Discoverymetals

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended December 31, 2018,
the four months ended December 31, 2017
and the year ended August 31, 2017

Dated April 26, 2019

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

This Management's Discussion and Analysis ("MD&A") of Discovery Metals Corp. (formerly Ayubowan Capital Ltd.) and its wholly-owned subsidiaries (together referred to as the "Company" or "Discovery Metals"), has been prepared to enable a reader to assess material changes in financial condition and results of operations as at and for the three and twelve months ended December 31, 2018. This MD&A, and the discussion of performance, financial condition and future prospects contained herein, should be read in conjunction with the Company's audited annual consolidated financial statements for the year ended December 31, 2018 and accompanying notes (the "consolidated financial statements"), prepared in accordance with International Financial Reporting Standards ("IFRS"). The information provided herein supplements, but does not form part of, the consolidated financial statements and includes financial and operational information from the Company's subsidiary. This discussion also covers the four months ended December 31, 2017 and year ended August 31, 2017 and the subsequent period up to the date of this MD&A.

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 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 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 consolidated financial statements and this MD&A, as well as ensured that the Company's management ("Management") has discharged its financial responsibilities. Information in this MD&A is prepared as at April 26, 2019.

Change in year-end

During the four months ended December 31, 2017, the Company changed its fiscal year-end to December 31 from August 31. As a result, the comparative periods for the three and twelve months ended December 31, 2018 are the four months ended December 31, 2017 and the three and twelve months ended August 31, 2017. Certain of the comparative figures have been reclassified to conform with the current period presentation.

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.

The Company was incorporated on October 10, 1986 under the laws of British Columbia as Ayubowan Capital Ltd. On June 13, 2017, the Company's name was changed to Discovery Metals Corp. The Company is listed on the TSX Venture Exchange (the "Exchange" or "TSXV") 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 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. There were no operations from that date and until the completion of the change of business transaction (the "Transaction") on August 17, 2017. Refer to the Press Release dated August 17, 2017 available on SEDAR at www.sedar.com or on the Company's website at www.dsvmetals.com. During the year ended December 31, 2018, AMC was liquidated.

On March 21, 2017 the Company incorporated a 100% 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 on the Puerto Rico Property in Coahuila, Mexico. The Puerto Rico Property is the Company's qualifying property under the TSXV's policies. Over the subsequent months the Company signed option agreements on six 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"). Aggregate gross proceeds from both tranches of the Offering were $15,618,500. The proceeds of the Offering were held in escrow, pending the Company receiving all applicable regulatory approvals and completing the Transaction. Subsequently, on August 17, 2017, the Company completed the Transaction and began trading on the Exchange as a junior exploration company.

2018 HIGHLIGHTS

During the year ended December 31, 2018, the Company issued several news releases announcing the results of sampling at the Puerto Rico, Minerva and Monclova projects.

Puerto Rico project

Highlights from the sampling program at the San Jose mine ("San Jose") at the Puerto Rico project (the "Project") include:

- First batch of 71 underground channel samples, all from Chuyon level;
- The Chuyon level, comprised of approximately 140m of underground workings, returned the highest average ZnEq manto grade of any other historic level sampled to date at Puerto Rico, at 28.2% ZnEq.
- Cu values were consistent and high across the level, indicating potential proximity to an intrusive source. The highest Cu sample was 1.4m of 5.1% Cu and 43 g/t Ag. High Cu values were primarily found in chimneys and faults and averaged of 0.8% Cu, 50g/t Ag, 4.0% Zn, and 3.5% Pb (9.2% ZnEq).
- The samples returned the two significant high-grade Pb and Zn channels:
  - 0.7m of 440 g/t Ag, 17.2% Zn, 49.5% Pb, 0.3% Cu (58.0% ZnEq); and
  - 0.5m of 97 g/t Ag, 45.6% Zn, 0.6% Pb, 0.1% Cu (47.8% ZnEq).
- Second and final batch of 157 underground channel samples from the remaining three levels – Haulage, Rope and Upper. Significant channels include:

  - 1.2m of 46.2% Zn and 0.2% Cu (46.8% ZnEq);
  - 2.3m of 199 g/t Ag, 0.3% Cu, 11.6% Pb, 6.8% Zn (18.5% ZnEq); and
  - 1.7m of 27 Ag, 0.4% Pb, 24.0% Zn (24.9% ZnEq).
- Three strongly mineralized mantos were identified and returned average grades of 18.1%, 15.2% and 28.2% ZnEq (32 samples).
- Two strongly mineralized chimneys were identified and returned average grades of 14.3% and 17.8% ZnEq (40 samples).

Refer to the Press Releases dated July 18, 2018 and August 23, 2018 available on SEDAR at www.sedar.com and on the Company's website at www.dsvmetals.com.

Highlights from the sampling program at the Puerto Rico mine include:

- Results were received from 206 channel samples from the Puerto Rico Mine at the Project, completing the detailed underground channel sampling program of the Puerto Rico mine.
- A total of 13 separate manto horizons were identified in the three levels of workings, of which nine were accessible for sampling. Significant results include:
  - Manto 7 average – 101 g/t Ag, 9.5% Pb, 20.0% Zn (29.4% ZnEq), over 1.8m;
  - Manto 12 average – 116 g/t Ag, 6.1% Pb, 22.5% Zn (29.5% ZnEq), over 1.4m; and
  - Manto 8 average – 253 g/t Ag, 10.8% Pb, 11.7% Zn (24.8% ZnEq), over 1.1m.
- 17 near-vertical mineralized faults and fractures (chimneys) were identified. These chimneys are interpreted to be feeder structures for the manto mineralization. Significant results include:
  - Chimney NW1 average – 279 g/t Ag, 27% Pb, 26.5% Zn (53.1% ZnEq), over 0.8m;
  - Chimney NE10 average – 484 g/t Ag, 22.7% Pb, 22.1% Zn (48.8% ZnEq) over 0.6m; and
  - Chimney NE11 average – 701 g/t Ag, 43.5% Pb, 5.9% Zn (53.1% ZnEq), over 0.5m.

