VVC EXPLORATION CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

for the Six Months Ended

July 31, 2018

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Form 51-102F1

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MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE THREE AND SIX MONTHS ENDED JULY 31, 2018

This Management's Discussion and Analysis ("MD&A") of VVC for the six months ended July 31, 2018 (the "Period") was prepared on September 27, 2018 and should be read in conjunction with the Company's July 31, 2018 unaudited condensed consolidated financial statements and related notes, prepared in accordance with International Financial Reporting Standards ("IFRS"). All financial information disclosed in this report was prepared in accordance with IFRS unless otherwise disclosed.

All amounts herein are expressed in Canadian dollars unless otherwise indicated. The technical information in the MD&A has been approved by Peter Dimmell, P.Geo., a mineral exploration consultant and a director of VVC, who is a qualified person (QP) in Newfoundland and Labrador, and Ontario.

FORWARD LOOKING INFORMATION

This MD&A includes forward-looking statements that are subject to risks and uncertainties and other factors that may affect the actual results, performance or achievements expressed or implied by such forward-looking statements. Such factors include general economic and business conditions, which among other things, affect the price of metals, the foreign exchange rate, the ability of the Company to implement its business strategy, and changes in, or the failure to comply with government laws, regulations and guidelines. Unless otherwise required by applicable securities laws, VVC disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Additional information relating to VVC can be obtained from its News Releases and other public documents at the SEDAR website <www.sedar.com>.

BUSINESS OVERVIEW

The Company is a venture issuer reporting in Ontario, British Columbia, Alberta and Quebec. The Company's common shares trade on the TSX Venture Exchange under the symbol "VVC".

VVC is in the business of acquisition and exploration of resource properties in the mineral sector. VVC's principal business activity is the exploration and development of gold and base metal mineral properties both nationally and internationally, but principally in Mexico. Throughout this document "the Company" refers to VVC and its wholly-owned subsidiaries, Camex Mining Development Group Inc ("Camex") and VVC Exploración de Mexico, S. de R.L. de C.V. ("VVC Mexico").

(A) Samalayuca Cobre S.A. de C.V.

VVC, through its acquisition of Camex, owns 33.75% of Samalayuca Cobre, the owner of the Kaity claim (the "Kaity Property" or "Samalayuca Copper Project"), which covers stratiform copper mineralization along the Samalayuca Sierra. Firex, S.A. de C.V. ("Firex"), a 25% owner of Samalayuca Cobre is a mining engineering company who has agreed to provide up to $7 million for test mining start-up and a pilot plant, which should generate cash flow when in production. The remaining interest in Samalayuca Cobre is beneficially owned 28.125% by Orford Resources Ltd. ("Orford") and 13.125% by Inversiones Agrofinancieras de Panama, S.A. ("IAP"). The technical details of the project are given below. The Company has an option with Orford and IAP to purchase an additional 33.75% interest in Samalayuca Cobre over a period of 3 years.

The Kaity Property comprises one mining concession totaling 1623 ha located in Chihuahua State, approximately 60 km southwest of Juarez MX / El Paso, Texas. It is road accessible via Highway 45 and a number of unpaved roads/trails that extend around the Samalayuca range. The Kaity Property covers a stratiform, sedimentary copper deposit in Permian age, chloritized sandstones, carrying significant silver and minor gold values over a mineralized trend at least 5 km long. The Samalayuca Sierra has been explored for copper since the early 1960's with small scale, artisanal mining from a number of open pits carried out for a few years in the 1960's over a strike length of at least 4 km. Camex work has included 395 mostly chip/channel samples, from the various deposits / showings along the trend, most of which gave copper values ranging from 0.1 to 0.8 %, with a number of values >1% copper. From east to west the zones include: La Suerte, La Zorra, La Juliana, La Gloria and La Concha.

A 43-101 report by Michel Boily, PhD, P.Geo, dated April 20, 2013 and filed on SEDAR on October 7, 2013, describes the property and mineralization as follows: “The mineralized rocks form part of a pluri-kilometer-thick sedimentary assemblage deposited in the Chihuahua trough from the Paleozoic through Early Cretaceous eras. This vast sedimentary trough is a right-lateral pullapart basin that underwent important deformation during the Late Cretaceous-Early Tertiary Laramide orogeny. The sedimentary formations containing the Cu mineralization consist of a cyclic sequence of fine to coarse-grained sandstones (chloritized quartzites/arenites) with subordinate phyllitic and conglomeratic intervals which exhibit low grade regional metamorphism. The copper mineralization (1-10%) occurs as fine-grained primary and supergene copper sulphides, including digenite, chalcocite, covellite, bornite and chalcopyrite. Oxidized copper minerals such as malachite and azurite are common as coating and in fractures. Metallurgical tests on heap leach and vat leaching processes for Cu-ore beneficiation determined that the optimum procedure is a vat leaching using an ore granulometry of -3/8", a time of lixiviation of 30 days followed by a wash Year of eight days, with industrial grade sulfuric acid concentrations of 3.0%. Exploration work conducted since 2010 consists of geological and structural mapping of the key Cu-mineralized areas including the open mined pits. Channel sampling was performed vertically and perpendicular to the strike of all sandstone layers exposed in the mining pits. The assay results from the collected samples served as a basis or calculating an Inferred Resource of 4,100,281 t grading 0.47 wt. % Cu and 5.8 g/t Ag.

Due diligence – Three selected grab samples taken during a due diligence visit by QP, Peter Dimmell in July, 2013, prior to the Camex acquisition by VVC Mexico, gave the following results from selected hand samples: La Gloria Main Pit – 2.77% Cu, 21.2 g/T Ag; La Juliana – 21.6% Cu, 184.8 g/T Ag; La Suerte – 1.38% Cu, 9.5 g/T Ag. The high-grade sample from La Juliana was chalcocite in a quartz carbonate vein approximately 2 cm wide while the samples from La Gloria and La Suerte were disseminated malachite and azurite in sandstone, typical of the mineralization noted along the Samalayuca trend.

2017 Exploration – Permits for the diamond drilling were received in early summer 2017 and the drilling started with Phase 1 in late August followed by Phase 2 in October, totaling 2702 m in 23 holes. The first phase totalled 1477 m in 6 holes testing La Gloria zone only. Fault structures, previously not recognized, were found to have offset the mineralized zones so it was decided to halt the drilling and carry out structural / lithological geological mapping and compilation of the data to better understand the geology of the zones prior to further drilling. Once this was done, the Phase 2 drilling began in early November 2017 with holes 7 to 23 completed for a total of 1244 m. The drilling tested known copper zones including La Gloria, La Gloria NW, La Gloria Extension, Thor and Zorra. The drilling at La Gloria and La Gloria extension zones intersected significant mineralized zones with thicknesses up to 36 m and grades in the 0.3 to 0.6 % Cu range. The drilling shows the potential of the property to host significant stratiform copper mineralization, with zones traced for over 5 km based on the old, shallow, artisanal mines and VVC’s drilling.

2018 Exploration – The Phase 3 drilling program, planned for 3000 m, began in May 2018 with 9 additonal DDH’s completed to date in the Gloria Extension East, all of which intersected near surface copper mineralization. This program continues the evaluation of the main artisanal, previously mined, areas of Samalayuca to define the thickness and grade of the mineralized zones and is expected to be completed shortly. The four goals for the Phase 3 program are:

- Definition of the significant, near surface, copper mineralization encountered in holes 22 and 23 on La Gloria Extension. Drilling will test the 1 km+ mineralized zone to define the mineralized zone.
- Evaluation of La Concha zone along the 800 m mineralized trend mined by artisanal miners.
- Testing the Zorra zone, the artisanal pit at the highest elevation on the Samalayuca Sierra, which gave the highest copper grades from chip sampling by VVC geologists, across the width of the zone, over a 175 m strike length. Copper values of 1.19% over 4 m, 0.28% over 7 m, including 0.63% over 2 m, and 2.25% over 6.5 m were found. (*These results are chip samples and are not necessarily representative of the overall grade of the zone.)*
- Drilling in the Juliana, Suerte and Trinadad pit areas to evaluate the mineralized zones as well as to define any connections between them.

