



**ABERDEEN**  
INTERNATIONAL

**Management's Discussion and Analysis**

**FOR THE THREE MONTHS ENDED APRIL 30, 2017**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE THREE MONTHS ENDED APRIL 30, 2017**  
*(All amounts stated in Canadian dollars, unless otherwise indicated)*

## **GENERAL**

This management's discussion and analysis of the operations, results and financial condition of Aberdeen International Inc. ("Aberdeen", or the "Company") should be read in conjunction with the condensed interim consolidated financial statements as at and for the three months ended April 30, 2017 and 2016, including the notes thereto. The condensed interim consolidated financial statements and related notes of Aberdeen have been prepared on a condensed basis in accordance with the International Accounting Standards ("IAS") 34, Interim Financial Reporting issued by the International Accounting Standard Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). A detailed summary of the Company's significant accounting policies is included in Note 2 of the Company's annual audited financial statements as at and for the years ended January 31, 2017 and 2016, which have been consistently applied. The Company's functional and reporting currency is the Canadian dollar. Unless otherwise noted, all references to currency in this Management's Discussion and Analysis ("MD&A") refer to Canadian dollars.

Additional information regarding Aberdeen, including our Annual Information Form ("AIF") dated June 13, 2017 and press releases, has been filed electronically through the System for Electronic Document Analysis and Retrieval ("SEDAR") and is available online under the Company's profile at [www.sedar.com](http://www.sedar.com). This MD&A is dated June 13, 2017 and reports on the Company's activities through June 13, 2017.

Aberdeen's common shares trade on the Toronto Stock Exchange ("TSX") under the symbol AAB.

## **CAUTION REGARDING FORWARD-LOOKING INFORMATION**

The MD&A may contain certain "forward-looking information" within the meaning of applicable securities law, which are prospective and reflect management's expectations regarding Aberdeen's future growth, results of operations, performance and business prospects and opportunities. Forward-looking information can often be identified by forward-looking words such as "anticipate", "believe", "expect", "goal", "plan", "intend", "estimate", "may" and "will" or similar words suggesting future outcomes, or other expectations, beliefs, plans, objectives, assumptions, intentions or statements about future events or performance. All statements, other than statements of historical fact, included herein, including without limitation, statements regarding the Company's plan of business operations; projections regarding future success based on past success; availability of financing on acceptable terms; ability to identify and execute investments; investment philosophy and business purposes; projected costs and expenditures; potential benefits of the business; anticipated returns; potential mineralization; projections regarding the business of investee companies, projection of future revenue; targets for cash operating costs; and future plans and objectives of Aberdeen are forward-looking information that involve various risks and uncertainties. There can be no assurance that such statements will prove to be accurate, and actual results and future events could differ materially from those anticipated in such statements. Important factors that could cause actual results to differ materially from Aberdeen's expectations include, but are not limited to, in particular, past success or achievement does not guarantee future success; risks related to investment performance, market fluctuations, fluctuations in commodity prices, uncertainties relating to the availability and costs of financing needed in the future, the strength of the Canadian, US and global economies and financial markets, foreign exchange fluctuations, competition, political and economic risks in the countries and financial markets in which the Company's investments' interests are located and other risks described elsewhere in this MD&A under the heading "Risks and Uncertainties" as well as those factors discussed in or referred to in the AIF of the Company filed on April 28, 2017, under the profile of the Company at [www.sedar.com](http://www.sedar.com). Estimates and assumptions that have been considered when formulating forward-looking information include, with respect to the investments and investment philosophy of Aberdeen, management expertise and knowledge of the resources industry and the continued involvement of the current management team with Aberdeen. With regard to all information included herein relating to investee

companies, Aberdeen has relied on information provided by its investees as well as any publicly available information disclosed by the respective companies.

Shareholders and prospective investors should be aware that these forward-looking statements are subject to known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from those suggested by the forward-looking information. Shareholders are cautioned not to place undue reliance on forward-looking information. By its nature, forward-looking information involves numerous assumptions, inherent risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and various future events will not occur. Aberdeen undertakes no obligation to update publicly or otherwise revise any forward-looking information whether as a result of new information, future events or other such factors that affect this information, except as required by law.

## OVERVIEW

Aberdeen is a publicly traded global resource investment company and merchant bank focused on small capitalization companies in the metals and mining sector. In general, the Company's investment philosophy is to acquire equity participation in:

- pre-IPO and/or early stage public companies with undeveloped and undervalued high-quality resources;
- companies in need of managerial, technical and financial resources to realize their full potential;
- companies undervalued in foreign capital markets; and
- companies operating in jurisdictions with low to moderate local political risk.

Aberdeen's primary investment objective is to realize exceptional returns by investing in pre IPO and/or early stage public resource companies with undeveloped or undervalued high quality resources. Aberdeen's investments are carried out according to an opportunistic and disciplined process to maximize returns while minimizing risk, taking advantage of investment opportunities identified from the industry contacts of the Board, the officers of the Company and the members of the Investment Committee.

Aberdeen provides valued-added strategic advice to these companies in addition to investment capital. The Company's strategy is to optimize the return on its investments over a 24 to 36 month investment time frame. Aberdeen also has access to key experts in the mining and financial sector who can provide further assistance in evaluating and monitoring companies and their progress.

The Company began operating as a global resource investment company and merchant bank in October 2007. As at April 30, 2017, the portfolio had investments in 25 companies with an estimated fair market value of \$29,383,679 (cost – \$34,340,742).

## FISCAL 2017 PERFORMANCE HIGHLIGHTS

<b>Operating Results</b>	Three months ended April 30,	
	2017	2016
	\$	\$
Realized (loss) gain on investments, net	(307,260)	12,568,736
Unrealized (loss) gain on investments, net	(2,306,742)	921,079
Net investment (loss) gain	(2,614,002)	13,489,815
Other revenue	66,999	100,045
Net (loss) income for the period	(3,042,072)	12,721,778
Basic and diluted (loss) income per share	(0.03)	0.13

	April 30, 2017	January 31, 2017
Investments	\$	\$
Total equities, at fair value	25,870,304	32,959,142
Loans receivable	3,513,375	1,659,030
<b>Total investments</b>	<b>29,383,679</b>	<b>34,618,172</b>
<b>Shareholders' equity</b>	<b>31,656,151</b>	<b>34,562,448</b>

During the three months ended April 30, 2017, the Company had a net investment loss of \$2,614,002 compared to a net investment gain of \$13,489,815 in the similar period of 2016. The net investment loss for the three months ended April 30, 2017 included a realized loss of \$307,260 from the sale of a public investment and expiration of warrants and an unrealized loss of \$2,306,742 on the balance of the equity investment portfolio. The Company's net loss for the three months ended April 30, 2017 was \$3,042,072 (\$0.03 per basic share) compared to net income of \$12,721,778 (\$0.13 per basic share) in 2016. The increased net loss for 2017 was from the total investment loss, increased transaction costs, decreased advisory fees offset by increased interest income, higher foreign exchange gain and decreased overall operating, general and administration expenses. For more details, please see the Results of Operations in this MD&A.

As at April 30, 2017, the Company's total investments decreased to \$29,383,679 from \$34,618,172 as at January 31, 2017. During the three months ended April 30, 2017, the Company's shareholders' equity decreased to \$31,656,151 from \$34,562,448 as at January 31, 2017. The decrease in the value of the Company's investment portfolio and decrease in shareholders' equity during 2018 was due to the net investment loss realized from the sale of Lithium X Energy Corp ("LIX") common shares and expiration of Trigon Metals Inc. ("TM") warrants, decreased share price of LIX common shares and African Thunder ("ATP") common shares, operating, general and administration expenses, transaction costs offset by interest income and foreign exchange gain. The remaining portfolio investments increased slightly due to improvement in equity markets as it relates to the resource sector. For more details, please see the 2018 Investment Activities in this MD&A.

## **INVESTMENTS, AT FAIR VALUE THROUGH PROFIT AND LOSS, AS AT APRIL 30, 2017 AND JANUARY 31, 2017.**

At April 30, 2017, the Company's equity investment portfolio consisted of eleven publicly-traded investments and thirteen privately-held investments for a total fair value of \$25,870,304.

At January 31, 2017, the Company's equity investment portfolio consisted of eleven publicly-traded investments and twelve privately-held investments for a total fair value of \$32,959,142.

## **PUBLIC INVESTMENTS**

At April 30, 2017, the Company's equity investment portfolio consisted of eleven publicly-traded investments for a total fair value of \$11,738,414.

Public Issuer	Note	Security description	Cost	Estimated Fair value	% of FV
Black Iron Inc.	(iii)	10,980,589 common shares	\$ 2,382,068	\$ 1,043,156	8.9%
Blue Sky Energy Inc.		2,554,680 common shares	934,041	2,426,946	20.7%
Fura Gems Inc.	(i,ii,iii)	6,800,000 common shares 2,400,000 warrants expire Jun 23, 2017	886,886	2,364,240	20.1%
Trigon Metals Inc.	(i)	1,817,169 common shares	810,401	599,666	5.1%
Lithium X Energy Corp.		1,379,100 common shares	2,606,499	2,578,917	21.9%
Pitchblack Resources Ltd.	(i,ii)	983,000 common shares	127,790	108,130	0.9%
QMX Gold Corporation	(iii)	10,000,000 common shares	1,000,000	2,250,000	19.2%
Sulliden Mining Capital Inc.	(iii)	373,500 common shares	242,472	104,580	0.9%
Valencia Ventures Inc.	(iii)	1,700,000 common shares	136,000	229,500	2.0%
Total of 2 other investments	(iv)		629,601	33,279	0.3%
<b>Total public investments</b>			<b>\$ 9,755,758</b>	<b>\$ 11,738,414</b>	<b>100.0%</b>

**Note**

- (i) The Company has filed a Section 62-103 report pursuant to the *Securities Act (Ontario)* for this investment and has filed an early warning report on SEDAR.
- (ii) The Company owns, on a partially diluted basis, at least a 10% interest in the investee as at April 30, 2017.
- (iii) A director and/or officer of the Company is a director and/or officer of the investee corporation as at April 30, 2017.
- (iv) Total other investments held by the Company that are not individually listed as at April 30, 2017. Directors and officers may hold investments personally.

At January 31, 2017 the Company's equity investment portfolio consisted of eleven publicly-traded investments for a total fair value of \$17,344,287.

Public Issuer	Note	Security description	Cost	Estimated Fair value	% of FV
Black Iron Inc.	(iii)	10,980,589 common shares	\$ 2,382,068	\$ 713,738	4.1%
Blue Sky Energy Inc.*		1,760,680 common shares	253,846	1,408,544	8.1%
Fura Gems Inc.**	(i,ii,iii)	6,800,000 common shares 2,400,000 warrants expire Jun 23, 2017	886,886	2,304,880	13.3%
Trigon Metals Inc.***	(i,ii)	1,817,169 common shares 1,000,000 warrants expired Feb 13, 2017	944,401	699,610	4.0%
Lithium X Energy Corp.		4,211,000 common shares	7,958,790	9,306,310	53.7%
Pitchblack Resources Ltd.	(i,ii)	983,000 common shares	127,790	108,130	0.6%
QMX Gold Corporation	(iii)	10,000,000 common shares	1,000,000	2,500,000	14.4%
Sulliden Mining Capital Inc.	(iii)	373,500 common shares	242,472	119,520	0.7%
Valencia Ventures Inc.	(iii)	1,700,000 common shares	136,000	153,000	0.9%
Total of 2 other investments	(iv)		629,601	30,555	0.2%
<b>Total public investments</b>			<b>\$ 14,561,854</b>	<b>\$ 17,344,287</b>	<b>100.0%</b>

\*Formerly Brookwater Capital Inc.

\*\*Formerly Fura Emeralds Inc.

\*\*\*Formerly Kombat Copper Inc.

**Note**

- (ii) The Company has filed a Section 62-103 report pursuant to the *Securities Act (Ontario)* for this investment and has filed an early warning report on SEDAR.
- (ii) The Company owns, on a partially diluted basis, at least a 10% interest in the investee as at January 31, 2017.
- (iii) A director and/or officer of the Company is a director and/or officer of the investee corporation as at January 31, 2017.
- (iv) Total other investments held by the Company that are not individually listed as at January 31, 2017. Directors and officers may hold investments personally.

## PRIVATE INVESTMENTS

At April 30, 2017, the Company's thirteen privately-held equity investments had a total fair value of \$14,131,890.

Private Issuer	Note	Security description	Cost	Estimated	
				Fair value	% of FV
2560344 Ontario Inc.		480,000 common shares	\$ 24,000	\$ 24,000	0.2%
Desert Lion Energy Inc.	(ii)	6,000,000 common shares	600,000	1,500,000	10.6%
African Thunder Platinum Limited	(i,ii,iii)	25,218,585 common shares	14,960,273	5,757,000	40.7%
Potasio y Litio de Argentina S.A.	(i,ii)	33,949,500 common shares	2,621,234	6,800,000	48.1%
Total of 9 other investments	(iv)		2,866,102	50,890	0.4%
Total private investments			\$ 21,071,609	\$ 14,131,890	100.0%

### Note

- (i) The Company owns 47.6% of the outstanding common shares and voting rights of African Thunder Platinum Limited. There are no contractual arrangements, financial support, or other restrictions with this Mauritius Corporation. The Company owns 50% of the outstanding common shares and voting rights of Potasio y Litio Argentina S.A. Refer to Note 2 of the Company annual consolidated financial statements as at and for the year ended January 31, 2017 relating to the exemption to consolidating particular subsidiaries and the exemption from accounting for associates using the equity method for investment entities.
- (ii) The Company owns, on a partially diluted basis, at least a 10% interest in the investee as at April 30, 2017.
- (iii) A director and/or officer of the Company is a director and/or officer of the investee corporation as at April 30, 2017.
- (iv) Total other investments held by the Company that are not individually listed as at April 30, 2017. Directors and officers may hold investments personally.

