



**FIRST ENERGY METALS LIMITED**

**MANAGEMENT DISCUSSION AND ANALYSIS  
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

**For the nine months ended December 31, 2019**

**First Energy Metals Limited**  
**Management's Discussion & Analysis**  
**For the nine months ended December 31, 2019**

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**INTRODUCTION**

The following Management Discussion and Analysis ("MD&A") of the financial condition and results of operations of First Energy Metals Limited ("First Energy" or "the Company") should be read in conjunction with the accompanying unaudited condensed interim financial statements and related notes thereto for the nine months ended December 31, 2019 and 2018, (the "Financial Report").

The financial information in this MD&A is derived from the Company's financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") and all dollar amounts are expressed in Canadian dollars unless otherwise indicated.

Additional information relating to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Company's website [www.firstenergymetals.com](http://www.firstenergymetals.com).

**DATE OF THE MD&A**

This MD&A contains information to February 29, 2020.

**DESCRIPTION OF THE BUSINESS**

First Energy was incorporated on October 12, 1966 pursuant to the Business Corporations Act of British Columbia. The Company's name changed from Agave Silver Corp. to First Energy Metals Limited and was approved on December 16, 2016, at the Company's Annual General Meeting.

The Company maintains its corporate office at Suite 1206 - 588 Broughton Street, Vancouver, BC, V6G 3E3. First Energy's registered office is Suite 2500 - 700 W Georgia Street, Vancouver, BC, V7Y 1B3.

The Company's common shares trade on the Canadian Securities Exchange (FE), the OTCBB Exchange (Pink) (ASKDF) and the Frankfurt Exchange (A2JC89).

First Energy is a junior resource company engaged in the exploration and development of mineral properties. It currently maintains early stage exploration properties in Canada.

This discussion focuses on key statistics from the unaudited condensed interim financial statements for the period ended December 31, 2019 and up to the date of this MD&A and pertains to known risks and uncertainties relating to the gold exploration and development and mining industry. This discussion should not be considered all-inclusive, as it excludes changes that may occur in general economic, political and environmental conditions.

**THIRD QUARTER 2019 HIGHLIGHTS AND TO DATE OF THE MD&A**

On January 22, 2020, the Company announced it had entered into a non-binding Letter of Intent ("LOI") with 1232963 BC LTD (the "1232963 BC") a private corporation incorporated in British Columbia, whereby the Company will have the option to acquire up to 75% of the Thunder Mountain gold-silver project (the "Property") located in Nye County, Nevada.

The Thunder Mountain Property consists of 49 lode claims and host a series of high-grade epithermal quartz adularia-gold veins located within the southwestern Nevada's Walker Lane gold trend. Walker Lane trend is a well-known gold mining district in Nevada. The region is actively explored and has seen a number of gold discoveries in the past.

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In 2007 and 2008 the claims had some very limited reverse circulation drilling by the then claim holder, Midway Gold Corporation ("Midway"). Results of the Thunder Mountain Property drilling, quoted below, were issued by Midway in news releases for public disclosure on October 18, 2007, May 1, 2008, and January 21, 2009. Investors are cautioned that a qualified person from FirstEnergy has not carried out data verification on this information, and it should not be relied upon.

Midways' first drill holes intersected several high-grade gold veins within broader mineralized sections. Highlights include; hole TM07-04 that returned 1.5m (5 ft) of 33.65 g/t gold within a 6.09m(20 feet) wide zone that returned 9.69 g/t gold; and TH-27 which encountered 3.05m (10 ft) of 54.7g/t gold within 9.1m (30 ft) of 20 g/t gold. The samples for this drilling were analysed at ALS Chemex labs in Sparks, Nevada using method 30g fire assays. Reverse circulation drilling was conducted by Layne Christensen of Chandler, Arizona. True widths were not determined.

