TOACHI MINING INC.

Annual Management's Discussion and Analysis

of the Financial Condition and Results of Operations

For the year ended July 31, 2018

November 19, 2018

This annual management discussion and analysis ("MD&A") has been prepared based on information available to Toachi Mining Inc. ("Toachi" or the "Company") as at November 19, 2018. The MD&A of the operating results and financial condition of the Company for the year ended July 31, 2018, should be read in conjunction with the Company's audited annual consolidated financial statements and the related notes as at and for the years ended July 31, 2018 and 2017 (the "Consolidated Financial Statements"). The Consolidated Financial Statements have been prepared by management in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and all amounts are expressed in Canadian dollars unless otherwise noted. Other information contained in this MD&A has also been prepared by management and is consistent with the data contained in the Consolidated Financial Statements. Additional information relating to the Company may be found under its profile on SEDAR at www.sedar.com.

MANAGEMENT'S ASSESSMENT OF INTERNAL CONTROL OVER FINANCIAL REPORTING ("ICFR")

Management is responsible for establishing and maintaining adequate internal control over the Company's financial reporting.

As the Company is a Venture Issuer (as defined under under *National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings*) ("NI 52-109"), the Company and Management are not required to include representations relating to the evaluation, design, establishment and/or maintenance of disclosure controls and procedures ("DC&P) and/or ICFR, as defined in NI 52-109, nor has it completed such an evaluation. Inherent limitations on the ability of the certifying officers to design and implement on a cost effective bases DC&P and ICFR for the issuer may result in additional risks of quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation. The reader is directed to disclosure of the inherent limitations of ICFR for small to mid-size companies under the ***Risks and uncertainties*** section of this MD&A with regards to **segregation of duties**.

CAUTIONARY NOTE

This document may contain or may refer to forward-looking information. Such forward-looking information includes, among other things, statements regarding targets, estimates and/or assumptions in respect of future production, capital costs and future economic, market and other conditions, and is based on current expectations that involve a number of business risks and uncertainties. Factors that could cause actual results to differ materially from any forward-looking statement include, but are not limited to: the grade and recovery of ore which is mined varying from estimates; exploration and development costs varying significantly from estimates; inflation; fluctuations in commodity prices; delays in the development of the any project caused by unavailability of equipment, labour or supplies, climatic conditions or otherwise; termination or revision of any debt financing; failure to raise additional funds required to finance the completion of a project; and other factors. Forward-looking statements are subject to significant risks and uncertainties and other factors that could cause actual results to differ materially from expected results. Readers should not place undue reliance on forward-looking statements. These forward-looking statements are made as of the date hereof and we assume no responsibility to update them or revise them to reflect new events or circumstances, except as required by law. See the section entitled ***Risks and uncertainties***.

CORPORATE

Toachi Mining Inc. is a minerals exploration company that was incorporated under the Canada Business Corporations Act on October 14, 2010, under the name of 7674279 Canada Inc. On November 26, 2010, the Company changed its name to Ferrum International Mining Inc. and further changed its name on January 28, 2011, to Ferrum Americas Mining Inc. ("Ferrum"). At a Special Meeting of Shareholders held on January 28, 2016, Ferrum received approval from its shareholders to change its name to Toachi Mining Inc. and to a 1-for-5 share consolidation (the "Consolidation"). On March 14, 2016, the Company announced the name-change, Consolidation and change of TSX Venture Exchange ("TSXV") ticker symbol to "TIM".

The Company's main and registered office is located at 120 Adelaide Street West, Suite 2400, Toronto, Ontario, M5H 1T1. The principal business activity of the Company is the development of the La Plata gold, copper, zinc and silver volcanogenic-massive-sulphide ("VMS") project in Ecuador.

On November 30, 2017, the Company transitioned the management and administration to Metaform Investments Inc. ("Metaform") from RG Mining Investments Inc. and on December 8, 2017, announced the appointment of Joseph Fazzini as the Company's Chief Financial Officer ("CFO").

On January 31, 2018, the Company appointed Alain Bureau as President and Chief Executive Officer ("CEO"), replacing Jonathan Goodman, who will transition from President and CEO to Chairman of the Board of Directors.

On February 20, 2018, the Company's common shares began trading on the OTCQB Venture Market in the United States under the symbol "TIMGF".

