



MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended December 31, 2015

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The following Management's Discussion and Analysis ("MD&A") provides information that management believes is relevant to an assessment and understanding of the financial condition and operations of Alloycorp Mining Inc. ("Alloycorp" or the "Company"). This MD&A is prepared as of February 24, 2016 and should be read in conjunction with the audited consolidated annual financial statements and the related notes for the year ended December 31, 2015 which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. Unless otherwise indicated, all amounts are in Canadian dollars.

Effective December 31, 2015, the Company adopted a voluntary change in accounting policy for exploration and evaluation ("E&E") activities whereby the Company's new policy on accounting for E&E activities is to expense these costs until such time as the work completed supports the future development of the property through formal approval from Alloycorp's Board of Directors ("Board"). In making its decision, the Board could consider, amongst others, the following factors: receipt of relevant permitting, advancement of financing, and completion of a suitable technical report. All subsequent expenditures on the property are then capitalized and classified as assets under construction, which is a component of property, plant and equipment. This change in accounting policy has been applied retrospectively to all of the Company's E&E activities. Refer to "Changes in Accounting Policies" below.

This MD&A includes forward-looking statements that are subject to risk factors set out in a cautionary note below. The reader is cautioned not to place undue reliance on forward-looking statements. For the purposes of preparing this MD&A, the Company considers the materiality of information. The Company considers information to be material if: (i) the disclosure of such information would significantly alter the total mix of information available to reasonable investors; (ii) such information would be considered important to a reasonable investor in making an investment decision; or, (iii) a significant change in the value of the Company's shares could reasonably be expected from the release of such information. All relevant circumstances are considered when the Company evaluates the materiality of information to be disclosed.

On November 28, 2014, shareholders of the Company approved the change of the Company's name from Avanti Mining Inc. to Alloycorp Mining Inc.

The Company's common shares are listed on the TSX Venture Exchange (TSX-V: AVT). Continuous disclosure materials are available on SEDAR at www.sedar.com and on the Company's website at www.alloycorp.com.

Alloycorp, through its wholly owned subsidiary, Avanti Kitsault Mine Ltd., owns the Avanti Kitsault Project, a former molybdenum producing property located in the Skeena Mining District of British Columbia, Canada. The Avanti Kitsault Project is fully permitted for construction. Management's intention is to develop the Avanti Kitsault Project upon the improvement of general market conditions and strengthening of the price of molybdenum.

The Company's vision is to be an innovative Canadian-based mining business that is recognized for operating with integrity, profitability and excellence, while providing commodities that supply the global alloy steel industry.

2015 OVERVIEW

General Economic Environment

During 2015, Alloycorp was negatively impacted by the sustained low-price commodity economic environment. As a result of the prevailing market conditions, the Company ceased its efforts to seek financing for development of the Avanti Kitsault Project.

- Management has developed a reduced expenditure budget. The reduced expenditure budget envisions only executing activities which are critical to the business and the stakeholders to which it is responsible. Key areas of focus include: performing compliance activities to maintain environmental permits; maintaining relationships with local communities and other partners; maintaining the Company's public filing requirements; and ensuring all existing contractual agreements are met.

Alloycorp has reduced its staffing levels and administrative costs to only what is necessary to effectively execute the activities listed above.

Financing

- During the year, the Company drew down amounts totalling US\$36.5 million available under the 2014 Bridge Loan. As at December 31, 2015, all existing loan facilities were fully drawn down.
- The Company continues in discussions with Resource Capital Fund IV L.P. ("RCF IV") and Resource Capital Fund VI L.P. ("RCF VI") (together, "RCF") regarding funding for the Company's current operations through 2016. RCF has indicated their continuing support for the Company. Despite management's best efforts, there is no certainty further financial support will be obtained.
- On February 1, 2016, RCF extended the maturity dates of two of its three outstanding loans with Alloycorp to February 29, 2016. On February 15, 2016, RCF extended the third outstanding loan with Alloycorp to March 31, 2016.

Corporate Activities

- On September 25, 2015, Gordon Bogden stepped down as President and Chief Executive Officer ("CEO") and as a director of the Company. Mario Caron, Chairman of the Board of Alloycorp, assumed all responsibilities as the CEO of Alloycorp until a successor is chosen.
- On November 18, 2015, Peter Mah resigned as Chief Operating Officer of Alloycorp and President of Avanti Kitsault Mine Ltd.
- The Company continues to evaluate and reduce corporate and personnel costs where appropriate. During 2015, staffing levels were reduced, which included the terminations of: Vice President People and Culture, Vice President Corporate Responsibility, and the Project Manager of the Kitsault Project.

Avanti Kitsault Project

- Given the cessation in seeking project financing, the Company has demobilized equipment and contractors from the camp site to reduce holding costs.
- The Company continues its environmental monitoring and compliance work at site and fully intends to continue to meet contractual and permit requirements.

FEED Study

During 2015, DRA Taggart ("DRA") completed a Front End Engineering Design Study ("FEED Study") on the Avanti Kitsault Project. A summary of the FEED Study is as follows:

- Optimized mine plan targeting highest grade proven and probable mineral reserves and softest ore zones first – average grade of molybdenum over the first five years 0.092% and over life-of-mine is 0.078%
- Process plant re-designed to support a 45,500 tpd operation producing both molybdenum and silver concentrates under a wide range of operating conditions
- Average annual production of approximately 12,994 tonnes of molybdenum and 1.2 million ounces of silver over the first five years of production
- Site cash costs, net of silver by-product credits of \$6.30 (US\$5.04) per pound of molybdenum over the first five years of production and \$6.55 (US\$5.24) per pound over life-of-mine
- Total cash operating costs, including transportation costs, treatment charges, royalties and net of silver by-product credits, of \$8.63 (US\$6.91) per pound of molybdenum over the first five years of production and \$9.15 (US\$7.32) per pound over life-of-mine
- Pre-production capital costs were estimated at \$1.2 billion

A summary of the financial model based on design assumptions in the FEED Study is as follows:

- Pre-tax NPV_{8%} of \$676 million and IRR of 16.1%
- After-tax NPV_{8%} of \$346 million and IRR of 12.7%
- Average unlevered free cash flow of \$220 million annually over mine life
- Payback period of 5.3 years

Refer to the FEED Study section below for all financial assumptions.

In the current context of continuing weak molybdenum prices and a challenging financing market, alternative project development scenarios are being considered. Management believes these would focus on a higher cut-off grade with a corresponding reduction in initial project scope and hence capital cost. Management as part of its 2016 work program is considering evaluation of these opportunities.

OUTLOOK

In 2016, the Company will be executing only on activities critical to the business. The Company's plans include:

- Continue environmental monitoring activities and performing requisite activities to maintain all permits in good standing,
- Continue to honour contractual requirements with local communities and financial partners,
- Maintain the Company's public filing requirements and all other regulatory requirements, and
- Ensure any and all tax and other existing contractual obligations are met.

Management does not anticipate the resumption of financing activities in 2016. This will only occur with sustained improvements in commodity prices, in particular molybdenum. At that time, the Company will resume work with its advisors to complete full financing of the Avanti Kitsault Project. Once adequate funding is available, the Company will further advance the development of the Avanti Kitsault Project, and build the workforce required to support anticipated activity levels. Alloycorp remains firmly committed to advancing partnerships with the communities in which it is located and when the Company moves forward with development and construction, it will continue to engage local businesses and residents.

The specific plans for the Company's activities in 2016 are as follows:

Environmental Monitoring and Compliance

The Company remains fully committed to performing activities necessary to meet environmental permit and regulatory obligations. In 2016, the Company will continue its environmental monitoring program as well as its community and stakeholder engagement plans.

Corporate Activities

In 2016, the Company intends to perform all activities to meet its public listing requirements. Management is also committed to meeting the Company's tax and other regulatory requirements.

Financing Activities

The Company is currently in discussions with RCF regarding funding for the Company's current operations for the remainder of 2016. RCF has indicated their continuing support for the Company. Despite management's best efforts, there is no certainty further financial support will be obtained.

Financing efforts with banks will resume when the price of molybdenum improves to economically viable levels.

The completion of secured financing facilities are subject to conditions including ongoing due diligence, negotiation and execution of definitive documentation, negotiation of terms, regulatory approvals and other customary conditions.

Avanti Kitsault Project Development Activities

On April 29, 2015, the Company announced the transition of engineering and planned procurement services from AMEC Foster Wheeler Americas Limited ("AMEC") (formerly AMEC Americas Limited) to DRA. DRA completed a FEED Study to optimize the design of the Avanti Kitsault Project.

Until financing for the Avanti Kitsault Project progresses, Alloycorp does not expect any development activities to occur at the project site. The overall management of the site has been transferred back to the Company and will remain as such until a prospective project execution strategy has been approved and financed.

First Nations and Community Relations Activities

In 2014, the Company entered into a comprehensive Co-operation and Benefits Agreement ("CBA") with the Nisga'a Nation. This agreement recognizes and formalizes the working relationships between the Nisga'a Nation and the Avanti Kitsault Project, and is an important step in the development of the project. The Company strongly believes in maintaining its relationship with the Nisga'a Nation and all communities in the project area.

The Company remains committed to using the services of local businesses throughout all future phases of the mine life from construction through operations, to decommissioning and reclamation. Upon the commencement of construction activities, the Company's management will oversee a fair, transparent and competitive tendering process that will include consideration of local procurement options. This is a component of the Company's Environmental Assessment Certificate issued by the province of British Columbia and an element of the CBA with the Nisga'a Nation. The final decision on awarding contracts resides with management of the Company.

As with the planned tendering process, the Company's goal will be to engage the local community whenever possible. To achieve this and to honour and implement the CBA with the Nisga'a Nation, the Company intends to recommence the activities it had previously initiated in order to recruit a diversified workforce upon finalization of full project financing.

CORPORATE DEVELOPMENTS

Corporate Cost Reductions

During 2015, as a result of worsening commodity prices and difficult prevailing market conditions, the Company commenced an internal cost review to reduce expenditures in areas related to project advancement, corporate overhead and human resources. As a result of the review, various positions were deemed redundant. Elimination of these positions started in 2015 and will continue throughout 2016. The Company will continue to manage its finances prudently and make adjustments to planned activities and expenditures as necessary.

Management Changes

On September 25, 2015, Gordon Bogden stepped down as President and Chief Executive Officer and his position on the Company's Board of Directors to pursue other interests. Until a successor is chosen, Mario Caron, Chairman of the Board of Alloycorp, has temporarily assumed all responsibilities of the CEO during the interim period.

On November 18, 2015, Peter Mah, resigned as Chief Operating Officer of Alloycorp and President of Avanti Kitsault Mine Ltd.

