DEFIANCE SILVER CORP.

INTERIM MANAGEMENT'S DISCUSSION & ANALYSIS

QUARTERLY HIGHLIGHTS

For the nine months ended March 31, 2019

Introduction

This Interim Management's Discussion and Analysis ("MD&A") is an overview of all material information about Defiance Silver Corp. (the "Company" or "Defiance") operations, liquidity and capital resources for the nine months ended March 31, 2019. The interim MD&A should be read with the unaudited condensed consolidated interim financial statements for the nine months ended March 31, 2019, and the related notes contained therein which have been prepared under International Accounting Standard 34 – Interim Financial Reporting as issued by the International Accounting Standards Board. The following should also be read in conjunction with the audited consolidated financial statements for the year ended June 30, 2018, and the related notes contained therein which have been prepared under International Financial Reporting Standards ("IFRS"), and all other disclosure documents of the Company. All amounts are stated in Canadian dollars unless otherwise indicated. The information contained herein is not a substitute for detailed investigation or analysis on any particular issue. Additional information relevant to the Company's activities can be found on SEDAR at www.sedar.com and the Company's website at www.defiancesilver.com. The effective date of this MD&A is May 28, 2019. This MD&A contains forward-looking information. Reference to the "Cautionary Statement and Forward–Looking Statement Disclaimer" on Page 31 of this MD&A is advised.

Going Concern

These condensed consolidated interim financial statements have been prepared assuming the Company will continue on a going-concern basis. The Company has incurred losses since inception and the ability of the Company to continue as a going-concern depends upon its ability to develop profitable operations and to continue to raise adequate financing. Management is actively targeting sources of additional financing through other business and financial transactions which would assure continuation of the Company's operations and exploration programs. In order for the Company to meet its liabilities as they come due and to continue its operations, the Company is solely dependent upon its ability to generate such financing. The Company expects to use similar financing techniques in the future and is pursuing such additional sources of financing as estimated to be required to sufficiently support its operations until such time that its operations become self-sustaining.

At March 31, 2019, the Company had cash of $221,318 (June 30, 2018 $118,621) and a working capital deficiency of $2,249,177 (June 30, 2018 $967,866). The Company will require additional funds to support its exploration activities and meet working capital requirements in the next twelve months. These material uncertainties may cast significant doubt on the Company's ability to continue as a going concern. There can be no assurances that management's plans for the Company will be successful.

Description of Business

The Company is a publicly listed company on the TSX Venture Exchange ("TSX-V") trading under the symbol DEF. The Company is an exploration-stage company and engages principally in the acquisition and exploration of exploration and evaluation assets primarily in Mexico. To date, equity financings and short-term loans have provided the main source of financing.

The recovery of the Company's investment in its mineral rights is dependent upon the discovery of economically recoverable mineral reserves and the ability to raise sufficient capital to finance these operations. The ultimate outcome of these operations cannot presently be determined because they are contingent on future matters.

Overall Performance/Significant Events

Acquisition of Valoro Resources Inc.

On September 5, 2018, the Company and Valoro Resources Inc. ("**Valoro**") (TSX-V: VRO) entered into a Letter of Intent to complete a friendly merger to create a significant Mexico focused explorer with an advanced portfolio of silver and gold projects (the "**Transaction**").

Effective November 5, 2018, the Company signed a Definitive Arrangement Agreement ("**Definitive Agreement**") to complete the Transaction. Valoro held a special shareholder meeting for December 19, 2018 to vote on the merger and related matters.

Defiance and Valoro completed their merger under the *Business Corporations Act* (British Columbia) effective 11:59 pm on December 31, 2018. Under the merger, former Valoro shareholders received 0.71 Defiance shares for each Valoro share held.

As consideration, Defiance issued 15,421,520 common shares at a value of $3,855,380. As part of the arrangement, all unexercised Valoro stock options and warrants were replaced with 1,371,011 stock options and 1,357,708 warrants of Defiance at the fixed exchange ratio of 0.71 and at a total Black Scholes value of $93,134. The Company incurred $27,409 in transaction costs and $260,630 in severance costs relating to the acquisition, and these costs were capitalized as part of the acquisition. The acquisition of Valoro has been treated as an acquisition of exploration and evaluation assets (See Note 7 - Acquisition of the March 31, 2019 Financial Statements).

At the time of completion, the Company had 118,773,341 common shares outstanding, of which shareholders of Defiance owned 87% and the former shareholders of Valoro owned approximately 13%.

The combined management team is being led by

- Mr. Peter J. Hawley as President and Chief Executive Officer,
- Ms. Sherry Roberge as Chief Financial Officer and Corporate Secretary (effective February 1, 2019), and
- Ms. Gillian Kearvell as Vice President of Exploration.

Defiance's new Board is comprised of

- Mr. Peter J. Hawley,
- Mr. Darrell Rader,
- Mr. Paul Smith,
- Mr. Randy Smallwood,
- Mr. Ron Sowerby (who replaced George Brack, appointed to Defiance's board at the closing of the transaction, who resigned as a director of Defiance to avoid any conflicts from his role as chair of Capstone Mining Corp. and the proximity and similarity of Defiance's major project to Capstone's Cozamin mine).
- Mr. Dunham Craig, (Valoro's former President and CEO joined the Board at Defiance's annual

general meeting on March 27, 2019).
- Mr. Chris Wright joined the board subsequent to the transaction as a Director and Executive Chairman of the Board.

Highlights of the Transaction

• Robust resource base with significant exploration potential: High grade San Acacio Silver deposit with an inferred mineral resource estimate of 16.9 M oz in 2.9 MT grading 181.94 grams per tonne silver
• The Tepal Gold Copper Project having a 2017 Preliminary Economic Assessment ("PEA") estimating a pre-tax NPV5% of $299 million and a 36% IRR with a 1.6-year payback period and a post-tax NPV5% of $169 million and a 24% IRR with a 2.4-year payback period. The PEA is based on an estimated Measured and Indicated Resource containing 4 M oz. gold equivalent.
• Proven management team: Extensive experience in all critical mining and exploration disciplines with demonstrated capabilities in financing, acquiring, developing and operating mines and a proven track record of exploration successes.
• Enhanced market presence: The larger merged company is expected to appeal to a broader institutional shareholder base and improve share trading liquidity.
• Compelling value proposition: Significant leverage among junior Mexico explorer's equities and attractive relative valuation based on net asset value.

Loan Payable

On September 17, 2018, the Company increased its third-party loan facility from $700,000 to $1,120,810. The loan was unsecured, bears interest at the rate of 1% per month, and matures on the earlier of September 17, 2019 or the date the Company closes its next equity financing. The Company will pay a commitment fee of 2% of the loan, payable on maturity or repayment; and issued 1,618,500 warrants to the lender, each warrant entitling the lender to acquire one common share of the Company at $0.26 until September 17, 2019.

On December 21, 2018, the Company increased its third-party loan facility from $1,120,810 to $1,543,232. The loan bears interest at the rate of 1% per month and matures on the earlier of December 21, 2019 or the date the Company closes its next equity financing. The Company will pay a commitment fee of 2% of the loan, payable on maturity or repayment; and issued 2,346,790 warrants to the lender on January 29, 2019, each warrant entitling the lender to acquire one common share of the Company at $0.18 until December 21, 2019. Defiance agreed to undertake a financing for a minimum of $3,000,000 to close by February 28, 2019. If Defiance fails to do so, the loan will become fully secured by the assets of the Company. As of March 31, 2019 the Company had closed the first tranche of a non-brokered private placement for gross proceeds of $1,229,500 and the minimum financing requirement was not met.

The proceeds provided the Company with the funding necessary to complete its merger with Valoro Resources Inc. and to maintain in good standing the company's mineral properties in Mexico.

Acquisition of MAG Silver's Zacatecas Silver District holdings

In June 2018, the Company entered into a binding agreement to acquire MAG Silver's Zacatecas Silver District holdings. As consideration for the sale, MAG received 5,000,000 common shares of the Company representing an approximate 5% strategic investment position. The Company has a 100% interest in MAG's Lagartos Project along with a significant regional exploration database covering 135,000ha stretching from the Zacatecas to the Fresnillo Silver Districts and cash of $10,000. The transaction provides Defiance control over a 1,506ha land package within the rapidly consolidating Zacatecas Silver district including over 65% of the Veta Grande vein, the San Acacio Silver Deposit (16.9M oz in 2.9 MT grading 182.42 grams per tonne silver inferred resource, see Defiance News Release dated January 15, 2015) and concessions bordering both the San Acacio deposit and veins being advanced by Pan American Silver, Capstone Mining and Endeavour Silver (see Exploration and Evaluation Asset Review below for further information).

Exploration and Evaluation Assets Review

Minera Santa Remy SA de CV Projects

Qualified Person

The review of the Minera Santa Remy SA de CV Projects has been prepared by the geologic staff under the supervision of Bruce Winfield, P.Geo., a Consultant of the Company, and a Qualified Person ("QP") as defined by National Instrument 43-101 (Standards of Disclosure for Exploration and Evaluation Projects).