FINANCINGS

Shares issued

On November 24, 2017, the Company approved the issuance of 200,000 common shares with a deemed value of $0.23 per share, or $46,000 to the past president and chief executive officer of the Company. The 200,000 common shares were issued on February 6, 2018.

On April 13, 2018, the Company completed a strategic private placement and issued 20,000,000 units of the Company at a price of $0.15 per unit for aggregate gross proceeds of $3,000,000. Each unit is comprised of one common share in the capital of the Company and one-half common share purchase warrant, each whole warrant entitling the holder thereof to purchase one common share of the Company at an exercise price of $0.17 per share for 24 months following the closing date. Management and Directors of the Company subscribed for an aggregate of 8,916,669 Units as follows:

- Metaform Investments Mining LP, a company whose President and CEO is also the Chairman of the Board, subscribed for 3,333,334 Units;
- Mr. Alain Bureau, President and CEO of the Company, subscribed for 1,333,334 Units;
- Mr. Laurence Curtis, Director of the Company, subscribed for 500,000 Units;
- Mr. Eberhard Scherkus, Director of the Company, subscribed for 3,333,334 Units;
- Mr. Peter Nixon, Director of the Company, subscribed for 166,667 Units; and
- Mr. Joseph Fazzini, CFO of the Company, subscribed for 250,000 Units

The warrants had a grant-date fair value of $554,000 (as calculated using the Black-Scholes option pricing model, with assumptions detailed in note 11(d) of the Consolidated Financial Statements).

Options issued

On August 9, 2017, the Company issued an aggregate of 1,300,000 stock options to eligible participants of the Company's stock option plan. The stock options are exercisable into common shares of the Company at an exercise price of $0.44 all vesting upon issuance. The stock options have a five-year term to maturity and had a grant-date fair value of $0.42 each (as calculated using the Black-Scholes option pricing model, with assumptions detailed in note 11(c) of the Consolidated Financial Statements).

On October 5, 2017, the Company issued an aggregate of 300,000 stock options to eligible participants of the Company's stock option plan. The stock options are exercisable into common shares of the Company at an exercise price of $0.33 all vesting upon issuance. The stock options have a five-year term to maturity and had a grant-date fair value of $0.31 each (as calculated using the Black-Scholes option pricing model, with assumptions detailed in note 11(c) of the Consolidated Financial Statements).

On December 5, 2017, the Company issued an aggregate of 375,000 stock options to eligible participants of the Company's stock option plan. The stock options are exercisable into common shares of the Company at an exercise price of $0.22 all vesting upon issuance. The stock options have a five-year term to maturity and had a grant-date fair value of $0.21 each (as calculated using the Black-Scholes option pricing model, with assumptions detailed in note 11(c) of the Consolidated Financial Statements).

On February 2, 2018, the Company issued an aggregate of 1,050,000 stock options to eligible participants of the Company's stock option plan. The stock options are exercisable into common shares of the Company at an exercise price of $0.22 all vesting at 1/3 on date of grant; 1/3 on the first anniversary after date of grant; and 1/3 on the second anniversary after date of grant. The stock options have a five-year term to maturity and had a grant-date fair value of $0.16 each (as calculated using the Black-Scholes option pricing model, with assumptions detailed in note 11(c) of the Consolidated Financial Statements).

On May 9, 2018, the Company announced that the Board of Directors approved the grant of an aggregate of 400,000 stock options to certain newly-appointed, key staff employed in Ecuador. The options granted will be issued in accordance with the Company's current stock option plan. The options are exercisable into common shares of the Company at an exercise price of $0.14 all vesting 1/3 on date of grant; 1/3 on the first anniversary after date of grant; and 1/3 on the second anniversary after date of grant. The options have a five-year term to maturity and had a grant-date fair value of $0.13 each (as calculated using the Black-Scholes option pricing model, with assumptions detailed in note 11(c) of the Consolidated Financial Statements).

Going concern

The Consolidated Financial Statements have been prepared on the basis of accounting principles applicable to a going concern, which assume that Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. While the Company has been successful in securing financings in the past, there can be no assurance that it will be able to do so in the future. Accordingly, the Consolidated Financial Statements do not give effect to adjustments, if any, that would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and liquidate its liabilities in other than the normal course of business and at amounts that may differ from those shown in the Consolidated Financial Statements.