During the second half of 2015, the following positions were eliminated:

- Vice President People and Culture
- Vice President Corporate Responsibility
- Project Manager of the Kitsault Project

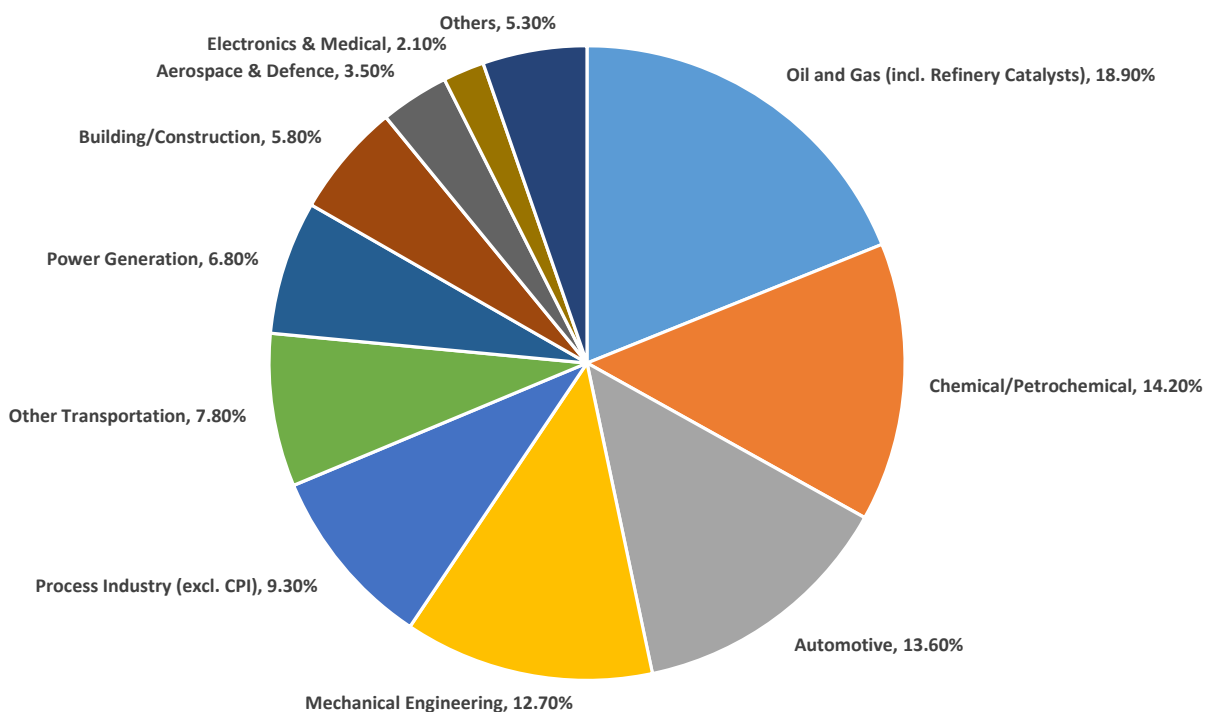
MARKET TRENDS

Fluctuations in spot and forecast commodity prices combined with generally uncertain conditions of the capital markets for junior mining companies has resulted in the Company being unable to obtain full financing for the Kitsault Project in 2015. The Company's inability to finance the project has necessitated the modification and restriction of the Company's activities and project related spending in 2015 and beyond. The price of molybdenum is a key factor in successfully financing the Avanti Kitsault Project. The spot prices for molybdenum and silver have decreased since mid-2014. Molybdenum prices are expected to increase eventually, in anticipation of an expected supply deficit around 2019 or 2020.

The Company's future financial performance is dependent on many external factors including the prices of certain precious and base metals. The markets for these commodities are volatile and difficult to predict as they are impacted by many factors including international political, social and economic conditions. These conditions, combined with volatility in the capital markets, could materially affect the future financial performance of the Company.

Molybdenum Market

Approximately 70% of molybdenum is used in steel alloying. Other metallurgical uses such as super alloys and cast irons account for an additional 19% of total molybdenum demand. Non-metallurgical applications account for the remaining share. Molybdenum, when added to steel, enhances the strength, toughness, wear and corrosion resistance of stainless steel, which is commonly used for pipelines, storage tanks, bridges, aircraft engines and other products. In inhospitable environments such as extreme temperatures, deep-water and other locations exposed to corrosive elements, molybdenum-bearing products are employed to optimize performance. Non-metallurgical, specialty chemical end-uses include catalysts for petroleum refining, lubricants and pigments. The graph below illustrates in which industry sectors molybdenum is used.



Source: *Steel & Metals Market Research, September 2015*

The molybdenum market is comprised of two distinct types of sources of mine supply. As of September 2015, approximately 51% of current global supply comes from copper-molybdenum deposits located primarily in the United States, Chile and Peru, where molybdenum is produced as a by-product of copper production. Primary molybdenum deposits, located predominantly in China, the United States and Canada, account for the remaining output.

Molybdenum demand is correlated to industrial production rather than discretionary trends in consumer spending. Demand for molybdenum is fairly price inelastic as there are few substitutes in its major applications and it is typically used in very small quantities in end uses that require specific properties.

Molybdenum prices declined almost 50% in 2015 as a result of decreased demand globally and increased supply through by-product production. The decrease in energy prices had a knock-on effect on oil country tubular goods and infrastructure pipelines, a key end market for molybdenum. In 2015, the supply of molybdenum increased, predominantly due to assets with significant by-product molybdenum production, like Sierra Gorda, coming online in 2015.

Foreign Exchange Rates

The majority of the Company's operating expenditures are denominated in Canadian dollars. Project debt, certain capital expenditures and the future revenues from the sale of molybdenum will be denominated in US dollars. As a result, the Company has foreign currency exposure with respect to items denominated in US dollars.

	<u>CAD\$/US\$</u>
Bank of Canada average noon time rate	
Q4 2015	0.7489
Q3 2015	0.7637
Q2 2015	0.8134
Q1 2015	0.8057
Q4 2014	0.8806
Q3 2014	0.9183
Q2 2014	0.9170
Q1 2014	0.9064
Bank of Canada noon time rate December 31, 2015	0.7225
Long-term average exchange rate utilized in:	
April 1, 2014 Technical Report	0.8800
FEED Study	0.8000

AVANTI KITSALT PROJECT

The Avanti Kitsault Project is located 140 km north of Prince Rupert, British Columbia and adjacent to tidewater on Alice Arm in the Skeena Mining Division. The Avanti Kitsault Project was a producer of molybdenum between 1967 and 1972, processing a total of 9,329,669 tonnes of ore grading 0.112% Mo. From 1981 to 1982, under the ownership of Amax, Inc., 4,069,548 tonnes of low-grade stockpiled and newly mined ore were milled, grading 0.076% Mo. Total production on the property during both periods was approximately 32 million pounds (14,500 tonnes) of molybdenum. The mine ceased operations in 1982 due to low molybdenum prices, but as detailed in the April 1, 2014 Technical Report (as defined below), there is an estimated 420.3 million pounds of molybdenum reserves remaining in place, consisting of 263.6 million pounds of proven reserves at a molybdenum grade of 0.092% and 156.7 million pounds of probable reserves at a molybdenum grade of 0.070%.

Technical Report Updates

On April 1, 2014, the Company voluntarily filed on SEDAR the Kitsault Molybdenum Project, British Columbia, Canada, NI 43-101 technical report (“April 1, 2014 Technical Report”), with an effective date of March 14, 2014. The April 1, 2014 Technical Report was prepared by Scott Fulton, P. Eng.; David G. Thomas, P. Eng.; Ramon Mendoza Reyes, P. Eng.; Simon Allard, P. Eng.; Peter Healey, P. Eng.; Michael Levy, P. Eng.; and, Bruno Borntraeger, P. Eng., each of whom is a qualified person as defined in NI 43-101 and independent of the Company.

Engineering and Construction Activities

As a result of the cessation of activities related to arranging project financing, the Company demobilized equipment and contractors from the camp site to reduce costs until project financing is arranged and the decision is made to commence construction activities. The Company also suspended all work with British Columbia Hydro and Power Authority. Activity at site will be reduced to maintain environmental and safety requirements under the Company’s permits and other agreements.

During 2015, the following engineering and project related activities occurred:

- Rough grading for the camp and processing site was completed;
- Detailed design of the tailings management facility work was advanced;
- Site water management and erosion control design commenced;
- Detailed design commenced for potable water supply systems, sediment settling ponds and reclaim barge; and
- Construction work to upgrade the Nass River bridge was completed.

Environmental Approvals and Permitting

All Canadian federal environmental assessment permits to commence construction have now been issued. The Company only has the Fisheries and Oceans Canada – Fisheries Act authorization outstanding.

FEED Study

Background and Scope of the FEED Study

On April 29, 2015, Alloycorp announced a transition of engineering and procurement services from AMEC to DRA. Concurrent with the transition, DRA was commissioned to complete the FEED Study which confirmed engineering and procurement work completed to-date, while providing the Company a clearer definition of project execution going forward.

The scope of the FEED Study included an overall review of the Avanti Kitsault Project and contracting strategy – excluding the tailings management facility (“TMF”), solid waste disposal and water treatment and geotechnical designs – currently managed by other engineers. The FEED Study included the following activities:

- Overall review of the Avanti Kitsault Project and contracting strategy;
- Review of test data provided, to confirm validity of assumptions to the flowsheet;
- Develop a procurement and logistics plan;
- Detailed construction cost estimate; and
- Explore project execution alternatives.

Changes to Mine Plan

A detailed mine plan and production schedule was prepared by Alloycorp with the objective of maximizing metal output over the first five years of production. In preparing an updated mine plan, the following was taken into consideration:

- Schedule the mining sequence giving preference to processing “softer” monzonite ore to maximize metal output without compromising metallurgical recovery while limiting harder hornfels ore to favourable levels;
- Meet volume and timing requirements for construction materials for roads, platforms and the TMF; and
- Access areas with highest grade ore first.