The Company currently has the right to acquire an interest in one property and has applied for a second property, both of which are located in Mexico (the San Acacio Deposit, and the Minerva Property).

San Acacio Silver Deposit

The Company entered into an option agreement on October 24, 2011, subsequently the subject of several amendments, with the Mexican owners ("the Vendors") for an option to purchase a 100% interest in the San Acacio property consisting of 10 mining concessions and associated surface rights and tailings ("the Assets"). The San Acacio property is located approximately 6.5 km north of the city of Zacatecas, Mexico.

The Company has paid US$2,680,700 towards the agreement through March 31, 2019.

In August 2018, the Company renegotiated and extended the terms of its San Acacio Silver Project option agreement. The project vendor has agreed to postpone a substantial amount of the payments due in 2018 to September 27, 2020. As a result, the Company will be making four quarterly payments of US$226,900 totaling US$907,600 in year one and four quarterly payments of US$250,000 totaling US$1,000,000 in year two with the final option payment due September 2020. As a result of the amending agreement, the payment terms are as follows:

Date	Amount credited toward final payment	Total yearly payment
By September 27, 2019	US$ 600,000	US$ 907,600 (US$680,700 paid)
By September 27, 2020	US$ 800,000	US$ 1,000,000
On September 27, 2020	US$ 3,291,440	US$ 3,291,440

The property is subject to a 2.5% net smelter return royalty ("NSR") payable to the vendors on production from the property. The Company will have the right to purchase the NSR at any time for US$2,500,000 which will escalate with the official Mexican Inflation Index after a five year period.

Following the first anniversary of the purchase of the Assets, the Company must make minimum annual royalty payments of US$125,000. The minimum royalty commitment terminates in the event that the production royalty paid is equal to or higher than the equivalent to the minimum that would have been due during 6 consecutive months.

The Veta Grande vein, which pinches and swells along strike, produced approximately 200M ounces of silver from high-grade shoots in the swells, with an estimated 100M ounces of silver from high-grade shoots on Defiance's portion of the Veta Grande. Mapping, mineralogical studies and drilling to date indicate that the pinching and swelling continues along strike and the mineralized system hosting the San Acacio deposit is tilted to the southeast. With only a few shallow historic exploration shafts and minor modern exploration, there is significant potential for the discovery of multiple intact, high grade silver shoots in this area. Over 4.4 km of Defiance's 5.6 km holdings along the Veta Grande vein have not seen historical production nor been systematically explored, providing Defiance the opportunity to potentially grow the resource along strike.

On October 31, 2017, the Company announced the commencement of a Phase II, 5,000 meter drill program targeting new high-grade silver shoots along a 900m section of the Veta Grande vein located southeast of the San Acacio Silver Deposit in Zacatecas, Mexico.

Surface rights agreements

In August 2014, the Company obtained authorization to temporarily occupy and explore certain land holdings on the San Acacio property. In order to keep the agreement in good standing, the Company is required to make semi-annual payments of MX$ 9,000 during the exploration phase and MX$ 60,000 during the development phase. The agreement will be valid for 20 years with the option to extend in the future. All required payments have been made.

On February 27, 2015, the Company entered into an additional surface rights agreement with the Ejido Sauceda de La Borda for the right to occupy and perform exploration work on the San Acacio property by making annual 4 advance payments of MX$ 120,000 (paid) and by paying a onetime fee of MX$ 100,000 (paid) on the signing of the agreement. The Company will have authorization to explore the surface of the property for a term of three years which can be extended for an additional 3 years at the Company's choice. The Company exercised its right to extend the term of the contract for an additional three years by signing an agreement on February 26, 2018 paying MX$150,000 on signing (paid), and MX$180,000 each year to be paid in two equal semi-annual payments (MX$90,000 paid on signing). All required payments have been made.

On July 14, 2016, the Company entered into an additional surface rights agreement with Fraccionamiento Sauceda de la Borda for the right to occupy and perform exploration work on the San Acacio property. The Company will have authorization to explore the surface of the property for a term of five years which can be renewed for a further 5 years at the Company's choice by making advance annual payments of MX$120,000 (paid) and by paying a onetime fee of MX$ 100,000 (paid) on signing of the agreement. All required subsequent payments have been made and the agreement is in good standing. All required payments have been made.

On June 18, 2018, the Company announced the results from a recently completed geophysics program employing Atomic Energy Resonance Imaging ("AERI") technology. The Atomic Electron Resonance Imaging technology is a newly developed and recently proven exploration tool that builds on high-precision 3D mineralization maps that penetrate up to 1000 meters deep. The surveys detect and differentiate between precious and base metals mineralization only and will not detect tectonic structures, faults or any other non-mineralized zones. The AERI survey increases drilling efficiency by providing 3- Dimensional GPS location and depth to the target within the accuracy of 5 meters. This cutting-edge technology recently completed its proof-of-concept testing resulting in multiple new discoveries in North America.

At the San Acacio project, it identified a significant anomaly at depth, coincident with the recently delineated Induced Polarization ("IP") target (see Defiance News Release dated February 28, 2018). The AERI survey defined the anomaly starting at a depth of 200m and continuing past the detection limit of the technology at 1000m depth. The pipe shaped anomaly measures 400m in width, 300m in length, and is open at depth. The shape, size and mineral zonation of the AERI anomaly compares favourably with geophysical images generated by Capstone Mining on their nearby Cozamin Mine.

On August 29, 2018, the Company renegotiated and extended the terms of its San Acacio Silver Project option agreement. The project vendor has agreed to postpone a substantial amount of the payments due in 2018 to September 27, 2020. As a result, the Company will be making four quarterly payments of US$226,900 totaling US$907,600 in year one and four quarterly payments of US$250,000 totaling US$1,000,000 in year two with the final option payment due September 2020.

Property Background

The San Acacio mining concessions control approximately 5.6 kilometers of the 8.5 kilometer long Veta Grande vein system, one of the three major vein systems within the Zacatecas Silver District that has produced over 700 million ounces of silver since 1548. Veta Grande is a classic epithermal silver rich vein system with accessory gold and base metal credits. The San Acacio Deposit has been exploited over a strike length of 1.2 kilometer to an approximate depth of 200 meters. Three shallow exploration shafts were also made prior to 1910 along the vein for an additional 900 meters along strike to the southeast. The structure, which is believed to exist over a further 3.5 kilometers of strike length to the southeast, has not had any modern exploration.

The Company through its subsidiary Minera Remy S.A. de C.V. signed an agreement on August 28, 2014 for temporary occupation of 18.55 hectares of land covering the northwestern portion of the San Acacio vein system. The term is 20 years with six monthly payments of $9,000 Mexican pesos during exploration and development activities which increase to $60,000 Mexican pesos on commencement of production.

The Company through its subsidiary Minera Remy S.A. de C.V. signed an agreement on February 27th, 2015 with the Ejido Sauceda de la Borda for temporary occupation on Ejido lands covering the San Acacio mining claims. This will allow exploration along an additional 4.6 kilometers of the San Acacio vein. The agreement which includes exploration activities is for a term of three years and is renewable at the

Company's election for an additional three years. Terms include an annual payment of $120,000 Mexican pesos and a signing bonus of $100,000 Mexican pesos.

In accordance with the Company's decision to focus on expanding the resource at San Acacio, an exploration program has been designed to explore the potential of the vein structure to host additional mineral. The initial area targeted in the Phase I drill program was to start testing below the lower limit of the current resource at a depth of approximately 145m along a strike length of 1200 meters. Subsequent phases of drilling are planned to also test the extension of the veins to the southeast where they are open along a strike length of 4.4 kilometers.

On November 5, 2014, the Company through its subsidiary Minera Santa Remy S.A. de C.V. received approval from Semarnat, the Mexican environmental agency, for a 5000 meter drill program. The drill program is designed to increase the current resource through drilling below the current resource blocks along the 1.2 kilometer section of the San Acacio vein that hosted past production.

The Phase I 5000m drill program commenced on December 10, 2014 with 815.7 meters drilled in four holes prior to the Christmas break. Drilling began again in early January completing an additional four holes totaling 1042.7m.

On January 15th, 2015 the Company announced a new resource calculation with additional ounces of silver (AgEq) as well as significantly higher grade (AgEq).

San Acacio Inferred Resource

			Grade > Cut-off			Contained Metal		
Vein	AgEq Cut-off g/t	Tonnes > Cut-off (tonnes	Ag(g/t)	Au(g/t)	AgEq (g/t)	Ag (oz)	Au (oz)	AgEq (oz)
Veta G	100	2,150,000	192.43	0.19	204.66	13,302,000	10,000	14,147
Veta C	100	739,000	153.28	0.08	158.66	3,642,000	19,000	3,770,000
Veta B	100	13,000	76.53	0.45	105.98	32,000	190	44,000
Total	100	2,902,000	181.94	0.16	192.50	16,976,000	12,090	17,961,000

Note: AgEq refers to silver equivalent (see news release January 15, 2015 for details).

On January 29, 2015 the Company announced results for the initial three holes which intersected wide zones of high grade mineralization (see news release for details).

