Toachi Mining Inc.

Annual Management's Discussion and Analysis

of the Financial Condition and Results of Operations

For the year ended July 31, 2017

November 23, 2017

Toachi Mining Inc.

Annual Management's Discussion and Analysis
Year ended July 31, 2017

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 23, 2017. The MD&A of the operating results and financial condition of the Company for the year ended July 31, 2017, 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, 2017 and 2016 (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 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 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 contains or refers 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 Toachi assumes 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 2 St. Clair Avenue East, Suite 1206, Toronto, Ontario, M4T 2T5. 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.

Financings

During the current fiscal year and up to the filing of this MD&A, the Company completed the following private placements:

(i) On November 22, 2016, a non-brokered bought-deal private placement (the "November 2016 Financing"), issuing 10,000,000 common shares at a price of $0.40 each, for gross proceeds of $4,000,000. The Company paid underwriting fees equal to 6% of the gross proceeds, or $234,048, raised for all subscriptions except those issued to certain "president's list" investors, for which the Company paid fees equal to 3% of the gross proceeds, or $2,976. The Company also reimbursed the underwriters for expenses incurred on the transaction equal to $50,000. The Company also incurred legal fees equal to $10,817, with such costs recorded as a reduction to common shares.

    In addition, the Company issued underwriter options (the "Underwriting Options") equal to 6% of the common shares issued, or 585,120 Underwriting Options with a fair value of $181,387, except for those common shares issued in relation to certain "president's list" investors, for which the Company issued 7,440 Underwriting Options with a fair value of $2,306. The Underwriting Options are exercisable for a period of 2 years at an exercise price of $0.40 each. The fair value of the Underwriting Options was calculated using the Black-Scholes option pricing model with the following weighted average assumptions: risk-free rate of 0.65%; expected volatility of 195.6%; expected life of 2 years; expected dividends of $nil and common share price of $0.37.

(ii) On June 14, 2017, a non-brokered private placement (the "June 2017 Financing"), issuing 9,312,500 common shares at a price of $0.40 each, for gross proceeds of $3,725,000. The Company paid agent fees by issuing 558,750 agents options (the "Agent Options") and paid $224,560 cash fees. Each Agent Option is exercisable into one common share of the Company for a period of 2 years at an exercise price of $0.40 each. The fair value of $167,625 for the Agent's Options was calculated using the Black-Scholes option pricing model with the following weighted average assumptions: risk-free rate of 0.88%; expected volatility of 150.7%; expected life of 2 years; expected dividends of $nil and common share price of $0.42. The total financing costs of $235,141, have been allocated between share capital ($224,560, noted above) and reserve for warrants ($10,581) based on the relative fair value of the issued warrants.

The Company also received financing from the following exercise of warrants:

(i) In October 2016, the Company issued 2,625,000 common shares on the exercise of that number of warrants. The exercise of the warrants raised proceeds of $787,500. The fair value of the exercised warrants of $330,725 less associated costs of $102,131, was also transferred to share capital from the warrants.

(ii) In February 2017, 679,000 common shares were issued on the exercise of the same number of broker warrants at $0.20 each, raising gross proceeds of $135,800. The fair value of $183,330 of the exercised broker warrants plus associated cash issue costs of $1,433, was transferred to common shares.

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 and in order to meet its work commitments and planned exploration expenditures for its project as well as further working capital requirements over the next 12 months, it will be required to complete additional financings (debt and/or equity). These conditions are material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern. 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

La Plata is a gold-rich VMS deposit which was the subject of small-scale mining from both an open-pit and underground-workings from 1975-1981. From 1996 to 2000, Cambior Inc., a Canadian mining company, completed 8,628 metres of drilling and a preliminary resource estimate totaling 840,000 tonnes grading 4.8 grams gold per tonne, 4.1% copper, 54.4 grams silver per tonne and 0.7% lead and 4.2% zinc per tonne in 1999, according to a report completed by AMEC Foster Wheeler, a mining consulting firm, in March 2015.

