

# IEMR RESOURCES INC.

## FORM 51-102F1 MANAGEMENT DISCUSSION & ANALYSIS YEAR ENDED OCTOBER 31, 2017

*The following Management Discussion and Analysis (“MD&A”) of IEMR Resources Inc. (the “Company”) should be read together with the audited consolidated financial statements and related notes attached thereto for the year ended October 31, 2017, as well as the audited consolidated financial statements for the year ended October 31, 2016, which are prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).*

*All dollar figures in this MD&A are in Canadian dollars unless otherwise stated.*

*Additional information, including the above mentioned audited consolidated financial statements for the year ended October 31, 2017 and the MD&A for the same period, which contain disclosure of the history and properties of the Company, are available on SEDAR at [www.sedar.com](http://www.sedar.com).*

*The Company’s audit committee reviewed the consolidated financial statements and MD&A, and recommended approval to the Company’s board of directors on February 3, 2018.*

### **Forward-Looking Information**

This MD&A contains forward-looking statements within the meaning of Canadian securities legislation. Forward-looking statements and information concerning anticipated financial performance are based on management’s assumptions using information currently available. Material factors or assumptions used to develop forward-looking information include potential business prospects, growth strategies, and the ability to identify mineral resources and reserves through development and exploration activities, the ability to raise sufficient capital to conduct exploration activities and meet exploration commitments, projected capital costs, government legislation, the commodity price environment and exchange rates. Although management considers its assumptions to be reasonable based on these factors, they may prove to be incorrect.

Forward-looking information is often, but not always, identified by the use of words such as “anticipate”, “assume”, “believe”, “estimate”, “expect”, “forecast”, “guidance”, “may”, “plan”, “predict”, “project”, “should”, “will”, or similar words suggesting future outcomes. Forward-looking statements in this MD&A include, but are not limited to, statements with respect to, cash flow, royalty and tax obligations, general and administrative expenses, future income taxes, and future exploration and development activities and the related expenditures. Because forward-looking information addresses future events and conditions, it involves risks and uncertainties that could cause actual results to differ materially from those contemplated by the forward-looking information. These risks and uncertainties include, but are not limited to: commodity price volatility; exploration and development risks; environmental and permitting risks; property title risks; fluctuations in currency exchange rates; and changes in government legislation and regulations.

The forward-looking statements contained herein are as of February 3, 2018, and are subject to change after this date. Readers are cautioned that the foregoing list of factors that may affect future results is not exhaustive and as such undue reliance should not be placed on forward-looking statements. Except as required by applicable securities laws, with the exception of events or circumstances that occurred during the period to which the MD&A relates that are reasonably likely to cause actual results to differ materially from material forward-looking information for a period that is not yet complete that was previously disclosed to the public, the Company

disclaims any intention or obligation to update or revise these forward-looking statements, whether as a result of new information, future events or otherwise.

## **Description of the Business and Overall Performance**

The Company was incorporated under the laws of Province of British Columbia under the name of 0813208 B.C. Ltd. on January 8, 2008. On March 13, 2008, the Company changed its name to Trans National Minerals Inc. The Company raised net proceeds of \$210,571 through an initial public offering (“IPO”) by way of prospectus which closed on February 6, 2009, and its common shares (the “Common Shares”) were listed for trading on the TSX Venture Exchange (the “Exchange”) on February 12, 2009. At the time of its listing on the Exchange, the Company was a Capital Pool Company (“CPC”), as defined in Policy 2.4 of the Exchange (the “CPC Policy”), and accordingly, its principal purpose was to use its capital to investigate and find an active business to acquire in order to qualify the Company for listing, at a minimum, on Tier 2 of the Exchange.

On January 26, 2010, the Company entered into an option agreement (the “Option Agreement”), with Mosquito Consolidated Gold Mines Limited (“Mosquito”) and Mosquito Mining Corp (US) (“Mosquito US”) pursuant to which the Company has been granted an option (the “Option”) to acquire a 100% interest in and to the certain unpatented mineral claims known as the Pine Tree copper-molybdenum property (the “Pine Tree Property”) located in the Pilot Mountains in Mina, Nevada. The acquisition of the Option (the “Option Acquisition”) became effective on June 25, 2010 (the “Effective Date”).

Concurrent with the completion of the Option Acquisition, the Company completed equity financings involving the issuance of an aggregate of 10,000,000 Common Shares at a price of \$0.30 per share for gross proceeds of \$3,000,000. \$1,020,000 of this amount was raised pursuant to a non-brokered private placement (the “Private Placement”) of 3,400,000 Common Shares to International Energy & Mineral Resources Investment (Hong Kong) Company Limited (“IEMR HK”), a company controlled by Mr. Hongxue Fu, the Company’s Chief Executive Officer (“CEO”) and a director, and his wife. The remaining \$1,980,000 was raised pursuant to the brokered sale of 6,600,000 Common Shares by way of a short form offering document dated June 4, 2010 (the “SFOD Offering” and together with the Private Placement, the “2010 Financings”).

