



(formerly BTU Capital Corp)

## Management's Discussion and Analysis

For the Three-Month Period  
Ended July 31, 2017

REPORT DATED: September 29<sup>th</sup>, 2017



Management's Discussion and Analysis  
For the Three Months Ended July 31, 2017 (Q1 2018)  
Dated September 29<sup>th</sup>, 2017

The following Management's Discussion and Analysis ("**MD&A**") is intended to assist the reader to assess material changes in financial condition and results of operations of BTU Metals Corp (TSX-V: BTU) ("**BTU**" or the "**Company**") for the three months ended July 31, 2017.

This MD&A should be read in conjunction with the unaudited interim condensed financial statements of the Company for the three-month period ended July 31, 2017 (the "**Q1 2018 Financial Statements**").

The Company's management is responsible for the preparation of the Company's consolidated financial statements as well as other information contained in this MD&A. The board of directors of BTU (the "**Board of Directors**") is required to ensure that management assumes its responsibility in regard to the preparation of the Company's financial statements. To facilitate this process, the Board of Directors has created an audit committee (the "**Audit Committee**"). The Audit Committee meets with members of the management team to discuss the operating results and the financial results of the Company, before making their recommendations and submitting the Q1 2018 Financial Statements and MD&A to the Board of Directors for review and approval. Following the recommendation of the Audit Committee, the Board of Directors approved the Q1 2018 Financial Statements and this MD&A on September 29<sup>th</sup>, 2017.

The Q1 2018 Financial Statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**"), Accounting Standard No. 34.

Additional information regarding the Company is available on the Company's website [www.btumetals.com](http://www.btumetals.com) and on SEDAR at [www.sedar.com](http://www.sedar.com) under BTU's profile.

## **FORWARD-LOOKING INFORMATION**

This MD&A together with the Company's Q1 2018 Financial Statements contain certain statements that may be deemed "forward-looking statements". Forward-looking statements in this document are statements that are not historical facts and are generally, but not always, identified by the words "expects", "plans", "anticipates", "believes", "continue", "intends", "estimates", "projects", "potential" and similar expressions, or that events or conditions "will", "would", "may", "could" or "should" occur. Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by management are inherently subject to significant business, economic and competitive uncertainties and contingencies. There can be no assurance that such statements will prove to be accurate and actual results and future events could differ materially from those anticipated in such statements. The Company disclaims any obligation or intention to update or revise any forward-looking statement, whether as a result of new information, future events, or otherwise.

Inherent in forward-looking statements involve known and unknown risks, and factors may include, but are not limited to: unavailability of financing, changes in government regulation, general economic condition, general business conditions, limited time being devoted to business by directors, escalating professional fees, escalating transaction costs, competition, fluctuation in foreign exchange rates, competition, stock market volatility, unanticipated operating events and liabilities inherent in industry. Readers are cautioned that the foregoing list of important factors and assumptions is not exhaustive. Forward-looking statements are not guarantees of future performance. Events or circumstances could cause the Company's actual results to differ materially from those estimated or projected and expressed in, or implied by, these forward-looking statements. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking statements or the foregoing list of factors, whether as a result of new information or future events or otherwise, except as may be required under applicable laws.



## **DESCRIPTION OF BUSINESS**

BTU was incorporated under the Business Corporations Act (British Columbia) on August 28, 2008. The Company is classified as a Tier 2 mining issuer listed on the TSX Venture Exchange (the “**Exchange**”), having the symbol BTU and is involved in the exploration and development of the various projects it has under option.

On June 20, 2017, the Company completed its qualifying transaction (the “**Qualifying Transaction**”), whereby the Company entered into an option to acquire an undivided 100% interest in the Shakespeare Property located approximately three kilometres Northeast of Webbwood, Ontario. The project includes the Shakespeare Gold Mine which had operated intermittently since 1905. Concurrently with the closing of the Qualifying Transaction the Company completed a private placement offering of Units, issuing a total of 12.0 million units (at a price per unit of \$0.05) with each unit consisting of one common share and one half of one common share purchase warrant. Each full warrant entitles the holder to purchase one additional common share at a price of \$0.10 per share for a period of 1 year). The Company also issued 1.8 million flow-through shares (at price per share of \$0.10 per flow-through share). Total proceeds raised from the Private Placement totaled \$780,000. The Company also issued 900,000 common shares to the optionors as part of the acquisition.

