MONTEGO RESOURCES INC.

Management Discussion and Analysis
For the six months ended December 31, 2018

The Management Discussion and Analysis ("MD&A"), prepared on March 1, 2019 should be read in conjunction with the unaudited condensed interim financial statements and the notes thereto for the six months ended December 31, 2018 of Montego Resources Inc. ("Montego" or the "Company") and the Company's audited financial statements with accompanying notes and related MD&A for the fiscal ended June 30, 2018 which were prepared in accordance with International Financial Reporting Standards. Additional information relating to the Company including the Company's Annual Information Form is available on SEDAR at www.sedar.com.

FORWARD-LOOKING STATEMENTS

Certain statements contained in this MD&A constitute forward-looking statements. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "designed", "expect", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions. These statements are subject to a variety of risks and uncertainties which could cause actual events or results to differ from those reflected in the forward-looking statements. Based on current available information, the Company believes that the expectations reflected in those forward-looking statements are reasonable, but no assurance can be given that those expectations will prove to be correct. The forward-looking statements in this MD&A are expressly qualified by this statement, and readers are advised not to place undue reliance on the forward-looking statements.

DESCRIPTION OF BUSINESS

The Company was incorporated under the laws of the Province of British Columbia on July 20, 2012.

On September 5, 2018, the Company announced that it will proceed with a name change from Montego Resources Inc. to US Resources Hub Inc. to better reflect the Company's future focus and its current negotiations, specifically focus on high-quality US-based assets. The name change is subject to approval of the Canadian Securities Exchange.

The Company is a junior mineral exploration company engaged in the business of acquiring, exploring and evaluating natural resource properties. The Company is currently focusing its financial resources on conducting an exploration program on the Taylor Silver Property and the Black Dog Property. The Company has not yet determined whether these properties contain reserves that are economically recoverable. The recoverability of amounts shown for resource property and related deferred exploration expenditures are dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain necessary financing to complete the development of the resource property and upon future profitable production or proceeds from the disposition thereof.

PREPAID EXPENSES

As at December 31, 2018 and June 30, 2018, the Company had the following prepaid expenses:

	December 31, 2018	June 30, 2018
	$	$
Consulting fees	3,000	221,731
Lease payment	-	2,255
Insurance	-	3,125
	3,000	227,111

EXPLORATION AND EVALUATION ASSET

	Acquisition Costs	Exploration Costs	Total
	$	$	$
Balance, June 30, 2017	1,652,531	-	1,652,531
Disposal - sale of property	(291,400)	-	(291,400)
Acquisition costs - cash paid	660,485	-	660,485
Acquisition costs - common shares issued	131,500	-	131,500
Property acquisition and staking costs	-	157,712	157,712
Property option and cost recoveries received	(210,000)	-	(210,000)
Balance, June 30, 2018	1,943,116	157,712	2,100,828
Acquisition costs - cash paid	64,875	-	64,875
Property acquisition and expenditures	-	84,069	84,069
Balance, December 31, 2018	2,007,991	241,781	2,249,772

Redtop Sunrise Group

Pursuant to an option agreement dated July 25, 2012, with Rich River Exploration Ltd. and Craig Alvin Lynes, collectively, the “Optionors”, the Company was granted an option to acquire a 100% undivided interest in the Redtop Sunrise Group Property (the “Property”) comprised of 11 mineral claims located near the Clearwater region of British Columbia. To earn a 100% interest, the Company agreed to issue 17,500 common shares of the Company to the optioners, make cash payments totaling $100,000, and incur a total of $1,000,000 in exploration expenditures.

During the year ended June 30, 2017, the Company decided not to continue exploration on the Property and as a result it has provided for an impairment charge of $162,578.

Kiyuk Lake Property

On September 2, 2016, the Company has completed the acquisition of the Kiyuk Lake Property (“Kiyuk”), located in Nunavut, Canada. The Company has acquired the Property from Northern Empire Resources Corp. (“North Empire”) in consideration for the issuance of 668,000 common shares with a fair value of $701,400. The Property consists of 57 mineral claims, aggregating 491 square kilometers in southern Nunavut, Canada. As part of the Agreement, the Company is subject to 2% net smelter royalty to be paid to the original vendor of the Property.

