

**BOREAL METALS CORP.**  
**FORM 51-102F1**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE PERIOD ENDED MARCH 31, 2018**

The following management's discussion and analysis ("MD&A"), prepared as of May 29 2018 should be read together with unaudited interim consolidated financial statements for the period ended March 31, 2018 and the audited consolidated financial statements for the year ended December 31, 2017 and related notes attached thereto, which are prepared in accordance with International Financial Reporting Standards. All amounts are stated in Canadian dollars unless otherwise indicated.

Additional information related to Boreal Metals Corp. (the "Company") is available for view on SEDAR at [www.sedar.com](http://www.sedar.com).

## Forward Looking Statements

This MD&A contains certain forward-looking statements and information relating to the Company that are based on the beliefs of our management as well as assumptions made by and information currently available to us. When used in this document, the words "anticipate", "believe", "estimate", "expect" and similar expressions, as they relate to our company or our management, are intended to identify forward-looking statements. This MD&A contains forward-looking statements relating to, among other things, regulatory compliance, the sufficiency of current working capital, the estimated cost and availability of funding for the continued exploration and development of our exploration properties. Such statements reflect the current views of management with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause the actual results, performance or our achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements.

## Description of Business

Boreal Metals Corp. (the "Company") was incorporated under the Business Corporations Act, British Columbia on December 31, 2013 and is considered to be in the exploration stage with respect to its mineral properties. The Company's head office address is Suite 340 - 233 West 1st Street, North Vancouver, BC V7M 1B3.

On April 1, 2014, the Company commenced trading on the Canadian Securities Exchange ("CSE") under the trading symbol "EFM". On April 12, 2016, the CSE delisted the Company for being in default of CSE requirements. As of the date of the financial statements the Company's common shares were delisted from trading on the CSE.

On November 21, 2017, the Company obtained a public listing for its securities on the TSX Venture Exchange (TSX-V) under the trading symbol "BMX" following closing of its offerings of units by way of Short Form Offering Document "SFOD" and by way of a brokered private placement.

On February 14, 2017, the Company closed a share purchase agreement with EMX Royalty Corporation ("EMX") and has acquired two companies with exploration stage assets in Scandinavia. The companies were wholly-owned subsidiaries of EMX Royalty which together held a portfolio of four base and precious metal exploration projects, two in Sweden and two in Norway. EMX Exploration Scandinavia AB and Iekelvare Minerals AB (together referred to as the "Swedish Companies") are now wholly-owned subsidiaries of the Company.

On February 15, 2018, the Company completed the acquisition of the Modum Project ("Modum") from EMX. Pursuant to the terms of the agreement, the Company issued to EMX 1,324,181 common shares at a deemed price of \$0.26, which brings EMX's equity ownership in Boreal to 19.9%. EMX will have the right to participate pro-rata in future financings at its own cost to maintain its 19.9% interest in Boreal.

On March 20, 2018, the Company completed the acquisition of the Guldgruvan cobalt project ("Guldgruvan") from EMX by Boreal Energy Metals Corp. ("BEMC"), a newly created and wholly owned subsidiary of Boreal, through its wholly owned subsidiary Boreal Battery Metals Scandinavia AB ("BBMSAB").

Boreal is a mineral exploration company focused on the discovery of Zinc, Copper, Silver, Gold, Cobalt and Nickel deposits in exceptional, historical mining project areas spanning Sweden and Norway. The Company aims to discover new economic mineral deposits in known mining districts that have seen little or no modern exploration techniques.

## Significant Events

On February 15, 2018, the Company completed the acquisition of the Modum project from EMX. Pursuant to the terms of the agreement, the Company issued to EMX 1,324,181 common shares at a deemed price of \$0.26, which brings EMX's equity ownership in Boreal to 19.9%. EMX will have the right to participate pro-rata in future financings at its own cost to maintain its 19.9% interest in Boreal.

On March 20, 2018, the Company completed the acquisition of the Guldgruvan project from EMX by BEMC.

On May 18, 2018, BEMC executed a definitive agreement with EMX for the acquisition of the Mjövattnet and Njuggträskliden cobalt and nickel projects.

As of the date of MD&A, 5,935,000 warrants were exercised at a price of \$0.10 for gross proceeds of \$593,500 and 200,000 expired.

