DiscoveryMetals

(formerly Ayubowan Capital Ltd.)

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three-months ended March 31, 2018
and
the three-months ended February 28, 2017

Dated May 17, 2018

MANAGEMENT'S RESPONSIBILTY FOR FINANCIAL REPORTING

This Management's Discussion and Analysis ("MD&A") of Discovery Metals Corp. (formerly Ayubowan Capital Ltd.) and its wholly-owned subsidiaries (together referred to as the "Company" or "Discovery Metals"), has been prepared to enable a reader to assess material changes in financial condition and results of operations as at and for the three months ended March 31, 2018 ("Q1 2018"). This MD&A, and the discussion of performance, financial condition and future prospects contained herein, should be read in conjunction with the Company's audited annual consolidated financial statements for the four months ended December 31, 2017 and year ended August 31, 2017 and accompanying notes (the "consolidated financial statements"), prepared in accordance with International Financial Reporting Standards ("IFRS") and the Company's unaudited condensed interim consolidated financial statements for the three months ended March 31, 2018 (the "interim financial statements"), prepared in accordance with International Accounting Standard 34 – *Interim Financial Reporting* ("IAS 34"). The information provided herein supplements, but does not form part of, the interim financial statements and includes financial and operational information from the Company's subsidiary. This discussion also covers the three-month comparative period ended February 28, 2017 and the subsequent period up to the date of this MD&A.

All dollar amounts are presented in Canadian dollars ("CAD"), the Company's functional currency, except where otherwise noted. References to United States dollars are denoted as "USD$". Additional information relating to the Company is available on SEDAR at www.sedar.com and on the Company's website at www.dsvmetals.com.

The Company's certifying officers, based on their knowledge and having exercised reasonable diligence, are also responsible to ensure that this MD&A and related interim financial statements do not contain any untrue statement of material fact and do not omit any required statement of material fact with respect to the periods reported. The interim financial statements, together with the other financial information included in this MD&A present fairly in all material respects the financial condition, results of operations and cash flows of the Company, as at the date of and for the periods presented in this MD&A. This MD&A contains forward looking information that is subject to risk factors set out in the cautionary note herein.

The Company's Board of Directors' (the "Board") review is accomplished principally through the Company's Audit Committee, which meets periodically to review all financial reports, prior to filing. The Board has approved the interim financial statements and this MD&A, as well as ensured that the Company's management ("Management") has discharged its financial responsibilities. Information in this MD&A is prepared as at May 17, 2018.

Change in year-end

During the four months ended December 31, 2017, the Company changed its fiscal year-end to December 31 from August 31. As a result, the comparative period for the three months ended March 31, 2018 is the three-month period ended February 28, 2017. Certain of the comparative figures have been reclassified to conform with the current period presentation.

DESCRIPTION OF BUSINESS

Discovery Metals is a mineral exploration company whose main objective is to identify and successfully define and develop mineral deposits, primarily in Mexico.

The Company was incorporated on October 10, 1986 under the laws of British Columbia as Ayubowan Capital Ltd. On June 13, 2017, the Company's name was changed to Discovery Metals Corp. The Company is listed on the TSX Venture Exchange (the "Exchange" or "TSXV") under the symbol "DSV". The Company's head office is located at Suite 701 - 55 University Avenue, Toronto, Ontario, M5J 2H7.

Discovery Metals' former business was through its wholly owned operating company, Abode Mortgage Corporation ("AMC"), an underwriting entity focused primarily on the origination and servicing of mortgages from various distribution channels. AMC permanently closed its mortgage operation on March 4, 2010. There were no operations from that date and until the completion of the change of business transaction (the "Transaction") on August 17, 2017. Refer to the Press Release dated August 17, 2017 available on SEDAR at www.sedar.com or on the Company's website at www.discoverymetals.com. During Q1 2018, AMC was liquidated.

On March 21, 2017 the Company incorporated a 100% wholly owned subsidiary in Mexico, Discovery Metals, S.A. de C.V. ("Discovery Mexico").

On May 1, 2017, the Company announced it had entered into a mineral exploration and option agreement on the Puerto Rico Property in Coahuila, Mexico. The Puerto Rico Property is the Company's qualifying property under the TSXV's policies. Over the next several months the Company signed option agreements on six other properties in Coahuila, Mexico.

