsidiary of the Company.

## **TROILUS MINE PROJECT**

The Troilus property is located approximately 175 km by road from the town of Chibougamau, Quebec, Canada. The property consists of 81 mineral claims and one surveyed mining lease that collectively cover approximately 4,700 hectares. The acquisition will include all infrastructure such as roads, power lines, camp buildings, permitted tailings pond, and associated water treatment facilities. The mill was sold and removed during the first phase of reclamation.

From 1997 to 2010 Inmet Mining Corporation ("Inmet") operated the Troilus Mine, which produced in excess of 2,000,000 ounces of gold and 70,000 tonnes of copper. Inmet commissioned the Troilus mill in 1996 and achieved commercial production in April 1997 at a rate of 10,000 tonnes per day with recoveries of 86% gold and 90% copper and a concentrate grade of 18% copper, eventually reaching a production milestone of 18,000 tonnes per day. First Quantum acquired the Troilus property through its acquisition of Inmet in 2013.

In May 2016, the Company announced the completion of a mineral resource estimate for the Troilus Mine, which was completed by Mr. Luke Evans, Executive Vice-President, Geology and Resource Estimation, Principal Geologist at RPA (see press release dated May 25, 2016). The mineral resource estimate was generated with a focus on a potential underground mining scenario. See "Forward-Looking Information and Cautionary Statements".

**Table 1 - Underground Mineral Resources (as at April 22, 2016)**

Classification	Zone	Tonnage (Mt)	Au (g/t)	Cu%	AuEq (g/t)	Contained Gold (000 oz)	Contained Copper (Mlb)	Contained AuEq (000 oz)
Indicated	Z87	29.6	1.48	0.157	1.72	1,403	102.2	1,635
	J4	-	-	-	-	-	-	-
	J5	-	-	-	-	-	-	-
<b>Total Indicated</b>		<b>29.6</b>	<b>1.48</b>	<b>0.157</b>	<b>1.72</b>	<b>1,403</b>	<b>102.2</b>	<b>1,635</b>
Inferred	Z87	7.9	1.19	0.138	1.41	305	24.2	360
	J4	4.4	1.15	0.040	1.21	163	3.9	172
	J5	0.3	0.98	0.045	1.05	10	0.3	11
<b>Total Inferred</b>		<b>12.6</b>	<b>1.18</b>	<b>0.102</b>	<b>1.33</b>	<b>478</b>	<b>28.4</b>	<b>543</b>
Notes:								
<ol style="list-style-type: none"> <li>1. CIM definitions were followed for mineral resources.</li> <li>2. Mineral resources were estimated at a cut-off grade of 0.8 g/t Au.</li> <li>3. Mineral resources were estimated using long-term metal prices of US\$1,500 per ounce gold and US\$3.50 per pound copper; and an exchange rate of US\$1.00 = C\$1.1.</li> <li>4. <math>AuEq = (34.59 * Au\ Grade + 54.02 * Cu\ grade) / 34.59</math></li> <li>5. A recovery of 83% was used for gold and 92% for copper.</li> <li>6. Numbers may not add due to rounding.</li> <li>7. Other than the receipt of necessary permits and ongoing reclamation obligations, Sulliden does not know of any material legal, political, environmental or other factors that could affect the development of the project.</li> </ol>								

**Table 2 - Open Pit Mineral Resources (as at April 22, 2016)**

Classification	Zone	Tonnage (Mt)	Au (g/t)	Cu%	AuEq (g/t)	Contained Gold (000 oz)	Contained Copper (Mlb)	Contained AuEq (000 oz)
Indicated	87	-	-	-	-	-	-	-
	J4	12.2	0.84	0.044	0.91	329	11.8	356
	J5	2.2	0.80	0.052	0.88	57	2.5	63
<b>Total Indicated</b>		<b>14.4</b>	<b>0.83</b>	<b>0.045</b>	<b>0.90</b>	<b>386</b>	<b>14.3</b>	<b>419</b>
Inferred	287	-	-	-	-	-	-	-
	J4	2.9	0.85	0.043	0.92	81	2.8	87
	J5	0.7	0.78	0.059	0.87	18	0.9	20
	J4 Low	2.5	0.56	0.049	0.64	45	2.7	51
<b>Total Inferred</b>		<b>6.1</b>	<b>0.73</b>	<b>0.048</b>	<b>0.81</b>	<b>144</b>	<b>6.4</b>	<b>158</b>
Notes:								
<ol style="list-style-type: none"> <li>1. CIM definitions were followed for mineral resources.</li> <li>2. Mineral resources were estimated at a cut-off grade of 0.3 g/t Au and were constrained by a Whittle pit shell.</li> <li>3. Mineral resources were estimated using long-term metal prices of US\$1,500 per ounce gold and US\$3.50 per pound copper; and an exchange rate of US\$1.00 = C\$1.1.</li> <li>4. <math>AuEq = (34.59 * Au\ Grade + 54.02 * Cu\ grade) / 34.59</math></li> <li>5. A recovery of 83% was used for gold and 92% for copper.</li> <li>6. Numbers may not add due to rounding.</li> <li>7. Other than the receipt of necessary permits and ongoing reclamation obligations, Sulliden does not know of any material legal, political, environmental or other factors that could affect the development of the project.</li> </ol>								

The Company filed a technical report authored by Mr. Evans on July 8, 2016.

### **EAST SULLIVAN PROPERTY**

The Company's exploration property is located in the Abitibi region of Québec, about five kilometres southeast from the city of Val-d'Or. The property forms a single claim block that consists of 21 contiguous staked claims registered in 1981 for a total area of 334 ha.

The Company holds a 100% interest in these claims, which are all in good standing and not subjected to any royalty agreement. In Québec, staked mining claims require a \$1,000 payment or work equivalent to be renewed on a two-year anniversary cycle. Suitable banked assessment credits originally generated by completing and filing eligible exploration work may be distributed on contiguous claims. Effective August 19, 2013, Sulliden Gold Corporation Ltd. had accumulated credits for a total of \$1,083,514. Effective December 10, 2013, accumulated assessment credits have a period of validity of the longer of twelve years or twelve years after filing for eligible assessment work.

The Company's exploration property is on public land, and permits would be obtained from the Ministère des Ressources Naturelles du Québec ("MRN") for machinery access, for drilling, or mechanical trenching activities.

