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

Form 51-102F1

For the year ended June 30, 2019

(Stated in Canadian Dollars)

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For the year ended June 30, 2019

Date of Report: October 07, 2019

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, 2019 with a comparative period for the year ended June 30, 2018, 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 07, 2019, 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.

Operational Highlights Q4 2019

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

$1 Million Financial Commitment

On June 19, 2019, Mexican Gold announced it had agreed to a $1-million financing commitment with 1198578 B.C. Ltd. (BC Co.), which contemplated BC Co. paying $50,000 for a right of first refusal on the Las Minas royalties, an unsecured, non- interest-bearing $450,000 loan to the Corporation, and a $500,000 commitment to participate in Mexican Gold's next equity financing. The $450,000 loan became due and payable on July 15, 2019. This amount was repaid subsequent to year end.

$4 Million Private Placement

On July 5, 2019, Mexican Gold announced a non-brokered private placement comprised of 50 million units of the Corporation at an issue price of $0.08 per unit for aggregate gross proceeds of $4 million.

Each unit consisted of one common share in the capital of the Corporation and one transferable common share purchase warrant, with each warrant entitling the holder to acquire an additional common share at an exercise price of $0.12 per common share for a period of 5 years. The Corporation applied and was granted the right to have the warrants listed for trading on the TSX Venture Exchange. The warrants will begin trading on November 19, 2019

On July 15, 2019, Mexican Gold closed the $4 million private placement.

On July 15, 2019, BC Co directly acquired 11,875,000 units in Mexican Gold's financing resulting in the acquisition of 11,875,000 common shares and 11,875,000 warrants for total consideration of $950,000. BC Co's $950,000 subscription satisfied the $450,000 loan and $500,000 commitment above.

Exploration Program

On September 27, 2019, the Corporation announced it will embark on an exploration and drilling program for the remainder of 2019 to explore highly prospective targets at the Las Minas Project which includes a planned 3000-meter drill program designed to test 4 prospective targets and 2 geological concepts. Drilling is set to commence in mid-October. The 4 targets being drilled are Pueblo Nuevo, the Cinco Senores TEM Anomaly, Las Minillas, and El Dorado and the 2 geological concepts being drilled are the potential for skarn mineralization, Sub-Sill and at the Mancuerna Dike Swarm.

Updated NI 43-101 Resource Estimate

During the fourth quarter, Mine Development Associates ("MDA") of Reno, Nevada, USA, continued preparing an updated 43-101 resource estimate for the Las Mina Project. The new resource estimate should be released in October, 2019.

The updated resource estimate will incorporate the new and higher-grade mineralization discovered in the El Dorado Dike Contact zone as well as additional tonnage delineated by step-out drilling at the El Dorado and Santa Cruz zones. The resource will be developed by MDA using a newer and more refined geological and mineral domain model. The cut-off grade chosen will lend itself to an underground operation.

Pepe Concessions

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 Coowner") 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 Coowner 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 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.

Organizational Changes

On June 15, 2019, Brian Robertson resigned as president and director of Mexican Gold.

On June 19, 2019, Philip O'Neill was appointed chief executive officer, president, and director of Mexican Gold. Mr. O'Neill is an experienced mining executive and corporate director. He is currently the president and founder of MP1 Capital, a Calgary-based Corporation created to focus on investments in the natural resources sector. Mr. O'Neill replaced Carl Hering as chief executive officer. Mr. Hering assumed the position of chief operating officer and remained a director of the Corporation.

On July 17, 2019, Jay Sujir was appointed as a director of the Corporation. Mr. Sujir is a Partner in Farris Law's Mining and Securities practice groups and has over 30 years of experience acting for mining and other natural resources companies. The Corporation also announced the resignation of Gorden Glenn as director and Carl Hering as chief operating officer and director.

On September 1, 2019, Gavin Nelson resigned as CFO and Michael Kanevsky was appointed as Mexican Gold's new CFO. Michael is a Chartered Professional Accountant and began his career in the audit and assurance practice at Deloitte. He has had Controllership and financial reporting experience with several Canadian-based mining companies with operations in Latin America. Most recently, he has been CFO of several private mining companies.