In 2008, Midway focused their drilling 15 to 30m (50 to 100ft) northwest of the 2007 effort and drilling intercepted similar shallow gold bearing zones with higher grade veins. Drill hole TM08-10, returned some high-grade silver with 1.52m (5 ft) of 231 g/t silver at the top of a 4.57m (15 foot) section that also returned 1.12 g/t gold. Other results from 2008 include; 3.05m (10ft) of 11 g/t gold within 12m (40 feet) of 3.82 g/t gold (the true thicknesses of these intercepts were estimated to be 5.5 and 17.5 feet, respectively) at only 21m (70 ft) depth; as well as silicified breccias hosted by rhyolite tuff containing 21m (70 feet) of 2.97 g/t gold beginning at a 16.7m (55 foot) depth. Gold and silver assays were conducted by 30g fire assays at SGS labs in Ontario, Canada. Reverse circulation drilling was conducted by Eklund Drilling of Elko, Nevada. Technical data pertaining to this new release was reviewed and approved by Craig Alford, MSc., P.Geo., acting as First Energy's qualified person under National Instrument 43-101.

Under the terms of the LOI, the Company has the option to acquire up to 75% interest in the Thunder Mountain Property by completing the following option payments, common share issuances and exploration expenditures:

- Year 1: Cash payment of \$20,000 USD within 15 days of Canadian Securities Exchange ("CSE") and any other regulatory approval necessary. Additional \$30,000 USD prior to the one-year anniversary of the agreement. Share issuance of 4,000,000 shares within 15 days of CSE and any other regulatory approval necessary. Complete \$150,000 USD in exploration expenditures;
- Year 2: Cash payment of \$40,000 USD prior to the two-year anniversary of the agreement. Complete \$600,000 USD in exploration expenditures;
- Year 3: Cash payment of \$60,000 USD prior to the third-year anniversary of the agreement. Complete \$750,000 USD in exploration expenditures.

On January 22, 2020, the Company also announced a non-brokered private placement for up to \$600,000 at a price of 0.06 cents per share by way of an issuance of 10,000,000 units. Closing of the private placement is subject to obtaining all required regulatory approvals, including approval from the CSE. The securities will be subject to a four-month hold period plus one day under securities laws. The Company intends to use the proceeds from the private placement for funding the initial exploration program on Thunder Mountain and general working capital purposes. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one common share at a price of \$0.20 for a period of one-year from the issue date. The warrants are subject to an acceleration provision that allows the Company to give notice of an earlier expiry date if the Company's weighted average share price is equal or greater than \$0.20 for a period of 10 consecutive trading days.

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**OVERVIEW OF PROJECTS**

**Phyllis Cobalt Property, British Columbia, Canada**

**Phyllis Cobalt – the Option Agreement**

On January 29, 2018, the Company entered into the Phyllis Cobalt Option Agreement to acquire 100% interest in the Phyllis Property.

On January 29, 2019, March 15, 2019 and again on December 31, 2019, the Company entered into an amended option agreement (the “Phyllis Amendment Agreement”) which amended the due dates for certain cash payments, share issuances and exploration expenditure requirements of the Phyllis Cobalt Option Agreement.

Under the terms of the Phyllis Amendment Agreement, the Company has the option to acquire a 100% interest in the Phyllis Property by completing the following option payments, common shares issuances and exploration expenditures:

| Due Dates                    | Option payments (\$) | Issuance of First Energy common shares | Minimum exploration expenditures (\$) | Cumulative exploration expenditure (\$) |
|------------------------------|----------------------|----------------------------------------|---------------------------------------|-----------------------------------------|
| On signing (paid and issued) | 20,000               | 100,000                                | Nil                                   | Nil                                     |
| September 1, 2020            | 35,000               | 150,000                                | 75,000 (completed)                    | 75,000                                  |
| December 31, 2020            | 35,000               | 150,000                                | 25,000                                | 100,000                                 |
| June 1, 2021                 | 50,000               | 200,000                                | 25,000                                | 125,000                                 |

The Phyllis Property is subject to a royalty equal to 3% Net Smelter Return (“NSR”) royalty upon commencement of commercial production. The Company will have the option to reduce the NSR to 2.0% by paying \$1,000,000.

