



SAMA RESOURCES INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2017

AS OF APRIL 30, 2018

TSX-V: SME

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# **SAMA RESOURCES INC.**

Management's discussion and analysis for the year ended December 31, 2017

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## **SCOPE OF MD&A AND NOTICE TO INVESTORS**

This management's discussion and analysis of financial position and results of operations ("MD&A"), is prepared as of April 30, 2018, and complements the audited consolidated financial statements of Sama Resources Inc. (the "Company"), for the year ended December 31, 2017 which are compared to the year ended December 31, 2016.

For the year ended December 31, 2017, the audited consolidated financial statements include the parent company Sama Resources Inc. ("Sama") and its wholly owned subsidiaries Sama Nickel Corporation ("Sama Nickel") and Sama Nickel Côte d'Ivoire SARL ("Sama CI") referred as the Sama Group while those for the year ended December 31, 2016 include the Sama Group as well as SRG Graphite Inc. ("SRG") and Sama Resources Guinee SARL ("Sama Guinee") owned at 49.16% referred as the SRG Group following the completion of the reverse takeover on December 31, 2016. SRG is a public company and its common shares are listed on the TSX Venture Exchange (the "TSX-V") under the trading symbol "SRG.V". On November 23, 2017, management determined that SRG Group no longer required to be consolidated and now accounts the retained investment in SRG as an investment in associate using the equity method.

These audited consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Except as otherwise disclosed, all dollar figures included therein and in the following MD&A are quoted in Canadian dollars. The Company has prepared this MD&A following the requirements of National Instrument 51-102, Continuous Disclosure Obligations.

Management of the Company is responsible for the preparation and presentation of the interim condensed and annual consolidated financial statements and notes thereto, MD&A and other information contained in this MD&A. Additionally, it is management's responsibility to ensure the Company complies with the laws and regulations applicable to its activities.

The consolidated financial statements and the MD&A have been reviewed by the audit committee and approved by the Company's Board of Directors on April 30, 2018. 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.

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## COMPANY OVERVIEW

Sama is a Canadian-based mineral exploration and development business with activities in West Africa. Sama was incorporated on July 11, 2006 under the Business Corporations Act of British Columbia. On May 13, 2013, the Company continued its jurisdiction of incorporation from British Columbia into the federal jurisdiction of Canada under the Canada Business Corporations Act. The Company's head office is located at #132 – 1320 Graham Blvd., Mont-Royal, Quebec, Canada, H3P 3C8. The Company's common shares are listed on the TSX Venture Exchange (the "TSX-V") under the trading symbol "SME.V". Based on the information available to date, the Company has not yet determined whether its mineral properties contain economically recoverable reserves. The recoverability of the amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain necessary financing to successfully complete exploration and development programs and, ultimately, upon future profitable production.

## HIGHLIGHTS

) On April 19, 2017, Sama completed the first tranche of a non-brokered private placement of 13,807,161 units at a price of \$0.15 per unit for total gross proceeds of \$2,071,075. Each unit is comprised of one common share and one share purchase warrant. Each warrant will entitle the holder to purchase one additional common share at a price of \$0.20, expiring on April 19, 2022. In the event that the closing price of the Company's common shares is \$0.30 or greater per common share during a 20 consecutive-trading-day period at any time after the closing date, the warrants will expire, at the sole discretion of the Company, 30 days after the date on which the Company provides notice of such fact to the holders thereof. In addition, the Company issued 698,440 finders' warrants exercisable at a price of \$0.20 expiring on April 19, 2022.

) On April 25, 2017, Sama completed the second tranche of a non-brokered private placement of 4,193,327 units at a price of \$0.15 per unit for total gross proceeds of \$629,000. Each unit is comprised of one common share and one share purchase warrant. Each warrant will entitle the holder to purchase one additional common share at a price of \$0.20, expiring on April 25, 2022. In the event that the closing price of the Company's common shares is \$0.30 or greater per common share during a 20 consecutive-trading-day period at any time after the closing date, the warrants will expire, at the sole discretion of the Company, 30 days after the date on which the Company provides notice of such fact to the holders thereof. In addition, the Company issued 80,000 finders' warrants exercisable at a price of \$0.20 expiring on April 25, 2022.

Certain directors and an officer have purchased a total of 1,859,997 units at a price of \$0.15 for total proceeds of \$279,000.

) On June 8, 2017, Sama announced the signature of a Technology License Agreement with CVMR Corporation ("CVMR"), a Canadian-based corporation. Under the terms of the agreement, CVMR grants Sama the use of its technology to refine the mineralized material from the Samapleu property in Ivory Coast, West Africa, to produce nickel and iron powders.

) On October 23, 2017, the Company announced that it has entered into a binding term sheet in view of forming a strategic partnership with HPX TechCo Inc. ("HPX") under which HPX would make a strategic investment in the Company of up to \$12,250,000. HPX would also have the ability to earn into a joint venture with the Company to acquire a total of up to a 60% interest in the Company's interest in the Ivory Coast project, including the Samapleu project, by financing exploration expenses and completing the feasibility study through total investments of \$30,000,000.

Under the terms of the term sheet, HPX would purchase 25,000,000 units of the Company at \$0.21 per unit, with each unit consisting of one common share and one share purchase warrant. Each warrant will entitle HPX to purchase an additional common share at a price of \$0.28 per common share for a period of 24 months following the closing date. Fully exercised, the private placement and warrant proceeds represents a total investment of \$12,250,000.

) On November 29, 2017, the Company announced that it has elected to accelerate the expiry date of the warrants issued as part of its private placement unit offering announced on April 7, 2017 which expires on April 19, 2022 and April 25, 2022. Pursuant to the terms of the Private Placement, if the closing price of the Company's shares on the TSXV is \$0.30 per share or greater for twenty (20) consecutive trading days, the Company is entitled to accelerate the expiry date of the Warrants to a date thirty (30) days from the date notice of such acceleration is provided to holders of Warrants.

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- J On January 9, 2018, the Company announced that it has successfully completed the acceleration of its warrants announced on November 29, 2017. A total of 18,776,528 warrants were exercised at a price of \$0.20 per warrant for gross proceeds of \$3,755,306.
- J On April 13, 2018, the Company completed the private placement announced on October 23, 2017 by issuing 25,000,000 units at a price of \$0.21 per unit to HPX for total proceeds of \$5,250,000. Following the issuance of the units, HPX has an interest of 13.5% in the Company's issued and outstanding common shares.

## OVERALL PERFORMANCE

In 2017, Sama Group maintained its priorities on the Samapleu property located in Ivory Coast. On July 13, 2017, a 3,000 meter ("m") drilling program was started at the Samapleu Main and Extension 1 areas. This drilling program was designed to reduce drill spacing within the inferred mineral resources and to increase the confidence level from inferred to the indicated category. A total of 33 holes for 3,748 m was completed by February 1, 2018.

The program included 14 boreholes at Samapleu Extension 1 and 19 boreholes at Samapleu Main zone (**Figure 2**).

- Borehole SM44-455255 drilled at the Samapleu Main sector intersected 91.25 m of mineralised material grading 0.66% nickel ("Ni"), 0.65% copper ("Cu") including 6.45 m grading 3.17% Ni and 2.82% Cu and 3.25 grams per tonne ("gp/t") palladium ("Pd") of massive sulphide, the interval starting at 13 m from surface with a final length of 131 m. The hole aimed at intersecting a massive sulfide vein in the vicinity of other intersections to better estimate thickness and orientation of the vein system.
- Drill hole SM25-159493 drilled at the Samapleu Extension 1 zone, intersected 34.05 m of 0.53% Ni, 0.40% Cu and 1.45 gp/t palladium ("Pd") including 12.15 m of 0.89% Ni, 0.56% Cu, 0.04% Co and 1.91 gp/t Pd within a 139 m interval of mineralized material.

Drilling results are available for 15 boreholes and are pending for the others.

The Abidjan's based consultant SIMPA continued its environmental work program with public consultations on site. CVMR Corporation ("CVMR") continued its metallurgical test at its facility and further improved the proposed processing route with material returning recovery rates of 92% and 85% nickel and iron.

Geotech Ltd., has successfully completed the 2,889 line/kilometer airborne helicopter time domain electromagnetic and magnetic survey ("**HTEM Survey**") over the Samapleu and Yepleu areas (**Figure 3**). The HTEM Survey was flown over the area at 200-meter line spacing, using a Versatile Time-Domain Electromagnetic ("**VTEM**") geophysical system. The survey was completed on February 19, 2018. Final data set is still pending.

Results from the HTEM Survey will assist Sama Group with its geological interpretation of all Samapleu and Yepleu project areas. The HTEM Survey aims at targeting new sectors with the potential for additional nickel-copper sulphide mineralization from the surface to several hundred meters at depth. Sama Group's exploration objective is to delineate massive sulphide reservoirs that could be the source of high-grade nickel-copper-cobalt-palladium lenses intercepted in shallower boreholes at the Samapleu deposits.

On March 7, 2018, *La Société pour le Développement Minier de la Côte d'Ivoire* ("**SODEMI**"), on behalf of the JV arrangement with Sama Nickel applied for two new exploration permits (Samapleu-East and Samapleu-West) for a combined 318 km<sup>2</sup> in replacement of the Samapleu PR123 and as a replacement of the Mining Permit application previously filed in June 2017 (**Figures 1 & 3**).

On January 16, 2018, Sama incorporated a new subsidiary in Ivory Coast named Société Minière du Tonkpi SARL ("**SMT**"). Three applications for new exploration permits have been filed with the Ivorian mining department on February 17, 2018 (**Figures 1 & 3**). Two applications were filled by SMT and one application by Sama CI.

On April 11, 2018, as part of a special meeting of shareholders, the Company's shareholders approved the strategic partnership with HPX and on April 13, 2018, the Company completed the private placement for total proceeds of \$5,250,000.

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## MINERAL PROPERTY PORTFOLIO

The exploration programs and technical disclosure for the Company are designed by Marc-Antoine Audet, P.Geo, PhD, President and Chief Executive Officer of SRG who is a 'qualified person' ("QP"), as defined by National Instrument 43-101, Standards for Disclosure for Mineral Projects ("NI 43-101").