Refer to the Press Release dated September 27, 2018 available on SEDAR at www.sedar.com and on the Company's website at www.dsvmetals.com.

Highlights from the sampling program at the Zaragoza mine ("Zaragoza") include:

- First-ever detailed continuous sampling program carried out at the Project.
- Strong grade and width continuity of mineralization over entire workings sampled.
- Results from the Zaragoza Lower level returned the highest Zn and ZnEq channel sample values on the Puerto Rico project to date (39.6% and 45.5% respectively) and the highest manto ZnEq average grade at the Zaragoza mine, at 15.8% ZnEq (21 samples).
- Of the total 293 channel samples at the Zaragoza mine, 83 were from manto mineralization and returned an average grade of 129 g/t Ag, 7.6% Zn, 4.3% Pb, 0.12% Cu (12.8% ZnEq).
- The three known mantos at Zaragoza are open laterally in all directions, and chimneys are open to depth, indicating potential for additional stacked mantos below.

Refer to the News Releases dated April 30, May 24, 2018 and June 20, 2018 available on SEDAR at www.sedar.com and on the Company's website at www.dsvmetals.com.

Monclova project

Highlights from the magnetometer survey at the Monclova project ("Monclova") include:

- Three target areas covered which represent the highest potential of identified mineralization to date on the Monclova project:
    - Real Viejo with 23 lines spaced 50m apart;
    - Corrales, just east of RV, with 17 lines spaced 100m apart; and
    - Soledad with 12 lines spaced 50m apart.
- Two types of mineralization have been identified at the Project: (1) Fe skarn mineralization with Cu-Au-Ag values; (2) breccias and replacement mineralization with high Ag-Pb-Zn values.

Refer to the Press Releases dated June 6, 2018 and November 8, 2018 available on SEDAR at www.sedar.com and on the Company's website at www.dsvmetals.com.

Minerva project

Highlights from the sampling program at the Minerva project ("Minerva") include:

- First-ever modern surface exploration results from Minerva, situated in a past-producing district.
- 152 total samples, of which 146 were taken as channels from surface outcrops.
- Preliminary mapping and sampling results suggest the presence of a large Ag-Pb-Zn skarn / carbonate replacement (CRD) system at shallow depth.
- Highlights of channel samples received to date include 1,775 g/t Ag, 25.8% Zn and 14.5% Pb at surface.

Refer to the Press Release dated May 17, 2018 available on SEDAR at www.sedar.com and on the Company's website at www.discoverymetals.com.

Management team

On July 9, 2018, the Company announced the addition of Gernot Wober, appointed as VP Exploration to the management team. Mr. Wober is a professional geologist (P.Geo) and has over 36 years of international experience, including substantial time spent in Latin America. Mr. Wober most recently served as VP Exploration, Canada, at Osisko Mining Inc., during which time he took part in several key mergers and acquisitions and led the team through the advancement of the Windfall deposit and the discovery of the new Lynx zone. Mr. Wober's career also includes exploration roles with Chevron Canada Resources Limited, Noranda Exploration Company Limited and Taseko Mines Ltd. He completed his B.Sc. Geology from the University of British Columbia.

The Company further announces, effective July 9, 2018, pursuant to the Company's stock option plan, the granting of 400,000 stock options to Mr. Wober. The options, all with an exercise price of $0.50 per share, vest in three equal tranches: on the date of the grant and the first and second anniversaries of the date of the grant. The options have a five-year expiry date.

Refer to the Press Release dated July 9, 2018 available on SEDAR at www.sedar.com and on the Company's website at www.dsvmetals.com.

(Expressed in Canadian dollars, except where otherwise noted)

In addition to the appointment of Mr. Wober, updates to management structure that were not included in a news release include the following:

- Orest Zajcew retired on July 31, 2018 and effective August 1, 2018, Andreas L'Abbé, CFO, will assume the role of Corporate Secretary.

RECENT DEVELOPMENTS

Puerto Rico project

During April 2019, the Company announced advances to the final stages in the land re-designation process at Puerto Rico. The Company is now awaiting the preparation of the Land Management Plan (the "Plan") by the National Commission for Nature Protected Areas ("CONANP") and the subsequent submission and approval at the federal level. Once complete, the Company can apply for the standard drill permits for the Project.

In addition to these advancements in the re-designation process, Discovery was granted membership and voting rights on the Board of the Maderas del Carmen Reserve (the "MDC Board"). The Board also approved the creation of a mining sub-committee which will work alongside CONANP in the review of the necessary changes to the Plan. The MDC Board will review and approve the final Plan prior to submission to the federal government.

The Company also announced amendments to the terms of the Puerto Rico option agreement. A comparison of the key terms in the original and amendment agreements is shown in the table below:

PAYMENT TYPE	ORIGINAL TERM	AMENDED TERM
Drill Permit milestone	- 500,000 common shares - US$300,000 cash in lump sum payment	- US$300,000 cash in 15 equal monthly instalments
Drill Permit milestone	- Four tranches of 500,000 common shares issued annually beginning August 17, 2019	- Four tranches of 500,000 common shares issued annually beginning the latter of August 17, 2019 or receipt of Drill Permit
Purchase Option work required	- US$12,500,000 minimum spend over five (5) years	- 12,000 meters of drilling over three (3) years
Purchase Option consideration	- Higher of 30% of fair market value of the Project or US$10,000,000. - Payment in common shares and cash	- Higher of 20% of fair market value of the Project or 18,000,000 common shares. - Payment all in common shares

In addition to the amendment of the Agreement, the Company signed a 30-year agreement with the Boquillas del Carmen Ejido which grants full access for all exploration and mining activities both surface and underground. Consideration of 200,000MXP (approximately $13,500) was paid on signing with additional annual payments of 200,00MXP over the term of the agreement.