There are no surface rights associated to the land holding, but exploration work would be coordinated with other land users including the MRN, the Québec Environment and Sustainable Development Ministry ("MDDP"), the City of Val-d'Or and Agnico-Eagle's Goldex-Manitou project managers in the area occupied by a tailings pile. The tailings pile left by the former East- Sullivan Mines has been rehabilitated

by the MRN and a certificate of authorization issued by the MDDP is required before initiating a drill program from the tailings surface or the containment dam.

The exploration property includes the past producing site of the East-Sullivan Mine. This historical exploitation of copper-zinc (gold-silver) massive sulphide lenses left mining infrastructure and a large tailings pile covering the central part of the property. After closure of the mine in 1966, the site was abandoned and declared an orphan site by the government of Québec, and is still listed as such. The site was among the first to be reclaimed by the Québec Government in the early 1980's, because of acid drainage problem caused by the pyrite-rich tailings. Wood waste covering of the tailings pile to reduce oxidation by rain water was initiated in 1984. In addition, the pile was surrounded by a containment dam between 1992 and 1996. In 1998, a recirculation circuit was introduced by pumping the outflow water from the impoundment to the tailings pile, throughout the organic cover.

There is no direct liability for past production on the property for the Company, but future exploration and exploitation activities will have to be carried out in coordination with governmental representatives in order to keep the integrity of the tailings confinement system. Ultimately, the tailings pile can be further secured and used for tailings disposal in the case of any future production by constructing appropriate containment facilities for tailings and waste material.

### ***Mineral Resource Estimate***

There are no current mineral reserves or mineral resources for the exploration property. Further details relating to the exploration property can be found in the technical report (NI-43-101) titled *Technical Report on the East Sullivan Property, Abitibi, Quebec*, which is filed on SEDAR at [www.sedar.com](http://www.sedar.com).

## **RESULTS OF OPERATIONS**

### For the three months ended April 30, 2017

For the three months ended April 30, 2017, the Company reported net loss of \$1,969,045 (or \$0.05 per share), compared to net income of \$7,129,694 for the three months ended April 30, 2016 (or \$0.19 per share). Net comprehensive loss was \$113,045 for the three months ended April 30, 2017 (three months ended April 30, 2016: comprehensive income of \$92,045).

### *Share-based compensation expense*

Share-based compensation was (\$6,861) for the three months ended April 30, 2017 compared to \$401,760 for the three months ended April 30, 2016. Share-based compensation expense relates to (a) Restricted Share Units (“RSUs”) and Deferred Share Units (“DSUs”) and (b) share-based compensation costs from the granting of share purchase options to employees, directors and consultants of the Company.

### **Share-based payments**

	<b>Q3-2017</b>	<b>Q3-2016</b>
Share purchase options	\$ -	\$ 183,293
Restricted share units	16,940	106,194
Deferred share units	(23,801)	112,273
	<b>\$ (6,861)</b>	<b>\$ 401,760</b>

During the three months ended April 30, 2017, no RSUs or DSUs were granted, but the Company incurred share-based payment expense related to accruals or vesting for RSU and DSU expense during the period. Expense for RSUs is lower for the current quarter due to front-loading of expense as a large number of the RSU's have reached the end of their vesting terms. No stock options were granted during the three months ended April 30, 2017 but 1,045,000 stock options were granted during the three months ended April 30, 2016. The value of DSU's is based on the Company's share price which decreased since the previous quarter, resulting in a credit of expense during the three months ended April 30, 2017.

As a result of the Company adopting a RSU plan and a DSU plan in 2014, as at April 30, 2017, the Company has allocated an aggregate of 4,375,000 RSUs to employees of the Company and an aggregate of 1,150,000 DSUs to the Company's independent directors.

Each RSU entitles an employee of the Company to receive one common share of the Company to be purchased in the secondary market by an independent trustee upon the vesting of such RSU, subject to acceleration upon a change of control of the Company. A trustee, appointed by the Company, purchased 2,834,000 common shares of the Company at an average cost of \$0.62 per common share during Q1-2015. During Q2-2017, 915,999 common shares were purchased at an average cost of \$0.35 per share. Of the 4,375,000 RSUs, 3,000,000 RSUs vested in three equal tranches, on each of January 1, 2015, January 1, 2016 and January 1, 2017; 500,000 RSUs vest in three equal tranches on each of January 5, 2017, January 5, 2018 and January 5, 2019; and 875,000 RSUs vest in three equal tranches on each of February 1, 2016, February 1, 2017 and February 1, 2018. At April 30, 2017, no common shares remain in treasury with the trustee.

Each DSU entitles the holder to receive a cash payment equal to the market price of one common share of the Company. The DSUs vest based on the pro-rata number of days each independent director remains a director of the Company until January 1, 2017 for 850,000 DSUs and until March 30, 2018 for 300,000 DSUs, except in the event of an earlier change of control, in which case, the DSUs will vest fully upon such change of control. During the prior fiscal year, 218,002 DSUs were forfeited and 31,998 DSUs cashed out with the resignation of a director.

*Professional, consulting and management fees*

Professional, consulting and management fees of \$625,860 were incurred for the three months ended April 30, 2017 compared to \$638,079 for the three months ended April 30, 2016 as follows:

	<b>Q3-2017</b>	<b>Q3-2016</b>
Salaries and benefits	\$ 351,764	\$ 433,270
Directors fees	26,042	18,750
Consulting fees	119,814	145,331
Legal, audit and professional fees	128,240	40,728
	<b>\$ 625,860</b>	<b>\$ 638,079</b>

Salaries and consulting fees decreased this quarter compared to Q3-2016 primarily as a result of the capitalization of salaries to exploration and evaluation assets related to the Troilus project. Legal and professional fees were higher during Q3-2017 compared to Q3-2016 as a result of costs associated with defaulted loan with APIO Africa Ltd. ("APIO") and the Daos assets which the Company is in the process of selling.

### *General and administrative expenses*

General and administrative expenses for the three-month periods are reflected in the table below:

	<b>Q3-2017</b>	<b>Q3-2016</b>
General and office	\$ 64,491	\$ 64,373
Shareholder communication	41,510	113,743
Travel and accommodation	53,712	35,408
	<b>\$ 159,713</b>	<b>\$ 213,524</b>

Shareholder communications costs were lower during Q3-2017 compared to Q3-2016 as a result of the Company's participation in a resource conference during Q3-2016. Travel costs are somewhat higher during Q3-2017 compared to Q3-2016 as a result of an adjusting credit during Q3-2016 reducing those costs.