Capital Costs

Pre-production capital cost estimates in the FEED Study have increased by approximately \$395 million to \$1.2 billion, compared to the April 1, 2014 Technical Report. A summary of the largest variances between the FEED Study and April 1, 2014 Technical Report is provided in the following table:

Area	Cost Increase	Description
Process Facility	\$115 million	<ul style="list-style-type: none"> • Changes to the processing plant were required to achieve a higher overall mass pull and support stated throughput • Ore crusher, SAG and ball mills resized to increase capacity and power • Increase in the overall footprint of the building, larger consumption of steel and concrete • Changes to coarse ore conveyor from the primary crusher to stockpile
Engineering and Construction Management	\$71 million	<ul style="list-style-type: none"> • Contracting costs associated with engineering and construction of the project
Mining and Preproduction	\$63 million	<ul style="list-style-type: none"> • Larger amount of pre-stripping to deliver on revised mine plan • Higher contractor mining costs for construction of TMF • Increase in costs for mining ore during the commissioning stage
Indirect Costs	\$45 million	<ul style="list-style-type: none"> • Camp size increased based on updated manpower required • Increase in capital spares estimates • Increased health and safety provisions
Owner's Costs	\$37 million	<ul style="list-style-type: none"> • Increased estimates for compliance with environmental and monitoring programs • Increased environmental management and monitoring programs compliant with permitting and agreements
Other	\$64 million	<ul style="list-style-type: none"> • Higher ancillary costs • Increase in plant site infrastructure costs

Operating Costs

Cash operating costs, net of silver by-product credit are summarized in the following table:

Site Costs (\$/lb Mo)	First Five Years	Life-of-Mine
Mining, Milling and G&A	\$7.10	\$7.56
Less: Silver Credit	\$(0.79)	\$(1.01)
Site Costs (Net of By-Product)	\$6.30	\$6.55
Site Costs (US\$ / lb Mo)	\$5.04	\$5.24
Transport and Smelter Charges	\$2.04	\$1.93
Royalties	\$0.29	\$0.67
Total Cash Costs (Net of By-Product)	\$8.63	\$9.15
Total Cash Costs (US\$ / lb Mo)	\$6.91	\$7.32

Financial Assumptions

The financial model was prepared on the basis of the following assumptions:

Input	Unit	Value
Mine Life	Years	15
Average Throughput	Tpd	45,500
Grade (First 5 Years) ⁽¹⁾	% Mo	0.092%
Grade (Life-of-Mine) ⁽¹⁾	% Mo	0.078%
Mo Recovery (Life-of-Mine)		90.5%
Ag Recovery (Life-of-Mine)		53.4%
Pre-Production Capital Costs	\$ millions	\$1,213
Sustaining Capital Costs	\$ millions	\$242
Molybdenum – First 5 Years	000 t/year	12,994
Silver – First 5 Years	m oz/year	1.2
Molybdenum (Life-of-Mine)	000 t/year	11,448
Silver (Life-of-Mine)	m oz/year	1.4
Site Costs	\$ / tonne processed	\$11.69
Treatment/Transport Charges	\$ / lb produced	\$1.93
Nisga'a NSR Royalty		0% to 2%
Alcoa NSR Royalty		1%
Freeport NPI Royalty		9.22%
CAD / USD Conversion		0.8000
Effective Tax Rate		33%
Discount Rate		8%

⁽¹⁾ Proven and probable mineral reserves

The molybdenum price input is an average price realized over life-of-mine based on estimates received from CPM Group as part of its "Molybdenum Market Outlook" dated June 2015. The average realized molybdenum price over life-of-mine is US\$14.89 per pound.

A flat silver price estimate of US\$18.25 per ounce over life-of-mine and foreign exchange inputs are based on long term analyst estimates and empirical observations from industry participants.

Taxation considerations included in the financial model are comprised of Federal corporate incomes taxes and the British Columbia Mineral Tax.

The above FEED Study section was sourced from Alloycorp's news release dated November 13, 2015.

FINANCING

The Company has various loan agreements with RCF as set out below. Since 2014, as a result of common shares being issued for the payment of outstanding interest obligations and fees, RCF's direct share ownership exceeded 50% of the outstanding common shares of Alloycorp. RCF IV and RCF VI are managed by RCF Management L.L.C. ("RCF Management"). RCF IV and RCF VI are considered related parties of the Company as a result of their share ownership and a member of RCF Management's senior management is also a director of Alloycorp. As at February 24, 2016, approximately 63% of Alloycorp's outstanding common shares were held by RCF (see discussion in the Related Party Transaction section below).

RCF has indicated their intention to provide funding and the Company is currently in discussions with RCF on funding for the Company's current operations through to the end of 2016.

New Bridge Loan

On July 12, 2013, the Company entered into an amended and restated loan agreement with RCF IV, RCF VI and CEF Holdings Limited ("CEF"), (the "Lenders"), where each lender provided US\$10,000,000 of loans to the Company ("New Bridge Loan"). On December 23, 2013, the Company repaid US\$10,000,000 of the New Bridge Loan to CEF. The remaining balance, US\$20,000,000, of the New Bridge Loan is due to RCF IV and RCF VI.

On December 31, 2013, in accordance with the July 12, 2013 amended and restated loan agreement, the New Bridge Loan continued in the form of convertible debentures with a conversion price of \$0.07 per common share of the Company.

The New Bridge Loan was secured by a first charge on the assets of the Company and its shares on a pari passu basis with the Company's Pre-construction Loan and the 2014 Bridge Loan. The Company has indemnified the Lenders of the New Bridge Loan from all withholding tax that is or may become applicable to any payments by the Company.

The New Bridge Loan bears interest at the rate of 10% per annum. Interest on the New Bridge Loan is payable in cash or in common shares of the Company at the option of the Lenders.

During the year ended December 31, 2014, the Company issued 21,296,000 common shares at a fair value of \$1,703,680 as payment of the remaining US\$1,000,000 (\$1,092,600) extension/establishment fees and accordingly, the Company recorded a loss on settlement of obligation of \$611,080.

The New Bridge Loan came due on December 31, 2014, at which time, the Company entered into an agreement to extend the maturity date of the New Bridge Loan. On December 31, 2015, RCF IV and RCF

VI agreed to further extend the scheduled maturity date initially to January 31, 2016, unless RCF IV and RCF VI, in their sole discretion, elect to further extend the scheduled maturity date in one month increments thereafter through and until June 30, 2016. No consideration was paid by the Company in connection with the extension and the extension contains certain additional covenants. On February 1, 2016, RCF IV and RCF VI extended the scheduled maturity date of the New Bridge Loan to February 29, 2016.

During the year ended December 31, 2015, the Company recorded \$nil accretion on the debt component (2014 – \$2,872,076) and \$nil accretion of loan fees (2014 – \$1,487,207) as these costs were amortized to the statement of loss over the original life of the New Bridge Loan.

During the year ended December 31, 2015, the Company settled US\$2,000,000 (\$2,517,150) (2014 – US\$1,972,222 (\$2,172,400)) of interest payable on the New Bridge Loan for the period October 1, 2014 to September 30, 2015 (2014 - October 1, 2013 to September 30, 2014) by issuing 49,371,028 (2014 – 32,173,598) common shares at the fair value of \$2,050,052 (2014 – \$2,573,889) and accordingly, the Company recorded a gain on settlement of obligations of \$467,098 (2014 – loss of \$401,488).

Subsequent to the year ended December 31, 2015, the Company settled US\$500,000 (\$712,850) of interest payable on the New Bridge Loan for the period October 1, 2015 to December 31, 2015 by issuing 13,880,000 common shares at the fair value of \$138,800 and accordingly, the Company recorded a gain on settlement of obligations of \$574,050.

Pre-construction Loan

On December 19, 2013, the Company entered into a loan agreement with RCF VI that provided a US\$50,000,000 secured pre-construction loan (the “Pre-construction Loan”). On June 30, 2014, in accordance with the December 19, 2013 loan agreement, the Pre-construction Loan continued in the form of convertible debentures with a conversion price of \$0.055 per common share of the Company until December 31, 2014.

The Pre-construction Loan was secured by a first charge on the assets of the Company and its shares on a pari passu basis with the Company’s New Bridge Loan and the 2014 Bridge Loan.

The Pre-construction Loan bears interest at the rate of 8% per annum and interest was payable quarterly in cash or in common shares of the Company at the option of RCF VI. The Company has indemnified RCF VI from all withholding tax that is or may become applicable to any payments by the Company under the Pre-construction Loan.

The Pre-construction Loan came due on December 31, 2015, at which time, the Company entered into an agreement to extend the maturity date of the Pre-construction Loan. On December 31, 2015, RCF VI agreed to further extend the scheduled maturity date initially to January 31, 2016, unless RCF VI, in its sole discretion, elects to further extend the scheduled maturity date in one month increments thereafter through and until June 30, 2016. No consideration was paid by the Company in connection with the extension and the extension contains certain additional covenants. On February 1, 2016, RCF VI extended the scheduled maturity date of the Pre-construction Loan to February 29, 2016.

During the year ended December 31, 2015, the Company recorded \$nil accretion on the debt component (2014 - \$9,563,120) and \$nil accretion of loan fees (2014 – \$1,585,844) as these costs were amortized to the statement of loss over the original life of the Pre-construction Loan.

During the year ended December 31, 2015, the Company settled US\$4,000,000 (\$5,034,300) (2014 – US\$2,102,222 (\$2,331,988)) of interest payable on the Pre-construction Loan for the periods October 1, 2014 to September 30, 2015 (2014 - December 20, 2013 to September 30, 2014) by issuing 98,742,056 (2014 – 28,656,052) common shares at the fair value of \$4,100,103 (2014 – \$2,292,484) and accordingly, the Company recorded a gain on settlement of obligations of \$934,197 (2014 – \$39,504).

Subsequent to the year ended December 31, 2015, the Company settled US\$1,000,000 (\$1,425,700) of interest payable on the Pre-construction Loan for the period October 1, 2015 to December 31, 2015 by issuing 27,760,000 common shares at the fair value of \$277,600 and accordingly, the Company recorded a gain on settlement of obligations of \$1,148,100.

2014 Bridge Loan

On November 14, 2014, the Company entered into a US\$50,000,000 secured bridge loan facility (the “2014 Bridge Loan”) with RCF VI, with proceeds to be used to continue advancing detailed engineering and ongoing construction activities at the Kitsault Project. Funds were available for drawdown in five tranches, whereby up to US\$28,000,000 was available from the date of closing to January 15, 2015, US\$7,000,000 was available between December 1, 2014 and January 15, 2015, and US\$15,000,000 was available as a single drawdown, subject to the satisfaction of additional conditions precedent, between November 1, 2014 and January 15, 2015.

RCF VI was provided the option, exercisable from November 14, 2014 for a period of 18 months, to enter into an off-take agreement for up to 10% of the molybdenum product or molybdenum concentrate from the Kitsault Project, for a term of 13 years. Should RCF VI elect not to execute a formal off-take agreement with the Company, RCF VI will receive a sliding scale net smelter return royalty for up to 0.20%, based on the prevailing molybdenum price at that time.

The 2014 Bridge Loan was secured by a first charge on all assets of the Company and certain of its subsidiaries, on a pari passu basis with the New Bridge Loan and the Pre-construction Loan. RCF VI will subordinate its security in the Kitsault Project to any bona fide project financing facility for the Kitsault Project that is satisfactory to RCF VI.

The 2014 Bridge Loan bears interest at 12.5% per annum and interest is payable on maturity. The Company has indemnified RCF VI from all withholding tax that is or may become applicable to any payments by the Company under the 2014 Bridge Loan.

The 2014 Bridge Loan came due on January 15, 2015, at which time, the Company entered into an agreement to extend the maturity date of the 2014 Bridge Loan up to December 31, 2015. No consideration was paid by the Company in connection with the extension.

On November 12, 2015, the Company entered into an agreement with RCF VI to provide an additional US\$4,500,000 of funding under the existing 2014 Bridge Loan and to extend the maturity date of the 2014

Bridge Loan up to November 30, 2015 with the option to further extend the maturity date to February 15, 2016, at RCF VI's sole discretion. The 2014 Bridge Loan was fully drawn down as at December 31, 2015.