## Exploration and Evaluation Assets

On February 14, 2017, the Company acquired two companies that were wholly-owned subsidiaries of EMX which together represent a portfolio of four Scandinavian base and precious metal (zinc-lead-copper-silver-gold) exploration projects including Gumsberg and Adak exploration assets in Sweden and the Tynset and Burfjord assets in Norway.

To acquire the Swedish Companies, the Company issued 1,713,390 of its common shares to EMX which represented a 19.9% equity ownership in the Company and had the continuing obligation to issue additional shares to maintain 19.9% interest, at no additional cost to EMX, until the Company has raised \$5,000,000 in equity (raised on November 21, 2017); thereafter, EMX has the right to participate pro-rata in future financings at its own cost to maintain its 19.9% interest. During 2017, a total of 7,492,592 common shares valued at \$1,290,997 of the Company were issued to EMX due to above obligation.

On February 15, 2018, the Company amended the share purchase agreement with EMX and included the acquisition of Modum. Pursuant to the terms of the agreement, the Company issued to EMX 1,324,181 common shares valued at \$397,254, which brings EMX's equity ownership in Boreal to 19.9%.

EMX has also been granted a 3% net smelter return ("NSR") royalty on each of the Properties, of which a 1% NSR royalty may be purchased by the Company on or before the fifth anniversary of the closing date in 0.5% increments for a total of (a) USD\$2,500,000, or (b) at the purchaser's option, USD\$2,000,000 plus shares of the Company equal in value to USD\$500,000.

EMX will receive annual advance royalty ("AAR") payments of USD\$20,000 for each of the Properties commencing on the second anniversary of the closing, with each AAR payment increasing by USD\$5,000 per year until reaching USD\$60,000 per year, except that the Company may forgo AAR payments on two of the four Properties in years two and three. Once reaching USD\$60,000, AAR payments will be adjusted each year according to the Consumer Price Index (as published by the U.S. Department of Labor, Bureau of Labor Statistics). EMX Royalty will receive a 0.5% NSR royalty on any new mineral exploration projects generated by the Company in Sweden or Norway, excluding projects acquired from a third party containing a mineral resource or reserve or an existing mining operation. EMX Royalty had the right to nominate one seat on the Board of Directors of the Company which has been filled by Eric Jensen.

Management has determined that this transaction does not qualify as a business combination. Accordingly, it was accounted for as an acquisition of assets. The fair value of the purchased assets was measured using the fair value of the issued common shares of the Company on the transaction date.

The Company is the owner of mining licenses located in Norway known as the Tynset licenses and Burfjord licenses; furthermore, it owns licenses in Sweden known as the Gumsberg and the Adak VMS Projects. In addition, the Company

through BEMC, is the owner of mining license located in Norway known as the Modum and in Sweden known as Guldgruvan Projects.

In the period ended March 31, 2018, the total of \$767,655 exploration costs incurred by the Company as follows:

Exploration expenses	Adak	Gumsberg	Burfjord	Tynset	Modum	Guldgruvan	Total
Accommodation	\$ -	\$ 2,749	\$ -	\$ -	\$ -	\$ -	\$ 2,749
Drilling	-	339,912	-	-	-	-	339,912
Exploration equipment	-	22,315	-	2,904	-	-	25,219
Field work	-	89,233	717	12,609	-	-	102,559
Exploration licenses	-	17,798	26,284	81,174	-	-	125,256
Geological	55	120,946	12,643	54	213	910	134,820
Geophysical	-	28,066	-	-	-	-	28,066
Other	-	8,994	80	-	-	-	9,074
Total exploration costs incurred in first quarter of 2018	\$ 55	\$ 630,014	\$ 39,723	\$ 96,741	\$ 213	\$ 910	\$767,655

Tynset VMS project (Roros District, Norway)

The Tynset project is comprised of certain exploration licenses in the Roros Mining District of central Norway.

Burfjord IOCG project (Alta Region, Norway)

The Burfjord project is comprised of six exploration licenses totaling 5,500 hectares in the Kåfjord copper belt near Alta, Norway. On January 4, 2018 the Company announced the results of an Induced Polarization Geophysical Survey ("IP Geophysical Survey") at the 100% owned Burfjord Copper Project. The results of the survey indicate along-strike continuity of sulphide mineralization over a three kilometer segment of prospective stratigraphy and a depth continuity in excess of 100 meters; beyond the depth limitations of the pole-dipole electrode configuration. An IP and Resistivity Survey was conducted between October 5 and October 25, 2017 at Burfjord, by GeoVista AB. The survey results successfully demonstrate the projection of mineralization under cover for widths on the order of 100 meters or more, the continuity of the mineralization along trend for at least 3,000 meters, and projection to depths of at least 100 meter. Based on these results, Boreal has permitted a drill program to test the grade and continuity of mineralization and anticipates executing this program in the first half of 2018.

