FIRST ENERGY METALS LIMITED

MANAGEMENT'S DISCUSSION & ANALYSIS

YEAR ENDED MARCH 31, 2020

1.0 INTRODUCTION

The following is Management's Discussion and Analysis ("MD&A") of the financial and operational results of First Energy Metals Limited. ("First Energy" or the "Company") for the year ended March 31, 2020 and up to the date of the MD&A and should be read in conjunction with the annual audited financial statements of the Company for the years ended March 31, 2020, 2019 and 2018 and the related notes thereto, (the "Financial Report"). All dollar figures stated herein are expressed in Canadian dollars, unless otherwise specified.

Unless indicated otherwise, all financial data in this MD&A has been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

In March 2020, the World Health Organization declared coronavirus COVID-19, a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, have adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or results of operations at this time. The Company anticipates this pandemic could have an adverse impact on its business, results of operations, financial position and cash flows in fiscal 2021.

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

Additional information relating to the Company is available on SEDAR at www.sedar.com and on the Company's website www.firstenergymetals.com.

1.1 DATE OF THE MD&A

This MD&A contains information to July 28, 2020.

1.2 FISCAL 2020 HIGHLIGHT SUMMARY

This discussion focuses on key statistics from the annual audited financial statements for the years ended March 31, 2020, 2019 and 2018 and up to the date of this MD&A and pertains to known risks and uncertainties relating to the mineral 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.

On March 17, 2020, the Company entered in an option agreement to acquire 100% interest in the Kokanee Creek and Independence Gold Properties. The Kokanee Creek and Independence Gold Properties are located in British Columbia and consist of five mineral claims covering approximately 2,690 hectares.

On March 31, 2020, the Company completed a non-brokered private placement, consisting of 8,000,000 non flow-through units ("NFT Units") and 2,000,000 flow-through shares ("FT Share") for gross proceeds of $500,000. Each NFT Unit consists of one non flow-through common share and one non flow-through common share purchase warrant at a price of $0.05 per NFT Unit, which is exercisable at a price of $0.20 per share until March 31, 2021.

On March 31, 2020, the Company issued 1,250,000 common shares valued at $75,000 pursuant to the Kokanee Creek and Independence Property Agreement in connection with acquiring a 100% interest in the Properties.

On March 31, 2020, the Company issued 750,000 common shares pursuant to the exercise of 750,000 common share purchase warrants at the exercise price of $0.12 for total proceeds of $90,000.

On June 2, 2020, the Company announced that it had entered into an option agreement to acquire a 100% interest in the Scramble Mine gold property. The Scramble Mine gold property is located in northwestern Ontario, Canada and is comprised of six mining claims covering approximately 140 hectares land, located in Jaffray Township, Kenora Mining District.

On July 1, 2020, the Company announced the completion of its Phase 1 exploratory field work at its Scramble Mine Gold Property.

1.2.1 Kokanee Creek Gold Property and Independence Gold Property

In March 2020, the Company entered in an option agreement to acquire 100% interest in the Kokanee Creek Gold Property and Independence Gold Properties by completing the following: issuing $125,000 in cash option payments, the issuance of 5,000,000 common shares of the Company as well completing $250,000 in cumulative exploration expenditures on the properties by March 2022. The Properties are also subject to a 3.0% Net Smelter Return ("NSR") royalty.

The **Kokanee Creek Gold Property** consists of three mineral claims covering approximately 1,590.29 hectares area in the Nelson Mining Division, British Columbia, Canada. It is located 18 km to the east of Nelson on NTS map 082F055. The Property is part of a very active mining area with several historical and current gold, silver and base metals deposits located in the region. Nelson is a historical mining town dating back to the discovery of Toad Mountain Silver deposit in 1886. The Blue Bell Mine, located near the town of Riondel approximately 20 km NE of the Kokanee Creek Claims, is a manteau-type base metal deposit hosted by the Badshot limestones of the Lardeau Group. Closer to the Kokanee Claims are historical past producers the Molly Gibson and the Alpine.

Historical work highlights for the property is provided below:

- The Kokanee Creek Claims were staked by Eagle Plains Resources and Miner River Resources in 1996 after base metal mineralization was found on the Lower Kokanee Creek Road. Eagle Plains Resources completed silt and soil geochemical surveying, diamond drilling, chip sampling and 3.5 kilometres of horizontal loop electromagnetic geophysical surveying.
- A 5-hole drill program consisting of 1500 feet (457 m) drilling in February-March 1997 resulted in the discovery of near surface gold mineralization. Hole KC97-02 (Azimuth 052°/ Dip -45°) returned 26.11 g/t gold over 0.7m from 7.0-7.7m, and 13.52 g/t gold over 1.4m from 21.8-23.2m. All five holes returned encouraging gold, silver, lead or zinc mineralization at shallow depths. Fieldwork conducted during 1997 indicated the extension of the mineralized zone to the north, south and west.
- In addition, rock samples within the zone returned values of 3.54% zinc, 4.22 g/t gold, and 48.0 g/t silver. A continuous chip rock sample taken along a road cut returned 0.3% zinc over 55 m, and 2.26 g/t gold over 5m.
- An airborne electromagnetic geophysical survey was flown over the property by Eagle Plains Resources Ltd. in 2004. The results indicated two magnetic high features in the south western part of the property, in the area of the Big M / Kokanee Creek Minfile showing and another feature northeast of the Home Minfile occurrence.