Refer to the Press Releases dated April 3, 2019 and April 25, 2019 available on SEDAR at www.sedar.com and on the Company's website at www.dsvmetals.com.

Minerva project

During April 2019, the Company announced the results of surface samples from Minerva. Highlights include:

- Results received from 273 surface channel samples and one grab surface outcrop, all part of a detailed mapping and sampling program on three high potential areas at the Minerva project;
    - Values up to 997 g/t Ag, 30.9% Zn and 12.8% Pb
- At all three key mineralized areas, strong Ag-Zn-Pb grades of surface anomalies plus the dimensions of the corresponding areas suggest the presence of a robust carbonate replacement system; and
- At Mina Minerva, one of the key areas, the anomalous area has been increased substantially, now at 1.5km long by 300m wide.

Refer to the Press Release dated April 10, 2019 available on SEDAR at www.sedar.com and on the Company's website at www.dsvmetals.com.

Monclova project

During April 2019, the Company announced the results of surface and underground samples from Monclova. Highlights include:

- Results from 41 underground channel samples include values of 1.0m breccia with 1,558 g/t AgEq1, 1.2m breccia with 814 g/t AgEq1 and 1.0m breccia with 1,018 g/t AgEq1 at two of the historical workings.
- Results from 200 surface samples include channel sample values of 1.0m breccia with 248g/t AgEq1, 1.5m fault breccia with 162 g/t AgEq1, and dump samples of 2,645 g/t AgEq1 and 704 g/t AgEq1.

Refer to the Press Release dated April 23, 2019 available on SEDAR at www.sedar.com and on the Company's website at www.dsvmetals.com.

2019 OUTLOOK

The Company is focused on discovering and advancing high-grade polymetallic deposits in a recently assembled land package of approximately 150,000 hectares over a large and historic mining district in northern Coahuila State, Mexico. The portfolio of three large-scale, drill-ready projects and several earlier-stage prospects, all with shallow high-grade silver-zinc-lead mineralization, is situated in a world-class carbonate replacement deposit belt that stretches from southeast Arizona to central Mexico. The land holdings contain numerous historical direct-ship ore workings with several kilometers of underground development, however no modern exploration or exploration drill testing has been carried out on the properties prior to Discovery's time.

Based on extensive surface exploration work (geology, geochemistry, geophysics) completed during 2018, Management has prioritized three projects (Puerto Rico, Minerva, Monclova) to be advanced to phase 1 drill-testing. The mineralized widths and grades in combination with the interpreted mineralization models from these three projects indicate that economically robust polymetallic mineralization potentially occurs on the projects. The company is finalizing its drill planning at Minerva and Monclova in order to begin drilling during 2019. Minerva is fully permitted for drilling and Monclova's drill permit application has been submitted to

(Expressed in Canadian dollars, except where otherwise noted)

SEMARNAT and the Company is awaiting final approval, anticipated in Q2 2019. At Puerto Rico, the Company is in the final stages of having the land re-designated and, once completed, will submit its drill permit application.

While the Company's main focus in 2019 will be on Puerto Rico, Minerva and Monclova, other activities will include testing its earlier-stage properties with surface exploration work. In addition, the Company continues to evaluate other strategic and accretive business opportunities. There are no present plans for any material capital expenditures in the next twelve months. As such, the Company is sufficiently capitalized to support the budget forecast, including phase 1 drill-testing.

REVIEW OF CONSOLIDATED FINANCIAL RESULTS

Selected Consolidated Financial Information

		Year Ended December 31, 2018		Four Months Ended December 31, 2017[(1)]		Year Ended August 31, 2017
Net loss:						
(a) Total	**$**	**(7,030,627)**	**$**	($1,901,029)	$	($3,588,611)
(b) basic and diluted loss per share	**$**	**(0.10)**	**$**	($0.03)	$	($0.10)
Net loss and total comprehensive loss	**$**	**(6,787,156)**	**$**	($2,247,458)	$	($3,588,611)
Cash and cash equivalents	**$**	**4,691,676**	**$**	$12,234,811	$	$14,643,353
Total assets	**$**	**7,216,714**	**$**	$13,697,402	$	$15,912,142
Total current liabilities	**$**	**230,090**	**$**	$442,391	$	$802,667
Total weighted average shares outstanding		**65,043,998**		65,043,998		35,367,831

Year Ended December 31, 2018 vs. Four Months Ended December 31, 2017 and Year Ended August 31, 2017

Net loss and total comprehensive loss

The Company had a net and total comprehensive loss of $6,787,156 for the year ended December 31, 2018 compared to a net and total comprehensive loss of $2,247,458 and $3,588,611 for the four months ended December 31, 2017 and the year ended August 31, 2017, respectively. The net and total comprehensive loss for the year ended December 31, 2018 and the four months ended December 31, 2017 includes a non-cash currency translation adjustment gain of $243,471 and loss of $346,429, respectively, as a result of the translation of Discovery Mexico's MXP functional currency financial statements to the Company's presentation currency of CAD on consolidation. There was no currency translation adjustment during the year ended August 31, 2017 as foreign currency transactions and balances were immaterial.