On February 15, 2016, the Company entered into an agreement with RCF VI to further extend the maturity date of the 2014 Bridge Loan to March 31, 2016 with the option to further extend the maturity date to June 30, 2016, at RCF VI's sole discretion. No consideration was paid by the Company in connection with the extension.

As at December 31, 2015, \$7,307,088 of interest on the 2014 Bridge Loan was included in accounts payable and accrued liabilities. This amount is due in cash upon settlement of the 2014 Bridge Loan.

SELECTED ANNUAL INFORMATION

The following is a summary of selected consolidated financial information of the Company for the previous three years.

	2015	2014 ⁽²⁾	2013 ⁽²⁾
	\$	\$	\$
Revenue	-	-	-
Exploration and evaluation expenditures during the year	34,858,930	45,428,811	10,881,684
Loss for the year	(78,931,424)	(78,004,159)	(19,033,060)
Basic and diluted loss per share ⁽¹⁾	(0.12)	(0.16)	(0.04)
Total assets	41,261,366	55,810,157	40,626,087
Total non-current financial liabilities	1,160,180	-	75,000
Acquisition cost of mineral properties during the year	10,000	41,500	30,250
Borrowings	172,308,000	102,088,801	36,198,137
Dividends declared	-	-	-

Notes:

- (1) The basic and diluted per share calculations result in the same amount due to the anti-dilutive effect of outstanding stock options and warrants.
- (2) Amounts have been re-stated to reflect the Company's voluntary change in accounting policy on E&E expenditures. See "Changes in Accounting Policies" below.

SELECTED QUARTERLY INFORMATION

The following selected financial data is from the Company's unaudited quarterly financial statements for the last eight quarters.

	Exploration and Evaluation		Income (Loss) ⁽¹⁾	Income/(loss) per share		Total Assets ⁽¹⁾
	Revenue	Expenditures ⁽¹⁾		Basic ⁽¹⁾	Diluted ^(1,2)	
For the three months ended:						
December 31, 2015	-	2,183,795	(17,792,814)	(0.03)	(0.03)	41,261,366
September 30, 2015	-	3,188,535	(20,655,730)	(0.03)	(0.03)	46,853,549
June 30, 2015	-	9,591,008	(546,968)	(0.00)	(0.00)	45,920,619
March 31, 2015	-	19,895,592	(39,935,912)	(0.07)	(0.07)	54,875,921
December 31, 2014	-	24,109,229	(12,355,298)	(0.02)	(0.02)	55,810,157
September 30, 2014	-	9,733,608	(2,111,243)	(0.00)	(0.00)	53,596,516
June 30, 2014	-	7,405,766	(53,706,950)	(0.11)	(0.11)	58,792,784
March 31, 2014	-	4,180,208	(9,830,668)	(0.02)	(0.02)	36,495,809

Notes:

(1) Amounts have been re-stated to reflect the Company's voluntary change in accounting policy on E&E expenditures. See "Changes in Accounting Policies" below.

(2) The basic and diluted per share calculations result in the same amount due to the anti-dilutive effect of outstanding stock options and warrants.

Exploration and evaluation expenditures were associated with the evaluation and pre-development activities of the Avanti Kitsault Project. In 2015 and 2014, these expenditures were primarily related to upgraded road access, earthworks, engineering, technical studies and environmental assessments. Prior period expenditures were primarily related to technical studies, environmental assessments and drilling activities.

Fluctuations in the income or loss for the quarters were primarily due to the increased activities related to the pre-development of the Avanti Kitsault Project, the additional interest expense associated with the additional borrowings, fluctuations in foreign exchange rates and the fluctuation in the fair value of derivative instruments.

RESULTS OF OPERATIONS

Three months ended December 31, 2015 and 2014

	2015	2014 ⁽¹⁾	Variance
	\$	\$	\$
Exploration and evaluation expenditures	2,183,795	24,109,229	(21,925,434)
Salaries and benefits	1,048,894	841,258	207,636
Professional fees	190,510	674,521	(484,011)
Office and miscellaneous	265,808	432,591	(166,783)
Camp demobilization costs	776,185	-	776,185
Share-based payment expense	34,376	121,648	(87,272)
Travel and related costs	74,358	265,602	(191,244)
Directors' fees	85,000	60,000	25,000
Shareholder communications	(12,172)	38,952	(51,124)
Transfer agent and filing fees	12,150	8,190	3,960
Loss before other items	(4,658,904)	(26,551,991)	21,893,087
Interest, accretion and other expenses	(4,773,664)	(8,156,150)	3,382,486
Change in fair value of derivative liabilities	1,975,300	24,791,533	(22,816,233)
Gain on settlement of obligations	1,135,230	196,372	938,858
Foreign exchange loss	(6,261,675)	(2,667,780)	(3,593,895)
Interest and other income	1,294	32,718	(31,424)
Write-off of deferred financing costs	(5,210,395)	-	(5,210,395)
Loss for the period	(17,792,814)	(12,355,298)	(5,437,516)

Note:

(1) Amounts have been re-stated to reflect the Company's voluntary change in accounting policy on E&E expenditures. See "Changes in Accounting Policies" below.

The Company recorded a loss of \$17,792,814 (\$0.03 loss per share) for the three months ended December 31, 2015 compared to a loss of \$12,355,298 (\$0.02 loss per share) for the comparable period in 2014. The primary reasons for the \$5,437,516 increase in loss for the period are as follows:

- Exploration and evaluation expenditures decreased by \$21,925,434 as pre-development activities were curtailed given the current economic environment and project review. The decrease is primarily driven by reduced activities in areas related to engineering, access road construction, camp and support services, community relations and environment.
- Salaries and benefits increased by \$207,636 in the fourth quarter of 2015 compared to 2014. The increase was primarily due to higher average salaries paid in 2015 compared to 2014. This was partially offset by decreases in termination payments of \$239,073 compared to 2014.
- Professional fees decreased by \$484,011 in the fourth quarter of 2015 versus the same period of 2014

primarily due to decreases in executive recruitment activities and legal costs incurred.

- Office and miscellaneous expenses decreased in the fourth quarter of 2015 compared to the fourth quarter of 2014 by \$166,783. The decrease was primarily due to decreases in general office expenses as management made reductions in general overhead expenditures in light of the current financial market conditions.
- During the fourth quarter of 2015, as a result of the inability to raise project financing and current economic environment, the Company demobilized equipment and contractors from the camp site to reduce holding costs. In connection with the demobilization, the Company incurred costs of \$776,185.
- Share-based payment expense decreased by \$87,272 in the fourth quarter of 2015 compared to the same quarter in 2014 as a result of the higher fair value of share options issued in 2014 which was partially offset by the accelerated vesting of senior management share options terminated in the fourth quarter of 2015.
- Travel and related costs decreased by \$191,244 for the three months ended December 31, 2015 compared to the same period in 2014 as a result of the decrease in site and financing activities during the current quarter.
- Interest, accretion and other expenses decreased by \$3,382,486. This was a result of a reduction in the accretion and loan placement expense for the New Bridge and Pre-construction Loans of \$5,761,710. This was partially offset by an increase in interest expense of \$2,502,252 due to higher Pre-construction Loan and 2014 Bridge Loan balances for the fourth quarter in 2015 compared to the outstanding balances in 2014.
- The Company recorded an increase on the change in the fair value of its derivative liabilities of \$1,975,300 in the fourth quarter of 2015 compared to an increase of \$24,791,533 in the fourth quarter of 2014. This change was a result of the decline in the value of the derivative liabilities which was primarily driven by the decline in the Company's share price.
- During the fourth quarter of 2015, the Company settled \$1,940,550 of interest payable on its outstanding loans by issuing 40,266,000 common shares at the fair value of \$805,320 and accordingly, the Company recorded a gain on debt settlement of \$1,135,230. In the comparative fourth quarter of 2014, the Company settled \$1,691,550 of interest payable on its outstanding loans by issuing 18,689,731 common shares at the fair value of \$1,495,178 and accordingly, the Company recorded a gain on debt settlement of \$196,372.
- In the fourth quarter of 2015, the Company recorded an increase of \$3,593,895 in foreign exchange losses versus the comparable period in 2014. This was primarily a result of the larger outstanding borrowings held by the Company that were denominated in US dollars in 2015 compared 2014. The exchange rate between the Canadian and US dollar decreased by only 4% in the fourth quarter of 2015 compared to the same period in 2014.
- During the fourth quarter of 2015, deferred financing costs of \$5,210,395, related to project financing related activities were written off as it is unlikely project financing will be completed in the foreseeable future given the current economic environment.

Years ended December 31, 2015 and 2014

	2015	2014 ⁽¹⁾	Variance
	\$	\$	\$
Exploration and evaluation expenditures	34,858,930	45,428,811	(10,569,881)
Salaries and benefits	4,098,080	3,106,038	992,042
Professional fees	1,391,493	1,724,637	(333,144)
Office and miscellaneous	1,395,223	1,336,104	59,119
Camp demobilization costs	776,185	-	776,185
Share-based payment expense	516,066	611,388	(95,322)
Travel and related costs	497,051	523,387	(26,336)
Directors' fees	365,220	198,221	166,999
Shareholder communications	175,515	105,985	69,530
Transfer agent and filing fees	77,326	69,103	8,223
Metals marketing	-	45,828	(45,828)
Loss before other items	(44,151,089)	(53,149,502)	8,998,413
Interest, accretion and other expenses	(15,564,483)	(21,748,502)	6,184,019
Change in fair value of derivative liabilities	8,311,716	2,748,683	5,563,033
Gain (loss) on settlement of obligations	1,401,295	(973,064)	2,374,359
Foreign exchange loss	(23,740,600)	(4,928,792)	(18,811,808)
Interest and other income	22,132	47,018	(24,886)
Write-off of deferred financing costs	(5,210,395)	-	(5,210,395)
Loss for the period	(78,931,424)	(78,004,159)	(927,265)

Note:

(1) Amounts have been re-stated to reflect the Company's voluntary change in accounting policy on E&E expenditures. See "Changes in Accounting Policies" below.

The Company recorded a loss of \$78,931,424 (\$0.12 loss per share) for the year ended December 31, 2015 compared to a loss of \$78,004,159 (\$0.16 loss per share) in 2014. The primary reasons for the \$927,265 increase in the loss for the period are as follows:

- Exploration and evaluation expenditures decreased by \$10,569,881 as pre-development activities were curtailed given the current economic environment and project review. The decrease is primarily driven by reduced activities in areas related to engineering, geological consulting and drilling, community relations, and metallurgical testing which was partially offset by increased spending on access road construction and consulting services.
- Salaries and benefits increased by \$992,042 in 2015 compared to 2014 as the Company incurred termination benefits of approximately \$1.9 million related to the Company's elimination of various positions compared to \$1.8 million in 2014. The remaining increase was primarily due to additions to the Company's senior management team and other key positions in early 2015 which resulted in

higher average salaries paid in 2015 compared to 2014.

