

ROCHESTER RESOURCES LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE SIX MONTHS ENDED NOVEMBER 30, 2019

This discussion and analysis of financial position and results of operation is prepared as at January 29, 2020 and should be read in conjunction with the unaudited condensed consolidated interim financial statements and the accompanying notes for the six months ended November 30, 2019 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 the six months ended November 30, 2019 the Company recorded a net loss of \$710,314 and, as at November 30, 2019, the Company had an accumulated deficit of \$75,759,886 and a working capital deficit of \$22,857,550. The Company has been unable to make all concession payments when due and, as at November 30, 2019, has unpaid government concession payments totalling \$2,459,374 (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.

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.

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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 Santa Fe Property and is unable to advance the development until it resolves its liquidity problems and secures additional financing. The Company is required to pay an ongoing monthly fee of US \$10,000 to the 30% concession owners of the Santa Fe Property. The Agreement is in dispute and during fiscal 2018 the Company received a ruling in favour of the concession owners and the Company has filed an appeal. The outcome of the appeal is currently unknown.

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 National Instrument ("NI") 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.

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 for the three months ended November 30, 2019 ("Q2"), the three months ended August 31, 2019 ("Q1") the six months (accumulated) ended November 30, 2019 (the "2019 Period") and the six months (accumulated) ended November 30, 2018 (the "2018 Period") are provided in the table below:

RESULTS	Q2 (Sep 1/19 - Nov 30/19)	Q1 (Jun 1/19 - Aug 31/19)	2019 Period (Jun 1/19 - Nov 30/19)	2018 Period (Jun 1/18 - Nov 30/18)
Tonnes Processed	8,543 tonnes	8,797 tonnes	17,340 tonnes	25,663 tonnes
Gold Grade	2.14 g/t	2.28 g/t	2.21 g/t	2.38 g/t
Silver Grade	260.52 g/t	221.43 g/t	240.69 g/t	176.15 g/t
Gold Recovery	94.75 %	95.10 %	94.93 %	95.08 %
Silver Recovery	57.90 %	55.30 %	56.69 %	40.39 %

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RESULTS	Q2 (Sep 1/19 - Nov 30/19)	Q1 (Jun 1/19 - Aug 31/19)	2019 Period (Jun 1/19 - Nov 30/19)	2018 Period (Jun 1/18 - Nov 30/18)
Gold Produced	558 ounces	613 ounces	1,171 ounces	1,867 ounces
Gold Sold	549.24 ounces	603.94 ounces	1,153.18 ounces	1,839.40 ounces
Silver Produced	41,435 ounces	34,635 ounces	76,070 ounces	58,704 ounces
Silver Sold	40,191.94 ounces	33,595.91 ounces	73,787.85 ounces	56,942.65 ounces
Gold Equivalent Produced	1,048 ounces	1,001 ounces	2,049 ounces	2,590 ounces
Developed Meters	575 meters	566 meters	1,141 meters	1,176 meters
Samples Taken	4,596 samples	4,018 samples	8,614 samples	6,921 samples
Diamond Drilling Meters	0 meters	0 meters	0 meters	0 meters
Access Road Kilometers	0 kilometers	0 kilometers	0 kilometers	0 kilometers

Q2 Compared to Q1

Production of gold during Q2 was 9% lower than production during Q1 (558 ounces compared to 613 ounces). Silver production during Q2 was 20% higher than Q1 (41,435 ounces compared to 34,635 ounces). The gold equivalent production in Q2 was 5% higher than Q1 (1,048 ounces compared to 1,001 ounces). Total tonnes processed in Q2 were 3% lower than the total tonnes processed in Q1 (8,543 tonnes as compared to 8,797 tonnes). In Q2 gold recoveries were slightly lower than Q1 (94.75% compared to 95.10%) and silver recoveries were higher (57.90% compared to 55.30%).

The decreases in gold production for Q2 were a result of less tonnes processed, slightly lower grade gold content in the mineralized material processed and slightly lower recovery. The decreases in gold production were offset by higher silver grades and higher silver recoveries as a result of the processed material containing lower concentrations of manganese during Q2 compared to Q1.

2019 Period Compared to 2018 Period

During the 2019 period the Company produced 1,171 ounces of gold and 76,070 ounces of silver compared to 1,867 ounces of gold and 58,704 ounces of silver during the 2018 period. The gold equivalent produced during the 2019 period was 2,049 ounces as compared to 2,590 ounces during the 2018 period. Total tonnes processed in the 2019 period were 17,340 as compared to 25,663 in the 2018 period reflecting the lack of updated mine equipment coupled with a wetter rainy season that did not allow operations in some areas of the San Francisco Project and generated instability problems in some areas of Florida NW.