The Company currently doesn't generate revenue. However, management believes that there is sufficient working capital to support planned operations for the next 12 months. Management continues to work toward completing additional financings, as required.

The reader is also directed to review the following sections of this MD&A***:*** ***Liquidity and capital resources*** and ***Financial instruments – Fair value - liquidity risk***.

PROJECTS UPDATE

La Plata project

The Company has a binding option agreement with a private Ecuadorean company to earn between 60%-75% in the La Plata gold-rich copper-zinc-silver-lead volcanogenic massive sulphide project located approximately 100 km southwest of Quito, Ecuador. A first-phase exploration program began in August 2016 and as at the date of this MD&A, the Company has completed approximately 17,849 metres of drilling. The majority of this drilling was completed and incorporated into a maiden 43-101 resource estimate which the company announced on September 13, 2017. Please see the following link for more details: http://www.toachimining.com/_resources/news/pr_20170913.pdf.

Utilizing a 4 gram gold-equivalent cut-off grade, (AuEq g/t), the maiden resource was composed of Inferred Resources in the North and South Sectors of the La Mina deposit and totaled 1.9 million tonnes (Mt) grading 4.1 g/t gold, 49.4 g/t silver, 3.3 % copper, 4.5% zinc and 0.6% lead. A higher-grade subset of the La Mina resource residing in the South Sector includes 0.8 Mt grading 5.3 g/t gold, 71.1 g/t silver, 3.2% copper, 0.9% lead and 5.5% zinc. Additional information and cut-off grade sensitivity can be found in the September 13, 2017 press release.

Drilling completed subsequent to the resource cut-off date are part of an ongoing Regional Exploration focused on testing the limits of the La Mina deposit and assessing various other regional targets.

Recent Exploration Program Highlights

- Hole CMLP-17-90 intersected 5.00 metres (m) of disseminated sulphide mineralization grading 2.11 grams per tonne (g/t) gold, 6.78 g/t silver, 0.11% copper, 0.57% zinc and 0.15% lead from 86.24 m in the Regional Exploration target at Quebrada Romero Prospect.
- Hole CMLP-17-92 intersected 5.11 m grading 2.11 g/t gold, 26.17 g/t silver, 0.03% copper, 0.66% zinc and 0.39% lead from 388.9 m in the La Mina South zone.
- Hole CMLP-17-93 intersected 13.91 m grading 3.51 g/t gold, 64.24 g/t silver, 0.59% copper, 4.11% zinc and 0.85% lead from 339.43 m in the La Mina South zone, and has confirmed that the deposit extends to the East and with depth.
- A metallurgical optimization program is continuing at SGS Lakefield Research Ltd. in Canada, under the supervision of Dr. Simon Meik. Samples were sent to SGS in November with additional results expected in the coming months.
- Geophysical down-hole TEM surveys were completed in September on a 19 selected La Mina and Regional Exploration drill holes. Total surveyed core length was approximately 6,340 m.
- Toachi conducted a gravity survey on 2603 stations across the La Plata concessions with the work completed in mid-October. The Company collected gravity data which identified nine new, untested exploration targets at its La Plata.
- The gravity survey covered the La Mina deposit as well as the Central and North zone of the La Plata concessions. The processing of the geophysical surveys was recently completed with results press released on February 8, 2018 http://www.toachimining.com/_resources/news/pr_20180208.pdf
- In reviewing the survey results, the Company identified 9 priority targets comprising of coincident gravity and geochemical anomalies. These targets also correlate well with historical mapping and

trenching results. As the newly defined gravity anomalies are analogous to the La Mina deposit signature, Toachi intends to follow-up on these targets in 2018.

- Local site staff have already commenced surface exploration and mapping on these targets, most notably Lisica and Lucho. Initial work has confirmed favourable stratigraphy along with extensive pyrite mineralization within mafic volcanics. Additionally, sphalerite mineralisation was observed in one sampled outcrop.

Phil Fox, MAIG, a Qualified Person as defined by NI 43-101, has reviewed and approved the contents of this MD&A.