At January 31, 2017, the Company's twelve privately-held equity investments had a total fair value of \$15,614,855.

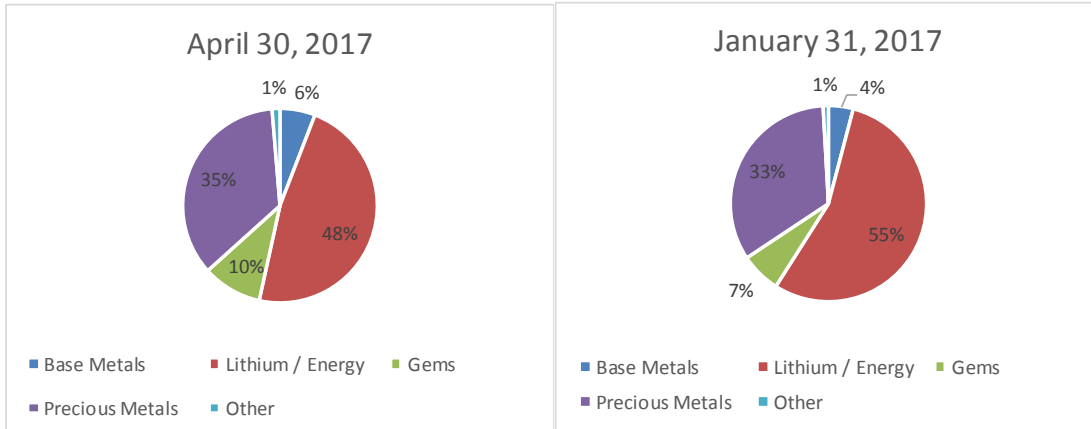
Private Issuer	Note	Security description	Cost	Estimated	
				Fair value	% of FV
Desert Lion Energy Corp.*	(ii)	6,000,000 common shares	\$ 600,000	\$ 1,500,000	9.6%
African Thunder Platinum Ltd.	(i,ii,iii)	25,218,585 common shares	14,960,273	7,233,000	46.4%
Potasio y Litio de Argentina S.A.	(i,ii)	33,949,500 common shares	2,621,234	6,800,000	43.5%
Total of 9 other investments	(iv)		2,866,102	81,855	0.5%
Total private investments			\$ 21,047,609	\$ 15,614,855	100.0%

\* Formerly 2523701 Ontario Inc.

### Note

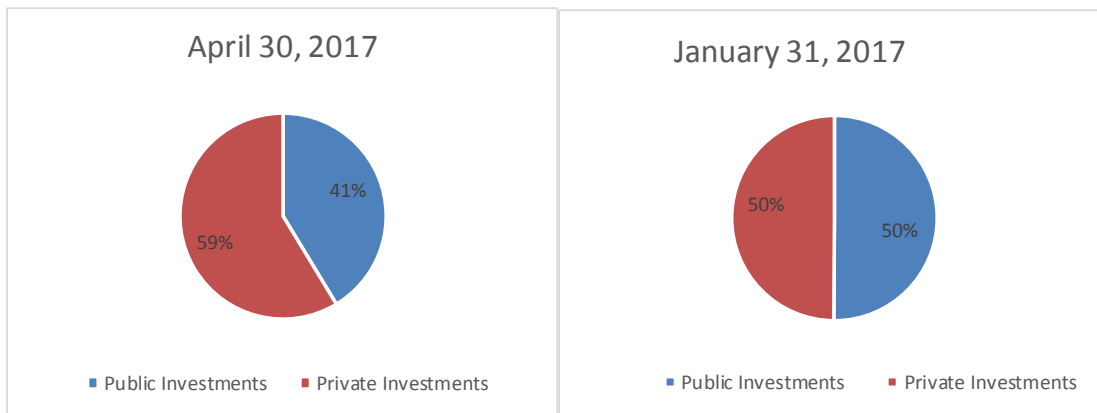
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- (ii) The Company owns, on a partially diluted basis, at least a 10% interest in the investee as at January 31, 2017.
- (iii) A director and/or officer of the Company is a director and/or officer of the investee corporation as at January 31, 2017.
- (iv) Total other investments held by the Company that are not individually listed as at January 31, 2017. Directors and officers may hold investments personally.

### Industry Allocation\*



\* As a percentage of the aggregate fair value of our investment portfolio

### Public/Private Company Allocation\*



\* As a percentage of the aggregate fair value of our investment portfolio

## 2018 INVESTMENT ACTIVITIES

During the three months ended April 30, 2017, the Company invested approximately 0.8 million and disposed of investments receiving proceeds of approximately \$5.0 million (details below).

### African Thunder

During the three months ended April 30, 2017, the Company invested approximately \$Nil into African Thunder. There were no realized gains or losses on African Thunder during the year ended January 31, 2017. The Company had unrealized losses of \$1.4 million on African Thunder during the three months ended April 30, 2017. As at April 30, 2017, African Thunder represented approximately 23% of the total assets of the Company. A 10% decline in the fair market value of African Thunder would result in an estimated increase in after-tax loss to Aberdeen of approximately \$0.6 million.

### *African Thunder Operations Update*

In April 2016, African Thunder decided to temporarily suspend mining operations at the Smokey Hills platinum-palladium mine. African Thunder was engaged in a process to review mine activities for 2016, including consultation with its work force and concluded that the best way to optimize the long-term value of the Smokey Hills mine and 2,000-ton-per-day plant facility was to suspend operations and focus on the planning and permitting required to optimize production and costs in the future. Since 2015, production

rates and efficiency had increased, equipment availability improved, costs decreased, and the safety record improved. However, the continued weak platinum and palladium prices have continued to drag on cash flow. With several more months of underground development required to achieve full production, African Thunder decided that it made the most sense to defer this expenditure until metal prices improve and other optimization plans can be implemented. Among the expected future optimizations, African Thunder has commenced the permitting process for open-cast production at the mine to add to low-cost tonnage that can be mined upon restart. The open cast is a critical development to the overall plan, as it should provide additional tonnage and improve operating flexibility. Permitting of the open pit is expected to take the remainder of 2017. In addition to the operational improvements currently being addressed, the major shareholders of African Thunder, Aberdeen and Pala Investments Ltd. ("Pala") are reviewing options to restructure the financial position of African Thunder to provide greater financial flexibility and less risk upon the future restart of operations.

African Thunder appointed Brett Richards as CEO of the company. Mr. Richards has over 30 years expertise in mining and metals. His background includes M&A, mine development and senior level operations experience. In addition, he brings publicly listed CEO experience in the mining sector, as well as business development, mine finance and global operational experience, with a geographical focus for the last 10 years in West Africa.

The board of directors of African Thunder have mandated Mr. Richards to advance plans for the re-start of the underground mine at the Smokey Hills Mine subject to commodity prices and currency exchange rates, exploring potential toll milling opportunities and divestment, and the development of the Kalplats project towards production, while exploring strategic acquisitions and divestures and other joint venture opportunities.

African Thunder is also conducting an evaluation of a number of potential business combinations to build a strong, platinum mid-tier producer in both the Bushveld and Limpopo Region and the North West Province of South Africa.

While the past year has seen weakness in the mining sector, including lower platinum and palladium prices, the longer-term fundamentals of platinum and palladium continue to be strong as governments commit to tackling air pollution from vehicles. Please see the Risk and Uncertainties section this MD&A for additional risk factors related to African Thunder.

#### *African Thunder Financial Information for the Year-Ended June 30, 2016*

For the year ended June 30, 2016, African Thunder had revenues of US\$10.2 million from approximately 16,400 ounces 4E PGM (platinum group metals – platinum, palladium, rhodium and gold) produced from July 2015 until April 2016 when the Smokey Hills Mine was put on care and maintenance. The cost of sales for the twelve months was US\$26.8 million resulting in a gross loss of US\$16.6 million. Operating expenses were US\$30.2 million which included US\$20.7 million in unrealized loss on foreign exchange differences, US\$6.0 million in depreciation on property, plant and equipment and US\$0.7 million on loss on disposal of property, plant and equipment. There were no impairment charges taken during the twelve-month period. The net loss before taxes was US\$48.2 million and the net loss after taxes was US\$40.5 million.

As at June 30, 2016, African Thunder's cash balance was US\$0.7 million and total current assets of US\$3.6M which included US\$0.9 million held in consumables and strategic spares and US\$2.1 million in accounts receivables. African Thunder's property, plant and equipment stood at US\$26.0 million and total non-current assets were US\$54.0 million which included US\$26.4 million deferred tax asset. As at June 30, 2016 African Thunder's current liabilities stood at US\$10.8 million which included the current portion of the Macquarie bank loan of US\$5.8 million and US\$3.1 million in loans from Pala and Aberdeen. Total non-current liabilities were US\$13.1 million which included the long term portion of the Macquarie bank loan of US\$6.7 million. The total US\$12.5 million Macquarie bank loan is secured against the assets of Smokey Hills mine and has an interest rate of the lower of either USD LIBOR plus 4% or USD prime rate plus 2% and is to be repaid quarterly starting September 30, 2016 and ending September 30, 2018. The



loans due to Pala and Aberdeen are unsecured and bear interest of 2.5% per annum and is due and payable on the later of June 21, 2016 or the business day immediately after the earlier of (i) the Macquarie Bank loan repayment dated and (ii) the completion of the Macquarie facility acquisition. As at June 30, 2016 total capital of African Thunder was US\$33.7 million.

As at June 30, 2016, African Thunder used cash of US\$12.1 million from operating activities. African Thunder's used cash from investing activities of US\$0.7M on the purchase of new equipment. African Thunder generated cash from financing activities of US\$12.9 million which included US\$9.3 million from equity raised from Pala and Aberdeen and US\$3.1M from loans raised from Pala and Aberdeen.

This financial information was prepared by the management of African Thunder and these individuals are independent of Aberdeen and Aberdeen has no involvement with and does not warrant or take any responsibility for the accuracy or completeness of the African Thunder financial statements. The financial information is based on historical results and may not be indicative of future results. The financial information provided above is of the audited consolidated financial statements of African Thunder.

#### *African Thunder Financial Information for the Nine Months Ended March 31, 2017*

For the nine months ended March 31, 2017, African Thunder had no revenues as the Smokey Hills mine had no production during the nine-month period. For the nine months ended March 31, 2017, African Thunder recorded a foreign exchange gain of US\$15.1 million and operating expenses of US\$5.8 million which includes US\$2.5 million in depreciation and amortization for an operating income of US\$9.3 million. The mine has been on care and maintenance since April 2016 and other items making up the operating expenses balance of US\$3.3 million represent the cost to maintain key staff, power and water contracts and have essential services while the mine is running on care and maintenance. For the nine months ended March 31, 2017 the net loss was US\$18.5 million. The additional US\$27.8 million of expenses was a result of financing costs relating to the Company's outstanding debt offset by investment revenue of US\$0.4 million and a tax expense of US\$27.4 million relating to the write down of the deferred tax asset.

As at March 31, 2017, African Thunder had a cash balance of US\$0.2 million and total current assets of US\$1.3 million which includes US\$0.8 million held in inventory and \$0.3 million in trade and other receivables. African Thunder's property, plant and equipment stood at US\$26.1 million and total non-current assets were US\$27.9 million. As at March 31, 2017 African Thunder's current liabilities stood at US\$6.2 million which included US\$5.7 million in shareholder loans. The shareholder loans are due to Pala and Aberdeen and are unsecured and bear interest at 2% per annum. African Thunder had non-current liabilities of US\$19.9 million. Included in non-current liabilities is the loan outstanding with Macquarie bank which stood at US\$13.0 million which is secured against the assets of Smokey Hills Mine and has an interest rate of the lower of either USD LIBOR plus 4% or USD prime rate plus 2% and is to be repaid quarterly starting September 30, 2016 and ending September 30, 2018. As at March 31, 2017 total capital of African Thunder was US\$3.1 million.

As at March 31, 2017, African Thunder used cash of US\$3.3 million from operating activities and generated cash from financing activities of US\$2.8 million from shareholders' loans.

This financial information was prepared by the management of African Thunder and these individuals are independent of Aberdeen and Aberdeen has no involvement with and does not warrant or take any responsibility for the accuracy or completeness of the African Thunder financial statements. The financial information is based on historical results and may not be indicative of future results. The financial information provided above is of the consolidated African Thunder. This information is unaudited.

