MANAGEMENT'S RESPONSIBILTY FOR FINANCIAL REPORTING

This Management's Discussion and Analysis ("MD&A"), dated December 12, 2017, of Discovery Metals Corp. (formerly Ayubowan Capital Ltd.) and its wholly-owned subsidiaries (together referred to as the "Company" or "Discovery Metals"), contains information that the Company's management ("Management") believes is relevant to an assessment and understanding of the Company's consolidated financial position and results of its consolidated operations for the years ended August 31, 2017 and 2016 ("2017" and "2016", respectively). This MD&A should be read in conjunction with the Company's audited annual consolidated financial statements for the years ended August 31, 2017 and 2016 and accompanying notes (the "2017 Consolidated Financial Statements").

The 2017 Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS"). All dollar amounts are presented in Canadian dollars ("CAD"), the Company's functional currency, except where otherwise noted. References to United States dollars are denoted as "USD$". Additional information relating to the Company is available on SEDAR at www.sedar.com and on the Company's website at www.dsvmetals.com.

The Company's certifying officers, based on their knowledge and having exercised reasonable diligence, are also responsible to ensure that this MD&A and related 2017 Consolidated Financial Statements do not contain any untrue statement of material fact and do not omit any required statement of material fact with respect to the periods reported. The 2017 Consolidated Financial Statements, together with the other financial information included in this MD&A present fairly in all material respects the financial condition, results of operations and cash flows of the Company, as at the date of and for the periods presented in this MD&A. This MD&A contains forward looking information that is subject to risk factors set out in the cautionary note herein. The Company's Board of Directors' (the "Board") review is accomplished principally through the Company's Audit Committee, which meets periodically to review all financial reports, prior to filing. The Board has approved the 2017 Consolidated Financial Statements and this MD&A, as well as ensured that Management has discharged its financial responsibilities. Information in this MD&A is prepared as at December 12, 2017.

DESCRIPTION OF BUSINESS

Discovery Metals is a mineral exploration company whose main objective is to identify and successfully define and develop mineral deposits, primarily in Mexico.

Ayubowan Capital Ltd. was incorporated on October 10, 1986 under the laws of British Columbia. On June 13, 2017, the Company's name was changed from Ayubowan Capital Ltd. to Discovery Metals Corp. It is listed on the Toronto Venture Exchange (the "Exchange" or "TSX-V") under the symbol "DSV". The Company's head office is located at Suite 701, 55 University Avenue, Toronto, Ontario, M5J 2H7.

Discovery Metals' former business was run through its wholly-owned operating company, Abode Mortgage Corporation ("AMC"), an underwriting entity focused primarily on the origination and servicing of mortgages from various distribution channels. AMC permanently closed its mortgage operation on March 4, 2010. Since that date and through to August 17, 2017 - the completion of the change of business (the "Transaction") - Discovery Metals has not had an operating business. Refer to the description of the Transaction in this MD&A and for additional details, refer to the Press Release dated August 17, 2017 available on SEDAR at www.sedar.com or on the Company's website at www.discoverymetals.com.

On March 21, 2017, the Company incorporated a wholly-owned subsidiary in Mexico, Discovery Metals, S.A. de C.V. ("Discovery Mexico").

On May 1, 2017, the Company announced it had entered into a mineral exploration and option agreement for the Puerto Rico and Renata projects in Coahuila, Mexico. The Puerto Rico project is the Company's qualifying property under the Exchange's policies. Over the course of the subsequent months the Company signed option agreements on five other properties in Coahuila, Mexico.

On July 17 and July 19, 2017, the Company completed the first and second tranches respectively, of a non-brokered private placement (the "Offering"). On August 17, 2017, the Company completed the Transaction and began trading on the TSX-V as a junior exploration company.

2017 SIGNIFICANT EVENTS

Discovery Metals' former business was focused primarily on the origination and servicing of mortgages from various distribution channels. The operation was closed in March 2010. In August 2016, the Company completed a reorganization whereby $1,500,000 was raised through a non-brokered private placement and $5,234,945 in debt owing to various creditors was eliminated through debt forgiveness. The Company then began the process of searching for and evaluating new business opportunities in the resource sector.

Change of Business Transaction

On April 7, 2017, the Company, through Discovery Mexico, entered into a mineral exploration and option agreement (the "Option Agreement") with arm's length parties (the "Vendors"), to acquire certain mineral concessions located in Coahuila, Mexico forming part of the Puerto Rico exploration project (the "Puerto Rico Property"). Discovery Mexico entered into a second mineral exploration and option agreement (the "Second Option Agreement") with the Vendors, which provided the Company with an option to acquire an additional mineral concession, also located in Coahuila, Mexico, comprising the Renata exploration project (the "Renata Property").

The Transaction constituted a change of business under Exchange policies, with the Company becoming a junior mining/exploration company on closing of the Transaction.

The Puerto Rico and Renata Properties (together referred to as the "Properties") sit within a newly consolidated approximate 3,000 square kilometre ("km^2") land package that covers hundreds of historical high-grade lead ("Pb")-silver ("Ag")-zinc ("Zn") workings and mines (the "District"), virtually none of which have ever been drill tested. The Properties are situated on the major carbonate replacement deposit ("CRD") belt that extends 1,700 km from southeast Arizona to central Mexico.

The Puerto Rico Property hosts the former Puerto Rico, San José and Zaragoza mines situated along a 12 km long, 1 km wide structural zone. This zone hosts extensive underground workings and prospect pits, with high grade Ag, Zn, Pb and Copper ("Cu") mineralization on surface and in the underground workings that are open for extension in all directions. Very little modern exploration has ever been carried out on what management believes is a district-scale target.

