

**BC Moly Ltd.**

**Management's Discussion and Analysis**

**For the year ended April 30, 2019**

Contact Information :

**BC Moly Ltd.**

160-4664 Lougheed Highway

Burnaby, BC V5C 5T5

Contact Person: Mr. Jimmy Mah

Email: [jmah@bcmoly.com](mailto:jmah@bcmoly.com)

## **DESCRIPTION OF BUSINESS AND OVERVIEW OF OPERATIONS AND FINANCIAL CONDITION**

The following is management's discussion and analysis ("MD&A"), prepared as of August 20, 2019. This MD&A should be read in conjunction with the Company's audited Financial Statements and the accompanying notes for the year ended April 30, 2019, and the MD&A included in the Company's Annual Report, all as prepared in accordance with International Financial Reporting Standards ("IFRS"). All amounts are stated in Canadian dollars unless otherwise indicated.

This report includes certain statements that may be deemed "forward looking statements" within the meaning of applicable securities legislation. All statements, other than statements of historical facts, that address such matters as future exploration, drilling, exploration activities, potential mineralization and resources and events or developments that BC Moly Ltd. (the "Company" or "BC Moly") expects, are forward looking statements and, as such, are subject to risks, uncertainties and other factors which are beyond the reasonable control of the Company. Such statements are not guarantees of future performance and actual results or developments may differ materially from those expressed in, or implied by, this forward looking information. With respect to forward looking statements and information contained herein, the Company has made numerous assumptions, including among other things, assumptions about the price and future prices of ores and/or mineralization that are being explored for by the Company, anticipated costs and expenditures and the Company's ability to achieve its goals. Although management believes that the assumptions made and the expectations represented by such statements or information are reasonable, there can be no assurance that a forward looking statement or information herein will prove to be accurate. Forward looking statements and information by their nature are based on assumptions and involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements or information. These factors include, but are not limited to, such matters as market prices, exploitation and exploration results, continued availability of capital and financing, and general economic, market or business conditions. Although we have attempted to identify factors that would cause actual actions, events or results to differ materially from those disclosed in the forward looking statements or information, there may be other factors that cause actual results, performances, achievements or events not to be anticipated, estimated or intended. Accordingly, readers should not place undue reliance on forward looking statements or information. Any forward looking statements are expressly qualified in their entirety by this cautionary statement. The information contained herein is stated as of the current date and subject to change after that date and the Company does not undertake any obligation to update publicly or to revise any of the forward looking statements, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws.

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

### **Description of Business**

The Company is engaged in the acquisition and exploration of mineral resource properties. In particular, the Company is focused on the exploration and development of its "Storie" Molybdenum Property (the "Storie Property"). The Storie Property is located approximately 6 km southwest of the historical mining camp of Cassiar, British Columbia which is approximately 15 km west of Highway 37 which connects to Watson Lake, Yukon, to the north, and Dease Lake and Stewart, British Columbia, to the south. The Company also holds interests in certain other properties located in Labrador (Newfoundland). Costs directly related to the identification, exploration and development of mineral properties are capitalized and are either amortized over the life of the property's production or written off when the property is sold, abandoned or released.

The Company trades on the NEX Venture Exchange under the symbol BM.H.

**EXPLORATION AND EVALUATION ASSETS**

**Title to mineral properties**

The Company has investigated title to all of its mineral properties and, to the best of its knowledge, title to all of its properties are in good standing. However, such properties may be subject to prior agreements or transfer and title may be affected by undetected defects.

The Company has entered into agreements to acquire, explore and develop certain mineral properties located in various regions of Canada. Several aboriginal groups are claiming inextinguishable aboriginal title to the lands and resources in various regions of Canada, which may include one or more of the mineral claims beneficially owned by the Company. The extent to which any successful aboriginal claim would materially affect the ability of the Company to exploit its mineral properties is not determinable at this time.

All costs related to the acquisition, exploration and development of mineral properties are capitalized by property. If economically recoverable ore reserves are developed, capitalized costs of the related property are reclassified as mining assets and amortized using the unit of production method. When a property is abandoned, all related costs are written off to operations. If, after management review, it is determined that the carrying amount of a mineral property is impaired, that property is written down to its estimated net realizable value. A mineral property is reviewed for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable.