**Phyllis Cobalt – property details**

Location and access

The Phyllis Cobalt Property is located in the Kenora Mining District of Ontario; the property consists of 112 mineral claim units totalling 1792 hectares in Grummett and Cathcart townships. The property has year-round access 192km northwest of Thunder Bay, ON via Hwy 17 and 9km south on a gravel forestry road.

Geology

The Phyllis Property claim block occupies the central portion of an ENE-WSW trending greenstone belt, consisting of Mesoarchean to Neoproterozoic age mafic to ultramafic rocks. These are bound by granite of varying composition -ranging from tonalite to biotite-granodiorite (Atikokan-Lakehead Sheet Map 2065). Recent mapping undertaken by the Ontario Geological Survey (Gulliver River Sheet, Map 3370), which includes a small portion of the Phyllis claims, suggests that there is a greater abundance of ultramafic metavolcanics than previously indicated. The regional foliation follows the general trend of the greenstone belt.

Mineralization

The initial cobalt discovery was made in 2010 by Don Dobransky, named the “Phyllis Central”

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occurrence. This discovery is characterized by an 80m x 60m outcrop and appears as a fairly structureless gabbro, with the exception of an array of narrow quartz veins and veinlets, which have sharp contacts with the country rock and trend roughly NE-SW, and appear to have been intruded relatively recently. The gabbro itself is fine-to medium grained and appears highly altered. The exposed outcrop follows the northern flank of a gentle hill. Earlier excavations focused in the uppermost parts of the topographic profile. This worked confirmed the presence of economic grades of cobalt mineralization up to 0.33% Co (including 1.2% Cu and 0.39% Ni).

Recent Exploration Work

On May 23, 2018, the Company announced the assay results from its Phase 1 exploration work completed at its Phyllis Property. The assay results of 31 samples taken indicated cobalt (Co) values in the range of 0.001% (10 parts per million "ppm") to 0.435% (4,350 ppm), copper (Cu) 0.03% to 0.602%, and nickel (Ni) 0.004% to 0.48%.

On October 22, 2018, the Company announced the results of Phase 2 exploration work at its Phyllis Property. The highlights of sampling include a 4m intersection with 0.08% Cobalt (Co), 0.39% Copper (Cu), and 0.11% Nickel (Ni), including 1m @ 0.24% Co, 0.39% Cu, and 0.19% Nickel (Ni).

On March 12, 2019, the Company its Phase 1 drill program results at its Phyllis Property. The program was aimed at testing the central Phyllis Cobalt Zone below surface to see the depth and size of the gabbroic intrusion and related cobalt-copper-nickel mineralization. Two AW size (1.9 inches or 48.26 mm ID) diamond core drill holes were completed totaling eighty-two (82) metres drilled by Ombabika Development Corporation of Nipigon, Ontario. The first drill hole was drilled at 60-degree angle towards 070-degree azimuth to a depth of 40 m, and the second hole was drilled vertical to a depth of 42 m. Core logging by the exploration team indicates a fourteen (14)-metre-wide zone of strong sulphide mineralization including three (3) massive sulphide zones. The mineralization observed in the drill core consisted of massive to semi massive pyrite, chalcopyrite, and pentlandite. A total of twenty-eight (28) samples were taken from the core for cobalt-nickel-copper (Co-Ni-Cu) analysis.

On April 30, 2019, the Company announced assay results for the Phase 1 Drill Program at its Phyllis Cobalt Property. Drill hole PC-19-02 intersected 12.1m with 0.10% Cobalt (Co), 0.79% Copper (Cu), and 0.08% Nickel (Ni); and the other drill hole PC-19-01 intersected 4.4m with 0.09% Co, 0.54% Cu, 0.16% Ni.

