



XMET INC.

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

For the Three Months Ended March 31, 2016

(Expressed in Canadian Dollars unless otherwise indicated)

Dated: May 30, 2016

INTRODUCTION

The following is Management's Discussion and Analysis ("MD&A") of the financial condition and results of operations of Xmet Inc. ("Xmet", the "Corporation", or the "Company") to enable a reader to assess the financial condition and results of operations of the Company for the three months ended March 31, 2016. This MD&A has been prepared as at May 30, 2016 unless otherwise indicated. This MD&A should be read in conjunction with the unaudited interim Financial Statements ("Financial Statements") and Related Notes for the three months ended March 31, 2016. All monies are expressed in Canadian dollars unless otherwise indicated.

The Company's head office and principal business address is Suite 2500, 120 Adelaide Street West, Toronto, Ontario M5H 1T1. Additional information relevant to the activities of the Company, including press releases has been filed electronically through the System for Electronic Document Analysis and Retrieval ("SEDAR") – www.sedar.com. The Company is a reporting issuer in the provinces of British Columbia, Alberta and Ontario and trades on the TSX Venture Exchange, symbol XME-V.

MANAGEMENT'S RESPONSIBILITIES FOR FINANCIAL REPORTING AND CONTROLS

The Financial Statements have been prepared by management in accordance with International Financial Reporting Standards appropriate in the circumstances and have been approved by the Company's board of directors (the "Board"). The integrity and objectivity of these Financial Statements are the responsibility of management. In addition, management is responsible for ensuring that the information contained in the MD&A is consistent where appropriate, with the information contained in the Financial Statements.

In support of this responsibility, the Company maintains internal and administrative controls to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the Company's assets are properly accounted for and adequately safeguarded. The Financial Statements may contain certain amounts based on estimates and judgments. Management has determined such amounts on a reasonable basis to ensure that the Financial Statements are presented fairly in all material respects.

The Board is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board carries out this responsibility principally through its audit committee. The members of the audit committee are appointed by the Board and have sufficient financial expertise to assume this role with the Company. The majority of the audit committee members are not involved in the Company's daily operations.

CORPORATE OVERVIEW

Xmet Inc. ("Xmet" or the "Company") was incorporated under the Business Act (Ontario) on August 2, 2006. Xmet's stock is listed on the TSX Venture Exchange under the symbol XME. Its registered office is at 120 Adelaide Street West, Suite 2500, Toronto, Ontario M5H 1T1.

The Company is a mineral exploration company engaged in the acquisition, exploration and development of early stage mineral resource properties in Canada. The Company's current focus is on gold and graphite exploration with its current gold properties located in Quebec and its graphite properties in Ontario.

The Company trades on the TSX Venture Exchange, symbol XME-V

RESULTS OF OPERATIONS – PROJECTS REVIEW

Investing Activities
Properties

Blackflake

Description of Property

The Blackflake properties are located within the Porcupine Mining District of Ontario north of Highway 11 approximately 60 kilometers northwest of Hearst. The property has been acquired based on a search and evaluation of historical data in the region that has identified favorable magnetic lows that occur along the margins of an oval shaped, 27km by 27km intrusion which hosts Zenyatta Ventures Ltd.'s Albany Project

The topography is essentially flat, low-lying and swampy, the overburden is very thick in places with little or no outcrop exposure and many creeks flowing between peat bogs throughout the area. The vegetation is dominated by wetlands, with some areas of spruce and alder trees, and cedar swamps. Access to most of the Claims is road accessible and others can only be gained using helicopter, all-terrain-vehicle, boat or canoe.

Most of the region experiences different climates and weather extremes from a continental climate with warm to hot summers (June, July and August; 25C to 35C) to cold winters (December to March, 10 C to -40 C). Spring and autumn tend to be short seasons and have some of the weather of winter and summer. As a generalization, precipitation ranges from 600 mm to around 900 mm. Surface exploration work can be carried out during the months of May to November, possibly later if there is no accumulation of snow. Additional exploration work (geophysical surveys and diamond drilling) can be conducted year-round.



Figure 6: Location of Blackflake property in Northern Ontario

Exploration Work on the Property

The Company acquired its mineral claim position through a combination of staked ownership and optioned interest. In 2013 the Company acquired 708 claims for a total property package of 28,320 acres or 11,328 hectares of 100% owned claims.

To develop its collective land package, the Company conducted three airborne electromagnetic ("EM") surveys and a Magnetic Gradiometer Survey from which it discovered multiple conductive anomalies each of which are considered to warrant further exploration.

As a result of the multiple conductive anomalous discoveries from the Company's airborne surveys, a ground geophysical program including Ground Magnetic and Induced Polarization surveys were commissioned. Prior to commencement of the ground geophysical program, the Company received its exploration and drilling permits from Ontario's Ministry of Northern Development and Mines along with an Exploration Agreement ("EA") with the local First Nation of Constance Lake.

The Company has developed a good working relationship with the Constance Lake First Nation ("CLFN") with whom it has signed an ongoing EA. The EA outlines the working relationship between Xmet and CLFN with respect to exploration activities within the CLFN's traditional territory which includes all claims forming the Blackflake project. The EA remains in effect until such time as Xmet and the CLFN enter into an impact benefits agreement prior to the commencement of any mine development. The EA includes terms outlining Xmet's and CLFN's mutual respect for the land and a responsible and sustainable approach to exploring the land.