During the year ended July 31, 2018, the Company incurred $3,859,796 in exploration expenditures for the project. Details of the expenditures are as follows:

	Year ended July 31, 2018 $	Year ended July 31, 2017 $
Acquisition	320,513	269,098
Administrative	489,120	715,833
Assays	16,624	72,055
Camp costs	367,658	432,843
Community costs	329,737	58,547
Consulting	159,126	104,704
Drilling	1,187,622	3,011,781
Engineering	9,328	26,463
Environmental	91,768	155,500
General	73,273	29,582
Geology and geophysics	709,404	742,236
Legal and governmental	202,082	272,861
Travel	12,420	54,213
Total	**3,968,675**	**5,945,716**

La Plata option payment

On November 6, 2017, the Company made an option payment of US$250,000 pursuant to the Option Agreement (see note 7(a)(C)(ii) of the Consolidated Financial Statements).

Subsequent to July 31, 2018, pursuant to the La Plata project Option Agreement, the Company made a cash payment of US$350,000 to the optionor (see "Subsequent Event" section).

RESULTS OF OPERATION

The Company has not generated any operating revenue and therefore losses have been incurred throughout the year ended July 31, 2018 as well as the comparative year.

The Company's operations are not generally subject to seasonal variations. The timing of exploration activities is influenced primarily by the availability of funds and the identification of suitable exploration targets, however, due to either their location or nature the exploration of some properties may be restricted during certain times of the year due to climatic conditions.

Year ended July 31, 2018 vs. July 31, 2017

Loss for the year ended July 31, 2018 totalled $6,770,545 (2017 - $6,747,796), the result of exploration expenditures totalling $3,968,675, as noted above, together with general and administrative expenditures totalling $897,462; management fees of $595,298, investor relations of $185,649, share-based compensation of $836,066; consulting and professional fees of $274,164; depreciation of $399; and foreign exchange loss of $12,832.

Exploration and evaluation expenditures of $3,968,675 (2017 - $5,556,710)

Details on the type of exploration expenditures are disclosed in the chart above.

Current period expenditures reflect decreases in virtually all categories in the exploration program underway for the La Plata project.

General and administrative of $897,462 (2017 - $237,612)

The general and administrative expense consisted mainly of consulting fees of approximately $161,000, costs for trade show and related travel to promote the La Plata project of approximately $236,000, salaries of $185,000 and board of director fees for independent directors of approximately $54,000.

Management fees of $595,298 (2017 - $337,500)

The management fees during the year ended July 31, 2018 reflect fees paid to current and former officers of the Company. See Transactions with Related Parties of this MD&A.

Share-based compensation of $836,066 (2017 - $402,000)

The increase in share-based compensation reflects the vesting of 3,425,000 options issued during the year ended July 31, 2018 compared to 1,050,000 options issued during the year ended July 31, 2017. The Black-Scholes option pricing model was used to estimate the fair value of the issued options. The weighted-average assumptions are disclosed in note 11(c) of the Consolidated Financial Statements.

Consulting and professional fees of $274,164 (2017 - $139,553)

Increase in consulting and professional fees increased due to increased legal costs of approximately $100,000, including fees that were related to an amended option agreements that would allow the Company to take full control of all operations in Ecuador.

Foreign exchange loss of $12,832 (2017 - $56,955)

The decreased foreign exchanges losses are the result of decreased US dollar expenditures, mainly resulting from decreased exploration expenditures made to its La Plata project.

Selected Annual Information

	As at and for the year ended July 31, 2018	As at and for the year ended July 31, 2017	As at and for the year ended July 31, 2016
	$	$	$
Total revenues	-	-	-
Net loss and comprehensive loss	(6,770,545)	(6,747,796)	(1,169,996)
Net loss and comprehensive loss per share	(0.10)	(0.14)	(0.07)
Total assets	1,938,542	4,901,403	3,151,600
Total long-term debt	-	-	-
Dividends declared per common share	-	-	-

Summary of Quarterly Results

	Quarter ended July 31, 2018	Quarter ended April 30, 2018	Quarter ended January 31, 2018	Quarter ended October 31, 2017
	$	$	$	$
Total revenues	-	-	-	-
Loss	(1,108,017)	(1,116,802)	(1,874,398)	(2,671,328)
Basic and diluted net loss per share	(0.02)	(0.02)	(0.03)	(0.04)
Total assets	1,938,542	2,997,522	1,215,852	2,912,733
Long-term debt	-	-	-	-
Shareholders' equity (deficit)	1,510,085	2,574,624	662,324	2,413,173
Cash dividends declared per share	-	-	-	-