Adak VMS Project (Skelleftea District, Sweden)

Adak exploration license is located in Skellefteå Mining District in north Sweden.

Gumsberg VMS Project (Bergslagen District, Sweden)

The strategically situated Gumsberg project consists of six exploration licenses in the Bergslagen Mining District of southern Sweden totaling over 18,300 hectares, where multiple zones of VMS style mineralization have been identified.

On February 28, 2018, the Company announced high grade and other encouraging drill results from the ongoing 2,500 meter (planned) diamond drill program at Gumsberg. Drill results from the first five holes (1,146.7 meters) confirm the presence of high grade silver-zinc-lead mineralization with significant associated copper and gold mineralization. Drill intercepts include

various styles of mineralization in massive sulfide horizons, some of which appear to be exhalite-type deposits. Similar styles of mineralization occur throughout the Bergslagen district in southern Sweden, which is host to multiple world-renowned base metal sulphide deposits.

#### SELECTED DRILL INTERCEPTS: DRILL HOLES BM-17-001 THROUGH BM-17-005

Hole From To Length ID Meters Meters Meters	Ag g/t	Zn %	Pb %	Cu %	Au g/t	Prospect Name
BM-17-001 <sup>X</sup> 99.30 106.00 6.70	16.39	5.19	1.08	0.30	0.08	Vallberget
<i>Incl.</i> 101.30 104.40 3.10	32.34	10.97	2.25	0.39	0.16	
BM-17-002 <sup>X</sup> 88.10 88.62 0.52	1.63	5.65	0.06	0.19	0.05	Vallberget
BM-17-002 <sup>X</sup> 92.30 94.20 1.90	51.75	13.55	5.23	0.27	0.34	Vallberget
<i>Incl.</i> 92.63 93.57 0.94	99.60	26.70	10.45	0.13	0.54	
BM-17-003 <sup>X</sup> 101.35 102.55 1.20	25.00	6.73	2.10	0.35	0.12	Vallberget
BM-17-004 <sup>X</sup> 105.77 106.37 0.60	24.94	4.81	1.96	0.01	0.02	Vallberget
BM-17-005 <sup>Y</sup> 122.30 133.24 10.94	656.70	16.97	8.52	0.03	0.76	Östersilvberg
<i>Incl.</i> 122.30 127.45 5.15	1172.00	30.59	14.87	0.05	1.07	
<i>And</i> 128.92 129.76 0.84	1113.00	33.09	17.20	0.04	1.32	
<i>And</i> 132.90 133.24 0.34	487.00	0.06	5.44	0.06	4.00	
BM-17-005 <sup>Y</sup>	183.90	5.87	2.33	0.04	0.52	Östersilvberg
<i>Incl. And</i>	288.65	9.04	3.59	0.04	0.87	
155.43 165.00 9.57 155.43 161.00 5.57 163.71 165.00 1.29	113.00	4.44	1.75	0.04	0.09	
BM-17-005 <sup>Y</sup> 178.16 179.00 0.84	218.02	11.56	5.77	0.04	0.30	Östersilvberg

<sup>X</sup> Apparent widths reported - true widths are estimated between 80-100% of reported intervals.

#### Modum Project (Sweden)

The 13,115 Ha Modum project is located approximately 75 kilometres west of Oslo, Norway.

#### Gudgruvan Project (Los Cobalt Mine, Sweden)

On March 20, 2018, the Company completed the acquisition of the Guldgruvan cobalt project ("Guldgruvan") from EMX by Boreal Energy Metals Corp. ("BEMC"), a newly created and wholly owned subsidiary of Boreal.

Pursuant to the terms of the agreement, the Company issued to EMX 2,979,798 common shares of BEMC, which brings EMX's equity ownership in BEMC to 5.9%. BEMC will have the continuing obligation to issue additional shares of BEMC to EMX to maintain its 5.9% interest in BEMC, at no additional cost to EMX, until BEMC has raised CDN\$3,000,000 in equity. Thereafter, EMX will have the right to participate pro-rata in future financings at its own cost to maintain its 5.9% interest in BEMC.

