

European Metals Corp.

(An Exploration Stage Company)

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the years ended
December 31, 2017 and December 31, 2016
As at April 30, 2018

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This Management Discussion and Analysis ("MD&A") of European Metals Corp. ("EMC" or the "Company") is dated April 30, 2018, and provides an analysis of the Company's performance and financial condition for the year ended December 31, 2017 as well as an analysis of future prospects. The Board of Directors carries out its responsibility for review of this disclosure principally through its audit committee, comprised of independent directors. The audit committee reviews this disclosure and recommends its approval by the Board of Directors.

This MD&A has been prepared in compliance with the requirements of National Instrument 51-102 F1- Continuous Disclosure Obligations. This MD&A should be read in conjunction with our audited financial statements and related notes for the years ended December 31, 2016, prepared in accordance with International Financial Reporting Standards. All figures are in Canadian dollars unless stated otherwise. The financial statements and additional information, including the Company's Certifications of Annual and Filings and press releases, are available on the Canadian System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com.

The Company is in the exploration stage and is subject to the risks and challenges similar to other companies in a comparable stage of exploration. These risks include, but are not limited to, dependence on key individuals, successful exploration results and the ability to secure adequate financing to meet the minimum capital required to successfully advance the projects and continue as a going concern.

The address of the head office is at 131 Bloor Street West, Suite 802, Toronto, Ontario, M5S 1S3. The shares of EMC are listed on the Canadian Stock Exchange (the "CSE") under the symbol "ECU" and on the Frankfurt Stock Exchange under the symbol "MNTCF".

The audited financial statements for the year ended December 31, 2017 were prepared in accordance with IAS 1, Presentation of Financial Statements.

This document is required by securities legislation to contain and does contain forward-looking statements, opinions about future events and comments regarding risks and opportunities, which reflect the Company's current expectations regarding future events. To the extent that any statements in this document contain information that is not historic, the statements are essentially forward-looking and are often identified by words such as, but not limited to, "anticipate", "expect", "estimate", "intend", "project", "plan" "might", "could" and "believe". In the interest of providing shareholders and potential investors with information regarding EMC, including management's assessment of future plans and future operations, certain statements in this MD&A are forward-looking and are subject to the risks, uncertainties and other important factors that could cause the Company's actual performance to differ materially from that expressed in or implied by such statements. Such factors include, but are not limited to volatility and sensitivity to market metal prices, impact of change in foreign currency exchange rates and interest rates, imprecision in reserve estimates, environmental risks including increased regulatory burdens, unexpected geological conditions, adverse mining conditions, changes in government regulations and policies, including laws and policies; and failure to obtain necessary permits and approvals from government authorities, and other development and operating risks.

Although the Company believes that the expectations conveyed by the forward-looking statements are based upon information available on the date that such statements were made, there can be no assurance that such expectations will prove to be correct. The reader is cautioned not to rely on these forward-looking statements. The Company disclaims any obligation to update these forward-looking statements unless required to do so by applicable Securities laws. All subsequent forward-looking statements, whether written or orally attributable to the Corporation or persons acting on its behalf, are expressly qualified in their entirety by these cautionary statements.

Overall Performance

EMC is carrying on the business of the acquisition and exploration of properties for mining of precious and base metals. EMC has not earned any revenue to date from its mining operations and is therefore considered to be in the exploration ("exploration") stage.

The public trading in the shares of the Company was halted on May 5, 2016 due to the inability of the Company to file the year ended December 31 2015 financial statements and MD & A for 2015 by the required regulatory deadline. Funds were not available at the required time to complete the filings. The cease trade order previously imposed by the Ontario Securities Commission was revoked on March 29, 2018.

Trading will recommence once an Annual General Meeting has been held on June 29, 2018.

The financial statements, references to notes and discussion presented within this report make reference to the audited consolidated financial statements for the year ended December 31, 2017 of European Metals Corp. and its wholly-owned subsidiaries: Mantis Explorations Inc., Mantis Explorations Ltd., Avenue Bancorp Ltd., and University Avenue Management Ltd. On consolidation, all intercompany transactions and balances have been eliminated.

