



Management's Discussion and Analysis

Year ended July 31, 2017

(Expressed in Canadian dollars, unless otherwise noted)

December 21, 2017

For further information on the Company, reference should be made to its public filings on SEDAR at www.sedar.com. Information is also available on the Company's website at www.montanmining.ca. This Management's Discussion and Analysis ("MD&A") should be read in conjunction with audited consolidated financial statements for the year ended July 31, 2017, and related notes thereto which have been prepared in accordance with International Financial Reporting Standards. This MD&A contains certain Forward Looking Statements which are provided on Page 20.

OVERVIEW

The Company is a TSX-Venture Exchange, Frankfurt and Santiago listed company devoted exclusively to mineral exploration and development in Peru.

On January 17, 2017, the Company closed the transaction to acquire 100% of Cerro Dorado S.A.C. ("Cerro Dorado") from Chazel Capital Inc. Cerro Dorado holds an option and permits to operate the Rey Salomon gold mine with 2 km of underground development, 32 identified veins, and a 60 tonnes per day capacity carbon-in-pulp processing plant currently permitted for up to 100 tonnes per day. The entire mineral property under option by Cerro Dorado is comprised of 4 concessions totalling 1,172 hectares located in the district of Arequipa, province of Caraveli, Peru.

On February 16, 2017, the Company signed a term sheet with Pacific Alliance Capital Group Lit ("Pacific Alliance") for the purchase, by of the Peruvian companies Kairos Capital Peru S.A.C. ("Kairos") and M&S Transportes y Servicios Generales S.R.L ("Mirador") from Pacific Alliance. The Company extended the term sheet to December 31, 2017 to facilitate the completion of the transaction closing requirements.

The key assets ("Pacific Alliance Assets") held by the companies under acquisition include the 100% owned 125TPD Mirador Processing Plant located in Chimbote, Peru and six (6) 100% owned mineral concessions as well as options to buy three (3) additional mineral concessions. Montan will be afforded the opportunity to review these options for acquisition during the due diligence process. Two (2) of the Au concessions are located 10km from Montan's Cerro Dorado plant in Arequipa.

The Mirador plant is fully operational and currently has a two (2) months of material stockpiled and queued for processing through its flotation circuit. The Mirador plant is fully permitted to 125 TPD and currently operating at 100TPD through its 100TPD flotation circuit. The plant also features a 25TPD carbon in pulp ("CIP") gold circuit which is on standby. The Mirador plant is strategically located 450km north of Lima whereas the majority of the toll milling industry is focused in the south of the country in the Chala and Nazca districts.

HIGHLIGHTS – year ended July 31, 2017

Overview

- On January 17, 2017, the Company closed the transaction to acquire Cerro Dorado. As consideration for the acquisition, Montan issued 10,000,000 common shares of Montan (“Montan Shares”) to Chazel on closing of the Transaction (“Closing”). The Montan Shares will be issued to Chazel at Closing pursuant to available exemptions from applicable prospectus requirements pursuant to National Instrument 45-106 or otherwise under the Securities Act (British Columbia) and any other applicable legislation, and will be subject to a four (4) month hold period in Canada. Without limiting the foregoing, the Montan Shares will be subject to escrow with 1,500,000 Montan Shares released on every three (6) month anniversary of Closing for a period of three years. Subject to approval of the TSX Venture Exchange (“TSX-V”), following Closing Montan will also issue up to 4,000,000 Montan Shares to Chazel subject to and upon satisfaction of the following milestones:
 - 2,000,000 Montan Shares upon the sale by Montan of 1,000 ounces of gold-contained ore or dore from either the Rey Salomon gold mine or the associated plant; and
 - 2,000,000 Montan Shares upon the sale by Montan of an additional 2,000 ounces (for an aggregate of 3,000 ounces) of gold-contained ore or dore from either the Rey Salomon gold mine or the associated plant.
- All share amounts above are subject to adjustment for stock splits, stock consolidations recapitalizations and other corporate transactions affecting the capital structure of Montan.
- The company expanded permitting of the Cerro Dorado plant to an effective 125 tons per day (“TPD”) by submitting a revised Instrumento de Gestion Ambiental Correctivo (“IGAC”) to both the Regional Government of Arequipa and to the Environmental Ministry of Peru as required by Peruvian law. The application proposes a new 60 TPD flotation circuit, an expansion of the tailings pond area to accommodate for an estimated five years of tailings residue, a sampling assay laboratory and a truck scale. Peruvian law allows Montan to proceed with the building of the items under the IGAC permit application covering the Cerro Dorado plant, commencing immediately.
- On January 13, 2017 the Company announced that it has completed the third and final tranche of its previously announced \$1,000,000 non-brokered private placement financing (the “Financing”). In total, the Financing consisted of 20,611,387 units for aggregate gross proceeds to the Company of \$ 1,030,569. Each unit consists of one common share and one transferable share purchase warrant, with each warrant exercisable into one additional common share at \$0.10 per share for five (5) years after the closing date.
- On February 16, 2017, the Company signed a term sheet with Pacific Alliance Capital Group Lit (“Pacific Alliance”) for the purchase, by of the Peruvian companies Kairos and Mirador from Pacific Alliance. The key assets held by the companies under acquisition include the 100% owned 125TPD Mirador Processing Plant located in Chimbote, Peru and six (6) 100% owned mineral concessions as well as options to buy three (3) additional mineral concessions. Montan will be afforded the opportunity to review these options for acquisition during the due diligence process. Two (2) of the Au concessions are located 10km from Montan's Cerro Dorado plant in Arequipa.
- June 29, 2017, the company announced that the Company has arranged an extension of its Term Sheet with Pacific Alliance Capital Group Ltd. (“Pacific Alliance”) for the purchase, by Montan, of the Peruvian companies Kairos Capital Peru S.A.C (“Kairos”) and M&S Transportes y Servicios Generales S.R.L (“Mirador”) from Pacific Alliance (please refer to the News Release of February 16th, 2017). The extension is granted until August 30th, 2017 to facilitate completion of the transaction closing requirements

