Rosita Mining Corporation

FORM 51-102F1

Management Discussion & Analysis

For the years ended December 31, 2017 and 2016

This management discussion and analysis ("MD&A") has been prepared based on information available to Rosita Mining Corporation ("Rosita" or the "Company") as at April 30, 2018. This MD&A updates disclosure previously provided in the Company's annual and interim MD&A's, up to the date of this MD&A and should be read in conjunction with the Company's Consolidated Financial Statements and the related notes for the year ended December 31, 2017 and 2016. Readers are also encouraged to refer to the Company's Audited Consolidated Financial Statements for the years ended December 31, 2016 and 2015. The 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 MD&A has also been prepared by management and is consistent with the data contained in the Unaudited Interim Financial Statements. Additional information relating to the Company may be found under its profile on SEDAR at www.sedar.com.

Management 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 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 ON FORWARD-LOOKING INFORMATION

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.

Financial condition and performance

Financial condition

The Company had total assets of $113,311 as at December 31, 2017 compared to $332,674 as at December 31, 2016. The decrease in total assets of $219,363 was due to a decrease in cash of $186,510 as the Company used cash for operating activities, a decrease of $10,000 in short-term investments as the Company sold its investment during the year, and a decrease of $18,101 in amounts receivable due to collections of GST receivable during the year.

The Company's liabilities increased from $248,001 at December 31, 2016 to $382,894 at December 31, 2017. The increase in total liabilities was due to an increase in amounts due to related parties of $136,699 for unpaid management fees incurred by management.

As at December 31, 2017, the Company had a working capital deficit of $275,587 compared to a working capital surplus of $77,983. The decrease in working capital was due to the fact that the Company used cash during fiscal 2017 to support operations with minimal additional financial raises from financing activities during the year.

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 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.

Operating expenditures for the year ended December 31, 2017 were limited to the amount necessary to advance the Company's Rosita project under the current limited work plan and to allow the Company to meet all of its reporting and disclosure requirements. The loss for the year ended December 31, 2017 was $510,904 (2016 - $1,021,840). This was the result of depreciation of $4,623 (2016 - $8,437), direct project expenditures of $304,299 (2016 - $391,356), office and administrative expenditures of $150,013 (2016 - $167,492), professional fees of $12,863 (2016 - $25,431), salaries and benefits of $nil (2016 - $55,883), share based compensation of $nil (2016 - $340,000), shareholder communication expenses of $37,515 (2016 - $40,896), other income of $1,882 (2016 - $3,565) and a foreign exchange loss of $3,473 (2016 – a gain of $4,090).

The decrease in the loss for the year ended December 31, 2017 over the year ended December 31, 2016 of $510,936 is mainly attributable to decreases in exploration and evaluation expenditures of $87,057, office and administrative expenses of $17,479, salaries and benefits of $55,883, professional fees of $12,568, and share-based compensation of $340,000.

<u>Selected Annual Financial Information</u>

The following table provides a brief summary of the Company's financial operations. For more detailed information, refer to the consolidated financial statements which can be found at www.SEDAR.com. This information has been prepared in accordance with IFRS and is presented in Canadian Dollars which is the functional currency of the Company.

	December 31, 2017 $	December 31, 2016 $	December 31, 2015 $
Total revenue	–	–	–
Net loss before other items	(509,313)	(1,029,495)	(2,802,971)
Net loss and comprehensive loss	(510,904)	(1,021,840)	(2,493,802)
Basic and diluted earnings (loss) per share	(0.01)	(0.02)	(0.09)
Total assets	113,311	332,674	477,373
Total liabilities	382,894	248,001	531,566

Summary of Quarterly Results

	December 31, 2017 $	September 30, 2017 $	June 30, 2017 $	March 31, 2017 $
Net gain (loss) for the period	(89,786)	(74,753)	(160,182)	(186,183)
Basic and diluted loss per share	(0.001)	(0.001)	(0.003)	(0.003)
	December 31, 2016 $	September 30, 2016 $	June 30, 2016 $	March 31, 2016 $
Net gain (loss) for the period	(170,025)	(548,649)	(159,306)	(143,860)
Basic and diluted loss per share	(0.004)	(0.012)	(0.004)	(0.003)

Related Party Transactions

(a) As at December 31, 2017, the Company owed $60,301 (2016 - $11,354) to a company controlled by the former Chief Financial Officer of the Company. The amount owing is unsecured, non-interest bearing, and due on demand. During the year ended December 31, 2017, the Company incurred management fees of $60,000 (2016 - $150,000) to a company controlled by the former Chief Financial Officer of the Company, which has been recorded in general and administrative expense.

