



Management's Discussion and Analysis

Period ended January 31, 2017

(Expressed in Canadian dollars, unless otherwise noted)

March 31, 2017

For further information on the Company, reference should be made to its public filings on SEDAR at www.sedar.com. Information is also available on the Company's website at www.montanmining.ca. This Management's Discussion and Analysis ("MD&A") should be read in conjunction with audited consolidated financial statements for the year ended July 31, 2016 and the unaudited condensed consolidated interim financial statements period ended January 31, 2017, and related notes thereto which have been prepared in accordance with International Financial Reporting Standards. This MD&A contains certain Forward Looking Statements which are provided on Page 16.

OVERVIEW

The Company is a TSX-Venture Exchange, Frankfurt and Santiago listed company devoted exclusively to mineral exploration and development in Peru.

On January 17, 2017, the Company closed the transaction to acquire 100% of Cerro Dorado S.A.C. ("Cerro Dorado") from Chazel Capital Inc. Cerro Dorado holds an option and permits to operate the Rey Salomon gold mine with 2 km of underground development, 32 identified veins, and a 60 tonnes per day capacity carbon-in-pulp processing plant currently permitted for up to 100 tonnes per day. The entire mineral property under option by Cerro Dorado is comprised of 4 concessions totalling 1,172 hectares located in the district of Arequipa, province of Caraveli, Peru.

Subsequent to the period ended January 31, 2017, the Company signed a term sheet with Pacific Alliance Capital Group Lit ("Pacific Alliance") for the purchase, by of the Peruvian companies Kairos Capital Peru S.A.C. ("Kairos") and M&S Transportes y Servicios Generales S.R.L ("Mirador") from Pacific Alliance.

The key assets ("Pacific Alliance Assets") held by the companies under acquisition include the 100% owned 125TPD Mirador Processing Plant located in Chimbote, Peru and six (6) 100% owned mineral concessions as well as options to buy three (3) additional mineral concessions. Montan will be afforded the opportunity to review these options for acquisition during the due diligence process. Two (2) of the Au concessions are located 10km from Montan's Cerro Dorado plant in Arequipa.

The Mirador plant is fully operational and currently has a two (2) months of material stockpiled and queued for processing through its flotation circuit. The Mirador plant is fully permitted to 125 TPD and currently operating at 100TPD through its 100TPD flotation circuit. The plant also features a 25TPD carbon in pulp ("CIP") gold circuit which is on standby. The Mirador plant is strategically located 450km north of Lima whereas the majority of the toll milling industry is focused in the south of the country in the Chala and Nazca districts.

HIGHLIGHTS – period ended January 31, 2017

Overview

- On January 17, 2017, the Company closed the transaction to acquire Cerro Dorado. As consideration for the acquisition, Montan issued 10,000,000 common shares of Montan (“Montan Shares”) to Chazel on closing of the Transaction (“Closing”). The Montan Shares will be issued to Chazel at Closing pursuant to available exemptions from applicable prospectus requirements pursuant to National Instrument 45-106 or otherwise under the Securities Act (British Columbia) and any other applicable legislation, and will be subject to a four (4) month hold period in Canada. Without limiting the foregoing, the Montan Shares will be subject to escrow with 1,500,000 Montan Shares released on every three (6) month anniversary of Closing for a period of three years. Subject to approval of the TSX Venture Exchange (“TSX-V”), following Closing Montan will also issue up to 4,000,000 Montan Shares to Chazel subject to and upon satisfaction of the following milestones:
 - 2,000,000 Montan Shares upon the sale by Montan of 1,000 ounces of gold-contained ore or dore from either the Rey Salomon gold mine or the associated plant; and
 - 2,000,000 Montan Shares upon the sale by Montan of an additional 2,000 ounces (for an aggregate of 3,000 ounces) of gold-contained ore or dore from either the Rey Salomon gold mine or the associated plant.
- All share amounts above are subject to adjustment for stock splits, stock consolidations recapitalizations and other corporate transactions affecting the capital structure of Montan.
- The company expanded permitting of the Cerro Dorado plant to an effective 125 tons per day (“TPD”) by submitting a revised Instrumento de Gestion Ambiental Correctivo (“IGAC”) to both the Regional Government of Arequipa and to the Environmental Ministry of Peru as required by Peruvian law. The application proposes a new 60 TPD flotation circuit, an expansion of the tailings pond area to accommodate for an estimated five years of tailings residue, a sampling assay laboratory and a truck scale. Peruvian law allows Montan to proceed with the building of the items under the IGAC permit application covering the Cerro Dorado plant, commencing immediately.
- On January 13, 2017 the Company announced that it has completed the third and final tranche of its previously announced \$1,000,000 non-brokered private placement financing (the “Financing”). In total, the Financing consisted of 20,611,387 units for aggregate gross proceeds to the Company of \$ 1,030,569. Each unit consists of one common share and one transferable share purchase warrant, with each warrant exercisable into one additional common share at \$0.10 per share for five (5) years after the closing date.
- On January 17, 2017, the Company has closed the transaction to acquire 100% of Cerro Dorado S.A.C. (“CD”) from Chazel Capital Inc. As consideration for the acquisition, the Company issued 10,000,000 common shares to Chazel on Closing of the transaction and assume approximately USD264,000 of Cerro Dorado’s local debt in Peru.

Newly appointed officer and directors

On September 23, 2016, Montan appointed two new members of Board of Directors and appointed a Chief Financial Officer.