The consolidated financial statements have been prepared on a going concern basis, which assumes the Company will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. Management is aware, in making its assessment, of material uncertainties related to events or conditions that cast significant doubt upon the entity's ability to continue as a going concern, as described in the following paragraphs.

All figures are in Canadian dollars unless otherwise stated. Additional information relating to the Company can be found on SEDAR at www.sedar.com. The shares of EMC are listed on the Canadian Stock Exchange (the "CSE") under the symbol "ECU" and on the Frankfurt stock exchange under the symbol "MNTCF".

This MD&A was prepared with the information available as at April 30, 2018.

These consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business.

As at December 31, 2017 the Company has not generated any revenues from operations. The Company has realized net loss of \$55,612 for the current year (2016 Income - \$38,378), and a working capital deficit of \$871,556 (2016 - \$816,217) and an accumulated deficit of \$19,984,351 (2016 - \$20,224,589). The Company's operations have been primarily funded from equity financings which are dependent upon many external factors and may be difficult to impossible to secure or raise when required. The Company will continue to require additional funding to maintain its ongoing levels of operations and administration, retire its indebtedness as they come due, and meet any property maintenance payments for the next fiscal year. The current funds available to the company are not sufficient to explore the existing projects and to complete the development of its projects. While the Company has been successful in securing financings in the past, there can be no assurance that it will be able to do so in the future.

The Company had no revenue in 2017 (2016 – revenue from sales of investments), funds were received during 2017 from an arm's length source in order to finance the completion of the 2016 year end and 2017 quarterly and annual financial statements and bring the Company up to date with regard to its regulatory filings and consequently to be relisted for trading.

Funding continues to be difficult to access in 2017 and the ability of the Company to continue as a going concern, realize its assets and discharge its liabilities in the normal course of business and continue with, or expand upon its exploration programs is contingent upon securing equity financing or monetizing assets. The timing and availability of additional financing will be determined largely by market conditions, legal restrictions, and the results of the Company's ongoing exploration programs. There is no certainty that the Company will be able to raise funds as they are required in the future.

These consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets, liabilities and reported expenses should the Company be unable to continue as a going concern. These adjustments could be material.

This discussion contains forward-looking statements that involve risks and uncertainties. Exploration expenditures are deferred and included on the balance sheet unless the value is impaired or the projects are abandoned which results in such expenditures being written off.

OUTSTANDING SHARE DATA

The table below shows the outstanding share capital of the Company as of December 31, 2017:

	# of shares
Common Shares	1,402,762,564
Options	66,500,000
Warrants	704,958,200
Fully Diluted Share Capital	2,174,220,764

OFF-BALANCE SHEET ARRANGEMENTS

None are applicable at this time, however with mineral exploration, obligations for environmental, First Nation compliance and health and safety issues can create non reportable concerns. The Company hopes to minimize such situations by maintaining adequate insurance coverage, establishing honest and open communications and operating in a safe and responsible manner compliant with current standards as per the most recent applicable acts and regulations.

RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION

Key management personnel include executive officers and non-executive directors. At this time, executive officers are not paid a salary but participate in the Company's stock option program. The executive officers include the Chief Executive Officer, and the Chief Financial Officer.) Related parties include the Board of Directors, officers, close family members and enterprises that are controlled by these individuals as well as certain persons performing similar functions. Related party transactions conducted in the normal course of operations are measured at the exchange value (the amount established and agreed to by the related parties).

The Company had the following related party expenses during the period ended December 31, 2017:

Included in accounts payable is an amount of \$443,914 (2016 - \$443,914) owing to the former Chairman and Chief Executive Officer of the Company for wages earned in prior years.

These transactions are in the normal course of operations and are measured at the exchange amounts, which are the amounts of consideration established and agreed to by the parties.

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

	Year ended December 31, 2017	Year ended December 31, 2016
Consulting fees (i)	10,000	11,500
Accounts payable (i)	10,000	2,825

(i) Current Chairman and Chief Executive Officer/Chief Financial Officer

One of the non-executive directors is also legal counsel to the Company and receives fees for his services.