On February 28, 2017, the Company entered into an option agreement with Cache Exploration Inc. (“Cache”) whereby Cache can earn 100% interest in Kiyuk. To earn the 100% interest, Cache will pay the Company an aggregate amount of $500,000, of which $200,000 was received and had been recorded as a reduction of acquisition costs during the year ended June 30, 2017.

During the year ended June 30, 2018, the Company received the final payment from Cache to acquire 100% of the Kiyuk. The payment of $300,000 was received through issuance of 3,000,000 Cache shares having a deemed value of $0.10 per share. The Company incurred a loss of $291,400 on the disposal of this Property.

During the six months ended December 31, 2018, the Company paid $5,305 exploration cost related to Kiyuk which was recorded as loss on sale of Property on the statement of net loss and comprehensive loss.

Black Dog Gold Property

On March 9, 2017, the Company reached an agreement with Caprock Ventures Ltd. (“Caprock”) to acquire the Black Dog Gold Project (“Black Dog”) located in Northern Quebec. The 1,400-hectare Black Dog Gold Project consists of a block of 27 mineral claims approximately 60 kilometers north of Nemiscau, Quebec, in an immediate area that has seen prospective exploration activity in recent years.

In consideration for the acquisition of the Black Dog, over the course of four years, the Company will be required to complete a series of cash payments totaling $1,900,000, issue 2,000,000 common shares and incur expenditures of $1,400,000 on the project. Upon completion of the payments, share issuances and expenditures, the Company will hold a 100% interest in the Black Dog Gold Project, subject to a 2% net smelter return royalty in favour of the vendor.

	Number of Common Shares	**Cash**	**Exploration Expenditures**
		$	$
Upon closing of the agreement (issued and paid)	2,000,000	50,000	-
Within 60 days of the closing of the agreement (paid)	-	50,000	-
On or before the 1st anniversary date of the agreement (paid and incurred)	-	100,000	100,000
On or before the 2nd anniversary date of the agreement (paid)	-	200,000	200,000
On or before the 3rd anniversary date of the agreement	-	500,000	500,000
On or before the 4th anniversary date of the agreement	-	1,000,000	600,000
Total	2,000,000	1,900,000	1,400,000

As of December 31, 2018, the Company has paid $441,481 and issued 2,000,000 common shares with a fair value of $510,000 to the Optionor.

Taylor Silver Property

On March 28, 2017, the Company reached an agreement with Silver Predator Corp. (“Silver”) to acquire a series of mining claims located in White Pine County in the state of Nevada commonly referred to as the Taylor Silver Property (“Taylor”).

Pursuant to the terms of the agreement reached with the vendor, the Company can acquire the Property in consideration for the completion of a series of cash payments totalling US$1,200,000, issuing 2,500,000 common shares and incurring expenditures of at least US$700,000 on the Property. Upon completion of the payments, share issuances and expenditures, the Company will hold a 100% interest in the Property, subject to a 2% net smelter return royalty and a 1% net profit royalty.

	Number of Common Shares	Cash	Exploration Expenditures
		US$	US$
Upon closing (issued and paid)	500,000	200,000	-
On or before 6 months from closing (issued and paid)	300,000	100,000	-
On or before 12 months from closing (issued, paid and incurred)	400,000	200,000	100,000
On or before 24 months from closing	500,000	300,000	250,000
On or before 36 months from closing	800,000	400,000	350,000
Total	2,500,000	1,200,000	700,000

As of December 31, 2018, the Company has paid $650,135 (US$500,000) and issued 1,200,000 common shares with a fair value of $341,500 to the Optionor. The Company also incurred $84,069 exploration expenditures during the six months ended December 31, 2018.

On March 15, 2018, the Company has planned a 2018 scope of work exploration program on its Taylor Silver Property, located in White Pine County, Nevada. The 2018 scope of work will be committed in two phases with phase 2 yet to be defined and based on the progress and results from the phase 1 program. The phase 1 program on the Taylor Silver Project will consist of RC (reverse circulation) drilling, property-scale detailed mapping, soil sampling, and initiation of a reassay for gold program on select stored rejects and pulps from drill holes previously sampled for silver only.