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, 2019, 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 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.

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, 2019 $	Year ended June 30, 2018 $	Year ended June 30, 2017 $
Operations			
Other income	**3,227**	10,960	16,151
Loss for the year	**(3,145,387)**	(3,494,910)	(3,145,003)
Comprehensive loss for the year	**(3,115,759)**	(3,529,472)	(3,119,345)
Basic and diluted loss per share	**(0.06)**	(0.09)	(0.17)
Balance Sheet			
Working capital	**(165,347)**	645,179	1,258,630
Total assets	**721,156**	803,484	1,394,819
Total liabilities	**(886,503)**	(158,305)	(136,189)

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 $**	**Comprehensive Loss**	
			Total	**Per Share[10][11]**
June 30, 2019	**721,156**	**53,227**	**(3,115,759)** [1]	**(0.01)**
March 31, 2019	565,005	-	(554,093)[2]	(0.02)
December 31, 2018	893,087	**-**	(1,782,473)[3]	(0.02)
September 30, 2018	500,371	-	(447,570)[4]	(0.01)
June 30, 2018	803,484	10,052	(1,021,133)[5]	(0.04)
March 31, 2018	825,674	-	(912,212)[6]	(0.01)
December 31, 2017	1,094,305	-	(965,856)[7]	(0.03)
September 30, 2017	1,422,645	908	(595,809)[8]	(0.01)
June 30, 2017	1,394,819	16151-	(2,020,168)[9]	(0.11)

1. Comprehensive loss of $(331,623), and loss for the period of $(299,079), with the difference attributed to the exchange differences on translation of foreign operations. Loss for the period includes administrative and general expenses of $319,702, exploration and evaluation expenditures of $281,795, and share-based payments of $181,704. All other items were for working capital purposes.

2. Comprehensive loss of $(554,093), and loss for the period of $(547,932), with the difference attributed to the exchange differences on translation of foreign operations. Loss for the period includes administrative and general expenses of $256,119, exploration and evaluation expenditures of $450,575, and share-based payments of $219,009. All other items were for working capital purposes.

3. Comprehensive loss of $(1,782,473) and loss for the period of $(1,846,310) with the difference attributed to the exchange differences on translation of foreign operations. Loss for the period includes administrative and general of $472,728, exploration and evaluation expenditures of $1,291,570, and share-based payments of $75,962. All other items were for working capital purposes

4. Comprehensive loss of $(447,570) and loss for the period of $(452,066), with the difference attributed to the exchange differences on translation of foreign operations. Loss for the period includes administrative and general of $253,494, exploration and evaluation expenditures of $98,436, and share-based payments of $94,086. All other items were for working capital purposes

5. Comprehensive loss of $(1,185,111) and loss for the period of $(1,020,943), with the difference attributed to the exchange differences on translation of foreign operations. Loss for the period 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.

6.. Comprehensive loss of $(838,074) and loss for the period of $(912,302), with the difference attributed to the exchange differences on translation of foreign operations. Loss for the period 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.

7. Comprehensice loss of $(1,060,401) and loss for the period of $(965,856), with the difference attributed to the exchange differences on translation of foreign operations. Loss for the period includes administrative and general expenses 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.

8. Comprehensive loss of $(445,886) and loss for the period of $(595,809), with the difference attributed to the exchange differences on translation of foreign operations. Loss for the period 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.

9. Comprehensive loss of $(2,020,168) and loss for the period of $(1,985,606), with the difference attributed to the exchange on foreign operations. Loss for the period 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.

10. Basic and diluted.

11. 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 2019

The Corporation's loss for the for the year ended June 30, 2019 totaled $3,145,387, with basic and diluted loss per share of $0.07. This compares with a net loss of $3,494,910 for the year ended June 30, 2018. The decrease in net loss of $298,496 was principally because:

- Exploration and evaluation expenditures for the year ended June 30, 2019 were $1,558,786 (the year ended June 30, 2018 – $1,627,614). 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 Corporation completing a smaller drill program in the current year, which was partially offset by the property payment made in December 2018.