Greg Hall, Director - Mr. Hall is an independent business advisor to the mining industry. For over 30 years, Mr. Hall has focused on significant international exploration, development, and mining ventures, and all aspects of their structuring and finance. He is currently President of Water Street Assets Inc. and Director of Prophecy Development Corp. Mr. Hall was previously a director of Silvercorp Metals Inc., China’s largest primary silver producer and one of the lowest cost silver producer among its industry peers. Other former appointments include: Director at Haywood Securities; Vice-President, Canaccord Genuity; and Senior Vice-President of Leede Jones Gable. Mr. Hall is a graduate of the Rotman School of Management, University of Toronto, SME Enterprise Board Program, and a Member of the Institute of Corporate Directors.

Sam Wong, Director - Mr. Wong is currently the Chief Financial Officer of Dynasty Metals & Mining Inc. and Chesapeake Gold Corp. He was also previously the Chief Financial Officer of Goldgroup Mining Inc., where he significantly decreased the cost and level of debt through various cost cutting and restructuring initiatives. Prior to that position, Mr. Wong was the Corporate Controller at Luna Gold Corp. where he oversaw the finance division during Luna's transition from development through to commercial production. Mr. Wong is a Chartered Accountant and articulated at Deloitte & LLP in Vancouver, BC where he specialized in assurance and advisory for mining companies.

Anthony Balic, CFO – Mr. Balic is Chartered Professional Accountant who has worked with Canadian and US Publicly listed resource companies for the past 10 year. He is currently the CFO of Goldgroup Mining Inc. and was part of the finance team which bought their Mexican gold mine into commercial production. Prior to this position, he was Senior Manager at Deloitte LLP in Vancouver, where he specialized in assurance and advisory for publicly traded mining companies.

Private placement financing

- On August 25, 2016, the Company closed a private placement for 4,700,000 units at a price of \$0.10 for gross proceeds of \$470,000. Each unit consist of one common share and one common share purchase warrant. Each whole warrant is exercisable into one common share at a price of \$0.15 until August 25, 2018.
- On October 19, 2016, the Company announced that it has arranged a private placement financing of up to 12,000,000 units at a price of \$0.05 per unit for a total gross proceed of up to \$600,000. Each unit consists of one common share and one transferable share purchase warrant. Each warrant is exercisable into one additional common share at \$0.10 per share for 5 years after the closing date. On October 27, 2016, the Company closed the first tranche for 8,170,000 units and \$408,500 in proceeds.
- On December 15, 2016, the Company closed the second tranche of the non-brokered private placement announced on October 19 and November 30, 2016. The Company issued 9,341,387 units at \$0.05 per unit for total gross proceeds of \$467,069 in the second tranche closing. Both tranches combined have now raised a total of \$875,569 in gross proceeds. Each unit consists of one common share and one transferable share purchase warrant. Each warrant exercisable into one additional common share at \$0.10 per share until December 15, 2021. The Company paid finder's fee in the aggregate amount of \$3,500 on this tranche.
- On January 13, 2017, the Company closed a private placement for 3,100,000 units at a price of \$0.05 for gross proceeds of \$155,000. Each unit consists of one common share and one common share purchase warrant. Each warrant will be exercisable into one common share at \$0.10 for a period of five years after closing date. The share purchase warrant's fair value of \$147,465 was recorded in the reserves.

Convertible debenture extension

- On September 8, 2016, the two holders of the convertible notes from above agreed to an extension in the term by a period of one year. Each Note accrues simple interest at 14% per annum. The principal amount of each note is convertible at any time at a price of \$0.125 into units of the Company comprising one common share and one common share purchase warrant. Each whole warrant may be exercised at an exercise price of \$0.175 into one additional common share of the Company for a period of 2 years from closing of issuance.

OUTLOOK

Montan is positioned to take advantage of near-term cash-flow opportunities in Peru on the basis of an established Peru-based team experienced in small to medium scale cash-flowing mine businesses in country.

The Company completed the purchase of Cerro Dorado which holds an option and permits to operate the Rey Salomon gold mine with 2km of underground development, 32 identified veins, and a 60 tonnes per day carbon-in-pulp processing plant permitted for up to 100 tonnes per day. The mineral property under option by Cerro Dorado is comprised of 4 concessions totalling 1,172 hectares located in the department of Arequipa, province of Caraveli, Peru.

Subsequent to the period ended January 31, 2017, the Company signed a term sheet with Pacific Alliance Capital Group Lit (“Pacific Alliance”) for the purchase, by of the Peruvian companies Kairos and Mirador from Pacific Alliance.

The key assets (“Pacific Alliance Assets”) held by the companies under acquisition include the 100% owned 125TPD Mirador Processing Plant located in Chimbote, Peru and six (6) 100% owned mineral concessions as well as options to buy three (3) additional mineral concessions. Montan will be afforded the opportunity to review these options for acquisition during the due diligence process. Two (2) of the Au concessions are located 10km from Montan's Cerro Dorado plant in Arequipa.

The Mirador plant is fully operational and currently has a two (2) months of material stockpiled and queued for processing through its flotation circuit. The Mirador plant is fully permitted to 125 TPD and currently operating at 100TPD through its 100TPD flotation circuit. The plant also features a 25TPD carbon in pulp (“CIP”) gold circuit which is on standby. The Mirador plant is strategically located 450km north of Lima whereas the majority of the toll milling industry is focused in the south of the country in the Chala and Nazca districts.

CERRO DORADO, PERU

Overview

The Company completed the acquisition of Cerro Dorado on January 17, 2017. Cerro Dorado holds an option and permits to operate the Rey Salomon gold mine (NI 43-101 compliant property) with 2km of underground development, 32 identified veins, and a 60 tonnes per day carbon-in-pulp processing plant permitted for up to 100 tonnes per day. The entire mineral property under option by Cerro Dorado is comprised of 4 concessions totalling 1,172 hectares located in the department of Arequipa, province of Caravelí, Peru. The Company is focusing all of its resources to complete the acquisition of this new flagship project and commence cash flowing operations in 2017.

