

**ScoZinc Mining Ltd.**  
**Management's Discussion and Analysis**  
**For the Year Ended December 31, 2016**  
**Expressed in Canadian Dollars**  
**Dated: May 1, 2017**

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The following management's discussion and analysis ("MD&A") of the financial condition and results of operations of ScoZinc Mining Ltd. ("ScoZinc" or the "Company") constitutes management's review of the factors that affected the Company's financial and operating performance as at and for the twelve months ended December 31, 2016. This MD&A has been prepared in compliance with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations. This discussion should be read in conjunction with the audited annual consolidated financial statements of the Company for the year ended December 31, 2016 together with the notes thereto. Information contained herein is presented as at May 1, 2017, unless otherwise indicated.

For the purposes of preparing this MD&A, management, in conjunction with the Board of Directors, considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of ScoZinc's common shares; or (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) if it would significantly alter the total mix of information available to investors. Management, in conjunction with the Board of Directors, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity.

ScoZinc is a Canadian based zinc-lead exploration and mine development company with mineral deposits and mineral processing facilities in Nova Scotia, Canada.

## **OUTLOOK**

During 2015 and 2016, the Company undertook additional initiatives to reduce its cash operating expenses, including further staff reductions and a significant reduction in fees paid to the Company's directors and officers. The effects of these cost cutting initiatives started to be realized in the fourth quarter of 2015 and, overall, the Company has achieved a marked decline in operational expenditures by substantially reducing the care and maintenance costs associated with the ScoZinc Mine. Management continues to place emphasis on keeping costs low, limiting discretionary spending, and only undertaking work programs necessary to preserve the Company's asset base. The monthly care and maintenance costs of the ScoZinc Project are expected to be static moving forward and to be the primary cost centre for the Company in 2017.

As part of the care and maintenance program, an ongoing objective of the Company is to maintain all of the key permits, mineral claims, and other approvals necessary to proceed with the restart of the ScoZinc Mine. In the fourth quarter of 2016, the Company initiated discussions with the Nova Scotia departments of the Environment and Natural Resources for the renewal of the industrial approval for Mineral Lease 10-1 that contains the ScoZinc Mine. The industrial approval expired in February 2017 and the Company anticipates that it will be renewed for a period of 10 years during the second quarter of 2017 (from the first quarter of 2017). Similarly, the environmental approval for the proposed expansion of the southwest side of the Main Pit expires in October 2017 and the Company expects it to be renewed for a period of two years during the second half of 2017.

The Company continues to monitor zinc and lead prices, the exchange rate between the Canadian and United States dollars, and the financing environment for the potential restart of the Company's 100%-owned ScoZinc Mine, which has been on care and maintenance since the third quarter of 2013.

The Company also continues to pursue opportunities to maximize the value of its ScoZinc Mine and its related exploration projects. These opportunities include, but are not limited to, the possible sale, joint venture, or other transactions with third parties. Except as required by law, the Company does not intend to disclose developments with respect to the consideration of strategic alternatives until warranted. The Company cautions that there are no assurances that any strategic alternative will be undertaken or pursued.

As at May 1, 2017, the Company had a cash balance of approximately \$1.9 million.

## **PROPERTY INFORMATION, COMPLETED ACTIVITIES AND OUTLOOK**

### **ScoZinc Mine**

On May 31, 2011, the Company completed the \$10 million acquisition of all shares and assets of ScoZinc Limited, including the ScoZinc Mine in Nova Scotia, an extensive mineral claims package that is subject to a mineral royalty to the Government of Nova Scotia and other royalties on certain other mineral interests. A portion of the gross sale proceeds was paid directly to the Government of Nova Scotia to increase bonding requirements for an amended reclamation and closure plan for the ScoZinc Mine and to pay all outstanding production royalties to the Government of Nova Scotia that were payable prior to the closure of the ScoZinc Mine in 2009. Since the mine's closure, the key permits, mineral claims, and other approvals necessary to proceed with a restart have been maintained.