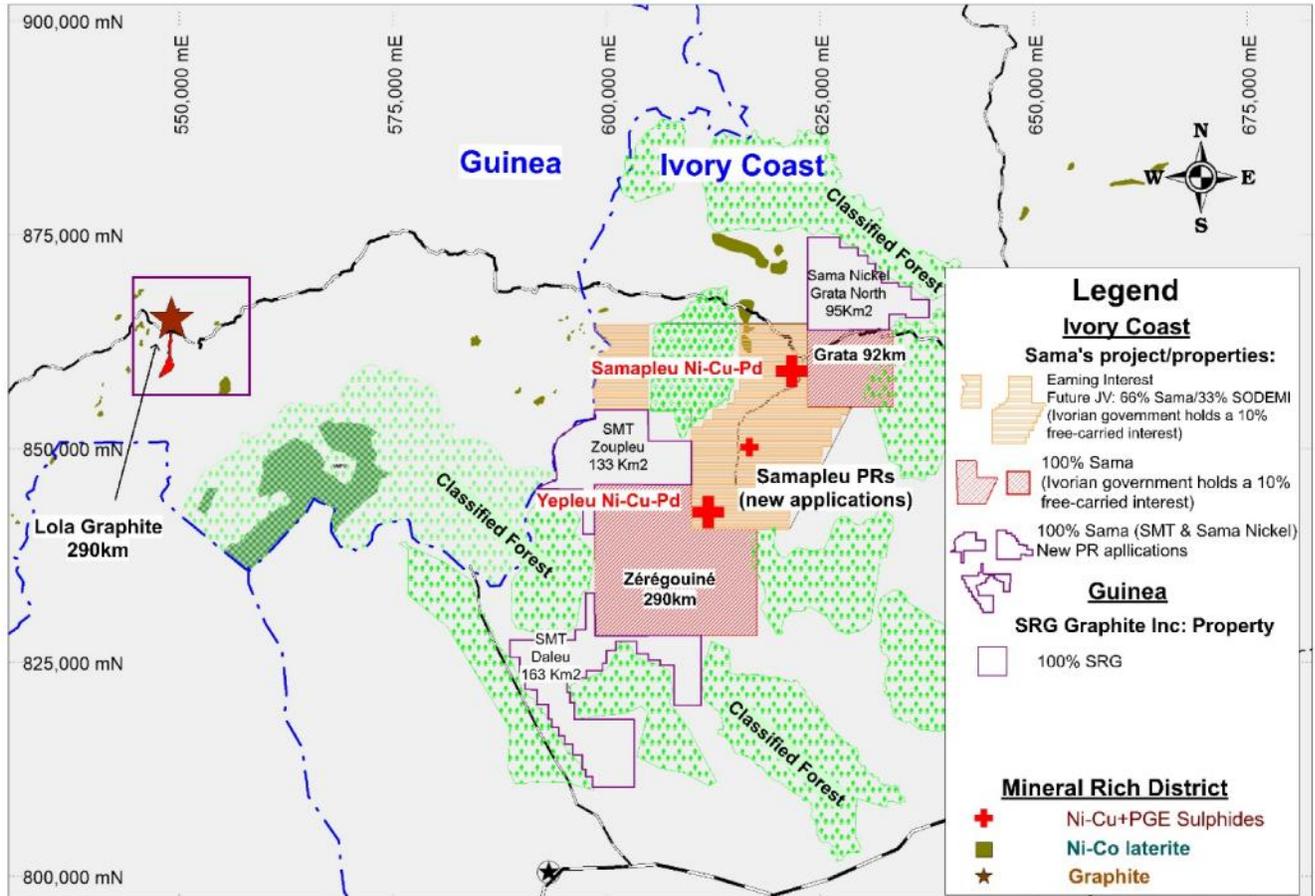


Figure 1: Exploration permits in the Ivory Coast and Guinea.

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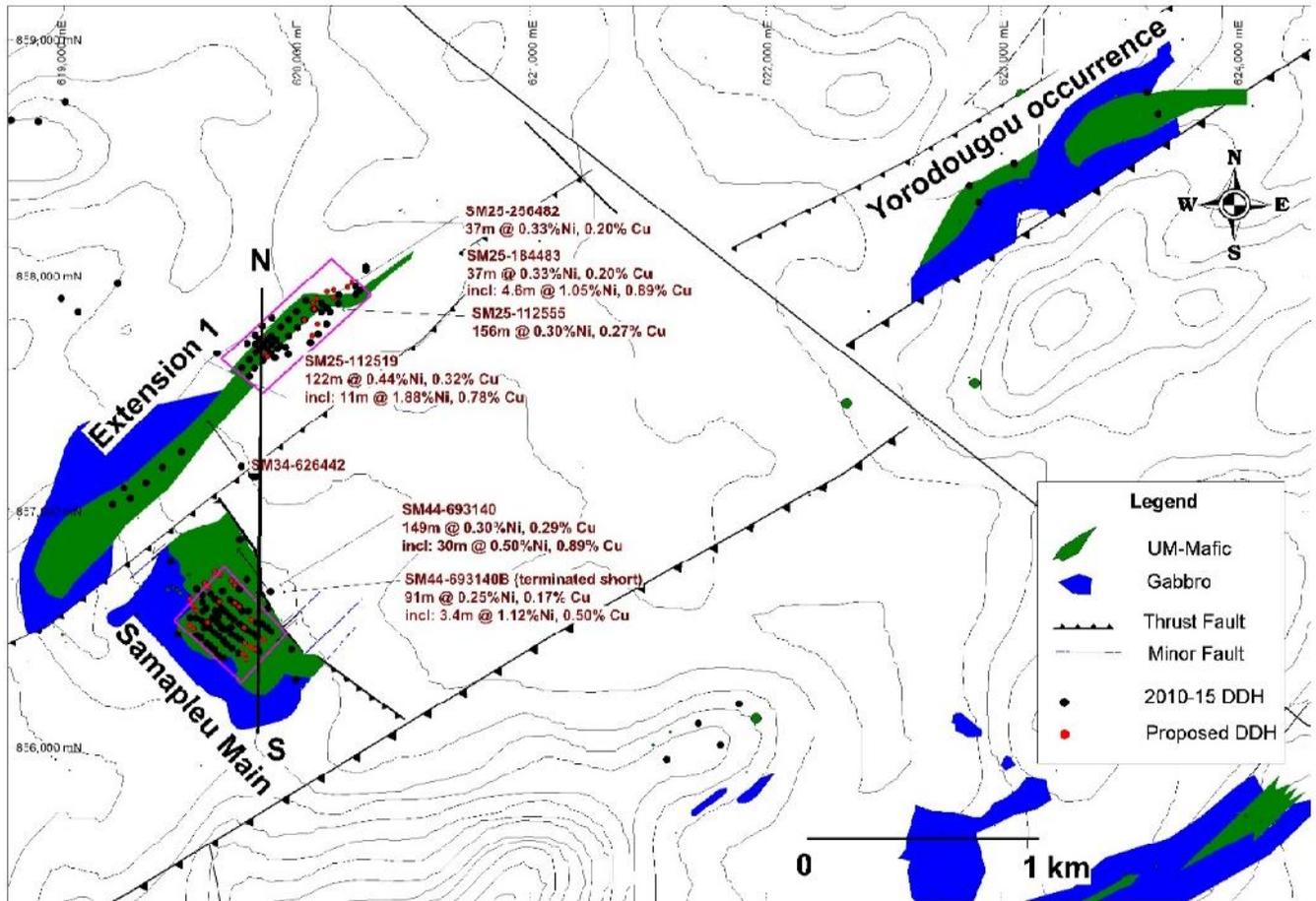


Figure 2: 2017-18 infill drilling program at the Samapleu Main and Extension 1 areas.

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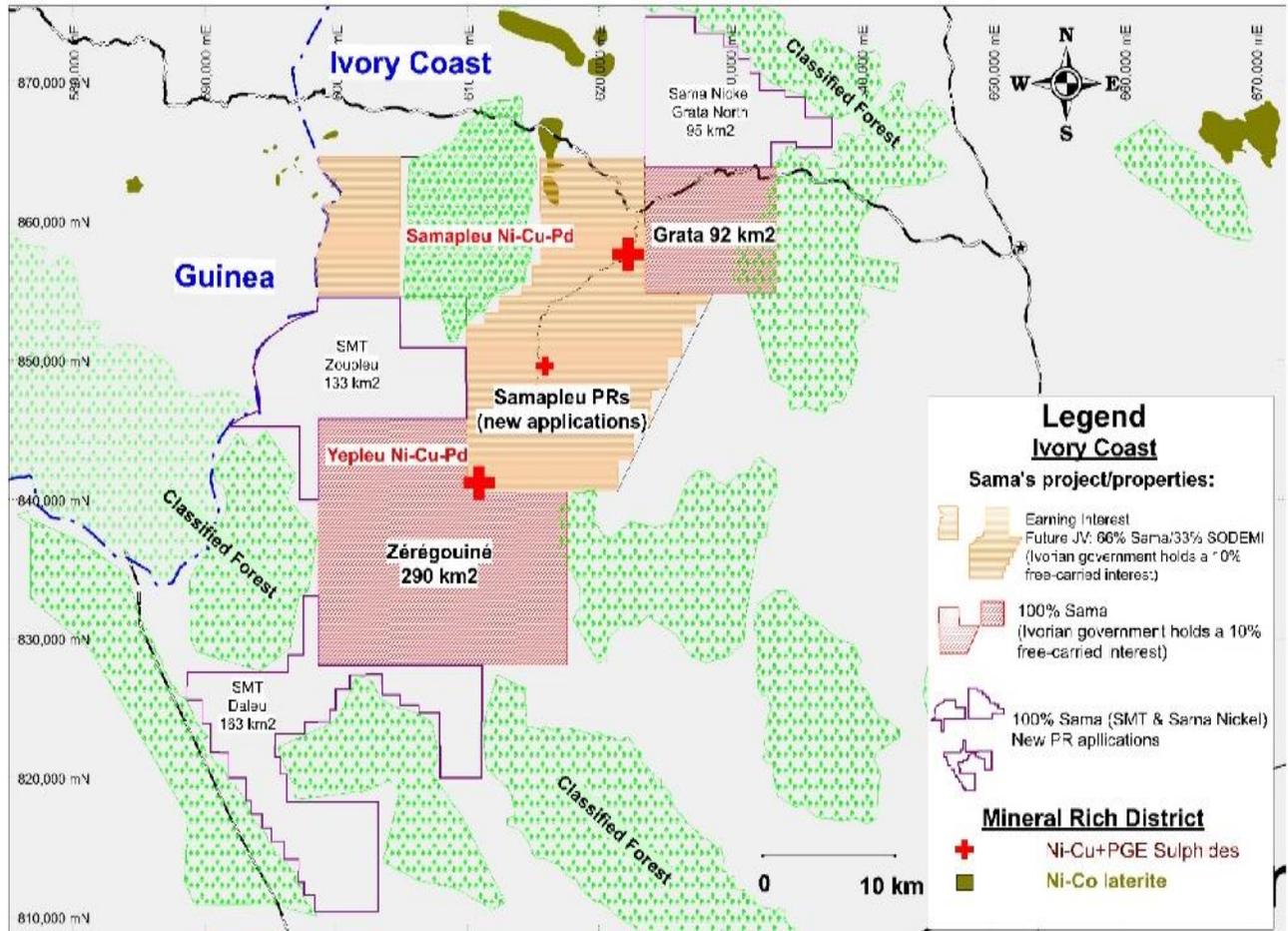


Figure 3: SODEMI on behalf of the JV with Sama applied on March 7, 2018 for two new exploration permits (Permis de Recherche: PR) for a combined 318 km<sup>2</sup> in replacement of the former Samapleu PR123 and as a replacement of the mining application that was filed on June 9, 2017. Three requests for new exploration permits have been filled with the Mining department.

## SAMA GROUP MINERAL PROPERTIES

### Samapleu Property (PR123)

On January 15, 2009 (“Effective Date”), Sama Nickel entered into a Syndicate Agreement (“SA”) with SODEMI, a parastatal organization, whereby Sama Nickel has indicated a particular interest in the exploration of an area covered by Permit No. 123 (“PR123”), held by SODEMI, located in Ivory Coast. PR123 encompasses approximately 446 square kilometers.

Upon execution of the SA, Sama Nickel became responsible to finance exploration work programs on behalf of the SA during the exploration phase of the project through completion of a Bankable Feasibility Study (“BFS”). SODEMI will not contribute to work conducted under the SA.

On October 25, 2015, Sama Nickel and SODEMI extended certain terms of PR123 resulting in an exploration license extension to June 25, 2017. On June 9, 2017, before the license extension expired, Sama Nickel and SODEMI filed a request for a mining permit (Permis d’Exploitation (PE)) for an area of 160 square kilometres within the Samapleu exploration license as well as a request for an exploration permit (Permis de Recherche (PR)) for the remaining area of the Samapleu PR123, located west of the PE.

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In March 2018, following discussions with the government, SODEMI withdrew its application for a Mining Permit and applied for two (2) new exploration permits covering a total area of 318 square kilometers (Samapleu-East and Samapleu-West) to replace the PR123 (**Figure 1**). According to a new regulation in Ivory Coast, classified forests must be removed from any new application. Therefore, the total surface area covered by the two (2) new applications is smaller than the initial area covered by the PR123. When granted, the two (2) new exploration permits will have a twelve-year life time. No exploration and evaluation work was performed on the classified forest area. Therefore, no partial impairment was required. While the authorities are studying the requests, Sama Nickel is allowed to perform exploration and evaluation work. As of today, there is no indication that the exploration permits will not be granted. However, a whole or partial impairment of the value of the Samapleu Property will be required should Sama Nickel fail to obtain the exploration permits.