In addition:

EMX is granted an uncapped 3% NSR royalty on the project, of which a 1% NSR royalty may be purchased by BEMC on or before the fifth anniversary of the closing date in 0.5% increments for a total of USD\$2,500,000 in cash and common shares of BEMC.

EMX will receive AAR payments of USD\$20,000, commencing on the second anniversary of the closing, with each AAR payment increasing by USD\$5,000 per year until reaching USD\$60,000 per year.

EMX will also be reimbursed for its acquisition costs and previous expenditures on the project.

Management has determined that this transaction does not qualify as a business combination. Accordingly, it was accounted for as an acquisition of net assets. The fair value of the consideration allocated to property acquired of \$87,570.

#### Selected Annual Financial Information

The Company's Consolidated Financial Statements for the years ended December 31, 2017, 2016, and 2015 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The following selected financial information is taken from the annual consolidated financial statements and should be read in conjunction with those statements.

During fiscal 2018, the Company changed its accounting policy with respect to exploration and evaluation expenditures. In prior years the Company's policy was to charge to operations exploration expenditures as incurred. The Company has elected to change this accounting policy to now capitalize by property all costs directly related to the exploration and evaluation of mineral properties classified as exploration and evaluation assets, effective with the presentation of these financial statements, on a retrospective basis.

	December 13, 2017 (restated)	December 31, 2016	December 31, 2015
Cash	3,397,728	196,987	77
Total assets	6,119,693	205,918	5,084
Total liabilities	686,862	181,551	98,555
Shareholders' equity (deficiency)	5,432,831	24,367	(93,471)
Net loss and comprehensive loss	(1,403,619)	(171,541)	(40,667)
Basic and diluted loss per common share	(0.05)	(0.02)	(0.01)

## Results of Operations

### *Period ended March 31, 2018 and 2017*

During the period ended March 31, 2018, the Company incurred a net loss of \$605,492 an increase of \$535,540 compared to \$69,952 net loss incurred the same period of 2017. This significant increase in the Company expenses was a result of increased activity of the Company. During the first quarter of 2018, the Company acquired two Scandinavian projects, became listed in Frankfurt exchange, and conducted exploration programs on its newly acquired properties.

During the period ended March 31, 2018, the Company's major operating expenses were as follows:

Marketing fees totaled \$296,593 (2017 - \$Nil) as the Company engaged services of several consulting and marketing companies to get listed in Frankfurt exchange and to bring investor awareness of the Company.

Travel expenses of \$78,433 (2017 - \$8,769) were incurred for the due diligence work done on the new project acquisitions (see Acquisition).

Management and consulting fees of \$95,500 (2017 - \$2,500) were paid or accrued for present and directors and officers of the Company.

Professional fees \$36,834 (2017 - \$21,488) and rent expense of \$26,818 (2017 - \$Nil). All incurred due to Scandinavian companies' acquisition resulted in setting and maintaining two offices in Canada and Sweden.

General and administration expenses totaled \$29,986 (2017 - \$8,550), as the Company was inactive in the first quarter of 2017 due to difficult market conditions.

The basic and diluted loss per common share in the period ended March 31, 2018 totaled \$0.01 (2017 - \$0.01).

### *Cash flows for the period ended March 31, 2018 and 2017*

At March 31, 2018, the Company had \$1,665,678 cash, compared to \$3,397,728 cash at December 31, 2017.

In the first quarter of 2018, net cash used for operating activities totaled \$861,971 compared to \$22,214 of net cash provided from operating activities in the same period of 2017. The cash used in operating activities consisted of the operating expenses of the Company.

In 2018, the Company completed drilling on Gumsberg project with total exploration costs incurred in three months of 2018 of \$767,655 (2017 - \$236,193), acquired fixed assets for \$84,853 and two mineral projects. Modem project was acquired for share consideration and Guldgruvan project fair value of the consideration allocated to property totaled \$87,570.

In the period ended March 31, 2018, the Company issued shares on the exercise of warrants for the proceeds of \$70,000.