In October 2011, the Company completed a 4,940-metre, 39-hole drill program at the ScoZinc Mine site to better define mineral resources adjacent to the Main Pit and improve confidence in the block model. The results of the drill program provided a basis to re-assess the block model used in an independent preliminary economic assessment ("PEA") report dated October 7, 2011. Subsequently, a new inventory of mineral resources was published in a technical report to NI 43-101 standards on October 9, 2012.

In the first quarter of 2012, the Company completed an airborne geophysical survey of its exploration properties in Nova Scotia using the helicopter-borne Versatile Time Domain Electromagnetic system. The work area covered geological strata that contain former producing mines, such as Walton Mine, Smithfield Mine, and Mindamar (Stirling) Mine. Following the initial findings of the survey, the Company expanded the survey to include its mineral claim holdings in the Musquodoboit area along an interpreted northeast extension of the favourable carbonate reef structures that host the Gays River and Getty deposits. As a result of this survey, exploration targets were identified for future exploration fieldwork.

In the first, second, and fourth quarters of 2013, the Company's geologic personnel completed soil sampling programs on exploration licenses and claim blocks held within Nova Scotia and Cape Breton. The purpose of the soil sampling program was to follow up and evaluate certain high-priority geophysical targets identified from the 2012 airborne geophysical survey. In addition, expenditures incurred from the soil surveys were utilized to fulfill the annual assessment requirements needed to keep the claims and licenses in good standing. All work was conducted in areas underlain by favourable geologic lithologies known to host zinc-lead mineralization as exemplified by former producing mines.

On May 18, 2012, the Company received approval from the Government of Nova Scotia for an amended Industrial Approval to develop the southwest side of the Main Pit (the "SW Expansion"). As a result, ScoZinc has all of the necessary permits and approvals to proceed with mining operations at the Main Pit and the SW Expansion. Additional reclamation and closure bonding will be required before the Company can develop the SW Expansion.

On December 21, 2012, the Company reported an update to the PEA technical report published in the October 7, 2012. The updated PEA was based on the Mineral Resource disclosed on October 9, 2012 that reported a 55% increase in Measured Mineral Resources and 65% increase in Indicated Mineral Resource in the Main and Northeast pits relative to the Mineral Resource utilized in the prior PEA. The study outlined a conceptual mine life of more than seven years from the Main and Northeast open pits only, whereas the previous PEA reported a similar mine life but also considered the inclusion of the Company's nearby Getty deposit.

A second update to the PEA was published in June 2013 that incorporated the results of a metallurgical test work program completed in the second quarter of 2013. This updated PEA also considered the inclusion of a small underground mining operation to extract higher grade mineralization beneath the Gays River, which separates the Main and Northeast deposits. A summary discussion of the latest revision to the PEA is provided in the Company's June 11, 2013 news release.

The Company cautions that PEAs are, by definition, preliminary in nature and include Inferred mineral resources that are considered geologically too speculative to be subject to economic considerations that would enable them to be categorized as mineral reserves. There is no certainty that the forecasted results stated in a PEA will be realized. Mineral resources that are not mineral reserves do not have demonstrated economic viability. For additional information, please consult the relevant technical reports, which are available on SEDAR ([www.sedar.com](http://www.sedar.com)).

In the third quarter of 2013, the Company's Board of Directors conducted an in-depth review of the ScoZinc Mine and its exploration portfolio (collectively, the "ScoZinc Project"), the outlook for commodity prices, and the current environment for financing mining operations. Based upon the findings of this review, the Board determined that the ScoZinc Project is a valuable asset. However, in light of the uncertain prevailing environment for metal prices and mine development financing at that time, the Board decided to suspend the restart of the ScoZinc Mine and place the project on care and maintenance in order to preserve its value and reduce Company expenditures.

Since placing the ScoZinc Mine on care and maintenance, the Company has been conducting exploration field programs on its claims in Nova Scotia and Cape Breton. This work is to maintain the Company's key mineral claims in good standing. The Company has also dropped a number of low-priority mineral claims that are distal to the ScoZinc Mine as part of its ongoing cost reduction initiatives.