(b) As at December 31, 2017, the Company owed $87,752 (2016 - $nil) to a company controlled by the Chief Executive Officer of the Company. The amount owing is unsecured, non-interest bearing, and due on demand. During the year ended December 31, 2017, the Company incurred management fees of $48,000 (2016 - $48,000) to a company controlled by the Chief Executive Officer of the Company, which has been recorded in general and administrative expense.

(c) During the year ended December 31, 2017, share-based compensation of $nil (2016 - $320,000) was incurred to officers and directors of the Company.

Stock Options

The Company has adopted a stock option plan pursuant to which options may be granted to directors, officers, employees, and consultants of the Company to a maximum of 10% of the issued and outstanding common shares, and not exceeding 5% granted to any individual. The stock options have a maximum term of five years and cannot be assigned or transferred. The following table summarizes the continuity of the Company's stock options:

	Number of options	Weighted average exercise price
Outstanding, December 31, 2015	2,108,967	0.71
Granted	3,400,000	0.11
Expired	(117,659)	1.06
Forfeited	(1,399,592)	0.73
Outstanding, December 31, 2016	3,991,725	0.18
Expired	(1,782,675)	0.32
Outstanding, December 31, 2017	2,209,050	0.15

As at April 30, 2018, the Company has 2,209,050 stock options outstanding and exercisable.

Share Purchase Warrants

	Number of warrants	Weighted average exercise price $
Balance, December 31, 2015	524,900	0.39
Issued pursuant to the private placements	17,000,000	0.055
Issued as finders' warrants	363,300	0.055
Balance, December 31, 2016	17,888,200	0.06
Issued as finders' warrants	304,000	0.05
Exercised	(600,000)	0.055
Expired	(524,900)	0.39
Outstanding, December 31, 2017	17,067,300	0.055

Subsequent to December 31, 2017, the Company issued 4,875,000 common shares for proceeds of $181,500 pursuant to the exercise of share purchase warrants. As at April 30, 2018, the Company has 12,192,300 share purchase warrants outstanding.

Share Capital

Authorized: Unlimited common shares without par value

As at April 30, 2018, the Company has 64,102,282 (December 31, 2017 – 59,227,282) common shares outstanding.

Rosita D Concession update

Cumulative to-date, the Company (including Alder prior to its acquisition by Rosita) has expended approximately $4.8 million on the Rosita Project. Pursuant to the JV Agreement, all approved expenditures in excess of $4,000,000 (the amount at which the Company earned its 65% interest in the project) are to be borne by the joint venture by each joint venture partner at its current participation percentage. To date, the Company has funded the entire excess amount on behalf of the joint venture. The Company has received notice from Calibre that it would not be participating in excess expenditures of approximately $507,000, resulting in a dilution of its participating interests of approximately 2.1% to 32.9%. Should Calibre indicate that it will not be participating in the additional excess expenditures of $293,000 (bringing the total excess expenditures to approximately $800,000, as noted above), the Company's and Calibres' participating interests would be approximately 68.9% and 31.1%, respectively.

The Company also continued with base-line aspects and reporting for the permitting application and completed engineering for a PEA that was file on SEDAR on April 20, 2017. The Resources estimated and the results of the test work and engineering previously disclosed, allowed the following Project to be defined for the PEA:

- Anticipated Life-of-Mine of 10 years, utilizing 4.67 million tonnes of the material included in the resource tabulation categorized as Indicated Mineral Resources grading at 0.51 grams per tonne gold, 8.2 grams per tonne silver and 0.59% copper and 1.53 million tonnes categorized as Inferred Mineral Resources grading at 0.61 grams per tonne gold, 11.3 grams per tonne silver and 0.65% copper.
- Anticipated capacity of the treatment plant (milling plus heap leach) of 1,000 tonnes per day for the first 5 years, expanding to 2,000 tonnes per day for the subsequent 5 years.

Rosita D Concession update (continued)

The metal prices assumed for the economic model are as follows:

All monetary amounts are in US dollars:

- Gold: $1,250 per ounce;
- Silver: $18 per ounce;
- Copper: $2.50 per pound.

Other criteria, assumptions and conclusions from the PEA may be summarized as follows:

All monetary amounts are in US dollars:

- Pre-production capital costs including 30% contingencies, $11.4 million;
- Total capital over life of mine, $26.1 million;
- Operating costs over life of mine per tonne of throughput, $18.50 per tonne;
- Nicaraguan royalty rate of 3% NSR and 0.5% to an independent 3rd party applied to all saleable products;
- Nicaraguan income tax rate of 30%, after depreciation of fixed assets at 10%;
- Internal rate of return (after all government taxes) of 41%;
- Net present value at 7% discount rate (after all government taxes) of $28.8 million; and
- Payback of initial pre-production capital (after all government taxes) of 2.8 years.