Hole #	From (m)	To (m)	Length (m)	Ag, g/t	Au, g/t	Cu, %	Pb, %	Zn, %	Ageq, g/t*
SAD14-01	132.50	149.50	17.00	110.21	0.13	0.01	0.11	0.35	139.15
including	134.00	142.10	8.10	222.12	0.22	0.01	0.20	0.53	268.13
SAD14-02	168.50	185.20	16.70	101.11	0.75	0.02	0.14	1.79	235.36
including	168.50	171.70	3.20	419.09	0.82	0.02	0.14	0.30	499.43
including	176.20	182.10	5.90	30.15	1.46	0.03	0.23	4.62	334.68
SAD14-03	194.50	213.30	18.80	21.37	0.42	0.02	0.84	1.10	128.03
including	205.00	213.30	8.30	42.89	0.92	0.04	1.87	2.44	278.33

*Reported for comparison only, with no assumptions regarding metal recovery or smelter payments. Prices used are Au: $1210.50/ounce, Ag: $16.33/ounce, Cu; $2.80/pound, Pb; $0.83/pound and Zn $0.95/pound. US dollars.

1 Gram = 0.03215074657 Troy ounce

*True Widths are approximately 70% to 80% of each intersection

The three holes were drilled on a single cross-section at the northwestern end of the San Acacio vein below the Almaden historic workings. The holes produced wide intersections of mineralization with grades substantially higher than the grade of the current resource.

On July 7th and August 26th, 2015 the Company announced results from the five remaining holes drilled in the first part of the Phase I, 5,000m drill program to test below the historic Almaden workings (see news releases for details).

Hole #	From (m)	To (m)	Length (m)	Ag, g/t	Au, g/t	Cu, %	Pb, %	Zn, %	Ageq, g/t*
SAD14-04	143.00	153.10	10.10	100.23	0.56	0.13	0.77	1.61	248.11
Including	147.00	153.10	6.10	138.35	0.80	0.19	1.27	1.90	340.41
SAD15-05	148.00	155.40	7.40	18.51	0.07	0.01	0.06	0.14	32.22
SAD15-05	176.60	185.80	9.20	10.40	0.04	0.01	0.01	0.07	18.03
SAD15-06	178.00	185.30	7.30	109.21	0.13	0.01	0.04	0.09	125.09
SAD15-06	219.50	231.00	11.50	20.06	0.39	0.03	0.04	1.54	114.85
including	224.00	231.00	7.00	19.88	0.57	0.03	0.06	2.35	161.82
SAD15-07	136.40	140.00	3.60	211.49	0.14	0.01	0.11	0.20	234.17
SAD15-07	147.10	149.50	2.40	149.16	0.16	0.02	0.42	1.59	241.55
SAD15-07	185.40	206.50	21.10	70.84	0.24	0.03	0.35	0.77	134.87
including	199.10	206.50	7.40	158.75	0.52	0.07	0.81	1.83	306.68
SAD15-8	106.05	113.30	7.25	631.46	0.43	0.01	0.09	0.22	675.58
SAD15-8	119.50	120.20	0.70	431.95	0.24	0.01	0.21	0.64	483.38
SAD15-8	163.05	163.80	0.75	330.75	0.10	0.01	0.15	0.31	356.81
SAD15-8	260.50	266.50	6.00	11.25	0.31	0.01	0.04	0.53	57.87
SAD15-8	272.10	275.50	3.40	38.47	0.20	0.01	0.03	0.27	65.84
SAD15-8	319.30	326.60	7.30	13.76	0.17	0.02	0.09	0.32	44.63

*Reported for comparison only, with no assumptions regarding metal recovery or smelter payments. Prices used are Au: $1210.50/ounce, Ag: $16.33/ounce, Cu; $2.80/pound, Pb; $0.83/pound and Zn $0.95/pound. US dollars.
1 Gram = 0.03215074657 Troy ounce

*True Widths are approximately 70% to 80% of each intersection

These five holes were drilled on two sections spaced 100m apart. The holes continued to give wide, high grade intersections extending the zone of mineralization along strike to a length of 200m and a depth of 140m below the base of the current resource.

On July 28, 2015, the Company announced commencement of drilling to test the zone below the historic Esperanza-Guadalupe workings 600m to the southeast along the San Acacio vein system. The program was completed on August 28, 2015 with the deepening of drill hole SAD15-8 and completion of drill holes SA15-9 to 11 for a total of 1236.05m.

In March 2016, the Company reported the results of the three holes SA15-9 to 11 drilled at the San Acacio silver deposit. Drilling 550m southeast of the last 8 reported drill holes intercepted wide zones of mineralization in both the Veta Grande and Veta Chica veins. Results from these holes extend the known mineralization to 140 meters below the current resource with mineralization still open to depth and along strike.

Drill hole SAD15-10 intersected the San Acacio vein over a length of 11.95m. Three zones straddling two old mine workings returned; 2.1m grading 333.87 g/t AgEq, 5.5m grading 187.06, and 1.6m grading 99.55 g/t AgEq. Hole SAD15-09 intersected the San Acacio vein over a length of 7.65m that includes a 3.05m wide old working. It is believed that the old workings encountered represent the high-grade portion of the vein had been mined historically.

Both drill holes SAD15-09 and SAD15-10 intersected the hanging wall Veta Chica Vein. SAD15-09 returned 15.65m grading 68.76 g/t AgEq with a 4.85m section grading 128.71 g/t AgEq. SAD15-10 returned 1.6m grading 110.50 g/t AgEq.

The workings intersected in both holes SAD15-9 and SAD15-10, are believed to represent the higher grade portions of the 7.65m and 11.95m long intersections of the San Acacio vein that were historically mined.

In all three holes, SAD15-9, SAD15-10, and SAD15-11, the vein intercepts were hosted within a zone defined by long intersections of 55.6m, 110.3m, and 136.4m respectively of a quartz pyrite breccia that is anomalous in silver, zinc and copper. This breccia represents a previously unrecognized hydrothermal event which may indicate a larger hydrothermal system at depth.

Hole #	From (m)	To (m)	Length (m)	Ag, g/t	Au, g/t	Cu, %	Pb, %	Zn, %	Ageq, g/t*
SAD15-9	221.00	224.05	3.05	Mine opening on Veta Chica					
SAD15-9	226.15	241.80	15.65	65.22	0.02	0.01	0.01	0.04	68.99
including	226.15	231.00	4.85	118.32	0.02	0.07	0.01	0.04	129.64
SAD15-9	263.70	266.75	3.05	40.38	0.09	0.01	0.15	0.52	74.55
	266.75	269.80	3.05	Mine Opening on Veta Grande					
	269.80	271.35	1.55	4.90	0.04	0.01	0.15	0.51	33.43
SAD15-10	282.70	284.30	1.60	100.03	0.11	0.01	0.01	0.03	110.72
SAD15-10 **	331.50	343.45	11.95		Veta Grande vein				
including	331.5	333.6	2.1	283.31	0.17	0.01	0.38	0.70	337.75
**	333.60	335.65	2.05	Mine Opening on Veta Grande					
including	335.65	341.15	5.5	96.65	0.26	0.03	0.61	1.34	194.32
**	341.15	341.85	0.7	Mine Opening on Veta Grande					
including	341.85	343.45	1.60	19.44	0.12	0.02	0.40	1.58	99.55
SAD15-11	283.50	285.00	1.50	136.03	0.03	0.02	0.03	0.06	143.22

*Reported for comparison only, with no assumptions regarding metal recovery or smelter payments. Prices used are Au: $1210.50/ounce, Ag: $16.33/ounce, Cu; $2.80/pound, Pb; $0.83/pound and Zn $0.95/pound. US dollars.

1 Gram = 0.03215074657 Troy ounce
** Grade not calculated because of no data for open mine workings
***True Widths are approximately 70% to 80% of each intersection

SAD15-10 *	331.50	343.45	11.95	96.87	0.17	0.02	0.40	0.95	163.07

* Calculated using zero grade for the mine openings.

On July 14, 2016, the Company entered into an additional surface rights agreement for the right to occupy and perform exploration work on the San Acacio property. The Company will have authorization to explore the surface of the property for a term of five years which can be renewed for a further five years at the Company's choice by making advance annual payments of MX$120,000 (paid) and by paying a onetime fee of MX$100,000 (paid) on signing of the agreement.

In July 2016, the Company filed a drill permit application with Semarnat for a drilling program to include up to 126 holes totaling approximately 60,000m. The drill holes will target extensions of mineralization within the 1200m long San Acacio deposit as well as the 900m long extension of the deposit to the southeast. As of January 2017, the required permit had been received.

The Company's drilling to date has extended mineralization below the base of the current resource in two of the past producing zones, Almaden and Guadalupe. Results were excellent, producing long intersections of high grade mineralization in the extension to depth of two of the zones as follows.