The **Independence Gold Property** consists of two mineral claims (Independence 1 and 2) covering approximately 1,099.43 hectares land in southeastern British Columbia, Canada. It is road accessible, located 20 to 29 kilometres to the southeast of Nakusp, British Columbia, Canada, on the eastern slope of Silver Mountain on NTS map 082K. The most common type of deposit in the Nakusp area is the lead-zinc-silver-gold bearing quartz veins in graphitic shear zones.

Historical work highlights for the property is provided below:

- Excellent infrastructure support, road accessible, located 20 to 29 kilometres to the southeast of Nakusp, BC, on the eastern slope of Silver Mountain.
- Located in the vicinity of an active mining area with historical placer and lode gold mining in Columbia River, Miner City and Caribou Creek during the late 1800s' and early 1900s'. Several gold discoveries were made during that period, including Millie Mac Mine which produced 300 tons grading 1 oz/t gold and 70 oz /tons silver until 1930s.
- There are three mineral showings (Minfile occurrences) on the Property: i. Independence, ii. Big Spring, and iii. Slewiskin.
- Independence showing, also mentioned as possible Chieftain workings was sampled in 1984-85 period by Falconbridge.
- The Slewiskin gold occurrence (as described on BC MTO Website) has quartz veins ranging in width from 2 to 30 centimetres are exposed (Assessment Report 13341) along logging roads on the historical Dore, Sub 1 and Sub 2 claims. The highest being *10.1 grams per tonne gold in sample 89108* (Assessment Report 13341).
- (Independence 2 Claim, AR 13341) There are several quartz veins from 2 cm to 30 cm wide, intruding into metavolcanics and metasedimentary rocks. Grab samples from these quartz veins indicated gold values in the range of 0.032 to 0.295 oz /ton (0.9 g/t to 8.22 g/t), copper 12 ppm to 48,092 ppm (4.8%), nickel 3 ppm to 1,681 ppm, zinc 11 ppm to 12,381 ppm (1.2% Zn).

Cautionary Statement: Investors are cautioned that the above information for the Kokanee Creek Gold Property and Independence Gold Property has been taken from the BC Government's database at following websites: https://www.mtonline.gov.bc.ca/mtov/home.do. The Company has not verified the information and the information is not necessarily indicative of the mineralization on these properties. The Company is in the process of compiling geological and historical exploration work on each property and will provide an update as soon as the information is available.

Technical data pertaining to the two properties was reviewed and approved by Afzaal Pirzada, P.Geo., who is First Energy's qualified person under National Instrument 43-101.

1.2.3 Phyllis Cobalt Property, Ontario, Canada

The Company entered into the Phyllis Cobalt Option Agreement to acquire a 100% interest in the Phyllis Property on January 29, 2018, which was amended on January 29, 2019, and again on March 15, 2019. 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: issuing $140,000 in option payments, issuance of 600,000 common shares of the Company and completing $125,000 in exploration expenditures by March 2021. 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.

The Phyllis Cobalt Property (the "Phyllis Property") is located in the Kenora Mining District of Ontario, Canada. The property consists of 112 mineral claim units totalling 1,792 hectares in Grummett and Cathcart townships. The property has year-round access 192km northwest of Thunder Bay, Ontario via Hwy 17 and 9km south on a gravel forestry road.

The Phyllis Property claim block occupies the central portion of an ENE-WSW trending greenstone belt, consisting of Mesoarchean to Neoarchean 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.

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. (see April 30, 2019 News Release for complete results).

In March 2019, the Company completed its Phase 1 drill program 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 (see March 12, 2019 News Release for complete results).

In October 2018, the Company completed Phase 2 exploration work at its Phyllis Property. The highlights of sampling include a 4 m 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) (see October 22, 2018 News Release for complete results).

On May 23, 2018, the Company announced the assay results from its Phase 1 exploration work completed at its Phyllis Property. The assay results were of 31 samples indicating 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% (see May 23, 2018 News Release for complete results).