There are three takeaways from the drilling to highlight:

1. Extensive near surface mineralization, confirmed in Phase I and II, continues in the western third of the Gloria Extension zone that has been drilled in the Phase 3 program.
2. Copper grades in the 0.2% to 0.6% range were identified in Phase I and II and those grades continue to be intersected in the Phase III drilling.
3. Drilling has intersected copper mineralized zones up to 30 meters plus in true width.

The Company announced the following results from the Gloria Extension zone in February. Drilling tested the down dip extension of the copper zone, exploited in the artisanal Gloria Extension pit, with the 2 final drill holes of the Phase 2 program. These results included:

- SC17-022 - 0.51 % Cu / 27 m at 14.5 m depth – approx. 27 m true width
- SC17-023 - 0.36 % Cu / 51 m at 10 m depth – approx. 36 m true width

The results from the first 3 holes in Phase III (SC18-024-026), also in the Gloria Extension zone, adjacent to SC17-022 and SC17-023, provide further definition of the near surface copper mineralization. These results were summarized in a news release issued on August 2, 2018. A plan map and a vertical section (525E) through the copper mineralization in the Gloria Extension zone, showing the drill locations and results was attached to the news release and can be viewed at < http://globenewswire.com/NewsRoom/AttachmentNg/91ae9abc-fac4-478f-b706-83eb310da233/en>.

The Phase III drilling program is intended to further evaluate the potential of the Gloria Extension pit areas, and to evaluate the mineralized zones in previously mined areas of La Concha and the area which includes the Zorra, Suerte, Juliana and Trinadad artisanal pits, none of which have been drilled by VVC. The goal is to define the thickness and grade of the mineralized zones and their structural / lithologic settings using information gained from structural mapping and drilling. The drilling shows the potential of the property to host significant stratiform copper mineralization, which has been traced for over 5 km based on the shallow artisanal mines and VVC's drilling of the 26 DDH, completed to date. Further results of the Phase III drilling were announced in a news release of August 17, 2018 along with the Plan and Sections, showing the dimensions of the copper mineralization in the Gloria Extension Zone. The drilling to-date shows the potential of the property to host significant stratiform copper mineralization, which has been traced for over 5 km based on the shallow artisanal mines.

Geology – The Kaity Property covers copper mineralisation in the Samalayuca Sierra, characterised as Stratiform Copper Deposit type, as recognized by qualified persons, Michel Gauthier and Jocelyn Pelletier (2012), and Jacques Marchand and Michel Boily (2013). Fine disseminated chalcopyrite-bornite and associated oxide copper minerals, common to these deposits, are noted in a wide chloritized zone along the Sierra with mineralized zones from 3 to 36 m wide, true thickness, as defined in the old surface pits. The stratigraphy strikes NW and dips gently, approximately 25 degrees to the NE, although it is variable. Vertical faults can generate supergene copper enrichment when they cut the mineralised strata. The old mining works by the artisanal miners (gambusinos) targeted the higher grade, surface, copper zones, exploiting them by shallow (< 20 m deep) open pits and hand cobbing the ore for direct shipping to the smelter.

Plans – Samalayuca Cobre is working with an environmental law firm for authorization from CONANP and SEMARNAT (Mexican government groups responsible for the environment) for the environmental and mining permits. The Project is supported by the local community in this process. Samalayuca Cobre is on track to start mine preparation work in 2018 or early 2019, dependent upon permitting and ongoing drilling results. Firex, has signed a contract with Samalayuca Cobre to manage the mining and provide up to $7 million in start-up loans to Samalayuca Cobre. The Company is in discussion with Firex for this purpose. Some, previously mined, low grade material is available on site for the first heap leach pad to test and fine tune the heap leach system while the first mined material is proposed for a later heap leach pad. If all goes as planned, first revenues from the property could be received in 2019. It should be noted that a feasibility study has not been completed and there is no certainty that the proposed operation will be economically viable or will conform to the proposed timetable.

(B) Mineral Properties in Mexico

Cumeral Property

In April 2010, VVC Mexico finalized a formal option agreement with 2 Mexican individuals (the "Optionee") relating to a 685-hectare (ha) gold mining project known as Cumeral (the "Cumeral Property") consisting of 3 mining concessions, in the State of Sonora, Mexico. The agreement to acquire a 100% interest in the Cumeral Property provided for payments of US$800,000 plus applicable taxes ("VAT") over a period of three years, the issuance of 200,000 common shares of the Company, and the reservation of a 2% Net Smelter Return ("NSR"). A finder's fee of US$5,000 was paid and 130,000 shares of the Company were issued to 3rd parties who were instrumental in arranging the transaction. All payments have been completed and ownership of the Cumeral Property is in the process of being transferred to VVC Mexico. In addition, VVC Mexico acquired additional concessions from the Ministry of Mines. Over the years, the size of these concessions was reduced to 1,000 ha, for a current total property size of 1,685 ha. These additional concessions are 100% owned by VVC Mexico and are not subject to the Option Agreement.

The Cumeral Property is located approximately 140 kilometres south of the City of Tucson, Arizona and 200 kilometres north of the City of Hermosillo. A network of gravel roads and paved highways provide excellent year round access. The Property is situated in the under-explored Sierra Madre Occidental along the well mineralized

“Sierra La Jojoba” trend, approximately 15 km northeast of the Mina Lluvia de Oro and Mina La Jojoba deposits which host over 26 million tonnes of measured, indicated and inferred resources grading 0.525 to 0.741 g/T gold (over 500,000 ounces of gold). This area of Sonora is host to numerous other gold deposits and mines, including Fresnillo PLC’s & Newmont Mining Company’s La Herradura Gold Mine which in 2009 produced over 255,000 ounces of gold and has proven and probable reserves of 193 million tonnes grading 0.65 g/T gold (4.1 million ounces). Other deposits in the area include San Francisco (780,000 ounces of gold reserves) and La Colorada (605,000 ounces of measured and indicated gold resources).

Exploration has included geological mapping, prospecting and rock chip sampling over a 120-hectare area in the vicinity of the old pits and shallow shafts (Tularcito area). Regional sampling has given values as high as 12.65 g/T in selected grab samples, and has defined five areas of gold/silver mineralization (Areas A to E) associated with strong alteration (sericite and quartz veining) with associated pyrite and hematite, trending in a northwest-southeast direction. The host units are heavily oxidized quartz sericite to biotite/muscovite schists. The Company also completed 28 air track drill holes totalling 572 metres with 15 holes in Area B and 13 holes in Area C and 1,020 meters in 14 holes in 2013 in Area A (1); Area B (3); Area C (4); Area E (4); Area F (2) for extensions to the east, down dip, on the stratigraphy of the known mineralized structures.