Highlights of the Taylor Silver Project include:

- Established mineral tenure and permitting procedures in a politically stable jurisdiction;
- Historic resource;
- Favourable stratigraphy for a Carlin gold system, including decalcification, silicification, jasperoids, high-angle north-northwest structures, silty Devonian carbonates (Guilmette formation) and local felsic intrusions cutting all stratigraphy;
- Previous drilling results by Silver Predator show strong gold and or silver mineralization in drill hole assays near surface;
- Strong database and geological expertise;
- Already defined mineralization; and
- Excellent infrastructure and highway access, 24 kilometres southeast of Ely, Nevada.

On August 10, 2018, the Company announces its expansion of its portfolio. The Company intends to focus on evaluating and seeking opportunities in the mining and metals sector. The Company is focused on expanding its range of opportunities it can investigate or add to its current portfolio to create shareholder value. The Company is seeking to assess regional and complementary opportunities for strong gold and or silver mineralization near its flagship Taylor Project in Nevada.

On August 29, 2018, the Company has released its results from SRK Consulting's (U.S.) Inc. rock sampling program on its Taylor Silver Project near Ely, Nevada.

Results from 2018 rock grab samples show anomalous silver mineralization ranging from less than one gram per tonne silver to a high of 398 g/t Ag. The samples in the northwest pit show high values of silver ranging from 38.5 to 398 g/t Ag with a statistical mean of 149.6 g/t Ag (4.8 ounces per ton). Gold values from these samples ranged up to 0.217 g/t with statistical mean of 0.077 g/t Au.

In addition to rock sampling in the historic resource area, rock samples were collected from outcrop at South Taylor, Enterprise, Crescent and Antimony. These areas represent a higher-level mineralization (geologically) east of the Argus fault and show consistent gold mineralization. Significant results include 1.28 g/t Au at Enterprise (quartz-phyric tuff located 15 metres from a historic antimony retort site); 0.828 g/t Au at Antimony (polylithic jasperoid breccia); 0.407 g/t Au at Crescent (jasperoid located adjacent to historic shaft); and 0.503 g/t Au at South Taylor (jasperoid). All of these samples were collected from outcrop and highlight the need for follow-up work as a gold-focused program.

Orogrande Gold Project

The Company signed a mineral property acquisition agreement with Altiplano Metals Inc. to acquire a series of mining claims located in Idaho county in the state of Idaho and commonly referred as the Orogrande Gold Project (the "Property") dated September 13, 2018.

The Property is a "drive to" early-stage gold target comprising 199 unpatented lode claims totalling 4,000 acres and located approximately 100 kilometres southeast of Grangeville, Idaho, and 15 km southwest of Elk City, Idaho, all within the Nez Perce National Forest near the headwaters of the Crooked River.

Overall highlights of the Orogrande Gold Project include:

- Established mineral tenure and permitting procedures in a politically stable jurisdiction;
- Easy access via a system of state, county and local gravel roads;
- Favourable stratigraphy and geological setting in a region of known gold mineralization, identification and production;
- Past work on the Property identified previous load gold mining and more recent work including mapping and soil sampling identified gold-bearing structures, zones of intense alteration and gold-in-soil anomlies, which will allow for quick near-term focus;
- Work by Premium on adjacent claims has used gold-in-soil anomalies successfully as a drill hole targeting tool and clear guides to mineralization at depth and defined six documented mineralized zones along the Orogrande shear zone (OSZ);
- Apex Geoscience Ltd. completed a National Instrument 43-101 technical report for the vendor in 2016 and found the Orogrande gold project a property of merit with further work warranted. Apex recommend a phase 1 scope of work including soils, geologic mapping and a versatile time-domain electromagnetic geophysical survey. Expected phase 1 all-in cost is $300,000.

