



## Group Eleven Resources Corp.

Management Discussion and Analysis  
For the Year Ended December 31, 2017

The following Management's Discussion and Analysis ("MD&A") of the financial condition and results of operations of Group Eleven Resources Corp. ("Group Eleven" or "the Company") constitutes management's review of the factors that affected the Company's financial and operating performance for the year ended December 31, 2017. The MD&A was prepared as of April 23, 2018 and should be read in conjunction with the Company's audited annual consolidated financial statements ("Financial Statements") and related notes for the years ended December 31, 2017 and 2016. All figures are in Canadian dollars unless otherwise stated. The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

## **Overview**

Group Eleven is an emerging zinc exploration and development company, focused on using a two pronged, parallel approach, consisting of regional 'Big Think' combined with near-term growth through resource expansion and drill target testing to discover Ireland's next major zinc mine. Over the last three years, the Company has assembled the largest zinc ground position in Ireland, currently holding 99 licenses, comprising over 3,200 square km in five main properties which are highly prospective for Irish Type zinc-lead mineralization. Ireland ranks as one of the largest zinc producers in Europe and is host to some of the world's largest zinc deposits.

## **2017 Highlights**

- On December 14, 2017 the Company successfully completed the initial public offering (the "Offering") of 12,500,000 units at a price of \$0.40 per Unit for total gross proceeds of \$5,000,000. Each Unit consists of one common share of the Company and one common share purchase warrant. The common shares have been listed on the TSX Venture Exchange (the "TSXV") and commenced trading under the symbol "ZNG" on December 18, 2017.
- On September 8, 2017 the Company successfully completed the acquisition of Teck Ireland Ltd.'s ("Teck") 76.56% equity interest in TILZ Minerals Ltd ("TILZ"). TILZ wholly owns six prospecting licenses covering the Stonepark Project ("Stonepark"), an advanced exploration zinc asset with significant upside located in County Limerick, Ireland, adjacent to the Company's existing project, PG West. The Company believes exploration potential exists immediately around the known pods of mineralization, at each of the regional prospects and along trends which have not yet been drill tested.
- On June 30, 2017 the Company successfully completed the acquisition of Teck's 60% equity interest in Ballinalack Resources Limited ("BRL"). BRL wholly owns eleven prospecting licenses covering the Ballinalack Zinc Project ("Ballinalack"), an advanced exploration asset with significant upside located in Counties Westmeath and Longford, Ireland. The primary focus of the Company will be to expand the known mineralization and advance other target areas towards discovery.
- In addition to the initial public offering completed in December, the Company successfully closed \$5,149,609 in private placements at price levels increasing from \$0.21 per share to \$0.40 per share in the last private placement to finance exploration on the Company's existing properties as well as the acquisition of Teck's equity interests in BRL and TILZ.

## **Report on Operations**

During 2017, the Company continued to focus on expanding existing zinc license holdings in key areas of Ireland. The Company acquired the following licenses during 2017:

- 6 licenses were acquired through the acquisition of a 76.56% interest in TILZ on September 8, 2017, comprising the Stone Park Project.
- 11 licenses were acquired through the acquisition of a 60% interest in BRL on June 30, 2017, comprising the Ballinalack Zinc Project.

- 12 licenses were acquired in February and March for the Ferbane and Kilkenny properties, respectively, covering 421 square kilometers.
- 16 licenses were acquired in January and March covering 582 square kilometres for the Silvermines North project, expanding the existing holdings of the Silvermines project.

In addition to license acquisitions, the Company completed initial, shallow diamond drilling at Fairy Gate and Oola on the Tralee and PG West properties, respectively, completed initial re-interpretation of seismic data at Ballinalack, and continued structural re-interpretation work and data compilation efforts. Further details of exploration expenditures are provided in the following property summaries.

## ***Property Summary***

### **Ballinalack Project**

Ballinalack covers approximately 312 square kilometres containing what is believed by the Company to be the second largest undeveloped zinc-lead occurrence in Ireland, after Glencore plc's Pallas Green deposit, and is located approximately 50km west from the currently producing Navan Zinc-Lead Mine (Boliden AB). The Company holds a 60% interest in BRL, the legal entity that owns the licenses comprising the Ballinalack project ("Ballinalack"). The remaining 40% is owned by Shenzhen Zhongjin Lingnan Nonfemet Company Limited ("Nonfemet"), one of the largest zinc producers in China. Each partner is funding its pro-rata share of exploration and development programs. The interest in BRL is consolidated, with the acquisition value of the project reflected in exploration and evaluation assets and ongoing exploration expenditures reflected on the income statement. The carrying value ascribed to Nonfemet's 40% interest in BRL is captured as Non-controlling Interest in the Financial Statements.

The current database includes over 93,350 metres of drilling (63,950 metres historical and 29,400 metres completed by Teck) as well as 63 line kilometres of two dimensional seismic surveys along with other geophysical and geochemical surveys. Ballinalack has excellent road and utility access (water and electricity) and to management's knowledge, the property is not subject to any material environmental or social concerns.