Area B, the main area of the artisanal (gambusino) workings, covers an area of 155 by 180 metres. Air track drilling returned values as high as 1.45 g/T gold and 6.74 g/T silver over 14 metres including 4.19 g/T gold over 4 metres. Other values varied from insignificant to 0.42 g/T gold and 14.56 g/T silver over 10 metres. Eight of the holes returned values of 0.1 to 0.4 g/T gold and 1 to 4 g/T silver over widths varying from 4 to 22 metres. Air track drilling on Area C which covered an area of 115 by 200 metres, also gave significant values including 0.44 g/T gold and 0.48 g/T silver over 10 metres, and 0.21 g/T gold and 0.53 g/T silver over widths varying from 6 to 26 metres. Area A which covers an area of 80 by 300 metres, in the northern part of the Property, consists of quartz veins/veinlets carrying minor malachite and azurite. The north copper vein along the contact of a mafic dyke, gave a value of 2.2 g/T gold, 493 g/T silver and 3.73 percent copper from a grab sample. Area D which covers an area of 100 by 270 metres and Area E which covers 140 by 200 metres, located in the southern part of the Property, also show good potential.

In 2011/12, exploration, including geological mapping, rock chip sampling and soil geochemistry was carried out by independent geological consultant Michel Boily, PhD, P.Geo. resulting in a National Instrument 43-101 report on the property prepared and filed on SEDAR. Combined results from the 2010-2012 mapping/rock sampling programs show high gold values (i.e 0.5 to >10 g/t) in hematized and pyritized quartz veins/veinlets associated with mylonitized, gently eastward-dipping, low angle (20º to 40º) faults. Geological mapping in the southern segment of the property has defined at least ten gold-mineralized structures generally confined to areas tested by the air track drilling program of 2010.

The combined 2010 to 2012 rock assay results for 407 samples taken over an area of 3 km along strike by 1 km wide, gives 8 values from 10 to 40 g/t Au (2 %), 42 from 1 to 10 g/t (10 %), 31 from 0.5 to 1.0 g/t Au (8 %) and 64 from 0.1-0.5 g/t Au (16 %). Using these results, 36 % give gold values varying from a low of 0.1 to a high of 40 g/t with a little less than half in the lowest range. These samples are grab samples representing mineralized quartz veins, altered / mineralized units and altered units. Approximately 25 samples, mainly quartz-hematite-goethite±tourmaline veins, give Ba values > 0.1 %.

A second phase of reverse circulation (RC) drilling using an airtrack drill was carried out in the early summer of 2013 to test the theory that the gold bearing units dipped to the east. A total of 1,020 m in 14 holes tested five mineralized areas (Area A – one hole (14) – 100m; Area B – 3 holes (3,10,11) – 280 m; Area C – 4 holes (1,2,4,5) – 310 m; Area E – 4 holes (6-9) - 220 m; Area F – 2 holes (12,13) – 100 m) for extensions to the east, down dip, on the stratigraphy of the known mineralized structures. Intersection of the water table in some of the holes made the recovery of the rock unit fragments difficult in these areas. Samples were taken at 1 m intervals.

Results were not encouraging for a mineralized system dipping to the east along the stratigraphy and fault systems as the exploration team had hypothesized. No strong gold values over good widths such as the results from RC hole 2010-1 in Area B which gave 1.45 g/T Au and 6.74 g/T Ag over 14 m including 4 m at 4.19 g/T Au and 17.65 g/T Ag (NR Sept. 21, 2010) were intersected. Three holes gave values over 1 g/T over 1 m including RC-1 - 1.03 g/T - 52-53 m; RC-5 - 1.32 g/T - 67-68 m; and RC-12 - 1.06 g/T - 29-30 m. Three values >0.5 g/T were noted - RC-7 - 0.59 g/T - 16-17 m; RC-12 - 0.74 g/T - 10-11 m; and RC-13 - 0.54 g/T - 9-10 m; The widest section carrying anomalous gold values was located in RC-9 - 0.183 g/T / 6 m from 16-22 m. Other narrow zones in the 1-2 m range of anomalous gold values were also noted. Gold values were associated with zones carrying disseminated pyrite. No drill holes tested possible vertical or westward extensions of the zones located in the 2010 drilling and this potential will be tested in the next drill phase.

Check sampling using different methods, including a metallics screen analysis which gives total contained gold (Au-SCR21) at ALS Chemex gave similar results to the original values indicating that the values in the original sampling are most likely reflective of the actual values drilled unless there was a loss of gold/silver mineralization in the drilling, since the samples are brought to surface by entrainment in compressed air provided by the drill. No diamond drilling has been carried out and the RC drilling has been by air track type drills which may not properly test the mineralized units. A phase 3 diamond drill program, funding dependent, is planned to test the area of the known gambusino (artisinal) mining and the mineralized zones located in the 2010 drilling campaign. This program will give structural, lithological and alteration information that is difficult to derive from the RC drill holes.

A soil geochemical survey carried out to the north of the area covered by the detailed mapping and rock sampling program gave three anomalous areas with values of >50 ppb Au defined within zones characterized by a paucity of outcrops or in unmapped regions (News release June 12/12). The soil geochemistry, in conjunction with gold analyses from rock and soil samples taken from 2010 to 2012, gives a general NNW-SSE trend of elevated values extending for 4 km remaining open to the north and south along trend. Mapping to the west and north of the mineralized zones suggests a similar tectonic/geologic environment with the potential for gold-mineralized areas of similar quartz/pyrite/hematite veins.

2013 Due diligence – 1 selected grab sample was acquired by the QP from Area F where sampling in 2012 gave significant gold values in narrow quartz veins. The sample gave 6.37 g/T Au, 22 g/T Ag and 518 ppm Pb from a shallow dipping, 3 cm wide quartz vein, carrying euhedral pyrite, cutting sericite schists. Bright white sericite schist, assumed to be a potassic alteration of the original units, was noted in many of the areas drilled in 2013. This is considered to be evidence of strong fluid flow, required for significant gold deposition, although associated gold mineralization may be peripheral to the sericitic (potassic) alteration. Further exploration is required in these areas.

A compilation map showing the soil geochemical anomalies and gold mineralization is filed on SEDAR as part of the June 12, 2012 news release.

Based on the geological setting and known deposits in the area, it is believed that the Cumeral Property has the potential to host significant gold / silver deposits in the 500,000 to 1 million ounce range. Subject to financing, the Company has a systematic exploration program planned which includes drilling in all prospective areas on the Cumeral Property.

La Tuna Property

In March 2010, the Company acquired a 3,533 ha gold project known as “La Tuna” located in the Municipality of Alamos, Sinaloa State, Mexico, at the junction of the Rio Fuerte and Rio Baboyahui rivers. VVC Mexico, a subsidiary of the Company, acquired a 100% interest in the Property in consideration of a one-time payment of US$40,000 plus applicable taxes and the issuance of 300,000 common shares of the Company. The Property is subject to a 2% NSR Royalty derived from mineral production, with a buy-back option.

The Property has gold potential in paleo placers, present day placers derived from the paleo placers and vein type deposits such as the La Perdida deposit. The river placer deposit and the paleo-placer zones are located mainly along the Rio Baboyahui near the river junction extending to the Rio Fuerte, an area of approximately 500 by 500 meters. The paleo-placer zone carries gold associated with magnetite (from black sand) which may allow definition of the paleo-channels by magnetic surveys. Limited historical sampling in the Years from 1987-91 in a “drift” in the “paleo-placer” mineralization gave a grade of 1 to 3 g/m^3 Au in one of these paleo-channels. Historical data (non N.I. 43-101 compliant) from 1994 indicates that the area contains 3.7 million m^3 at 2 g/m^3, equivalent to approximately 200,000 ounces of gold. It should be noted that the “paleo placer” was sampled as a placer deposit and since it is a hard rock deposit it should be sampled by weight using channel, chip or core samples not bulk samples of cubic metres, which has little relevance in a hard rock deposit. *Given the non N.I. 43-101 compliant nature of the “resources” and the sampling method used, the results noted above should be treated with caution.*

The “La Perdida” vein type deposit is located in the north-west part of the Property. The structure which hosts the deposit, trends north-west and dips 25 degrees to the south-east. Historical results from 4 grab samples gave values from 3.29 g/t to 16.23 g/t Au, with three of the samples grading more than 10 g/t Au. The samples were taken from the portal (12.49 g/t), from the ore zone within the deposit (3.29 and 16.23 g/t) and from development muck (11.24 g/t).