As part of the care and maintenance program, an ongoing objective of the Company is to maintain all of the key permits, mineral claims, and other approvals necessary to proceed with the restart of the ScoZinc Mine. In the fourth quarter of 2016, the Company initiated discussions with the Nova Scotia departments of the Environment and Natural Resources for the renewal of the industrial approval for Mineral Lease 10-1 that contains the ScoZinc Mine (the "IA"). The IA expired in February 2017 the Company anticipates that it will be renewed for a period of 10 years during the second quarter of 2017. Similarly, the environmental approval for the proposed SW Expansion expires in October 2017 and the Company anticipates that it will be renewed for a period of two years during the second half of 2017. The environmental approval that supports the IA has no expiry date.

The Company continues to monitor zinc and lead prices, the exchange rate between the Canadian and United States dollars, and the financing environment for the potential restart of the ScoZinc Mine.

## **SELECTED ANNUAL INFORMATION**

The following selected annual financial data derived from the audited consolidated financial statements of the Company as at December 31, 2016, and 2015:

	Year Ended December 31, 2016	Year Ended December 31, 2015	Year Ended December 31, 2014
Net loss	(\$973,618)	(\$1,853,048)	(\$1,684,654)
Net loss per share	(\$0.25)	(\$0.47)	(\$0.43)
	As At December 31, 2016	As At December 31, 2015	As At December 31, 2014
Total Assets	\$19,305,598	\$20,261,456	\$21,769,080

### **Results of Operations for the Year Ended December 31, 2016 vs. 2015**

The loss for the year ended December 31, 2016 declined by \$879,430 primarily due to in part the recognition of \$37,761 in stock-based compensation charges associated with the option vesting in the year, while fiscal 2015 saw \$312,681 expenses in share based payments. The comparative year also saw elevated legal costs and business development charges driven by the accommodation and administration of prospective acquisition offers for the Company.

Consulting expenses decreased to \$83,084 in 2016 from \$113,808 in 2015, reflecting strategic reductions in hourly consultants. Business development expenses declined to \$990 from \$56,775 as the Company incurred costs to support the proposed sale of its ScoZinc Limited subsidiary in early 2015, with limited activity seen over the remainder of 2015 and subsequent.

Legal and accounting fees declined to \$142,309 in 2016 from \$251,630, with 2015 costs impacted to a limited extent with legal fees associated with the proposed ScoZinc Limited sale, and general corporate matters. During 2015, the Company adopted a policy of rationalizing its professional fee spend and focusing on more cost effective service providers.

Salaries and benefits declined by \$137,058 over the comparative year, in large part to a reduction of on-site mine staff. Staffing schedules were subject to review and streamlined during fiscal 2016.

Rent and office services saw a \$175,894 decline to \$149,022 for fiscal 2016 from \$324,916 in 2015. The Company placed its insurance with an alternate provider, maintaining equivalent coverage, resulting in a reduction of annual premiums by more than \$100,000.

Under Other Items, interest income declined to \$57,766 in 2016 from \$77,757 in 2015 as the invested cash balance declined. The fair value adjustment on marketable securities resulted in an expense of \$50,517 in 2015 and income of \$50,516 in 2016 as a result of the fluctuation of the share price of the investment in Savant Explorations Ltd. ("Savant").

Overall, the Company has achieved a marked decline in operational expenditures. Management continues to place emphasis on keeping costs low while preserving the asset base of the Company. With monthly care and maintenance costs of the ScoZinc Project expected to be static in 2016, this is expected to be the primary cost driver for the Company in the coming fiscal year.

## **SUMMARY OF QUARTERLY RESULTS**

The selected financial information is derived from the Company's consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"). Amounts are expressed in thousands of Canadian dollars, except for loss per share, which is rounded to the nearest cent, and include both continuing and discontinued results of operations in aggregate.