#### **LIX**

During the three months ended April 30, 2017, the Company disposed of 2,711,900 shares receiving proceeds of 5.0 million and realized a loss of \$0.2 million. The Company had unrealized loss of \$1.4 million on LIX during the three months ended April 30, 2017. As at April 30, 2017, the LIX position represented approximately 8% of the total assets of the Company. A 10% decline in the fair market value of LIX would result in an estimated increase in after-tax loss to Aberdeen of approximately \$0.2 million. Please refer to LIX's SEDAR profile for additional information on this company.

## **PLASA**

During the three months ended April 30, 2017, the Company had an unrealized gain of \$Nil on PLASA during the three months ended April 30, 2017. As at April 30, 2017, PLASA represented 21% of the total assets of the Company. A 10% decline in the fair market value of PLASA would result in an estimated increase in after-tax loss of approximately \$0.5 million.

### *LIX / PLASA Operations Update*

PLASA entered into a joint venture (“JV”) agreement with Salta Exploraciones SA for the development of a pilot lithium production facility at the Sal de los Angeles Project (the “project”). SESA is a consortium of Argentina-based engineering and construction firms with extensive experience in the design, construction and operation of lithium brine facilities in Argentina's Puna region where Sal de los Angeles is located.

The JV agreement establishes a joint venture for the construction and operation of a pilot facility. The project has not been the subject of a feasibility study, and there is no guarantee the pilot plant will successfully produce a commercial product on a profitable basis or at all. There is currently no mineral resource, mineral reserve, or economic analysis on the Sal de los Angeles Project to support the construction and operation of a pilot plant and historically, such projects that have not first established technical feasibility and economic viability have had a much higher risk of technical and economic failure.

Additionally, the mineral resource upon which this project is based is considered a historical estimate and, as such, cannot be relied upon. A qualified person has not done sufficient work to classify this historical estimate as current mineral resources and the Company is not treating the historical estimate as a current mineral resource for the pilot production project.

Under the terms of the JV agreement, in order to earn a 50-per-cent stake in the joint venture, SESA must contribute an estimated US\$6-million, or the required amount for the construction and operation of the pilot plant to design levels, by incurring all construction and overrun costs, including the costs associated with one full year of post construction operation. PLASA must contribute US\$3.3-million over the next twelve months, with an initial contribution of US\$200,000 to be made within 30 days of receiving all necessary permits, in consideration for a 30 percent contributing participation in the joint venture and the right to sell any lithium products. PLASA will also be fully carried for the remaining 20 percent of the joint venture in consideration for contributing brine from existing wells on the project. The agreement has a 25-year term.

On May 5, 2016, the Company entered into a deferred consideration agreement with Routemaster whereby the Company will transfer 1,439,000 LIX common shares as full and final settlement of the \$2,000,000 payable owed to Routemaster. The Company transferred these shares to Routemaster during the year ended January 31, 2017.

## **Other Public and Private Equity Investments**

During the three months ended April 30, 2017, the Company invested approximately \$0.8 million in one public equity and one private equity investments and disposed of investments receiving proceeds of \$Nil million for a realized loss of \$0.1 million. During the three months ended April 30, 2017, the Company also realized loss of \$0.1 million on expired warrants. The Company had unrealized gain of \$0.5 million on other public and private investments during the three months ended April 30, 2017. As at April 30, 2017, other public and private investments represented approximately 46% of the total assets of the Company. A 10% decline in the fair market value of public and private investments would result in an estimated increase in after-tax loss of approximately \$1.1 million.

During the three months ended April 30, 2017, the Company purchased investments in 2560344 Ontario Inc. (private energy) and Blue Sky Energy Inc. (energy), sold investments in LIX (lithium) and disposed expired warrants in TM (Copper). Please refer to the companies SEDAR profiles for additional

information on these companies. Aberdeen does not take any responsibility for its investee SEDAR disclosure and makes no comment as to its accuracy or completeness.

As at April 30, 2017, the fair market value of the Company's total investment portfolio had a cumulative unrealized loss of \$4.9 million. The Company had cumulated unrealized losses of approximately \$1.5 million from its base metals holdings, \$8.1 million loss from its precious metals holdings, \$2.3 million loss from its agriculture holdings, \$1.0 million loss from other holdings, offset by \$6.5 million unrealized gain from its energy holdings and \$1.5 million from its gem holdings.

## **LOANS RECEIVABLE**

### ***African Thunder***

The Company entered into two loan agreements with African Thunder Platinum Limited ("ATPL") and provided US\$500,000 ("First Loan") on May 23, 2016 and US\$775,000 ("Second Loan") on June 6, 2016 to ATPL. These loans bear interest of 2.5% per annum and were due and payable on the later of (a) June 21, 2016; and (b) the business day immediately after the earlier of: (i) the Macquarie Bank Limited ("MBL") repayment date; and (ii) completion of the MBL facility acquisition. Any overdue and unpaid amounts are subject to interest of 10% per annum, payable on demand. The Company may convert the loan to equity, subject to ATPL board approval, at any time prior to the repayment date without the consent of MBL. Pala Investments Limited ("Pala") completed the purchase of the MBL loan in Q3 2016. These loans are unsecured and fully subordinated to the rights of Pala.

On October 23, 2016, the Company entered into loan amendment agreements with African Thunder whereby the repayment dates of the First and Second Loans were changed to December 31, 2016, or such other date African Thunder and Aberdeen agree in writing.

As of January 31, 2017, the total principal of US\$1,275,000 (\$1,659,030) and accrued interest of US\$32,659 (\$42,496) remained outstanding.

As of April 30, 2017, the principal balance of US\$1,275,000 (\$1,740,375) plus accrued interest of US\$62,367 (\$85,130) remained outstanding.

A director and a former director of the Company, George Faught and David Stein, are directors of African Thunder.

### ***Fura Gems Inc.***

On February 15, 2017, the Company entered into a loan agreement with Fura Gems Inc. ("Fura") and provided \$408,000 to Fura. The loan bears interest at 12% per annum. The loan principal and accrued interest are due and payable to the Company (i) in cash, six months from the date of the agreement, (ii) by the issue of 2,400,000 common shares of Fura upon such date mutually agreed upon by Fura and the Company, provided that the issue will not result in the Company holding more than 19.5% of the outstanding common shares of Fura. If the loan principal is repaid by Fura shares, Fura shall also pay to the Company an amount equal to any interest owed under the loan. This loan is unsecured and convertible.

As of April 30, 2017, the principal balance of \$408,000 plus accrued interest of \$9,926 remained outstanding. An officer of the Company, Ryan Ptolemy, is an officer of Fura.

### ***KAZ Invest AB***

On March 14, 2017, the Company entered into a loan agreement with KAZ Invest AB ("KAZ") and provided US\$1,000,000 to KAZ. This loan bears interest at 12% per annum. The principal and accrued interest are due and payable to the Company in cash on or before the date that is six months from the date of this agreement. KAZ and the Company may negotiate repayment of the loan via the transfer of securities

or other investment products but any arrangement for repayment other than cash remains subject to a subsequent written agreement. This loan is unsecured and convertible.

As of April 30, 2017, the principal balance of US\$1,000,000 (\$1,365,000) plus accrued interest of US\$13,151 (\$17,951) remained outstanding.

## SELECTED ANNUAL INFORMATION

The following are highlights of audited financial data of the Company for the most recently completed three financial years ended January 31:

	2017	2016	2015
	\$	\$	\$
Investment income (losses) & revenue	14,904,154	(6,278,189)	(2,773,440)
Net income (loss) for the year	9,796,805	(9,715,382)	(13,818,770)
Basic and diluted (loss) per share	0.11	(0.10)	(0.15)
Total assets	35,565,298	28,918,678	39,940,452
Total liabilities	1,002,850	3,028,082	4,088,645
Total dividends declared and distributed	-	-	-

## QUARTERLY INFORMATION

The following is a summary of unaudited financial data for the most recently completed eight quarters:

(Tabular amounts in \$000, except for per share amounts)

Period	<u>Investment gains (losses) &amp; revenues</u>	<u>Total assets</u>	<u>Net income (loss)</u>	<u>Basic and diluted income (loss) per share</u>
2018-1 <sup>st</sup> Qtr	(2,547)	32,460	(3,042)	(0.03)
2017-4 <sup>rd</sup> Qtr	2,547	35,565	(151)	0.00
2017-3 <sup>rd</sup> Qtr	(1,970)	35,514	(2,466)	(0.02)
2017-2 <sup>nd</sup> Qtr	737	40,357	(308)	(0.00)
2017-1 <sup>st</sup> Qtr	13,590	41,813	12,722	0.13
2016-4 <sup>th</sup> Qtr	(253)	28,919	(498)	(0.00)
2016-3 <sup>rd</sup> Qtr	288	27,480	(1,113)	(0.02)
2016-2 <sup>nd</sup> Qtr	(7,909)	30,654	(8,611)	(0.09)

During Q2 of 2016, the loss was driven by the decreased market value of our Tahoe investment along with additional equity investment portfolio write downs taken in light of the expected closing of the sale to Ore Acquisition Partners, L.P. ("Ore").

During Q3 and Q4 of 2016, the loss was driven by operating, general and administration expenses offset by unrealized gain on the public equity investment portfolio and advisory service fees earned from Ore.

During Q1 of 2017, the gain on the equity investment portfolio and net income was driven by the realized gain from sale of 50% of the common shares in PLASA to LIX.

During Q2 of 2017, the loss was driven by higher operating, general and administration expenses, offset by an unrealized gain on the equity investment portfolio gain, primarily on our equity holdings in LIX.

During Q3 of 2017, the loss was driven by unrealized loss on the equity investment portfolio, primarily on the equity holdings in LIX.

During Q4 of 2017, income was driven by unrealized gain on the equity investment portfolio, primarily on our equity holdings in LIX, PLASA, Fura Gems Inc. ("FUR"), and QMX.

During Q1 of 2018, the loss was mainly driven by the unrealized loss from our equity holdings in African Thunder and LIX.

## RESULTS OF OPERATIONS

The following is a discussion of the results of operations of the Company for the three months ended April 30, 2017 and 2016. This should be read in conjunction with the Company's condensed interim consolidated financial statements for the three months ended April 31, 2017 and 2016 and related notes.

### Three months ended April 31, 2017

	Three months ended April 30,	
	2017	2016
	\$	\$
Net (loss) income	(3,042,072)	12,721,778
Realized (loss) gain on investments, net	(307,260)	12,568,736
Unrealized (loss) gain on investments, net	(2,306,742)	921,079
Interest income	66,999	45
Advisory fees	-	100,000
Operating, general and administration	(552,969)	(863,471)
Transaction costs	(60,061)	(9,594)
Interest (expense)	(139)	(221)
Foreign exchange gain	118,100	5,204

The net loss for the three months ended April 30, 2017 was \$3,042,072 compared to net income of \$12,721,778 for the three months ended April 30, 2016.

The Company's realized and unrealized loss on investments was \$307,260 and \$2,306,742 respectively during the three months ended April 30, 2017 compared to a realized and unrealized gain on investments of \$12,568,736 and \$921,079 in the prior period. In Q1 2018, the Company's realized loss on investments was a result of disposal of shares of LIX common shares and TM warrants. The unrealized loss on investments during the quarter was due to decreased fair market value of approximately \$1.5 million in African Thunder common shares, approximately \$1.4 million in LIX common shares and approximately \$0.3 million combined in QMX Gold Corporation, Sulliden Mining Capital Inc., TM, and Indo Gold offset by appreciation of value for approximately \$0.8 million combined in Black Iron Inc., BSI, FUR and Valenica Venture Inc. common shares. The net investment gain for the three months ended April 30, 2016 included a realized gain of approximately \$12.5 million from the sale of 50% of common shares in PLASA, a realized gain of \$0.03 million from the sale of other public investments and an unrealized gain \$0.9 million on the balance of the investment portfolio.

During the three months ended April 30, 2017, the Company recorded interest income of \$66,999 compared to interest of \$45 for the three months ended April 30, 2016. Interest was earned from the Company's loans to African Thunder, Fura and KAZ Invest AB. See Loans Receivable Section for details.

During the three months ended April 30, 2017, the Company recorded advisory service fees of \$Nil compared to \$100,000 for the three months ended April 30, 2016. The advisory service fees were earned from management services provided in managing the portfolio from the Ore transaction net of the associated expenses incurred thereof.

Operating, general and administrative expense for the three months ended April 30, 2017 was \$552,969 compared to \$863,471 for the three months ended April 30, 2016. The decrease was mainly due to overall lower general and administrative compared to the prior period. For the three months ended April 30, 2017 and 2016, other major expenses of the Company that comprise general and administrative expenses include compensation of \$314,141 (2016 – \$447,869), legal, accounting and professional fees of \$77,240 (2016 – \$121,201), filing and transfer agent fees of \$16,119 (2016 – \$23,897), shareholder communication and promotion of \$16,069 (2016 – \$106,379), travel of \$69,430 (2016 – \$73,923) and general office and administration costs of \$59,970 (2016 – \$90,202).

The Company recorded \$60,061 transactions costs for the three months ended April 30, 2017 compared to \$9,594 for the three months ended April 30, 2016. The increase was related to fees and commissions incurred for the sale and purchase of equity investments.

