

REPORT TO SHAREHOLDERS

During our last fiscal year – December 1, 2015 – November 30, 2016 – and the half-year since then, the Company has achieved significant progress in a number of areas.

During the fiscal year we raised, by the private placement sale of units, \$487,000 and in the period since the end of the fiscal year, we have raised a further \$1,526,960 from the private sale of units. Because the price at which our stock has traded on the TSX Venture Exchange increased from \$0.15 on December 1, 2015 to \$0.24 on June 9, 2017, a number of earlier private placees exercised their share purchase warrants – from which we have received a further \$358,400. This funding, brought in over the past 18 months, has enabled us to retire some of our outstanding liabilities, make a payment to North Bay Corporation and initiate efforts with respect to the Cortina Project – referred to below.

A very major achievement was the negotiation of an amendment of the Agreement with North Bay, giving us additional time to pay the amount owing to North Bay - expressed below in United States dollars. Our principal obligations and rights under that Agreement are now that:

- a) on signing the amendment, the Company's indebtedness to North Bay has been reduced to \$4,944,916;
- b) the Company has a Payout Option, exercisable on or before March 31, 2018 to fully retire and satisfy its principal and interest obligations to North Bay by the payment of \$2,050,000;
- c) if the Payout Option is not exercised, the Company will have to pay the above-noted \$4,944,916 to North Bay by 8 annual payments of \$500,000 each on March 31st of each year, commencing March 31, 2018, with a 9th payment of the whole of the balance remaining unpaid and all accrued and unpaid interest. If the Payout Option is not exercised, the Company's indebtedness to North Bay will accrue interest at 7.0% per annum but that interest will not have to be paid until the 9th annual payment referred to above – which will be due March 31, 2026.

Every effort will be made prior to March 31, 2018 to raise the \$2,050,000 that will have to be paid to exercise the Payout Option.

With respect to the Cortina Project, we spent the first part of the year assessing the status of the reports and applications which had been in process prior to our successful appeal and scheduled a meeting to sit down with the Cortina Business Council on moving forward. SCS Engineers went on to update the status of all Tribal Permits and Approvals they had been working on and a timeline depicting the flow of work required. In December 2016 a meeting was arranged with the U.S. Environmental Protection Agency (EPA). The meeting was very productive and EPA informed us that they would be forwarding us our long awaited Site Specific Flexibility Request (SSFR) on seismic. We agreed to work with EPA moving forward and in January 2017 received the report that confirmed we had met regulatory requirements on the Seismic Waiver putting us in a position to move forward. We are now targeting critical line items to meet a spring 2018 construction season and after visiting the site earlier this year will be carrying out additional field reconnaissance to survey for an additional well that was agreed to be placed with EPA.



We will also be preparing a revised Monitoring and Compliance Plan and submitting the SSFR's to EPA for final approval. Other tasks such as Air Permits etc., that were moved along as far as possible and county requirements will be completed as we proceed. We plan to immediately start marketing the facility for a fall 2018 operation date.

We thank our shareholders for their ongoing support.

David Atkinson, President & CEO

ON BEHALF OF THE BOARD OF DIRECTORS