On July 17 and July 19, 2017, the Company completed the first and second tranches respectively, of a non-brokered private placement (the "Offering"). Aggregate gross proceeds from both tranches of the Offering were $15,618,500. The proceeds of the Offering were held in escrow, pending the Company receiving all applicable regulatory approvals and completing the Transaction. Subsequently, on August 17, 2017, the Company completed the Transaction and began trading on the Exchange as a junior exploration company.

Q1 2018 HIGHLIGHTS

For the three-months ended March 31, 2018

On February 5, 2018, the Company provided an update and announced its exploration program for 2018 (the "2018 Program"). The budget of the 2018 Program is approximately $5.2M and includes extensive field work, surface and underground drilling, and permitting activities. The goal of the 2018 Program is to systematically test the Company's projects through extensive geological mapping and geochemical sampling programs and geophysics, followed by prioritized first-stage drill programs. The Company then plans to advance the top three or four of the projects through a second-stage exploration and drill program with the goal of producing a maiden resource on each of the priority projects in 2019. In partnership with reputable, Mexico-based geological services companies, Discovery Metals has assembled mapping / sampling field teams to quickly and efficiently advance the projects to the drill-ready stage.

Highlights include:

- Diamond drilling program was carried out at the La Kika project ("La Kika") with approximately 750 m in 20 holes completed;

- 2018 exploration budget of approximately $5.2M encompassing geological mapping, geochemical sampling, geophysics and first-stage drill testing of up to seven of the Company's projects; and
- Mapping and sampling programs are currently underway at the Puerto Rico project ("Puerto Rico"). Mapping and sampling programs are also underway at the Minerva and Monclova projects ("Minerva" and "Monclova", respectively), with drilling planned for the second half of 2018.

Refer to the Press Release dated February 5, 2018 available on SEDAR at www.sedar.com and on the Company's website at www.discoverymetals.com.

On March 15, 2018, the Company announced that it had intersected near-surface, high-grade zinc and had significantly expanded the prospective area at La Kika. The aim of the program was to test the extent of the very shallow mineralization located near historic workings.

Highlights include:

- 750 m of drilling was completed in 20 holes over an approximate area of 100m by 100m. The average drill hole depth was approximately 35 m.
- Several near-surface occurrences of high-grade manto-style mineralization were intersected.
- Select intercepts from the drilling include:
  - 1.1m of 10.41% Zn, including 16.65% Zn over 0.6m, 7m from surface, in Hole LK-17-18.
  - 1.5m of 12.77% Zn, including 30.63% Zn over 0.4m, 7m from surface, in Hole LK-18-18.
- Property-wide geochemical sampling identified strong and coincident Zn and Pb anomalies. The surface extent of the geochemical anomalies identified a 1.5km by 0.8km area; this opens up the area for future exploration on the property to the north significantly.
- Refer to the Press Releases dated March 15, 2018 available on SEDAR at www.sedar.com and on the Company's website at www.discoverymetals.com.

RECENT DEVELOPMENTS

On May 16, 2018, the Company announced the results of initial sampling at the Minerva project ("Minerva").

Highlights include:

- First-ever modern surface exploration results from Minerva, situated in a past-producing district.
- 152 total samples, of which 146 were taken as channels from surface outcrops.
- Preliminary mapping and sampling results suggest the presence of a large Ag-Pb-Zn skarn / carbonate replacement (CRD) system at shallow depth.
- Highlights of channel samples received to date include 1,775 g/t Ag, 25.8% Zn and 14.5% Pb at surface.

Refer to the Press Release dated May 17, 2018 available on SEDAR at www.sedar.com and on the Company's website at www.discoverymetals.com.

On April 30, 2018, the Company announced the results of initial detailed underground channel sampling at the Puerto Rico Project ("Puerto Rico").

