



# **AMERICAN CUMO MINING CORPORATION**

**Management's Discussion and Analysis  
December 31, 2017**

**AMERICAN CUMO MINING CORPORATION**  
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**Year Ended December 31, 2017**

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**INTRODUCTION**

The following Management's Discussion and Analysis ("MD&A") of the results of operations and financial position of American CuMo Mining Corporation ("CuMoCo") together with its subsidiaries (collectively, the "Company") is prepared as of February 28, 2017 and should be read in conjunction with the Company's condensed consolidated interim financial statements and notes for the quarter ended December 31, 2017 ("Q2-2018") and the Company's audited consolidated financial statements and notes for the year ended June 30, 2017 ("fiscal 2017").

The Company's financial statements are reported under International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB").

The Company's reporting currency is the Canadian dollar and all figures in this MD&A are in Canadian dollars unless otherwise indicated.

Some of the statements in this MD&A are forward-looking statements that are subject to risk factors set out in the cautionary note contained herein.

CuMoCo is a Canadian mineral exploration and development company that has historically focused on identifying, acquiring and developing natural resource opportunities in the United States and Canada. The Company's flagship project is the CuMo molybdenum project (the "CuMo Project"), located in Idaho, in the United States.

CuMoCo's common shares are listed on the TSX Venture Exchange ("TSX-V") under the trading symbol "MLY" and on the OTCQX Stock Exchange in the United States under the trading symbol "MLYCF".

**CORPORATE OVERVIEW**

2016 was a significant turning point in the development of the Company. With the various proxy battles behind itself, the Company was able to move forward on several fronts. In January of 2016, successful testing of Ore-Sorting on the CuMo Project led to a significant improvement in the possible economics of the CuMo deposit. Ore-Sorting will allow the deposit to be mined at a high rate, sorted, and then processed at a lower rate. For example, the Company is examining mining at a rate of 300,000 short tons per day and processing at a rate of 60,000 short tons per day in order to recover about 90 to 95% of the contained metal. This change substantially reduces the costs to produce the molybdenum, copper and silver. Preliminary analysis indicates that the copper and silver are profitable by themselves. This would make the CuMo deposit competitive against the molybdenum by-product producers of the world, making it not only the largest molybdenum deposit in the world but also one of the lowest cost. In addition to an operating cost reduction, the capital cost is also reduced by \$800 million to \$1 billion dollars. Furthermore, the overall footprint of the processing plant is reduced, the amount of resources required to process the material is reduced, and the environmental footprint is reduced.

The Company continues to examine technologies and methods of reducing costs and potential environmental impacts, including using a conveyor system instead of trucks, fully optimizing the open-pit design, and examining variable cut-off grades, all leading to more robust and improved economics.

In June 2016, the Company attracted the interest of a significant investor and potential partner for the CuMo Project when it announced the signing of a non-binding memorandum of understanding with MCC8 Group Company Limited and Ping Shan Resource Holdings Ltd (Chinese Partners). The parties entered the MOU to formalize their understanding and intentions with respect to funding the strategic and sustainable development of the CuMo Project. Specifically, the Chinese Partners are to arrange a minimum of US\$700 million in project financing for the development and construction of the CuMo Project in order to receive an

**AMERICAN CUMO MINING CORPORATION**  
**Management's Discussion and Analysis**  
**Year Ended December 31, 2017**

80 percent of net proceeds interest in the joint venture to be formed between Idaho CuMo Mining Corporation (Idaho CuMo) and the Chinese Partners in respect of the CuMo Project (Joint Venture). Subsequent funding of the Joint Venture is to be provided on a pro rata basis. At the appropriate time, Idaho CuMo intends to seek mining equipment equity loans to cover its 20 percent of the contributions to the Joint Venture. The parties are to negotiate a binding, definitive project financing agreement (Definitive Agreement). The terms of the Definitive Agreement would be subject to various regulatory, government, Board of Director, and shareholder approvals. The terms of the MOU provide that once Idaho CuMo has obtained US\$25 million in new capital (Initial Funding), the Chinese Partners would be granted exclusivity for one year to perform due diligence, obtain all required approvals and secure funding to complete the proposed transaction (Exclusivity Period). On February 14, 2017, the deal was cancelled because of PRI not delivering the initial funding for the project.

On February 25, 2017, the Company entered a strategic financial relationship with Millennia Minerals (Singapore) ("Millennia") initially through a binding Memorandum of Understanding (MOU) to be further consummated by the execution of a Definitive Agreement. The agreement calls for the Company to sell 20% ownership shares of Idaho CuMo (US subsidiary that holds the CuMo Assets) to the Millennia for US\$100 million and sell an 80% interest in Poly Resources (US Subsidiary that holds the Calida assets) to Millennia for US\$100 million. Modifications to the details of the agreement were made in May 2017 and Millennia advanced the sum of US\$1 million to the Company against a 5% ownership in Poly Resources.

## **EXPLORATION PROJECTS**

The Company's flagship project is the CuMo Project, located in Idaho, in the United States. The Company's Boise property, also located in Idaho, is contiguous to and provides access to the CuMo Project.