On July 5, 2017, the Company announced that it had signed an option agreement to acquire a 100% interest in the 16,640-hectare Galway Gold Project located in County Galway, Republic of Ireland. The Company paid cash of \$65,000 and is obligated to pay an additional \$50,000 within six months and a further \$150,000 within 12 months for a total of \$265,000 in cash. In addition the Company issued 700,000 common shares to the optionors on closing and is obligated to issue an additional 700,000 common shares within 12 months of the closing of the option agreement. Furthermore, the property is subject to a 2% net smelter royalty (the “**NSR**”) (with the option for BTU to acquire 1.5% of the NSR, resulting in a 0.5% NSR, for \$1.5 million at any time. The Option agreement also calls for BTU to perform \$250,000 of work on the project with-in 6-months of closing and spend an additional \$250,000 within 12 months of closing. Upon exercise of the option, BTU will own free and clear a 100% undivided interest in the Galway Prospecting Licenses.

### ***About the Shakespeare Property***

The Shakespeare Property consists of 9 contiguous mining claims covering roughly 528 hectares, and is located in the Baldwin and Shakespeare Townships, Sudbury Mining Division, Ontario. The Shakespeare Gold Mine is situated in northeast-trending folded ~2.4 billion-year old Huronian Supergroup, intruded by the ~2.21 billion-year old Nipising diabase dikes and sills, and the ~1.1 billion-year old northwest-trending Keweenawan diabase dikes. The Murray Fault is a regional structure that strikes ENE and passes 300 meters north of the mine. The mineralized zone is broadly concordant with the schistose Matinenda Formation, consisting of quartzite and greywacke that also trends ENE and dips steeply to the south. Historic sampling in the mine area reported 1.12-1.85 ounces per ton over an average width of one meter (see Ontario Geological Survey Mineral Deposits Circular 18, 1979, part 2, 294p.). The Shakespeare Property claim package was assembled to enclose the ENE-trending Matinenda Formation that hosts mineralization, including the down-dip projection of the ore zone at the Shakespeare Mine.

The historical information above predate and do not refer to any category of sections 1.2 or 1.3 of National Instrument 43-101 (“NI 43-101”), such as “mineral resources or “mineral reserves”. The Company has not undertaken any independent verification of these estimates and it is uncertain if further exploration will result in the target being delineated as a “mineral resource” within the meaning of NI 43-101. However, the Company believes that the historical information provides a conceptual indication of the potential of the project.



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Additionally, a NI 43-101 technical report dated December 5, 2016 regarding the Shakespeare Property has been prepared on behalf of the Company by Elizabeth Ronacher, PhD, P.Geo., and Jenna McKenzie, P.Geo. of Ronacher McKenzie Geoscience. The report authors have recommended an exploration program of \$200,000, comprised of data compilation, integration and targeting, an IP survey and reconnaissance drilling. Both report authors are independent qualified persons within the meaning of NI 43-101. A copy of the technical report is available under the Company's SEDAR profile online at [www.sedar.com](http://www.sedar.com).

Elisabeth Ronacher, Ph.D., P.Geo. and Jenna McKenzie, P. Geo., are each an independent "qualified person" within the meaning of NI 43-101 and has reviewed and approved the contents of this MD&A as it relates to the Shakespeare Project.

### ***Terms of Option Agreement for the Shakespeare Project***

Under the terms of the option agreement, BTU will be required to make the following payments and incur the following exploration expenditures to earn a 100% interest in the Shakespeare Property:

- issue an aggregate total of 1.8 million common shares over a period of 12 months, 50% of such shares were issued on closing, and the remaining 50% of such shares to be issued on the 12-month anniversary of the Qualifying Transaction; and
- incur an aggregate total of \$400,000 in exploration expenditures in or on the Shakespeare Property, with 50% of such expenditures to be incurred by the 12-month anniversary of the Qualifying Transaction, and the remaining 50% of such expenditures to be incurred by the 24-month anniversary of the Qualifying Transaction.

