

## ASIAN MINERAL RESOURCES LIMITED

### MANAGEMENT'S DISCUSSION AND ANALYSIS (Expressed in Canadian dollars, in accordance with IFRS)

#### YEAR ENDED DECEMBER 31, 2017

The following discussion of the operating results and financial position of Asian Mineral Resources Limited (the "Company" or "AMR") should be read in conjunction with the Company's audited consolidated financial statements and related notes for the fiscal year ended December 31, 2017, which have been prepared in accordance with International Financial Reporting Standards (IFRS) which were prepared by management and are available on the System for Electronic Document Analysis and Retrieval (SEDAR) at [www.sedar.com](http://www.sedar.com). Amounts are in Canadian dollars unless otherwise stated. References to "the Company", "AMR", "we", "our" and "us" means Asian Mineral Resources Ltd., its predecessors and consolidated subsidiaries, or any one or more of them, as the context requires.

This MD&A has been prepared as of April 30, 2018 with reference to National Instrument 51-102 "Continuous Disclosure Obligations" of the Canadian Securities Administrators.

#### **Forward-Looking Information**

This management discussion and analysis ("MD&A") contains "forward-looking information" which may include, but is not limited to, statements with respect to the future financial or operating performance of the Company, its subsidiaries, its affiliates, its projects, future metal prices, the estimation of mineral reserves and mineral resources, the realization of mineral reserve and resource estimates, the timing and amount of estimated future production, revenues, margins, costs of production, estimates of initial capital, sustaining capital, operating and exploration expenditures, costs and timing of the development of deposits, costs and timing of future exploration, requirements for additional capital, foreign exchange risks, governmental regulation of mining operations and exploration operations, timing and receipt of approvals, consents and permits under applicable mineral legislation, environmental risks, title disputes or claims, limitations of insurance coverage and regulatory matters. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "targets", "aims", "anticipates" or "believes" or variations (including negative variations) of such words and phrases, or may be identified by statements to the effect that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved.

Forward-looking statements involve known and unknown risks, uncertainties and a variety of material factors, many of which are beyond the Company's control which may cause the actual results, performance or achievements of AMR, its subsidiaries and affiliated companies to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Readers are cautioned that forward-looking statements may not be appropriate for other purposes than outlined in this document. Such factors include, among others, future metal prices; general business, economic, competitive, political and social uncertainties; the actual results of current exploration and development activities; conclusions of economic evaluations and studies; fluctuations in the value of the U.S. dollar relative to the local currencies in the jurisdictions of the Company's key projects; changes in project parameters as plans continue to be refined; possible variations of ore grade or projected recovery rates; accidents, labour

disputes or slow-downs and other risks of the mining industry; climatic conditions; political instability, insurrection or war, civil unrest or armed assault; labour force availability and turnover; delays in obtaining financing or governmental approvals or in the completion of exploration and development activities; as well as those factors referred to in the section entitled “Risks and Uncertainties” section of the MD&A. The reader is also cautioned that the foregoing list of factors is not exhausted of the factors that may affect the Company’s forward-looking statements.

Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended. Forward-looking statements contained herein are made as of the date of this document and, except as required by applicable law, the Company disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or results or otherwise. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

In addition, please note that statements relating to “reserves” or “resources” are deemed to be forward-looking information as they involve the implied assessment, based on certain estimates and assumptions, that, the resources and reserves described can be profitably mined in the future.

## **BUSINESS**

The Company was originally incorporated pursuant to the *New Zealand Companies Act 1993*. Effective December 31, 2004, it was continued as a British Columbia corporation under the *British Columbia Business Corporations Act*. The Company owns 100% of AMR Nickel Limited (“AMRN”) and 100% of Asian Nickel Exploration Limited, both of which are incorporated pursuant to the laws of the Cook Islands. Through AMRN, the Company owns 90% of Ban Phuc Nickel Mines LLP (“BPNM”), a limited liability company established in 1993 under the laws of the Socialist Republic of Vietnam pursuant to a Foreign Investment Licence (“FIL”) and a related Joint Venture Agreement and Charter whereby AMRN and Mineral Development Company (“Mideco”), an agency of the Ministry of Heavy Industry of Vietnam, formed BPNM to jointly explore and develop what was originally a 600 km<sup>2</sup> area designated in the FIL and is now 150 km<sup>2</sup> in Son La Province in north west Vietnam. Ownership of BPNM was originally held by AMRN as to 70% and by Mideco as to 30%. Mideco subsequently assigned a 10% interest in BPNM to Son La Mechanical Engineering Company, a company which was privatized and renamed Son La Mechanical Engineering Joint Stock Company (“Coxama”). In mid-2006, AMRN acquired Mideco’s 20% interest so as to increase its interest to its current 90%.

The FIL was replaced in 2006 by an investment certificate issued under a new Law on Enterprises which provides for the establishment, management, organization and operation of various types of business enterprise carrying on business in all economic sectors in Vietnam and an Investment Law which replaced the legislation under which the FIL was granted. Concurrently, the Joint Venture Agreement and Charter were amended to conform with the new legislation and the revised ownership of BPNM. Development of the Project was completed in mid-2013 and commercial production was reached in November 2013.

The Ban Phuc operation mined over 0.976 million tonnes of ore over a 3.5 year mine life, producing 20,988 tonnes of nickel and 10,245 tonnes of copper in concentrate. There were 220,262 dmt of concentrate in 42 shipments with gross revenues of US \$212.7 million. In total 11.9 kms of decline and lateral development were completed. The operation successfully

employed local workers, where at its peak there was a 94% national workforce. The mine was placed on care and maintenance in October 2016, reflecting lower commodity prices and the short reserve life. Significant resources remain however higher metal prices and lower taxes/tariffs would be required in order for these to be economic.

The Company's subsidiary, BPNM was awarded its mineral exploration license ("Exploration License") in July 2014 and commenced an exploration programme which provided for the exploration of nickel-copper mineralization over a significant area around its operating Ban Phuc nickel mine in Son La, Vietnam. Highlights of the Exploration License are:

- Provides BPNM with exclusive rights to explore within 49.7 km<sup>2</sup> of Son La province, Vietnam.
- Immediate focus on targeted extensions to the currently operating Ban Phuc mine.
- Encompasses multiple high-priority targets already identified and well understood by BPNM through its surface exploration programme.
- Following successful exploration, allows BPNM to apply for and obtain additional mining licences with no auction requirements (subject to positive feasibility study and EIA).

### **2017 Annual Highlights**

- The Company completed its Technical Report supporting the potential of its regional exploration prospects at the Company's 90% owned Ta Khoa Concession in Son La Province, Vietnam, covering a 49.7 km<sup>2</sup> area surrounding the Ban Phuc Nickel Mine. The report has been filed on SEDAR ([www.sedar.com](http://www.sedar.com)) in accordance with National Instrument 43-101 ("**43-101**"). This technical information, based on drilling, geophysics, geochemistry, and structural analysis completed to date, suggests attractive exploration potential for both high-grade massive sulphide deposits, as well as large- tonnage, lower-grade disseminated sulphide deposits.
- An exploration drill program commenced on the '*Ban Khang*' prospect.
- Exploration surface trenching work was conducted on the '*Phieng Pot*' prospect.
- Ban Phuc continued to maintain its strong safety performance while in care and maintenance.
- No reportable environmental incidents. Environmental monitoring remains in place through care and maintenance with all results within target limits.
- Environmental and stability monitoring of the tailings storage facility continued with all data continuing to be reviewed by the design engineer, Knight Piesold.
- In October 2017, the Company announced that a strategic review process to explore its options regarding the Ban Phuc Nickel Mine was announced, with the goal of enhancing shareholder value. The Company continues to review its strategic options including the potential sale of the Vietnam based assets.
- With the transition from an operating to an exploration company, the Board size was streamlined to ensure its ongoing effectiveness and suitability for delivering on the exploration and development potential of the Company's exploration portfolio. In line with this restructuring Jim Askew, Mike Brown and Evgenij Iorich did not seek re-election to the board at the annual general meeting on March 6, 2017.
- Kate Southwell was appointed to the Board of AMR on August 2, 2017 following the resignation of Martyn Buttenshaw. Ms. Southwell served as the representative of Pala Investments Ltd ("Pala"), the Company's lead shareholder, until April 20, 2018 when she resigned and Duncan Blount was appointed director of the Company.