Highlights include:

- First-ever detailed continuous sampling program carried out at Puerto Rico. Assays of 100 channels received to date, all from the Zaragoza mine ("Zaragoza"), representing one full level and half of a second level. Across Puerto Rico, 600 channels have been collected to date and the sampling program is still on-going.
- Select significant channel samples include:
    - 2.1m of 822 g/t Ag, 2.1% Zn, 2.5% Pb, 0.7% Cu, including 0.6m of 1675 g/t Ag, 2.2% Zn, 4.0% Pb and 1.1% Cu (samples 215073-74);
    - 1.8m of 55 g/t Ag, 27.9% Zn, 2.9% Pb, 0.1% Cu (samples 215065-66);
    - 3.3m of 175 g/t Ag, 2.1% Zn, 15.2% Pb, 0.2% Cu, including 1.0m of 257 g/t Ag, 0.3% Zn, and 9.5% Pb (samples 215037-38, 44);
    - 2.3m of 62 g/t Ag, 9.2% Zn, 6.5% Pb and 0.1% Cu, including 0.9m of 106 g/t Ag, 1.6% Zn, 13.3% Pb, and 0.1% Cu, (samples 215061-62);
    - 1.3m of 75 g/t Ag, 16.8% Zn, 3.2% Pb, and 0.1% Cu (sample 215092).
- Strong grade and width continuity of mineralization over entire workings sampled. Average manto grades of 157 g/t Ag, 6.2% Zn, 5.5% Pb, 0.1% Cu (arithmetic mean of all 37 manto samples) over two levels at Zaragoza have been sampled to date.

Refer to the Press Release dated April 30, 2018 available on SEDAR at www.sedar.com and on the Company's website at www.discoverymetals.com.

2018 OUTLOOK

As Discovery Metals is still in its first twelve months of operations, the Company remains in the very early stages of developing exploration programs and working on the seven properties for which it signed option agreements.

Management believes initial samples taken at Puerto Rico provided encouraging results. The widths and grades in this initial sampling indicate that economically robust polymetallic grades potentially occur on the project, and that a substantial program of geology, geophysics, geochemistry, and drilling is merited. A detailed compilation program, based on historic production and exploration data, is underway. The Company began surface exploration work in Q1 2018, which includes extensive high-quality remote sensing to detect alteration patterns, geologic mapping, extensive rock-chip geochemistry using both hand-held XRF and laboratory-submitted samples, and ground geophysics. The Company plans to begin drilling, subject to receiving permits, in Q3 2018.

While the Company's main focus in fiscal 2018 will be on Puerto Rico, other activities will include testing its other six properties with surface exploration work and drilling.

As noted previously, the Company's 2018 budget is approximately $5.2 million. There are no present plans for any material capital expenditures in the next twelve months. As such, the Company is sufficiently capitalized to support the budget forecast.

(Expressed in Canadian dollars, except where otherwise noted)

SELECTED CONSOLIDATED FINANCIAL INFORMATION

		Three Months Ended March 31, 2018		Three Months Ended February 28, 2017
Net loss:				
(a) Total	**$**	**(1,546,500)**	$	(146,300)
(b) basic and diluted per share	**$**	**(0.02)**	$	-
Net loss and total comprehensive loss	**$**	**(1,645,433)**	$	(146,300)
Cash and cash equivalents	**$**	**10,317,254**	$	935,991
Total assets	**$**	**12,137,236**	$	941,220
Total current liabilities	**$**	**358,225**	$	64,258
Total weighted average shares outstanding		**65,043,998**		32,669,998

REVIEW OF QUARTERLY CONSOLIDATED FINANCIAL RESULTS

Three Months Ended March 31, 2018 vs. Three Months Ended February 28, 2017

Net loss and total comprehensive loss

The Company had a net and total comprehensive loss of $1,645,433 for the three months ended March 31, 2018, compared to a net and total comprehensive loss of $146,300 for the three months ended February 28, 2017. As described earlier, during the year ended August 31, 2017, the Company actively evaluated a number of business opportunities, eventually signed a number of option agreements on properties in Coahuila, Mexico, and by August 31, 2017, had changed its business to become a Tier 2 exploration company on the TSX-V. As a result of commencing operations, expenses were significantly higher for the three months ended March 31, 2018 when compared to the three months ended February 28, 2017. The net and total comprehensive loss for the three months ended March 31, 2018 includes a non-cash currency translation adjustment of $98,933 as a result of the translation of Discovery Mexico's MXP functional currency financial statements to the Company's presentation currency of CAD on consolidation (three months ended February 28, 2017 - $nil).

Share-based compensation expense

The Company incurred non-cash share-based compensation expenses of $169,433, compared to $nil during the three months ended February 28, 2017 as a result of stock options being granted in the periods subsequent to February 28, 2017.