Macquarie Private Wealth Inc. (“Macquarie”) acted as agent for the SFOD Offering. In consideration for the services provided by Macquarie and its sub-agents in connection with the SFOD Offering, the Company paid a commission comprised of \$158,400 in cash, a corporate finance fee of \$30,000 in cash and issued compensation options entitling the holders to acquire up to an aggregate of 528,000 Common Shares at a price of \$0.30 per share for a period of 24 months from the closing of the SFOD Offering.

The Option Acquisition and the 2010 Financings constitute the Company’s “Qualifying Transaction”, as defined in the CPC Policy (the “Qualifying Transaction”). As a result of the completion of the Qualifying Transaction, the Company ceased to be a CPC, and the Common Shares resumed trading on the Exchange effective at market open on July 2, 2010. On September 7, 2010, the Company changed its name to IEMR Resources Inc. and the Common Shares began trading under the name IEMR Resources Inc. as at market open on September 10, 2010.

On February 6, 2014, the Company incorporated Pine Tree Resources Inc., a wholly owned subsidiary of the Company in Nevada.

The Company had net income of \$623,763 (2016 - \$112,191 loss) for the year ended October 31, 2017, resulting in earnings per share of \$0.01 (2016 – \$0.00). The income is mainly due to capital gains on the proceeds from the sale of shares. The costs incurred are mainly with respect to expenses incurred during the operation, such as audit and accounting fees, management fees, professional fees, rent, and office and miscellaneous expenses.

As at October 31, 2017, the Company has a working capital of \$1,379,062 compared to a working capital of \$802,333 at October 31, 2016.

## Selected Annual Information

The following table is derived from the audited financial statements of the Company for the last three financial years ended October 31.

	2017	2016	2015
Total interest income	\$ -	\$ -	\$ -
Net income (loss) & comprehensive income (loss)	623,763	(112,191)	(479,089)
Basic and diluted earnings (loss) per share	0.01	(0.00)	(0.02)
Total assets	3,531,364	2,903,439	2,042,759
Total liabilities - long-term	-	-	337,917
Total shareholders' equity (deficiency)	\$ 3,492,818	\$ 2,869,055	\$ (363,754)

## Results of Operations

### *Year Ended October 31, 2017 Compared to Year Ended October 31, 2016*

Net income for the year ended October 31, 2017 was \$623,763, compared to net loss of \$112,191 for the comparative year of 2016. The income of \$623,763 was mainly due to gains on the sale of shares.

Expenses incurred during the year ended October 31, 2017 were primarily due to SEDAR filing fees; accounting and audit fees related to the preparation and filing of its consolidated financial reports; and legal fees incurred in general matter of operation.

### Summary of Quarterly Results

A summary of quarterly results is included in the table below. The financial information is derived from the Company's interim unaudited consolidated financial statements and audited consolidated financial statements.

	Three Months ended October 31, 2017	Three Months ended July 31, 2017	Three Months ended April 30, 2017	Three Months ended January 31, 2017
Revenue (\$)	-	-	-	-
Interest income (\$)	-	-	-	-
Net income (loss) and comprehensive income (loss) (\$)	(187,766)	237,712	(11,560)	585,376
Net loss per share -basic & diluted (\$)	0.00	0.00	0.00	0.01
	Three Months ended October 31, 2016	Three Months ended July 31, 2016	Three Months ended April 30, 2016	Three Months ended January 31, 2016
Revenue (\$)	-	-	-	-
Interest income (\$)	-	-	-	-
Net loss and comprehensive income (loss) (\$)	(449)	(38,546)	(35,009)	(38,187)
Net loss per share -basic & diluted (\$)	0.00	0.00	0.00	0.00

## **Liquidity**

As of October 31, 2017, the Company had a working capital of \$1,379,062 as compared to working capital of \$802,333 as of October 31, 2016. The increase in working capital is attributed to proceeds from sales of marketable securities during the year.

The ability of the Company to meet its liabilities as they come due and to continue as a going concern is dependent upon the Company's ability to raise financing to continue the exploration of its mineral properties, the continuing support of directors, and ultimately, the attainment of profitable operations. The Company is in the process of exploring its mineral properties and has not yet determined the existence of economically recoverable ore reserves. As a result of the assessment, management concluded there is significant doubt as to the ability of the Company to meet its obligations as they fall due and, accordingly, the ultimate appropriateness of the use of accounting principles applicable to a going concern.