- Professional fees decreased by \$333,144 in 2015 versus 2014 primarily due to decreases in executive recruitment activities and legal costs which is partially offset by the recruitment of additional staff and expanded community relations efforts in early 2015.
- Office and miscellaneous expenses increased in 2015 compared to 2014 by \$59,119 as the Company expanded its Toronto and other offices to reflect the anticipated number of people required to support the progress of the Avanti Kitsault Project. This was partially offset by a general decrease in office expenses during the second half of 2015 as corporate activities decreased.
- During the year ended December 31, 2015, as a result of the decrease in pre-development activities and current economic environment, the Company demobilized equipment and contractors from the camp site to reduce holding costs. In connection with the demobilization, the Company incurred costs of \$776,185.
- Share-based payment expense decreased by \$95,322 in 2015 compared to the same period in 2014 primarily as a result of higher share option fair values in 2014 which were offset by the accelerated vesting of senior management share options terminated in the year ended December 31, 2015.
- Directors' fees increased by \$166,999 in 2015 compared to 2014 as a result of an increase in the fee structure and a temporary increase in the number of directors.
- Shareholder communications increased by \$69,530 in 2015 compared to 2014 as a result of increased communication efforts.
- Interest, accretion and other expenses decreased by \$6,184,019. This was a result of a reduction in the accretion and loan placement expense for the New Bridge and Pre-construction Loans of \$15,466,311. This was partially offset by an increase in interest expense of \$8,547,512 due to higher Pre-construction Loan and 2014 Bridge Loan balances for the year ended December 31, 2015 compared to the outstanding balances in 2014.
- The Company recorded an increase on the change in the fair value of its derivative liabilities of \$8,311,716 in 2015 compared to an increase of \$2,748,683 in 2014. The increase in 2015 versus 2014 was due to the decline in the stock price of the Company which resulted in a lower valuation of the derivative liabilities at December 31, 2015 versus December 31, 2014.
- During the year ended December 31, 2015, the Company settled \$7,551,450 of interest payable on its outstanding loans by issuing 148,113,084 common shares at the fair value of \$6,150,155 and accordingly, the Company recorded a gain on debt settlement of \$1,401,295. In the comparative year ended December 31, 2014, the Company settled \$4,504,388 of interest payable on its outstanding loans and \$1,092,600 of extension fees related to the New Bridge Loan by issuing 82,125,650 common shares at the fair value of \$6,570,052 and accordingly, the Company recorded a loss on debt settlement of \$973,064.
- In the year ended December 31, 2015, the Company recorded an increase of \$18,811,808 in foreign exchange losses versus the comparable period in 2014. This was primarily a result of a 19% decrease in the exchange rate between the Canadian and US dollar and the larger outstanding borrowings held by the Company that were denominated in US dollars for the year ended December 31, 2015 compared to a decrease of 9% in the exchange rate in 2014.
- During the year ended December 31, 2015, deferred financing costs amounting to \$5,210,395, related to project financing related activities were written off as it is unlikely project financing will be completed in the foreseeable future given the current economic environment.

LIQUIDITY AND CAPITAL RESOURCES

The Company's operations used \$54,657,899 of cash for the year ended December 31, 2015 compared to \$42,311,653 for the year ended December 31, 2014. Of the \$54,656,243 of cash used in operations, \$46,798,408 of cash was spent on the Avanti Kitsault Project for the year ended December 31, 2015 compared to \$42,178,648 for the year ended December 31, 2014. The cash requirement for the year ended December 31, 2015 was fulfilled from cash on hand at the beginning of the year of \$17,610,367 and net proceeds from existing loans of \$46,199,600. At December 31, 2015, the Company had \$6,560,906 in cash.

The Company's aggregate operating, investing and financing activities during the year ended December 31, 2015 resulted in a net decrease of \$11,049,461 in its cash balance from \$17,610,367 at December 31, 2014 to \$6,560,906 December 31, 2015.

	December 31 2015	December 31 2014
	\$	\$
Current assets	7,500,157	21,402,391
Less:		
Accounts payable and accrued liabilities excluding interest payable	3,737,707	15,848,600
Working capital excluding related party borrowing liabilities ⁽¹⁾	3,762,450	5,553,791
Less related party borrowing liabilities:		
Borrowings	172,308,000	102,088,801
Derivative liabilities	7,530	8,319,246
Interest	9,383,088	1,842,003
Working capital deficit	(177,936,168)	(106,696,259)

Note:

(1) This is a non-GAAP measure that the Company believes is useful to demonstrate the composition of the working capital.

The Company's working capital deficiency was \$177,936,168 at December 31, 2015. The increase in working capital deficiency was primarily due to draws and accrued interest on the 2014 Bridge Loan and the weakening of the Canadian dollar versus the US dollar. The increase was partially offset by the decrease in fair value of derivative liabilities which was primarily due to the decrease in the Company's share price. Working capital excluding related party borrowing liabilities, a non-GAAP measure that the Company believes better indicates its ability to meet current operational obligations, was \$3,762,450 at December 31, 2015.

At December 31, 2015, the Company had \$6,560,906 in cash. The Company had trade payables and accruals of \$3,737,707 at December 31, 2015; operating lease obligations within the next twelve months of \$368,255; and, outstanding loan and interest balances due to RCF of \$181,691,088. During the year ended December 31, 2015, the Company drew down US\$36,500,000 from its available credit facilities. The amounts due to RCF are secured against the assets of the Company, including the Avanti Kitsault Project. The Company will need additional capital for repayment of outstanding loans, if not converted and, for general working capital purposes.

The Company will continue to pursue its funding strategy discussed in the *Outlook* section above. Despite management’s best efforts, there is no certainty any financing will be successfully completed thereby potentially jeopardizing the Company’s ability to meet its obligations.

For additional information, refer to Note 2 in the consolidated financial statements for the year ended December 31, 2015.

TRANSACTIONS WITH RELATED PARTIES

The Company has various loan agreements with RCF (see discussion in the Financing section above). RCF IV and VI are considered related parties of the Company as a result of their shares ownership and a member of RCF Management’s senior management is also a director of Alloycorp. As at February 24, 2016, approximately 63% of Alloycorp’s outstanding common shares were held by RCF.

For the year ended December 31, 2015, the Company reimbursed expenses of \$53,049 (2014 - \$13,193) to RCF.

The table below summarizes the carrying value of the outstanding obligations (principal and accrued interest) to RCF at December 31, 2015 and 2014:

	2015	2014
	\$	\$
<hr/>		
RCF IV		
New Bridge Loan	14,186,002	11,891,026
RCF VI		
New Bridge Loan	14,186,001	11,891,026
Pre-construction Loan	70,583,997	59,165,100
2014 Bridge Loan	82,735,088	20,983,652
	<hr/> 181,691,088	<hr/> 103,930,804

During the year ended December 31, 2015, the Company received consulting services from a company controlled by the Vice President, Safety, Health and Environment in the amount of \$348,490 (2014 – \$1,106,521). Included in accounts payable and accrued liabilities as at December 31, 2015 is \$nil (2014 – \$73,816) due to that consulting company.

Included in accounts payable and accrued liabilities as at December 31, 2015 is \$88,798 (2014 - \$16,254) due to RCF, directors and officers of the Company. The amount owing to officers and directors is unsecured, non-interest bearing.

Key management includes the Chief Executive Officer, the Chief Financial Officer, the Chief Operating Officer and the directors of the Company. The compensation paid or payable to key management for services during the years ended December 31, 2015 and 2014 is as follows:

	2015	2014
	\$	\$
Directors' fees	365,220	198,221
Salaries and benefits	924,226	1,427,429
Termination benefits	1,187,000	1,801,927
Share-based payment expense	294,611	411,500
	2,771,056	3,839,077

COMMITMENTS

First Nations

The Company has made certain commitments to First Nations that have been described in the *Outlook – First Nations and Community Relations Activities* section above.

Financial Commitments

Refer to *Liquidity Risk* below for a schedule of commitments. Further information on the Company liquidity and capital resources to meet these commitments are discussed in the *Liquidity and Capital Resources* section above.

Management of Capital

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern to pursue the development of its mineral property and to maintain a flexible capital structure that optimizes the cost of capital within a framework of acceptable risk. In the management of capital, the Company includes the components of amounts attributable to shareholders, the New Bridge Loan, the Pre-construction Loan, the 2014 Bridge Loan and cash.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash.

The Company is dependent on its major shareholder as a source of operating capital and the Company's capital resources are largely determined by the strength of the junior resource markets and by the status of the Company's project in relation to these markets, as well as, its ability to compete for investor support. The Company has historically paid interest with common shares which aids in conserving cash.

There were no changes in the Company's approach to capital management during the year ended December 31, 2015. The Company is not subject to any capital requirements imposed by a regulator. Additional information regarding capital management is disclosed in Note 2 of the consolidated financial statements.

FINANCIAL INSTRUMENTS

Classification of Financial Instruments

The Company's financial instruments consist of cash, receivables, accounts payable and accrued liabilities, New Bridge Loan, Pre-construction Loan, 2014 Bridge Loan and derivative liabilities. The Company designated its cash and receivables as loans and receivables, which are measured at amortized cost. The accounts payable and accrued liabilities, New Bridge Loan, Pre-construction Loan and the 2014 Bridge Loan are classified as other financial liabilities, which are measured at amortized cost. The derivative liabilities are separate embedded derivatives and are classified as fair value through profit or loss, and are measured at fair value with changes recorded in the consolidated statement of loss.

Fair Value of Financial Instruments

The Company classified the fair value of the financial instruments according to the following fair value hierarchy based on the amount of observable inputs used to value the instruments:

- Level 1 – Values based on unadjusted quoted prices available in active markets for identical assets or liabilities as of the reporting date.
- Level 2 – Values based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace. Prices in Level 2 are either directly or indirectly observable as of the reporting date.
- Level 3 – Values based on prices or valuation techniques that are not based on observable market data.

The values of the derivative liabilities have been classified as Level 3. Assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the placement within the fair value hierarchy.

Discussions of risks associated with financial assets and liabilities are detailed below:

Foreign Exchange Risk

A portion of the Company's financial assets and liabilities are denominated in US dollars. The Company monitors this exposure, but has no hedge positions.

	December 31, 2015 US dollars	December 31, 2014 US dollars
Cash	4,450,516	11,923,136
Accounts payable and accrued liabilities	(6,987,568)	(1,802,083)
New Bridge Loan	(20,000,000)	(20,000,000)
Pre-construction Loan	(50,000,000)	(50,000,000)
2014 Bridge Loan	(54,500,000)	(18,000,000)
Net exposure to US dollars	(127,037,052)	(77,878,947)

At December 31, 2015, a 5% change in the value of the US dollar as compared to the Canadian dollar would result in a change in net loss and equity attributable to shareholders of approximately \$8,790,964 (2014 - \$4,517,000).

Credit Risk

Credit risk arises from cash held with banks and financial institutions. The maximum exposure to credit risk is equal to the carrying value of the financial assets. The Company's cash is primarily held with a Canadian schedule 1 chartered bank. None of the financial assets of the Company are either past due or impaired.

