

MEXICAN GOLD CORP.

Notice to Reader

The MD&A for the fiscal year ended June 30, 2018 is being refiled to show the date of the document as October 23, 2018.

There are no other amendments to the MD&A that was filed on SEDAR on October 23, 2018.



**MANAGEMENT'S DISCUSSION & ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS**

Form 51-102F1

For the year ended June 30, 2018

(Stated in Canadian Dollars)

(Unaudited)



MANAGEMENT'S DISCUSSION & ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS
For the year ended June 30, 2018

Date of Report: October 23, 2018

General

The following Management's Discussion and Analysis ("MD&A") of Mexican Gold Corp. (the "Corporation") should be read in conjunction with the audited consolidated financial statements for the year ended June 30, 2018 with a comparative period for the year ended June 30, 2017, and the notes thereto. The Corporation's audited consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Unless otherwise stated, all amounts discussed herein are denominated in Canadian dollars. This MD&A was prepared as of October 23, 2018, and all information is current as of such date. Readers are encouraged to read the Corporation's public information filings on SEDAR at www.sedar.com.

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

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

Corporate Overview

Mexican Gold Corp. (the "Corporation") (formerly Source Exploration Corp.) was incorporated under the Business Corporation's Act (Alberta) on October 5, 2006, and is engaged in the acquisition, exploration, and evaluation of mineral properties. On January 17, 2011, the Corporation received all necessary approvals to continue into the jurisdiction of Ontario.

The Corporation is in the process of exploring and evaluating its mineral properties and, on the basis of the information to date, has not yet determined whether any of the properties contain economically recoverable reserves. The recovery of expenditures on the mineral properties is dependent upon the existence of economically recoverable mineralization, the Corporation securing and maintaining title and beneficial interest in the properties, and the ability of the Corporation to obtain the necessary financing to complete the exploration and development and future profitable production or, alternatively, on the sufficiency of proceeds from disposition.



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Operational Highlights Q4 2018

Mexican Gold Corp. is engaged in the exploration and development of mineral properties in North America. Highlights from the year are:

Exploration Highlights at Las Minas Property

- Successful completion of 3,000 metre diamond drilling program to expand the initial mineral resource for El Dorado/ Juan Bran zone.
- Infill drilling confirmed the continuity of high-grade mineralization at juncture of the El Dorado/ Juan Bran zone and El Dorado Dike Contact zone.
- Expansion drilling extended the Santa Cruz zone to depth as well as to the north-northwest.
- Initiation of extensive field exploration program at Pueblo Nuevo and Changarr consisting of mapping, sampling, trenching and constructing access trails.
- High – grade sampling results from Tamiahua I, Tamiahua II, Dos Rios and El Cajon mines.
- Field exploration yield high- grade sampling results at the Changaro zone.
- Step-out drilling extended the El Dorado/ Juan Bran zone 206 metres to the north-west

Resource Expansion Drilling Program

The fourth quarter drill program included both step-out and in-fill drilling, concentrating on little- known mineralized indications on the boundary of the current resource footprint. The program was successful in demonstrating the continuity of the high- grade mineralization at the El Dorado Dike Contact zone, as well as extending the Santa Cruz and El Dorado / Juan Bran zones.

High – Grade mineralized intercepts included:

El Dorado Zone

- Hole LM-18-JB-25 extended the boundary of El Dorado/Juan Bran zone a further 33.0 metres to the west. The hole cut eight metres of high- grade mineralization grading 3.05 g/t Au Eq (1.06 g/t Au, 6.35 g/t Ag, 1.16% Cu) The mineralization remains open for further expansion to the west.
- Holes LM–18–ED–50 & 51 intersected previously unknown mineralization above the shallow dipping El Dorado / Juan Bran zone. The mineralized intercept is believed to be related to the Santa Cruz zone and may represent a new mineralized lens.
- Hole LM–18–ED–52 grading 5.69 g/t Au Eq⁽¹⁾ (2.19 g/t Au, 6.11 g/t Ag, 2.08% Cu), over 20.0 metres, drilled as an infill hole, confirmed the continuity of the high- grade mineralization related to the juncture of the El Dorado /Juan Bran zone and the El Dorado Dike Contact zone.
- Hole LM-18-ED-53 & 54 were drilled as in-fill holes to support the continuity and grade of mineralization for the El Dorado/ Juan Bran zone, Hole LM-18- Ed- 53 intersected 4.87 g/t Au Eq (2.52 g/t Au, 10.23 g/t Ag, 1.35% over 6.0 metres). And hole LM-18-54 cut 3.49 g/t Au Eq (2.07 G/T Au. 3.10 g/t Ag, 0.84 %Cu over 2.0 metres.

Santa Cruz Zone

- Hole LM–18–SC–05A confirmed the existence of a deeper mineralized lens at Santa Cruz, with a strike length of >120 m.
- Hole LM-18-SC-6A & 17A were drilled to test the continuation of the Santa Cruz mineralization to depth. Both holes intersected an additional 8 metres of mineralization below the limits of previous drilling. Hole LM-18- SC 6A intersected 3.49 g/t Au Eq (2.07 g/t Au, 3.10 g/t Ag, 0.84% Cu) over 2.0 metres within 1.41 g/t Au Eq (0.76 g/t Au Eq 1.31 g/t Ag, 0.39% Cu) over 8.0 metres. Hole LM -18-SC-17 A graded 3.58 g/t Au eq (3.49 g/t Au, 0.55 g/t Ag, 0.05% Cu over 6.0 metres within 2.01 g/t Au Eq (1.96 g/t Au, 0.32 g/t Ag, 0.03% Cu) over 14.0 metres.
- Hole LM–18–SC–19 extended the Santa Cruz zone to the north- northwest and confirmed the continuity of the high – grade mineralization (3.58 g/t Au Eq – 1.73 g/t Au, 4.67 g/t Ag, 1.09% Cu) over 22.0 metres of the El Dorado / Juan Bran zone at depth.



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- LM-18-SC-21 was drilled to test the upward extension of the Santa Cruz zone. The hole cut multiple zones on mineralization that remain open for additional drill testing. Intersections included 2.48 g/t Au Eq (1.42 g/t Au, 9.9 g/t Ag, 0.56% Cu over 2.0 metres; 1.95 g/t Au Eq (0.99 g/t Au, 5.03 g/t Ag, 0.54 % Cu) over 6.0 metres including 2.51 g/t Au Eq (1.22 g/t Au, 6.25 g/t Ag, 0.74% Cu over 4.0 metres, and 1.79 g/t Au Eq (0.78 g/t Au, 3.25 g/t Ag, 0.59 % Cu) over 4.0 metres

Field Exploration Program at Pueblo Nuevo and Changaro

The Company also initiated a major field exploration program for the Pueblo Nuevo and Changaro zones, with up to 25 people engaged in building access trails, sampling, trenching and mapping.

Field Exploration at Pueblo Nuevo

The field exploration program at Pueblo Nuevo has been highly successful with the re-discovery of a number of previously unknown historical gold mines within a cluster of similar mines with demonstrated high grade potential.