The best-known mineralization at Ballinalack comprises an historic estimate (7.7 million tonnes grading 7.3% Zn+Pb<sup>1</sup>) occurring higher in the stratigraphic section in the younger Waulsortian limestone. Since Ballinalack is one of the few places in Ireland where both the Waulsortian and Pale Beds limestones are present in the same place, the possibility exists for Navan style and scale mineralization at depth beneath the historic estimate. Several holes drilled historically in the Pale Beds at Ballinalack encountered strong to weak mineralization. Therefore, one of Group Eleven's major thrusts will be to seek additional Pale Beds hosted mineralization directly (but several hundred metres) beneath the strongest shallow mineralization.

In late 2017, the Company commenced work on the re-interpretation of existing seismic data at Ballinalack. The initial findings of the study have led to a new interpretation of the regional structure of the Ballinalack property, specifically in the vicinity of the aforementioned historical estimate. The findings suggest that, in addition to the Ballinalack fault (adjacent to the historical estimate and northwest dipping), a previously unrecognized, larger structure (the "New Fault") dips to the southeast, placing known Ballinalack mineralization in the footwall of major structure, rather than its hanging wall. Given the best mineralization in Ireland is most commonly found in the hanging wall of major faults, the re-interpretation has potentially significant implications for further exploration at Ballinalack, especially southeast of the historic estimate (now the postulated hanging wall). Notably, the author of the Study, Dr Alastair Beach, was a key contributor on the seismic interpretations that led to the recent discovery of the Tara Deeps at the Tara (Navan) Mine, 50 km from Ballinalack.

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<sup>1</sup> Significant data compilation, re-drilling, re-sampling and data verification may be required by a qualified person before this historical estimate can be classified as a current resource. A qualified person has not yet undertaken sufficient work to classify this historical estimate as a current resource and the Company is not treating the historical estimate as a current resource.

## Stonepark Project

Stonepark holds six prospecting licenses (“PLs”) covering an area of 183.5 square kilometres and hosting three main areas, Stonepark North, Stonepark and Stonepark West, located approximately 2 to 4 kilometres west of the Pallas Green deposit (which itself spans an area of 4 by 4 kilometres, according to Glencore’s 2017 Resources & Reserves Report). The Company holds a 76.56% interest in TILZ, the legal entity that holds the licenses comprising the Stonepark Project. The remaining 23.44% equity interest in TILZ is held by Connemara Mining Company plc (“Connemara”), a zinc and gold focused exploration company based in Ireland. Each partner is funding its pro-rata share of exploration and development programs. The interest in TILZ is consolidated, with the acquisition value of the project reflected in exploration and evaluation assets and ongoing exploration expenditures reflected on the income statement. The carrying value ascribed to Connemara’s 23.44% interest in TILZ is captured as Non-controlling Interest in the Financial Statements.

The Stonepark database consists of 57,742m of drilling, including 2,975m of historical (1960s to 1980s) drilling from Tara Prospecting, Conroy, Arcon and Greenhills, and 54,767m of recent (2007-2012) drilling by Teck. The Company has possession of all Teck core. The database also includes 18 line-kilometres of 2D seismic surveys, numerous geophysical (gravity, IP and other) and geochemical surveys.

Despite being a recent (2002) major discovery area, the Limerick basin is already significantly larger, in terms of mineralization and alteration, than other well established mineralized trends in Ireland (e.g. Silvermines and Rathdowney). The Company’s primary focus at Stonepark will be to expand known mineralization and advance other target areas towards further discovery, utilizing a combination of seismic profiling integrated with tectono-stratigraphic basin evaluation and target drilling.

On April 17, 2018 the Company announced a maiden independent Mineral Resource estimate for Stonepark of 5.3 million tonnes grading 11.15% Zn+Pb combined (8.55% zinc and 2.60% lead) in the Inferred Mineral Resource category (prepared in accordance with CIM guidelines). The Mineral Resource estimate was prepared by CSA Global (UK) Ltd. under contract to SLR Consulting Ireland and was based on drilling conducted by Teck Resources Limited (the previous operator) from 2007 to 2011. The deposit is relatively shallow (occurring at depths ranging from 190m to 395m) and consists of flat-lying, stratiform (1.0 to >7.5m thick) lenses of massive to semi-massive sphalerite, galena and pyrite hosted in thick (10 to >75m) hydrothermal alteration bodies (primarily black matrix breccia, or “BMB”) within the Waulsortian limestone.

The Stonepark Mineral Resource estimate is contained within three main zones – Stonepark North, Stonepark West and Stonepark (see Exhibit 2 and 3). The bulk of the tonnage lies in the high-grade Stonepark North body which contains 4.0 million tonnes grading 11.95% Zn+Pb (9.10% zinc and 2.86% lead) and lies 190m to 240m below surface. The Mineral Resource was based on 88 diamond drill holes totalling 37,270m.

### Zones comprising maiden Mineral Resource at Stonepark zinc project, Ireland

Area	Resource Category	Tonnes ('000)	Grades			Metal Content (pounds)		
			Zn (%)	Pb (%)	Zn+Pb (%)	Zn ('000)	Pb ('000)	Zn+Pb ('000)
Stonepark North	Inferred	4,000	9.10	2.86	11.95	794,700	249,600	1,044,300
Stonepark West	Inferred	900	6.82	2.22	9.04	130,900	42,500	173,400
Stonepark	Inferred	400	6.98	0.99	7.97	64,500	9,100	73,600
<b>Total</b>		<b>5,300</b>	<b>8.55</b>	<b>2.60</b>	<b>11.15</b>	<b>990,000</b>	<b>301,300</b>	<b>1,291,300</b>

Notes:

- Classification of the MRE was completed based on the guidelines presented by Canadian Institute for Mining (CIM), adopted for Technical reports which adhere to the regulations defined

in Canadian National Instrument 43-101 (NI 43-101).