Zone	Hole #	From (m)	To (m)	Length (m)***	Ag g/t	Au g/t	Cu %	Pb %	Zn %	AgEq g/t*
Almaden	SAD14-01	132.50	149.50	17.00	110.21	0.13	0.01	0.11	0.35	139.15
	including	134.00	142.10	8.10	222.12	0.22	0.01	0.20	0.53	268.13
Almaden	SAD14-02	168.50	185.20	16.70	101.11	0.75	0.02	0.14	1.79	235.36
	including	168.50	171.70	3.20	419.09	0.82	0.02	0.14	0.30	499.43
	including	176.20	182.10	5.90	30.15	1.46	0.03	0.23	4.62	334.68
Almaden	SAD14-03	194.50	213.30	18.80	21.37	0.42	0.02	0.84	1.10	128.03
	including	205.00	213.30	8.30	42.89	0.92	0.04	1.87	2.44	278.33
Almaden	SAD14-04	143.00	153.10	10.10	100.23	0.56	0.13	0.77	1.61	248.11
	including	147.00	153.10	6.10	138.35	0.80	0.19	1.27	1.90	340.41
Almaden	SAD15-07	136.40	140.00	3.60	211.49	0.14	0.01	0.11	0.20	234.17
	SAD15-07	147.10	149.50	2.40	149.16	0.16	0.02	0.42	1.59	241.55
	SAD15-07	185.40	206.50	21.10	70.84	0.24	0.03	0.35	0.77	134.87
	including	199.10	206.50	7.40	158.75	0.52	0.07	0.81	1.83	306.68
Guadalupe	SAD15-10 **	331.50	343.45	11.95	Veta Grande vein					
	including	331.5	333.6	2.1	283.31	0.17	0.01	0.38	0.70	337.75
	**	333.60	335.65	2.05	Mine Opening on Veta Grande					
	including	335.65	341.15	5.5	96.65	0.26	0.03	0.61	1.34	194.32
	**	341.15	341.85	0.7	Mine Opening on Veta Grande					
	including	341.85	343.45	1.60	19.44	0.12	0.02	0.40	1.58	106.88
	SAD15-10 ****	331.50	343.45	11.95	96.87	0.17	0.02	0.40	0.95	163.07

* Reported for comparison only, with no assumptions regarding metal recovery or smelter payments. Prices used are Au: $1210.50/ounce, Ag: $16.33/ounce, Cu; $2.80/pound, Pb; $0.83/pound and Zn $0.95/pound. US dollars.
** Grade not calculated because of no data for open mine workings.
*** True Widths are approximately 70% to 80% of each intersection.
**** Calculated using zero grade for the mine openings.

Results from drill hole SAD15-10 includes two historic mine openings that were assigned no grade. Even with this artificially low assumption, the intercept returned the strong grade of 163.07g/t Ag Eq. It can be assumed that the high-grade was mined out by the historical miners. If this were to have been left in-situ, the grade would have been considerably higher. This extends the depth of the strongly mineralized main vein 150m below the base of the current resource.

In May 2017, Defiance announced the resumption of drilling at the San Acacio Silver Project in the Zacatecas silver district. This drilling targeted the expansion of the current deposit and focused specifically on following up on the Esperanza and Almaden mineralized high grade shoots. Previous drilling at

Esperanza intersected 12.7m grading 297g/t silver equivalent ("AgEq") while at Almaden, drilling returned 8.3m grading 278 g/t AgEq.

In July and October 2017, results were released from the remaining diamond drill holes SAD17-12 to SAD17-17 in the Phase I 5000m drill program as presented in the following table.

Hole #	From (m)	To (m)	Length (m)	Ag, g/t	Au, g/t	Cu, %	Pb, %	Zn, %	AgEq,* g/t*
SAD 17-12	226.2	253.65	27.03	148.21	0.29	0.02	0.13	0.67	202.99
including	226.2	234.20	7.58	212.91	0.05	0.01	0.06	0.26	230.03
including	238.0	243.00	5.00	230.69	0.51	0.04	0.43	1.68	354.97
including	247.6	253.65	6.05	122.07	0.74	0.01	0.09	1.04	222.59
SAD17-13	261.00	271.00	10.00	171.22	0.08	0.01	0.27	0.42	204.65
including	261.00	264.00	3.00	372.21	0.10	0.01	0.16	0.45	404.03
SAD17-14	308.07	308.67	0.60	139.53	0.40	0.00	1.84	1.09	276.74
	314.12	315.00	0.88	213.84	0.30	0.00	0.01	0.00	236.21
	318.00	318.30	0.30	477.55	0.46	0.00	0.05	0.17	520.27
SAD17-15	209.82	213.00	3.18	285.04	0.02	0.01	0.05	0.17	296.30
SAD17-17	439.13	440.14	1.01	33.90	0.12	0.01	0.51	3.14	187.85

*Reported for comparison only, with no assumptions regarding metal recovery or smelter payments. Prices used are Au: $1210.50/ounce, Ag: $16.33/ounce, Cu; $2.80/pound, Pb; $0.83/pound and Zn $0.95/pound. US dollars. **True Widths are approximately 70% to 80% of each intersection.

Drill holes SAD17-13 and SAD17-14 targeted the Esperanza Zone, extending the mineralization further at depth below drill hole SAD17-12 which intersected high grade silver over a core length of 27.03 meters of hydrothermal breccia and veins assaying 202.99 g/t AgEq (see Defiance news release dated June 8, 2017). Hole SAD17-13 extended the wide zone of mineralization in drill hole SAD17-12 with a 10 meter intersection grading 204.65 g/t AgEq. Drill hole SAD17-14 intersected three narrower zones of mineralization before intersecting a fault that displaced the main vein. Drill hole SAD17-15 drilled 100 meters to the southeast on the vein intersected high grade mineralization grading 296.30 g/t AgEq over 3.18 meters. Drill hole SAD17-17, drilled 100 meters farther to the southeast, extended the wide vein intersection of 11.95 meters in drill hole SAD15- 10 with its high grade mineralization and old workings, 80 meters vertically although mineralization was primarily base metals with 3.14% Zinc and 0.51% lead, possibly in the low grade zone between silver and silver-base metal zones.

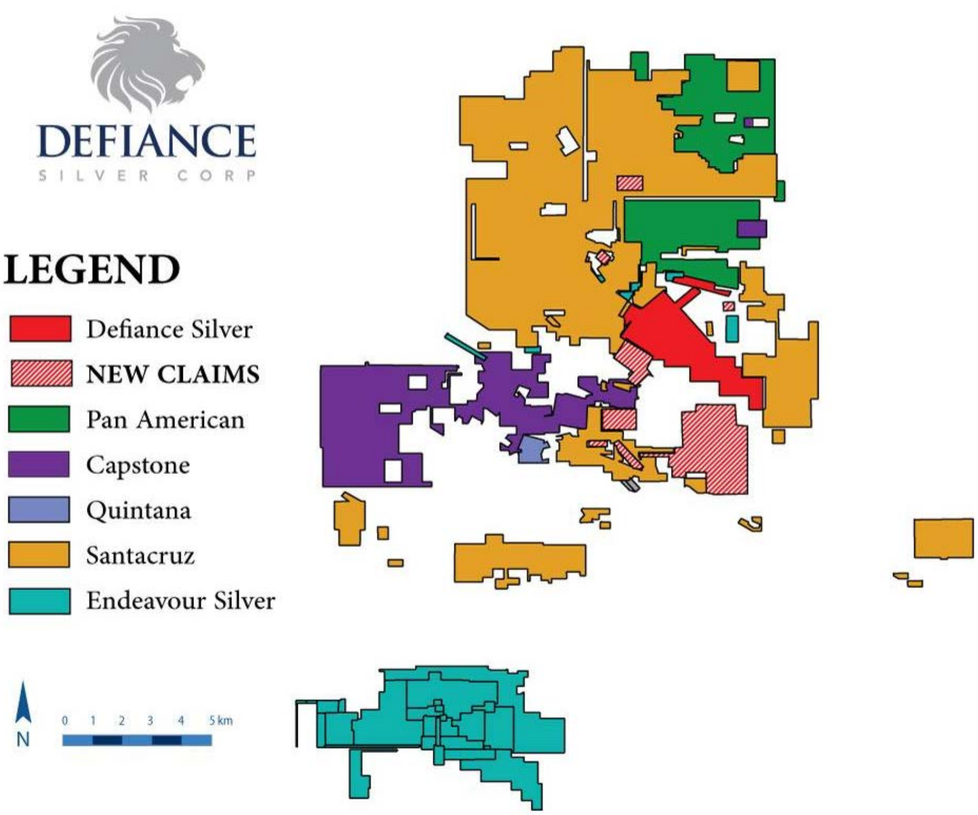
Results from the drilling program announced in the News Release dated October 31, 2017, along the 900m segment of the Veta Grande vein from the Guadalupe Pit through to the historic Restauracion shaft indicated pinching and swelling of the Veta Grande vein. Holes SAD17-18 and SAD-17 19 intersected wide zones of amethyst bearing vein with anomalous silver values, 9.8m and 27.76m respectively, that elsewhere on the Veta Grande vein are associated shoots of high grade silver mineralization. Characteristics of the amethyst rich mineralization indicate being at a high level with in the system.

An Induced Polarization (IP) geophysical survey was designed to test the potential at depth for the silver mineralization hosted within the 900m long segment of the San Acacio Vein from the Guadalupe Pit to the Restauracion Shaft. The survey defined an anomaly 200m long by 300m wide starting at depth of approximately 200m. The anomaly is open along strike as well as to depth with the potential to host a blind mineralized shoot on the Veta Grande vein.