In mid- April the company announced initial sampling results for four high-grade gold bearing veins at its Pueblo Nuevo concession. The sampling was carried out at the historical Tamiahua I, Tamiahua II, Dos Rios and El Cajon mines. Sampling results at the Tamiahua I reported 90.82 g/t gold and 37.2 g/t silver over 0.42 metres contained within 2.2 metres grading 17.01 g/t gold and 7.61 g/t silver. A grab sample of quartz vein material at the El Cajon mine yielded 32.2 g/t gold and 231.0 g/t silver.

Highlights from the sampling program include:

- The Tamiahua I vein yielded 90.82 g/t gold and 37.2 g/t silver over 0.40 metres contained within 2.2 metres grading 17.01 g/t gold and 7.61 g/t silver
- The Tamiahua II vein sampled 10.65 g/t gold and 21.1 g/t silver over 0.45 metres
- A grab sample of the quartz veining at the El Cajon mined assayed 32.2 g/t gold and 231 g/t silver
- Sampling of the vein at the Dos Rios mine graded 5.43 g/t gold and 40.88 g/t silver over 1.18 metres

Field Exploration at Changaro

The field exploration program at Changarro led to the discovery of a previous unknown historical mine workings. Channel sampling carried out at the historical La Peridida mine assayed:

- 13.48 g/t Au Eq (13.04 g/t gold, 6.83 g/t silver and 0.21% copper) over 8 metres, including 27.76 g/t Au Eq (27.30 g/t gold, 11.7 g/t silver and 0.49% copper) over 2.0 metres.

As previously disclosed, the Corporation through its Mexican subsidiary Roca Verde, S.A. de C.V. (Roca Verde) filed a response as a third party of interest after receiving notification of an appeal by the heir of one of the five co-owners of a neighbouring concession (the "Neighbouring Concession Co-owner") to an earlier decision by the General Bureau of Mining ("GBM") located in Mexico regarding an overlapping area of its Las Minas property. The overlapping area comprises approximately 11% of the Las Minas project. The Corporation's interest in the Las Minas Project is held through Roca Verde, which owns six concessions, including the Pepe and Pepe Tres mining concessions (Collectively the "Pepe Concessions"). In 2016, Roca Verde received notice from the Regional Court of Tlaxcala of the Federal Tribunal of Administrative Justice advising that Neighbouring Concession Co-owner has appealed (the "2016 Appeal") against the General Bureau of Mining's decision to nullify a portion of the area of the concession that overlaps a portion of the Pepe Concessions. The Corporation after consulting its Mexican legal counsel is of the view that the appeal is without merit and that the February 28, 2014 decision by the General Bureau of Mining was correct in all material respects based on the review of the title documents relating to the Pepe Concessions and the neighbouring concessions, and both the former owners of the Pepe Concessions (from whom Roca Verde had acquired the Pepe Concessions) and currently Roca Verde have valid ownership to the overlapping area under applicable Mexican law. The Corporation believes that the 2016 Appeal will be denied in due course.

In early 2017, the above Neighbouring Concession Co-owner filed another petition with the General Bureau of Mining in Mexico requesting the cancellation of Roca Verde's Pepe mining concession. The GBM indicated that it would not review the petition until the 2016 Appeal is resolved. In 2017, the Neighbouring Concession Co-owner filed an appeal (the "2017 Appeal") in the Regional Court of Tlaxcala of the Federal Tribunal of Administrative Justice against the decision of the GBM as well. The Corporation after consulting its Mexican legal counsel is of the view that the 2017 Appeal is also without merit and believes that the 2017 Appeal will be denied in due course. Based on a review of the title documents relating to the Pepe



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Concessions and the neighbouring concession and having consulted with Mexican legal counsel, the Corporation believes that both the former owners of the Pepe Concessions and now Roca Verde have valid ownership to the overlapping area under applicable Mexican law

Environmental Contingency

The Corporation's mining and exploration activities are subject to various laws and regulations relating to the protection of the environment. These environmental regulations are continually changing and are generally becoming more restrictive. As of June 30, 2018, the Corporation does not believe that there are any significant environmental obligations requiring material capital outlays in the immediate future.

Off-Balance Sheet Arrangements

As of the date of this filing, the Corporation does not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Corporation including, without limitation, such considerations as liquidity and capital resources that have not previously been discussed.

Overall Objective

The Corporation's business objective is to generate superior returns for our shareholders by acquiring high potential precious metals exploration properties in safe jurisdictions and adding significant value by carrying out focused exploration and development programs.



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The following table provides selected financial information and should be read in conjunction with the Corporation's audited consolidated financial statements for the periods below.

	Year ended June 30, 2018 \$	Year ended June 30, 2017 \$	Year ended June 30, 2016 \$
Operations			
Other income	10,960	16,151	3,430
Comprehensive loss for the year	(3,529,472)	(3,119,945)	(953,168)
Basic and diluted loss per share	(0.09)	(0.17)	(0.11)
Balance Sheet			
Working capital	645,179	1,258,630	(654,070)
Total assets	803,484	1,394,819	71,892
Total liabilities	(158,305)	(136,189)	(716,105)

Summary of Quarterly Results

The following table sets out selected quarterly financial data for the most recently completed interim quarters:

Three Months Ended	Total Assets \$	Total Revenue \$	Net Loss	
			Total	Per Share ⁽¹²⁾⁽¹³⁾
June 30, 2018	803,484	-	(1,021,133) ¹⁾	(0.04)
March 31, 2018	825,674	-	(912,212) ²⁾	(0.01)
December 31, 2017	1,094,305	-	(965,856) ³⁾	(0.03)
September 30, 2017	1,422,645	908	(595,809) ⁴⁾	\$(0.01)
June 30, 2017	1,394,819	-	(2,020,168) ⁵⁾	(0.11)
March 31, 2017	1,403,352	-	(686,981) ⁶⁾	(0.04)
December 31, 2016	489,834	-	(238,095) ⁷⁾	(0.02)
September 30, 2016	53,152	-	(199,759) ⁸⁾	(0.02)

1. Net loss of \$1,021,033 includes administrative and general of \$305,499, exploration and evaluation expenditures of \$519,403, and share-based payments of \$151,399. All other items were for working capital purposes.
2. Net loss of \$912,212 includes administrative and general of \$389,598, exploration and evaluation expenditures of \$483,975, and share-based payments of \$141,230. All other items were for working capital purposes.
3. Net loss of \$965,856 includes administrative and general of \$431,744, exploration and evaluation expenditures of \$448,649 and share based payments of \$181,746. All other items were for working capital purposes.
4. Net loss of \$595,809 includes administrative and general of \$224,233, exploration and evaluation expenditures of \$175,587 and share based payments of \$178,823. All other items were for working capital purposes.
5. Net loss of \$2,020,168 includes administrative and general of \$326,226, exploration and evaluation expenditures of \$1,325,915, and share-based payments of \$251,812. All other items were for working capital purposes.
6. Net loss of \$686,981 includes administrative and general of \$182,006, exploration and evaluation expenditures of \$418,901 and VAT of \$39,241. All other items were for working capital purposes.
7. Net loss of \$238,095 includes administrative and general of \$143,590 and exploration and evaluation expenditures of \$71,285. All other items were for working capital purposes.
8. Net loss of \$199,759 includes administrative and general of \$142,510 and exploration and evaluation expenditures of \$41,535 offset by recovery of VAT of \$7,976. All other items were for working capital purposes.