The amounts shown for exploration and evaluation assets do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

**Environmental**

The Company conducts its mineral exploration activities in compliance with applicable environmental protection legislation. The Company is not aware of any existing environmental problems related to any of its current or former properties that may result in material liability to the Company.

**Exploration Programs**

A summary of the Company's current exploration programs is set out below, however, for additional information and details regarding such matters, reference is made to the Company's news releases and related filings that can be viewed on [www.sedar.com](http://www.sedar.com).

The technical information referred to herein regarding the Company's currently active mineral exploration properties has been reviewed and approved by Gordon Gibson, P. Geo., who is acting as the Company's Qualified Person, in accordance with regulations under NI 43-101. With respect to the technical information disclosed prior to Gordon Gibson becoming the Company's Qualified Person, such technical information was reviewed and approved by Robert Middleton, P. Eng.

The Company's expenditures on exploration and evaluation assets are as follows:

	Storie Property
<b>Balance, April 30, 2014</b>	<b>\$ 15,522,679</b>
Deferred exploration costs	
Property staking and licensing costs	666
Reports	5,600
METC	114,849
Impairment	(15,643,793)
Total expenditures for the year	(15,522,678)
<b>Balance, April 30, 2015-2019</b>	<b>\$ 1</b>

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**Storie Property, British Columbia**

The Company entered into an option agreement dated March 20, 2006 with Eveready Resources Corporation ("Eveready") to earn a 100% interest in the Storie Property located in the Liard Mining Division in British Columbia. Under the terms of the agreement, the Company was granted a right to earn a 100% interest by spending a total of \$4,000,000 in exploration expenditures, issuing a total of 600,000 common shares and by paying Eveready \$1,150,000 over five years. During the year ended April 30, 2008, the Company accelerated the exploration payments, option payments and share issuances under the agreement and issued the remaining 300,000 common shares at a value of \$326,000 and paid the remaining \$700,000. As a result, the Company has earned a 100% interest in its Storie Property. Eveready has retained a 2.5% Net Smelter Return ("NSR") which may be purchased by the Company for a total purchase price of \$4,000,000, or \$1,600,000 for each 1% NSR purchased.

As of April 30, 2007, the Company had completed 20 core drill holes totalling 4,960 metres of drilling. This drilling was designed to test the quality of the historical holes drilled by Shell Resources Canada in 1979 and 1980. The core was split and analysed and the technical data and analysis results were sent to Watts, Griffis and McQuat, Consulting Geologists and Engineers ("WGM") to calculate a NI 43-101 compatible resource for the molybdenum deposit.

The 2007 drill program was also designed to further define and potentially expand the known historical resource and to provide additional confirmation of the resource with infill drilling and to test the potential increase of the size of the resource with exploration along strike and in parallel targets. As part of its 2007 drilling program, the Company completed 76 drill holes on the Storie Property for a total of 23,000 metres of core drilling.

On July 5, 2007, the Company announced that it had received a NI 43-101 Mineral Resource estimate for its Storie Property Molybdenum Deposit. WGM prepared a Mineral Resource estimate for the Storie Molybdenum Deposit using 38 drill holes, primarily NQ (47.6 mm) diameter, from drilling programs completed in 1979, 1980 and 2006. WGM calculated an inferred resource of 101.6 million tonnes grading 0.067% Mo (0.112% MoS<sub>2</sub>). This calculation was made using a 0.035% Mo (0.058% MoS<sub>2</sub>) cut off grade, a 1.5:1 waste to ore stripping ratio and a maximum open pit mining depth of 325 metres. Based on these findings, WGM stated that "The Storie Deposit warrants further work, and that the deposit is presently known to be open to the east, west and north, as well as at depth, and there are untested structures (the X Fault) and molybdenum occurrences (M Zone) which merit further investigation".

In 2008, the Company completed approximately 20,000 to 25,000 metres of core drilling. The objective of the 2008 drilling program was to test the areas to the north, south and west of the known resource area in an effort to increase the size of the resource.