After analyzing the results of the ground geophysical program, the Company engaged a diamond drilling company to drill test one of the above noted geophysical anomalies. The Company completed an initial 1,100 metre drill program prior to the region's spring ice breakup. Assays determined that the core did not encounter any economic mineralization.

On May 22, 2014 the Company signed a definitive option agreement (the "Agreement") with Metals Creek Resources Corp. ("MCR") to acquire up to a sixty percent interest the Feagan Lake Project. In order to earn a fifty percent interest in the claims from the Optionor, MCR, Xmet has agreed (a) to make a cash payment of \$5,000 and issue 1,000,000 common shares to the Optionor, forthwith after receiving the approval of the Exchange; (b) carry out \$60,000 in work obligations, make a cash payment of \$15,000 and issue a further 1,000,000 shares to the Optionor within five months of Exchange approval; (c) carry out \$150,000 in work obligations within twelve months of Exchange approval; (d) carry out \$250,000 in cumulative work obligations and issue 500,000 shares to the Optionor within two years of Exchange approval; and (e) carry out \$425,000 in cumulative work obligations and issue 500,000 shares to the Optionor within three years of Exchange approval. Xmet may then increase its interest from fifty percent to sixty percent within 90 days after earning its fifty percent interest by electing and making a cash payment of \$100,000, issuing 1,500,000 shares to the Optionor and conducting \$1,000,000 in work obligations within one year of the election. Xmet may at any time accelerate its obligations to earn its interest earlier. Once Xmet's interest is earned, the project will continue as a joint venture with the Optionor.

On June 18th, 2014 the Company signed a definitive agreement with Alibaba Graphite Corp ("AGC") to acquire interest in 29 claim units in four claims on the western boundary of the Blackflake West property. These claims appear to host a possible western extension of Blackflake West's primary electromagnetic ("EM") target. Xmet immediately earned a 50% interest by releasing Alibaba of a prior obligation to issue Xmet 1,500,000 common shares. Xmet also has the option to increase its interest to 65% in the near term by flying EM over the new claims within the next four months.

In July 2014, Xmet engaged Abitibi Geophysics to commence the first phase of a ground geophysical program on its Blackflake West's primary EM target which consisted of 41.1 line km of ground magnetic survey to pick up any magnetic low anomalies associated with a conductive response. On September 8, 2014, XMET engaged Aeroquest International to complete a new round of an Airborne Versatile Time Domain Electromagnetic ("VTEM") and Magnetic Gradiometer Survey on its consolidated Blackflake West Project. The airborne survey covered the new ground acquired and optioned from Alibaba Graphite and Metals Creek Resources respectively. The survey consisted of 215 line km, composed of 127 line km north-south and 73 km east-west lines on Blackflake West and 15 north-south lines over a target on the Blackflake East property. This survey increased Xmet's ownership from 50% to 65% on the western extension of the primary EM target that the company acquired from Alibaba Graphite (in June 18th, 2014) and was a requirement for Xmet to earn up to 60% of the Blackflake claims optioned from Metals Creek (in May 22nd, 2014). This survey was completed on September 29th, 2014 and the results indicate that four conductors were identified, including a large circular conductive anomaly with a diameter of approximately 750 metres. This large anomaly contains the 'All Channel' EM anomaly with very clear late channels responses and analysis concludes that an EM response of this magnitude within the bedrock has the potential for a large graphitic or a volcanogenic massive sulphide source and warranted a diamond drill program. In October 2015, the Company elected to terminate the Alibaba Graphite Corp option agreement.

On October 14th, 2014 the company staked and acquired a 100% interest in 10 claim units on the northern boundary of the Blackflake West property. This claims appeared to host a northern extension of Blackflake West's primary EM target.

On October 20th, 2014, XMET has engaged Smart Geophysics to perform the survey using dipole-dipole induced polarization ("IP") technology and 8 km of line cutting. This was the second phase of its ground geophysical program on Blackflake West's primary EM targets. The program was completed was completed on November 5th, 2014. This is the final stage of the company's ground geophysical program enabling moving towards designing the drill program for Blackflake West. IP surveys are valuable tools for mineral deposits associated with chargeable and conductive sources such as graphite or sulphide orebodies.

The results from the IP survey has successfully confirmed the strong electromagnetic airborne EM response with corresponding ground IP anomaly showing a highly conductive and chargeable anomaly within the bedrock and close to surface. The target is large in size approximately 750m diameter and both the airborne electromagnetic and the ground induced polarization surveys are consistent with each other in depicting a strong response for the target.

On, December 11th, 2014, Xmet entered into a contract with Asinii Drilling to carry out a drill program on its Blackflake West Project.

On February 14th, 2015, Xmet completed a 1,200 metre diamond drilling program on its Blackflake West property. A total of four holes were drilled during this program, three of which were drilled to test portions of an airborne electromagnetic anomaly in the west (El Gordo target) and the fourth hole into a smaller, more conductive anomaly (El Nino target), approximately 1.5km to the east of El Gordo. The lithology of the drill holes encompassed heavy and widespread sulphide mineralization over the majority of the lengths of all four holes, with sections of massive to semi-massive sulphide concentrations present along with stringer zones in association with heavy amphibole alteration. From core visuals, the holes intersected the same mineralized system consisting of upper amphibolite-metamorphosed mafic and felsic gneiss that have suffered intense pre-metamorphic, volcanogenic massive sulphide style ("VMS") hydrothermal alteration which strongly metasomatized the rocks. In the context of a VMS interpretation, El Gordo is a large target and only a small part has been tested to date.

