



Management's Discussion and Analysis

Year ended July 31, 2018

(Expressed in Canadian dollars, unless otherwise noted)

November 27, 2018

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 is described at the end of this MD&A.

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.

September 18, 2017, the Company 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. The extension was granted until December 30th, 2017 to facilitate completion of the transaction closing requirements. As at January 31, 2018, the Company and Pacific Alliance have terminated negotiations for a further extension.

On May 2, 2018, the Company completed a consolidation of the common shares of the Company on the basis of three pre-consolidation common shares for one post-consolidation common share. Upon completion of the share consolidation the Company's outstanding common shares of 84,316,346 pre-consolidation became 28,105,448 post-consolidation.

On June 22, 2018, the Company arranged a private placement financing of up to 12,000,000 units at a price of \$0.05 per unit for total gross proceeds of up to \$600,000. Each unit consists of one common share and a whole warrant, with each whole warrant exercisable into one additional common share at \$0.06 per share for one (1) year after the closing date.

On July 6, 2018, the Company has closed the second tranche of the over-subscribed non-brokered unit financing, the financing filled for aggregate gross proceeds of \$659,700 with units issued at \$0.05 per unit. Each unit consists of one

common share and one transferable share purchase warrant, with each warrant exercisable into one additional common share at \$0.06 per share for one (1) year after the closing date. For the second tranche, the Company issued 7,074,000 units at a price of \$0.05 per unit for aggregate gross proceeds of \$353,700.

On July 6, 2018, the Company completed a shares for debt transaction where Lions Bay Capital Inc. (“Lions Bay”) purchased \$991,657 in indebtedness of the Company from the Company’s creditors and settled this purchase with the issuance of Lions Bay Shares. Then the acquired debt owned by Lions Bay was converted into 19,833,148 common shares of the Company at a deemed price of \$0.05. As the fair value of the shares on issuance was \$0.065, the Company recorded a loss of \$297,497 on settlement of debt.

On October 18, 2018, the Company closed the first tranche of a non-brokered private placement and issued 6,517,000 units at \$0.05 per unit for gross proceeds of \$325,850. Each unit consists of one common share and one transferable share purchase warrant with each warrant exercisable into one additional Share at \$0.06 per Share for one (1) year following the closing date. In connection with the first tranche, the Company issued finders’ fees of 425,000 Units having the same terms as the private placement and 425,000 broker warrants with each broker warrant exercisable into one additional Share at \$0.06 per Share for two (2) years following the closing date.

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 the 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.

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 3,333,333 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 666,667 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 1,333,333 Montan Shares to Chazel subject to and upon satisfaction of the following milestones:

- 666,667 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
- 666,667 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:

3,333,333 common shares of the Company at \$0.165 CAD per share	550,000
666,667 contingent shares upon 1,000 ounces at \$0.165 CAD per share ⁽¹⁾	88,000
666,667 contingent shares upon an additional 2,000 ounces at \$0.165 CAD per 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

LIQUIDITY AND CAPITAL RESOURCES

	Year Ended July 31,		
	2018	2017	2016
Cash outflows from operating activities	\$ (887,038)	\$ (1,937,136)	\$ (475,480)
Cash inflows from financing activities	899,911	2,103,790	632,023
Cash inflow (outflows) from investing activities	-	(12,945)	(213,882)
Effect of exchange rate changes on cash	(29,748)	(134,065)	-
Net cash inflows (outflow)	(6,875)	19,644	(57,339)
Cash balance	15,765	22,640	2,996

As at July 31, 2018, the Company's net working capital deficit was \$1,229,957 compared to net working capital deficit of \$1,174,207 as at July 31, 2017 and \$167,647 as at July 31, 2016.

Cash outflow from operating activities was \$887,038 in the year ended July 31, 2018, which was lower than the comparative period in 2017 and higher than 2016. The decrease from the prior period is a result decreased corporate activities during the year as the Company tried to identify financing opportunities to start operations at Cerro Dorado. The increase from 2016 is the result of the Company having less corporate activity in 2016 as this was the year before the acquisition of Cerro Dorado.

Cash inflow from financing activities was \$899,911 in the year ended July 31, 2018, which was lower than comparative period in 2017 and higher than 2016. During the current period the Company completed two private placements and received proceeds from promissory notes and advances net of repayments.