- Effective date as at 15 March, 2018.
- The estimation method used was 'ordinary kriging'.
- Inferred Mineral Resources are at 4.5% zinc equivalent cut-off grade.
- Zinc Equivalent (ZnEq) =  $(NSRPb+NSRZn+Mc+Pc)/(RZn*PZn*(PrZn-ScZn)-RZn*PZn*PrZn*(RoyZn/100))$
- ZnEq cut-off grade (calculated from Net Smelter Return) using the following parameters:
- Zinc price of US\$3,284/t, recovery 88%; Lead price of US\$2,425/t, recovery 80%
- Concentrate grade 14.2% zinc, 4% lead
- Processing cost of US\$21.25/t; Mining cost of US\$46.50/t; Treatment charges of US\$1.00/t of concentrates
- Payable zinc 85%, lead 96%, with selling cost zinc US\$1,162/t metal and lead US\$796/t metal
- Royalty of 4.5%
- The Mineral Resource estimates are not considered to be materially affected by any known environmental, permitting, legal, title, taxation, socio-economic, marketing or political, factors.
- Average silver grade for the Inferred Mineral Resource is 1.97 g/t.
- The Inferred Mineral Resource classification is based on geology, trends in mineralisation, drilling spacing, sampling QA/QC, estimation search pass number and number of samples, and zinc equivalent grade.
- Tonnages and metal are rounded to the nearest 100,000 to reflect this as an estimate.
- Average In Situ Dry Bulk Density for mineralised material is 3.24 t/m<sup>3</sup>, based on available data.
- Mineralisation wireframes were constructed using a minimum true thickness of 2.0 m, at 2% Zn+Pb natural cut-off.

### **Silvermines**

Silvermines covers 133 square kilometres and consists of 5 PLs obtained in September of 2016. An additional 16 PLs covering 582 square kilometres covering the northern portion of the Silvermines project was granted in Q1 2017. The Silvermines project is considered highly prospective for Irish Type zinc-lead deposits. The Cooleen prospect (e.g. 7.3m grading 16.0% Zn+Pb in hole NX-11) has seen little to no exploration activity over the past 20 years (the PLs were released from long-term moratorium in May 2015). The project is located adjacent to the historic Silvermines Zinc Mine which produced approximately 10.8 million tonnes grading 7.4% zinc and 2.7% lead between 1968 and 1982 (Boland et al, 1992). The Silvermines-Lisheen region is unique from a global perspective given that within a mere 30 kilometre radius, four past producing zinc mines exist – Galmoy, Lisheen, Tynagh and Silvermines – and four known zinc prospects – Rapla, Dearykearn, Crinkill and Cooleen.

During 2017, the Company completed the drill program commenced in Q4 2016, with results confirming and expanding known mineralization in the Cooleen area and providing important vectors for future drilling. Reprocessing, inversion and interpretation of airborne geophysics data (flown by Noranda in 1998) has been completed by Peterson, Grant and Watson Ltd. ("PGW"). PGW combined these data with a ground magnetics survey conducted in Q1 2017 and completed a structural re-interpretation of the project. Group Eleven is ground-truthing the structural interpretations from the above work with drill hole and geological data in the area.

### **PG West**

The PG West project comprises 34 PLs covering 1,055 square kilometres and is contiguous with the Company's other project, Stonepark, covering prospective stratigraphy. Licenses were granted to the Company during the fourth quarter of 2015 and in the first half of 2016. The project hosts the Carrickittle area, which is the third most advanced zinc prospect in the Pallas Green region, after Glencore's Pallas Green deposit and the Company's Stonepark project. Previous drilling results have shown significant widths and grades at shallow depths, including 4.9 metres of 12.8% Zn/Pb and 3.1 metres of 18.1% Zn/Pb and 31 g/t silver. The Gortdrum prospect, located on the southeast part of the project, was discovered in 1966 and contained 4.2 million tonnes grading 1.2% copper and 23 grams per tonne ("g/t") silver (not National Instrument 43-101 compliant). Open pit mining occurred from

1967 to 1975 with total production of 38,000 tonnes copper and 2.9 million ounces silver. Over 20,000 metres of drilling has been conducted historically but constrained primarily to the historic ore body. Exploration ceased in the late 1970s. The project lay dormant for the ensuing three decades, in part because, contrary to standard practice, no PLs were reinstated over the mine site after the mining lease expired in 1986. The clerical error was identified by the Company, which subsequently applied for and received the PLs. Another prospect, Oola, is known to be an area of extensive historic silver-lead and copper workings, with records as early as the 13<sup>th</sup> Century. Group Eleven aims to determine if the Oola veins are part of a larger structural corridor within the Limerick basin, with potentially significant zinc exploration potential along trend.