Grasset Property

The Grasset Property was staked during 2011 to cover the eastern extension of the Sunday Lake Deformation Zone in the vicinity of historic gold and copper mineral occurrences. Staking was done in response to a new discovery made by Balmoral Resources and announced in a press release on 14 July, 2011.

Description of Property

The Grasset Property is located in the northern part of the Abitibi greenstone belt, approximately 50km west of Matagami, Quebec. The property was originally comprised of 128 contiguous exploration licenses totalling 7,040 hectares or 17,388.8 acres and 100% owned by Xmet Inc. through its wholly-owned subsidiary Duquesne-Ottoman Mines Inc. In June 2015, the Company renewed 114 of these licenses, for which it had completed sufficient assessment work and are in good standing until August 2017.

History

The property has been subjected to relatively little exploration work. A total of 14 drill holes were collared on the claims between 1959 and 1987, for a total of 1,910 m. All of the historic holes were drilled from land and no holes were collared in Grasset Lake. Few geophysical surveys were undertaken, consisting mainly of magnetic/gradiometric and electromagnetic surveys.

Two mineral occurrences have been identified on the property. The Ingamar occurrence consisting of 0.93 g/t Au over 1.83 metres and the Harricana-Turgeon occurrence of 0.50% Cu over 1.0 metres, both of which are located along the south shore of the lake (figure 1). In addition, on the western shore of the lake, a few hundred metres from the property boundary a showing is reported to have assayed 5.5 g/t Au in grab sample.

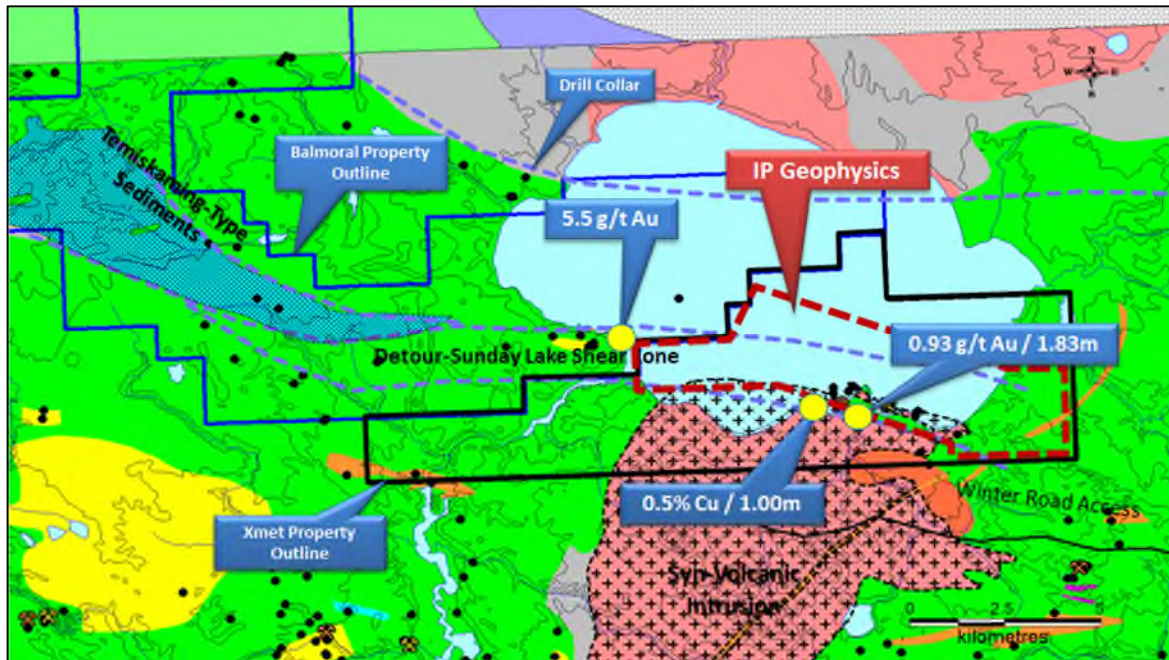


Figure 1: Summary of historical results and geological compilation, Grasset Property.

Exploration Work on the Property

The Sunday Lake Deformation Zone is interpreted to cross the claims near the south shore of Grasset Lake. This deformation corridor is host to major deposits such as Detour Lake mine (348 MT at 1.02 g/t Au; 16.5 million ounces Au) and new discoveries in Martinière (2.30 g/t Au over 28.40 metres) and Felon (88,390 T @ 10.91 g/t Au). Moreover, Balmoral Resources Inc. recently announced, the discovery of a new zone on their Grasset Property (6.15 g/t Au over 4.04 metres and 4.18 g/t Au over 5.0 metres) is located 20 kilometres northwest of Xmet's property (see Balmoral News Release dated 14 July 2011).

In early March 2012 a geophysical crew was mobilized onto the property to carry out an IP survey over the interpreted trace of the Sunday Lake deformation zone. However only the western third of the program was completed when early onset of spring conditions forced work stoppage and postponement of the survey until next winter. Results of the completed part of the survey were announced on 3 May, 2012.