During the term of the Option Agreement, BTU will be responsible for the annual claim maintenance fees. BTU has also granted the optionors' a 2% net smelters return royalty on the Shakespeare property. At the option of BTU, BTU may purchase one-half of the royalty for \$1-million.

The optionors include the following individuals: Steven Anderson (Timmins, ON); Don McHoldings Ltd., a private company in which Don McKinnon (Connaught, ON) is the principal; 2554022 Ontario Ltd., a private company in which Amanda Salo (Timmins, ON) is the principal; and Kidridge Capital Inc., a private company in which Leigh Parnham (Burlington, ON) is the principal. Each of the optionors was at arm's length to BTU at the time of closing of the Qualifying Transaction. Subsequent to closing, Don McKinnon was appointed as VP Exploration at BTU and as at the date hereof is considered to be a Related Party of BTU.

### ***About the Galway Gold Project***

The Galway Gold Property is located 45km North of the city of Galway and has excellent access (paved roads) and infrastructure (electricity, water and a sufficiently large population centre near). The Property has undergone substantial geological work historically and recent surface samples from the property returned 2.2g/t Au. 5.06 g/t and 6.3 g/t gold. Three large anomalous areas over a 13.2 km long trend have been identified and believed to be related to the regional Maum Shear zone. Historical and recent samples from this trend returned gold grades of 6.5oz/t in float and 66g/t gold in outcrop.

The Galway Property has been targeted for orogenic and low-sulphidation mineralization and is located 145 km southwest of Dalradian Resources Inc.'s high-grade Curraghinalt Gold Deposit. BTU is targeting an aggressive exploration programme on the Galway Property and is in the process of carrying out a detailed compilation of



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historic data, prospecting, sampling and mapping of the entire property and identifying suitable targets for a planned 2,000-meter drill program. The Drill program is expected to begin once sufficient sources of financing have been secured.

Derrick Strickland, P. Geo, is a Qualified Person as defined by NI 43-101 and is the Independent Qualified Person responsible for reviewing and approving the technical contents of this MD&A as it relates to the Galway Property.

### ***Terms of Option Agreement for the Galway Gold Project***

Under the terms of the option agreement, BTU will be required to make the following payments and incur the follow exploration expenditures to earn a 100% interest in the Galway Gold Project:

- issue an aggregate total of 1.4 million common shares over a period of 12 months, 50% of such shares were issued on closing, and the remaining 50% of such shares to be issued on the 12-month anniversary of the of the signing of the option agreement;
- Pay to the optionor \$65,000 on signing and approval by the TSX-V of the transaction, pay the optionor an additional \$50,000 within 6 months of the TSX-V approval and make a final payment of \$150,000 within 12 months of the TSX-V approval date; and,
- incur an aggregate total of \$500,000 in exploration expenditures in or on the Galway Property, with 50% of such expenditures to be incurred by the 12-month anniversary of the closing date, and the remaining 50% of such expenditures to be incurred by the 24-month anniversary of the closing date.

During the term of the Option Agreement, BTU will be responsible for the annual claim maintenance fees. BTU has also granted the optionor a 2% net smelter return royalty on the Galway property. At the option of BTU, BTU may purchase three quarters of the royalty for \$1.5-million at any time.

The optionor include the following individual: Gold Note Minerals Ltd., a private company in which Andrew Molnar (Vancouver, BC) is the principal. The optionor was at arm's length to BTU at the time of closing and as of the date hereof.



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## RESULTS OF OPERATIONS

	Q1 2018	Q1 2017
	\$	\$
<b>EXPENSES</b>		
Bank Charges	148	-
Consulting Fees	116,500	-
Recovery of Flow-Through Premium	(4,159)	-
Interest	-	6,738
Investor Relations	3,169	-
Management Fees	12,000	-
Office, Rent and Telephone	6,058	-
Professional Fees	39,899	-
Share-Based Compensation	95,800	-
Transfer Agent and Filing Fees	9,353	1,250
Travel and Entertainment	14,593	-
<b>NET LOSS AND COMPENHENSIVE LOSS FOR THE PERIOD</b>	<b>(293,361)</b>	<b>(7,988)</b>
<b>BASIC AND DILUTED LOSS PER SHARE</b>	<b>(0.03)</b>	<b>(0.00)</b>
<b>WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING</b>	<b>10,055,508</b>	<b>2,553,334</b>