Commitments, liquidity and capital resources

The Company continues its obligation to pay a 0.5% net smelter royalty ("NSR") on its interest in the Rosita project (see note 14 of the Consolidated Financial Statements).

As at December 31, 2017, the Company had a cash balance of $88,359 and a working capital deficiency of $258,436. Its property is in the exploration and development stage and, as a result, the Company currently has no source of operating cash flow. The only sources of future funds presently available to the Company are through the exercise of outstanding stock options, the sale of equity and/or debt of the Company or the sale by the Company of an interest in its Rosita property, in whole or in part.

Management's Report on Internal Controls over Financial Reporting

In connection with National Instrument ("NI") 52-109 (Certification of Disclosure in Issuer's Annual and Interim Filings) adopted in December 2008 by each of the securities commissions across Canada, the Chief Executive Officer and Chief Financial Officer of the Company will file a Venture Issuer Basic Certificate with respect to the financial information contained in the consolidated financial statements and respective accompanying Management's Discussion and Analysis.

The Venture Issuer Basic Certification does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109. For further information the reader should refer to the Venture Issuer Basic Certificates filed by the Company with the Annual Filings and with the Interim Filings on SEDAR at www.sedar.com.

Significant Accounting Policies

Use of Estimates and Judgments

The preparation of these consolidated financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Significant areas requiring the use of estimates include the collectability of amounts receivable, the useful lives and carrying values of equipment, fair value of share-based compensation, and unrecognized deferred income tax assets.

Judgments made by management include the factors used to assess whether the going concern assumption is appropriate. The assessment of the going concern assumption requires management to take into account all available information about the future, which is at least, but is not limited to, 12 months from the end of the reporting period. The Company is aware that material uncertainties related to events or conditions may cast significant doubt upon the Company's ability to continue as a going concern.

Loss Per Share

Basic loss per share is computed using the weighted average number of common shares outstanding during the period. The treasury stock method is used for the calculation of diluted loss per share, whereby all "in the money" stock options and share purchase warrants are assumed to have been exercised at the beginning of the period and the proceeds from their exercise are assumed to have been used to purchase common shares at the average market price during the period. When a loss is incurred during the period, basic and diluted loss per share are the same as the exercise of stock options and share purchase warrants is considered to be anti-dilutive. As at December 31, 2017, the Company has 19,276,350 (2016 – 21,879,925) potentially dilutive shares.

Financial Instruments and Risks

(a) Fair Values

Assets and liabilities measured at fair value on a recurring basis were presented on the Company's consolidated statement of financial position as at December 31, 2017 as follows:

	Fair Value Measurements Using			
	Quoted prices in active markets for identical instruments (Level 1) $	Significant other observable inputs (Level 2) $	Significant unobservable inputs (Level 3) $	Balance, December 31, 2017 $
Cash	88,359	–	–	88,359

The fair values of other financial instruments, which include amounts receivable, accounts payable and accrued liabilities, loan payable, and amounts due to related parties, approximate their carrying values due to the relatively short-term maturity of these instruments.

(b) Credit Risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash. The Company limits its exposure to credit loss by placing its cash with high credit quality financial institutions. Amounts receivable consist of GST refunds due from the Government of Canada. The carrying amount of financial assets represents the maximum credit exposure.

(c) Foreign Exchange Rate and Interest Rate Risk

The Company is not exposed to any significant foreign exchange rate or interest rate risk. In addition to Canadian dollars, the Company conducts transactions in Nicaraguan Cordoba. A 10% change in foreign exchange rates would not have a material effect on the Company's consolidated financial statements.

(d) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations out of cash. The ability to do this relies on the Company raising equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs.

(e) Price Risk

The Company is exposed to price risk with respect to commodity prices. The Company's ability to raise capital to fund exploration and development activities is subject to risks associated with fluctuations in the market price of commodities.

Capital Management

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of cash and equity comprised of issued share capital, warrant reserve, and contributed surplus.

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issuances or by undertaking other activities as deemed appropriate under the specific circumstances.

The Company is not subject to externally imposed capital requirements and the Company's overall strategy with respect to capital risk management remains unchanged from the year ended December 31, 2016.

Subsequent Events

(a) On February 1, 2018, the Company issued 2,485,000 common shares pursuant to the exercise of share purchase warrants for proceeds of $50,050.

(b) On February 6, 2018, the Company issued 2,040,000 common shares pursuant to the exercise of share purchase warrants for proceeds of $112,200.

(c) On February 20, 2018, the Company issued 200,000 common shares pursuant to the exercise of share purchase warrants for proceeds of $11,000.

(d) On February 22, 2018, the Company issued 150,000 common shares pursuant to the exercise of share purchase warrants for proceeds of $8,250.