On August 5, 2008, the Company reported that WGM of Toronto, Ontario, and Mintec, Incorporated of Tucson, Arizona, ("Mintec"), issued an updated NI 43-101 Mineral Resource estimate for the Storie molybdenum property deposit based on the results of historical drilling by Shell Canada in 1979 and 1980 and drilling completed by the Company in 2006 and 2007. The updated report (the "WGM Report") was commissioned, in part, for the objective of reclassifying the Mineral Resource of the Storie molybdenum deposit from an Inferred category to Indicated and Inferred categories. The updated NI 43-101 report was prepared by Robert M. Kuehnbaum, P. Geo., Senior Associate Geologist with WGM and Abdullah Arik, AusIMM, Principal MineSight Specialist with Mintec. The updated NI 43-101 Mineral Resource indicated estimates of 98.3 million Indicated tonnes, grading 0.064% Mo at a cutoff grade of 0.030% Mo, with an additional 31 million Inferred tonnes, grading 0.059% Mo at the same cutoff grade of 0.030%. The WGM exploration report was prepared in an effort to determine drill locations for the 2008 program model.

On March 4, 2009, the Company announced an increase in the resource estimate of both Measured and Indicated Resources for the Storie Property molybdenum deposit. The current estimated total of both the Measured and Indicated Resource categories is 139.82 million tonnes grading 0.064% Mo. at a cutoff of 0.030%. In addition, the 2008 drilling program identified an Inferred Resource of 58.39 million tonnes grading 0.059% Mo. at a cutoff of 0.030%. Further infill drilling is required in order to potentially reclassify the Inferred Resource into a NI 43-101 Measured or Indicated Resource category.

By agreements dated June 7, 2010, the Company acquired certain properties from Velocity Minerals Ltd. and S. Gerald Diakow in the vicinity of the Company's Storie property as a potential alternative tailings site for the future development of the Company's molybdenum project. Under the agreement with Velocity, the Company agreed to pay

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\$25,000 (paid) and issue 200,000 shares (issued and valued at \$0.15 per share for a total cost of \$30,000) and under the agreement with S. Gerald Diakow, the Company agreed to pay \$5,000 (paid).

On February 22, 2011, the Company acquired twelve mineral claims (the "Additional Property"), comprising 2,329 hectares adjacent to the Company's Storie Property molybdenum deposit located near Cassiar, British Columbia. The Additional Property has been acquired by the Company as a potential alternate tailings and mill site for the future development of the Company's molybdenum project. The Additional Property is being acquired from Eveready of Calgary, Alberta. The Company previously acquired its original Storie Property claims from Eveready under an agreement dated March 20, 2006. In consideration for the Additional Property, the Company has issued 650,000 shares to Eveready (valued at \$110,500), and as well, Eveready has retained a 5% NSR on the Additional Property. Additionally, as part of the Agreement for the acquisition of the Additional Property, the buyout of Eveready's 2.5% NSR on the original Storie Property claims has been increased by \$1,200,000 from \$4,062,000 to \$5,262,000.

On February 25, 2014, the Company updated independent National Instrument 43-101 Technical Review and Mineral Resource estimate (filed on February 26, 2014), for the Company's "Storie" molybdenum property located in the Liard Mining Division, British Columbia, Canada, dated December 23, 2013 (the "Report"). The Report was prepared for the Company by Watts, Griffis & McOuat Limited Consulting Geologists and Engineers ("WGM") of Toronto, Ontario. Moose Mountain Technical Services ("Moose Mountain") of Cranbrook, British Columbia and Mintec, Inc. ("Mintec") of Tucson, Arizona. The Report was commissioned to update the Company's previously reported Mineral Resource estimate on the Storie Deposit (as summarized in the Company's news release dated March 4, 2009) and incorporates new analytical data from previously drilled holes, as well as updated survey information. The Company intends to use the Report and its findings as necessary background to advance to a Preliminary Economic Assessment ("PEA") of the Storie Deposit once market conditions improve.