During Q1 2018 the Company completed its Qualifying Transaction acquiring the Shakespeare Option on June 20, 2017. The Company also acquired the Galway Property Option on July 5, 2017. Up until the completion of the Qualifying Transaction on June 20,17 and the acquisition of the Galway option, the Company had been engaged in the identification and evaluation of business for the purposes of completing a Qualifying Transaction. Expenses were limited to accounting, office, consulting and professional fees in the context of maintaining the listing, associated reporting requirements and evaluation of potential property acquisition for a Qualifying Transaction. Subsequent to the completion of the Qualifying Transaction the Company began incurring additional expenditures associated with the exploration and evaluation of the Shakespeare Project and the Galway Project and is now operating as a junior mining company.

During Q1 2018 the Company reported a loss of \$293,361 (2017 - \$7,988). The Company's loss per share was \$0.03 (2016 - \$0.00). The loss for Q1 2018 was mainly due to the following:

- Consulting fees of \$116,500 (2016 - *nil*) incurred to complete the Qualifying Transaction and acquire the Shakespeare and Galway options,
- Interest expense of *nil* (2017 - \$6,738) as the Company converted all outstanding debt to non-interest bearing,
- Management fees of \$12,000 (2017 - *nil*) incurred as the Company transitioned to a junior mining company from a CPC,



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- Professional fees (legal, auditing and accounting) of \$39,899 (2017 - \$nil) incurred in order to complete the Qualifying Transaction,
- Transfer agent and filing fees of \$9,353 (2017-\$1,250) mostly associated with agent fees of the Company,
- Non-cash share based (options) compensation of \$95,800 (2017 - \$nil) incurred through issuing options to Officers, Directors and consultants to the Company to properly incentivize management as the Company transitioned to an operating entity form a CPC, and,
- Travel and Entertainment expenses of \$14,593 (2017 - \$nil) spent on travel related expenses on the evaluation of both the Shakespeare Property and the Galway Property.

**SUMMARY OF QUARTERLY REPORTS**

Results for the most recent quarters ending with Q1 2018:

	Three Months Ended	July 31, 2017 \$
Net loss		(293,361)
Basic and diluted per shares		(\$0.03)

	Three Months Ended			July 31, 2016 \$
	April 30, 2017 \$	January 31, 2017 \$	October 31, 2016 \$	
Interest income	Nil	Nil	Nil	Nil
Net loss	(46,327)	(58,497)	(8,312)	(7,988)
Basic and diluted per shares	(0.01)	(0.01)	(0.00)	(0.00)

	Three Months Ended			July 31, 2015 \$
	April 30, 2016 \$	January 31, 2016 \$	October 31, 2015 \$	
Interest income	Nil	Nil	Nil	Nil
Net loss	(13,526)	(8,475)	(7,955)	(7,955)
Basic and diluted per shares	(0.01)	(0.00)	(0.00)	(0.00)

Up until the completion of the Qualifying Transaction on June 20,17 and the acquisition of the Galway option on July 5, 2017, the Company had been engaged in the identification and evaluation of business for the purposes of completing a Qualifying Transaction. Expenses are limited to accounting, office, consulting and professional fees in the context of maintaining the listing, associated reporting requirements and evaluation of potential property acquisition for a Qualifying Transaction.



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### SELECTED ANNUAL INFORMATION

The following financial data, which has been prepared in accordance with Canadian generally accepted accounting principles is derived from the Company's audited financial statements for the year ended April 30, 2017, 2016, and 2015.

	2017	2016	2015
	\$	\$	\$
<b>Financial Results</b>			
Interest income	Nil	Nil	Nil
Net loss for the year	(121,124)	(37,911)	(67,997)
Basic and diluted loss per share	(0.05)	(0.01)	(0.03)
Total Assets	17,930	-	17

### RELATED PARTY TRANSACTIONS

As at July 31, 2017, there was a balance due to a former director of the Company in the amount of \$4,559 (2016 – \$4,559) for expenses incurred on behalf of the Company. The balance has been classified as accounts payable for as at July 31, 2017 and for the year ended April 30, 2017 as he is no longer a director of the Company.