- On March 22, 2017, Duncan Blount was appointed Chief Executive Officer of the Company, replacing Evan Spencer. At the end of March 2017 Paula Kember was appointed Chief Financial Officer replacing Sean Duffy.
- On December 18, 2017 the Company issued 7 million common shares of the Company to Duncan Blount pursuant to the terms of his employment agreement. The shares have a hold period such that they cannot be traded prior to September 22, 2018.

### **Subsequent Events**

- On April 16, 2018 the Company entered into a loan agreement with Pala for US\$180,000. The loan matures on March 31, 2019 and carries an interest rate of 5% per annum payable on maturity.
- On April 24, 2018 the Company entered into a second loan agreement with Pala for US\$380,000. The loan matures on March 31, 2019 and carries an interest rate of 5% per annum payable on maturity.
- On April 20, 2018 Ms. Southwell resigned as a director of the Company and was replaced by Duncan Blount, who is also the Company's Chief Executive Officer.

### **Outlook for 2018**

- Ongoing maintenance of the infrastructure will continue to maintain the plant in a ready state and capable of rapidly returning to production.
- Environmental monitoring and compliance reporting forms an ongoing key component of the care and maintenance activities.
- If adequate funding is raised, the Company anticipates that the Ban Phuc exploration team would continue with exploration drilling focusing on the '*Ban Khang*' prospect.

## **THE YEAR IN REVIEW**

### **BAN PHUC MINE**

Most of the existing massive sulphide vein ("MSV") reserves at Ban Phuc have been mined. The focus at Ban Phuc is to continue ongoing low-level exploration work in the immediate term in line with future growth plans.

## PRODUCTION RESULTS

	2017	2016
Ore Mined (tonnes)	-	251,931
Ore Milled (tonnes)	-	254,328
Ni Concentrate Produced (dmt)	-	42,011
Average Ni grade (%)	-	1.93
Ni recovery (%)	-	87.1
Ni concentrate grade (%)	-	10.2
Ni contained metal in concentrate (tonnes)	-	4,272
Ni payable metal in concentrate (tonnes)	-	2,922
Average Cu grade (%)	-	0.86
Cu recovery (%)	-	94.0
Cu concentrate grade (%)	-	4.9
Cu contained metal in concentrate (tonnes)	-	2,051
Cu payable metal in concentrate (tonnes)	-	994

## FINANCIAL SUMMARY

### Selected Annual Information

	2017	2016	2015
Sale revenue	\$536,927	\$39,219,494	\$74,753,199
Interest income	\$7,724	\$134,695	\$43,948
Net loss	(\$8,088,544)	(\$13,859,692)	(\$47,207,779)
Loss per common share (basic)	(\$0.01)	(\$0.02)	(\$0.06)
Loss per common share (diluted)	(\$0.01)	(\$0.02)	(\$0.06)
Total assets	\$1,841,600	\$7,624,185	\$29,281,822
Total non-current liabilities	\$1,651,087	\$1,556,271	\$1,899,824

**KEY OPERATING INFORMATION – BAN PHUC MINE**

	2017	2016	2015
Payable Nickel Produced (tonnes)	-	2,922	6,133
Payable Copper Produced (tonnes)	-	994	1,983
Ni Concentrate Sold (dmt)	-	47,737	86,286
Cash cost per Ni payable produced tonne (1)	\$ -	\$7,923	\$7,927
Total production costs per Ni concentrate tonne (2)	\$ -	\$14,532	\$15,549

- (1) Cash costs net of by-products per payable Ni concentrate tonne include mining, processing, transportation, selling costs and direct overhead, net of Cu and Co credits.
- (2) Total production costs per Ni tonne contained in concentrate include mining, processing, transportation, selling costs, direct overhead, depreciation and amortization at the operation sites.

**Additional Disclosure for Venture Issuers without Significant Revenue (all figures relate to the Ban Phuc Property)**

	2017	2015	2016
Expensed exploration costs	\$521,142	\$1,279,721	\$903,177
Expensed research and development costs (net of depreciation)	Nil	Nil	Nil
Building, infrastructure, mine, plant, machinery, motor vehicles (net of depreciation)	\$ -	\$9,830,593	\$30,198
Furniture and office equipment, licences and franchises (net of depreciation/amortization)	\$ -	\$520,300	\$11,098
Construction in progress	Nil	Nil	Nil

**Results of Operations for the Year Ended December 31, 2017**

For the year ended December 31, 2017 and 2016, AMR incurred a net loss of \$8,088,544 or \$0.01 (fully diluted \$0.01) per share and a net loss of \$13,859,692 or \$0.02 (fully diluted \$0.02) per share, respectively.

The Ban Phuc mine was placed on care and maintenance in the fourth quarter of 2016. Therefore the year 2016 year reflects three quarters of full operations, while the 2017 year contains no production revenues or costs.

The detailed operating results for the years ended December 31, 2017 and 2016 as follows:

	2017	2016
Revenue	\$ 536,927	\$ 39,219,494
Costs of sales		
Production costs		
Mining production costs	-	(13,657,075)
Processing costs	-	(3,884,108)
Other production costs	-	(3,544,009)
Depreciation and amortization	-	(10,032,856)
Changes in inventories of finished goods and work in process	-	(3,618,590)
Royalty	-	(3,497,810)
Write-down of consumables and supplies inventory	-	(1,698,853)
Concentrate transport and logistics	-	(5,252,327)
Operating income (loss)	536,927	(5,966,134)
Care and maintenance costs		
Site, camp administrative costs	(626,905)	-
Plant costs	(89,932)	-
Mining costs	(1,212)	-
Other costs	(51,725)	-
General administrative expenses		
Salaries, wages and benefits	(1,729,557)	(2,121,331)
Taxes & fees	(2,238,779)	(1,026,813)
Professional and regulatory	(596,610)	(2,330,628)
Insurance	(102,275)	(285,561)
Travel	(105,541)	(205,372)
Office, administrative and share-based compensation	(847,848)	(530,884)
Exploration	(521,142)	(903,177)
Finance income	7,724	134,695
Finance expenses	(1,642,606)	(286,621)
Other expense	(79,063)	(337,866)
Loss for the year	\$ (8,088,544)	\$ (13,859,692)

There were no shipment of concentrate in 2017, as compared to 2016 when revenues of \$39.2 million comprised nine shipments of nickel concentrate sales (47,737 dry metric tonnes sold – “dmt”). The realized average nickel price per tonne during 2016 was \$12,353 (US\$9,326).

Revenue for the current year reflects the final price adjustment on settlement of the final shipment of concentrate in 2016.

Production costs:

Given the move to care and maintenance for the Ban Phuc mine in the fourth quarter of 2016, there were no production related costs incurred during 2017.

- No mining production costs in 2017, as compared with \$13.7 million in 2016.
- No processing costs in 2017, as compared to \$3.9 million in 2016.
- ‘Other’ production costs include maintenance, health and safety, environment, logistics and site administration costs. There were no ‘other’ production costs in 2017 while there were \$3.5 million in 2016.
- Depreciation and amortization expenses are calculated utilizing (i) straight-line method for building, machinery, motor vehicles, infrastructure, office furniture and equipment, licenses and franchises; and (ii) unit of production (UoD) based on actual ore mined in the month and remaining mineral reserve for plant and mine development. No production depreciation and amortization expenses were incurred in 2017 (2016: \$10.0 million) as the production assets were fully depreciated during 2016.
- Changes in inventories of finished goods and work in process represent net movement between the value of nickel concentrate produced and moved to stock and the value of nickel concentrate sold during the year. This cost was nil for 2017 compared with \$3.6 million in 2016.
- The royalty payable to the Vietnamese Government is calculated at 10% of either (i) the value of nickel concentrate sale price less export tax, processing, bagging, road freight, customs and warehouse costs; or (ii) exploited ore quantity converted from sold nickel concentrate quantity and the royalty taxable minimum price (minimum price) of VND1,660,000/ore tonne. Whichever method generates a higher tax payable amount is applied. In 2015, the price realized for nickel concentrate decreased and the sales price less export tax, processing, bagging, road freight, customs and warehouse costs was lower than VND1,660,000/ore tonne, therefore the Company applied the minimum price. Royalty expense is recorded when revenue from the sale of nickel concentrate is recognized. The Company has determined that the prescribed methodology has resulted in higher estimates of ore mined used to calculate the royalty and EPF taxes compared with actual ore production. As a result, the Company is in discussions with the tax authorities attempting to reduce the royalty and EPF taxes, however there can be no guarantee that such discussions will be successful.