2018 Exploration – During January and February 2018, Jocelyn Pelletier, P.Geo. carried out a property evaluation. He visited and sampled the artisanal workings and other areas of the Property, taking both grab and chip samples, 37 in January and 22 in February. High sulphidation, epithermal, mineralization with intense alteration consisting of sericite and pyrite with a hematite halo, was noted.

A grab sample from La Perdida adit in January assayed 61.1 g/t Au, 28.6% Fe, and 0.1% Bi, and two chip samples crosscutting the mineralized sericite/pyrite zone, assayed 2.8 and 4.13 g/t Au, each over 1 m. Two grab samples from La Plomosa adit assayed 20.1 g/t Au, 0.1 % Cu, and 1.7% Pb, and 6.4 g/t Au, and 1.37% Pb, with two chip samples crosscutting the mineralized sericite/pyrite zone in the adit assaying 2.3 and 1.7 g/t over 1 m. These are considered to be near true widths. *(Note that grab samples are selected samples and are not necessarily representative of the mineralization in the adits and that the chip samples, while more representative, still may not reflect the actual values of the mineralized zone.)* The January samples gave values ranging from 0.01 to 61.1 g/t with 13 samples with values > 0.5 g/t and 7 > 2 g/t Au (see Table 1 on website). High gold values were found in the sericite/pyrite mineralized zones with variable but significant, silver, lead, zinc, and copper associated with the gold mineralization as veins and veinlets. La Perdida mineralization is related to phyllic / silicous-oxidation alteration over a 2 to 3 m wide zone, with grades from a high of 2.24 g/t Au over 2 m to a low of <0.5 g/t over 1 m. La Plomosa, high grade, gold mineralization, disseminated galena-sphalerite-pyrite zones gives chip sample values up to 32.4 g/t Au, 7.9% Pb, and 2.2% Zn over 30 cm with low values at <0.5 g/t over 20 cm. Geological mapping suggests that the mineralization is associated with phyllic alteration with quartz veinlets, over a 3-6 m wide zone. Significant to anomalous silver, lead, zinc, and copper is related to the gold mineralization.

A third visit to the property was carried out by Jocelyn Pelletier, P.Geo. and Peter M. Dimmell, P.Geo., a director of the Company, in early May. La Perdida, La Plomosa and the Buena Vista areas were visited over a 3-day period. Artisanal workings, consisting of pits and excavated areas along the hillside, were located and sampled mainly in the La Plomosa area, with 1 pit in the La Perdida area. Mineralization consisting of pyrite/hematite, similar to La Perdida, which is located approximately 400 m to the east, and quartz veining carrying copper mineralization (chalcopyrite) were noted to the north, down hill of the La Plomosa adits and float of narrow (1 cm or less), banded, probable low sulphidation, quartz veining in rhyolite ignimbrite, was noted uphill, to the south of the adits during a 2-line soil survey to the east and west of the La Plomosa adits. Grab samples of the mineralization and the 21 soil samples have been submitted to the laboratory. Highlights of the exploration program (from news release of August 20, 2018) are as follows:

1) The exploration to date, all in La Perdida (LPE) / La Plomosa (LPL) area, in the eastern part of the La Tuna property, has defined four parallel to subparallel, mineralized trends, from north to south, LPE, PP1, PP2 and LPL (see Figures 1 and 2 filed on SEDAR) over 400 m along strike and 300 m across strike. LPE and LPL are defined by artisanal adits and pits while the two central ones are defined by pits and rock samples only. Based on the state of the pits and adits, which are overgrown by vegetation, including Saguaro cactus up to 50 cm across, it is estimated that the artisanal mining/exploration took place 40 to 50 years ago at least and there is no evidence of modern exploration, including drilling, in the area.

2) The gold / silver mineralization is associated with base metals and anomalous arsenic with samples with semi massive to massive pyrite / hematite giving the highest values of 61.1 g/t Au and 49.4 g/t Ag at La Perdida and >25 g/t Au and 104 g/t Ag and another grading 0.42 g/t Au and 630 g/t Ag at La Plomosa (see news release of February 27, 2018 for adit assay info). Pyrite/chalcopyrite in narrow (25 cm) quartz veins in the artisanal pits in the LPL area also give good Au values with a selected grab sample (JP-029) giving 3.1 g/t Au and 158 g/t Ag with 2230 ppm Cu, 9140 ppm Pb and associated As at 1710 ppm from a pit located on Line L2. Mineralization which is variable in grade from background (<10 ppb Au) to the higher grade values, is associated with potassic alteration consisting of white micas (sericite), and pervasive pyrite/hematite.

3) Soil samples were taken to the east and west of the LPL adits, from the A/B horizon, by digging with a shovel until rock was encountered, at approximately 10-25 cm depth with the sample taken above the rock, either talus or outcrop. Results (see Figure 2 on Company`s website) show anomalous areas in Au, Ag and base metals on both lines, associated, but downhill, of the rediscovered artisanal pits. Values range for Au - background (< 10) to 789 ppb, with 8 > 50 ppb, Ag - background (0.2) to 4.36 ppm with 7 > 2 ppm, Cu - background (< 30) to 466 ppm with 4 > 200 ppm, Pb - background (< 50) to 2910 ppm with 5 > 500 ppm and Zn - background (< 200) to 1940 ppm with 3 > 1000 ppm. Background, determined empirically, is considered to be higher than usual, possibly indicating weaker mineralization is present through the area. The soil results fit well, although somewhat downhill, of the 2 new mineralized trends and the adit trend defined in the LPL area, mainly to the north of the artisanal adits.

4) Narrow (1 cm or less) low sulphidation (LS) style banded quartz veins (L1 LS veins) were noted in ignimbrite float cobbles near the top of the hill on soil line L1. No outcropping ignimbrite units were noted and no anomalous values in gold or silver were found. Prospecting up hill, to the south, of the float location was not carried out due to lack of time.

Rock and soil samples were sent to the ALS Chemex laboratories in Chihuahua, Zacatecas or Hermosillo, Mexico. All Au analyses were by Fire Assay with a gravimetric finish. All other assays were performed by ICP-AES or AAS methods. Samples with ore grade values (>100 ppm Ag, >10,000 ppm Cu) were re-analyzed by

ICP-AES or AAS. Gold values in soil samples (at least 25g) were determined by ICP-MS following digestion in Aqua Regia.

Plans – The Property is 100% owned, subject to the NSR, and has good exploration potential. The Company is re-evaluating its budget commitments and will consider further exploration or other options.

The Letter of Intent (LOI) with Southern Fuels for the purchase of the Project, announced on August 25, 2017, has expired and has not been renewed since Southern Fuels did not meet their financial or time commitments as defined in the LOI.