Exploration and project evaluation expense

The Company incurred exploration and project evaluation costs of approximately $1,186,436 compared to $94,529 during the three months ended February 28, 2017. This increase is the direct result of work being performed on the Company's properties and includes approximately $600 thousand spent on Puerto Rico (comprised primarily of $478 thousand for permitting and $43 thousand on assays), approximately $208 thousand spent on La Kika (comprised primarily of $149 thousand for drilling), $207 thousand spent on Monclova (comprised primarily of $40 thousand, $46 thousand and $30 thousand for surface access rights, assays and salaries and benefits, respectively), approximately $169 thousand spent on Minerva (comprised primarily of $24 thousand, $38 thousand and $30 thousand spent on surface access, assays and salaries and benefits, respectively) with remainder of approximately having been spent on mining duties across all properties and general project expenses. The expense for the three months ended February 28, 2017 relates to due diligence and consulting costs involved in researching potential investment opportunities.

(Expressed in Canadian dollars, except where otherwise noted)

General office and other expenses

During the three months ended March 31, 2018, the Company incurred general office and other expenses of $437,511 compared to $19,112 for the three months ended February 28, 2017. This increase is the direct result of a full quarter of operations and related expenses which did not exist during the three months ended February 28, 2017. The Company had no paid officers, directors or employees up to the Transaction date, and did not set up the corporate office until the four-months ended December 31, 2017.

Professional fees

During the three months ended March 31, 2018, the Company incurred professional fees of $29,438 compared to $18,429 during the three months ended February 28, 2017. This increase is primarily the result of the inclusion of $15,057 in audit and accounting fees (services that did not exist for the three months ended February 28, 2017), offset by a decrease of $4,809 in legal fees.

Foreign exchange (gain) loss

The company incurred a foreign exchange gain of $242,010 during the three months ended March 31, 2018 compared to a foreign exchange loss of $14,230 during the three months ended February 28, 2017. The change is the result of an appreciation of the MXP against the CAD combined with an appreciation of the USD against the CAD during the period. The Company remains unhedged with respect to foreign currency.

SUMMARY OF CONSOLIDATED QUARTERLY RESULTS

	Three Months Ended March 31, 2018	Four Months Ended December 31, 2017[2]	Three Months Ended August 31, 2017	Three Months Ended May 31, 2017
Net loss				
(a) Total	**($1,546,500)**	($1,901,029)	($2,100,859)	($320,265)
(b) basic and diluted per share	**($0.02)**	($0.03)	($0.05)	($0.01)
Net loss and total comprehensive loss	**($1,645,433)**	($2,247,458)	($2,100,859)	($320,265)
Total assets	**$12,137,236**	$13,697,402	$15,912,142	$668,756
Total current liabilities	**$358,225**	$442,391	$802,667	$112,059
Total weighted average shares outstanding	**65,043,998**	65,043,998	38,652,150	32,669,999

(Expressed in Canadian dollars, except where otherwise noted)

	Three Months Ended			
	February 28, 2017	November 30, 2016	August 31, 2016	May 31, 2016
Net (loss) income				
(a) Total(1)	($146,300)	($1,021,187)	$5,092,772	($140,989)
(b) basic and diluted per share	($0.00)	($0.03)	$0.95	($0.12)
Net loss and total comprehensive (loss) income	($146,300)	($1,021,187)	$5,092,772	($140,989)
Total assets	$941,220	$1,037,107	$1,059,933	$111
Total current liabilities	$64,258	$13,845	$15,434	$5,623,384
Total weighted average shares outstanding	32,669,998	32,669,999	5,637,388	1,169,998

1) Net income during the three months-ended August 31, 2016 relates to debt forgiveness as a result of the Company's reorganization of debt to creditors.

2) As a result of the change in year-end from August 31 to December 31, the transition period was the four-month period ended December 31, 2017.

Three Months Ended March 31, 2018 vs. Four Months Ended December 31, 2017

Net loss and total comprehensive loss

The Company had a net and total comprehensive loss of $1,645,433 for the three months ended March 31, 2017, compared to a net and total comprehensive loss of $1,901,029 for the four months ended December 31, 2017. The net and total comprehensive loss for the three months ended March 31, 2018 includes a non-cash currency translation loss of $98,933 compared to a non-cash currency translation loss of $346,429 for the four-months ended December 31, 2017. Currency translation adjustments are the result of the translation of Discovery Mexico's MXP functional currency financial statements to the Company's presentation currency of CAD on consolidation.

