



**NUNAVIK NICKEL MINES LTD.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FOR THE YEAR ENDED**

**DECEMBER 31, 2016**

**DATED APRIL 11, 2017**

# **Nunavik Nickel Mines Ltd.**

Management's discussion and analysis for the year ended December 31, 2016

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## **SCOPE OF THIS MANAGEMENT'S DISCUSSION AND ANALYSIS AND NOTICE TO INVESTORS**

This management's discussion and analysis of financial position and results of operations ("MD&A"), is prepared as of April 11, 2017, and complements the audited financial statements of Nunavik Nickel Mines Ltd. ("Nunavik" or the "Company"), for the year ended December 31, 2016, which are compared to the year ended December 31, 2015

All financial information has been prepared in accordance with International Financial Reporting Standards ("IFRS") and all amounts are in Canadian dollars unless otherwise indicated. Additional information is provided in the Company's audited financial statements for the year ended December 31, 2016.

The audited financial statements and the MD&A have been reviewed by the audit committee and approved by the Company's Board of Directors on April 11, 2017. These documents and more information about the Company are available on SEDAR at [www.sedar.com](http://www.sedar.com).

## **FORWARD LOOKING STATEMENTS**

Certain statements made in this MD&A are forward-looking statements or information. The Company is hereby providing cautionary statements identifying important factors that could cause the Company's actual results to differ materially from those projected in the forward-looking statements. Any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions or future events or performance (often, but not always, through the use of words or phrases such as "may", "is expected to", "anticipates", "estimates", "intends", "plans", "projection", "could", "vision", "goals", "objective" and "outlook") are not historical facts and may be forward-looking and may involve estimates, assumptions and uncertainties which could cause actual results or outcomes to differ materially from those expressed in the forward-looking statements. In making these forward-looking statements, the Company has assumed that the current market will continue and grow and that the risks listed below will not adversely impact the business of the Company. By their nature, forward-looking statements involve numerous assumptions, inherent risks and uncertainties, both general and specific, which contribute to the possibility that the predicted outcomes may not occur or may be delayed. The risks, uncertainties and other factors, many of which are beyond the control of the Company that could influence actual results are summarized below under the heading "Risks and Uncertainties".

Further, unless otherwise noted, any forward-looking statement speaks only as of the date of this MD&A, and, except as required by applicable law, the Company does not undertake any obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time, and it is not possible for management to predict all such factors and to assess in advance the impact of each such factor on the business of the Company, or the extent to which any factor or combination of factors may cause actual results to differ materially from those contained in any forward-looking statement.

## **ABOUT NUNAVIK NICKEL MINES LTD**

Nunavik, incorporated on February 18, 2010 under the Business Corporations Act of British Columbia (the "Company") is involved in the process of exploring, evaluating and promoting its mineral properties and other projects. The head office of the Company is located at 152 Chemin de la Mine École, Val d'Or, Québec, Canada. The Company's registered and records office is located at #1810 - 1111 West Georgia Street, Vancouver, B.C. V6E 4M3. The Company also has administrative offices located at 800 René-Lévesque Boulevard West, Suite 425, Montréal, Quebec, H3B 1X9. The Company's shares are listed on the TSX Venture Exchange under the symbol KZZ.

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## **MINERAL PROPERTIES**

### **Marymac Prospect**

The Marymac Prospect located in the Labrador Trough of Quebec, consists of 43 Map Designated Units (each an "MDU"). The Company holds a 100% interest in the Marymac Prospect that is subject to a 2% net smelter royalty ("NSR") interest in favour of Capex Group Inc. (formerly 862539 Alberta Ltd.), which was granted pursuant to an agreement dated March 1, 2001. Since the Company is not planning any work in the near future, the Company made the decision to impair its Marymac Prospect at December 31, 2016.