Private placement financing

- On August 25, 2016, the Company closed a private placement for 4,700,000 units at a price of \$0.10 for gross proceeds of \$470,000. Each unit consisted of one common share and one common share purchase warrant. Each whole warrant is exercisable into one common share at a price of \$0.15 until August 25, 2018.
- On October 27, 2016, the Company closed a private placement for 8,170,000 units at a price of \$0.05 for gross proceeds of \$408,500. Each unit consisted of one common share and one common share purchase warrant. Each warrant will be exercisable into one common share at a price of \$0.10 for a period of five years after the closing date. The share purchase warrant's fair value of \$190,559 was recorded in the reserves. The Company paid finder fee of \$1,750 related to this private placement. Company paid finder's fee in the aggregate amount of \$1,750.
- On December 15, 2016, the Company closed a private placement for 9,341,387 units at a price of \$0.05 for gross proceeds of \$467,069. Each unit consisted of one common share and one common share purchase warrant. Each warrant will be exercisable into one common share at \$0.10 for a period of five years after closing date. The share purchase warrant's fair value of \$228,211 was recorded in the reserves. The Company paid finder's fee in the aggregate amount of \$3,500.
- On January 13, 2017, the Company closed a private placement for 3,100,000 units at a price of \$0.05 for gross proceeds of \$155,000. Each unit consisted of one common share and one common share purchase warrant. Each warrant will be exercisable into one common share at \$0.10 for a period of five years after closing date. The share purchase warrant's fair value of \$75,569 was recorded in the reserves.
- On April 13, 2017, the Company closed a private placement for 9,094,970 units at a price of \$0.055 for gross proceeds of \$500,223. Each unit consisted of one common share and one half common share purchase warrant. Each warrant will be exercisable into one common share at \$0.10 for a period of two years after closing date. The share purchase warrant's fair value of \$134,059 was recorded in the reserves. The Company paid finder's fee in the aggregate amount of \$4,950.
- During the third quarter of this fiscal year, the Company issued 1,102,364 shares to settle certain debts owed to the various vendors.

OUTLOOK

Montan is positioned to take advantage of near-term cash-flow opportunities in Peru on the basis of an established Peru-based team experienced in small to medium scale cash-flowing mine businesses in country.

The Company completed the purchase of Cerro Dorado which holds an option and permits to operate the Rey Salomon gold mine with 2km of underground development, 32 identified veins, and a 60 tonnes per day carbon-in-pulp processing plant permitted for up to 100 tonnes per day. The mineral property under option by Cerro Dorado is comprised of 4 concessions totalling 1,172 hectares located in the department of Arequipa, province of Caraveli, Peru.

In the second quarter of 2017, the Company signed a term sheet with Pacific Alliance Capital Group Lit ("Pacific Alliance") for the purchase, by of the Peruvian companies Kairos and Mirador from Pacific Alliance. The Company extended the term sheet to December 31, 2017 to facilitate the completion of the transaction closing requirements.

The key assets ("Pacific Alliance Assets") held by the companies under acquisition include the 100% owned 125TPD Mirador Processing Plant located in Chimbote, Peru and six (6) 100% owned mineral concessions as well as options to buy three (3) additional mineral concessions. Montan will be afforded the opportunity to review these options for acquisition during the due diligence process. Two (2) of the Au concessions are located 10km from Montan's Cerro Dorado plant in Arequipa.

The Mirador plant is fully operational and currently has a two (2) months of material stockpiled and queued for processing through its flotation circuit. The Mirador plant is fully permitted to 125 TPD and currently operating at 100TPD through its 100TPD flotation circuit. The plant also features a 25TPD carbon in pulp ("CIP") gold circuit which is on standby. The Mirador plant is strategically located 450km north of Lima whereas the majority of the toll milling industry is focused in the south of the country in the Chala and Nazca districts.

CERRO DORADO, PERU

Overview

The Company completed the acquisition of Cerro Dorado on January 17, 2017. Cerro Dorado holds an option and permits to operate the Rey Salomon gold mine (NI 43-101 compliant property) with 2km of underground development, 32 identified veins, and a 60 tonnes per day carbon-in-pulp processing plant permitted for up to 100 tonnes per day. The entire mineral property under option by Cerro Dorado is comprised of 4 concessions totalling 1,172 hectares located in the department of Arequipa, province of Caravelí, Peru. The Company is focusing all of its resources to complete the acquisition of this new flagship project and commence cash flowing operations in 2017.

As consideration for the acquisition, Montan issued 10,000,000 common shares of Montan ("Montan Shares") to Chazel on closing of the Transaction ("Closing"). The Montan Shares will be issued to Chazel at Closing pursuant to available exemptions from applicable prospectus requirements pursuant to National Instrument 45-106 or otherwise under the Securities Act (British Columbia) and any other applicable legislation, and will be subject to a four (4) month hold period in Canada. Without limiting the foregoing, the Montan Shares will be subject to escrow with 2,000,000 Montan Shares released on every three (3) month anniversary of Closing. Subject to approval of the TSX Venture Exchange ("TSX-V"), following Closing Montan will also issue up to 4,000,000 Montan Shares to Chazel subject to and upon satisfaction of the following milestones:

- 2,000,000 Montan Shares upon the sale by Montan of 1,000 ounces of gold-contained ore or dore from either the Rey Salomon gold mine or the associated plant; and
- 2,000,000 Montan Shares upon the sale by Montan of an additional 2,000 ounces (for an aggregate of 3,000 ounces) of gold-contained ore or dore from either the Rey Salomon gold mine or the associated plant.

The purchase price allocation is summarized as follows:

10,000,000 common shares of the Company at \$0.055 CAD a share	550,000
2,000,000 contingent shares upon 1,000 ounces at \$0.055 CAD a share ⁽¹⁾	88,000
2,000,000 contingent shares upon additional 2,000 ounces at \$0.055 CAD a share ⁽²⁾	66,000
Forgiveness of intercompany debt	15,399
Transaction costs	24,757
Total Consideration	\$744,156

⁽¹⁾ The probability allocated to achieving the first tranche of contingent consideration was assessed at 80%

⁽²⁾ The probability allocated to achieving the second tranche of contingent consideration was assessed at 60%

Allocated to:

Cash	13,080
Receivables and other	3,118
Property plant and equipment	784,514
Exploration and evaluation properties	951,531
Amount payable to the owners of the Rey Salomon mine	(175,606)
Accounts payable	(244,779)
Loans payable	(587,702)
Total Consideration	\$744,156

Kairos and Mirador Assets, PERU

Overview

On February 16, 2017, the Company signed a term sheet with Pacific Alliance Capital Group Lit (“Pacific Alliance”) for the purchase, by of the Peruvian companies Kairos and Mirador from Pacific Alliance. The Company extended the term sheet to December 31, 2017 to facilitate the completion of the transaction closing requirements.