During January and February 2013, the contractor returned to the property and completed the survey (figure 2). Bedrock conductors were highlighted by the survey and suggest that some gold-type mineralized features are present (see red colored areas) that warrant follow up. Some additional lines were surveyed over the anomalies using a pole-dipole geometry to obtain profile data in order to allow drill targeting. These 4 targets are of high priority and were selected for diamond drill testing.

On September 16, 2014, Xmet received its work and drill permit for its Grasset Property from the Province of Quebec's Ministry of Natural Resources.

In December 2014, the company engaged Geotech to complete the first airborne Versatile Time Domain Electromagnetic ("VTEM") and Magnetic Gradiometer Survey on its 100% owned Grasset Project. The airborne survey consisted of 330 line km in a north-south grid pattern with 100 metre spacing between lines. The survey was completed in late January 2015, and confirmed the existing targets IP targets that were chosen for drilling, but also identified new targets which the company including as part of its Winter 2015 drill program.

In February 2015, Xmet engaged Rouillier Drilling to complete the winter 2015 diamond drilling program.

In April 2015, the company completed 11 drill holes for a total of approximately 2,500 metres, which tested all the priority targets it had identified in the previous geophysical surveys, including a priority VTEM anomaly, that was added to the program, on the southern shore of Grasset Lake. The drilling program confirmed the presence of intense deformation along the southern edge of Grasset Lake and confirmed that the Detour-Sunday Lake deformation zone is not a simple fault but a fault complex defining a kilometre-wide belt of alternating zones of high and low deformation in a primarily mafic volcanic and intrusive sequence of rocks.

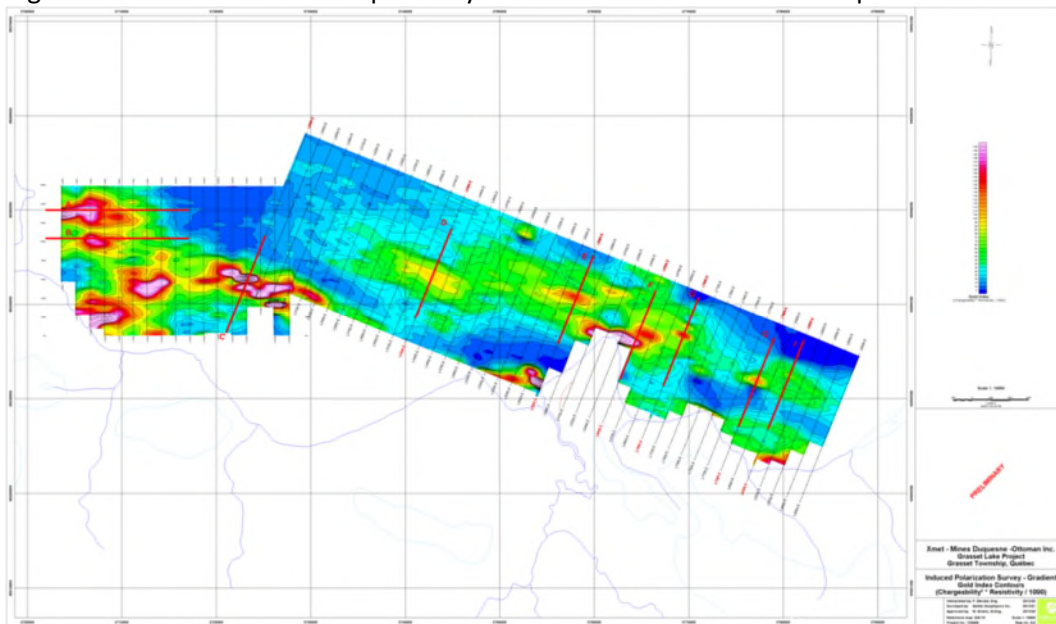


Figure 2: Induced Polarization Survey, Gold Potential Index. Grasset Property, Quebec. Gold potential Index = Chargeability² / Resistivity / 1000.

Win-Win Property

On May 11th 2015, Xmet, acquired a 100% option on the Win-Win Project located 35 km southwest of the town of Chibougamau, Quebec and 25km southeast of Chapais, Quebec. The Win-Win Project is adjacent to and immediately north of the IAMGold and TomaGold project called Monster Lake. Xmet has optioned the Win-Win Project, with the only consideration made on signing being the issuance of one million shares to the optionor. Additionally, over a four year period, Xmet committed to a \$1.3 million work program, a total of \$265,000 in cash payments and the issuance of an additional four million shares. Win-Win is subject to a 1.5% Net Smelter Royalty of which 1% can be repurchased at any time for \$1 million. Xmet has the right to accelerate its above noted commitments at any point over the 4 year option period. The property is composed of 94 exploration licenses (claims).

Exploration Work on the Property

Previous exploration work on the property has been carried out by Dominion Gulf back in 1954 followed by Soquem and Metco Resources Inc in 2006-2007, and finally Northern Superior Resources in 2011/2012. Exploration was focussed on four main zones of mineralization. These are 1. Ray fault - west side, 2. Ray fault - east side, 3. Robinson Showing, 4. Lac Mac showing.