No royalty tax was recognized in 2017 while the royalty tax in 2016 was \$3.5 million.

The Vietnam subsidiary is currently undergoing a tax audit, please refer to the section below entitled “Vietnam tax audit” for further information related to the royalty.

- Concentrate transport and logistics costs comprise in-land and sea freight costs related to the quantity of nickel concentrate sold. No concentrate transport and logistics costs were incurred in 2017, while \$5.3 million was recorded in 2016 reflecting nine shipments.



Care and maintenance costs:

Ban Phuc commenced recording care and maintenance costs January 1, 2017. The total 2017 care and maintenance costs of \$0.8 million include: \$0.63 million site and camp administrative costs, in which \$0.46 million represented salaries/wages for site/camp, maintenance and plant team; \$0.07 million in catering costs for site/camp employees; and \$0.10 million for site/camp electricity and other administrative costs.

General administrative expenses:

- Salaries, wages and benefits costs reduced to \$1.7 million in 2017 from \$2.1 million in 2016 reflecting a reduced number of employees due to the change in production status
- Taxes and fees include:
  - \$2.0 million in potential personal income tax (“PIT”) payable. Historically the Company applied a remote area allowance to Hanoi based employees and for staff employed for a period of greater than five years who were not eligible for concessional PIT allowances, in the declaration and payment of PIT. On the assumption that the expatriates who worked full time in Hanoi and travelled back and forth to the mine were not subject to the non-taxable remote area allowance, additional PIT payable estimated at \$2.0 million would be payable. The Company is proposing that the tax authority consider allowing the remote area allowance paid to expatriates for the time that they actually worked at the mine site. However the GDT has not yet responded to this position. Please refer to the section below entitled “Vietnam Tax Audit” for additional information.
  - \$0.24 million in potential VAT. During the year ended December 31, 2016, the Vietnamese Ministry of Finance amended the VAT Law whereby an entity operating in the mineral industry would be entitled to a VAT refund if the ratio of its mining costs, (including power and other energy costs) to total production costs was under 51% based on 2015 audited figures. The changes to the VAT Law are effective in respect of costs incurred subsequent to July 1, 2016. The Company determined that its ratio of mining costs to total production costs for 2015 exceeded the 51% threshold. It is GDT’s view that, the Company is not entitled to any VAT refund from July 1, 2016 onward and should therefore return an amount of \$0.24 million to the authority. Please refer to the section below entitled “Vietnam Tax Audit” for additional information.
- Professional, regulatory and other fees declined to \$0.6 million in 2017 from \$2.3 million in the 2016, reflecting the costs associated with a strategic combination, which was terminated in late 2016.
- There was decrease to \$0.1 million in travel expenses in 2017 from \$0.2 million in 2016 reflecting consultancy travel costs and contract completion departure costs for management personnel.
- Office, administrative and share-based compensation costs increased to \$0.8 million in 2017 from \$0.5 million in 2016. The increase primarily reflects the increase in share based compensation in 2017 to \$0.5 million (nil in 2016) offset by a decrease of \$0.03 million in course/conference, \$0.04 million in telephone/internet, \$0.02 million in website support and maintenance, \$0.07 million in other office administrative, rent and power year-over-year.
- Exploration costs decreased to \$0.5 million in 2017 from \$0.9 million in 2016, reflecting a more modest exploration program.

Financial expenses primarily comprise:

- potential penalty and interest on PIT tax payment, recorded in General administrative expenses, estimated at \$0.3 million and \$0.8 million, respectively and potential penalties and interest related to the return of VAT refund, recorded in General administrative expenses, estimated at \$0.05 million and \$0.07 million, respectively. Please refer to the section below entitled “Vietnam Tax Audit” for additional information
- \$0.16 million in unrealized foreign exchange losses incurred when the Company revalued U.S. dollar balances into Canadian dollars
- \$ 0.23 million in Foreign Contractor Tax (“FCT”) on intercompany loan interest expense.

Other expense decreased to \$0.1 million in 2017 from \$0.3 million in 2016. Other expense for 2017 includes \$0.09 million in interest on the Mining License Grant Fee (“MLGF”) deferred payment while the 2016 expense reflects interest on the deferred 2015 Environmental Protection Fee (“EPF”) payments.

Other comprehensive income for the year result from movements in the US dollar relative to the Canadian dollar as applied to the translation of the Company’s Vietnamese subsidiary whose functional currency is the US dollar. The US dollar: Canadian dollar exchange rate decreased to 1.2545 at December 31, 2017 from 1.3426 at December 31, 2016. The movement between years resulted in other comprehensive income of \$0.5 million in 2017 (2016: \$0.6 million).

Vietnam Tax Audit:

In March 2017, the General Department of Taxation (“GDT”) conducted a tax audit at BPNM with regards to various types of taxes including value added tax, personal income tax, royalty tax, environmental protection fee, foreign contractor tax and corporate income tax for the period from 2010 to 2016. The Company had previously been audited for the period from 2010 to 2014 by the Son La Department of Taxation who had finalized its tax audit at the provincial level. Although the GDT has not issued any draft or official tax audit minutes, based on discussions with the GDT, the Company’s management was notified of a number of matters, detailed as follows.

Royalty tax:

The royalty tax liabilities that remain outstanding as of December 31, 2017 were historically accrued based on the prescribed methodology as stipulated by the Son La People’s Committee (“Son La”). In 2014 the Son La Department of Natural Resources determined the ratio applicable to the Company for converting the quantity of finished concentrate into gross ore mined upon which the royalty taxes are based should be 7:1. This ratio was based on early plant commissioning and operation during which low grade ore was processed resulting in an unreasonably high ratio. The Company has determined that the 7:1 ratio resulted in significantly higher estimates of ore mined compared with actual ore production and therefore significantly higher royalties. The Company estimates the excess royalties paid and/or accrued to be approximately \$4.4 million higher than if they had been based on the actual ore production. On 31 January 2018 the Company received an official letter from Son La which acknowledges the total quantity of gross ore mined and concentrate produced by the Company for the period from July 2013 to September 2016 reflecting an actual ratio of ore mined to concentrate of closer to 4:1. The Company strongly believes that such official letter serves as the key evidence to support the Company’s method used in determining the actual quantity of ore which would ultimately result in a refund of a portion of royalties previously paid.

Both GDT and the Company share the view that the quantity of natural resource actually exploited (the “input” method”) should be used for the royalty tax calculation. However, GDT and the Company do not agree on the definition of actually exploited resources. The GDT is of the view that exploited resources includes waste rock and soil in addition to processed ore which would increase the volumes subject to royalties. The Company has estimated that using the input method based on the GDT methodology the potential liability would be reduced from the amount currently accrued by approximately \$0.4 million. Given the ongoing discussions with the GDT and uncertainty in the final royalty determination, no reduction of the historical accrual has been recorded.

Environmental protection fee:

The environmental protection fee ('EPF') is applied at a rate based on either (1) actual exploited resources, or (2) for minerals which must be screened, sorted or enriched before sale, based on an estimated quantity of gross ore mined using a ratio for converting the quantity of finished mineral production. The Company historically accrued the EPF based on the first method as agreed with Son La using total exploited resources, including both ore mined and waste rock and soil, multiplied by the applicable EPF fee rate. The GDT is of the view that the Company should have used the second method since the mined ore is subject to further processing into concentrate. Using the GDT method based on the ratio of 7:1 determined by the Son La Department of Natural Resources, the Company estimates the additional potential liability could be as much as \$1.2 million higher. However based on the actual ratio of closer to 4:1 as noted above, the Company estimates a potential reduction in the liability of \$0.3 million. Given the ongoing discussions with the GDT and uncertainty in the final EPF determination, no adjustment to the historical accrual has been recorded.