## RECENT DEVELOPMENT HIGHLIGHTS

The following is a summary of the significant events and transactions that occurred during the year ended April 30, 2019 and for the subsequent period to the report date hereof:

## SELECTED ANNUAL INFORMATION

	April 30, 2019	April 30, 2018	April 30, 2017
	\$	\$	\$
Revenues	361	376	404
Operating loss	(243,169)	(227,705)	(190,785)
Net loss	(242,808)	(227,329)	(190,381)
Basic and diluted loss per share	(0.03)	(0.03)	(0.02)
Total assets	70,343	112,768	147,715

## Results of Operations

The following discussion addresses the operating results and financial condition of the Company for the three and twelve month period ended April 30, 2019 compared with the three and twelve month periods ended April 30, 2018. The MD&A should be read in conjunction with the Company's audited financial statements and the accompanying notes for the year ended April 30, 2019.

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**For the three month period ended April 30, 2019:**

**Net loss for the period**

The Company had a net loss for the three month period ended April 30, 2019 of \$57,605 (2018 - \$65,072). The net decrease of \$7,467 in the net loss for the three month period ended April 30, 2019 compared to the three month period ended April 30, 2018 was primarily due to decrease in professional fees.

**Other income (loss)**

During the three month period ended April 30, 2019, the Company reported net income of \$161 compared to net income of \$113 in the three month period ended April 30, 2018 from other sources of income.

**Operating Expenses**

Operating expenses of \$57,766 (2018 - \$65,185) are primarily comprised of consulting fee, loan interest, professional fees, transfer agent fees and filing fees, and general office expenses. The net decrease was \$7,419 compared to the three month period ended April 30, 2018 primarily due to decrease in professional fees.

**For the year ended April 30, 2019:**

**Net loss for the year**

The Company had a net loss for the year ended April 30, 2019 of \$242,808 (2018 - \$227,329). The net increase of \$15,479 in the net loss for the year ended April 30, 2019 compared to the year ended April 30, 2018 was primarily due to increase in consulting fees, and loan interest.

**Other income (loss)**

During the year ended April 30, 2019, the Company reported income of \$361 compared to \$376 during the year ended April 30, 2018 from other sources of income.

**Operating Expenses**

Operating expenses of \$243,169 (2018 - \$227,705) are primarily comprised of consulting fees, loan interest, professional fees, transfer agent fees and filing fees, and general office expenses. The net increase was \$15,464 compared to the year ended April 30, 2018 primarily due to increase in consulting fees and loan interest, offset by a decrease in professional fees.

**LIQUIDITY AND CAPITAL RESOURCES**

The Company's mineral exploration activities have been funded to date primarily through the issuance of common shares, and the Company expects that it will continue to be able to utilize this source of financing until it develops cash flow from its mining operations. Other than as discussed herein, the Company is not aware of any trends, demands, commitments, events or uncertainties that may result in its liquidity either materially increasing or decreasing at present or in the foreseeable future.

Material increases or decreases in the Company's liquidity will be substantially determined by the success or failure of its exploration programs on its properties, as well as its continued ability to raise capital.

The Company anticipates spending some of its capital resources in the next several months towards completing a Preliminary Economic Assessment report subject to ability to raise capital. The Company anticipates that further funding will be required in the next 12 months to cover the Company's general and administrative expenses which currently amount to approximately \$20,000 per month which includes; 1) consulting agreements totaling \$10,000 per month, and 2) a lease of office space commitment with a basic monthly rent commitment of \$2,600 and operating costs of \$7,400.

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The Company assesses its financing requirements and its ability to access equity or debt markets on an ongoing basis. The assessment considers: the stage and success of the Company's evaluation activities to date; the continued participation of the Company's larger investors; and financial market conditions. It is possible that future economic events and global conditions may result in further volatility in the financial markets which could negatively impact the Company's ability to access equity or debt markets in the future.

As at April 30, 2019, the Company had a working capital deficiency of \$841,356 compared to a working capital deficiency of \$599,491 as at April 30, 2018. As at April 30, 2019, the Company had cash of \$9,504 compared to cash of \$52,656 as at April 30, 2018.

Net cash used in operating activities for the year ended April 30, 2019 was \$93,152 (2018 - \$128,414) consisting primarily of the operating loss for the period and the change in non-cash items. Net cash used in investing activities for the year ended April 30, 2019 was \$nil (2018 - \$nil). Net cash provided from financing activities for the year ended April 30, 2019 was \$50,000 (2018 - \$100,000).