There are reported to be over 200 historical workings in the District, with the Puerto Rico and San José mines accounting for over 90% of the historically mined tonnage. Non-mechanized mining by the Vendors at the Puerto Rico project over the past three years has resulted in the sale of approximately 20,000 tonnes of mineralized material grading > 20% Zn.

Under the terms of the Option Agreement, Discovery Mexico may exercise the option to acquire the mineral concessions from the Vendors, pursuant to the following terms and schedule as outlined in the Option Agreement:

a) a cash payment of USD$300,000, on the latter of final Exchange approval and the Company, through its wholly owned subsidiary, Discovery Mexico, entering into certain land occupation agreements with and/or receiving consent from the local Ejido, duly registered at the National Agrarian Registry of Mexico (paid on closing of the Transaction);

b) the issuance of an aggregate of 500,000 common shares upon Exchange approval (issued on closing of the Transaction at a price of $0.50 per common share);

c) an additional cash payment of USD$300,000 and the issuance of a further 500,000 common shares upon the receipt of all necessary permits and approvals to conduct drilling activities on the mineral concessions from the applicable authorities;

d) the issuance of four tranches of 500,000 common shares on each anniversary of the closing of the proposed transaction, with the first issuance occurring on the second anniversary of the closing; and

e) the issuance of additional common shares (the "Additional Common Shares"), representing 30% of the Company's then issued and outstanding share capital, taking into account any common shares already issued to the Vendors.

In the event that the market value of the 30% interest is less than USD$10,000,000 at the time of issuance, the Company will issue further common shares of the Company (the "Additional Consideration Shares") to the Vendors such that the common shares of the Company issued to the Vendors, in aggregate, have a market value of USD$10,000,000, subject to a maximum aggregate ownership interest by the Vendors of 35%. Any amount in excess of the 35% share threshold will be paid to the Vendors in cash, to an aggregate value of USD$10,000,000.

In the event the Company has any material assets apart from the Puerto Rico Property at the time of the issuance of the Additional Consideration Shares, the number of the Additional Consideration Shares issuable to the Vendors ownership will be reduced to represent 30% of the market value of only the Puerto Rico Property, as determined by an independent third-party valuation.

In order to exercise the option, Discovery Mexico is required to complete exploration expenditures of not less than USD$12,500,000 on the mineral concessions within five years of receipt of the drilling approvals. The Company must complete no less than USD$2,000,000 of these expenditures within the first twelve months of receipt of the drilling approvals.

Pursuant to the terms of the Second Option Agreement, Discovery Mexico may exercise the option to acquire the additional mineral concessions on the following terms:

a) an aggregate cash payment of USD$100,000 to the Vendors within three months from approval of the Second Option Agreement by the Exchange (paid on closing of the Transaction); and

b) Discovery Mexico incurring exploration expenditures on the additional mineral concessions of not less than USD$2,000,000 within three years of the latter of the closing date and the entering into by the Company of any required land occupation or lease agreements on the subject lands.

On the execution of the Option Agreement and the Second Option Agreement, the Company advanced loans to the Vendors in the aggregate amount of USD$150,000 (the "Loan"). The Loans were credited towards the first cash payments required under the Option Agreement and the Second Option Agreement.

On June 29, 2017, the Company advanced an additional loan of USD$50,000 to the Vendors. This additional loan was also credited toward the required first cash payments made on closing of the Transaction.

For further information on the Puerto Rico Property, please refer to the Company's National Instrument 43-101 ("NI 43-101") compliant report filed on SEDAR at www.sedar.com on August 3, 2017.

On May 15, 2017, Discovery Mexico entered into four additional mineral exploration and option agreements (the "Additional Option Agreements") with the Vendors to acquire mineral concessions comprising the Minerva, Monclova, Santa Rosa and Jemi Rare properties.

Pursuant to the terms of the Additional Option Agreements, Discovery Mexico may exercise its option to acquire the underlying concessions that are subject to each individual property option agreement on the following terms:

a) incurring exploration expenditures of not less than USD$2,000,000 per Additional Option Agreement within five years of the closing of the Transaction; and

b) the issuance to the Vendors of an aggregate 1,000,000 common shares in respect to three of the Additional Option Agreements, and the issuance of 2,000,000 common shares in respect of the Additional Option Agreement governing the Monclova Property.

In addition, Discovery Mexico agreed to pay back-taxes owing on the Monclova Property of approximately USD$48,000 (paid subsequent to the year ended August 31, 2017), and to make a cash payment to the Vendors of USD$70,000 with respect to the Minerva Property (payment made on closing of the Transaction). Discovery Mexico will be the operator of the Additional Minerals Concessions during the term of the Additional Option Agreements and is required to pay all mining duties required to maintain the underlying concessions in good standing.

For further technical information regarding these four properties please see the Company's press release dated June 1, 2017 available on SEDAR at www.sedar.com and on the Company's website at www.discoverymetals.com.

On June 7, 2017, Discovery Mexico entered into an agreement with the Vendors to acquire an additional mineral concession located in the state of Coahuila, Mexico (the "La Kika Agreement") comprising the La Kika project ("La Kika Property").

Pursuant to the terms of the agreement, Discovery Mexico may exercise its option and acquire the underlying La Kika concession on the following terms:

a) making a cash payment of USD$45,000 to the Vendors on closing (payment made on closing of the Transaction);

b) incurring exploration expenditures of not less than USD$2,000,000 within five years; and

c) issuance to the Vendors of 1,000,000 common shares of the Company.

In addition, the Company has agreed to pay the Vendors a royalty on the first 450,000 tonnes of ore extracted by the Company from the La Kika concession. The royalty will equal 30% of the operating profits in the event that the Company undertakes direct shipping operations, or a 2% net smelter return otherwise. Discovery Mexico will be the operator of the La Kika concession during the term of the La Kika Agreement and is required to pay all mining duties to maintain the underlying concession.