### **Boston Bulldog Prospect**

The Boston Bulldog Prospect is a group of 3 mining claims located in Kirkland Lake, Ontario. On February 16, 2015, the Company entered into a Mining Option Agreement, amended on March 6, 2015 and March 24, 2017, pursuant to which it has been granted by 2973090 Canada Inc., a Canadian private company wholly-owned and controlled by Glenn J. Mullan, the previous CEO and a director of the Company, an option to acquire a 100% interest in the mineral claims comprising the Boston Bulldog Prospect, subject to a 3% NSR royalty. In consideration of the grant of the option, the Company paid 2973090 Canada Inc. a sum of \$5,000 in cash to cover the cost of staking the property and issued 300,000 common shares (issued in April 2015). To maintain and exercise the option, the Company must keep the property in good standing and incur minimum mining operations expenditures of \$50,000 by April 7, 2018.

In accordance with the terms of the option, the Company has the right to reduce the royalty from 3% to 2% of the NSR by paying 2973090 Canada Inc. \$1,000,000 at any time on or before February 16, 2022.

### **Shoot-Out Prospect - Northern Quebec**

The Shoot-Out Prospect is the combination of two properties, Shoot-Out East and Shoot-Out West, and consists of 63 claims located in the Raglan Belt of northern Quebec. The Company has a 100% ownership interest in this property that is subject to a 3% NSR in favour of the original vendors, one of which is a director and officer of the Company.

### **Chibougamau Chapais Prospect**

The Chibougamau-Chapais Prospect is a non-contiguous group of 40 claims, located in the Chibougamau area in central Quebec, which were staked by the Company in the second quarter of 2016. The Company intends to design and conduct a grass root exploration program on this property in the coming future.

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## SELECTED FINANCIAL INFORMATION

### FINANCIAL POSITION ANALYSIS

	December 31, 2016	December 31, 2015	December 31, 2014
	\$	\$	\$
Assets	73,491	1,537,881	1,391,175
Liabilities	42,175	6,100	31,100
Equity	31,316	1,531,781	1,360,175

#### ASSETS

Total assets at December 31, 2016 were \$73,491 compared to \$1,537,881 at December 31, 2015, a decrease of \$1,464,390 mainly due to the impairment of \$1,420,017 recognized on the Marymac Prospect. Also, cash and cash equivalent have decreased by \$58,725 to fund the ongoing operations.

#### LIABILITIES

Total liabilities at December 31, 2016 were \$42,175 compared to \$6,100 at December 31, 2015, an increase of \$36,075 mainly due to the advance of \$30,000 received from the controlling shareholder Golden Valley Mines Inc.

#### EQUITY

Equity totalled \$31,316 at December 31, 2016 compared to \$1,531,781 at December 31, 2015, a decrease of \$1,500,465 mainly due to the net loss of \$1,521,253 which includes the impairment of \$1,420,017 recognized on the Marymac Prospect. However, this decrease was offset by the recognition of share-based payments of \$20,788 following the issuance of 446,801 stock options. Readers are invited to refer to the statement of changes in equity of the audited financial statements for more details.

## OPERATING RESULTS ANALYSIS

	Three-month period ended December 31, 2016	Three-month period ended December 31, 2015	Twelve-month period ended December 31, 2016	Twelve-month period ended December 31, 2015
	\$	\$	\$	\$
Revenue	-	-	-	-
Operating expenses	1,421,834	8,475	1,521,547	92,679
Other expenses (income)	17	(43)	(294)	(48)
<b>Net loss and comprehensive loss</b>	<b>1,421,851</b>	<b>8,432</b>	<b>1,521,253</b>	<b>92,631</b>
Basic and diluted net loss per common share	<b>0.110</b>	<b>0.001</b>	<b>0.118</b>	<b>0.007</b>

### THREE-MONTH PERIOD ENDED DECEMBER 31, 2016 COMPARED TO THE THREE-MONTH PERIOD ENDED DECEMBER 31, 2015

The net loss for the three-month period ended December 31, 2016 was \$1,421,851 or (\$0.11) per share, compared to \$8,432 or (\$0.001) per share for the same period in 2015, an increase of \$1,413,419 mainly due to the impairment of \$1,420,017 recognized on the Marymac Prospect and to an increase in accounting and audit fees of \$2,215. However, these increases were offset by a decrease in exploration and evaluation

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expenses of \$1,036, in regulatory and transfer agent fees of \$2,150, in office expenses and other of \$1,957 and in travel and entertainment of \$2,814.