Upon completion of the BFS, the Advisory Committee ("AC"), which consists of two Sama Nickel representatives and two SODEMI representatives, will conclude on the feasibility of the project. If the AC decides to proceed with the project, an Exploitation Entity ("EE") will be established whereby future funding will be split between Sama Nickel and SODEMI at 66.7% and 33.3%, respectively. The EE will reimburse SODEMI for all costs associated with previous exploration work conducted until January 15, 2009 up to a maximum of F CFA 834,999,457 (approximately \$1,914,478 as at December 31, 2017) and will reimburse Sama Nickel for costs associated with exploration work conducted between the Effective Date and the approval of the BFS subject to the approval of the AC which represents a total amount of \$19,681,336 as at December 31, 2017.

The ownership of the EE shall be allocated as follows:

Sama Nickel	60%
SODEMI	30%
Ivory Coast Government	10%
	100%

If the AC decides not to proceed with the project, SODEMI may, at its sole discretion, terminate the SA and SODEMI would become the owner of all results of the exploration work and all studies associated with infrastructures, for no financial consideration.

The Samapleu Property is subject to a 1% net smelter return royalty.

Sama retained CVMR to perform a detailed technical study to confirm the commercial viability of producing nickel and iron powders from nickel-iron concentrate obtained from the flotation of the mineralized material of the Samapleu deposits.

Sama Group will continue with its exploration efforts aiming at delineating massive sulphide reservoirs that could be the source of high grade nickel ("Ni") – copper ("Cu") - palladium ("Pb") lenses intercepted in shallower boreholes at the Samapleu deposits. The **Table 1** highlights high-grade drill results at the Samapleu and Yepleu.

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**Table 1:** Highlight table of high-grade drill intercepts previously reported

Hole-ID	From m	To m	Interval m	Ni %	Cu %	Pd gr/t	Date of News Release
<b>Samapleu Deposits</b>							
SM44-428267	15.00	68.90	53.90	0.96	0.76	0.74	April 20, 2015
<b>including</b>	<b>57.65</b>	<b>60.55</b>	<b>2.90</b>	<b>4.45</b>	<b>2.20</b>	<b>3.08</b>	
<b>including</b>	<b>62.90</b>	<b>68.00</b>	<b>5.10</b>	<b>3.87</b>	<b>2.56</b>	<b>2.83</b>	
SM25-133537	30.00	63.00	33.00	0.38	0.31	0.63	April 20, 2015
<b>including</b>	<b>32.45</b>	<b>36.65</b>	<b>4.20</b>	<b>1.13</b>	<b>1.03</b>	<b>1.75</b>	
SM44-683140	347.00	495.85	149.00	0.30	0.29	0.42	August 12, 2014
<b>including</b>	<b>347.00</b>	<b>356.20</b>	<b>9.20</b>	<b>0.46</b>	<b>1.12</b>	<b>1.11</b>	
SM44-693140b	513.20	604.40	91.20	0.25	0.17	0.24	August 12, 2014
<b>including</b>	<b>513.95</b>	<b>514.25</b>	<b>0.30</b>	<b>0.19</b>	<b>6.55</b>	<b>1.99</b>	
<b>including</b>	<b>594.15</b>	<b>597.55</b>	<b>3.40</b>	<b>1.12</b>	<b>0.50</b>	<b>1.61</b>	
SM44-494350b	11.00	64.00	53.00	0.52	0.50	0.31	February 16, 2012
<b>including</b>	<b>29.20</b>	<b>34.80</b>	<b>5.60</b>	<b>1.91</b>	<b>1.71</b>	<b>0.94</b>	
SM44-450250b	33.50	92.90	59.40	0.89	0.86	0.81	June 20, 2011
<b>including</b>	<b>85.25</b>	<b>91.90</b>	<b>6.65</b>	<b>3.80</b>	<b>2.92</b>	<b>3.09</b>	
SM44-492354	10.00	61.00	51.00	0.72	0.61	0.45	January 10, 2011
<b>including</b>	<b>36.00</b>	<b>46.00</b>	<b>10.00</b>	<b>1.76</b>	<b>1.30</b>	<b>1.00</b>	
<b>including</b>	<b>24.00</b>	<b>29.00</b>	<b>5.00</b>	<b>1.32</b>	<b>1.18</b>	<b>0.75</b>	
SM44-450250	13.50	102.80	89.30	0.66	0.64	0.58	May 31, 2010
<b>including</b>	<b>86.60</b>	<b>101.60</b>	<b>17.00</b>	<b>1.99</b>	<b>1.96</b>	<b>1.49</b>	
SM25-112519	22.00	144.00	122.00	0.44	0.32	0.94	
<b>including</b>	<b>84.90</b>	<b>95.90</b>	<b>11.00</b>	<b>1.89</b>	<b>0.78</b>	<b>2.84</b>	
SM24-661614	67.30	244.00	176.70	0.26	0.20	0.49	June 26, 2010
<b>including</b>	<b>162.00</b>	<b>170.60</b>	<b>8.60</b>	<b>1.02</b>	<b>0.95</b>	<b>1.51</b>	
<b>Yepleu</b>							
YE34-418407a	26.15	48.00	21.85	0.42	0.23	0.12	January 14, 2014
<b>including</b>			<b>4.40</b>	<b>1.13</b>	<b>0.14</b>	<b>0.29</b>	

## Samapleu Nickel-Copper Type Mineralization

Since 2009, Sama Group's regional exploration work highlights the prospective potential of the entire PR123 area. In addition to the Samapleu Main deposit and the nickel-cobalt rich laterite Sipilou South deposit, there were several mineralized sectors that have been identified within the PR123 area, including Sama Group's discovered Samapleu Extension 1 deposit, the Yorodougou occurrence and the Yepleu occurrence as well as numerous massive chromite showings, all part of the newly discovered Yacouba Layered Complex.

The Samapleu and Yepleu deposits mineralization and geological characteristics are typical of a layered Pipe like intrusion or conduit-hosted nickel deposits. These rare types of intrusions host the world's largest nickel-copper deposits such as: Jinchuan (515 million tons ("Mt") at 1.06% nickel), Voisey Bay (137Mt at 1.68% nickel), Kabanga (52Mt at 2.65% nickel), Eagle (4.5Mt at 3.33% nickel), Eagle Nest (20Mt at 1.68% nickel), Kalatongke (24Mt at 0.68% nickel), and N'komati (2.8Mt at 2.08% nickel).

The Yacouba's mafic and ultramafic hosts were intruded within the older gneissic assemblage of the West Africa's craton. It is interesting to note that the age of the Yacouba Layered Complex is almost the same as that of the large and mineral rich South-African Bushveld complex (host of the Ivanhoe's large Flatreef palladium-Nickel deposit and numerous other chromite+ Platinoid Group Elements deposits as well as the nearby N'Komati nickel-copper-palladium deposit).

Samapleu and Yepleu deposits are typical magmatic Nickel-Copper- Platinum group elements ("PGE") deposits with common metallurgical characteristics. Nickel and copper mineralization (pentlandite, chalcopyrite, combined with pyrrhotite, rarely pyrite) correspond to sulphide disseminations ranging from trace to 40% and semi-massive to massive (40% to 100% sulphides) sulphide rich lenses commonly spatially associated with a strong brecciated texture in mostly pyroxenites.

The semi-massive and massive sulfide veins display a number of characteristics suggesting that they are part of a larger mineralizing system:

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1. Extreme variations in nickel:copper ratio indicative of fractionation of sulfides.
2. Association with varied textured and brecciated facies.
3. Presence of an unusual texture called loop texture. Large pyrrhotite crystals (5 centimeters in diameter) are rimmed by smaller chalcopyrite and pentlandite that define a loop that encloses the pyrrhotite. These textures are seen at Norilsk and Voiseys Bay nickel-copper-PGE deposits.
4. Abundant sulfide inclusions (globules) within pyroxene crystals indicating that sulfur (S) saturation took place before pyroxene crystallization (at depth).

It is to be noted that the mineralization is open at depth at the Samapleu deposits and remains mostly untested below 200 m from the surface. The mineralization is also open along strike at the Samapleu Extension 1. Sama Group's regional compilation and exploration work highlights the highly prospective potential of the whole area surrounding these known intersections.

Sama Group also completed a 13,500 line-kilometer airborne magnetometer and radiometric survey over the Samapleu Property and a portion of the Lola Property; a 3,900 line-kilometer of airborne helicopter time domain electromagnetic and magnetic survey ("HTEM") at the Samapleu Property; and 60 line-kilometer of InfiniTEM ground geophysical survey over Samapleu Main and Extension 1 deposits and the Yepleu Complex. More than 20 priority targets representing a potential for additional nickel-copper-platinum group elements mineralization have been outlined. Strong conductors were identified at the Samapleu Main and Samapleu Extension 1 deposits as well as along a corridor of more than 25 km oriented north-east.

Sama Group's drilling programs started in March 2010, by contracting Orex Africa SARL of Abidjan, Ivory Coast, for the drilling requirement. Subsequently, during the course of 2010, Orex Africa SARL changed their name to Global Exploration Services SARL ("GES"). A track mounted YDX-3L wire line drill rig type was used throughout. A total of 211 boreholes for 22,795 m was drilled using these contractors.

In 2013, Sama Group purchased its first Coreteck track mounted CSD1300G wire line drill rig. A second drill rig was purchased in 2014. Since then, all drilling activities were performed internally. **Table 2** summarizes the drilling programs from July 2010 to September 2016.

**Table 2:** Drilling programs from July 2010 to March 2018

Area	Contractor drilling		Sama Drilling		Total lengths (m)
	Borehole	m	Borehole	M	
Main Deposit	90	12,680	5	1,590	14,270
Samapleu Extension 1	58	8,744	20	4,513	13,257
Yepleu			24	4,868	4,868
Sipilou Sud Laterite	80	2,688			2,688
Yorodougou	4	735	2	291	1,026
Bounta North chromite			6	659	659
Santa			5	952	952
Grata			2	767	767
Regional	12	1,698			1,698
<b>Total 2010-2015</b>	<b>244</b>	<b>26,545</b>	<b>64</b>	<b>12,814</b>	<b>40,359</b>

Near surface exploration at the Samapleu Project (< 150 m deep) returned centrally located massive sulphide vein stock works encased in a thick halo of disseminated sulphide. Tenors of up to 4-5% Ni and 6-8% Cu, respectively, were obtained in massive sulphide material.

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Eleven boreholes were drilled testing the Tri-dimensional Conductivity Depth Imaging ("CDI") targets. All high priority CDI targets could be related to the presence of mineralization in various concentrations including semi-massive to massive lenses within what Sama Group believes to be the mineralized trend extending at depth and also laterally.

Hole SM44-693140 intercepted a continuous mineralized zone of 149 m grading 0.30% nickel 0.29% copper, 0.04% cobalt, 0.42 grams per tonne ("gpt") palladium. The interval started 347 m from surface and included several semi-massive high grade sulphide lenses, including a 30m combined interval grading 0.50% nickel, 0.89% copper and 0.83 gpt palladium within intercepts of up to 2.06% nickel and 1.54% nickel.

Hole SM44-683140B intercepted a total of 91m of mineralized pyroxenite with several semi-massive to massive sulphide stringers and lenses before being terminated within the mineralization due to maximum depth capability of our drill rig. Tenors of up to 6.55% copper and an interval of 3.4 m grading 1.12% nickel, 0.50% copper and 1.61 gpt palladium were intercepted at the bottom of the hole which suggests that the mineralization continues at depth.

Hole SM44-428267 intersected 54 m of mineralized pyroxenite, grading 0.96% nickel, 0.76% copper and 0.74 gpt palladium, including a combined 8.0 m of massive sulphide grading 4.08% nickel, 2.43% copper & 2.92 gpt palladium at the Samapleu Main deposit.