**RESULTS OF OPERATIONS**

For the nine months end December 31, 2019 compared to nine months ended December 31, 2018

The net loss and comprehensive loss for the nine months ended December 31, 2019 ("Current Period") was \$196,058 compared to a net loss and comprehensive loss for the nine months ended December 31, 2018 ("Comparative Period") of \$427,732. The decrease in net loss of \$231,674 was due primarily to the following:

- Consulting fees were \$114,000 for the Current Period, a decrease of \$13,320 over the Comparative Period (2018 - \$127,320). The Current and Comparative Period expenses consisted of consulting fees incurred with respect to corporate development and potential transactions, financings and acquisitions;
- Exploration and evaluations expenditures were \$3,028 in the Current Period, a decrease of \$73,286 from \$76,314 in the Comparative Period. The decrease was primarily due to exploration program

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expenditures in the prior period of \$45,528 incurred as part of the Phyllis Cobalt property exploration program and \$21,000 incurred on the Russel Graphite property; and

- Shareholder communications decreased by \$123,158 from \$139,760 in the Comparative Period to \$16,602 in the Current Period. The decrease was due primarily to costs incurred in the prior period associated with the updating the Company's website, the increase of the Company's online and digital media presence as well as exploring other shareholder communication initiatives.

The decreases noted above was offset by increases in other operating expenses which were consistent with the Company's activities. A notable increase was realized in the following expense item:

- Salaries, fees and benefits increased by \$4,886 to \$41,000 in the Current Period from \$36,134 in the Comparative Period. The increase is due primarily to an increase in salaries being paid to the CEO.

**SUMMARY OF QUARTERLY RESULTS**

The financial results for each of the eight most recently completed quarters are summarized below:

|              | December 31,<br>2019 | September 30,<br>2019 | June 30,<br>2019 | March 31,<br>2019 |
|--------------|----------------------|-----------------------|------------------|-------------------|
| Net revenues | \$ -                 | \$ -                  | \$ -             | \$ -              |
| Net loss     | (\$32,668)           | (\$22,448)            | (\$140,942)      | (\$245,365)       |
| Per share    | (\$0.00)             | (\$0.00)              | (\$0.01)         | (\$0.02)          |
|              | December 31,<br>2018 | September 30,<br>2018 | June 30,<br>2018 | March 31,<br>2018 |
| Net revenues | \$ -                 | \$ -                  | \$ -             | \$ -              |
| Net loss     | (\$79,014)           | (\$68,819)            | (\$279,899)      | (\$692,627)       |
| Per share    | (\$0.01)             | (\$0.00)              | (\$0.02)         | (\$0.07)          |

Significant variations in the net loss between periods are primarily due to the write-down of exploration and evaluation assets, and stock-based compensation as well as fluctuations in general administrative expenses.

**LIQUIDITY AND CAPITAL RESOURCES**

Since inception, the Company's capital resources have been primarily limited to proceeds raised from equity financings. The Company's liquidity depends primarily on its ability to obtain external financing to meet the Company's future operating expenditures.

The Company is not exposed to any externally imposed capital requirements. There were no changes in the Company's approach to capital management during the period.

At December 31, 2019, First Energy had working capital deficit of \$88,725 compared to working capital of \$107,333 at March 31, 2019, and an accumulated deficit of \$36,391,126 at December 31, 2019 compared to an accumulated deficit \$36,195,068 at March 31, 2019.

First Energy began the nine-month period ended December 31, 2019, with \$216,835 in cash. During the nine-month period ended, the Company expended \$216,354 on operating activities, net of working capital changes, to end at December 31, 2019 with \$481 in cash.

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The Company will need to raise sufficient funds as the Company’s current assets are not sufficient to finance its operations and administrative expenses through the next twelve months. Therefore, the Company is seeking additional sources of financing to meet all exploration expenditures for its property commitments as well its ongoing operations. While the Company was successful in obtaining its most recent financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms acceptable to the Company. These material uncertainties may cast significant doubt upon the Company’s ability to continue as a going concern.