	Quarter ended July 31, 2017	Quarter ended April 30, 2017	Quarter ended January 31, 2017	Quarter ended October 31, 2016
	$	$	$	$
Total revenues	-	-	-	-
Loss	(1,749,891)	(1,851,905)	(1,917,313)	(1,228,687)
Basic and diluted net loss per share	(0.03)	(0.04)	(0.04)	(0.03)
Total assets	4,901,403	3,080,079	4,571,010	3,085,977
Long-term debt	-	-	-	-
Shareholders' deficit	4,445,500	2,648,725	4,366,262	2,570,600
Cash dividends declared per share	-	-	-	-

Commitments

The Company is party to certain management contracts. These contracts require that additional payments of approximately $560,000 be made upon the occurrence of a change of control. As a triggering event has not taken place, the contingent payments have not been reflected in these consolidated financial statements. Minimum commitments remaining under these contracts were approximately $293,000 all due within one year.

See also note 7(a) of the Consolidated Financial Statements.

Liquidity and Capital Resources

As at July 31, 2018, the Company had cash and cash equivalents of $1,728,610 and working capital of $1,494,759, compared to cash and cash equivalents of $4,859,334 and working capital of $4,445,499, at July 31, 2017. The decrease of cash of $3,130,724 during the year ended July 31, 2018 is attributed to cash used for operating activities of $6,068,064 and cash used in investing activities $15,724, less cash provided by financing activities of $2,953,064.

Operating activities were affected by adjustments of the share-based compensation of $836,066, depreciation of $399, shares issued as severance pay of $46,000 and net change in non-cash working capital balance of $179,984 due to an increase in amounts receivable and prepaid expenses of $152,538, a decrease in trade payables and accrued liabilities of $67,687, and an increase in due to related parties of $40,241.

Investing activities related to the acquisition of equipment of $15,724.

Financing activities related to proceeds from shares issued of $3,000,000 less share issue costs of $46,936.

In order to meet its mid to long-term work commitments and planned exploration expenditures for La Plata, as well as further working capital requirements, the Company will be required to complete further financings (debt and/or equity).

Financial Instuments

Fair value

The Company has classified its cash and cash equivalents as fair value through profit or loss, which is measured at Level 1 in the fair-value hierarchy. Trade payables and accrued liabilities, and due to related parties are classified for accounting purposes as other financial liabilities, which are measured at amortized cost, which also approximates fair value.

The Company's risk exposure and the impact on the Company's financial instruments are summarized below.

(a) Credit Risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. As at July 31, 2018 and 2017, the Company has no significant credit risk.

Cash and cash equivalents is held with major Canadian and Ecuadorian banks and therefore the risk of loss is minimal.

(b) Liquidity Risk

Liquidity risk is the risk that the Company will not have sufficient cash to meet its financial obligations as they become due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient funds to meet liabilities when due by raising funds through asset sales or completing debt and/or equity financings. Management monitors its working capital and seeks financing as necessary. As at July 31, 2018, the Company had a cash and cash equivalents balance of $1,728,610 (July 31, 2017 - $4,859,334) and working capital of $1,494,759 (July 31, 2017 - $4,445,499). The Company's trade payables and accrued liabilities balances totaling $367,579 (July 31, 2017 - $435,266), are subject to normal trade terms.

(c) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk consists of interest rate risk, currency risk and other price risk. The market risks to which the Company is exposed are as follows:

(i) Interest rate risk

Interest rate risk consists of two components:

(a) To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk.

(b) To the extent that changes in prevailing market rates differ from the interest rate in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

The Company's cash and cash equivalents consists of cash held in bank accounts of $1,728,610 (July 31, 2017 - $1,659,334) and guaranteed investment certificates ("GIC's") totaling $nil (July 31, 2017 - $3,200,000). GIC's mature between 30 and 60 days, so that the Company may properly utilize its working capital for project expenditures.