Value-added tax:

The Company, through its Vietnam subsidiary pays value added tax (VAT) on the purchase and sale of goods and services at a rate of 5% and 10%. The Company's concentrate is a processed natural resource/mineral which is subject to VAT and applicable tax rate of 0% VAT when exported. The net amount paid or payable is recoverable, but such recovery is subject to review and assessment by local tax authorities. During the year ended December 31, 2016, the Vietnamese Ministry of Finance amended the value-added tax law whereby an entity operating in the mineral industry would be entitled to a VAT refund if the ratio of its mining costs, (including power and other energy costs) to total production costs is under 51% based on 2015 audited figures. The Company determined that its ratio of mining costs to total production costs for 2015 was higher than the 51% threshold, therefore the Company did not recognized VAT receivables in respect of costs incurred subsequent to July 1, 2016.

The GDT had determined that the Company owes an amount of \$240,144 relating to refunds received during 2016 that it was not entitled to. The Company has therefore accrued this payable as at December 31, 2017 along with penalties and interest, estimated at \$48,029 and \$65,079 respectively.

Personal income tax:

Historically the Company applied remote area allowances for Hanoi-based employees and for staff employed for a period greater than five years who are not eligible for concessional personal income tax (“PIT”) allowances in the declaration and payment of PIT. On the assumption that the expatriates who worked full time in Hanoi and travelled back and forth to the mine site were not subject to non-taxable remote area allowance, the GDT has determined that additional PIT estimated at \$1,996,603 is owing, therefore the Company has accrued this

amount at December 31, 2017. The associated potential penalties and interest are estimated at \$305,718 and \$836,767 respectively which have also been accrued. The Company is proposing the tax authority consider applying the remote allowance for the periods the expatriates actually worked at the mine site, however the GDT has not responded to this position.

## **LIQUIDITY AND CAPITAL RESOURCES**

As at December 31, 2017, the Company had on hand cash and cash equivalents of \$0.5 million (December 31, 2016: \$5.5 million).

Cash used in operating activities increased by \$5.1 million year over year, to \$4.9 million cash used in 2017 compared to \$0.2 million cash generated in 2016. This change in operating activities reflects: i) \$5.8 million lower operating loss in 2017; ii) \$0.7 million increase in non-cash operating working capital, and iii) \$11.6 million decline in items not involving cash, primarily due to a \$10.4 million decrease in depreciation and amortization.

Cash used in investment activities of \$0.03 million during 2017 represents the foreign exchange translation loss arising on the conversion of the U.S. dollar based environmental bond into Canadian dollars (2016: \$0.3 million).

No cash was used in financing activities during either 2017 or 2016.

The Company requires a current cash injection in order to meet anticipated expenditures. A number of strategic options have been explored. The primary focus is on the sale of all the assets comprising the Ban Phuc mining operation held by the Company's 90% owned subsidiary, BPNM. To the date of these financial statements there has been no success in finding a buyer. The Company is considering alternatives in the event BPNM or its assets are not sold, including the potential for additional funding. Subsequent to year end, the Company obtained loans of US\$180,000 and US\$380,000 from Pala, the majority shareholder of the Company, which will be used to pay employee termination payments and certain other costs to prepare BPNM for potential sale, restructuring or liquidation. The Company is currently considering its options and no definitive course of action has been decided. However the Company has determined it is in need of additional funding to continue its operations and pursue the sale of BPNM. There can be no assurance that the Company will be able to complete the sale of BPNM, or that it can do so at terms favourable to the Company. Failure to obtain sufficient financing could result in a delay in the potential sale of BPNM or abandonment of the Ban Phuc mine and could force the Company into reorganization, bankruptcy or insolvency proceedings. Additional financing may not be available when needed or, if available, the terms of such financing might not be favourable to the Company and might involve substantial dilution to existing shareholder. These factors indicate the existence of a material uncertainty that casts significant doubt about the Company's ability to continue as a going concern.

The Company had the following contractual obligations at December 31, 2017:

	<b>Payment due by period</b>		
	<b>Total</b>	<b>Less than 1 year</b>	<b>1 – 3 years</b>
Purchase obligations	195,535	195,535	-
Due to related parties (1)	1,100,631	1,100,631	
Other obligations (including taxes & fees)	10,553,081	8,901,994	1,651,088
<b>Total</b>	<b>11,849,247</b>	<b>10,198,160</b>	<b>1,651,088</b>

(1) Represents payable to Pala for advisory fees, secondment of personnel and re-imbursement of travel costs in the amount of \$735,942 and payable to Directors of the Company \$364,690 for director fees.

## Summary of Quarterly Results

	Dec 31, 2017	Sep 30, 2017	June 30, 2017	Mar 31, 2017	Dec 31, 2016	Sep 30, 2016	Jun 30, 2016 - Restated
Concentrate Sold (dmt)	-	-	-	-	4,707	11,895	10,151
Sale revenues	-	-	-	\$536,927	\$4,691,970	\$10,938,261	\$7,467,406
Interest income	\$1,601	\$1,920	\$3,102	\$1,101	\$119,592	\$1,502	\$5,892
Royalty	-	-	-	-	\$1,417,135	\$411,605	\$747,769
Production costs	-	-	-	-	\$5,979,222	\$9,526,536	\$6,559,736
Concentrate transport & logistics	-	-	-	-	\$28,612	\$1,118,869	\$1,458,418
Care & maintenance costs	\$78,910	\$168,020	\$270,589	\$252,256	-	-	-
General & administrative expenses	\$3,006,597	\$995,376	\$886,193	\$732,442	\$1,430,490	\$2,128,853	\$1,795,836
Exploration	\$213,977	\$101,349	\$110,847	\$94,969	\$386,911	\$143,922	\$186,648
Other income/(expense)	\$8,868	(\$202,922)	\$63,448	\$51,543	(\$224,508)	\$157,113	(\$242,337)
Financial income/(expense)	(\$1,326,163)	(\$88,406)	(\$117,174)	(\$103,139)	(\$60,951)	(\$32,352)	(\$30,834)
Net Loss	(\$4,616,780)	(\$1,556,073)	(\$1,321,355)	(\$594,336)	(\$4,835,855)	(\$2,266,763)	(\$3,554,174)
Income (Loss) per share (non-diluted)	(\$0.01)	(\$0.00)	(\$0.00)	(\$0.00)	(\$0.01)	(\$0.00)	(\$0.01)
Income (Loss) per share (diluted)	(\$0.01)	(\$0.00)	(\$0.00)	(\$0.00)	(\$0.01)	(\$0.00)	(\$0.01)
Total Assets	\$1,841,600	\$2,862,279	\$4,345,272	\$5,688,062	\$7,624,185	\$13,694,309	\$19,724,979

### **Results of Operations for the three months ended December 31, 2017**

The Ban Phuc mine was placed on care and maintenance in the fourth quarter of 2016. During that quarter there was one final shipment of 4,707 dmt with nickel concentrate sales of \$4.5 million in Q4 2016. There were no concentrate shipments during 2017.

The following variances result when comparing operations for the three month period ended December 31, 2017, with the same period of the prior year:

The US dollar: Canadian dollar exchange rate decreased to 1.2545 at December 31, 2017 from 1.3426 at December 31, 2016. The fluctuation of US dollar: Canadian dollar exchange rate in 2017 led to a decrease in Q4 2017 expenses in Canadian dollar.

Revenues: There was no revenue recorded in the fourth quarter of 2017, while revenue in the similar 2016 quarter represented the last shipment during the year of 4,707 dmt, and net sales revenues of \$4.7 million.

Royalties: A royalty payable to the Vietnamese Government is calculated at 10% of either (i) the value of nickel concentrate sale price less export tax, processing, bagging, road freight, customs and warehouse costs and shipped nickel concentrate quantity; or (ii) exploited ore quantity converted from shipped nickel concentrate quantity and the royalty taxable minimum price (minimum price) of VND1,660,000/ore tonne. Whichever method generates higher tax payable amount is applied. In 2015, the price realized for nickel concentrate decreased and the sales price less export tax, processing, bagging, road freight, customs and warehouse costs was lower than VND1,660,000/ore tonne, therefore the Company applied the minimum price. Royalty expense is recorded when revenue from the sale of nickel concentrate is recognized. No royalty expense was recognized in Q4 2017 (Q4 2016: \$1.4 million). Please refer to the section entitled "Vietnam Tax Audit" above for more information related to the royalty.