### *Year Ended October 31, 2017 and 2016*

#### *Operating Activities*

Cash flow used in operating activities decreased from \$142,512 in the year ended October 31, 2016 to \$45,398 in the year ended October 31, 2017. This is mainly because of increase in net income during the year ended October 31, 2017.

#### *Investing Activities*

Cash flow provided by investing activities decreased from \$188,230 during the year ended October 31, 2016 to \$185,268 during the year ended October 31, 2017 mainly as a result of the transactions of marketable securities.

#### *Financing Activities*

Cash flow used in financing activities decreased from \$118,592 provided by financing activities during the year ended October 31, 2016 to \$86,000 used in financing activities during the year ended October 31, 2017. This is mainly due to the repayment of convertible note and advance to related parties, offset by the issuance of common shares during the year ended October 31, 2016.

## **Off-Balance Sheet Arrangements**

The Company does not have any off-balance sheet arrangements as of October 31, 2017 or as of the date of this MD&A.

## **Transactions with Related Parties**

During the year ended October 31, 2017 and 2016, there is no compensation paid to key management. Key management includes the Company's directors and senior management.

On May 20, 2016, the Company issued 15,300,000 common shares to International Energy and Mineral Resources Investment Company Limited (IEMR HK), a corporation controlled by the Company's former CEO, in exchange for 9,000,000 common shares of American CuMo Mining Corporation ("American CuMo"). The number of the Company's common shares that were issued to IEMR HK in exchange for the American CuMo shares was calculated using the price of \$0.05 per common share which was the exchange amount agreed to between the parties.

At October 31, 2017, the Company is owed \$86,000 (2016 - \$nil) from the Company's President and CFO. The amount is unsecured, non-interest bearing and due on demand.

### Mineral Property

The property consists of 61 claims (510 hectares) located in the Pilot Mountains, Mineral County, western Nevada. Situated five miles east of the town of Mina, Nevada, half way between the cities of Reno and Las Vegas, the Pine Tree Project lies in an area that is host to several active small-scale mines and operations, as well as significant historical past producers. These include the Santa Fe gold mine located approximately 14 miles north of the project, which was operated by Homestake and produced approximately 750,000 ounces of gold between 1988 and 1993 and the Candelaria Mine, located approximately 15 miles to the south of the project, currently owned by Silver Standard Resources, which produced 68 million ounces of silver between 1970 and 1999.

On June 25, 2010, the Company entered an option agreement with Mosquito Consolidated Gold Mines Ltd. Pursuant to the agreement, the Company acquired an option to purchase 100% interest in Pine Tree Property. In order to maintain the option in good standing, the Company is required to make the following payments and share issuance to American Cumo Mining Corporation (the "American Cumo"):

	Cash payment	Share Issuance
On the Effective Date (paid and issued)	\$200,000	1,000,000 common shares
On or before the first anniversary of the Effective Date (paid and issued)	\$200,000	1,000,000 common shares
On or before the second anniversary of the Effective Date (paid and issued)	\$200,000	1,000,000 common shares
On or before the third anniversary of the Effective Date (paid and issued)	\$200,000	1,000,000 common shares
On or before the fourth anniversary of the Effective Date (paid and issued)	\$200,000	1,000,000 common shares
Total	\$1,000,000	5,000,000 common shares

In addition, the Company must incur aggregate exploration and development expenditures on the property of three million (\$3,000,000) dollars on or before the fourth anniversary date of the Effective Date, subject to minimum expenditures of five hundred thousand (\$500,000) dollars being incurred each year on or before the applicable anniversary date of the Effective Date.

Despite the fact that less than \$500,000 exploration expenditure incurred in fiscal 2012, the Company and Mosquito have mutually agreed that the Option Agreement is in good standing.

During the option period, the Company is also responsible for making advance royalty payments of US\$25,000 per year to the holders of the NSR Royalty. As of October 31, 2017, the Company paid US\$125,000 of the NSR Royalty (2016 – US \$100,000).