The key assets ("Pacific Alliance Assets") held by the companies under acquisition include the 100% owned 125TPD Mirador Processing Plant located in Chimbote, Peru and six (6) 100% owned mineral concessions as well as options to buy three (3) additional mineral concessions. Montan will be afforded the opportunity to review these options for acquisition during the due diligence process. Two (2) of the Au concessions are located 10km from Montan's Cerro Dorado plant in Arequipa.

The Mirador plant is fully operational and currently has a two (2) months of material stockpiled and queued for processing through its flotation circuit. The Mirador plant is fully permitted to 125 TPD and currently operating at 100TPD through its 100TPD flotation circuit. The plant also features a 25TPD carbon in pulp ("CIP") gold circuit which is on standby. The Mirador plant is strategically located 450km north of Lima whereas the majority of the toll milling industry is focused in the south of the country in the Chala and Nazca districts.

LIQUIDITY AND CAPITAL RESOURCES

	Year Ended July 31,		
	2017	2016	2015
Cash outflows from operating activities	(1,937,136)	(475,480)	(1,333,346)
Cash inflows from financing activities	2,103,790	632,023	1,061,870
Cash inflow (outflows) from investing activities	(12,945)	(213,882)	321,455
Effect of exchange rates changes on cash	(134,065)	-	-
Net cash inflows (outflow)	19,644	(57,339)	49,979
Cash balance	22,640	2,996	60,335

As at July 31, 2017, the Company’s net working capital deficiency was \$1,174,207 compared to net working capital deficiency of \$167,647 as at July 31, 2016. The increase in the deficiency was the result of increased short-term liabilities as the company pursues financing options to start the Cerro Dorado plant and complete the Kairos acquisition.

Cash outflow from operating activities was \$1,937,136 in the year ended July 31, 2017, which was higher than comparative periods in 2016 and 2015 as the Company increased corporate activities during 2017. The Company has made substantial cash payments to Chazel, and incurred due diligence work prior to the completion of Cerro Dorado acquisition.

Cash inflow from financing activities was \$2,103,790 in the current year ended July 31, 2017, which was higher than comparative period in 2016 and 2015. This increase is the result from private placements and loans received to complete the acquisition of Cerro Dorado and fund operations at the corporate office and in Peru.

Cash outflow from investing activities was \$12,945 compared to a outflow in 2016 of \$213,882 and inflow of \$321,455. The current period outflow was the result of the acquired cash on the Cerro Dorado acquisition less transaction costs related to the acquisition with limited further activity during the year where in 2016 the Company had asset expenditures on previous projects which were written off and in 2015 had proceeds of investments of \$798,000 which did not occur in the current year.

The Company's ability to continue as a going concern is dependent on the Company's ability to raise funds.

SUMMARY OF CONSOLIDATED PROFIT AND LOSS

	Year Ended July 31		
	2017	2016	2015
Revenue	\$ -	\$ -	-
Loss before other items	(2,662,688)	(1,844,251)	(1,131,766)
Net loss	(2,689,234)	(2,480,744)	(1,155,945)
Basic and diluted – loss per share	(0.04)	(0.09)	(0.09)
Total assets	1,889,476	158,850	1,500,301

Net loss in the current years was higher than in comparative period in 2016 as the Company has made substantial cash payments to Chazel, and incurred due diligence work prior to the completion of Cerro Dorado acquisition. In comparative period 2016, the Company wrote off the balance of \$698,818 of the Goldsmith advances that was previously capitalized. The net loss in 2017 was lower than in 2015 as 2015 did not feature the corporate activity of 2016 and 2017 with the pursuit of projects.

Exploration, consulting fee, and investor communication expenses all increased during the period of 2017 compared to 2016 and 2015. The Company incurred the share-based compensation expenses of \$457,185 6.9 million options were granted and vested in the period in 2017. There was no stock option in place in 2016 or 2015.

As at July 31, 2017, the total assets increased from 2016 due to the Company closing the acquisition of Cerro Dorado. In 2015 the Company had the Alicia mineral property which was written off in 2016.

QUARTERLY RESULTS	July 31, 2017	Apr 30, 2017	Jan 31, 2017	Oct 31, 2016	Jul 31, 2016	Apr 30, 2016	Jan 31, 2016	Oct 31, 2015
	Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net loss	(460,148)	(564,749)	(871,290)	(793,047)	(1,075,806)	(56,320)	(351,216)	(997,402)
Basic & diluted loss per share	(0.01)	(0.01)	(0.01)	(0.02)	(0.03)	(0.00)	(0.01)	(0.04)
Total assets	1,889,476	2,268,357	2,207,700	708,706	158,850	934,142	990,524	1,058,723

Three months ended July 31, 2017 compared to historical quarters in 2016 & 2015

Net loss in the current quarter was lower than Q3, Q2 and Q1 of fiscal 2017 and Q4 2016 as the Company was pursuing financing to complete the Cerro Dorado start-up and complete the Kairos acquisition and did not incur significant

expenditures. Net loss was lower than Q1 of fiscal 2016 due to the current quarter not having a \$698,818 write off of Goldsmith advances.

Net loss in the current quarter was higher than Q3 and Q2 2016 and Q1 and Q2 due to more corporate activity.

Change in total assets

As at July 31, 2017, the total assets increased from 2016 due to the Company closed the acquisition of Cerro Dorado property. In 2015 the Company had the Alicia mineral property which was written off in 2016.

SHAREHOLDERS' EQUITY

Montan's authorized capital stock consists of an unlimited number of common shares without par value. As at July 31, 2017, the Company had 84,316,346 common shares, 7,025,000 stock options and 34,319,314 share purchase warrants outstanding.

As at the date of this report, the Company had 84,316,346 common shares, 7,025,000 stock options and 33,362,564 share purchase warrants outstanding.