Share-based compensation expense

The Company incurred non-cash share-based compensation expenses of $169,433 during the three months ended March 31, 2018, compared to $392,994 during the four months ended December 31, 2017. This decrease is due to the issuance of a greater quantity of stock options during the comparative period with the inception of the Company.

Exploration and project evaluation expense

The Company incurred exploration and project evaluation costs of $1,186,436 compared to $758,628 during the four months ended December 31, 2017. This increase is the direct result of the implementation of the Company's 2018 exploration plan and includes increases in permitting at Puerto Rico of approximately $346 thousand, drilling at La Kika of approximately $80 thousand, assays across all projects of approximately $117 thousand and increases in mining duties of approximately $37 thousand (paid semi-annually). These increases were offset by decreases in expenditures on surface access rights of approximately $89 thousand and site access of approximately $75 thousand.

General office and other expenses

During the three months ended March 31, 2018, the Company incurred general office and other expenses of $437,511 compared to $748,075 during the four months ended December 31, 2017. This decrease is primarily the result of a four-month comparative period in addition to the normalization of expenses as operations become steady post-inception of the Company.

Professional fees

During the three months ended March 31, 2018, the Company incurred professional fees of $29,438 compared to $268,048 during the four months ended December 31, 2017. This decrease is primarily due to the normalization of costs during the period after the Transaction.

Foreign exchange (gain) loss

The company incurred a foreign exchange gain of $242,010 during the three months ended March 31, 2018 compared to a foreign exchange gain of $230,616 during the four months ended December 31, 2017. The change is the result of an appreciation of the MXP against the CAD combined with an appreciation of the USD against the CAD during the period. The Company remains unhedged with respect to foreign currency.

CASH FLOW

Three Months Ended March 31, 2018 vs. Three Months Ended February 28, 2017

The Company had net cash used in operating activities of $1,903,557 for the three months ended March 31, 2018 compared to net cash used in operating activities of $101,116 for the three months ended February 28, 2017. This increase is a direct result of a full three months of operating activities when compared to the prior year when the Company's exploration activities had not begun.

The Company had net cash used in investing activities of $63,287 for the three months ended March 31, 2018 compared to net cash used in investing activities of $nil for the three months ended February 28, 2017. Investing activities for the current period includes the acquisition of a vehicle in Mexico, office equipment and computer equipment.

The Company did not have any financing activity during the three months ended March 31, 2018 or the three months ended February 28,2017.

Three Months Ended March 31, 2018 vs. Four Months Ended December 31, 2017

The Company had net cash used in operating activities of $1,903,557 for the three months ended March 31, 2018 compared to net cash used in operating activities of $2,072,705 for the four months ended December 31, 2017. This decrease in cash used is primarily the result of lower expenditures in general office and other expenses and professional fees during Q1 2018 partially offset by an increase in exploration expenses.

The Company had net cash used in investing activities of $63,287 for the three months ended March 31, 2018 compared to net cash used in investing activities of $307,779 for the four months ended December 31, 2017.

(Expressed in Canadian dollars, except where otherwise noted)

Investing activities for the current period include the acquisition of a vehicle in Mexico, office equipment and computer equipment while investing activities for the four months ended December 31, 2017 include the acquisition of two vehicles, office and field equipment in addition to the final payment for the Option Agreements which was previously included in payables.

The Company did not have any financing activity during the three months ended March 31, 2018 or the four months ended December 31, 2017.

CAPITAL MANAGEMENT AND LIQUIDITY

The Company defines capital as its shareholder's equity (comprised of issued share capital, contributed surplus and deficit). The Company's objectives when managing capital are to support the Company's main activities of identifying, defining and developing mineral deposits, thus creating shareholder value, as well ensuring that the Company will be able to meet its financial obligations as they become due.

The Company manages its capital structure to maximize its financial flexibility to enable the Company to respond to changes in economic conditions and the risk characteristics of the underlying assets and business opportunities. The Company does not presently utilize any quantitative measures to monitor its capital, but rather relies on the expertise of the Company's management to sustain the future development of the business. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. As at March 31, 2018, the Company does not have any long-term debt outstanding and is not subject to any externally imposed capital requirements or debt covenants. There was no change to the Company's approach to capital management during the three months ended March 31, 2018.