For further technical information regarding the La Kika property please see the Company's press release dated June 14, 2017 available on SEDAR at www.sedar.com and on the Company's website at www.discoverymetals.com.

In connection with the projects forming the Transaction, the Company issued 209,500 common shares of the Company in lieu of finders' fees of $104,750 to certain arm's length individuals. An additional 25,000 common shares will be issued to these finders on each of the four tranches of share issuances to the Vendors, on the second through fifth anniversaries of the closing of the Transaction. In addition, a number of common shares equal to 5% of any common shares will be issued by the Company on exercise of any of the Additional Option Agreements, and the La Kika Agreement.

Non-Brokered Private Placement

As part of the Transaction, in order to fund initial exploration programs on the Puerto Rico Property as well as the other properties, and also provide working capital for the Company going forward, on June 8, 2017, the Company announced that it intended to complete a non-brokered private placement (the "Offering") to raise up to $10,000,000 through the issuance of up to 20,000,000 subscription receipts at a price of $0.50 per subscription receipt.

The Offering was upsized. On July 17, 2017, the Company closed the first tranche of the Offering. An aggregate of 25,787,000 subscription receipts at a price of $0.50 per subscription receipt were issued for gross proceeds of $12,893,500.

On July 19, 2017, the Company closed the second and final tranche of its Offering. An aggregate of 5,450,000 subscription receipts at a price of $0.50 per subscription receipt were issued for gross proceeds of $2,725,000.

Aggregate gross proceeds from both tranches of the Offering were $15,618,500, through the issuance of 31,237,000 subscription receipts. The proceeds of the Offering were held in escrow, pending the Company receiving all applicable regulatory approvals and completing the Transaction.

On August 17, 2017 the Company announced the closing of the Transaction, and that it had been reclassified as a Tier 2 Mining Issuer on the TSX-V. The previously issued 31,237,000 subscription receipts of the Company each converted into one unit of the Company for no additional consideration. Each unit consists of one common share and one share purchase warrant, with each share purchase warrant entitling the holder to acquire one additional common share at a price of $1.00 per share for a period of 24 months. The Company paid fees of $304,534 and issued 427,500 units valued at $213,750 to certain finders who introduced subscribers to the private placement. In addition, finders received 1,244,460 finder's warrants valued at $346,993, exercisable at $0.60 per share for 18 months. The securities issued in connection with the Offering had hold periods which expired between November 15 and November 20, 2017. The securities issued to finders have a hold period expiring December 18, 2017.

Changes in Management

As part of the Change of Business, the Company announced a series of Board and Management changes between May and August of 2017.

During the period when the Exchange was reviewing the Transaction, the Company announced that the previous Board and Management, including Scott Ackerman, David Nelson, Doug McFaul and Brent Ackerman, were to resign with the closing of the Transaction.

The Company announced the appointments of Taj Singh, M.Eng, P.Eng, CPA as President and Chief Executive Officer and Mr. Orest Zajcew, CFA, PhD as Chief Financial Officer and Corporate Secretary, effective as of the close of the Transaction.

Between May and August 2017, the Company also announced the appointment of a new Board, including Murray John as Chairman of the Board, and Mark O'Dea, Jose Vizquerra-Benavides, Jesus Hernandez Garza, Jeff Parr and Taj Singh as directors.

The Company also announced the creation of an advisory committee ("Advisory Board") consisting of Arturo Bonillas, Cal Everett, Craig Roberts, Moira Smith and Sean Tetzlaff. Mr. Bonillas will serve as Chairman of the Advisory Board.

For additional details on the changes in Management, Directors and the Advisory Board, refer to the Press Releases dated May 1, July 4, July 6, and August 21, 2017 available on SEDAR at www.sedar.com and on the Company's website at www.discoverymetals.com.

SUBSEQUENT EVENTS

Subsequent to August 31, 2017, the Company announced that it had hired Peter Drobeck as Vice-President of Exploration. Mr. Drobeck worked for such companies as Silver Standard Resources Inc., AuRico Gold Inc., Electrum USA Ltd., and Newcrest Resources Inc. Sadly, in early November, Mr. Drobeck passed away. In his short time with the Company, Mr. Drobeck showed great leadership and professionalism, and the Company is grateful for the contributions he made to building the foundations of the Company. Refer to the Press Releases dated September 1 and November 6, 2017 available on SEDAR at www.sedar.com and on the Company's website at www.discoverymetals.com.

On October 12, 2017, the Company announced that it has been granted drill permits for five of its projects from Mexico's Secretary of Environment and Natural Resources ("SEMARNAT"). The newly granted exploration permits cover the La Kika, Renata, Santa Rosa, La Minerva, and Jemi Rare projects. Refer to the Press Release dated October 12, 2017 available on SEDAR at www.sedar.com and on the Company's website at www.discoverymetals.com.

On November 7, 2017, the Company announced that it had received assay results on an initial 32 channel samples from its Puerto Rico Project. On November 8, 2017, the Company announced panel and sampling results from the La Kika Project. Refer to the Press Releases dated November 7, 2017 and November 8, 2017 respectively, available on SEDAR at www.sedar.com and on the Company's website at www.discoverymetals.com.

OUTLOOK

As Discovery Metals closed the Transaction two weeks prior to the end of the fiscal year ended August 31, 2017, the Company remains in the very early stages of developing exploration programs and working on the seven properties for which it signed option agreements.