(a) Share issuance & share purchase warrants

- i) On August 25, 2016, the Company closed a private placement for 4,700,000 units at a price of \$0.10 for gross proceeds of \$470,000. Each unit consisted of one common share and one common share purchase warrant. Each warrant will be exercisable into one common share at a price of \$0.15 until expiry on August 25, 2018.
- ii) On October 27, 2016, the Company closed a private placement for 8,170,000 units at a price of \$0.05 for gross proceeds of \$408,500. Each unit consisted of one common share and one common share purchase warrant. Each warrant will be exercisable into one common share at a price of \$0.10 for a period of five years after the closing date.
- iii) On December 15, 2016, the Company closed a private placement for 9,341,387 units at a price of \$0.05 for gross proceeds of \$467,069. Each unit consisted of one common share and one common share purchase warrant. Each warrant will be exercisable into one common share at \$0.10 for a period of five years after closing date.
- iv) On January 13, 2017, the Company closed a private placement for 3,100,000 units at a price of \$0.05 for gross proceeds of \$155,000. Each unit consisted of one common share and one common share purchase warrant. Each warrant will be exercisable into one common share at \$0.10 for a period of five years after closing date.
- v) On April 13, 2017, the Company closed a private placement for 9,094,970 units at a price of \$0.055 for gross proceeds of \$500,223. Each unit consisted of one common share and one half common share purchase warrant. Each warrant will be exercisable into one common share at \$0.10 for a period of two years after closing date.
- vi) During the year, the Company issued 1,102,364 shares to settle certain debts owned to the various vendors.

(b) Share purchase warrants table

The following is a summary of the share purchase warrants outstanding as at July 31, 2017,

Number of warrants	Exercise price per warrant	Expiry date
894,250	\$0.12	October 19, 2017
62,500	\$0.12	October 21, 2017
1,734,883	\$0.175	March 15, 2018
1,768,750	\$0.05	May 19, 2018
4,700,000	\$0.15	August 25, 2018
8,170,000	\$0.10	October 27, 2021
9,341,387	\$0.10	December 15, 2021
3,100,000	\$0.10	January 13, 2022
4,547,490	\$0.10	April 13, 2019
34,319,260		

The following is a summary of the finders and broker warrants outstanding as at July 31, 2017 and as at the date of this report.

Number of warrants	Exercise price per warrant	Expiry date
54,000	\$0.05	May 19, 2018
54,000		

The following is a summary of the share purchase warrants outstanding as at the date of this report

Number of warrants	Exercise price per warrant	Expiry date
1,734,883	\$0.175	March 15, 2018
1,768,750	\$0.05	May 19, 2018
4,700,000	\$0.15	August 25, 2018
8,170,000	\$0.10	October 27, 2021
9,341,387	\$0.10	December 15, 2021
3,100,000	\$0.10	January 13, 2022
4,547,490	\$0.10	April 13, 2019
33,362,510		

The following is a summary of the stock options outstanding as at July 31, 2017 and the date of this report

Number of stock option outstanding and vested	Exercise price per stock option	Expiry date
400,000	\$0.10	December 5, 2022
425,000	\$0.10	March 7, 2020
1,900,000	\$0.10	August 2, 2021
4,300,000	\$0.07	January 17, 2022
7,025,000	\$0.08	

REGULATORY DISCLOSURES

Financial instruments

The Company reports its financial instruments on its balance sheet and measures these at fair value. In limited circumstances when fair value may not be considered most relevant, they may be reported at cost or amortized cost. Gains or losses as a result of changes in fair value are recognized in the consolidated statement of operations and comprehensive loss.

The Company's financial instruments consist of cash, other receivables, accounts payable and accrued liabilities, director loan, convertible debenture, loan payable and promissory notes and advances. The fair value of these financial instruments approximates the carrying value due to the short maturity or current market rate associated with these instruments.

Financial instruments disclosure requires a statement of the inputs to fair value measurements, including their classification within a hierarchy that prioritizes the inputs to fair value measurement. The three levels of fair value are:

- Level 1 Unadjusted quoted prices in active markets for identical assets and 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

Credit Risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash and other receivables. The Company's cash is held through large Canadian financial institutions and other receivables are primarily related to tax credits receivable from the government of Canada.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure as described in Note 16 of the financial statements. The accounts payable and loans are due within the current operating period. The Company is exposed to liquidity risk.

Market Risk

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

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows from a financial instrument will fluctuate because of changes to market interest rates. The Company is not exposed to significant interest rate risk. A 1% change in market interest rates would result in no significant change in value of cash and other financial instruments.

Foreign Exchange Risk

Currency risk is the risk of a loss due to the fluctuation of foreign exchange rates and the effects of those fluctuations on the Company's foreign currency denominated monetary assets and liabilities. The Company currently operates in the Canada and Peru. Certain costs and expenses are incurred in US dollars and Peruvian sol. The Company attempts to mitigate currency risk through the preparation of short and long term expenditure budgets in the foreign currencies and planning for the conversion of Canadian dollars into foreign currencies whenever exchange rates are favourable.

The Company's financial assets and liabilities as at July 31, 2017 are denominated in United States Dollars, Canadian Dollars, and Peruvian Sols, and are set out in the following table:

	Canadian Dollars	US Dollars	Peruvian Sols	Total
Financial assets				
Cash	\$ 3,157	\$ 13	\$ 19,470	\$ 22,640
Receivables - other	54,082	-	3,447	57,529
	57,239	13	22,917	80,169
Financial liabilities				
Accounts payables and accrued liabilities	(524,005)	(144,772)	(96,516)	(765,293)
Loan payable	-	(455,645)	-	(455,645)
Promissory notes and advances	(380,038)	-	-	(380,038)
Net financial (liabilities) assets	(846,804)	(600,404)	(73,599)	(1,520,807)

The Company's financial assets and liabilities as at July 31, 2016 are denominated in United States Dollars, Canadian Dollars, and Peruvian Sols, and are set out in the following table:

	Canadian Dollars	US Dollars	Peruvian Sols	Total
Financial assets				
Cash	\$ 2,996	\$ -	\$ -	\$ 2,996
Receivables - other	17,840	-	-	17,840
	20,836	-	-	20,836
Financial liabilities				
Accounts payables and accrued liabilities	(137,519)	(23,421)	-	(160,940)
Loan payable	(37,025)	-	-	(37,025)
Convertible debt	(128,532)	-	-	(128,532)
Director loan	(10,000)	-	-	(10,000)
Net financial (liabilities) assets	\$ (292,240)	\$ (23,421)	\$ -	\$ (305,661)

The Company's reported results will be affected by changes in the US dollar to Canadian dollar and US dollar to Peruvian Sol exchange rate. As of July 31, 2017, a 10% appreciation of the Canadian dollar relative to the US dollar would have decreased net financial assets by approximately \$60,040 (July 31, 2016 - \$2,342). A 10% depreciation of the US Dollar relative to the Canadian dollar would have had the equal but opposite effect. A 10% appreciation of the Peruvian Sol relative to the CAD dollar would have decreased net financial assets by approximately \$7,360 (July 31, 2016 - \$nil) and a 10% depreciation of the Peruvian Sol would have had an equal but opposite effect. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risk.