As consideration for the acquisition, Montan issued 10,000,000 common shares of Montan (“Montan Shares”) to Chazel on closing of the Transaction (“Closing”). The Montan Shares will be issued to Chazel at Closing pursuant to available exemptions from applicable prospectus requirements pursuant to National Instrument 45-106 or otherwise under the Securities Act (British Columbia) and any other applicable legislation, and will be subject to a four (4) month hold period in Canada. Without limiting the foregoing, the Montan Shares will be subject to escrow with 2,000,000 Montan Shares released on every three (3) month anniversary of Closing. Subject to approval of the TSX Venture Exchange (“TSX-V”), following Closing Montan will also issue up to 4,000,000 Montan Shares to Chazel subject to and upon satisfaction of the following milestones:

- 2,000,000 Montan Shares upon the sale by Montan of 1,000 ounces of gold-contained ore or dore from either the Rey Salomon gold mine or the associated plant; and
- 2,000,000 Montan Shares upon the sale by Montan of an additional 2,000 ounces (for an aggregate of 3,000 ounces) of gold-contained ore or dore from either the Rey Salomon gold mine or the associated plant.

The purchase price allocation is summarized as follows:

10,000,000 common share of Montan Mining Corp. at \$0.055 CAD a share	550,000
2,000,000 contingent shares upon 1,000 ounces at \$0,055 CAD a share	110,000
2,000,000 contingent shares upon additional 2,000 ounces at \$0,055 CAD a share	110,000
Amount payable acquired	191,005
Total consideration	\$ 961,005

Allocated to:

Cash	13,080
Receivables and other	100,201
Prepaid expenses	129,790
Inventory	6,332
Property plant and equipment	470,997
Mineral Property	1,065,132
Accounts payable	(248,375)
Loans payable	(576,152)
Total consideration	\$ 961,005

Kairos and Mirador Assets, PERU

Overview

Subsequent to the period ended January 31, 2017, the Company signed a term sheet with Pacific Alliance Capital Group Lit ("Pacific Alliance") for the purchase, by of the Peruvian companies Kairos and Mirador from Pacific Alliance.

The key assets ("Pacific Alliance Assets") held by the companies under acquisition include the 100% owned 125TPD Mirador Processing Plant located in Chimbote, Peru and six (6) 100% owned mineral concessions as well as options to buy three (3) additional mineral concessions. Montan will be afforded the opportunity to review these options for acquisition during the due diligence process. Two (2) of the Au concessions are located 10km from Montan's Cerro Dorado plant in Arequipa.

The Mirador plant is fully operational and currently has a two (2) months of material stockpiled and queued for processing through its flotation circuit. The Mirador plant is fully permitted to 125 TPD and currently operating at 100TPD through its 100TPD flotation circuit. The plant also features a 25TPD carbon in pulp ("CIP") gold circuit which is on standby. The Mirador plant is strategically located 450km north of Lima whereas the majority of the toll milling industry is focused in the south of the country in the Chala and Nazca districts.

LIQUIDITY AND CAPITAL RESOURCES

	Six Month Ended January 31,	
	2017	2016
Cash outflows from operating activities	(1,292,652)	(259,474)
Cash inflows from financing activities	1,377,744	415,823
Cash inflow (outflows) from investing activities	(56,506)	(214,134)
Net cash inflows (outflow)	28,586	(57,785)
Cash balance	31,582	2,549

As at January 31, 2017, the Company's net working capital deficit was \$88,610 compared to net working capital deficit of \$167,647 as at July 31, 2016. The increase was the result of cash inflow from financing activities.

Cash outflow from operating activities \$1,292,652 in the six months ended January 31, 2017, which was higher than comparative period in 2016 as the Company increased corporate activities during the first two quarters of 2017. The Company has made substantial cash payments to Chazel, and conducted due diligence work towards the completion of Cerro Dorado acquisition.

Cash inflow from financing activities was \$1,377,744 in the six months ended January 31, 2017, which was higher than comparative period in 2016. This amount includes \$1,362,119 proceeds from private placements and \$15,625 from warrants exercised.

Cash outflow from investing activities was \$56,506 for the six months ended January 31, 2017 compared to \$214,134 in 2016. The investing activities were in related to the acquisition of assets of Cerro Dorado. In the comparative period 2016, the Company pursued Goldsmith asset acquisition.

The Company's ability to continue as a going concern is dependent on the Company's ability to raise funds.

SUMMARY OF CONSOLIDATED PROFIT AND LOSS

	Six Month Ended January 31	
	2017	2016
Revenue	\$ -	\$ -
Loss before other items	(1,667,738)	(654,834)
Net loss	(1,664,337)	(1,348,618)
Basic and diluted – loss per share	(0.03)	(0.06)
Total assets	2,207,700	990,524

Net loss in the current six months ended January 31, 2017 was higher than in comparative period of 2016. In the current period in 2017, the Company has made substantial cash payments to Chazel, and conducted the due diligence work towards the completion of Cerro Dorado acquisition. In comparative period 2016, the Company wrote off the balance of \$698,818 the Goldsmith advances that was previously capitalized.

Exploration, consulting fee, and investor communication expenses all increased during the period of 2017 compared to 2016. The Company incurred the share-based compensation expenses of \$457,185 as the 6.9 million of options were granted and vested in the period in 2017. There was no stock option in place in 2016.