Management believes Initial samples taken at the Puerto Rico Project provided encouraging results. The widths and grades in this initial sampling indicate to the Company that economically robust polymetallic grades potentially occur on the project, and that a substantial program of geology, geophysics, geochemistry, and drilling is merited. A detailed compilation program, based on historic production and exploration data, is underway. The Company plans to begin surface exploration work in Q1 2018, which will include extensive high-quality remote sensing to detect alteration patterns, geologic mapping, extensive rock-chip geochemistry using both hand-held XRF and laboratory-submitted samples, and ground geophysics. The Company plans to begin drilling, subject to receiving permits, in Q3 2018.

Similarly, Management also believes the sampling results at La Kika were also encouraging. These results were the first-ever documented samples from La Kika. Sampling showed combined Pb and Zn values that frequently exceeded 20%, high Ag values and, at times, high Cu values as well. Having received the drill permit for La Kika, and with the completion of an access road to site, the Company commenced its drill program at La Kika in December 2017.

The Company's main focus in fiscal 2018 will be on the Puerto Rico and La Kika Properties, but the Company will also begin surface exploration work on its other properties in 2018.

The Company's expenditure budget from August 31, 2017 to December 31, 2017 was approximately $4.1 million. As at August 31, 2017 the Company had approximately $13.9 million in working capital. There are no present plans for any material capital expenditures for the next twelve months. As such, the Company is sufficiently capitalized to support the budget forecast.

(Expressed in Canadian dollars, except where otherwise noted)

COMMITMENTS AND CONTRACTUAL OBLIGATIONS

On completion of the permitting for the Puerto Rico Property, expected in the second half of 2018, the Company will have to pay USD$300,000 and issue 500,000 shares of the Company to the Vendors.

Please see "2017 Significant Events" section for a full description of terms necessary to exercise the options on the exploration properties.

The Company has a five-year operating lease for premises in Canada. Total future minimum lease payments, under non-cancellable operating leases as at August 31, 2017 are as follows:

Year		Operating lease payments
2018	$	78,293
2019		93,400
2020		93,400
2021		90,640
2022		90,640
	$	**446,373**

SELECTED ANNUAL FINANCIAL INFORMATION

	For the year ended August 31, 2017	For the year ended August 31, 2016	For the year ended August 31, 2015
Comprehensive income (loss):			
(a) total for the year	($3,588,611)	$4,689,309	($530,488)
(b) per share	($0.10)	$2.05	($0.45)
Total assets	$15,912,142	$1,059,933	$387
Total current liabilities	$802,667	$15,434	$5,220,197
Total weighted average number of shares outstanding	35,367,831	2,292,949	1,169,998

SUMMARY OF QUARTERLY RESULTS

	4th Quarter Ended August 31, 2017	3rd Quarter Ended May 31, 2017	2nd Quarter Ended February 28, 2017	1st Quarter Ended November 30, 2016
Total revenues	$nil	$nil	$nil	$nil
Comprehensive loss	($2,100,859)	($320,265)	($146,300)	($1,021,187)
Loss per share (basic and diluted)	($0.05)	($0.01)	($0.00)	($0.03)
Total assets	$15,912,142	$668,756	$941,220	$1,037,107
	4th Quarter Ended August 31, 2016	**3rd Quarter Ended May 31, 2016**	**2nd Quarter Ended February 29, 2016**	**1st Quarter Ended November 30, 2015**
Total revenues	$nil	$nil	$nil	$nil
Comprehensive income (loss)	$5,092,772	($140,989)	($133,909)	($128,565)
Income (loss) per share (basic and diluted)	$0.95	($0.12)	($0.12)	($0.11)
Total assets	$1,059,933	$111	$7	$202

(Expressed in Canadian dollars, except where otherwise noted)

ADMINISTRATIVE EXPENSES

The following table sets forth a breakdown of material components of the administrative expenses of the Company for the years ended August 31, 2017 and August 31, 2016.

General Office and Other Expenses

For the years ended August 31,		2017		2016
Filing and transfer agent fees	$	60,789	$	-
Travel and accomodation		60,181		-
Salaries and benefits		23,138		-
Shareholder communication and investor relations		21,821		7,843
Business development		4,176		-
Foreign exchange		8,871		-
Other		20,843		838
	$	**199,819**	**$**	**8,681**

Professional Fees

For the years ended August 31,		2017		2016
Legal	$	343,930	$	55,534
Management fees (Note 5)		60,000		5,250
Audit and accounting		26,610		-
Consulting		26,096		-
	$	**456,636**	**$**	**60,784**

EXPLORATION AND EVALUATION EXPENSES

The following table sets forth a breakdown of exploration expenses by project along with project evaluation expenses for the year ended August 31, 2017 (year ended August 31, 2016 - $nil).

	Exploration expenses									
		Permitting		Mining duties		Road construction		Project Evaluation		Total
Jemi Rare Property	$	55,848	$	5,392	$	-	$	-	$	61,240
La Kika Property		55,847		-		175,441		-		231,288
Minerva Property		55,847		28,256		-		-		84,103
Monclova Property		-		78,625		-		-		78,625
Puerto Rico Property		-		9,789		-		-		9,789
Renata Property		55,848		243		-		-		56,091
Santa Rosa Property		55,848		306		-		-		56,154
Project evaluation		-		-		-		371,975		371,975
Total	**$**	**279,238**	**$**	**122,611**	**$**	**175,441**	**$**	**371,975**	**$**	**949,265**

RESULTS OF OPERATIONS FOR THE YEARS ENDED AUGUST 31, 2017 and 2016

The Company had a net and comprehensive loss of $3,588,611 for the year ended August 31, 2017 ("Fiscal 2017"), compared to net and comprehensive income of $4,689,309 for the year ended August 31, 2016 ("Fiscal 2016"). As described earlier, in Fiscal 2017, the Company actively evaluated a number of business opportunities, eventually signed a number of option agreements on properties in Coahuila, Mexico, and by the end of the year had changed its business to become a Tier 2 exploration company on the TSX-V. In Fiscal 2016, the Company was dormant until it was refinanced. The net income in Fiscal 2016 was primarily due to a forgiveness of debt in the amount of $5,234,945. Expenses rose significantly in Fiscal 2017 as a result of the Transaction. The Company incurred non-cash share-based compensation expenses of $1,984,871 compared to $nil in Fiscal 2016 and exploration and project evaluation costs of $949,265 compared to $nil in Fiscal 2016. During Fiscal 2017, the Company incurred professional fees and general office and other expenses of $456,636 and $199,819 respectively, compared to $60,784 and $8,681 respectively in Fiscal 2016.