Production costs include mining, processing, maintenance and other production direct costs. There is no production costs in the fourth quarter 2017 as the Company is in care and maintenance phase (the fourth quarter 2016: \$6.0 million).

General and administrative expenses (GAE) comprised: salaries, wages and benefit, taxes and fees, professional and regulatory, insurance, travel and other administrative expenses. GAE increased \$1.6 million to \$3.0 million in the quarter ended December 31, 2017 from \$1.4 million in the same 2016 quarter, primarily due to:

- \$2.0 million in potential personal income tax ("PIT") payable. Historically the Company applied a remote area allowance to Hanoi based employees and for staff employed for a period of greater than five years who were not eligible for concessional PIT allowances, in the declaration and payment of PIT. On the assumption that the expatriates who worked full time in Hanoi and travelled back and forth to the mine were not subject to the non-taxable remote area allowance, additional PIT payable estimated at \$2.0 million would be payable. The Company is proposing that the tax authority consider allowing the remote area allowance paid to expatriates for the time that they actually worked at the mine site. However the GDT has not yet responded to this position. Please refer to the section above entitled "Vietnam Tax Audit" for more information related to the PIT payable.
- \$0.24 million in potential VAT. During the year ended December 31, 2016, the Vietnamese Ministry of Finance amended the VAT Law whereby an entity operating in the mineral industry would be entitled to a VAT refund if the ratio of its mining costs, (including power

and other energy costs) to total production costs was under 51% based on 2015 audited figures. The changes to the VAT Law are effective in respect of costs incurred subsequent to July 1, 2016. The Company determined that its ratio of mining costs to total production costs for 2015 exceeds the 51% threshold. It is GDT's view that, the Company is not entitled to any VAT refund from July 1, 2016 onward and should therefore return an amount of \$0.24 million to the authority. Please refer to the section above entitled "Vietnam Tax Audit" for more information related to the VAT.

- \$0.6 million decrease in salaries, wages and benefits, professional and regulatory and other administrative expenses.

Exploration costs decreased to \$0.2 million in Q4, 2017 from \$0.4 million in Q4, 2016. The fourth quarter of 2016 included accrued redundancy allowance related to the transition of the Ban Phuc mine to care and maintenance.

Financial expenses are primarily comprised:

- potential penalty and interest on PIT tax payment recorded in General administrative expenses, estimated at \$0.3 million and \$0.8 million, respectively and potential penalties and interest related to the return of VAT refund, recorded in General administrative expenses, estimated at \$0.04 million and \$0.07 million, respectively. Please refer to the section above entitled "Vietnam Tax Audit" for more information on the PIT and VAT taxes
- 
- \$0.07 million in unrealized foreign exchange losses incurred when the Company revalued U.S. dollar balances into Canadian dollars.

Net Loss: The Company incurred a loss of \$4.6 million or \$0.01 (fully diluted, \$0.01) in Q4 2017 compared with a loss of \$4.8 million or \$0.01 (fully diluted, \$0.0) per share in the same 2016 quarter.

## **SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES**

In the application of the group's accounting policies, which are described in Note 3 of the notes to the consolidated financial statements, management is required to make judgments, estimates, and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgments that management has made in the process of applying the group's accounting policies and that have the most significant effect on the amounts recognized in the Financial Statements:



## **Basis of presentation**

The consolidated financial statements of the Company have been prepared in accordance with International Accounting Standards ("IAS 34") "Interim Financial Reporting". The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, AMR Nickel and Asian Nickel Exploration Limited and its 90% owned BPNM joint venture which is fully consolidated. The Company's presentation currency is Canadian dollars. The functional currency of AMR and its subsidiaries AMR Nickel Limited and Asian Nickel Exploration Limited is the Canadian dollar, while the U.S dollar is the functional currency of its subsidiary BPNM.

## **Going Concern**

In October 2016, the Ban Phuc mine was placed on care and maintenance.

As at December 31, 2017, the Company had cash and cash equivalents of \$0.5 million and working capital of negative \$8.7 million. During the year ended December 31, 2017, the Company generated a net loss of \$8.1 million and had an accumulated deficit of \$151.5 million.

The Company requires a current cash injection in order to meet anticipated expenditures.

A number of strategic options have been explored. The primary focus is on the sale of all the assets comprising the Ban Phuc mining operation held by the Company's 90% owned subsidiary, BPNM. To the date of these financial statements there has been no success in finding a buyer. The Company is considering alternatives in the event BPNM or its assets are not sold, including the potential for additional funding. Subsequent to year end, the Company obtained loans of US\$180,000 and US\$380,000 from Pala, the majority shareholder of the Company, which will be used to pay employee termination payments and certain other costs to prepare BPNM for potential sale, restructuring or liquidation. The Company is currently considering its options and no definitive course of action has been decided. However the Company has determined it is in need of additional funding to continue its operations and pursue the sale of BPNM. There can be no assurance that the Company will be able to complete the sale of BPNM, or that it can do so at terms favourable to the Company. Failure to obtain sufficient financing could result in a delay in the potential sale of BPNM or abandonment of the Ban Phuc mine and could force the Company into reorganization, bankruptcy or insolvency proceedings. Additional financing may not be available when needed or, if available, the terms of such financing might not be favourable to the Company and might involve substantial dilution to existing shareholders.

These factors indicate the existence of a material uncertainty that casts significant doubt about the Company's ability to continue as a going concern.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current operations, including explorations programs, will result in profitable mining operations. The recoverability of the carrying value of exploration and development properties and the Company's continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, the ability of the Company to raise additional financing, if necessary, or alternatively upon the Company's ability to dispose of its interest on an advantageous basis. Changes in future conditions could require material write-downs of the carrying values.

## **Asset Impairment**

The Company's mining and processing assets, and other tangible and intangible assets were fully depreciated and amortized as at December 31, 2017.

To determine fair value, management assesses the recoverable amount of the assets using the net present value of expected future cash flows. The assessment of fair values requires the use of judgments and assumptions for estimated recoverable production, long term commodity prices, discount rates, rehabilitation costs, future capital requirements and operating performance. Changes in any of these judgments or assumptions could result in a significant difference between the carrying amount and fair value of these assets.

## **Provision for rehabilitation costs**

The Company is required to decommission, rehabilitate and restore mines and processing sites at the end of their producing lives to a condition acceptable to the relevant authorities. The provision has been calculated taking into account the estimated future obligations including the costs of dismantling and removal of facilities, restoration and monitoring of the affected areas. The provision for future restoration costs is the estimate agreed with the expenditure required to settle the restoration obligation at the reporting date.

At December 31, 2017, there was a provision for rehabilitation of \$406,905 (December, 2016: \$436,549). As of December 31, 2017, the Company has deposited with Vietnam Government \$344,057 (December 31, 2016: \$336,843) as an advance deposit for future closure and rehabilitation expenditures.

## **Ore reserve estimates**

Estimates of recoverable quantities of reserves include assumptions on commodity prices, exchange rates, discount rates and production costs for future cash flows. It also involves assessment and judgment of difficult geological models. The economic, geological and technical factors used to estimate ore reserves may change from period to period. Changes in ore reserves affect the carrying values of mine properties, property, plant and equipment and the provision for rehabilitation assets. Ore reserves are integral to the amount of depreciation and amortization that will be charged to the Consolidated Statement of Operations and Comprehensive Loss.

## **Share-based compensation**

The Company has a share option plan, under which the fair value of all share-based awards is estimated using the Black-Scholes Option-Pricing Model at the grant date and amortized over the vesting periods. An individual is classified as an employee when the individual is an employee for legal or tax purposes or provides services similar to those performed by a direct employee, including directors of the Company. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued if it is determined the fair value of the goods or services cannot be reliably measured and are recorded at the date the goods or services are received. The amount recognized as an expense is adjusted to reflect the number of awards expected to vest.