	<b>Dec 31 2016</b>	<b>Sep 30 2016</b>	<b>Jun 30 2016</b>	<b>Mar 31 2016</b>	<b>Dec 31 2015</b>	<b>Sep 30 2015</b>	<b>Jun 30 2015</b>	<b>Mar 31 2015</b>
Other income and interest	14	9	16	19	19	18	20	21
Loss for the period	(317)	(142)	(201)	(314)	(315)	(609)	(396)	(533)
Loss per share	(0.08)	(0.04)	(0.05)	(0.08)	(0.08)	(0.15)	(0.10)	(0.14)

## **RESULTS OF OPERATIONS**

### **Results of Operations for the Three Months Ended December 31, 2016 vs. Three Months ended December 31, 2015**

The loss from operating activities in the fourth quarter of 2016 was \$317,088, roughly equivalent to the \$315,564 loss incurred during the comparative three months ended December 31, 2015.

During the three months ended December 31, 2016, the fair value of the Company's investment in marketable securities increased in value by \$50,516, resulting in a corresponding gain in the Company's statement of comprehensive loss. During the comparative period ended December 31, 2015, the market value declined by \$50,517. This fourth quarter movement was substantially offset through fourth quarter professional fee accruals, and vesting recognized on past option grants.

## **LIQUIDITY AND CAPITAL RESOURCES**

The Company's significant assets consist of cash, property, plant and equipment, exploration and evaluation assets associated with ScoZinc Project and marketable securities of 10,103,334 shares of Savant. Savant is a thinly traded publicly traded company listed on the TSX Venture Exchange. Subsequent to the reporting period, on February 22, 2017, the Company sold its entire investment in Savant for gross proceeds of \$202,067.

As at December 31, 2016 the Company reported positive working capital of \$2,198,682 (December 31, 2015 - \$3,081,638) and had sufficient capital resources to meet its immediate obligations. The timing and ability of the Company to meet future needs will depend on the liquidity of the financial markets as well as the acceptance of investors to finance resource-based junior companies, in addition to the results of the Company's exploration programs.

The Company has no credit facilities with financial institutions. As of the date of this document, the Company's financial instruments consist of cash, amounts receivable, marketable securities, cash held for reclamation, accounts payable and accrued liabilities, and amounts due to related parties. Unless otherwise noted, the Company does not expect to be exposed to significant interest, currency or credit risks arising from these financial instruments. The Company estimates that the fair value of cash, sundry receivables,

accounts payable and accrued liabilities, and amounts due to related parties approximate their carrying values because of their short-term nature.

## **RISK FACTORS**

The operations of the Company may require licenses and permits from various local, provincial, and federal governmental authorities. There can be no assurance that the Company will be able to obtain all necessary licenses and permits that may be required to carry out mineral exploration, development, or mining operations at its project.

Even if the Company's exploration programs are successful, factors beyond the control of the Company may affect the marketability of any minerals discovered. The prices of mineral have historically fluctuated widely and are affected by numerous factors beyond the Company's control, including international, economic and political trends, geopolitical conflicts, expectations for inflation, currency exchange fluctuations, interest rates, global or regional consumption patterns, speculative activities, and worldwide production levels. The effect of these factors cannot accurately be predicted.

### **Risk Management Framework**

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework and while retaining ultimate responsibility for them, it has delegated the authority for designing policies and systems that ensure the effective execution of the objectives and policies to the Company's finance function.

#### **(a) Market Risk**

Market risk is the risk that changes in market prices will affect the fair value of future cash flows of a financial instrument. Market prices are comprised of four types of risk: Currency risk, interest rate risk, commodity price risk, and equity price risk.

##### **Currency Risk**

Currency risk is the risk that fluctuation in exchange rates between the Canadian dollar or other foreign currencies will affect the Company's financial results. The Company's operations and financing activities are conducted primarily in Canadian dollars and as a result, it is not currently exposed to significant foreign currency risk. However, the Company may be exposed to currency risk in the future as the prices for the metals produced by the Company's ScoZinc Mine, which is currently on care-and-maintenance, are sold throughout the world based principally upon the United States dollar price. The appreciation of the Canadian dollar against the United States dollar may reduce the Company's future revenues relative to the costs at the Company's operations, making such operations less profitable. As a result, currency fluctuations may affect its operations, operating results, and cash flows if the ScoZinc Mine is restarted.

