



# **FIRST ENERGY METALS LIMITED**

**MANAGEMENT'S DISCUSSION & ANALYSIS**

**For the nine months ended December 31, 2020**

**First Energy Metals Limited  
Management's Discussion & Analysis  
For the nine months ended December 31, 2020**

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**1.0 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, 2020 and 2019, (the "Financial Report").

First Energy was incorporated on October 12, 1966 pursuant to the Business Corporations Act of British Columbia. 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).

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

This discussion focuses on key statistics from the unaudited condensed interim financial statements for the nine-month period ended December 31, 2020 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.

This MD&A contains information to March 1, 2021.

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).

**1.1 OPERATIONAL HIGHLIGHTS**

**During the nine months ended December 31, 2020 and up to the date of this MD&A, the Company completed the following:**

- On June 2, 2020, the Company announced it had entered into an option agreement to acquire a 100% interest in the Scramble Mine Gold Property, located in the Kenora Mining District in northwestern Ontario, Canada;

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- On August 4, 2020, the Company announced assay results of exploration work from its recently acquired Scramble Mine gold property located in northwestern Ontario, Canada.
- On August 10, 2020 the Company announced that it has entered into an option purchase agreement with to acquire 100% interest in the Bald Eagle property, a silver and gold exploration property located in the Alberni Mining Division of British Columbia, Canada;
- On September 7, 2020, the Company announced assay results from recently completed exploration work at its Kokanee Creek Property located in southeastern British Columbia, Canada;
- On September 12, 2020, the Company announced it that it has received assay results from July 2020 exploration work on Independence Gold Property located in Southeastern British Columbia;
- On September 14, 2020, the Company entered into an option agreement to acquire a gold exploration property located in the Red Lake Mining District, northwestern Ontario, Canada;
- On September 22, 2020, the Company entered into an option agreement to acquire Shaw Gold Property located in Timmins Area Ontario, Canada;
- On October 2, 2020, the Company entered into an option agreement to acquire the Titan Gold exploration property located near Detour Lake Mine in the Abitibi Greenstone Belt, Quebec;
- On December 31, 2020, the Company closed on the first tranche a non-brokered private placement for aggregate gross proceeds of \$250,000 and completed the second and final tranche in January 2021, for gross proceeds of \$350,000;
- On January 21, 2021, the Company announced it entered into an option agreement to acquire the Augustus Lithium exploration property located in Landrienne & Lacorne-Townships, Quebec, Canada;
- On February 8, 2021, the Company announced it has entered into an option agreement to acquire the Canadian Lithium Property located in Landrienne & Lacorne-Townships, Quebec, Canada;
- On February 9, 2021, the Company granted 2,640,000 incentive stock options incentive stock options to certain directors, officers and consultants exercisable for a period of five (5) years, at an exercise price of \$0.21 per share; and
- On February 11, 2021, the Company granted 1,300,000 incentive stock options incentive stock options to certain directors, officers and consultants exercisable for a period of five (5) years, at an exercise price of \$0.35 per share.

## **1.2 OVERVIEW OF PROJECTS**

### **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 Property 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 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

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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 mantau-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.

On September 7, 2020, the Company announced assay results from recently completed July 2020 exploration work at its Kokanee Creek Gold Property located in the southeastern British Columbia, Canada. The work included prospecting to locate historical mineralization areas, carry out surface sampling, and mapping of veins and geological structures. A total of 27 grab rock samples were collected from various outcrops and mineralized areas mentioned in the historical exploration work reports. The results indicate anomalous values of silver, cobalt, tungsten, and zinc. The Company wants to caution that grab samples are selected samples and are not necessarily representative of the mineralization hosted on the property.

**Highlights of July 2020 exploration work** (September 7, 2020 news release):

- Silver (Ag) values are in the range of 0.19 grams per tonne (g/t) to 43.69 g/t with average of 27 samples is 7.95 g/t, while seven samples are over 10 g/t, and two samples are 43.69 g/t.
- Gold (Au) values are 0.006 g/t to 0.211 g/t with average 0.054 g/t.
- Zinc is from 29.3 parts per million (ppm) to over 10,000 ppm (>1% Zn), where three samples are over the laboratory's method detection limits of 10,000 ppm.
- Cobalt (Co) is from one ppm to over 2,000 ppm (>0.2%) where one sample is over the laboratory's method detection limits of 2,000 ppm.
- Tungsten (W) is from less than 0.1 ppm to over 100 ppm (>100ppm) where one sample is over the laboratory's method detection limits of 100 ppm.

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.