During the year ended August 31, 2017, the Company actively evaluated a number of business opportunities, eventually signed a number of option agreements on properties in Coahuila, Mexico, and by August 31, 2017, had changed its business to become a Tier 2 exploration company on the TSX-V. As a result of the activity related to the Transaction, expenses were significantly higher for the year ended August 31, 2017 when compared to the four months ended December 31, 2017 while the increase in expenses during the year ended December 31, 2018 when compared to the two previous annual reporting periods is a direct result of a full year of exploration activities.

Share-based compensation expense

The Company incurred non-cash share-based compensation expenses of $518,770 during the year ended December 31, 2018 compared to $392,994 and $1,984,871 during the four months ended December 31, 2017 and the year ended August 31, 2017, respectively. This increase compared to the four months ended December 31, 2017 is the result of the issuance of new stock options during 2018 while the decrease over the year ended August 31, 2017 is the result of the issuance of a greater quantity of stock options as a result of the inception of the Company during the period.

Exploration and project evaluation expense

The Company incurred exploration and project evaluation costs of $4,876,988 during the year ended December 31, 2018 compared to $758,628 and $949,265 during the four months ended December 31, 2017 and the year ended August 31, 2017, respectively. This increase over the four months ended December 31, 2017 is the direct result of a full twelve months of exploration activities, including permitting, mapping and sampling, geophysics, surface access payments and salaries and benefits. The decrease in exploration and project evaluation expense from the four months ended December 31, 2017 when compared to the year ended August 31, 2017 is a result of significant project evaluation costs having occurred prior to the Transaction. This is partially offset by increases in expenditures on the actual properties during the four-months ended December 31, 2017, including an increase of approximately $120 thousand related to permitting at Puerto Rico, and approximately $162 thousand related to surface access rights, drilling and other expenses at La Kika.

General office and other expenses

During the year ended December 31, 2018, the Company incurred general office and other expenses of $1,289,068 compared to $748,075 and $190,948 during the four months ended December 31, 2017 and the year ended August 31, 2017, respectively. This increase of approximately $540 thousand over prior year is the direct result of a full twelve months of general office and other expenses, including salaries and benefits, office rent, listing and filing fees and others. The increase from the year ended August 31, 2017 to December 31, 2017 of approximately $557 thousand is primarily the result of the inclusion of salaries and benefits of $395 thousand related to the hiring of all executives, directors and employees during the period and $115 thousand related to office rent and other expenses which did not exist during the year-ended August 31, 2017 as the Company was in its start-up phase. The Company had no officers, directors or employees up to the Transaction date, and did not set up the corporate office until the four-months ended December 31, 2017.

Professional fees

During the year ended December 31, 2018, the Company incurred professional fees of $289,323 compared to $268,048 and $456,636 during the four months ended December 31, 2017 and the year ended August 31, 2017, respectively. The slight increase over prior year is primarily a result of fees related to the preparation of regulatory filings in Mexico. The decrease from the year ended August 31, 2017 to December 31, 2018 of approximately $188 thousand is entirely due to costs associated with the Transaction having occurred during the year-ended August 31, 2017 which resulted in greater legal and consulting fees during that period.

(Expressed in Canadian dollars, except where otherwise noted)

Foreign exchange (gain) loss

The company incurred a foreign exchange loss of $170,304 during the year ended December 31, 2018 compared to a gain of $230,616 during the four months ended December 31, 2017 and a foreign exchange loss of $8,871 during the year-ended August 31, 2017. The fluctuations are primarily the result of a depreciation of the MXP against the CAD partially offset by an appreciation of the USD against the CAD during the period. The Company remains unhedged with respect to foreign currency.

Summary of Consolidated Quarterly Results

	Three Months Ended			
	December 31, 2018	September 30, 2018	June 30, 2018	March 31, 2018
Net loss				
(a) Total	**$ (1,384,584)**	$ (1,983,699)	$ (2,115,844)	$ (1,546,500)
(b) basic and diluted per share	**$ (0.02)**	$ (0.03)	$ (0.03)	$ (0.02)
Net loss and total comprehensive loss	**$ (1,179,158)**	$ (1,934,797)	$ (2,027,768)	$ (1,645,433)
Cash and cash equivalents	**$ 4,691,676**	$ 5,928,552	$ 8,060,078	$ 10,317,254
Total assets	**$ 7,216,714**	$ 8,341,816	$ 10,097,337	$ 12,137,236
Total current liabilities	**$ 230,090**	$ 254,985	$ 218,076	$ 358,225
Total weighted average shares outstanding	**65,043,998**	65,043,998	65,043,998	65,043,998

	Four Months Ended	Three Months Ended		
	December 31, 2017[(1)]	August 31, 2017	May 31, 2017	February 28, 2017
Net loss				
(a) Total[(1)]	$ (1,901,029)	$ (2,100,859)	$ (320,265)	$ (146,300)
(b) basic and diluted per share	$ (0.03)	$ (0.05)	$ (0.01)	$ (0.00)
Net loss and total comprehensive loss	$ (2,247,458)	$ (2,100,859)	$ (320,265)	$ (146,300)
Cash and cash equivalents	$ 12,234,811	$ 14,643,353	$ 451,522	$ 935,991
Total assets	$ 13,697,402	$ 15,912,142	$ 668,756	$ 941,220
Total current liabilities	$ 442,391	$ 802,667	$ 112,059	$ 64,258
Total weighted average shares outstanding	65,043,998	38,652,150	32,669,999	32,669,998

(1) As a result of the change in year-end from August 31 to December 31, the transition period was the four-month period ended December 31, 2017.