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9. Net loss of \$224,517 includes administrative and general of \$106,187, exploration and evaluation expenditures of \$122,850 and professional fees of \$3,973 offset by recovery of VAT of \$11,145. All other items were for working capital purposes.
10. Net loss of \$282,827 includes administrative and general of \$116,800, exploration and evaluation expenditures of \$139,216 and professional fees of \$6,518 offset by recovery of VAT of \$11,145. All other items were for working capital purposes.
11. Net loss of \$154,687 includes administrative and general of \$113,781, exploration and evaluation expenditures of \$45,528 and professional fees of \$11,634 offset by recovery of VAT of \$11,145. All other items were for working capital purposes.
12. Basic and diluted.
13. Per share amounts are rounded to the nearest cent, therefore aggregating quarterly amounts may not reconcile to year-to-date per share amounts.

Discussion of Operations

Financial Highlights 2018

The Corporation's net loss for the for the year ended June 30, 2018 totaled \$3,494,910 , with basic and diluted loss per share of \$0.09. This compares with a net loss of \$3,145,003 for the year ended June 30, 2017. The increase in net loss of \$349,907 was principally because:

- Exploration and evaluation expenditures for the year ended June 30, 2018 were \$1,627,614 (the year ended June 30, 2017 – \$1,857,636). The current year expenses relate to general exploration on the Corporation's mineral properties and acquisition costs and option payments. The decrease in exploration and evaluation expenditures is primarily due to the commencement of the drilling program on the properties during the current year.
- General and administrative for the year ended June 30, 2018 decreased to \$1,351,074 the year ended June 30, 2017 – \$1,794,332) is primarily due to increased investor relations and corporate activity during the current year.
- The Corporation incurred an increase in share-based payments to \$653,198 for the year ended June 30, 2018, compared to \$269,158 the year ended June 30, 2017, due to the timing of vesting of options during the current year compared the prior year.
- Professional fees for the year ended June 30, 2018 were \$76,297 (the year ended June 30, 2017 – \$66,970) due to increased legal fees related general corporate affairs.

Liquidity and Financial Position

As at June 30, 2018, the Corporation had working capital of \$645,179, compared to a working capital of \$1,258,630 at June 30, 2017. The Corporation had \$210,658 in cash and investments available to fund its ongoing operations compared to \$834,057 in cash at June 30, 2017. Current liabilities at June 30, 2018 were \$158,305 compared to \$136,189 at June 30, 2017. The Corporation intends to keep discretionary spending to a minimum to conserve its cash and will continued to seek out additional sources of financing.

Cash used in operating activities was \$2,831,660 for the year ended June 30, 2018. Operating activities were affected by non-cash charges related to share-based payments of \$645,179, and the net change in non-cash working capital balances of (\$9,948) because of an decrease in accounts receivable of \$130,793, increase in prepaids and deposits of \$98,729 and increase in accounts payable and accrued liabilities of \$22,116.

Cash provided by financing activities was \$2,242,823 for the year ended June 30, 2018. Financing activities consisted of the proceeds of exercise of share purchase warrants and proceeds from private placement.



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The Corporation has no operating revenues, and depends on debt and/or equity financing to fund its operations. As of June 30, 2018, and to the date of this MD&A, the cash resources of the Corporation are held with one Canadian chartered bank. The Corporation has no debt and its credit and interest rate risk is minimal. Accounts payable and accrued liabilities are short-term and non-interest-bearing.

During fiscal 2018, the Corporation's corporate head office costs are estimated to average \$200,000 per quarter, it was higher this quarter due to increased investor relations expenses and consulting fees. Head office costs include professional fees, reporting issuer costs, business development costs and general and administrative costs. Head office costs exclude property research and area selection costs. The cost of acquisition and work commitments on the new acquisitions cannot be accurately estimated.

Based on the Corporation's working capital of \$645,179 at June 30, 2018 (June 30, 2017 – \$1,258,630), the Corporation will have to raise additional equity capital in fiscal 2019 in amounts sufficient to fund both planned exploration work and working capital requirements. The major variables are expected to be the size, timing and results of the Corporation's exploration program and its ability to continue to access capital to fund its ongoing operations. The Corporation's cash at June 30, 2018 is not anticipated to be sufficient to fund its budgeted exploration activities of \$300,000, accounts payable and accrued liabilities of \$158,305 and the estimated operating expenses of \$1,700,000 for fiscal 2018.

Overall Performance

Forward-looking statements	Assumptions	Risk factors
Potential of the Corporation's properties to contain economic deposits of gold and/or other metals (as described under the headings "Description of Business").	Financing will be available for future exploration of the Corporation's properties; the actual results of the Corporation's exploration activities will be favourable; operating and exploration costs will not exceed the Corporation's expectations; the Corporation will be able to retain and attract skilled staff; all requisite regulatory and governmental approvals for exploration projects and other operations will be received on a timely basis upon terms acceptable to the Corporation, and applicable political and economic conditions will be favourable to the Corporation; the price of gold and/or other applicable metals and applicable interest and exchange rates will be favourable to Mexican Gold; no title disputes exist with respect to the Corporation's properties.	Gold and/or other metals price volatility; uncertainties involved in interpreting geological data and confirming title to acquired properties; the possibility that future exploration results will not be consistent with the Corporation's expectations; availability of financing for and actual results of the Corporation's exploration activities; increases in costs; environmental compliance and changes in environmental and other local legislation and regulation; interest rate and exchange rate fluctuations; changes in economic and political conditions; the Corporation's ability to retain and attract skilled staff; availability of permits.
The Corporation's estimated head office costs for fiscal 2019 and the need to raise capital in order to meet its working capital needs (as described under the heading "Liquidity and Financial Position").	The operating and exploration activities of the Corporation on a going forward basis, and the costs associated therewith, will be consistent with the Corporation's current expectations; debt and equity markets, exchange and interest rates and other applicable economic conditions will be favourable to the Corporation; availability of financing.	Changes in debt and equity markets; timing and availability of external financing on acceptable terms; increases in costs; interest rate and exchange rate fluctuations; changes in economic conditions and planned operations.