At present, the Company's operations generate little cash flow and its financial success is dependent on management's ability to discover economically viable mineral deposits. The mineral exploration process can take many years and is subject to factors that are beyond the Company's control. The Company currently has sufficient financial resources to meet its administrative overhead expenses for the coming months; however, the Company will require additional financial resources to undertake its planned exploration activities.

In order to finance the Company's exploration programs and to cover administrative and overhead expenses, the Company raises money through equity sales and from the exercise of convertible securities. Many factors influence the Company's ability to raise funds, including the health of the resource market, the climate for mineral exploration investment, the Company's track record, and the experience and caliber of its management. Actual funding requirements may vary from those planned due to a number of factors, including the progress of exploration activities. Management believes that it will be able to raise equity capital as required in the long term, but recognizes there will be risks involved that may be beyond their control.

#### **OFF BALANCE SHEET ARRANGEMENTS**

The Company is not a party to any off-balance sheet arrangements or transactions.

#### **PROPOSED TRANSACTIONS**

The Company does not have any current proposed asset or business acquisition or dispositions; however, the Company continues to seek new business opportunities to raise capital.

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**SUMMARY OF QUARTERLY RESULTS**

Comparative information for the quarter ended April 30, 2019 presented in accordance with IFRS is as follows:

	April 30, 2019	January 31, 2019	October 31, 2018	July 31, 2018
Total assets	\$ 70,343	\$ 95,394	\$ 100,614	\$ 66,948
Exploration and evaluation assets	1	1	1	1
Working capital	(841,356)	(783,986)	(721,196)	(656,918)
Shareholders' equity (deficiency)	(791,511)	(733,906)	(670,880)	(606,366)
Total income	161	-	29	171
Operating expenses	57,766	63,026	64,543	57,834
Net loss	(57,605)	(63,026)	(64,514)	(57,663)
Basic and diluted loss per share	(0.01)	(0.01)	(0.01)	(0.01)

  

	April 30, 2018	January 31, 2018	October 31, 2017	July 31, 2017
Total assets	\$ 112,768	\$ 74,227	\$ 98,449	\$ 125,614
Exploration and evaluation assets	1	1	1	1
Working capital (deficit)	(599,491)	(534,725)	(472,743)	(421,811)
Shareholders' equity	(548,703)	(483,631)	(421,343)	(370,104)
Total (loss) income	113	189	13	61
Operating expenses	65,185	62,477	51,252	48,791
Net loss	(65,072)	(62,288)	(51,239)	(48,730)
Basic and diluted loss per share	(0.01)	(0.01)	(0.01)	(0.01)

**RELATED PARTY TRANSACTIONS**

**Key management personnel compensation**

Key management includes directors and other key personnel, including the CEO, President and CFO, who have authority and responsibility for planning, directing and controlling the activities of the Company. The compensation paid to these key management personnel for the years ended April 30, 2019 and 2018 is outlined below:

	2019	2018
	\$	\$
Consulting fees	108,000	90,375

The following is a list of related party transactions:

- As at April 30, 2019, the Company held marketable securities of a company with certain common directors with a cost of \$2,500 (2018: \$2,500) and a market value of \$83 (2018:\$83).
- As at April 30, 2019, accounts payable and accrued liabilities included \$268,000 (2018 – \$160,000) owing to companies with certain common directors and/ or companies controlled by directors.

The above noted amounts due to related parties are unsecured and have no stated terms of repayment and are interest-free.

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On September 2, 2014, the Company entered into a loan agreement with 1095474 B.C. Ltd. (formerly Prairie Enterprises (Alberta) Inc.) ("Prairie") under which Prairie agreed to advance to the Company an unsecured loan of up to \$300,000, subject to the satisfaction of certain conditions, including the receipt of any and all required regulatory approvals. The loan will be advanced in instalments of \$25,000, or even multiples thereof, as and when requested by the Company and approved by Prairie. The loan bears interest at the rate of 12% per annum, calculated monthly and matured August 31, 2015; therefore, the loan is now payable on demand. On April 24, 2018, the loan was amended to an unsecured amount of \$500,000. As at April 30, 2019, \$400,000 has been advanced to the Company (2018: \$350,000) plus accrued interest of \$162,935 (2018: \$101,502). The proceeds of the loan were used by the Company to fund working capital requirements. Prairie is a corporation controlled by Edward Yurkowski, a director of the Company.