Interest Rate Risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The risk that the Company will realize a loss is limited because at present the Company holds all of its surplus cash in an interest bearing account and has no other interest bearing financial assets or liabilities except for the New Bridge Loan, the Pre-construction Loan and the 2014 Bridge Loan which bear interest at fixed rates until February 29, 2016.

Liquidity Risk

The Company manages liquidity risk by maintaining sufficient cash to enable settlement of transactions on the due date. Management monitors the Company's contractual obligations and other expenses to ensure adequate liquidity is maintained.

As at December 31, 2015, the Company had an available cash balance of \$6,560,906 and had fully drawn down its existing loan facilities.

Liquidity risks associate with financial commitments are as follows:

Due within:	1 year	2 years	3 years	4 years	5 years	After 5 years
	\$	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	3,737,707	-	-	-	-	-
New Bridge Loan	27,680,000	-	-	-	-	-
Pre-construction Loan	69,200,000	-	-	-	-	-
2014 Bridge Loan	75,428,000	-	-	-	-	-
Interest payable on loans	12,338,503	-	-	-	-	-
Obligations under operating lease	368,255	298,441	48,458	8,152	1,020	-
	188,752,465	298,441	48,458	8,152	1,020	-

The above table reflects the Company's interest payable on loan obligations with maturity dates extended to February 29, 2016. If the Company's borrowings are extended to March 31, 2016 at the sole discretion of RCF, an additional \$1,477,708 of interest will be payable.

The table above does not include obligations under an operating lease of \$306,930 which was terminated on January 20, 2016. The Company paid \$110,598 in connection with the termination.

OUTSTANDING SHARE DATA

Fully diluted common shares as at February 24, 2016:

Type of Security	Number	Exercise Price	Expiry Date
Issued and outstanding common shares	698,451,718		
Conversion of New Bridge Loan ⁽¹⁾	395,428,571	\$0.07	February 29, 2016
Conversion of Pre-construction Loan ⁽¹⁾	1,258,181,818	\$0.06	February 29, 2016
Share purchase warrants	20,000,000	\$0.08	July 12, 2016
Stock options	800,000	\$0.13	December 9, 2016
Stock options	4,300,000	\$0.14	April 23, 2017
Stock options	200,000	\$0.12	June 13, 2017
Stock options	500,000	\$0.10	December 3, 2017
Stock options	6,950,000	\$0.10	July 10, 2018
Stock options	1,000,000	\$0.10	October 9, 2018
Stock options	7,500,000	\$0.07	April 30, 2019
Stock options	250,000	\$0.11	June 18, 2019
Stock options	1,750,000	\$0.10	July 10, 2019
Stock options	600,000	\$0.09	September 2, 2019
Stock options	3,750,000	\$0.05	January 6, 2020
Stock options	1,100,000	\$0.05	March 13, 2020
Stock options	6,800,000	\$0.06	April 6, 2020
Stock options	200,000	\$0.05	April 10, 2020
Total	2,407,762,107		

(1) Calculated assuming the US\$20,000,000 principal of the New Bridge Loan and the US\$50,000,000 Pre-construction Loan have values of \$27,680,000 and \$69,200,000 on conversion, respectively.

At February 24, 2016, RCF held 425,678,667 Alloycorp common shares or 63.1% of the Company's issued and outstanding common shares.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires management to use judgement in applying its accounting policies and estimates and assumptions about the future. Estimates and other judgements are regularly evaluated and are based on management's experience and other factors, including expectations about future events that are believed to be reasonable under the circumstances.

Critical accounting judgements

(i) The assumption that the Company is a going concern and will continue in operation for the foreseeable future and at least one year.

- (ii) The Company assesses at each reporting period whether any indication of impairment exists. No impairment indicators of non-financial assets have been noted during the year ended December 31, 2015.
- (iii) Significant judgement is required by the Company in order to estimate the tax basis of assets and liabilities. The Company is subject to assessments by taxation authorities which may interpret legislation differently. Where applicable tax laws and regulations are either unclear or subject to varying interpretations, it is possible that changes in these estimates could occur that materially affect the amounts of deferred income tax assets and liabilities.

Critical accounting estimates

- (i) The Company has used an option pricing model to estimate the fair value of derivative liabilities. The Company has estimated the fair value of the conversion feature of the New Bridge Loan and the Pre-construction Loan.
- (ii) The Company has used a Black-Scholes option pricing model to estimate the fair value of share based payment expense.
- (iii) When there are indications that an asset may be impaired, the Company is required to estimate the asset's recoverable amount. Recoverable amount is the greater of value in use and fair value less costs to sell.
- (iv) Reserve estimates are integral to the determination of the commercial viability of a site, depletion amounts charged to the cost of sales and possible impairments. There are numerous uncertainties inherent in estimating quantities of proven and probable reserves and cash flows to be derived from those reserves, including many factors beyond the control of management when making these estimates. The reserves and estimated future net cash flow from the Company's interest in properties are determined based on professional evaluations provided by external qualified persons. Estimates of the reserves may change based on additional knowledge gained subsequent to the assessment date. These evaluations include assumptions relating to factors such as future production rates, reserve accessibility, production decline rates, timing and amount of capital expenditures, future commodity prices and operating costs. Future changes in the regulatory environments in which the properties are located may also significantly affect the Company's ability to access reserves.
- (v) The Company's operations are subject to environmental regulations in Canada. Upon establishment of commercial viability of a site, the Company estimates the cost to restore the site following the completion of commercial activities and depletion of reserves. These future obligations are based on cost estimates by taking into consideration closure plans, known environmental impacts and costs that will be carried out to meet the restoration obligations. The decommissioning provision is based on the net present value of the estimated future costs. The Company assesses its decommissioning provision quarterly and measures it by discounting the expected cash flows. The applicable discount rate is a rate that reflects the current market assessment of the time value of money which is determined based on government bond interest rates and inflation rates. Actual restoration costs may differ from those projected as a result of, among other things, an increase over time of actual

remediation costs, a change in the timing for utilization of reserves and the potential for more stringent environmental regulatory requirements.

CHANGES IN ACCOUNTING POLICIES

Change in Accounting Policy on Exploration and Evaluation Expenditures

The Company historically capitalized its expenditures on exploration and evaluation (“E&E”) activities, an acceptable accounting policy, prior to the adoption of IFRS as Canadian GAAP. Subsequent to such adoption, the Company continued this policy, acceptable under IFRS 6 – “Exploration and Evaluation of Mineral Resources” (“IFRS 6”). Effective December 31, 2015, the Company has decided to adopt a voluntary change in accounting policy on E&E expenditures that is also generally accepted under IFRS 6. The Company’s new policy on accounting for E&E expenditures is to expense these costs until such time as the work completed supports the future development of the Kitsault Project evidenced through formal approval from Alloycorp’s Board of Directors (“Board”). In reaching such a decision, the Board could consider, amongst others, the following factors: receipt of relevant permitting, availability of financing, and completion of a suitable technical report. All subsequent expenditures from the point of Board approval will be capitalized and classified as Assets Under Construction, a component of Buildings and Equipment.

The Company’s primary focus is to seek out and develop mine projects. In managements’ view, expenditures incurred prior to securing formal Board approval to develop a mine project would not meet the criteria for capitalization. The above noted change in accounting policy is consistent with the accounting conceptual framework for the recognition of assets, and is an accepted accounting practice in the mining industry. Management believes that such a voluntary change in accounting policy results in financial statements providing more reliable and relevant information as the Company does not know when it will commence development of the Kitsault Project. This change in accounting policy has been applied to all of the Company’s historical E&E activities related to the Kitsault Project, currently the Company’s sole mine project.

In accordance with IAS 8 – “Accounting Policies, Changes in Accounting Estimates and Errors”, the change in accounting policy is to be made retrospectively with comparative figures restated accordingly to all periods presented, as if the policy had always been applied. The following table summarizes the adjustments made to the Company’s statements of financial position at January 1, 2014 and December 31, 2014, and to its consolidated statements of comprehensive loss and cash flows for the year ended December 31, 2014:

Selected balance sheet items	January 1, 2014			December 31, 2014		
	As		As	As		As
	Previously Reported	Cumulative Change	Restated	Previously Reported	Cumulative Change	Restated
	\$	\$	\$	\$	\$	\$
Prepaid expenses and other assets	121,518	20,000	141,518	1,031,102	1,401,429	2,432,531
Buildings and equipment	986,598	37,686	1,024,284	1,075,011	673,883	1,748,894
Mineral properties:						
Acquisition costs	25,546,939	-	25,546,939	25,588,439	-	25,588,439
Engineering and site works	30,325,828	(30,325,828)	-	68,939,485	(68,939,485)	-
Environmental	16,914,417	(16,914,417)	-	22,909,755	(22,909,755)	-
Corporate responsibility	3,438,575	(3,438,575)	-	5,416,589	(5,416,589)	-
Restoration provision	489,006	164,678	653,684	1,129,006	164,678	1,293,684
Other	2,538,166	(2,538,166)	-	3,397,594	(3,397,594)	-
Total	80,361,047	(52,994,622)	27,366,425	129,486,981	(98,423,433)	31,063,548
Accumulated deficit	(35,045,809)	(52,994,622)	(88,040,431)	(67,621,157)	(98,423,433)	(166,044,590)

Certain comparable figures have been reclassified from mineral properties to prepaid expenses and other assets, and buildings and equipment. This better reflects the substance of the balances.

Selected items from statement of operations and comprehensive loss	Year ended December 31, 2014		
	As		As
	Previously Reported	Cumulative Change	Restated
	\$	\$	\$
Exploration and evaluation expenditures	-	(45,428,811)	(45,428,811)
Net loss for the year	(32,575,348)	(45,428,811)	(78,004,159)
Net comprehensive loss for the year	(32,520,019)	(45,428,811)	(77,948,830)
Basic and diluted loss per share	(0.07)	(0.09)	(0.16)

	As Previously Reported \$	Cumulative Change \$	As Restated \$
Selected items from statement of cash flows			
Net loss	(32,575,348)	(45,428,811)	(78,004,159)
Depreciation expense	-	133,003	133,003
Changes in non-cash working capital items			
Decrease (increase) in receivables	(1,175,672)	518,425	(657,247)
Increase in accounts payable and accrued liabilities	7,309,444	11,925,147	19,234,591
Increase in prepaids and other assets	(909,584)	(1,381,427)	(2,291,011)
Investing Activities			
Expenditures on exploration and evaluation assets	(34,869,861)	34,869,861	-
Purchase of building and equipment	(221,415)	(636,198)	(857,613)
Total cash flows	(62,442,436)	-	(62,442,436)

Future Accounting Pronouncements

The following new standards have been issued but are not yet effective:

IFRS 9 Financial Instruments:

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments bringing together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. IFRS 9 also amends some of the requirements of IFRS 7 Financial Instruments: Disclosures, including added disclosures about investments in equity instruments measured at fair value in OCI, and guidance on financial liabilities and derecognition of financial instruments. The mandatory effective date of IFRS 9 would be annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is currently assessing the impact of adopting IFRS 9 on the consolidated financial statements, along with the timing of adoption of IFRS 9.