Drilling results confirm the pipe-like intrusion as a 1.6 km long, large fold linking the Samapleu Main and the Extension 1 deposits and solidifies the geological model at depth.

Down hole electromagnetic surveys ("DHTEM") on the SM34-564718 at the Samapleu Main deposit and the recently drilled 342 m long GR72-787708 at the Grata property were completed on December 19, 2016 by Abitibi Geophysics of Val D'Or, Canada. Sama Group's exploration objective is to delineate massive sulphide reservoirs that could be the source of high grade nickel, copper, palladium lenses intercepted in shallower drill holes at the Samapleu deposits. The DHTEM at SM34-564718 suggests the presence of two high intensity conductors. The DHTEM at GR72-787708 suggests the presence of a high intensity off-hole conductor just below the drill hole.

## **Samapleu Extension 1 Deposit**

The Samapleu Extension 1 deposit was discovered by Sama Group in June 2010 and is located 1.3 km north of the Samapleu Main deposit. The surface expression of the ultramafic-mafic geological host of the Samapleu Extension 1 deposit and the newly discovered SM34 Sector is approximately 2,000 m long by 50 m to 200 m wide and is still open in both directions. The ultramafic-mafic host is oriented northeast-southwest.

Sixty-four boreholes totaling 11,557 m were drilled since 2010 at the Samapleu Extension 1 deposit. Borehole SM24-112519 returned 122.0 m grading 0.44% nickel and 0.32% copper and 0.94 gpt of palladium, including 11.0 m @ 1.88% nickel, 0.78% copper and 2.84 gpt palladium; borehole SM25-080542 returned 38.5 m at 0.46% nickel and 0.50% copper and 0.85 gpt palladium and 0.12 gpt platinum; and borehole SM25-039587 returned 129.2 m at 0.26% nickel and 0.17% copper, including 0.41 gpt palladium and 0.06 gpt platinum.

## **Yepleu Occurrence**

On June 6, 2013, Sama Group announced the discovery of mineralized surface outcrops grading up to 1.39% nickel and 2.26% copper (tested using a hand-held Niton XRF analyzer) located 18 km southwest of the Samapleu nickel-copper deposit.

The discovery, named Yepleu, shows outcrops with up to 25% disseminated sulphide mineralization in mafic and ultramafic rocks and strong mineralization seen at surface on several other outcrops along a NW-SE strike length of 1.7 km, with some of them showing continuous mineralized horizon of up to 25 m in strike length.

The sector corresponds to a strong HTEM chargeability anomaly that covers an area of 6 km by 4 km and appears to be open to the west, southwest and south.

The disseminated mineralization is typically characterised by fine isolated grains to large granular aggregates of nickel, copper and iron sulphides. Sulphide phases observed so far include pyrrhotite, chalcopyrite, pentlandite and minor pyrite. Pentlandite occurs as inclusions in pyrrhotite. Disseminated sulphide occurs as fine grains of 0.5 to 1 millimetre in diameter, showing a high ratio of pyrrhotite versus chalcopyrite. Sulphide veinlets and fine filaments are also present. Composite grains of sulphide material are dominant, forming sulphide masses of odd shapes ranging from a few

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millimetres up to several centimetres in any one dimension. The semi-massive mineralization lenses show between 30% to 70% sulphide minerals.

Hole YE40-438348 (614 m deep) drilled in November 2015 (**Figures 5 & 6**), aimed at testing the geophysical anomaly interpreted from the 2013 HTEM. As expected, the borehole intercepted a sub-horizontal sequence of 366 m thick of alternating diorite/anorthosite and mafic units, part of the Yacouba layered complex, intruding the Archean gneissic host rock and named the Upper Sequence.

A mineralized horizon of 6 m of nickel-copper mineralization, ranging from disseminated to semi-massive sulfides material is located between 360.65 m and 367.30 m, marking the bottom contact of the Upper Sequence. Below 366 m, another layered sequence is present showing a package of diorite/anorthosite together with pyroxenite also intruding the gneissic host rock, named as the Lower Sequence. The borehole was terminated at 614 m for a technical reason, without reaching the targeted depth for the HTEM anomaly.

The disseminated and semi-massive sulphide mineralization of borehole YE40-438348 is characterised by aggregates of nickel, copper and iron sulphides, named pentlandite, chalcopyrite and pyrrhotite, respectively. Pentlandite occurs together with pyrrhotite, while the chalcopyrite, being the third mineral of global abundance appears either mixed with the pentlandite or as late sulfide centimetric veins crosscutting the pentlandite-pyrrhotite material. Contacts between the semi-massive sulphide material and the surrounding quartzo-diorite with disseminated sulphides are irregular and sharp indicating that the semi-massive sulphide material has intruded the pyroxenite host originating from a source that is yet to be discovered. Preliminary results using a hand held Niton portable XRF analyser returned an interval of 6.65 m grading 0.30% nickel and 0.26% copper, including 0.55 m at 0.90% nickel and 0.80% copper. This mineralisation is identical in nature to the mineralisation observed near the surface in all the other boreholes drilled in 2014 at the Yepleu prospect.

A subset of the 2013 HTEM survey was re-interpreted by the Danish geophysical group Aarhus Geophysics using the Electromagnetic inversion methodology in order to validate Sama Group's interpretation. Aarhus' inversion model confirmed the presence of a conductor and also that the area in the vicinity of the borehole YE40-438348 is the most conductive in the Yepleu area.

In January and February 2018, Geotech Ltd., completed a 2,889 line-kilometer airborne helicopter time domain electromagnetic and magnetic survey ("**HTEM Survey**") over the Samapleu and Yepleu areas (**Figure 7**). The HTEM Survey was flown over the area at 200-meter line spacing, using their Versatile Time-Domain Electromagnetic geophysical system. The survey was completed in February 2018. Final data set is still pending.

Results from the HTEM Survey will assist Sama with its geological interpretation of the entire Samapleu and Yepleu project areas. The HTEM Survey aims at targeting new sectors with the potential for additional nickel-copper sulphide mineralization from the surface to several hundred meters at depth.

The Sama Group's exploration objective is to delineate massive sulphide reservoirs that could be the source of high-grade nickel-copper-cobalt-palladium lenses intercepted in shallower drillholes at the Samapleu deposits.

### Mineral Resource

On December 22, 2015, Sama Group filed a revised 43-101 compliant mineral resource estimate on the Samapleu Property. The revised mineral resource estimate includes an indicated mineral resource of 14.1 Mt grading 0.24% nickel and 0.20% copper and containing 74.5 Mlb of nickel and 61.2 Mlb of copper, together with an inferred mineral resource of 26.5 Mt grading 0.24% nickel and 0.18% copper and containing 134 Mlb of nickel and 107.2 Mlb of copper (**Table 3**).

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**Table 3:** Samapleu Project Mineral Resources at 0.10% nickel cut-off grade, December 2015.

Classification	Tonnes (,000) t	Contained Nickel (,000) Lbs	Contained Copper (,000) Lbs	Nickel %	Copper %	Cobalt %	Platinum gpt	Palladium gpt	Gold gpt	Rhodium gpt
Indicated	14,159	74,500	61,200	0.24	0.20	0.02	0.11	0.29	0.03	0.01
Inferred	26,480	134,000	107,200	0.24	0.18	0.01	0.09	0.31	0.03	0.01

During the year ended December 31, 2017, an amount of \$1,708,075 was capitalized on the Samapleu Property, resulting in a total capitalized exploration and evaluation expenditures of \$19,681,336 so far.

#### Estimated expenditures:

The current estimate for expenditures on the Samapleu Property (both corporate and capitalized expenditures) for the next year is approximately \$575,000.

### **Zérégouiné Property (PR 300)**

On December 19, 2012, Sama CI obtained the exploration permit No. 300 ("PR300") which covers 394 square kilometers of property in Ivory Coast, West Africa.

On July 11, 2017, the PR300 was renewed for three years and as per legislation, the surface area was reduced to 290 square kilometers. This reduction in the surface area did not require an impairment of capitalized E&E assets since Sama CI relinquished area where no exploration was done. In accordance with PR300, Sama CI must complete an exploration program of F CFA 614,000,000 (\$1,407,773 as at December 31, 2017) by December 19, 2018.

The Zérégouiné Property is 100% owned by Sama CI and is adjacent to the Samapleu Property.

The Zérégouiné Property has been partially explored with surface mapping and geophysical surveys. The regional geological mapping and the HTEM survey have identified that the geological host of the newly discovered Yepleu nickel-copper-palladium mineralization extends to an area as vast as 6 km x 4 km.

The Zérégouiné Property's newly found prospects are outlined by a 6.5 km long strong electromagnetic anomaly with numerous surface gossans and mineralized grab samples including the 8.4%Cu (Niton XRF analyzer).

Borehole ZE16-233527, drilled down to a depth of 350 m, aimed at testing the presence of mineralized mafic to ultramafic members of the Yacouba complex responsible for the 6.5 kilometer long electro-magnetic anomaly outlined by the 2013 airborne survey. The borehole successfully intersected 210 m of the prospective mafic member showing mineralization varying from disseminated to up to 20% sulphide. Downhole geophysical surveys together with additional drilling are needed to fully evaluate the prospect.

During the year ended December 31, 2017, an amount of \$91,745 was capitalized at the Zérégouiné Property, resulting in total capitalized exploration and evaluation expenditures of \$1,253,616.

#### Estimated expenditures:

The current estimate for expenditures on the Zérégouiné Property (both corporate and capitalized expenditures) for the next year is approximately \$4,540,000.

### **Grata property (PR 604)**

On December 9, 2015, Sama CI obtained the exploration permit No. 604 ("PR604") which covers 80 square kilometers of property in Ivory Coast. In accordance with PR604, Sama CI must complete an exploration program of F CFA 663,000,000 (approximately \$1,520,119 as of December 31, 2017) by December 8, 2019.

The Grata Property is 100% owned by Sama CI and is located adjacent to the north-eastern boundary of the Samapleu Property.

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The property is located adjacent to the north-eastern boundary of the Samapleu exploration permit (PR 123). Sama believes that ultramafic sequences of the recently outlined large Yacouba Layered Complex which hosts the Samapleu Nickel-Copper-Palladium deposits, are extending within the Grata Permit and as such represent a prime target for nickel-copper-palladium mineralization. Borehole GR72-787708 has been terminated at 342m. It intersected the typical Yacouba complex sequence including fractured pyroxenite and gabbro with sulphide mineralization as fractures filling between 180 and 187m.

During the year ended December 31, 2017, an amount of \$81,324 was capitalized at the Grata Property, resulting in total capitalized exploration and evaluation expenditures of \$176,287.

### Estimated expenditures:

The current estimate for expenditures on the Grata Property (both corporate and capitalized expenditures) for the next year is approximately \$1,612,000.