On March 17, 2016, the Company filed a National Instrument 43-101 ("NI 43-101") report on SEDAR. The NI 43-101 report, titled "La Plata VMS Project, Cotopaxi Province, Ecuador", provides a comprehensive project description and summary of historic resource estimates completed by pervious project operators. A copy of the NI 43-101 report can be found under Toachi's profile on www.SEDAR.com.

On August 15, 2016, the Company announced it has commenced a first-phase 4,000 metre drill program and review of historic exploration data, the details of which are contained in the Company's press release dated August 15, 2016.

With the encouraging result from the first-phase drilling program, the Company added a second drill rig to the project and to the period ending July 31, 2017, had completed a total of 14,581 m in 82 drill holes.

Drilling was designed to in-fill and expand mineralized envelops in the South and North zones and to better understand controls on sulphide mineralization. Key assay results from this drilling are available on the Company's website.

A property-wide exploration program was also initiated in 2017 designed to identify and prioritize new exploration targets for sulphide mineralization. This work focused on a detailed review of historic geochemical and geophysical data, field prospecting, sampling and mapping. The program has led to the identification of 13 exploration targets which will be the subject of follow-up investigation.

A maiden 43-101 resource estimate study was started in June 2017 under the direction of Mr. Brian Wolfe of International Resource Solutions Pty. Ltd. ("IRS"), a geological consultancy based in Perth, Australia.

Based on a 4 gram/tonne gold equivalent cutoff grade, the La Plata project hosts Inferred resources totaling 1.9 million tonnes grading 4.1 g/t gold, 49.4 g/t silver, 3.3% copper, 4.5% zinc and 0.6% lead. These resources were estimated based on the following metals prices all in US dollars:

Gold: $1,280/oz
Silver: $17/oz
Copper $2.85/lb
Zinc: $1.30/lb
Lead: $1.05/lb

A property-wide gravity survey was initiated in August 2017 by Quantec Geoscience, a Canadian geophysical consultancy. This program also includes a bore hole electromagnetic probe program to test for off-setting sulphide mineralization in completed drill holes.

The Mineral Resource estimate for the La Mina deposit in the La Plata project in Ecuador is reported in accordance with National Instrument 43-101 and has been estimated using the Canadian Institute of Mining, Metallurgy and Petroleum ("CIM") "Estimation of Mineral Resources and Mineral Reserves Best Practice Guidelines". This mineral resource estimate is classified as Inferred as defined by the CIM.

The final report was filed on SEDAR on October 27, 2017 and is also available on the company's website at www.toachimining.com. Brian Wolfe, MAIG, a Qualified Person as defined by NI 43-101, and a principle of IRS, is the author of the final report.

Ongoing proposed work includes near-mine and regional exploration of the La Plata property, initiation of the PEA for the La Mina deposit, and ongoing social and environmental studies.

Near-mine exploration works are planned to include peripheral and deeper drilling to test areas for extensions of the currently-known mineralisation. Opening and securing of the old underground workings will also aid with these planned works. Regional exploration works are planned to include field reconnaissance, mapping and sampling of regional targets north of the La Mina deposit, with drilling to test these areas estimated to commence in the first calendar-quarter of 2018. Processing of the recently-collected property-wide gravity and borehole electromagnetic surveys will ensue.

As part of the PEA, a second phase of metallurgical test work is planned. Additionally, preliminary engineering studies, water monitoring and testing will be completed, and on-going environmental and social studies/works will continue. All contributing to the preliminary economic assessment of the La Mina deposit.

Option Agreement

On February 10, 2016, the Company was granted the option (the "Option") to acquire a minimum 60% and a maximum 75% interest in Compania Minera La Plata, S.A. ("CMLP"), to secure the Option (the "Option Agreement"). CMLP holds an interest in the La Plata project comprised of 2 concessions located approximately 85 kilometres southwest of Quito, Ecuador. The concessions cover approximately 2,235 hectares. With the completion of the Option Agreement and until it acquires its further interest, the Company has taken a de minimus equity stake in CMLP totalling $1.

