



**BRAVEHEART RESOURCES INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE NINE MONTHS ENDED February 28, 2021**

*The following management's discussion and analysis ("MD&A") is management's assessment of the results and financial condition of Braveheart Resources Inc. ("Braveheart" or the "Company") and should be read in conjunction with the unaudited interim condensed consolidated financial statements for the nine months ended February 28, 2021 and the audited consolidated financial statements for the year ended May 31, 2020, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All dollar amounts are in Canadian dollars, unless otherwise noted. The date of this MD&A is January 27, 2021. Braveheart's most recent filings are available on the System for Electronic Document Analysis and Retrieval ("SEDAR") and can be accessed through the Internet at [www.sedar.com](http://www.sedar.com).*

*The "Qualified Person" under the guidelines of National Instrument 43-101 of the Canadian Securities Administrators ("NI 43-101") for Braveheart's exploration and mining projects as described in the following discussion and analysis is Ian Berzins, CEO of the Company and a Professional Engineer Registered in the Province of British Columbia.*

## **1. DESCRIPTION OF BUSINESS**

Braveheart is a Canadian-based exploration company focused on acquiring, exploring and developing mineral properties throughout Canada.

On November 27, 2012, Rainbow Resources Inc. filed Articles of Amalgamation under the Business Corporation Act (Ontario), whereby Rainbow was amalgamated with Braveheart Resources Canada Inc. (an Alberta Corporation) to form an amalgamated corporation operating under the name of Rainbow Resources Inc. Subsequently, on November 26, 2014, Articles of Amendment were filed to change the name of the company to Braveheart Resources Inc. All amounts herein reflect the financial effects of the amalgamation.

## **2. HIGHLIGHTS OF THE NINE MONTHS ENDED February 28, 2021**

Highlights for the nine months ended February 28, 2021 include:

- **Copper Market Price Increases**

Management is encouraged by the recent price increases of copper with spot market prices greater than \$US 4.40/pound while in March 2020, copper was as low as \$US 2.10/pound. These trends support our development and acquisition efforts.

- **Property Acquisition - Thierry**

On December 23, 2020 the Company purchased the shares of Cadillac Ventures Holdings Inc. which owns the Thierry Mine Project ("Thierry") near Pickle Lake, Ontario from Cadillac Ventures Inc. (TSXV:CDC)

The Company has acquired Thierry from Cadillac for the following consideration:

- (i) \$300,000 in cash;
- (ii) 11,000,000 common shares of the Company; and,
- (iii) the issue of up to an additional 2,500,000 common shares following delivery of the pending Updated Rehabilitation Plan to the Ministry of Energy, Northern Development and Mines of Ontario for Thierry,
- (iv) a 2% net smelter royalty ("NSR") to be retained by Cadillac of which 1% of the NSR can be purchased by Braveheart for \$1,000,000. On January 21, 2021, the Company agreed to repurchase the 2% NSR for a consideration of 2,500,000 common shares. This transaction has not yet been completed.



## Thierry Project Preliminary Economic Assessment (PEA) Highlights

On February 22, 2021 the Company released its PEA focused solely on mining of the Mineral Resources at the Thierry underground mine. The PEA indicates a 14-year mine plan based on a 4,000 tonne per day underground mining and processing operation.

Life of Mine ("LOM") revenues from net smelter returns are estimated at \$2,579 million. LOM cash flow in terms of EBITDA is \$1,516 million. Net cash flow of \$1,516 million less taxes of \$256 million and LOM capital expenditures of \$710 million results in an after-tax cash flow of \$549 million. The after-tax NPV using a 6% discount rate is estimated at \$240 million with an IRR of 19%. LOM operating costs are \$1,063 million.

- **Convertible Debt Conversion**

On August 6, 2020, Debenture holders exercised conversion of \$2,400,000 of debenture principal into shares of the Company. The Company issued 12,000,000 million shares at a conversion price of \$0.20 as settlement of \$2,400,000 of its Convertible Debenture.

- **Related Party Debt Renegotiated Terms and Partial Settlement**

On January 12, 2021, the Company renegotiated terms of its senior secured related party loan agreement. The loan, which has a principal amount of \$5,000,000 and was put in place in January 2019, carried an interest of 14.8% for a term of four years. Effective January 19th, 2021, the interest rate was reduced to 10% for the balance of the loan, which expires on January 19, 2023. \$780,000 of accrued interest due to Matlock was settled with the issuance of 6,500,000 common shares.