The Company has other unproven mineral right interests in the United States and in Canada, which have been either optioned to other exploration companies, or written down to a nominal carrying value.

## **CUMO PROJECT**

The CuMo Project is situated in the mountains of south-central Idaho, approximately 15 miles northeast of the town of Idaho City. Good all-weather highway and logging roads provide easy access to the project from Idaho City. The Project consists of eight unpatented mineral claims.

Geologically, the Project is situated along the northeast trending Trans-Challis Structural Zone in a complex assemblage of Tertiary age felsic dykes and stocks that intrude quartz monzonite of the Idaho batholith. Between 1973 and 1981 Cyprus Amax Minerals Company ("Amax") drilled 26 holes totaling 30,821 feet and in 1982, produced a computer generated Kriged block model for the project.

In 1997, the Project was acquired by CuMo Molybdenum Mining Inc., which in 2004 optioned it to the Company. The terms of the option agreement called a combination of advance royalty payments, 300,000 CuMoCo shares (issued) and work requirements, as outlined below.

1. Advance royalty payments:
  - US\$10,000 upon signing (completed);
  - US\$10,000 after 60 days (completed);
  - US\$5,000 after 6 months (completed);
  - US\$20,000 1st year anniversary (completed);
  - US\$20,000 2nd year anniversary (completed);

**AMERICAN CUMO MINING CORPORATION**  
**Management's Discussion and Analysis**  
**Year Ended December 31, 2017**

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- US\$15,000 3rd year anniversary (completed);
- US\$15,000 every 6 months thereafter (up-to-date).

These payments are to be credited against a 1.5% net smelter return ("NSR") which reduces to 0.5% NSR after cumulative payments of US\$3,000,000.

2. Work requirements:

- US\$25,000 during the first year (completed);
- At least US\$50,000 each year thereafter (up-to-date).

In November 2009, CuMoCo announced the results of an independent National Instrument 43-101 ("NI 43-101") compliant Preliminary Economic Assessment ("PEA") managed by Ausenco Minerals Canada Inc. ("Ausenco"), a Vancouver-based engineering firm with corporate headquarters in Brisbane, Australia.

In April 2011, the Company announced an updated NI 43-101 compliant indicated and inferred resource estimate for the Project which significantly expanded the overall mineral resource and further confirmed that CuMo is the largest un-mined open pit accessible primary molybdenum project. Snowden Mining Industry Consultants, an independent internationally recognized mineral industry consultant, calculated the estimate. At the request of the TSX-V, due to minor deficiencies with the certificates and consents of some of the Qualified Persons on the report, the resource report was re-filed in July 2012. The re-filed report contained no changes to the resource numbers, the only changes in the report were in respect of some of the responsibilities and declarations.

In May 2012, the Company initiated a 15,000-foot diamond drilling program to further explore the Project. A total of six holes have been completed to date.

In September 2012, the United States District Court - Idaho District (the "Court") decided in favor of the United States Forest Service ("USFS") and its Finding of No Significant Impact ("FONSI") at the Project. The USFS had been challenged by local environmental groups over its Environmental Assessment determination for CuMo. The Court noted the USFS had developed insufficient baseline data on groundwater quality and directed the USFS to undertake further analysis concerning groundwater and to prepare additional National Environmental Policy Act studies or to provide a reasonable explanation as to why exploration impacts would be insignificant. The USFS subsequently directed the Company to suspend work that might have groundwater interaction, including drilling.

During fiscal 2015, the Company worked to resolve this matter and continued to advance the necessary studies and assessments required for the USFS's Supplemental Environmental Assessment of the CuMo Project. The Supplemental Environmental Assessment was issued on August 15, 2013 and follows the USFS's 2011 Decision Notice and FONSI which will enable fulfillment of a federal judge's order to carry out studies necessary for the completion of the exploration phase of the CuMo Project. Following the release of the Supplemental Environmental Assessment, a 30-day public comment period took place, which ended satisfactorily on September 18, 2013. The USFS entered a protracted process of responding to the comments that were received and on April 13, 2015 released the draft decision notice re-affirming the FONSI. This began an appeal period.

October 7, 2015 the final decision notice and FONSI was announced, thus completing this long and exhaustive supplemental process.

In January 2016, three local anti-development environmental groups challenged the USFS over its supplemental Environmental Assessment determination for the CuMo Project on the issues of groundwater and a supposedly sensitive plant species.

**AMERICAN CUMO MINING CORPORATION**  
**Management's Discussion and Analysis**  
**Year Ended December 31, 2017**

On July 14, 2016, US District Court - District of Idaho decided in favor of the US Forest Service ("USFS") in regard to the previously ordered updated groundwater study. In dismissing the claims that the exploration work would harm groundwater, the Idaho District Court noted, "*the Court finds the Forest Service's analysis and conclusions regarding groundwater satisfy NEPA. The Forest Service has complied with the Court's prior order and addressed the concerns stated therein with regard to groundwater. Therefore, the Court upholds the Forest Service's SDN/FONSI as to the NEPA challenges relating to groundwater*".