**Outstanding Share Data as at the date of this MD&A**

| Authorized: an unlimited number of common shares without par value.       | Common shares issued and outstanding | Share purchase warrants |
|---------------------------------------------------------------------------|--------------------------------------|-------------------------|
| Outstanding at December 31, 2019 and outstanding at the date of this MD&A | 17,631,003                           | 3,555,556               |

**OFF STATEMENT OF FINANCIAL POSITION ARRANGEMENTS**

At December 31, 2019, the Company had no off-balance sheet arrangement such as guarantee contracts, contingent interest in assets transferred to an entity, derivative instruments obligations or any obligations that trigger financing, liquidity, market or credit risk to the Company.

**TRANSACTIONS WITH RELATED PARTIES**

Remuneration of directors and key management personnel of the Company for the three and nine months ended December 31, 2019 and 2018 were as follows:

|                                                     | For the three months ended |          | For the nine months ended |          |
|-----------------------------------------------------|----------------------------|----------|---------------------------|----------|
|                                                     | December 31,               |          | December 31,              |          |
|                                                     | 2019                       | 2018     | 2019                      | 2018     |
| Consulting fees charged by directors of the Company | \$ -                       | \$ 2,000 | \$ 1,000                  | \$ 7,520 |
| Salaries, fees and benefits                         | -                          | 614      | 41,000                    | 28,614   |

Related party balances as at December 31, 2019 and March 31, 2019 were as follows:

|                                                      | December 31, 2019 | March 31, 2019 |
|------------------------------------------------------|-------------------|----------------|
| Amounts due to directors and officers of the Company | \$ 11,393         | \$ 46,851      |

**CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS**

The preparation of financial statements requires management to use judgment in applying its accounting policies and estimates and assumptions about the future. Estimates and other judgments are continuously 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. There have been no significant changes to the Company’s critical accounting estimates for the nine months ended December 31, 2019 from those disclosed in Note 3 of the Financial Report.

**CHANGES IN ACCOUNTING POLICIES**

The Company prepares its financial statements using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

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The accounting policies and methods of application applied by the Company in these financial statements are the same as those applied in the Company's most recent annual financial statements for the year ended March 31, 2019, except for those policies which have changed as a result of the adoption of new and amended IFRS pronouncements effective April 1, 2018.

New, Amended and Future IFRS Pronouncements

More detail on these new, amended and future IFRS pronouncements are provided in Note 2 of the Company's Financial Report.

**FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS**

**Fair Value**

IFRS 7 establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 – Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability; and

Level 3 – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

The following provides the valuation method of the Company's financial instruments as December 31, 2019 and March 31, 2019:

|                             | <b>Level</b> | <b>December 31,<br/>2019</b> | <b>March 31,<br/>2019</b> |
|-----------------------------|--------------|------------------------------|---------------------------|
| Cash                        | 1            | \$ 481                       | \$ 216,835                |
| Loans and receivables       | 1            | 22,364                       | 11,000                    |
| Other financial liabilities | 1            | 100,570                      | 125,526                   |

**Financial Risk Management**

The Company's activities expose it to a variety of financial risks including credit risk, liquidity risk and market risk.

Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Company attempts to manage liquidity risk by maintaining a sufficient cash balance. Further information relating to liquidity risk is disclosed in Note 1 of the Financial Report.

Interest Rate Risk

The Company has no significant exposure at December 31, 2019, to interest rate risk through its financial instruments.

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Company to credit risk consist of cash, short-term investment, reclamation bonds and amounts receivable. The carrying amount of financial assets recorded in the consolidated financial statements, net of any allowances for losses, represents the maximum exposure to credit risk.



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The Company deposits its cash with a high credit quality major Canadian financial institution as determined by ratings agencies. The Company does not invest in asset-backed deposits or investments and does not expect any credit losses. To reduce credit risk, the Company regularly reviews the collectability of its amounts receivable and establishes an allowance based on its best estimate of potentially uncollectible amounts. The Company historically has not had difficulty collecting its amounts receivable.