- **Private Placements – Equity Fundraising**

Completed the following equity financings for proceeds of \$2,298,642:

-August 6, 2020 private placement of 2,000,000 units at \$0.1015 per unit for \$203,000. Each unit is comprised of one common share and one warrant. Each warrant is exercisable into a common share at a price of \$0.1688 per share until August 6, 2025.

-September 1, 2020 private placement of 2,222,222 units at \$0.1125 per unit for \$250,000. Each unit is comprised of one common share and one warrant. Each warrant is exercisable into a common share at a price of \$0.1875 per share until September 1, 2025.

-September 22, 2020 private placement of 7,000,000 units at \$0.075 per unit for \$525,000. Each unit is comprised of one common share and one warrant. Each warrant is exercisable into a common share at a price of \$0.11 per share until September 22, 2023.

-On October 30, 2020, the Company issued 13,545,734 units at \$0.075 per unit for \$1,015,930. Each unit is comprised of one common share and one warrant. Each warrant is exercisable into a common share at a price of \$0.11 per share until October 30, 2023.

-On December 10, 2020, the Company issued 3,047,115 units at \$0.10 per unit for \$304,711.

### **Bul River Mine Development**

On December 3, 2020, the Company, entered into an agreement with Nelson Machinery & Equipment Ltd. ("Nelson") for the procurement of six (6) refurbished Outotec flotation tank cells from Nelson's branch facility located near Kamloops, BC, Canada. The cells are an integral part of the flotation circuit which will include rougher, scavenger and cleaner capacity to support the current plant design of 700 tonnes per day milling operation. Refurbishment of the tank cells will commence in early 2021 with expected completion, delivery to and installation at the mine site near Cranbrook, British Columbia. The flotation circuit will be used to produce a copper concentrate including gold and silver by-products which will be sold as a final product to a third-party smelter outside of British Columbia. The circuit will be designed and operated to produce a 25% copper concentrate of similar quality to the previous operations of Placid Oil between 1970 and 1974. The new flotation circuit will replace the conventional mechanical cells that were operated by Placid Oil and subsequently removed from the mill due to wear and corrosion.



On December 7, 2020, the Company, received a positive System Impact Study ("SIS") from British Columbia Hydro and Power Authority ("BCH") for upgrading the hydroelectric capacity at the Bull River Mine project ("BRM"). Braveheart is proposing to reconnect to an existing 66kV power line that is immediately adjacent to the property. This power line is the same line that supplied hydroelectric power to the site during previous operations up until 2013. The SIS determined that it is technically feasible to interconnect the proposed BRM load of 7.5 MVA to the BCH transmission system. BCH's estimate for system reinforcements and revenue metering associated with the reconnection is \$300,000. The cost estimate has an accuracy range of +100/-35%.

On April 19, 2021, the Company, reported results of its ore sorting study for its 100% owned Bull River copper, gold and silver mine project. Braveheart engaged ABH Engineering ("ABH"), a world leader in ore sorting technology assessment and installation, to complete this study. Ore sorting or pre-concentration of mineralized material has the potential benefit of increasing the mill feed grade which can result in an improved net present value ("NPV") of a mining project. Potential benefits include a lowering of operating costs on a unit basis, a reduction in the volume of fine tailings created through the milling process and the overall volume of material transported to the tailings storage facility, a reduction in power consumption particularly in the grinding circuit and a lower overall environmental impact. Braveheart plans to advance the Bull River mine project in a phased approach wherein a surface stockpile of mineralized material will provide the initial feedstock to an up-graded 700 tonne per day mill. Ore sorting capability could be introduced ahead of the grinding circuit.

## **HIGHLIGHTS OF EVENTS SUBSEQUENT TO February 28, 2021**

### **Options agreement to acquire Alpine Gold Mine Property**

On March 3, 2021, the Company entered into a new option agreement to acquire a 100% interest in the past-producing Alpine Mine Property near Nelson, British Columbia. The Company previously held an option on the property until December 2019.

### **Stockpile Financing**

On March 17, 2021, the Company entered into a Concentrate Purchase Agreement with Ocean Partners UK Ltd. (Ocean) for the sale of its copper concentrates (with gold and silver credits) from its Bull River Mine. Additionally, Ocean has agreed to provide the Company with a Pre-Payment Financing Facility against initial proceeds from milling of mineralized material on surface. On March 13, 2021, the Company made an initial draw of USD \$1,000,000 net of arrangement fees and expenses associated with lender due diligence and legal fees.

### **Retires Convertible Debt with Common Shares and Warrants**

On March 18, 2021, the Company reached agreement with holder of a \$3.6 million convertible debenture to retire the Debenture in exchange for the Company's issuance of common shares and warrants.