The Company recorded a foreign exchange gain of \$118,100 during the three months ended April 30, 2017 compared to \$5,204 during the three months ended April 30, 2016. The gain reflects favourable currency fluctuations in the Company's cash, amounts receivable, loan and accounts payable denominated in US dollars.

## **CASH FLOWS**

### *Three months ended April 30, 2017*

Cash provided by operating activities during the three months ended April 30, 2017 was \$866,410 compared to \$4,558,244 during the three months ended April 30, 2016. The difference between the operating cash flow and the net loss for the quarter largely reflects the unrealized nature of loss from the Company's holdings of investments. Operating cash flow for the three months ended April 30, 2017 was largely generated by the \$4,961,285 proceeds from the disposal of the company's portfolio offset by \$772,280 purchase of portfolio investments and \$1,740,700 short-term loans provided, general and administrative expenses, and net changes in investment and non-cash working capital. During the three months ended April 30, 2016, \$5,456,402 was refunded from CRA, \$684,223 proceeds on the disposal of portfolio investments were provided offset by \$778,650 used in the purchase of portfolio investments general and administrative expenses, and net changes in investment and non-cash working capital.

Cash used in financing activities during the three months ended April 30, 2017 were \$Nil compared to \$2,043 used for share purchases relating to the Normal Course Issuer Bid ("NCIB") during the three months ended April 30, 2016.

## **LIQUIDITY AND CAPITAL RESOURCES**

Aberdeen relies upon various sources of funds for its ongoing operating activities. These resources include proceeds from dispositions of investments, interest and dividend income from investments, advisory fees, and corporate borrowings on the Company's margin account.

Aberdeen generated \$866,410 from its operating activities and used \$Nil in its financing activities during the three months ended April 30, 2017. Included in cash generated in operations are \$4,961,285 generated from the disposal of portfolio investments, and \$772,280 used to acquire new investments. The Company provided loans of \$1,740,700 and had loans of \$Nil repaid. The estimated fair value of its equity portfolio investments is \$25,870,304, loan receivable of \$3,513,375, amounts receivable of 1,424,117 and cash of \$1,492,739. This was partially offset by liabilities of \$803,977. The Company also maintains up to \$10 million margin loan facility with its prime broker to help manage its short-term cash flow needs. There was not any margin loan outstanding as at April 30, 2017 and January 31, 2017.

## **OUTLOOK**

During the three months ended April 30, 2017, The Company sold another 2,711,900 LIX common shares for proceeds of approximately \$5.0 million and invested in equity interests in companies such as 2560344 Ontario Inc. and BSI. In addition, the Company continued to hold of 1,379,100 LIX common shares which had a fair market value of \$2.6 million as at April 30, 2017. The Company continues to review opportunistic investments in companies it feels it can achieve an exceptional capital appreciation.

The Company's strategy will be to focus on more advanced, less risky investments in mining-friendly jurisdictions to generate superior risk-adjusted returns for Aberdeen's shareholders.

Aberdeen manages its portfolio among three broad categories of investments in the metals and mining sector and over the longer investment cycle will vary its target ratio between the three categories:

1. Long-term opportunities: Dominantly private companies where Aberdeen can acquire a meaningful controlling position through an equity investment or convertible loans. The holding period is expected to be three plus years. For these types of investments, Aberdeen will typically seek to take a lead role in financing and strategic planning. Aberdeen would expect to achieve liquidity from a public listing in the future, or through a merger/acquisition of the private assets.
2. Short/medium-term opportunities: Dominantly small or microcap public companies with moderate to low trading liquidity. Aberdeen will typically enter a position in a private placement where it can obtain warrants as well as common shares, and in many cases may be a significant shareholder (i.e. >5%) of the Company. The holding period is expected to be nine months to two years. While Aberdeen may not be a lead investor in these cases, it will seek to maintain close contact with management and monitor the growth and risk against our expectations, and seek liquidity as the Company delivers on its growth targets.
3. Trading opportunities: Aberdeen will at times maintain small minority positions in companies where it can capitalize on its expertise in the sector to realize on short-term opportunities or catalysts. Typically, positions would be held for less than nine months. This is not a focus for management currently.

## **MANAGEMENT CHANGES**

On February 3, 2017, David Stein resigned as a director of the Company. Mr. Stein will continue to work as a consultant to the Company as a portfolio manager in respect to Aberdeen's role with Ore Acquisition Partners LP. Building on the success of Ore Acquisition Partners, Mr. Stein will guide Aberdeen's efforts to build a larger investment pool to execute mining investments, including the possibility of establishing new funds, and to build greater co-investment relationships.

On March 27, 2017, General (retired) Lewis MacKenzie was appointed to the board of directors of Aberdeen. General MacKenzie retired from the Canadian Forces after 36 years of service. Since retiring, he has authored two bestselling books and numerous newspaper articles and is a frequent media commentator. He is known for commanding Sector Sarajevo, Bosnia-Herzegovina, under the United

Nations Protection Force in 1992. General MacKenzie has served as a director for a number of public companies. He has received the Order of Ontario and the Order of Canada. Mr. Begeman tendered his resignation from the Aberdeen board so that he can join the board of directors of African Gold Group. Mr. Begeman was president, chief executive officer and director of Avion Gold Inc. when that company recommenced mining operations at the Tabakoto and Segala gold mines in Mali. Avion Gold restarted and expanded production at the Tabakoto and Segala operations. The management team, led by Mr. Begeman, identified and acquired the Hounde project in Burkina Faso. Endeavour Mining acquired Avion Gold in 2012 after substantial growth in both market capitalization and production had occurred. Aberdeen wishes good fortune to Mr. Begeman and the African Gold team as they pursue success in West Africa.

## **NORMAL COURSE ISSUER BID (“NCIB”)**

On February 12, 2015, the Company announced its intention to make a NCIB to buy back its common shares through the facilities of the TSX (the “2016 NCIB”). The maximum number of common shares that could be purchased for cancellation pursuant to the NCIB was that number of common shares that represents 10% of the common shares in the public float. Based on the 77,965,256 common shares in the public float as at February 11, 2015, the maximum number of shares to be purchased and cancelled would be 7,796,525.

During fiscal 2016, the Company purchased and cancelled 1,802,794 (2016 - Nil) shares at an average price of \$0.136 (2016 - \$Nil) per share. During 2017, 17,500 additional shares of Aberdeen were purchased and cancelled relating to the 2016 NCIB at an average price of \$0.12 per share.

On March 8, 2016, the Company announced its intention to make a NCIB to buy back its common shares through the facilities of the TSX (the “2017 NCIB”). The maximum number of common shares that could be purchased for cancellation pursuant to the NCIB is that number of common shares that represents 10% of the common shares in the public float. Based on the 66,168,462 common shares in the public float as at March 2, 2016, the maximum number of shares to be purchased and cancelled would be 6,616,846. Daily purchases will be limited to 11,322 common shares other than block purchase exceptions.

On May 3, 2016, the Company utilized a block purchase exemption to purchase 6,616,846 shares for cancellation at \$0.18 per share. The 2017 NCIB was completed following this transaction.

## **COMMITMENT AND CONTINGENCIES**

### *Management contracts*

The Company is party to certain management contracts. These contracts contain minimum commitments of approximately \$808,000 ranging from 30 days to twenty-eight months and additional contingent payments of up to approximately \$3,105,000 upon the occurrence of a change of control. As a triggering event has not taken place, the contingent payments have not been reflected in the annual audited consolidated financial statements as at and for the three months ended April 30, 2017.

### *Tax positions*

In assessing the probability of realizing income tax assets and the valuation of income tax liabilities, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. The Company considers relevant tax planning opportunities that are within the Company's control, are feasible and within management's ability to implement. Examination by applicable tax authorities is supported based on individual facts and circumstances of the relevant tax position examined in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably



possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. Also, future changes in tax laws could limit the Company from realizing the tax benefits from the deferred tax assets. The Company reassesses unrecognized income tax assets at each reporting period.

#### *F&M costs sharing policy*

The Company was party to a cost sharing policy with F&M whereby the Company will be responsible for 50% of costs, including any reasonable third party costs such as legal, technical, and/or accounting expenses jointly incurred in connection with, or arising as a result of the pursuit of certain investment opportunities and the subsequent development of any such investment opportunities that are acquired by the Company and F&M up to a maximum of \$500,000. In the event any expenses incurred with respect to the investment opportunities are recouped by either party, such amounts will be allocated 50% to each party. During the three months ended April 30, 2016, the Company incurred \$Nil of legal and professional fees in relation to the policy. As at April 30, 2016, \$456,403 had been incurred by the Company. On March 27, 2017, the Board amended the cost sharing agreement whereby the Company would pay all legal, technical, and/or accounting expenses in connection with or arising as a result of the pursuit of certain investment opportunities and the subsequent development of any such investment opportunities that are acquired by the Company and F&M. During the three months ended April 30, 2017, the Company incurred \$Nil of legal and professional fees. As at April 30, 2017, \$1,199,051 had been incurred by the Company.

#### *Forbes Royalty*

During 2017, the Company entered into a loan agreement with Forbes Royalty Corporation ("FRC"), a corporation controlled by Stan Bharti, a director and officer of the Company. Pursuant to this agreement, the company has agreed to make loans to FRC up to a maximum of \$1,000,000. During the three months ended April 30, 2017, the Company advance a total of \$8,641 to FRC. As at April 30, 2017, \$204,150 has been advance pertaining to the loan agreement. See Related Party Section for more details.

## **FINANCIAL INSTRUMENTS**

#### *Fair value*

IFRS requires that the Company disclose information about the fair value of its financial assets and liabilities. Fair value estimates are made at the statements of financial position date, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties in significant matters of judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates.

The Company has determined the carrying value of its financial instruments as follows:

- i. The carrying value of cash, amounts receivable, due to brokers, accounts payable and accrued liabilities reflected on the statements of financial position approximate fair value because of the limited terms of these instruments.
- ii. Loans receivable, public and private investments and preferred shares are carried at amounts in accordance with the Company's accounting policies as set out in Note 2 of the annual audited consolidated financial statements as at and for the years ended January 31, 2017 and 2016.
- iii. Prior to maturity, the outstanding loans receivable are carried at their discounted value. Following their maturity, loans receivable are carried at their estimated realizable value.

The following table illustrates the classification of the Company's financial instruments, measured at fair value on the statements of financial position as at April 30, 2017 and January 31, 2017 categorized into levels of the fair value hierarchy:

Investments, fair value	Level 1	Level 2	Level 3	Total
	(Quoted Market price)	(Valuation technique - observable market inputs)	(Valuation technique - non-observable market inputs)	
Publicly traded investments	\$ 11,043,265	\$ 370,909	\$ -	\$ 11,414,173
Non-trading warrants on public investments	-	324,240	-	324,240
Private investments	-	-	14,131,890	14,131,890
April 30, 2017	\$ 11,043,264	\$ 695,149	\$ 14,131,890	\$ 25,870,303
Publicly traded investments	\$ 13,375,906	\$ 3,635,501	\$ -	\$ 17,011,407
Non-trading warrants on public investments	-	332,880	-	332,880
Private investments	-	-	15,614,855	15,614,855
January 31, 2017	\$ 13,375,906	\$ 3,968,381	\$ 15,614,855	\$ 32,959,142

During the three months ended April 30, 2017, public investments of \$3,343,816 were transferred from Level 2 to Level 1 as restriction had been removed from these public investments. During the year ended January 31, 2017, public investments of \$208,333 from Level 1 to Level 2 as the quoted price used was from public markets that were not active.

The following table presents the changes in fair value measurements of financial instruments classified as Level 3 for the periods ended April 30, 2017 and January 31, 2017. These financial instruments are measured at fair value utilizing non-observable market inputs. The net realized losses and net unrealized gains are recognized in the statements of operations and comprehensive income.

Investments, fair value	Three months ended		Year ended	
	April 30, 2017		January 31, 2017	
Balance, beginning of year	\$	15,614,855	\$	19,322,417
Purchase at cost - shares		24,000		1,562,926
Disposal at cost - shares		-		(2,621,234)
Unrealized and realized (loss) net		(1,506,965)		(2,649,254)
Balance, end of period	\$	14,131,890	\$	15,614,855

Included in unrealized gain (loss) for the three months ended April 31, 2017 and 2016, the total gains/(losses) that are attributable to change in unrealized gains/(losses) relating to those assets and liabilities held as at April 30, 2017 were \$(1,506,965) (January 31, 2017 were \$(2,649,254)).

Within Level 3, the Company included private company investments that are not quoted on an exchange. The key assumptions used in the valuation of these instruments include (but are not limited to) the value at which a recent financing was done by the investee, company-specific information, trends in general market conditions, discount cash flow models and the share performance of comparable publicly-traded companies.