## TWELVE-MONTH PERIOD ENDED DECEMBER 31, 2016 COMPARED TO THE TWELVE-MONTH PERIOD ENDED DECEMBER 31, 2015

The net loss for the twelve-month period ended December 31, 2016 was \$1,521,253 or (\$0.118) per share, compared to \$92,631 or (\$0.007) per share for the same period in 2015, an increase of \$1,428,622 mainly due to the impairment of \$1,420,017 recognized on the Marymac Prospect, to the recognition of share-based payments of \$20,788 related to the 446,801 stock options granted, to an increase in exploration and evaluation expenses of \$3,409 and to an increase in accounting and audit fees of \$10,240. However, these increases were offset by a decrease in legal fees of \$11,118, in regulatory and transfer agent fees of \$3,771, in office expenses and other of \$5,588 and in travel and entertainment of \$5,329.

### CASH FLOW ANALYSIS

	Three-month period ended December 31, 2016	Three-month period ended December 31, 2015	Twelve-month period ended December 31, 2016	Twelve-month period ended December 31, 2015
	\$	\$	\$	\$
Operating activities	(4,276)	(5,467)	(73,968)	(121,287)
Investing activities	(5,941)	1,169	(14,757)	(37,949)
Financing activities	-	-	30,000	228,337

## THREE-MONTH PERIOD ENDED DECEMBER 31, 2016 COMPARED TO THE THREE-MONTH PERIOD ENDED DECEMBER 31, 2015

Cash flows for the three-month period ended December 31, 2016 are comparable to the cash flows for the three-month period ended December 31, 2015. No material changes to be disclosed.

## TWELVE-MONTH PERIOD ENDED DECEMBER 31, 2016 COMPARED TO THE TWELVE-MONTH PERIOD ENDED DECEMBER 31, 2015

### OPERATING ACTIVITIES

Operating activities required cash flows of \$73,968 compared to \$121,287 in 2015. This decrease in the use of cash flows is due to a decrease in the net loss after non-cash items which went from \$93,107 in 2015 to \$81,723. In addition, non-cash working capital items generated cash flows of \$7,755 compared to the use of cash flows of \$28,180 in 2015.

### INVESTING ACTIVITIES

Investing activities required \$14,757 compared to \$37,949 in 2015. These cash flows are related to the exploration and evaluation expenditures.

### FINANCING ACTIVITIES

Financing activities generated cash flows of \$30,000 compared to \$228,337 in 2015. During the twelve-month period ended December 31, 2016, the Company received an advance from its controlling shareholder of \$30,000 while in the twelve-month period ended December 31, 2015, it had completed a private placement for total net proceeds of \$228,337.

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## QUARTERLY RESULT TRENDS (IN THOUSANDS OF \$)

The operating results for each of the last eight quarters are presented in the following table. Management considers that the information for each of those quarters was determined in the same way as for our audited financial statements for the year ended December 31, 2016.

	Dec 31, 2016	Sep 30, 2016	Jun 30, 2016	Mar 31, 2016	Dec 31, 2015	Sep 30, 2015	Jun 30, 2015	Mar 31, 2015
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue	-	-	-	-	-	-	-	-
Net loss	(1,422)	(20)	(54)	(25)	(8)	(16)	(35)	(33)
Basic and diluted net loss per common share	((0.110)	(0.002)	(0.004)	(0.002)	-	(0.001)	(0.003)	(0.003)

## LIQUIDITY, CAPITAL RESOURCES AND SOURCES OF FINANCING

As of December 31, 2016, the Company had a cash position of \$11,846 and a working capital deficiency of \$28,693.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To preserve or modify its capital structure and to carry on the development of its mining properties, the Company may issue additional common shares or negotiate new loans.