As of December 31, 2017 and December 31, 2016, the Company owes no money to executives of the Company for unpaid salaries and wages. A significant amount of the work required by the Company is undertaken on a contract basis by unrelated highly qualified companies and individuals.

Non-executive directors also participate in the Company's stock option program.

A significant amount of the work required by the Company is undertaken on a contract basis by unrelated highly qualified companies and individuals.

ENVIRONMENTAL LIABILITIES

The Company is not aware of any environmental liabilities, obligations or responsibilities associated with the Company's mining interests.

SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), effective for the Company's reporting for the years ended December 31, 2017 and December 31, 2016. These consolidated financial statements were approved and authorized for issuance by the Board of directors on April 30, 2018.

(b) Basis of presentation

These consolidated financial statements have been prepared on the historical cost basis except for the revaluation of certain financial assets to fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

In the preparation of these consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of expenses during the period. Actual results could differ from these estimates. Of particular significance are the estimates and assumptions used in the recognition and measurement of items included in Note 2 (e).

(c) Basis of Consolidation

The consolidated financial statements include the accounts of Supreme Metals Corp (the "Company") and its wholly owned subsidiary Alibaba Graphite Corp. The results of subsidiaries acquired or disposed of during the years presented are included in the consolidated statement of loss and comprehensive loss from the effective date of acquisition and up to the effective date of disposal, as appropriate. All intercompany transactions, balances, income and expenses are eliminated upon consolidation.

(d) Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency.

(e) Use of estimates and judgements

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

1. Critical judgements exercised by management in applying accounting policies that have the most significant effect on the amounts presented in these consolidated financial statements are as follows:

- i) Functional currency – The assessment of the Company's functional currency and the functional currency of its subsidiaries involves judgment regarding the primary economic environment the Company and its wholly-owned subsidiary operates in.
 - ii) Going concern – The assessment of the Company's ability to continue as a going concern involves judgement regarding future funding available for its operations and working capital requirements as discussed in note 1.
2. Critical accounting estimates
- (i) Income taxes and recoverability of potential deferred tax assets

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income. Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

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

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

(a) Share-based payments

Management determines costs for share-based payments using the Black-Scholes option pricing model. The fair value of the market-based and performance-based share awards are determined at the date of grant and incorporates Black-Scholes input assumption's including the future volatility of the stock price, expected dividend yield, and expected life. Such judgements and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

(b) Financial instruments

Financial assets and liabilities are initially recognized at fair value plus any directly attributable transaction costs except for those which are designated at fair value through profit or loss.

Financial assets:

All financial assets are recognized and derecognized on the trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the time frame established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value. Financial assets are classified into the following categories: financial assets 'at fair value through profit or loss' ("FVTPL") which are measured at fair value through profit or loss, 'available-for-sale' financial assets which are measured at fair value through comprehensive income, 'held-to-maturity investments' and 'loans and receivables' which are measured at amortized cost. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

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Management's Discussion and Analysis at April 30, 2018

Financial liabilities:

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

The Company's financial instruments consist of the following:

Financial Assets:	Classification:
Cash	FVTPL
Accounts receivable	Loans and receivables

Financial Liabilities:	Classification:
Amounts payable and other liabilities	Other financial liabilities

Loans and receivables:

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Other financial liabilities:

Other financial liabilities are recognized initially at fair value net of any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest and any transaction costs over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or (where appropriate) to the net carrying amount on initial recognition.

Other financial liabilities are de-recognized when the obligations are discharged, cancelled or expired.

Impairment of financial assets:

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been negatively impacted. Evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- the likelihood that the borrower will enter bankruptcy or financial re-organization.

The carrying amount of financial assets is reduced by any impairment loss directly for all financial assets with the exception of accounts receivable, where the carrying amount is reduced through the use of an allowance account. When an account receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through income or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed, does not exceed what the amortized cost would have been had the impairment not been recognized.