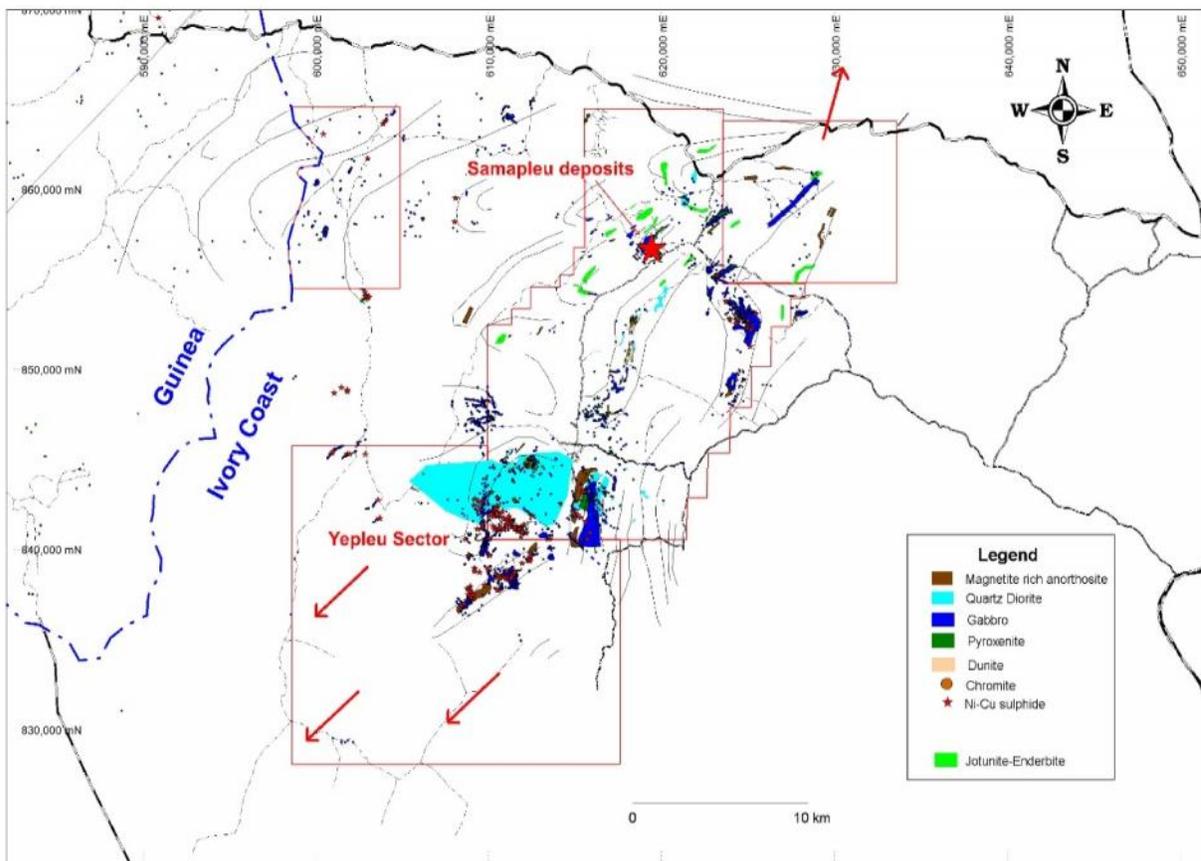


Figure 4: Samapleu, Zéréguiné and Grata Exploration Permits showing prospective sectors together with the geology related to the Yacouba UM layered complex.

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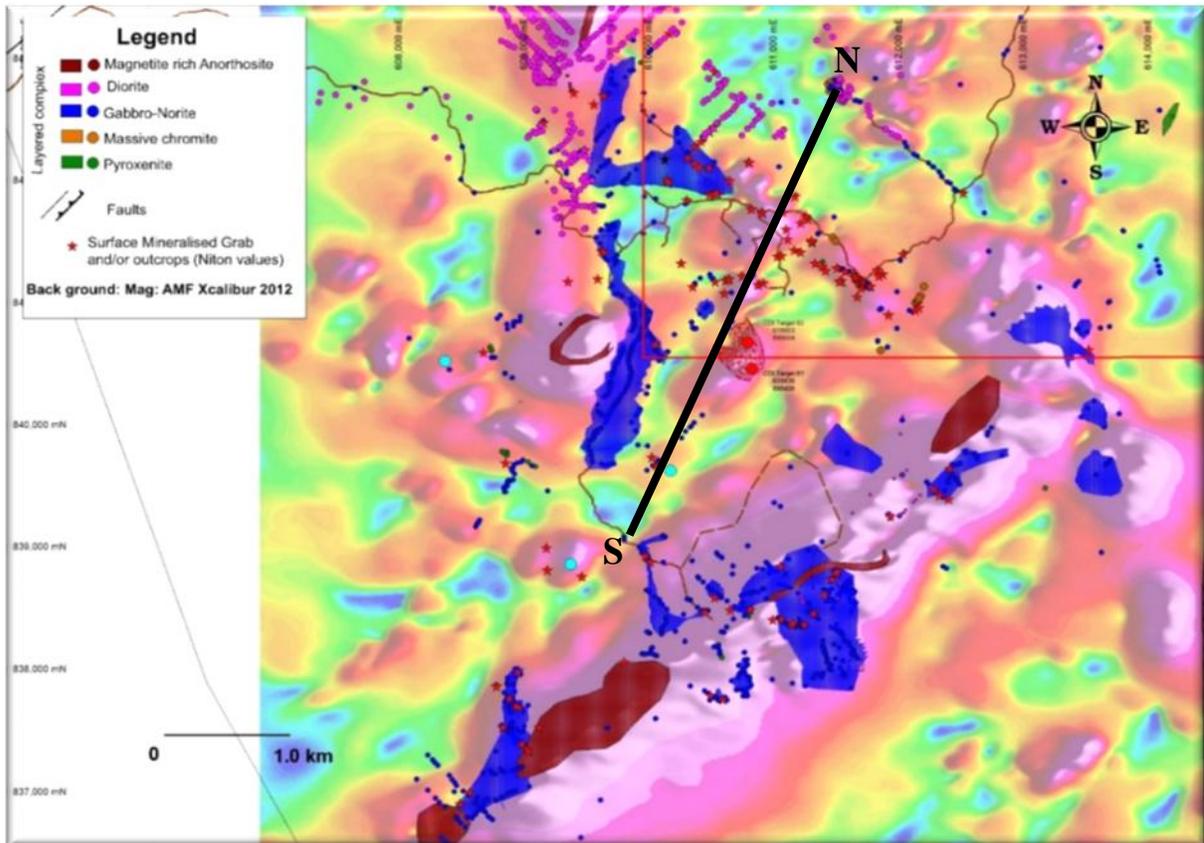


Figure 5: Surface geology and deep target at Yepleu/Zérégouiné (PR 123 - PR 300), cross-section A-A' shown at figure 6.

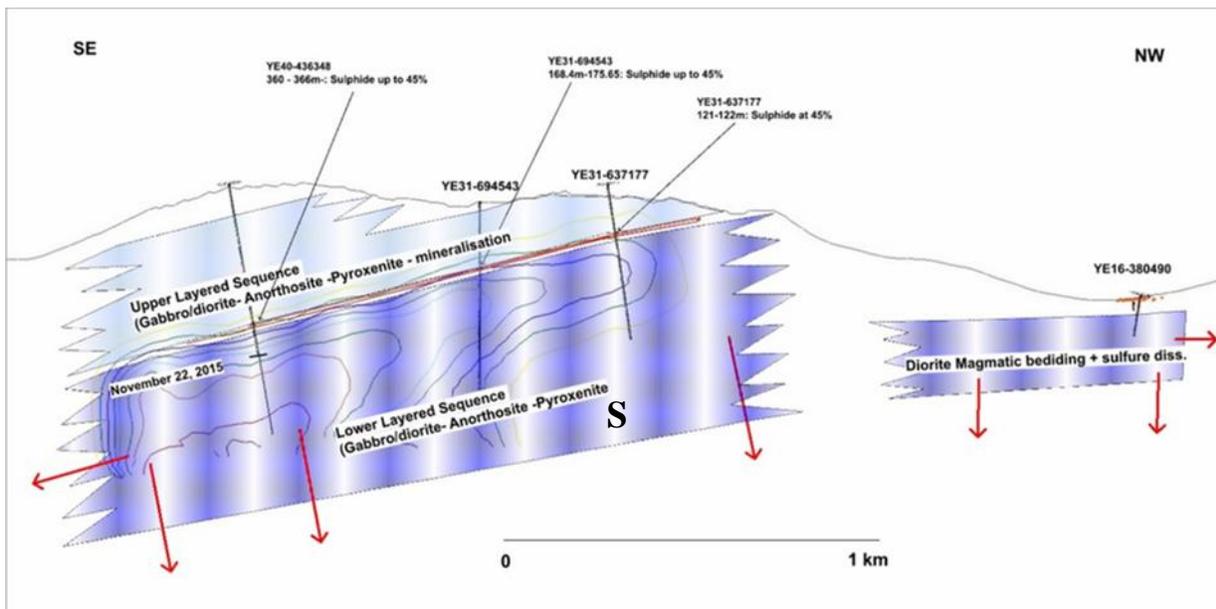


Figure 6: Cross-section at Yepleu showing hole YE40-436348 terminated short of the target for a technical reason. A mineralized horizon of 6.65 m grading 0.30% nickel and 0.26% copper, including 0.55 m at 0.90% nickel and 0.80% copper was intercepted at the interface between two-layer assemblages.

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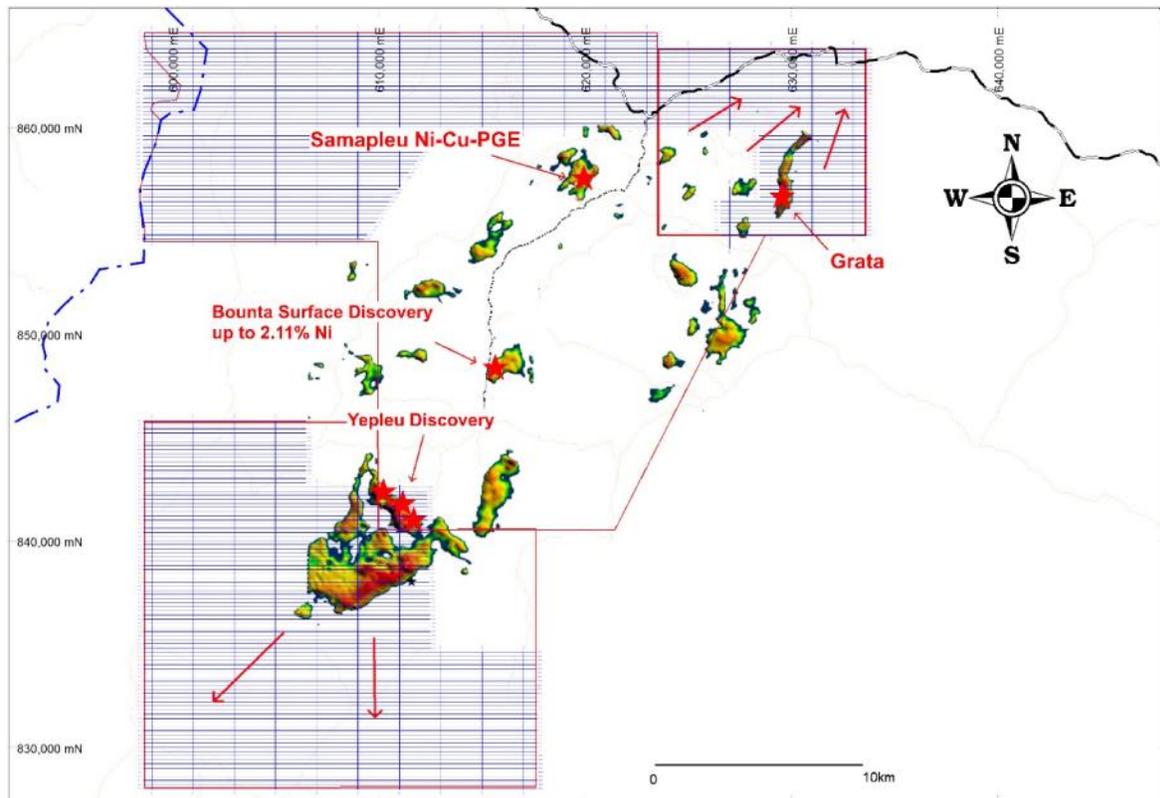


Figure 7: Geotech Ltd., Canada completed the 2,889-line/kilometer HTEM Survey over the Samapleu and Yepleu areas (blue lines). Also shown are the high conductivity areas as defined by the 2013's Fugro's HTEM survey. The survey was completed in February 2018. Final data set is still pending.

## Sipilou South Nickel-Cobalt Laterite Mineralization

Sama Group has completed 80 boreholes for a total of 2,663 m on the portion of the Sipilou South laterite deposit that falls within PR123. Drilling has been performed on a 200 m x 200 m spacing.