As at January 31, 2017, the total assets increased from 2016 due to the Company closed the acquisition of Cerro Dorado.

QUARTERLY RESULTS

	Jan 31, 2017	Oct 31, 2016	Jul 31, 2016	Apr 30, 2016	Jan 31, 2016	Oct 31, 2015	Jul 31, 2015	Apr 30, 2015
Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net loss	(871,290)	(793,047)	(1,075,806)	(56,320)	(351,216)	(997,402)	(471,627)	(516,073)
Basic & diluted loss per share	(0.01)	(0.02)	(0.03)	(0.00)	(0.01)	(0.04)	(0.03)	(0.03)
Total assets	2,207,700	708,706	158,850	934,142	990,524	1,058,723	1,500,301	1,424,863

Three months ended January 31, 2017 compared to historical quarters in 2016 & 2015

Net loss in the current year were slightly higher above the average loss when compared to historical quarters in 2016 and 2015. In this quarter, the Company has made substantial cash payments to Chazel, and conducted due diligence work towards the completion of Cerro Dorado acquisition. The activities on exploration, consulting, and investor communication were all increased during this quarter of 2016 compared to 2015. The Company incurred the share-based compensation expenses as the 4.3 million stock options were granted and vested in this current quarter in 2017. There was no stock option in place in 2016.

Change in total assets

As at January 31, 2017, the total assets increased from 2016 due to the Company closed the acquisition of Cerro Dorado property.

SHAREHOLDERS' EQUITY

The Company is authorized to issue an unlimited number of common shares.

	Common shares	Warrant A (2)	Warrant B (3)	Warrant C (4)	Warrant D (5)	Warrant E (6)	Warrant F (7)	Warrant G (8)	Warrant I (9)	Warrant J (1)	Warrant I (10)	Warrant I (11)	Warrant I (12)	Option* A (13)	Option* B (14)	Option* C (15)	Option* D (15)	Option* E (16)	Option* F (17)
As at July 31, 2015	22,601,037	56,000	1,473,889	91,700	-	-	-	-	-	-	-	-	-	1,000,000	875,000	-	-	-	-
October 19, 2015 – Private placement	1,366,125	-	-	-	1,366,125	-	-	-	-	-	-	-	-	-	-	-	-	-	-
October 21, 2015 – Private placement	62,500	-	-	-	-	62,500	-	-	-	-	-	-	-	-	-	-	-	-	-
January 21, 2016 – Option expired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(220,000)	-	-	-	-
March 05, 2016 – Warrant expiry	-	(56,000)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
March 15, 2016 - share to debt	8,802,963	-	-	-	-	-	1,734,883	-	-	-	-	-	-	-	-	-	-	-	-
May 1, 2016 - Options issuance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	500,000	-	-
May 3, 2016 - Options exercises	500,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(500,000)	-	-	-
May 19, 2016 - Private placement	4,162,500	-	-	-	-	-	-	2,081,250	54,000	-	-	-	-	-	-	-	-	-	-
July 19, 2016 - Options issuance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,000,000	-
July 20, 2016 - Options exercised	1,000,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,000,000)	-
July 22, 2016 - Options cancelled	-	-	-	-	-	-	-	-	-	-	-	-	-	(200,000)	(100,000)	-	-	-	-
As at the July 31, 2016	38,495,125	-	1,473,889	91,700	1,366,125	62,500	1,734,883	2,081,250	54,000	-	-	-	-	800,000	555,000	-	-	-	-
August 2, 2016 - Options issuance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,600,000
August 2, 2016 - Options cancellation	-	-	-	-	-	-	-	-	-	-	-	-	-	(200,000)	(30,000)	-	-	-	-
August 25, 2016 – Private placement	4,700,000	-	-	-	-	-	-	-	-	4,700,000	-	-	-	-	-	-	-	-	-
September 19, 2016 - Warrants exercised	312,500	-	-	-	-	-	-	(312,500)	-	-	-	-	-	-	-	-	-	-	-
September 22, 2016 - Options cancellation	-	-	-	-	-	-	-	-	-	-	-	-	-	(200,000)	(100,000)	-	-	-	(700,000)
October 19, 2016 - Warrants expired	-	-	-	-	(471,875)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
October 27, 2016 – Private placement	8,170,000	-	-	-	-	-	-	-	-	-	8,170,000	-	-	-	-	-	-	-	-
December 15, 2016 – Private placement	9,341,387	-	-	-	-	-	-	-	-	-	-	9,341,387	-	-	-	-	-	-	-
January 13, 2017 – Private placement	3,100,000	-	-	-	-	-	-	-	-	-	-	-	3,100,000	-	-	-	-	-	-
January 17, 2017 – Share issuance-acquisition	10,000,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
January 17, 2017 – Options issuance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,300,000
As at January 31, 2017	74,119,012	-	1,473,889	91,700	894,250	62,500	1,734,883	1,768,500	54,000	4,700,000	8,170,000	9,341,387	3,100,000	400,000	425,000	-	-	1,900,000	4,300,000
As at the date of report	74,119,012	-	1,473,889	91,700	894,250	62,500	1,734,883	1,768,750	54,000	4,700,000	8,170,000	9,341,387	3,100,000	400,000	425,000	-	-	1,900,000	4,300,000