Financial instruments recorded at fair value:

Financial instruments recorded at fair value on the consolidated statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(c) Exploration and evaluation expenditures

The Company expenses exploration and evaluation expenditures as incurred. Exploration and evaluation expenditures include acquisition costs of mineral properties, property option payments and evaluation activities. Once a project has been established as commercially viable and technically feasible, related development expenditures are capitalized. This includes costs incurred in preparing the site for mining operations. Capitalization ceases when the mine is capable of commercial production, with the exception of development costs that give rise to a future benefit.

(d) Share-based payment transactions

The fair value of stock options granted to employees and non-employees is recognized as an expense over the vesting period with a corresponding increase in shareholders' equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including directors of the Company. The fair value is measured at the grant date and recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

(e) Decommissioning liability

A legal or constructive obligation to incur restoration, rehabilitation and environmental costs may arise when environmental disturbance is caused by the Company's exploration and evaluation activities. Discount rates using a pre-tax rate that reflects the risk and the time value of money are used to calculate the net present value. These costs are charged against profit or loss as exploration and evaluation expenditures and the related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation. The Company has no restoration, rehabilitation and environment costs as at December 31, 2017 and December 31, 2016.

(f) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The Company has no material provisions at December 31, 2017 and December 31, 2016.

(g) Share capital

Common shares

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

(h) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss, except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income. Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized with regards to the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

Deferred taxes are recognized as income or expense in profit or loss, except to the extent that tax arises from transactions recognized in equity. Therefore, when deferred taxes relate to equity items, a backwards tracing is necessary to determine the adjustment to taxes (e.g. change in tax rates and change in valuation allowance) that should be recorded in equity. For this purpose, the accounting policy of the Company is to first allocate changes in valuation allowance to capital losses due to share issuance costs before non-capital losses carryforwards.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

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

(i) Loss per share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year.

(j) Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

(k) Segment reporting

The Company determined that it had only one operating segment, i.e. the mining exploration.

(l) New standards and interpretations not yet adopted

- (i) IFRS 9 – Financial Instruments (“IFRS 9”) was issued by the IASB in November 2009 and will replace IAS 39 - Financial Instruments: Recognition and Measurement (“IAS 39”). IFRS 9 replaces the multiple rules in IAS 39 with a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. This standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39.

In October 2010, the IASB added requirements for financial liabilities to IFRS 9. These requirements were largely carried forward from the existing requirements in IAS 39, however, fair value changes due to credit risk for liabilities designated at fair value through profit and loss are generally recorded in other comprehensive income.

In November 2013, the IASB amended IFRS 9 to include a new general hedge accounting model. The amendment also removed the January 1, 2015 effective date.

In July 2014, the IASB issued the final version IFRS 9 that supersedes the requirements of earlier versions of the standard. The new standard will replace both IAS 39 and IFRIC 9 - Reassessment of Embedded Derivatives. The standard will retain the classification and measurements requirements and new hedge accounting model introduced by the previous versions while introducing a single forward-looking expected credit loss impairment model. The final version of this new standard is effective for annual periods beginning on or after January 1, 2018. However, an entity may elect to apply the earlier versions of this new standard to annual periods beginning before January 1, 2018 if, and only if, its initial application date is before February 1, 2015. The Company is still in the process of assessing the impact of this pronouncement.

- (ii) IFRS 16 Leases (New) - In January 2016, the IASB issued a new IFRS on lease accounting which was incorporated into Part I of the CPA Canada Handbook – Accounting by the ACSB in June 2016. IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 introduces a single lessee accounting model that requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Lease assets and liabilities are initially recognized on a present value basis and subsequently, similarly to other non-financial assets and financial liabilities, respectively. The lessor accounting requirements are substantially unchanged and, accordingly, continue to require classification and measurement as either operating or finance leases. The new standard also introduces detailed disclosure requirements for both the lessee and lessor. The new standard is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that also apply IFRS 15 Revenue from Contracts with Customers. The Company is in the process of assessing the impact of the new standard on its results of operations, financial position and disclosures.