The Sipilou South nickel-cobalt laterite deposit is a typical example of nickel and cobalt rich laterites formed by a seasonally wet tropical climate over weathered and partially serpentinized peridotite. The nickel in such deposits is derived from altered olivine, pyroxene and serpentine that constitute the bulk of the tectonically emplaced ultramafic oceanic crust and of upper mantle rocks. Due to its location in a tropical environment, the Sipilou South nickel-cobalt laterite deposit is defined as a 'wet' laterite as opposed to laterites and palaeo-laterites found in arid and temperate climates.

## Worofla Property (PR 301)

On November 7, 2012, Sama CI obtained the exploration permit No. 301 ("PR301") which initially covered 400 square kilometers of property in Ivory Coast.

On October 13, 2015, Sama CI applied for the renewal of the exploration permit No. 301 but this application was denied in 2017. Therefore, an impairment of \$11,629 was recognized during the year ended December 31, 2017.

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## NICKEL MARKET ANALYSIS

Since 2012, mining and metals markets were affected by the downturn of the world economic due to a low recovery of the global economy and the overcapacity in many markets. As a result, mining companies had to scale down their investment budgets until recently. Markets for nickel and copper were no exception and were severely affected until mid-2017. Since mid-2017 nickel and copper prices have firmed-up slightly. Figure 8 reports values of nickel and copper from April 2013 to February 2018 (source: Kitco.com).



Figure 8: Nickel and Copper values from April 2013 to February 2018.

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Following attempts to rebound in the first half of 2014, nickel prices resumed their downward trend until mid-2016. During this period, the surplus of supply over demand resulted in a significant increase in stocks; 460,000 tons in August 2016, compared to less than 100,000 tons back in May 2012 (see Figure 9). There was a slow decrease in the LME warehouse stock from May 2015 to today, from 460,000t down to 320,000t.



Figure 9: Inventories in Nickel and Copper at the London Stock Exchange (LME) since April 2013.

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For the long term, some brokers expect the nickel demand to grow by 2% to 3% per year on average, which is faster than the growth in supply.

### New market:

The emerging battery market for renewable energy is a new market for nickel. The willingness to migrate from fossil energy to electric energy is an irreversible trend. The new market trend for batteries for automobiles, trucks, trains and ships, not to mention for residential and industrial energy storages, is underway and is going to increase exponentially in the next few years. The nickel market will benefit greatly since the main components of any given batteries are graphite and nickel.

There is a consensus between analysts that by the end of the 2020's era, nearly 70% of new cars will have some form of electrification. Analysts at Roskill predict that primary nickel demand in the battery sector is forecasted to rise by more than 20% per year between 2017 and 2027, to over 500 kilotons per year.

## SELECTED FINANCIAL INFORMATION

### Deconsolidation of a subsidiary and investment in associate

On December 31, 2016, as part of a Reverse Takeover, the Company acquired a 49.16% ownership interest in SRG and determined that the Company had control over SRG. The Company assessed its investment in SRG and judged that it had maintained control over SRG as defined by IFRS 10 and continued to consolidate SRG from January 1, 2017 to November 23, 2017. Following the nomination of three additional board members and pursuant to additional equity issuances which reduced the Company's interest in SRG to 40.24% on November 23, 2017, management determined that SRG no longer required to be consolidated and now accounts for the retained investment in SRG as an investment in associate using the equity method. A gain resulting from loss of control of a subsidiary of \$28,454,689 and an equity investment in SRG of \$30,822,834 were recognized.

The fair value of SRG net assets deconsolidated and the gain resulting from loss of control of a subsidiary are as follows:

	November 23, \$
Cash and cash equivalents	3,676,352
Sales taxes receivable	33,890
Prepaid expenses and deposits	19,104
Deposit on property and equipment	64,788
Property and equipment	62,926
Exploration and evaluation assets	2,311,290
Accounts payables and accrued liabilities	<u>(283,132)</u>
	5,885,218
Non-controlling interest	<u>(3,517,073)</u>
	2,368,145
Fair value of the investment in SRG	<u>30,822,834</u>
Gain resulting from loss of control of a subsidiary	<u>28,454,689</u>

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The continuity of the Company's investment in SRG common shares is as follows:

	2017
	\$
Balance as at November 23, 2017	30,822,834
Share of loss and comprehensive loss	<u>(135,805)</u>
Balance as at December 31, 2017	<u>30,687,029</u>

The fair value of the Company's investment in SRG as at December 31, 2017 was \$45,617,794.

The following summarized financial information of SRG as at December 31, 2017 and for the year ended December 31, 2017, including fair value adjustments made at the time of recognition of the interest, is as follows:

	\$
<b>Balance sheet</b>	
Current assets	3,332,148
Non-current assets	31,323,064
Current liabilities	573,450
Equity	5,627,073
<b>Net loss and comprehensive loss</b>	
Revenue	-
Net loss and comprehensive loss	2,382,586

### Strategic partnership with HPX

The Company entered into a binding term sheet in view of forming a strategic partnership with HPX, in order to develop its nickel-copper and cobalt project in Ivory Coast, West Africa.

As part of the term sheet, HPX would make a strategic investment of \$5,250,000 by acquiring a total 25,000,000 units of the Company at a price of \$0.21 per unit, with each unit consisting of one common share and one share purchase warrant. Each warrant will entitle HPX to purchase an additional common share at a price of \$0.28 per common share for 24 months following the closing date. If exercised, these warrants would represent an additional investment of \$7,000,000 for a total investment of \$12,250,000. HPX would also have the ability to earn into a joint venture with the Company up to a 60% interest in the Company's interest in the Ivory Coast project, including the Samapleu project, by financing exploration and evaluation expenses and completing a feasibility study through total investments of \$30,000,000. The private placement of \$5,250,000 and the exercise of warrants of \$7,000,000 would be considered part of this total investment of \$30,000,000.

Additional highlights of the term sheet include the following:

- J HPX will have a pre-emptive/anti-dilution right to maintain its ownership percentage in the Company in future equity financings as long as the holdings of common shares of the Company by HPX and its affiliates remains above 10%;
- J HPX will have the right, but not the obligation, to nominate and have appointed: (i) two directors to the board of the Company as long as its shareholding in the Company remains above 10%; and (ii) four directors if its shareholding is greater than 50%;
- J HPX would earn into the Ivory Coast project through Sama Nickel as the joint venture vehicle;

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- J) Pursuant to the terms of the earn-in and joint venture agreement, HPX shall have the ability to earn a 30% interest in the Ivory Coast project by incurring expenditures of \$15,000,000. By incurring additional expenditures of \$15,000,000 (or, as may be the case, \$10,000,000 in certain circumstances discussed as follows) over a maximum of 6 years, including the financing of a bankable feasibility study and the acquisition of an exploitation permit on part of the Ivory Coast project, HPX will be entitled to earn an additional interest in the Ivory Coast project, such that its aggregate interest therein shall be 60%;
- J) If certain conditions related to the SODEMI/Sama Nickel joint venture are not met by an outside date (the earn-in adjustment date), then HPX shall have a period of one month after the earn-in adjustment date to notify the Company in writing as to whether or not it wishes to proceed with the 60% earn-in on the totality of the Ivory Coast project for:
- A reduced additional expenditure of \$10,000,000 (instead of \$15,000,000) in order to earn its additional 30% interest in all of the Ivory Coast project;
  - Or an additional expenditure of \$5,000,000 (instead of \$10,000,000) in order to earn its additional 30% interest in the Ivory Coast project excluding the Samapleu project after the Company has transferred the Samapleu project from SNC to the Company or an affiliate.

On April 11, 2018, the Company's shareholders approved the strategic partnership with HPX and on April 13, 2018, the Company's closed the private placement of \$5,250,000 with HPX.

### Financial Position Analysis

	December 31, 2017	December 31, 2016	December 31, 2015
	\$	\$	\$
Total assets	56,586,317	22,881,318	20,275,455
Total liabilities	5,265,657	614,765	253,858
Total equity	51,320,660	22,266,553	20,021,597
Working capital*	3,969,964	2,058,424	338,947

\*Working capital is a measure of current assets less current liabilities.

#### Assets

Total assets at December 31, 2017 were \$56,586,317 compared to \$22,881,318 at December 31, 2016, an increase of \$33,704,999 mainly due to the recognition of an investment in associate of \$30,687,029 following the deconsolidation of SRG as described above and to an increase in cash and cash equivalents of \$1,606,143 and in exploration and evaluation assets of \$1,216,922. The increase in cash and cash equivalents is mainly due to the completion of a private placement and to the exercise of warrants for total proceeds of \$6,462,881. These proceeds served to fund the Company's operating activities of \$1,950,441 and exploration and evaluation expenditures of \$3,173,582.

#### Liabilities

Total liabilities at December 31, 2017 were \$5,265,657 compared to \$614,765 at December 31, 2016, an increase of \$4,650,892 mainly due to the recognition of a deferred tax liability of \$4,773,863. However, this increase was offset by a decrease in accounts payable and accrued liabilities of \$122,971. At December 31, 2016, accounts payable and accrued liabilities were greater because of the Reverse Takeover. At December 31, 2017, the accounts payable and accrued liabilities include legal fees of \$153,572 incurred as part of the HPX transaction.

#### Equity

At December 31, 2017, the Company had an equity of \$51,320,660 compared to \$22,266,553 at December 31, 2016, an increase of \$29,054,107 due to the completion of a private placement and the exercise of warrants for total proceeds of \$6,462,881, to the recognition of a stock-based compensation of \$1,883,729 and to the period net income of \$19,872,406. The stock-based compensation increase is due to stock options granted by both Sama and SRG and to the recognition of an adjustment following the expiry date extension of stock options previously granted to officers and directors of Sama. The period net income is directly attributable to the recognition of a gain resulting from loss of control of a subsidiary of \$28,454,689 following the deconsolidation of SRG on November 23, 2017 which was offset by the

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### Management's discussion and analysis for the year ended December 31, 2017

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recognition of a deferred tax expense of \$4,834,845 and a loss of control over a subsidiary of \$3,517,073 which represent the non-controlling interest at November 23, 2017.

#### Operating Results analysis

Readers are invited to take into consideration that the results presented for the three-month period and the year ended December 31, 2017 include the consolidated results of Sama Group and SRG Group until the deconsolidation of SRG on November 23, 2017 while those presented for the three-month period and the year ended December 31, 2016 includes the consolidated results of Sama Group only.

	Three-month period ended December 31, 2017	Three-month period ended December 31, 2016	Year ended December 31, 2017	Year ended December 31, 2016
	\$	\$	\$	\$
Revenues	18,865	13,820	18,865	87,636
Net income (loss)	22,566,864	(165,217)	19,872,406	(905,792)
Net income (loss) per common share				
Basic	0.197	(0.002)	0.16	(0.01)
Diluted	0.178	(0.002)	0.15	(0.01)

#### THREE-MONTH PERIOD ENDED DECEMBER 31, 2017 COMPARED TO THE THREE-MONTH PERIOD ENDED DECEMBER 31, 2016

For the three-month period ended December 31, 2017, the Company recorded a net income of \$22,566,864 or \$0.196 per share compared to a net loss of \$165,217 or (\$0.002) per share for the same period in 2016, an increase of \$22,732,081 mainly due to the recognition of a gain resulting from loss of control of a subsidiary of \$28,454,689 following SRG's deconsolidation which was however offset by the recognition of a deferred tax expense of \$4,834,845 and to the following important variations:

#### Revenues

Revenues totalled \$18,865 in 2017 compared to \$13,820 in 2016. These revenues are related to contracts for bulldozing and drilling services.