The Company recently assayed two short holes that were drilled at the Oola prospect during the second half of 2017. The drilling successfully confirmed historic (c.1878) maps (showing 16 veins in the area) by intersecting a 24 metre interval of andesitic dyke with numerous occurrences of galena, pyrite and local chalcopyrite. Among these occurrences, drilling returned a 0.45 metre interval grading 107 grams per ton Ag and 4.9% Pb, as well as, a 1.5 metre cavity that is believed to be one of the medieval shafts (along the main vein, notionally hosting the best grades and widths). The above results are encouraging as they represent the first ever drilling at the heart of the Oola prospect. With the veins confirmed, the Company can now more confidently project these structures toward the base of the Waulsortian Limestone (about 2km to the west) and better interpret (i) encouraging drill results returned by previous operator, Lundin Mining, in 2009 and (ii) the nearby Carrickkittle zinc prospect discovered in the 1960s.

## **Tralee**

The Tralee project covers approximately 513 square kilometres and consists of seven PLs in the Kerry Head and Fenit areas and an additional eight PLs in the Castleisland area. The project consists of two regional anticlines of Waulsortian (WL) limestone along the 'Navan-Silvermines' and 'Rathdowney' mineralized trends, respectively. The project hosts high-grade drill intercepts (up to 17% Zn+Pb) and a number of lead-silver, zinc and copper showings (including historic mine workings). There is significant historical drilling (approximately 14,000 metres) on the property, however, much of this was shallow (especially at Kerry Head where drilling was completed to approximately 20 metre depths, intending to verify only geology and faulting). The Company views Tralee as one of the most overlooked parts of the 'Irish Orefield'. One of the key aims for Group Eleven is to determine if the Castlemaine prospect hosts significant zinc (and silver) mineralization.

As previously released, the Company's drilling in early 2017 intersected 130 metres of uninterrupted, course-grained calcite (from a hole depth of 125m-255m) that has similarities to Hannan's (HAN-V) Kilbricken zinc deposit. This hole has been logged by SLR Environmental Consulting (Ireland) Ltd. (SLR), confirming that the calcite body may be an analog to Kilbricken given (a) the purity of the calcite, (b) the presence of local 'grey-matrix' dissolution breccias which may be hydrothermal, (c) the presence of possible white-matrix-breccia (WMB) and (d) the presence of local pyrite blebs below the calcite body. Other key similarities to Kilbricken include (a) high-grade (51%) zinc found from old mine spoils near the top (versus bottom) of the Waulsortian limestone, suggestive of possible 'bleeder veins', (b) suspected south-dipping normal faults versus the more typical north-dipping faults, and (c) possible buried intrusives (as suggested by two circular mag-high anomalies in the area). SLR confirmed that the Waulsortian limestone vertically below the calcite body would be a key target for significant brecciation and associated sulphide mineralization

In early 2017, the Company also completed two shallow diamond drill holes on Fairy Gate targeting shallow, unconsolidated material, previously drilled in 1977. As this mineralization is significantly above the target Waulsortian limestone horizon, the goal is to determine if the material represents seepage from a larger feeder system. Despite showing poor recoveries, both holes exhibited robust silver (50 g/t Ag over 2.3 metres and a wider zone of 19 g/t Ag over 23.5 metres were identified) and highly anomalous lead (up to 0.65% Pb over 5.3 metres). This supports the concept that the material is locally (not glacially) derived, probably residual and the area is significantly anomalous. As previously reported, a galena-rich grab sample from surface float (from site of purported medieval workings) at

the Castlemaine prospect was also recently assayed and returned 223 g/t Ag, 13.5% Zn and 17.9% Pb, representing the highest silver grade that the Company has observed to date on the Tralee project. The Company also completed a ground magnetics survey near the Castlemaine prospect.

### **Results from Operations**

All figures have been adjusted to reflect the impact of change in accounting policy for exploration and evaluation costs. See "**Change in Accounting Policies**" below and refer to Note 17 of the Financial Statements.

The following is a summary of results from the Company's annual consolidated financial statements on an annual basis:

<b>Year ended December 31</b>	<b>2017</b>	<b>2016 Restated</b>	<b>2015 Restated</b>
Loss and Comprehensive loss	\$ (2,452,037)	\$ (774,860)	\$ (63,793)
Basic and diluted loss per share	(0.07)	(0.05)	(0.02)

  

<b>As at December 31</b>	<b>2017</b>	<b>2016 Restated</b>	<b>2015 Restated</b>
Cash	\$ 5,050,079	\$ 1,702,726	\$ 98,872
Total Assets	14,194,667	1,731,198	105,068
Share capital	13,027,584	2,084,011	88,972
Deficit	(3,202,592)	(853,174)	(78,314)

For the year ended December 31, 2017, the loss and comprehensive loss was \$1,677,177 higher than the year ended December 31, 2016 primarily as a result of the following:

- Professional fees increased \$684,879 from 2016, comprised of legal and resource consultants, arising from the financing activity as well as the Offering and acquisition costs incurred during the year. The Offering required significant legal due diligence as well as the preparation of 43-101 reports on each of the Company's three material properties.
- Exploration expense increased \$429,206 from 2016 as the Company undertook significant data review and analysis (\$132,849 higher than 2016) on core projects as well as drilling on Tralee (\$110,584 in 2016) and PG West (\$30,563).
- General and administrative costs were \$255,957 higher in 2017 compared with 2016, driven by travel costs as well as filing and share registration costs resulting from the financing activity and the Offering.
- Personnel costs (management fees and salaries) increased \$194,773 from 2016 as the Company increased internal resources (notably the Company retained a Chief Financial Officer during the year) in preparation for the Offering and increased site activity.
- The Company incurred share based compensation expenses of \$399,291 compared with \$275,443 in 2016, due to increased option issuances for advisers and personnel, as well as, the revaluation of the stock options previously issued to MAG Silver Corp resulting from the extended termination date and their re-characterization as warrants on completion of the Offering.