Defiance intends to follow up results of the geophysical survey with additional drilling.

Lagartos Project

The Lagartos Project consists of 14 concessions totaling approximately 800 hectares (Figure 1). In addition, Defiance will also receive a database covering an additional 135,000 hectares in the Zacatecas silver district providing the opportunity to acquire further concessions. All of the Lagartos concessions are located within the Zacatecas silver district, which has produced an estimated billion ounces of silver, principally before 1895. Zacatecas lies along the “Fresnillo Silver Trend” a regional structural zone that has yielded over 5 billion ounces of silver. The four largest districts along the trend; Guanajuato, Zacatecas, Sombrerete and Fresnillo are all characterized by multiple sets of parallel silver-gold veins with high-grade oreshoots located periodically along their lengths. The Zacatecas District is characterized by six major sets of such parallel veins. This consolidation gives Defiance control of over 65% of the Veta Grande vein, which historically produced a significant amount of silver within the district. A number of the other newly acquired Lagartos concessions lie along other important vein systems in the Zacatecas Silver District including: the Malanoche vein system currently being mined by Capstone Mining Corp.; the Cantera - El Bote vein system; and the Panuco vein system controlled by Santacruz Silver Mining Ltd. and Pan American Silver Corp. It is believed that all the known deposits were found in outcrop 350 to 500 years ago, while new vein systems remain to be discovered.



MAG's exploration programs successfully identified a number of broad (10s of meters wide) hydrothermal alteration zones along structures up to 4 kilometers long that appear to represent the upper level manifestations of deeper Zacatecas and/or Fresnillo (Juanicipio)-style epithermal vein mineralization. Select grab samples along these zones returned values ranging from one half ounce up to 2.3 kilograms silver (67 ounces). Significant drilling highlights include 850 g/t (24.8 ounces per tonne) silver over 0.95 meters; 417 g/t (12.1 ounces per tonne) silver over 1.0 meter (See MAG Silver News Release dated Jan 19, 2010). Selected grab samples are not necessarily representative of the mineralization hosted on the property.

Highlights

- 800 hectares of mining rights in 14 concessions
- Exploration digital data bank including; a drill hole database totaling 90 holes, extensive geochemistry, geophysics, satellite imagery, and detailed drill logs from over 135,000ha of ground stretching from the Zacatecas Silver District to the Fresnillo Silver District
- All core drilled by MAG Silver in the district.

Minerva Property

The Company has applied for the Minerva property located in northern Mexico. The property comprises approximately 29,000 ha covering a district with a series of old artisanal mine workings from the 1980's with very limited production from a small stamp mill. Access is good via a series of paved and dirt roads. However, only limited modern exploration has been carried out. Silver-lead-zinc mineralization occurs as carbonate replacement and skarn bodies within a well-developed limestone-siltstone sequence and is related to a series of granitic to dioritic igneous intrusions.

The deposit model for the area is the nearby La Encantada deposit being mined by First Majestic Corp (previously mined by Penoles). La Encantada is reported to contain the following reserves and resources:

Resource Category	Tonnage (mt)	Grade AgEq (g/t)	Contained AgEq (million oz)
Proven + Probable	6.75	143	32.35
Measured + Indicated	6.15	1.61	33.75
Inferred (oxides + tailings)	0.76	235	5.77

Ref: First Majestic Silver Corp website, effective December 31, 2016

Management plans to initially carry out a regional satellite imagery alteration study and prospecting to define areas for more follow up mapping, sampling and possibly ground geophysics.

Geologix Mexico SA de CV

Tepal Project

<u>*Qualified Person*</u>

*The disclosure of technical information on the Tepal Project has been approved by Dunham Craig, B.Sc., P. Geo., a 'qualified person' for the purpose of National Instrument 43-101, Standards of Disclosure for Mineral Projects of the Canadian Securities Administrators ("**NI 43-101**"). He has verified that the data disclosed is in accordance with the published results of the reports described under the Tepal Project.*

The Tepal Gold/Copper Project ("**Tepal Project**") is located in Michoacán State, Mexico.

Information on the Tepal Project in this MD&A is summarized or extracted from the following reports and news releases as reported by Valoro Resources Inc. (formerly Geologix Explorations Inc.), previous to the completion of the merger:

- *Technical Report on the Mineral Resources of the Tepal Gold-Copper Project Michoacán State, Mexico* with an effective date of March 29th, 2012 (the "**2012 Resource Report**") of David K. Makepeace, M.Eng., P.Eng. of Micon International Limited, an independent 'qualified person' as defined in NI 43-101;

- *Technical Report on the Prefeasibility Study of the Tepal Project Michoacán State, Mexico* with an effective date of March 19th, 2013 (the "**2013 PFS Study**") of Matt R. Bender, P.E. et al. of JDS Energy & Mining Inc., each of whom are 'qualified persons' for the purpose of NI 43-101.

- *Technical Report on the Preliminary Economic Assessment on the Tepal Project, Michoacán, Mexico* with an effective date of January 19, 2017 (the "**2017 PEA Study**") of Gord Doerksen, P.E. et al. of JDS Energy & Mining Inc., each of whom are 'qualified persons' for the purpose of NI 43-101.

- News releases dated February 23, 2012, March 27, 2012, June 13, 2012, July 16, 2012, August 29, 2012, November 8, 2012, February 4, 2013, March 19, 2013, May 7, 2013, July 24, 2013, October 23, 2013, April 8, 2014, January 19, 2017, February 27, 2017, August 31, 2017 and March 15, 2018.

For a complete description of the assumptions, qualifications, and procedures associated with the following information, reference should be made to the full text of the 2012 Resource Report, the 2013 PFS Study, the 2017 PEA Study and all relevant news releases detailed above. All financial information disclosed in this MD&A and referenced from the 2012 Resource Report, 2013 PFS Study and 2017 PEA Study are stated in US dollars, unless specifically noted. The geological and other non-financial disclosure which follows is a summary of the geological and technical results as at the filing date of this MD&A.

A chronology of Tepal Project milestones completed by Valoro are as follows:

- March 2012 Resource Report containing Measured and Indicated category of 187.8 million tonnes ("**t.**") grading 0.30 g/t gold ("**Au**.") and 0.20 % copper ("**Cu**."), containing 1.80 million ounces ("**oz.**") Au and 813 million pounds Cu, for a gold equivalent ("**Au Eq.**") of 4.04 million oz. and an

Inferred category of 35.7 million t. grading 0.16 g/t Au and 0.15 % Cu, containing 182,000 oz. Au and 120 million lbs. Cu for an AuEq of 512,000 oz.

- Detailed mapping, extensive soil (1,064 samples) and rock chip (1,263 samples) sampling completed over seven airborne geophysical anomalies highlighting five high priority areas for exploration drill testing.
- A reverse circulation ("**RC**") drill program was completed with the purpose of drill testing prospective zones of mineralization as outlined by geophysical, soil and rock chip sampling anomalies. The drill program consisted of 34 drill holes with a total drilled of 4,906 metres ("**m.**").
- Archeological Permit for construction granted by Mexican authorities.
- Metallurgical and comminution laboratory work.
- Field studies in preparation for the 2013 PFS Study.
- The 2013 PFS Study was completed on March 19, 2013.
- Pilot plant utilizing 12 tonnes of project material in September 2013.
- Environmental permit application and risk assessment submitted to SEMARNAT in September 2013. Tepal permit resolution received from the Mexican mining authority SEMARNAT for the project based on the PFS Study in April 2014.
- The 2017 PEA Study was completed on January 19, 2017.
- The results of the 2017 exploration program which identified new potential at Tepal were reported in the March 15, 2018 News Release.

2017 Exploration Program

The 2017 exploration program was initiated in the third quarter of 2017. The objectives of the 2017 exploration program were to evaluate new higher-grade and/or bulk tonnage exploration targets with resource expansion potential as well as assess the potential for new discoveries. Key results are summarized as follows:

- Valoro geologists developed a new structurally controlled exploration model for Tepal that is a departure from the long-held porphyry exploration model, with upside implications for both property-scale and regional exploration.
- The 2017 work program successfully tested the updated model via surface mapping and sampling, alteration and structural surveys, core re-logging and 3D geophysical modeling, and was therefore extended into the 2018 calendar year to generate new drill-ready resource expansion and new discovery targets.
- The updated model identified under-drilled areas within and surrounding the three proposed PEA pits where there is excellent potential to improve the existing gold-copper resource through additional infill and step-out drilling in 2018.
- Importantly, the 2017 exploration program directly resulted in the discovery of a previously unknown and untested high sulphidation epithermal system underlying the Tepal property, which is now fast-tracked for drilling later this year.