Due to the short-term nature of these financial instruments, fluctuations in market rates do not have a significant impact on their cash flow or estimated fair values. The Company manages interest rate risk by maintaining an investment policy that focuses primarily on preservation of capital and liquidity.

(ii) Foreign currency risk

Foreign currency risk is the risk that the fair value of the Company's financial assets and liabilities will fluctuate due to changes in foreign exchange rates.

The Company is exposed to foreign currency risk with respect to cash balances and transactions during the period as a portion of these amounts are denominated in US dollars. The Company has not entered into any foreign currency contracts or hedges to mitigate this risk.

The Company's net exposure to foreign currency risk on its financial instruments is as follows:

	As at July 31, 2018	As at July 31, 2017
	$	$
US dollar cash	**308,243**	269,579
US dollar accounts receivable	**62,729**	-
US dollar accounts payable	**(184,134)**	(368,310)
Net exposure	**186,838**	(98,731)

Based on the above, assuming all other variables remain constant, a 10% weakening or strengthening of the Canadian dollar against the US dollar would result in a greater or lessening, as applicable, loss for the year of approximately $18,700 (July 31, 2017 - $9,900) to the Company.

Related Party Transactions and Balances

The Consolidated Financial Statements include the following balances and transactions with directors and/or officers of the Company and/or entities related to or controlled by them:

	Years Ended	
	July 31, 2018	July 31, 2017
	$	$
Management fees charged by an entity controlled by the Company's CEO and CFO	**424,294**	337,500
Severance payment to past president and CEO	**100,000**	-
Directors' fees	**54,000**	49,167
Share-based compensation for the Company's directors, CEO and CFO	**505,017**	285,000
Office rent	**41,798**	-
Shares issued to past president and CEO	**46,000**	-
Geologist fees	**-**	36,000
Total for year	**1,171,109**	707,667

As at July 31, 2018, the balance of $48,554 (July 31, 2017 - $nil) is due to entities controlled by the Company's CEO and CFO for management fees and reimbursable travel expenses and the balance of $12,324 (July 31, 2017 - $20,637) is due to directors of the Company for their directors' fees and reimbursable travel expenses. The associated expenses have been reflected in the table above while any balances due have been reflected in Trade Payables and Accrued Liabilities

Adoption of New and Revised Standards and Interpretation

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after August 1, 2018. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

IFRS 9 – Financial Instruments ("IFRS 9") was issued by the IASB as a complete standard in July 2014 and will replace IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity's own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018.

IFRS 10 – Consolidated Financial Statements ("IFRS 10") and IAS 28 – Investments in Associates and Joint Ventures ("IAS 28") were amended in September 2014 to address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. The effective date of these amendments is yet to be determined, however early adoption is permitted.

IFRS 16 – Leases ("IFRS 16") was issued in January 2016 and replaces IAS 17 – Leases as well as some lease related interpretations. With certain exceptions for leases under twelve months in length or for assets of low value, IFRS 16 states that upon lease commencement a lessee recognises a right-of-use asset and a lease liability. The right-of-use asset is initially measured at the amount of the liability plus any initial direct costs. After lease commencement, the lessee shall measure the right-of-use asset at cost less accumulated depreciation and accumulated impairment. A lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognise the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. IFRS 16 requires that lessors classify each lease as an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise it is an operating lease. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. Earlier adoption is permitted if IFRS 15 has also been applied.

IFRIC 22 – Foreign Currency Transactions and Advance Consideration ("IFRIC 22") was issued in December 2016 and addresses foreign currency transactions or parts of transactions where there is consideration that is denominated in a foreign currency; a prepaid asset or deferred income liability is recognised in respect of that consideration, in advance of the recognition of the related asset, expense or income; and the prepaid asset or deferred income liability is non-monetary. The interpretation committee concluded that the date of the transaction, for purposes of determining the exchange rate, is the date of initial recognition of the non-monetary prepaid asset or deferred income liability. IFRIC 22 is effective for annual periods beginning on or after January 1, 2018.