- General and administrative expenditures for the year ended June 30, 2019 decreased to $1,301,694 (the year ended June 30, 2018 – $1,351,074) primarily due to decreased investor relations and corporate activity during the current year.

- The Corporation incurred an increase in share-based payments to $282,790 for the year ended June 30, 2019, compared to $653,198 the year ended June 30, 2018, due to the timing of vesting of options during the current year compared to the prior year.

- Professional fees for the year ended June 30, 2019 were $55,344 (the year ended June 30, 2018 – $76,297) due to increased legal fees related to general corporate affairs.

Liquidity and Financial Position

As at June 30, 2019, the Corporation had a working capital deficiency of $165,347 compared to a working capital of $645,179 at June 30, 2018. The Corporation had $318,553 in cash and cash equivalents and investments available to fund its ongoing operations compared to $185,658 in cash at June 30, 2018. Current liabilities at June 30, 2019 were $886,503 compared to $158,305 at June 30, 2018. The Corporation intends to keep discretionary spending to a minimum to conserve its cash and will continue to seek out additional sources of financing.

Cash used in operating activities was $2,530,522 for the year ended June 30, 2019. Operating activities were affected by non-cash charges related to share-based payments of $282,790, and the net change in non-cash working capital balances of $381,726 because of an increase in accounts receivable of $207,873, decrease in prepaids and deposits of $311,401 and increase in accounts payable and accrued liabilities of $278,198.

Cash provided by financing activities was $2,472,443 for the year ended June 30, 2019. Financing activities consisted of the proceeds of the private placement as well as proceeds from the convertible note.

The Corporation has no operating revenues and depends on debt and/or equity financing to fund its operations. As of June 30, 2019, and to the date of this MD&A, the cash resources of the Corporation are held with Canadian chartered banks. Accounts payable and accrued liabilities are short-term and non-interest-bearing.

During fiscal 2019, 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 deficiency of $(165,347) at June 30, 2019 (June 30, 2018 – $645,179 working capital surplus), the Corporation will have to raise additional equity capital in fiscal 2020 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. Subsequent to year end, the Corporation completed a private placement for gross proceeds of $4,000,000. Following this private placement, the Corporation believes it has sufficient funds to meet its budgeted exploration activities of $300,000, accounts payable and accrued liabilities of $887,879 and the estimated operating expenses of $1,700,000 for fiscal 2020.

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 2020 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.

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, 2019** $	**Year ended ended June 30, 2018** $	**Inception to date total** $
Analytical	**-**	**-**	-	376,149
Geological and consulting	**251,338**	**251,338**	583,273	4,094,094
Transportation and accommodation	**-**	**-**	-	177,174
Drilling	**-**	**-**	719,041	6,333,021
Geophysical	**-**	**-**	22,819	97,498
Operational support	**103,009**	**103,009**	133,424	512,399
Other	**-**	**-**	1,067	402,026
Subtotal	**354,347**	**354,347**	1,459,624	11,992,361
Acquisition costs / Option payments	**1,204,439**	**1,204,439**	167,990	3,209,127
Total expenditures	**1,558,786**	**1,558,786**	1,627,614	15,201,488

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.

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") (paid);
- 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

- 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") (paid).

In December 2018 the Corporation's subsidiary Roca Verde completed the final payment of the Purchase Agreement to acquire the 100% interest in the Pepe, Pepe Tres, and San Jose concessiona at the Las Minas property.

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.

Assignment of Royalty Rights - Letter Agreement

On June 17, 2019, the Corporation entered into a letter agreement ("Letter Agreement") pursuant to which Mexican Gold Corp. caused its wholly owned subsidiary, Roca Verde Exploracion de Mexico S.A. de C.V., to sell and assign (the "Assignment") the Royalty Rights (as defined below) to 1198578 B.C. Ltd. ("BC Co"), and pursuant to which BC Co advanced a Loan (see note 7 - Convertible Note) to the Corporation.