### **COMMITMENTS**

In July 2014, the Company entered into a one-year renewable agreement with the chief financial officer for the provision of accounting services on an hourly rate basis. If the accounting agreement is terminated without cause or if there is a change in control of the Company, the Company is required to pay \$25,000. On December 1, 2017, the contract was amended to a fixed fee of \$4,000 per month.

On January 1, 2016, the Company entered into a one-year term renewable agreement with 1095474 B.C. Ltd. (formerly Prairie Enterprises (Alberta) Inc.) for the provision of President and Chief Executive Officer services at the current cost of \$5,000 per month (\$60,000 per annum). Mr. Yurkowski controls 1095474 BC Ltd.

In July 2008, the Company adopted a bonus program for the 2009 fiscal year and for future years (the "Bonus Program"), which does not limit the Company's discretion to grant bonuses generally as an incentive and in recognition of the services provided to it by its directors, officers, employees and consultants. The Bonus Program is summarized as follows:

- As of July 2, 2008, the Company's market capitalization was approximately \$21 million and for any increase in the Company's market capitalization up to and including \$50 million, 2% of such increase shall, if such funds are available to the Company, be allocated to the Company's Bonus Program for distribution by the Company in its sole discretion to directors, officers, employees and/or consultants; and
- For any increases in market capitalization in excess of \$50 million, then 1% of any such additional increase in the Company's market capitalization shall, if such funds are available, be allocated to the Bonus Program for distribution by the Company in its sole discretion to directors, officers, employees and/or consultants.

For the period ended April 30, 2019, the Company's market capitalization was below the \$21 million threshold, therefore, no bonuses have been accrued or paid under the Bonus Program (April 30, 2018 - \$nil).

### **CAPITAL MANAGEMENT**

The Company's shareholders' equity comprises its capital under management. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its mineral properties and to maintain a flexible capital structure that optimizes the costs of capital at an acceptable risk level.

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The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets.

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

To fund future operations and exploration activities, the Company will need to raise funds through future share issuances, issue new debt or dispose of assets.

There have been no changes to the Company's approach to capital management during the year ended April 30, 2019. The Company is not subject to externally imposed capital requirements.

**FINANCIAL INSTRUMENTS**

***Fair value***

The Company classifies its cash and marketable securities as fair value through profit or loss; deposits, as loans and receivables; and accounts payable and accrued liabilities and loan payable, as other financial liabilities.

The carrying values of deposits, accounts payable and accrued liabilities, and loan payable approximate their fair values due to the short-term maturity of these financial instruments.

The Company's measurement of fair value of financial instruments in accordance with the fair value hierarchy is as follows:

		Total		Level 1		Level 2		Level 3
<b>April 30, 2019</b>								
Cash	\$	9,504	\$	9,504	\$	-	\$	-
Marketable securities	\$	83	\$	83	\$	-	\$	-
<b>April 30, 2018</b>								
Cash	\$	52,656	\$	52,656	\$	-	\$	-
Marketable securities	\$	83	\$	83	\$	-	\$	-

The Company's risk exposure and the impact on the Company's financial instruments are summarized below.

***Credit risk***

Credit risk is the risk of potential loss to the Company if a counter party to a financial instrument fails to meet its payment obligations. The Company is exposed to credit risk with respect to its cash. Management believes that the credit risk concentration with respect to cash is remote as it maintains accounts with highly-rated financial institutions.

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**Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. At April 30, 2019, the Company had accounts payable and accrued liabilities of \$298,918 (2018: \$209,969) and a loan in the amount of \$400,000 plus accrued interest of \$162,935 (2018: \$101,502). Based on the current funds held, the Company will need to rely upon financing from shareholders and/or debt holders to obtain sufficient working capital. There is no assurance that such financing will be available on terms and conditions acceptable to the Company. Refer to Note 1 for further information.

**Market risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. The Company currently has no significant interest rate risk, foreign currency risk and other price risk.