Cash increased \$3,347,353 from 2016 as a result of the \$5,000,000 raised on the Offering and the \$5,149,609 raised from previous private placements. This was offset by the cash portion of the acquisition costs for BRL (\$2,500,000) and TILZ (\$2,150,000) and operating costs of \$1,835,526.

The following selected financial information is a summary of the eight most recently completed quarters up to December 31, 2017 (as restated – see **Change in Accounting Policies**).

	Dec 31, 2017	Sept 30, 2017	June 30, 2017	March 31, 2017	Dec 31, 2016	Sept 30, 2016	June 30, 2016	Mar 31, 2016
Comprehensive Loss	\$ 768,884	\$ 744,815	\$ 584,420	\$ 353,918	\$ 573,583	\$ 82,926	\$ 110,171	\$ 8,180
Basic and Diluted Loss per Share	0.02	0.02	0.02	0.01	0.03	0.00	0.01	0.00

In 2016, Group Eleven expanded the land position in Ireland and began attracting key personnel, increasing compensation and consulting costs. The Company also granted a significant amount of stock options in the fourth quarter of 2016 resulting in a higher non-cash compensation expense. Exploration activity was significantly higher in 2016, reflecting accelerated data compilation and analysis activities and the initiation of fieldwork (geophysical surveys and drilling).

During 2017, Group Eleven completed the initial public offering for \$5,000,000 and successfully listed the shares of the Company on the TSXV. The Company also completed two acquisitions from Teck, the first for a 60% interest in Ballinalack on June 30, 2017 for total consideration, including advisory fees, of \$3,650,000, and the second for a 76.56% interest in Stonepark on September 8, 2017 for total consideration of \$2,150,000. In conjunction with these acquisitions the Company completed two private placements (in addition to the \$115,148 raised in the first quarter of 2017), the first for \$3,834,461 and the second for \$1,200,000, providing financing for the acquisition and budgeted near term exploration expenditures.

Operationally, the Company has completed initial drilling and magnetics survey work at the Silvermines Project and commenced work on the structural re-interpretation of the area. Drilling has been completed at the Castlemaine and Fairygate areas on the Tralee project as well as the Oola area on the PG West project. The Company also completed initial seismic re-interpretation on Ballinalack.

### ***Liquidity and Capital Resources***

The Company had cash of \$5,050,079 at December 31, 2017 compared to \$1,702,726 at December 31, 2016.

During 2017, the Company completed three private placements in February, June and September totaling 16,321,839 shares at a prices increasing from \$0.21 per share to \$0.40 per share (weighted average price of \$0.32 per share), receiving total proceeds of \$5,149,609. On December 14, 2017, the Company completed the initial public offering issuing 12,500,000 units at \$0.40 per unit, raising total proceeds of \$5,000,000. Proceeds thus far have been used primarily for the funding of operational costs, the acquisition of BRL and TILZ from Teck in the second and third quarter, and for continuing the Company's 2017 exploration budget.

The Company has forecast its cash requirements for the next year and believes it has sufficient cash resources and liquidity to sustain its planned exploration activities. This assessment is based on the Company's budget, its available cash and the discretionary nature of certain of the Company's expenditures, which can be deferred as required without significant impact on the Company or its mineral properties. Certain expenditures are required in order to maintain existing license holdings at Ballinalack, Stonepark, and PG West based on two-year minimum spending requirements. For 2018 these are approximately (after foreign exchange) \$400,000, \$415,000, and \$440,000, respectively, not reflecting the relevant amounts that would be recovered from the joint venture partners for Ballinalack and Stonepark (approximately \$160,000 and \$97,276, respectively). These requirements have been incorporated into the 2018 Board approved budget prepared and funded by the Company.



## **Financial Instruments**

The Company's activities potentially expose it to a variety of financial risks, including liquidity risk, interest rate risk, foreign exchange currency risk, and commodity price risk.

### *Liquidity Risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations when they become due. As at December 31, 2017 the Company had working capital of \$4,644,747 (December 31, 2016 - \$1,515,053). Management believes that the Company has sufficient financial resources to meet its obligations as they come due.

### *Interest Rate Risk*

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company is currently not exposed to any interest rate risk as cash is held in a non-interest bearing account and the Company does not hold any interest bearing liabilities.