(m) Comparative figures

Some of the comparative figures have been reclassified to conform with the current year's presentation.

CAPITAL RISK MANAGEMENT

The Company includes equity, comprising issued share capital and deficit, in the definition of capital, which as at December 31, 2017, totaled \$(870,684) (2016 –(\$815,072)).

The Company's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to fund its exploration commitments. To secure the additional capital necessary to continue with the exploration of mineral properties, the Company may attempt to raise additional funds through the issuance of debt or equity. The Company is not subject to any capital requirements imposed by a lending institution.

The Company monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the current outlook of the business and industry in general. The Company may manage its capital structure by issuing new shares and adjusting capital spending. The capital structure is reviewed by management and the Board of Directors on an ongoing basis.

There were no changes in the Company's process, policies and approach to capital management during the period ended December 31, 2017 and December 31, 2016.

FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate risk, foreign currency risk and price risk).

(i) Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and amounts receivable. Cash is held with a Canadian chartered bank, from which management believes the risk of loss to be minimal.

Amounts receivable consists of sales tax receivable from government authorities in Canada. Amounts receivable are in good standing as of December 31, 2017. Management believes that the credit risk with respect to these amounts receivable is minimal.

(ii) Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if its access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or matters specific to the Company. The Company generates cash flow primarily from its financing activities. As at December 31, 2017, the Company had cash and cash equivalents of \$14,501, (December 31, 2016 - \$34,458) to settle trade accounts payable and accrued liabilities of \$890,290 (December 31, 2016 - \$850,675), the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. The Company regularly evaluates its cash position to ensure preservation and security of capital as well as liquidity. As discussed in Note 1, the Company's ability to continually meet its obligations and carry out its planned exploration activities is uncertain and dependent upon the continued financial support of its shareholders and securing additional financing. Management is continuing in its efforts to secure a financing and believes it will be successful.

(iii) Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates and foreign exchange rates.

(a) Interest rate risk

The Company has cash and cash equivalent balances and no variable interest-bearing debt. The Company's current policy is to invest excess cash in guaranteed investment certificates issued by a Canadian chartered bank with which it keeps its bank accounts. The Company periodically monitors the investments it makes and is satisfied with the creditworthiness of its Canadian chartered bank.

(b) Foreign currency risk

The Company's functional and presentation currency is the Canadian dollar and major purchases are transacted in Canadian dollars. The Company at the present time does not have any foreign currency balances subject to foreign currency risk.

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Sensitivity analysis

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are reasonably possible over a twelve month period:

- (i) Cash is subject to floating interest rates. The Company has no variable debt and receives low interest rates on its cash and cash equivalents balances. As such, the Company does not have significant interest rate risk.

FAIR VALUE MEASUREMENTS

Assets and liabilities measured at fair value on a recurring basis and categories of financial instruments are as follows:

- a) Assets and liabilities measured at fair value on a recurring basis:

	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Aggregate fair value
As at December 31, 2017				
Cash	\$ 14,501	\$ -	\$ -	\$ 14,501
As at December 31, 2016				
Cash	\$ 34,458	\$ -	\$ -	\$ 34,458

- b) Categories of financial instruments:

	2017 Carrying amount	2016 Carrying amount
Financial assets		
Cash	\$ 14,501	\$ 34,458
Sales tax recoverable	4,232	-
	\$ 4,232	\$ 34,458
Financial liabilities		
Accounts payable and accrued liabilities	\$ 890,290	\$ 850,675
	\$ 890,290	\$ 850,675

The Company has not offset financial assets with financial liabilities.

The carrying value of the Company's amounts receivable, amounts payable and other liabilities approximates fair value due to their short-term maturity.

Future Outlook

European Metals Corp. is in the exploration stage and all previous properties which the Company had acquired in prior years in which an interest had been maintained have been written off in the financial statements. Concurrent with the relisting the Company is working to find new properties for investment to revitalize the company.

Financial Overview

The Company does not earn any significant revenue from consolidated operations. Interest is derived from the investment of funds for the period between the receipt of funds from equity placements and the disbursement of exploration expenditures.