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Exploration and evaluation activities

Accumulated costs with respect to the Corporation's interest in mineral properties owned, leased or under option, consist of the following:

	Las Minas and La Miqueta \$	Year ended June 30, 2018 \$	Year ended ended June 30, 2017 \$	Inception to date total \$
Analytical	-	-	650	376,149
Geological and consulting	583,273	583,273	140,280	3,842,756
Transportation and accommodation	-	-	13,023	177,174
Drilling	719,041	719,041	154,373	6,333,021
Geophysical	22,819	22,819	-	97,498
Operational support	133,424	133,424	-	409,390
Other	1,067	1,067	57,363	402,026
Subtotal	1,459,624	1,459,624	365,689	11,638,014
Acquisition costs / Option payments	167,990	167,990	166,032	2,004,688
Total expenditures	1,627,614	1,627,614	531,721	13,642,702

Las Minas and La Miqueta

On October 13, 2010, the Corporation's 100% owned Mexican subsidiary Roca Verde Exploracion de Mexico entered into exclusive Letters of Intent to acquire the Las Minas and La Miqueta properties, collectively named the Las Minas Project. The project is comprised of five privately held mineral concessions in the core of the Las Minas district in the State of Veracruz, Mexico.

Pursuant to the terms of the original Las Minas property agreement the Corporation was granted the right to enter into an exclusive purchase and sale agreement to earn a 100% interest in three concessions by making staged cash payments totaling US\$190,000 plus VAT over the next 36 months and a final payment of US\$1,000,000 plus VAT upon exercising the option. The Vendors retained a 1.5% Net Smelter Return ("NSR") subject to an exclusive buyback provision allowing the Corporation to purchase one third or a 0.5% NSR for US\$500,000. The Corporation retained a Right of First Refusal to buy the remaining 1.0 % NSR. The Corporation also agreed to complete a work program which required \$200,000 in expenditures to maintain the concessions in good standing during the three year term of the agreement.

Pursuant to the terms of the original La Miqueta property agreement the Corporation was granted the right to enter into an exclusive purchase and sale agreement to earn a 100% interest in three concessions by making staged cash payments totaling US\$95,000 plus VAT over 36 months beginning October 13, 2010 and a final payment of US\$500,000 plus VAT upon exercising the option. The Vendors retained a 1.5% NSR subject to an exclusive buyback provision that allowed the Corporation to purchase one third or a 0.5% NSR for US\$500,000. The Corporation retained a Right of First Refusal to buy the remaining 1.0 % NSR. The Corporation also agreed to keep the property in good standing with respect to concession taxes. During 2012, an extension agreement was executed to extend the deadline for the final payment by 12 months.



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Option agreement extended to 2016

On June 6, 2013, the Corporation extended the option agreement to acquire the Pepe, Pepe Tres, and San Jose concessions located at the Las Minas property in Veracruz State, Mexico, and further revised on November 20, 2013. The amended agreement extended the term of the option agreement by an additional two years to December 5, 2015. Scheduled payments as per the terms of the amended agreement were US \$130,000 over a 6 month period ending May 5, 2014, US \$150,000 on December 5, 2014, with a final payment of US \$1,300,000 on December 5, 2015. All payments are subject to VAT. The Corporation also retained the right to exercise the option at the latest on December 5, 2013 upon payment of US \$1,000,000 as per the terms of the original option agreement on October 13, 2010.

On October 1, 2015, the Corporation announced the successful negotiation of a one year extension to its option agreement to acquire the Pepe, Pepe Tres and San Jose concessions located at its Las Minas property. These concessions are part of the six concessions held under option or wholly owned by Mexican Gold at Las Minas, Veracruz State, Mexico.

The new agreement extended the term of the option agreement by an additional one year to December 5, 2016. The payment for granting the extension was US\$165,000, payable in equal monthly installments over a six month period and commencing at the latest on December 7, 2015.

On November 21, 2016, the Corporation announced another successful negotiation of a one year extension to its option agreement to acquire the Pepe, Pepe Tres and San Jose concessions located at its Las Minas property.

The new agreement extends the term of the option agreement by an additional one year to December 5, 2017 for consideration equal to US\$180,000, payable in equal monthly installments over a six month period and commencing no later than December 7, 2016 (\$246,482).

All other terms of the original agreement of November 30, 2010 and prior extension agreement of May 21, 2013 remained unchanged.

Extension of Las Minas option agreement to 2017

On April 23, 2015, the Corporation signed a two year extension to its option agreement to acquire the Pueblo Nuevo and La Luz 1 concessions located at its Las Minas property. These concessions are part of the concessions held under option or wholly owned by Roca Verde, (the wholly owned subsidiary of Mexican Gold) at Las Minas, Veracruz State, Mexico.

The new agreement extends the term of the option agreement by an additional two years to May 3, 2017. Scheduled payments per the terms of the agreement are as follows:

- US \$12,500 (paid) cash consideration and \$12,500 (issued) in common shares of Mexican Gold as soon as is practicable following acceptance of the extension of the option agreement by the TSXV;
- US \$12,500 (paid) cash consideration and US \$12,500 (issued) in common shares of Mexican Gold on April 22, 2016; and
- Final option payment due on May 3, 2015 extended to May 3, 2017 and reduced from US \$500,000 to US \$150,000 (paid) (Cdn\$195,723).

All payments are subject to VAT. All other terms of the original agreement remain unchanged.

Acquisition of Pepe, Pepe Tres and San Jose concessions

On June 8, 2017, the Corporation through its wholly-owned subsidiary, Roca Verde, entered into a definitive purchase and sale agreement (the "Purchase Agreement") to acquire a 100% interest in the Pepe, Pepe Tres and San Jose concessions (the "Concessions") at its Las Minas property from the current owners (the "Owners"). The Concessions form the core of the Las Minas property and encompass six highly mineralized zones, including the El Dorado/Juan Bran and Santa Cruz zones.

Pursuant to the terms of the Purchase Agreement, Roca Verde has agreed to acquire the Concessions in consideration for the following payments to the Owners:

- an initial payment of US\$433,333 (Cdn\$553,288) plus Value Added Tax, payable upon execution of the Purchase Agreement (the "Initial Payment") 9paid);
- six equal payments of US\$22,000 plus Value Added Tax, payable monthly commencing on December 5, 2017 with the final payment due on May 7, 2018 (the "Monthly Payments") (paid); and



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- a final payment of US\$866,666 plus Value Added Tax, payable on or before December 5, 2018 (the "Final Payment" and, together with the Initial Payment and the Monthly Payments, the "Consideration").

The Initial Payment has been paid in full. If the Final Payment is made prior to the date on which any of the Monthly Payments are due, any Monthly Payment that would have been due after the date upon which the Final Payment is made shall no longer be payable. Upon payment of the Consideration, ownership and full title to the Concessions shall be automatically transferred to Roca Verde.

Pursuant to the terms of the Purchase Agreement, upon the transfer of the Concessions, the Owners shall retain a 1.5% NSR (the "Royalty"), of which one third may be purchased by Roca Verde for US\$500,000 plus Value Added Tax. Roca Verde has a right of first refusal on the Royalty in the event that the Owners intend to transfer all or part of the Royalty.