- (1) Warrant issuance – Exercise price of \$0.15, expire on August 25, 2018
- (2) Warrant issuance - Exercise price of \$0.10, expired on March 5, 2016
- (3) Warrant issuance - Exercise price of \$0.25, expire on July 6, 2017
- (4) Warrant issuance (finder’s warrant) - Exercise price of \$0.18, expire on July 6, 2017
- (5) Warrant issuance - Exercise price of \$0.12, expire on October 19, 2017
- (6) Warrant issuance - Exercise price of \$0.12, expire on October 21, 2017
- (7) Warrant issuance – Exercise price of \$0.175, expire on March 15, 2018
- (8) Warrant issuance – Exercise price of \$0.05, expire on May 19, 2018
- (9) Warrant issuance (finder’ warrant) – Exercise price of \$0.05, expired on May 19, 2018
- (10) Warrant issuance – Exercise price of \$0.10, expire on October 27, 2021
- (11) Warrant issuance – Exercise price of \$0.10, expire on December 15, 2021
- (12) Warrant issuance – Exercise price of \$0.10, expire on January 13, 2022
- (13)
 - a. Prior to August 2, 2016, exercise price of \$0.20, expire on December 5, 2022
 - b. On and after August 2, 2016, stock option re-priced - exercise price of \$0.10, expire on December 5, 2022
- (14)
 - a. Prior to August 2, 2016, exercise price of \$0.15, expire on March 7, 2020
 - b. On and after August 2, 2016, stock option re-priced - exercise price of \$0.10, expire on March 7, 2020
- (15)
 - a. Stock option granted – Exercise price of \$0.05, expire on May 1, 2016 (exercised prior July 31, 2016)
 - b. Stock option granted – Exercise price of \$0.06, expire on July 20, 2016 (exercised prior July 31, 2016)
- (16) Stock option granted - Exercise price of \$0.10, expire on August 2, 2021.
- (17) Stock option granted – Exercise price of \$0.07, expire on January 17, 2022.

* All stock options issued vest immediately.

REGULATORY DISCLOSURES

Financial instruments

The Company reports its financial instruments on its balance sheet and measures these at fair value. In limited circumstances when fair value may not be considered most relevant, they may be reported at cost or amortized cost. Gains or losses as a result of changes in fair value are recognized in the consolidated statement of operations and comprehensive loss.

The Company’s financial instruments consist of cash, other receivables, accounts payable, accrued liabilities, director loan and loan payable. The fair value of these financial instruments approximates the carrying value due to the short maturity or current market rate associated with these instruments.

All financial instruments are classified into one of the following five categories: fair value through profit or loss assets or liabilities, held-to-maturity investments, loans and receivables, available-for-sale financial assets and other financial liabilities.

Financial instruments disclosure requires a statement of the inputs to fair value measurements, including their classification within a hierarchy that prioritizes the inputs to fair value measurement. The three levels of fair value are:

- Level 1 Unadjusted quoted prices in active markets for identical assets and liabilities
- Level 2 Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, and;
- Level 3 Inputs that are not based on observable market data

Fair values of financial instruments

The fair values of financial instruments are summarized as follows:

	January 31, 2017		July 31, 2016	
	Carrying value \$	Fair value \$	Carrying value \$	Fair value \$
Financial assets				
<i>Fair value to profit and loss (“FVTPL”)</i>				
Cash	31,582	31,582	2,996	2,996
Other receivables	140,450	140,450	17,840	17,840
Financial liabilities				
<i>Other financial liabilities</i>				
Accounts payable & accrued liabilities	532,356	532,356	160,940	160,940
Director loan	-	-	10,000	10,000
Loan payable	587,093	587,093	-	-
Loan payable - advance	27,965	27,965	27,025	27,025

Credit Risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash and cash equivalents, and marketable securities. The Company’s cash are held through large Canadian financial institutions.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure. The accounts payable and income taxes payable are due within the current operating period.

Market Risk

The Company’s financial instruments include investments which are publicly traded and therefore subject to the risks related to the fluctuation in market prices of publicly traded securities. Some of these investments have been acquired as a result of property transactions and, to a large extent, represent strategic investments in related mining companies and their properties. The Company closely monitors market values to determine the most appropriate course of action.

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows from a financial instrument will fluctuate because of changes to market interest rates. The Company is exposed from time to time to interest rate risk as a result of holding fixed income cash equivalents and investments, of varying maturities. A 1% change in market interest rates would result in no significant change in value of cash and cash equivalents or fixed income securities. The risk that the Company will realize a loss as a result of a decline in the fair value of these assets is limited as they are generally held to maturity.

Foreign Exchange Risk

Currency risk is the risk of a loss due to the fluctuation of foreign exchange rates and the effects of those fluctuations on the Company’s foreign currency denominated monetary assets and liabilities. The Company currently operates in

the United States and Peru. Certain costs and expenses are incurred in US dollars and Peruvian sol. The Company attempts to mitigate currency risk through the preparation of short and long term expenditure budgets in the foreign currencies and planning for the conversion of Canadian dollars into foreign currencies whenever exchange rates are favourable.

Related Party Transactions

The Company’s related parties include its subsidiaries, associates over which it exercises significant influence, and key management personnel. Transactions with related parties for goods and services are made on normal commercial terms and are considered to be at arm’s length.

The remuneration of the Company’s directors and other key management personnel during the period ended January 31, 2017 and 2016 are as follows:

	January 31, 2017	January 31, 2016
Consulting fees	\$ 40,344	\$ 60,879
Professional fees	15,000	-
Stock based compensation	233,402	-

These expenses were measured at the exchange amounts agreed upon by the parties. As at January 31, 2017 the Company had amounts payable of \$Nil (July 31, 2016 - \$13,797) to these parties. These amounts are unsecured and non-interest bearing.

As at January 31, 2017, the Company had amounts of loan payable of \$Nil (July 31, 2016 – \$10,000) to a director.