2017 PEA Study

The 2017 PEA Study was completed during the first quarter of 2017. The purpose of the 2017 PEA Study was to revise and update the 2013 PFS Study and to generate an optimized mining development scenario based on updated capital and operating costs and new economic base case metal prices. The 2013 PFS Study was prepared using base case metals prices of $1,390/oz. gold, $3.44/lb. copper and $26.03/oz. silver ($1,400/oz. gold, $3.15/lb. copper and $26.00/oz. silver for pit design), which reflected the 4-year trailing average metals prices as of February 28, 2013. The 2017 PEA Study was prepared using more conservative base case metals prices of $1,250/oz. gold, $2.50/lb. copper and $18.00/oz. silver ($1,250/oz. gold, $2.25/lb copper and $20.00/oz. silver for pit design). As of May 23, 2017, spot metals prices as quoted on COMEX were $1,261.40/oz. gold, $2.60/lb. copper and $17.19/oz. silver.

The 2017 PEA Study work included: a revised Whittle pit optimization, which applied estimates of metals prices, mining dilution, process recovery, off-site costs, geotechnical constraints (slope angles), and royalties to the current resource estimation (2012 Resource Report) in order to generate economic pit shells; a revised process flow sheet consisting primarily of reduction of the sulphide flotation throughput from an average 37,000 tonnes per day ("**t/d**") to 22,000 t/d, change from batch grinding oxide material in the SAG and ball mills to an independent oxide crushing and grinding circuit; and increase of oxide carbon-in-leach (CIL) retention time from 8 hours to 24 hours; a revised mining schedule based on changes to the process plant; updated mining operating costs based on contractor mining rates; and updated capital and operating cost estimates (CAPEX and OPEX) based on revised designs and more recent equipment budgetary pricing. Engineering, metallurgical, environmental, and geotechnical studies were completed for the 2013 PFS Study and the 2017 PEA study relies upon this previous work. Permitting applications have been prepared and have in some instances already been approved by the Mexican Authorities (e.g. archeological and environmental permits). Community relations strategies are being developed and implemented as part of the 2017 work program.

Valoro continued discussions with the local communities in an effort to continually assess the environmental, social, and political risks or issues related to the project. Ongoing community relations and education programs were initiated as a means of informing the immediately surrounding communities as to the status and progress of the project to date.

The positive results of the 2017 PEA Study were announced on January 19, 2017 and the technical report was filed on SEDAR on February 24, 2017. Completion of the 2017 PEA Study involved evaluating design input parameters and mineral processing requirements, performing mining and processing optimizations and trade-off studies, estimating facilities, infrastructure and operating costs, and generating project economics associated with the potential development of the Tepal mineral resource.

Mine planning studies were completed for fleet sizing and costing utilizing contractor mining, vs. an owner-operator fleet in the 2013 PFS Study. It is planned to mine the three deposits at Tepal (North, South and Tizate) via conventional open pit ("**OP**") methods. Processing options were evaluated and resulted in the decisions to utilize independent circuits for processing oxide and sulphide material, increase the oxide CIL retention time from eight to 24 hours, and establish process throughput rates of 5,500 t/d for oxide material and 22,000 t/d for sulphide material.

Updated capital and operating cost estimates (CAPEX and OPEX) were prepared based on revised designs and more recent equipment budgetary pricing.

The 2017 PEA Study results are outlined below:

- Pre-tax: NPV5% of $299 million and 36% IRR with a 1.6-year payback period[1]
- After-tax: NPV5% of $169 million and 24% IRR with a 2.3-year payback period[1]
- Production averages 79,000 oz. of gold and 32 Mlbs of copper over a 10-year mine life
- Life of mine ("LOM") average cash cost of $313/oz. gold and LOM average cash cost plus sustaining cost of $396/oz. gold (net of copper and silver by-product credits)[1]
- Initial capital costs estimated at $214 million with a 2-year pre-production period
- LOM sustaining and closure capital costs estimated at $87 million

[1] Using base case metals prices: $1,250/oz. for gold, $2.50/lb for copper, $18.00/oz. for silver

Summary Economics

Summary 2017 PEA Study economics are detailed below. The base case economic evaluation used metals prices that are close to current spot prices and near the median of current medium to long term analyst forecasts. After-tax economics were prepared using the following assumptions: a 2.5% Net Smelter Return (NSR) royalty, 0.5% Mexican royalty based on precious metals revenue, 7.5% Mexican royalty based on EBITDA, 12% annual depreciation rate, accumulated tax loss carry forward of US$22.4 million, and a 30% Mexican income tax rate.

Operating Assumptions/Highlights	***(Currency in USD)***
Mine Life	9.8 years
Total Material Mined	142.9 million tonnes
Strip Ratio	0.6 : 1
Average Plant Throughput (Sulphide + Oxide)	9.6 Mtpa
Average Au Sulphide Head Grade	0.33 g/t
Average Cu Sulphide Head Grade	0.21%
Average Au Oxide Head Grade	0.45 g/t
LOM Average Au Sulphide Recovery (combined Flotation & CIL)	77%
LOM Average Cu Sulphide Recovery	87%
LOM Average Au Oxide Recovery	81%
Total Au Ounces Recovered	766,248 oz.
Total Cu lbs Recovered	308.0 Mlbs
Total AuEq. Ounces Recovered(1)	1,417,618 oz.
Average Au Production (Years 1-5)	108,390 oz.
Average Cu Production (Years 1-5)	37.3 Mlbs
Average AuEq. Production (Years 1-5)(1)	184,923 oz.
LOM Average Au Production	78,572 oz.
LOM Average Cu Production	31.6 Mlbs
LOM Average AuEq. Production(1)	145,239 oz.
Pre-Production Capital Cost	$214.2 million
LOM Sustaining and Closure Capital Cost	$86.7 million
LOM Average Cash Cost(2) per Au Ounce (net of by-products)	$313/oz.
LOM Average Cash Cost(2) plus Sustaining Cost per Au Ounce (net of by-products)	$396/oz.

(1) Using US$1,250/oz. Au, US$2.50/lb. Cu and US$18.00/oz. Ag prices

(2) Cash cost includes all mining, milling & refining, transport, mine-level G&A, and royalty costs

Results of Operations

Summary of Quarterly Results

The following tables summarize information derived from the Company's financial statements for each of the eight most recently completed quarters:

	March 31, 2019	December 31, 2018	September 30, 2018	June 30, 2018
Revenue	$ Nil	$ Nil	$ Nil	$ Nil
Loss and comprehensive loss for the period	(295,898)	(202,650)	(194,729)	(238,436)
Exploration and evaluation assets	12,452,542	11,887,051	6,553,200	6,122,855
Total assets	13,516,351	12,627,558	7,195,607	6,751,934
Loss per share	(0.00)	(0.00)	(0.00)	(0.00)

	March 31, 2018	December 31, 2017	September 30, 2017	June 30, 2017
Revenue	$ Nil	$ Nil	$ Nil	$ Nil
Loss and comprehensive loss for the period	(115,986)	(259,626)	(249,247)	(164,528)
Exploration and evaluation assets	4,265,451	3,978,985	3,209,694	2,898,890
Total assets	4,966,451	4,549,605	4,857,647	3,361,492
Loss per share	(0.00)	(0.00)	(0.00)	(0.00)

Three months ended March 31, 2019

The Company's loss for the three months ended March 31, 2019 totaled $295,898 ($0.00 per share) as compared to a loss $115,986 ($0.00 per share) for the three months ended March 31, 2018.

Expense details are as follows:

a) Investor relations of $2,177 (2018 – $13,762) – The decrease is due to decreased number of external consultants during the current period. A new external consultant was engaged in October, 2017.

b) Management and consulting fees $198,105 (2018 – 50,644) - The increase is due to additional management fees incurred as part of the transition of personnel subsequent to the merger with Valoro resources.

c) Share-based compensation of $8,131 (2018 – $38,815) – The stock based-compensation expense is primarily affected by the number of options granted and vesting during the period, the strike price at grant date and stock-price volatility calculations used in the Black-Scholes option pricing model.

Nine months ended March 31, 2019

The Company's loss for the nine months ended March 31, 2019 totaled $693,277 ($0.00 per share) as compared to a loss $624,859 ($0.00 per share) for the nine months ended March 31, 2018.

Expense details are as follows:

a) Investor relations of $11,193 (2018 – $54,333) – The decrease is due to decreased number of external consultants during the current period. A new external consultant was engaged in October, 2017.

b) Management and consulting fees $346,105 (2018 – 227,605) - The increase is due to additional management fees incurred as part of the transition of personnel subsequent to the merger with Valoro resources.

c) Legal and audit of $146,838 (2018 – $96,268) – The increase is due to the variable nature of legal activities incurred in one of the Company's Mexican subsidiaries, Minera Santa Remy SA de CV during the renegotiation of the San Acacio option agreement and acquisition of surface rights.

d) Share-based compensation of $48,817 (2018 – $148,033) – The stock based-compensation expense is primarily affected by the number of options granted and vesting during the period, the strike price at grant date and stock-price volatility calculations used in the Black-Scholes option pricing model.

Liquidity

The Company is in the acquisition and early exploration stage and therefore has no incoming cash flows from operations. At March 31, 2019, the Company had cash of $221,318 (June 30, 2018 $118,621) and a working capital deficiency of $2,249,177 (June 30, 2018 $967,866).

At present, the Company's operations do not generate positive cash flows and its financial success is dependent on management's ability to discover economically viable mineral deposits. The mineral exploration process can take many years and is subject to factors that are beyond the Company's control.