The Court therefore affirmed the Forest Service's determination that the work proposed at the CuMo site will have no significant effect on the groundwater and thus the Boise River located over 35 miles away.

Regarding the sensitive plant species, the Court noted that the effects of the 2014 Grimes Creek fire (which was totally unrelated to project activities) may have affected the plant population on the project site and that this fire impact had not been completely analyzed as part of the decision process. The Court directed the Forest Service to issue a new decision after an updated baseline survey has been established for the plant. Tetra Tech, an independent contractor, completed the updated baseline study. The Court also found no problems with the overall mitigation plans. The Court directed that decisions be made in the proper order by completing the baseline survey before making the decision to proceed, even though the prior approval required the baseline study be completed prior to any work starting. The Court directed the USFS to update its decision by an amendment or addendum to the Supplemental EA, Supplemental Decision Notice and Finding of No Significant Impact, following completion of the baseline plant study.

Project activity during the summer of 2016 was severely hampered by a major fire (Pioneer fire) that started in July and was contained and declared out by mid-November. The fire passed close to the CuMo property on the eastern margins, but the area of the new plant survey and proposed drilling areas were unaffected by the fire. Overall, the fires of 2014 and 2016 in the vicinity have burnt about 90% of the CuMo Project area. The fires were burning in the old mature and beetle-killed areas of the forest that should have been harvested years ago.

In March of 2017, the Company purchased a 100% interest in 20 claims that are adjacent to the CuMo Project in exchange for shares and a silver debenture unit. The claims are known as the Adair property.

In April 2017, the Company completed an option agreement to acquire from GeoResources Inc. thirty-six (36) patented mining claims, covering an area of approximately 640 acres adjacent to the CuMo Project. Patented claims contain the surface rights as well as the mineral rights. The claims are known as the GeoResource Property.

In June 2017, the Company began updated plant environmental studies at the site and within a 10-mile radius. The survey was successfully completed with an increase shown in plant numbers on the property despite ground disturbing activities due to firefighting activities. Large populations of the plant were also established well outside the project area. The Company continues to work with the US Forest Service to re-affirm and establish the exploration permits required for 2018.

The Company looks forward to continuing to advance its CuMo Project and to obtaining the necessary data to make informed decisions on best ways to proceed with its development.

### **BOISE PROPERTY**

On July 8, 2010, the Company entered into an option agreement, amended on July 5, 2011, to purchase certain mineral claims that included surface rights located in Boise County, Idaho. These patent mineral claims are contiguous to and provide access to the CuMo Project. To maintain the option in good standing, the Company was required to make option payments of US\$1,200,000. These payments have been completed and the Company has obtained title to the Boise property, which becomes part of the overall CuMo Project.

**AMERICAN CUMO MINING CORPORATION**  
**Management's Discussion and Analysis**  
**Year Ended December 31, 2017**

---

**CALIDA GOLD (United States)**

On October 31, 2016, the Company entered into an option agreement to purchase certain mineral claims located in Lemhi County, Idaho. The property consists of eight unpatented mineral claims covering several significant mineralized gold, silver, and copper veins.

The option agreement gives the Company an option to earn a 100 percent interest by making a series of payments. An initial payment of \$40,000 US dollars has been made, and ongoing payments consist of the following:

- \$US40,000 on or before 90 days of the effective date (paid);
- \$US50,000 on or before six months of the effective date (paid);
- \$US50,000 on or before 12 months of the effective date;
- \$US50,000 on or before 18 months of the effective date;
- \$US50,000 on or before 24 months of the effective date;
- \$US50,000 every six months until commercial production; and
- \$US1 million at the start of commercial production.

The Calida agreement includes a variable buyout price, the Actual Exercise Price (AEP) that is based on the number of ounces of gold equivalent as defined in an independent 43-101 pre-feasibility or feasibility study. The AEP has a minimum price of \$10 million dollars for one million ounces of gold equivalent, rising at the rate of \$10 million dollars for each one million ounces of gold equivalent to a maximum price of \$50 million dollars for greater than five million ounces of gold equivalent.

After entering into the option agreement, Poly Resources staked an additional 45 claims at this property.

During the period July 2017 to October 2017, the Company completed 3,088 meters (10,131 feet) of drilling in 24 drill holes on the Calida property. At the time of these financials, the Company is still processing the core with microscopic analysis and analyzing the core using different assay techniques to confirm the grades of the drill intercepts.

**OTHER UNITED STATES PROPERTIES**

**Spruce Mountain Property:** In 2006 the Company signed a purchase agreement for 53 patented claims on Spruce Mountain, Elko County, Nevada. The property covers a large molybdenum porphyry system containing silver, rhenium and copper. The carrying value of the property was written down to a nominal value during the fiscal year ended June 30, 2010.