The following table presents the fair value, categorized by key valuation techniques and the unobservable inputs used within Level 3 as at:

<i>Description</i>	<i>April 30, 2017</i>	<i>January 31, 2017</i>	<i>Valuation technique</i>	<i>Significant unobservable input(s)</i>	<i>Range of significant unobservable inputs</i>
	<i>Fair value</i>	<i>Fair value</i>			
African Thunder Platinum Ltd.	\$ 5,757,000	\$ 7,233,000	Discounted Cash Flow ("DCF Model")	Platinum prices Palladium prices ZAR/USD exchange rate Discount rate Mine restart date	US\$1,150- US\$1,347 US\$850 - US\$900 12.46-13.64 16.20% 2 years
Potasio y Lito Argentina S.A.	\$ 6,800,000	\$ 6,800,000	Recent transaction	Marketability of shares	0% discount
2523701 Ontario Inc.	\$ 1,500,000	\$ 1,500,000	Recent financing	Marketability of shares	0% discount
Other private investments	\$ 74,890	\$ 81,855	Adjusted recent financing	Marketability of shares	0% - 100% discount
	\$ 14,131,890	\$ 15,614,855			

As valuations of investments for which market quotations are not readily available, are inherently uncertain, may fluctuate within short periods of time and are based on estimates, determination of fair value may differ materially from the values that would have resulted if a ready market existed for the investments. Given the size of the private investment portfolio, such changes may have a significant impact on the Company's financial condition or operating results.

#### African Thunder

The Company did not engage any independent valuation for its African Thunder investment during the three months ended April 30, 2017. The Company relied on the most recent available information provided by African Thunder's management including available financial and technical reports as well as internal discounted cash flow models and model assumptions after considering the value of the loan receivable from African Thunder.

The key unobservable inputs identified by the Company are commodity prices, foreign exchange rates, discount rate and the date that mining activities re-start. The DCF Model is sensitive to the platinum and palladium commodity prices as these two commodities make up approximately 90% of the metals recovered.

As at April 30, 2017, a 10% decrease in the price of platinum would result in a decrease in the fair market value by approximately \$1.0 million (January 31, 2017 - \$2.4 million) where as a 10% increase in the price of platinum would result in an increase in the fair market value by approximately \$1.0 million (January 31, 2017 - \$2.2 million), keeping all other inputs constant. A 10% decrease in the price of palladium would result in a decrease in the fair market value by \$0.7 million (January 31, 2017 - \$1.7 million) where as a 10% increase in the price of palladium would result in an increase in the fair market value by approximately \$0.7 million (January 31, 2017 - \$1.7 million), keeping all other inputs constant.

As at April 30, 2017 a 10% decrease in the ZAR/USD exchange would result in a decrease in the fair value of by approximately of \$1.9 million (January 31, 2017 - \$4.2 million) whereas a 10% increase in the ZAR/USD exchange rate would result in an increase in the fair market value by approximately \$1.6 million (January 31, 2017 - \$3.7 million), keeping all other inputs constant. It is worth noting that commodity currencies like the ZAR and commodity prices tend to inversely move, therefore varying just the ZAR/USD exchange rate and keeping the other variables constant is not necessarily reflective of the actual results.

As at April 30, 2017, a discount of 12% used in the Smokey Hills mines DCF Model would increase the fair market value by approximately \$1.9 million (January 31, 2017 - \$4.0 million) whereas a discount rate of 17% used in the Smokey Hills mine DCF Model would result in a decrease in the fair market value by approximately \$0.3 million (January 31, 2017 - \$0.9 million), keeping all other inputs constant.

As at April 30, 2017, if the re-start of mining activities was after year 1 in the Smokey Hills mines DCF Model, the fair market value would increase by approximately \$1.6 million (January 31, 2017 - \$3.5 million) whereas if the re-start of mining activities was after year 3 in the Smokey Hills mine DCF Model, the fair market value would decrease by approximately \$1.3 million (January 31, 2017 - \$3.0 million), keeping all other inputs constant. African Thunder management decided to place the Smokey Hill's mine on care maintenance in fiscal 2018 whereas in fiscal 2017 the Smokey Hill's mine was operating.

#### Potasio y Litio de Argentina S.A.

The Company did not engage any independent valuation for its PLASA investment during the three months ended April 30, 2017. The Company relied on the most recent transaction announced whereby the Company sold 50% of the common shares PLASA to LIX for 8,000,000 LIX common shares valued at \$6,800,000. Included in the March 3, 2016 transaction, LIX has an option to acquire 30% of the PLASA investment held by Aberdeen for shares issued with a fair market value \$5.5 million on or before April 20, 2018, subject to completion of a feasibility study and spending of at least \$3,000,000.

The Company believes that there is a great potential for significant value created provided the project achieves a positive feasibility study and can obtain the required financing and permits required for construction. Likewise, if the feasibility study results are negative, the financing is not available or PLASA cannot obtain any of the required permits there is great potential for value destruction. PLASA will conduct exploration activities in Argentina which has, from time to time, experienced political and economic instability. PLASA may be materially adversely affected by risks associated by political instability and violence, war and civil disturbance, acts of terrorism, expropriation or nationalization, change in fiscal regimes, fluctuations in currency exchange rates, high rates of inflation, underdeveloped industrial and economic infrastructure; and enforceability of contractual rights. Provincial governments of Argentina have considerable authority over exploration and mining in their province and there are Argentinean provinces that have passed various laws to curtail or ban mining activities in those provinces. Argentina has and is currently enduring a period of high inflation that could increase PLASA's operating costs relating to work carried out on the Argentinean property. As at April 30, 2017, a +/- 10% change in the fair value of PLASA will result in a corresponding +/- \$680,000. (January 31, 2017 - +/- \$680,000).

#### Desert Lion Energy Corp. (formerly 2523701 Ontario Inc.)

On September 29, 2016, the Company along with other arms length parties invested into Desert Lion. In December 2016 and March 2017, Desert Lion closed additional private place with arms length parties to the Company at \$0.25 per share. Desert Lion Energy Corp. has recently acquired lithium claims in Namibia and started an exploration program on these claims which includes additional drilling. As at April 30, 2017, the valuation of Desert Lion was based on the December 2017 and March 2017 financing of \$0.25 per share. Management has determined that there are no reasonably possible alternative assumptions that would change the fair value significantly as at April 30, 2017. As at April 30, 2017, a +/- 10% change in the fair value of Desert Lion Energy Corp. will result in a corresponding +/- \$150,000 (January 31, 201 - +/- \$150,000).

The sensitivity analysis is intended to reflect the significant uncertainty inherent in the valuation of private investments under current market conditions, and the results cannot be extrapolated due to non-linear effects that changes in valuation assumptions may have on the estimated fair value of these investments. Furthermore, the analysis does not indicate a probability of changes occurring and it does not necessarily represent the Company's view of expected future changes in the fair value of these investments. Any management actions that may be taken to mitigate the inherent risks are not reflected in this analysis.

## TRANSACTIONS WITH RELATED PARTIES

The consolidated financial statements include the financial statements of the Company and its subsidiaries at its respective ownership listed in the following table.

	<u>Country of Incorporation</u>	<u>% equity interest</u>
Great Lakes Capital Management Inc.	Canada	100%
Aberdeen (Barbados) Inc.	Barbados	100%

The Company shares office space with other companies who may have common officers or directors. The costs associated with this space are administered by an unrelated company.

The Company advanced funds to related companies for investment purposes.

Included in amounts receivable are \$1,000,697 advanced to Brazil Potash Corp. ("BPC"). Such amounts are unsecured, non-interest bearing and with no fixed terms of repayment. A director and an officer of the Company, Stan Bharti and Ryan Ptolemy, serves as a director and an officer of BPC.

Included in prepaid expenses are \$68,250 advanced to Fura. This amount has subsequently applied against the Company's investment in Fura. An officer of the Company Ryan Ptolemy, serves as an officer of Fura.

Mr. Stan Bharti, a director and officer of the Company, is the Executive Chairman of F&M, a corporation that provides administrative and consulting services to the Company, including but not limited to strategic planning and business development. F&M charges a monthly consulting fee of \$25,000. As of April 30, 2017, \$Nil (January 31, 2017 - \$Nil) was owed to F&M.

The Company was party to a cost sharing policy with F&M whereby the Company will be responsible for 50% of costs, including any reasonable third party costs such as legal, technical, and/or accounting expenses jointly incurred in connection with, or arising as a result of the pursuit of certain investment opportunities and the subsequent development of any such investment opportunities that are acquired by the Company and F&M up to a maximum of \$500,000. In the event any expenses incurred with respect to the investment opportunities are recouped by either party, such amounts will be allocated 50% to each party. During the three months ended April 30, 2016, the Company incurred \$Nil of legal and professional fees in relation to the policy. As at April 30, 2016, \$456,403 had been incurred by the Company. On March 27, 2017, the Board amended the cost sharing agreement whereby the Company would pay all legal, technical, and/or accounting expenses in connection with or arising as a result of the pursuit of certain investment opportunities and the subsequent development of any such investment opportunities that are acquired by the Company and F&M. During the three months ended April 30, 2017, the Company incurred \$Nil of legal and professional fees. As at April 30, 2017, \$1,199,051 had been incurred by the Company. Stan Bharti, an officer and director of the Company, is the Executive Chairman of F&M.

During 2017, the Company entered into a loan agreement with Forbes Royalty Corporation ("FRC"), a corporation controlled by Stan Bharti, a director and officer of the Company. Pursuant to this agreement, the company has agreed to make loans to FRC up to a maximum of \$1,000,000. The loans will mature and be due and payable on the date on which FRC completes the earlier of (i) an initial public offering of the common shares, or a reverse takeover transaction, or any similar going public transaction or a private financing which shall occur no later than January 1, 2018 ("Transaction Deadline"); or (ii) final settlement or decision with respect to the legal claim FRC has brought against Patrick Sheridan.

If the loan first matures and becomes payable upon the occurrence of an event set out in subparagraphs (i) or (ii), then interest shall be payable on the principal at the rate of 10% per annum, payable on maturity. If the loan first matures and becomes payable upon the occurrence of an event set out in subparagraph (iii), then the loan shall be repaid in full upon FRC paying to the Company an amount equal to: (a) the amount of the principal draw down under this loan by FRC in first priority and senior in right of repayment to any other amount owed by FRC; plus (b) to the extent FRC receives any amount in excess of \$1,000,000 and the fees of external counsel incurred by FRC in connection with an event in subparagraph

(iii), 50% of such amount received in excess of the principal drawn down up to a maximum of three times the principal drawn down.

During the three months ended April 30, 2017, the Company advanced a total of \$8,641 (2016 - \$79,924) to FRC. As at April 30, 2017, \$204,150 has been advanced pertaining to the loan agreement. The Company has expensed this amount directly in the statement of comprehensive Income (loss) due to the uncertainty of success of the final settlement or decision with respect to the legal claim FRC has brought against Patrick Sheridan.

The Company provided loans to companies of which directors and officers are also directors and officers of Aberdeen. Directors and officers of Aberdeen may also hold investments in these companies. See Loans Receivable Section for details.

The Company earns financing advisory fees from companies of which directors and officers are also directors and officers of Aberdeen. Directors and officers of Aberdeen may also hold investments in these companies.

During the three months ended April 30, 2017, the Company earned \$400,000 (2016 - \$100,000) in advisory fees from Ore Acquisition Partners LP ("Ore") and incurred \$99,954 (2016 - \$Nil) in related expenses paid to David Stein and other vendors. The Company has control and direction over investments held by Ore. As at April 30, 2017, the Company held common investments with Ore in Black Iron Inc., Pitchblack Resources Ltd., and Sulliden Capital Mining Inc. A former director of Aberdeen, David Stein, is a limited partner in Ore.

The Company's officers and directors may have investments in and hold management and/or director and officer positions in some of the investments that the Company holds.

The following is a list of total investments and the nature of the relationship of the Company's officers or directors with the investment as at April 30, 2017 and January 31, 2017.

Investment	Nature of relationship	Estimated Fair value	% of FV
African Thunder Platinum Limited.*	Former director (David Stein) and director (George Faught)	5,757,000	22.3%
Apio Africa Ltd.	Director (Stan Bharti) and shareholders	33,279	0.1%
Amazon Potash Corporation*	Directors (Stan Bharti, George Faught) and shareholders	-	0.0%
Black Iron Inc.	Officer (Stan Bharti) and shareholders	1,043,156	4.0%
Blue Sky Energy Inc.		2,426,946	9.4%
Fura Gems Inc.	Officer (Ryan Ptolemy), 10% security holder (Stan Bharti) and shareholders	2,364,240	9.1%
Desert Lion Energy Corp.*	Shareholders	1,500,000	5.8%
Indo Gold Limited *	Former director (David Stein) and former officer (Stan Bharti)	50,890	0.2%
Lithium X Energy Corp.	Shareholders	2,578,917	10.0%
QMX Gold Corporation	10% security holder (Stan Bharti) and shareholders	2,250,000	8.7%
Sulliden Mining Capital Inc.	Director (Stan Bharti) and shareholders	104,580	0.4%
Temujin Mining Corp.*	Director (Stan Bharti), Former director (David Stein) and shareholders	-	0.0%
Valencia Ventures Inc.	Director (Bernand Wilson), 10% security holder (Stan Bharti) and shareholders	229,500	0.9%
Potasio y Litio de Argentina S.A.*		6,800,000	26.3%
Total of 10 other investments	Shareholders/warrant holders	731,796	2.8%
<b>Total Investments - April 30, 2017</b>		<b>\$ 25,870,304</b>	<b>100.0%</b>

\* Private company

Investment	Nature of relationship	Estimated Fair value	% of FV
African Thunder Platinum Limited.*	Directors (David Stein, George Faught)	7,233,000	21.9%
Apio Africa Ltd.	Director (Stan Bharti) and shareholders	30,555	0.1%
Amazon Potash Corporation*	Directors (Stan Bharti, George Faught) and shareholders	-	0.0%
Black Iron Inc.	Officer (Stan Bharti) and shareholders	713,738	2.2%
Fura Gems Inc.**	Officer (Ryan Ptolemy), 10% security holder (Stan Bharti) and shareholders	2,304,880	7.0%
Desert Lion Energy Corp.*	Shareholders	1,500,000	4.6%
Indo Gold Limited *	Director (David Stein) and former officer (Stan Bharti)	81,855	0.2%
Lithium X Energy Corp.	Shareholders	9,306,310	28.2%
QMX Gold Corporation	10% security holder (Stan Bharti) and shareholders	2,500,000	7.6%
Sulliden Mining Capital Inc.	Director (Stan Bharti) and shareholders	119,520	0.4%
Temujin Mining Corp.*	Directors (Stan Bharti, David Stein) and shareholders	-	0.0%
Valencia Ventures Inc.	Director (Bernard Wilson), 10% security holder (Stan Bharti) and shareholders	153,000	0.5%
Potasio y Litio de Argentina S.A.*		6,800,000	20.6%
Total of 10 other investments	Shareholders/warrant holders	2,216,284	6.7%
Total Investments - January 31, 2017		\$ 32,959,142	100.0%

\* Private company

\*\*Formerly Fura Emeralds Inc.

