ROCHESTER RESOURCES LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MAY 31, 2018

This discussion and analysis of financial position and results of operation is prepared as at September 28, 2018 and should be read in conjunction with the audited consolidated financial statements and the accompanying notes for the years ended May 31, 2018 and 2017 of Rochester Resources Ltd. ("Rochester" or the "Company"). The following disclosure and associated financial statements are presented in accordance with International Financial Reporting Standards ("IFRS"). Except as otherwise disclosed, all dollar figures included therein and in the following management discussion and analysis ("MD&A") are quoted in Canadian dollars.

Forward-Looking Statements

This MD&A contains certain statements that may constitute "forward-looking statements". Forward-looking statements include but are not limited to, statements regarding future anticipated exploration programs and the timing thereof, and business and financing plans. Although the Company believes that such statements are reasonable, it can give no assurance that such expectations will prove to be correct. Forward-looking statements are typically identified by words such as: believe, expect, anticipate, intend, estimate, postulate and similar expressions, or which by their nature refer to future events. The Company cautions investors that any forward-looking statements by the Company are not guarantees of future performance, and that actual results may differ materially from those in forward looking statements as a result of various factors, including, but not limited to, the Company's ability to identify one or more economic deposits on its properties, to produce minerals from its properties successfully or profitably, to continue its projected growth, to raise the necessary capital or to be fully able to implement its business strategies.

Historical results of operations and trends that may be inferred from this MD&A may not necessarily indicate future results from operations. In particular, the current state of the securities markets for junior resource companies may render it difficult or impossible for the Company to raise the funds necessary to continue operations.

All of the Company's public disclosure filings, including its most recent management information circular, material change reports, press releases and other information, may be accessed via www.sedar.com and readers are urged to review these materials.

Company Overview and Going Concern

The Company is a junior natural resource company engaged in the exploration and development of the Mina Real Project located in Mexico. The Company holds 100% undivided interests in the Mina Real and San Francisco Properties. In addition the Company has an agreement to acquire a 70% interest in the Santa Fe Property.

The Company's Mina Real operations continue to be affected by low grades of mineralized material and operational challenges. During fiscal 2018 the Company recorded a net loss of $3,784,833 and, as at May 31, 2018, the Company had an accumulated deficit of $71,588,771 and a working capital deficit of $18,843,236. The Company has been unable to make all concession payments when due and, as at May 31, 2018, has unpaid concession payments of $1,545,353 (included in accounts payable and accrued liabilities). The Company's ability to continue as a going concern is dependent on the ability of the Company to improve its operations and generate positive operating cash flow on a consistent basis, the continued financial support of its directors, shareholders and creditors and from the sale of additional common shares or other equity or debt instruments. See "Financial Condition/Capital Resources".

The Company is a reporting issuer in British Columbia, Alberta and Saskatchewan and trades on the TSX Venture Exchange ("TSXV") under the symbol "RCT", the Frankfurt Stock Exchange Open Market under the trading Symbol "R5IA" and on the Pink OTC Markets under the symbol "RCTFF". The Company's head office is located at #1305 - 1090 West Georgia Street, Vancouver, British Columbia, V6E 3V7.

Change in Officers

Effective March 14, 2018 Mr. Eduardo Luna relinquished his position as the Chief Executive Officer ("CEO") of the Company. Mr. Nick DeMare, a director or the Company relinquished his role as the Chairman of the Company and was appointed as CEO. Mr. Luna remains a director and has assumed Mr. DeMare's previous role as Chairman.

Property Update

The Company holds a 100% interest in Mina Real which holds a 100% interest in the Mina Real Property, a gold and silver property located in the state of Nayarit, Mexico, east of the state capital city of Tepic. Mina Real also owns 70% of Compania Minera Santa Fe S.A. de C.V. ("Compania Minera") which holds a 100% interest in the Santa Fe gold and silver property located immediately east of the Mina Real Property. Through Mina Real the Company has an agreement to acquire a 70% interest in one concession (the "Santa Fe Property") located near the Mina Real Property. Under the terms of the agreement the Company agreed to implement a program of exploration to determine if the Santa Fe Property can be economically exploited. In addition, if the exploration work is successful, the Company agreed to provide the necessary capital to construct a processing plant capable of processing a minimum of 200 tonnes per day. The Company has conducted limited exploration on the property and is assessing alternatives to advance the development of the Santa Fe concessions. The Company is required to pay an ongoing monthly fee of US $10,000 to the 30% concession owners of the Santa Fe Property. All amounts for fiscal 2018 have been paid. Two monthly payments from prior years remain outstanding.

