# EUROPEAN FERRO METALS LTD.

# FORM 51-102F1
# MANAGEMENT'S DISCUSSION AND ANALYSIS
# FOR THE THREE MONTHS ENDED MARCH 31, 2015

The following management's discussion and analysis ("MD&A"), prepared as of May 31, 2015 should be read together with the unaudited consolidated interim financial statements for the three months ended March 31, 2015 and the audited consolidated financial statements for the year ended December 31, 2014 and related notes attached thereto, which are prepared in accordance with International Financial Reporting Standards. All amounts are stated in Canadian dollars unless otherwise indicated.

Additional information related to European Ferro Metals Ltd. (the "Company") is available for view on SEDAR at www.sedar.com.

## Forward Looking Statements

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

## Description of Business

The Company was incorporated under the Business Corporations Act, British Columbia on December 31, 2013 and is considered to be in the exploration stage with respect to its mineral properties. The Company's registered and records office address is 1055 West Georgia Street, Suite 1500, Vancouver, BC V6E 4N7 and the Company's headquarters are at 1100 Melville Street, Suite 830, Vancouver, BC V6E 4A6.

On April 1, 2014, the Company commenced trading on the Canadian Securities Exchange ("CSE") under the trading symbol "EFM".

On June 26, 2014, the Company entered into a non-binding Letter of Intent (the "LOI"), to acquire all of the outstanding shares of privately held First European Minerals Madencilik ("FEMM"). As part of the transaction, the Company will acquire all FEMM assets, subsidiaries, concessions and licenses including, but not limited to, the Benaks mine in the Republic of Albania and the Isparta mine in the Republic of Turkey. The Company's target FEMM, through its subsidiaries, owns and operates the Benaks and Isparta mines for their chromium. Currently, operations at both sites mine chromium as chromite through a variety of open pit and underground operations.

It is the Company's intention to invest fresh capital into both mines to modernize their operations and increase their efficiency. FEMM has retained geological consultants to find, evaluate and acquire other distressed or underfunded mines in both Albania and Turkey. It is FEMM's opinion that there exists a significant database of additional property acquisitions in both countries. The Company has commenced legal due diligence on FEMM and is in the process of engaging a qualified person to prepare a formal NI 43-101 report on FEMM's chromium assets.

At the date of this MD&A report, the Company has not yet completed its due diligence on the project.

## Exploration and Evaluation Assets

Title to mineral property interests involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral claims.

*Wels Gold Property, Yukon, Canada*

Pursuant to the terms of the option and joint venture agreement dated January 7, 2014, which amended on March 7, 2014, First Ferro acquired from Gorilla the right to earn a 40% interest in certain mineral claims, totaling 2,758 hectares located 50 kilometers east of Beaver Creek and 180 kilometers south of Dawson City in central Yukon Territory.

In order to focus on the acquisition of the Albania and Turkey projects held by FEMM, the Company decided to discontinue the Wels Gold project. As a result, the $18,000 acquisition costs previously paid were written down during the year ended December 31, 2014.

## Selected Annual Financial Information

The Company's Consolidated Financial Statements for the years ended December 31, 2014 and the period from November 25, 2013 (inception) to December 31, 2014 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The following selected financial information is taken from the annual consolidated financial statements and should be read in conjunction with those statements.

| | | December 31, 2014 | | December 31, 2013 |
|---|---|---|---|---|
| Consolidated Statements of Financial Position: | | | | |
| Cash | $ | 2,246 | $ | - |
| Total Assets | | 5,782 | | - |
| Total Liabilities | | 58,586 | | 2,265 |
| Shareholders' deficiency | | (52,804) | | (2,265) |

| | | For the Year Ended December 31, 2014 | | November 25, 2013 (Incorporation) to December 31, 2013 |
|---|---|---|---|---|
| Statements of Loss and Comprehensive Loss: | | | | |
| Revenue | $ | - | $ | - |
| General and administrative costs | | 22,697 | | - |
| Total operating expenses | | 213,539 | | 12,265 |
| Other expenses | | 18,000 | | - |
| Net loss and comprehensive loss | | (231,539) | | (12,265) |
| Basic and diluted loss per common share | | (0.03) | | (0.01) |

For discussion of the factors affecting the Company's losses see "Results of Operations" and "Summary of Quarterly Results" below. For discussion of the factors affecting the statements of financial position see "Results of Operations" and "Liquidity and Capital Resources" below.

## Results of Operations

*Three months ended March 31, 2015 and 2014*

During the three months ended March 31, 2015, the Company incurred a net loss of $10,791, compared to $20,051 net loss during the three months ended March 31, 2014.

The Company's professional fees are primarily related to ongoing regulatory requirement. During the three months ended March 31, 2014, the regulatory, filing and transfer agents fees were $5,869 higher due to initial listing application fees paid to the CSE.