Several airborne geophysical surveys along with drilling has been completed on the crosscutting Ray Fault. Only three small IP surveys have been completed on the property along the central and eastern extension of the Ray



Fault. The latest work completed on the property was a high resolution airborne magnetic survey in 2011 by Northern Superior.

In October 2015, the Company elected to terminate the option agreement on the Win-Win property.

RESULTS OF OPERATIONS - FINANCIAL PERFORMANCE

Three-Months Ended March 31, 2016

For the three-month period ended March 31, 2016, the Company posted a comprehensive loss of \$40,845 (2015 – income of \$14,386). The activity was comprised of the following expenditures: General and administrative expenses of \$2,214 (2015 - \$39,658), Professional fees of \$1,881 (2015 -\$46,277), Management fees of \$36,750 (2015 - \$72,000), and deferred income tax recovery of \$Nil (2015 - \$172,321).

Exploration activity for the three-month period ended March 31, 2016 totaled \$2,054 (2015 - \$888,251) with \$693 (2015 - \$166,864) of these expenditures recoverable through the Quebec exploration refund program.

SELECTED FINANCIAL RESULTS

Selected Period Information

	Quarter ended March 31, 2016	Quarter ended December 31, 2015	Quarter ended September 30, 2015	Quarter ended June 30, 2015
Revenues	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Expenses	\$40,845	\$498,537	\$92,632	\$127,844
Net Loss	\$40,845	\$473,545	\$113,111	\$85,931
Deficit, end of period	\$9,957,669	\$9,916,824	\$9,450,021	\$935,161
Basic and fully diluted loss per share	\$0.00	\$0.001	\$0.001	\$0.003
Total assets	\$2,448,556	\$2,458,715	\$2,462,709	\$2,580,175
	Quarter ended March 31, 2015	Quarter ended December 31, 2014	Quarter ended September 30, 2014	Quarter ended June 30, 2014
Revenues	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Expenses	\$157,935	\$313,222	\$153,244	\$275,006
Net Loss (Income)	\$(14,386)	\$313,222	\$153,244	\$215,006
Deficit, end of period	\$9,244,419	\$9,258,805	\$8,064,156	\$8,899,614
Basic and fully diluted loss per share	\$0.00	\$0.01	\$0.002	\$0.003
Total assets	\$2,870,706	\$2,526,503	\$1,640,305	\$1,691,290

On February 27, 2015, the Company completed a non-brokered hard dollar private placement for gross proceeds of \$135,000. The Company issued 2,700,000 units, with each unit consisting of one common share and one common share purchase warrant for \$0.05 per unit. Each warrant entitles the holder thereof to acquire one common share of the Company at a price of \$0.05 at any time until February 27, 2020. The Company paid cash finders' fee \$10,800 equal to 8% of the gross proceeds raised in connection with the private placement and issued 216,000 broker warrants equal to 8% of the units issued pursuant to the private placement. Each broker warrant entitles the holder thereof to acquire one common share of the Company at a price of \$0.05 at any time until February 17, 2017.

At March 31, 2016, the Company had a working capital deficiency of \$315,926 (December 31, 2015 - \$273,720). The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The Company has no regular cash flow however management anticipates that it has sufficient funding for its near-term exploration activities and that it will be able to raise sufficient cash to fund its acquisition and exploration programs and operations in the future. However, there can be no assurance of future financings.

GOING CONCERN

At present, the Company's operations do not generate 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. In order to continue as a going concern and to meet its corporate objectives, which primarily consist of exploration work on its mineral properties, the Company will require additional financing through debt or equity issuances or other available means. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company. Management believes 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. The annual and interim financial statements do not include any adjustments to the recoverability and classification of reduced asset amounts and classification of liabilities that might be necessary should the Company be unable to continue operations. These adjustments could be material. The Company is not subject to material externally-imposed capital constraints.

Share Capital

At May 30, 2016, the Company had the following outstanding share capital data:

- 114,982,048 issued and outstanding common shares
- 5,700,000 stock options at \$0.06 - \$0.15, expiring between March 28, 2017 to December 23, 2019
- 25,325,400 subscriber and compensation warrants exercisable at \$0.05 per warrant, expiring between November 21, 2017 and May 1, 2020

OFF BALANCE SHEET ARRANGEMENTS

The Company currently has no off-balance sheet arrangements or obligations other than mineral property option payments and exploration expenditures commitments.

PROPOSED TRANSACTIONS

The Company may from time to time acquire or dispose of property assets as exploration results, opportunities, competitive nature of the business, venture-capital and management may determine.

ASSESSMENT OF RECOVERABILITY OF MINERAL PROPERTY COSTS

The Company's recorded value of its exploration properties is based on historic costs that expect to be recovered in the future. The Company's recoverability evaluation is based on market conditions for minerals, underlying mineral resources associated with the properties and future costs that may be required for ultimate realization through mining operations or by sale.

ASSESSMENT OF RECOVERABILITY OF FUTURE INCOME TAX ASSETS

In preparing the annual financial statements, the Company is required to estimate its income tax obligations. The process involves estimating the actual tax exposure together with assessing temporary differences resulting from differing treatment of items for tax and accounting purposes. The Company assesses, based on all available evidence, the likelihood that the future income tax assets will be recovered from future taxable income and, to the extent that recovery cannot be considered "more likely than not", a valuation allowance is changed in a period, an expense or benefit must be included within the tax provision on the income statement.