A summary of the Company's unproven mineral right interests is provided below:

	CuMo	Boise	Calida	Total
	\$	\$	\$	\$
<b>Balance, June 30 2016</b>	<b>19,453,285</b>	<b>1,218,145</b>	<b>0</b>	<b>20,671,430</b>
Exploration expenditures:				
Community Relations	132,381	-	30,142	162,523
Drilling	-	-	12,653	12,653
Geological/professional fees	51,854	-	56,826	108,680
Environmental studies	139,474	-	103,153	242,627
Other exploration costs	220	-	9,090	9,310
	19,777,214	1,218,145	211,864	21,207,223
Other items:				
Acquisition costs and payments	2,164,551	-	181,834	2,346,385
Exchange rate change	(1,748)	-	-	(1,748)
<b>Balance, June 30 2017</b>	<b>21,940,017</b>	<b>1,218,145</b>	<b>393,698</b>	<b>23,551,860</b>
Exploration expenditures:				
Assays and analysis			30,368	30,368
Community Relations	8,749	-	2,400	11,149
Drilling	0	-	869,166	869,166
Geological/professional fees	(15,378)	-	140,373	124,995
Environmental studies	212,832		3,831	216,663
Other exploration	8,590	-	0	8,590
	<b>22,154,809</b>	<b>1,218,145</b>	<b>1,439,836</b>	<b>24,812,790</b>
Other items:				
Acquisition costs and payments	59,238	-	8,233	52,377
Reclamation recovery	-	-		-
Foreign exchange adjustment	79,930	3,983	616	20,077
<b>Balance, December 31, 2017</b>	<b>22,293,977</b>	<b>1,222,128</b>	<b>1,452,663</b>	<b>24,968,769</b>

## OTHER

### OTHER ASSETS

During second quarter 2018 no asset transactions were completed.

**AMERICAN CUMO MINING CORPORATION**  
**Management's Discussion and Analysis**  
**Year Ended December 31, 2017**

**RESULTS OF OPERATIONS**

The Company recorded a net loss of \$190,129 in Q2-2018, compared to a net loss of \$452,971 in the quarter ended December 31, 2016 ("Q2-2017").

The most significant expenses incurred in Q2-2018 were shareholder communications and regulatory expenses of \$57,323 (Q1-2017: \$48,186), and salaries and management fees of \$44,994 (\$47,404). Other comprehensive loss of \$68,033 (Q1-2017: \$699) including a cumulative translation adjustment loss of \$66,253 (Q1-2017: \$699).

**SUMMARY OF QUARTERLY RESULTS**

	QUARTERS ENDED			
	31-Dec	30-Sep	30-Jun	31-Mar
	2017	2017	2017	2017
	\$	\$	\$	\$
Comprehensive Loss	(387,380)	(459,951)	(3,021,397)	(1,048,574)
Loss per Share (1)	(0.003)	(0.004)	(0.03)	(0.01)
	31-Dec	30-Sep	30-Jun	31-Mar
	2016	2016	2016	2016
	\$	\$	\$	\$
Comprehensive Loss	(452,971)	(136,692)	(1,025,674)	(403,918)
Loss per Share (1)	(0.01)	(0.01)	(0.01)	(0.00)

<sup>1</sup> Presented on an undiluted basis

Volatility in net loss from period to period exists in respect of material one-off transactions such as disposals and/or impairment of unproven mineral right interests.

**LIQUIDITY AND CAPITAL RESOURCES**

At December 31, 2017, the Company had a working capital deficiency of \$1,973,641 (June 30, 2017: working capital deficiency of \$4,604,186), including a cash balance of \$2,274,410 (June 30, 2017: \$1,435,000).

In Q2-2018, the Company's investments stayed constant at \$49,051.

Trade and other payables were \$2,171,221 at December 31, 2017, compared to \$1,902,020 at June 30, 2017. Included in the Trades payable is \$1,248,000 advance that was paid to Poly Resources, which may or may not have to be paid.

The Company has a current portion of convertible notes obligations of \$2,274,474, comprised of the Principal and expected interest payments on convertible notes due between October 1, 2017 and December 31, 2017.

**AMERICAN CUMO MINING CORPORATION**  
**Management's Discussion and Analysis**  
**Year Ended December 31, 2017**

---

Convertible notes

In order to finance the ongoing development of the CuMo Project the Company borrowed from International Energy & Mineral Resources Investment (Hong Kong) Company Limited ("HK CO") the principal amount of \$1,500,000 and US\$1,500,000 and issued secured convertible notes (the "Notes") in respect of such indebtedness to HK CO (the "Financing").

The Notes have face values of \$1,500,000 and US\$1,500,000, respectively, and matured in October 2017 (the "Maturity Date"). The Notes accrue interest at a rate of 6.5% per annum, calculated and paid annually. At the option of HK CO the Notes shall be convertible at any time prior to the Maturity Date, in whole or in part, into common shares of the Company at a price of \$0.28 per common share, provided that HK CO shall only be permitted to exercise such conversion right to the extent that it results in HK CO holding no greater than 19.9% of the issued and outstanding common shares of CuMoCo.

The Canadian dollar Note is being treated as a compound financial instrument with a debt element treated as a liability and an equity conversion element treated as equity. On issuance the equity conversion feature was valued at \$297,394. Share issue costs of \$3,247 were allocated to the equity conversion feature, resulting in a net equity conversion feature of \$294,147.