(C) Mineral Properties in Canada

Timmins area properties (Ontario)

In fiscal 2008, the Company staked a 9-claim unit property in Timmins Township of Ontario (the "Timmins Twp. Property"), located about 50 km southeast of Timmins, in the Abitibi Greenstone Belt of Northern Ontario. The Property, located in the centre of Timmins Township is deemed to be a prime base metals exploration target as it covers a northwest trending zone of strong airborne electromagnetic responses in a complex magnetic system. An initial program comprising line cutting and detailed geophysical surveys including magnetic, VLF and HLEM electromagnetic surveys was completed with 2 drill targets identified by a consultant. The encouraging results from these surveys justifies further exploration, however no further work has been carried out since the Company is focused on opportunities in Mexico.

Due to a recent change in the Mining Act (Ontario), the claims comprising the Timmins Twp. Property were converted to 16 cells thereby more doubling the size of the Property. The 16 cells are in good standing until June 2019. The Company is in the process of evaluating the merits of the Property and its plans going forward.

(D) Segmented Expenditures per Property

As of July 31, 2018, the Company has spent the following on its active mineral properties:

	La Tuna	Cumeral	Timmins	Total
Opening Balance	323,123	2,674,266	458,729	3,456,118
Administration	-	131,555	-	131,555
July 31, 2018	323,123	2,805,821	458,729	3,587,673

SELECTED ANNUAL INFORMATION

Set forth below is a summary of the financial data derived from the Company's consolidated financial statements for the past 3 years (CA$).

	2018	2017	2016
Net loss for the year	**$ (1,493,402)**	**$ (580,195)**	**$ (989,122)**
Total assets	**4,326,935**	**2,625,538**	**2,527,988**
Mineral property expense	**68,306**	**145,240**	**280,119**
Stock-based compensation	**282,120**	**175,905**	**32,575**

SUMMARY OF QUARTERLY RESULTS

Set forth below is a summary of the financial data derived from the Company's consolidated financial statements of the 8 most recently completed quarters.

	Jul 31/18 Q2 2019	Apr 30/18 Q1 2019	Jan 31/18 Q4 2018	Oct 31/17 Q3 2018	Jul 31/17 Q2 2018	Apr 30/17 Q1 2018	Jan 31/16 Q4 2017	Oct 31/16 Q3 2017
Operating costs less mineral property expenses	191,017	182,475	306,249	355,655	187,132	167,213	50,810	183,732
Interest income	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
Foreign exchange	(7,183)	(73,607)	(15,619)	(33,923)	(34,743)	(5,934)	(41,630)	(472)
Other	2,938	31,976	141,647	(127,306)	3,374	(93,383)	59,900	-
Mineral property revenue (expenses)	(66,297)	(65,258)	26,042	(54,508)	(19,682)	(20,158)	(45,348)	(32,467)
Share of loss in equity investee	(109,883)	(142,031)	(276,424)	(113,690)	(26,953)	(5,324)	(969)	-
Net loss before taxes	(368,442)	(428,395)	(260,172)	(682,082)	(262,136)	(289,012)	(75,857)	(213,671)

RESULTS OF OPERATIONS – THREE MONTHS

The Company had operating costs less mineral property expenses ("Operation Costs") of $191,017 for Q2 2019 as compared to $187,132 in Q2 2018. The significant factors that resulted in the increased Operation Costs of $3,885 from Q2 2018 to Q2 2019 are discussed below.

Interest expense decreased by $44,034 in Q2 2019 from $66,059 in Q2 2018 to $22,025 in Q2 2019. The interest expense is a result of interest that is being charged on convertible debentures. The decrease in interest expense is due to less interest-bearing debt in Q2 2019 as compared Q2 2018. The Company successfully settled $1,386,992 of notes payable and accrued interest on November 30, 2017. This settlement was the driver for the interest reduction in Q2 2019. In this time of difficulties in the financial markets surrounding exploration activities, the Company is looking for financially feasible means of raising capital to monetize the Samalayuca Copper Project. Although this type of financing is expensive for the Company, the benefits are worth the interest cost incurred.

Similar to interest expense, non-cash accretion expense also decreased in Q2 2019 from Q2 2018. Non-cash accretion decreased by $27,206 in Q2 2019 from $37,344 in Q2 2018 to $10,138. The decrease is directly attributable to the reduction in convertible debentures via the conversion of those debentures into common shares of the Company on November 30, 2017.

The Company has made a concerted effort to raise investor awareness of its activities in Mexico and the potential to monetize the Samalayuca copper project. The Company needs to raise capital in order to monetize the Samalayuca copper project. Expanding investor relations efforts is crucial to raising the necessary capital. As a result, investor relations increased by $14,436 in Q2 2019 as compared to $3,787 in Q2 2018.

Management and consulting fees increased by $23,370 from $15,750 in Q2 2018 to $39,120 in Q2 2019. The Company hired a new consultant late in Q4 2017 to assist with the forward-looking strategy of the Company and meeting its objectives of monetizing the Samalayuca Copper Project. Q2 2019 includes a full quarter of fees paid to the new consultant.

While the Operation Costs for Q2 2019 were $191,017, the Company had a net loss of $368,442 as compared to net loss of $262,136 in Q2 2018. The primary driver for the increased loss relates to the increased share of loss of equity accounted investee of $109,883 in Q2 2019 as compared to as loss of $26,953 in Q2 2018.

RESULTS OF OPERATIONS – SIX MONTHS

The Company had operating costs less mineral property expenses ("Operation Costs") of $356,492 for the six months ended July 31, 2019 ("current period") as compared to $354,345 for the six months ended July 31, 2018 ("prior period"). The significant factors that resulted in the increased Operation Costs of $2,147 from the prior period are discussed below.

Interest expense decreased by $87,994 in the current period from $131,881 in the prior period to $43,887 in the current period. The interest expense is a result of interest that is being charged on convertible debentures. The decrease in interest expense is due to less interest-bearing debt in the current period as compared to the prior period due to the settlement of $1,386,992 of notes payable and accrued interest on November 30, 2017.

Similar to interest expense, non-cash accretion expense decreased by $41,435 in the current period from $61,711 in the prior period to $20,276. The decrease is directly attributable to the reduction in convertible debentures via the conversion of those debentures into common shares of the Company on November 30, 2017.

The Company has made a concerted effort to raise investor awareness of its activities in Mexico and the potential to monetize the Samalayuca copper project. The Company needs to raise capital in order to monetize the Samalayuca copper project. Expanding investor relations efforts is crucial to raising the necessary capital. As a result, investor relations increased by $30,701 in the current period from $3,787 to $34,488.

Management and consulting fees increased by $41,815 from $42,300 in the prior period to $84,115. The increase is primarily due to the employment of a new consultant late in Q4 2017 to assist with the forward-looking strategy of the Company and meeting its objectives of monetizing the Samalayuca Copper Project.

Bank charges increased by $15,535 in the current period from $1,475 to $17,010. Due to the increased banking activity in both Mexico and Canada as a result of transferring funds and the increased operating activities in Mexico, bank charges have steadily increased.

While the Operation Costs for the current period were $356,492, the Company had a net loss of $488,047 as compared to net loss of $354,345 in the prior period. The primary driver for the increased loss relates to the increased share of loss of equity accounted investee of $251,914 in the current period as compared to as loss of $32,277 in the prior period.

MATERIAL EVENTS OVER THE EIGHT MOST RECENT QUARTERS

Material differences between Q1 2019 and Q2 2019 were in the following areas:

Share of loss from equity accounted investee increased by $32,148 from $109,883 in Q1 2019 to $142,031 to Q2 2019. The increased loss is a result of the increased exploration activity on the Samalayuca Copper Project.

Material differences between Q4 2018 and Q1 2019 were in the following areas:

Non-cash stock-based compensation decreased by $26,868 from Q4 2018 to Q1 2019. The expense is affected by the number of options that vest each period along with the input variables used during the valuation of the granted stock options.