ESTIMATE OF SHARE BASED COMPENSATION AND ASSOCIATED ASSUMPTIONS

No options were granted during the three months ended March 31, 2016 or year ended December 31, 2015

Options are granted pursuant to the Company's Stock Option Plan.

ASSESSMENT OF RECOVERABILITY OF GST/HST RECOVERABLE

The carrying amount of sales taxes recoverable is considered representative of its respective value. The Company assesses the likelihood that these receivables will be recovered and, to the extent that recovery is considered doubtful a provision for doubtful accounts is considered.

COMMITMENTS, PROVISIONS AND CONTINGENCIES

Provisions

As a result of a CRA audit related to flow-through financing the Company is facing a potential tax reassessment for non-compliance. A provision of \$230,000 was accrued to reflect the taxes, interest charges and penalties that maybe assessed under the Income Tax Act in fiscal 2015. This amount remains outstanding at March 31, 2016 and is reflected in Trade and Other Payables.

Contingencies

The Company is exposed to a contingent liability due to the underlying flow-through share subscription agreements containing a full indemnity for loss resulting from non-compliance or a remittance to subscribers of the reduction of eligible expenditures due to receipt of government assistance. Potential financial effects are a matter of judgment and require management to consider potential legal action and the uncertainties surrounding the potential liability; due to the related uncertainties no estimation of the potential financial effects has been accrued but the potential of liability exists.

The Company is exposed to contingent losses and gains related to environmental matters discussed under Risks, and other various claims and lawsuits pending for and against the company in the ordinary course of business. Prediction of the outcome of contingencies (i.e., being likely, unlikely or undeterminable), determination of whether accrual or disclosure in the financial statements is required and estimation of potential financial effects are matters for judgment. While the amount recorded in the financial statements may not be material, the potential for large liabilities exists and therefore these estimates could have a material impact on our financial statements.

RELATED PARTY TRANSACTIONS

The Company defines key management personnel as its Executive Chairman, President and Board of Directors. For the three months ended March 31, 2016, key management compensation which was accrued consisted of management fees of \$36,750 (2015 - \$72,000) and share based payments valued at \$Nil (2015 - \$Nil).

Unless disclosed elsewhere, related party transactions for the periods ended March 31, 2016 and 2015 include:

	March 31, 2016	March 31 2015
	\$	\$
Management fees	36,750	72,000
Exploration and evaluation assets	-	17,050

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The financial statements have been prepared in accordance with International Financial Reporting Standards. A summary of the significant accounting policies used in the preparation of our financial statements is included in note 3 of the financial statements for the period ended March 31, 2016. The measurement of certain assets and liabilities is dependent upon future events whose outcome will not be fully known until future reporting periods. Therefore, the preparation of the financial statements requires management to make certain estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses. Actual results will vary from those estimated. Certain accounting policies are critical to understanding our reported financial results. These critical policies, which affect the significant areas involving management estimates, are described here.

Stock based payment expense

Under IFRS, graded vesting awards are accounted for as through each instalment is a separate award. IFRS does not provide for an election to treat the instruments as a pool and recognize expense on a straight line basis. Under IFRS, the estimate of the number of equity settled awards that vest is adjusted to the actual number that vests, unless forfeitures are due to market-based conditions. There is no choice to accrue compensation costs as if all instruments granted were expected to vest and recognize the effect of the forfeitures. The effects of these differences are not material given the limited number of equity settled awards issued by the company to date. Accordingly, no related adjustment is provided for in the reconciliations.

Income Tax

The Company accounts for income taxes in accordance with the asset and liability method. Under this method, deferred income tax assets and liabilities are determined based on temporary differences between financial reporting and income tax bases of assets and liabilities, using substantively enacted tax rates in effect for the period in which the differences are expected to reverse. Deferred income tax assets are recorded to recognize tax benefits only to the extent that, based on available evidence, it is more likely than not that they will be realized.

Flow-through common share financings require the Company to spend an amount equivalent to the gross proceeds of the share issuance on Canadian qualifying exploration. The Company has indemnified the holders of such shares for any tax and other costs payable by them in the event the Company has not made the required exploration expenditures resulting in a proportional disallowed personal tax deduction.

Exploration and evaluation expenditures ("E&E")

E&E assets consist of exploration and mining concessions, options and contracts. Acquisition and leasehold costs and exploration costs are capitalized and deferred until such time as the property is put into commercial production or the properties are disposed of either through sale or abandonment. These assets are not depreciated as they are currently not in use.

E&E costs consist of:

- Acquisition of exploration properties (staking only)
- Gathering exploration data through topographical and geological studies;
- Exploratory drilling, trenching and sampling;
- Determining the volume and grade of the resource;
- Test work on geology, metallurgy, mining, geotechnical and environmental; and
- Conducting engineering, marketing and financial studies.

Proceeds received from the sale of any interest in a property are first credited against the carrying value of the property, with any excess included in operations for the period. If a property is abandoned, the property and deferred exploration costs are written off to operations.

Where an indicator of impairment exists, a formal estimated recoverable amount is made, which is considered to be the higher of the fair value less costs to sell and value in use. These assessments require the use of estimates and assumptions such as long-term commodity prices, discount rates, and future capital requirements, exploration potential and operating performance. Fair value is determined as the amount that would be obtained from the sale of the assets in an arm's length transaction between knowledgeable and willing parties.