1.2.3 Kootenay Lithium Property, British Columbia, Canada

In March 2017, the Company purchased a 100% interest in the Kootenay Lithium Property which consists of a 100% interest in certain mineral claims covering 4,050 hectares located in the Revelstoke and Nelson Mining Divisions of southeastern British Columbia.

The Kootenay Lithium Property is subject to a 2.0% Net Smelter Return ("NSR") mineral royalty and a 24% Gross Overriding Royalty ("GOR") on gemstones produced from the Kootenay Property.

Under the original Kootenay Lithium Property purchase agreement, the Company is required to keep the Kootenay Lithium Property claims in good standing. As the Company had allowed certain annual mineral claim maintenance fees to lapse, the Company is in default of the agreement. The Company has refiled certain annual mineral claim maintenance fees of the property claims and will attempt to refile the remainder of the claims to restore the property agreement to good standing.

1.2.4 Kaslo Silver Property, British Columbia, Canada

The 100% owned 4,000 Ha Kaslo Silver Property ("Kaslo"), a silver target, hosts eleven historic high-grade silver mineralized zones within a 14 kilometres of favourable stratigraphy. Nine high-grade silver-lead-zinc mines operated on the Kaslo Property at various times from 1895 to 1966. The property is located 12 kilometres west of Kaslo in southern British Columbia.

Qualified Person

All technical data, as disclosed in the MD&A, has been reviewed and approved by Alexander Pleson, P.Geo., a qualified person, as defined by NI 43-101 who works as a consultant with the Company.

1.3 SELECTED ANNUAL FINANCIAL INFORMATION

The following table presents audited selected financial information for the last three audited fiscal years:

	Year ended March 31, 2020 $	Year ended March 31, 2019 $	Year ended March 31, 2018 $
Revenue	-	-	-
Net loss	(447,629)	(673,097)	(862,352)
Net loss per share	(0.03)	(0.05)	(0.09)
Total assets	372,279	326,859	413,191
Long term liabilities	-	-	-
Dividends	-	-	-

1.4 DISCUSSION OF OPERATIONS

Year ended March 31, 2020 compared to year ended March 31, 2019

The net loss and comprehensive loss for the year ended March 31, 2020 (the "Current Year") was $447,629 compared to a net loss for the year ended March 31, 2019 (the "Comparative Year") of $673,097. The decrease in net loss of $225,468 was primarily due to the following:

- Exploration and evaluation expenditures were $3,028 in the Current Year, a decrease of $148,818 over the Comparative Year;
- Shareholder communications decreased by $143,579 from $165,378 in the Comparative Year to $21,799 in the Current Year. The decrease was primarily due to costs in the Comparative Year associated with moving to the Canadian Securities Exchange, the increase of the Company's online and digital media presence the updating the Company's website as well as exploring other shareholder communication initiatives;
- General administrative decreased by $2,200 from $14,405 in the Comparative Year to $12,205 in the Current Year; and
- Professional fees decreased by $21,932 from $62,183 in the Comparative Year to $40,251 in the Current Year. The decrease was primarily due to costs in the Comparative Year associated with legal fees related to the move to the Canadian Securities Exchange.

The decreases in net loss noted above were partially offset by increases in other operating expenses which were consistent with the Company's activities. Notable increases were realized in the following expense items:

- Consulting fees increased by $33,661 from $239,839 in the Comparative Year to $273,500 in the Current Year. The increase was primarily due to consulting fees incurred with respect to corporate development and potential transactions and acquisitions; and
- Salaries, fees and benefits increased by $30,386 to $70,000 in the Current Year from $39,614 in the Comparative Year. The increase is due primarily to an increase in management fees being paid to the CEO.

Three months ended March 31, 2020 compared to three months ended March 31, 2019

The net loss and comprehensive loss for the three months ended March 31, 2020, was $251,571, as compared to the net loss and comprehensive loss for the three months ended March 31, 2019, of $245,365. The decrease in net loss of $6,206 for the current period over the comparative period was primarily due to the same factors mentioned in the Current Year and Comparative Year discussion above.

1.5 SUMMARY OF QUARTERLY RESULTS

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

	March 31, 2020	December 31, 2019	September 30, 2019	June 30, 2019
Net revenues	$ -	$ -	$ -	$ -
Net loss	($251,571)	($32,668)	($22,448)	($140,942)
Per share	($0.02)	($0.00)	($0.00)	($0.01)
	March 31, 2019	December 31, 2018	September 30, 2018	June 30, 2018
Net revenues	$ -	$ -	$ -	$ -
Net loss	($245,365)	($79,014)	($68,819)	($279,899)
Per share	($0.02)	($0.01)	($0.00)	($0.02)

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

1.6 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.