On October 23, 2015 the Company filed, on SEDAR, a National Instrument 43-101 technical report on the Mina Real, Santa Fe and San Francisco Properties. The report is available for viewing at www.sedar.com. The following commentary on the properties is from this technical report.

The Mina Real Property consists of eight mining concessions and one mineral claim encompassing a total area of 21,367.42 hectares. The contiguous Santa Fe Property consists of one mining concession totaling 3,852.66 hectares. The San Francisco Property consists of twelve mining concessions encompassing 18,125.05 hectares.

The terrain on the properties is rugged and steep with deeply incised valleys. Elevations range from 800 to 1,600 meters above sea level. The climate is sub-tropical and characterized by a dry and a wet season.

At present there is no Canadian Institute of Mining, Metallurgy and Petroleum ("CIM") or 43-101 compliant Resources or Reserves for the Mina Real Property, the Santa Fe Property or the San Francisco Property.

The Company has been processing mineralized material since 2007 when it commissioned a 200 tonne per day cyanidation plant.

The Company has conducted mining operations without defined mineral resources and the production decision was not based on a feasibility study of mineral reserves that has demonstrated technical or economic viability.

Impairment

The Mina Real operations continue to be affected by low grades of mineralized material, the difficulty in identification of sufficient working faces to provide consistent volumes of mineralized material and operational challenges resulting in low recoveries. The Company recorded impairment charges as follows:

Property, Plant and Equipment

During fiscal 2015 management assessed whether there were any indications of impairment of the Company's Mina Real operations in property, plant and equipment as required by IAS 36. In light of the continued large net loss from operations, negative cash flow from operations and the low trading value of the Company's common shares, management concluded there were indications of impairment. The Company applied a value in use method that took into account the Company's financial position and results of operations and operational issues among other factors in determining an estimated recoverable amount. This method indicated that an impairment provision of $4,000,000 was appropriate in fiscal 2015. Due to further declines from operations the Company recorded a further impairment charge of $5,875,572 in fiscal 2016 and $152,447 in fiscal 2017. In fiscal 2018 the Company recorded an impairment charge of $3,170,551 to reduce the carrying value, after consideration of the offsetting provision for site restoration, to $nil.

Exploration and Evaluation Assets

During fiscal 2016 the Company accessed whether an impairment was required with respect to the Santa Fe Property as required by IFRS 6. In making the assessment management considered the Company's financial situation and its inability to implement an exploration work program. As a result, during fiscal 2016 and fiscal 2017, the Company recorded impairment charges of $2,509,754 and $310,243 respectively, to reduce the carrying value to $nil. During fiscal 2018 the Company incurred $236,198 which was initially capitalized and then impaired in accordance with IFRS.

Operations

A mining study to establish the technical feasibility and economic viability of the Mina Real Property has not been completed nor does the project host a mineral resource. As a result there is increased uncertainty and risk of economic and technical failure.

Mill operating statistics are provided in the table below:

RESULTS	Q4 (Mar 1/18 - May 31/18)	Q3 (Dec 1/17 - Feb 28/18)	Q2 (Sep 1/17 - Nov 30/17)	Q1 (Jun 1/17 - Aug 31/17)	Accumulated Fiscal 2018	Accumulated Fiscal 2017
Tonnes Processed	13,624 tonnes	10,294 tonnes	11,082 tonnes	12,741 tonnes	47,741 tonnes	54,247 tonnes
Gold Grade	2.51 g/t	3.38 g/t	2.74 g/t	2.47 g/t	2.74 g/t	2.11 g/t
Silver Grade	144.67 g/t	157.48 g/t	161.35 g/t	161.02 g/t	155.67 g/t	154.36 g/t
Gold Recovery	95.32 %	96.42 %	95.56 %	95.23 %	95.66 %	94.18 %
Silver Recovery	51.19 %	53.00 %	53.29 %	53.51 %	52.73 %	38.00 %
Gold Produced	1,047 ounces	1,079 ounces	931 ounces	964 ounces	4,021 ounces	3,405 ounces
Gold Sold	1,030.81 ounces	1,062.40 ounces	917.42 ounces	949.33 ounces	3,959.96 ounces	3,353.83 ounces
Silver Produced	32,440 ounces	27,623 ounces	30,634 ounces	35,293 ounces	125,990 ounces	100,907 ounces
Silver Sold	31,467.15 ounces	26,794.41 ounces	29,714.93 ounces	34,234.18 ounces	122,210.67 ounces	97,879.89 ounces
Gold Equivalent Produced	1,452 ounces	1,431 ounces	1,337 ounces	1,430 ounces	5,650 ounces	4,841 ounces
Developed Meters	796 meters	589 meters	566 meters	534 meters	2,485 meters	3,245 meters
Samples Taken	4,542 samples	4,155 samples	4,020 samples	4,376 samples	17,093 samples	19,463 samples
Diamond Drilling Meters	0 meters	0 meters	0 meters	0 meters	0 meters	0 meters
Access Road Kilometers	0 kilometers	0 kilometers	0 kilometers	0 kilometers	0 kilometers	0 kilometers

Q4 Compared to Q3

Production of gold during Q4 was 2.97% lower than production during Q3 (1,047 ounces compared to 1,079 ounces). Silver production during Q4 was 17.43% higher than Q3 (32,440 ounces compared to 27,623 ounces). The gold equivalent production in Q4 was 1.47% higher than Q3 (1,452 ounces compared to 1,431 ounces). Total tonnes processed in Q4 were 32.35% higher than the total tonnes processed in Q3 (13,624 tonnes as compared to 10,294 tonnes). In Q4 gold recoveries were slightly lower than Q3 (95.32% compared to 96.42%) and silver recoveries were slightly lower (51.19% compared to 53.00%).

The decrease in gold produced in Q4 compared to Q3 was due to the combination of lower grade and lower recovery of gold in Q4 compared to Q3. The increase in silver production in Q4 compared to Q3 was due to the higher tonnes process in Q4.

Fiscal 2018 Compared to Fiscal 2017

During fiscal 2018 the Company produced 4,021 ounces of gold and 125,990 ounces of silver compared to 3,405 ounces of gold and 100,907 ounces of silver during fiscal 2017. The gold equivalent production during fiscal 2018 period was 5,650 ounces as compared to 4,841 ounces during fiscal 2017. The increases were as a result of higher grades and better recoveries in gold and higher grades and significantly higher recoveries in silver in fiscal 2018. Total tonnes processed in the 2018 period were 47,741 as compared to 54,247 in the 2017 period reflecting a wetter rainy season in fiscal 2018 that did not allow operations in the Macedo area during Q1 and continuing unstable ground conditions in the Florida NW area during Q2 and Q3.

Although tonnes processed were lower, the grade of mineralized material was slightly higher during fiscal 2018, with gold at 2.51 g/t and silver at 155.67 g/t compared to 2.11 g/t gold and 154.36 g/t silver during fiscal 2017. In addition, gold recoveries were slightly higher at 95.65% for fiscal 2018 compared to 94.18% for fiscal 2017 and silver recoveries were significantly higher at 52.73% for fiscal 2018 compared to 38.00% during fiscal 2017.