The Company has a diversified base of investors. To the Company's knowledge, other than Lloyd I Miller, no shareholder holds more than 10% of the Company's common shares as of April 30, 2017 and January 31, 2017.

### Compensation of Key Management Personnel of the Company

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company.

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

The remuneration of directors and other members of key management personnel during the period was as follows:

	Three months ended April 30,	
	2017	2016
Short-term benefits (*)	\$ 80,000	\$ 245,999
Share-based payments	\$ 83,981	\$ -
	<u>\$ 163,981</u>	<u>\$ 245,999</u>

At April 30, 2017, the Company had accounts payable and accrued liabilities balance of \$142,000 (January 31, 2017 - \$222,731) owing to its key management and related companies for severance, DSU accrual, and expense reimbursement. Such amounts are unsecured, non-interest bearing and with no fixed terms of payment.

### OFF BALANCE SHEET ARRANGEMENTS

The Company is not committed to any off-balance sheet arrangements.

## CRITICAL ACCOUNTING ESTIMATES

The Company's accounting policies are described in Note 2 of the annual audited consolidated financial statements for the years ended January 31, 2017 and 2016. The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions which affect the amounts reported in the financial statements and accompanying notes. The following is a list of the accounting policies that the Company believes are critical, due to the degree of uncertainty regarding the estimates and assumptions involved and the magnitude of the asset, liability, revenue or expense being reported.

### *Investments*

Purchases and sales of investments are recognized on a trade date basis. Public and private investments at fair value through profit or loss are initially recognized at fair value with changes in fair value reported in profit (loss).

At each financial reporting period, the Company's management estimates the fair value of its investments based on the criteria below and reflects such valuations in the financial statements.

Transaction costs are expensed as incurred in the statements of comprehensive loss. The determination of fair value requires judgment and is based on market information where available and appropriate. At the end of each financial reporting period, the Company's management estimates the fair value of investments based on the criteria below and reflects such changes in valuations in the statements of comprehensive loss. The Company is also required to present its investments (and other financial assets and liabilities reported at fair value) into three hierarchy levels (Level 1, 2, or 3) based on the transparency of inputs used in measuring the fair value, and to provide additional disclosure in connection therewith. The three levels are defined as follows:

- Level 1 – investment with quoted market price;
- Level 2 – investment which valuation technique is based on observable market inputs; and
- Level 3 – investment which valuation technique is based on non-observable market inputs.

#### Publicly-traded investments:

1. Securities, including shares, options, and warrants that are traded on a recognized securities exchange and for which no sales restrictions apply are recorded at fair values based on quoted closing prices at the statements of financial position date or the closing price on the last day the security traded if there was no trades at the statements of financial position date. These are included in Level 1.
2. Securities that are traded on a recognized securities exchange but are escrowed or otherwise restricted as to sale or transfer are recorded at amounts discounted from market value. Shares that are received as part of a private placement that are subject to a standard four-month hold period are not discounted. In determining the discount for such investments, the Company considers the nature and length of the restriction, business risk of the investee corporation, relative trading volume and price volatility and any other factors that may be relevant to the ongoing and realizable value of the investments. These are included in Level 2.
3. Warrants or options of publicly-traded securities which do not have a quoted price are carried at an estimated fair value calculated using the Black-Scholes option pricing model if sufficient and reliable



observable market inputs are available. If no such market inputs are available or reliable, the warrants and options are valued at intrinsic value. These are included in Level 2.

4. Performance Shares are convertible into common shares if or when the investee companies meet certain milestones. These Performance Shares are recorded at fair value when the certainty of meeting these milestones is reasonably assured. These are included in Level 3.

The amounts at which the Company's publicly-traded investments could be disposed of may differ from carrying values based on market quotes, as the value at which significant ownership positions are sold is often different than the quoted market price due to a variety of factors such as premiums paid for large blocks or discounts due to illiquidity. Such differences could be material.

Privately-held investments:

1. Securities in privately-held companies (other than options and warrants) are initially recorded at cost, being the fair value at the time of acquisition. At the end of each financial reporting period, the Company's management estimates the fair value of investments based on the criteria below and reflects such valuations in the financial statements. These are included in Level 3. Options and warrants of private companies are carried at their intrinsic value.

With respect to valuation, the financial information of private companies in which the Company has investments may not always be available, or such information may be limited and/or unreliable. Use of the valuation approach described below may involve uncertainties and determinations based on the Company's judgment and any value estimated from these may not be realized or realizable. In addition to the events described below, which may affect a specific investment, the Company will take into account general market conditions when valuing the privately-held investments in its portfolio. The absence of these events or any significant change in general market conditions indicates generally that the fair value of the investment has not materially changed.

2. An upward adjustment is considered appropriate and supported by pervasive and objective evidence when a significant subsequent equity financing by an unrelated investor at a transaction price higher than the Company's carrying value occurs; or if there have been significant corporate, political or operating events affecting the investee company that, in management's opinion, have a positive impact on the investee company's prospects and therefore its fair value. In these circumstances, the adjustment to the fair value of the investment will be based on management's judgment and any value estimated may not be realized or realizable. Such events include, without limitation:
  - political changes in a country in which the investee company operates that, for example, reduce the corporate tax burden, permit mining where, or to an extent that, it was not previously allowed, or reduce or eliminate the need for permitting or approvals;
  - receipt by the investee company of environmental, mining, aboriginal or similar approvals, which allow the investee company to proceed with its project(s);
  - filing by the investee company of a National Instrument 43-101 technical report in respect of a previously non-compliant resource;
  - release by the investee company of positive exploration results, which either proves or expands their resource prospects; and
  - important positive management changes by the investee company that the Company's management believes will have a very positive impact on the investee company's ability to achieve its objectives and build value for shareholders.
3. Downward adjustments to carrying values are made when there is evidence of a decline in value as indicated by the assessment of the financial condition of the investment based on third party financing, operational results, forecasts, and other developments since acquisition, or if there have been significant corporate, political or operating events affecting the investee company that, in management's opinion, have a negative impact on the investee company's prospects and therefore

its fair value. The amount of the change to the fair value of the investment is based on management's judgment and any value estimated may not be realized or realizable. Such events include, without limitation:

- political changes in a country in which the investee company operates that increases the tax burden on companies, that prohibit mining where it was previously allowed, that increases the need for permitting or approvals, etc.;
- denial of the investee company's application for environmental, mining, aboriginal or similar approvals that prohibit the investee company from proceeding with its projects;
- the investee company releases negative exploration results;
- changes to the management of the investee company take place that the Company believes will have a negative impact on the investee company's ability to achieve its objectives and build value for shareholders;
- the investee company is placed into receivership or bankruptcy; and
- based on financial information received from the investee company, it is apparent to the Company that the investee company is unlikely to be able to continue as a going concern.

The resulting values may differ from values that would be realized had a ready market existed. The amounts at which the Company's privately-held investments could be disposed of may differ from the carrying value assigned. Such differences could be material.

Investments in associates:

Investments in associates are those entities over which the Company has or is deemed to have significant influence, but not control over, the financial and operating policies. Investments in associates are held as part of the Company's investment portfolio and carried in the statement of financial position at fair value even though the Company may have significant influence over the companies. This treatment is permitted by IAS 28, Investments in Associates and Joint Ventures ("IAS 28"), which allows investments held by venture capital or similar organizations to be excluded from its scope where those investments are measured at fair value through profit or loss in accordance with IFRS 9, with changes in fair value recognized in the statement of comprehensive (loss) within unrealized gains or losses on investments.

Investments with control:

The Company owns 47.6% of the outstanding common shares and voting rights of African Thunder and 50% of the outstanding common shares and voting rights of PLASA. There are no contractual arrangements, financial support, or other restrictions with these Canadian corporations. The Company has reviewed the guidance on the adoption of IFRS 10, *Consolidated Financial Statements*, and determined that it qualifies for the exemption from consolidation given that the Company has the following typical characteristics of an investment entity, with the exception of Great Lake Capital Management Inc. and Aberdeen (Barbados) Inc. to the extent that these subsidiaries provide services that relate to the Company's investment activities.

- (a) *obtains funds from one or more investors for the purpose of providing those investor(s) with investment management services;*
- (b) *commits to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and*
- (c) *measures and evaluates the performance of substantially all of its investments on a fair value basis.*

As a result of this exemption, the Company's investment in these companies are recorded as a financial instrument, similarly to Aberdeen's other private investments.

Loans receivable:

1. The recoverability of loan receivable is assessed when events occur indicating impairment. Recoverability is based on factors such as failure to pay interest on time and failure to pay the principal. An impairment loss is recognized in the period when it is determined that the carrying

amount of the assets will not be recoverable. At that time the carrying amount is written down to fair value. Secured debentures are financial instruments classified as loans and receivables.

2. Convertible debentures and convertible notes issued from publicly traded companies are carried at the higher of the loan receivable value of the loan or the fair value of the common shares or units receivable from the conversion assuming the conversion can be done at the Company's option. The conversion feature of convertible debentures and convertible notes issued from private companies are carried at nominal value. Convertible debentures and convertible notes are financial instruments classified as held for trading.

#### *Financial assets other than investments at fair value*

Financial assets which are managed to collect contractual cash flows made up of principal and interest are designated as at amortized cost. All other financial assets are designated as at fair value through profit or loss. All financial assets are recognized initially at fair value plus, in the case of financial assets designated at amortized cost, directly attributable transaction costs. Financial assets at amortized cost are measured at initial cost plus interest calculated using the effective interest rate method less cumulative repayments and cumulative impairment losses.

A financial asset is derecognized when the rights to receive cash flows from the asset have expired, or the Company has transferred substantially all the risks and rewards of the asset. The Company assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. For amounts deemed to be impaired, the impairment provision is based upon the expected loss.

#### *Impairment of financial assets*

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Financial assets are considered to be impaired if objective evidence indicates that a change in the market, economic or legal environment in which the Company invested has had a negative effect on the estimated future cash flows of that asset. An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale investment is calculated by reference to its fair value.

Impairment losses are recognized in the statement of comprehensive loss. For financial assets measured at amortized cost, any reversal of impairment is recognized in the statement of comprehensive loss.

#### *Revenue Recognition*

Realized gains and losses on the disposal of investments and unrealized gains and losses in the value of investments are reflected in the statement of comprehensive loss on a trade date basis. Upon disposal of an investment, previously recognized unrealized gains or losses are reversed, so as to recognize the full realized gain or loss in the period of disposition. All transaction costs are expensed as incurred. Dividend income is recorded on the ex-dividend date. Interest income and other income are recorded on an accrual basis. Deferred revenue is recognized over the period for which the revenue is earned.

The Company earns advisory service fees as well as interest and dividend income. Such revenue is recognized based on contractual obligations and when collection is reasonably assured.

#### *Income Taxes*

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to the translation gain or loss on the royalty division, recognized directly in other comprehensive income or loss.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

#### *Share-Based Payments*

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Fair value is measured at grant date and each tranche is recognized on a graded-vesting basis over the period in which options vest. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity reserve.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

For options that expire unexercised, the recorded value is transferred to retained earnings.

## **SIGNIFICANT ACCOUNTING POLICIES**

#### *Future accounting change*

Certain new standards, interpretations, amendments and improvements to existing standards was issued by the IASB or IFRIC that are mandatory for accounting periods beginning on February 1, 2017 or later. Updates that are not applicable or are not consequential to the Company have been excluded. The following have not been adopted and are being evaluated to determine their impact on the Company.