Upon the exercise of the share purchase options, consideration paid together with the amount previously recognized in the share-based payment reserve is recorded as an increase to capital. Charges for share purchase options that are forfeited before vesting are reversed from the share-

based payments reserves. For those share purchase options that expire or are forfeited after vesting, the amount previously recorded in share-based payments reserve is transferred to deficit.

During 2017 the Company recognized share-based compensation expense related to share options in the amount of \$375,881 (2016: nil).

### **Off-Balance Sheet Arrangements**

The Company does not have any off-balance sheet arrangements at December 31, 2017.

### **Future Accounting Policies**

There were no new standards effective January 1, 2017 that had a material impact on the Company's consolidated financial statements. The Company has not early adopted any other standard, interpretation or amendment in the consolidated financial statements that have been issued, but not yet effective.

A number of new standards, amendments to standards and interpretations, are not yet effective for the year ended December 31, 2017, and have not been applied in preparing these consolidated financial statements. The following pronouncements are considered by the Company to be the most significant of several pronouncements that may affect the consolidated financial statements in future periods.

#### *IFRS 9, Financial Instruments ("IFRS 9")*

The International Accounting Standards Board has issued IFRS 9 Financial Instruments to replace IAS 39 Financial Instruments, which is intended to reduce the complexity in the measurement and classification of financial instruments. The current version of IFRS 9 has a mandatory effective date of January 1, 2018 and is available for early adoption. The Company does not expect IFRS 9 to have a material impact on the consolidated financial statements. The classification and measurement of the Company's financial assets is not expected to change under IFRS 9 because of the nature of the Company's operations and the types of financial assets that it holds.

#### *IFRS 15, Revenue from Contracts with Customers ("IFRS 15")*

On May 28, 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programs. The effective date is for reporting periods beginning on or after January 1, 2018 with early application permitted. The Company does not expect this standard to have a significant impact to the consolidated financial statements.

#### *IFRS 16, Leases ("IFRS 16")*

In January of 2016, the IASB issued IFRS 16 Leases which replaces the existing leasing standard, IAS 17 Leases. The new standard effectively eliminates the distinction between operating and finance leases for lessees, while lessor accounting remains largely unchanged with the distinction between operating and finance leases retained. IFRS 16 takes effect on January 1, 2019, with earlier application permitted. The Company has not yet evaluated the impact of adopting this standard and does not intend to early adopt.

## **TRANSACTIONS WITH RELATED PARTIES**

### **Directors**

Directors fees recognized in 2017 were \$157,468 (2016: 398,765). Directors fees have been accrued but not paid to directors in recent years. At December 31, 2017 \$364,690 in director fees were payable to current and previous directors of the Company.

### **Key management**

Salary expense incurred and accrued to key management persons during 2017 totalled \$577,406 (2016: \$876,727). Share based payments to directors and senior officers during the year ended December 31, 2017 was \$515,881.

### **Pala Investment Limited**

During 2012 Pala Investment Limited (Pala) became a controlling shareholder of the Company.

On May 25, 2012, Pala purchased 108,333,333 units of the Company for gross proceeds of \$6,500,000. Each unit consisted of one common share and one half of one common share purchase warrant which entitles Pala to purchase one common share at a price of \$0.10 until May 25, 2017. Concurrently with this private placement, Pala purchased 49,481,600 AMR shares from the previous controlling shareholder. Following these transactions two Pala nominees were appointed to the Company's board of directors.

On December 18, 2012 Pala purchased 150,000,000 common shares of the Company under a private placement.

On December 20, 2012 Pala announced that they had purchased 25,891,581 shares of the Company by way of a share purchase agreement with a third party.

On March 28, 2013 Pala purchased 158,845,081 common shares of the Company pursuant to the exercise of its basic subscription privilege in full under the Company's rights offering. In addition Pala purchased 88,762,232 common share of the Company pursuant to a standby commitment provided as part of the rights offering. Subsequent to these purchases Pala owned and controlled, directly or indirectly 569,813,827 common shares of the Company.

During the 2017 year Pala provided advisory services for \$202,711. As at December 31, 2017 \$735,942 was payable to Pala related to advisory services, secondment of personnel and reimbursement of travel expenses

## **RISK FACTORS**

Given the nature of its business, the operations of the Company are subject to a number of risks, including the following, any one or all of which could have a material adverse effect on the Company and its business:

### **Additional funding requirements**

The Company requires a current cash injection in order to meet anticipated expenditures. A number of strategic options have been explored. The primary focus is on the sale of all the assets comprising the Ban Phuc mining operation held by the Company's 90% owned subsidiary, BPNM. To the date of these financial statements there has been no success in finding a buyer. The Company is considering alternatives in the event BPNM or its assets are not sold, including the potential for additional funding. Subsequent to year-end, the Company obtained loans of US\$180,000 and US\$380,000 from Pala, the majority shareholder of the Company, which will be used to pay employee termination payments and certain other costs to prepare BPNM for potential sale, restructuring or liquidation. The Company is currently considering its options and no definitive course of action has been decided. However the Company has determined it is in need of additional funding to continue its operations and pursue the sale of BPNM. There can be no assurance that the Company will be able to complete the sale of BPNM, or that it can do so at terms favourable to the Company. Failure to obtain sufficient financing could result in a delay in the potential sale of BPNM or abandonment of the Ban Phuc mine and could force the Company into reorganization, bankruptcy or insolvency proceedings. Additional financing may not be available when needed or, if available, the terms of such financing might not be favourable to the Company and might involve substantial dilution to existing shareholders.

Further exploration and development by the Company will depend upon the Company's ability to obtain necessary permits and also financing through the joint venturing of projects, equity financing, debt financing or other means. There is no assurance that the Company will be successful in obtaining the required permits, financing or obtaining such financing on acceptable terms. Failure to obtain required financing on a timely basis or on acceptable terms could have a material adverse effect on the Company's financial conditions, results of operations and liquidity and could cause the Company to forfeit all of parts of its property and reduce or terminate its operations.

Sales of substantial amounts of the Common Shares, or the availability of such Common Shares for sale, could adversely affect the prevailing market prices for the Company's securities. A decline in the market prices of the Company's securities could impair its ability to raise additional capital through the sale of new Common Shares should the Company desire to do so.

AMR may incur substantial costs in pursuing future capital requirements, including investment banking fees, legal fees, accounting fees, securities law compliance fees, printing and distribution expenses and other costs. The ability to obtain needed financing may be impaired by such factors as the capital markets (both generally and in the nickel industry in particular), the location of the Project in Vietnam and the price of nickel on the commodities markets (which will impact the amount of asset-based financing available) and/or the loss of key management personnel. Further, if the price of nickel on the commodities markets decreases, AMR may be required to reduce the

scope of its operations or anticipated expansion, forfeit its interest in some or all of its properties, incur financial penalties or reduce or terminate its operations.

### **Dependence on the Ban Phuc Nickel Project**

AMR has been primarily focused on the development of the Ban Phuc mine. AMR does not own any significant assets other than those related to its ownership interest in the mine which is AMR's only mineral property and represents AMR's only immediate potential for future generation of revenues. Unless AMR acquires additional property interests, any adverse developments affecting the mine could have a material adverse effect upon AMR and would materially and adversely affect the potential mineral resource production, profitability, financial performance and results of operations of AMR.

### **Vietnamese tax laws are open to interpretation and, with respect to mining and refining, there are no clear precedents to properly guide AMR's tax policies**

Vietnam's tax laws, especially with respect to mining and refining are evolving and open to interpretation, there is a risk that material additional and/or back-dated taxes and penalties may be levied on AMR, which could adversely impact its results of operations and financial condition.

### **Mine Life**

Due to the continued low nickel price management assessed the economic viability of the mining operations and placed Ban Phuc into care and maintenance effective the start of Q4 2016.

### **Risk of the Revocation of Licences and Permits**

Any failure to comply strictly with applicable laws, regulations and local practices relating to mineral rights applications, including for exploration permits and exploitation or mining licenses, and tenure, could result in loss, reduction or expropriation of entitlements, the imposition of additional local or foreign parties as joint venture partners with carried or other interests or enforcement actions against us, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Furthermore, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner, which could limit or curtail production or development. Amendments to current laws and regulations governing operations and activities or mining and milling or more stringent implementation thereof could have a material adverse impact on us.