On February 25, 2014, the Amended Option Agreement signed between American CuMo, Idaho Cumo Mining Corporation (Formerly "Mosquito Mining Corp.") and IEMR Resources Inc. ("the Company"), the following terms have been agreed between all parties, whereas:

- A. The Company has made all Option Payments to American CuMo except the final US \$200,000 cash payment (the "Final Cash Payment") due June 25, 2014 (the "Final Instalment Date") and has issued a total of 4 million common shares of the Company to American CuMo pursuant to the Option Agreement;

- B. Pursuant to the terms of the previous Option Agreement, the Company is to issue American CuMo an additional 1 million common shares of the Company on the Final Instalment Date;
- C. The Company has incurred aggregate Expenditures of greater than US \$3 million to date;
- D. Once the Company makes Final Cash Payment to American CuMo and issues the Final Share Instalment to American CuMo, the Company will have earned 100% interest in the Property; and
- E. The parties have agreed to amend the Option Agreement to provide for the Company to pay American CuMo the Final Cash Payment immediately on the following terms:
  - i. The size of Final Cash Payment be reduced to US \$185,000 (the “**Amended Payment**”);
  - ii. The Company will not be required to issue the Final Share Instalment to American CuMo; and
  - iii. American CuMo shall return 4 million issued shares to the Company for cancellation

As of October 31, 2017, the Company has paid US\$185,000 of the final cash payment and received 4 million shares of the Company returned by American CuMo. The Company, through its wholly owned subsidiary, Pine Tree Resources Inc., has earned a 100% interest in the Property.

### **Impairment**

During the year ended October 31, 2017 and 2016, there was no impairment on the exploration and evaluation assets.

When impairment is identified, the asset is required to be written down to its Recoverable Amount, which is the greater of: (a) the asset’s fair value less costs to sell, and (b) its value in use. There is no active market for the asset and there was no independent feasibility study or a binding agreement for sale at the time of the impairment assessment in the year. The value in use or discounted future cash flows expected from the Pine Tree Property cannot be reliably determined at this juncture. In the absence of such information, management estimated the fair value of the Company’s interest in the Pine Tree Property using the best information available at the time of the assessment to reflect the amount that the Company could obtain from the disposal of the asset in an arm’s length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal. The information included internal and external evidence including the Company’s market capitalization, based on its share price. The assessment of fair value less costs to sell and the recoverable amount of the Company’s interest in Pine Tree Property requires estimation of uncertain future events. Management has made its best estimate of the recoverable amount of the asset; however, there are inherent uncertainties and it is reasonably possible that the outcome of such uncertainties may differ from the estimates made and such changes may be material to the recoverable amount of the Pine Tree Property.

Pursuant to the Option Agreement, the Pine Tree Property is subject to a 2% net smelter return royalty (the “NSR Royalty”) in favour of Western Geosciences, Inc. and James H. Meyers. Upon the payment of US\$2,000,000 in royalty payments, the NSR Royalty will be reduced from 2% to 0.5%.

Originally staked in the 1950s, over 2,310 feet of historical underground drifting and 1,492 feet of diamond drilling in two holes were completed on the project prior to 2006 at an estimated present day cost of \$1.25 million.

Between 2006 and 2008, the previous owner spent over \$7 million on the property, work consisted of surface and underground mapping, sampling of all known mineralized zones and showings, cleaning and gaining access to all underground workings and the drilling of twenty-one diamond drill holes totaling 19,734 feet (6,014 meters). Results have confirmed the presence of the previously unrecognized copper-molybdenum porphyry system. In addition the presence of by product elements such as gold silver, rhenium, indium and gallium make this extremely attractive. The northern most hole (PT07-12) intersected 395.94 meters (1299 feet) grading 1.01%

Copper equivalent. The program outlined a mineralized zone 1150 meters long 1100 meters wide ranging in thickness from 130 to 400 meters. The zone is open in all directions, especially to the north where alteration and mineralization indicate that the northern most hole (PT07-12) is located on the southern edge of the system.

The table below lists the location and orientation of the previous drill holes. All holes have been surveyed down the hole using a Flex-It survey instrument.

Hole Number	Northing feet	Easting feet	Elevation feet	dip degrees	azimuth degrees	Length feet
PT06-06	100,670	199,610	7105	-90	000	670
PT06-07	101,175	199,165	7170	-70	041	1536
PT09-08	101,592	198,160	6715	-60	195	595
PT06-09	101,425	198,380	6840	-60	116	782
PT06-10	101,315	200,015	7485	-90	000	1417
PT07-11	101,774	199,734	7436	-90	000	2009
PT07-12	102,196	199,651	7388	-70	026	2371.5
PT07-13	103,622	199,311	6721	-70	177	1028 abandoned
PT07-14	103,637	199,310	6723	-70	098	1183.5 to be continued
PT07-15	101317	200013	7485	-70	066	1327 completed
PT08-16	101778	199232	7435	-70	000	796.50 abandoned
PT08-17	102223	199665.20	7379	-70	000	2249 completed
PT08-18	101970	199120	7120	-90	000	687 abandoned
PT08-19	100929	201173	7735	-90	000	925 completed
PT08-20	100929	201172	7735	-65	045	1159.50 completed
PT08-21	100929	201175	7735	-65	271	998 completed