In consideration for the Property, the Company will make a one-time cash payment of US$50,000 and will issue 520,000 common shares to the vendor at a deemed price of $0.25 per share. All shares issued to the vendor will be subject to a four-month-and-one-day statutory hold period, as well as a voluntary escrow arrangement. One-third of the shares will be released from the escrow arrangement every 12 months for a 36-month period. Following completion of the transaction, the property will remain subject to a 1.5% net smelter returns royalty on commercial production in favour of a previous owner.

Completion of the transaction with the vendor and the acquisition of the rights to the property, remains subject to the satisfaction of a number of conditions, including the completion of filings with the Canadian Securities Exchange on behalf of the Company and certain other closing conditions as are customary in transactions of this nature. There can be no assurance that these outstanding conditions will be satisfied.

The Company paid the one-time cash payment of $64,875 (US$50,000) during the period ended December 31, 2018.

Expenditures related to the Company's exploration and evaluation property interests are as follows:

	Orogrande Project	Kiyuk Lake	Black Dog	Silver Taylor	Total
	$	$	$	$	$
Balance as at June 30, 2017	**-**	**501,400**	**672,731**	**478,400**	**1,652,531**
Property acquisition and staking costs	-	-	278,750	670,947	949,697
Disposal - sale of property	-	(291,400)	-	-	(291,400)
Property option and cost recoveries received	-	(210,000)	-	-	(210,000)
Balance as at June 30, 2018	**-**	**-**	**951,481**	**1,149,347**	**2,100,828**
Property acquisition and staking costs	64,875	-	-	84,069	148,944
Balance as at December 31, 2018	**64,875**	**-**	**951,481**	**1,233,416**	**2,249,772**

SELECTED ANNUAL INFORMATION
($000's except loss per share)

	June 30, 2018	June 30, 2017	June 30, 2016
	$	$	$
Revenue	-	-	-
Net Loss	(3,512)	(1,855)	(179)
Basic and Diluted Loss per Share	(0.11)	(0.27)	(0.15)
Total Assets	4,586	2,204	173
Long-term Debt	-	-	-
Dividends	-	-	-

OPERATIONS

Six-month period ended December 31, 2018

During the six months ended December 31, 2018, the Company reported a net loss of $814,831 (2017 - $2,009,364). Included in the determination of operating loss were $2,255 (2017 - $6,765) on automobile, the decrease was due to new agreement terms, $313,031 (2017 - $981,008) on consulting fees, the decrease was due to less consulting fees incurred during the period, $483 (2017 - $604) on depreciation, $30,000 (2017 - $221,736), on management and administration, the decrease was due to less management and administration incurred during the period, $17,828 (2017 - $21,845) on office and miscellaneous, the decrease was due to decreased business activity during the period, $7,152 (2017 - $7,755) on professional fees, $Nil (2017 - $75,000) spent on rent, the decrease was due to no rental fees were incurred during the period, $6,405 (2017 - $25,765) on transfer agent and filing fees, the decrease was due to decrease activity and regulatory periodic filing fees incurred in the current period, $345,531 (2017 - $318,451) on travel and promotion, the increase was due to higher expense incurred during the period, $3,170 (2017 - $Nil) on insurance, the increase was due to fees incurred during the period, and $80,071 (2017 - $18,219) on interest expense, the increase was due to increase in interest accretion on convertible debentures during the period. The Company also incurred a loss on sale of property of $5,305 (2017 - $201,400) due to the sale of Kiyuk Lake Property, foreign exchange loss of $3,600 (2017 - $2,245), and unrealized loss on investments of $Nil (2017 - $128,571).

Three month period ended December 31, 2018

During the three months ended December 31, 2018, the Company reported a net loss of $270,699 (2017 - $1,178,212). Included in the determination of operating loss were $Nil (2017 - $6,765) on automobile, the decrease was due to new agreement terms, $147,490 (2017 - $715,046) on consulting fees, the decrease was due to less consulting fees incurred during the period, $235 (2017 - $604) on depreciation, the decrease was due to the depreciable asset, $15,000 (2017 - $175,427) on management and administration, the decrease was due to less management and administration incurred during the period, $7,837 (2017 - $15,488) on office and miscellaneous, the decrease was due to decreased business activity during the period, $474 (2017 - $7,149) on professional fees, the decrease was due to lower service fees charged during the period, $3,295 (2017 - $22,000) on transfer agent and filing fees, the decrease was due to decreased activity and regulatory periodic filing fees incurred during the period, $53,591 (2017 - $2,359) on travel and promotion, the increase is due to higher expense incurred during the period, $1,562 (2017 - $Nil) on insurance, the increase was due to higher fees incurred during the period, $40,780 (2017 - $18,219) on interest expense, the increase was due to increase in interest accretion on convertible debentures during the period and $Nil (2017 - $71,800) on rent, the decrease was due to no rental fees were incurred during the period. The Company also incurred foreign exchange loss of $435 (2017 - $498) and unrealized loss on investments of $Nil (2017 - $142,857).