Payment obligations pursuant to the Option Agreement are to be made over the following period (the "Option Period"):

A. US$75,000 non-refundable payment (paid on November 6, 2015), which granted the Company exclusivity rights over a period that terminated on February 10, 2016.

B. US$125,000 payment when the Company confirmed its continuation with the Option (paid on February 18, 2016).

C. In addition to A and B, above, further cash payments totalling US$1.8 million made to the optionor, as follows:

   i) US$200,00 on or before November 6, 2016 (paid);
   ii) US$250,000 on or before November 6, 2017 (paid);
   iii) US$350,000 on or before November 6, 2018; and
   iv) US$1,000,000 on or before November 6, 2019.

D. US$4.0 million of project expenditures over the same 4-year period (see below for adjustment to this amount).

Completion of the above-noted payments, earns the Company a 60% interest in the La Plata project (the "First Interest"). If the Company earns the First Interest, it has the right to finance the cost of a feasibility study over an additional two-year period and acquire an additional 5% interest. If the Company further arranges capital-expenditure financing of less than US$60 million to build a mine at the project, it will earn an additional 5% interest for a total of 70% interest and if capital-expenditure financing exceeds US$60 million, it will earn an additional 10% interest for a total of 75% interest in the project.

During the Option Period, Toachi (the optionee) shall act as the operator (the "Operator") of the La Plata project. The Operator earns a fee equal to 5% of all exploration expenditures (as such is defined in the Option Agreement), which exclude payments made to the optionor (the "Operator's Fee") (see below).

On April 25, 2017, the Company and CMLP amended the Option Agreement such that the project expenditures required to be incurred by the Company (7(a)(D) above) was reduced to US$3.8 million and the Operator's Fee was eliminated.

As at July 31, 2017, total expenditures pursuant to the option agreement total approximately $6.4 million.

Cerro Rojo Project

As at July 31, 2017, the Company has completed its negotiations to return its 51%-owned portion of the Cerro Rojo project together with its wholly-owned subsidiary, Empresa Minera Yacuses S.A. ("Yacuses"), to the optionors in exchange for outstanding option payments totaling $389,006. The Cerro Rojo project consisted of 4 mining concessions and 53 claims (or squares) with each square having an area of 500 metres by 500 metres, or 25 hectares.

Significant accounting policies

(a) Basis of measurement

The Consolidated Financial Statements have been prepared on the historic cost basis except for certain financial instruments, that are measured at fair value, as explained in the accounting policies. Under IFRS, fair value is, "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date".

(b) Basis of consolidation

The Consolidated Financial Statements include the financial statements of the Company and its wholly-owned subsidiary, Toachiec Exploraciones Mineras S.A. Subsidiaries are all entities controlled by the Company. Control exists when the Company is exposed, or has rights, to variable returns from the investee and when the Company has the ability to affect those returns through its power over the investee. Subsidiaries are fully consolidated from the date on which control is transferred to the Company until the date that control ceases.

Inter-company transactions, balances and unrealized gains or losses with subsidiaries are eliminated. The financial statements of the subsidiaries are prepared using consistent accounting policies and the reporting date of the Company.

(c) Exploration and evaluation expenditures

All acquisition and exploration costs, net of incidental revenues, are charged to operations in the period incurred until such time as it has been determined that a property has economically recoverable reserves, in which case subsequent exploration costs and the costs incurred to develop a property are capitalized into Property, Plant and Equipment. On the commencement of commercial production, depletion of each mining property will be provided on a unit-of-production basis using estimated resources as the depletion base.

(d) Share-based payments

Employees (including directors and senior executives) of the Company receive a portion of their remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be reliably measured, the transactions are measured at fair value of the share-based payment.