Accrued but unpaid interest expense increased by $42,394 from Q4 2018 to Q1 2019. Adjustments made in Q4 2018 to the fair value of convertible debentures prior to their conversion into equity resulted in a recovery of accrued interest expense in Q4 2018. The comparative expense in the current period represents the actual interest charged while the comparative interest in Q4 2018 is skewed as a result of the recovery.

Professional fees were $84,822 in Q4 2018 and nil in Q1 2019. The expense in Q4 2018 is a result of accumulated fees from prior periods that were either accrued or paid during Q4 2018. Q4 2018 fees also reflects an accrual for the preparation of the Company's consolidated audited financial statements.

Investor relations decreased by $36,350 from $52,615 in Q4 2018 to $16,265 in Q1 2019. The Company made a concerted effort to both, raise investor awareness of its activities in Mexico and the potential to monetize the Samalayuca copper project, and to raise equity financing in 2018. The expense was high in Q4 2018 due to the successful equity raise and efforts made to encourage debenture holders to convert their debentures in equity of the Company. The Company's investor relations efforts are ongoing, however, not at the same expense levels as in Q4 2018.

Material differences between Q3 2018 and Q4 2018 were in the following areas:

Non-cash stock-based compensation decreased by $78,642 from Q3 2018 to Q4 2018. The expense is affected by the number of options that vest each period along with the input variables used during the valuation of the granted stock options.

Non-cash accretion expense was $53,642 in Q3 2018 and $16,882 in Q4 2018. During Q4 2018, most debenture holders converted their debentures into shares of the Company. Accretion was no longer recorded on the debt that was converted in Q4 2018 as compared to three months of accretion on all the debt in Q3 2018.

Professional fees increased by $72,422 in Q4 2018 from $12,400 in Q3 2018 to $84,822 in Q4 2018. The expense in the current period is a result of accumulated fees from prior periods that were either accrued or paid during Q4 2018. Q4 2018 fees also reflects an accrual for the preparation of the Company's consolidated audited financial statements.

The Company made a concerted effort to raise investor awareness of its activities in Mexico and the potential to monetize the Samalayuca copper project. As a result investor relations increased by $39,981 in Q4 2018 from $12,634 in Q3 2018 to $52,615. The increased investor relations was instrumental in the Company raising the equity financing that it did in Q3 and Q4 of 2018.

The Company had a share of loss of equity accounted investee of $277,034 in Q4 2018 as compared to $113,690 in Q3 2017. The increased loss is a result of the ramped efforts of the Company in monetizing the Samalayuca copper project through additional drilling campaigns and geological testing.

Material differences between Q2 2018 and Q3 2018 were in the following areas:

Non-cash stock based compensation which increased by $131,540 from Q2 2018 to Q3 2018 due to the granting of 10,250,000 stock options in Q3 2018.

Non-cash accretion expense was $53,642 in Q3 2018 and $37,344 in Q2 2018. The expense will change as debenture holders either convert their debentures or are paid the amount owing when they mature. One debenture holder converted debentures into common shares of the Company in Q3 2018.

Mineral property expense increased by $34,826 from $19,682 in Q2 2018 to $54,508 in Q3 2018. Some of the funds raised during the period was transferred to Mexico to advance the Company's exploration program. The Company expects to continue to expand its exploration program in future quarters.

The only material difference between Q1 2018 and Q2 2018 was an increase in non-cash accretion expense $12,977 from $24,367 in Q1 2018 to $37,344 in Q2 2018. Non-cash accretion expense increased due to the refinancing of certain notes payable and interest and the end of Q1 2017.

The Company had a gain on fair value adjustment on its derivative liabilities of $59,900 in Q4 2017 as compared to a loss on fair value adjustment on its derivative liabilities of $(93,383) in Q1 2018. The Complex nature of the Company's debt securities will result in routine changes in the fair value of the derivatives tied to the notes payable.

Mineral property expense was $45,348 in Q4 2017 as compared to $20,158 in Q1 2018. The Company had significant activity in Q4 2017 relating to its operations in Mexico. The activity was focussed on driving value for the company's property rights relating to Cumeral and La Tuna.

Interest expense increased by $27,522 in Q4 2017 over Q3 2017. The increase will continue period over period as the company continues to increase is notes payable.

Management and consulting fees decreased by $42,186 from Q3 2017 to Q4 2017. The decrease was due to management fee reduction and settlement that occurred in Q4 2017 which impacted the entire year.

Professional fees decreased by $31,807 from Q3 2017 to Q4 2017. The decrease was a result of negotiated settlement on certain professional fees in Q4 2017, the impact of which was fully absorbed in Q4 2017.

The Company had a gain of $59,900 on the fair value adjustment of its derivative liabilities in Q4 2017 as compared to nil in Q3 2017. The complex nature of its convertible debentures resulted in the fair value adjustment. The Company will have these periodic adjustments until the debentures mature. Factors such as the risk-free interest rate, share price volatility and the remaining life of the debentures will impact the fair value of these complex securities.

Non-cash stock-based compensation decreased from $129,053 in Q2 2017 to $71,111 in Q3 2017. The decrease is a function of the periodic amortization and vesting of the expense related to the stock options granted in Q2 2017.

DISCUSSION OF OPERATIONS

Prior to October 19, 2013, the Company had one major property, Cumeral, where it was focusing significant financial and operational resources. The property, a 665 ha gold mining project, located in the State of Sonora, Mexico has good potential for significant gold/silver mineralization. The Company has designed a strategy around prospecting, geological mapping, diamond drilling and assaying to allow for better prioritization of targets. The Company intends to carry out further grass-root exploration including, a) extending the soil geochemistry to the NW and SE along strike using the regional prospecting to target the soil geochemistry; b) detailed prospecting / mapping on soil anomalies as they are found to define drill targets as funding becomes available.

During 2013, the Company completed a major transaction in acquiring Camex and thereby acquired a 33.75% interest in Samalayuca Cobre which owns the Samalayuca Copper Project. Low grade copper mineralization, left over from earlier gambusino (artisanal) type exploitation, is available on site for delivery to the first heap leach pad planned for early 2017, in order to test and fine tune the heap leach system.

Firex, a Mexican company, specializing in construction and operation of open pit mining projects, has signed a contract with Samalayuca Cobre to manage the mining process and provide up to $7 million in start-up loans. The operation is hoped to be revenue producing by 2016. Pursuant to a Loan Agreement dated September 7, 2011 and amended on January 26, 2012, Camex is committed to paying the cost of obtaining all necessary permits up an aggregate of $2 million. This amount will represent a loan to Samalayuca Cobre, which will be repaid once the property becomes a revenue producer. As at July 31, 2018, Camex had advanced $2,189,892 to Samalayuca Cobre and had accrued interest of $71,000.

LIQUIDITY AND CAPITAL RESOURCES

As at July 31, 2018, the Company had working capital of $70,412 compared to working capital of $53,740 at January 31, 2018. The Company continues to experience losses. The Company will need to seek financing as it does not have sufficient capital to cover its operating expenses and meet its commitment to help fund the Samalayuca Copper Project in Mexico.

The Company still does not have sufficient cash reserves or cash flow to settle its accounts payables and notes payable. Interest continues to be accrued at approximately $17,000 per quarter on its notes payable.

At July 31, 2018, the Company had current assets of $844,524 (January 31, 2018 - $1,101,653). This amount is not sufficient to cover the Company's operating expenses and commitments relating to Samalayuca Copper. To obtain financing, the Company may need to issue common shares, debenture units or obtain funding through additional promissory notes.