Results of Operations

Projects

The Company continues to monitor its projects that were acquired in prior years for which a full impairment charge has been provided.

(i) The East Lingman Lake Gold Property

Option agreement

On October 25, 2012, European Metals Corp. (“EMC”) announced that it had entered into an option agreement (the “agreement”) to acquire a 100% registered undivided interest in the East Lingman Lake gold property consisting of twelve (12) staked claims, totalling 538.3-hectares and located in the Kenora district, province of Ontario, approximately 325-kilometers north of the Town of Red Lake. The twelve (12) staked claims surround the Lingman Lake gold property. The Company agreed to an extension to the Option agreement to June 30, 2016 and subsequently to July 5, 2016 at which time 1,500,000 shares were issued by Signature Resources Ltd.(“SGU”) at a deemed price of \$0.085 per share equalling \$127,500 satisfying the terms of the option agreement. At that date SGU acquired all of the right, title and interest in the property.

The mineral property acquisition costs and direct exploration expenditures are capitalized as incurred. If a property is abandoned or continued exploration is not deemed appropriate in the foreseeable future, the related costs and expenditures are written down.

Selected Annual Information

	December 31	December 31
	2017	2016
	\$	\$
Total revenues		
Net income (loss) and comprehensive income (loss) before income taxes		
Total	(55,612)	38,378
Per share basis	(0.000)	0.000
Net income (loss) and comprehensive income (loss)		
Total	(55,612)	38,378
Per share basis	(0.000)	0.00
Diluted - per share basis (i)		-
Total assets	19,606	35,603
Total long term financial liabilities	-	-

(i) Fully diluted loss per common share has not been provided as the effect would be anti-dilutive.

Summary of quarterly results

Quarterly variances occur mainly due to seasonal factors, administrative costs and fees related to new property acquisitions, business partnerships and combinations and levels of exploration activities.

The information presented below highlights the Company’s unaudited quarterly results for the past eight quarters. The financial information referenced below has been prepared in accordance with IFRS.

Quarter ended	Net Earnings(Loss) and Comprehensive Earnings (Loss)				Total assets	Working Capital(Deficiency)
	Total	Write down and impairment of evaluation and exploration assets	Income(Loss) before income taxes and write down of exploration and evaluation assets	Per Share (i)		
	\$	\$	\$	\$	\$	\$
Dec 31, 2017	(23,567)	-	(23,567)	(0.00)	19,606	(871,557)
Sept 30, 2017	(9,061)	-	(9,061)	(0.00)	15,794	(848,058)
June 30, 2017	(10,651)	-	(10,651)	(0.00)	16,988	(840,981)
March 31, 2017	(12,333)	-	(12,333)	(0.00)	20,688	(828,482)
Dec 31, 2016	64,749	-	64,749	(0.00)	35,603	(816,217)
Sept 30, 2016	(4,600)	-	(4,600)	(0.00)	25,520	(856,293)
June 30, 2016	(14,374)	-	(14,374)	(0.00)	28,012	(875,222)
March 31, 2016	(7,397)	-	(7,397)	(0.00)	28,605	(863,538)

(i) On a non-diluted basis

Third Quarter Financial Review – Results of Operations

Factors Affecting Quarterly Results:

The Company has no revenue. As a result of its activities, the Company continues to incur net losses.

The costs for 2017, in this period, are at still being maintained at an absolute minimum, only those costs that were required to maintain the company with the parallel need to manage a compliant public company and the maintenance of its assets in good standing were incurred until funds are realized to reinstate the company. Additional costs of \$22,490 have been estimated, and are included in this quarter, for re-listing fees, which are extraordinary fees above the annual regular listing fees.