#### Operating expenses

Operating expenses went from \$166,121 in 2016 to \$935,387 in 2017, an increase of \$769,266. This increase is mainly due to the consolidation of SRG's results following the completion of the Reverse Takeover on December 31, 2016 but more specifically to an increase in stock-based compensation (\$108,321), consulting fees (\$241,910), office administration (\$103,305), professional fees (\$171,517) and travel and representation (\$75,601). The increase in stock-based compensation is related to options granted in both Sama and SRG. The increase in consulting fees is related to agreements signed in both Sama Group and SRG Group for business development. The increase in professional fees is related to fees incurred as part of the HPX transaction, to a general increase and to the fact that in 2016 the fees paid to the previous CFO (\$61,182) were recorded under consulting fees instead of professional fees. The increase in travel and representation fees is due to an increase in the number of trips to Africa to coordinate the Company's projects.

#### Other income (expenses)

Other income totaled \$28,333,626 in 2017 compared to other expenses of \$5,796 in 2016, an increase of \$28,339,422 mainly due to the recognition of a gain resulting from loss of control of a subsidiary of \$28,454,689 which was offset by the share of loss of associate of \$135,805.

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## YEAR ENDED DECEMBER 31, 2017 COMPARED TO THE YEAR ENDED DECEMBER 31, 2016

For the year ended December 31, 2017, the Company recorded a net income of \$19,872,406 or \$0.16 per share compared to a net loss of \$905,792 or (\$0.01) per share for the same period in 2016, an increase of \$20,778,198 mainly due to the recognition of a gain resulting from loss of control of a subsidiary of \$28,454,689 following SRG's deconsolidation which was offset by the recognition of a deferred tax expense of \$4,834,845 and to the following important variations:

### Revenues

Revenues totalled \$18,865 in 2017 compared to \$87,636 in 2016. These revenues are related to contracts for bulldozing and drilling services.

### Operating expenses

Operating expenses went from \$904,554 in 2016 to \$3,539,594 in 2017, an increase of \$2,635,040. This increase is mainly due to the consolidation of SRG's results following the completion of the Reverse Takeover on December 31, 2016 but more specifically to an increase in stock-based compensation (\$1,573,106), consulting fees (\$419,294), professional fees (\$184,102), travel and representation (\$185,623) and relation investor fees (\$94,767). The increase in stock-based compensation is related to options granted in both Sama and SRG and to the recognition of an adjustment following the expiry date extension by an additional 5 years of stock options previously granted to officers and directors in Sama. The increase in consulting fees is related to agreements signed in both Sama Group and SRG Group for business development. The increase in investor relations fees is directly attributable to agreements signed by SRG. The increase in professional fees is related to fees incurred as part of HPX transaction as well as a general increase. The increase in travel and representation fees is due to an increase in the number of trips to Africa to coordinate the Company's projects.

### Other income (expenses)

Other income totaled \$28,243,375 in 2017 compared to \$12,601 in 2016, an increase of 28,230,774 mainly due to the recognition of a gain resulting from loss of control of a subsidiary of \$28,454,689 which was offset by the share of loss of associate of \$135,805.

### **Cash Flows analysis**

Readers are invited to take into consideration that the results presented for the three-month period and the year ended December 31, 2017 include the consolidated results of Sama Group and SRG Group until the deconsolidation of SRG on November 23, 2017 while those presented for the three-month period and the year ended December 31, 2016 includes the consolidated results of Sama Group only.

	Three-month period ended December 31, 2017	Three-month period ended December 31, 2016	Year ended December 31, 2017	Year ended December 31, 2016
	\$	\$	\$	\$
Cash generated (required) by operating activities	(237,166)	155,962	(1,950,441)	(374,765)
Cash generated (required) by investing activities	(4,803,994)	186,358	(7,197,479)	(112,574)
Cash generated by financing activities	5,143,656	1,938,815	10,754,063	2,575,085

# SAMA RESOURCES INC.

Management's discussion and analysis for the year ended December 31, 2017

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## THREE-MONTH PERIOD ENDED DECEMBER 31, 2017 COMPARED TO THE THREE-MONTH PERIOD ENDED DECEMBER 31, 2016

### Operating Activities

For the three-month period ended December 31, 2017, operating activities required cash flows of \$237,166 compared to generated cash flows of \$155,962 for the same period in 2016, an increase of \$393,128 in the use of cash flows. This increase is due in part to the net loss increase after adjustment for items not affecting cash which went from \$144,382 in 2016 to \$744,659 in 2017. However, change in non-cash working capital items generated cash flows of \$507,493 in 2017 compared to \$300,344 for the same period in 2016.

### Investing Activities

For the three-month period ended December 31, 2017, investing activities required cash flows of \$4,803,994 compared to generated cash flows of \$186,358 for the same period in 2016, a decrease of \$4,990,352 mainly due to the cash disposed through the loss of control of SRG of \$3,676,352, to a deposit made on property, plant and equipment of \$64,788, to a deposit made on exploration and evaluation expenditures of \$39,578 and to exploration and evaluation expenditures which required cash flows of \$1,015,424 in 2017 compared to \$313,178 in 2016. In 2016, the required cash flows for exploration and evaluation expenditures were offset by the cash acquired through the reverse takeover of \$499,231 closed on December 31, 2016.

### Financing Activities

For the three-month period ended December 31, 2017, financing activities generated cash flows of \$5,143,656 compared to \$1,938,815 for the same period in 2016, an increase of \$3,204,841. In 2017, the generated cash flows are due to the exercise of warrants for total proceeds of \$3,762,806 and to the issuance, by SRG, of common shares for total proceeds of \$1,380,850. In 2016, the generated cash flows were due to the completion of a private placement of \$405,000 in Sama and to the completion, by SRG, of a private placement of \$1,755,000 as part of the Reverse Takeover closed on December 31, 2016.

## YEAR ENDED DECEMBER 31, 2017 COMPARED TO THE YEAR ENDED DECEMBER 31, 2016

### Operating Activities

For the year ended December 31, 2017, operating activities required cash flows of \$1,950,441 compared to \$374,765 for the same period in 2016, an increase of \$1,575,676 in the use of cash flows. This increase is due in part to the net loss increase after adjustment for items not affecting cash which went from \$766,239 in 2016 to \$1,850,384 in 2017. In addition, change in non-cash working capital items required cash flows of \$100,057 in 2017 compared to generated cash flows of \$391,474 for the same period in 2016.

### Investing Activities

For the year ended December 31, 2017, investing activities required cash flows of \$7,197,479 compared to \$112,574 for the same period in 2016, an increase of \$7,084,905 due to the cash disposed through the loss of control of SRG of \$3,676,352, to property, plant and equipment acquisition of \$243,179, to a deposit made on property, plant and equipment of \$64,788, to a deposit made on exploration and evaluation expenditures of \$39,578 and to exploration and evaluation expenditures which required cash flows of \$3,173,582 in 2017 compared to \$836,534 in 2016. In 2016, these outflows were offset by the proceeds received from the disposal of property and equipment of \$226,948 and the cash acquired through the reverse takeover of \$499,231 closed on December 31, 2016.

### Financing Activities

For the year ended December 31, 2017, financing activities generated cash flows of \$10,754,063 compared to \$2,575,085 for the same period in 2016, an increase of \$8,178,978. In 2017, the generated cash flows are due to the completion of private placements in Sama for total proceeds of \$2,700,075, to the exercise of warrants in Sama for total proceeds of \$3,762,806 and to the issuance, by SRG, of common shares for total proceeds of \$4,412,488. In 2016, the generated cash flows were due to the completion of a private placement of \$1,060,050 and to the completion, by SRG, of a private placement of \$1,755,000 as part of the Reverse Takeover closed on December 31, 2016.

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## Quarterly Results Trends

The operating results for each of the last eight quarters are presented in the following table. Readers are invited to take into consideration that the quarters presented after December 31, 2016 represent the consolidated results of Sama Group including the results of SRG Group acquired as part of the Reverse Takeover completed on December 31, 2016, while those before December 31, 2016 includes Sama Group results only.

	Dec 31, 2017	Sept 30, 2017	June 30, 2017	March 31, 2017	Dec 31, 2016	Sept 30, 2016	Jun 30, 2016	Mar 31, 2016
Revenues	18,865	\$ -	\$ -	\$ -	13,820	\$ 2,350	\$ 25,595	\$ 45,871
Net income (loss)	22,566,864	(693,172)	(1,188,484)	(812,802)	(165,217)	(268,641)	(247,385)	(224,549)
Net income (loss) per share	0.197	(0.003)	(0.007)	(0.001)	(0.001)	(0.002)	(0.004)	(0.002)

## TRANSACTIONS WITH RELATED PARTIES

Related parties include the Company's key management personnel and related companies. Unless otherwise stated, balances are usually settled in cash.

Key management personnel are the members of the Board of Directors, the President and the Chief Financial Officer ("CFO"). The remuneration of key management personnel includes the following:

### Transactions with key management personnel

During the year ended December 31, 2017, the Company incurred fees of \$121,400 with the CFO (for the year ended December 31, 2016 – \$106,552 with the current and previous CFO). These fees are recorded under professional fees (for the year ended December 31, 2016 – \$45,370 under professional fees and \$61,182 under consulting fees) in the consolidated statement of income (loss) and comprehensive income (loss). As at December 31, 2017, \$10,392 (December 31, 2016 – \$31,770) is due to the CFO. This amount is included in accounts payable and accrued liabilities.

During the year ended December 31, 2017, the Company incurred fees of \$16,500 (for the year ended December 31, 2016 – nil) to an officer. These fees are recorded under professional fees in the consolidated statement of income (loss) and comprehensive income (loss). As at December 31, 2017 and 2016, no amount was due to the officer.

During the year ended December 31, 2017, the Company paid a salary of \$29,500 (for the year ended December 31, 2016 – \$28,125) to an officer. These fees are recorded under office administration in the consolidated statement of income (loss) and comprehensive income (loss). As at December 31, 2017 and 2016, no amount was due to the officer.

During the year ended December 31, 2017, the Company incurred fees of \$214,672 (for the year ended December 31, 2016 – \$275,587) with a corporation controlled by a director who is also the President and Chief Executive Officer. An amount of \$78,915 (for the year ended December 31, 2016 – \$119,035) has been recorded under consulting fees in the consolidated statement of income (loss) and comprehensive income (loss) and \$135,672 (for the year ended December 31, 2016 – \$156,552) has been capitalized to the Company's exploration and evaluation assets. As at December 31, 2017, \$45,000 (December 31, 2016 – \$156,895) is due to that corporation. This amount is included in accounts payables and accrued liabilities.

During the year ended December 31, 2017, Sama recognized a stock-based compensation of \$101,771 (for the year ended December 31, 2016 – \$85,584) in connection with stock options granted to officers and directors solely and \$201,729 in connection with the expiry date extension of stock options previously granted to officers and directors. This stock-based compensation was recognized in the consolidated statement of income (loss) and comprehensive income (loss).

Until the date of deconsolidation, SRG recognized a stock-based compensation of \$567,519 (for the year ended December 31, 2016 – nil) in connection with stock options granted to officers and directors solely, which was recognized in the consolidated statement of income (loss) and comprehensive income (loss).

As part of Sama's private financing completed in April 2017, officers and directors of Sama purchased a total of 1,859,997 units at a price of \$0.15 per unit for total proceeds of \$279,000.

# SAMA RESOURCES INC.

Management's discussion and analysis for the year ended December 31, 2017

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## Transactions with related parties:

During the year ended December 31, 2017, the Company incurred fees of \$105,000 (for the year ended December 31, 2016 – nil) with a corporation where the Company's Executive Chairman is also the President and Chief Executive Officer of that corporation. This amount was recognized under consulting fees in the consolidated statement of income (loss) and comprehensive income (loss). These fees were for legal and technical services which were rendered by employees of the corporation. As at December 31, 2017 and 2016, no amount was due to that corporation.

During the year ended December 31, 2017, the Company incurred fees of \$65,831 (for the year ended December 31, 2016 – \$9,581) with a corporation where the Company's Executive Chairman is also a shareholder of that corporation. An amount of \$56,250 was recorded under consulting fees and \$9,581 under office supplies, utilities and rent in the consolidated statement of income (loss) and comprehensive income (loss). As at December 31, 2017, \$64,673 (December 31, 2016 – nil) is due to that corporation. This amount is included in accounts payable and accrued liabilities.