Currency Risk

The Company has no significant exposure at December 31, 2019, to currency risk through its financial instruments.

Financial assets and financial liabilities that bear interest at fixed rates are subject to fair value interest rate risk. In respect of financial assets, the Company's policy is to invest cash at floating rates of interest in order to maintain liquidity while achieving a satisfactory return. Fluctuations in interest rates impact the amount of return the Company may realize but interest rate risk is not significant to the Company.

There were no transfers from levels or change in the fair value measurements of financial instruments for the nine months ended December 31, 2019, compared to the year ended and March 31, 2019.

Management of capital

The Company primarily considers shareholders' equity in the management of its capital. The Company manages its capital structure and makes adjustments to it based on funds available to the Company, in order to support exploration and development of mineral properties. The Board of Directors has not established quantitative capital structure criteria management but will review on a regular basis the capital structure of the Company to ensure its appropriateness to the stage of development of the business.

The Company's objectives when managing capital are:

- To maintain and safeguard its accumulated capital in order to provide an adequate return to shareholders by maintaining sufficient level of funds, to support continued evaluation and maintenance of the Company's existing properties, and to acquire, explore and develop other precious metals, base metals and industrial mineral deposits;
- To invest cash on hand in highly liquid and highly rated financial instruments with high credit quality issuers, thereby minimizing the risk and loss of principal; and
- To obtain the necessary financing if and when it is required.

The properties in which the Company currently holds an interest are in the exploration stage and the Company is dependent on external financing to explore and take the project to development. In order to carry out planned exploration and development and pay for general and administrative costs, the Company will spend its existing working capital and attempt to raise additional amounts as needed.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

In order to facilitate the management of capital and development of its mineral properties, the Company's management informs the Board of Directors as to the quantum of expenditures for review and approval prior to commencement of work. In addition, the Company may issue new equity, incur additional debt, enter into joint venture agreements or dispose of certain assets. When applicable, the Company's investment policy is to hold cash in interest bearing accounts at high credit quality financial institutions to

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maximize liquidity. In order to maximize ongoing development efforts, the Company does not pay dividends. The Company expects to continue to raise funds, from time to time, to continue meeting its capital management objectives.

There were no changes in the Company's approach to capital management during the period ended December 31, 2019, compared to the year ended to March 31, 2019. The Company is not subject to externally imposed capital requirements. Further information relating to the management of capital is disclosed in Note 1.

## **RISKS AND UNCERTAINTIES**

An investment in the securities of the Company is highly speculative and involves numerous and significant risks. Only investors whose financial resources are sufficient to enable them to assume such risks and who have no need for immediate liquidity in their investment should undertake such investment. Prospective investors should carefully consider the risk factors that have affected, and which in the future are reasonably expected to affect, the Company and its financial position.

The Company's financial condition, results of operations and businesses are subject to certain risks, certain of which are described below (and elsewhere in this MD&A):

### Property risk

None of the Company's Canadian projects have reserves or demonstrated economic viability and there is no assurance that an economic or minable deposit will be found. If the Company acquires additional mineral properties, any material adverse development affecting the new mineral properties could also have a material adverse effect on the financial condition and results of operations.

### Additional Funding Requirements

The Company is reliant upon additional equity financing in order to continue its business and operations, as it is in the business of mineral exploration and at present does not derive any income from its mineral assets. There is no guarantee that future sources of funding will be available to the Company. If the Company is not able to raise additional equity funding in the future, it will be unable to carry out its business.