### *Other*

The Company did not earn interest income for the three months ended April 30, 2017 compared to earning \$125,097 for the three months ended April 30, 2016. During Q3-2017, the Company did not have excess cash in high interest vehicles. During the comparative quarter, interest earned on the Company's cash and cash equivalents and fixed-income investments, primarily invested in guaranteed investment certificates and high interest savings accounts in Schedule 1 Canadian chartered banks, was \$9,039 and interest income earned from loan agreements was \$116,059.

The Company recorded income from loan arrangement fees of \$nil during the three months ended April 30, 2017 (three months ended April 30, 2016: \$124,540).

The Company recorded interest expense and set up fees of \$13,667 related to its short-term loan from Belo Sun Mining Corp.

The Company recorded an unrealized loss of \$2,130,694 for the three months ended April 30, 2017 on securities that are classified as fair value through profit or loss ("FVTPL"). Decreases in the market value of securities held contributed this gain. During the comparative period ended April 30, 2016, the Company recorded an unrealized gain of \$10,250,654. As well, the Company sold securities during the period, recognizing a realized gain of \$1,075,371 for the three months ended April 30, 2017 (three months ended April 30, 2016: \$449,559). See Related Party Disclosure section of this report.

As the Company is considered to have significant influence in Aguia, the investment has been accounted for using the equity method rather than fair value through profit and loss. Consequently, the Company recorded a proportionate share of loss of \$131,832 for the three months ended April 30, 2017 (three months ended April 30, 2016: \$107,238).

During the comparative quarter ended April 30, 2016, the Company recorded an impairment charge of \$2,195,900 on its loan to APIO.

### For the nine months ended April 30, 2017

For the nine months ended April 30, 2017, the Company reported a net loss of \$4,478,654 (or \$0.12 per share), compared to net income of \$5,664,394 for the nine months ended April 30, 2016 (or \$0.15 per share). Net comprehensive loss was \$4,506,410 for the nine months ended April 30, 2017 (nine months ended April 30, 2016: comprehensive income of \$5,544,533).

### *Share-based compensation expense*

Share-based compensation expense was \$181,430 for the nine months ended April 30, 2017 compared

to \$789,876 for the nine months ended April 30, 2016. Share-based compensation expense relates to (a) Restricted Share Units (“RSUs”) and Deferred Share Units (“DSUs”) and (b) share-based compensation costs from the granting of share purchase options to employees, directors and consultants of the Company.

	<b>2017</b>	<b>2016</b>
Share purchase options	\$ -	\$ 218,813
Restricted share units	202,422	408,012
Deferred share units	(20,992)	163,051
	<b>\$ 181,430</b>	<b>\$ 789,876</b>

During the nine months ended April 30, 2017, no RSUs or DSUs were granted, but the Company incurred share-based payment expense related to accruals or vesting for RSU and DSU expense during the period. Expense for RSUs is lower for the current period due to front-loading of expense as a large number of the RSU’s reached the end of their vesting terms by the end of the period. No stock options were granted during the nine months ended April 30, 2017 but 1,245,000 stock options were granted during the nine months ended April 30, 2016. The value of DSU’s is based on the Company’s share price which decreased since the previous year, resulting in a credit to expense during the nine months ended April 30, 2017.

*Professional, consulting and management fees*

Professional, consulting and management fees of \$1,928,038 were incurred for the nine months ended April 30, 2017 compared to \$2,413,419 for the nine months ended April 30, 2016 as follows:

	<b>2017</b>	<b>2016</b>
Salaries and benefits	\$ 1,040,500	\$ 1,834,528
Directors fees	63,542	56,250
Consulting fees	404,321	426,649
Legal, audit and professional fees	419,675	95,992
	<b>\$ 1,928,038</b>	<b>\$ 2,413,419</b>

Salaries and consulting fees decreased this period compared to the nine months ended April 30, 2016 primarily as a result of the capitalization of costs during the current period and bonuses that were granted during the comparative period. No bonuses were granted during 2017. Legal and professional fees were higher during 2017 compared to 2016 as a result of costs associated with defaulted loan with APIO Africa Ltd. (“APIO”) and the Daos assets which the Company is in the process of selling.

*General and administrative expenses*

General and administrative expenses for the nine-month periods are reflected in the table below:

	<b>2017</b>	<b>2016</b>
General and office	\$ 223,229	\$ 159,044
Shareholder communication	163,296	200,018
Travel and accommodation	93,932	171,531
	<b>\$ 480,457</b>	<b>\$ 530,593</b>

General and office costs were higher during 2017 compared to 2016 as a result of the increased activity of the Company. Shareholder communication costs decreased as a result of the Company’s participation in a resource conference during the comparative period. Travel decreased since the comparative quarter as the Company has set its focus on the Troilus project. During the comparative period, the Company was actively investigating other mineral projects.

## Other

The Company earned interest income of \$14,483 for the nine months ended April 30, 2017 compared to earning \$280,785 for the nine months ended April 30, 2016. Interest earned on the Company's cash and cash equivalents and fixed-income investments, primarily invested in guaranteed investment certificates and high interest savings accounts in Schedule 1 Canadian chartered banks, was \$nil for the nine months ended April 30, 2017 (nine months ended April 30, 2016: \$49,634). This decrease is a result of cash being diverted to securities investments. The Company also earned interest income from loan agreements and other miscellaneous interest of \$14,483 (2016: \$231,151).

The Company recorded income from loan arrangement fees of \$5,000 during the nine months ended April 30, 2017 (nine months ended April 30, 2016: \$245,216). There was less loan activity during 2017 compared to 2016.

The Company recorded interest expense and set up fees of \$13,667 related to its short-term loan from Belo Sun Mining Corp (nine months ended April 30, 2016: \$nil).