RECENT ACCOUNTING PRONOUNCEMENTS

At the date of authorization of these Financial Statements, the IASB and IFRIC has issued the following new and revised Standards and Interpretations which are not yet effective for the relevant reporting periods.

The Company has not early adopted these standards, amendments and interpretations; however it is currently assessing what impact, if any, the application of these standards or amendments will have on future financial statements.

IFRS 9 – Financial Instruments - This standard is the first step in the process to replace IAS 39, Financial Instruments: Recognition & Measurement. IFRS 9 introduces new requirements for classifying and measuring financial assets. IFRS 9 establishes two primary measurement categories for financial assets: (i) amortized cost, and (ii) fair value; establishes criteria for classification of financial assets within the measurement category based on business model and cash flow characteristics; and eliminates existing held for trading, held for maturity, available for sale, loans and receivables and other financial liabilities categories. The IASB currently has an active project to make limited amendments to the classification and measurement requirements of IFRS 9 and add new requirements to address the impairment of financial assets and hedge accounting. IFRS 9 has an effective date of January 1 2018, with early adoption permitted. The Company continues to monitor and assess the impact of this standard.

There are no other IFRS or IFRIC Interpretations that are not yet effective that would be expected to have an impact on the Company's financial statements.

Evaluation of Disclosure Controls and Procedures

Management has established processes to provide them sufficient knowledge to support representations that they have exercised reasonable diligence that (i) the audited financial statements do not contain any untrue statement of material fact, or omit to state a material fact required to be stated, or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the audited financial statements, and (ii) the audited financial statements fairly present in all material respects the financial condition, results of operations and cash flow of the Company, as of the date of and for the periods presented.

In contrast, to the certificate required for non-venture issuers under National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as defined in NI 52-109.

In particular, the certifying officers filing this certificate are not making any representations relating to the establishment and maintenance of: (i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and (ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP. The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in the certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports.

Risk factors

The following discussions review a number of important risks which management believes could impact the Company's business. There are other risks, not identified below, which currently, or may in the future exist in the Company's operating environment.

Capital Needs

The exploration, development, mining and processing of the Company's properties will require substantial additional financing. The only current source of future funds available to the Company is the sale of additional equity capital. There is no assurance that such funding will be available to the Company or that it will be obtained on terms favourable to the Company or will provide the Company with sufficient funds to meet its objectives, which may adversely affect the Company's business and financial position. Failure to obtain sufficient financing may result in delaying or indefinite postponement of exploration, development or production on any or all of the Company's properties or even a loss of property interest.

Stage of Exploration

The Company's properties are in the exploration stage and to date none of them have a proven ore body. The Company does not have a history of earnings or the provision of return on investment, and in future there is no assurance that it will produce revenue, operate profitably or provide a return on investment.

Exploration and Mining Risks

The business of exploration for minerals and mining involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines. Currently, there are no known bodies of commercial ore on the mineral properties of which the Company intends to acquire an interest and the proposed exploration program is an exploratory for ore. Unusual or unexpected formations, formation

pressures, fires, power outages, labour disruptions, flooding, cave-ins, landslides and the inability to obtain suitable or adequate machinery, equipment or labour are other risks involved in the conduct of exploration programs.

The Company, from time to time, increases its internal exploration and operating expertise with due advice from consultants and others as required. The economics of developing gold and other mineral properties is affected by many factors including the cost of operations, variation of the grade of ore mined and fluctuations in the price of any minerals produced. There are no underground or surface plants or equipment on the Company's mineral properties. Programs conducted on the Company's mineral property would be an exploratory search for ore.

Titles to Property

While the Company has diligently investigated title to the various properties in which it has interest, and to the best of its knowledge, title to those properties are in good standing, this should not be construed as a guarantee of title. The properties may be subject to prior unregistered agreements or transfer, or native or government land claims, and title may be affected by undetected defects.

Permits and Licenses

The Company's operations may require licenses and permits from various governmental authorities. There can be no assurance that the Company will be able to obtain all necessary licenses and permits that may be required to carry out exploration, development and mining operations at its projects.

Metal Prices

The price of the Company's common shares, its financial results, exploration and development activities have been, or may in the future be, adversely affected by declines in the price of gold and/or other metals. Gold prices fluctuate have historically fluctuated widely and are affected by numerous factors beyond the Company's control, including international, economic and political trends, expectations for inflation, currency exchange fluctuations, interest rates, global or regional consumption patterns, speculative activities and worldwide production levels. The effect of these factors on the price of precious and base metals, and therefore the economic viability of the Company's exploration projects, cannot accurately be predicted. Xmet does not have a hedging policy and has no present intention to establish one. Accordingly, Xmet has no protection from declines in mineral resource prices.

Competition

The mining industry is intensely competitive in all its phases. The Company competes with many companies possessing greater financial resources and technical facilities than itself for the acquisition of mineral interests as well as for recruitment and retention of qualified employees.

Uninsured Hazards

Hazards such as unusual geological conditions are involved in exploring for and developing mineral deposits. The Company may become subject to liability for pollution or other hazards, which cannot be insured against or against which the Company may elect not to insure because of high premium costs or other reasons. The payment of any such liability could result in the loss of Company assets or the insolvency of the Company.