The costs of equity-settled transactions with employees are measured by reference to the fair value of the equity using the Black-Scholes option pricing model, at the date on which they are granted. The costs of equity-settled transactions are recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("the vesting date"). The cumulative expense is recognized for equity-settled transactions at each reporting date until the vesting date and reflects the Company's best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and the corresponding amount is represented in share-based payment reserve.

Where the terms of an equity-settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

The fair value of options and/or warrants that are unexercised upon expiry is removed from the appropriate reserve account and transferred to retained earnings/accumulated deficit.

The dilutive effect of outstanding options, warrants and conversion features is reflected as additional dilution in the computation of earnings per share.

In situations where the Company issued units, the value of warrants is included as a separate reserve of the Company's equity.

(e) Taxation

Income tax expense represents the sum of taxes currently payable and deferred tax.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the date of the statement of financial position.

Deferred income tax

Deferred income tax is provided on temporary differences at the date of the statement of financial position between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each date of the statement of financial position and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each date of the statement of financial position and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the date of the statement of financial position.

Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the statement of comprehensive income.

Deferred income tax assets and deferred income tax liabilities are offset if, and only if, a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to either settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

(f) Loss per share

The Company presents basic and fully-diluted loss per share ("EPS") data for its common shares. Basic EPS is calculated by dividing the profit or loss attributable to owners of the Company by the weighted average number of common shares outstanding during the year. Fully-diluted EPS is determined by dividing the profit or loss attributable to owners of the Company by the weighted average number of common shares outstanding, adjusted for the effects of all dilutive potential common shares, which comprise share options granted to employees, directors and consultants, issued warrants and conversion features, if applicable. During the years ended July 31, 2017 and 2016, all outstanding stock options, warrants and conversion features were antidilutive and therefore basic and fully-diluted EPS are the same.

(g) Financial assets

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: Held-to-maturity, available-for-sale, loans-and-receivables or at fair value through profit or loss ("FVTPL").

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through earnings. The Company's cash and cash equivalents is classified as FVTPL.

Financial assets classified as loans-and-receivables and held-to-maturity are measured at amortized cost. The Company's amounts receivable excluding HST are classified as loans-and-receivables. As at July 31, 2017 and 2016, the Company's amounts receivable balance consists entirely of HST recoverable.

Financial assets classified as available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) except for losses in value that are considered other than temporary. The Company's Investment in CMLP is classified as available-for-sale.

Transactions costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

(i) Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other-financial-liabilities.

Financial liabilities classified as other-financial-liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other-financial-liabilities are subsequently measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company's trade payables and accrued liabilities and due to related parties are classified as other-financial-liabilities.

(j) Impairment of financial assets

The Company assesses at each date of the statement of financial position whether a financial asset is impaired.

Assets carried at amortized cost

If there is objective evidence that an impairment loss on assets carried at amortized cost has occurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is then reduced by the amount of the impairment. The amount of the loss is recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent that the carrying value of the asset does not exceed what the amortized cost would have been had the impairment not been recognized. Any subsequent reversal of an impairment loss is recognized in profit or loss.

(k) Cash and cash equivalents

Cash and cash equivalents on the statements of financial position comprise cash held at banks under general deposit and guaranteed investment certificates yielding various interest rates with maturities within 3 months of issuance.

(k) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense. There were no provisions as at July 31, 2017 and 2016.

(l) Foreign currency transactions

Functional and presentation currency

Items included in the financial statements of the Company and its subsidiary are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The functional currency of the Company and its subsidiary is the Canadian Dollar. The Consolidated Financial Statements are presented in Canadian dollars.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the Consolidated Statements of Loss and Comprehensive Loss.

(m) Significant accounting judgements and 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 exependitures 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,

(n) Adoption of new and revised standards and interpretations

IFRS 9 *Financial Instruments*

Issued by IASB July 2014; effective for the Company's annual period beginning July 1, 2018.