### Summary of Quarterly Results (restated – see New Standards Not Yet Adopted and Change in Accounting Policy Section)

	March 31, 2017	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017	December 31, 2016	September 30, 2016	June 30, 2016	March 31, 2016
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Cash	1,665,678	3,397,728	280,847	390,770	228,579	196,987	76,381	5,504	14,443
Total assets	5,779,528	6,119,693	1,064,418	863,943	518,166	205,918	83,859	11,298	19,775
Total liabilities	552,335	686,862	210,070	264,281	283,960	181,551	173,233	119,641	119,880
Working capital (deficiency)	1,647,297	3,120,007	202,541	159,777	228,579	24,367	(89,374)	(108,343)	(100,105)
Net comprehensive loss	(605,492)	(745,790)	(445,686)	(142,193)	(69,952)	(85,766)	(56,031)	(8,238)	(6,634)
Basic and diluted loss per share	(0.03)	(0.02)	(0.02)	(0.01)	(0.01)	(0.01)	(0.01)	(0.00)	(0.00)

### Liquidity and Capital Resources

To date, the Company has not yet realized profitable operations. The Company will require additional financing to explore and develop its mineral properties and there can be no assurances that such financing will be available, or if available, will be on reasonable terms.

These consolidated financial statements have been prepared assuming the Company will continue on a going-concern basis. The Company has incurred losses since inception and the ability of the Company to continue as a going-concern depends upon its ability to develop profitable operations and to continue to raise adequate financing. Management is actively targeting sources of additional financing through alliances with financial, exploration and mining entities, or other business and financial transactions which would assure continuation of the Company's operations and exploration programs. In order for the Company to meet its liabilities as they come due and to continue its operations, the Company is solely dependent upon its ability to generate such financing.

There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favorable. If adequate financing is not available when required, the Company may be required to delay, scale back or eliminate programs and may be unable to continue in operation. The Company may seek such additional financing through debt or equity offerings, but there can be no assurance that such financing will be available on terms acceptable to the Company or at all. Any equity offering will result in dilution to the ownership interests of the Company's shareholders and may result in dilution to the value of such interests.

The Company's revenues, if any, are expected to be in large part derived from the mining and sale of minerals and metals or interests related thereto. The economics of developing and producing properties are affected by many factors including the cost of operations and the market price of the mineral resource. Depending on the market price of mineral resources, the Company may determine that it is impractical to continue commercial production.

### Related Party Transactions

Key management personnel include: Karl Antonius - President, Chief Executive Officer ("CEO"), Director; Alex Woodyer Sherron - Chief Financial Officer ("CFO") and Corporate Secretary; Jon Sherron, Patricio Varas, Eric Jensen, David Reid and Hakan Sydner - Directors of the Company.

The Company entered into the following transactions with related parties during the period ended March 31, 2018:

	For the period ended March 31, 2018	
	2018	2017
Short-term benefits paid or accrued:		
Accounting fees	\$ 19,044	\$ -
Management fees	107,160	5,500
Rent	6,000	-
	<u>\$ 132,204</u>	<u>\$ 5,500</u>

As of March 31, 2018, included in accounts payable is \$102,936 (December 31, 2017 - \$132,934) due to directors and officers and \$4,175 (December 31, 2017 - \$2,125) prepaid to an officer of the Company.

All related party transactions are in the normal course of operations and have been measured at the agreed to amounts, which is the amount of consideration established and agreed to by the related parties.

## Financial Instruments and Other Instruments

### Financial instruments

Financial assets and liabilities are classified in the fair value hierarchy according to the lowest level of input that is significant to the fair value measurement. Assessment of the significance of a particular input to the fair value measurement requires judgement and may affect placement within the fair value hierarchy levels. The hierarchy is as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: 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).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value of cash and accounts payable and accrued liabilities and short-term loan from related party approximate their carrying amounts due to the short-term nature of the financial instruments. Cash is classified as financial assets fair value through profit or loss and is measured using Level 1 inputs of the fair value hierarchy. Accounts payable and accrued liabilities and short-term loan from related party are classified as financial liabilities fair value through profit or loss.

### *Risk management*

The Company is exposed to a variety of financial instrument related risks to varying degrees:

#### Credit risk

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss for the Company by failing to discharge its obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash. The Company limits its exposure to credit risk on liquid financial assets through maintaining its cash with high-credit quality financial institutions.

#### Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with its financial liabilities. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. The Company is currently investigating financing opportunities so that it has sufficient liquidity to meet liabilities when due.