Drifting

The allocation for drifting amongst areas during each quarter of fiscal 2018 and accumulated for fiscal 2018 and 2017 is as follows:

Area	**Q4** (meters)	**%**	**Q3** (meters)	**%**	**Q2** (meters)	**%**	**Q1** (meters)	**%**	**Fiscal 2018** (meters)	**%**	**Fiscal 2017** (meters)	**%**
Florida NW	97	12%	9	1%	0	0%	33	6%	139	6%	954	29%
Florida SE Project	314	40%	316	54%	376	66%	222	42%	1,228	49%	1,387	43%
San Francisco Project	385	48%	264	45%	189	34%	279	52%	1,117	45%	904	28%
TOTAL DRIFTING	**796**	**100%**	**589**	**100%**	**565**	**100%**	**534**	**100%**	**2,484**	**100%**	**3,245**	**100%**

Distribution of the development during each quarter of fiscal 2018 and accumulated for fiscal 2018 and 2017, by activity, is as follows:

Type of Drifting	**Q4** (meters)	**%**	**Q3** (meters)	**%**	**Q2** (meters)	**%**	**Q1** (meters)	**%**	**Fiscal 2018** (meters)	**%**	**Fiscal 2017** (meters)	**%**
Exploration	317	40%	75	13%	15	3%	206	38%	613	25%	1,694	52%
Stope Preparation	479	60%	426	72%	550	97%	328	62%	1,783	72%	1,551	48%
Projects and Infrastructure	0	0%	88	15%	0	0%	0	0%	88	3%	0	0%
TOTAL DRIFTING	**796**	**100%**	**589**	**100%**	**565**	**100%**	**534**	**100%**	**2,484**	**100%**	**3,245**	**100%**

The primary reason for the decrease in drifting during fiscal 2018 compared to fiscal 2017 was due to the continuing unstable ground conditions in the Florida NW area.

Exploration and Development Activities

The Company has ongoing exploration and development programs at the Mina Real Project to identify additional mineralized material to provide mill feed for operations. Due to the inclement weather and unstable ground conditions during Q2 and majority of Q3 the exploration and development works were only ongoing at Florida SE and San Francisco. During the end of February 2018 work resumed at the Florida NW Project. The Company continues to work to advance development of working faces however its efforts are curtailed due to a lack of available capital equipment, particularly compressors and scoop trams. Poor operating results have resulted in diminished working capital to fund work programs. The Company remains in a precarious position as it has to identify better quality mineralized material but its ability to do so is hampered by a lack of capital.

Operations

Total production volume during Q4 from the various working faces was 13,692 wet tonnes (Q3 - 13,532 wet tonnes). Of this production 1% (Q3 - 2%) came from Florida NW, 5% (Q3 - 0%) from Tajos Cuates, 57% (Q3 - 55%) from Florida SE, and the remaining 37% (Q3 - 43%) from the San Francisco Project.

Mill Area

The lack of available working capital had resulted in delays for completion of capital works programs. Some minor works were completed but work on the 10´ x 10´ mill remains on standby and has yet to be completed. There is no time line for the completion of the work on the 10´ x 10´ mill.

Selected Financial Data

The following selected financial information is derived from the audited annual consolidated financial statements of the Company.

	Fiscal Years Ended May 31		
	2018 $	2017 $	2016 $
Operations:			
Revenues	8,644,103	7,405,981	7,402,971
Cost of sales	(7,270,917)	(7,232,111)	(9,237,351)
Depletion and amortization	(648,981)	(742,596)	(1,407,394)
Provision for site restoration	(93,750)	(66,100)	(60,928)
Expenses, excluding impairment	(1,008,539)	(2,026,213)	(1,357,653)
Impairment of exploration and evaluation assets	(236,198)	(310,243)	(2,509,754)
Impairment of property, plant and equipment	(3,170,551)	(152,447)	(5,875,572)
Comprehensive loss	(3,784,833)	(3,123,729)	(13,045,681)
Basic and diluted loss per share	(0.18)	(0.15)	(0.68)
Dividends per share	Nil	Nil	Nil
Statement of Financial Position:			
Working capital (deficit)	(18,843,236)	(18,852,537)	(16,731,085)
Total assets	3,421,720	6,912,446	7,848,622
Long-term debt	Nil	Nil	Nil
Provision for site restoration	(1,014,530)	(1,413,879)	(1,152,635)

The following selected financial information is derived from the unaudited condensed consolidated interim financial statements of the Company.