##### **Interest Rate Risk**

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in the market interest rates. The Company is exposed to interest risk arising primarily from its cash held mainly in short-term interest bearing accounts with Canadian chartered banks. The impact of a change in interest rates is not significant.

#### Commodity Price Risk

The success of the Company's ScoZinc Mine and its other properties will be primarily dependent on the future price of zinc and lead. Metal prices have historically been subject to significant price fluctuation. No assurance may be given that metal prices will remain stable and significant reductions or volatility in metal prices may have an adverse effect on the Company's business, including the economic attractiveness of the Company's projects, the Company's ability to obtain financing and the amount of the Company's revenue or profit or loss. Significant price fluctuations over short periods of time may be generated by numerous factors beyond the control of the Company, including domestic and international economic and political trends, expectations of inflation, currency exchange fluctuations, interest rates, global or regional consumption patterns, speculative activities, and increases or decreases in production due to improved mining and production methods. The Company does not currently have an operating mine and does not have any derivative commodity contracts or other commodity based risks in respect of operations.

#### Equity Price Risk

The Company is exposed to equity price risk due to the investment in Savant common shares (financial assets at fair value through profit and loss) accounted for at fair value.

Savant common shares are listed on the Toronto Venture Exchange. As at December 31, 2016, a 10% increase or decrease in the fair value of the investment in Savant common shares would have increased or decreased the investment and profit or loss by approximately \$15,000.

#### (b) Credit Risk

Credit risk is the risk of an unexpected loss if a third party to a financial instrument fails to meet its contractual obligations. To minimize credit risk, cash is deposited in a Canadian chartered bank and may be redeemed on demand. Amounts receivable primarily consists of GST/HST refunds amounting to \$101,531 from the Canadian government. The Company monitors the collectability of its amounts receivable and has not had difficulty collecting amounts receivable. Consequently, management considers credit risk to be minimal.

#### (c) Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses. The Company reviews its expenditure budgets against actual expenditures routinely to ensure there is sufficient working capital to discharge all financial obligations.

### **OFF BALANCE SHEET ARRANGEMENTS**

The Company is also committed under the terms of a Harbour lease in Nova Scotia for annual lease obligations totalling \$6,000 per annum to March 2018.

## **CONTINGENCY**

On August 18, 2011, the Company engaged First Securities AS ("First") of Oslo, Norway to act as its agent to arrange a minimum of US\$30 million of debt financing for the ScoZinc Project. First terminated the engagement and claims that it is due its costs and a fee of US\$1,050,000 because of the termination. The Company has paid First costs under the engagement and has informed First that it disputes the claim for fees. As of the date of filing these consolidated financial statements, the dispute is a claim and may be settled by arbitration. Management has determined that an outflow of resources is not probable; therefore, a provision has not been recognized in the consolidated financial statements.

## **DECOMMISSIONING LIABILITY**

The Company is required to make reclamation deposits in respect of its expected rehabilitation obligations as set out below.

The Company has agreed with the Province of Nova Scotia (Department of Natural Resources) to remediate the ScoZinc mine facility to an agreed status at the end of the mining operations at the site; as a result the Company is required to make reclamation deposits in respect of this obligation. As at December 31, 2016, a \$2,767,427 (2015 – \$2,736,236) cash bond, including accrued interest, is posted with the Province of Nova Scotia.

In addition, the Company has a reclamation bond with the Nova Scotia Department of Environment for \$183,110 (December 31, 2015 – \$181,100), including accrued interest, which is required to address the potential replacement of domestic water supplies that could potentially be downgraded by mining operations.

Nova Scotia Business Inc. holds a reclamation bond in the amount of \$100,000 (2015 - \$100,000) in relation to the land, which the Company leases from the organization in Sheet Harbour. The bond will be held until the current lease agreement expires on April 1, 2018.

## **DISCLOSURE CONTROLS AND PROCEDURES**

Management has established processes, which are in place to provide them sufficient knowledge to support management representations that they have exercised reasonable diligence that:

- (i) the consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the consolidated financial statements; and
- (ii) the consolidated financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented by the consolidated financial statements.