The U.S. dollar Note, given it is not denominated in the functional currency of CuMo, is accounted for as a financial liability with an embedded derivative and host debt contract.

On October 30, 2017, the Company and representatives announced amending terms to the agreement. The amended terms of repayment proposed by IEMR HK include the following: (a) the immediate payment of Cdn\$597,500 (representing payment of Cdn\$545,410 of principal owing under the First Debenture and Cdn \$52,090 of accrued interest) (the "Initial Payment"); (b) payment of US\$597,500 (representing payment of US\$537,130 of principal owing under the Second Debenture and US\$60,370 of accrued interest) by November 25, 2017; and (c) payment of the remaining Cdn\$954,590 of principal owing under the First Debenture plus additional interest payable, and of the remaining US\$962,870 of principal owing under the Second Debenture plus additional interest payable, on or before December 15, 2017. The Company has wired the Initial Payment of Cdn\$597,500 and payment of US\$597,500 to IEMR HK and intends to make the other required payments as additional financing efforts are completed. IEMR HK has also requested a damages compensation payment for the amendment of the terms of repayment of up to US\$300,000.

It should be noted that the Company's legal counsel has advised that the damage compensation, if paid, would be a violation of the criminal code of Canada, specifically Section 347. As of December 31, 2017, the Company continues to negotiate with IEMR(HK) on this and other matters.

Exploration activity on the Company's projects and general and administrative overheads in fiscal 2017 were funded from cash at hand, and sale of silver units.

The Company is in the exploration stage and therefore does not generate operating cash flows. The Company's ability to continue operations is contingent on its ability to obtain funds through the future issuance of securities. (See Subsequent Activities)

Operating Activities

Cash gained in continuing operations in Q2-2018, including the changes in non-cash working capital items, was \$936,964(Q2-2017: cash used was \$286,123).

**AMERICAN CUMO MINING CORPORATION**  
**Management's Discussion and Analysis**  
**Year Ended December 31, 2017**

---

Investing Activities

Cash used in investing activities in Q2-2018 was \$1,328,401 (Q2-2017: \$214,315). Investing activities in Q2-2018 included expenditures on unproven mineral right interests of \$1,328,401 (Q1-2017: \$214,315).

**TRANSACTIONS WITH RELATED PARTIES**

Details of the transactions between the Company and other related parties are disclosed below.

Trading transactions

The Company's related parties consist of companies owned by or associated with executive officers and directors, and former executive officers and directors as follows:

	<u>Nature of transactions</u>
Geologic Systems Inc.	Exploration and administration fees
Trevor Burns	Management fees

During the six months ended December 31, 2017 and 2016, the Company incurred the following fees in the normal course of operations in connection with companies owned by key management and directors. Fees have been measured at the exchange amount which is determined on a cost recovery basis.

	<b>Six months ended December 31</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Salaries and management fees	<b>52,917</b>	48,000
Exploration fees	<b>53,325</b>	12,000
Administration fees	<b>58,250</b>	30,000
	<b>164,492</b>	90,000

Amounts due to related parties are unsecured, non-interest bearing and due on demand. Trade and other payables at December 31, 2017 included \$617 (June 30, 2017: \$6,456), which were due to officers, director and private companies controlled by directors and officers of the Company.

Amounts payable by related parties are unsecured, non-interest bearing and payable on demand.

**CRITICAL ACCOUNTING ESTIMATES**

The Company's significant accounting policies are summarized in Note 3 of its audited consolidated financial statements for the year ended June 30, 2016. The preparation of consolidated financial statements in accordance with IFRS requires management to select accounting policies and make estimates and judgments that may have a significant impact on the consolidated financial statements.

The Company regularly reviews its estimates; however, actual amounts could differ from the estimates used and, accordingly, materially affect the results of operations.

**AMERICAN CUMO MINING CORPORATION**  
**Management's Discussion and Analysis**  
**Year Ended December 31, 2017**

---

Examples of significant estimates include:

- Carrying values of mineral right interests;
- Carrying values of equipment and depreciation rates for equipment;
- Valuation of deferred income taxes and allowances;
- Assumptions used to assess impairment of mineral right interests and equipment;
- Valuation of share-based payments.

Examples of significant judgments, apart from those involving estimates, include:

- The accounting policies for mineral right interests and equipment;
- Classification of financial instruments;
- Determination of functional currency.

### **OPERATIONAL AND OTHER BUSINESS RISKS AND UNCERTAINTIES**

The following risk factors, as well as risks not currently known to the Company, could materially adversely affect the Company's future business, operations and financial condition and could cause them to differ materially from the estimates described in the forward-looking statements and information contained herein. The risks sets out below include those that are widespread and associated with any form of business and those that are specific risks associated with the Company's business and its involvement in the exploration and mining industry generally, and in the United States in particular. Shareholders and prospective investors should carefully consider, in light of their own financial circumstance, the factors set out herein.

#### **Global Financial Conditions**

Global financial conditions in recent years have been characterized by high levels of volatility. Access to financing has been negatively impacted by many factors as a result. This may impact the Company's ability to obtain financing in the future at all, or on reasonable terms. Additionally, global economic conditions may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses.