**Management's Responsibility for Financial Statements**

The 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 values for certain assets or liabilities. Management believes such estimates have been based on careful judgements and have been properly reflected in the financial statements.

**OUTSTANDING SHARE DATA**

As at August 20, 2019:

- a) Authorized Capital:  
Unlimited number of common shares without par value  
Unlimited number of preferred shares without par value

- b) Issued Share Capital:  
8,836,707 common shares with a stated value of \$34,352,940

- c) Outstanding stock options:

Expiry Date	Number of Options	Exercise Price
December 9, 2025	600,000	\$ 0.05
Outstanding and exercisable	600,000	

- d) Outstanding share purchase warrants: Nil
- e) Shares held in escrow or pooling agreements:  
Included in capital stock are 1,128 common shares held in escrow, which may not be transferred, assigned or otherwise dealt with without regulatory approval.

## **RISKS AND UNCERTAINTIES**

The Company is subject to the normal risks entailed in mineral exploration and development. These can involve a number of known and unknown risks, uncertainties, and other factors that may cause the actual results, performance, or achievements to be materially different from any expected future results, performance, or achievements. The discovery, development and acquisition of mineral properties are in many instances unpredictable events. Future commodity prices, the success of exploration programs, and other property transactions can have a significant impact on capital requirements. In addition, risk factors that could affect the Company's future results, include, but are not limited to, foreign exchange, competition, risk inherent in mineral exploration and development, and policies including mineral tenure, trade laws and policies, receipt of permits and approvals from government authorities, and other operating and development risks.

### **Exploration and Mining Risks**

The business of exploration for and mining minerals involves a high degree of risk. Fires, power outages, labour disruptions, flooding, cave-ins, landslides, and the inability to obtain suitable adequate machinery, equipment or labour are other risks involved in the operation of mines and the conduct of exploration programs.

The Company has relied on, and may continue to rely upon, consultants and others for exploration and development expertise. Substantial expenditures are required to establish ore reserves through drilling, to develop metallurgical processes to extract the metal from the ore and, in the case of new properties, to develop the mining and processing facilities and infrastructure at any site chosen for mining. Although substantial benefits may be derived from the discovery of a major mineral deposit, no assurance can be given that minerals will be discovered in sufficient quantities to justify commercial operations or that funds required for development can be obtained on a timely basis. The economics of developing gold and other mineral properties is affected by many factors including the cost of operations, variations in the grade of ore mined, fluctuations in metal markets, costs of processing equipment and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals and environmental protection.

### **Financing**

While the Company has been successful in the past, there is no assurance that funding will be available under the terms that are satisfactory to management. Funds available for operations may vary significantly from management's estimates due to changes that are outside the control of management. Differences between actual exploration costs and management's estimates will occur, and these differences may be material. There is no assurance that future financial market conditions will result in sufficient funds being available to the Company to continue in the normal course of business.

### **Commodity Price**

The price of metals can fluctuate widely and can be affected by many external factors beyond the control of the Company. Some of these factors include, demand, inflation, fluctuations in various currencies, interest rates, forward gold sales, political or economic events in producing regions, and fluctuations in the cost of production.

### **Competition**

Competition exists for mineral deposits where Company conducts its operations. As a result, some of which may be with large established mining companies with substantially greater financial and technical resources, Company may be unable to acquire additional attractive mining claims or financing on terms it considers acceptable. Company also competes with other companies in the recruitment and retention of qualified employees.

**Dependence on Key Management and Employees**

Company's development depends on the efforts of key members of management and employees. Loss of any of these people could have a material adverse effect on Company. Company does not have key man insurance with respect to any of its key employees.

**Conflicts**

Certain directors of Company also serve as directors of other companies involved in mineral resource exploration and development and, to the extent that such other companies may participate in areas in which the Company may be active, the possibility exists for such directors to be in a position of conflict. In accordance with the corporate laws, the directors are required to act honestly, in good faith, and in the best interests of Company. In addition, such directors will declare and abstain from voting on any matter in which such directors may have a conflict of interest. At present, there are no such conflicts and the likelihood of any is unlikely given the companies and areas of interest that could potentially be involved.