IFRS 15 Revenue from Contracts with Customers:

IFRS 15, issued in May 2014, establishes the principles that an entity shall apply to report the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer. IFRS 15 replaces IAS 11, Construction contracts, IAS 18, Revenue, IFRIC 13, Customer Loyalty Programmes, IFRIC 15, Agreements for the Construction of Real Estate, IFRIC 18, Transfers of Assets from Customers and Standard Interpretations Committee interpretation 31, Revenue – Barter Transactions Involving Advertising Services. IFRS 15 will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively and improve guidance for multiple-element arrangements. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is currently assessing the impact of adopting IFRS 15 on the consolidated financial statements.

IFRS 16 Leases:

On January 13, 2016, the IASB issued IFRS 16 which supersedes existing standards and interpretations under IAS 17, Leases. IFRS 16 requires all leases, including financing and operating leases, to be reported on a company's balance sheet. The new standard will provide greater transparency on a company's lease assets and liabilities. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted. The Company is currently assessing the impact of adopting IFRS 16 on the consolidated financial statements.

SUBSEQUENT EVENTS

Subsequent to the year ended December 31, 2015, the Company settled US\$500,000 (\$712,850) of interest payable on the New Bridge Loan for the period October 1, 2015 to December 31, 2015 by issuing 13,880,000 common shares at the fair value of \$138,800 and accordingly, the Company recorded a gain on settlement of obligations of \$574,050.

Subsequent to the year ended December 31, 2015, the Company settled US\$1,000,000 (\$1,425,700) of interest payable on the Pre-construction Loan for the period October 1, 2015 to December 31, 2015 by issuing 27,760,000 common shares at the fair value of \$277,600 and accordingly, the Company recorded a gain on settlement of obligations of \$1,148,100.

Subsequent to the year ended December 31, 2015, the Company terminated obligations under an operating lease of \$306,930 on January 20, 2016. The Company paid \$110,598 in connection with the termination.

DISCLOSURE CONTROLS AND PROCEDURES

In connection with National Instrument 52-109 (Certification of Disclosure in Issuer's Annual and Interim Filings) ("NI 52-109"), the Chairman of the Board (providing the certificate in the capacity of Chief Executive Officer) and Chief Financial Officer of the Company have filed a Venture Issuer Basic Certificate with respect to the financial information contained in the consolidated financial statements for the year ended December 31, 2015 and this accompanying MD&A (together, the "Annual Filings").

In contrast to the full certificate under NI 52-109, the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109. For further information the reader should refer to the Venture Issuer Basic Certificates filed by the Company with the Annual Filings on SEDAR at www.sedar.com.

RISKS AND UNCERTAINTIES

Natural resources exploration, development, production and processing involve a number of business risks, some of which are beyond the Company's control. These can be categorized as operational, financial and regulatory risks. Additional risks to the key risks discussed below are disclosed in the Company's Annual Information Form on SEDAR at www.sedar.com.

Development, Exploration and Mining Risks

The exploration for and development of mineral deposits involves significant risks, which even a combination of careful evaluation, experience and knowledge cannot eliminate. While the discovery of an ore body may result in substantial rewards, few properties that are explored are ultimately developed into producing mines. Once a site with mineralization is discovered, it may take several years from the initial phases of drilling until production is possible, during which time the economic feasibility of production may change. Major expenses may be required to locate and establish mineral reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site. It is impossible to ensure that the exploration or development programs planned by the Company will result in a profitable commercial mining operation.

Whether a mineral deposit will be commercially viable depends on a number of factors, including but not limited to: the particular attributes of the deposit, such as accuracy of estimated size, continuity of mineralization, average grade and metallurgical characteristics; proximity to infrastructure; commodity prices, which are highly cyclical; and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company being unable to receive an adequate return on invested capital.

Development projects are uncertain and capital cost estimates, projected operating costs, production rates, recovery rates, mine life and other operating parameters and economic returns may differ significantly from those estimated for a project. Development projects rely on the accuracy of predicted factors including capital and operating costs, metallurgical recoveries, reserve estimates and future metal prices. In addition, there can be no assurance that molybdenum or silver recoveries in small scale laboratory tests will be duplicated in larger scale tests under on-site conditions or during production.

A project is subject to numerous risks during development including, but not limited to, the accuracy of feasibility studies, obtaining permits required to commence construction, changes in environmental or other government regulations, securing all necessary surface and land tenure rights, consulting and accommodating First Nations and other Aboriginal groups, and financing risks. Unforeseen circumstances, including those related to the amount and nature of the mineralization at the development site, technological impediments to extraction and processing, legal restrictions or governmental intervention, infrastructure limitations, environmental issues, disputes with local communities or other events, could result in the Company's planned developments becoming impractical or uneconomic to complete. Any such occurrence could have an adverse impact on the Company's growth, financial condition and results of operations.

In addition, as a result of the substantial expenditures involved in development projects, developments are prone to material cost overruns versus budget. The capital expenditures and time required to develop new mines are considerable and changes in cost or construction schedules can significantly increase both the time and capital required to build the project. Project development schedules are also dependent on obtaining the governmental approvals necessary for the operation of a project. The timeline to obtain these government approvals is often beyond the control of the Company. It is not unusual in the mining industry for new mining operations to experience construction challenges or delays and unexpected problems during the start-up phase, resulting in delays and requiring more capital than anticipated.

Foreign Exchange

The Company's debt and a significant portion of its cash is denominated in US dollars while costs are primarily denominated in Canadian dollars. This creates exposure at the operational level, which may affect the Company's performance as exchange rates fluctuate.

The Company is exposed to currency risk through a portion of the following assets and liabilities denominated in currencies other than the Canadian dollar: cash and cash equivalents, accounts payable and accrued liabilities, and borrowings. The appreciation of the US dollar against the Canadian dollar can increase the total debt obligation of the Company.

As a result, fluctuations in currency exchange rates could significantly affect the Company's business, financial condition, results of operations and liquidity.

Financing Risk

The Company's exploration and development activities will require additional external financing. There can be no assurance that additional capital or other types of financing will be available when needed or that, if available, the terms of such financing will be acceptable to the Company, and, if raised by offering equity securities or securities convertible into equity securities, any additional financing may involve substantial dilution to existing shareholders. Failure to obtain sufficient financing could result in the delay or indefinite postponement of exploration or development the Company's mineral property. The cost and terms of such financing may significantly reduce the expected benefits from new developments and/or render such developments uneconomic.

Financial Capability, Additional Financing and Liquidity Risks

The Company has limited financial resources, has no source of operating cash flow and has no assurance that additional funding will be available to it for further development of the Avanti Kitsault Project.

The Company has outstanding current commitments of \$188,752,465. At December 31, 2015, there is a working capital deficit of \$177,936,168. Additionally, the Company has incurred a loss for the year ended December 31, 2015 of \$78,931,424 and has an accumulated deficit of \$244,976,014. At December 31, 2015, the Company has fully drawn down on all its existing loan facilities.

Although the Company has been successful in the past in financing its activities through the sale of equity securities and the issuance of debt, there can be no assurance that it will be able to obtain sufficient financing in the future to execute its business plan.

Uncertainty in the Estimation of Mineral Reserves and Mineral Resources

Mineral reserves and resources are estimates only, and no assurance can be given that the anticipated tonnages and grades will be achieved, that the indicated level of recovery will be realized or that mineral reserves can be mined or processed profitably. Mineral reserve resource estimates may be materially affected by environmental, permitting, legal, title, taxation, socio-political, marketing and other relevant issues. There are numerous uncertainties inherent in estimating mineral reserves and resources, including many factors beyond the Company's control. Such estimation is a subjective process, and the accuracy of

any mineral reserve or mineral resource estimate is a function of the quantity and quality of available data, the nature of the ore body and of the assumptions made and judgments used in engineering and geological interpretation. These estimates may require adjustments or downward revisions based upon further exploration or development work, drilling or actual production experience.

Fluctuations in molybdenum and silver prices, results of drilling, metallurgical testing and production, the evaluation of mine plans after the date of any estimate, permitting requirements or unforeseen technical or operational difficulties may require revision of reserve and resource estimates. Prolonged declines in the market price of molybdenum and silver may render mineral reserves containing relatively lower grades of mineralization uneconomical to recover and could materially reduce the Company's mineral reserves. Mineral resource estimates are based on very limited and widely-spaced drill hole information, which is not necessarily indicative of conditions between and around the drill holes. Accordingly, such mineral resource estimates may require revision as more geologic and drilling information becomes available and as actual production experience is gained. Should reductions in mineral resources or mineral reserves occur, the Company may be required to take a material write-down of its investment in mining properties, reduce the carrying value of its assets or delay or discontinue the development of projects. Mineral reserves should not be interpreted as assurances of mine life or of the profitability of current or future operations. There is a degree of uncertainty attributable to the calculation and estimation of mineral resources and reserves and corresponding grades being mined and, as a result, the volume and grade of reserves mined and processed and recovery rates may not be the same as currently anticipated. Any material reductions in estimates of mineral reserves and resources, or of the Company's ability to extract these mineral reserves, could have a material adverse effect on the Company's results of operations and financial condition.

Mineral resources are not mineral reserves and have a greater degree of uncertainty as to their existence and feasibility. There is no assurance that mineral resources will be upgraded to proven or probable mineral reserves.

Environmental Risks

The Company is subject to environmental regulations in Canada. These regulations address, among other things, endangered and protected species, emissions, noise, air and water quality standards, land use and reclamation. They also set out limitations on the generation, transportation, storage and disposal of solid, liquid and hazardous waste.

Environmental legislation is evolving in a manner which will require, in certain jurisdictions, 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. No certainty exists that future changes in environmental regulation, or the application of such regulations, if any, will not adversely affect the Company. The Company cannot give any assurance that, notwithstanding its precautions, breaches of environmental laws (whether inadvertent or not) or environmental pollution will not materially and adversely affect its financial condition and results from operations. Environmental hazards may exist on the Company's property which are unknown to management at present and which have been caused by previous owners or operators of the property. In addition, measures taken to address and mitigate known environmental hazards or risks may not be fully successful, and such hazards or risks may materialize.

Dependence on Key Personnel

Many of the Company's personnel are specialized, highly skilled and experienced. The Company's future development success will depend to a significant extent on its ability to attract and retain qualified personnel. While the Company has not experienced any significant difficulties to date in attracting and retaining personnel, there can be no assurance that this will continue. The loss of key personnel could have a material adverse effect on the Company's operations and business prospects.

Business Continuity

As a result of the reduced expenditure budget adopted during the year, the Company has reduced personnel and terminated leases to the minimum amount required to maintain the business. The Company's ability to quickly scale-up and respond to changes in the business may be significantly impacted. There is a risk that Company will be unable to expand and grow the business with improvements in the economic environment and achievement of successful financing.