Capital Risk Management

The Company’s objective of capital management is to ensure that it will be able to continue as a going concern, continue the exploration of mineral properties, and identify, evaluate, and acquire additional resource properties. The capital of the Company consists of shareholders’ equity. The Company is meeting its capital risk objectives by successfully raising, from time to time, the required funds through debt and equity.

Internal controls and procedures

During the three and six months ended January 31, 2017, there has been no significant change in the Company’s internal control over financial reporting since last year.

The Chief Executive Officer and Chief Financial Officer of the Company are responsible for establishing and maintaining appropriate information systems, procedures and controls to ensure that information used internally and disclosed externally is complete, reliable and timely. They are also responsible for establishing adequate internal controls over financial reporting to provide sufficient knowledge to support the representations made in this MD&A and the Company’s annual financial statements for the year ended July 31, 2016 (together the “Annual Filings”). The Chief Executive Officer and Chief Financial Officer of the Company have filed the Venture Issuer Basic Certificate with the Annual Filings on SEDAR at <http://www.sedar.com>.

In contrast to the certificate required for non-venture issuers under National Instrument 52-109 Certification of Disclosure in Issuers’ Annual and Interim Filings (“NI 52-109”), the venture issuer basic certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures (“DC&P”) and internal control over financial reporting (“ICFR”), as defined in NI 52-109. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency, and timeliness of interim and annual filings and other reports provided under securities legislation.

Future Accounting Changes

The following are new pronouncements approved by IASB. These new standards and interpretations are not yet effective and have not been applied in preparing these financial statements, however they may impact future periods.

- (i) IAS 16, Property, Plant and Equipment, and IAS 38, Intangible Assets: Clarification of acceptable methods of depreciation and amortization. On May 12, 2014, the IASB issued amendment to IAS 16, Property, Plant and Equipment, and IAS 38, Intangible Assets. In issuing the amendments, the IASB has clarified that the use of revenue-based methods to calculate the depreciation of a tangible asset is not appropriate because revenue generated by an activity that includes the use of the tangible asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB has also clarified that the revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. The presumption for an intangible asset, however, can be rebutted in certain limited circumstances. The standard is to be applied prospectively for fiscal years beginning on or after January 1, 2016, with early adoption permitted.
- (ii) IFRS 15, Revenues from Contracts and Customers (“IFRS 15”) was issued by the IASB on May 28, 2014, and will replace IAS 18, Revenue, IAS 11, Construction Contracts, and related interpretations on revenue. IFRS 15 sets out the requirements for recognizing revenue that apply to all contracts with customers, except for contracts that are within the scope of the Standards on leases, insurance contracts and financial instruments. IFRS 15 uses a control based approach to recognize revenue, which is a change from the risk and reward approach under the current standard. Companies can elect to use either a full or a modified retrospective approach when adopting the standard and it is effective for annual periods beginning on or after January 1, 2017.
- (iii) IFRS 9, Financial instruments (“IFRS 9”) was issued by the IASB on July 24, 2014 as a complete standard. This standard replaces the guidance in IAS 39, Financial Instruments: Recognition and Measurement on the classification and measurement of financial assets and liabilities. The Standard eliminates the existing categories of held to maturity, available for sale and loans and receivables. On initial recognition, financial assets will be classified into those measured at amortized cost and at fair value. The mandatory effective date of the new standard is for annual periods beginning on or after January 1, 2018. The Company intends to adopt the standards for the year beginning January 1, 2018. The Company believes that implementation of the new standard will not have a material impact on its financial results.

The Company is currently evaluating the potential impact of these amendments and new standards on its condensed consolidated interim financial statements.

Accounting estimates

Amounts recorded for share based compensation. These are based on estimates. The Black-Scholes model is based on assumptions for volatility, expected number of options to vest, risk-free interest rate and expected life of options.

The recoverability of amounts shown for mineral properties. These are dependent on the discovery of economic resources, the ability of the Company to obtain future financing to complete the development of the properties, and on future production or sale of the properties.

Deferred income tax assets and liabilities. These are computed based on differences between the carrying amounts on the balance sheet and their corresponding tax values. Deferred income tax assets also result from unused loss carry forwards and other deductions. The valuation of deferred income tax assets is adjusted, if necessary, by way of a valuation allowance to reflect the estimated realizable amount.

The following accounting policies involve judgements or assessments made by management:

- The determination of categories of financial assets and financial liabilities;
- The determination of a cash-generating unit for assessing and testing impairment;
- The allocation of exploration costs to cash-generating units
- The determination of when an exploration and evaluation asset moves from the exploration stage to the development stage

- The determination of the functional currency of the Company.

Accounting policies

Principles of consolidation

These consolidated financial statements incorporate the financial statements of the Company and its wholly owned Peruvian subsidiary, Minera Strait Gold Peru S.A.C. ("MSG Peru"). All intercompany transactions, balances, income and expenses are eliminated upon consolidation.

Cash and cash equivalent

Cash and cash equivalent consist of cash balances and demand deposits in a Canadian chartered bank which have an initial term of less than 90 days.

Restricted cash

Restricted cash consists of Peruvian value added tax that can only be applied against the payment of future payroll and corporation tax liabilities of MSG Peru.

Mineral properties

None of the Company's mineral properties has reached the development stage and as a result are considered exploration and evaluation assets. The Company capitalizes all expenditures that result in the acquisition and retention of mineral properties or an interest therein. The amount shown for mineral properties represents costs to date, as reduced by impairments, and does not necessarily reflect present or future values. If the properties are sold, allowed to lapse or are no longer of interest, accumulated costs are written off.

Expenditures on properties in which the Company does not have a registered or contractual interest are expensed as incurred.