	Fiscal 2018				Fiscal 2017			
Three Month Period Ending	**May 31/18** **$**	**Feb 28/18** **$**	**Nov 30/17** **$**	**Aug 31/17** **$**	**May 31/17** **$**	**Feb 28/17** **$**	**Nov 30/16** **$**	**Aug 31/16** **$**
Operations:								
Revenues	2,312,690	2,172,788	2,007,023	2,151,602	1,461,926	2,037,283	1,917,630	1,989,142
Cost of sales	(1,960,415)	(1,659,910)	(1,769,115)	(1,881,477)	(1,991,896)	(1,864,647)	(1,674,084)	(1,701,484)
Depletion and amortization	(163,400)	(165,840)	(150,250)	(169,491)	(177,276)	(183,237)	(188,241)	(193,842)
Provision for site restoration	(28,252)	(17,833)	(23,462)	(24,203)	(17,409)	(15,561)	(16,360)	(16,770)
Income (expenses), excluding impairment	(406,365)	(207,682)	(577,581)	183,089	(954,070)	(396,753)	(252,271)	(423,119)
Impairment of exploration and evaluation assets	(27,161)	(89,914)	(54,684)	(64,439)	(63,537)	(90,800)	(60,664)	(95,242)
Adjustment to impairment of property, plant and equipment	(3,170,551)	Nil	Nil	Nil	(63,287)	23,101	(126,078)	13,817
Comprehensive income (loss)	(3,443,454)	31,609	(568,069)	195,081	(1,805,549)	(490,614)	(400,068)	(427,498)
Basic and diluted income (loss) per share	(0.16)	0.00	(0.03)	0.01	(0.09)	(0.02)	(0.02)	(0.02)
Statement of Financial Position:								
Working capital (deficit)	(18,843,236)	(18,864,278)	(18,878,222)	(18,536,623)	(18,852,537)	(17,376,999)	(17,085,885)	(16,948,092)
Total assets	3,421,720	6,984,802	6,726,366	7,037,519	6,912,446	7,202,436	7,728,625	7,619,917
Provision for site restoration	(1,014,530)	(1,259,487)	(1,385,126)	(1,365,221)	(1,413,879)	(1,260,054)	(1,243,318)	(1,169,284)

Results of Operations

Three Months Ended May 31, 2018 Compared to Three Months Ended May 31, 2017

During the three months ended May 31, 2018 (“Q4/2018”) the Company reported a loss of $3,443,454 compared to a loss of $1,805,549 for the three months ended May 31, 2017 (“Q4/2017”), an increase in loss of $1,637,905.. The fluctuation was primarily attributable to recognition of an impairment of property, plant and equipment of $3,170,551 in Q4/2018 compared to $63,287 in Q4/2017.

The increase in impairment was partially offset by the following:

(i) the recognition of a foreign exchange gain of $27,047 in Q4/2018 compared to a foreign exchange loss of $544,857 in Q4/2017 due to the fluctuation of the Canadian dollar and Mexican peso exchange rates; and

(ii) an overall change in operating income from an income of $160,623 in Q4/2018 compared to a loss of $724,655 in Q4/2017 due to increased grades and consistent recoveries resulting in improved gold equivalent production. See also "Production".

Year Ended May 31, 2018 Compared to Year Ended May 31, 2017

During the year ended May 31, 2018 ("fiscal 2018") the Company recorded a loss of $3,784,833 compared to a loss of $3,123,729 for the year ended May 31, 2017 ("fiscal 2017"), an increase in loss of $661,104. The fluctuation was primarily attributed to recognition of an impairment of property, plant and equipment of $3,170,551 in fiscal 2018 compared to $152,447 in fiscal 2017.

The increase in impairment was partially offset by the following:

(i) the recognition of a foreign exchange gain of $734,172 in fiscal 2018 compared to a foreign exchange loss of $396,132 in fiscal 2017 due to the fluctuation of the Canadian dollar and Mexican peso exchange rates; and

(ii) an overall change in operating income from a loss of $634,826 in fiscal 2017 compared to an income of $630,455 in fiscal 2018 due to increased grades and consistent recoveries resulting in improved gold equivalent production. See also "Production".