Full summary of the analytical results are outlined below. Mineralization consists of copper, molybdenum, gold, silver, rhenium, indium and gallium. As a result of the multi-element nature of the mineralization, it was decided to calculate a copper equivalent for the intercepts. The presence of the by-product elements gold, silver, rhenium, indium and gallium is very significant in terms of the development of the property:

	from meters	To meters	Length (m)	Cu Equiv. %	Cu %	MoS2 %	Re (ppb)	Au (Gms/T)	Ag (Gms/T)	In (Gms/T)	Ga (Gms/T)
<b>PT06-06</b>	<b>57.0</b>	<b>204.2</b>	<b>147.2</b>	<b>0.82</b>	<b>0.11</b>	<b>0.041</b>	<b>68</b>	<b>0.028</b>	<b>2.64</b>	<b>0.43</b>	<b>18.15</b>
including	110.9	121.9	11.0	1.34	0.18	0.075	105	09	5.32	1.18	21.98
	131.1	201.8	70.7	1.08	0.11	0.065	103	0.031	2.48	0.46	17.14
<b>PT06-07</b>	<b>140.8</b>	<b>459.0</b>	<b>318.2</b>	<b>0.81</b>	<b>0.08</b>	<b>0.043</b>	<b>61</b>	<b>0.044</b>	<b>1.58</b>	<b>0.31</b>	<b>17.99</b>
Including	225.2	451.7	226.5	1.01	0.11	0.055	81	0.045	1.99	0.40	19.80
or	385.9	449.7	63.9	1.55	0.14	0.095	134	0.054	2.49	0.42	24.75
<b>PT06-09</b>	<b>84.1</b>	<b>238.5</b>	<b>154.4</b>	<b>0.78</b>	<b>0.02</b>	<b>0.032</b>	<b>70</b>	<b>0.02</b>	<b>1.81</b>	<b>0.48</b>	<b>16.60</b>
Including	102.4	238.5	136.1	0.85	0.09	0.047	70	0.02	1.92	0.53	16.62
or	117.0	186.2	69.2	1.14	0.09	0.070	110	0.02	2.24	0.76	18.16

<b>PT06-10</b>	<b>166.4</b>	<b>404.2</b>	<b>234.1</b>	<b>0.92</b>	<b>0.09</b>	<b>0.051</b>	<b>70</b>	<b>0.06</b>	<b>1.46</b>	<b>0.30</b>	<b>18.34</b>
Including	270.1	284.7	34.7	1.16	0.10	0.069	90	0.05	1.02	0.13	21.06
or	343.5	400.5	57.0	1.09	0.17	0.056	70	0.06	2.22	0.69	20.14
<b>PT07-11</b>	<b>225.9</b>	<b>609.8</b>	<b>383.9</b>	<b>1.01</b>	<b>0.11</b>	<b>0.059</b>	<b>100</b>	<b>NA</b>	<b>1.71</b>	<b>0.21</b>	<b>17.99</b>
Including	334.4	609.8	249.8	1.37	0.16	0.085	150	NA	2.30	0.28	18.40
or	470.0	609.8	113.4	1.72	0.18	0.114	200	NA	1.76	0.28	18.3
	<u>from meters</u>	<u>To meters</u>	<u>Length (m)</u>	<u>Cu Equiv. %</u>	<u>Cu %</u>	<u>MoS2 %</u>	<u>Re (ppb)</u>	<u>Au (Gms/T)</u>	<u>Ag (Gms/T)</u>	<u>In (Gms/T)</u>	<u>Ga (Gms/T)</u>
<b>PT07-12</b>	<b>319.74</b>	<b>715.67</b>	<b>395.94</b>	<b>1.01</b>	<b>0.08</b>	<b>0.062</b>	<b>103</b>	<b>NA</b>	<b>0.74</b>	<b>0.23</b>	<b>18.58</b>
including	477.93	622.40	144.48	1.50	0.10	0.101	170	NA	0.95	0.30	19.82
<b>PT07-15</b>	<b>137.16</b>	<b>374.29</b>	<b>237.13</b>	<b>0.61</b>	<b>0.08</b>	<b>0.030</b>	<b>22</b>	<b>NA</b>	<b>1.38</b>	<b>0.28</b>	<b>15.24</b>
including	153.01	178.61	25.6	0.88	0.01	0.061	13	NA	0.35	0.06	15.11
	304.8	254.18	49.38	0.98	0.18	0.047	41	NA	2.59	0.78	18.25
<b>PT08-17</b>	<b>318.21</b>	<b>667.50</b>	<b>349.3</b>	<b>0.90</b>	<b>0.07</b>	<b>0.056</b>	<b>52</b>	<b>NA</b>	<b>0.51</b>	<b>0.14</b>	<b>17.07</b>
including	318.21	420.62	102.41	1.42	0.01	0.110	41	NA	0.33	0.04	14.47
<b>PT08-19</b>	<b>137.16</b>	<b>215.19</b>	<b>68.88</b>	<b>1.9</b>	<b>0.24</b>	<b>0.003</b>	<b>9</b>	<b>NA</b>	<b>191.11</b>	<b>0.42</b>	<b>17.62</b>
including	236.5	246.9	10.38	10.69	0.83	0.001	0.002	0.45	152.2	0.06	13.36
<b>PT08-20</b>	<b>137.16</b>	<b>215.19</b>	<b>6.07</b>	<b>0.71</b>	<b>0.61</b>	<b>0.008</b>	<b>0.012</b>	<b>NA</b>	<b>6.74</b>	<b>1.29</b>	<b>19.72</b>
<b>PT08-21</b>	<b>137.16</b>	<b>215.19</b>	<b>74.98</b>	<b>0.41</b>	<b>0.29</b>	<b>0.003</b>	<b>0.003</b>	<b>NA</b>	<b>2.29</b>	<b>0.32</b>	<b>16.69</b>
including	137.16	215.19	36.58	0.47	0.37	0.0031	0.004	NA	3.57	0.47	16.43