There can be no assurance the Company will be able to obtain required financing in the future on acceptable terms. The Company anticipates it will need additional capital in the future to finance on-going exploration of its properties, such capital to be derived from the completion of other equity financings. The Company has limited financial resources, has no source of operating income and has no assurance that additional funding will be available to it for future exploration and development of its project. The ability of the Company to arrange additional financing in the future will depend, in part, on the prevailing capital market conditions and exploration success. In recent years, the securities markets have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual fluctuations in price will not occur. Any quoted market for the common shares may be subject to market trends generally, notwithstanding any potential success of the Company in creating revenue, cash flows or earnings.

#### Market risk

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

#### Currency risk

The Company is exposed to financial risk related to fluctuations in foreign exchange rates. Foreign currency risk is limited to the portion of the Company's business transactions denominated in currencies other than the Canadian Dollar.

#### Interest rate risk

The Company's exposure to interest rate risk arises from the interest rate impact on cash. The Company's policy is to invest cash at floating rates of interest, in order to maintain liquidity, while achieving a satisfactory return for shareholders. There is minimal risk that the Company would recognize any loss as a result of a decrease in the fair value.

#### Price risk

The Company is exposed to price risk with respect to commodity prices. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company.

### **Segmented Information**

The Company is engaged in one business activity, being the acquisition and exploration of mineral properties. Geographic information is disclosed in Exploration and Evaluation Assets section. All non-current assets are held solely in the Scandinavia segment.

### **Subsequent Events**

- a) On May 18, 2018, the Company's subsidiary BEMC closed an agreement with EMX and acquired the Mjövattnet and Njuggträskliden cobalt and nickel projects.

Pursuant to the terms of the agreement, the BEMC issued to EMX 2,020,202 common shares of BEMC, that represents a 4% equity ownership in BEMC. This will increase EMX's share equity ownership in BEMC to 9.9%; BEMC will have the continuing obligation to issue additional shares of BEMC to EMX to maintain its 9.9% interest in BEMC, at no additional cost to EMX, until BEMC has raised CDN\$3,000,000 in equity. Thereafter, EMX will have the right to participate pro-rata in future financings at its own cost to maintain its 9.9% interest in BEMC. The issuance of BEMC shares to EMX, as set forth in the definitive agreement, is subject to receipt of TSX approval.

In addition:

- EMX will be granted 3% NSR royalty on each project, of which a 1% NSR royalty may be purchased by BEMC on or before the fifth anniversary of the closing date in 0.5% increments for a total of USD\$2,500,000 in cash and common shares of BEMC.
  - EMX will receive AAR payments of USD\$20,000 for each project, commencing on the second anniversary of the closing, with each AAR payment increasing by USD\$5,000 per year until reaching USD\$60,000 per year.
  - EMX will also be reimbursed 312,000 Swedish Krona (approximately USD\$37,000) for its acquisition costs and previous expenditures on the projects.
- b) Subsequently, 5,935,000 warrants were exercised at a price of \$0.10 for gross proceeds of \$593,500.

## Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements as at March 31, 2018.

## Significant Accounting Policies

These consolidated financial statements, including comparatives, were prepared in accordance with the accounting policies described in the Company's annual financial statements for the year ended December 31, 2017.

## Critical Accounting Estimates

The preparation of the consolidated financial statements requires management to make judgments and estimates and form assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual outcomes may differ from these estimates.

### Valuation of share-based compensation

The Company uses the Black-Scholes Option Pricing Model for valuation of share-based compensation. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate, and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings and equity reserves.

### Income taxes

In assessing the probability of realizing income tax assets, management makes estimates related to expectations of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

### Site decommissioning obligations

The Company recognizes a provision for future abandonment activities in the financial statements equal to the net present value of the estimated future expenditures required to settle the estimated future obligation at the statement of financial position date. The measurement of the decommissioning obligation involves the use of estimates and assumptions including the discount rate, the expected timing of future expenditures and the amount of future abandonment costs. The estimates were made by management and external consultants considering current costs, technology and enacted legislation. As a result, there could be significant adjustments to the provisions established which would affect future financial results.

### Economic recoverability and probability of future economic benefits of exploration and evaluation assets

Management has determined that mineral property costs incurred which were capitalized have future economic benefits and are economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including geological and metallurgic information, history of conversion of mineral deposits to proven and probable reserves, scoping and feasibility studies, accessible facilities, existing permits and life of mine plans.