### Mineral Exploration

Mineral exploration involves a high degree of risk. Few properties that are explored are brought to production. Unusual or unexpected geological formations, formation pressures, structural weaknesses, fires, power outages, labour disruptions, flooding, explosions, tailings impoundment failures, cave-ins, landslides and the inability to obtain adequate machinery, equipment or labour are some of the risks involved in mineral exploration and exploitation activities. The Company has relied on and will continue to rely on consultants and others for mineral exploration and exploitation expertise. Substantial expenditures are required to establish mineral reserves and resources through drilling. There can be no assurance that the funds required will be obtained on a timely basis or at all. The economics of exploiting mineral reserves and resources discovered by the Company are affected by many factors, many of which are outside the control of the Company, including the cost of operations, variations in the grade recovered, price fluctuations in the metal markets, costs of processing and other equipment, and other factors such as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals and environmental protection. There can be no assurance that the Company's mineral exploration and exploitation activities will be successful.

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Commodity Price Volatility

The price of various commodities that the Company is exploring for can fluctuate significantly and is beyond the Company's control. The Company is specifically concerned with the prices of precious and base metals. While the Company would benefit from an increase in the value of precious and base metals, a decrease in the value of precious and base metals and other minerals could also adversely affect it.

Title to Mineral Properties

Acquisition of title to mineral properties is a very detailed and time-consuming process. Title to, and the area of, mineral properties may be disputed or impugned. Although the Company has investigated its title to the mineral properties for which it holds an option or concessions or mineral leases or licences, there can be no assurance that the Company has valid title to such mineral properties or that its title thereto will not be challenged or impugned. For example, mineral properties sometimes contain claims or transfer histories that examiners cannot verify; and transfers under foreign law often are complex. The Company does not carry title insurance with respect to its mineral properties. A successful claim that the Company does not have title to a mineral property could cause the Company to lose its rights to explore, develop and mine that property, perhaps without compensation for its prior expenditures relating to the property.

Country Risk

The Company could be at risk regarding any political developments in the country in which it operates.

Uninsurable Risks

Mineral exploration activities involve numerous risks, including unexpected or unusual geological operating conditions, formation weaknesses, hydrogeological conditions, rock bursts, cave-ins, fires, floods, earthquakes and other environmental occurrences and political and social instability. It is not always possible to obtain insurance against all such risks and the Company may decide not to insure against certain risks as a result of high premiums or other reasons. Should such liabilities arise, they could negatively affect the Company's profitability and financial position and the value of its common shares.

Environmental Regulation and Liability

The Company's activities are subject to laws and regulations controlling not only mineral exploration and exploitation activities but also the possible effects of such activities upon the environment. Environmental legislation may change and make mining uneconomic or result in significant environmental or reclamation costs. Environmental legislation provides for restrictions and prohibitions and a breach of environmental legislation may result in the imposition of fines and penalties or the suspension or closure of operations. In addition, certain types of operations require the submission of environmental impact statements and approval thereof by government authorities. Environmental legislation is evolving in a manner that may mean 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 directors, officers and employees. Permits from a variety of regulatory authorities are required for many aspects of mineral exploitation activities, including closure and reclamation. Future environmental legislation could cause additional expense, capital expenditures, restrictions, liabilities and delays in the development of the Company's properties, the extent of which cannot be predicted. In the context of environmental permits, including the approval of closure and reclamation plans, the Company must comply with standards and laws and regulations that may entail costs and delays, depending on the nature of the activity to be permitted and how stringently the regulations are implemented by the permitting authority. The Company does not maintain environmental liability insurance.

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Regulations and Permits

The Company's activities are subject to a wide variety of laws and regulations governing health and worker safety, employment standards, waste disposal, protection of the environment, protection of historic and archaeological sites, mine development and protection of endangered and protected species and other matters. The Company is required to have a wide variety of permits from governmental and regulatory authorities to carry out its activities. Changes in these laws and regulations or changes in their enforcement or interpretation could result in changes in legal requirements or in the terms of the Company's permits that could have a significant adverse impact on the Company's existing or future operations or projects. Obtaining permits can be a complex, time-consuming process. There can be no assurance that the Company will be able to obtain the necessary permits on acceptable terms, in a timely manner or at all. The costs and delays associated with obtaining permits and complying with these permits and applicable laws and regulations could stop or materially delay or restrict the Company from continuing or proceeding with existing or future operations or projects. Any failure to comply with permits and applicable laws and regulations, even if inadvertent, could result in the interruption or closure of operations or material fines, penalties or other liabilities.