The occurrence of these various factors and uncertainties cannot be predicted and any of them could have an adverse effect on our operations or profitability.

### **Political Risk and Economic Instability**

AMR's exploration, development and future operation activities occur in Vietnam. As such, AMR may be affected by possible political or economic instability in Vietnam. There can, for example, be no assurance that future political and economic conditions in Vietnam will not result in the government adopting policies respecting foreign ownership and development of interests in mineral resources, which could be adverse to the Company's interests or profitability. The risks include, but are not limited to, terrorism, military repression, fluctuations in currency exchange

rates and high rates of inflation. Changes in resource development or investment policies or shifts in political attitude in Vietnam may prevent or hinder AMR's business activities and render the Project unprofitable by preventing or impeding future property exploration, development or mining. Operations may be affected in varying degrees by government regulations with respect to restrictions on production, price controls, export controls, restrictions on repatriation of earnings, royalties and duties, income taxes, nationalization of property or businesses, expropriation of property, maintenance claims, environmental legislation, land use, land claims of local people, water use and mine safety. The laws on foregoing investment and mining are still evolving in Vietnam and it is not known how they will evolve. In particular, the current law on minerals allows the government to announce areas where mining activities are prohibited (or temporarily prohibited) for reasons of national defense, security, protection of historical or cultural sites, scenery or other public interests, subject only to providing fair and equitable treatment in respect of damage caused where mineral activities are being legally conducted therein. The effect of these factors cannot be accurately predicted.

### **Exchange rates**

The profitability of AMR may decrease when affected by fluctuations in the foreign currency exchange rates between the United States dollar, the Canadian dollar, the Australian dollar and the Vietnamese dong. Exchange rate fluctuations affect the costs of development activities that AMR incurs in United States dollars, Australian dollars and Vietnamese dong. AMR does not currently take any steps to hedge against currency fluctuations.

### **Certain directors and officers may have conflicts of interest.**

Certain of the directors and officers of AMR are engaged in, and will continue to engage in, other business activities on their own behalf and on behalf of other companies, including activities involving mining and mineral exploration, and, as a result of these and other activities, such directors and officers of AMR may become subject to conflicts of interest. The BCBCA provides that in the event that a director has an interest in a contract or proposed contract or agreement, the director shall disclose his interest in such contract or agreement and shall refrain from voting on any matter in respect of such contract or agreement unless otherwise provided under the BCBCA. To the extent that conflicts of interest arise, such conflicts will be resolved in accordance with the provisions of the BCBCA.

### **Illiquid market for AMR's securities**

AMR shares are highly illiquid and cannot be easily sold in the market without significant risk of a loss in value. Further contributing to AMR's illiquidity, is the fact that a small group of shareholders currently hold over 86% of its Common Shares. There can be no assurance that an active market for AMR's securities will develop. In addition, the market price of the securities of AMR at any given point in time may not accurately reflect the long-term value of AMR. Furthermore, responding to any events or circumstances resulting from the risk factors described herein could result in substantial costs and divert management's attention and resources.

### **Significant Shareholder**

At the date of this report, Pala has control over AMR and its interests may conflict with those of other shareholders. Pala owns, directly 569,813,827 Common Shares, representing approximately 71.6% of the issued and outstanding Common Shares on a non-diluted basis. Pala has a significant influence in any matter coming before a vote of shareholders and Pala alone will be in a position to

prevent approval of certain matters requiring shareholder approval. Investors should be aware that votes in respect of the Common Shares may be significantly influenced by a small group of insiders as detailed in the table below. Pala is also able to effect certain fundamental changes to AMR in accordance with the BCBCA because it is able to, on its own, meet the applicable 66 2/3% voting threshold for shareholder approval to effect such changes.

Shareholder	Number of Common Shares <sup>(1)</sup>	Percentage of Common Shares Outstanding
Pala Investments Limited	569,813,827	71.6%
Melior Resource Inc	47,272,727	5.9%
Lion Selection Group Limited <sup>(2)</sup>	39,950,288	5.0%
Malaysia Smelting Corporation Berhad <sup>(3)</sup>	31,297,661	3.9%
<b>Total</b>	<b>688,334,503</b>	<b>86.4%</b>

**Notes:**

- (1) Based on information posted on SEDI as of April 30, 2018.
- (2) Of the 39,950,288 Common Shares, 16,666,666 are held by Lion Selection Group Limited and 23,283,622 are held by its affiliate Asian Lion Limited, an entity which is controlled by Lion Selection Group Limited.
- (3) Pala has a right of first refusal to purchase the Common Shares held by MSC, which if exercised would bring Pala's ownership to 601,111,488 Common Shares, representing approximately 75.5% on a non-diluted basis.

**Mining industry**

The exploration for and development of mineral deposits involves significant risks, which even a combination of careful evaluation, experience and knowledge may not eliminate. While the discovery of a mineral deposit may result in substantial rewards, few properties that are explored are ultimately developed into producing mines. Major expenses may be required to locate and establish mineral reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site. It is impossible to ensure that the activities currently planned by the Company will result in profitable commercial mining operations. Whether a mineral deposit will be commercially viable depends on a number of factors, some of which are: the particular attributes of the deposit, such as size, grade and proximity to infrastructure; metal prices, which are highly cyclical; and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. The exact effect of these factors cannot accurately be predicted, but in combination they could result in the Company not receiving an adequate return on invested capital.

The Company's activities are subject to all the hazards and risks normally encountered in the exploration for, and development and production of minerals, including unusual and unexpected geologic formations, seismic activity, rock bursts, cave-ins, flooding and other conditions involved in the drilling and removal of material, any of which could result in damage to, or destruction of, mines and other producing facilities, damage to life or property, environmental damage and possible legal liability. Milling operations are subject to hazards such as equipment failure or failure of retaining dams around tailings disposal areas, which may result in environmental pollution and consequent liability.



**Mining, processing, development and exploration activities depend, to one degree or another, on adequate infrastructure.**

Reliable roads, bridges, power sources and water supply are important determinants, which affect capital and operating costs. AMR's inability to secure adequate water and power resources, as well as other events such as unusual or infrequent weather phenomena, sabotage, government or other interference in the maintenance or provision of such infrastructure could adversely affect AMR's operations, financial condition and results of operations.

**AMR is dependent on outside parties for the conduct of its business**

AMR has relied upon consultants, engineers and other service providers and intends to rely on these parties for development, construction, and operating expertise. Substantial expenditures are required to construct mines to establish mineral reserves through drilling, to carry out environmental and social impact assessments, to develop metallurgical processes to extract metal from ore and, in the case of new exploration, to develop the exploration and plant infrastructure at any particular site. If such parties' work is deficient or negligent or is not completed in a timely manner, it could have a material adverse effect on the Project.

**The Company has entered into an off-take agreement with a single customer for all of the production from the Project.**

In April 2008, BPNM entered into the Off-Take Agreement for all of the concentrate production from the Project from the currently defined resources. Jinchuan is a large Chinese enterprise. As of January 9, 2017 the Company has settled up to and including shipment 42, with no further settlements remaining. The Off-Take Agreement also granted Jinchuan a first refusal option on additional nickel concentrates that BPNM may produce from new projects other than the Project. AMR worked with Jinchuan under the conditions of the current Off-Take Agreement once Ban Phuc Nickel moved into Care and Maintenance phase after all criteria had been fulfilled. It is the view of the Company that prospects in areas surrounding the mine site are explicitly excluded from the Jinchuan Off-Take Agreement

**AMR may not meet its future production targets or its cost estimates**

The ability of the Ban Phuc mine to have future nickel production is dependent on the successful development of mines and/or expansion of mining operations in the future which rely on the accuracy of predicted factors including capital and operating costs, metallurgical recoveries, reserve estimates, and future prices, as well as accurate feasibility studies, acquisition of land and surface rights and issuance of necessary permits/approvals. Actual production and costs may vary from the estimates for a variety of reasons such as estimates of grade, tonnage, dilution and metallurgical and other characteristics of the ore varying in the actual ore mined, revisions to mine plans, risks and hazards associated with mining, adverse weather conditions, unexpected labor shortages or strikes, equipment failures and other interruptions in production capabilities. Production costs in the future may also be affected by increased stripping costs, increases in level of ore impurities, labor costs, raw material costs, inflation and fluctuations in currency exchange rates. Failure to achieve future production targets or cost estimates could have a material adverse impact on AMR's future sales, profitability, cash flow and overall financial performance.