The Company recorded an unrealized loss of \$3,813,839 for the nine months ended April 30, 2017 on securities that are classified as fair value through profit or loss ("FVTPL"). Decreases in the market value of securities held since the end of the prior year contributed this loss. During the comparative period ended April 30, 2016, the Company recorded an unrealized gain of \$11,537,422. As well, the Company sold securities during the period, recognizing a realized gain of \$2,400,791 for the nine months ended April 30, 2017 (nine months ended April 30, 2016: \$487,837). See Related Party Disclosure section of this report.

As the Company is considered to have significant influence in Aguiá, the investment has been accounted for using the equity method rather than fair value through profit and loss. Consequently, the Company recorded a proportionate share of loss of \$485,679 for the nine months ended April 30, 2017 (nine months ended April 30, 2016: \$791,308).

During the comparative nine months ended April 30, 2016, the Company recorded an impairment charge of \$2,195,900 on its loan to APIO.

## SUMMARY OF QUARTERLY RESULTS

	April 30, 2017 Q3-2017	January 31, 2017 Q2-2017	October 31, 2016 Q1-2017	July 31, 2016 Q4-2016
Interest income	\$ -	\$ -	\$ 14,483	\$ 10,314
Net income/(loss)	(1,969,045)	6,463	(2,516,072)	(3,615,837)
Net income/(loss) and comprehensive income/(loss)	(2,082,090)	135,329	(2,559,649)	(3,351,605)
Basic and diluted net income/(loss) per share	(0.05)	0.00	(0.07)	(0.10)
Total assets	21,229,371	22,268,033	22,451,266	24,900,925

  

	April 30, 2016 Q3-2016	January 31, 2016 Q2-2016	October 31, 2015 Q1-2016	July 31, 2015 Q4-2015
Interest income	\$ 125,097	\$ 95,615	\$ 60,073	\$ 44,338
Net income/(loss)	7,129,694	(1,375,632)	(89,668)	(2,662,761)
Net income/(loss) and comprehensive income/(loss)	7,221,739	(1,356,051)	(321,155)	(2,759,517)
Basic and diluted net income/(loss) per share	0.19	(0.04)	(0.00)	(0.07)
Total assets	28,023,283	20,459,367	22,028,057	21,744,221

The granting of stock options, RSUs and DSUs in a particular quarter gives rise to stock-based compensation expense. This can generate fluctuations in expense and then net income or loss quarter over quarter. As well, fluctuations in market prices of securities causes volatility in net income or loss through unrealized gains, as well as through the sale of securities. In Q3-2017 and Q1-2017, mark-to-market fluctuations resulted in losses while in Q2-2017, mark-to-market fluctuations resulted in gains generating income during the quarter. The income during Q3-2016 results primarily from mark-to-market adjustments. The Company realized gains on the sale of investments in several of these quarters. As well, bonus grants contributed to the loss in Q4-2016. Comprehensive loss accounts for foreign exchange translation changes related to the Company's equity investment.

Total assets also vary as a result of the fluctuations in market prices of securities as well as the sale of securities as these investments make up a large proportion of total assets. The Company has started investing in the newly acquired Troilus project whose expenses are being capitalized.

## **FINANCIAL POSITION**

As at April 30, 2017, the Company held cash and cash equivalents of \$1,001,264 (July 31, 2016: \$1,317,302), investments at fair market value through profit and loss of \$14,569,317 (July 31, 2016: \$18,008,203), and loans receivable of \$27,324 (July 31, 2016: \$359,945). The cash equivalent amount as at April 30, 2017 and July 31, 2016 related to funds invested in various guaranteed investment certificates with Schedule 1 Canadian chartered banks.

During the prior year ending July 31, 2016, the Company impaired a loan receivable from APIO by \$2,195,900. An amount of US\$1,750,000 (\$2,195,000) was owed by APIO to the Company. The maturity date of this loan was May 3, 2016. APIO defaulted on the loan, and the Company exercised its security against the assets of APIO by taking shares in APIO's subsidiary Daos International Ltd. ("Daos"). Daos, through its 75% owned subsidiary, owns a data centre and various assets associated with this data centre. It is the intention of the Company to sell these assets to try to recoup some of the outstanding APIO loan. The investment in Daos is treated as an asset held for sale, with the fair value of assets estimated at \$nil and the fair value of liabilities estimated at \$nil.

Mineral and exploration assets consist of the Company's interest in the East Sullivan property discussed above, as well as amounts related to the Troilus project. As at April 30, 2017, the balance accumulated with respect to these properties is \$738,635 (July 31, 2016: \$329,390).

The Company's equity interest in Aguia was \$4,823,474 as at April 30, 2017 (July 31, 2016: \$4,569,754).

Accounts payable and accrued liabilities totaling \$363,543 at April 30, 2017 (July 31, 2016 - \$417,621) are comprised primarily of amounts payable of \$64,310 and accrued liabilities of \$299,233. Included in accrued liabilities is a DSU liability of \$224,734 that is comprised of 802,621 vested DSUs at a share price of \$0.28.

At April 30, 2017, the Company is carrying a short-term loan of \$1,008,667 payable to Belo Sun Mining Corp. This loan was repaid subsequent to the end of the quarter.

## **LIQUIDITY AND CAPITAL RESOURCES**

As at April 30, 2017, the Company had net working capital (see Non-IFRS measures) of \$14,295,052. The Company expects to rely on its existing net working capital to finance its ongoing activities.

As at April 30, 2017, the Company had 36,862,851 common shares issued and outstanding, 2,499,979 share purchase warrants outstanding and 2,803,405 share purchase options outstanding which would generate \$1,249,999 and \$969,008 respectively, if exercised in full. The Company does not know when or how much will be collected from the exercise of these options and warrants as this is dependent on both the determination of the holder and the market trading price of the Company's common shares. The Company does not have any long-term debt as of the date of this MD&A and its interest rate risk is minimal. Accounts payable and accrued liabilities are short-term and non-interest bearing. Short-term debt was repaid subsequent to the end of the quarter.

## CASH FLOWS

### Operating

Cash used in operating activities was \$2,204,609 for the nine months ended April 30, 2017 compared to \$3,018,738 for the nine months ended April 30, 2016. Cash use related to operating expenses for the nine months ended April 30, 2017 was \$2,418,496 as generally discussed in the Results of Operations section of this report (nine months ended April 30, 2016: \$2,851,874). Changes in working capital items provided \$213,887 during the nine months ended April 30, 2017 (nine months ended April 30, 2016: a use of \$166,864).