Production

During fiscal 2018 the Company sold 5,541 equivalent ounces of gold and realized revenues of $1,560 per equivalent ounce as compared to the sale of 4,546 equivalent ounces of gold and realized revenues of $1,629 per equivalent ounce during fiscal 2017.

The Company's cost of operations per equivalent ounce of gold sold during fiscal 2018 period was $1,446 as compared to $1,769 during fiscal 2018. The decrease of $323 per ounce reflects a $279 decrease in direct operating cost of sales, a $46 decrease in depletion and amortization and a $2 increase in the provision for site restoration.

Direct operating cost of sales for fiscal 2018 and 2017 comprise the following:

	2018 **$**	**2017** **$**
Mine costs	2,511,319	2,642,908
Mill costs	2,056,991	1,996,610
Service department costs	2,701,887	2,592,593
	7,270,197	7,232,111

General and administrative expenses for fiscal 2018 and 2017 are as follows:

	2018 **$**	**2017** **$**
Accounting and administrative	52,500	47,900
Audit and tax services	49,711	50,329
Legal	14,771	15,990
Management fees	132,000	132,000
Office	74,910	53,988
Professional fees	120,179	124,191
Regulatory fees	7,803	7,703
Salaries and benefits	244,191	219,600

	2018 $	2017 $
Shareholder costs	2,214	2,281
Transfer agent fees	4,676	4,729
Travel	11,219	8,791
Reversal of amounts previously recorded	-	(25,687)
	714,174	641,815

General and administrative expenses of $714,174 were reported for fiscal 2018, compared to $641,815 during the 2017 period. Specific expenses of note during fiscal 2018 are as follows:

(i) professional fees totalling $120,179 (2017 - $124,191) were recorded of which $119,365 (2017 - $120,302) were recorded to directors and officers;

(ii) legal fees totalling $14,771 (2017 - $15,990) were incurred primarily for services and ongoing retainers for the Company's Mexican operations;

(iii) recorded office expenses of $74,910 (2017 - $53,988) of which $73,636 (2017 - $52,079) were incurred for the operations in Mexico; and

(iv) during fiscal 2017 the Company reversed $25,687 of amounts previously recorded or accrued for which no requests for payments have been made.

Exploration and Evaluation Assets

During fiscal 2018 the Company incurred additions, net of recoveries, of $236,198 (2017 - $310,243) on exploration and evaluation assets for the Santa Fe property, mainly for payments of ongoing monthly fees of US $10,000 to the 30% concession owners and annual mineral concession payments. The Company recorded an offsetting impairment charge of $236,198 (fiscal 2017 - $310,243) to reflect management's continued assessment of a $nil carrying value of the Santa Fe property.

Property, Plant and Equipment

Cost:	Mineral Properties $	Land $	Buildings $	Mill and Mine Equipment $	Total $
Balance, May 31, 2016	33,782,497	2,692,313	3,679,314	6,234,734	46,388,858
Additions	4,106	-	-	1,563	5,669
Changes due to revision	148,341	-	-	-	148,341
Balance, May 31, 2017	33,934,944	2,692,313	3,679,314	6,236,297	46,542,868
Additions	-	-	-	5,726	5,726
Changes due to revision	-	-	(162,080)	(198,097)	(360,177)
Balance, May 31, 2018	33,934,944	2,692,313	3,517,234	6,043,926	46,188,417
Accumulated depletion, amortization and impairment:					
Balance, May 31, 2016	(33,782,497)	(2,692,313)	(1,128,930)	(2,855,572)	(40,459,312)
Depletion and amortization	-	-	(214,706)	(527,890)	(742,596)
Impairment	(152,447)	-	-	-	(152,447)
Balance, May 31, 2017	(33,934,944)	(2,692,313)	(1,343,636)	(3,383,462)	(41,354,355)
Depletion and amortization	-	-	(214,699)	(434,282)	(648,981)
Impairment	-	-	(1,426,748)	(1,743,803)	(3,170,551)
Balance, May 31, 2018	(33,934,944)	(2,692,313)	(2,985,083)	(5,561,547)	(45,173,887)
Carrying value:					
Balance, May 31, 2017	-	-	2,335,678	2,852,835	5,188,513
Balance, May 31, 2018	-	-	532,151	482,379	1,014,530

Exploration, development and production activities conducted during fiscal 2018 and the impairment provisions taken are described in "Property Update" in this MD&A.