IFRS 9 will replace IAS 39 Financial *Instruments: Recognition and Measurement* and IFRIC 9 *Reassessment of Embedded Derivatives.*

The main features introduced by this new standard compared with predecessor IFRS are as follows:

- **Classification and measurement of financial assets.** Debt instruments are classified and measured on the basis of the entity's business model for managing the asset and its contractual cash flow characteristics.

- **Classification and measurement of financial liabilities.** When an entity elects to measure a financial liability at fair value, gains or losses due to changes in the entity's own credit risk is recognized in other comprehensive income (as opposed to previously profit or loss). This change may be adopted early in isolation of the remainder of IFRS 9.

- **Impairment of financial assets.** An expected credit loss impairment model replaced the incurred loss model and is applied to financial assets at "amortized cost" or "fair value through other comprehensive income", lease receivables, contract assets or loan commitments and financial guarantee contracts. An entity recognizes twelve-month expected credit losses if the credit risk of a financial instrument has not increased significantly since initial recognition and lifetime expected credit losses otherwise.

- **Hedge accounting:** Hedge accounting remains a choice, however, is now available for a broader range of hedging strategies. Voluntary termination of a hedging relationship is no longer permitted. Effectiveness testing now needs to be performed prospectively only. Entities may elect to continue to applying IAS 39 hedge accounting on adoption of IFRS 9 (until the IASB has completed its separate project on the accounting for open portfolios and macro hedging).

The Company is currently assessing the implications IFRS 9 will have on the Consolidated Financial Statements.

IFRS 15 *Revenue from Contracts with Customers*

Issued by IASB May 2014; effective for the Company's annual period beginning July 1, 2018.

This new standard establishes a comprehensive framework for the recognition, measurement and disclosure of revenue replacing IAS 11 *Construction Contracts*, IAS 18 *Revenue*, IFRIC 13

Customer Loyalty Programmes, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfers of Assets from Customers* and SIC-31 *Revenue — Barter Transactions Involving Advertising Services.*

New disclosure requirements on information about the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers.

The Company is currently assessing the implications IFRS 15 will have on the Consolidated Financial Statements.

IFRS 16 *Leases*

Issued by IASB January 2016; effective for the Company's annual period beginning July 1, 2019.

Earlier application permitted for entities that also apply IFRS 15 *Revenue from Contracts with Customers.*

This new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both the lessee and the lessor. The new standard introduces a single lessee accounting model that requires the recognition of all assets and liabilities arising from a lease.

The main features of the new standard are as follows:

- An entity identifies as a lease a contract that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.
- A lessee recognizes an asset representing the right to use the leased asset, and a liability for its obligation to make lease payments. Exceptions are permitted for short-term leases and leases of low-value assets.
- A lease asset is initially measured at cost, and is then depreciated similarly to property, plant and equipment. A lease liability is initially measured at the present value of the unpaid lease payments.
- A lessee presents interest expense on a lease liability separately from depreciation of a lease asset in the statement of profit or loss and other comprehensive income.
- A lessor continues to classify its leases as operating leases or finance leases, and to account for them accordingly.
- A lessor provides enhanced disclosures about its risk exposure, particularly exposure to residual-value risk.
- The new standard supersedes the requirements in IAS 17 Leases, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease.*

The Company is currently assessing the implications IFRS 16 will have on the Consolidated Financial Statements.

Disclosure Initiative (Amendments to IAS 7 *Statement of Cash Flows*)

Issued by IASB January 2016; effective for the Company's annual period beginning July 1, 2017.

The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.

The Company is currently assessing the implications Amendments to IAS 7 will have on the Consolidated Financial Statements.

Financial instruments

Fair value

The Company has classified its cash and cash equivalents as FVTPL, 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, 2017 and 2016, the Company has no accounts receivable and therefore, no credit risk.