CAPITAL MANAGEMENT

The Company defines capital as its shareholder's equity (comprised of issued share capital, contributed surplus and deficit). The Company's objectives when managing capital are to support the Company's main activities of identifying, defining and developing mineral deposits, thus creating shareholder value, as well as ensuring that the Company will be able to meet its financial obligations as they become due.

The Company manages its capital structure to maximize its financial flexibility to enable the Company to respond to changes in economic conditions and the risk characteristics of the underlying assets and business opportunities. The Company does not presently utilize any quantitative measures to monitor its capital, but rather relies on the expertise of the Company's management to sustain the future development of the business. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. As at August 31, 2017, the Company does not have any long-term debt outstanding and is not subject to any externally imposed capital requirements or debt covenants. There was no change to the Company's approach to capital management during the year ended August 31, 2017.

As at August 31, 2017, the Company had working capital of $13,945,069 (August 31, 2016 – $1,044,499) including cash and cash equivalents of $14,643,353 (August 31, 2016 – $1,059,933). With the completion of the non-brokered private placement that was part of the Transaction, Management believes the Company is well capitalized to complete initial exploration programs on its properties. The Company will likely require additional financing to accomplish its long term strategic objectives. Future funding may be obtained by means of issuing share capital, debt financing or a combination of both and will be assessed by Management at that time.

SHARE CAPITAL

a) Authorized

Unlimited common shares with no par value;
Unlimited preferred voting shares with no par value.

(Expressed in Canadian dollars, except where otherwise noted)

b) Shares issued

	Common Shares		Amount
As at August 31, 2015	1,169,998	$	14,306,039
Shares issued for debt at $0.05	1,500,000		75,000
Shares issued under non-brokered private placement at $0.05	30,000,000		1,500,000
As at August 31, 2016	32,669,998		15,881,039
Shares issued on acquisition of mineral properties	709,500		354,750
Shares issued under non-brokered private placement	31,237,000		15,618,500
Shares issued as finders' fees under private placement	427,500		213,750
Finders' fees for private placement	-		(518,284)
Warrants issued under non-brokered private placement	-		(8,010,367)
As at August 31, 2017	**65,043,998**	**$**	**23,539,388**

Refer to the "2017 Significant Events" section of the MD&A for a detailed description of share and warrant transactions.

During the year ended August 31, 2016, the Company had the following share transactions:

On July 28, 2016, the Company issued 1,500,000 common shares at $0.05 per share to settle outstanding indebtedness of $75,000. On August 19, 2016, the Company closed a non-brokered private placement of 30,000,000 common shares at $0.05 per share for gross proceeds of $1,500,000.

c) Stock Options

The Company has adopted a rolling 10% stock option plan (the "Plan") which provides that the Board of the Company may grant options to purchase common shares of the Company to directors, officers, employees and service providers, with the number of options being limited to 10% of the issued common shares at the time of granting of options. The Board in its sole discretion may determine any vesting provisions for options. The exercise price shall be determined by the directors of the Company at the time of grant in accordance with the provisions of the Plan. The expiry date for an option shall not be more than ten years from the grant date.

Option transactions and the number of options outstanding are summarized as follows:

	No. of options		Weighted Average Exercise Price
Balance, August 31, 2015 and 2016	-	$	-
Options granted	6,600,000		0.53
Options forfeited or cancelled	(1,800,000)		0.45
Balance, August 31, 2017	**4,800,000**	**$**	**0.56**

During the year ended August 31, 2017, the share-based compensation expense related to options granted was $1,984,871 (year ended August 31, 2016 - $nil).

(Expressed in Canadian dollars, except where otherwise noted)

As at August 31, 2017, the options outstanding and exercisable are as follows:

		Options Outstanding		Options Exercisable	
Range of Exercise Prices		**Weighted-average remaining contractual life**	**Weighted-average exercise price**	**Exercisable**	**Weighted-average exercise price**
$0.45	650,000	4.09 years	$0.45	650,000	$0.45
$0.45	550,000	0.96 years	$0.45	550,000	$0.45
$0.60	3,600,000	4.96 years	$0.60	2,166,667	$0.60
	4,800,000	**4.38 years**	**$0.56**	**3,366,667**	**$0.55**

The fair value of each option grant has been estimated using the Black-Scholes option-pricing model with the following weighted-average assumptions:

	2017	2016
Weighted-average exercise price per Common Share	**$ 0.53**	-
Weighted-average quoted market price per Common Share at date of grant	**$ 0.53**	-
Weighted-average grant-date fair value price per Common Share	**$ 0.40**	-
Expected life (years)	**5.00**	-
Risk free interest rate	**1.12%**	-
Expected volatility	**100%**	-
Dividend yield	**0%**	-

d) Warrants

Warrant transactions and the number of Warrants outstanding are summarized as follows:

	Term	**Expiry Date**	**Exercise price**	**Number of warrants**	**Per Unit value**	**Amount**
As at August 31, 2016				-		-
Issued under non-brokered private placement	2 years	8/17/2019	$1.00	31,237,000	$0.242	$ 7,559,911
Issued as finders' fees under private placement	2 years	8/17/2019	$1.00	427,500	$0.242	$ 103,463
Issued as finders' fees under private placement	1.5 years	2/17/2019	$0.60	1,244,460	$0.279	$ 346,993
As at August 31, 2017				**32,908,960**		**$ 8,010,367**

(Expressed in Canadian dollars, except where otherwise noted)

The remaining contractual lives of Warrants outstanding as at August 31, 2017 are as follows:

Weighted average exercise price	Number of Warrants Outstanding	Weighted average remaining contractual life
$1.00	31,664,500	1.96 years
$0.60	1,244,460	1.47 years
$0.98	**32,908,960**	**1.94 years**

OUTSTANDING SHARE DATA

As at December 12, 2017 the Company had the following equity securities and convertible securities outstanding:

	Authorized	Number and Type Outstanding
Voting or Equity Securities Issued and Outstanding	Unlimited Common Shares	65,043,998 Common Shares
Securities convertible or exercisable into voting or equity securities-stock options	Stock Options to acquire up to 10% of outstanding Common Shares	Stock options to acquire 5,433,333 Common Shares
Securities convertible or exercisable into voting or equity securities-warrants	Warrants to acquire 32,908,960 Common Shares	Warrants to acquire 32,908,960 Common Shares

RELATED PARTY TRANSACTIONS

Key management personnel

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

A company partially owned by one of the directors of the Company, Oxygen Capital Corp. ("Oxygen") provides access to administrative and exploration personnel and has made certain payments on behalf of the Company on an as-needed basis. Oxygen does not charge a fee to the Company, but rather allocates all expenses at cost to various companies. Reimbursement of expenses to Oxygen for the year ended August 31, 2017 totalled $118,156 (year-ended August 31, 2016 - $nil) and are not included in the table below.

(Expressed in Canadian dollars, except where otherwise noted)

Summary of expenses incurred:

Transaction Type	Nature of Relationship	2017	2016
Professional fees	A company with a former director/officer	$ **60,000**	$ 5,250
Share-based payments	Directors, officers and a company with a former director/officer in common	**1,760,296**	-
Shares to purchase mineral properties	Director	**125,000**	-
Payment to purchase mineral properties	Director	**325,592**	-
Salaries	Officers	**18,827**	-
Directors fees	Directors	**6,848**	-
Interest on debt	A company with a former director/officer in common	**-**	93,916
		$ 2,296,563	**$ 99,166**

Summary of amounts due to related parties:

		2017	2016
Accounts payable and accrued liabilities	To a company with a director/officer in common with the Company	**$ 6,848**	$ 5,250
Due to related parties		**$ 6,848**	$ 5,250

FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, accounts receivable and deposits, and accounts payable and accrued liabilities.

Accounts receivable and deposits are classified as receivables and are measured at amortized cost using the effective interest method. Accounts payable and accrued liabilities are classified as other financial liabilities and are measured at amortized cost. These financial instruments approximate their fair value due to their short-term nature.

Financial Risk Factors

The Company's risk exposure and the impact on the Company's financial instruments are summarized below:

a) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at August 31, 2017, the Company had a cash balance of $14,643,353 to settle current liabilities of $802,667. The Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. As at August 31, 2017, the Company has no sources of revenue to fund its operating expenditures. In 2017, the Company closed a non-brokered private placement of 31 million common shares at a price of $0.50 per share for gross proceeds of $15,618,500. Management believes these financings will fund the Company's initial exploration work on the properties in Coahuila, Mexico as well as the existing administrative needs for the near term. However, the Company will require additional financing to accomplish the Company's long term strategic objectives. Future funding may be obtained by means of issuing share capital, or debt financing. If the Company is unable to continue to finance itself through these means, it is possible that the Company will be unable to continue as a going concern. Consequently, the Company is currently exposed to a moderate level of liquidity risk.

b) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to fulfill an obligation and cause the other party to incur a financial loss. The Company's cash and cash equivalents, and accounts receivable and deposits are exposed to credit risk. The Company has assessed the credit risk on its cash as low as its funds are held in highly rated Canadian financial institutions. Due to the immaterial amount of the Company's accounts receivable and deposits, Management has determined the exposure to this risk to be at an acceptable level.

The Company's maximum exposure to credit risk related to certain financial instruments as identified below, approximates the carrying value of these assets on the Company's 2017 Consolidated Statements of Financial Position.

As at August 31,	**2017**	**2016**
Cash and cash equivalents	$ 14,643,353	$ 1,059,933
Accounts receivable and deposits	104,383	-
	$ 14,747,736	**$ 1,059,933**

c) Market Risk

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

i. Interest rate risk

The Company has significant cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in high-yield savings accounts. The Company regularly monitors its cash management policy. Management has determined interest rate risk to be low.

ii. Foreign currency risk

The Company's functional currency is the Canadian dollar. At August 31, 2017, all cash balances were held in Canadian dollars. Foreign currency risk is the risk that the value of the Company's financial instruments denominated in foreign currencies will fluctuate due to changes in foreign exchange rates. Changes in the exchange rate between foreign currencies and the Canadian Dollar could have a significant impact on the Company's financial position, results of operations, and cash flows. The Company does not use derivative instruments to reduce its exposure to foreign currency risk.

The Company is mainly exposed to foreign currency risk on financial instruments (consisting of trade payables) denominated in USD and Mexican Pesos ("MXP"). As at August 31, 2017, the Company had foreign currency denominated trade payables of USD$145,015 ($181,791) and MXP $6,109,154 ($430,023). For 2016 there were no financial instruments denominated in either USD or MXP.

It is estimated that a 10% fluctuation in the United States Dollar and Mexican Pesos against the Canadian dollar would affect net loss for the year by approximately $61,200.