The decreases in gold production for the 2019 period were mainly as a result of 8,323 tonnes processed in the 2019 period coupled with slightly lower gold grades (2.21 g/t compared to 2.38 g/t) and gold recovery (94.93% compared to 95.08%).

Drifting

The allocation for drifting amongst areas during each of Q2, Q1, the 2019 period and the 2018 period is as follows:

Area	Q2		Q1		2019 Period		2018 Period	
	meters	%	meters	%	meters	%	meters	%
Tajos Cuates	149	26%	129	23%	278	24%	30	3%
Florida NW	0	0%	31	5%	31	3%	152	13%
Florida SE Project	0	0%	0	0%	0	0%	331	28%
San Francisco Project	426	74%	406	72%	832	73%	663	56%
TOTAL DRIFTING	575	100%	566	100%	1,141	100%	1,176	100%

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Distribution of the development during each of Q2, Q1, the 2019 period and the 2018 period, by activity, is as follows:

Type of Drifting	Q2		Q1		2019 Period		2018 Period	
	meters	%	meters	%	meters	%	meters	%
Exploration	306	53%	420	74%	726	64%	317	27%
Stope Preparation	269	47%	146	26%	415	36%	859	73%
TOTAL DRIFTING	575	100%	566	100%	1,141	100%	1,176	100%

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 unstable ground conditions at Florida NW the exploration and development work is slow. 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 Q2 from the various working faces was 9,097 wet tonnes (Q1 - 8,695 wet tonnes). Of this production 0% (Q1 - 13%) came from Florida NW, 22% (Q1 - 13%) from Tajos Cuates, and the remaining 78% (Q1 - 74%) from the San Francisco Project.

Mill Area

The lack of available working capital continues to impede the Company's ability to complete its capital works programs. Work on the 10' x 10' mill remains on standby and there is no time line for completion.

Selected Financial Data

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

Three Month Period Ending	Fiscal 2020		Fiscal 2019				Fiscal 2018	
	Nov 30/19 \$	Aug 31/19 \$	May 31/19 \$	Feb 28/19 \$	Nov 30/18 \$	Aug 31/18 \$	May 31/18 \$	Feb 28/18 \$
Operations:								
Revenues	1,999,775	1,887,874	1,499,229	1,468,279	1,852,401	2,168,312	2,312,690	2,172,788
Cost of sales	(1,589,391)	(1,997,677)	(1,770,598)	(1,646,299)	(2,204,829)	(2,141,215)	(1,960,415)	(1,659,910)
Depletion and amortization	(36,213)	(36,213)	(70,007)	Nil	Nil	(74,846)	(163,400)	(165,840)
Provision for site restoration	(20,114)	(20,231)	(20,452)	(20,212)	(19,529)	(20,008)	(28,252)	(17,833)
Expenses, excluding impairment	(746,939)	(19,472)	(545,292)	(593,231)	(309,542)	(749,455)	(406,365)	(207,682)
Impairment of exploration and evaluation assets	(64,016)	(67,697)	(92,546)	(38,306)	(65,654)	(67,001)	(27,161)	(89,914)
Adjustment to impairment of property, plant and equipment	Nil	Nil	Nil	Nil	Nil	Nil	(3,170,551)	Nil
Comprehensive income (loss)	(456,898)	(253,416)	(999,666)	(829,769)	(747,153)	(884,213)	(3,443,454)	31,609
Basic and diluted income (loss) per share	(0.02)	(0.01)	(0.05)	(0.04)	(0.04)	(0.04)	(0.16)	0.00
Statement of Financial Position:								
Working capital deficit	(22,857,550)	(22,406,268)	(22,187,701)	(21,343,407)	(20,506,658)	(19,601,021)	(18,843,236)	(18,864,278)
Total assets	2,379,854	2,254,988	2,285,392	2,344,698	2,740,460	3,234,361	3,421,720	6,984,802
Provision for site restoration	(956,146)	(985,985)	(987,349)	(901,984)	(908,964)	(1,066,710)	(1,014,530)	(1,259,487)

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Results of Operations

Three Months Ended November 30, 2019 Compared to Three Months Ended August 31, 2019

During the three months ended November 30, 2019 ("Q2") the Company reported a loss of \$456,898 compared to a loss of \$253,416 for the three months ended August 31, 2019 ("Q1"), an increase in loss of \$203,482. The fluctuation was primarily attributable to:

- (i) the recognition of a foreign exchange loss of \$320,910 in Q2 compared to a foreign exchange gain of \$381,621 in Q1 due to the fluctuation of the US dollar and Mexican peso exchange rates; and
- (ii) operating income of \$354,057 in Q2 compared to an operating loss of \$166,247 in Q1.