On September 12, 2020, the Company announced it that it has received assay results from July 2020 exploration work on Independence Gold Property located in the Southeastern BC. The results of 15 grab rock samples and 3 sediment samples collected from the Property indicate low values of gold, silver, and base metals with only one grab rock sample assayed 1.1 grams per tonne gold. The Company has decided not to pursue further exploration work on this property.

**1.2.2 Scramble Mine Gold Property, Ontario, Canada**

In June, 2020, the Company entered into an option agreement to acquire a 100% interest in certain mineral claims (the "Scramble Mine Gold Property") located in the Kenora Mining District in northwestern Ontario, Canada.

Under the terms of the Scramble Mine Option Agreement, the Company has the option to acquire 100% interest in the Scramble Mine Gold Property by completing the following: issuing \$100,000 in cash option payments, the issuance of 1,000,000 common shares of the Company as well completing \$250,000 in cumulative exploration expenditures on the properties by June 2023. The Property is also subject to a 3.0% NSR.

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**Highlights of June 2020 exploration program** (August 4, 2020 news release):

- Intersected 2 meters of average 4.69 grams per ton (g/t) gold (Au) in channel samples (Samples 294304 and 294305)
- One-meter channel sample (#294304) assayed 3.24 g/t gold and 5.93 g/t silver, and second one-meter channel sample (#294305) assayed 6.15 g/t gold.
- Average of four-meter-thick channel sampling across quartz vein material is 2 g/t gold.
- The channel samples were collected 320m along strike from the historic shaft of the Scramble mine indicating continuity reports and data.

The Scramble Mine Gold Property is comprised of six mining claims covering approximately 140 hectares land, located in Jaffray Township, Kenora Mining District, approximately 8 kilometres east of the town of Kenora in Northwestern Ontario.

### **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% 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.

### **1.2.4 Bald Eagle Silver Property, British Columbia, Canada**

The Company entered into a Bald Eagle purchase agreement to acquire a 100% in the Bald Eagle Property on August 10, 2020.

Under the terms of the purchase agreement, the Company will acquire a 100% interest in the Bald Eagle Silver Property, by way of issuing 550,000 common shares of the Company. The optionor will retain a 2% NSR of which First Energy may purchase 1% of the NSR.

The Bald Eagle Property consists of three mining claims covering approximately a 1,013.58 hectare area in Alberni Mining Division, British Columbia, Canada is located 30 km to the northeast of Ucluelet and

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approximately 57km by road west of Port Alberni in the west coast of Vancouver Island.

**1.2.5 Titan Gold Property, Quebec, Canada**

On October 2, 2020, the Company has entered into an option agreement to acquire the Titan Gold exploration property located near Detour Lake Mine in the Abitibi Greenstone Belt, Quebec.

Pursuant to a property purchase between the Optionor and the Company, the Company holds an option to acquire a 100% interest in the Titan Gold Property by paying cash payments of \$98,500 and the issuance of 600,000 common shares over a 3-year period.

The Titan Gold property is comprised of 80 mining claims covering approximately 11,000 acres land in the "municipalité régionale de comté" "regional county municipal" ("MRC") of Jamesie in Quebec.

**1.2.6 Shaw Gold Property, Ontario, Canada**

On September 22, 2020, the Company entered into an option agreement to acquire Shaw Gold Property located in Timmins Area Ontario, Canada. Pursuant to the option agreement, the Company holds an option to acquire a 100% interest in the Shaw Property by paying cash payments of \$96,000 and the issuance of 600,000 common shares over a 3-year period.

The Shaw Gold Property gold property is comprised of 18 single or multi-cell claims covering approximately 693 hectares located in Shaw, Eldorado, and Whitney Townships, near Timmins Ontario. The property is located just 7km southeast of Newmont's Dome Open pit and 5km south of the Destor-Porcupine Deformation Zone.

**1.2.7 Red Lake Gold Mining Camp, Ontario, Canada**

On September 14, 2020, the Company entered into an option agreement to acquire a gold exploration property located in the Red Lake Mining District, Northwestern Ontario, Canada. The Property is comprised of 94 mining cell claims covering approximately 1,880 hectares land in Ball and Todd townships. Geologically, the area is underlain by the Red Lake greenstone belt of Ontario, an accumulation of Archean-age metavolcanic, metasedimentary, and intrusive rocks comprising a portion of the Uchi Sub-province of the Superior Province of the Canadian Shield.

The Property is located in the prolific Red Lake gold mining camp which is one of the largest gold camps in North America with a 457 square kilometres land package famous for its high-grade gold deposits with historical production exceeding 30 million ounces of gold, mostly from the iconic Campbell and Red Lake gold mines and ten smaller mines.