As at August 31, 2017, Management has determined the Company's exposure to foreign currency risk to be at an acceptable level.

iii. Price risk

The Company is exposed to price risk with respect to commodity prices and prices of equity securities. Equity security price risk is defined as the potential adverse impact on the Company's net income or loss due to movements in individual prices of equity securities or price movements in the stock market generally. Commodity price risk is defined as the potential adverse impact on net income or loss and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices, particularly as they relate to base metals, and movement in the price of individual equity securities movements and the stock market generally, to determine the appropriate course of action to be taken by the Company. As at August 31, 2017, Management has determined the Company's exposure to price risk to be at an acceptable level.

OTHER RISKS AND UNCERTAINTIES

The operations of the Company are speculative due to the high-risk nature of its business, which is the acquisition, financing, exploration and development of mining properties. The risks below are not the only ones facing the Company. For a detailed discussion of risks, refer to the Company's Filing Statement in Respect of a Change of Business, available on SEDAR at www.sedar.com. Additional risks not currently known to the Company, or that the Company currently deems immaterial, may also impair the Company's operations. If any of the following risks actually occur, the Company's business, financial condition and operating results could be adversely affected.

Nature of Mineral Exploration and Mining

At the present time the Company does not hold any interest in a producing mining property. The Company's viability and potential success is based on its ability to develop, exploit and generate revenue from mineral deposits. The exploration and development of mineral deposits involve significant financial risk over a significant period of time, which even a combination of careful evaluation, experience and knowledge may not eliminate. While discovery of a mine may result in substantial rewards, few properties which are explored are ultimately developed into producing mines. Major expenses may be required to establish reserves by drilling and to construct mining and processing facilities at a site. It is impossible to ensure that the current or proposed exploration programs on exploration properties in which the Company has an interest will result in a profitable commercial mining operation.

The operations of the Company are subject to all of the hazards and risks normally incident to exploration and development of mineral properties, any of which could result in damage to life and property, the environment and possible legal liability for any and all damage. The activities of the Company may be subject to prolonged disruptions due to weather conditions depending on the location of the operations in which the Company has interests. Hazards, such as unusual or unexpected geological structures, rock bursts, pressure, cave-ins, flooding or other conditions may be encountered in the drilling and removal of material. While the Company may obtain insurance against certain risks in such amounts as it considers adequate, the nature of these risks are such that liabilities could exceed policy limits or could be excluded from coverage. There are also risks against which the Company cannot insure or against which it may elect not to insure. The potential costs which could be associated with any liabilities not covered by insurance or in excess of insurance coverage or associated with compliance with applicable laws and regulations may cause substantial delays and require significant capital outlays, adversely affecting the future earnings and competitive position of the Company and, potentially, its financial position.

Whether a mineral deposit will be commercially viable depends on a number of factors, some of which are the particular attributes of the deposit, such as size and grade, proximity to infrastructure, financing costs and governmental regulations, including regulations relating to prices, taxes, royalties, infrastructure, land use, importing and exporting and environmental protection. The effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving an adequate return on invested capital.

Permits and Licenses

The operations of the Company require licenses and permits from various governmental authorities. The Company believes that it presently holds all necessary licenses and permits required in carrying out the activities which it is currently conducting under applicable laws and regulations and the Company believes it is presently complying in all material respects with the terms of such licenses and permits. However, such licenses and permits are subject to change in regulations and in various operating circumstances. There can be no assurance that the Company will be able to obtain all necessary licenses and permits required to carry out exploration, development and mining operations at its projects.

Competition

The mineral exploration and mining business is competitive in all its phases. The Company competes with numerous other companies and individuals, including competitors with greater financial, technical and other resources than the Company, in the search for and the acquisition of attractive mineral properties, the acquisition of mining equipment and related supplies and the attraction and retention of qualified personnel. The ability of the Company to acquire properties, purchase required equipment, and hire qualified personnel in the future will depend not only on its ability to develop its present properties, but also on its ability to identify, arrange, negotiate, select or acquire suitable properties or prospects for mineral exploration, source suitable equipment and hire qualified people. There is no assurance that the Company will continue to be able to compete successfully with its competitors in acquiring such properties or prospects, sourcing equipment or hiring people.

Environmental and Climate Change Regulation

The operations of the Company are subject to environmental regulations promulgated by government agencies from time to time. Environmental legislation provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry operations, such as seepage from tailings disposal areas, which would result in environmental pollution. A breach of such legislation may result in the imposition of fines and penalties. In addition, certain types of operations require the submission and approval of environmental impact assessments. Environmental legislation is evolving in a manner which means stricter standards and enforcement, fines and penalties for non-compliance are more stringent. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and their directors, officers and employees. The cost of compliance with changes in governmental regulations has the potential to reduce the profitability of future operations. Such impacts may have an adverse effect on the capital and operating cost of the Company's operations or those of its future customers that may materially affect future operations.

Estimates of Mineral Resources May Not Be Realized

The mineral resource estimates that may be published from time to time by the Company with respect to its properties are estimates only and no assurance can be given that any particular level of recovery of minerals will in fact be realized or that an identified resource will ever qualify as a commercially mineable (or viable) deposit which can be legally and economically exploited. In addition, the grade of mineralization ultimately mined may differ from that indicated by drilling results and such differences could be material. Production can be affected by such factors as permitting regulations and requirements, weather, environmental factors, unforeseen technical difficulties, unusual or unexpected geological formations, inaccurate or incorrect geological, metallurgical or engineering work, and work interruptions, among other things. Short-term factors, such as the need for orderly development of deposits or the processing of new or different grades, may have an adverse effect on mining operations or the results of operations. There can be no assurance that minerals recovered in small-scale laboratory tests will be duplicated in large scale tests under on-site conditions or in production scale operations. Material changes in resources, grades, stripping ratios or recovery rates may affect the economic viability of projects. The estimated resources described herein should not be interpreted as assurances of mine life or of the profitability of future operations.