The Company's ability to continue as a going concern depends upon its ability to obtain necessary financing to fund its prospection operations, its projects and continued support of suppliers and creditors. The Company's ability to raise enough financing to meet these objectives cannot be determined at this time. The Company's business involves a high degree of risk and there is no assurance that the Company will be successful in discovering economically recoverable deposits on its mineral properties. Furthermore, the Company has not yet generated any income or cash flows from its operations and there is no assurance that the business will be profitable in the future. As at December 31, 2016, the Company has a cumulative deficit of \$2,689,098 (\$1,167,845 as at December 31, 2015). These material uncertainties cast significant doubts regarding the Company's ability to continue as a going concern.

However, following the exercise of warrants in January 2017 for total proceeds of \$106,800 and the closing of a non-brokered private for total proceeds of \$282,975, the management expects to have sufficient liquidities to fund its ongoing operations at least beyond December 31, 2017.

Although management believes it has developed action plans to manage liquidity and operational risk, there is no assurance that these measures will be successful.

Readers are invited to refer to the Risk and Uncertainties section for more information.

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## COMMITMENT

Please refer to Note 16 of the audited financial statements for the Company's commitments.

## RELATED PARTY TRANSACTIONS

Please refer to Note 12 of the audited financial statements for related party transactions. The Company has not entered into any other related party transaction.

## INFORMATION ON OUTSTANDING SECURITIES

The following table sets out the number of common shares, warrants and options outstanding as of the date hereof:

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<b>Common shares outstanding:</b>	18,350,655		
<b>Share options exercisable:</b>	565,000		
Average exercise price of:	\$ 0.07		

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<b>Expiry date</b>	<b>Number</b>	<b>Exercise</b>
		<b>\$</b>
April 2019	60,000	0.07
November 2019	58,199	0.08
May 2021	446,801	0.07
	<u>565,000</u>	<u>0.07</u>

  

<b>Warrants outstanding:</b>	4,578,661		
Average exercise price of:	\$ 0.085		

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<b>Expiry date</b>	<b>Number of warrant outstanding</b>	<b>Exercise price</b>
		<b>\$</b>
March 30, 2019	4,578,661	0.085
	<u>4,578,661</u>	

  

<b>Fully diluted shares</b>	<u><u>23,494,316</u></u>		
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## OFF BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements as at December 31, 2016 or as at the date of this MD&A.

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## ACCOUNTING POLICIES

The preparation of financial statements in accordance with IFRS requires management to adopt accounting policies and to make certain estimates and assumptions that the Company believes are reasonable based upon the information available at the time these decisions are made. In preparing these audited financial statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty are the same as those applied in the annual IFRS financial statements for the year ended December 31, 2016. Readers are invited to refer to Note 3 of the audited financial statements for the year ended December 31, 2016 for a full description of the significant accounting policies of the Company at that date.

## RISKS RELATED TO FINANCIAL INSTRUMENTS

Readers are invited to refer to Note 15 of the audited financial statements for the year ended December 31, 2016, for a full description of these risks.

## RISKS AND UNCERTAINTIES

An investment in the common shares of the Company involves a high degree of risk and must be considered highly speculative due to the financial and operational risks inherent to the nature of the Company's business and the present stage of exploration and development of its mineral resource properties. These risks may affect the Company's eventual profitability and level of operating cash flow. Prospective buyers of the common shares of the Company should consider the following risk factors:

### Operational risks

#### Mining industry and mining projects

Exploration and development projects have no operating history upon which to base estimates of future operating costs and capital requirements. Mining projects frequently require a number of years and significant expenditures during the mine development phase before production is possible. Development projects are subject to the completion of successful feasibility studies, obtaining necessary governmental permits and securing necessary financing. The economic feasibility of such development projects is based on many factors such as estimation of reserves, metallurgical recoveries, future metal prices, and capital and operating costs of such projects. Exploration and development of mineral deposits thus involve significant financial risks which even a combination of careful evaluation, experience and knowledge may not eliminate. While the discovery of an ore body may result in substantial rewards, few properties which are explored are ultimately developed into producing mines. In fact, a mine must generate sufficient revenues to offset operating and development costs such as the costs required to establish reserves by drilling, to develop metallurgical processes, to construct facilities and to extract and process metals from the ore. Once in production, it is impossible to determine whether current exploration and development programs at any given mine will result in the replacement of current reserves with new reserves.