Related Party Transactions

The Company’s related parties include its subsidiaries, associates over which it exercises significant influence, and key management personnel. Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include officers, directors or companies with common directors of the Company.

The remuneration of the Company’s directors and other key management personnel during the year ended July 31, 2017 and July 31, 2016 are as follows:

	July 31, 2017	July 31, 2016
Consulting fees	\$ 95,844	\$ 197,169
Investor relations	5,000	-
Professional fees	42,500	-
Share-based payments	277,601	-

These expenses were measured at the exchange amounts agreed upon by the parties. As at July 31, 2017 the Company had amounts payable of \$78,978 (July 31, 2016 - \$13,797) to these parties. These amounts are unsecured and non-interest bearing.

As at July 31, 2017, the Company had amounts of loan payable of \$Nil (July 31, 2016 – \$10,000) to a director. As at July 31, 2017, the Company had promissory notes of \$130,264 (July 31, 2016 – \$nil) to a private Canadian company controlled by a director of the Company.

Capital Risk Management

The Company’s objective of capital management is to ensure that it will be able to continue as a going concern, continue the exploration of mineral properties, and identify, evaluate, and acquire additional resource properties. The capital of the Company consists of shareholders’ equity. The Company is meeting its capital risk objectives by successfully raising, from time to time, the required funds through debt and equity.

Internal controls and procedures

During the year ended July 31, 2017, there has been no significant change in the Company’s internal control over financial reporting since last year.

The Chief Executive Officer and Chief Financial Officer of the Company are responsible for establishing and maintaining appropriate information systems, procedures and controls to ensure that information used internally and disclosed externally is complete, reliable and timely. They are also responsible for establishing adequate internal controls over financial reporting to provide sufficient knowledge to support the representations made in this MD&A and the Company’s annual financial statements for the year ended July 31, 2017 (together the “Annual Filings”). The Chief Executive Officer and Chief Financial Officer of the Company have filed the Venture Issuer Basic Certificate with the Annual Filings on SEDAR at <http://www.sedar.com>.

In contrast to the certificate required for non-venture issuers under National Instrument 52-109 Certification of Disclosure in Issuers’ Annual and Interim Filings (“NI 52-109”), the venture issuer basic certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures (“DC&P”) and internal control over financial reporting (“ICFR”), as defined in NI 52-109. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency, and timeliness of interim and annual filings and other reports provided under securities legislation.

Future Accounting Changes

The following are new pronouncements approved by IASB. These new standards and interpretations are not yet effective and have not been applied in preparing these financial statements, however they may impact future periods.

- (i) IFRS 15, Revenues from Contracts and Customers (“IFRS 15”) was issued by the IASB on May 28, 2014, and will replace IAS 18, Revenue, IAS 11, Construction Contracts, and related interpretations on revenue. IFRS 15 sets out the requirements for recognizing revenue that apply to all contracts with customers, except for contracts that are within the scope of the Standards on leases, insurance contracts and financial instruments. IFRS 15 uses a control based approach to recognize revenue, which is a change from the risk and reward approach under the current standard. Companies can elect to use either a full or a modified retrospective approach when adopting the standard and it is effective for annual periods beginning on or after January 1, 2017.
- (ii) IFRS 9, Financial instruments (“IFRS 9”) was issued by the IASB on July 24, 2014 as a complete standard. This standard replaces the guidance in IAS 39, Financial Instruments: Recognition and Measurement on the classification and measurement of financial assets and liabilities. The Standard eliminates the existing categories of held to maturity, available for sale and loans and receivables. On initial recognition, financial assets will be classified into those measured at amortized cost and at fair value. The mandatory effective date of the new standard is for annual periods beginning on or after January 1, 2018. The Company intends to adopt the standards for the year beginning January 1, 2018. The Company believes that implementation of the new standard will not have a material impact on its financial results.
- (iii) IFRS 16, Leases is a new standard that sets out the principles of recognition, measurement, presentation, and disclosure of leases including guidance for both parties to a contract, the lessee and the lessor. The new standard eliminates the classification of leases as either operating or finance leases as is required by IAS 17 and instead introduces a single lessee accounting model. The mandatory effective date of the new standard is for periods beginning on or after January 1, 2019. The Company intends to adopt the standard for the year beginning January 1, 2019. The Company believes the implementation of the new standard will not have a material impact on its financial statements.

The Company is currently evaluating the potential impact of these amendments and new standards on its condensed consolidated interim financial statements.

Accounting estimates

The preparation of the Company’s consolidated financial statements in conformity with IFRS requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continually evaluated and are based on management’s experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could materially differ from these estimates.

The areas which require management to make significant estimates and assumptions in determining carrying values include, but are not limited to:

- (i) **Depreciation and depletion**

Plants and other facilities used directly in mining activities are depreciated using the units-of-production (“UOP”) method over a period not to exceed the estimated life of the ore body based on recoverable ounces to be mined from proven and probable reserves and a portion of measured and indicated and inferred resources. Mobile and other equipment are depreciated, net of residual value, on a straight-line basis, over

the useful life of the equipment to the extent that the useful life does not exceed the related estimated life of the mine based on mineral reserves.

The calculation of the UOP rate, and therefore the annual depreciation and depletion expense, could be materially affected by changes in the underlying estimates. Changes in estimates can be the result of actual future production differing from current forecasts of future production, expansion of mineral reserves through exploration activities, differences between estimated and actual costs of mining and differences in gold price used in the estimation of mineral reserves.

Significant judgment is involved in the determination of useful life and residual values for the computation of depreciation and depletion and no assurance can be given that actual useful lives and residual values will not differ significantly from current assumptions.

(ii) Share-based payments

Share-based payments are determined using the Black-Scholes option pricing model based on estimated fair values of all share-based awards at the date of grant and is expensed to profit or loss over each award's vesting period. The Black-Scholes option pricing model utilizes subjective assumptions such as expected price volatility and expected life of the option. Changes in these input assumptions can significantly affect the fair value estimate.

For asset acquisitions, contingent share consideration is an estimate of the fair value of the contingent amounts expected to be payable in the future. The fair value is based on number of contingent shares, the share price of the Company on the date of acquisition and management's expectations of probability.

(iii) Deferred taxes

In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. Forecasted cash flows from operations are based on life of mine projections internally developed and reviewed by management. The likelihood that tax positions taken will be sustained upon examination by applicable tax authorities is assessed based on individual facts and circumstances of the relevant tax position evaluated in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. At the end of each reporting period, the Company reassesses unrecognized income tax assets.