### Financing

Cash provided by financing activities during the nine months ended April 30, 2017 was \$672,845 compared to \$nil during the nine months ended April 30, 2016. During the current period, the Company purchased its own shares from the market to fund the vesting of RSUs using \$322,155 in cash. The Company also borrowed \$1,000,000 as a short-term loan, and paid \$5,000 in set up fees.

### Investing

Cash provided by investing activities for the nine months ended April 30, 2017 was \$1,215,726 compared to \$3,708,153 for the nine months ended April 30, 2016. The Company sold fixed-income investments during the nine months ended April 30, 2017 generating \$nil in cash (nine months ended April 30, 2016: \$9,351,948). The purchase of investments at fair market value through profit and loss used \$4,511,604 for the nine months ended April 30, 2017 with the Company investing in securities during the period (nine months ended April 30, 2016: \$5,289,764). The Company acquired shares of certain public resource and other sector companies (see Related Party Disclosure section of this report) including its equity investment in Aguaia. The Company sold some of these investments generating cash of \$5,784,295 during the nine months ended April 30, 2017 (nine months ended April 30, 2016: \$1,680,668). In addition, the Company entered into loan agreements using cash of \$226,842 during the nine months ended April 30, 2017 (nine months ended April 30, 2016: \$3,057,238). Loan repayments during the nine months ended April 30, 2017 provided \$506,000 (nine months ended April 30, 2016: \$550,000). Interest and loan arrangement fees generated cash of \$73,122 during the nine months ended April 30, 2017 (nine months ended April 30, 2016: \$480,367). The Company used \$409,245 in exploration and evaluation expenditures during the nine months ended April 30, 2017 compared to \$7,828 during the nine months ended April 30, 2016.

## CAPITAL STRUCTURE

Number of:	As at April 30, 2017	As at June 13, 2017
Common Shares	36,862,851	36,862,851
Options	2,803,405	2,803,405
Warrants	2,499,979	2,499,979

## FINANCIAL INSTRUMENTS

Financial assets and financial liabilities as at April 30, 2017 were as follows:

	Assets at fair value through profit or loss	Loans and receivables	Other financial liabilities	Total
<b>As at April 30, 2017</b>				
Cash and cash equivalents	\$ 1,001,264	\$ -	\$ -	\$ 1,001,264
Investments	14,569,317	-	-	14,569,317
Loan receivable	-	27,324	-	27,324
Amounts receivable and other	-	49,235	-	49,235
Accounts payable and accrued liabilities	-	-	363,543	363,543
Short-term loan payable	-	-	1,008,667	1,008,667

### *Fair value hierarchy*

The three levels of the fair value hierarchy with respect to required disclosures about the inputs to fair value measurements are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and,
- Level 3 – Inputs that are not based on observable market data.

The following table sets forth the Company's financial assets and liabilities measured at fair value by level within the fair value hierarchy as at April 30, 2017.

	Level 1	Level 2	Level 3	TOTAL
<b>As at April 30, 2017</b>				
Cash and cash equivalents	\$ -	\$ 1,001,264	\$ -	\$ 1,001,264
Investments	11,664,525	2,904,792	-	14,569,317

The carrying value of cash and cash equivalents, loans receivable, amounts receivable and other, accounts payable and accrued liabilities and short-term loan payable approximate fair value because of the relatively short-term maturities.

### *Interest rate risk*

Loans receivable bear interest at fixed rates. All other financial assets are non-interest bearing. A 1% increase in interest rates, based on the balance of cash, cash equivalents and fixed income investments at April 30, 2017, would result in an increase in annual interest income of approximately \$10,000. All liabilities as at April 30, 2017 are non-interest bearing.

### *Foreign currency risk*

The Company operates in Canada and its functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. The Company has acquired some investments, including its investment in an associate, which are denominated in foreign currency. Management believes the foreign exchange risk derived from currency conversions is negligible and therefore does not hedge its foreign exchange risk.

### *Credit risk*

The Company's credit risk is primarily attributable to cash and cash equivalents, loans receivable and amounts receivable. The Company has no significant concentration of credit risk arising from operations.

Cash and cash equivalents of cash and GICs held in financial institutions from which management believes the risk of loss to be remote. Financial instruments included in amounts receivable consist primarily of goods and services tax and harmonized sales tax due from the Federal Government of Canada.

### *Liquidity risk*

As at April 30, 2017, the Company had net working capital of \$14,295,052, which included cash and cash equivalents of \$1,001,264, investments of \$14,569,317, and amounts receivable and prepaid expenses of \$69,357, offset by current liabilities of \$363,543 and short-term loan payable of \$1,008,667. The Company expects to rely on its existing net working capital to finance its ongoing planned activities. See Non-IFRS Measures.

### *Price risk*

The Company is exposed to price risk with respect to commodity prices. Commodity prices fluctuate on a daily basis and are affected by numerous factors beyond the Company's control. The supply and demand for commodities, the level of interest rates, the rate of inflation, investment decisions by large holders of commodities including governmental reserves and stability of exchange rates can all cause significant fluctuations in commodities prices. Such external economic factors are in turn influenced by changes in international investment patterns and monetary systems and political developments.

### *Securities price risk*

The Company carries investments in certain public securities for which price fluctuations can affect the Company's earnings. The Company classifies these investments as held-for-trading where price volatility is reflected in earnings.

## **RELATED PARTY DISCLOSURES**

The Company entered into the following transactions in the ordinary course of business with related parties that are not subsidiaries of the Company.

### *Related party balances*

The Company shares office space, resources and certain services with other corporations. The costs associated with these services, including the provision of office equipment and supplies, and certain other services, are administered by 2227929 Ontario Inc. to whom the Company pays a monthly flat fee. For the three and nine months ended April 30, 2017, the Company was charged \$84,750 and \$282,500 for these services. As well, the Company was charged an additional \$35,287 and \$94,805 by 2227929 Ontario Inc. for other services.

## Compensation of key management personnel of the Company

The remuneration of directors and other members of key management personnel were as follows:

	Three months ended April 30,		Nine months ended April 30,	
	2017	2016	2017	2016
Management salaries and fees	\$ 319,071	\$ 382,071	\$ 957,213	\$ 1,681,321
Directors fees	26,042	18,750	63,542	131,250
Share-based payments	(10,117)	337,286	49,518	732,087
	\$ 334,996	\$ 738,107	\$ 1,070,273	\$ 2,544,658

The decrease in remuneration is primarily a result of bonuses granted to directors and officers during the comparable period.