Due to the exploration stage of the Company, it has not generated any revenues or profits. The Company's funding has historically come either through the sale of shares, exercise of options and or warrants or the borrowing of funds from third parties. As a result of the recent low trading range of the Company's shares, it is unlikely that it will be able to obtain funding through the exercise of any of its 77,711,715 warrants or 29,000,000 stock options currently outstanding. The lack of revenue and income also make it challenging to borrow funds at reasonable interest rates. The Company is therefore left with the most likely source of funding to be the sale of treasury stock through private placement offerings.

To assist with financing its operations and covering a portion of its obligations, the Company did the following:

(a) Raised equity capital. During the period, the Company received $1,288,834 for units to be issued. These units will be issued as part of a private placement financing of units at a price $0.05 per share. Each unit will consist of one common share and one-half common share purchase warrant. Each full warrant will entitle the holder to purchase common shares at a price of $0.06 for a period of three years from the date of closing the financing.

(b) Raised debt capital. Details of notes payable, carried at amortized cost are as follows:

	July 31, 2018	January 31, 2018
Demand loan – Palos merchant Bank LP (CA $150,000) (i)	**$ 150,000**	$ 150,000
Demand loan – Aeris Trading Corp. (US $15,000) (ii)	**19,500**	18473
Convertible Debenture (US$274,696 and US $150,000) (iii)/(iv)/(v)	**365,432**	310,528
	534,932	479,001
Less current portion	**169,500**	168,473
	$ 365,432	$ 310,528

(i) Palos Loan

On June 12, 2012, Camex entered into a Credit Agreement with Palos Merchant Bank LP for a short-term loan of $150,000, secured by a promissory note bearing interest at 12% per annum, compounded monthly. The principal balance of the loan and accrued interest were due on June 11, 2013. No repayment was made on the principal and accrued interest by Camex and the loan became due on demand with interest accruing on the same basis as on the term of the loan.

This short term loan was acquired by the Company when it acquired Camex in 2012.

On November 17, 2016, Palos agreed to forgive $26,653 of interest on the debt and to convert the remaining $75,000 of accrued interest on the loan into a convertible debenture.

(ii) Aeris Loan

On August 29, 2014, the Company's subsidiary, Camex, signed a loan facility agreement with Aeris Trading Corp. (the "Lender") for a loan of up to US$4 million. The loan will provide funds for the completion of the permit and mine planning process on the Samalayuca Copper project in Northern Chihuahua Mexico which is 33.75% owned by the Company. Once the planned pilot mine is operating, the loan will be repaid from the proceeds of the Company's share of the Samalayuca mining revenue.

The loan facility agreement is for US$2 million initially but can be extended to US$4 million, once mining permits for the Samalayuca Copper Project are received. After the first US$250,000 has been provided, subsequent draw-downs will be limited to US$500,000 per month thereafter up to US$2 million. Interest on the loan is set at 12% per annum, with the first year's interest prepaid. The loan is for a maximum of 5 years and requires that one half of the revenue to be received from the Samalayuca Copper pilot mining project be used for loan repayment until the loan is paid in full. In addition, for each US$500,000 drawn-down, the Company has agreed to provide to the Lender with 1,000,000 shares of common shares of the Company and 2,000,000 share purchase warrants expiring in 5 years, aggregating 8,000,000 shares and 16,000,000 warrants if the full US$4 million is advanced. The exercise price of the warrants is $0.08 per share for the first 2 years and $0.12 per share for years 3 through 5.

To induce the Lender, the Company has pledged to the Lender, on a proportional basis, 22,500 shares of Samalayuca (the "SC Shares") representing half of its 33.75% interest. The first US$2 million loan commitment will be secured with 11,250 Samalayuca Shares to be placed in escrow upon the first closing. The final 11,250 SC Shares shall be placed in escrow following the commencement of a drawn-down on the second US$2 million. In both cases, the SC Shares shall be placed in escrow by Lender to the law firm of DFK International, in Chihuahua Mexico who will act as Escrow Agent. The SC Shares will be released from escrow, on the basis of half after the first two million is repaid, and the other half when the balance of the loan is repaid. Should there be a default by the Borrower, which is not cured in the allotted time, a number of SC Shares will be delivered to the lender by the Escrow Agent calculated on a prorate basis of the principal amount of the loan in default.

(iii) Debenture 2

On November 30, 2016, the Company raised US$885,000 (CA $1,168,200) and CA$267,000 from the issuance of convertible debentures. The debentures mature 5 years from the date of issue and bear interest at 12% per year. The debentures are convertible into shares at a price of CA$0.05 per share any time after six months from issuance until November 30, 2017 and thereafter at CA$0.10 per share until maturity. Additionally, the Company issued 21,972,000 warrants to the debenture subscribers (400,000 warrants for every CA$25,000 and 500,000 warrants for every US$25,000 debenture subscribed). The warrants entitle the holder to purchase one common share of the Company at a price of CA$0.05 per share at any time from issuance until November 30, 2021 when the warrants expire.

Where the debentures are denominated in US dollars and the conversion price is denominated in Canadian dollars, the amount of equity instruments that would be issued upon exercise of the debentures will vary based on fluctuations in the exchange rate between US and Canadian dollars. As a result, the conversion feature is recognized separately as a derivative financial liability and is remeasured at the end of each financial reporting period.

Where the debenture is denominated in Canadian dollars and the conversion price is also denominated in Canadian dollars, the amount of the equity instruments that would be issued upon exercise of the debentures will not vary. The conversion feature in such cases is recognized as a derivative equity instrument and is not remeasured.

US$710,000, CA$267,000 and related accrued interest of CA$214,742 were converted into 27,739,840 common shares of the Company on November 30, 2017. The fair value of the debt and accrued interest on the date of conversion was $970,244.

(iv) Debenture 1 Renewed

On December 4, 2016, US$75,000 of convertible debentures issued on June 4, 2015 matured. On March 15, 2017, US$70,000 of the convertible debentures, which matured on December 4, 2016, plus accrued interest were exchanged for $140,758 (US103,241) convertible debentures maturing five years after the date of issue and bearing interest at 12% per annum, compounded quarterly. The instrument has a fair value of $167,521. The debentures are convertible into common shares of the Company at a price of $0.05 per unit in the first year and thereafter at CA$0.10 per unit until maturity. The Company also issued 2,064,820 detachable warrants with each warrant exercisable at CA$0.05 per share for 5 years. A loss on extinguishment of $20,049 has been recognized in the consolidated statements of loss.

Because the debentures are denominated in US dollars and the conversion price is denominated in Canadian dollars, the amount of equity instruments that would be issued upon exercise of the debentures will vary based on fluctuations in the exchange rate between US and Canadian dollars. As a result, the conversion feature is recognized separately as a derivative financial liability and is periodically remeasured.

(v) Debenture 3

On December 20, 2017 the Company issued 1.5 debenture units totaling $191,250 (US$150,000). Each convertible debenture unit comprises one US$100,000 convertible debenture bearing interest at 8% per annum maturing 36 months from closing and 500,000 detachable common share purchase warrants for a total of 750,000 warrants.

The debentures will be convertible into common shares of the Company at any time after the first six months from closing at a price of US$0.04 (CAD$0.05) per share until the first anniversary and at a price of US$0.08 (CAD$0.10) per share thereafter until maturity.

Each warrant will be exercisable into one common share of the Company at an exercise price of $0.11 per share for a period of 3 years from closing.