Share issuances

(i) On November 30, 2016, the Corporation closed the first tranche of a non-brokered private placement of 5,192,500 units of the Corporation (the "Units") at a price of \$0.15 per Unit for gross proceeds of \$778,875. Each Unit consists of one common share of the Corporation and one common share purchase warrant ("Warrant"). Each Warrant entitles the holder to purchase one common share at a price of \$0.25 per common share until November 30, 2018.

In connection with the private placement, the Corporation paid an aggregate of \$42,438 in finder's fees to certain arm's length parties, representing 8% of the proceeds received from subscribers that were introduced by such parties, and issued 270,920 finder's warrants ("Finder's Warrants") on the same terms as the Warrants. The Finder's Warrants were assigned a fair value of \$44,973 using the BlackScholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 240% based on the Corporation's historical volatility; share price of \$0.185; risk free interest rate of 0.70% and an expected life of two years.

(ii) Pursuant to the terms of the Warrants and the Finder's Warrants, the Corporation has the right to accelerate the expiry date of the Warrants and the Finder's Warrants on notice to the holders of the Warrants and the Finder's Warrants, if at any time after March 31, 2017 the closing price of its common shares on a stock exchange in Canada is greater than \$0.40 per common share for a period of 10 consecutive trading days, in which case the Warrants and the Finder's Warrants will expire 30 days after the date on which such notice is given. The securities issued under this tranche of the private placement are subject to a hold period under applicable Canadian securities laws which will expire on March 31, 2017.

(iii) On February 14, 2017, the Corporation closed the second tranche of a non-brokered private placement of 12,333,333 units of the Corporation at a price of \$0.15 per Unit for gross proceeds of up to \$1,850,000. Each Unit consists of one common share of the Corporation and one common share purchase warrant ("Warrant"). Each Warrant entitles the holder to purchase one common share for a period of twentyfour months from the closing date of the private placement (subject to acceleration of the expiry date) at a price of \$0.25 per common share.

In connection with the private placement, the Corporation paid an aggregate of \$57,724 in finder's fees to certain arm's length parties, representing 8% of the proceeds received from subscribers that were introduced by such parties, and issued 72,000 Finder's Warrants on the same terms as the Warrants. The Finder's Warrants were assigned a fair value of \$16,776 using the BlackScholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 176% based on the Corporation's historical volatility; share price of \$0.29; risk free interest rate of 0.76% and an expected life of two years.

Pursuant to the terms of the Warrants and the Finder's Warrants, the Corporation has the right to accelerate the expiry date of the Warrants and the Finder's Warrants on notice to the holders of the Warrants and the Finder's Warrants, if at any time after July 4, 2017 the closing price of its common shares on a stock exchange in Canada is greater than \$0.40 per common share for a period of 10 consecutive trading days, in which case the Warrants and the Finder's Warrants will expire 30 days after the date on which such notice is given. The securities issued under this tranche of the private placement are subject to a hold period under applicable Canadian securities laws which will expire on July 4, 2017.

(iv) On May 10, 2017, the Corporation issued an aggregate of 1,052,129 common shares at a deemed price of \$0.31 per common share and an aggregate of 611,000 common shares at a deemed price of \$0.25 per common share to certain of its officers and/or directors in settlement of outstanding debt in the aggregate amount of \$478,910.

(v) On May 25, 2017, the Corporation closed a non-brokered private placement of 5,990,270 units of the Corporation at a price of \$0.30 per Unit for gross proceeds of up to \$1,797,081. Each Unit consists of one common share of the Corporation and one common share purchase warrant ("Warrant"). Each Warrant entitles the holder to purchase one common share at a price of \$0.45 per common share until May 25, 2019.



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In connection with the private placement, the Corporation paid an aggregate of \$22,785 in finder's fees to certain arm's length parties, representing 7% of the proceeds received from subscribers that were introduced by such parties, and issued 75,950 Finder's Warrants on the same terms as the Warrants. The Finder's Warrants were assigned a fair value of \$24,076 using the BlackScholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 174% based on the Corporation's historical volatility; share price of \$0.41; risk free interest rate of 0.71% and an expected life of two years. The securities issued under the private placement are subject to a hold period under applicable Canadian securities laws which will expire on September 26, 2017.

(vi) On August 9, 2017, the Corporation issued 78,431 shares with a deemed value of \$20,000 as compensation.

(vii) On April 10, 2018, the Corporation closed a non-brokered private placement of 3,489,833 common shares (each a "Unit") at a price of \$0.30 for gross proceeds of \$1,046,950. Each Unit consists of one common share of the Corporation and once common share purchase warrant, exercisable at a price of \$0.60 for a period of thirty-six months. Share issue costs of \$24,943 were deducted from equity.

Stock Option Grants

(i) On March 7, 2017, the Corporation granted 1,450,000 options to officers, directors and consultants of the Corporation at a price of \$0.30 per share and an expiry date of March 7, 2027. The options will vest one-third after twelve, eighteen and twenty-four months respectively from the date of the grant.

(ii) On May 24, 2017, the Corporation granted 400,000 options to a consultant of the Corporation at a price of \$0.35 per share and an expiry date of May 24, 2022. The options will vest quarterly over twelve months from the date of the grant.

(iii) On May 29, 2017, the Corporation granted a total of 1,050,000 stock options to certain officers, directors and consultants of the Corporation at a price of \$0.36. 950,000 of the options have an expiry date of May 29, 2027 and vest one-third after twelve, eighteen and twenty-four months from the effective date of the grant. 100,000 of the options have an expiry date of May 29, 2022 and vested immediately. Additionally, the Corporation granted 250,000 stock options to an officer and director of the Corporation at a price of \$0.55 per share, an expiry date of May 29, 2027 and vested immediately.

(iv) On November 20, 2017, the Corporation granted 200,000 options to officers, directors and consultants of the Corporation at a price of \$0.36 per share and an expiry date of November 20, 2027. The options will vest one-third after twelve, eighteen and twenty-four months respectively from the date of the grant.

(v) On April 20, 2018, the Corporation granted 174,000 options to officers, directors and consultants of the Corporation at a price of \$0.39 per share and an expiry date of April 20, 2028. The options will vest one-third after twelve, eighteen and twenty-four months respectively from the date of the grant.

(v) On May 16, 2018, the Corporation granted 100,000 options to a director of the Corporation at a price of \$0.37 per share and an expiry date of May 16, 2028. The options will vest one-third after twelve, eighteen and twenty-four months respectively from the date of the grant.

Appointment and Resignation of Directors

(i) On February 23, 2017, the Corporation announced the appointment of Mr. Ali Zamani to the Board of Directors of the Corporation. Mr. Zamani brings extensive experience in business, finance, and governance of private and publicly-traded companies. He has served as the Managing Partner of Overlook Investments LLC since January 2016.

(ii) On March 15, 2017, the Corporation announced the appointment of Mr. Brian Robertson, P.Eng., as Chairman, effective immediately. Mr. Robertson currently serves as President and Chief Executive Officer of the Corporation and is also a director. In his new role as Chairman, Mr. Robertson replaces Mr. David Baker, previously Executive Chairman, who will remain on the Board as an independent director.