In contrast to the certificate required under National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), the Company utilizes the Venture Issuer Basic Certificate which does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal controls over financial reporting ("ICFR"), as defined in NI 52-109. In particular, the certifying officers filing the Certificate are not making any representations relating to the establishment and maintenance of:

- (i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- (ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.

The Company's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate.

Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

## **MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL INFORMATION**

The Company's consolidated financial statements are the responsibility of the Company's management, and have been approved by the Board of Directors. The consolidated financial statements were prepared by the Company's management in accordance with International Financial Reporting Standards. The consolidated financial statements include certain amounts based on the use of estimates and assumptions. Management has established these amounts in a reasonable manner, in order to ensure that the consolidated financial statements are presented fairly in all material respects.

## **CURRENT GLOBAL FINANCIAL CONDITIONS AND TRENDS**

Securities of mining and mineral exploration companies, including the common shares of the Company, have experienced substantial volatility in the past, often based on factors unrelated to the financial performance or prospects of the companies involved. These factors include macroeconomic developments in Canada and globally, and market perceptions of the attractiveness of particular industries. The price of the securities of the Company is also significantly affected by short-term changes in commodity prices, base metal prices or other mineral prices, currency exchange fluctuation and the political environment in the countries in which the Company does business. As of December 31, 2016, the global economy continues to be in a period of significant volatility, in large part due to Asian, European, and American economic concerns that have impacted global economic growth.

## **POTENTIAL DILUTION**

The issue of common shares of the Company upon the exercise of stock options and/or the warrants will dilute the ownership interest of the Company's current shareholders. The Company may also issue additional options and warrants or additional common shares from time to time in the future. If it does so, the ownership interest of the Company's then current shareholders could also be diluted.

## **DEPENDENCE ON KEY PERSONNEL**

The Company's business and operations are dependent on retaining the services of a small number of key personnel. The success of the Company is, and will continue to be, to a significant extent, dependent on the expertise and experience of these people. The loss of one or more of these key people could have a

materially adverse effect on the Company. The Company does not maintain insurance on any of its key people.

## **PROPOSED TRANSACTIONS**

There is no imminent decision by the Board of Directors of the Company with respect to any transaction beyond what is contemplated in this document.

## **TRANSACTIONS WITH RELATED PARTIES**

All transactions with related parties have occurred in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Except as noted, amounts with related parties are non-interest bearing, unsecured, payable on demand and have arisen from the provision of services and expense reimbursements described.

### **Key Management Personnel Compensation**

Management and key personnel compensation is as follows:

<b>Current Board of Directors, Officers and Key Management Personnel</b>	<b>Year Ended Dec., 2016</b>	<b>Year Ended Dec., 2015</b>
Ben Cubitt – Former Director	\$ Nil	\$ 32,609
Justin Oliver – Former Director	Nil	32,609
Victor Lazarovici - Director	25,000	43,750
Jeremy Link – Director	25,000	43,750
Louis G. Montpellier – Director	25,000	11,141
Jad Fakhry – Director	12,708	Nil
Joe Ringwald – Chief Executive Officer	59,099	115,158
Robert Suttie – Chief Financial Officer	42,520	42,000
Share-based Compensation	37,761	337,086
<b>Totals</b>	<b>\$ 227,088</b>	<b>\$ 658,103</b>

Transactions with key management personnel comprise compensation of key management personnel as follows:

During the year ended December 31, 2016, the Company expensed \$94,961, (2015 - \$91,948) to Marrelli Support Services Inc. ("Marrelli Support") and DSA Corporate Services Inc. ("DSA"), together known as the "Marrelli Group" for:

- (i) Robert D.B. Suttie, Vice President of Marrelli Support, to act as Chief Financial Officer ("CFO") of the Company;
- (ii) Bookkeeping and office support services;
- (iii) Regulatory filing services; and
- (iv) Corporate secretarial services.

Marrelli Support is also reimbursed for out of pocket expenses.