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 any directors (executive and non-executive) of the Company. The remuneration of directors and key executives is determined by the Board of Directors of the Company having regard to the performance of individuals and market trends.

As at April 30, 2017, the Company holds investments in certain public resource and other sector companies that are related party entities, related by virtue of the relationship with common directors.

Public Issuer	Security description	Cost	Estimated Fair value
Belo Sun Mining Corp.	i 2,981,822 common shares	\$ 661,728	\$ 1,923,275
Aberdeen International Inc.	ii 3,951,000 common shares and 4,790,000 warrants	828,986	619,373
Trigon Metals Inc. (formerly Kombat Copper Inc.)	iii 1,059,689 common shares and 462,500 warrants	749,059	423,975
Euro Sun Mining (formerly Carpathian Gold Inc.)	iv 4,032,425 common shares, 1,966,213 warrants	5,109,080	3,314,369
		\$ 7,348,853	\$ 6,280,992

i. The Company's executive director and senior vice president, Peter Tagliamonte, serves as director and president and CEO of this company; the Company's executive chairman, Stan Bharti, serves as director of this company.

ii. The Company's executive chairman, Stan Bharti, serves as director of this company and interim CEO.

iii. The Company's CEO, Justin Reid, serves as chairman of the board of this company.

iv. The Company's executive director and senior vice president, Peter Tagliamonte, serves as director of this company; the Company's executive chairman, Stan Bharti, serves as director of this company. Subsequent to the end of the year, the Company's CEO, Justin Reid, became a director of this company.

Public Issuer	Security description	Cost	Carrying value
Agua Resources Ltd.	15,429,890 common shares	\$ 6,539,761	\$ 4,823,474

The Company's investment in associate, Agua, is a related party by virtue of common directors, Mr. Justin Reid and Mr. Paul Pint.

## COMMITMENTS AND CONTINGENCIES

The Company is party to certain management contracts. These contracts contain minimum commitments of approximately \$1,340,000 (as at July 31, 2016 - \$1,300,000) and additional contingent payments of approximately \$7,300,000 (as at July 31, 2016 - \$7,170,000) upon the occurrence of a change of control. As the likelihood of a change of control is not determinable, the contingent payments have not been reflected in these annual financial statements.

The Company is currently involved in a litigation proceeding with APIO whereby APIO is challenging the Company's actions with respect to the transfer of the DAOS shares. APIO is seeking monetary

compensation. A reliable estimate of the amount of the claim cannot be made at this time given the early stages of the claim. The probability of the outcome is also uncertain. The Company is vigilantly defending its actions with respect to these claims.

## **SUBSEQUENT EVENTS**

In May 2017, the Company closed a non-brokered private placement financing raising gross proceeds of \$1,150,000 through the sale of 4,600,000 units at a price of \$0.25 per unit. Each unit is comprised of one common share of the Company and one share purchase warrant which is exercisable at \$0.35 for a period of two years.

In May 2017, the Company made its \$100,000 payment with respect to the Troilus option, meeting that obligation.

In May 2017, the Company repaid its outstanding short-term loan payable to Belo Sun.

Subsequent to the end of the quarter, the Company sold investments for net proceeds of approximately \$1,854,000. As well, the Company acquired investments for proceeds of approximately \$1,124,000. This includes the purchase of \$200,000 in units of Trigon, related by virtue of a common director.

## **MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL INFORMATION AND CRITICAL ACCOUNTING ESTIMATES and CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION**

The Company's financial statements are the responsibility of the Company's management. The condensed interim consolidated financial statements were prepared by the Company's management in accordance with IFRS. A description of the Company's significant accounting policies can be found in the notes of the Company's audited annual consolidated financial statements for the year ended July 31, 2016.

The preparation of consolidated financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions about future events that affect the amounts reported in the annual consolidated financial statements and related notes. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may differ from those estimates. The areas which require management to make significant judgments, estimates and assumptions in determining carrying values are described in the Company's audited annual consolidated financial statements for the year ended July 31, 2016. Changes to these are described below.

- Assets and disposal groups held for sale -- As security for default on the loan with APIO, in June 2016, the Company received 8,169 shares of APIO's subsidiary, Daos International Ltd. ("Daos"), a Mauritius company. As a result, the Company owned an 82% interest in Daos. The Company appointed three members to the board of Daos in June 2016 and controls the board of Daos. In October 2016, Daos issued additional shares to the Company in compensation for costs incurred by the Company related to Daos and the APIO loan. As a result, as at April 30, 2017, the Company owns 98% of the issued and outstanding shares of Daos. The Company has initiated a sale process to sell the assets of Daos in order to recoup the defaulted loan. The Company has assessed the situation at April 30, 2017 and concluded that the investment in Daos can continue to be accounted for as a disposal group held for sale in accordance with IFRS 5, Non-current Assets Held For Sale and Discontinued Operations. As a result, assets and liabilities related to Daos are presented separately on the statements of financial position. The Company has valued the assets at \$nil and has concluded that there is no constructive obligation on the part of the Company with respect to the Daos liabilities. Estimates are made, assumptions are used and management judgement is exercised in this assessment. These are subject to various risks and uncertainties which may ultimately have an effect on the expected recovery of these assets.

## **DISCLOSURE CONTROLS AND PROCEDURES**

Subject to the limitations, if any, described below, the Company's CEO and CFO have, as at the end of the nine months ended April 30, 2017, designed Disclosure and Control Procedures, ("DC&P") or caused it to be designed under their supervision, to provide reasonable assurance that:

- Material information relating to the issuer is made known to us by others, particularly during the period in which the interim filings are being prepared; and
- Information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation;

Internal control over financial reporting has been designed, based on the framework established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”), to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in Canada.

There have been no significant changes to the Company’s disclosure controls and procedures and internal controls over financial reporting that occurred during the year ended July 31, 2016 that have materially affected, or are reasonably likely to materially affect, the Company’s disclosure controls and procedures and internal control over financial reporting.