Financing / Advances

During fiscal 2018 and 2017 the Company did not conduct any financings and is reliant on advances from its senior officers for working capital. During fiscal 2018 period the Company received advances totalling $496,365 (2017 - $267,997) and repaid $32,204 (2017 - $nil).

Financial Condition / Capital Resources

During fiscal 2018 the Company recorded a net loss of $3,784,833 and, as at May 31, 2018, the Company had an accumulated deficit of $71,588,771 and a working capital deficit of $18,843,236. The Company's Mina Real operations continue to be affected by low grades of mineralized material and operational challenges. Although the Company improved its results in fiscal 2018 it continues to have negative cash flows from operations and has been unable to make all concessions payments when due in the current and prior years for the Mina Real, San Francisco and Santa Fe properties. The Company's ongoing operations are dependent on extracting ore from the Mina Real and San Francisco properties and, therefore, on the Company's ability to preserve its interest in the underlying mineral property interests. In the immediate term, the Company's ability to continue as a going concern is dependent upon its ability to improve its operations to generate positive operating cash flow from the Mina Real and Santa Fe properties on a consistent basis, to raise additional capital to fund its ongoing business operations and exploration projects and repay indebtedness as they come due. Additional capital may be sought from existing shareholders and creditors and from the sale of additional common shares or other equity or debt instruments. There is no assurance such additional capital will be available to the Company on acceptable terms or at all. In the longer term the discovery of economically recoverable reserves, the achievement of profitable operations and the ability of the Company to obtain financing to support its ongoing exploration programs and mining operations. Whether the Company can generate positive cash flow on a consistent basis and, ultimately, achieve profitability is uncertain. These uncertainties cast significant doubt upon the Company's ability to continue as a going concern.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Proposed Transactions

The Company has no proposed transactions.

Changes in Accounting Policies

There are no changes in accounting policies.

Related Party Disclosures

A number of key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. Certain of these entities transacted with the Company during the reporting period.

(a) *Transactions with Key Management Personnel*

On March 14, 2018, Mr. Nick DeMare was appointed as the CEO of the Company replacing Mr. Eduardo Luna. Mr. Luna assumed Mr. DeMare's previous role as Chairman. During fiscal 2018 and 2017 the following amounts were incurred with respect to Messrs. Luna and DeMare and the Company's Chief Financial Officer, Mr. Jose Manuel Silva:

	2018 **$**	**2017** **$**
Management fees - Mr. Luna	132,000	132,000
Professional fees - Mr. DeMare	36,480	36,480
Professional fees - Mr. Silva	22,885	23,822
	191,365	192,302

As at May 31, 2018, $989,402 (2017 - $801,546) remained unpaid.

(b) *Transactions with Other Related Parties*

(i) During fiscal 2018 and 2017 the following amounts were incurred with respect to the Company's non-executive directors (Messrs. Joseph Keane, Marc Cernovitch, Simon Tam and Michael Magrum) and the Company's Corporate Secretary (Mr. Harvey Lim):

	2018 **$**	**2017** **$**
Professional fees - Mr. Keane	12,000	12,000
Professional fees - Mr. Cernovitch	12,000	12,000
Professional fees - Mr. Tam	12,000	12,000
Professional fees - Mr. Magrum	12,000	12,000
Professional fees - Mr. Lim	12,000	12,000
	60,000	60,000

As at May 31, 2018, $338,250 (2017 - $278,250) remained unpaid.

(ii) During fiscal 2018 the Company incurred a total of $52,500 (2017 - $47,900) to Chase Management Ltd. ("Chase"), a private corporation owned by Mr. DeMare, for accounting and administration services provided by Chase personnel, excluding Mr. DeMare's services. As at May 31, 2018, $37,092 (2017 - $3,695) remained unpaid.

