



TOACHI MINING INC.

Interim Management's Discussion and Analysis

Quarterly Highlights

Three months ended October 31, 2017

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Interim MD&A -
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This interim management discussion and analysis - quarterly highlights (“Interim MD&A”) has been prepared based on information available to Toachi Mining Inc. (formerly Ferrum Americas Mining Inc.) (“Toachi” or the “Company”) as at December 27, 2017. This Interim MD&A updates disclosure previously provided in the Company’s Annual MD&A together with previously-file Interim MD&A’s, up to the date of this Interim MD&A and should be read in conjunction with the Company’s unaudited interim consolidated financial statements and the related notes as at and for the three months ended October 31, 2017 and 2016 (the “Interim Consolidated Financial Statements”), the Company’s audited consolidated financial statements for the years ended July 31, 2017 and 2016 (the “Annual Consolidated Financial Statements”), and the Company’s Annual MD&A for the year ended July 31, 2017. Both the Interim Consolidated Financial Statements and the Annual Consolidated Financial Statements have been prepared by management in accordance with International Financial Reporting Standards (“IFRS”) and all amounts are expressed in Canadian dollars unless otherwise noted. Other information contained in this Interim MD&A has also been prepared by management and is consistent with the data contained in the Financial Statements. Additional information relating to the Company may be found under its profile on SEDAR at www.sedar.com or on its website at www.toachimining.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.

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.

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Financial condition and performance

Financial condition

During the quarter ended October 31, 2017, the Company's net assets decreased by \$2,032,328, the result of an decrease in assets of \$1,988,670 together with an increase in liabilities of \$43,658.

Asset balances changed as follows: Cash decreased by \$1,976,925, the result of cash used for operating activities of \$1,956,288, plus cash used for the repayments to related parties of \$20,637.

Corporate

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

Project 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 Interim MD&A, the Company has completed approximately 17,850 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 cutoff 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 of testing the limits of the La Mina deposit and assessing various other regional targets.

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Drill 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.
- 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 completed a gravity survey on 2603 stations across the La Plata concessions with the work completed in mid-October.
- The processing of the geophysical surveys is ongoing, and the final results are pending. The Company believes that the combination of gravity survey results, surface reconnaissance and historical exploration results will lead to the identification of new exploration targets. With target definition work underway, Toachi intends to follow-up on the defined targets in early 2018.

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

During the 3 months ended October 31, 2017, the Company incurred \$1,692,217 in exploration expenditures for the project. Details of the expenditures are as follows:

	\$
Acquisition	-
Administrative	149,280
Assays	6,218
Camp costs	144,755
Community	126,864
Consulting	74,163
Drilling	883,515
Engineering	9,328
Environmental	30,942
General	15,022
Geologists	240,482
Legal & governmental	7,187
Travel	4,461
Total	1,692,217

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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).

Capital structure

Options issued

During the 3 months ended October 31, 2017, 1,600,000 options (the “Options”) were issued to eligible participants of the Company’s stock option plan. The Options had a fair value of \$639,000, as calculated using the Black-Scholes option pricing model with variables as disclosed in note 11 of the Consolidated Financial Statements.

Options issued subsequent to Quarter End

On December 5, 2017, the Company issued 375,000 options with an exercise price of \$0.22 per share. The options were issued to members of management and the board of directors. The options vest 1/3 on issuance, 1/3 on the 1-year anniversary of issuance and 1/3 on the 2-year anniversary of issuance. The options have a 5 year term to maturity.

Compensation shares issued

On November 24, 2017, the Company issued 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.

Outstanding securities

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

Security	Number
Common shares	61,166,435
Options	4,387,000
Warrants	7,125,000
Compensation warrants	1,830,310
Total	74,508,745

Performance

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

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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.

Loss for the quarter totalled \$2,671,328, the result of exploration expenditures totalling \$1,692,217, together with general and administrative expenditures totalling \$225,356, comprising investor relations costs of \$92,003, travel costs of \$56,248, office rent of \$19,830, compensation costs of \$22,750 and general administrative costs totalling \$19,250. General and administrative costs were rounded out with board of director fees of \$15,000. Management fees were \$75,000 and consulting and professional fees were \$28,283, comprising legal and regulatory fees of approximately \$16,000 and approximately \$12,000 for audit accruals. These costs were decreased by foreign exchange gains of \$7,706.

Commitments, liquidity and capital resources

The Company currently has commitments with Metaform for office space rental in the amount of \$5,000 per month. Its head office and administration was provided by RGMI up to the Transition Date and by Metaform subsequent to that date (see “Related-party transaction and balances” section of this Interim MD&A). The Company does have exploration work commitments and option payments to be made over the next 3 ½ years, as detailed in note 7 of the Interim Consolidated Financial Statements.

As at October 31, 2017, the Company had a cash balance of \$2,882,409 (July 31, 2017 - \$4,859,334) and a working capital of \$2,413,172 (July 31, 2017 - \$4,445,500).

Related-party transactions and balances

The Interim 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:

	Three months ended	
	October 31, 2017	October 31, 2016
	\$	\$
Management fees charged by an entity controlled by the Company's CEO and CFO	75,000	75,000
Directors' fees	15,000	10,500
Share-based compensation for the Company's Directors, CEO and CFO	336,000	312,000
Office rent	19,830	-
Total for period	445,830	397,500

As at October 31, 2017, the balance of \$nil (July 31, 2017 - \$20,637) is due to directors of the Company for reimbursable travel expenses.