Accrued interest of $139,023 (January 31, 2018 - $108,000) was recognized on all debt as of July 31, 2018 and is included in accounts payable and accrued liabilities.

GOING CONCERN

The ability of the Company to continue as a going concern is dependent on the successful completion of the actions taken or planned. In order to meet future expenditures and cover administrative costs, the Company will need to raise additional financing. Although the Company has been successful in raising funds to date, there can be no assurance that adequate funding will be available in the future, or available under terms favourable to the Company. As at July 31, 2018, the Company has accumulated losses of $36,261,288 and working capital of $70,412.

These factors raise substantial doubt regarding the Company's ability to continue as a going concern. These unaudited condensed interim consolidated financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

OFF-STATEMENTS OF FINANCIAL POSITION ARRANGEMENTS

There are no off-statement of financial position arrangements.

OTHER SIGNIFICANT EVENTS

Drilling Permits

The Company has obtained the required permit for a proposed Advanced Exploration Drilling Program on its Samalayuca Project from the Mexican Ministry of the Environment and Natural Resources (SEMARNAT). The proposed program entails core drilling at some 53 sites, mostly in the previously producing Gloria Pit which is the target location for the pilot mining project. The goal is to evaluate the copper resources at the Gloria Pit and the other known copper zones that were exploited by the artisanal miners in the 1950’s and 60’s.and to provide a better understanding of the metallurgical characteristics of the copper mineralization.

The 3000-metre diamond drilling program started on August 23 after receipt of the requisite permits, with 6 drill holes in Phase 1 targeting the Gloria Pit however unexpected structural complexities encountered during the drilling resulted in stopping the program until further structural geology and compilation could be carried out. Once this was done, the phase 2 drilling began in October and is continuing, with a break over the Christmas holidays, with drill holes 7 to 23 completed. Assay results will be released once all data has been received and compiled. The Company had previously completed a magnetic survey of the area around the previously mined open pit La Gloria. An area of low magnetic intensity, generally coincident with, and thought to be reflective of, the alteration associated with the copper mineralization, is being used to guide the drilling. Up to 15 inclined drill holes, each from 100 to 300 m in length, in this exploration phase with the aim of delineating the copper mineralization in the La Gloria pit area.

Shares to be Issued

Subsequent to July 31, 2018, the Company received $135,000 for units to be issued. These units will be issued as part of a private placement financing of units at a price $0.05 per share. Each unit will consist of one common share and one-half common share purchase warrant. Each full warrant will entitle the holder to purchase common shares at a price of $0.06 for a period of three years from the date of closing the financing.

RELATED PARTY TRANSACTIONS

Compensation to key management personnel were as follows:

July 31,		**2018**		2017
Compensation	**$**	**56,100**	$	53,100
Share-based payments (1)		**24,758**		11,785
Total	**$**	**80,858**	$	64,885

(1) Share-based payments are the fair value of options granted to key management personnel and expensed during the period.

Included in accounts payable and accrued liabilities is $99,750 (January 31, 2018 - $117,555) payable to key management personnel.

In order to maintain cash flow, management does not receive substantial compensation. Management has taken occasional reductions in compensation and where possible, will participate in converting the accrued compensation either into equity or debt securities.

Directors are also focused on ensuring that sufficient cash is available to manage the projects. They are not paid for their services.

OUTSTANDING SHARE DATA

a) Outstanding Common Shares

	Number of shares
Balance, July 31, 2018	261,516,261
Balance, September 27, 2018	261,516,261

b) Warrants and Stock Options

There were 77,711,715 warrants outstanding and exercisable at various prices ranging from $0.05 to $0.18 at July 31, 2018 and September 27, 2018.

There were 29,000,000 options outstanding at a weighted average price of $0.06 as at July 31, 2018 and September 27, 2018.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's financial instruments are as follows:

	July 31, 2018	January 31, 2018
Fair value through profit or loss, measured at fair value:		
Cash	**$ 844,524**	$ 1,036,636
Conversion feature on convertible debt	**$ 121,287**	$ 171,242
Loans and receivable, measured at amortized cost:		
Note receivable	**$ 2,664,943**	$ 2,027,468
Other liabilities, measured at amortized cost:		
Accounts payable and accrued liabilities	**$ 543,618**	$ 708,198
Notes payable	**$ 534,932**	$ 479,001

a) Interest Rate and Credit Risk

It is management's opinion that the Company is not exposed to significant interest rate or credit risks arising from its financial instruments given their short-term nature except in relation to the Company's investment in, and note receivable from, its associate, Samalayuca.

As at July 31, 2018, the Company holds a 33.75% interest in Samalayuca and a note receivable from Samalayuca for a combined value of $3,610,843 (January 31, 2018 - $3,225,282). One of the key assumptions made in the preparation of these consolidated financial statements is that the Samalayuca Copper Project will successfully generate cash flows and the Company will recover these amounts.

b) Price Risk

The Company is exposed to price risk with respect to commodity and equity prices. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company is exposed to the variability of copper prices.

Equity price risk is defined as the potential adverse impact on the Company’s earnings due to movements in individual equity prices or general movements in the level of the stock market. The Company closely monitors individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company.

c) Liquidity Risk

The Company has no income and relies on equity financing to support its exploration programs. Management prepares budgets and ensures funds are available prior to commencement of any such program. As at July 31, 2018, the Company does not have sufficient capital to fund its operations over the next twelve months. As at July 31, 2018, the Company had a cash balance of $844,524 (January 31, 2018 - $1,036,636) to settle current liabilities of $834,524 (January 31, 2018 - $1,047,913).

d) Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates and commodity and equity prices.

e) Sensitivity Analysis

The Company does engage in significant transactions and activities in currencies other than its reported currency. The Company's exploration activities are primarily in Mexico; accordingly, the resulting assets and liabilities are exposed to foreign exchange fluctuations.

The Company is exposed to foreign currency risk on fluctuations of financial instruments related to cash and accounts payable and accrued liabilities that are denominated in US Dollars and Mexican Pesos. Sensitivity of closing balances to a plus or minus 10% change in foreign exchange rates, with all other variables held constant, would affect net loss by approximately $7,000 (January 31, 2018 - $190,000).

BUSINESS RISKS

The Company's business of exploring for mineral resources involves a variety of operational, financial and regulatory risks that are typical in the natural resource industry. These factors include the inherent risks involved in the exploration and development of mineral properties, the uncertainties involved in interpreting drilling results and other geological data, fluctuating metal prices, the possibility of project cost overruns or unanticipated costs and expenses, uncertainties relating to the availability and costs of financing needed in the future and other factors. The Company attempts to mitigate these risks and minimize their effect on its financial performance, but there is no guarantee that the Company will be profitable in the future, and the Company's common shares should be considered speculative.

The recoverability of amounts shown as mining interests and equipment, are dependent upon a number of factors including environmental risks, legal and political risks, the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying assets, the ability of the Company to obtain necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

There can be no assurance that any funding required by the Company will become available to it, and if so, that it will be offered on reasonable terms, or that the Company will be able to secure such funding through third party financing or cost sharing arrangements. Furthermore, there is no assurance that the Company will be able to secure new mineral properties or projects, or that they can be secured on competitive terms.

OUTLOOK

The Company's primary focus is the exploration of the near production, partially owned, Kaity Property in Chihuahua State, Mexico ("Samalayuca Project"). Work on these properties is dependent upon the Company raising significant exploration funding through private placements now ongoing. If exploration funding cannot be accessed, these projects are good joint venture opportunities for companies looking to acquire projects in Mexico and more particularly in Sonora and Chihuahua states where exploration is increasing and opportunities for good projects are limited.