Notes: Copper equivalent (Cu. Eq.) is based on the following metal prices (all in US\$):

Copper \$2.00/lb, Molybdenum Trioxide (\$25/lb), Rhenium \$5.75/gram, Silver \$0.32/gram and Gallium \$0.425/gram. Other factors include 1% = 20 pounds; 1 ppm = 1 gm/T; 1000 ppb = 1 ppm = 1 gm/T.

Molybdenum is sold as either ferro-molybdenite or molybdenum trioxide (MoO<sub>3</sub>). The price used is \$25 per pound Molybdenum trioxide. To obtain the amount of Molybdenum trioxide that can be produced from MoS<sub>2</sub>, the following is required: convert MoS<sub>2</sub> to Mo by dividing MoS<sub>2</sub> by 1.6681 then convert to MoO<sub>3</sub> (Molybdenum Trioxide) by multiplying by 1.5. Therefore the amount of Molybdenum trioxide is pounds MoS<sub>2</sub> times 1.5 / 1.6681. Metallurgical recoveries and net smelter returns are assumed to be 100%.

Formulas:

Cu. Eq. = ((cu x 20 x \$)+(MoS<sub>2</sub> x 20 x (1.5/1.6681) x \$(MoO<sub>3</sub>))+ (Re x \$)+ (Ag x \$)+ (Ga x \$))/ \$(copper)

Almost the entire core is sampled and cut in half using a diamond saw. Half the core is sent for analysis and the other half has been kept and stored at the core facility located on site. Following cutting the samples are delivered directly by Mosquito personnel to ALS Chemex in Reno, a fully accredited analytical laboratory. They are first analyzed for 47 elements using a four (4) acid digestion with analysis by Inductively Coupled Argon Plasma Optical Mass Spectrometer (ICP-MS) and for gold using a 50 gram fire assay with an Atomic Absorption (AA) finish. Copper and Molybdenum bearing samples are then checked by using a larger 5 gram sample and analyzed using a pressed power pellet X-Ray Fluorescence Spectroscopy (XRF).

In November 2010, The Company started a \$2.2 million budget exploration program on the project. The program was contracted to Mosquito Consolidated Gold Mines Ltd. and was designed to complete up to 15,000 feet (5,000 meters) of diamond drilling in approximately 8 to 10 holes, which will be used to expand and further delineate the extensive molybdenum, copper, silver and gold mineralization identified in previous drill holes. Initially, the drilling will be concentrated in the north eastern block, where the presence of molybdenum bearing mineralization closer to surface was confirmed by previous work.

As of February 2011, three holes, totally 2,052 meters (6,734 feet) have been completed, all three holes have intersected the molybdenum bearing mineralized zone. Drilling is continuing and should be completed by late spring of 2011. A total of \$531,000 has been spent on the program to date.

After the compilation of all drilling results retrieved from the 2011 Exploration, the Company filed to the public in February 2012 a 43-101 compliant independent mineral resource estimate for Pine Tree porphyry molybdenum-copper-silver deposit located in Nevada. Giroux Consulting, an independent, internationally recognized mineral industry consultant, calculated the estimate.