The Company adopted all of the requirements of IFRS 9 *Financial Instruments* as of July 1, 2018. Under IFRS 9, all investments owned by the Company are redesignated as FVTOCI, with a fair value loss of $30,000 recorded in other comprehensive loss for the six months ended December 31, 2018. Had the Company had not adopted IFRS 9 and redesignated all investments as FVTOCI, the fair value loss would have been recorded in the statements of net loss under IAS 39. In the prior year period and prior to the adoption of IFRS 9, the Company recorded a fair value loss of $128,571 in the statement of net loss and comprehensive loss for the six months ended December 31, 2017.

RISKS AND UNCERTAINTIES

In conducting its business, the Company faces a number of risks and uncertainties related to the mineral exploration industry. Some of these risk factors include risks associated with land titles, exploration and development, government and environmental regulations, permits and licenses, competition, dependence on key personnel, fluctuating mineral and metal prices, the requirement and ability to raise additional capital through future financings.

Title Risks

Although the Company has exercised due diligence with respect to determining title to the properties in which it has a material interest, there is no guarantee that title to such properties will not be challenged or impugned. Third parties may have valid claims underlying portions of the Company’s interests, and the permits or tenures may be subject to prior unregistered agreements or transfers or native land claims and title may be affected by undetected defects. If a title defect exists, it is possible that the Company may lose all or part of its interest in the properties to which such defects relate.

Exploration and Development

Resource exploration and development is a highly speculative business, characterized by a number of significant risks including, among other things, unprofitable efforts resulting not only from the failure to discover mineral deposits but also from finding mineral deposits that, though present, are insufficient in quantity and quality to return a profit from production. Substantial expenses are required to establish reserves by drilling, sampling and other techniques and to design and construct mining and processing facilities. Whether a mineral deposit will be commercially viable depends on a number of factors, including the particular attributes of the deposit (i.e. size, grade, access and proximity to infrastructure), financing costs, the cyclical nature of commodity prices and government regulations (including those relating to prices, taxes, currency controls, royalties, land tenure, land use, importing and exporting of minerals, and environmental protection). The effect of these factors or a combination thereof cannot be accurately predicted but could have an adverse impact on the Company.

Environmental Regulations, Permits and Licenses

The Company's operations may be subject to environmental regulations promulgated by government agencies from time to time. Environmental legislation provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry operations, such as seepage from tailings disposal areas that would result in environmental pollution. A breach of such legislation may result in the imposition of fines and penalties. In addition, certain types of operations require the submission and approval of environmental impact assessments. Environmental legislation is evolving in a manner that means standards are stricter, and enforcement, fines and penalties for noncompliance are more stringent. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations. We intend to comply fully with all environmental regulations.

The current or future operations of the Company, including development activities and commencement of production on our properties, require permits from various federal, state or territorial and local governmental authorities, and such operations are and will be governed by laws and regulations governing prospecting, development, mining, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, mine safety and other matters. Such operations and exploration activities are also subject to substantial regulation under applicable laws by governmental agencies that may require that we obtain permits from various governmental agencies. There can be no assurance, however, that all permits that the Company may require for the operations and exploration activities will be obtainable on reasonable terms or on a timely basis or that such laws and regulations will not have an adverse effect on any mining project which the Company might undertake.

Failure to comply with applicable laws, regulations, and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations and, in particular, environmental laws.