As at March 31, 2018, the Company had working capital of $10,398,876 (December 31, 2017 – $12,043,101), shareholders' equity of $11,779,011 (December 31, 2017 – $13,255,011) and an accumulated deficit of $23,145,189 (December 31, 2017 – $21,598,689). The Company is sufficiently capitalized to complete planned initial exploration programs on its properties for the current fiscal year. However, the Company will likely require additional financing to accomplish its long-term strategic objectives. Future funding may be obtained by means of issuing share capital, debt financing or a combination of both and will be assessed by Management at that time.

SHARE CAPITAL

There were no changes in share capital during the three-months ended March 31, 2018. A summary of the shares issued and outstanding as at March 31, 2018 is as follows:

	Common Shares		Amount
As at August 31, 2017	65,043,998	$	23,539,388
As at December 31, 2017	65,043,998	$	23,539,388
As at March 31, 2018	**65,043,998**	**$**	**23,539,388**

(Expressed in Canadian dollars, except where otherwise noted)

OUTSTANDING SHARE DATA

As at May 17, 2018 the Company had the following equity securities and convertible securities outstanding:

	Authorized	**Number and Type Outstanding**
Voting or Equity Securities Issued and Outstanding	Unlimited Common Shares	65,043,998 Common Shares
Securities convertible or exercisable into voting or equity securities-stock options	Stock Options to acquire up to 10% of outstanding Common Shares	Stock options to acquire 5,583,333 Common Shares
Securities convertible or exercisable into voting or equity securities-warrants	Warrants to acquire 32,908,960 Common Shares	Warrants to acquire 32,908,960 Common Shares

RELATED PARTY TRANSACTIONS

<u>Key management personnel</u>

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers.

A company partially owned by one of the directors of the Company, Oxygen Capital Corp. ("Oxygen"), provides access to administrative and exploration personnel and has made certain payments on behalf of the Company on an as-needed basis. Oxygen does not charge a fee to the Company, allocating all expenses at cost. Reimbursed expenses to Oxygen for the three months ended March 31, 2018 totalled $19,204 (three months ended February 28, 2017 - $nil). The Company also had $4,875 in expenses payable to Oxygen as at March 31, 2018 (December 31, 2017 - $34,431). These expenses are not included in the table below.

Similar to the arrangement with Oxygen, the Company reimbursed expenses of USD$756 (three months ended February 28, 2017 - $nil) to a company which has a Director in common. There were no expenses payable at March 31, 2018 (December 31, 2017 - of USD$4,958. These expenses are not included in the table below.

Transaction Type	**Nature of Relationship**	**Three Months Ended March 31, 2018**	Three Months Ended February 28, 2017
Share-based payments	Directors, officer and a company with a former director/officer in common	**$ 108,337**	$ -
General and administrative	A company with a Director/officer in common with the Company	**-**	14,250
Salaries and benefits	Officers	**136,059**	-
Directors fees	Directors	**43,750**	-
		$ 288,146	$ 14,250

(Expressed in Canadian dollars, except where otherwise noted)

Summary of amounts due to related parties:

Transaction Type	**Nature of Relationship**		**March 31, 2018**		December 31, 2017
Accounts payable and accrued liabilities	A director and a company with a director/officer in common with the Company	**$**	**1,554**	$	76,554
		$	**1,554**	$	76,554

FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, accounts receivable and deposits, and accounts payable and accrued liabilities.

Accounts receivable and deposits are classified as receivables and are measured at amortized cost using the effective interest method. Accounts payable and accrued liabilities are classified as other financial liabilities and are measured at amortized cost. These financial instruments approximate their fair value due to their short-term nature.

The fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Financial instruments are classified into one of three levels in the fair value hierarchy according to the degree to which the inputs used in the fair value measurement are observable.

Level 1 Unadjusted quoted prices in active markets for identical assets or 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.

As at March 31, 2018 the Company had no financial instruments classified as Level 2 or 3.