### **Flow-through financing**

On April 6, 2021, the Company issued 5,217,391 units at an issue price of \$0.115 per unit for \$600,000. Each unit consists of one flow-through common share and one-half of one (1/2) common share purchase warrant. Each whole warrant is exercisable into a common share at an exercise price of \$0.14 per share for a period of two years.

## **3. ACQUISITION OF THIERRY MINE PROJECT**

On December 23, 2020 the Company purchased a 100% interest in the Thierry Mine Project ("Thierry") near Pickle Lake, Ontario.

The Thierry copper-nickel platinum group elements ("PGE") deposit was discovered by Union Miniere Exploration and Mining ("UMEX") of Belgium in 1969 and mined through open pit and underground workings between 1976 and 1982. The mine was shut down due to low commodity prices. Based on historical records UMEX milled 5,800,000 short tons of copper and nickel ore from the deposit with an average grade of 1.13% Cu



and 0.14% Ni. In addition, precious metals payables included 47,000 ounces of palladium, 17,000 ounces of gold, 17,500 ounces of platinum and 900,000 ounces of silver.

The Thierry Mine Project is located approximately 15 km west of Pickle Lake, Ontario and accessible on a year-round basis by paved and all-weather roads. The property is approximately 4,700 hectares in size. There is a municipal airport and nearby rail system and the provincial power grid is within eight km of the mine. The underground infrastructure includes a three-compartment shaft, production decline to 520 metres below surface and lateral developments on three levels. The underground workings are currently flooded.

On February 22, 2021 the Preliminary Economic Assessment ("PEA") for the Company's newly acquired Thierry Mine Project was filed. The PEA was independently prepared by P&E Mining, Consultants Inc. ("P&E") of Brampton, Ontario under the supervision of Eugene J. Puritch, P.Eng., FEC, CET. This PEA is focused solely on mining of the Mineral Resources at the Thierry underground mine and provides a solid base case for moving the Project forward. In the report the estimated life of mine ("LOM") processing recovers 880,000 tonnes of copper concentrate at 30% Cu. In addition, 157,000 tonnes of nickel concentrate at 8% Ni are recovered. This results in 567,000,000 lbs of payable Cu and 21,000,000 lbs of payable Ni. LOM revenues from net smelter returns are estimated at \$2,579 million. LOM operating costs are \$1,063 million. Mining costs are estimated at \$38.64 per tonne, processing costs are \$14.47 per tonne and G&A costs are \$5.30 per tonne. C1 cash operating costs are \$1.43/lb in CuEq and all-in sustaining costs ("AISC") are \$2.64/lb in CuEq. LOM capital costs are estimated at \$710 million and include pre-production capital costs of \$407 million. LOM cash flow in terms of EBITDA is \$1,516 million. Pre-tax Net Present Value ("NPV") is estimated at \$373 million using a 6% discount rate. Pre-tax Internal Rate of Return ("IRR") is 23%. Net cash flow of \$1,516 million less taxes of \$256 million and capital expenditures of \$710 million results in an after-tax cash flow of \$549 million. After-tax NPV using a 6% discount rate is estimated at \$242 million. After-tax IRR is 19%.

The purchase of the property gives the Company geographical diversification in Canada with another material project in a Tier 1 jurisdiction.

#### **4. MINERAL PROPERTY EXPLORATION AND DEVELOPMENT ACTIVITIES**

##### **4.1 Bul River Mine Property**

In support of its permit applications for a new permit to store tailings on surface, management has engaged Stantec Consulting Ltd. ("Stantec") to design a new Tailings Storage Facility ("TSF") at its 100% owned Bull River Mine property near Cranbrook, British Columbia. The TSF design will be used as part of the re-start plan, the mine requires the construction of a new TSF to manage tailings waste from the processing of an existing stockpile of mineralized material on surface and future underground mining at the site. Braveheart has identified a possible location for the TSF within the existing mine permit boundary and adjacent to the process plant. Filtered tailings (also referred to as dry stack tailings) has been identified as the preferred tailings deposition technology for the new TSF. Permitting of the new TSF will require completion of a Best Available Technology ("BAT") options assessment as per MEMPR regulations. Should the BAT assessment identify other technologies as better options for the project, Stantec and Braveheart will review the impacts on the regulatory application process. Stantec possesses global mining and extensive experience in the design and development of tailings storage facilities, waste rock storage facilities, and associated water management structures. Their expertise extends from feasibility level to detailed design, site construction, and supporting mines from operations through closure. They have successfully completed designs and obtained mine permits in British Columbia for tailings facilities, mine rock dumps and water management dams.