IFRS 2 – Share-based Payment (“IFRS 2”) was amended by the IASB in June 2016 to clarify the accounting for cash settled share-based payment transactions that include a performance condition, the classification of share-based payment transactions with net settlement features and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled. The amendments are effective for annual periods beginning on or after January 1, 2018, with earlier application permitted. The Company is evaluating the impact of adopting of this standard

IAS 12 – Income Taxes (“IAS 12”) was amended in January 2017 to clarify that, among other things, unrealized losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument’s holder expects to

recover the carrying amount of the debt instrument by sale or by use; the carrying amount of an asset does not limit the estimation of probable future taxable profits; and estimates for future taxable profits exclude tax deduction resulting from the reversal of deductible temporary differences. The amendments are effective for annual periods beginning on or after January 1, 2017. Earlier adoption is permitted. There was no material impact in adopting this standard.

IFRIC 22 – Foreign Currency Transactions and Advance Consideration (“IFRIC 22”) was issued in December 2016 and addresses foreign currency transactions or parts of transactions where there is consideration that is denominated in a foreign currency; a prepaid asset or deferred income liability is recognized in respect of that consideration, in advance of the recognition of the related asset, expense or income; and the prepaid asset or deferred income liability is non-monetary. The interpretation committee concluded that the date of the transaction, for purposes of determining the exchange rate, is the date of initial recognition of the non-monetary prepaid asset or deferred income liability. IFRIC 22 is effective for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted. The Company is evaluating the impact of adopting of this standard

## **RISKS AND UNCERTAINTIES**

The investment in pre-IPO and early stage public resource companies involves significant risks, which even a combination of careful evaluation, experience and knowledge may not eliminate. Certain risk factors listed below are related to investing in the resource industry in general while others are specific to Aberdeen. For an additional discussion of risk factors and other information please refer to the Company’s Annual Information Form filed on April 28, 2017, under the profile of the Company at [www.sedar.com](http://www.sedar.com).

### *Portfolio Exposure*

Given the nature of Aberdeen’s activities, the results of operations and financial condition of the Company are dependent upon the market value of the securities that comprise the Company’s investment portfolio. Market value can be reflective of the actual or anticipated operating results of companies in the portfolio and/or the general market conditions that affect the resource sector. Various factors affecting the resource sector could have a negative impact on Aberdeen’s portfolio of investments and thereby have an adverse effect on its business. Additionally, the Company’s investments are mostly in small-cap businesses that may never mature or generate adequate returns or may require a number of years to do so. Junior exploration companies may never achieve commercial discoveries and production. This may create an irregular pattern in Aberdeen’s investment gains and revenues (if any) and an investment in the Company’s securities may only be suitable for investors who are prepared to hold their investment for a long period of time. Macro factors such as fluctuations in commodity prices and global political and economical conditions could have an adverse effect on the resource industry, thereby negatively affecting the Company’s portfolio of investments. Company-specific risks, such as the risks associated with mining operations generally, could have an adverse effect on one or more of the investments in the portfolio at any point in time. Company-specific and industry-specific risks that materially adversely affect the Company’s investment portfolio may have a materially adverse impact on operating results.

### *Concentration of Investments*

Other than as described herein, there are no restrictions on the proportion of the Company’s funds and no limit on the amount of funds that may be allocated to any particular investment. The Company may participate in a limited number of investments and, as a consequence, its financial results may be substantially adversely affected by the unfavourable performance of a single investment. Completion of one or more investments may result in a highly concentrated investment in a particular company, commodity or geographic area, resulting in the performance of the Company depending significantly on the performance of such company, commodity or geographic area. As at April 30, 2017, LIX, African Thunder and PLASA represented approximately 8%, 23% and 21% of the Company’s total assets, respectively. As a result, the valuation of these investments and the overall financial condition of the Company depends on the performance of these two investee companies.

### *Private Issuers and Illiquid Securities*

Aberdeen invests in securities of private issuers. Securities of private issuers may be subject to trading restrictions, including hold periods, and there may not be any market for such securities. These limitations may impair the Company's ability to react quickly to market conditions or negotiate the most favourable terms for exiting such investments. Investments in private issuers are subject to a relatively high degree of risk. There can be no assurance that a public market will develop for any of Aberdeen's private company investments, or that the Company will otherwise be able to realize a return on such investments.

The value attributed to securities of private issuers will be the cost thereof, subject to adjustment in limited circumstances, and therefore may not reflect the amount for which they can actually be sold. Because valuations, and in particular valuations of investments for which market quotations are not readily available, are inherently uncertain, may fluctuate within short periods of time and may be based on estimates, determinations of fair value may differ materially from the values that would have resulted if a ready market had existed for the investments.

Aberdeen also invests in illiquid securities of public issuers. A considerable period of time may elapse between the time a decision is made to sell such securities and the time the Company is able to do so, and the value of such securities could decline during such period. Illiquid investments are subject to various risks, particularly the risk that the Company will be unable to realize its investment objectives by sale or other disposition at attractive prices or otherwise be unable to complete any exit strategy. In some cases, the Company may be prohibited by contract or by law from selling such securities for a period of time or otherwise be restricted from disposing of such securities. Furthermore, the types of investments made may require a substantial length of time to liquidate.

The Company may also make direct investments in publicly-traded securities that have low trading volumes. Accordingly, it may be difficult to make trades in these securities without adversely affecting the price of such securities.

### *Cash Flow and Revenue*

Aberdeen's revenue and cash flow is generated primarily from financing activities, proceeds from the disposition of investments and management fees from Ore. The availability of these sources of income and the amounts generated from these sources are dependent upon various factors, many of which are outside of the Company's direct control. The Company's liquidity and operating results may be adversely affected if its access to the capital markets is hindered, whether as a result of a downturn in the market conditions generally or to matters specific to the Company, or if the value of its investments decline, resulting in losses upon disposition.

### *Dependence on Management, Directors and Investment Committee*

Aberdeen is dependent upon the efforts, skill and business contacts of key members of management, for among other things, the information and deal flow they generate during the normal course of their activities and the synergies that exist amongst their various fields of expertise and knowledge. Accordingly, the Company's success may depend upon the continued service of these individuals who are not obligated to remain consultants to Aberdeen. The loss of the services of any of these individuals could have a material adverse effect on the Company's revenues, net income and cash flows and could harm its ability to maintain or grow existing assets and raise additional funds in the future.

### *Sensitivity to Macro-Economic Conditions*

Due to the Company's focus on the resource industry, the success of Aberdeen's investments is interconnected to the strength of the mining, agriculture and other commodity industries. The Company may be adversely affected by the falling share prices of the securities of investee companies; as Aberdeen's share prices have directly and negatively affected the estimated value of Aberdeen's portfolio of investments. The Company may also be adversely affected by fluctuations in commodity prices which may dictate the prices at which resource companies can sell their product. The participation and involvement of Aberdeen representatives with investee companies, the related demand on their time and the capital

resources required of Aberdeen may be expected to increase in the event of any weaknesses in the macro-economic conditions affecting these companies, as it would be expected that the Company would be required to expend increased time and efforts reviewing strategic alternatives and attracting any funding required for such investee companies. The factors affecting current macro-economic conditions are beyond the control of the Company.

#### *Possible Volatility of Stock Price*

The market prices of the Company's common shares have been and may continue to be subject to wide fluctuations in response to factors such as actual or anticipated variations in its results of operations, changes in financial estimates by securities analysts, general market conditions and other factors. Market fluctuations, as well as general economic, political and market conditions such as recessions, interest rate changes or international currency fluctuations may adversely affect the market price of the common shares. The purchase of common shares involves a high degree of risk and should be undertaken only by investors whose financial resources are sufficient to enable them to assume such risks and who have no need for immediate liquidity in their investment. Securities of the Company should not be purchased by persons who cannot afford the possibility of the loss of their entire investment. Furthermore, an investment in the Company should not constitute a major portion of an investor's portfolio.

#### *Trading Price of Common Shares Relative to Net Asset Value*

Aberdeen is neither a mutual fund nor an investment fund and due to the nature of its business and investment strategy and the composition of its investment portfolio, the market price of its common shares, at any time, may vary significantly from the Company's net asset value per common share. This risk is separate and distinct from the risk that the market price of the common shares may decrease.

#### *Available Opportunities and Competition for Investments*

The success of the Company's operations will depend upon: (i) the availability of appropriate investment opportunities; (ii) the Company's ability to identify, select, acquire, grow and exit those investments; and (iii) the Company's ability to generate funds for future investments. Aberdeen can expect to encounter competition from other entities having similar investment objectives, including institutional investors and strategic investors. These groups may compete for the same investments as Aberdeen, may be better capitalized, have more personnel, have a longer operating history and have different return targets. As a result, the Company may not be able to compete successfully for investments. In addition, competition for investments may lead to the price of such investments increasing that may further limit the Company's ability to generate desired returns. There can be no assurance that there will be a sufficient number of suitable investment opportunities available to invest in or that such investments can be made within a reasonable period of time. There can be no assurance that the Company will be able to identify suitable investment opportunities, acquire them at a reasonable cost or achieve an appropriate rate of return. Identifying attractive opportunities is difficult, highly competitive and involves a high degree of uncertainty. Potential returns from investments will be diminished to the extent that the Company is unable to find and make a sufficient number of investments.

#### *Share Prices of Investments*

Investments in securities of public companies are subject to volatility in the share prices of the companies. There can be no assurance that an active trading market for any of the subject shares is sustainable. The trading prices of the subject shares could be subject to wide fluctuations in response to various factors beyond Aberdeen's control, including, quarterly variations in the subject companies' results of operations, changes in earnings, results of exploration and development activities, estimates by analysts, conditions in the resource industry and general market or economic conditions. In recent years equity markets have experienced extreme price and volume fluctuations. These fluctuations have had a substantial effect on market prices, often unrelated to the operating performance of the specific companies. Such market fluctuations could adversely affect the market price of the Company's investments.

### *Additional Financing Requirements*

The Company anticipates ongoing requirements for funds to support its growth and may seek to obtain additional funds for these purposes through public or private equity, or debt financing. There are no assurances that additional funding will be available at all, on acceptable terms or at an acceptable level. Any additional equity financing may cause shareholders to experience dilution, and any debt financing would result in interest expense and possible restrictions on the Company's operations or ability to incur additional debt. Any limitations on the Company's ability to access the capital markets for additional funds could have a material adverse effect on its ability to grow its investment portfolio.

### *No Guaranteed Return*

There is no guarantee that an investment in the Company's securities will earn any positive return in the short term or long term. The task of identifying investment opportunities, monitoring such investments and realizing a significant return is difficult. Many organizations operated by persons of competence and integrity have been unable to make, manage and realize a return on such investments successfully. In addition, past performance provides no assurance of future success.

### *Management of Aberdeen's Growth*

Significant growth in the business, as a result of acquisitions or otherwise, could place a strain on the Company's managerial, operational and financial resources and information systems. Future operating results will depend on the ability of senior management to manage rapidly changing business conditions, and to implement and improve the Company's technical, administrative and financial controls and reporting systems. No assurance can be given that the Company will succeed in these efforts. The failure to effectively manage and improve these systems could increase costs, which could have a materially adverse effect on the Company's operating results and overall performance.

### *Due Diligence*

The due diligence process undertaken by the Company in connection with investments may not reveal all facts that may be relevant in connection with an investment. Before making investments, the Company conducts due diligence that it deems reasonable and appropriate based on the facts and circumstances applicable to each investment. When conducting due diligence, the Company may be required to evaluate important and complex business, financial, tax, accounting, environmental and legal issues. Outside consultants, legal advisors, accountants and investment banks may be involved in the due diligence process in varying degrees depending on the type of investment. Nevertheless, when conducting due diligence and making an assessment regarding an investment, the Company relies on resources available, including information provided by the target of the investment and, in some circumstances, third-party investigations. The due diligence investigation that is carried out with respect to any investment opportunity may not reveal or highlight all relevant facts that may be necessary or helpful in evaluating such investment opportunity. Moreover, such an investigation will not necessarily result in the investment being successful.

### *Exchange Rate Fluctuations*

A significant portion of the Company's investment portfolio could be invested in US dollar denominated investments or other foreign currencies. Changes in the value of the foreign currencies in which the Company's investments are denominated could have a negative impact on the ultimate return on its investments and overall financial performance.

### *Non-controlling Interests*

The Company's investments include debt instruments and equity securities of companies that it does not control. Such instruments and securities may be acquired through trading activities or through purchases of securities from the issuer. These investments are subject to the risk that the company in which the investment is made may make business, financial or management decisions with which Aberdeen does not agree or that the majority stakeholders or the management of the investee Company may take risks or



otherwise act in a manner that does not serve the Company's interests. If any of the foregoing was to occur, the values of the Company's investments could decrease and its financial condition, results of operations and cash flow could suffer as a result.

### *Commodity Price*

Commodity price risk is the risk that the fair values or cash flows associated with the Company's investments will vary due to changes in the prices of a particular commodity, e.g. oil, natural gas liquids, natural gas, agricultural crops or livestock. The Company's investee companies may engage in various programs to mitigate exposure to commodity price risk.

The Company is exposed to commodity price risk in respect of several of its investments since their revenues are dependent on the market price of metallurgical and thermal coal, petroleum, natural gas or agricultural products. The price of these commodities is volatile and subject to fluctuations that may have a significant effect on the ability of the investee companies to meet their obligations, capital spending targets or commitments, and expected operational results which in turn impacts their fair values as recorded by the Company.