Three Months Ended December 31, 2018 vs. Three Months Ended September 30, 2018

Net loss and total comprehensive loss

The Company had a net and total comprehensive loss of $1,179,158 for the three months ended December 31, 2018, compared to a net and total comprehensive loss of $1,934,798 for the three months ended September 30, 2018. The net and total comprehensive loss for the three months ended December 31, 2018 includes a non-cash currency translation adjustment gain of $205,427 as a result of the translation of Discovery Mexico's MXP functional currency financial statements to the Company's presentation currency of CAD on consolidation (three months ended September 30, 2018 – gain of $48,901).

Share-based compensation expense

The Company incurred non-cash share-based compensation expenses of $78,952 during the three months ended December 31, 2018, compared to $142,367 during the three months ended September 30, 2018. This decrease is a direct result of the passage of time which results in the recognition of a decreasing expense with each subsequent period provided no additional share-based compensation is issued.

Exploration and project evaluation expense

The Company incurred exploration and project evaluation costs of $814,470 during the three months ended December 31, 2018 compared to $674,993 during the three months ended September 30, 2018. This increase is the direct result of work being performed on the Company's properties and includes approximately $563 thousand spent on Puerto Rico (comprised primarily of $127 thousand for permitting and $215 thousand on mapping and sampling and assays, $106 thousand on salaries and benefits, and $25 thousand on geophysics), $83 thousand spent on Monclova (comprised primarily of $33 thousand on mapping and sampling and assays, $21 thousand on surface access rights, and $14 thousand for salaries and benefits), approximately $238 thousand spent on Minerva (comprised primarily of $145 thousand for mapping and sampling and assays, $53 thousand spent on geophysics and $29 thousand for salaries and benefits) with remainder having been spent on general project expenses.

General office and other expenses

During the three months ended December 31, 2018, the Company incurred general office and other expenses of $239,928 compared to $231,708 for the three months ended September 30, 2018, comprised primarily of salaries and benefits, travel and accommodation and office and rent expenses.

Professional fees

During the three months ended December 31, 2018, the Company incurred professional fees of $72,289 compared to $98,355 during the three months ended September 30, 2018. This change is primarily the result of a decrease of approximately $56 thousand in legal fees which were higher during the previous period as a result of spend associated with mineral claims work on the properties, partially offset by the inclusion of approximately $30 thousand in audit and accounting related to regulatory filing requirements in Mexico.

Foreign exchange (gain) loss

The company incurred a foreign exchange loss of $200,507 during the three months ended December 31, 2018 compared to a gain of $6,903 during the three months ended September 30, 2018. The change is the result of an appreciation of the MXP against the CAD combined with an appreciation of the USD against the CAD during the period. The Company remains unhedged with respect to foreign currency.

CASH FLOW

Year Ended December 31, 2018 vs. Four Months Ended December 31, 2017 and Year Ended August 31, 2017

The Company had net cash used in operating activities of $7,303,823 during the year ended December 31, 2018 compared to $2,072,705 and $1,063,186 for the four months ended December 31, 2017 and the year-ended August 31, 2017, respectively. This increase is a direct result of a full year of operating activities when compared to the prior year four-month period and the year-ended August 31, 2017 when the Company's exploration activities had not begun.

The Company had net cash used in investing activities of $240,970 for the year ended December 31, 2018 compared to $307,779 and $667,359 for the four months ended December 31, 2017 and the year ended August 31, 2017, respectively. Investing activities for the current period includes the acquisition of additional mineral claims for Minerva, La Kika and Puerto Rico, vehicles in Mexico and office and computer equipment. Prior year additions included vehicles in Mexico, field equipment, and the final payment for the Option Agreements which was included in payables at August 31, 2017. The cash outflow for the year ended August 31, 2017 is a result of cash payments made related to the value of mineral properties under the Option Agreements.

The Company did not have any financing activity during year ended December 31, 2018 or the four months ended December 31, 2017. During the year ended August 31, 2017, net cash provided by financing activities totaled $15,313,965 as a result of proceeds from two tranches in a non-brokered private placement through the issuance of 31,237,000 subscription receipts.

Three Months Ended December 31, 2018 vs. Three Months Ended September 30, 2018

The Company had net cash used in operating activities of $1,238,146 for the three months ended December 31, 2018 compared to net cash used in operating activities of $2,044,810 for the three months ended September 30, 2018. This decrease is primarily the result of a lower spend on exploration and evaluation activities during the three months ended December 31, 2018.

The Company had net cash used in investing activities of $6,915 for the three months ended December 31, 2018 compared to net cash used in investing activities of $90,066 for the three months ended September 30, 2018. Investing activities for the prior period includes cash paid for the acquisition of claims for La Kika and Puerto Rico and additions to property, plant and equipment.

The Company did not have any financing activity during the three months ended December 31, 2018 or the three months ended September 30, 2018.

CAPITAL MANAGEMENT AND LIQUIDITY

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 ensuring that the Company will be able to meet its financial obligations as they become due.

(Expressed in Canadian dollars, except where otherwise noted)

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 December 31, 2018, 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 December 31, 2018.

As at December 31, 2018, the Company had working capital (calculated as current assets less current liabilities) of $5,483,006 (December 31, 2017 – $12,043,101, August 31, 2017 – $13,945,069), shareholders' equity of $6,986,625 (December 31, 2017 – $13,255,011, August 31, 2017 – $15,109,475) and an accumulated deficit of $28,629,316 (December 31, 2017 – $21,598,689, August 31, 2017 – $19,697,660). The Company is sufficiently capitalized to complete planned initial exploration programs on its properties for the current fiscal year. However, 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

There were no changes in share capital during the year ended December 31, 2018. A summary of the common shares issued and outstanding as at December 31, 2018 is as follows:

	Common Shares		Amount
As at September 1, 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
As at December 31, 2017	65,043,998	$	23,539,388
As at December 31, 2018	**65,043,998**	**$**	**23,539,388**

Non-brokered private placement

During the year-ended August 31, 2017, the Company proposed a change of business from its previous mortgage origination and servicing business (which ceased operations in 2010) to a mineral exploration company. Prior to completion of the Transaction, certain regulatory approvals were required.