As at December 31, 2016, amounts due to related parties totalled \$61,794 (2015 - \$64,931) pertaining to amounts payable for key management remuneration, directors fees, support services from the Marrelli Group, and reimbursement of expenses paid on behalf of the Company.

The above noted transactions are in the normal course of business and are measured at the exchange amount, as agreed to by the parties, and approved by the Board of Directors in strict adherence to conflict of interest laws and regulations.

## **EVENTS OCCURRING AFTER THE REPORTING DATE**

- a) On February 22, 2017, the Company sold its investment in Savant Explorations Limited. A total of 10,103,334 common shares were sold for gross proceeds of \$202,067.
- b) On April 11, 2017, 205,000 warrants with an exercise price of \$17.00 expired without exercise.

## **CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

Financial statements in conformity with IFRS require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of expenses during the reporting period. Actual results may differ from those estimates. A full description of the Company's significant accounting policies may be found in Note 2 of the Company's December 31, 2016 audited consolidated financial statements. A summary of the Company's critical accounting estimates is set out below.

### ***Income Taxes***

Deferred tax assets and liabilities are measured using tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be settled. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Assessing the recoverability of deferred tax assets requires management to exercise judgment and make assumptions about future taxable profit.

### ***Exploration and Evaluation Assets***

The Company reviews capitalized costs on its property interests on a periodic, or annual, basis and will determine whether any persuasive evidence exists that indicates impairment. In assessing impairment of exploration and evaluation properties, management makes certain assumptions about whether the exploration and evaluation assets are unlikely to be recovered in full from successful development or by sale.

### ***Decommissioning Liability***

The Company conducts its operations in compliance with applicable laws and regulations governing protection of the environment. Reclamation and remediation obligations arise throughout the life of the ScoZinc Mine. The Company estimates future reclamation costs based on the level of current activity and estimates of costs required to fulfill its future obligations.

### ***Depreciation***

Mobile and other equipment is depreciated, net of estimated residual value, on a straight-line basis, over the useful life of the equipment. The computation of amortization involves significant judgement in the determination of useful life and residual value and no assurance can be given that current assumptions will not differ from actual useful lives and residual values.

### **Recent Accounting Pronouncements**

The following standards have not yet been adopted and are being evaluated to determine their impact on the Company.

- (i) IFRS 9 – Financial Instruments (“IFRS 9”) was issued by the IASB in October 2010 and will replace IAS 39 - Financial Instruments: Recognition and Measurement (“IAS 39”). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 will be effective as at January 1, 2018. The Company is in the process of assessing the impact of this pronouncement.
- (ii) Leases - In January 2016, the IASB issued IFRS 16, Leases (IFRS 16). IFRS 16 is effective for periods beginning on or after January 1, 2019, with early adoption permitted. IFRS 16 eliminates the current dual model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. The extent of the impact of adoption of IFRS 16 has not yet been determined.

## **FINANCIAL AND OTHER INSTRUMENTS**

The carrying values of the amounts receivable, accounts payable and accrued liabilities, and amounts due to related parties approximate their fair value. As at December 31, 2016, the Company had amounts receivable and prepaid expenses of \$132,621, and accounts payable and accrued liabilities in the normal course of business totalling \$70,157.

The Company's investment in Savant is recorded at its fair value, based on quoted market prices, at December 31, 2016.

Other than those described above, the Company does not own, hold or have any material interest in, or liability associated with, any other financial instrument. For a full description of the Company's financial instruments, and policies utilized therein, please refer to Note 17 of the Company's December 31, 2016 audited consolidated financial statements.

## **DISCLOSURE OF OUTSTANDING SHARE DATA**

The Company is authorized to issue an unlimited number of common shares without par value, unlimited number of Class A preferred shares with no par value, and an unlimited number of Class B preferred shares with par value of \$10.00 per share. No Class A or B preferred shares have been issued.

### **Common Shares**

As at May 1, 2017, there were 3,941,045 common shares outstanding. As at May 1, 2017, the Company had no other warrants outstanding.