Cash and cash equivalents is held with major Canadian bank 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 (see *note 2*) by raising funds through asset sales or completing debt or equity financings. Management monitors its working capital and seeks financing as necessary. As at July 31, 2017, the Company had a cash and cash equivalents balance of $4,859,334 (2016 – $3,088,620) and working capital of $4,445,499 (2016 – $2,699,786). The Company's trade payables and accrued liabilities balance of $435,266 (2016 – $447,302), include $435,266 (2016 – $79,789) of trade payables, which are subject to normal trade terms and $nil (2016 – $367,513), which are due pursuant to the option agreements on the Cerro Rojo Project (see note 7 of the Consolidated Financial Statements).

(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 equity. 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 $1,659,334 (2016 - $3,088,620) and guaranteed investment certificates ("GIC's") totalling $3,200,000 (July 31, 2016 - $nil). GIC's mature between 30 and 60 days, so that the Company may properly utilize its working capital for project expenditures. As at July 31, 2017, the GIC balance of $3,200,000 consists of 2 GIC's of $2,200,000 and $1,000,000 accruing interest at 0.75% and 0.60% per annum, respectively.

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 year as a portion of these amounts are denominated in US dollars and Bolivianos. The Company has not entered into any foreign currency contracts to mitigate this risk.

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

	July 31, 2017	July 31, 2016
	$Cdn	$Cdn
US dollar cash	**269,579**	392,336
US accounts payable	**(368,310)**	-
Boliviano trade and other payables	**-**	(3,559)
Option payments	**-**	(367,513)

Net exposure	**(98,731)**	21,264

Based on the above, assuming all other variables remain constant, a 10% weakening or strengthening of the Canadian dollar against the US dollar and the Bolivian boliviano would result in a greater or lessening, as applicable, loss for the year of approximately $9,900 (2016 – $2,100) to the Company.

Results of operations

The Company has not generated any operating revenue and therefore losses have been incurred throughout the year ended July 31, 2017, as well as the comparative year.

During the year ended July 31, 2017, the Company incurred a net loss and comprehensive loss of $6,747,796 (2016 - $1,169,996). The increased loss over the comparative period reflects increased exploration activity and corresponding operating expenses resulting from the Option.

Year ended July 31, 2017 versus July 31, 2016

Consulting and professional fees of $139,553 (2016 – $172,445)

Audit and audit-related fees increased by approximately $23,000. This increase was offset by reduced legal fees of approximately $45,000.

Exploration and evaluation expenditures of $5,556,710 (2016 - $496,147)

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

Current period expenditures reflect increases in virtually all categories due virtually entirely to the exploration program underway for the La Plata project. This project's year-over-year expenditures increased by approximately $5.5 million dollars with the drilling program making up the majority of these costs.

As noted previously in this MD&A, the Company has completed its negotiations to return its 51%-owned portion of the project together with Yacuses, to the optionors in exchange for outstanding option payments totaling $389,006. This gain has been netted against exploration expenditures in the current year, resulting in a year-over-year decrease in expenditures for this project of approximately $470,000.

Foreign exchange loss of $56,955 (2016 – gain of $5,782).

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

General and administrative of $237,612 (2016 - $73,047)

The majority of the increase of approximately $165,000, consisted of costs for trade show and related travel to promote the La Plata project of approximately $108,000 and board of director fees for independent directors (including travel) of approximately $67,000. These increases were offset by GIC interest income of approximately $8,000.

Management fees of $337,500 (2016 – $81,000).

Current year management fees reflect the reinstatement of fees paid to RG Management Services Inc. ("RGMI") (see Transactions with Related Parties section of this MD&A) for the entire fiscal year versus reduced management fees in the comparative year up to May 2016.

Share-based compensation of $402,000 (2016 - $353,139).

Expenses in this category reflect the vesting of 1,050,000 options issued during the current year versus 950,000 issued in the comparative fiscal year. 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.