The Company is subject to risks and hazards inherent to the mining industry, including fluctuations in metal prices, costs of constructing and operating a mine as well as processing and refining facilities in a specific environment, availability of economic sources of energy and adequacy of water supply, adequate access to the site, unanticipated transportation costs, delays and repair costs resulting from equipment failure, changes in the regulatory environment (including regulations relating to prices, royalties, duties, taxes, restrictions on production, quotas on exportation of minerals, as well as the costs of protection of the environment and agricultural lands), and industrial accidents and labor actions or unrest. The occurrence of any of these factors could materially and adversely affect the development of a project and



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as a result materially and adversely affect the Company's business, financial condition, results of operations and cash flow. The Company is also subject, through its activities, to risks normally encountered in mining operations. Blasting, drilling, mining and processing of ore comprise risks and hazards such as environmental hazards, including discharge of pollutants or hazardous chemicals, unanticipated grade and tonnage of ore to be mined and processed, unusual or unexpected adverse geological or geotechnical formation, or unusual or unexpected adverse operating conditions, slope failure, rock bursts, cave-ins, failure of pit walls or dams, fire, and natural phenomena and "acts of God" such as inclement weather conditions, floods, earthquakes and other hazards. These occurrences could result in damage to, or destruction of, mineral properties or production facilities, personal injury or death, environmental damage, delays in mining, monetary losses and possible legal liability. The Company may incur liability as a result of pollution and other casualties, and may not be able to insure fully or at all against such risks, due to political reasons, unavailability of coverage in the market place or other reasons, or may decide not to insure against such risks as a result of high premiums or for other reasons.

This can result in delayed production, increase in production costs or liability. Paying compensation for obligations resulting from such liability may be very costly and could have an adverse effect on the Company's financial position.

## Licences and permits

The operations of the Company will require licences and permits from various governmental authorities, which have been applied for and/or will be applied for at the proper time. There can, however, be no assurance that the Company will be able to obtain all necessary licences and permits required to carry out exploration, development and mining operations of its projects.

## Title to mineral properties

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

## Influence of Third Party Stakeholders

Claims by third parties on the lands in which the Company hold interests, or the exploration equipment and road or other means of access which the Company intend to utilize in carrying out work programs or general exploration mandates, even if not meritorious, may create delays resulting in significant financial loss and loss of opportunity for the Company.

## Dependence on management

The success of the operations and activities of the Company is dependent to a significant extent on the efforts and abilities of its management team. Investors must be willing to rely to a significant extent on their discretion and judgment. The Company does not maintain key employee insurance on any of its employees. The Company depends on key personnel and cannot provide assurance that it will be able to retain such personnel. Failure to retain such key personnel could have a material adverse effect on the Company's business and financial condition.

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## Statutory and regulatory compliance

The current and future operations of the Company, from exploration through development activities and commercial production, are and will be governed by applicable laws and regulations governing mineral claims acquisition, prospecting, development, mining, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, mine safety and other matters. Companies engaged in exploration activities and in the development and operation of mines and related facilities generally experience increased costs and delays in production and other schedules as a result of the need to comply with applicable laws, regulations and permits. The Company has received all necessary permits for the exploration work it is presently conducting; however, there can be no assurance that all permits which the Company may require for future exploration, construction of mining facilities and conduct of mining operations, if any, will be obtainable on reasonable terms or on a timely basis, or that such laws and regulations would not have an adverse effect on any project which the Company may undertake.