Critical judgments exercised in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are as follows:

#### Functional and reporting currency

The functional currency is the currency of the primary economic environment in which the entity operates. The functional currency for the Company and its subsidiaries is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, the Effects of Changes in Foreign Exchange Rates.

#### Acquisition method accounting

In the acquisition of Swedish Companies, significant judgement was required to determine if that transaction represented a business combination or an asset purchase. More specifically, management concluded that Swedish Companies did not represent a business, as the assets acquired were not an integrated set of activities with inputs, processes and outputs.

### **New Standards Not Yet Adopted and Change in Accounting Policy**

The Company has not yet adopted the following revised or new IFRS that have been issued but were not yet effective as at December 31, 2017:

IFRS 16, Leases is a new standard that sets out the principles for recognition, measurement, presentation and disclosure of leases including guidance for both parties to a contract, the lessee and the lessor. The new standard eliminates the classification of leases as either operating or finance leases as is required by IAS 17 and instead introduces a single lessee accounting model. This standard is effective for the years beginning on or after January 1, 2019.

The Company is currently assessing the impact that these new accounting standards will have on the financial statements and the business of the Company.

#### Exploration and evaluation assets - Change in accounting policy.

The Company charged to operations all exploration and evaluation expenses incurred prior to the determination of economically recoverable reserves and a decision to develop has been made. These costs would also include periodic fees such as license and maintenance fees.

The Company capitalizes direct mineral property acquisition costs and those expenditures incurred following the determination that the property has economically recoverable reserves and a decision to develop the property. Mineral property acquisition costs include cash consideration and the fair value of common shares issued for mineral property interests, pursuant to the terms of the relevant agreement.

During fiscal 2018, the Company changed its accounting policy with respect to exploration and evaluation expenditures. In prior years the Company's policy was to charge to operations exploration expenditures as incurred. The Company has elected to change this accounting policy to now capitalize by property all costs directly related to the exploration and evaluation of mineral properties classified as exploration and evaluation assets, effective with the presentation of these financial statements, on a retrospective basis.

### **Outstanding Share Data**

As at March 31, 2018, the Company had 53,614,895 common shares outstanding and 58,849,895 shares as of the date of this MD&A.

On February 14, 2018, the Company issued 1,324,181 common shares to EMX on the acquisition of the Modum project. The shares were valued at \$397,254.

During the period, the Company issued 700,000 common shares on the exercise of warrants for proceeds of \$70,000.

Subsequently, 5,235,000 warrants were exercised at a price of \$0.10 for gross proceeds of \$523,500.

## Warrants

As at March 31, 2018 and as of the date of this MD&A, the Company had 21,800,249 and 16,365,249 warrants issued and outstanding, respectively. Subsequent to March 31, 2017, a total of 5,235,000 warrants were exercised at a price of \$0.10 for gross proceeds of \$523,500 and 200,000 warrant expired unexercised.

A summary of share purchase warrants transactions during the period ended March 31, 2018 are as follows:

Expiry date	Exercise price	WARC life (years)	December 31, 2017	Granted	Exercised	Expired/Cancelled	March 31, 2018
April 4, 2018	\$0.10	0.01	6,135,000	-	700,000	-	5,435,000
May 21, 2019	\$0.30	1.14	1,065,000	-	-	-	1,065,000
August 14, 2019	\$0.40	1.37	2,400,250	-	-	-	2,400,250
November 21, 2019	\$0.50	1.64	12,399,999	-	-	-	12,399,999
November 21, 2019	\$0.40	1.64	500,000	-	-	-	500,000
<b>TOTAL</b>			<b>22,500,249</b>	<b>-</b>	<b>700,000</b>	<b>-</b>	<b>21,800,249</b>
Weighted average price			\$ 0.37	\$ -	\$ 0.10	\$ -	\$ 0.38

As at March 31, 2018 and the date of this report, there were no stock options outstanding.

## Escrow Units

12,102,236 shares and 3,538,618 warrants were placed in escrow in accordance with the escrow agreement dated November 21, 2017. 10% of the escrowed common shares and warrants were released on November 21, 2017, upon the completion of the SFOD. As at March 31, 2018, there were 10,892,012 common shares and 3,184,756 warrants of the Company held in escrow.

Subsequently, 1,815,335 shares and 530,793 warrants were released, leaving a balance of 9,076,677 shares and 2,653,964 warrants held in escrow.