Because of inherent limitations, internal control over financial reporting and disclosure controls can provide only reasonable assurances and may not prevent or detect misstatements. Furthermore, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The CEO and CFO have certified that Internal Controls over Financial Reporting have been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Audit Committee of the Company has reviewed this MD&A, and the condensed interim consolidated financial statements for the nine months ended April 30, 2017, and the Company’s board of directors approved these documents prior to their release.

## **NON-IFRS MEASURES**

The Company has identified certain measures that it believes will assist understanding of the financial performance of the business. As the measures are not defined under IFRS they may not be directly comparable with other companies’ adjusted measures. The Non-IFRS measures are not intended to be a substitute for, or superior to, any measures of performance but management has included them as these are considered to be important comparables and key measures used within the business for assessing performance. These measures are explained further below:

### *Working capital*

This MD&A refers to working capital, which is not a recognized measure under IFRS. This Non-IFRS performance measure does not have any standardized meaning prescribed by IFRS and is therefore unlikely to be comparable to similar measures presented by other issuers. Management uses this measure internally. The use of this measure enables management to better assess performance trends. Management understands that a number of investors and others who follow the Company’s performance assess performance in this way. This data is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

The definition for working capital and reconciliation of the Non-IFRS measure to reported IFRS measures is as follows:

<b>As at:</b>	<b>April 30, 2017</b>	<b>July 31, 2016</b>
Cash and cash equivalents	\$ 1,001,264	\$ 1,317,302
Investments, at fair market value through profit and loss	14,569,317	18,008,203
Loans receivable	27,324	359,945
Amounts receivable and other	49,235	221,788
Prepaid	20,122	94,543
	<b>15,667,262</b>	<b>20,001,781</b>
Current Liabilities		
Accounts payable and accrued liabilities	363,543	417,621
Short-term loan payable	1,008,667	-
	<b>1,372,210</b>	<b>417,621</b>
<b>Working Capital (current assets less current liabilities)</b>	<b>\$ 14,295,052</b>	<b>\$ 19,584,160</b>

## CAPITAL MANAGEMENT

The Company considers its capital structure to consist of share capital, warrants and share purchase options. The Company manages its capital structure and makes adjustments based on the funds available to support the acquisition, exploration and development of its mineral properties. The board of directors has not established quantitative return on capital criteria for management and relies on the expertise of management and the board of directors to sustain the future development of the business.

The management and board of directors of the Company review its capital management approach on an ongoing basis and believe it reflects a reasonable approach given the relative size of the Company's assets. The Company and its subsidiaries are not subject to externally imposed capital requirements.

## RISK AND UNCERTAINTIES

The Company is subject to risks and challenges similar to other companies in a comparable stage of development. These risks include dependence on key individuals. The operations of the Company are speculative due to the high-risk nature of its business, which are the acquisition, exploration and development of mining projects. These risks could materially affect the Company's future operating results and could cause actual events to differ materially from those described herein and in forward-looking statements and forward-looking information relating to the Company. The risks of the Company are also described in the Company's AIF, which can be found under the Company's profile at [www.sedar.com](http://www.sedar.com).

### *No Revenues*

To date, the Company has not recorded any revenues from operations nor has the Company commenced commercial production on any property. There can be no assurance that the Company has sufficient capital resources to continue as a going concern, that significant losses will not occur in the near future or that the Company will be profitable in the future. The Company's expenses and capital expenditures will increase as consultants, personnel associated with the exploration, and possible development are advanced. The Company expects to continue to incur losses unless and until such time as it enters into commercial production and generates sufficient revenues to fund its continuing operations. The development of the Company's property will continue to require the commitment of substantial resources. There can be no assurance that the Company will continue as a going concern, generate any revenues or achieve profitability.

### *Current Global Financial Conditions*

Financial markets globally have been subject to increased volatility. Access to financing for the Corporation

has been negatively affected by low precious metals prices, uncertain economic conditions and uncertainty with respect to sovereign defaults and liquidity throughout the world. These factors may negatively affect the ability of the Corporation to obtain financing in the future and, if obtained, on terms favourable to the Corporation. If these levels of volatility and market turmoil continue or worsen, the Corporation may not be able to secure appropriate debt or equity financing when needed, which could affect the trading price of the Corporation's securities in an adverse manner.

#### *Investment Exposure*

Given the nature of SMC's activities and recent investments made by the Company to deploy its capital in the short term, the results of operations and financial condition of the Company are dependent upon the market value of the securities purchased. Market value can be reflective of the actual or anticipated operating results of companies in the portfolio and/or the general market conditions that affect the resource and other sectors. Various factors affecting the resource and other sectors could have a negative impact on the Company's investments and thereby have an adverse effect on its business. Additionally, the Company's investments are mostly in small-cap businesses that may never mature or generate adequate returns or may require a number of years to do so. Junior exploration companies may never achieve commercial discoveries and production. Company-specific and industry-specific risks that materially adversely affect the Company's investments may have a materially adverse impact on operating results.

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

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 Corporation towards the search and evaluation of mineral deposits will result in discoveries or development of commercial quantities of ore.

Mining operations generally involve a high degree of risk. The Corporation's operations are subject to the hazards and risks normally encountered in mineral exploration and development, including environmental hazards, explosions, and unusual or unexpected geological formations or pressures. Such risks could result in damage to, or destruction of, mineral properties, personal injury, environmental damage, delays in mining, monetary losses and possible legal liability.

#### *No Mineral Resources or Mineral Reserves have been estimated at East Sullivan*

The East Sullivan Property is in the exploration stage and sufficient work has not been done to describe mineralization on the property with enough geological confidence for such mineralization to be reported as a mineral resource or mineral reserve. There is no assurance given by the Corporation that continuing work on the property will lead to defining the mineralization with enough confidence and in sufficient quantities to report it as a mineral resource or mineral reserve, or to economically extract it.

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

There are numerous uncertainties inherent in estimating mineral resources, including many factors beyond the control of the Company. Such estimates are a subjective process, and the accuracy of any mineral resource 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.

#### *Unknown Environmental Risks for Past Activities*

Exploration and mining operations incur risks of releases to soil, surface water and groundwater of metals, chemicals, fuels, liquids having acidic properties and other contaminants. In recent years, regulatory requirements and improved technology have significantly reduced those risks, however, such risks have not been eliminated, and significant risk of environmental contamination from present and past exploration or mining activities still exists for mining companies. Companies may be liable for environmental contamination and natural resource damages relating to properties that they currently own or operate or at which environmental contamination occurred while or before they owned or operated the properties. No assurance can be given that potential liabilities for such contamination or damages caused by past activities at the East Sullivan Property or for the Troilus Project do not exist.