**1.2.8 Augustus Lithium Property**

On January 21, 2021, the Company announced it entered into an option agreement to acquire the Augustus Lithium exploration property located in Landrienne & Lacorne-Townships, Quebec, Canada. The property consists of three non-contiguous claim groups representing a total area of 627.35 hectares located approximately 40 kilometres northwest of the town of Val d'Or on map sheet 32C/05. The geology and the mineralization of the Augustus property are similar to the geology and mineralization of Quebec Lithium mine located approximately 6 kilometers to the southeast of the property.

Pursuant the option agreement, the Company holds the option to acquire a 100% interest in the property by completing the following: make \$180,000 in cash option payments, the issuance of 2,00,000 common

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shares of the Company and the completion of \$500,000 in cumulative exploration expenditures on the property by January 2024. The Properties are also subject to a 2.0% Net Smelter Return ("NSR") royalty.

The Property is a part of the Preissac-Lacorne pegmatite fields where spodumene bearing lithium pegmatites were discovered in 1940s'. It has excellent infrastructure support with road network, railway, electricity, water, and trained manpower available locally. Geologically the Preissac-Lacorne area lies within a belt of volcanic and sedimentary rocks intruded to the north by LaMotte batholiths and to the south by the Preissac batholiths and Moly Hill pluton.

There are several historical and currently active lithium and molybdenum prospects/mines located approximately 3 km to 20 km from the Property. Some of the important prospects/mines are: Mine Quebec Lithium which was formerly owned by RB Energy, Authier Lithium owned by Sayona Mining of Australia, Valor Lithium, Duval Lithium, Lacorne Lithium, International Lithium, Vallee Lithium, and Moly Hill Mine. All these projects / prospects are at various stages of exploration and development, out of which Mine Quebec Lithium is the most advanced project followed by Authier lithium project.

### **1.2.9 Canadian Lithium Property**

On February 8, 2021, the Company announced it has entered into an option agreement to acquire the Canadian Lithium Property located in Landrienne & Lacorne-Townships, Quebec, Canada. The property consists of 15 mining claims in two non-contiguous claim groups representing a total area of 671.58 hectares located approximately 40 kilometres northwest of the town of Val d'Or. The Canadian Lithium property claims are located to the west and south of the Augustus Lithium Property claims.

Pursuant the option agreement, the Company holds the option to acquire a 100% interest in the property by completing the following: make \$60,000 in cash option payments, the issuance of 875,000 common shares of the Company by February 2023. The Properties are also subject to a 2.0% Net Smelter Return royalty.

### **Qualified Person**

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.

## **1.3 DISCUSSION OF OPERATIONS**

### **For the nine months end December 31, 2020, compared to nine months ended December 31, 2019**

The net loss and comprehensive loss for the nine months ended December 31, 2020 ("Current Period") was \$812,166 compared to a net loss and comprehensive loss for the nine months ended December 31, 2019 ("Comparative Period") of \$196,058. The increase in net loss of \$616,108 was due primarily to the following:

- Consulting fees were \$268,255 for the Current Period, an increase of \$154,255 over the Comparative Period. The Current expense increase was due to consulting fees incurred with respect to the Company's corporate development and potential transactions, financings and acquisitions;
- Exploration and evaluations expenditures were \$105,399 in the Current Period, an increase of \$102,371 over the Comparative Period. The increase was primarily due to exploration program expenditures of \$42,757 incurred as part of the Scramble Mine Gold Property exploration program and combined expenditures of \$48,820 incurred on the Kokanee Creek and Independence Gold properties;

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- Salaries, fees and benefits were \$98,000 for the Current Period, an increase of \$57,000 over the Comparative Period. The increase over the comparative period is due to management not receiving fees for several months of the comparative period as a cost reduction effort by the Company;
- Shareholder communications expense was \$302,453 for the Current Period, an increase of \$285,851 over the Comparative period. The increase is due primarily to the Company's marketing, investor relations and shareholder communication efforts through various mediums, including web based, print media.

**1.4 SUMMARY OF QUARTERLY RESULTS**

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

|              | December 31,<br>2020 | September 30,<br>2020 | June 30,<br>2020 | March 31,<br>2020 |
|--------------|----------------------|-----------------------|------------------|-------------------|
| Net revenues | \$ -                 | \$ -                  | \$ -             | \$ -              |
| Net loss     | (\$306,601)          | (\$312,483)           | (\$193,082)      | (\$251,571)       |
| Per share    | (\$0.01)             | (\$0.01)              | (\$0.01)         | (\$0.02)          |
|              | 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)          |

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.