The Company is considered to be in the exploration and evaluation stage. Thus, it is dependent on obtaining regular financings in order to continue its exploration and evaluation programs. Despite previous success in acquiring these financings, there is no guarantee of obtaining future financings. The Company's cash is invested in business accounts with quality financial institutions, is available on demand for the Company's programs, and is not invested in any asset backed commercial paper.

Value added tax (VAT)

The Company, through its wholly-owned subsidiaries in Mexico, has a total of $644,492 in VAT receivable as of March 31, 2019 (June 30, 2018 – $493,040). This amount reflects VAT paid from 2011 through 2018. The Company has prepared and submitted claims to recover the VAT but the timing of the recovery of the amounts cannot be determined with any certainty and, accordingly, the VAT has been classified as a long-term receivable.

Capital Resources

The Company will continue to seek capital through public markets by issuing common shares pursuant to private placements. The Company manages its capital structure to maximize its financial flexibility making adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets and business opportunities. The Company does not presently utilize any quantitative measures to monitor its capital and is not subject to externally imposed capital requirements.

See Loan Payable disclosure in Overall Performance/Significant Events on Page 4 of this MD&A

Outstanding Share Data

As at the date of this report, the Company had 132,984,557 common shares issued and outstanding.

The following stock options were outstanding at the date of this report:

Number of Options Outstanding	Exercise Price ($)	Expiry Date
172,175	0.85	May 29, 2019
300,000	0.30	October 23, 2019
1,620,000	0.10	November 6, 2019
220,100	0.56	February 9, 2020
100,000	0.15	March 12, 2020
7,100	0.70	March 16, 2020
3,550	0.56	May 5, 2020
100,000	0.11	June 10, 2020
197,913	0.70	January 13, 2021
125,848	0.70	March 2, 2021
42,600	1.13	June 16, 2021
200,000	0.41	July 20, 2021
730,000	0.32	December 14, 2021
30,000	0.32	December 16, 2021
257,375	1.13	March 1, 2022
135,000	0.35	February 15, 2023
344,350	0.70	March 16, 2023
4,586,011	0.37	

Warrants

As at the date of this report, the Company had 26,564,603 warrants issued and outstanding as follows:

Number of Warrants	Exercise Price	Expiry Date
2,058,800	0.34	June 19, 2019
603,500	1.41	July 22, 2019
5,232,401	0.45	September 19, 2019
1,618,500	0.26	September 27, 2019
954,800	0.45	September 29, 2019
2,346,790	0.18	December 21, 2019
754,208	1.41	June 21, 2020
6,147,500	0.30	March 11, 2021
5,289,452	0.30	April 5, 2021
106,500	0.20	April 5, 2021
1,401,152	0.30	May 3, 2021
51,000	0.20	May 3, 2021
26,564,603		

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements as at March 31, 2019 or as of the date of this report.

Related Party Transactions

Related parties include the Board of Directors, officers, close family members and entities that are controlled by these individuals.

As at March 31, 2019, accounts payable and accrued liabilities included $244,367 (June 30, 2018 - $107,619) payable to directors, officers and companies controlled or related to directors and/or officers. Amounts payable to related parties have no specific terms of repayment, are unsecured and do not bear interest.

During the period ended March 31, 2019, the Company:

(a) paid or accrued management fees of $45,000 (2018 - $27,500) to a company controlled by a director of the Company.

(b) paid or accrued management fees of $Nil (2018 - $53,975) to a company controlled by the former CEO of the Company.

(c) paid or accrued management fees of $10,000 (2018 - $14,000) to a company controlled by a former CFO of the Company.

(d) paid or accrued severance of $260,630 and management fees of $37,961 (2018 - $Nil) to a former CFO of the Company.

(e) paid or accrued management fees of $45,000 (2018 - $45,000) to a company controlled by a former CEO, President and director of the Company.

(f) paid or accrued management fees of $Nil (2018 - $59,680) to a former officer of the Company.

(g) paid or accrued management fees of $90,000 (2018 - $Nil) to the CEO of the Company.

(h) paid or accrued management fees of $31,950 (2018 - $Nil) to the CFO of the Company.

Share-based compensation includes stock options granted to directors and officers recorded at a fair value of $37,314 (2018 - $109,862). Stock options granted to directors and officers on December 31, 2018 recorded at a fair value of $57,713 is included in the acquisition value of Valoro Resources Inc.

The Company has signed promissory notes of $93,500 with directors of the Company and recorded accrued interest payable of $3,441.

Subsequent Events

Subsequent to March 31, 2019 the following events occurred:

a. Closed the second tranche of a non-brokered private placement by issuing 5,289,452 units at a price of $0.20 per unit for gross proceeds of $ 1,057,890. Each unit consists of one common share and one common share purchase warrant. Each warrant is exercisable to purchase one common share at a price of $0.30 per share on or before April 5, 2021. The Company paid finder's fees of $21,300 and issued 106,500 broker warrants. Each broker warrant is exercisable to purchase one common share at a price of $0.20 per share on or before April 5, 2021.

b. Closed the third and final tranche of a non-brokered private placement by issuing 1,401,152 units at a price of $0.20 per unit for gross proceeds of $280,230. Each unit consists of one common share and one common share purchase warrant. Each warrant is exercisable to purchase one common share at a price of $0.30 per share on or before May 3, 2021. The Company paid finder's fees of $10,200 and issued 51,000 broker warrants. Each broker warrant is exercisable to purchase one common share at a price of $0.20 per share on or before May 3, 2021.

c. The Company received proceeds of $7,000 from the exercise of 70,000 stock options

Proposed Transactions

At the present time, there are no new proposed transactions that should be disclosed.

Risk Factors

The Company is in the business of acquiring, exploring and, if warranted, developing and exploiting natural exploration and evaluation assets. Due to the nature of the Company's proposed business and the present stage of exploration of its exploration and evaluation assets, the following risk factors, among others, will apply:

Mining Industry is Intensely Competitive: The Company's business is the acquisition and exploration of exploration and evaluation assets. The mining industry is intensely competitive and the Company will compete with other companies that have far greater resources.

Resource Exploration and Development is Generally a Speculative Business: Resource exploration and development is a speculative business and involves a high degree of risk, including, among other things, unprofitable efforts resulting not only from the failure to discover resource deposits but from finding resource deposits which, though present, are insufficient in size to return a profit from production. The marketability of natural resources that may be acquired or discovered by the Company will be affected by numerous factors beyond the control of the Company. These factors include market fluctuations, the proximity and capacity of natural resource markets, government regulations, including regulations relating to prices, taxes, royalties, land use, importing and exporting of resources and environmental protection.

The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving an adequate return on invested capital. The vast majority of exploration projects do not result in the discovery of commercially mineable deposits of ore.

Fluctuation of Metal Prices: Even if commercial quantities of resource deposits are discovered by the Company, there is no guarantee that a profitable market will exist for the sale of the metals produced. Factors beyond the control of the Company may affect the marketability of any substances discovered. The prices of various metals have experienced significant movement over short periods of time, and are affected by numerous factors beyond the control of the Company, including international economic and political trends, expectations of inflation, currency exchange fluctuations, interest rates and global or regional consumption patterns, speculative activities and increased production due to improved mining and production methods.

The supply of and demand for metals are affected by various factors, including political events, economic conditions and production costs in major producing regions. There can be no assurance that the price of any commodities will be such that any of the properties in which the Company has, or has the right to acquire, an interest may be mined at a profit.

Permits and Licenses: The operations of the Company will require consents, approvals, licenses and/or permits from various governmental authorities. There can be no assurance that the Company will be able to obtain all necessary consents, approvals, licenses and permits that may be required to carry out exploration, development and mining operations at its projects.

No Assurance of Profitability: The Company has no history of earnings and, due to the nature of its business, there can be no assurance that the Company will ever be profitable. The Company has not paid dividends on its shares since incorporation and does not anticipate doing so in the foreseeable future. The only present source of funds available to the Company is from the sale of its common shares or, possibly, from the sale or optioning of a portion of its interest in its exploration and evaluation assets.

Even if the results of exploration are encouraging, the Company may not have sufficient funds to conduct the further exploration that may be necessary to determine whether or not a commercially mineable deposit exists. While the Company may generate additional working capital through further equity offerings or through the sale or possible syndication of its property, there can be no assurance that any such funds will be available on favourable terms, or at all. At present, it is impossible to determine what amounts of additional funds, if any, may be required. Failure to raise such additional capital could put the continued viability of the Company at risk.

Uninsured or Uninsurable Risks: The Company may become subject to liability for pollution, criminal activity or hazards against which it cannot insure or against which it may elect not to insure where premium costs are disproportionate to the Company's perception of the relevant risks. The payment of such insurance premiums and of such liabilities would reduce the funds available for exploration and production activities.

Government Regulation: Any exploration, development or mining operations carried on by the Company will be subject to government legislation, policies and controls relating to prospecting, development, production, environmental protection, mining taxes and labour standards. In addition, the profitability of any mining prospect is affected by the market for precious and/or base metals which is influenced by many factors including changing production costs, the supply and demand for metals, the rate of inflation, the inventory of metal producing corporations, the political environment and changes in international investment patterns.