Competition

The mining industry is intensely competitive in all its phases, and the Company competes with other companies that have greater financial and technical resources. Competition could adversely affect the Company's ability to acquire suitable properties or prospects in the future.

Dependence on Key Personnel

The success of the Company is currently largely dependent on the performance of the directors and officers. There is no assurance that the Company will be able to maintain the services of the directors and officers or other qualified personnel required to operate its business. The loss of the services of these persons could have a material adverse effect on the Company and the prospects.

Fluctuating Mineral and Metal Prices

Factors beyond our control may affect the marketability of metals discovered, if any. Metal prices have fluctuated widely, particularly in recent years. The effect of these factors on the exploration activities cannot be predicted. For example, gold prices are affected by numerous factors beyond the Company's control, including central bank sales, producer hedging activities, the relative exchange rate of the U.S. dollar with other major currencies, global and regional demand and political and economic conditions. Worldwide gold production levels also affect gold prices. In addition, the price of gold has on occasion been subject to rapid short-term changes due to speculative activities.

Future Financings

The Company's continued operation will be dependent upon the ability to generate operating revenues and to procure additional financing. There can be no assurance that any such revenues can be generated or that other financing can be obtained on acceptable terms. Failure to obtain additional financing on a timely basis may cause the Company to postpone development plans, forfeit rights in some or all of the properties or joint ventures, or reduce or terminate some or all of the operations.

SUMMARY OF QUARTERLY RESULTS
($000's except earnings per share)

	December 31, 2018	September 30, 2018	June 30, 2018	March 31, 2018
	$	$	$	$
Revenue	-	-	-	-
Net Loss	(280)	(565)	(557)	(946)
Basic and Diluted Loss Per Share	(0.01)	(0.01)	(0.02)	(0.02)

	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017
	$	$	$	$
Revenue	-	-	-	-
Net Loss	(1,178)	(831)	(693)	(163)
Basic and Diluted Loss Per Share	(0.04)	(0.05)	(0.04)	(0.01)

Fiscal 2019

During the second quarter of fiscal 2019, the Company recorded a loss of $279,985 compared to a loss of $564,846 in the first quarter of fiscal 2019. The change is mainly due to lower consulting fees, interest expense and travel and promotion incurred during the second quarter.

During the first quarter of fiscal 2019, the Company recorded a loss of $564,846 compared to a loss of $557,070 in the fourth quarter of fiscal 2018. The change is mainly due to higher consulting fees incurred during the first quarter.

Fiscal 2018

During the fourth quarter of fiscal 2018, the Company recorded a loss of $557,070 compared to a loss of $945,671 in the third quarter of fiscal 2018. The change is mainly due to lower travel and promotion incurred during the fourth quarter.

During the third quarter of fiscal 2018, the Company recorded a loss of $945,671 compared to $1,178,212 in the second quarter of fiscal 2018. The change is mainly due to lower consulting fees and management fees incurred during the third quarter.

During the second quarter of fiscal 2018, the Company recorded a loss of $1,178,212 compared to a loss of $831,151 in the first quarter of fiscal 2018. The change is mainly due to higher consulting fees and management fees incurred during the second quarter.

During the first quarter of fiscal 2018, the Company recorded a loss of $831,151 compared to a loss of $693,015 in the fourth quarter of fiscal 2017. The change is mainly due to higher travel and promotion incurred during the first quarter. The Company also recognized a loss on sale of Kiyuk Lake Property during the period.

Fiscal 2017

During the fourth quarter of fiscal 2017, the Company recorded a loss of $693,015 compared to a loss of $163,807 in the third quarter of fiscal 2017. The change is mainly due to higher consulting fees incurred during the fourth quarter. The Company also recognized a loss on sale of Kiyuk Lake Property during the period.

During the third quarter of fiscal 2017, the Company recorded a loss of $163,807 compared to a loss of $210,922 in the second quarter of fiscal 2017. The change is mainly due to recovery of management fees incurred during the third quarter.

LIQUIDITY AND CAPITAL RESOURCES

As at December 31, 2018, the Company had a cash balance of $1,333,305 and working capital of $237,482 compared to $1,942,077 and $1,230,774, respectively, as at June 30, 2018.