Health and Safety

The Company is exposed to the risk that health and safety of its employees and other stakeholders are impacted by negative events or circumstances. Failure of the Company to control the health and safety of its employees, contractors and surrounding communities may cause significant adverse impact to the Company's reputation. Furthermore, claims and litigations against the Company may result from these events which may have material adverse effect on the Company's financial position or results of operations.

Government Regulations and Permitting

The Company's development activities are subject to laws and regulations governing health and worker safety, employment standards, waste disposal, protection of the environment, mine development and protection of endangered and protected species, treatment of indigenous peoples and other matters. It is possible that future changes in applicable laws, regulations, agreements or changes in their enforcement or regulatory interpretation could result in changes in legal requirements or in the terms and conditions of existing permits and agreements applicable to the Company or its property, which could have a material and adverse effect on the Company's current development activities. Where required, obtaining necessary permits can be a complex, time consuming process and the Company cannot provide assurance whether any necessary permits will be obtainable on acceptable terms, in a timely manner, or at all. The costs and delays associated with obtaining necessary permits and complying with these permits and applicable laws and regulations could stop or materially delay or restrict the Company from proceeding with the development of an exploration project or the operation or further development of a mine. Any failure to comply with applicable laws and regulations or permits, even if inadvertent, could result in interruption or closure of exploration, development or mining operations or material fines, penalties or other liabilities.

Cost Estimates

The Company prepares estimates of operating costs and/or capital costs for its projects. The Company's actual costs are dependent on a number of factors, including the exchange rate between the US dollar

and the Canadian dollar, smelting and refining charges, penalty elements in concentrates, royalties, the price of molybdenum and byproduct metals, the cost of inputs used in mining operations and events that impact production levels. The Company's actual costs may vary from estimates for a variety of reasons, including changing waste-to-ore ratios, ore grade metallurgy, labour and other input costs, commodity prices, general inflationary pressures and currency exchange rates. Failure to achieve cost estimates or material increases in costs could have an adverse impact on the Company's future cash flows, profitability, results of operations and financial condition.

Fluctuating Prices

The Company's performance, cash flows and financial condition are subject to risk due to fluctuations in the market price of molybdenum and silver. Commodity prices have historically fluctuated widely and are affected by numerous factors beyond the Company's control.

Future metal price declines could cause continued development of the Company's property to be uneconomic. Depending on the price of molybdenum and silver, the Company's cash flow from future mining operations may be insufficient to meet its operating needs and capital expenditures, and as a result the Company could experience losses and/or may curtail or suspend some or all of its activities or otherwise revise its mine plans, and exploration and development plans, and could lose its interest in, or be forced to sell its property.

Reserve calculations and mine plans using significantly lower molybdenum and silver prices could result in significant reductions in mineral reserve and resource estimates and revisions in the Company's life-of-mine plans, which in turn could result in material write-downs of its investments in mining properties and increased depletion, reclamation and closure charges. Depending on the price of molybdenum or other metals, the Company may determine that it is impractical to commence production.

In addition, cash costs and all-in sustaining costs of production are calculated net of by-product credits, and therefore may also be impacted by downward fluctuations in the price of by-product metals. Any of these factors could result in a material adverse effect on the Company's results of operations and financial condition. In addition to adversely affecting the Company's mineral reserve and resource estimates and its financial condition, declining metal prices can impact operations by requiring a reassessment of the feasibility of a particular project. Such a reassessment may be the result of a management decision or may be required under financing arrangements related to a particular project. Even if a project is ultimately determined to be economically viable, the need to conduct such a reassessment may cause substantial delays and/or may interrupt operations until the reassessment can be completed, which may have a material adverse effect on the Company's results of operations and financial condition.

Community Relations and First Nations Claims

The Company's relationship with the host communities where it operates is critical to ensure the future success of its existing operations and the construction and development of its project. There is an increasing level of public concern relating to the perceived effect of mining activities on the environment and on communities impacted by such activities. Certain organizations oppose globalization and resource development and are often vocal critics of the mining industry and its practices. Adverse publicity generated by such organizations or others related to extractive industries generally, or the Company's operations specifically, could have an adverse effect on the Company's reputation. Reputation loss may

result in decreased investor confidence, increased challenges in developing and maintaining community relations and an impediment to the Company's overall ability to advance its project, which could have a material adverse impact on the Company's results of operations, financial condition and prospects. While the Company is committed to operating in a socially responsible manner, there is no guarantee that the Company's efforts in this respect will mitigate this potential risk.

The Company's property may be subject to the rights or the asserted rights of various community stakeholders, including First Nations and other indigenous peoples. The presence of community stakeholders may impact the Company's ability to develop or operate its mining property or to conduct exploration activities. Accordingly, the Company is subject to the risk that one or more groups may oppose the continued operation, further development or new development or exploration of the Company's current or future mining properties and projects. Such opposition may be directed through legal or administrative proceedings, or through protests or other campaigns against the Company's activities. Governments in many jurisdictions must consult with, or require the Company to consult with, indigenous peoples with respect to grants of mineral rights and the issuance or amendment of project authorizations. Consultation and other rights of indigenous peoples may require accommodation including undertakings regarding employment, royalty payments and other matters. This may affect the Company's ability to acquire within a reasonable time frame effective mineral titles, permits or licenses in these jurisdictions and may affect the timetable and costs of development and operation of mineral properties in these jurisdictions. The risk of unforeseen title claims by indigenous peoples also could affect existing operations as well as development projects. These legal requirements may also affect the Company's ability to expand or transfer existing operations or to develop new projects.

Information Systems Security

The Company has entered into agreements with third parties for hardware, software, telecommunications and other information technology ("IT") services in connection with its operations. The Company's operations depend, in part, on how well the Company and its suppliers protect networks, equipment, IT systems and software against damage from a number of threats, including, but not limited to, cable cuts, damage to physical plants, natural disasters, terrorism, fire, power loss, hacking, computer viruses, vandalism and theft. The Company's operations also depend on the timely maintenance, upgrade and replacement of networks, equipment, IT systems and software, as well as pre-emptive expenses to mitigate the risks of failures. Any of these and other events could result in information system failures. The failure of information systems or a component of information systems could, depending on the nature of any such failure, adversely impact the Company's reputation and results of operations.

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

Operations

The Company's operations are subject to operational risks and hazards inherent in the mineral exploitation and extraction industry, including, but not limited to, variations in grade, deposit size, earthquakes and other Acts of God, density and other geological problems, hydrological conditions, availability of power, metallurgical and other processing problems, mechanical equipment performance problems, drill rig shortages, the unavailability of materials and equipment including fuel, labour force disruptions, unanticipated transportation costs, unanticipated regulatory changes, unanticipated or significant changes in the costs of supplies including, but not limited to, petroleum, labour and adverse weather conditions. Should any of these risks and hazards affect any of the Company's development activities, it may cause delays or a complete stoppage in the Company's development activities, which would have a material and adverse effect on the business of the Company.

Title

The acquisition of title to mineral properties is a very detailed and time consuming process. Title to, and the area of, mineral concessions and claims may be disputed. While the Company believes it has diligently investigated title to the mineral concessions and claims underlying its properties, the Company cannot guarantee that title to any such properties will not be challenged, or that title to such properties will not be affected by an unknown title defect. The Company has not surveyed the boundaries of all of its mineral properties and consequently the boundaries of the properties may be disputed.

Litigation Risks

All industries, including the mining industry, are subject to legal claims, with and without merit. The Company may become involved in legal disputes in the future. Defence and settlement costs can be substantial, even with respect to claims that have no merit. Due to the inherent uncertainty of the litigation process, there can be no assurance that the solution of any particular legal proceeding will not have a material adverse effect on the Company's financial position or results of operations.

CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS

This MD&A contains certain statements concerning the business of Alloycorp that constitute "forward-looking information" within the meaning of applicable securities laws. Such statements can be identified by the use of words such as "may", "would", "could", "will", "intend", "expect", "believe", "plan", "anticipate", "estimate", "scheduled", "predict" and other similar terminology, or state that certain actions, events or results "may", "could", "would", "might", or "will" be taken or occur to be achieved.

This MD&A and in particular the *Outlook* section, contains forward-looking statements including, without limitation, statements about the production plan for the Avanti Kitsault Project including the FEED Study, estimates for capital costs and pre-construction activities, the Company's ability to obtain project debt financing, financing for the equity required and a strategic partner for the development of the Avanti Kitsault Project, the negotiation of cooperation agreements with First Nations groups and estimated dates to conclude agreements for the financing and construction of a mine. These forward-looking statements are based on current expectations and various estimates, factors and assumptions, including molybdenum and other metal prices and assumptions with respect to currency fluctuations and environmental risks, and involve known and unknown risks, uncertainties and other factors.

It is important to note that:

Unless otherwise indicated, forward-looking statements in this MD&A describe the Company's expectations as of February 24, 2016.

All statements, other than statements of historical fact, included herein, including, without limitation, the completion of anticipated financing arrangements and activities and the anticipated development of the Avanti Kitsault Project, the expected movement of molybdenum and other commodity prices (and the Company's position in relation thereto) and expected fluctuations in exchange rates, are all forward-looking statements. These forward-looking statements are based on the opinions of management at the date the statements are made and are based on assumptions and subject to a variety of risks and uncertainties and other factors that could cause actual events to differ materially from those projected in forward-looking statements. Important factors that could cause actual results to differ materially from the Company's expectations include fluctuations in commodity prices and currency exchange rates; the satisfaction of various conditions to financing and funding; uncertainties relating to interpretation of drill results and the geology, continuity and grade of mineral deposits; uncertainty of estimates of capital and operating costs, recovery rates, production estimates and estimated economic return; the need for cooperation of government agencies and native groups in the exploration and development of properties and the issuance of required permits; the need to obtain additional financing to develop properties and uncertainty as to the availability, terms and timing of future financing; the possibility of delay in exploration or development programs or in construction projects and uncertainty of meeting anticipated program milestones; and other risks and uncertainties disclosed in the Company's Annual Information Form for the year ended December 31, 2013, which is available at www.sedar.com. The Company is under no obligation to update forward-looking statements if circumstances or management's opinions should change, except as required by applicable securities laws. Forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results, and will not necessarily be accurate indicators of whether or not such results will be achieved. Accordingly, the reader is cautioned not to place undue reliance on forward-looking statements.

Non-GAAP Measures

The Company has included certain non-GAAP measures including *site cash costs, net of silver by-product credits per pound of molybdenum; total cash operating costs, including transportation costs, treatment charges, royalties and net of silver by-product credits per pound of molybdenum; site costs per tonne of ore processed; treatment/transport charges per pound of molybdenum produced and working capital excluding related party borrowing liabilities* in its MD&A.

The Company believes that these measures, together with measures determined in accordance with IFRS, provide investors with an improved ability to evaluate the underlying performance of the Company. Non-GAAP measures do not have any standardized meanings prescribed under IFRS, and therefore they may not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

OTHER INFORMATION

Additional information related to the Company, including its most recently filed Annual Information Form, is available for viewing on SEDAR at www.sedar.com and at the Company's website at www.alloycorp.com.