#### *Liquidity Concerns and Future Financings*

The Company will require capital and operating expenditures in connection with the exploration and development of its properties and for working capital purposes. There can be no assurance that the Company will be successful in obtaining required financing as and when needed. The only sources of future funds presently available to the Company are the sale of equity capital, the sale of securities held, or the offering by the Company of an interest in its properties to be earned by another party or parties carrying out exploration or development thereof. There is no assurance that any such funds will be available for operations. Failure to obtain additional financing on a timely basis could cause the Company to reduce, delay or terminate its proposed operations, with the possible loss of such operations.

Volatile markets may make it difficult or impossible for the Company to obtain debt financing or equity financing on acceptable terms, if at all. Failure to obtain additional financing on a timely basis may cause the Corporation to postpone or slow down its development plans, delay or forfeit rights to certain acquisitions, forfeit rights in some or all of its properties or reduce or terminate some or all of its activities.

#### *Share Price Fluctuations*

The market price of securities of many companies, particularly junior 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. As well, the Corporation has invested in a small number of junior companies. Fluctuation in the share prices of these companies may significantly affect the valuations of the Corporation's assets.

#### *Foreign Exchange*

Mineral commodities and acquisition opportunities are typically sold in U.S. dollars. The Company has also invested in foreign investments, including its investment in associate. The Company's operations are in Canada. As a result, the Company is subject to foreign exchange risks relating to the relative value of the U.S. dollar as compared to the Canadian dollar.

#### *Country Risk*

The Company's equity investment in Aguia is subject to risks normally associated with the conduct of business in Brazil. These risks and uncertainties include, but are not limited to, currency exchange rates; price controls; import or export controls; currency remittance; high rates of inflation; labour unrest; renegotiation or nullification of existing permits, applications and contracts; tax disputes; changes in tax policies; restrictions on foreign exchange; changing political conditions; community relations; currency controls; and governmental regulations that may require the awarding of contracts of local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction. Changes, if any, in mining or investment policies or shifts in political attitudes in Brazil may adversely affect the operations of Aguia and affect the Company's equity investment.

The Company's ownership of the Daos shares and its intent to sell the data centre in Mozambique is subject to risk associated with the conduct of business in Mozambique. These risks and uncertainties include, but are not limited to, currency exchange rates; price controls; import or export controls; currency remittance;

high rates of inflation; labour unrest; tax disputes; changes in tax policies; restrictions on foreign exchange; changing political conditions; community relations; and currency controls.

#### *Insufficient Insurance Coverage*

The Company's business is capital intensive and subject to a number of risks and hazards, including environmental pollution, accidents or spills, industrial and transportation accidents, labour disputes, changes in the regulatory environment, natural phenomena (such as inclement weather conditions, earthquakes, pit wall failures and cave-ins) and encountering unusual or unexpected geological conditions. Many of the foregoing risks and hazards could result in damage to, or destruction of: the Company's mineral properties or future processing facilities, personal injury or death, environmental damage, delays in or interruption of or cessation of their exploration or development activities, delay in or inability to receive regulatory approvals to transport their products, or costs, monetary losses and potential legal liability and adverse governmental action. The Company may be subject to liability or sustain loss for certain risks and hazards against which they do not or cannot insure or which it may reasonably elect not to insure because of the cost. This lack of insurance coverage could result in material economic harm to The Company.

#### *Competition*

The Company competes with many other mining companies that have substantially greater resources. 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 the Company's 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 operations and business.

#### *Dependence on Outside Parties*

The Company has relied and will rely upon consultants, geologists, engineers and others and intends to rely on these parties for exploration and development expertise. Substantial expenditures are required to pursue acquisition opportunities and, in the case of new properties, to develop the exploration and plant infrastructure at any particular site. 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.

#### *Conflicts of Interest*

Certain of the Company's directors and officers serve or may agree to serve as directors or officers of other mining 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.

#### *Income and other taxes*

The Corporation is subject to income and other taxes in Canada. Significant judgment is required in determining the provision for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Corporation recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Corporation's income and other tax liabilities requires interpretation of complex laws and regulations. The Corporation's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax filings are subject to audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will affect the income tax and deferred tax provisions in the period in which such determination is made. As of the date of the statement of financial position, no liability in respect of pending tax issues has been recognized in the financial statements.

## OFF BALANCE SHEET ITEMS

The Company does not have any off balance sheet terms.

## ADDITIONAL INFORMATION AND CONTINUOUS DISCLOSURE

Additional information on the Company is available through regular filings of press releases on SEDAR ([www.sedar.com](http://www.sedar.com)), or by visiting the Company's website at [www.sulliden.com](http://www.sulliden.com).

## FORWARD LOOKING INFORMATION AND CAUTIONARY STATEMENTS

Except for statements of historical fact relating to the Company certain information contained herein constitutes forward-looking information. Forward-looking information includes, but is not limited to, statements with respect to future economic estimates, including mineral resource estimates; acquisition opportunities of the Company; currency exchange rates; merits of litigation; ability to receive repayment on loans; government regulation of mining operations; and environmental risks. Generally, forward-looking information 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 information is based on the opinions and estimates of management as of the date such statements are made, and they 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 information, including but not limited to risks related to: unexpected events and delays during construction, expansion and start-up; variations in mineral grade and recovery rates; delay or failure to receive 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 gold and other minerals; failure of plant, equipment or processes to operate as anticipated; accidents, labour disputes; other risks of the mining industry and other risks described herein. Although management of the Corporation has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, 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 information.

All forward looking statements made in this MD&A are qualified by these cautionary statements. The Company disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise, except as required by applicable securities law.

## LIST OF OFFICERS AND DIRECTORS

Justin Reid,	CEO, Director
Paul Pint,	President
Peter Tagliamonte,	Senior Vice-President and Executive Director
Deborah Battiston,	Chief Financial Officer
Stan Bharti,	Executive Chairman
Bruce Humphrey,	Director
Diane Lai,	Director
Hon. Pierre Pettigrew	Director
William Clarke	Director