Cash outflow from investing activities was nil in the year ended July 31, 2018, which was lower than comparative period in 2017 and 2016, that was related to the acquisition of assets of Cerro Dorado.

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		
	2018	2017	2016
Revenue	\$ -	\$ -	\$ -
Loss before other items	(1,822,222)	(2,662,688)	(1,844,251)
Net loss	(2,085,621)	(2,689,234)	(2,480,744)
Basic and diluted – loss per share	(0.07)	(0.04)	(0.09)
Total assets	1,811,817	1,889,476	158,850

Net loss in the current year ended July 31, 2018 was lower than in comparative period of 2017 and slightly lower than 2016, as the Company decreased corporate activities during 2018 as the Company tried to identify financing opportunities to start operations at Cerro Dorado. As a result, exploration, consulting fee, and investor communication expenses all decreased during the period of 2018 compared to 2017 and 2016.

As at July 31, 2018, the total assets decreased from 2017 due to the utilization of prepaid expenses and other receivables. The total assets increased from 2016 due to the Company closing the acquisition of Cerro Dorado in 2017, the Company had the Alicia mineral property which was written off in 2016.

QUARTERLY RESULTS	July 31, 2018	April 30, 2018	Jan 31, 2018	October 31, 2017	July 31, 2017	Apr 30, 2017	Jan 31, 2017	Oct 31, 2016
	Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net loss	(1,251,324)	(185,603)	(402,327)	(246,367)	(646,045)	(564,749)	(871,290)	(793,047)
Basic & diluted loss per share	(0.00)	(0.00)	(0.00)	(0.00)	(0.01)	(0.01)	(0.01)	(0.02)
Total assets	1,811,817	1,814,294	2,031,572	1,857,575	1,889,476	2,268,357	2,207,700	708,706

Three months ended July 31, 2018 compared to historical quarters in 2017 & 2016

Net loss in the current quarter was higher than the comparative quarters as a result of non-cash expenses recorded in the current quarter like share-based payment expense of \$280,972 and loss on shares for debt of \$297,497 in addition to the legal fees related to the annual and special shareholder meeting required to approve the shares for debt transaction. These expenses were not incurred in the previous periods.

Change in total assets

As at July 31, 2018, the total assets increased from 2016 due to the Company closing the acquisition of Cerro Dorado and is consistent in 2017 and fluctuates with foreign exchange changes to the use of cash and prepaid expenses.

SHAREHOLDERS' EQUITY

Montan's authorized capital stock consists of an unlimited number of common shares without par value. As at July 31, 2018, the Company had 61,132,586 common shares, 6,113,260 stock options and 23,146,935 share purchase warrants outstanding. As at the date of this report, the Company had 68,074,586 common shares, 6,113,260 stock options and 28,947,271 share purchase warrants outstanding.

On May 2, 2018, the Company completed a consolidation of the common shares of the Company on the basis of three pre-consolidation common shares for one post-consolidation common share. Upon completion of the share consolidation the Company's outstanding common shares of 84,316,346 pre-consolidation became 28,105,448 post-consolidation.

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The following is a summary of the stock options outstanding as at July 31, 2018 and the date of reporting:

Number of stock option outstanding and vested	Exercise price per stock option	Expiry date
133,332	\$0.30	December 5, 2022
141,664	\$0.30	March 7, 2020
633,329	\$0.30	August 2, 2021
50,000	\$0.21	January 17, 2022
5,154,935	\$0.08	July 9, 2023
6,113,260	\$0.08	

The following is a summary of the share purchase and broker warrants outstanding as at July 31, 2018:

Number of warrants	Exercise price per warrant	Expiry date
1,566,664	\$0.45	August 25, 2018
2,723,328	\$0.30	October 27, 2021
3,113,785	\$0.30	December 15, 2021
1,033,333	\$0.30	January 13, 2022
1,515,825	\$0.30	April 13, 2019
6,120,000	\$0.06	June 22, 2019
7,074,000	\$0.06	July 6, 2019
23,146,935		

The following is a summary of the share purchase and broker warrants outstanding as at the date of reporting:

Number of warrants	Exercise price per warrant	Expiry date
2,723,328	\$0.30	October 27, 2021
3,113,785	\$0.30	December 15, 2021
1,033,333	\$0.30	January 13, 2022
1,515,825	\$0.30	April 13, 2019
6,120,000	\$0.06	June 22, 2019
7,074,000	\$0.06	July 6, 2019
6,942,000	\$0.06	October 18, 2019
425,000	\$0.06	October 18, 2020
28,947,271		

REGULATORY DISCLOSURES

Financial instruments

The Company's financial instruments consist of cash, other receivables, accounts payable and accrued liabilities, 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 cash equivalents, and marketable securities. The Company's cash is held through large Canadian financial institutions.