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.

(Expressed in Canadian dollars, except where otherwise noted)

On July 17, 2017, the Company closed the first (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 (the "Second 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 completed the Transaction, and 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 have hold periods which expired between November 15 and November 20, 2017. The securities issued to finders had a hold period which expired December 18, 2017.

OUTSTANDING SHARE DATA

As at April 26, 2019 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 5,083,333 Common Shares
Securities convertible or exercisable into voting or equity securities-warrants[(1)]	Warrants to acquire 32,908,960 Common Shares	Warrants to acquire 31,664,500 Common Shares

(1) 1,244,460 private placement warrants expired unexercised on February 17, 2019.

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 of Directors and corporate officers.

A company partially owned by one of the directors of the Company provides access to administrative and exploration personnel and has made certain payments on behalf of the Company on an as-needed basis. There is no fee charged to the Company, as all expenses are allocated at cost. Reimbursed expenses for the year ended December 31, 2018 totalled $75,841 (four months ended December 31, 2017 – $30,230; year ended August 31, 2017 – $118,156). The Company had $5,772 in expenses payable to this company as at December 31, 2018 (December 31, 2017 – $34,431; August 31, 2017 – $nil). These expenses are not included in the table below.

(Expressed in Canadian dollars, except where otherwise noted)

Under a similar arrangement, during the year ended December 31, 2018 the Company reimbursed expenses of $27,619 (four months ended December 31, 2017 – USD$3,289; year ended August 31, 2017 – $nil) to another company which has a Director in common. There was $707 in expenses payable at December 31, 2018 (December 31, 2017 – of USD$4,958; August 31, 2017 – $nil).

These expenses are not included in the tables below.

Transaction Type	Nature of Relationship	**Three Months Ended December 31, 2018**	Four Months Ended December 31, 2017	Three Months Ended August 31, 2017
Professional fees	A company with a former director/officer in common	**$ -**	$ 80,000	$ 60,000
Consulting Fees	Officers	**-**	41,667	760,346
Share-based payments	Directors and officers	**86,116**	251,660	125,000
Shares to purchase mineral properties	Director	**-**	-	325,592
Payment to purchase mineral properties	Director	**-**	-	-
Salaries and benefits	Officers	**156,231**	305,083	18,827
Directors fees	Directors	**43,750**	63,890	6,848
		$ 286,097	$ 742,300	$ 1,296,613

Transaction Type	Nature of Relationship	**Year Ended December 31, 2018**	Four Months Ended December 31, 2017	Year Ended August 31, 2017
Professional fees	A company with a former director/officer in common	**$ -**	$ 80,000	$ 60,000
Consulting Fees	Officers	**-**	41,667	-
Share-based payments	Directors and officers	**287,516**	251,660	1,760,296
Shares to purchase mineral properties	Director	**-**	-	125,000
Payment to purchase mineral properties	Director	**-**	-	325,592
Salaries and benefits	Officers	**585,005**	305,083	18,827
Directors fees	Directors	**175,000**	63,890	6,848
		$ 1,047,521	$ 742,300	$ 2,296,563

(Expressed in Canadian dollars, except where otherwise noted)

Summary of amounts due to related parties:

Transaction Type	Nature of Relationship	**December 31, 2018**	December 31, 2017	August 31, 2017
Accounts payable and accrued liabilities	A director and a company with a director/officer in common with the Company	**$ 1,554**	$ 76,554	$ 6,848
		$ 1,554	$ 76,554	$ 6,848

FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS

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.

The fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Financial instruments are classified into one of three levels in the fair value hierarchy according to the degree to which the inputs used in the fair value measurement are observable.

Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
Level 3 Inputs that are not based on observable market data.

As at December 31, 2018 the Company had no financial instruments classified as Level 2 or 3.

Financial Risk Factors

The Company has exposure to certain risks resulting from its use of financial instruments.

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 December 31, 2018, the Company had a cash balance of $4,691,676 (December 31, 2017 - $12,234,811, August 31, 2017 - $14,643,353) to settle current liabilities of $230,090 (December 31, 2017 - $442,391, August 31, 2017 - $802,667). The Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

As at December 31, 2018, the Company has no sources of revenue to fund its operating expenditures. During the year-ended August 31, 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 as a result of adverse market conditions or other, 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.

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, accounts receivable and prepaids and deposits are exposed to credit risk. The Company has assessed the credit risk on its cash and cash equivalents as low as its funds are held in highly rated Canadian financial institutions. The Company's sales tax receivable is with the Canadian and Mexican governments, both of which have a positive history of refunding balances owing. Management deems the credit risk associated with sales tax receivable and prepaids and deposits 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 consolidated statements of financial position.

	December 31, 2018	December 31, 2017	August 31, 2017
Cash and cash equivalents	**$ 4,691,676**	$ 12,234,811	$ 14,643,353
Sales tax and other receivables	**984,547**	212,894	26,655
Prepaids and deposits	**36,873**	37,787	77,728
	$ 5,713,096	$ 12,485,492	**$** 14,747,736

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. Management has determined market risk to be at an acceptable level.

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.

Foreign currency risk

The Company's functional currency is the Canadian dollar. At December 31, 2018, cash balances were held primarily 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 December 31, 2018, the Company had the following foreign currency denominated trade payables:

		December 31, 2018		December 31, 2017		August 31, 2017
United States dollar	**$**	**38,077**	$	33,970	$	181,791
Mexican Peso		**108,625**		20,584		430,023
	$	**146,702**	$	54,554	**$**	611,814

It is estimated that a 10% fluctuation in the United States Dollar and Mexican Pesos against the Canadian dollar would affect net loss at December 31, 2018 by approximately $19,035 (December 31, 2017 – $8,231; August 31, 2017 – $61,181).