Key Employees

Management of the Company rests on a few key officers, the loss of any of whom could have a detrimental effect on its operations

Conflicts of Interest

Certain directors or proposed directors of the Company are also directors, officers or shareholders of other companies that are similarly engaged in the business of acquiring, developing and exploiting natural resource properties. Such associations may give rise to conflicts of interest from time to time. The directors of the

Company are required by law to act honestly and in good faith with a view to the best interests of the Company and to disclose any interest, which they may have in any project or opportunity of the Company. If a conflict of interest arises at a meeting of the board of directors, any director in a conflict will disclose his interest and abstain from voting on such matter. In determining whether or not the Company will participate in any project or opportunity, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at that time.

Environmental Regulations

The Company's operations are subject to environmental regulations promulgated by government agencies from time to time. Environmental legislation provides for restrictions and prohibitions of spills, release or emission of various substances produced in association with certain mining industry operations, such as seepage from tailing disposal areas, which could result in environmental pollution. A breach of such legislation may result in imposition of fines and penalties. In addition, certain types of operations require submissions to and approval of environmental impact assessments. Environmental legislation is evolving in a manner, which means stricter standards, and enforcement, fines and penalties for non-compliance are more stringent. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations. The Company intends to fully comply with all environmental regulations.

Governmental Regulation

Exploration activities on the Company's properties are affected to varying degrees by: (i) government regulations relating to such matters as environmental protection, health, safety and labour; (ii) mining law reform; (iii) restrictions on production, price controls, and tax increases; (iv) maintenance of claims; (v) tenure; and (vi) expropriation of property. There is no assurance that future changes in such regulation, if any, will not adversely affect the Company's operations. Changes in such regulation could result in additional expenses and capital expenditures, availability of capital, competition, reserve uncertainty, potential conflicts of interest, title risks, dilution, and restrictions and delays in operations, the extent of which cannot be predicted.

The Company is at the exploration stage on all of its properties. Exploration on the Company's properties requires responsible best exploration practices to comply with company policy, government regulations, maintenance of claims and tenure. The Company is required to be registered to do business and have a valid prospecting license (required to prospect or explore for minerals on Crown Mineral Land or to stake a claim) in any Canadian province in which it is carrying out work.

Mineral exploration primarily falls under provincial jurisdiction. However, the Company is also required to follow the regulations pertaining to the mineral exploration industry that fall under federal jurisdiction, such as the Fish and Wildlife Act.

If any of the Company's projects are advanced to the development stage, those operations will also be subject to various laws and regulations concerning development, production, taxes, labour standards, environmental protection, mine safety and other matters.

Canada Revenue Agency and provincial agencies

No assurance can be made that Canada Revenue Agency and provincial agencies will agree with the Company's characterization of expenditures as Canadian exploration expenses or Canadian development expense or the eligibility of such expenses as Canadian exploration expense under the Income Tax Act (Canada) or any provincial equivalent.

INVESTOR RELATIONS

The Company maintains a website at www.xmet.ca which serves as an additional source of information for its investors.

Cautionary Note Regarding Forward-Looking Statements

Certain of the statements made and information contained herein is "forward-looking information". These statements relate to future events or the Company's future performance. All statements, other than statements of historical fact, may be forward-looking statements. Generally, these forward-looking statements can be identified by the use of forward-looking terminology such as "anticipates", "plans", "budget", "scheduled", "continue", "estimates", "forecasts", "expect", "is expected", "project", "propose", "potential", "targeting", "intends", "believes" or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might", or "will be taken", "occur" or "be achieved" or the negative connotation thereof. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Company believes that the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this MD&A should not be unduly relied upon by investors as actual results may vary. These statements speak only as of the date of this MD&A and are expressly qualified, in their entirety, by this cautionary statement. In particular, this MD&A contains forward-looking statements, pertaining to the following: capital expenditure programs, development of resources, treatment under governmental and taxation regimes, expectations regarding the Company's ability to raise capital, expenditures to be made by the Company on its properties and work plans to be conducted by the Company. With respect to forward-looking statements listed above and contained in the MD&A, the Company has made assumptions regarding, among other things:

- uncertainties relating to receiving exploration permits;
- the impact of increasing competition;
- unpredictable changes to the market prices for minerals;
- exploration and developments costs for its properties;
- availability of additional financing and opportunities for acquisitions or joint-venture partners;
- anticipated results of exploration and development activities; and
- the Company's ability to obtain additional financing on satisfactory terms.

The Company's actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth below and elsewhere in this MD&A and unaudited interim Financial Statements and Notes to the Financial Statements as at March 31, 2016 can be found on SEDAR website (www.sedar.com): volatility in the market price for minerals; uncertainties associated with estimating resources; geological, technical, drilling and processing problems; liabilities and risks, including environmental liabilities and risks, inherent in mineral and oil and gas operations; fluctuations in currencies and interest rates; incorrect assessments of the value of acquisitions; unanticipated results of exploration activities; competition for, amongst other things, capital, undeveloped lands and skilled personnel; lack of availability of additional financing and farm-in or joint venture partners and unpredictable weather conditions. Although the Company has attempted to identify important factors that could cause results to differ materially from those contained in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. Readers are cautioned that the foregoing lists of factors are not exhaustive. Forward looking statements are made as of the date hereof and accordingly are subject to change after such date. The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement. The Company does not undertake to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except in accordance with applicable securities laws.