During Q1 2018, the Company had the following transactions with key management, officers and directors of the Company:

- i) Paid and accrued management fees of \$12,000 (2017 - \$Nil) to a company owned by the Company's President.
- ii) Paid or accrued administration costs, recorded as office, rent, and telephone, of \$3,000 (2016 - \$Nil) to a company owned by the Company's President.
- iii) Granted a total of 1,000,000 stock options (2017 – Nil) to officers and directors of the Company, of which the fair market value was estimated at \$40,429 (2017 - \$Nil) and was included in share-based compensation.
- iv) Recorded a consulting expense of \$50,000 to Kappa Advisors, a Company controlled by Paul Wood, CEO of the Company, for consulting services relating to the Qualifying Transaction and acquisition of the Galway option and other general services. At the time the expense was incurred Kappa Advisors was not a related party to the Company. This amount is included in the accounts payable balance as at July 31, 2017.

As at July 31, 2017, a total of \$69,032 (April 30, 2017 - \$204,171) is owing to England Communications Ltd, a company owned and controlled by the Company's President, representing a principal repayment of \$135,139.

During the year ended April 30, 2017, England Communications Ltd a company controlled by Michael England, the President and a director of the Company made certain payments on behalf of the Company in the amount of \$11,927.

- By agreement dated February 24, 2016 England Communications Ltd, acquired by assignment the loan payable to Fang Law Corporation in the amount of \$16,629 and the Company will have 13 months from the Completion of the Qualifying Transaction to repay such indebtedness. This amount has been reclassified as a long-term debt.
- By agreement dated November 9, 2016 England Communications Ltd, acquired by assignment the loan payable to Phil Taneda in the amount of \$30,215 and the Company will have 13 months from the Completion of the Qualifying Transaction to repay such indebtedness. This amount has been reclassified as a long-term debt.



- By agreement dated November 14, 2016 England Communications Ltd, acquired by assignment the loan payable to Sunorca Development Corp in the amount of \$43,400 and the Company will have 13 months from the Completion of the Qualifying Transaction to repay such indebtedness. This amount has been reclassified as a long-term debt.

By agreement dated November 1, 2016 Michael J. England acquired by assignment a debt from a creditor of the Company in the amount of \$34,545. The Company will have until July 13, 2018. This amount has been reclassified as a long-term debt.

By agreement dated November 9, 2016, Phil Taneda a director of the Company acquired by assignment a loan that had been made to the Company by a shareholder. The amount of the indebtedness is \$45,322 and the repayment period of such indebtedness has also been extended to July 13, 2018. This amount has been reclassified as a long-term debt. During the period ended July 31, 2017, the amount was fully repaid.

The above balances due are non-interest bearing, unsecured, and have no specified terms of repayment.

**LIQUIDITY AND CAPITAL RESOURCES**

The Company is dependent upon the availability of credit from its suppliers and its ability to generate sufficient funds from equity and debt financing to meet current and future obligations. The Company has a working capital deficiency of \$2,645 as at July 31, 2017. There can be no assurance that such financing will be available on terms acceptable to the Company.

		<u>July 31, 2017</u>	<u>April 30, 2017</u>		<u>April 30, 2016</u>
Deficit	\$	1,519,957	1,226,596	\$	1,105,472
Working Capital deficit		52,645	129,843		408,756

**ACCOUNTING STANDARD ISSUED BUT NOT YET EFFECTIVE**

**New Accounting Standards and Interpretations Not Yet Adopted**

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the International Accounting Standards Board (“IASB”) or IFRS Interpretation Committee (“IFRIC”) that are mandatory at certain dates or later. For IAS 1, IAS 16 and IAS 38 below, which are now applicable, Management has determined there is no significant impact on the adoption of these standards, and is still assessing the effects of the other pronouncements on the Company. The standards impacted that may be applicable to the Company are the following:

**IAS 1 - Presentation of Financial Statements**

IAS 1, Presentation of Financial Statements was amended by the IASB in December 2014. The amendments are designed to further encourage companies to apply professional judgement in determining what information to disclose in their financial statements.