Royalty Rights

Pursuant to an agreement dated June 5, 2017 (the "Property Agreement"), on December 18, 2018, Roca acquired a 100% interest (subject only to the Royalty, as defined below) in the mineral concessions located the State of Veracruz, Mexico, known as the Las Minas property(the "Property").

Pursuant to the terms of the Property Agreement, Roca granted the vendors of the Property (the "Vendors") a 1.5% Net Smelter Royalty (plus Value Added Tax) (the "Royalty") on the income received from the sale of minerals, metals or concentrate obtained from the Property. Pursuant to the Property Agreement the Vendors granted Roca:

1. a right of first refusal to acquire rights to the Royalty (subject to the Acquisition Right, as defined below) in the event that the Vendors intend to transfer all or any part of the Royalty to any third party, on the same terms under which the Vendors offer it to such third party (the "ROFR"); and
2. an exclusive right to repurchase one third of the Royalty (0.5% of net smelter returns) from the Vendors for an acquisition price of USD $500,000 (the "Acquisition Right").

The ROFR and the Acquisition Right are referred to herein collectively as the "Royalty Rights".

Terms of Assignment

The Corporation and Roca agreed to irrevocably assign, transfer and sell the Royalty Rights to BC Co for the following consideration (the "Consideration"), payable within five (5) calendar days after signing this Letter Agreement:

a. BC Co making a cash payment of CAD $50,000 direct to Roca (paid);
b. BC Co advancing the Loan (see note 7 - Convertible Note) to the Corporation;
c. BC Co depositing CAD $500,000 (the "Escrow Funds") into escrow with the Corporation's legal counsel, Farris LLP, as escrow agent (paid).

Within ninety (90) calendar days after the date hereof (the "Assignment Deadline"), the Corporation shall use its best efforts to cause Roca to enter into an assignment agreement (the "Local Assignment") with BC Co, or its affiliate, which shall be governed under applicable Mexican law and which shall constitute an irrevocable and legally binding assignment by Roca of the Royalty Rights to BC Co, or its affiliate. the Corporation Shall use its best efforts to cause Roca to make all necessary filings and registrations and to provide all requisite notices in all applicable local mining and government registries necessary to give legal and binding effect to the Local Assignment under applicable Mexican laws. Notwithstanding any future commitment or promise made in this paragraph, the parties acknowledged and agreed that it is the intent of the parties that the sale and assignment of the Royalty Rights pursuant to this Letter Agreement to be binding and irrevocable obligations of the parties.

Equity Financing

BC Co covenanted and agreed that it would use the Escrow Funds to subscribe to and participate in the Equity Financing (see Subsequent Events - note 14), for a minimum subscription amount of:

a. if the Settlement has not been completed and the Loan remains outstanding, $950,000, inclusive of the Escrow

Funds, a portion of which funds will be used by the Corporation to repay the Loan; or
b. if the Settlement has been completed and the Loan has been settled and repaid, \$500,000, inclusive of the Escrow Funds.

Exercise of Royalty Rights

In the event that BC Co exercises the ROFR prior to the Corporation's board of directors making a decision to commence production on any portion of the Property (a "Production Decision"), then at the time that a Production Decision is made, the Corporation must pay BC Co US \$500,000 (the "Payment Obligation"), which BC Co must use to exercise the Acquisition Right.

In the event that the Corporation, proposes to sell, transfer, assign or dispose of any portion of the Property prior to a Production Decision having been made, the Corporation must first ensure that any prospective purchaser or transferee of the Property must agree in writing to be bound, in favour of BC Co to:

a. satisfy payment of the Payment Obligation in the event that a Production Decision is made; and
b. that it shall not to sell, transfer, assign or dispose of any portion of the Property, unless and until the prospective purchaser or transferee of the Property agrees in writing to be bound, in favour of BC Co to satisfy payment of the Payment Obligation in the event that a Production Decision is made.