Environmental Matters: Existing and possible future environmental legislation, regulations and actions could cause significant expense, capital expenditures, restrictions and delays in the activities of the Company, the extent of which cannot be predicted and which may well be beyond the capacity of the Company to fund. The Company's right to exploit any mining properties is and will continue to be subject to various reporting requirements and to obtaining certain government approvals and there can be no assurance that such approvals, including environment approvals, will be obtained without inordinate delay or at all.

Insufficient Financial Resources: The Company does not presently have sufficient financial resources to undertake by itself the exploration and development of any significant exploration and development programs. The development of the Company's property will therefore depend upon the Company's ability to obtain financing through the joint venturing of projects, private placement financing, public financing or other means. There can be no assurance that the Company will be successful in obtaining the required financing. Failure to raise the required funds could result in the Company losing, or being required to dispose of, its interest in its property. In particular, failure by the Company to raise the funding necessary to maintain in good standing the various option agreements it has entered into could result in the loss of the rights of the Company to such property. In addition, should the Company incur significant losses in future periods, it may be unable to continue as a going concern, and realization of assets and settlement of liabilities in other than the normal course of business may be at amounts significantly different from those reflected in its current financial statements.

Recent market events and conditions, including disruptions in the Canadian, United States and international credit markets and other financial systems and the deterioration of the Canadian, United States and global economic conditions, could, among other things, impede access to capital or increase the cost of capital, which would have an adverse effect on the Company's ability to fund its working capital and other capital requirements.

These unprecedented disruptions in the current credit and financial markets have had a significant material adverse impact on a number of financial institutions and have limited access to capital and credit for many companies, particularly junior resource exploration companies such as the Company. These disruptions could, among other things, make it more difficult for the Company to obtain, or increase its cost of obtaining, capital and financing for its operations. The Company's access to additional capital may not be available on terms acceptable to the Company or at all.

In recent years, worldwide securities markets, including those in the United States and Canada, have experienced a high level of price and volume volatility, and the market price of securities of some companies, particularly those considered exploration stage companies, have experienced declines in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. As a consequence, despite the Company's past success in securing significant equity financing, market forces may render it difficult or impossible for the Company to secure places to purchase new share issues at a price which will not lead to severe dilution to existing shareholders, or at all. Therefore, there can be no assurance that significant fluctuations in the trading price of the Company's common shares will not occur, or that such fluctuations will not materially adversely impact on the Company's ability to raise equity funding without significant dilution to its existing shareholders, or at all.

Dependence Upon Others and Key Personnel: The success of the Company's operations will depend upon numerous factors, many of which are beyond the Company's control, including (i) the ability to design and carry out appropriate exploration programs on its exploration and evaluation asset; (ii) the ability to produce resources from any resource deposits that may be located; (iii) the ability to attract and retain additional key personnel in exploration, marketing, mine development and finance; and (iv) the ability to obtain the operating resources to develop and maintain the property held by the Company. These and other factors will require the use of outside suppliers as well as the talents and efforts of the Company and its consultants and employees. There can be no assurance of success with any or all of these factors on which the Company's operations will depend, or that the Company will be successful in finding and retaining the necessary employees, personnel and/or consultants in order to be able to successfully carry out such activities. This is especially true as the competition for qualified geological, technical and mining personnel and consultants is particularly intense in the current marketplace.

Price Fluctuations and Share Price Volatility: In recent months, the securities markets in the United States and Canada have experienced a high level of price and volume volatility, and the market price of securities of many companies, particularly those considered exploration stage companies, have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual and extreme fluctuations in price will not occur.

Uncertainty of Resource Estimates/Reserves: Unless otherwise indicated, mineralization figures presented in the Company's filings with securities regulatory authorities, press releases and other public statements that may be made from time to time are based upon estimates made by Company personnel and independent geologists. These estimates are imprecise and depend upon geological interpretation and statistical inferences drawn from drilling and sampling analysis, which may prove to be unreliable. There can be no assurance that:

- these estimates will be accurate;
- reserves, resource or other mineralization figures will be accurate; or
- this mineralization could be mined or processed profitably.

Because the Company has not commenced production at its property, and has not defined or delineated any proven or probable reserves on any of its properties, mineralization estimates for the Company's property may require adjustments or downward revisions based upon further exploration or development work or actual production experience. In addition, the grade of ore ultimately mined, if any, may differ from that indicated by drilling results. There can be no assurance that minerals recovered in small-scale tests will be duplicated in large-scale tests under on-site conditions or in production scale. The resource estimates contained in the Company's filings with securities regulatory authorities, press releases and other public statements that may be made from time to time have been determined and valued based on assumed future prices, cut-off grades and operating costs that may prove to be inaccurate. Extended declines in market prices for gold, silver, copper or other metals may render portions of the Company's mineralization uneconomic and result in reduced reported mineralization. Any material reductions in estimates of mineralization, or of the Company's ability to extract this mineralization, could have a material adverse effect on the Company's results of operations or financial condition.

The Company has not established the presence of any proven and probable reserves at its exploration and evaluation asset. There can be no assurance that subsequent testing or future studies will establish proven and probable reserves at the Company's exploration and evaluation asset. The failure to establish proven and probable reserves could restrict the Company's ability to successfully implement its strategies for long-term growth.

Surface Rights and Access: Although the Company acquires the rights to some or all of the resources in the ground subject to the tenures that it acquires, or has a right to acquire, in most cases it does not thereby acquire any rights to, or ownership of, the surface to the areas covered by its resource tenures. In such cases, applicable mining laws usually provide for rights of access to the surface for the purpose of carrying on mining activities, however, the enforcement of such rights can be costly and time consuming. In areas where there are no existing surface rights holders, this does not usually cause a problem, as there are no impediments to surface access. However, in areas where there are local populations or land owners, it is necessary, as a practical matter, to negotiate surface access. There can be no guarantee that, despite having the right of law to access the surface and carry on mining activities, the Company will be able to negotiate a satisfactory agreement with any such existing landowners/occupiers for such access, and therefore it may be unable to carry out mining activities. In addition, in circumstances where such access is denied, or no agreement can be reached, the Company may need to rely on the assistance of local officials or the courts in such jurisdiction.

Title: Although the Company has taken steps to verify the title to the exploration and evaluation asset in accordance with industry standards for the current stage of exploration of such property, these procedures do not guarantee title. Title to exploration and evaluation assets may be subject to unregistered prior agreements or transfers, and may also be affected by undetected defects or the rights of indigenous peoples.

Disclosure For Venture Issuers Without Significant Revenue

An analysis of the material components of the Company's general and administrative expenses is disclosed in the consolidated financial statements for the year ended June 30, 2018 to which this MD&A relates. An analysis of the material components of the exploration and evaluation assets of the Company is disclosed in the consolidated financial statements for the year ended June 30, 2018 to which this MD&A relates.

Critical Accounting Estimates

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual reports could differ from management's estimates.

Contingencies

There are no contingent liabilities.

Internal Controls Over Financial Reporting

<u>Changes in Internal Control over Financial Reporting ("ICFR")</u>

In connection with National Instrument 52-109, Certification of Disclosure in Issuer's Annual and Interim Filings ("NI 52-109") adopted in December 2008 by each of the securities commissions across Canada, the Chief Executive Officer and Chief Financial Officer of the Company will file a Venture Issuer Basic Certificate with respect to financial information contained in the unaudited interim financial statements and the audited annual financial statements and respective accompanying Management's Discussion and Analysis. The Venture Issue Basic Certification does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI52-109.

Management's Responsibility For Financial Statements

The information provided in this report, including the financial statements, is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the financial statements.

Other MD&A Requirements

Additional disclosure of the Company's technical reports, material change reports, news releases and other information can be obtained on SEDAR at www.sedar.com.

Recent Accounting Policies

Please refer to the March 31, 2019 condensed consolidated inteirm financial statements on www.sedar.com.

Financial Instruments

Please refer to the March 31, 2019 condensed consolidated interim financial statements on www.sedar.com.

Note Regarding Forward-Looking Statements

Except for historical information, this MD&A may contain forward-looking statements. The statements involve known and unknown risks, uncertainties, and other factors that may cause the Company's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievement expressed or implied by these forward-looking statements.

The factors that could cause actual results to differ materially include, but are not limited to, the following: general economic conditions; changes in financial markets; the impact of exchange rates; political conditions and developments or criminal activity in countries in which the Company operates; changes in the supply, demand and pricing of the metal commodities which the Company hopes to find and successfully mine; changes in regulatory requirements impacting the Company's operations; the sufficiency of current working capital and the estimated cost and availability of funding for the continued exploration and development of the Company's exploration properties.

This list is not exhaustive and these and other factors should be considered carefully, and readers should not place undue reliance on the Company's forward-looking statements. As a result of the foregoing and other factors, no assurance can be given as to any such future results, levels of activity or achievements and neither the Company nor any other person assumes responsibility for the accuracy and completeness of these forward-looking statements (except as required by applicable law). The Company does not assume the obligation to update any forward-looking statement.

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