(iii) On May 12, 2017, the Corporation announced that Mr. Earl Terris resigned as a director of the Corporation for personal reasons, effective May 12, 2017.

(iv) On May 26, 2017, the Corporation announced the appointments of Mr. Ali Zamani as Chairman of the Board of Directors and Mr. John Anderson as Director, effective immediately. Mr. Zamani replaces Mr. Brian Robertson who continues in his role as President and CEO.



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(iv) On September 18, 2018, the Corporation announced that Mr. John Anderson would become the Chairman of the Board of Directors, replacing Mr. Ali Zamani, who will remain on the Board of Directors. In addition, Dr. Carl Hering would be appointed as CEO, while Brian Robertson would remain as President and Director.

Change of Name

On April 21, 2017, the Corporation announced that it filed Articles of Amendment to change its name to Mexican Gold Corp. The Corporation's shareholders approved a special resolution to change the name of the Corporation at the Corporation's special meeting of shareholders held on April 12, 2017. Effective at the start of trading on April 26, 2017, the Corporation commenced trading on the TSX Venture Exchange under the new name and the new stock symbol "MEX".



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Outstanding share data

Common Shares

The Corporation's authorized share capital consists of an unlimited number of common shares without par value. As at October 23, 2018, 42,559,758 common shares were issued and outstanding.

Warrants

The following table reflects the share purchase warrants outstanding as at October 23, 2018:

Expiry Date	Exercise Price \$	Warrants Outstanding #
November 30, 2018	0.25	4,109,872
November 30, 2018	0.25	270,920
March 03, 2019	0.25	8,213,068
March 03, 2019	0.25	72,000
May 15, 2019	2.00	1,025,717
May 15, 2019	2.00	51,738
May 25, 2019	0.45	5,990,270
May 25, 2019	0.45	75,950
April 10, 2021	0.60	3,489,833
		23,299,368

Stock Options

The following table reflects stock options outstanding and that have vested as at October 23, 2018:

Expiry Date	Exercise Price \$	Options Granted #	Options Vested #
June 20, 2019	1.35	290,000	290,000
March 20, 2020	0.80	184,000	184,000
May 24, 2022	0.35	400,000	400,000
May 29, 2022	0.36	100,000	100,000
March 07, 2027	0.30	1,250,000	833,333
May 29, 2027	0.36	950,000	316,666
May 29, 2027	0.55	250,000	250,000
November 20, 2027	0.36	200,000	133,333
December 12, 2027	0.35	167,466	42,201
April 20, 2028	0.39	174,000	58,000
May 16, 2028	0.37	100,000	-
		4,065,466	2,607,533

The Corporation applies the fair value method of accounting for all stock based compensation awards and accordingly, \$653,198 was recorded as compensation for the options (2017 - \$269,158). As of June 30, 2018 there were 2,308,134 unvested stock options (2017 - no unvested stock options).



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Related Party Transactions

The Corporation's related parties include directors and key management personnel and entities over which they have control or significant influence as described below.

	Nature of transactions
DRAX Services Limited	Corporate secretarial and filing services

Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash.

The following are the related party transactions, recorded at the exchange amount as agreed to by the parties:

- (a) Included in general and administrative expenses are amounts totaling \$19,083 (2017 - \$14,261) for corporate secretarial and filing services provided by DRAX Services Limited, a company related to the Corporation through Shaun Drake, Corporate Secretary of the Corporation.

Transactions with key management personnel

Key management personnel remuneration includes the following expenses:

	June 30, 2018 \$	June 30, 2017 \$
Salary and wages	180,597	154,777
Share-based payments	554,217	164,253
Other compensation	3,732	20,417
	738,546	339,447

(i) As at June 30, 2018, the directors and key management were owed \$49,169 (June 30, 2017 \$79,824) and this amount was included in accounts payable and accrued liabilities.

(ii) On May 10, 2017, the Corporation issued an aggregate of 1,052,129 common shares at a deemed price of \$0.31 per common share and an aggregate of 611,000 common shares at a deemed price of \$0.25 per common share to certain of its officers and/or directors in settlement of outstanding debt in the aggregate amount of \$478,910.

To the knowledge of the directors and senior officers of the Corporation, as at June 30, 2018, no person or corporation beneficially owns or exercises control or direction over common shares of the Corporation carrying more than 10% of the voting rights attached to all of the common shares of the Corporation other than as set out below:

	Number of common shares	Percentage of outstanding shares
Palisade Global Investments Ltd.	7,184,600	18.71%

The remaining 81.29% of the shares are widely held, which includes various small holdings which are owned by directors and officers of the Corporation. The holding can change at any time at the discretion of the owner.



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Commitments

The Corporation has commitments relating to property payments related to the Concessions held by the Corporation's subsidiary. The annual payment for the next fiscal year is as follow:

	\$
2019	1,141,226

Critical Accounting Estimates and Judgements

In the application of the Corporation's accounting policies, which are described above, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Significant estimates

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both current and future periods. Significant estimates include:

- ◆ the inputs used in accounting for share-based payments expense;
- ◆ the provision for income taxes; and
- ◆ the estimated useful lives of equipment and leaseholds.

Significant judgements

The following are significant judgements that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the financial statements:

Functional currency

Management uses its judgement to determine the functional currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. As part of this approach, management gives priority to indicators like the currency that mainly influences costs and the currency in which those costs will be settled and the currency in which funds from financing activities are generated. Management also assesses the degree of autonomy the foreign operation has with respect to operating activities.

Financial assets and liabilities

The determination of categories of financial assets and financial liabilities has been identified as an accounting policy which involves judgments or assessments made by management.

Deferred income tax assets

The assessment of the probability of future taxable income in which deferred tax assets can be utilized is based on the Company's estimate of future profits or losses adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. The tax rules in the jurisdictions in which the Company operates are also carefully taken into consideration. If a positive forecast of taxable income indicates the probable use of a deferred tax asset, especially when it can be utilized without a time limit, that deferred tax asset is usually recognized in full. The recognition of deferred tax assets that are subject to certain legal or economic limits or uncertainties is assessed individually by management based on the specific facts and circumstances.



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Recent accounting pronouncements

Change in accounting policies

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods after June 30, 2017. The following new standards have been adopted:

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

The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non cash changes. The amendments apply prospectively for annual periods beginning on or after January 1, 2017, with earlier application permitted. On July 1, 2017, the Company adopted the amendments to IAS 7 and there was no material impact on the Company's consolidated financial statements.

IAS 12, Income Taxes ("IAS 12")

On January 19, 2016, the IASB issued Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12). The amendments apply retrospectively for annual periods beginning on or after January 1, 2017. Earlier application is permitted. The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments also clarify the methodology to determine the future taxable profits used for assessing the utilization of deductible temporary differences. On July 1, 2017, the Company adopted the amendments to IAS 12 and there was no material impact on the Company's consolidated financial statements.