#### **5. RESULTS OF OPERATIONS**

##### ***Analysis of Key Variances***

Results of operations for the nine months ended February 28, 2021 resulted in a net loss of \$3,074,237, compared



to a loss of \$4,748,696 for the nine months ended February 28, 2020.

- Professional fees include legal costs supporting the Thierry Mine Project acquisition.
- Mining exploration and development costs were \$214,366 in the year to date ended February 28, 2021 compared to \$1,015,553 in the prior year when the Company was doing exploration drilling. Bul River project effort is currently focused on securing dry stack tailings permitting. PEA reporting costs for Thierry PEA was \$102,052.
- Share based compensation of \$310,517 is the result of the Company having granted on June 11, 2020, 325,000 options at a strike price of \$0.10 and an expiry date of three years to officers, directors, employees and consultants. On October 22, 2020, the Company granted 3,600,000 options at a strike price of \$0.10 and an expiry date of five years to officers, directors, employees and consultants. During the prior year 5,955,556 options were granted at a strike price of \$0.18 and an expiry of 4 years.
- Interest expense of \$895,475 is the sum of interest incurred on the \$5,000,000 related party loan and the effective interest on the convertible debenture.

## **6. QUARTERLY FINANCIAL INFORMATION**

The following is selected financial data from the quarterly interim consolidated financial statements of Braveheart for the last eight completed fiscal quarters ending February 28, 2021. This information should be read in conjunction with Braveheart's audited annual and unaudited interim consolidated financial statements for the periods below.



	Note	Three months ended		Nine months ended	
		February 28 2021	February 29 2020	February 28 2021	February 29 2020
<b>Expenses</b>					
Marketing and advertising		45,751	27,764	\$ 129,906	\$ 50,019
Consulting fees		384,072	168,582	668,930	508,608
Amortization	4	45,945	46,780	139,366	134,009
Accretion		7,426	6,485	21,542	16,200
Administrative expenses		101,933	76,688	198,291	160,555
Professional fees		57,572	37,493	210,555	159,867
Rent		-	-	-	1,000
Salaries and wages		46,875	87,553	144,255	317,165
Supplies and maintenance		87,784	129,071	208,095	333,549
Acquisition transaction costs		-	1	-	1
Equipment repairs		-	37,286	3,761	37,286
Acquisition transaction costs		-	-	-	-
Mining exploration and development expenses	5	146,673	273,530	214,366	1,015,553
Mining tax credit		-	-	-	-
Share based compensation	7	-	-	310,517	842,800
Interest expense	8, 9	252,073	358,721	895,475	1,047,636
<b>Operating loss</b>		<b>1,176,104</b>	<b>1,249,953</b>	<b>3,145,059</b>	<b>4,624,247</b>
(Gain) loss on sale of assets		-	319	(7,127)	1,368
Loss on disposal of assets		-	365,000	-	365,007
Foreign exchange (gain) loss		1,233	-	2,997	-
Interest income		(1,231)	(1,924)	(5,228)	(36,486)
<b>Net loss</b>		<b>(1,177,335)</b>	<b>(1,613,348)</b>	<b>\$ (3,135,701)</b>	<b>(4,954,136)</b>
Flow-through share premium renunciation	10	(3,160)	(25,000)	(20,000)	(72,000)
Corporate income tax recovery		(33,887)	-	(41,464)	(133,440)
<b>Net loss and comprehensive loss for the period</b>		<b>(1,140,288)</b>	<b>(1,588,348)</b>	<b>\$ (3,074,237)</b>	<b>\$ (4,748,696)</b>
<b>Net loss per share</b>		<b>\$ (0.007)</b>	<b>\$ (0.014)</b>	<b>\$ (0.025)</b>	<b>\$ (0.046)</b>
<b>Weighted average outstanding shares</b>		<b>169,298,496</b>	<b>110,690,930</b>	<b>122,905,920</b>	<b>103,603,135</b>



	February 28, 2021	November 30, 2020	August 31, 2020	May 31 2020	Feb. 29 2020	Nov. 30, 2019	Aug. 31, 2019	May 31 2019
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
(a) Revenue	\$1,231	\$ 147	\$3,850	\$(10,053)	\$1,924	\$16,251	\$18,311	\$123
(b) Net loss and comprehensive loss	\$(1,139,059)	\$(1,205,567)	\$(729,611)	\$(365,106)	(1,588,348)	\$(1,221,558)	\$(1,938,790)	\$(1,703,489)
(c) Net loss per share – basic and fully diluted <sup>(1)</sup>	\$(0.007)	\$(0.009)	\$(0.006)	\$(0.000)	\$(0.014)	\$(0.012)	\$(0.019)	\$(0.021)

(1) Fully diluted weighted average common shares outstanding, used in the calculation of fully diluted net loss per share, are not reflective of the outstanding stock options and warrants at that time as their exercise would be anti-dilutive in the net loss per share calculation.