RISK FACTORS

The operations of the Company are speculative due to the high-risk nature of its business, which is the acquisition, financing, exploration and development of mining properties. For a detailed discussion of risks, refer to the Company's MD&A for the four months ended December 31, 2017 and the year ended August 31, 2017 dated April 24, 2018, which is incorporated by reference herein and available on SEDAR at www.sedar.com and on the Company's website at www.dsvmetals.com. For additional risks, refer to the Company's Filing Statement in Respect of a Change of Business dated August 3, 2017, available on SEDAR at www.sedar.com.

This MD&A also contains forward-looking information that involve risks and uncertainties. The Company's actual results could differ materially from those anticipated in these forward-looking statements as a result of the risks faced by the Company as described in the documents incorporated by reference herein. Refer to the "Cautionary Statement Regarding Forward-Looking Information".

(Expressed in Canadian dollars, except where otherwise noted)

Additional risks not currently known to the Company, or that the Company currently deems immaterial, may also impair the Company's operations. If any of the following risks occur, the Company's business, financial condition and operating results could be adversely affected.

Financial Risk Factors

The Company's has exposure to certain risks resulting from its use of financial instruments.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at March 31, 2018, the Company had a cash balance of $10,317,254 (December 31, 2017: $12,234,811) to settle current liabilities of $358,225 (August 31, 2017: $442,391). The Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

As at March 31, 2018, the Company has no sources of revenue to fund its operating expenditures. During the year-ended August 31, 2017, the Company closed a non-brokered private placement of 31 million common shares at a price of $0.50 per share for gross proceeds of $15,618,500. Management believes these financings will fund the Company's initial exploration work on the properties in Coahuila, Mexico as well as the existing administrative needs for the near term. However, the Company will require additional financing to accomplish the Company's long term strategic objectives. Future funding may be obtained by means of issuing share capital, or debt financing. If the Company is unable to continue to finance itself through these means, it is possible that the Company will be unable to continue as a going concern. Consequently, the Company is currently exposed to a moderate level of liquidity risk.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to fulfill an obligation and cause the other party to incur a financial loss. The Company's cash and cash equivalents, accounts receivable and prepaids and deposits are exposed to credit risk. The Company has assessed the credit risk on its cash and cash equivalents as low as its funds are held in highly rated Canadian financial institutions. Management deems the credit risk associated with sales tax receivable and prepaids and deposits to be at an acceptable level.

The Company's maximum exposure to credit risk related to certain financial instruments as identified below, approximates the carrying value of these assets on the Company's consolidated statements of financial position.

		March31, 2018		December 31, 2017
Cash and cash equivalents	**$**	**10,317,254**	$	12,234,811
Sales tax receivable		**411,238**		212,894
Prepaids and deposits		**28,609**		37,787
	$	**10,757,101**	**$**	12,485,492

Market Risk

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

Interest rate risk

The Company has significant cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in high-yield savings accounts. The Company regularly monitors its cash management policy. Management has determined interest rate risk to be low.

Foreign currency risk

The Company's functional currency is the Canadian dollar. At March 31, 2018, cash balances were held primarily in Canadian dollars. Foreign currency risk is the risk that the value of the Company's financial instruments denominated in foreign currencies will fluctuate due to changes in foreign exchange rates. Changes in the exchange rate between foreign currencies and the Canadian Dollar could have a significant impact on the Company's financial position, results of operations, and cash flows. The Company does not use derivative instruments to reduce its exposure to foreign currency risk.

The Company is mainly exposed to foreign currency risk on financial instruments (consisting of trade payables) denominated in USD and Mexican Pesos ("MXP").

As at March 31, 2018, the Company had the following foreign currency denominated trade payables:

		March 31, 2018		December 31, 2017
United States dollar	**$**	**113,539**	$	33,970
Mexican Peso		**79,293**		20,584
	$	**192,832**	$	54,554

It is estimated that a 10% fluctuation in the United States Dollar and Mexican Pesos against the Canadian dollar would affect net loss for the year by approximately $28,726 (August 31, 2017: $8,231).

As at March 31, 2018, Management has determined the Company's exposure to foreign currency risk to be at an acceptable level.

Price risk

The Company is exposed to price risk with respect to commodity prices and prices of equity securities. Equity security price risk is defined as the potential adverse impact on the Company's net income or loss due to movements in individual prices of equity securities or price movements in the stock market generally. Commodity price risk is defined as the potential adverse impact on net income or loss and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices, particularly as they relate to base metals, and movement in the price of individual equity securities movements and the stock market generally, to determine the appropriate course of action to be taken by the Company.