The NI 43-101 compliant calculation confirms that the Pine Tree deposit contains, at a \$5.00 cutoff:

Indicated	Inferred	Metal
434.3	591.4	million pounds of copper (Cu),
173.6	111.7	million pounds of molybdenum oxide(MoO <sub>3</sub> ),
11.2	17.4	million ounces of silver (Ag) and
241.3	295.7	million tons

The global mineral resource is divided into two components based on cutoff grades:

Indicated

zone	cutoff	tons	MoS <sub>2</sub>	Cu	MoS <sub>2</sub>	Cu	Ag
	Grade (GMV)	millions	Equiv. %	Equiv. %	%	%	ppm
Cu	\$5.00	3.45	0.030	0.22	0.003	0.13	2.61
Mo	\$5.00	237.8	0.062	0.39	0.040	0.09	1.58

Inferred

zone	cutoff	tons	MoS <sub>2</sub>	Cu	MoS <sub>2</sub>	Cu	Ag
	Grade (GMV)	millions	Equiv. %	Equiv. %	%	%	ppm
Cu	\$5.00	82.9	0.038	0.24	0.004	0.13	3.71
Mo	\$5.00	212.8	0.050	0.31	0.028	0.09	1.37

For calculation of Cu Equiv. and MoS<sub>2</sub> equiv. see description at end of Table 1:

Importantly, the Giroux estimate also shows the presence of higher grade resources in the main Mo zone:

cutoff	Resource	tons	MoS <sub>2</sub>	Cu	MoS <sub>2</sub>	Cu	Ag
grade	Class	millions	Equiv. %	Equiv. %	%	%	ppm
0.05 MoS <sub>2</sub> equiv	Indicated	70.1	0.100	0.63	0.077	0.10	1.31
(\$12.50 GMV)	Inferred	21.3	0.087	0.55	0.065	0.09	1.32

These higher-grade resources will potentially facilitate rapid recovery of capital costs during the early years of a possible large-scale mining operation.

It should be noted, the assay results also indicate the presence of significant quantities of gold (0.06 - 0.1 gms/T), indium (0.3 to 0.5 gms/T), tungsten(30 to 40 gms/T), rhenium(0.040 to 0.050 gms/T) , gallium(15-18 gms/T) and magnetite (1%-1.5%), which due to the lack of continuous assays and unknown metallurgical recoveries were not estimated at this time. Magnetite is especially interesting as the result of the recent developments of nanoparticle technology to clean water of contaminants. Metallurgical test work will be completed to determine if these metals can be recovered in economic quantities, so that they can be included in future resource calculations.

The estimate is based on drill core assay results from 8,417 meters (25,252 feet) of drilling in 21 holes completed by Mosquito Consolidated Gold Mines Ltd between 2005 and 2008 and 5,652.7meters (18,545.5 feet) in 9 diamond drill holes completed by IEMR in 2011. Due to mineral zonation the deposit was split into two mineral zones: a Cu zone near surface grading downward into a Mo zone. Cu grades were highest within the Cu Domain while MoS<sub>2</sub> were highest in the Mo domain. The grade distribution for each variable was examined in each zone with erratic high grades capped. Uniform 50 ft. composites were formed that honored the boundaries of the two grade zones. Semi variograms were run for each variable and isotropic models were fit to the data. Grades for each variable were interpolated into 50 x 50 x 50 ft. blocks by ordinary kriging. Specific gravities were obtained from drill core and average values were applied to each domain.

Mineralization consists of copper, molybdenum, silver, gold, tungsten, indium, rhenium, tungsten and gallium. As a result of the multi-element nature of the mineralization, Mosquito decided to include both a copper and molybdenum equivalent for the resource table. Both equivalents are required as the deposit is zoned See notes below table for explanation of the calculation of copper equivalent (Cu Eq.), MoS<sub>2</sub> equivalent (MoS<sub>2</sub> Eq.). The presence of the by-product elements gold, tungsten, indium, rhenium, and gallium are very significant in terms of the development of the property.

Pine Tree has an excellent configuration for potential open-pit mining. The thick mineralization is very continuous with almost no internal waste and is persistent over a broad area measuring 1.5 km by 1 km. Mineralization begins right at the bedrock surface at the south, which is covered only by a thin layer of overburden and broken rock ranging from 4 to 20 meters thick, indicating the deposit will have a low strip ratio. The deposit is currently 500-600 meters thick and open to the northwest and west.

Immediate plans next steps for the Pine Tree deposit are, to develop the drill parameters for definition of measured and indicated resources, complete metallurgical test work, continue drilling to define the full extent of the deposit and expand the higher grade zone, complete a preliminary sizing/scoping study that will facilitate the start of environmental base line measurements for the mine permitting process and collect engineering data for specific mine, mill and infrastructure design.