## Termination and Change of Control Provisions

The Company has also entered into consulting agreements with officers and a company controlled by a director for total annual payments of \$407,000. The consulting agreements contain termination without cause and change of control provisions. Assuming that this agreement would be terminated without cause during the year ended December 31, 2018, the total amounts payable to the officers in respect of severance would amount \$924,500. If a change of control would occur during the year December 31, 2018, the total amount payable in respect of severance, if elected by the officers would amount \$924,500.

## COMMITMENTS

On June 7, 2017, Sama signed a technology license agreement with CVMR Corporation ("CVMR"). Under the terms of the agreement, CVMR grants Sama use of its technology to refine the mineralized material from the Samapleu property in Ivory Coast, West Africa, to produce nickel and iron powders. In consideration of the technology license, Sama has agreed to pay CVMR \$5,000,000 either in cash or, subject to approval from the TSX-V, through the issuance of an equivalent value of common shares of Sama within 90 days of the granting of the mining license. Share price will be based on the average closing price of those shares on the exchange for each day during the three months of trading prior to issuance. In addition, CVMR will receive a royalty equal to 15% of the sale price of metal powders produced by the plants in excess of the London Metal Exchange ("LME") price of the elements contained in such powders.

The Company has an operating lease commitment, that was amended on September 22, 2016, for office premises in Vancouver, British Columbia, Canada, expiring in July 31, 2018, which will call for total rent payments of \$8,750 in 2018.

The Company has operating lease commitments for offices premises in Abidjan, Ivory Coast, West Africa, expiring until March 31, 2019 which will call for total rent payments of F CFA 19,350,000 (approximately \$44,365 at December 31, 2017), as F CFA 14,850,000 in 2018 (approximately \$34,048 in 2018) and F CFA 4,500,000 in 2019 (approximately \$10,318 in 2019).

The Company has entered into consulting agreements for various services which will call for total payments of \$269,615 in 2018.

Minimum annual payments relating to the above commitments in each of the next two fiscal years are as follows:

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	\$
2018	312,412
2019	<u>10,318</u>
	<u>322,730</u>

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Management's discussion and analysis for the year ended December 31, 2017

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## OUTSTANDING SHARE DATA

	Number of Shares Outstanding (Diluted)
<b>Sama outstanding shares as of April 30, 2018</b>	185,957,000
Shares reserved for issuance pursuant to warrants outstanding	46,531,543
Shares reserved for issuance pursuant to stock options outstanding	12,305,000
<b>Sama outstanding shares - fully diluted</b>	<u>244,793,543</u>

As at the date of this MD&A, the Company had outstanding warrants enabling holders to acquire common shares as follows:

Number Outstanding	Exercise Price	Expiry Date
5,424,728	0.28	June 19, 2018
180,909	0.28	August 8, 2018
4,795,240	0.25	August 26, 2020
25,000,000	0.28	April 13, 2020
901,666	0.25	September 14, 2020
2,731,000	0.15	May 19, 2021
3,498,000	0.15	July 29, 2021
4,000,000	0.15	December 9, 2021
<b>46,531,543</b>		

As at the date of this MD&A, the Company had outstanding stock options enabling holders to acquire common shares as follows:

Number Outstanding	Exercise Price	Expiry Date
1,100,000	0.22	June 3, 2018
100,000	0.27	October 24, 2018
1,045,000	0.23	January 21, 2019
300,000	0.275	October 15, 2019
400,000	0.15	June 29, 2021
50,000	0.12	August 31, 2021
1,000,000	0.18	June 6, 2022
1,400,000	0.32	June 6, 2022
200,000	0.155	June 21, 2022
1,000,000	0.33	October 14, 2022
2,350,000	0.19	April 21, 2025
200,000	0.18	May 27, 2025
1,900,000	0.085	January 17, 2027
500,000	0.15	March 31, 2027
100,000	0.195	April 27, 2027
660,000	0.29	November 28, 2027
<b>12,305,000</b>		

# **SAMA RESOURCES INC.**

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## **OFF-BALANCE SHEET ARRANGEMENTS**

The Company has no off-balance sheet arrangements.

## **CONFLICTS OF INTEREST**

The Company's directors and officers may serve as directors and/or officers, or may be associated with, other reporting companies, or have significant shareholdings in other public companies. To the extent that such other companies may participate in business or asset acquisitions, dispositions or ventures in which the Company may participate, the directors and officers of the Company may have a conflict of interest in negotiating and concluding terms respecting the transaction. If a conflict of interest arises, the Company will follow the provisions of the Canada Business Corporations Act dealing with conflict of interest. These provisions state that where a director has such a conflict, that director must, at a meeting of the Company's directors, disclose his or her interest and refrain from voting on the matter unless otherwise permitted by the Corporations Act. In accordance with the federal laws of Canada, the directors and officers of the Company are required to act honestly, in good faith, and in the best interests of the Company.

## **CRITICAL ACCOUNTING POLICIES**

The preparation of financial statements in conformity with IFRS requires management to apply accounting policies and make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. There is full disclosure of the Company's critical accounting policies and accounting estimates in Note 4 of the audited consolidated financial statements for the year ended December 31, 2017.

## **ESTIMATES, JUDGMENTS AND ASSUMPTIONS**

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Significant changes in the underlying assumptions could result in significant changes to these estimates. Consequently, management reviews these estimates on a regular basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Information about these significant judgments, assumptions and estimates that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses are disclosed in Note 6 of the audited consolidated financial statements.

## **RISKS RELATED TO FINANCIAL INSTRUMENTS**

Readers are invited to refer to Note 15 of the audited financial statements for the year ended December 31, 2017, for a full description of these risks.

## **RISKS AND UNCERTAINTIES**

The Company is in the business of acquiring and exploring mineral properties. It is exposed to a number of risks and uncertainties that are common to other mineral exploration companies in the same business. The industry is capital intensive at all stages and is subject to variations in commodity prices, market sentiment, exchange rates for currency, inflation and other risks. The Company will rely mainly on equity financing to fund exploration activities on its mineral properties.

The risks and uncertainties described in this section are not inclusive of all the risks and uncertainties to which the Company may be subject.

### **Early Stage – Need for Additional Funds**

The Company has no history of profitable operations and its present business is at an early stage. As such, the Company is subject to many risks common to other companies in the same business, including under-capitalization, cash shortages and limitations with respect to personnel, financial and other resources and the lack of revenues. There is no assurance that the Company will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of its early stage of operations.

# **SAMA RESOURCES INC.**

Management's discussion and analysis for the year ended December 31, 2017

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## **Exploration and Evaluation**

Mineral exploration and evaluation is a speculative business, characterized by a number of significant risks including, among other things, unprofitable efforts resulting not only from the failure to discover mineral deposits, but also from finding mineral deposits that, though present, are of insufficient size and/or grade to return a profit from production.

All of the mineral claims to which the Company has a right to acquire an interest are in the exploration stages only and are without a known body of commercial ore. Upon discovery of a mineralized occurrence, several stages of exploration and assessment are required before its economic viability can be determined. Development of the subject mineral properties would follow only if favorable results are determined at each stage of assessment. Few precious and base metal deposits are ultimately developed into producing mines.

## **Supplies, Health and Infrastructure**

The Company's property interests are often located in remote, undeveloped areas and the availability of infrastructures such as surfaces access, skilled labour, healthy labour, fuel and power at an economic cost cannot be assured. These are integral requirements for exploration, production and development facilities on mineral properties. In Guinea, power may need to be generated onsite.

## **Title Risks**

Although the Company has exercised the usual due diligence with respect to determining title to properties in which it has a material interest, there is no guarantee that title to such properties will not be challenged or impugned. The Company's mineral property interest may be subject to prior unregistered agreements, transfers, or native claims, and title may be affected by undetected defects.

## **Environmental Regulations, Permits and Licenses**

The Company's operations are subject to various laws and regulations governing the protection of the environment, exploration, development, production, taxes, labour standards, occupational health, waste disposal, safety and other matters. Environmental legislation in most countries provides restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry operations, such as seepage from tailings disposal areas, which would result in environmental pollution. A breach of such legislation may result in the imposition of fines and penalties. In addition, certain types of operations require the submission and approval of environmental impact statements. Environmental legislation is evolving in a direction of stricter standards and enforcement, and higher fines and penalties for non-compliance. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and their directors, officers and employees. The cost of compliance with changes in governmental regulations has the potential to reduce the profitability of operations. The Company intends to fully comply with all environmental regulations.

The Company believes that it is in compliance with all material laws and regulations which currently apply to its activities. However, there can be no assurance that all permits which the Company may require for its operations and exploration activities 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 mining project which the Company might undertake.

## **Competition and Agreements with Other Parties**

The mining industry is intensely competitive in all its phases and the Company competes with other companies that have greater financial resources and technical capacity. Competition could adversely affect the Company's ability to acquire suitable properties or prospects in the future.

The Company may, in the future, be unable to meet its share of costs incurred under such agreements to which it is a party and it may have its interest in the properties subject to such agreements reduced as a result. Also, if other parties to such agreements do not meet their share of such costs, the Company may not be able to finance the expenditures required to complete recommended programs.

# **SAMA RESOURCES INC.**

Management's discussion and analysis for the year ended December 31, 2017

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## **Political and Economic Risks of Doing Business in Ivory Coast**

All of the Company's mineral properties are currently located in Ivory Coast which is a politically stable country. The fiscal laws and practices are well established and generally consistent with rules and regulations. However, there is no assurance that future political and economic conditions in this country will not result in its government adopting different policies respecting foreign development and ownership of mineral properties. Any changes in laws, regulations or shifts in political attitudes regarding investment in the Ivory Coast mining industry are beyond its control and may adversely affect its business. The Company's exploration and evaluation activities may be affected in varying degrees by a variety of economic and political risks, including cancellation or renegotiation of contracts, changes in Ivory Coast domestic laws or regulations, changes in tax laws, royalty and tax increases, restrictions on production, price controls, expropriation of property, fluctuations in foreign currency, restrictions on the ability to repatriate earnings and pay dividends offshore, restrictions on the ability to hold foreign currencies in offshore bank accounts, environmental legislation, employment practices and mine safety. In the event of a dispute regarding any of these matters, the Company may be subject to the jurisdiction of courts outside of Canada which could have adverse implications on the outcome.

## **Dependence on Management**

The Company is very dependent upon the personal efforts and commitment of its existing management. To the extent that management's services would be unavailable for any reason, a disruption to the operations of the Company could result, and other persons would be required to manage and operate the Company.

## **Information Systems Security Threats**

Although the Company has not experienced any material losses to date relating to cyber attacks or other information security breaches, there can be no assurance that the Company will not incur such losses in the future. The Company's risk and exposure to these matters cannot be fully mitigated because of, among other things, the evolving nature of these threats. As a result, cyber security and the continued development and enhancement of controls, processes and practices designed to protect systems, computers, software, data and networks from attack, damage or unauthorized access is a priority. As cyber threats continue to evolve, the Company may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.

## **Operating Hazards and Risks**

Mining operations involve many risks which even a combination of experience, knowledge and careful evaluation may not be able to overcome. In the course of exploration, development and production of mineral properties, certain risks, and in particular unexpected or unusual geological operating conditions, including rock bursts, cave-ins, fires, flooding and earthquakes, may occur. Operations in which the Company has a direct or indirect interest will be subject to all the hazards and risks normally incidental to exploration, development and production of mineral deposits, any of which could result in damage to or destruction of mines and other producing facilities, damage to life and property, environmental damage and possible legal liability for any or all damage.

Although the Company maintains liability insurance in an amount which it considers adequate, the nature of these risks is such that liabilities could exceed policy limits, in which event the Company could incur significant costs that could have a materially adverse effect upon its financial conditions.