### *Foreign Exchange Risk*

The Company's functional currency is the Canadian dollar. There is a foreign exchange risk to the Company as its exploration and evaluation property interests and resulting future commitments are located in Ireland. The Euro translation rate has experienced volatility over the last several years as a result of monetary policies adopted by the European Central Bank. Management monitors its foreign currency balances and makes adjustments based on anticipated need for currencies. The Company has a policy of not engaging in hedging activities to address this foreign currency risk. At December 31, 2017, the Company had Euro denominated current assets of €306,580. At December 31, 2017, the Company had Euro denominated current liabilities of €154,664. Accordingly, a 10% change in the foreign exchange rate would result in a \$22,867 credit or charge to operations.

### *Commodity Price Risk*

While the value of the Company's exploration and evaluation assets is related to the price of zinc and other minerals, the Company currently does not have any operating mines and hence does not have any hedging or other commodity based risks with respect to its operational activities. Zinc and other mineral prices have historically fluctuated widely and are affected by numerous factors outside of the Company's control, including, but not limited to, the perception of market participants about the price and future price prospects for zinc, changes in manufacturing and construction activity as well as other industrial demands, levels of worldwide production, and forward sales by producers and speculators.

## **Contractual Obligations**

The Company does not have any contractual obligations as at December 31, 2017. During 2017, the Company terminated the following advisory agreement, having successfully completed two of the primary components in the agreement:

Highland Capital Advisors Inc. ("HCA"), a company controlled by Andrew Farncomb, a former director of the Company, will be granted 500,000 shares contingent on directly originating a minimum of €500,000 in equity funding for the Company, cumulatively within a three-year period from November 10th, 2015. HCA will earn a second tranche of 500,000 shares if the Company concludes a significant strategic transaction, including merger and/or major asset acquisition, which arises directly from services provided by HCA.

During the period ended June 30, 2017, HCA directly originated the minimum equity funding and assisted in the closing of a significant strategic transaction. The Company has recorded an obligation to issue 1,000,000 common shares to HCA of which the first tranche has been recorded as share issuance costs and the second as an advisory fee related to the acquisition of Ballinalack. Each

tranche of the shares have been valued at \$150,000 using the share price of the most recent financing completed by the Company. The shares were issued subsequent to period end.

On October 6, 2017 the advisory agreement with HCA was terminated. No investment bonus payments were made under the agreement.

### **Off-Balance Sheet Arrangements**

The Company has no off-balance sheet arrangements and no short or long-term debt obligations.

### **Related Party Transactions**

The key management personnel include those persons having authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers.

Their remuneration includes the following:

	Position	December 31,	
		2017	2016
Management fees paid or accrued to:			
David Furlong (Note 1)	COO	\$ 90,168	\$ 68,295
John Barry (Note 2)	VP	92,022	47,026
Shaun Heinrichs (Note 3)	CFO	74,000	–
Salaries and benefits paid or accrued to:			
Bart Jaworski (Note 4)	CEO, Director	97,039	55,040
David Furlong	COO	6,996	–
Rebecca Furlong (Note 5)	Geologist	50,491	9,212
Professional fees paid or accrued to:			
Andrew Farncomb (Note 6)	Director	68,370	30,795
Rebecca Furlong	Geologist	–	1,457
Share-based payments paid to:			
Andrew Farncomb	Director	7,185	3,592
Shaun Heinrichs	CFO	16,114	–
Acquisition advisory fees accrued to Andrew Farncomb (Note 7)	Director	150,000	–
Financing advisory fees accrued to Andrew Farncomb (Note 7)	Director	150,000	–

Note 1: Compensation paid to David Furlong for the year ended December 31, 2017 and 2016 have been reported as management fees (2017 - \$50,922; 2016 - \$32,146), salaries and benefits (2017 - \$6,996; 2016 - nil), or exploration expenditures (2017 - \$39,366; 2016 - \$36,149).

Note 2: Compensation paid to John Barry for the years ended December 31, 2017 and 2016 have been reported as management fees.

Note 3: Compensation paid to Shaun Heinrichs for the year ended December 31, 2017 have been reported as management fees.

Note 4: Compensation paid to Bart Jaworski for the years ended December 31, 2016 and 2015 have been reported as salaries and benefits.

Note 5: Compensation paid to Rebecca Furlong for the years ended December 31, 2017 and 2016 have been reported as salaries and benefits (2017 - \$13,780; 2016 - \$7,755), professional fees (2017 - nil; 2016 - \$1,457) or exploration expenditures (2017 - \$36,711; 2016 - nil).

Note 6: The professional fees paid to Andrew Farncomb or a company controlled by him are reported as professional fees. Andrew Farncomb ceased being an insider of the Company on October 6, 2017.

Note 7: The fees related to acquisition advisory fees have been capitalized as transaction costs for the acquisition of BRL. The fees related to financing advisory services have been reported as share issuance costs. Both arise from the issuance of 1,000,000 shares (valued at \$300,000) pursuant to an

advisory agreement previously noted under Contractual Obligations.

## **Outlook**

For 2018 and 2019, the Company will deploy the proceeds from the Offering to focus on a two-pronged approach: (a) drill testing high-specificity targets at Ballinalack, Stonepark, Silvermines and other properties; and (b) regional tectono-stratigraphic analysis predominantly aimed at the southwest of Ireland (the historically overlooked part of the Irish "orefield").

The Company has spent a large part of 2016 and 2017 de-risking its six main targets via data compilation, geophysical surveys and diamond drilling. Over the next 12-18 months, the Company will focus on drill testing these targets and generating a number of new high-specificity drill targets which are likely to emerge as data compilation nears completion.