## SHARE CAPITAL AND STOCK OPTIONS

### (a) Share Capital

Authorized: Unlimited number of common shares without par value.

As of October 31, 2017, the Company held in treasury 4,000,000 common shares.

On May 20, 2016, the Company issued 15,300,000 common shares to IEMR HK in exchange for 9,000,000 common shares of American CuMo Mining Corporation.

On June 16, 2016, the Company completed a non-brokered private placement of 51,600,000 units at a price of \$0.05 per unit, raising gross proceeds of \$2,580,000. Each unit consists of one common share and one share purchase warrant. Each warrant entitles the holder to purchase one common share of the Company until March 16, 2017, at an exercise price of \$0.05 per warrant. The shares were subject to a four month hold period that expired on October 16, 2016.

#### (b) Stock Options

The continuity of stock options ended October 31, 2017 and 2016 is as follows:

	<b>Number outstanding</b>	<b>Weighted average exercise price</b>
Balance, October 31, 2015	100,000	0.30
Expired	(100,000)	0.30
Balance, October 31, 2016 and 2017	-	-

#### **Adoption of New Accounting Standards, Interpretations and Amendments**

There were no new or amended accounting standards scheduled for mandatory adoption on November 1, 2016 and thus no new or amended accounting standards were adopted in the year ended October 31, 2017.

#### **Accounting Standards and Amendments Issued But Not Yet Adopted**

Standards issued but not yet effective up to the date of issuance of the Company's financial statements are listed below except those which the Company does not expect any impacts on the financial statements.

New accounting standards effective for annual periods on or after November 1, 2017:

##### IAS 7 Statement of Cash Flows

The objective of the amendments to IAS 7 is to enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendments will require entities to provide disclosures that enable investors to evaluate changes in liabilities arising from financing activities, including changes arising from cash flows and non-cash changes. The amendments to IAS 7 respond to investors' requests for information that helps them better understand changes in an entity's debt, which is important to their analysis of financial statements.

New accounting standards effective for annual periods on or after November 1, 2018:

##### IFRS 9 Financial Instruments

IFRS 9, Financial Instruments, was issued in November 2009 and addresses classification and measurement of financial assets. It replaces the multiple category and measurement models in IAS 39, Financial Instruments – Recognition and Measurement, for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring

equity instruments. Such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income.

#### IFRS 15 Revenue from Contracts with Customers

In May 2014, IFRS 15 was issued and replaces *IAS 11 – Construction Contracts*, *IAS 18 – Revenue*, *IFRIC 13 – Customer Loyalty Programmes*, *IFRIC 15 – Agreements for the Construction of Real Estate*, *IFRIC 18 – Transfers of Assets from Customers* and *SIC-31 – Revenue – Barter Transactions Involving Advertising Services*. IFRS 15 establishes a single five-step model framework for determining the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer.

New accounting standards effective for annual periods on or after November 1, 2019:

#### IFRS 16 – Leases

IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions.

### **CAPITAL MANAGEMENT**

The Company manages its capital structure, which is represented by its share capital, and makes adjustments to it depending on the funds available to the Company for acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The property in which the Company currently has an interest is in the exploration stage. As such, the Company is dependent on external financing to fund its activities. In order to carry out its planned exploration and pay for on-going general and administrative expenses, the Company will use existing working capital and expects to raise additional amounts through related party loans or private placements of its common shares as needed.

Management reviews its capital management approach on an on-going basis. The Company is not subject to externally imposed capital requirements and there were no significant changes in its approach to capital management during the periods ended October 31, 2017 and October 31, 2016.

### **Financial and Other Instruments**

The fair value of the Company's cash, term deposits, marketable securities, due from related party and accounts payable approximate their carrying value due to their short-term nature.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- ❖ Level 1 – inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- ❖ Level 2 – inputs to valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- ❖ Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement.

As at October 31, 2017, cash, term deposits, and marketable securities were assessed to be Level 1 instruments.

The Company is exposed to varying degrees to a variety of financial instrument related risks. The Board approves and monitors the risk management processes, inclusive of counterparty limits, controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

(a) Credit risk

Credit risk is the risk of an unexpected loss if a party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to cash and term deposits held by high credit quality banking institutions in Canada. The Company has no significant concentration of credit risk arising from operations as the Company has no business operations.

(b) Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at October 31, 2017, the Company had cash of \$222,178 (2016 – \$168,308) and term deposits of \$1,100,000 (2016 – \$nil) to settle the total current liabilities of \$38,546 (2016 – \$34,384).

(c) Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. Management does not believe that the Company is exposed to any material market risk.

(d) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to short term interest rates through the interest earned on cash balances. The Company has cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in short-term deposits with its banking institutions.

**Additional Information**

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