During the three months ended March 31, 2014, a reverse acquisition cost of $4,125 was incurred for assuming the outstanding liabilities of European Ferro by First Ferro on completion of the plan of arrangement on March 6, 2014.

*General and administration expenses*

The Company's general and administration expenses are primarily composed of bank charge, meals and entertainment, office rent, office supplies, telephone and communication, and travel expenses.

| | Q1/15 | Total |
|---|---|---|
| Bank charge | $ 23 | $ 23 |
| Meals & entertainment | - | - |
| Office rent | 1,500 | 1,500 |
| Office supplies | - | - |
| Telephone and communication | - | - |
| Travel | - | - |
| | $ 1,523 | $ 1,523 |

| | Q4/14 | Q3/14 | Q2/14 | Q1/14 | Total |
|---|---|---|---|---|---|
| Bank charge | $ 27 | $ 148 | $ 85 | $ 936 | $ 1,196 |
| Meals & entertainment | - | 70 | 985 | - | 1,055 |
| Office rent | 3,000 | 6,000 | 2,000 | - | 11,000 |
| Office supplies | 195 | 2,041 | 385 | 48 | 2,669 |
| Telephone and communication | - | - | 1,493 | - | 1,493 |
| Travel | - | 1,223 | 4,061 | - | 5,284 |
| | $ 3,222 | $ 9,482 | $ 9,009 | $ 984 | $ 22,697 |

*Cash flows for the three months ended March 31, 2015 and 2014*

At March 31, 2015, the Company had $449 cash, compared to $2,246 cash at December 31, 2014.

During the three months ended March 31, 2015, net cash used in operating activities was $2,698. During the three months ended March 31, 2014, net cash used in operating activities was $23,231. The cash used in operating activities for the period consisted of the operating expenses of the Company and change in non-cash working capital.

During the three months ended March 31, 2015, net cash used in investing activities was $nil. During the three months ended March 31, 2014, net cash used in investing activities was $7,500, which was comprised of the initial acquisition payments on the Wels Gold Property.

During the three months ended March 31, 2015, the Company received proceeds from financing activities of $901, from a short-term loan from a related party. During the three months ended March 31, 2014, the Company received $181,000 cash proceeds from share issuance.

## Summary of Quarterly Results

| | March 31, 2015 | December 31, 2014 | September 30, 2014 | June 30, 2014 | March 31, 2014 | December 31, 2013 |
|---|---|---|---|---|---|---|
| Cash | $ 449 | $ 2,246 | $ 14,680 | $ 75,346 | $ 150,269 | $ - |
| Exploration and evaluation assets | - | - | - | 18,000 | 7,500 | - |
| Total assets | 4,381 | 5,782 | 17,435 | 94,782 | 163,669 | - |
| Total liabilities | 67,976 | 58,586 | 38,585 | 34,918 | 4,985 | 2,265 |
| Shareholders' equity (deficiency) | (63,595) | (52,804) | (21,150) | 59,864 | 158,684 | (2,265) |
| Working capital (deficiency) | (63,595) | (52,804) | (21,150) | 41,864 | 151,184 | (2,265) |

| | March 31, 2015 | December 31, 2014 | September 30, 2014 | June 30, 2014 | March 31, 2014 | From the date of inception on November 25, 2013 to December 31, 2013 |
|---|---|---|---|---|---|---|
| Net loss and comprehensive loss | $(10,791) | $(31,654) | $(81,014) | $(98,820) | $(20,051) | $(12,265) |
| Basic and diluted loss per share | $(0.00) | $(0.00) | $(0.01) | $(0.01) | $(0.01) | $(0.01) |
| Weighted average number of common shares issued and outstanding | 8,604,000 | 8,520,000 | 8,520,000 | 8,508,791 | 4,069,778 | 2,000,000 |

The primary factors affecting the magnitude and variations of the Company's losses are summarized as follows:

From the date of inception on November 25, 2013 to December 31, 2013, the Company incurred a net loss of $12,265, which were professional fees related to incorporation.

During the three months ended March 31, 2014, the Company incurred a net loss of $20,051. Expenses in the period were predominantly related to listing application fees paid to the CSE of $11,137. A reverse acquisition cost of $4,125 was incurred for assuming the outstanding liabilities of European Ferro by First Ferro on completion of the Arrangement on March 6, 2014.

During the three months ended June 30, 2014, the Company incurred a net loss of $98,820, which was primarily composed of $10,550 consulting fees and $49,037 legal fees related to the plan of arrangement, $9,324 regulatory, filing and transfer agent fees related to the listing and $17,900 management fees related to general corporate management service provided by management team.

During the three months ended September 30, 2014, the Company incurred a net loss of $81,014, which was primarily composed of $45,000 management fees related to general corporate management service provided by management team and $18,000 impairment of evaluation assets.

During the three months ended December 31, 2014, the Company incurred a net loss of $31,654, which was primarily composed of $15,000 management fees related to general corporate management service provided by management team and $11,816 professional fees related to ongoing regulatory requirements.