Braveheart does not generate any significant operating revenue.

## 7. FINANCIAL CONDITION

Braveheart intends to obtain proceeds from additional equity financing or prospective lenders to finance the proposed Thierry Mine Project acquisition as well as capital development of the Purcell mining facilities for ore mining operations or ore processing and exploration expenditures, as well as general and administrative expenditures; however, there can be no assurance that additional capital or other types of financing will be available or that, if available, the terms of such financing will be favourable to Braveheart.

## 8. LIQUIDITY AND CAPITAL RESOURCES

Braveheart is wholly dependent on equity or debt financing to complete acquisition, exploration, and development of its exploration and evaluation assets. Braveheart does not expect to generate any significant revenues from operations until earliest fall of 2021.

Braveheart is dependent on external financing to fund its acquisitions and exploration activities. In order to carry out further exploration and pay for general and administrative costs, Braveheart may spend its existing working capital and attempt to raise additional funds as needed. Braveheart will continue to assess new properties and seek to acquire interests in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

The ability of Braveheart to successfully acquire additional mineral properties and proceed with exploration activities on current properties is conditional on its ability to secure financing when required. Braveheart proposes to meet additional capital requirements through equity financing. In light of the continually changing financial markets, there is no assurance that new funding will be available at the times or in the amounts required or desired by Braveheart, or upon terms acceptable to Braveheart or at all.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the



relative size of Braveheart, is reasonable. There were no changes in Braveheart's approach to capital management during the nine months ended February 28, 2021. Braveheart is not subject to externally imposed capital requirements.

Braveheart had no off-balance sheet arrangements at February 28, 2021.

## **9. OUTLOOK AND FUTURE EXPLORATION WORK**

Working capital from Braveheart's treasury, as available from time to time, may also be used to acquire and explore other properties either alone or in concert with others as opportunities and finances permit.

Braveheart intends to target, review and, if desirable, acquire and develop additional mineral assets in order to augment and strengthen its current mineral property portfolio. In conducting its search for additional mineral properties, Braveheart may consider acquiring properties that it considers prospective based on criteria such as the exploration history or location of the properties, or a combination of these and other factors.

Braveheart is in the exploration stage and is subject to risks and challenges similar to companies in a comparable stage. These risks include, but are not limited to, the challenges of securing adequate capital in view of exploration, development and operational risks inherent in the mining industry as well as global economic and gold price volatility. There is no assurance that Braveheart's funding initiatives will continue to be successful to fund its planned exploration activities.

An investment in Braveheart's securities is speculative.

## **10. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

The financial statements for the nine months ended February 28, 2021 have been prepared using IFRS applicable to a going concern, which assumes continuity of operations and realization of assets and settlement of liabilities in the normal course of business. However, Braveheart is in the exploration stage and is subject to risks and challenges similar to companies in a comparable stage. As a result of these circumstances, there is significant doubt as to the appropriateness of the going concern presumption. There is no assurance that Braveheart's funding initiatives will continue to be successful and these financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary were the going concern assumption inappropriate. These adjustments could be material.

The preparation of these unaudited interim condensed consolidated financial statements in accordance with International Accounting Standard as issued by the International Accounting Standards Board ("IASB"), requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the audited consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the statement of financial position reporting date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- Braveheart assesses the carrying value of exploration and evaluation assets each reporting period to determine whether any indication of impairment exists. The calculation of recoverable amount requires the use of estimates and assumptions such as long-term commodity prices, discount rates, recoverable metals, and





- operating performance;
- due to the complexity and nature of Braveheart's operations, various legal and tax matters are outstanding from time to time. By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events. In the opinion of management, these matters did not have a material effect on Braveheart's financial position or results of operations as at and for the nine months ended February, 2021; and
- Management's assessment of the going concern assumption requires judgment with respect to the funds to be available over the next twelve months.

## **11. SIGNIFICANT ACCOUNTING POLICIES**

Braveheart's significant accounting policies are summarized in the notes to the audited annual consolidated financial statements for the year ended May 31, 2020. Braveheart is in the exploration stage and is subject to risks and challenges similar to companies in a comparable stage. The policies described below, and estimates related to them, have the most significant effect in preparation and presentation of Braveheart's consolidated financial statements.