(iv) Decommissioning and restoration provision

The Company assesses its reclamation provisions at each reporting date. Significant estimates and assumptions are made in determining the provision for mine rehabilitation as there are numerous factors that will affect the ultimate amount payable. These factors include estimates of the extent, cost, and timing of rehabilitation activities, technological changes, regulatory changes, cost increases as compared to the inflation rate, and changes in discount rates. These uncertainties may result in future expenditures differing from the amounts currently provided.

Significant judgments in applying accounting policies

The critical judgments that the Company's management has made in the process of applying the Company's accounting policies, apart from those involving estimations, that have the most significant effect on the amounts recognized in the Company's consolidated financial statements are as follows:

(i) Impairment of property, plant and equipment

The carrying value of property, plant and equipment is reviewed each reporting period to determine whether there is any indication of impairment. If the carrying amount of an asset exceeds its recoverable amount, the asset is impaired and an impairment loss is recognized in profit or loss. The assessment of fair values, including those of

the cash-generating units, require the use of estimates and assumptions for recoverable production, long-term commodity prices, discount rates, foreign exchange rates, future capital requirements and operating performance. Changes in any of the assumptions or estimates used in determining the fair value of assets could impact the impairment analysis.

(ii) Economic recoverability and probability of future economic benefits of exploration and evaluation assets

Management has determined that exploratory drilling and evaluation costs incurred which have been capitalized are economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefit including geologic and metallurgic information, history of conversion of mineral deposits to proven and probable reserves, scoping and feasibility studies, accessible facilities, existing permits and life of mine plans.

(iii) Functional currency

The functional currency for each of the Company's subsidiaries, joint ventures and investments in associates, is the currency of the primary economic environment in which the entity operates. Determination of functional currency may involve certain judgments to determine the primary economic environment and the Company reconsiders the functional currency of its entities if there is a change in events and conditions which determined the primary economic environment.

(iv) Acquisition of Cerro Dorado S.A.C.

During fiscal 2017 the Company acquired Cerro Dorado S.A.C. and M&F Minera Ofir S.A.C., which hold exploration permits and a processing plant currently located in Peru (Note 7). Management determined that the purchase represented an acquisition of assets rather than a business combination because the mineral properties were in the exploration and evaluation stage and had not demonstrated technical feasibility, economic viability or the ability to provide economic benefit and the processing plant required capital expenditures to commence processing. The allocation of purchase consideration to each component is based on the relative fair value of the assets acquired. The consideration value includes management's estimated probability of certain share issuances. The value of the property, plant and equipment is based on an appraisal value and the amount allocated to exploration assets is the residual value.

Accounting policies

Principles of consolidation

These consolidated financial statements incorporate the financial statements of the Company and its wholly owned Peruvian subsidiaries, Minera Strait Gold Peru S.A.C. ("MSG Peru"), Cerro Dorado S.A.C., M&F Minera Ofir S.A.C. and Montan Capital Corp. ("MCC"). All intercompany transactions, balances, income and expenses are eliminated upon consolidation.

Cash

Cash consist of cash balances and demand deposits in a Canadian chartered bank.

Mineral Properties

(i) Pre-license costs:

Costs incurred before the Company has obtained the legal right to explore are expensed as incurred.

(ii) Exploration and evaluation costs:

Once the legal right to explore has been acquired, exploration and evaluation acquisition costs are capitalized on a property by property basis until such time as the lease expires, the mineral properties abandoned, sold or considered impaired in value or is transferred to mines under construction as development cost. Indirect

administrative costs are expensed as incurred. Exploration and evaluation properties are not amortized during the exploration and evaluation stage.

(iii) Mines under construction and development costs:

When technical feasibility and economic viability of projects have been determined and the decision to proceed with development has been approved the asset is first tested for impairment and thereafter, the expenditures related to construction are capitalized as mines under construction and classified as a component of mine properties, plant and equipment. Costs associated with the commissioning of new assets, in the pre-commercial period before they are operating in the way intended by management, are capitalized, net of any preproduction revenues. Commercial production is deemed to have occurred when management determines certain production parameters are met.

In order for production to occur, the Company must first obtain exploitation and other permits on such properties. Such permits are subject to the approval of the local government and government controlled entities. Unless and until such permits are obtained there can be no assurance that such permits will be obtained. As such, permits need to be obtained before costs are reclassified from exploration and evaluation properties to mines under construction.

(iv) Mine properties:

Once a mineral property has been brought into commercial production as intended by management, costs of any additional work on that property are expensed as incurred, except for large development programs, which will be deferred and depleted over the remaining useful life of the related assets. Mine properties include deferred stripping costs and decommissioning and restoration costs related to the reclamation of mine properties. Mine properties are derecognized upon disposal, or impaired when no future economic benefits are expected to arise from continued use of the asset. Any gain or loss on disposal of the asset, determined as the difference between the proceeds received and the carrying amount of the asset is recognized in profit or loss.

Costs of producing mine properties are depreciated and depleted on the UOP basis using estimated resources. Depreciation or depletion is recorded against the mine property only upon the commencement of commercial production.

Exploration expenditures are expensed as incurred at mine properties, unless the nature of the expenditures are to convert mineral resources into mineral reserves or in the absence of a mineral resource estimate, are to define areas to be included in the mine plan. Any amounts deferred in this regard are depreciated based on the UOP method.

Mine properties are recorded at cost, net of accumulated depreciation and depletion and accumulated impairment losses and are not intended to represent future values.

Recovery of capitalized costs is dependent on successful development of economic mining operations or the disposition of the related mineral property.

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers, non-compliance with regulatory requirements or title may be affected by undetected defects.

Impairment of exploration and evaluation properties

The Company reviews and evaluates the recoverable amount of its mineral properties when events or changes in circumstances indicate that the carrying amounts of assets or groups of assets might not be recoverable. For the purposes of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use (being the present value of expected future cash flows of the asset). At the end of each reporting period, non-financial assets are reviewed for impairment to determine if there is any indication that the carrying amount may not be recoverable.

Indicators for an impairment review arise typically when any one of the following circumstances applies:

- (i) substantive expenditure on further exploration and evaluation is not planned
- (ii) title to the asset is compromised
- (iii) the right to explore the property has expired or will expire shortly
- (iv) adverse changes in the regulatory or taxation environment
- (v) adverse changes in commodity prices and markets

The existence of any of the above conditions may signify that an impairment exists in the fair value of properties.