In parallel, the Company will aim to re-evaluate the currently held beliefs about the geology and mineralization controls in Ireland. To achieve this, the Company will rely on seismic surveys and detailed data compilation which will feed into an overall tectono-stratigraphic analysis. This analysis will aim to decipher the basin evolution of the region and distill the most prospective faults and structural corridors to further explore.

Subject to the availability of funds, the Company has prepared an exploration budget for 2018 of \$2.0 million (less \$0.5 million of recoveries from joint venture partners) and an additional \$1.3 million of corporate costs. A similar amount is expected to be spent in 2019 however final plans for 2019 will depend partially on results from work completed in 2018. Exploration spending in 2018 is anticipated to be split between Ballinalack (27%), Stonepark (26%), PG West (23%) and Silvermines (20%) with the majority of the spending on Ballinalack occurring in the first half of 2018. The remaining 4% allocated to Tralee, which had significant exploration in 2017, is focused primarily on data review and compilation.

At Ballinalack, drilling will initially focus on improving the understanding of the Pale Bed target and subsequent drilling meterage and locations will be determined based on results from initial drilling. In conjunction with drilling, the Company has begun ionic leach soil sampling, rock properties surveying (on historic drill core), interpretation of recent Tellus airborne geophysics data, and further re-interpretation of existing seismic and geologic data. This work will be used to refine further drill targets on the property and also help with the Company's ongoing efforts towards "big-picture regional rethink" in Ireland.

Drilling at Stonepark will commence early in the second quarter and initially focus at the Stonepark North prospect to improve the understanding of the structural controls on mineralization. The Company will evaluate whether the exploration success at the adjacent Pallas Green property can be replicated within the same Waulsortian limestone units in the Company's extensive adjoining project area. Group Eleven aims to expand the Stonepark North, Stonepark West and Stonepark zones (discovered by Teck Resources Ltd in 2007 and 2009), test five existing regional prospects and rethink the entire Limerick basin (which underlies Stonepark and the contiguous PG West project) to ascertain potential for CRD (carbonate replacement deposit) type mineralization and seek large regional feeder structures and corridors.

The Company will also undertake detailed ground gravity survey and ionic leach soil sampling and participate in an upcoming Tellus airborne survey, which will cover the Company's Stonepark project, the contiguous PG West project and the Company's nearby Silvermines project. The survey will consist of 24,700 line km (collecting Magnetics, EM and Radiometrics data) and is scheduled to commence in May 2018.

## **Critical Accounting Estimates**

The preparation of the Company's consolidated financial statements requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities; the disclosure of contingent assets and liabilities; as well as the reported expenses

during the reporting period. Such estimates and assumptions affect the determination of the carrying value and the recoverability of exploration and evaluation assets and the inputs used in calculating the fair value of share-based payment expense. Management re-evaluates its estimates and assumptions on an ongoing basis; however, due to the nature of estimates, actual amounts could differ from its estimates. The most critical accounting estimates upon which the Company depends are those requiring estimates of reserves and resources, future recoverability of assets, and assumptions around future commodity prices.

### **Share-based Payments**

The Company provides compensation benefits to its employees, directors, officers and consultants through a share-based compensation plan. All share-based awards are measured and recognized based on the grant date fair value. Fair value is determined using the Black Scholes option pricing model. As the Company does not have any trading history the volatility was determined based on the junior gold miners index (GDXJ). The Company utilizes historical data to estimate the expected option term for input into the valuation model. The risk free rate for the expected term of the applicable option is based on the Euro lending rate for the Bank of Ireland.

### ***Change in Accounting Policies***

Effective December 31, 2017, the Company voluntarily changed its accounting policy exploration and evaluation costs under IFRS 6 from recognition of costs directly related to the exploration and evaluation of mineral properties as exploration and evaluation assets to expensing as incurred. The Company believes that this change to accounting policy will provide more relevant and useful information to the users of the financial statements. This change in accounting policy has been applied retrospectively. An explanation of how the transition from the amounts previously reported has affected the Company's financial position, financial performance and cash flows is set out in Note 17 of the Financial Statements for the year-ended December 31, 2016.

### ***Future Changes in Accounting Standards***

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments to replace IAS 39 Financial Instruments: Recognition and Measurement, effective for accounting periods on or after January 1, 2018. This standard is not mandatory for the December 31, 2017 reporting period and is more fully described in Note 3 to the Financial Statements. The Company has analyzed the impact of adopting IFRS 9 and anticipates that there will be no material changes as a result of adopting this new standard.