**1.5 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 period ended December 31, 2020, with \$223,239 in cash. During the period ended December 31, 2020, the Company expended \$853,170 on operating activities, net of working capital changes, \$68,000 in investing activities for option payments of exploration and evaluation assets and generated \$955,050 from financing activities which was attributable to proceeds from share issuances and share subscriptions received, to end at December 31, 2020 with \$257,119 in cash.

In the nine-month period ended December 31, 2020, the Company issued 3,391,667 common shares pursuant to the exercise of 2,666,667 common share purchase warrants at the exercise price of \$0.12 and 725,000 common share purchase warrants at the exercise price of \$0.20 for total proceeds of \$465,000.

On December 31, 2020, the Company closed the first tranche of a non-brokered private placement for aggregate gross proceeds of \$250,000 through the issuance of 1,000,000 flow-through units ("FT Units ")



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at \$0.25 per FT Unit. Each unit consists of one flow-through common share and one common share purchase warrant. Each warrant entitles the holder to purchase one common share at a price of \$0.40 for a period of three years from the issue date.

In January 2021, the Company closed the second and final tranche of a non-brokered private placement for aggregate gross proceeds of \$350,000 through the issuance of 400,000 flow-through units ("FT Units ") at \$0.25 per FT Unit for proceeds of \$100,000 and through the issuance of 1,250,000 units ("Units ") at \$0.20 per Unit for gross proceeds of \$250,000. 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 \$0.40 for a period of three years from the issue date.

At December 31, 2020, First Energy had working capital of \$228,220 compared to working capital of \$55,015 at March 31, 2020, and an accumulated deficit of \$37,454,863 at December 31, 2020 compared to \$36,642,697 at March 31, 2020.

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 | Stock options | Share purchase warrants |
|--|--------------------------------------|---------------|-------------------------|
| Outstanding at December 31, 2020   | 37,022,670                           | -             | 8,275,000               |
| Shares issued pursuant to exploration and evaluation assets                    | 825,000                              | -             | -                       |
| Stock option grant   | -                                    | 3,940,000     | -                       |
| Common shares and share purchase warrants issued pursuant to private placement | 1,650,000                            | -             | 1,650,000               |
| Shares issued pursuant to warrant exercises                                    | 2,700,000                            | -             | (2,700,000)             |
| Outstanding at the date of this MD&A   | 42,197,670                           | 3,940,000     | 7,225,000               |

**1.6 OFF STATEMENT OF FINANCIAL POSITION ARRANGEMENTS**

At December 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.

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**1.7 TRANSACTIONS WITH RELATED PARTIES**

Remuneration of directors and key management personnel of the Company was as follows for the month period ended December 31, 2020, and 2019:

|   | For the three months ended |      | For the nine months ended |          |
|---|----------------------------|------|---------------------------|----------|
|   | December 31,               |      | December 31,              |          |
|   | 2020                       | 2019 | 2020                      | 2019     |
| Consulting fees charged by directors of the Company | \$ -                       | \$ - | \$ 6,500                  | \$ 1,000 |
| Salaries, fees and benefits                         | 41,000                     | -    | 98,000                    | 41,000   |

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

|   | December 31, |         | March 31, |        |
|---|--------------|---------|-----------|--------|
|   | 2020         |         | 2020      |        |
| Amounts due to Directors and Officers of the Company          | \$           | 130,337 | \$        | 42,016 |
| Amounts due to companies controlled by directors and officers |              | 18,700  |           | 8,700  |
|   | \$           | 149,037 | \$        | 50,716 |

**1.8 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-month period ended December 31, 2020 from those disclosed in Note 3 of the Financial Report.

**1.9 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.

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.

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**1.10 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 December 31, 2020 and March 31, 2020:

|                       | <b>Level</b> | <b>December 31,<br/>2020</b> | <b>March 31,<br/>2020</b> |
|-----------------------|--------------|------------------------------|---------------------------|
| Cash                  | 1            | \$ 257,119                   | \$ 223,239                |
| Reclamation deposits  | 1            | 11,000                       | 11,000                    |
| Financial Liabilities | 1            | 285,544                      | 225,980                   |

**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 December 31, 2020, the Company had cash of \$257,119 to settle current liabilities of \$285,544. Further information relating to liquidity risk is disclosed in Note 1.

Interest Rate Risk

The Company has no significant exposure at December 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

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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, 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 nine months ended December 31, 2020, compared to the year ended and March 31, 2020.

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.

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There were no changes in the Company's approach to capital management during the period ended December 31, 2020, compared to the year ended to March 31, 2020. 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.

### **1.11 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.

#### 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.

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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.

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

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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.

**1.12 OTHER MD&A INFORMATION**

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

The components of exploration costs are described in Note 5 of 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, 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](http://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",

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“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.