Dependence on Key Personnel

The Company is dependent on the services of its senior management and a small number of skilled and experienced employees and consultants. The loss of any such individuals could have a material adverse effect on the Company's operations.

Limited Financial Resources

The existing financial resources of the Company are not sufficient to bring any of its properties into commercial production. The Company will need to obtain additional financing from external sources in order to fund the development of its properties. There is no assurance that the Company will be able to obtain such financing on favourable terms, or at all. Failure to obtain financing could result in delay or indefinite postponement of further exploration and development of the Company's properties.

SIGNIFICANT ACCOUNTING POLICIES

For a full description of the Company's significant accounting policies, please see note 3 of the 2017 Consolidated Financial Statements.

CHANGES IN ACCOUNTING POLICIES

There were no changes in accounting standards impacting the Company during the year ended August 31, 2017.

SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

Please see Use of Estimates and Judgments in Note 3 in the Summary of Significant Accounting Policies section of the 2017 Consolidated Financial Statements.

RECENT ACCOUNTING PRONOUNCEMENTS

The following new IFRS standards, amendments to standards and interpretations are not yet effective for the year ended August 31, 2017, and have not been applied in preparing the 2017 Consolidated Financial Statements. The following have not yet been adopted by the Company.

IAS 12 – Income Taxes ("IAS 12")

The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of a reporting period, and is not affected by possible future changes in the carrying amount or expected recovery of the asset. The Company has assessed the impact of the amendments to IAS 12 on its annual consolidated financial statements and has determined there will be no material impact upon adoption on September 1, 2017.

IAS 7 – Statement of Cash Flows ("IAS 7")

The IASB issued amendments to IAS 7 in January 2016. The amendments are effective for annual periods beginning on or after January 1, 2017. This amendment requires disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including changes arising from both cash and non-cash changes. The Company has assessed the impact of the amendments to IAS 7 on its annual consolidated financial statements and has determined there will be no material impact upon adoption on September 1, 2017.

IFRS 9 - Financial Instruments ("IFRS 9")

In July 2014, the IASB issued final amendments to IFRS 9, replacing earlier versions of IFRS 9 already adopted by the Company. These amendments to IFRS 9 introduce a single, forward-looking 'expected loss' impairment model for financial assets which will require more timely recognition of expected credit losses, and a fair value in other comprehensive income "FVOCI" category for financial assets that are debt instruments. Other previously issued amendments to IFRS 9 that have not yet been adopted by the Company include a substantially reformed approach to hedge accounting and requirements to recognize gains or losses that relate to the effect of a company's own credit risk in measuring liabilities elected to be measured at fair value outside of net earnings or loss. The amendments to IFRS 9 that are not yet adopted by the Company are effective for annual periods beginning on or after January 1, 2018 and are available for earlier adoption. The Company has assessed the impact of the amendments to IFRS 9 on its annual consolidated financial statements and has determined there will be no material impact upon adoption on September 1, 2018.

IFRIC 22 – Foreign Currency Transactions and Advanced Consideration ("IFRIC 22")

On December 8, 2016, the IASB issued IFRIC 22 which clarifies which date should be used for translation when a foreign currency transaction involves an advanced payment or receipt. The amendments to IFRIC 22 that are not yet adopted by the Company are effective for annual periods beginning on or after January 1, 2018 and are available for earlier adoption. The Company is currently assessing the impact of IFRIC 22 on its annual consolidated financial statements.

IFRS 16 - Leases ("IFRS 16")

In January 2016, the IASB issued IFRS 16, replacing *IAS 17 - Leases*. IFRS 16 provides a single lessee accounting model and requires the lessee to recognize assets and liabilities for all leases on its balance sheet, providing the reader with greater transparency of an entity's lease obligations. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted. The Company has not yet begun its assessment of the implementation of amendments to IFRS 16, and such assessment is scheduled for completion in 2018.

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements.

QUALIFIED PERSON

The technical information in this MD&A was reviewed and approved by Taj Singh, M.Eng, P.Eng, President and CEO of the Company, who is recognized as a Qualified Person ("QP") under the guidelines of NI 43-101.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

This MD&A includes "forward-looking statements", within the meaning of applicable securities legislation, which are based on the opinions and estimates of Management and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements. While these forward-looking statements, and any assumptions upon which they are based, are made in good faith and reflect our current judgment regarding the direction of our business, actual results could differ materially from any estimates, forecasts, predictions, projections, assumptions, or other future performance suggested herein.

Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "budget", "plan", "continue", "estimate", "expect", "forecast", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar words suggesting future outcomes or statements regarding an outlook. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. These forward-looking statements may include but are not limited to statements concerning:

- The Company's success at completing future financings;
- The Company's strategies and objectives;
- The Company's receipt of permits for the Puerto Rico Property;
- The availability of qualified employees for business operations;
- General business and economic conditions;
- The Company's ability to meet its financial obligations as they become due; and
- The Company's ability to identify, successfully negotiate and/or finance an acquisition of a new business opportunity.

Readers are cautioned that the preceding list of risks, uncertainties, assumptions and other factors are not exhaustive. Events or circumstances could cause actual results to differ materially from those estimated or projected and expressed in, or implied by these forward-looking statements. Due to the risks, uncertainties and assumptions inherent in forward-looking statements, investors in securities of the Company should not place undue reliance on these forward-looking statements.

ADDITIONAL INFORMATION

Additional information relating to the Company is available on the Company's website at www.dsvmetals.com or on SEDAR at www.sedar.com.