The recoverability of the carrying values of the properties is dependent on the ability of the Company to obtain the necessary financing and permits to continue exploration, the establishment of economically recoverable reserves, future profitable production and/or proceeds from the disposition thereof.

Long-term assets

The Company monitors the recoverability of long-lived assets, based on factors such as current market value, future asset utilization, business climate and future undiscounted cash flows expected to result from the use of the related assets. The Company's policy is to record an impairment loss in the period when it is determined that the carrying amount of the asset may not be recoverable. The impairment loss is calculated as the amount by which the carrying amount of the asset exceeds the undiscounted estimate of future cash flows from the asset.

Property, plant and equipment

Property, plant and equipment are recorded at cost and carried net of accumulated depreciation and accumulated impairment losses. Costs of additions and improvements are capitalized. An item of plant and equipment is derecognized upon disposal, or impaired when no future economic benefits are expected to arise from continued use of the asset. Any gain or loss on disposal of the asset, determined as the difference between the proceeds and the carrying amount of the asset is recognized in profit or loss.

Property, plant and equipment consist of roads and tailings dam, buildings and machinery and equipment and are amortized over their useful lives.

	Years
Roads and tailings dam	10
Buildings	10
Machinery & equipment	3-5

Major overhaul expenditures on mobile equipment and other tangible property, including replacement spares and labour costs, are capitalized and amortized over the average expected life between major overhauls. All other replacement spares and other costs relating to maintenance of the mobile equipment are charged to operating costs if it is not probable that future economic benefits will flow to the Company.

Restoration, rehabilitation and environmental obligations

A legal or constructive obligation to incur restoration, rehabilitation and environmental costs may arise when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, as soon as the obligation to incur such costs arises. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either an unit-of-production or the straight-line method as appropriate. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation.

Costs for restoration of subsequent site damage which is created on an ongoing basis during production are provided for at their net present values and charged against profits as extraction progresses. The Company estimates that the present value of the required restoration, rehabilitation and environmental costs resulting from disturbance to date to be immaterial.

Share capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

The Company has adopted a relative fair value method with respect to the measurement of shares and warrants issued as units. Under the relative fair value method, the Company first determines the fair values of the shares and warrants included in the units, then allocates the unit price based on the relative fair value of the instruments included in the unit. The Company considers the fair value of common shares issued in these types of transactions to be determined by the closing quoted bid price on the issuance date. The fair value of the warrants included is determined using the Black-Scholes option pricing model. Any fair value attributed to the warrants is recorded to reserves.

Foreign currencies

The presentation currency of the Company is the Canadian dollar. The functional currency of the Company is the Canadian dollar. The functional currency of the Company's subsidiaries are, MSG Peru is the US dollar, MCC is the Canadian dollar, Cerro Dorado S.A.C. is the Peruvian Sol and M&F Minera Ofir S.A.C. is the Peruvian Sol.

The functional currency determinations were made by management based on an analysis of factors identified in IAS 21, The Effects of Changes in Foreign Exchange Rates.

These consolidated financial statements have been translated into Canadian dollars in accordance with IAS 21. This standard requires that assets and liabilities be translated using the exchange rate at period end and that income and expenses and cash flow items be translated using the rate that approximates the exchange rate at the date of the transactions (i.e. average exchange rate for the period).

Transactions in currencies other than the functional currency are recorded at rates of exchange prevailing at the dates of the transactions. At each financial reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the rates prevailing at the date of the statement of financial position.

Share based compensation

Share based compensation arising out of the fair value of options granted under the Company's share option plan is recognized as a share based payment expense with a corresponding increase in equity. The fair value is measured at the grant date and each tranche is recognized on a graded-vesting basis over the period during which the options vest. The fair-value of the options granted is measured using the Black-Scholes option pricing model. At the end of each financial reporting period the amount recognized as an expense is adjusted to reflect the actual number of options that are expected to vest.

Comprehensive loss

The Company includes in comprehensive loss certain gains and losses arising from changes in fair value. Comprehensive income would include the following unrealized gains and losses which are potentially relevant to the Company: changes in the currency translation adjustment arising from translating the financial results of foreign operations to the Company's reporting currency, and unrealized gains and losses on available-for-sale investments, if any.

Income taxes

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity.

Current tax assets and liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred taxes are based on differences between the carrying amounts of assets and liabilities and their tax bases. Deferred tax is not provided on the initial recognition of goodwill or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects taxable profit or accounting profit. Deferred tax liabilities on temporary differences associated with shares in subsidiaries and joint ventures is not provided for if reversal of these temporary differences can be controlled by the Company and it is probable that reversal will not occur in the foreseeable future.

Deferred tax assets and liabilities are measured, without discounting, using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are likely to reverse. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in profit or loss in the period that includes the substantive enactment date. Deferred tax assets are recognized for all temporary differences, carryforward of unused

tax credits and unused tax losses to the extent that it is probable that future taxable profits will be available against which they can be utilized.

Deferred tax assets and liabilities are offset only when the Company has a right and intention to offset current tax assets and liabilities from the same taxation authority and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same entity or different entities which intend to settle current tax assets and liabilities on a net basis or simultaneously in each future period in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

Changes in deferred tax assets or liabilities are recognized as a component of tax income or expense in profit or loss, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

Loss per share

Loss per share is calculated using the weighted average number of common shares outstanding during the year. Since the Company is in a loss position, the effects of exercising share purchase options and warrants are anti-dilutive.

Share issuance cost

Professional, consulting, regulatory and other costs directly attributable to financing transactions are recorded as deferred financing costs until the financing transactions are completed, if the completion of the transaction is considered likely; otherwise they are expensed as incurred. Share issue costs are charged to share capital when the related shares are issued. Deferred financing costs related to financing transactions that are not completed are charged to expenses.

Financial Instruments – recognition and measurement

The Company does not have any derivative financial instruments.

All financial assets are classified into one of the following four categories: fair value through profit or loss ("FVTPL"), held to maturity ("HTM"), available for sale ("AFS") and loans and receivables.