As at December 31, 2018, Management has determined the Company's exposure to foreign currency risk to be at an acceptable level.

Price risk

The Company is exposed to price risk with respect to commodity prices and prices of equity securities. 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. 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. 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 December 31, 2018, 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. Additional risks not currently known to the Company, or that the Company currently deems immaterial, may also impair the Company's operations.

For additional risks other than the primary risks described herein, refer to the Company's Filing Statement in Respect of a Change of Business dated August 3, 2017, available on SEDAR at www.sedar.com.

This MD&A also contains forward-looking information that involve risks and uncertainties. The Company's actual results could differ materially from those anticipated in these forward-looking statements as a result of the risks faced by the Company as described in the documents incorporated by reference herein. Refer to the "Cautionary Statement Regarding Forward-Looking Information".

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 is 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 and/or to engage in other strategic business opportunities. 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.

Political Environment

The Company's mineral exploration activities are subject to various laws governing prospecting, development, production, taxes, labour standards and occupational health, mine safety, toxic substances, land use, water use, land claims of local and indigenous people and other matters. No assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail exploration, production or development. Amendments to current laws and regulations governing operations and activities of mining and milling or more stringent implementation thereof could have a material adverse impact on the operations and financial position of the Company. In addition, as governments continue to struggle with deficits and concerns over the effects of depressed economies, the mining and metals sector has been targeted to raise revenue. Governments are continually assessing the fiscal terms of the economic rent for a mining company to exploit resources in their countries. The occurrence of mining regime changes adds uncertainties that cannot be accurately predicted and any future adverse changes in government policies or legislation in the jurisdictions in which the Company operates that affect foreign ownership, mineral exploration, development or mining activities, may affect the Company's viability and profitability.

On December 1, 2018, a new government took office in Mexico. Management is closely monitoring the potential impacts the change in government will have on the mining industry, foreign investment and general economy in Mexico as it relates to the Company.

COMMITMENTS AND CONTRACTUAL OBLIGATIONS

Puerto Rico

On completion of the permitting for the Puerto Rico project, the Company will have to pay USD$300,000 over 15 months, beginning 30 calendar days after the receipt of the permit (refer to the Recent Developments section of this MD&A).

During the year ended December 31, 2017, the Company contracted an environmental engineering consultancy firm to assist in the preparation and filing of all environmental and technical reports required by various governmental agencies with respect to the permitting process at Puerto Rico. The contract totaled USD$1.2 million of which the remaining USD$100 thousand will be paid upon receipt of all permits.

Monclova

During the year ended December 31, 2018, the Company contracted an environmental engineering consultancy firm to assist in the preparation and filing of all environmental and technical reports required by various governmental agencies with respect to the permitting process at Monclova. The contract totalled USD$90 thousand which will be paid upon receipt of all permits.

Please refer to Note 9 of the consolidated financial statements for the four months ended December 31, 2017 for a full description of the terms necessary to exercise the options on the exploration properties and the Recent Development section of this MD&A for details on the amendments to the Puerto Rico Option Agreement.

Other commitments

The Company has a five-year operating lease for premises and other short-term operating leases for certain office equipment. Total payments made during the year ended December 31, 2018 were $93,785 (four-months ended December 31, 2017 – $16,153; year-ended August 31, 2017 – $nil). Total future minimum lease payments, under non-cancellable operating leases as at December 31, 2017 are as follows:

Year	**December 31, 2018**	December 31, 2017	August 31, 2017
2019	**$ 95,798**	$ 93,785	$ 93,400
2020	**94,877**	92,864	93,400
2021	**93,037**	91,024	90,640
2022	**77,531**	75,854	90,640
2023	**-**	-	-
	$ 361,243	$ 353,527	$ 368,080

(1) Effective January 1, 2019, the Company adopted IFRS 16 – Leases which brings operating leases onto the statement of financial position while allowing for certain exemptions based on duration of the lease and total dollar value of the contract.

SIGNIFICANT ACCOUNTING POLICIES

For a full description of the Company's significant accounting policies, please see note 3 of the consolidated financial statements.

CHANGES IN ACCOUNTING POLICIES

Application of new and revised accounting standards effective January 1, 2018

The Company has adopted the following new IFRS standards, amendments to standards and interpretations for the year ended December 31, 2018. The Company determined there to be no material impact on the consolidated financial statements.

(Expressed in Canadian dollars, except where otherwise noted)

IFRS 9 – Financial Instruments ("IFRS 9")

In July 2014, the IASB issued the final version of IFRS 9 - Financial Instruments ("IFRS 9"), which replaces IAS 39 - Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 is effective for annual periods beginning on or after January 1, 2018.

IFRS 9 provides a revised model for classification and measurement of financial assets, including a new "expected credit loss" impairment model. The revised model for classifying financial assets results in classification according to their contractual cash flow characteristics and the business models under which they are held. IFRS 9 introduces a reformed approach to hedge accounting. IFRS 9 also largely retains the existing requirements in IAS 39 for the classification of financial liabilities.

The accounting policy on financial instruments summarized in note 3 (j) of the consolidated financial statements was adopted as at January 1, 2018 retrospectively without restatement of the comparative period and replaces the Company's previously existing accounting policy on financial instruments included in note 3 (j) of the consolidated financial statements for the four months ended December 31, 2017.

<u>IFRS 9 transition adjustments</u>

The adoption of IFRS 9 during the year ended December 31, 2018 did not impact the carrying value of any financial asset or financial liability on the transition date. None of the Company's financial instrument classification has changed significantly as a result of the adoption of the new standard.