The value of Aberdeen's investment portfolio will be significantly affected by changes in the market price of platinum, palladium, rhodium and other commodities. Platinum prices fluctuate substantially and are affected by numerous factors beyond the control of Aberdeen, including levels of supply and demand, inflation and the level of interest rates, the strength of the US dollar and geopolitical events. Such external economic factors are in turn influenced by changes in international investment patterns, monetary systems and political developments.

Platinum, by its nature, is subject to wide price fluctuations and future material price declines will result in a decrease in revenue or, in the case of severe declines that cause a suspension or termination of production, a complete cessation of revenue from these royalties. The platinum market tends to be cyclical, and a general downturn in overall commodity prices could result in a significant decrease in overall revenue. Any such price decline may result in a material and adverse effect on Aberdeen's profitability, results of operation and financial condition.

Lithium carbonate is not an exchange traded commodity and is sold directly to end users. The profitability of PLASA's operations will be dependent upon the market price of lithium. Lithium prices fluctuate widely and are affected by numerous factors beyond the control of the Company. The level of interest rates, the rate of inflation, the world supply of mineral commodities and the stability of exchange rates can all cause significant fluctuations in prices. Such external economic factors are in turn influenced by changes in international investment patterns, monetary systems and political developments. The price of lithium has fluctuated widely in recent years, and future price declines could cause commercial production to be impracticable, thereby having a material adverse effect on the PLASA's business, financial condition and result of operations.

## **Mining Operations; Operations in Developing Countries**

### *Third Parties Operations*

The value of investment's that Aberdeen hold is based on production or development activities by third party property owners and operators. Aberdeen does not participate in the decision making process, as the owners and operators have the power to determine the manner in which the subject properties are exploited, including decisions to expand, continue or reduce production from a property, decisions about the marketing of products extracted from the property and decisions to advance exploration efforts and conduct development of non-producing properties. The interests of third party owners and operators and those of Aberdeen on the relevant properties may not always be aligned. As an example, it will usually be in the interest of Aberdeen to advance development and production on properties as rapidly as possible in order to maximize near-term cash flow, while third party owners and operators may take a more cautious approach to development as they are at risk on the cost of development and operations.

### *Exploration, Development and Operating Risks*

The exploration for, development, mining and processing of mineral deposits involves significant risks that even a combination of careful evaluation, experience and knowledge may not eliminate. Mining operations generally involve a high degree of risk. The mining operations of African Thunder Platinum (the "Mining Operations") are subject to most of the hazards and risks normally encountered in the exploration, development and production of ore, including unusual and unexpected geology formations, 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.

Mineral exploration is highly speculative in nature. There is no assurance that exploration efforts will be successful. Even when mineralization is discovered, it may take several years until production is possible, during which time the economic feasibility of production may change. Substantial expenditures are required to establish proven and probable mineral reserves through drilling. Because of these uncertainties, no assurance can be given that exploration programs will result in the establishment or expansion of mineral resources or mineral reserves. There is no certainty that the expenditures made by PLASA towards the search and evaluation of mineral deposits will result in discoveries or development of commercial quantities of ore.

#### *Limited Access to Operations Information*

As a shareholder, Aberdeen has limited access to data on the operations of investees and to the actual properties themselves. The limited access to data and disclosure regarding the operations of the properties in which Aberdeen has an interest may restrict Aberdeen's ability to enhance its performance that may result in a material and adverse effect on Aberdeen's profitability, results of operation and financial condition.

In addition, the Company relies on projections of platinum production from the Mining Operations that are prepared by African Thunder and their respective advisors for investment valuation purposes. Differences between estimated and actual future platinum production could result in an adverse effect on Aberdeen's results of operations and financial condition.

PLASA has relied upon consultants, engineers and others and intends to rely on these parties for development, construction and operating expertise. Substantial expenditures are required to establish mineral reserves through drilling, to carry out environmental and social impact assessments, to develop processes to extract the commodity from the ore. If such parties' work is deficient or negligent or is not completed in a timely manner, it could have a material adverse effect on PLASA.

#### *Impact of Adverse Developments Related to Subject Properties*

The investments that Aberdeen holds are significant to the business and valuation of Aberdeen. Any adverse development affecting the operation of, production from or recoverability of reserves from the African Thunder or PLASA properties, 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, hiring suitable personnel and engineering contractors, or securing supply agreements on commercially suitable terms, may have a material adverse effect on Aberdeen's profitability, financial condition and results of operations. In addition, Aberdeen has no control over operational decisions made by the third party owners and operators of these projects. Any adverse decision made by the owners and operators, including for example, alterations to mine plans or production schedules, may impact the timing and amount of royalty revenue that Aberdeen receives and may have a material adverse effect on Aberdeen's profitability, financial condition and results of operation.

#### *Environmental Risks and Hazards*

All phases of the Mining Operations are subject to environmental regulation in the various jurisdictions in which they operate. Environmental legislation is evolving in a manner which will require

stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Mining Operations. Environmental hazards may exist on the properties that are unknown to the Mining Operations at present which have been caused by previous or existing owners or operators of the properties. African Thunder may become liable for such environmental hazards caused by previous owners or operators of the properties.

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.

PLASA's activities are subject to extensive federal, provincial state and local laws and regulations governing environmental protection and employee health and safety. Environmental legislation is evolving in a manner that is creating stricter standards, while enforcement, fines and penalties for non-compliance are also increasingly stringent. The cost of compliance with changes in governmental regulations has the potential to reduce the profitability of operations. Further, any failure by PLASA to comply fully with all applicable laws and regulations could have significant adverse effects on PLASA, including the suspension or cessation of operations.

#### *Government Regulation, Permits and Licenses*

The exploration and development activities related to the Mining Operations are subject to various laws governing prospecting, development, production, taxes, labour standards and occupational health, mine safety, toxic substance and other matters. Exploration, development and mining activities are also subject to various laws and regulations relating to the protection of the environment. These laws mandate, among other things, the maintenance of air and water quality standards and land reclamation. These laws also place limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Although the Company is not aware that the Mining Operations are not currently carried out in accordance with all applicable rules and regulations, 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, mining and milling or that more stringent implementation thereof could have a substantial adverse impact on the Mining Operations.

Government approvals, licences and permits are currently, and will in the future be, required in connection with the Mining Operations. To the extent such approvals are required and not obtained, the Mining Operations may be curtailed or prohibited from proceeding with planned operations, which could have an impact on the business and financial condition of the Company. 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.

Amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation thereof, could have a material adverse impact on the Mining Operations and cause reduction in levels of production or require abandonment or delays in operations at the Mining Operations.

#### *Permitting*

The Mining Operations are subject to receiving and maintaining permits from appropriate governmental authorities. Although the Company believes that the owners and operators of the Mining Operations currently have, or will obtain in due course, all required permits for their respective operations, there is no assurance that delays will not occur in connection with obtaining all necessary renewals of such permits for the existing operations, additional permits for any possible future changes to operations or additional permits associated with new legislation. Prior to any development on any of the properties,

permits from appropriate governmental authorities may be required. There can be no assurance that the owners or operators of the Mining Operations will continue to hold all permits necessary to develop or continue operating at any particular property.

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. Parties engaged in Mining Operations may be required to compensate those suffering loss or damage by reason of the mining activities and may be liable for civil or criminal fines or penalties imposed for violations of applicable laws or regulations. Amendments to current laws, regulations and permitting requirements, or more stringent application of existing laws, may have a material adverse impact on the owners or operators of the Mining Operations, resulting in increased capital expenditures or production costs, reduced levels of production at producing properties or abandonment or delays in development of properties.

#### *Dependence on Good Relations with Employees*

Production at the Mining Operations depends on the efforts of its employees. There is intense competition for geologists and persons with mining expertise. The ability of African Thunder to hire and retain geologists and persons with mining expertise is key to the Mining Operations. Further, relations with employees may be affected by changes in the scheme of labour relations that may be introduced by the relevant South African governmental authorities. Changes in such legislation or otherwise in African Thunder's relationships with their employees may result in strikes, lockouts or other work stoppages, any of which could have a material adverse effect on the Mining Operations. To the extent these factors cause African Thunder to decide to cease or curtail production at one or more of the properties, such decision could have a material adverse effect on the business and financial condition of the Company.

#### *Uninsured Risks*

The mining industry is subject to significant risks that could result in damage to, or destruction of, mineral properties or producing facilities, personal injury or death, environmental damage, delays in mining, monetary losses and possible legal liability. Where African Thunder considers it practical to do so, it maintains insurance in amounts that it believes to be reasonable. Such insurance, however, contains exclusions and limitations on coverage. Accordingly, African Thunder's insurance policies may not provide coverage for all losses related to their business (and specifically do not cover environmental liabilities and losses). The occurrence of losses, liabilities or damage not covered by such insurance policies could have a material adverse effect on African Thunder's profitability, results of operations and financial condition. To the extent that these factors cause African Thunder to cease or curtail production, such decision could have a material adverse effect on the business and financial condition of the Company.

#### *Land Title*

There can be no assurances that there are no title defects affecting the Mining Operations. African Thunder may not have conducted surveys of the claims in which they hold direct or indirect interests; therefore, the precise area and location of such claims may be in doubt. It is possible that the Mining Operations may be subject to prior unregistered liens, agreements, transfers or claims and title may be affected by, among other things, undetected defects. In addition, African Thunder may be unable to operate the Mining Operations as permitted or to enforce its rights with respect to its Mining Operations. To the extent these factors cause African Thunder to decide to cease or curtail production at one or more of the Mining Operations, such decision could have a material adverse effect on the business and financial condition of the Company.

#### *South Africa Country Risks*

The Mining Operations are subject to risks normally associated with the conduct of business in South Africa. Risks may include, among others, problems relating to power supply, labour disputes, delays or invalidation of governmental orders and permits, corruption, uncertain political and economic environments, civil disturbances and crime, arbitrary changes in laws or policies, foreign taxation and exchange controls, opposition to mining from environmental or other non-governmental organizations or changes in the political attitude towards mining, limitations on foreign ownership, limitations on repatriation

of earnings, infrastructure limitations and increased financing costs. HIV is prevalent in Southern Africa. Employees of African Thunder may have or could contract this potentially deadly virus. The prevalence of HIV could cause substantial lost employee man-hours and may make finding skilled labour more difficult. The above risks may limit or disrupt African Thunder's business activities. The Mining Operations must remain compliant with the Mining Charter and the Black Economic Empowerment ("BEE") participation requirements. However, no assurance can be given that African Thunder will be able to meet the objectives of the Mining Charter going forward, including the 26% historically disadvantaged South Africans ownership objective. There is also no guarantee that the interests of African Thunder will be wholly aligned with the interests of its (direct or indirect) BEE shareholders.

#### *Argentina Country Risks*

PLASA will conduct exploration activities in Argentina which has, from time to time, experienced political and economic instability. PLASA may be materially adversely affected by risks associated with political instability and violence, war and civil disturbance, acts of terrorism, expropriation or nationalization, change in fiscal regimes, fluctuations in currency exchange rates, high rates of inflation, underdeveloped industrial and economic infrastructure; and enforceability of contractual rights. Provincial governments of Argentina have considerable authority over exploration and mining in their province and there are Argentinean provinces that have passed various laws to curtail or ban mining activities in those provinces. Argentina has had and is currently enduring a period of high inflation that could increase the operating costs. In addition, the Argentinean peso has been subject to large devaluations and revaluations in the past and may be subject to significant fluctuations in the future.

## **MULTILATERAL INSTRUMENT 52-109 DISCLOSURE**

#### *Evaluation of disclosure controls and procedures*

The Company maintains disclosure controls and procedures designed to ensure that information required to be disclosed in annual filings, interim filings or other reports filed or submitted under provincial and territorial securities legislation, and that such information is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures.

We have evaluated the effectiveness of our disclosure controls and procedures and have concluded, based on our evaluation that they are sufficiently effective to provide reasonable assurance that material information relating to the Company is made known to management and disclosed in accordance with applicable securities regulations.

#### *Internal controls over financial reporting*

The Chief Executive Officer (CEO) and Chief Financial Officer (CFO), together with other members of Management, have designed internal controls over financial reporting based on the Internal Control–Integrated Framework set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO - 1992). These controls are intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS.

We have not identified any changes to our internal control over financial reporting which would materially affect, or is reasonably likely to materially affect, our internal control over financial reporting.

The CEO and CFO, together with other members of Management, have evaluated the effectiveness of internal controls over financial reporting as defined by National Instrument 52-109, and have concluded, based on our evaluation that they are operating effectively as at April 30, 2017.

## **SUPPLEMENT TO THE ANNUAL FINANCIAL STATEMENTS**

As at June 13, 2017, the following common shares, common share purchase warrants and options, restricted share units (“RSUs”) and deferred share units (“DSUs”) were issued and outstanding:

- 88,912,282 common shares;
- 10,000,000 common share purchase warrants with an exercise price of \$0.30 expiring November 24, 2019;
- 4,850,000 RSUs of which none have vested
- 1,100,000 DSUs with no fixed vesting date.