## Management's Responsibility for Financial Statements

Information provided in this report, including the financial statements, is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future value for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying financial statements. Management maintains a system of internal controls to provide reasonable assurances that the Company's assets are safeguarded and to facilitate the preparation of relevant and timely information.

## Risk Factors

*Our exploration programs may not result in a commercial mining operation.*

Mineral exploration involves significant risk because few properties that are explored contain bodies of ore that would be commercially economic to develop into producing mines. Our mineral properties are without a known body of commercial

ore and our proposed programs are an exploratory search for ore. We do not know whether our current exploration programs will result in any commercial mining operation. If the exploration programs do not result in the discovery of commercial ore, we will be required to acquire additional properties and write-off all of our investments in our existing properties.

*We may not have sufficient funds to complete further exploration programs.*

We have limited financial resources, do not generate operating revenue and must finance our exploration activity by other means. We do not know whether additional funding will be available for further exploration of our projects or to fulfill our anticipated obligations under our existing property agreements. If we fail to obtain additional financing, we will have to delay or cancel further exploration of our properties, and we could lose all of our interest in our properties.

*Factors beyond our control may determine whether any mineral deposits we discover are sufficiently economic to be developed into a mine.*

The determination of whether our mineral deposits are economic is affected by numerous factors beyond our control. These factors include market fluctuations for precious metals; metallurgical recoveries associated with the mineralization; the proximity and capacity of natural resource markets and processing equipment; costs of access and surface rights; and government regulations governing prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection.

*Mineral exploration is highly speculative and risky; any material changes to the estimated reserves might adversely affect the profitability of the property.*

In making determinations about whether to proceed to the next stage of development, we must rely upon estimated calculations as to the mineral reserves and grades of mineralization on our properties. Until ore is actually mined and processed, mineral reserves and grades of mineralization must be considered as estimates only. Any material changes in mineral reserve estimates and grades of mineralization will affect the economic viability of the placing of a property into production and a property's return on capital.

*Mineral exploration is hazardous. We could incur liability or damages as we conduct our business due to the dangers inherent in mineral exploration.*

Mining operations often encounter unpredictable risks and hazards that add expense or cause delay. These include unusual or unexpected geological formations, changes in metallurgical processing requirements; power outages, labor disruptions, flooding, explosions, rock bursts, cave-ins, landslides and inability to obtain suitable or adequate machinery, equipment or labor. We may become subject to liabilities in connection with pollution, cave-ins or hazards against which we cannot insure against or which we may elect not to insure. The payment of these liabilities could require the use of financial resources that would otherwise be spent on mining operations.

*In the future we may be required to comply with government regulations affecting mineral exploration and exploitation, which could adversely affect our business, the results of our operations and our financial condition.*

Mining operations and exploration activities are subject to national and local laws and regulations governing prospecting, development, mining and production, exports and taxes, labor standards, occupational health and mine safety, waste disposal, toxic substances, land use and environmental protection. In order to comply, we may be required to make capital and operating expenditures or to close an operation until a particular problem is remedied. In addition, if our activities violate any such laws and regulations, we may be required to compensate those suffering losses or damage and may be fined if convicted of an offence under such legislation.

*Land reclamation requirements for the exploration properties may be burdensome.*

Although variable depending on location and the governing authority, land reclamation requirements are generally imposed on mineral exploration companies (as well as companies with mining operations) in order to minimize long term effects of land disturbance. Reclamation may include requirements to control dispersion of potentially deleterious effluents and

reasonably reestablish pre-disturbance land forms and vegetation. In order to carry out reclamation obligations imposed on us in connection with our mineral exploration, we must allocate financial resources that might otherwise be spent on further exploration programs.

*We face industry competition in the acquisition of exploration properties and the recruitment and retention of qualified personnel.*

We compete with other exploration companies, many of which have greater financial resources than us or are further along in their development, for the acquisition of mineral claims, leases and other mineral interests as well as for the recruitment and retention of qualified employees and other personnel. If we require and are unsuccessful in acquiring additional mineral properties or personnel, we will not be able to grow at the rate we desire or at all.

### **Approval**

The Board of Directors of the Company has approved the disclosure contained in this MD&A on May 29, 2018. A copy of this MD&A will be provided to anyone who requests it and can be found on Sedar at [www.sedar.com](http://www.sedar.com).