For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of the financial disclosures. Furthermore, the amendments clarify that companies should use professional judgement in determining where and in what order



information is presented in the financial disclosures. The amendments are effective for annual periods beginning on or after January 1, 2016

### **IAS 16 and IAS 38 – Property, Plant and Equipment and Intangible Assets**

IAS 16 and IAS 38, Property, Plant and Equipment and Intangible Assets were amended by the IASB in December 2013. The amendments clarify that the use of revenue-based methods to calculate the depreciation of an asset are not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances. The amendments are effective for annual periods beginning on or after January 1, 2016.

### **IFRS 9, Financial Instruments**

IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of International Accounting Standards (“IAS”) 39 and applies to classification and measurement of financial assets as defined in IAS 39. The standard was initially effective for annual period beginning on or after January 1, 2013, but amendments issued in December 2011 have moved the mandatory effective date to January 1, 2015. The Company is assessing the impact of this new standard but does not expect it to have a significant effect on the financial statements.

### **IAS 7, Disclosure Initiative (Amendments to IAS 7 Statement of Cash Flows)**

These amendments require that the following changes in liabilities arising from financing activities are disclosed (to the extent necessary): (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes. One way to fulfil the new disclosure requirement is to provide a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities. Finally, the amendments state that changes in liabilities arising from financing activities must be disclosed separately from changes in other assets and liabilities. These amendments are effective for reporting periods beginning on or after January 1, 2017.

### **IFRS 16, Leases**

On January 13, 2016, the IASB published a new standard, IFRS 16, Leases. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Under the new standard, a lessee recognizes a right-of-use asset and a lease liability. The right-of-use asset is treated similarly to other non-financial assets and depreciated accordingly. The liability accrues interest. This will typically produce a front-loaded expense profile (whereas operating leases under IAS 17 would typically have had straight-line expenses). The standard is effective for annual periods beginning after December 15, 2019 (i.e., calendar periods beginning on January 1, 2020), and interim periods thereafter. Early adoption is permitted.

## **CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

The details of BTU's accounting policies are presented in Note 3 of the Q1 2018 Financial Statements. These policies are considered by management to be essential to understanding the processes and reasoning that go into the preparation of the Company's financial statements and the uncertainties that could have a bearing on its financial results.



## MANAGEMENT OF FINANCIAL RISKS

The Company is exposed to various risks in relation to financial instruments. The Company's financial assets and liabilities by category are summarized in Note 3(h) of the Q1 2018 financial statements. The Company's risk management is coordinated in close co-operation with the board of directors and focuses on actively securing the Company's short to medium term cash flows and raising finances for the Company's capital expenditure program. The Company does not actively engage in the trading of financial assets for speculative purposes. The most significant financial risks to which the Company is exposed are described below.

### *a) Fair Values*

The Company uses the following hierarchy for determining fair value measurements:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: Techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

	Financial assets at fair value			April 30, 2017
	Level 1	Level 2	Level 3	
Held-for-trading financial asset				
Cash	\$ 33,240	-	-	\$ 33,240
<b>Total financial assets at fair value</b>	<b>\$ 33,240</b>	<b>-</b>	<b>-</b>	<b>\$ 33,240</b>

The fair values of the Company's cash, amounts receivable, and accounts payable and accrued liabilities approximate their carrying values due to their short-term nature. The carrying amounts of the amount due to related party and loans payable are measured at amortized cost and approximate their fair values.

### *b) Credit Risk*

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The Company is in the exploration stage and has not yet commenced commercial production or sales. Therefore, the Company is not exposed to significant credit risk.

### *c) Liquidity Risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company is dependent upon the availability of credit from its suppliers and its ability to generate sufficient funds from equity and debt financing to meet current and future obligations. The Company has a working capital deficiency of \$52,645 as at July 31, 2017. There can be no assurance that such financing will be available on terms acceptable to the Company.



*d) Interest Rate Risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's bank account earns interest income at variable rates. The fair value of its portfolio is relatively unaffected by changes in short-term interest rates. Interest on the Company's loans payable is based on fixed rates, and as such the Company is not exposed to significant interest rate risk.

*e) Foreign Exchange Risk*

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is exposed to foreign exchange risk on fluctuations related to cash and accounts payable and accrued liabilities that are denominated in Euros (€). The Company does not hedge its exposure to fluctuations in the related foreign exchange rates. The Company's exposure to currency risk is currently considered insignificant.