Impairment of non-financial assets

The Company reviews and evaluates the recoverable amount of its mineral properties when events or changes in circumstances indicate that the carrying amounts of assets or groups of assets might not be recoverable. For the purposes of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use (being the present value of expected future cash flows of the asset). At the end of each reporting period, non-financial assets are reviewed for impairment to determine if there is any indication that the carrying amount may not be recoverable.

Indicators for an impairment review arise typically when any one of the following circumstances applies:

- (i) substantive expenditure on further exploration and evaluation is not planned
- (ii) title to the asset is compromised
- (iii) adverse changes in the regulatory or taxation environment
- (iv) adverse changes in commodity prices and markets

The existence of any of the above conditions may signify that an impairment exists in the fair value of properties.

The recoverability of the carrying values of the properties is dependent on the ability of the Company to obtain the necessary financing and permits to continue exploration, the establishment of economically recoverable reserves, future profitable production and/or proceeds from the disposition thereof.

Long-term assets

The Company monitors the recoverability of long-lived assets, based on factors such as current market value, future asset utilization, business climate and future undiscounted cash flows expected to result from the use of the related assets. The Company's policy is to record an impairment loss in the period when it is determined that the carrying amount of the asset may not be recoverable. The impairment loss is calculated as the amount by which the carrying amount of the asset exceeds the undiscounted estimate of future cash flows from the asset.

Fixed assets

Fixed assets, which consist of office equipment, are being amortized on a straight-line basis over a period of three years.

Restoration, Rehabilitation and Environmental Obligations

A legal or constructive obligation to incur restoration, rehabilitation and environmental costs may arise when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, as soon as the obligation to incur such costs arises. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either a unit-of-production or the straight-line method as appropriate. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation.

Costs for restoration of subsequent site damage which is created on an ongoing basis during production are provided for at their net present values and charged against profits as extraction progresses. The Company has no material restoration, rehabilitation and environmental costs as the disturbance to date is minimal.

Foreign currencies

The presentation currency of the Company is the Canadian dollar. The functional currency of the Company is the Canadian dollar. The functional currency of the Company's subsidiary, MSG Peru is the US dollar. The functional currency determinations were made by management based on an analysis of factors identified in IAS 21, The Effects of Changes in Foreign Exchange Rates.

These consolidated financial statements have been translated into Canadian dollars in accordance with IAS 21. This standard requires that assets and liabilities be translated using the exchange rate at period end and that income and expenses and cash flow items be translated using the rate that approximates the exchange rate at the date of the transactions (i.e. average exchange rate for the period).

Transactions in currencies other than the functional currency are recorded at rates of exchange prevailing at the dates of the transactions. At each financial reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the rates prevailing at the date of the statement of financial position. Non-monetary items that are measured in terms of historical cost in foreign currency are not re-translated.

Share based compensation

Share based compensation arising out of the fair value of options granted under the Company's share option plan is recognized as a share based payment expense with a corresponding increase in equity. The fair value is measured at the grant date and each tranche is recognized on a graded-vesting basis over the period during which the options vest. The fair-value of the options granted is measured using the Black-Scholes option pricing model. At the end of each financial reporting period the amount recognized as an expense is adjusted to reflect the actual number of options that are expected to vest.

Comprehensive income

The Company includes in comprehensive income certain gains and losses arising from changes in fair value. Comprehensive income would include the following unrealized gains and losses which are potentially relevant to the Company: changes in the currency translation adjustment arising from translating the financial results of foreign operations to the Company's reporting currency, and unrealized gains and losses on available-for-sale investments.

Income taxes

The Company follows the liability method of accounting for income taxes. Under the liability method deferred tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities and are measured using the substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse.

Loss per share

Loss per share is calculated using the weighted average number of common shares outstanding during the year. Since the Company is in a loss position, the effects of exercising share purchase options and warrants are anti-dilutive.

Share issuance cost

Professional, consulting, regulatory and other costs directly attributable to financing transactions are recorded as deferred financing costs until the financing transactions are completed, if the completion of the transaction is considered likely; otherwise they are expensed as incurred. Share issue costs are charged to share capital when the related shares are issued. Deferred financing costs related to financing transactions that are not completed are charged to expenses.

Financial Instruments – recognition and measurement

The Company does not have any derivative financial instruments.

All financial assets are classified into one of the following four categories: fair value through profit or loss ("FVTPL"), held to maturity ("HTM"), available for sale ("AFS") and loans and receivables.

Financial assets are classified as FVTPL when the financial asset is held for trading or it is designated as FVTPL. Financial assets classified as FVTPL are stated at fair value and changes are recognized in profit or loss. HTM investments are recognized on a trade-date basis and are initially measured at fair value, including transaction costs. AFS financial assets subsequent to initial recognition are measured at fair value and changes therein, other than impairment losses and foreign currency differences on AFS monetary items, are recognized in other comprehensive income or loss. When an investment is derecognized, the cumulative gain or loss in the investment revaluation reserve is transferred to profit or loss. Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

The Company's cash, and restricted cash have been classified as FVTPL financial assets. The Company does not presently have any financial assets designated as AFS. The carrying value of the Company's cash, and restricted cash approximates their fair value due to their short-term nature.

The Company has the following non-derivative financial liabilities: amounts payable and accrued liabilities. The carrying value of financial liabilities approximates their fair value due to their short-term nature.

Impairment of financial assets:

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income or loss are reclassified to profit or loss in the period. Financial assets are assessed for indicators of impairment at the end of each reporting period.

Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been impacted. For marketable securities classified as AFS, a significant or prolonged decline in the fair value of the securities below their cost is considered to be objective evidence of impairment.