#### **Fluctuation of Commodity Prices**

The Company's exploration and other mining activities have previously been, and may in the future be, significantly adversely affected by declines in commodity prices. Commodity prices are volatile and are affected by numerous factors beyond the Company's control such as the sale or purchase of metals by various central banks and financial institutions, interest rates, exchange rates, inflation or deflation, fluctuation in the value of the United States dollar and foreign currencies, global and regional supply and demand, and the political and economic conditions of major mining countries throughout the world. Any future serious drop in commodity prices or sustained low commodity prices could adversely impact the Company's future revenues, profits and cash flows. In particular, sustained low, or further reductions in, commodity prices could:

- reduce or eliminate the Company's ability to finance the exploration of existing and future mineral projects;
- force the Company to lose its interest in, or to sell, all or some of its properties;
- halt or delay the development of existing or new projects; and
- reduce the value of the Company's securities.

Furthermore, declining or sustained low commodity prices could impact the Company's operations by requiring a reassessment of the feasibility of any existing or new projects. Even if the project is ultimately

**AMERICAN CUMO MINING CORPORATION**  
**Management's Discussion and Analysis**  
**Year Ended December 31, 2017**

---

determined to be economically viable, the need to conduct such a reassessment may cause substantial delays or may interrupt operations until the reassessment can be completed.

**Dependence on Third Party Financing**

The Company has limited access to operational cash flow. As a result, the Company will continue to depend on third party financing to fund future working capital, capital expenditures, operating and exploration costs and other general corporate requirements. The success and the pricing of any such capital raising and/or debt financing will be dependent upon the prevailing market conditions at that time and upon the ability of a company without any significant projects already in production to attract significant amounts of debt and/or equity. There can be no assurance that such financing will be available to the Company or, if it is, that it will be offered on acceptable terms. Failure to obtain sufficient financing, as and when required, may result in a delay or indefinite postponement of exploration or development on any or all of the Company's properties.

**Currency Risk**

The Company maintains most of its working capital in Canadian dollars. The Company currently operates in the United States and Canada and its operating costs are incurred in a combination of United States dollars, or Canadian dollars. Accordingly, the Company is subject to fluctuations in the rates of currency exchange between these currencies. The Company has not hedged its exposure to currency fluctuations.

**Economic and Political Instability in Foreign Jurisdictions**

The Company currently operates in Canada and the United States. There are risks to conducting business in foreign countries. These risks may include, among others, invalidation of governmental orders and permits, uncertain political and economic environments, sovereign risk, war, civil disturbances, arbitrary changes in laws or policies, the failure of foreign parties to honour contractual relations, delays in obtaining or the inability to obtain necessary governmental permits, authorizations and consents, limitations on foreign ownership, limitations on the repatriation of earnings, limitations on exports, instability due to economic under-development, inadequate infrastructure and increased financing costs.

In addition, the enforcement by the Company of its legal rights to exploit its properties may not be recognized by any foreign government or by the court system of a foreign country. These risks may limit or disrupt the Company's operations, restrict the movement of funds or result in the deprivation of mining related rights or the taking of property by nationalization or expropriation without fair compensation.

**Mineral Exploration**

Mineral resource exploration is highly speculative, involves substantial expenditures, and is frequently unsuccessful. Few prospects that are explored are ultimately developed into producing mines. To the extent that the Company continues to be involved in exploration, the long-term success of its operations will be related to the cost and success of its exploration programs. There can be no assurance that the Company's exploration efforts will be successful.

The success of exploration is determined in part on the following factors:

- the identification of potential mineralization based on superficial analysis;
- availability of prospective land;
- availability of government-granted exploration and exploitation permits;
- the quality of management and geological and technical expertise; and

**AMERICAN CUMO MINING CORPORATION**  
**Management's Discussion and Analysis**  
**Year Ended December 31, 2017**

---

- the capital available for exploration and development.

Substantial expenditures are required to determine if a project has economically mineable mineralization. It could take several years to establish proven and probable mineral reserves and to develop and construct mining and processing facilities. As a result of these uncertainties, there can be no assurance that current and future exploration programs will result in the discovery of mineral reserves and the development of mines.

### **Dilution**

The Company does not generate any revenues from production and does not have sufficient financial resources to undertake by itself all its planned exploration programs. The Company has limited financial resources and has financed its operations primarily through the sale of securities such as common shares. The Company will need to continue its reliance on the sale of such securities for future financing, resulting in dilution to the Company's existing shareholders. The amount of additional funds required will depend largely on the success of the Company's exploration programs.

Further exploration programs will depend on the Company's ability to obtain additional financing which may not be available under favorable terms, if at all. If adequate financing is not available, the Company may not be able to commence or continue with its exploration programs or to meet minimum expenditure requirements to prevent the full or partial loss of its mineral right interests. Also, failure to meet the Company's share of costs incurred under joint venture arrangements to which it may be a party may result in a reduction of its interests in mineral right interests. Furthermore, if other parties to such agreements do not meet their share of such costs, the Company may be unable to finance the cost required to complete the recommended programs.