### **Share Purchase Warrants**

On April 11, 2017, all 205,000 warrants with an exercise price of \$17.00 expired without exercise.

### **Share Purchase Options**

As at May 1, 2017, there were 198,000 stock options outstanding with a weighted average exercise price of \$1.68, expiring between February 19, 2020 and June 28, 2021.

## **SIGNIFICANT SHAREHOLDERS**

To the Company's knowledge, as at May 1, 2017, significant shareholders of the Company (defined as those holding greater than 10%) include: Resource Capital Fund IV LP, holding 17.12%, Pan Pacific Metal Mining Corporation, holding 12.65%, China Mining Resources Group Limited, holding 11.14%, and a group of entities controlled by Mr. Lloyd Miller III, holding 19.03%, of the Company's issued and outstanding common shares. The remaining common shares are widely held.

## **DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE**

Additions to the ScoZinc project exploration and evaluation asset for the year December 31, 2016 of \$83,479 consisted of the following: Land and recording fees, geological expenses, assays, labour and consulting charges.

## **ADDITIONAL INFORMATION**

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

## **FORWARD LOOKING STATEMENTS**

*This MD&A contains forward-looking statements within the meaning of Canadian securities legislation. Forward-looking statements include, but are not limited to, statements with respect to the closing of the Transaction, the future price of metals, the estimation of Mineral Reserves and Resources, the realization of Mineral Reserve and Resource estimates, the timing and amount of estimated future production, costs of production and capital expenditures, costs and timing of the development of deposits, success of exploration activities, permitting time lines, currency fluctuations, requirements for additional capital, government regulation of mining operations, environmental risks, reclamation expenses, the possibility of title disputes or claims, limitations on insurance coverage, and the timing and possible outcome of pending litigation. In certain cases, forward-looking statements can be identified by the use of words such as "plans," "expects" or "does not expect," "is expected," "budget," "scheduled," "estimates," "forecasts," "intends," "anticipates" or "does not anticipate," or "believes," or variations of such words and phrases or statements that certain actions, events or results "may," "could," "would," "might" or "will be taken," "occur" or "be achieved."*

*Forward-looking statements and other information contained in this MD&A concerning the mining industry and our general expectations concerning the mining industry are based on estimates prepared by us using data from publicly available industry sources as well as from market research and industry analysis and on assumptions based on data and knowledge of this industry which we believe to be reasonable. However, this data is inherently imprecise, although generally indicative of relative market positions, market shares and performance characteristics. While we are not aware of any misstatements regarding any industry data presented in this MD&A, the mining industry involves risks and uncertainties and is subject to change based on various factors. Forward-looking information is based on the reasonable assumptions, estimates, analysis and opinions of management made in light of its experience and its perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable in the circumstances at the date that such statements are made, but which may prove to be incorrect. We believe that the assumptions and expectations reflected in such forward-looking information are reasonable. Assumptions have been made regarding, among other things, our ability to carry on exploration and development activities, the timely receipt of required approvals, the price of zinc, lead and other metals, our ability to operate in a safe, efficient and effective manner and our ability to obtain financing as and when required and on reasonable terms. Readers are cautioned that the foregoing list is not exhaustive of all factors and assumptions that may have been used.*

*Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such risks and other factors include, among others, risks related to operations; risks associated with current exploration and development activities; uncertainties associated with conclusions of economic evaluations; changes in project parameters as plans continue to be refined; assumptions related to the future prices of metals; possible variations in Mineral Reserves or Mineral Resources, the grade of contained metals or recovery rates; failure of plant, equipment or processes to operate as anticipated; accidents, labour disputes and other risks of the mining industry; delays in obtaining governmental approvals or financing or in the completion of development or construction activities; and risks related to joint venture operations. Although we have attempted to identify important factors that could affect us and may cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements*

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*will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. The forward-looking statements in this MD&A speak only as of the date of this MD&A. We do not undertake any obligation to release publicly any revisions to these forward-looking statements to reflect events or circumstances after the date of this MD&A to reflect the occurrence of unanticipated events save and except as required by applicable securities laws.*