The Company's exploration and evaluation expenditures for its resource properties are detailed below:

	Year ended July 31, 2017	Year ended July 31, 2016	Cumulative to date
	$	$	$
La Plata project			
Acquisition costs	**269,098**	326,256	595,354
Administrative	**715,833**	-	717,153
Assays	**72,055**	1,320	107,597
Camp costs	**432,843**	-	432,843
Community costs	**58,547**	-	58,547
Consulting	**104,704**	35,542	104,704
Drilling	**3,011,781**	-	3,011,781
Engineering	**26,463**	25,649	26,463
Environmental	**155,500**	-	155,500
General	**29,582**	-	29,582
Geologists	**742,236**	-	742,236
Legal and governmental	**272,861**	-	298,510
Travel	**54,213**	28,545	82,758
	5,945,716	417,312	6,363,028
Cerro Rojo project			
Acquisition costs	**-**	78,835	2,940,754
Assays	**-**	-	22,503
Consulting	**-**	-	506,505
Drilling	**-**	-	507,840
General	**-**	-	1,602,490
Geologists	**-**	-	94,636
Geophysics	**-**	-	2,800
GIS	**-**	-	5,200

Permits and licensing	**-**	-	28,082
Travel	**-**	-	115,245
Forgiveness of option payments[1]	**(389,006)**	-	(389,006)
	(389,006)	78,835	5,437,039
Total	**5,556,710**	496,147	6,243,357

[1]See Cero Rojo project update, earlier in this MD&A.

Selected annual information

	As at and for the year ended July 31, 2017	**As at and for the year ended July 31, 2016**	**As at and for the year ended July 31, 2015**
	$	**$**	**$**
Total revenues	-	-	-
Net loss and comprehensive loss	(6,747,796)	(1,169,996)	(396,232)
Net loss and comprehensive loss per share	(0.14)	(0.07)	(0.04)
Total assets	4,901,403	3,151,600	8,758
Total long-term debt	-	-	-
Dividends declared per common share	-	-	-

Summary of quarterly results

	Quarter ended July 31, 2016	Quarter ended April 30, 2016	Quarter ended January 31, 2016	Quarter ended October 31, 2015
	$	$	$	$
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' equity (deficit)	4,445,500	2,648,725	4,366,262	2,570,600
Cash dividends declared per share	-	-	-	-

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	Quarter ended July 31, 2016	Quarter ended April 30, 2016	Quarter ended January 31, 2016	Quarter ended October 31, 2015
	$	$	$	$
Total revenues	-	-	-	-
Loss	(513,554)	(372,335)	(262,847)	(25,568)
Basic and diluted net loss per share[1]	(0.01)	(0.04)	(0.02)	(0.00)
Total assets	3,151,600	23,619	394,960	7,496
Long-term debt	-	-	-	-
Shareholders' deficit	(8,914,027)	(8,648,549)	(8,276,214)	(8,017,675)
Cash dividends declared per share	-	-	-	-

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 parts of the projects may be restricted during certain times of the period due to climatic conditions.

Liquidity and capital resources

As at July 31, 2017 the Company had cash and cash equivalents of $4,859,334 and working capital of $4,445,499, compared to cash and cash equivalents of $3,088,620 and working capital of $2,699,786, at July 31, 2016. The increase of cash of $1,770,714 during the year ended July 31, 2017, is attributed to cash raised through financing activities of $8,107,635, less cash used for operations of $6,336,920 and cash used in investing activities of $1.

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).

Transactions with related parties

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:

	Year ended	
	July 31, 2017	July 31, 2016
	$	$
Management fees charged by an entity controlled by the Company's CEO and CFO	**337,500**	81,000
Directors' fees	**49,167**	6,000

Share-based compensation for the Company's Directors, CEO and CFO	**285,000**	334,639
Geologist fees	**36,000**	-
Total for the year	**707,667**	431,639

As at July 31, 2017 and July 31, 2016, the accounts payable and accrued liabilities balance did not include any amounts due to related parties.

During the comparative year, the Company's former CEO provided loans to the Company in the amount of $69,884, all of which have been repaid.

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 Share Data

As at November 23, 2017, the Company had 60,966,435 common shares outstanding, 4,012,000 options outstanding, 7,125,000 warrants outstanding and 1,830,310 broker, underwriting and agents' compensation options outstanding.

General

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