<u>Share issuances</u>

2019

On November 22, 2018, the Corporation closed the first tranche of non-brokered private placement of 10,315,000 common shares (each a "Unit") at a price of \$0.25 for gross proceeds of \$2,063,000. Each Unit consists of one common share of the Corporation and once common share purchase warrant, exercisable at a price of \$0.30 for a period of thirty-six months, subject to the Corporation's option to accelerate the expiry date of the Warrants on notice to the holders of the Warrants, if at any time after four months and one date from the closing date of the Private Placement, the closing price of its Common Shares on a stock exchange in Canada is greater than \$0.45 per Common Share for a period of 20 consecutive trading days (the "Acceleration Option") In connection with the closing of the first tranche, the Corporation paid to certain eligible finders \$76,510 in cash fees in the aggregate and issued a total of 356,300 compensation warrants which are are exercisable at a price of \$0.30 per Common Share for thirty-six months, subject to the Corporation's Acceleration Option.

On March 13, 2019, the Corporation closed the second and final tranche of non-brokered private placement of 400,000 common shares (each a "Unit") at a price of \$0.25 for gross proceeds of \$100,000. Each Unit consists of one common share of the Corporation and once common share purchase warrant, exercisable at a price of \$0.30 for a period of thirty-six months, subject to the Corporation's option to accelerate the expiry date of the Warrants on notice to the holders of the Warrants, if at any time after four months and one date from the closing date of the Private Placement, the closing price of its Common Shares on a stock exchange in Canada is greater than \$0.45 per Common Share for a period of 20 consecutive trading days (the "Acceleration Option"). Share issue costs of \$169,014 were deducted from equity.

2018

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

(ii) 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.

<u>Stock Option Grants</u>

(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.

(vi) 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.

(vii) On July 17, 2019, the Corporation granted 4,150,000 stock options to Directors, Officers and Consultants of the Corporation at an exercise price of $0.105 per share, expiring July 17, 2024.

(vii) On September 1, 2019, the Corporation granted 650,000 stock options to Officers and Consultants of the Corporation at an exercise price of $0.115 per share, expiring September 1, 2024.

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 08, 2019, 103,341,758 common shares were issued and outstanding.

Warrants

The following table reflects the share purchase warrants outstanding as at October 08, 2019:

Expiry Date	Exercise Price $	Warrants Outstanding #
November 30, 2018	0.25	138,000
April 10, 2021	0.60	3,489,833
November 22, 2021	0.30	10,315,000
November 22, 2021	0.30	356,300
July 15, 2024	0.12	50,000,000
		64,299,133

Stock Options

The following table reflects stock options outstanding and that have vested as at October 08, 2019:

Expiry Date	Exercise Price $	Options Granted #	Options Vested #
March 20, 2020	0.80	123,000	123,000
March 07, 2027	0.30	750,000	750,000
May 29, 2027	0.36	275,000	183,333
May 29, 2027	0.55	250,000	250,000
April 20, 2028	0.39	64,000	64,000
July 17, 2024	0.11	4,150,000	4,150,000
September 01, 2024	0.12	650,000	650,000
		6,262,000	6,170,333

The Corporation applies the fair value method of accounting for all stock based compensation awards and accordingly, $282,790 was recorded as compensation for the options vested during the period, of which $54,229 relates to the March 7, 2027 that vested, $95,172 relates to the May 29, 2027 options that vested, $29,136 relates to the December 12, 2027 options that vested, $32,035 relates to the November 20, 2027 options that vested, $45,522 relates to the April 20, 2028 options that vested and $26,696 relates to the May 16, 2028 options that vested (2018 - $653,198 was recorded as compensation during the period). As of June 30, 2019 there are 305,155 unvested stock options, (2018- 2,767,466 unvested).

* No options exercised during the year ending June 30, 2019 (164,500 - for the year ending June 30, 2018)

** The weighted average remaining life of the outstanding stock options is 3.03 years (June 30, 2018 - 8.05 years).

The Corporation currently estimates the forfeiture rate to be nil.

Related Party Transactions

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

	Nature of transactions
Drax Services Ltd.	Corporate secretarial and filing services
Halstone Corporation Services Ltd.	Accounting and management 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 $16,868 (2018 - $7,500) 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.