Potential Dilution

The issue of common shares of the Company upon the exercise of the options and warrants will dilute the ownership interest of the Company's current shareholders. The Company may also issue additional options and warrants or additional common shares from time to time in the future. If it does so, the ownership interest of the Company's then current shareholders could also be diluted.

**OTHER MD&A INFORMATION**

**ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE**

The components of exploration costs are described in Note 5 to the Financial Report.

**INTERNAL CONTROLS OVER FINANCIAL REPORTING**

Management has established processes to provide them sufficient knowledge to support representations that they have exercised reasonable diligence that (i) the consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the consolidated financial statements, and (ii) the consolidated financial statements fairly present in all material respects the financial condition, results of operations and cash flow of the Company, as of the date of and for the periods presented.

There was no change in the Company's internal controls over financial reporting ("ICFR") that occurred during the period ended December 31, 2019, and which materially affected, or is reasonably likely to materially affect, the Company's ICFR.

**APPROVAL**

The Board of Directors of First Energy has approved the disclosure contained in this MD&A. A copy of this MD&A will be provided to anyone who requests it and can be located, along with additional information, on the SEDAR website at [www.sedar.com](http://www.sedar.com).

**First Energy Metals Limited**  
**Management's Discussion & Analysis**  
**For the nine months ended December 31, 2019**

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**FORWARD LOOKING STATEMENTS**

Certain statements in this MD&A, other than statements of historical fact, constitute “forward-looking information” within the meaning of Canadian securities legislation, and the United States Private Securities Litigation Reform Act of 1995. “Forward-looking information” includes, but is not limited to, statements with respect to potential mineralization and geological merits of the Company's exploration projects the Company's future plans, exploration and drilling programs, objectives, business strategy, budgets, projected costs, financial results, expected cash runway and liquidity, and requirements for additional capital. In certain cases, forward-looking information can be identified by the use of words such as “plans”, “expects”, “contemplates”, “budget”, “possible”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates” or “believes”, or variations of such words and phrases, or state that certain actions, events or results “may”, “could”, “would”, “might” or “will be taken”, “occur” or “be achieved”.

Forward-looking information is based on assumptions regarding future events and other matters and involves known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking information. Assumptions on which forward-looking information in this MD&A is based include the assumption that strategic alternatives are available to the Company, the assumption the Company will continue as a going concern and will continue to be able to access the capital required to advance its projects and continue operations. Risks and uncertainties include, among others: inherent risks involved in the exploration and development of mineral properties; uncertainties involved in interpreting drill results and other exploration data; potential for delays in exploration activities; geology, grade and continuity of mineral deposits; possibility that future exploration results may not be consistent with the Company's current expectations; reduction in future prices of precious metals; currency fluctuations; accidents, labor disputes and other risks associated with the mining industry; delays in obtaining governmental approvals; uncertainties relating to the availability and costs of financing required in the future; events adversely affecting the cash resources and estimated cash availability; and competition and loss of key employees. Other risks and uncertainties are discussed throughout this MD&A and, in particular, in the section below entitled “Risks and Uncertainties”.

In making the statements in this MD&A containing forward-looking information, the Company has applied several material assumptions, including but not limited to, assumptions regarding the ability of the Company to obtain, on reasonable terms, the necessary financing to complete the exploration and development of its property interests, as well as the future profitable production or proceeds from the disposition of the Company's exploration and evaluation assets.

Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking information, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking information will prove to be accurate, and actual results and future events could differ materially from those anticipated in such statements.

The Company disclaims any intention or obligation to update or revise the forward-looking information in this MD&A, whether as a result of new information, events or otherwise, except as required by applicable securities legislation. Accordingly, readers are cautioned not to put undue reliance on forward-looking information.