New standards not yet adopted and interpretations issued but not yet effective

Certain pronouncements were issued by the IASB or the International Financial Reporting Interpretations Committee ("IFRIC") that are mandatory for future accounting periods beginning after July 1, 2018. Those pronouncements that are not applicable or do not have a significant impact to the Company have been excluded from the below. The following have not yet been adopted and are being evaluated to determine the impact on the Company.

IFRS 9, Financial Instruments ("IFRS 9")

IFRS 9 replaces the guidance in IAS 39 Financial Instruments: Recognition and Measurement and IFRIC 9 Reassessment of Embedded Derivatives. IFRS 9 introduces new requirements for classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. Based on a preliminary evaluation, this standard is not expected to have a material impact on the Company.

IFRS 15, Revenue from Contracts with Customers ("IFRS 15")

The core principle of IFRS 15 is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services. IFRS 15 will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively and improve guidance for multiple element arrangements. The standard will also address accounting for loyalty programs and breakage.

Application of IFRS 15 is effective for annual reporting periods beginning on or after January 1, 2018 and is to be applied using the retrospective or the modified transition approach. Early adoption is permitted. The Corporation will evaluate the impact of IFRS 15 on its consolidated financial statements if and when revenues from operations should commence.

IFRS 16, Leases ("IFRS 16")

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, the customer ("lessee") and the supplier ("lessor"). This will replace IAS 17, Leases ("IAS 17") and related interpretations. IFRS 16 provides revised guidance on identifying a lease and for separating lease and non lease components



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of a contract. IFRS 16 introduces a single accounting model for all lessees and requires a lessee to recognize right of use assets and lease liabilities for leases with terms of more than 12 months, unless the underlying asset is of low value, and depreciation of lease assets separately from interest on lease liabilities in the income statement. Under IFRS 16, lessor accounting for operating and finance leases will remain substantially unchanged. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with earlier application permitted for entities that apply IFRS 15, Revenue from Contracts with Customers. As the Company has contractual obligations in the form of operating leases under IAS 17, there may be an increase to both assets and liabilities upon adoption of IFRS 16, and material changes to the timing of recognition of expenses associated with the lease arrangements. The Corporation is currently evaluating the impact of this standard and amendments on its consolidated financial statements.

Financial Instruments

Financial instruments consist of cash and cash equivalents, investments, and accounts payable and accrued liabilities. The fair value of these financial instruments approximates their carrying value due to the short term to maturity, unless otherwise noted.

Risk Factors

An investment in the Corporation involves a number of risks. You should carefully consider the following risks and uncertainties in addition to other information in this report in evaluating the Corporation and its business before making any investment decision in regards to the common shares of the Corporation. The Corporations' business, operating and financial condition could be harmed due to any of the following risks. The risks described below are not the only ones facing the Corporation. Additional risks not presently known to us may also impair business operations.

Exploration and Mining Risks

The Corporation is engaged in mineral exploration and development activities. Mineral exploration and development involves a high degree of risk and few properties which are explored are ultimately developed into producing mines. The long-term profitability of our operations will be in part directly related to the cost and success of our exploration programs, which may be affected by a number of factors beyond our control.

Mineral exploration involves many risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. Operations in which the Corporation has a direct or indirect interest will be subject to all the hazards and risks normally incidental to exploration, development and production of mineral resources, any of which could result in work stoppages, damage to property, and possible environmental damage.

Hazards such as unusual or unexpected formations and other conditions such as formation pressures, fire, power outages, labour disruptions, flooding, explorations, cave-ins, landslides and the inability to obtain suitable machinery, equipment or labour are involved in mineral exploration, development and operation. We may become subject to liability for pollution, cave-ins or hazards against which we cannot insure or against which we may elect not to insure. The payment of such liabilities may have a material, adverse effect on our financial position.

The Corporation relies upon consultants and others for exploration and development expertise. Substantial expenditures are required to establish ore reserves through drilling, to develop metallurgical processes to extract the metal from the ore and, in the case of new properties, to develop the mining and processing facilities and infrastructure at any site chosen for mining. Although substantial benefits may be derived from the discovery of a major mineralized deposit, no assurance can be given that minerals will be discovered in sufficient quantities to justify commercial operations or that funds required for development can be obtained on a timely basis. The economics of developing mineral properties is affected by many factors including the cost of operations, variations in the grade of ore mined, fluctuations in metal markets, allowable production, importing and exporting of minerals and environmental protection.

Financing Risks

The Corporation is limited in financial resources, and as a mineral exploration company has no source of operating cash flow. The Corporation has no assurance that additional funding will be available to us for further exploration and development of our projects or to fulfil our obligations under any applicable agreements. There can be no assurance that we will be able to obtain adequate financing in the future, or that the terms of such financing will be favourable. Failure to obtain additional financing could result in delay or indefinite postponement of further exploration and development of our projects with the possible loss of such properties.



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Regulatory Requirements

Even if our mineral properties are proven to host economic reserves of mineral resources, factors such as governmental expropriation or regulation may prevent or restrict mining of any such deposits or repatriation of profits. The Corporation may acquire other properties in other jurisdictions or countries. Any changes in regulations or shifts in political conditions are beyond the control of the Corporation and may adversely affect our business. Operations may be affected in varying degrees by government regulations with respect to restrictions on production, price controls, export controls, income taxes, and expropriation of property, environmental legislation and mine safety.

Uninsurable Risks

In the course of exploration, development and production of mineral properties, certain risks, and in particular, unexpected or unusual geological operating conditions including rock bursts, cave-ins, fires, flooding and earthquakes may occur. It is not always possible to fully insure against such risks and the Corporation may decide not to take out insurance against such risks as a result of high premiums or other reasons. Should such liabilities arise, they could reduce or eliminate any future profitability and result in increasing costs and a decline in the value of the securities of the Corporation.

No Assurance of Titles

It is possible that any of our properties may be subject to prior unregistered agreements or transfers or native land claims and title may be affected by undetected defects.

Permits and Licenses

The operations of the Corporation may require licenses and permits from various governmental authorities. There can be no assurance that such licenses and permits as may be required to carry out exploration, development and mining operations at our projects will be granted.

Competition

The mineral industry is intensely competitive in all its phases. We compete with many companies possessing greater financial resources and technical facilities than the Corporation for the acquisition of mineral concessions, claims, leases and other mineral interests as well as for the recruitment and retention of qualified employees.

In addition, there is no assurance that a ready market will exist for the sale of commercial quantities of ore. Factors beyond the control of the Corporation may affect the marketability of any substances discovered. These factors include market fluctuations, the proximity and capacity of natural resource markets and processing equipment, government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Corporation not receiving an adequate return on invested capital or losing our investment capital.

Environmental Regulations

Our operations may be subject to environmental regulations promulgated by government agencies from time to time. Environmental legislation provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry operations, such as seepage from tailings disposal areas, which would result in environmental pollution. A breach of such legislation may result in imposition of fines and penalties. In addition, certain types of operations require the submission and approval of environmental impact assessments. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations. There is no assurance that future changes in environmental regulation, if any, will not adversely affect our operations.