(c) The Company has received ongoing advances which bear interest at a rate of 9% per annum and have no fixed terms of repayment. During fiscal 2018 the Company repaid principal of $32,204 (2017 - $nil). The Company recognized $111,680 (2017 - $115,650) of interest expense. As at May 31, 2018, $599,803 (2017 - $504,278) of interest remained unpaid.

As at May 31, 2018, $1,240,972 of the principal was outstanding of which $895,794 is due to Mr. Luna and $345,178 is due to private corporations controlled or affiliated with Mr. DeMare.

(d) The Company has also received ongoing advances which bear interest at a rate of 12% per annum and have no fixed terms of repayment. During fiscal 2018 period the Company received advances totalling $496,365 (2017 - $267,997). In addition the Company recognized $400,067 (2017 - $306,891) of interest expense. As at May 31, 2018 $1,458,207 (2017 - $1,095,295) of interest remained unpaid.

As at May 31, 2018 a total of $3,523,100 of principal was outstanding of which a total of $3,513,716 are due to Mr. Luna ($3,155,943), Mr. Keane ($25,896) and private corporations controlled or affiliated with Mr. DeMare ($331,877).

(e) During fiscal 2013 the Company completed a secured convertible debenture financing of $950,000 of which a total of $677,000 of the debentures were issued to Mr. Luna ($577,000), Mr. Magrum ($50,000) and Mr. Keane ($50,000). During fiscal 2018 the Company repaid $21,479 (2017 - $nil) and recorded $190,000 (2017 - $184,935) of interest expense. As at May 31, 2018 $990,619 (2017 - $822,098) of interest remained unpaid. On December 31, 2014 the debentures matured and are considered to be due and payable, with accrued interest. The debenture holders have not demanded repayment of principal or accrued interest.

(f) A total of $3,631,000 principal amounts are due to E-Energy Ventures Inc. ("E-Energy") and United Coal Holdings Ltd. ("United Coal") which are secured by the assets of the Company and interest is calculated at 9% per annum on the declining balance at the end of the month. During fiscal 2018 the Company recorded $326,790 (2017 - $326,790) of interest. As at May 31, 2018 principal totalling $3,631,000 (2017 - $3,631,000) and interest payable of $1,827,733 (2017 - $1,500,943) remained outstanding. Neither E-Energy nor United Coal has demanded payment of the amounts in arrears. The Company, E-Energy and United Coal are related by way of a common director, Mr. Simon Tam.

Risks and Uncertainties

The Company advises that it did not base its production decision on a feasibility study of mineral reserves, demonstrating economic and technical viability, and, as a result, there may be an increased uncertainty of achieving any particular level of recovery of minerals or the cost of such recovery, including increased risks associated with developing a commercially mineable deposit. Historically, projects which proceed without a feasibility study have a much higher risk of economic and technical failure.

The Company competes with other mining companies, some of which have greater financial resources and technical facilities, for the acquisition of mineral concessions, claims and other interests, as well as for the recruitment and retention of qualified employees.

The Company is in compliance in all material regulations applicable to its exploration activities. Existing and possible future environmental legislation, regulations and actions could cause additional expense, capital expenditures, restrictions and delays in the activities of the Company, the extent of which cannot be predicted. Before production can commence on any properties, the Company must obtain regulatory and environmental approvals. There is no assurance that such approvals can be obtained on a timely basis or at all. The cost of compliance with changes in governmental regulations has the potential to reduce the profitability of operations.

The Company's activities are conducted in Mexico. Consequently, the Company is subject to certain risks, including currency fluctuations and possible political or economic instability which may result in the impairment or loss of mining title or other mineral rights, and mineral exploration and mining activities may be affected in varying degrees by political stability and governmental regulations relating to the mining industry.

Outstanding Share Data

The Company's authorized share capital is unlimited common shares without par value. As at September 28, 2018, there were 20,850,882 issued and outstanding common shares and 795,000 warrants outstanding with an exercise price of $0.05 per share.