*Equity Price Risk*

The Company is exposed to price risk with respect to equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. The Company closely monitors individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company.

**CAPITAL MANAGEMENT**

The Company manages its share capital as capital, which as at July 31, 2017 was \$1,233,111 (April 30, 2017 – \$523,425). The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Company manages the capital structure and adjusts it in light of operating results, 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, warrants or options, issue new debt, acquire or dispose of assets, or adjust the amount of cash and cash equivalents.

In order to maximize ongoing development efforts, the Company does not pay out dividends. The Company's investment policy is to invest its short-term excess cash in liquid short-term interest-bearing investments with maturities 90 days or less from the original date of acquisition, selected with regards to the expected timing of expenditures from continuing operations.

The Company's share capital is not subject to external restrictions. There were no changes in the Company's approach to capital management during the period ended July 31, 2017.



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## **MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCING REPORTING**

In connection with National Instrument ("NI") 52-109 (Certification of Disclosure in Issuer's Annual and Interim Filings) adopted in December 2008 by each of the securities commissions across Canada, the Chief Executive Officer and Chief Financial Officer of the Company will file a Venture Issuer Basic Certificate with respect to the financial information contained in the unaudited interim financial statements and the audited annual financial statements and respective accompanying Management's Discussion and Analysis. The Venture Issuer Basic Certification does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109.

## **OUTSTANDING SHARES**

As at September 29<sup>th</sup>, 2017, the Company had the following securities issued and outstanding:

	<u>Number</u>
Common shares	17,953,334
Stock Options	1,750,000
Warrants	6,000,000

### **Issued and Outstanding Common Shares**

As at July 31, 2017, the Company had 17,953,334 common shares issued and outstanding.

During Q1 2018, the Company:

- i) completed a non-brokered private placement of 12,000,000 units for gross proceeds of \$600,000 and 1,800,000 flow-through shares for gross proceeds of \$180,000, of which \$120,000 was non-cash transactions and recorded as exploration advances for the Shakespeare Property. Each unit consists of one common share issued at \$0.05 per share, and one-half of a share purchase warrant. Each warrant may be exercised by holder to purchase one common share at a price of \$0.10 for 12 months from closing. The Company paid \$25,814 cash for share issuance costs. A value of \$90,000 was attributed to the flow-through premium liability in connection with the flow-through financing.
- ii) issued 900,000 common shares at a value of \$36,000, pursuant to the option agreement pertaining to the Shakespeare Property.
- iii) issued 700,000 common shares at a value of \$129,500, pursuant to the option agreement pertaining to the Galway Gold Property

### **Stock Options**

As at July 31, 2017, the Company has 1,700,000 options outstanding (April 30, 2017 - Nil).



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During Q1 2018, the Company:

- i) granted 800,000 stock options to officers, directors, and consultants of the Company, exercisable at a price of \$0.05 per option expiring on June 16, 2022. The estimated fair value of the options was \$28,800.
- ii) granted 700,000 stock options to officers, directors, and consultants of the Company. The options are exercisable at a price of \$0.12 per option expiring on June 27, 2018. The estimated fair value of the options was \$40,700.
- iii) granted 200,000 stock options to a consultant of the Company who is now the CFO. The options are exercisable at a price of \$0.19 per option expiring on July 20, 2019. The estimated fair value of the options was \$26,300.

A summary of the Company's stock option activity is as follows:

	Options #	Weighted Average Exercise Price \$
<b>Balance, April 30, 2016 and 2017</b>	-	-
Granted	1,700,000	0.10
<b>Balance, July 31, 2017</b>	1,700,000	0.10

As at July 31, 2017, the Company had the following stock options outstanding:

Options Outstanding	Exercise Price	Expiry Date
700,000	\$0.12	27-Jun-18
200,000	0.19	20-Jul-19
800,000	0.05	16-Jun-22

The following weighted average assumptions were used for the Black-Scholes valuation of stock options granted during the period ended July 31:

	2017	2016
Risk-free interest rate	1.08%	-
Expected life of options	3.00 years	-
Expected annualized volatility	244.56%	-
Expected dividend rate	0.00%	-



Subsequent to July 31, 2017, the Company granted 250,000 stock options to officers, directors, and consultants of the Company, exercisable at a price of \$0.22 per option expiring on August 29, 2019.