### **Resource Estimates**

The mineral resource estimates presented herein are made by Company personnel and independent geologists. These estimates are imprecise and depend upon geological interpretation and statistical inferences drawn from drilling and sampling analysis, which may prove to be unreliable. There can be no assurance estimates will be accurate. The inclusion of mineral resource estimates should not be regarded as a representation that these amounts can be economically exploited and no assurances can be given that such resource estimates will be converted into reserves. Different experts may provide different interpretations of resource estimates.

### **Operating Hazards and Other Uncertainties**

The Company's business operations are subject to risks and hazards inherent in the mining industry. The exploration for and the development of mineral deposits involves significant risks, including:

- environmental hazards;
- discharge of pollutants or hazardous chemicals;
- industrial accidents;
- labour disputes and shortages;
- supply and shipping problems and delays;
- shortage of equipment and contractor availability;
- unusual or unexpected geological or operating conditions;
- fire;
- changes in the regulatory environment; and

**AMERICAN CUMO MINING CORPORATION**  
**Management's Discussion and Analysis**  
**Year Ended December 31, 2017**

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- natural phenomena such as inclement weather conditions, floods and earthquakes.

These or other occurrences could result in damage to, or destruction of, mineral properties, personal injury or death, environmental damage, delays in mining, monetary losses and possible legal liability. The Company could also incur liabilities as a result of pollution and other casualties all of which could be very costly and could have a material adverse effect on the Company's financial position and results of operations.

#### **Limitations on the Transfer of Cash or Other Assets**

The Company is a Canadian company that conducts operations through subsidiaries in the United States, and substantially all of the Company's assets consist of equity in these entities. Accordingly, any limitation on the transfer of cash or other assets between the Company and these entities, or among these entities, could restrict the Company's ability to fund its operations efficiently.

#### **Permitting Requirements**

Mining exploration and operations require many permits from federal, state and local governments. These permits may not be issued on a timely basis or at all, and such permits, when issued, may be subject to requirements or conditions with which it is burdensome or expensive to comply. Furthermore, there is no assurance that delays will not occur in connection with obtaining all necessary renewals of existing permits, additional permits for any possible future changes to operations, or additional permits associated with new legislation.

#### **Government Regulation**

Mineral businesses are subject to regulation and intervention by governments in such matters as the imposition of specific exploration, drilling and development obligations; environmental protection controls and control over the development and abandonment of resource (including restrictions on production). As well, governments may regulate or intervene with respect to prices, taxes, royalties and the exportation of commodities. Such regulation may be changed from time to time in response to economic or political conditions. The implementation of new regulations or the modification of existing regulations affecting the minerals industries could reduce demand for commodities produced, increase the Company's operating costs and have a material adverse impact on the Company.

#### **Environmental Risks**

All phases of the Company's operations are subject to environmental regulation in the various jurisdictions in which it operates. There is no assurance that the Company will have or be able to obtain all necessary environmental approvals, licenses, permits or consents or be in compliance therewith or that notwithstanding its precautions, breaches of environmental laws (whether inadvertent or not) will not occur. The lack of or inability to obtain any such approvals, licences, permits or consents or any breaches of environmental laws, may result in penalties including fines or other sanctions, breach of the conditions of a mining concession or other consent or permit with possible revocation of the concession, consent or permit. In this regard, environmental hazards may exist on the properties in which the Company has an interest which are unknown to the Company at present and which have been caused by previous or existing owners or operators of the properties.

Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations, or its ability to develop its properties economically.

### **Litigation Risks**

All industries, including the mining industry, are subject to legal claims, with and without merit. Defense and settlement costs can be substantial, even with respect to claims that have no merit. Due to the inherent uncertainty of the litigation process, the resolution of any particular legal proceeding could have a material adverse effect on the Company's financial position and results of operations.

### **Competition**

The Company faces strong competition from other mining companies in connection with the acquisition of properties producing, or capable of producing, precious or base metals. The majority of these companies have greater financial resources, operational experience and technical capabilities. As a result, there can be no assurance that the Company will be able to compete successfully against other companies in acquiring new prospecting, development or mining rights.

### **Title Matters**

The Company periodically confirms the validity of its title to, or contract rights with respect to, each mineral property in which it has a material interest. However, the Company cannot guarantee that title to its properties will not be challenged. The Company's mineral properties could be subject to prior unregistered agreements, transfers or claims, and title could be affected by, among other things, undetected defects. In addition, the Company might be unable to operate its properties as permitted or to enforce its rights with respect thereto.

### **Community Relations and Social License**

Advancing a mineral deposit to commercial production involves the understanding of local communities. "Social license" is a broad term used to describe community acceptance of a proposed development project, a condition that is commonly required for the issuance of final permits and project financing. The Company believes that communities should benefit from mining projects, from the exploration stage through mine operation and closure. While there cannot be guarantees that local communities will want a mine in the area where the Company's core project is located, the Company will work towards implementing a strategy it considers appropriate to accomplish this.