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. The accounts payable and income taxes payable is due within the current operating period.

Market Risk

The Company's financial instruments include investments which are publicly traded and therefore subject to the risks related to the fluctuation in market prices of publicly traded securities. Some of these investments have been acquired as a result of property transactions and, to a large extent, represent strategic investments in related mining companies and their properties. The Company closely monitors market values to determine the most appropriate course of action.

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 exposed from time to time to interest rate risk as a result of holding fixed income cash equivalents and investments, of varying maturities. A 1% change in market interest rates would result in no significant change in value of cash and cash equivalents or fixed income securities. The risk that the Company will realize a loss as a result of a decline in the fair value of these assets is limited as they are generally held to maturity.

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 United States 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, 2018 are denominated in United States Dollars, Canadian Dollars, and Peruvian Soles, and are set out in the following table:

	Canadian Dollars	US Dollars	Peruvian Soles	Total
Financial assets				
Cash	\$ 6,534	\$ -	\$ 9,231	\$ 15,765
Other receivables	8,091	-	26,387	34,478
	14,625	-	35,618	50,243
Financial liabilities				
Accounts payables and accrued liabilities	(437,850)	(116,762)	(77,841)	(632,453)
Loan payable	-	(366,774)	-	(366,774)
Promissory notes and advances	(330,372)	-	-	(330,372)
Net financial (liabilities) assets	\$ (753,597)	\$ (483,536)	\$ (42,223)	\$ (1,279,356)

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

	Canadian Dollars	US Dollars	Peruvian Soles	Total
Financial assets				
Cash and cash equivalent	\$ 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 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, 2018, a 10% appreciation of the Canadian dollar relative to the US dollar would have decreased net financial liabilities by approximately \$47,058 (July 31, 2017 - \$60,040). A 10% appreciation 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 increased net financial liability by approximately \$4,222 (July 31, 2017 - \$7,360) 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 nine months ended July 31, 2018 and July 31, 2017 are as follows:

	July 31, 2018	July 31, 2017
Consulting fees	\$ 124,013	\$ 95,844
Professional fees	30,000	42,500
Share-based payments	223,472	277,601

As at July 31, 2018 the Company had amounts payable of \$39,800 (July 31, 2017 - \$78,978) to these parties. These amounts are unsecured and non-interest bearing.

As at July 31, 2018, the Company had promissory notes totalling \$nil (July 31, 2017 – \$130,263) to a director and a private Canadian company controlled by a director of the Company and personally to a director of the Company.

On July 20, 2017, the Company entered into an unsecured promissory note agreement for \$120,000 with a private Canadian company controlled by a director. The loan accrues interest at a rate of 6% per annum. The principal and interest is due on July 20, 2018. In the event that the loan is not repaid on the maturity date, the interest rate is increased to 24% prospectively. During the year ended July 31, 2018 \$3,866 (July 31, 2017 - \$nil) was recorded as interest expense. The principal and accrued interest was purchased by Lions Bay which was then subsequently settled in the shares for debt transaction completed on July 6, 2018.

On July 18, 2017, the Company entered into an unsecured promissory note agreement for \$10,263 with a director of the Company. During the year ended July 31, 2018 the Company received an additional \$32,247 in advances. The loan is non-interest bearing and the principal is due on July 18, 2018. The principal and accrued interest was purchased by Lions Bay which was then subsequently settled in the shares for debt transaction completed on July 6, 2018.

During the year ended July 31, 2018, the Company recognized a loss on settlement of debt of \$67,164 (2017 - \$nil) related to amounts owing to directors and officers 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, 2018, 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, 2018 (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, 2018.
- (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 measures 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 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 believes the implementation of the new standard will not have a material impact on its financial statements.

The Company does not anticipate a material impact from the adoption of IFRS 9 and 15. The Company is currently evaluating the potential impact of IFRS 16 on its consolidated 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, 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

Please refer to the audited annual financial statements for the year ended July 31, 2018 for the Company's significant accounting policies, which was filed on SEDAR

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 of 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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