Failure to comply with applicable laws, regulations and permits may result in enforcement actions there under, including the forfeiture of claims, orders issued by regulatory or judicial authorities requiring operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or costly remedial actions. The Company may be required to compensate those suffering loss or damage by reason of its mineral exploration activities and may have civil or criminal fines or penalties imposed for violations of such laws, regulations and permits. The Company is not currently covered by any form of environmental liability insurance. See "Insurance Risk" below.

Existing and possible future laws, regulations and permits governing operations and activities of exploration companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in capital expenditures or require abandonment or delays in exploration.

## Competition

The Company is in competition with other mining companies for the acquisition of interests in precious and base metal mining properties. In the pursuit of such acquisition opportunities, the Company competes with several Canadian and foreign companies that may have substantially greater financial and other resources. Although the Company has acquired such assets in the past, there can be no assurance that its acquisition efforts will succeed in the future. Although the Company has been able to obtain mineralized material in the past, there can be no assurance that it will indefinitely be able to secure mill feed.

## Share price volatility

In recent years, the securities markets in Canada have experienced a high level of price and volume volatility, and the market price of securities of many companies, particularly those considered development stage companies, including the Company, have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual fluctuations in price will not occur.

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## Insurance

The Company will remain at risk and will be potentially subject to liability for hazards associated with mineral exploration which it cannot insure against or which it has elected not to insure against because of premium costs or other reasons.

## Litigation

All industries, including the mining industry, are subject to legal claims, with and without merit. The Company may, in the future, be involved in various legal proceedings. While the Company believes it is unlikely that the final outcome of these legal proceedings will have a material adverse effect on the financial position or results of operations, defense costs will be incurred, even with respect to claims that have no merit. Due to the inherent uncertainty of the litigation process, there can be no assurance that the resolution of any particular legal proceeding will not have a material adverse effect on the Company's future cash flow, results of operations or financial condition.

## Increased costs and compliance risks of being a public company

Legal, accounting and other expenses associated with public Company reporting requirements have increased significantly in the past few years. The Company anticipates that costs may continue to increase with recently adopted or proposed corporate governance related requirements.

The Company also expects these new rules and regulations may make it more difficult and more expensive for it to obtain director and officer liability insurance, and it may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. As a result, it may be more difficult for the Company to attract and retain qualified individuals to serve on its board of directors or as executive officers. During the year, the Company entered into an indemnification agreement with each officer and director. The Company would indemnify its officers and directors to provide them with maximum protection permitted by law in lieu of a liability insurance.

## Financial risks

### Metal price volatility

Factors beyond the control of the Company may affect the marketability of any minerals discovered at and extracted from the Company's properties. Resource prices have fluctuated widely, particularly in recent years, and are affected by numerous factors beyond the Company's control including international economic and political trends, inflation, currency exchange fluctuations, interest rates, global or regional consumption patterns, speculative activities and increased production due to new and improved extraction and production methods. The effect of these factors cannot accurately be predicted.

Metal prices historically have fluctuated widely and are influenced by a number of factors beyond the Company's control, including international economic and political conditions, expectations of inflation, international currency exchange rates, interest rates, consumption patterns, and speculative activities and increased production due to improved exploration and production methods. Fluctuations in commodity prices will influence the willingness of investors to fund mining and exploration companies and the willingness of companies to participate in joint ventures with the Company and the level of their financial commitment. The supply of commodities is affected by various factors, including political events, economic conditions and production costs in major producing regions. There can be no assurance that the price of any commodities will be such that any of the properties in which the Company has, or has the right to acquire, an interest may be mined at a profit.

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### *Future financing*

The success of exploration programs and other transactions related to concessions could have a significant impact on the need for capital. If the Company decides to develop one of its properties, it must ensure that it has access to the required capital. The Company could finance its need of capital by using working capital, by arranging partnerships with other companies, through equity financing, by taking on long-term debt or any combination thereof. However, nothing guarantees that the Company will succeed in getting the necessary financing with reasonable terms.