The Company has assessed the impairment of its receivables using the expected credit loss model, and no material difference was noted, and no impairment has been recognized upon transition or at December 31, 2018.

The table below outlines the change in classification of the Company's financial assets and liabilities from IAS 9 to IFRS 9.

	IFRS 9	**IAS 39**	
	New Classification	**Original Classification**	**Measurement Model**
Cash and cash equivalents	FVTPL	FVTPL	FVTPL
Sales tax and other receivables	FVTPL	FVTPL	FVTPL
Accounts payable and accrued liabilities	Amortized cost	Loans and receivables	Amortized cost

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 Company determined there to be no impact on its consolidated financial statements.

Future accounting standards and interpretations effective January 1, 2019 and thereafter

Certain new IFRS standards, and amendments to standards and interpretations, are not yet effective for the three months and year ended December 31, 2018 and have not been applied in preparing these consolidated financial statements.

The Company is currently evaluating the impact the following standards are expected to have on its 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 will adopt IFRS 16 for the annual period beginning January 1, 2019. The Company has completed its analysis and determined the impact to be as follows:

- A right-of-use asset and lease liability will be created in the amount of $176,073, respectively;
- There will be no adjustment to opening retained earning based on the adoption of IFRS 16.
- The Company has applied certain exemptions for leases determined to be of low-dollar value (under USD$5,000) and/or short-term in nature (contracts of less than 12-months). These will remain as operating leases with the associated cost being expensed as incurred.

IFRIC 23 – Uncertainty over income tax treatments ("IFRIC 23")

In June 2017, the IASB interpretations committee issued IFRIC 23 which addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under *IAS 12 – Income taxes*. IFRIC 23 specifically considers the following:

- Whether tax treatments should be considered collectively;
- Assumptions for taxation authorities' examinations;
- The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
- The effect of changes in facts and circumstances.

IFRIC 23 is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted. The Company has completed its analysis and determine there to be no impact on the consolidated financial statements upon adoption.

CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the interim and consolidated financial statements in conformity with IFRS requires management to make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results could differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Critical accounting judgments and estimates include but are not limited to the Company's determination of: functional currency; the economic recoverability and probability of future economic benefits of exploration; evaluation and development costs; determination of useful lives; impairment charges; recoverability of sales tax receivable; income taxes; and share-based payments. The estimates of non-cash share-based payments expense involve considerable judgment and are, or could be, affected by significant factors that are out of the Company's control. Actual results could differ from those estimates.

Critical accounting judgments

The significant areas of judgment considered by management in preparing the consolidated financial statements include, but are not limited to:

Functional currency

The functional currency for each of the Company and its subsidiaries is the currency of the primary economic environment in which the entity operates. The Company has determined that for each of the Canadian entities, the functional currency is CAD and for the Mexican subsidiary the functional currency is MXP. Foreign exchange differences arising from the translation from functional to presentation currency are recognized each period in other comprehensive income and may or may not be subsequently reclassified to profit or loss depending on future events.

Economic recoverability and probability of future economic benefits of exploration, evaluation and development costs

The Company makes determinations whether development and related costs incurred which have been capitalized are economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including geological and metallurgical information, economic assessments and existing permits for land access and drilling. The estimates contained within these criteria could change over tie which could affect the economic recoverability of capitalized costs.

Critical accounting estimates

The information about significant areas of estimation uncertainty considered by management in preparing the financial statements is as follows:

Determination of useful lives

Equipment is depreciated using the straight-line method based on the specific asset's useful life. Should the actual useful life vary from the initial estimation, future depreciation charges may change. Should the componentization of these like assets change, depreciation charges may vary materially.

Impairment charges

The Company assesses its CGUs at each reporting date to determine whether any indication of impairment exists. Where an indicator of impairment exists, an estimate of the recoverable amount is made, which is the higher of the fair value less costs to sell and value in use. The determination of the recoverable amount requires the use of estimates and assumptions such as long-term commodity prices, discount rates, future capital requirements, exploration potential and future operating performance. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's-length transaction between knowledgeable and willing parties. The estimates are subject to risk and uncertainty and therefore there is the possibility that changes in circumstances will alter these projections, which may impact the recoverable amount of the individual assets or CGUs.

Sales tax recoverability

The Company incurs significant expenditures on which sales tax is paid ("GST/HST" in Canada and "IVA" in Mexico). The Company can claim a 100% refund of sales taxes paid on allowable expenditures.

As a result of the Company's limited operating history, management currently estimates 100% collectability of the sales tax receivable balance and anticipates the collection within 12 months of incurring the associated expenditure. It is possible however, that the refund requests may be delayed, reduced or denied by the respective taxation authorities. Management assesses collectability and classification of the asset at each reporting period.

The sales tax receivable balance was $950,053 at December 31, 2018 (December 31, 2017 - $212,894 and August 31, 2017 - $26,655).

Share-based payments

The fair value of the estimated number of stock options that will eventually vest is recognized as share-based compensation expense over the vesting period of the stock options with the corresponding increase in equity.

Determining the fair value of options and warrants requires the exercise of judgment related to the choice of a pricing model, the estimation of stock price volatility, the expected forfeiture rate and the expected term of the underlying instruments. Option and warrant pricing models require the input of highly subjective assumptions including the expected price volatility and expected life. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's options or warrants at the date of grant. Any changes in the estimates or inputs utilized to determine fair value could result in a significant impact on the Company's future operating results or on other components of equity.

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 Gernot Wober, P. Geo., Vice President Exploration of the Company, who is recognized as a Qualified Person ("QP") under the guidelines of NI 43-101.

CAUTIONARY STATEMENT 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;
- General political climate;
- 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.