### ***Exploration and Evaluation Assets***

Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation expenditures ("E&E") are charged to operations as incurred. These direct expenditures include such costs as materials used, surveying costs, drilling costs, payments made to contractors and depreciation on plant and equipment during the exploration phase. Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs and share based payments to employees and consultants, are expensed in the period in which they occur.

The acquisitions of mineral property interests are initially measured at cost. Mineral property acquisition costs and development expenditures incurred subsequent to the determination of the feasibility of mining operations and approval of development by the Company are capitalized until the property to which they relate is placed into production, sold or allowed to lapse.

Exploration and evaluation costs incurred prior to determination of the feasibility of mining operations are charged to operations as incurred. Mineral property acquisition costs include the cash consideration and the fair market value of shares issued for mineral property interests pursuant to the terms of the relevant agreements. These costs will be amortized over the estimated life of the property following commencement of commercial production, or written off if the property is sold, allowed to lapse, or when an impairment of value has been determined to have occurred.

### ***Share-Based Payment Transactions***

The grant date fair value of share-based payment awards granted to employees is recognized as an employee expense or capitalized to exploration and evaluation assets for grants to individuals working directly on mineral properties with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes. Fair values of share-based payments (including stock options and warrants) are determined based on estimated fair values at the time of grant using the Black-Scholes option pricing model.

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognized as an expense with a corresponding increase in liabilities, over the period that the employees unconditionally



become entitled to payment. The liability is remeasured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognized as personnel expense in profit or loss.

Share-based payment arrangements in which Braveheart receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by Braveheart.

## **12. ACCOUNTING ISSUES**

### ***12.1 Management of Capital Risk***

The objective when managing capital is to safeguard Braveheart's ability to continue as a going concern, so that it can continue to provide adequate returns to shareholders, benefits to other stakeholders and to have sufficient funds on hand to meet its exploration and development plans to ensure the ongoing growth of the business.

Braveheart considers as capital its shareholders' equity and cash and equivalents. Braveheart manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust capital structure, Braveheart may issue new common shares through private placements, repurchase shares, sell assets, incur debt, or return capital to shareholders. Braveheart will require additional funds to carry out capital development and exploration on its mineral properties. Actual funding requirements may vary from those planned due to a number of factors, including the progress of exploration and development activities. Due to the cyclical nature of the industry, there is no guarantee that when Braveheart needs to raise capital, there will be access to funds at that time.

### ***12.2 Management of Financial Risk***

Braveheart is exposed to various property and financial risks and assesses the impact and likelihood of this exposure. These risks include property risk, credit risk, liquidity risk, market risk, interest rate risk and commodity price risk. Where material, these risks are reviewed and monitored by the Board of Directors and they are more fully described in note 5 to the financial statements for the year ended May 31, 2020.



### 13. OUTSTANDING SHARE DATA

	Number of Shares
<b>Common shares outstanding – May 31, 2020</b>	<b>113,175,899</b>
Share issue for cash	27,815,072
Shares issued on exercise of warrants	1,240,000
Shares issued for settlement of convertible loan	12,000,000
Shares issued for settlement of related party loan	6,500,000
Shares issued for property acquisition	11,000,000
Shares issued for cash on exercise of stock options	300,000
<b>Common shares outstanding – February 28, 2021</b>	<b>172,030,971</b>

Braveheart has an authorized share capital consisting of an unlimited number of common shares.

### 14 Warrants

	Number of Warrants
<b>Warrants outstanding – May 31, 2020</b>	<b>27,667,569</b>
Exercised for cash proceeds of \$186,000	(1,240,000)
Expired	(15,640,000)
Issued	28,030,091
<b>Warrants outstanding – November 30, 2020</b>	<b>38,817,660</b>

### 15 Stock Options

The Company has a stock option plan to provide employees, directors, officers and consultants with options to purchase common shares of the Company. Under the plan, the exercise price of each option equals the market price of the Company's stock on the day of grant and the maximum term of option is five years. The maximum number of shares which may be issued under the program shall not exceed 10% of the issued and outstanding shares. The following summarizes the employees, directors, officers and consultants stock options that have been granted, exercised, expired, vested or cancelled during the period ended November 30, 2020:

	Number of Options	Weighted Average Exercise Price
Balance, May 31, 2020	8,155,556	\$ 0.16
Granted	3,925,000	0.10
Exercised	(300,000)	0.06
Balance, February 28, 2021	11,780,556	\$ 0.13

On June 11, 2020, the Company granted 325,000 options at a strike price of \$0.10 and an expiry date of three years to officers, directors, employees and consultants. On October 22, 2020, the Company granted 3,600,000 options at a strike price of \$0.10 and an expiry date of five years to officers, directors, employees and consultants.