Six Months Ended November 30, 2019 Compared to Six Months Ended November 30, 2018

During the six months ended November 30, 2019 (the "2019 period") the Company recorded comprehensive loss of \$710,314 compared to comprehensive loss of \$1,631,366 for the six months ended November 30, 2018 (the "2018 period"), a decrease in loss of \$921,052. The fluctuation was primarily attributed to:

- (i) the recognition of a foreign exchange loss of \$144,606 in 2019 period compared to a foreign exchange gain of \$60,711 in the 2018 period due to the fluctuation of the US dollar and Mexican peso exchange rates; and
- (ii) the decrease in costs of sales from \$4,346,044 in the 2018 period to \$3,587,068 in the 2019 period due to lower gold and silver production.

Production

During the 2019 period the Company sold 2,038 gold equivalent ounces and realized revenues of \$1,908 per gold equivalent ounce as compared to the sale of 2,548 gold equivalent ounces and realized revenues of \$1,578 per gold equivalent ounce during the 2018 period.

The Company's cost of operations per gold equivalent ounce sold during the 2019 period was \$1,815 as compared to \$1,751 during the 2018 period. The increase in operating costs per gold equivalent ounce is due to ongoing operational challenges and issues.

Direct operating cost of sales for the 2019 period and 2018 comprise the following:

	2019 \$	2018 \$
Mine costs	1,206,925	1,406,675
Mill costs	1,027,026	1,375,984
Service department costs	<u>1,353,117</u>	<u>1,563,385</u>
	<u>3,587,068</u>	<u>4,346,044</u>

General and administrative expenses for the 2019 and 2018 periods are as follows:

	2019 \$	2018 \$
Accounting and administrative	29,000	28,900
Audit	35,750	48,960
Directors and officers compensation	30,148	126,022
Legal	1,573	7,539
Office	44,054	37,754
Professional fees	11,884	2,192
Regulatory fees	5,203	4,703

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	2019 \$	2018 \$
Salaries and benefits	108,391	119,414
Shareholder costs	-	2,126
Transfer agent fees	1,180	3,949
Travel	4,510	5,719
	<u>271,693</u>	<u>387,278</u>

General and administrative expenses of \$271,693 were reported for the 2019 period, compared to \$387,278 during the 2018 period a decrease of \$115,585. The primary reason for the decrease was the decrease in directors and officer compensation during the 2019 period. Effective December 1, 2018 certain officers and directors voluntarily agreed to the cessation of their compensation. See "Related Party Disclosure".

Exploration and Evaluation Assets

During the 2019 period the Company incurred \$131,713 (2018 - \$121,548) additions 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 \$131,713 (fiscal 2019 - \$263,507) to reflect management's determination to fully impair the Santa Fe property.

Property, Plant and Equipment

	Mineral Properties \$	Land \$	Buildings \$	Mill and Mine Equipment \$	Total \$
Cost:					
Balance, May 31, 2018	33,934,944	2,692,313	3,517,234	6,043,926	46,188,417
Additions	-	-	-	1,336	1,336
Balance, May 31, 2019	33,934,944	2,692,313	3,517,234	6,045,262	46,189,753
Depletion and amortization	-	-	-	758	758
Balance, November 30, 2019	<u>33,934,944</u>	<u>2,692,313</u>	<u>3,517,234</u>	<u>6,046,020</u>	<u>46,190,511</u>
Accumulated depletion, amortization and impairment:					
Balance, May 31, 2018	(33,934,944)	(2,692,313)	(2,985,083)	(5,561,547)	(45,173,887)
Depletion and amortization	-	-	(48,377)	(96,476)	(144,853)
Balance, May 31, 2019	(33,934,944)	(2,692,313)	(3,033,460)	(5,658,023)	(45,318,740)
Depletion and amortization	-	-	(24,188)	(48,238)	(72,426)
Balance, November 30, 2019	<u>(33,934,944)</u>	<u>(2,692,313)</u>	<u>(3,057,648)</u>	<u>(5,706,261)</u>	<u>(45,391,166)</u>
Carrying value:					
Balance, May 31, 2019	-	-	483,774	387,239	871,013
Balance, November 30, 2019	-	-	459,586	339,759	799,345

Exploration, development and production activities conducted during the 2019 period are described in "Property Update" in this MD&A.