(b) Included in general and administrative expenditures are amounts totaling $24,445 (2018 - $Nil) for accounting and management services provided by Halstone Corporate Services Ltd., a company related to the Corporation through Gavin Nelson, Chief Financial Officer of the Corporation.

Transactions with key management personnel

Key management personnel remuneration includes the following expenses:

	June 30, 2019 $	June 30, 2018 $
Salary and wages	**101,301**	180,597
Share-based payments	**202,243**	554,217
Other compensation	**9,044**	3,732
	312,588	738,546

(i) As at June 30, 2019, the directors and key management were owed $224,026 (June 30, 2018 - $49,169) and this amount was included in accounts payable and accrued liabilities.

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:

	$
2020	43,926
2021	43,926

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 inputs used in accounting for finders warrants;
- the inputs used in accounting for convertible debt;
- the provision for income taxes.

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.

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 Corporation'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 Corporation 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.

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, 2018. The following new standards have been adopted:

- IFRS 15, Revenue from Contracts with Customers establishes an single model in accounting for revenue arising from contracts with customers. This supercedes current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations. There was no impact on the financial statements; and

- IFRS 9, Financial Instruments introduces new requirements for the classification and measurement of financial assets and liabilities. There was no impact on the financial statements.

Accounting standards issued and effective July 1, 2019

The Corporation is currently assessing the impact that the following changes to accounting standards will have on the financial statements:

- IFRS 16, Leases introduces new requirements for the classification and measurement of leases. The standard is effective for annual reporting periods beginning January 1, 2019 although early application is permitted for companies that also apply IFRS 15 – Revenue from Contracts with Customers. The Corporation will adopt it using the modified retrospective approach, resulting in no restatement of prior year comparatives and the cumulative impact of applying IFRS 16 will be recognized at July 1, 2019. The Corporation has completed the assessment of it's equipment and building rentals, land leases and service agreements and determined there will be no significant impact on lease expense or depreciation expense. Upon adoption, the Corporation has elected to apply the available exemptions as permitted by IFRS 16 to recognize a lease expense on a straight line basis for short-term leases (lease term of 12 months or less) and low value assets ($5,000 or less). There was close attention paid to all of the Corporation's drilling contracts to ensure that they did not contain embedded leases for property,plant and equipment. None of those contracts resulted in right of use of an asset. The quantitative impact of adopting IFRS 16 will be provided in the Corporation's first 2020 quarterly report.

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.

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 minesafety.

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 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) 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.

[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, 2019 the Corporation had a working capital deficit of $165,347 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, 2019, 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, 2019 a 100 basis point decrease/increase in the Mexican Peso would result in a foreign exchange gain/loss of $68,255.

Management of Capital Risk

The Corporation manages its common shares, stock options and warrants as capital, that as at June 30, 2019 totaled $30,307,925 (2018 - $28,002,692). 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 mineral properties.

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.

Subsequent events

On July 15, 2019, the Corporation closed a non-brokered private placement comprised of 50,000,000 units of the Corporation (the "Units") at an issue price of $0.08 per Unit for aggregate gross proceeds of $4,000,000 (the "Offering"). Each Unit consists of one common share in the capital of the Corporation (a "Common Share") and one transferable Common Share purchase warrant (a "Warrant"), with each Warrant entitling the holder thereof to acquire an additional Common Share at an exercise price of $0.12 per Common Share for a period of five years, expiring July 15, 2024. All securities to be issued in connection with the private placement will be subject to a hold period expiring November 16, 2019.

On July 17, 2019, the Corporation granted 4,150,000 stock options to Directors, Officers and Consultants of the Corporation at an exercise price of $0.105 per share, expiring July 17, 2024.

On September 1, 2019, the Corporation granted 650,000 stock options to Officers and Consultants of the Corporation at an exercise price of $0.115 per share, expiring September 1, 2024.

Subsequent to year end, a total of 2,313,466 options were cancelled or expired.

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. Sonny Bernales, P. Geo. is the Qualified Person for the information contained in this MD&A and is a Qualified Person defined by National Instrument 43-101.