As at March 31, 2018, Management has determined the Company's exposure to price risk to be at an acceptable level.

COMMITMENTS AND CONTRACTUAL OBLIGATIONS

Puerto Rico Property

On completion of the permitting for the Puerto Rico Property, expected in the second half of 2018, the Company will have to pay USD$300,000 and issue 500,000 shares of the Company to the vendors of the properties.

Please refer to note 9 of the consolidated financial statements for a full description of the terms necessary to exercise the options on the exploration properties.

Other commitments

The Company has a five-year operating lease for premises and certain office equipment in Canada. Total payments made during the three months ended March 31, 2018 totalled $23,446 (three months ended February 28, 2017 - $nil). There have been no material changes to the total future minimum lease payments, under non-cancellable operating leases during the three months ended March 31, 2018.

SIGNIFICANT ACCOUNTING POLICIES

The Company's interim financial statements were prepared using the same accounting policies and methods of application as those disclosed in note 3 of the consolidated financial statements, except as noted in the "Changes in Accounting Policies" section.

CHANGES IN ACCOUNTING POLICIES

Application of new and revised accounting standards effective January 1, 2018

The Company has adopted certain new IFRS standards, amendments to standards and interpretations effective for annual periods beginning January 1, 2018. The Company determined there to be no material impact on the consolidated financial statements. Details of these accounting standards are disclosed in note 4(a) of the interim financial statements.

Future accounting standards and interpretations effective January 1, 2018 and thereafter

Certain new IFRS standards, and amendments to standards and interpretations, are not yet effective for the three months ended March 31, 2018, and have therefore not been applied in preparing these interim financial statements. The Company is currently evaluating the impact the following standards are expected to have on its consolidated financial statements. Details of these accounting standards are disclosed in note 4(b) of the interim financial statements.

CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the interim and consolidated financial statements in conformity with IFRS requires management to make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results could differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Critical accounting judgments and estimates include but are not limited to the Company's determination of: functional currency, the economic recoverability and probability of future economic benefits of exploration, evaluation and development costs, determination of useful lives, impairment charges, income taxes and share-based payments. The estimates of non-cash share-based payments expense involve considerable judgment and are, or could be, affected by significant factors that are out of the Company's control. Actual results could differ from those estimates.

Refer to the Company's MD&A for the four-months ended December 31, 2017 and the year ended August 31, 2017 available on SEDAR at www.sedar.com or on the Company's website at www.dsvmetals.com. During the three months ended March 31, 2018, there have been no changes to these critical accounting judgments and estimates.

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements.

QUALIFIED PERSON

The technical information in this MD&A was reviewed and approved by Taj Singh, M.Eng, P.Eng, President and CEO of the Company, who is recognized as a Qualified Person ("QP") under the guidelines of NI 43-101.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This MD&A includes "forward-looking statements", within the meaning of applicable securities legislation, which are based on the opinions and estimates of Management and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements. While these forward-looking statements, and any assumptions upon which they are based, are made in good faith and reflect our current judgment regarding the direction of our business, actual results could differ materially from any estimates, forecasts, predictions, projections, assumptions, or other future performance suggested herein.

Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "budget", "plan", "continue", "estimate", "expect", "forecast", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar words suggesting future outcomes or statements regarding an outlook. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements.

These forward-looking statements may include but are not limited to statements concerning:

- The Company's success at completing future financings;
- The Company's strategies and objectives;
- The Company's receipt of permits for the Puerto Rico Property;
- The availability of qualified employees for business operations;
- General business and economic conditions;
- The Company's ability to meet its financial obligations as they become due; and
- The Company's ability to identify, successfully negotiate and/or finance an acquisition of a new business opportunity.

Readers are cautioned that the preceding list of risks, uncertainties, assumptions and other factors are not exhaustive. Events or circumstances could cause actual results to differ materially from those estimated or projected and expressed in, or implied by these forward-looking statements. Due to the risks, uncertainties and assumptions inherent in forward-looking statements, investors in securities of the Company should not place undue reliance on these forward-looking statements.

ADDITIONAL INFORMATION

Additional information relating to the Company is available on the Company's website at www.dsvmetals.com or on SEDAR at www.sedar.com.