Financial assets are classified as FVTPL when the financial asset is held for trading or it is designated as FVTPL. Financial assets classified as FVTPL are stated at fair value and changes are recognized in profit or loss. HTM investments are recognized on a trade-date basis and are initially measured at fair value, including transaction costs. AFS financial assets subsequent to initial recognition are measured at fair value and changes therein, other than impairment losses and foreign currency differences on AFS monetary items, are recognized in other comprehensive income or loss. When an investment is derecognized, the cumulative gain or loss in the investment revaluation reserve is transferred to profit or loss. Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

The Company's cash has been classified as FVTPL financial assets. The Company does not presently have any financial assets designated as AFS. The carrying value of the Company's cash approximates its fair value due to its short-term nature.

The Company has the following non-derivative financial liabilities: amounts payable and accrued liabilities, loans payable and promissory notes and advances. The carrying value of financial liabilities approximates their fair value due to their short-term nature.

Impairment of financial assets:

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income or loss are reclassified to profit or loss in the period. Financial assets are assessed for indicators of impairment at the end of each reporting period.

Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been impacted. For marketable securities classified as AFS, a significant or prolonged decline in the fair value of the securities below their cost is considered to be objective evidence of impairment.

For all other financial assets objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial reorganization.

Risk and uncertainties

The operations of the Company are speculative due to the nature of its business which is the investment in the exploration and development of mining properties. These risk factors could materially affect the Company's future operating results and could cause actual events to differ materially from those described in forward-looking statements relating to the Company.

Operating Hazards and Risks

Exploration and development of natural resources involves many risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. Operations in which the Company has a direct or indirect interest will be subject to all the hazards and risks normally incidental to exploration, development and production of resources, any of which could result in work stoppages, damage to persons or property and possible environmental damage. Although the Company has or will obtain liability insurance in an amount which it considers adequate, the nature of these risks is such that liabilities might exceed policy limits, the liabilities and hazards might not be insurable against, or the Company might not elect to insure itself against such liabilities due to high premium costs or other reasons, in which event the Company could incur significant costs that could have a material adverse effect upon its financial condition.

Title to Assets

Although the Company has or will receive title options for any concessions in which it has or will acquire a material interest, there is no guarantee that title to such concessions will be not challenged or impugned. In some countries, the system for recording title to the rights to explore, develop and mine natural resources is such that a title opinion provides only minimal comfort that the holder has title. Also, in many countries, claims have been made and new claims are being made by aboriginal peoples that call into question the rights granted by the governments of those countries.

The successful exploration and development of the Company's properties is dependent on support from local communities. A community agreement may be required to permit the Company to conduct exploration activities on its projects. There is no assurance that such an agreement can be reached or, if reached, subsequently renewed or extended. The Company is committed to working in partnership with its local communities in a manner which fosters active participation and mutual respect. The Company works towards minimizing negative project impacts, encouraging certain joint consultation processes, addressing certain decision making processes and towards maintaining meaningful ongoing dialogue. The Company regularly consults with the communities close to its exploration and development activities.

Management

The Company is dependent on a relatively small number of key employees, the loss of any of whom could have an adverse effect on the Company.

Requirement for New Capital

As an early exploration/development company, the Company typically needs more capital than it has available to it or can expect to generate through the sale of its products. In the past, the Company has had to raise, by way of debt and equity financing, considerable funds to meet its capital needs. There is no guarantee that the Company will be able to continue to raise funds needed for its business. Failure to raise the necessary funds in a timely fashion will limit the Company's growth. It is the intention of the company to invest in cash-flowing assets, to migrate the business into a situation where the need to raise capital on the markets for continued operation is reduced over time.

Metals Pricing Risk

The feasibility of the Company's mineral exploration and development is significantly affected by changes in the market price of gold, copper and silver. Gold prices fluctuate widely and are affected by numerous factors beyond the Company's control. The level of interest rates, the rate of inflation, world supply of gold and stability of exchange rates can all cause significant fluctuations in gold prices. Such external economic factors are in turn influenced by changes in international investment patterns and monetary systems and political developments.

Risk of Foreign Operations

In Peru, the jurisdiction in which the Company has its operations and mineral properties, the Company is subject to various political, economic and other uncertainties, including the risks of civil unrest, expropriation, nationalization, renegotiation or nullification of existing concessions, licenses, permits, approvals and contracts, and changing political conditions. In addition, in the event of a dispute arising from foreign operations, the Company may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdiction of courts in Canada. It is not possible for the Corporation to accurately predict such developments or changes in laws or policy or to what extent any such changes may have a material adverse effect on the Company's operations.

Other Significant Risks

In addition to the foregoing, the Company's business risks include operating hazards, environmental and other government regulations, competition in the marketplace, and the market for our securities. Its properties are located in Peru and are subject to the laws and regulations of that country. The Company carries on its exploration activity outside of Canada. Accordingly, it is subject to the risks associated with the fluctuation of the rate of exchange of the Canadian dollar and foreign currencies, in particular the US dollar and the Peruvian soles. Such fluctuations may materially affect the Company's financial position and results.

Forward-Looking Statements

This MD&A contains forward-looking statements that involve risks and uncertainties, which may cause actual results to differ materially from the statements made. When used in this document, the words "may", "would", "could", "will", "intend", "plan", "anticipate", "believe", "estimate", "expect" and similar expressions are intended to identify forward-looking statements. Such statements reflect our current views with respect to future events and are subject to such risks and uncertainties. Many factors could cause our actual results to differ materially from the statements made, including those factors discussed in filings made by us with the Canadian securities regulatory authorities. Should one or more of these risks and uncertainties, such as the actual results of current exploration and development programs, the general risks associated with the mining industry, the price of gold and other metals, reduced funding, currency and interest rate fluctuations, increased competition and general economic and market factors, occur or should assumptions underlying the forward-looking financial statements prove incorrect, actual results may vary materially from those described herein as intended, planned, anticipated or expected. We do not intend and do not assume any obligation to update these forward-looking statements, except as required by law. Shareholders are cautioned not to put undue reliance on such forward-looking statements.

This MD&A has been approved by the Board of Directors of the Company, and contains certain information that is current to the date of this report. Events occurring after that date could render the information contained herein inaccurate or misleading in a material respect. The Company may, but is not obligated to, provide updates to forward-looking statements, including in subsequent news releases and its interim MD&A as filed with regulatory authorities. Additional information relating to the Company is available on the System for Electronic Document Analysis and Retrieval ("SEDAR") at <http://www.sedar.com>.

Qualified person

The technical information in this Management Discussion and Analysis has been prepared in accordance with the Canadian regulatory requirements set out in National Instrument 43-101 and reviewed on behalf of the Company by Mr. Dean Pekeski, P. Geo., of Kraven Geological Inc., a Qualified Person.

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