Financial Condition / Capital Resources

During the 2019 period the Company recorded a net loss of \$710,314 and, as at November 30, 2019, the Company had an accumulated deficit of \$75,759,886 and a working capital deficit of \$22,857,550. The Company's Mina Real operations continue to be affected by low grades of mineralized material and operational challenges. The Company has been unable to make all concessions payments when due in the current and prior years for the Mina Real, San

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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 Company's ability to continue as a going concern will be dependent upon the discovery of economically recoverable reserves and the achievement of profitable 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

IFRS 16 - *Leases* ("IFRS 16")

The Company adopted all of the requirements of IFRS 16, effective June 1, 2019.

IFRS 16 specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

There was no material impact on the Company's condensed consolidated interim financial statements upon the adoption of this new standard.

A detailed summary of the Company's other significant accounting policies and accounting standards and interpretations issued but not yet effective, is included in Note 3 to the May 31, 2019 audited annual consolidated financial statements.

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*

During the 2019 and 2018 periods the following amounts were incurred with respect to the Company's Chairman, Mr. Eduardo Luna, the Chief Executive Officer ("CEO"), Mr. Nick DeMare and the Company's Chief Financial Officer ("CFO"), Mr. Jose Manuel Silva:

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	2019 \$	2018 \$
Management fees - Mr. Luna	-	66,000
Professional fees - Mr. DeMare	12,240	18,240
Professional fees - Mr. Silva	11,908	11,782
	<u>24,148</u>	<u>96,022</u>

As at November 30, 2019 \$1,136,657 (May 31, 2019 - \$1,113,561) remained unpaid .

(b) *Transactions with Other Related Parties*

(i) During the 2019 and 2018 periods 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):

	2019 \$	2018 \$
Professional fees - Mr. Keane	-	6,000
Professional fees - Mr. Cernovitch	-	6,000
Professional fees - Mr. Tam	-	6,000
Professional fees - Mr. Magrum	-	6,000
Professional fees - Mr. Lim	6,000	6,000
	<u>6,000</u>	<u>30,000</u>

As at November 30, 2019 \$380,250 (May 31, 2019 - \$374,250) remained unpaid.

(ii) During the 2019 period the Company incurred a total of \$29,000 (2018 - \$28,900) 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 November 30, 2019 \$86,683 (May 31, 2019 - \$56,987) 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 the 2019 period the Company recognized \$56,471 (2018 - \$56,243) of interest expense. As at November 30, 2019 \$775,182 (May 31, 2019 - \$723,558) of interest remained unpaid.

As at November 30, 2019, \$1,254,008 of the principal was outstanding of which \$908,311 is due to Mr. Luna and \$345,697 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 the 2019 the Company recognized \$239,856 (2018 - \$214,193) of interest expense. As at November 30, 2019 \$2,179,954 (May 31, 2019 - \$1,972,664) of interest remained unpaid.

As at November 30, 2019 a total of \$4,005,852 of principal was outstanding of which a total of \$3,995,106 are due to Mr. Luna (\$3,631,084), Mr. Keane (\$26,578) and private corporations controlled or affiliated with Mr. DeMare (\$335,720).

(e) During fiscal 2013 the Company completed a secured 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). On December 31, 2014 the debentures matured and are considered to be due and payable, with

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interest accruing until repayment. The debenture holders have not demanded repayment of principal or accrued interest. During the 2019 period the Company repaid \$12,081 (2018 - \$13,899) and recorded \$95,260 (2018 - \$92,835) of interest expense. As at November 30, 2019 \$1,240,445 (May 31, 2019 - \$1,157,264) of interest remained unpaid.

- (f) On January 31, 2013 the Company exercised its options to re-acquire its 20% equity interest in Mina Real from E Energy Ventures Inc. ("E-Energy") and United Coal Holdings Limited ("United Coal") and issued \$5,500,000 of indebtedness (the "Indebtedness"). The Indebtedness is 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 2019 the Indebtedness and \$2,154,523 of accrued interest was purchased by and assigned to private corporations, of which \$1,296,812 of principal and \$769,487 accrued interest was to a corporation associated with Mr. DeMare the CEO of the Company.

During the 2019 period the Company recognized \$163,842 (2018 - \$163,842) of interest expense. As at November 30, 2019 \$2,318,365 (May 31, 2019 - \$2,154,523) of interest remained unpaid and is included in interest payable.

Mr. Simon Tam, a director of the Company, is the CEO of both E-Energy and United Coal.

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 January 29, 2020, there were 20,850,882 issued and outstanding common shares.