## 16. OTHER INFORMATION

### 16.1 *Contractual Commitments*

In June 2019 and December 2019 the Company has committed to spend \$650,000 and \$728,000 respectively from amounts raised through flow-through financing on eligible Canadian exploration and development expenses prior to December 31, 2020. As at February 28, 2021 the Company estimates a \$nil remaining commitment on eligible Canadian exploration and development expenses by December 31, 2020.

The Company may be required to issue up to an additional 2,500,000 common shares following delivery of the pending Updated Rehabilitation Plan to the Ministry of Energy, Northern Development and Mines of Ontario for Thierry and on January 21, 2021 the Company agreed to repurchased the 2% NSR for consideration of 2,500,000 shares of the Company. This transaction has not yet been completed.

### 16.2 *Limitations of Controls and Procedures*

Braveheart's Chief Executive Officer and Chief Financial Officer believe that any disclosure controls and procedures or internal controls over financial reporting, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within Braveheart have been prevented or detected. These inherent limitations include the realities that judgments in decision making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of the control. The design of any systems of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and not be detected.

### 16.3 *Corporate Governance*

Braveheart's Board of Directors follows corporate governance policies to ensure transparency and accountability to shareholders.

The Audit Committee fulfills its role of ensuring the integrity of the reported information through its review of the unaudited interim and audited annual consolidated financial statements prior to their submission to the Board of Directors for approval.

### 16.4 *Related Party Transactions*

On January 4, 2019, the Company entered into a loan agreement with Matlock Farms Ltd., a company controlled by Aaron Matlock, a director of the Company. The loan has a principal amount of \$5,000,000 and carries an interest rate of 14.8% for a term of four years. Effective January 19, 2021 the interest rate was renegotiated to 10% for the balance of the loan and \$780,000 accrued interest was settled with the issuance of 6,500,000 common shares. The loan is secured by a general security agreement where assets with a net book value of \$9,957,787 are pledged.



	February 28 2021	May 31 2020
Loan due January 4, 2023	\$ 5,000,000	\$ 5,000,000
Principal paid or settled with shares	(1,614,770)	(518,354)
Accrued interest	1,596,780	1,012,081
	\$ 4,982,010	\$ 5,493,727

## 16.5 Subsequent Events

### Options agreement to acquire Alpine Gold Mine Property

On March 3, 2021 the Company entered into a new option agreement to acquire a 100% interest in the past-producing Alpine Mine Property near Nelson, British Columbia. The Company previously held an option on the property until December 2019. The Terms of the new option agreement include the following:

- a. Issuance of 1,000,000 shares of Braveheart to the Optionor.
- b. A cash payment of \$100,000 by April 15, 2022.
- c. Property expenditures of approximately \$700,000 to complete permitting and construction of an upgraded road to the mine site from Nelson by December 22, 2022.
- d. A cash payment of \$1,400,000 by December 15, 2023.
- e. A cash payment of \$1,500,000 by December 15, 2024.

### Stockpile Financing

On March 17, 2021, the Company entered into a Concentrate Purchase Agreement with Ocean Partners UK Ltd. (Ocean) for the sale of its copper concentrates (with gold and silver credits) from its Bull River Mine. Additionally, Ocean has agreed to provide the Company with a Pre-Payment Financing Facility against initial proceeds from milling of mineralized material on surface.

Braveheart is required to deliver 45,000 wet metric tonnes of copper concentrate. Ocean shall have a right of first refusal on any remaining production thereafter from Bull River. The Company may access up to USD \$3,500,000 subject to certain conditions, which can be used for capital expenditures at Bull River including plant commissioning and general working capital purposes. Interest on any amounts drawn is at 12-month LIBOR plus 8.75%.

On March 13, 2021, the Company made an initial draw of USD \$1,000,000 net of arrangement fees and expenses associated with lender due diligence and legal fees.

### Retires Convertible Debt with Common Shares and Warrants

On March 18, 2021 the Company reached agreement with holder of a \$3.6 million convertible debenture (note 9), to retire the Debenture in exchange for the Company's issuance of common shares and warrants.

In exchange for settlement of the Debenture, the underlying holders will receive units of the Company equivalent to the \$3.6 million principal amount of the Debenture less prepaid interest of \$122,000 based on a price of \$0.13 per unit, for a total of 27,200,000 units. Each unit shall be comprised of one common share and one warrant, with each warrant exercisable into a common share at an exercise price of \$0.20 per share for a period of three years. The warrants will have an acceleration clause whereby should the volume weighted average trading price of the common shares of Braveheart exceed \$0.30 per share for at least 10 consecutive trading days the warrant holders will receive written notice that the warrants, unless exercised, will expire on the 30th day following notice of the acceleration.