IFRIC 23 – Uncertainty Over Income Tax Treatments ("IFRIC 23") was issued in June 2017 and clarifies the accounting for uncertainties in income taxes. The interpretation committee concluded that an entity shall consider whether it is probable that a taxation authority will accept an uncertain tax treatment. If an entity concludes it is probable that the taxation authority will accept an uncertain tax treatment, then the entity shall determine taxable profit (tax loss), tax bases, unused tax losses and credits or tax rates consistently with the tax treatment used or planned to be used in its income tax filings. If an entity concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the entity shall reflect the effect of uncertainty in determining the related taxable profit (tax loss), tax bases, unused tax losses and credits or tax rates. IFRIC 23 is effective for annual periods beginning on or after January 1, 2019. Earlier adoption is permitted.

Accounting Changes

During the year ended July 31, 2018, the Company adopted the amendment to IAS 7, this change did not have any material impact on the Company's financial statements.

Subsequent Event

Subsequent to July 31, 2018, pursuant to the La Plata project Option Agreement (see note 7(a) of the Consolidated Financial Statements), the Company made a cash payment of US$350,000 to the optionor.

Critical accounting estimates

The preparation of the Consolidated Financial Statements requires management to make judgements and estimates and form assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. On an ongoing basis, management evaluates its judgements and estimates in relation to assets, liabilities, revenue and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgements and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions. The most significant estimates, when applicable, relate to valuation of deferred income tax amounts and the calculation of share-based payments and warrants. The most significant judgements, relate to functional currency, recognition of deferred tax assets and liabilities and the capitalization of exploration expenditures once a property has achieved economically recoverable reserves. The Company also applies judgement in assessing its ability to continue as a going concern for at least 1 year. it has been determined that a property has economically recoverable reserves.

Risks and uncertainties

Operational

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. The risks below are not the only ones facing the Company. 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 actually occur, the Company's business, financial condition and operating results could be adversely affected.

Exploration and development risk

Exploration and development of mineral deposits involves a high degree of risk which even a combination of careful evaluation, experience and knowledge may not eliminate. Few properties which are explored are ultimately developed into producing properties. Estimates of mineral resources and any potential determination as to whether a mineral deposit will be commercially viable can also be affected by such factors as: deposit size, grade, unusual or unexpected geological formations and metallurgy; proximity to infrastructure; metal prices which are highly cyclical; environmental factors; unforeseen technical difficulties; work interruptions; and government regulations, including regulations relating to permitting, prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. The exact effect of these factors cannot be accurately predicted. The long term profitability of the Resulting Issuer's operations will be in part directly related to the cost and success of its exploration and mine development programs, which may be affected by a number of factors. Substantial expenditures are required to establish reserves through drilling, to develop processes to extract the resources and, in the case of new properties, to develop the extraction and processing facilities and infrastructure at any site chosen for extraction. Although substantial benefits may be derived from the discovery of a major deposit, no assurance can be given that any such deposit will be commercially viable or that the funds required for development can be obtained on a timely basis. Mineral exploration and mining involves many risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. These hazards include unusual or unexpected formations, formation pressures, fires, power outages, labour disruptions, flooding, explosions, cave-ins, landslides and the inability to obtain suitable or adequate machinery, equipment or labour.

Operations in which the Company will have a direct or indirect interest will be subject to all the hazards and risks normally incidental to exploration, development and production of minerals, any of which could result in damage to or destruction of mines and other producing facilities, damage to life and property, environmental damage and possible legal liability for any or all damage.

Financing risk

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

Segregation of duties

Segregation of duties is a basic, key internal control and one of the most difficult to achieve in a small company. It is used to ensure that errors or irregularities are prevented or detected on a timely basis by employees in the normal course of business. Due to the Company's small size and limited resources, a complete segregation of duties cannot be fully achieved. The result is that the Company is highly reliant on the performance of mitigating procedures during the process of closing its consolidated financial statements in order to ensure the consolidated financial statements are presented fairly in all material respects. Management will identify and hire additional accounting resources where cost effective and when required. Where it is not cost effective to obtain additional accounting resources, management will review existing mitigating controls and, if appropriate, implement changes to its internal control processes whereby more effective mitigating controls will be adopted.

Outstanding Securities

As at the date of this MD&A, the Company's capital structure is as follows:

Security	Number
Common shares	81,166,435
Options	5,837,000
Warrants	10,000,000
Compensation warrants	1,151,310

General

The Company also discloses information related to its activities on SEDAR at www.sedar.com and on its website www.toachimining.com.