Accounts payable

The accounts payable are comprised as follows:

	2017	2016
	\$	\$
Accounts payable and accrued liabilities	217,775	185,335
Accounts payable (related parties-Note 14)	453,914	446,739
Accounts payable - discontinued operations	218,601	218,601
	<u>890,290</u>	<u>850,675</u>

Outstanding Share Data

Share Capital

	Number of shares	Amount
	#	\$
Balance of issued shares at January 1, 2016	1,392,762,564	17,666,271
Balance of issued shares at December 31, 2016	1,392,762,564	17,666,271
Balance of issued shares at December 31, 2017	1,392,762,564	17,666,271
Shares to be issued (i)	10,000,000	50,000
Balance at December 31, 2017 and December 31, 2016	1,402,762,564	17,716,271

\$50,000 was received in 2014 for 10,000,000 shares to be issued. These shares are still outstanding and are expected to be issued in 2018.

Stock options

European Metals Corp.

Management's Discussion and Analysis at April 30, 2018

European Metals Options may be granted under the European Metals Plan only to directors, officers, employees and other service providers subject to the rules and regulations of applicable regulatory authorities and any Canadian stock exchange upon which the European Metals shares may be listed or may trade from time to time. The number of European Metals shares reserved for issue to any one person pursuant to the European Metals Plan within any one year period may not exceed 5% of the issued and outstanding European Metals Shares.

The maximum number of European Metals shares which may be reserved for issuance to insiders under the European Metals Plan, any other employer stock option plans or options for services, shall be 10% of the total number of European Metals shares issued and outstanding at the time of the grant (on a non-diluted basis). The maximum number of European Metals options which may be granted to any one consultant under the European Metals Plan, any other employer stock options plans or options for services, within any 12 month period, must not exceed 2% of the total number of European Metals shares issued and outstanding at the time of the grant (on a non-diluted basis). The maximum number of European Metals options which may be granted to investor relations persons under the European Metals Plan, any other employer stock options plans or options for services, within any 12 month period must not exceed, in the aggregate, 2% of the total number of European Metals shares issued and outstanding at the time of the grant (on a non-diluted basis). The exercise price of European Metals options issued under the European Metals Plan may not be less than the fair market value of the European Metals shares at the time the option is granted, subject to any discounts permitted by applicable legislative and regulatory requirements.

The following table summarizes information about stock options outstanding and exercisable at December 31, 2017:

The Company applies the fair value method of accounting for all stock-based compensation awards.

	December 31, 2017			December 31, 2016		
	Number of options outstanding	Weighted Average Exercise Price	Fair Value of Options	Number of options outstanding	Weighted Average Exercise Price	Fair Value of Options
	#	\$	\$	#	\$	\$
Balance at beginning of the year	66,500,000	0.005	314,471	66,500,000	0.005	314,471
Expired during the year	-	-	-	-	-	-
Balance at end of the year	66,500,000	0.005	314,471	66,500,000	0.005	314,471

The number of common shares issuable under options and the average option prices per share, are as follows:

Weighted Average Remaining Contractual Life	Fair Value of Options	Number of options and exercisable options	Exercise price	Expiry Date
Years	\$	#	\$	
0.92	314,471	66,500,000	0.005	November 18, 2018

Warrants

The following tables summarize information about warrants outstanding at December 31, 2017:

	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
	December 31	December 31	December 31	December 31
	2017	2017	2016	2016
	#	\$	#	\$
Outstanding, beginning of the year	704,958,200	0.05	704,958,200	0.05
Granted during the year	-	-	-	-
Cancelled or expired during the year	-	-	-	-
Outstanding, end of the year	704,958,200	0.05	704,958,200	0.05

Expiry date	Exercise price \$	Number of warrants outstanding and exercisable #	Black Scholes value \$
February-19	0.05	700,972,200	1,069,221
March-19	0.05	3,986,000	13,704
Balance, December 31, 2016		704,958,200	1,082,925
Balance, December 31, 2017		704,958,200	1,082,925

No warrants were exercised in this period.

Balance-Sheet Arrangements

The Company has no off-balance-sheet arrangements.

OUTLOOK

The Company is dependent on obtaining financing for the exploration and development of its mineral properties and any new projects. Management is currently exploring various financing alternatives in order to fund its planned exploration activities. Given the current market in which junior exploration mining companies find themselves, this has been an incredibly difficult task. There is no assurance that such financing will be available when required, or under favourable terms.