### **Insurance Coverage Could Be Insufficient**

While the Company maintains certain insurance to protect against certain risks, the nature of these risks is such that liability could exceed policy limits or could be excluded from coverage. There are also risks against which the Company cannot insure or against which it may elect not to insure. Losses from these events may cause substantial delays and require significant capital outlays, adversely affecting future financial performance and results of operations.

### **Dependence on Key Personnel**

The Company is dependent on a relatively small number of key personnel, the loss of any of whom could have an adverse effect on the operations of the Company. The Company's success is dependent to a great degree on its ability to attract and retain qualified management personnel. The loss of such key personnel, through incapacity or otherwise, would require the Company to seek and retain other qualified personnel and could compromise the pace and success of its exploration activities. The Company does not maintain key person insurance in the event of a loss of any such key personnel. Also, certain management personnel of the Company are officers and/or directors of other publicly-traded companies and will only devote part of their time to the Company.

**AMERICAN CUMO MINING CORPORATION**  
**Management's Discussion and Analysis**  
**Year Ended December 31, 2017**

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Additionally, the Company has relied on and is expected to continue relying upon consultants and others for exploration expertise. In the event a commercial ore deposit is discovered on any of the Company's right interests, the Company will likely require the expertise of such consultants and others for the development and operation of a producing mine.

**Conflicts of Interest**

Certain of the directors and officers of the Company are directors or officers of other mineral resource companies and, to the extent that such other companies may participate in ventures in which the Company may participate, the directors of the Company may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. In the event that such a conflict of interest arises at a meeting of the directors of the Company, a director who has such a conflict will abstain from voting for or against the approval of such matter. Furthermore, in appropriate cases the Company will establish a special committee of independent directors to review a matter in which several directors, or management, may have a conflict.

**SUBSEQUENT EVENTS**

Subsequent to December 31, 2017, the following events occurred:

- a) January 8, 2017, Ximen Mining completed a consolidation of its common shares on the basis of five pre-consolidation shares for one post-consolidation share. The Company holds shares in Ximen because of a deal between Ximen and the Company to purchase the Brett royalty owned by the Company (see note 8)
- b) February 27, 2018, the Company closed its convertible debenture offering announced November 29, 2017. The Company received subscriptions totaling \$2,768,500. Certain terms of the Debentures were amended to comply with TSXV Policies. The Debentures have an initial one-year term automatically renewable annually for additional one-year terms, up to a maximum term of five years, are secured by the assets of the Company's subsidiary, Idaho CuMo Mining, and pay interest at a rate of 8.75% interest per annum, with interest paid in quarterly instalments. The Debentures are convertible into units of the Company (the "Units") at a conversion price of C\$0.075 per Unit at any time following four months and one day from the closing date until the first anniversary on the closing date, and thereafter up to the maturity date (as such date may be extended) at C\$0.10 per Unit. Each Unit will consist of one common share of the Company and one common share purchase warrant (a "Warrant"), with each Warrant entitling the holder to purchase an additional common share of the Company (a "Warrant Share") at a price of C\$0.1125 per Warrant Share for a period of five years from the closing date. Any accrued but unpaid interest under the Debentures may also be converted, at the option of the holder, into Units at the Market Price determined at the time the interest becomes payable and is subject to TSXV approval. Should the holder decide not to renew the Debentures, the Company has ninety days to repay the principal owed.
- c) February 28, 2018, the Company announced that regarding the IEMR HK debentures, IEMR HK's legal team has terminated negotiations and has submitted a claim for judgment against the Company in the British Columbia Supreme Court for CAD\$1 million and US\$1 million plus interest and court costs. The Company is in the process of preparing a response, third party notice and counterclaim against IEMR HK and certain other related entities that has the potential to more than offset the claims of IEMR HK. In the event this litigation is decided wholly or partially in IEMR HK's favour, a monetary judgment against CuMoCo would issue and CuMoCo could then simply pay the claim.

**AMERICAN CUMO MINING CORPORATION**  
**Management's Discussion and Analysis**  
**Year Ended December 31, 2017**

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**FORWARD-LOOKING INFORMATION**

This document contains statements that constitute forward-looking information under applicable Canadian securities laws, such as those relating to results of operations and financial condition, capital spending, financing sources, commodity prices, mineral resources and property evaluation plans and programs. Forward-looking information is frequently characterized by words such as "plan", "expect", "project", "intend", "believe", "anticipate" and other similar words, or statements that certain events or conditions "may" or "will" occur. Forward-looking information is based on the opinions and estimates of management at the dates the statements are made, and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements. The forward-looking information contained in this MD&A is as of the date of this document, and is subject to change after this date. Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward-looking information. CuMoCo disclaims any intention or obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise, other than as required by law.

**OTHER MD&A REQUIREMENTS**

As of February 28, 2018, the Company had outstanding 152,300,045 common shares, 8,775,000 share options, with exercise prices ranging from \$0.15 to \$0.35 per share and 27,218,615 warrants with exercise prices ranging from 0.125 to 0.15 per share. Additional information is available on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Company's website [www.cumoco.com](http://www.cumoco.com).