## Liquidity and Capital Resources

To date, the Company has not yet realized profitable operations. The Company currently requires additional financing to continue in business and there can be no assurances that such financing will be available or if available, will be on reasonable terms.

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

| | March 31, 2015 | December 31, 2014 |
|---|---|---|
| Current assets | $ 4,381 | $ 5,782 |
| Current liabilities | 67,976 | 58,586 |
| Working deficiency | (63,595) | (52,804) |
| Deficit | (254,595) | (243,804) |

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

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

## Related Party Transactions

Key management personnel include the Chief Executive Officer ("CEO"), Chief Financial Officer ("CFO") and Directors of the Company.

During the three months ended March 31, 2015, the CEO and the CFO forgave their contracted fees for January 1, 2015 to March 31, 2015. As at March 31, 2015 and December 31, 2014, $25,000 owing to the CEO and $13,125 owing to the CFO were included in accounts payable and accrued liabilities.

During the three months ended March 31, 2015, one of the Company's directors advanced to the Company an amount of $901 by the way of short-term loan.

## Financial Instruments and Other Instruments

### Financial instruments

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

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

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

*Risk management*

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

*Credit risk*

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

*Liquidity risk*

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

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

*Market risk*

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

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

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

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

## Segment Information

The Company operates in one business segment. As at March 31, 2015, the Company does not have any exploration or mineral properties.

## Commitment

On June 1, 2014, the Company entered into an 18 month consulting agreement with the CEO of the Company. Under the agreement, the Company will pay consulting fees of $10,000 per month. If the contract is terminated at the Company's discretion, the CEO is entitled to receive six months' fees in cash.

On June 1, 2014, the Company entered into an 18 month consulting agreement with the CFO of the Company. Under the agreement, the Company will pay consulting fees of $5,000 per month. If the contract is terminated at the Company's discretion, the CFO is entitled to receive six months' fees in cash.

The CEO and CFO received 50% of the contracted fees with the Company and accrued the balance during July 2014 to October 2014 and forgave their contracted fees for November 2014 to March 31, 2015.

## Subsequent Events

Management has evaluated subsequent events through the date these financial statements were available to be issued. Based on our evaluation no events have occurred that require disclosure.

## Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements as at March 31, 2015 and 2014.

## Proposed Transactions

The Company does not have any proposed transactions as at March 31, 2015 other than as disclosed elsewhere in this document.

## Significant Accounting Policies

These condensed interim consolidated financial statements, including comparatives, were prepared in accordance with the accounting policies described in the Company's annual financial statements for the year ended December 31, 2014. There have been no changes to the Company's critical accounting estimates and judgments during the three months ended March 31, 2015.

## Critical Accounting Estimates

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

The most significant estimates relate to the valuation of deferred income tax amounts and impairment testing. The value of deferred tax assets is evaluated based on the probability of realization; the Company has assessed that it is improbable that such assets will be realized and has accordingly not recognized a value for deferred taxes.

The most significant judgments relate to the recoverability of capitalized amounts, recognition of deferred tax assets and liabilities and the determination of the economic viability of a project.

## New accounting standards

The Company has examined the following new accounting standard and believes they have no significant effect on the Company's financial performance:

- IFRS 9, *Financial Instruments*
- IFRS 15, *Revenue from Contracts with Customers*
- IAS 32, *Financial Instruments: Presentation*

## Outstanding Share Data

The Company has 8,610,000 common shares outstanding as of the date of this MD&A. The Company has not issued any stock options or share purchase warrants.

## Management's Responsibility for Financial Statements

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

## Risk Factors

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

Mineral exploration involves significant risk because few properties that are explored contain bodies of ore that would be commercially economic to develop into producing mines. Our mineral properties are without a known body of commercial ore and our proposed programs are an exploratory search for ore. We do not know whether our current exploration programs will result in any commercial mining operation. If the exploration programs do not result in the discovery of commercial ore, we will be required to acquire additional properties and write-off all of our investments in our existing properties.

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

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

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

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

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

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

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

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

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

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

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

Although variable depending on location and the governing authority, land reclamation requirements are generally imposed on mineral exploration companies (as well as companies with mining operations) in order to minimize long term effects of land disturbance. Reclamation may include requirements to control dispersion of potentially deleterious effluents and reasonably reestablish pre-disturbance land forms and vegetation. In order to carry out reclamation obligations imposed on us in connection with our mineral exploration, we must allocate financial resources that might otherwise be spent on further exploration programs.

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

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

## Approval

The Board of Directors of the Company has approved the disclosure contained in this MD&A on May 31, 2015. A copy of this MD&A will be provided to anyone who requests it and can be found on Sedar at www.sedar.com.

## Directors and Officers

As of the date of this MD&A, the Company's directors and officers are as follows:

Michael Noonan, Chief Executive Officer and a Director
John Veltheer, Chief Financial Officer and a Director
Jim MacPherson, a Director