### **Warrants**

As at July 31, 2017, the Company had the following warrants outstanding:

Warrants Outstanding	Exercise Price	Expiry Date
6,000,000	\$0.10	15-Jun-18

### **RISKS AND UNCERTAINTIES**

The Company operates in the mining industry, which is subject to numerous significant risks that can influence profitability. The Company has disclosed several risks below which it believes to be the most significant and that could have a material impact on its current and future operations. Other risks may exist or may arise at a future date.

#### *Access to Capital Markets*

To fund its future growth plans, the Company may become dependent on securing the necessary capital through loans or permanent capital. The availability of this capital is subject to general economic conditions and lender and investor interest in the Company's projects. To facilitate the availability of capital, the Company maintains an investor relations program in order to inform all shareholders and potential investors of the Company's developments.

#### *Future Financing, Credit and Liquidity risk*

The success of exploration programs, development programs and other transactions related to concessions could have a significant impact on the need for capital. If BTU decides to develop one of its properties, it must ensure that it has access to the required capital. The Company could finance its need for capital by using working capital, by arranging partnerships or other arrangements with other companies, through equity financing, by taking on long-term debt or any combination thereof.

#### *Competition*

The mining industry is very competitive and the Company has to compete with other companies related to the acquisition of attractive mineral properties and the retention of skilled labour. Many competitors possess greater financial, technical and other resources than the Company. As a result, the Company may be faced with a shortage or no supply of ore or employees, as well as not being able to maintain or acquire mineral properties on reasonable terms or at all.

#### *Risks Related to Property Title*

The Company does not own all of the land that its various Option Agreements cover and has to negotiate access from third party property owners as well as municipalities in order to carry out exploration activity on the properties covered by the Shakespeare and Galway Properties. Although the Company has taken reasonable measures to ensure that all property titles and mining and exploration rights held by the various optionors are valid, there is no



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certainty that the property titles will not be challenged or questioned. Third parties could have valid claims to the lands underlying the Properties that are the subject of the option agreements.

#### *Dependence on Key Personnel*

The Company is dependent on a relatively small number of key employees, of which the loss of any could have an adverse effect on its operations.

#### *Laws and Regulations*

The Company's exploration and development projects are subject to laws and regulations, including those concerning mining as well as environmental and health and safety matters. The laws and regulations in place are susceptible to change and the impact of any modification is difficult to measure. The Company's policy is to maintain safe working conditions in compliance with applicable health and safety rules.

#### *Licenses and Permits*

There can be no guarantees that the Company will be able to obtain or maintain all the necessary licenses and permits to extract and process minerals, explore, develop, or maintain its continued operations, or that the Company will be able to comply with all the conditions imposed.

#### *Political Risk*

The Canadian, Province of Ontario and Irish governments currently support the development of their natural resources by foreign and domestic companies. However, there is no assurance the government will not adopt different policies regarding foreign ownership of mineral resources, taxation, exchange rates, environmental protection, labour relations, repatriation of income or expropriation in the future.

#### *Litigation*

All industries, including the mining industry, are subject to legal claims, with and without merit. The Company has in the past and may in the future be involved in various legal proceedings. While the Company is not aware of any possible legal proceeding that could have a material adverse effect on its financial position, future cash flow or results of operations of the Company, due to the inherent uncertainty of the litigation process and the defence costs which may have to be incurred, even with respect to claims that have not merit, there can be no assurance that the resolution of any particular legal proceeding will not have a material adverse effect on the Company.

#### *Risks Linked to Common Shares*

The price of the common shares of BTU may fluctuate for several reasons such as production and/or exploration results or operating results and cash flow, exchange rates, available financing, lack of liquidity and several other factors. It is possible that the price of a common share of BTU may experience significant fluctuations and that such price might be less than the actual price paid by an investor.

### **OTHER REQUIREMENTS**

Additional disclosure of the Company's technical reports, material change reports, news release and other information can be obtained from the Company's website at [www.btumetals.com](http://www.btumetals.com) and on SEDAR at [www.sedar.com](http://www.sedar.com) under the Company's profile.