First Energy began the year ended March 31, 2020, with $216,835 in cash. During the year ended March 31, 2020, the Company expended $318,596 on operating activities, net of working capital changes, and generated $325,000 from financing activities which was attributable to proceeds from share issuances, to end at March 31, 2020 with $223,239 in cash.

On March 31, 2020, the Company completed a non-brokered private placement, consisting of 8,000,000 non flow-through units ("NFT Units") and 2,000,000 flow-through shares ("FT Share") for gross proceeds of $500,000. Each NFT Unit consists of one non flow-through common share and one non flow-through common share purchase warrant ("Warrant") at a price of $0.05 per NFT Unit. Each Warrant entitles the holder to purchase an additional non flow-through common share of the Company at a price of $0.20 until March 31, 2021. The share purchase warrants were valued using the Black-Scholes pricing model with the following assumptions: weighted average risk-free interest rate of 0.46%, volatility factor of 227.21% and an expected life of one years. Each FT Share consists of one flow-through common share at a price of $0.05 per FT Share. At March 31, 2020, proceeds of $150,050 were included in share subscriptions receivable. The full amount has subsequently been received in fiscal 2021.

On March 31, 2020, the Company issued 750,000 common shares pursuant to the exercise of 750,000 common share purchase warrants at the exercise price of $0.12 for total proceeds of $90,000. At March 31, 2020, the $90,000 in proceeds were included in share subscriptions receivable. The full amount has subsequently been received in fiscal 2021.

At March 31, 2020, First Energy had working capital of $4,299 compared to working capital of $107,333 at March 31, 2019, and an accumulated deficit of $36,642,697 at March 31, 2020 compared to $36,195,068 at March 31, 2019.

Management estimates that these funds will not be sufficient to provide the Company with the financial resources to carry out currently planned exploration and operations through the next twelve months. Therefore, the Company will need to seek 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	Warrants
Outstanding at March 31, 2020	29,631,003	10,805,556
Warrants exercised	1,269,000	(1,269,000)
Outstanding at March 31, 2019 and at the date of this MD&A	30,900,003	9,536,556

1.7 OFF STATEMENT OF FINANCIAL POSITION ARRANGEMENTS

At March 31, 2020, 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.

1.8 TRANSACTIONS WITH RELATED PARTIES

Remuneration of directors and key management personnel of the Company was as follows for the year ended March 31, 2020, 2019, and 2018:

						For the years ended March 31,
		2020		**2019**		**2018**
Consulting fees charged by directors of the Company	$	1,000	$	21,020	$	12,120
Salaries, fees and benefits		70,000		39,000		79,750
Share-based payments		-		-		44,193

Related party balances as at March 31, 2020 and March 31, 2019 were as follows:

		March 31, 2020		**March 31, 2019**
Amounts due to Directors and Officers of the Company	$	42,016	$	46,851
Amounts due to former directors and officers and companies controlled by former directors and officers		8,700		-
Total	$	50,716	$	46,851

1.9 FOURTH QUARTER

First Energy began the fourth quarter ended March 31, 2020, with $481 in cash. During the three months ended March 31, 2020, the Company expended $102,242 on operating activities, net of working capital changes, and generated $325,000 from financing activities which was attributable to proceeds from share issuances to end at March 31, 2020 with $223,239 in cash.

1.10 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 year ended March 31, 2020 from those disclosed in Note 3 of the Financial Report.

1.11 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").

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, 2020, except for those policies which have changed as a result of the adoption of new and amended IFRS pronouncements effective April 1, 2020.

<u>New, Amended and Future IFRS Pronouncements</u>

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

1.12 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 at March 31, 2020 and 2019:

	Level		As at March 31, 2020		2019
Cash	1	$	223,239	$	216,835
Reclamation deposits	1	$	11,000	$	11,000
Financial liabilities	1	$	225,980	$	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. As at March 31, 2020, the Company had cash of $223,239 to settle current liabilities of $225,979. Further information relating to liquidity risk is disclosed in Note 1.

Interest Rate Risk
The Company has no significant exposure at March 31, 2020 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.

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 March 31, 2020 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 years ended March 31, 2020 and 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 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 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 year ended March 31, 2020 compared to the year ended to March 31, 2019. The Company is not subject to externally imposed capital requirements. Further information relating to management of capital is disclosed in Note 1 of the Financial Report.

1.13 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):

<u>Property risk</u>
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.

<u>Additional Funding Requirements</u>
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.

<u>Mineral Exploration</u>
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.

<u>Commodity Price Volatility</u>
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.

<u>Title to Mineral Properties</u>
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.

<u>Country Risk</u>
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.

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.

1.14 OTHER MD&A INFORMATION

ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE

The components of exploration costs are described in Note 5 to the audited financial statements.

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 year ended March 31, 2020, 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.

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.