Stage of Development

The Corporation is in the business of exploring for, with the ultimate goal of producing, mineral resources from our mineral exploration properties. None of our properties have commenced commercial production and we have no history of earnings or cash flow from our operations. As a result of the foregoing, there can be no assurance that we will be able to develop any of our properties profitably or that our activities will generate positive cash flow. We are unlikely to enjoy earnings or pay



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dividends in the immediate or foreseeable future. A prospective investor in the Corporation must be prepared to rely solely upon the ability, expertise, judgment, discretion, integrity and good faith of our management in all aspects of the development and implementation of our business activities.

Markets for Securities

There can be no assurance that an active trading market in our securities will be established and sustained. The market price for our securities could be subject to wide fluctuations. Factors such as commodity prices, government regulation, interest rates, share price movements of our peer companies and competitors, as well as overall market movements, may have a significant impact on the market price of the securities of the Corporation. The stock market has from time to time experienced extreme price and volume fluctuations, particularly in the mining sector, which have often been unrelated to the operating performance of particular companies.

Reliance on Key Individuals

Our success depends to a certain degree upon certain key members of the management. It is expected that these individuals will be a significant factor in our growth and success. The loss of the service of members of the management and certain key employees could have a material adverse effect on the Corporation.

Geopolitical Risks

The Corporation may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on future exploitation and production, price controls, export controls, currency availability, income taxes, delays in obtaining or the inability to obtain necessary permits, opposition to mining from environmental and other non-governmental organizations, expropriation of property, ownership of assets, environmental legislation, labour relations, limitations on mineral exports, increased financing costs, and site safety. In addition, legislative enactments may be delayed or announced without being enacted and future political action that may adversely affect the Corporation cannot be predicted. Any changes in regulations or shifts in political attitudes that may result, among other things, in significant changes to mining laws or any other national legal body of regulations or policies are beyond the control of the Corporation and may adversely affect its business. The possibility that future governments may adopt substantially different policies, which might extend to the expropriation of assets, cannot be ruled out.

Financial instruments and related risks

The Corporation's operations include the acquisition and exploration of mineral properties in Mexico. The Corporation examines the various financial risks to which it is exposed and assesses the impact and likelihood of occurrence. These risks may include credit risk, liquidity risk, currency risk, interest rate risk and other risks. Where material, these risks are reviewed and monitored by the Board of Directors.

[a] Credit risk

Counterparty credit risk is the risk that the financial benefits of contracts with a specific counterparty will be lost if a counterparty defaults on its obligations under the contract. This includes any cash amounts owed to the Corporation by those counterparties, less any amounts owed to the counterparty by the Corporation where a legal right of set-off exists and also includes the fair values of contracts with individual counterparties which are recorded in the financial statements.

- i) Trade credit risk
The Corporation is in the exploration stage and has not yet commenced commercial production or sales. Therefore, the Corporation is not exposed to significant credit risk and overall the Corporation's credit risk has not changed significantly from the prior year.
- ii) Cash and cash equivalents
In order to manage credit and liquidity risk the Corporation invests only in highly rated investment grade instruments that have maturities of three months or less. Limits are also established based on the type of investment, the counterparty and the credit rating.
- iii) Derivative financial instruments
As at June 30, 2018, the Corporation has no derivative financial instruments. It may in the future enter into derivative financial instruments and in order to manage credit risk, it will only enter into derivative financial instruments with highly rate investment grade counterparties.



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[b] Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation manages liquidity risk through the management of its capital structure. At June 30, 2018 the Corporation had a working capital balance of \$645,179. The Corporation will require additional financing in order to complete its planned work programs on its mineral properties, meet its ongoing levels of corporate overhead and discharge its liabilities as they become due.

Accounts payable and accrued liabilities are due within the current operating period.

[c] Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The risk that the Corporation will realize a significant loss as a result of a decline in the fair market value of investments and other items held within cash and cash equivalents is limited given that the majority of investments have a relatively short maturity. The Corporation manages its interest rate risk with investments by investing the majority of funds in short-term investments and therefore is not exposed to significant fluctuations in interest rates.

[d] Currency risk

The Corporation is exposed to the financial risk related to the fluctuation of foreign exchange rates. The functional and reporting currency of the Corporation is the Canadian dollar. The functional currency of the subsidiary is the Mexican Peso. As at June 30, 2018, there are no significant financial instruments denominated in Mexican Pesos. Changes in the currency exchange rates between the Canadian dollar relative to Mexican Pesos could have an effect on the Corporation's results of operations, financial position or cash flows. The Corporation has not hedged its exposure to currency fluctuations. At June 30, 2018 a 100 basis point decrease/increase in the Mexican Peso would result in a foreign exchange gain/loss of \$8,724.

Management of Capital Risk

The Corporation manages its common shares, stock options and warrants as capital, that as at June 30, 2018 totaled \$28,002,692 (2017 - \$25,086,671). The Corporation's objectives when managing capital are to safeguard the Corporation's ability to continue as a going-concern in order to pursue the exploration of its mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Corporation manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Corporation may attempt to issue new shares and, acquire or dispose of assets.

In order to maximize ongoing exploration efforts, the Corporation does not pay out dividends. The Corporation's investment policy is to invest its short-term excess cash in highly liquid short-term interest-bearing investments with short-term maturities, selected with regard to the expected timing of expenditures from continuing operations.

The Corporation expects that it will continue to seek out financing options in order to have the cash sufficient to carry out its exploration plans and operations through 2018.

Subsequent event

Private placement

On October 22, 2018, the Corporation announced that it intends to complete a non-brokered private placement (the "Private Placement") of up to \$3,000,000 at a price of \$0.20 per unit ("Unit") with a small group of investors. The Company may, in its sole discretion increase the size of the Private Placement by up to 25% for aggregate gross proceeds of up to \$3,750,000 at the price of \$0.20 per Unit at any time prior to the closing of the Private Placement. Each Unit will consist of one common share of the Company and one common share purchase warrant (each whole warrant, a "Warrant"). Each Warrant will entitle the holder to purchase one transferable common share of the Company for a period of thirty-six months from the closing date of the Private Placement at a price of \$0.30 per common share.

Off-Balance Sheet Arrangements



MANAGEMENT'S DISCUSSION & ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS
For the year ended June 30, 2018

There are no off-balance sheet arrangements.

Changes in Internal Control over Financial Reporting ("ICFR")

No changes occurred in the fourth quarter of the Corporation's ICFR that have materially affected, or are reasonably likely to materially affect the Corporation's ICFR.

Additional Information

Additional information relating to the Corporation can be found on SEDAR at www.sedar.com.

Mr. Brian Robertson, President of Mexican Gold Corp. is the Qualified Person for the information contained in this MD&A and is a Qualified Person defined by National Instrument 43-101.

(Signed) Gavin Nelson, CPA, CA
 Chief Financial Officer

Thunder Bay, Canada
October 23, 2018