For all other financial assets objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial reorganization.

Risk and uncertainties

The operations of the Company are speculative due to the nature of its business which is the investment in the exploration and development of mining properties. These risk factors could materially affect the Company's future operating results and could cause actual events to differ materially from those described in forward-looking statements relating to the Company.

Operating Hazards and Risks

Exploration and development of natural resources involves many risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. Operations in which the Company has a direct or indirect interest will be subject to all the hazards and risks normally incidental to exploration, development and production of resources, any of which could result in work stoppages, damage to persons or property and possible environmental damage. Although the Company has or will obtain liability insurance in an amount which it considers adequate, the nature of these risks is such that liabilities might exceed policy limits, the liabilities and hazards might not be insurable against, or the Company might not elect to insure itself against such liabilities due to high premium costs or other reasons, in which event the Company could incur significant costs that could have a material adverse effect upon its financial condition.

Title to Assets

Although the Company has or will receive title options for any concessions in which it has or will acquire a material interest, there is no guarantee that title to such concessions will be not challenged or impugned. In some countries, the system for recording title to the rights to explore, develop and mine natural resources is such that a title opinion provides only minimal comfort that the holder has title. Also, in many countries, claims have been made and new claims are being made by aboriginal peoples that call into question the rights granted by the governments of those countries.

The successful exploration and development of the Company's properties is dependent on support from local communities. A community agreement may be required to permit the Company to conduct exploration activities on its projects. There is no assurance that such an agreement can be reached or, if reached, subsequently renewed or extended. The Company is committed to working in partnership with its local communities in a manner which fosters active participation and mutual respect. The Company works towards minimizing negative project impacts, encouraging certain joint consultation processes, addressing certain decision making processes and towards maintaining meaningful ongoing dialogue. The Company regularly consults with the communities close to its exploration and development activities.

Management

The Company is dependent on a relatively small number of key employees, the loss of any of whom could have an adverse effect on the Company.

Requirement of New Capital

As an early exploration/development company, the Company typically needs more capital than it has available to it or can expect to generate through the sale of its products. In the past, the Company has had to raise, by way of debt and equity financing, considerable funds to meet its capital needs. There is no guarantee that the Company will be able to continue to raise funds needed for its business. Failure to raise the necessary funds in a timely fashion will limit the Company's growth. It is the intention of the company to invest in cash-flowing assets, to migrate the business into a situation where the need to raise capital on the markets for continued operation is reduced over time.

Metals Pricing Risk

The feasibility of the Company's mineral exploration and development is significantly affected by changes in the market price of gold, copper and silver. Gold prices fluctuate widely and are affected by numerous factors beyond the Company's control. The level of interest rates, the rate of inflation, world supply of gold and stability of exchange rates can all cause significant fluctuations in gold prices. Such external economic factors are in turn influenced by changes in international investment patterns and monetary systems and political developments.

Risk of Foreign Operations

In Peru, the jurisdiction in which the Company has its operations and mineral properties, the Company is subject to various political, economic and other uncertainties, including the risks of civil unrest, expropriation, nationalization, renegotiation or nullification of existing concessions, licenses, permits, approvals and contracts, and changing political conditions. In addition, in the event of a dispute arising from foreign operations, the Company may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdiction of courts in Canada. It is not possible for the Corporation to accurately predict such developments or changes in laws or policy or to what extent any such changes may have a material adverse effect on the Company's operations.

Other Significant Risks

In addition to the foregoing, the Company's business risks include operating hazards, environmental and other government regulations, competition in the marketplace, and the market for our securities. Its properties are located in Peru and are subject to the laws and regulations of that country. The Company carries on its exploration activity outside of Canada. Accordingly, it is subject to the risks associated with the fluctuation of the rate of exchange of the Canadian dollar and foreign currencies, in particular the US dollar and the Peruvian soles. Such fluctuations may materially affect the Company's financial position and results.

Forward-Looking Statements

This MD&A contains forward-looking statements that involve risks and uncertainties, which may cause actual results to differ materially from the statements made. When used in this document, the words "may", "would", "could", "will", "intend", "plan", "anticipate", "believe", "estimate", "expect" and similar expressions are intended to identify forward-looking statements. Such statements reflect our current views with respect to future events and are subject to such risks and uncertainties. Many factors could cause our actual results to differ materially from the statements made, including those factors discussed in filings made by us with the Canadian securities regulatory authorities. Should one or more of these risks and uncertainties, such as the actual results of current exploration and development programs, the general risks associated with the mining industry, the price of gold and other metals, reduced funding, currency and interest rate fluctuations, increased competition and general economic and market factors, occur or should assumptions underlying the forward-looking financial statements prove incorrect, actual results may vary materially from those described herein as intended, planned, anticipated or expected. We do not intend and do not assume any obligation to update these forward-looking statements, except as required by law. Shareholders are cautioned not to put undue reliance on such forward-looking statements.

This MD&A has been approved by the Board of Directors of the Company, and contains certain information that is current to the date of this report. Events occurring after that date could render the information contained herein inaccurate or misleading in a material respect. The Company may, but is not obligated to, provide updates to forward-looking statements, including in subsequent news releases and its interim MD&A as filed with regulatory authorities. Additional information relating to the Company is available on the System for Electronic Document Analysis and Retrieval ("SEDAR") at <http://www.sedar.com>.

Qualified person

The technical information in this Management Discussion and Analysis has been prepared in accordance with the Canadian regulatory requirements set out in National Instrument 43-101 and reviewed on behalf of the Company by Mr. Dean Pekeski, P. Geo., of Kraven Geological Inc., a Qualified Person.

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Shares Listed

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