### ***DISCLOSURE CONTROLS AND PROCEDURES***

Disclosure controls and procedures ("DC&P") are intended to provide reasonable assurance that information required to be disclosed is recorded, processed, summarized and reported within the time periods specified by securities regulations and that information required to be disclosed is accumulated and communicated to management. Internal controls over financial reporting ("ICFR") are intended to provide reasonable assurances regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

TSX Venture listed companies are not required to provide representations in the annual filings relating to the establishment and maintenance of DC&P and ICFR, as defined in National Instrument 52-109. In particular, the CEO and CFO certifying officers do not make any representations relating to the establishment and maintenance of: (a) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and (b) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's IFRS. The Company's certifying officers are responsible for ensuring that processes are in place to provide them with

sufficient knowledge to support the representations they are making in their certificates regarding the absence of misrepresentations and fair disclosure of financial information. Investors should be aware that inherent limitation on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in National Instrument 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

### ***Outstanding Share Data***

As at April 23, 2018, there were 59,777,477 common shares outstanding and there were warrants outstanding to purchase an aggregate of 17,882,950 common shares. This includes 4,632,950 of warrants held by MAG Silver, which holds approximately 15.8% of the Company's outstanding common shares. The Company also issued 330,000 stock options in the first quarter of 2018 to directors and employees of the Company.

### ***Risks and Uncertainties***

#### **Exploration and Development of Mineral Resource Properties**

The mineral exploration business is risky and most exploration projects will not become mines. Commercial development of any Group Eleven property will occur only if sufficient quantities of minerals with a sufficient average grade are discovered and can be economically produced. If a mineral discovery is made, substantial financial resources will be required to establish ore reserves, develop processes to extract metal from the ore and develop mining and processing facilities at a given site.

#### **Calculation of Reserves, Resources and Metal Recoveries**

There is a degree of uncertainty attributable to the calculation and estimates of reserves and resources and the corresponding metal grades to be mined and recovered. Until reserves or resources are actually mined and processed, the quantities of mineralization and metal grades must be considered as estimates only. Any material change in the quantity of mineral reserves, mineral resources, grades and recoveries may affect the economic viability of the Company's properties. To date, the Company has not established reserves on any of its mineral properties.

#### **Title to Assets**

Although the Company has received title opinions for certain properties in which it has a material interest, there is no guarantee that title to such properties will not be challenged or impugned. The Company's claims may be subject to prior unregistered agreements or transfers and title may be affected by unidentified or unknown defects. The Company has conducted as thorough an investigation as possible on the title of properties that it has acquired to confirm that there are no other claims or agreements that could affect its title to the concessions or claims. If title to the Company's properties is disputed it may result in the Company paying substantial costs to settle the dispute or clear title and could result in the loss of the property, which events may affect the economic viability of the Company.

#### **Uncertainty of Funding**

The ability of Group Eleven to continue as a going concern depends upon its ability to develop profitable operations and to continue to raise adequate financing. Group Eleven's principal source of financing currently is through the issuance of common shares or possibly entering into option agreements. Sufficient funding for future exploration and development of its properties may not be available when and as required. Failure to obtain financing on a timely basis could cause the Company to forfeit all or parts of its interests in mineral properties or reduce or terminate its operations.

#### **Zinc Price Fluctuations**

The ability of the Company to raise funds to continue exploration of the mineral properties in which it

has an interest will be significantly affected by changes in the market price for zinc. Prices for base metals fluctuate on a daily basis, have historically been subject to wide fluctuations and are affected by numerous factors beyond the control of the Company such as demand growth from China and the rest of the world, world mine supply dynamics, currency fluctuations, interest rate changes, capital availability, speculative activities, and political developments. The effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not being able to continue its planned exploration programs. Declining market prices for these metals could materially adversely affect the Company's operations and financial condition.

### **Government Regulation**

Although Ireland has a favorable legal and fiscal regime for exploration and mining, including a relatively simple system for the acquisition of mineral titles and relatively low tax burden, possible future government legislation, policies and controls relating to prospecting, development, production, environmental protection, mining taxes and labour standards could cause additional expense, capital expenditures, restrictions and delays in the activities of the Company, the extent of which cannot be predicted. Before production can commence on any properties, the Company must obtain regulatory and environmental approvals. There is no assurance that such approvals can be obtained on a timely basis or at all. The cost of compliance, with changes in governmental regulations, has the potential to reduce the profitability of operations. The Company is currently in compliance with all material regulations applicable to its exploration activities.

### **Competitive Conditions**

The profitability of any prospect is dictated by the market for minerals, which is influenced by many factors including changing production costs, supply and demand, inflation, and the political environment. The Company's success is also dependent on the knowledge and expertise of its management and employees and their ability to identify and advance attractive exploration projects and targets. The competition for highly qualified personnel is strong and there is no guarantee that the Company will be able to retain or attract such personnel.

### **Forward Looking Information**

This MD&A provides management's analysis of Group Eleven's historical financial and operating results and provides estimates of Group Eleven's future financial and operating performance based on information currently available. Actual results will vary from estimates and the variances may be significant. Readers should be aware that historical results are not necessarily indicative of future performance.

Certain information set forth in this MD&A, including management's assessment of the Company's future plans and operations, contains forward-looking information. By their nature, forward-looking information is subject to numerous risks and uncertainties, some of which are beyond the Company's control, including the impact of general economic conditions, industry conditions, volatility of commodity prices, currency fluctuations, imprecision of reserve estimates, environmental risks, competition from other industry participants, the lack of availability of qualified personnel or management, stock market volatility and ability to access sufficient capital from internal and external sources. Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be inaccurate and, as such, undue reliance should not be placed on forward-looking information. Group Eleven's actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking information will transpire or occur or, if any of them do so, what benefits Group Eleven will derive there from. Group Eleven disclaims any intention or obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise except as required by applicable law.