### **Flow-through financing**

On April 6, 2021 the Company issued 5,217,391 units at an issue price of \$0.115 per unit for \$600,000. Each unit consists of one flow-through common share and one-half of one (1/2) common share purchase warrant. Each whole warrant is exercisable into a common share at an exercise price of \$0.14 per share for a period of two years.

### **Stock options**

The Company granted 5,380,000 stock options on April 8, 2021 at an exercise price of \$0.10 and an expiry date of five years from the date of issue to certain directors, officers, employees and consultants of the Company.

## ***16.6 Changes in Accounting Policies***

None

## **17. FORWARD-LOOKING STATEMENTS CAUTIONARY NOTE**

This MD&A may contain forward-looking statements that are based on Braveheart's expectations, estimates and projections regarding its business and the economic environment in which it operates. These statements speak only as of the date on which they are made, are not guarantees of future performance and involve risks and uncertainties that are difficult to control or predict. Examples of some of the specific risks associated with the operations of Braveheart are set out above under "Risk Factors". Actual outcomes and results may differ materially from those expressed in these forward-looking statements and readers should not place undue reliance on such statements.

Certain information included in this MD&A may constitute forward-looking information within the meaning of securities laws. In some cases, forward-looking information can be identified by the use of terms such as "may", "will", "should", "expect", "believe", "plan", "scheduled", "intend", "estimate", "forecast", "predict", "potential", "continue", "anticipate" or other similar expressions concerning matters that are not historical facts. Forward-looking information may relate to management's future outlook and anticipated events or results, and may include statements or information regarding the future plans or prospects of Braveheart. 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. Although Braveheart believes that its expectations reflected in these forward-looking statements are reasonable, such statements involve risks and uncertainties and no assurance can be given that actual results will be consistent with these forward-looking statements.

Forward-looking information is inherently subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of Braveheart to be materially different from those expressed or implied by such forward-looking information, including but not limited to, risks related to Braveheart's goal of creating shareholder value by concentrating on the acquisition and development of properties that have the potential to contain economic mineral deposits; management's assessment of future plans for its property interests (See "Mining Properties – Exploration Activities"); management's economic outlook regarding future trends; Braveheart's expected exploration budget and ability to meet its working capital needs at the current level in the short term (See "Liquidity and Capital Resources" and "Financial Conditions"); expectations with respect to raising capital (See "Liquidity and Capital Resources"); and management's proposed undertaking to attempt to renegotiate certain of its option agreements (See "Financial Conditions").

Inherent in forward-looking statements are risks, uncertainties and other factors beyond Braveheart's ability to predict or control. These risks, uncertainties and other factors include, but are not limited to, mineral price volatility, changes in debt and equity markets, timing and availability of external financing on acceptable terms, the uncertainties involved in interpreting geological data and confirming title to recently acquired properties, the possibility that future exploration results will not be consistent with Braveheart's expectations, increases in costs, environmental compliance and changes in environmental and other local legislation and regulation, interest rate and exchange rate fluctuations, changes in economic and political conditions and other risks involved in the mineral exploration and development industry, as well as those risk



factors listed in the “Risk Factors” section above. Readers are cautioned that the foregoing list of factors is not exhaustive of the factors that may affect the forward-looking statements. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this MD&A. Such statements are based on a number of assumptions which may prove to be incorrect, including, but not limited to, assumptions about the following: the availability of financing for Braveheart’s exploration and development activities; operating and exploration and development costs; Braveheart’s ability to retain and attract skilled staff; timing of the receipt of regulatory and governmental approvals for exploration properties and other operations; market competition; and general business and economic conditions.

For further discussion of certain risks and uncertainties that could contribute to a difference in results that those expressed in certain forward looking statements contained herein, please review those risks listed under the heading “Risks Factors” in this MD&A. Although Braveheart has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. Forward-looking statements are not guarantees of future performance and there can be no assurance that forward-looking 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. These forward-looking statements are made as of the date hereof and Braveheart takes no responsibility to update them or to revise them to reflect new events or circumstances, except as required by law.

### **Additional Information**

Additional information regarding the Company and its business and operations is available on the Company’s profile at [www.sedar.com](http://www.sedar.com) and on the Company’s website at [www.braveheartresources.com](http://www.braveheartresources.com).