**Mining operations are vulnerable to supply chain disruptions**

AMR's future operations could be adversely affected by shortages of, as well as lead times to deliver, strategic spares, critical consumables and mining equipment. In the past, other mining

companies have experienced shortages in critical consumables, particularly as production capacity in the global mining industry has expanded in response to increased demand for commodities, and it has experienced increased delivery times for these items. Shortages of strategic spares, critical consumables or mining equipment, could in the future, result in production delays and production shortfalls, and increases in prices could result in an increase in both operating costs and the capital expenditure to maintain and develop mining operations.

AMR and other nickel mining companies, have influence over manufacturers and suppliers of these items. In certain cases, there may be only limited suppliers for certain strategic spares, critical consumables or mining equipment who command superior bargaining power relative to AMR, or it could at times face limited supply or increased lead time in the delivery of such items.

If AMR experiences shortages, or increased lead times in delivery of strategic spares, critical consumables or mining equipment, its future results of operations and financial condition could be adversely affected.

### **Limited production revenues; history of losses**

To date, the Company has only limited production revenue from mining operations. There can be no assurance that significant additional losses will not occur in the near future or that the Company will be profitable in the future. The Company's operating expenses and capital expenditures may increase in subsequent years as the costs for consultants, personnel and equipment associated with advancing exploration, development and commercial production of its properties are incurred. The amounts and timing of expenditures will depend on the progress of ongoing exploration and development, the results of consultant's analysis and recommendations, the rate at which operating losses are incurred, the execution of any joint venture agreements with strategic partners, the Company's acquisition of additional properties and other factors, many of which are beyond the Company's control.

### **Competition**

The mining business is competitive in all of its phases. The Company competes with numerous other companies and individuals, including competitors with greater financial, technical and other resources than the Company, in the search for and the acquisition of attractive mineral properties. The Company's ability to acquire properties in the future will depend not only on its ability to develop the Project, but also in its ability to select and acquire other suitable producing properties or prospects for mineral exploration or development. There can be no assurance that the Company will be able to compete successfully with others in acquiring such properties or prospects.

### **Insurance and uninsured risks**

The Company's business is subject to a number of risks and hazards generally, including adverse environmental conditions, industrial accidents, labour disputes, unusual or unexpected geological conditions, ground or slope failures, cave-ins, changes in the regulatory environment and natural phenomena such as inclement weather conditions, floods and earthquakes. Such occurrences could result in damage to its mineral properties or production facilities, personal injury or death, environmental damage to the Company's properties or the properties of others, delays in development or mining, monetary losses and possible legal liability.

While the Company has obtained certain insurance to protect itself against the potential risks associated with its operations, the Company may not be able to maintain insurance to cover such risks at economically feasible premiums and such insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as environmental pollution or other hazards as a result of exploration and production is not generally available to the Company or to other companies in the mining industry on acceptable terms. The Company might also become subject to liability for pollution or other hazards which may not be insured against or which the Company may elect not to insure against because of premium costs or other reasons. Losses from these events may cause the Company to incur significant costs that could have a material adverse effect upon its financial performance and results of operations.

### **Government regulation**

The Company's exploration, development and operating activities are subject to various laws governing prospecting, mining, development, production, taxes, labour standards and occupational health, mine safety, toxic substances, land use, water use, land claims of local residents and other matters. Although the Company's planned activities will be carried out in accordance with all applicable rules and regulations, there can be no assurance that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail such planned activities with materially adverse impacts on financial performance and profitability.

The mineral rights and interests of the Company are subject to obtaining government approvals, licences and permits, land clearance being completed and land use rights being obtained. Such approvals, licences and permits and the completion of land clearance and obtaining of land use rights are, as a practical matter, subject to the discretion of the government or governmental officials. No assurance can be given that the Company will be successful in obtaining or maintaining any or all of the various approvals, licences and permits in full force and effect without modification or revocation. To the extent such approvals are required and not obtained, the Company may be curtailed or prohibited from continuing or proceeding with planned activities.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations or in the exploration or development of mineral properties may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Application of or amendments to current laws and regulations governing operations or more stringent implementation thereof could have a substantial adverse impact on the Company and cause increases in exploration expenses, capital expenditures or production costs or reduction in levels of production at producing properties or require abandonment or delays in development of new mineral properties.

### **Personnel**

The Company is dependent on obtaining and retaining the services of management and skilled personnel. Failure to obtain such services or the loss of them could have a material adverse effect on the Company's operations. There can be no assurance that the required personnel will be available on suitable terms.

### **Environmental risks and hazards**

All phases of the Company's activities will be subject to environmental regulation mandating, among other things, the maintenance of air and water quality standards and land reclamation; and limitations on the generation, transportation, storage and disposal of solid and hazardous waste. 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 can be no assurance that future changes in environmental regulation will not adversely affect the Company's operations.

### **Enforceability of civil liabilities**

Certain of the Company's directors and officers reside outside Canada. Substantially all of the assets of such persons are, and substantially all of the assets of the Company are, located outside Canada. It may not be possible for investors to effect service of process within Canada upon such persons and it may also not be possible to enforce against the Company and/or such persons judgments obtained in Canadian courts predicated upon the civil liability provisions of applicable securities laws in Canada.

### **Litigation risk**

All industries, including the mining industry, are subject to legal claims, with and without merit. The Company may be involved from time to time in various routine legal proceedings, which include labour matters such as unfair termination claims, supplier matters and property issues incidental to its business. Defence 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 effect on financial position and results of operations.

### **The market price for Common Shares cannot be assured**

The market price of a publicly traded stock is affected by many variables, some of which are not directly related to the success of AMR. In recent years, the securities markets have experienced a high level of price and volume volatility, and the market price of securities of many companies, particularly those considered to be junior companies, has experienced wide fluctuations which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that such fluctuations will not affect the price of AMR's securities in the future.

## **FINANCIAL INSTRUMENTS**

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, environmental bond, and trade and other payables. The fair values of these financial instruments are not materially different from their carrying values.

In respect of credit risk on its bank accounts and investments, credit risk on bank accounts and short term investments is limited through maintaining the Company's balances with high credit financial institutions.

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company has offices in Canada and Vietnam and holds cash in Canadian, United States, and Australian dollars and in Vietnamese Dong.

A significant change in the currency exchange rates between the Canadian dollar relative to the US dollar, the Australian dollar and Vietnamese Dong could have an effect on the Company's results of operations, financial position or cash flows.

With regards to liquidity risk, the Company has in place a planning and budgeting process to aid in determining the funds required to support normal operating requirements on an ongoing basis, including capital development and exploration expenditures. Discussions about going concern are included in Note 1, Nature of operations and going concern, in the annual financial statements.

## **DISCLOSURE CONTROLS**

In connection with Exemption Orders issued in November, 2007, and revised in December, 2008, by each of the securities commissions across Canada, the Chief Executive Officer and Chief Financial Officer of the Company will file a Venture Issuer Basic Certificate with respect to the financial information contained in the unaudited interim financial statements and the audited annual financial statements and respective accompanying Management's Discussion and Analysis.

In contrast to the certificates under National Instrument ('NI') 52-109 (Certification of disclosure in an Issuer's Annual and Interim Filings), the Venture Issuer Basic Certification does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting as defined in NI 52-109.

## **ADDITIONAL INFORMATION**

Additional information relating to the Company, including the Annual Information Form dated August 11, 2014 and the Asian Mineral Resources Limited NI 43-101 Technical Reports dated March 3, 2017 and February 5, 2013 (as amended February 15, 2013), are available on SEDAR at [www.sedar.com](http://www.sedar.com).

## **SHARE DATA**

As at April 30, 2018, the Company had 795,920,841 common shares outstanding, as well as options outstanding to purchase an aggregate of 48,354,316 common shares expiring at various dates between August 23, 2018 and April 6, 2022 and exercisable at various prices between \$0.05 and \$0.10 per share. On a fully diluted basis, the Company has 844,275,157 common shares outstanding.