During the six months ended December 31, 2018, net cash used in operating activities was $454,823 (2017 - $1,801,372) comprising a depreciation of $483 (2017 - $604), interest on convertible debt of $80,053 (2017 - $18,219), loss on sale of property of $5,305 (2017 - $201,400), unrealized loss on investment of $Nil (2017 - $128,571), foreign exchange loss of $3,600 (2017 - $2,245), increase in amounts receivable of $12,863 (2017 - $64,602), decrease in prepaid expenses and deposits of $224,111 (2017 - increase of $292,792) and an increase in accounts payable of $59,319 (2017 - $214,346).

Cash used in investing activities for the six months ended December 31, 2018 was $154,249 (2017 - $239,105), which was primarily related to acquisition of exploration and evaluation assets.

Cash provided by financing activities for the six months ended December 31, 2018 was $300 (2017 - $3,111,281), which was related to proceeds from loan for the six months ended December 31, 2018 and issuance of shares, issuance of convertible and exercise of warrants for the same period in 2017.

During the three months ended December 31, 2018, net cash used in operating activities was $55,855 (2017 - $1,452,800) comprising a depreciation of $235 (2017 - $604), interest on convertible debt of $40,780 (2017 - $18,219), unrealized loss on investment of $Nil (2017 - $142,857), foreign exchange loss of $435

(2017 - $498), expenditures on exploration and evaluation included in accounts payable of $Nil (2017 - $25,555), acquisition of property included in accounts payable of $Nil (2017 - $6,037), increase in amounts receivable of $7,827 (2017 - $48,872), a decrease in prepaid expenses and deposits of $139,677 (2017 - increase of $439,717) and an increase in accounts payable and accrued liabilities of $41,544 (2017 - $20,231).

Cash used in investing activities for the three months ended December 31, 2018 was $39,467 (2017 - $239,105), which was primarily related to acquisition of exploration and evaluation assets.

Cash provided by financing activity for the three months ended December 31, 2018 was $300 (2017 - $2,926,281), which was related to proceeds from loan for the three months ended December 31, 2018 and issuance of shares, issuance of convertible and exercise of warrants for the same period in 2017.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has not entered into any off-balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

The following amounts are due to related parties and have been included in accounts payable and accrued liabilities:

	December 31, 2018	**June 30, 2018**
	$	$
Accounts payable and accrued liabilities	58,072	13,012

The amounts are due to directors and companies controlled by directors of the Company. The amounts are non-interest bearing, unsecured and are due upon demand.

The Company had the following related party transactions:

	2018	**2017**
	$	$
Exploration fees	19,545	-
Management fees	30,000	221,737
Consulting fees	12,000	-
	61,545	221,737

Management fees and property expenditures were paid to a director and companies controlled by directors of the Company.

Key management personnel receive compensation in the form of short-term employee benefits. Key management personnel include the directors of the Company. The remuneration of key management is as follows:

	2018	2017
	$	$
Management fees	30,000	221,737
Consulting fees	12,000	-
	42,000	221,737

Management and consulting services were provided by companies owned by the officers and directors of the Company.

As at December 31, 2018, $Nil (June 30, 2018 - $15,557) is included in prepaid expenses and deposits to a director and a company controlled by a director of the Company for consulting fees.

COMMITMENTS

The Company is obligated to make certain payments and issue shares in connection with the acquisition of its mineral properties.

As at December 31, 2018, the Company engaged a consultant for total estimated cost of US$85,476. The Company paid US$42,500 to the consultant during the year ended June 30, 2018 as a retainer.

SUBSEQUENT EVENTS

On January 22, 2019, the Company appointed Jim Greig to the board of directors. On the same day, Mo Ahmad and Kon Tsukamis have resigned from the board of directors, effective immediately.

On February 5, 2019, William Cronk has resigned from the board of directors and Larry Segerstrom has resigned as the vice -president of exploration, effective immediately.

Subsequent to period ended December 31, 2018, 13,267,488 share purchase warrants have expired unexercised.

MANAGEMENT CHANGES

On August 17, 2018, the Company has appointed Larry Segerstrom as vice-president of exploration and technical adviser to the Company.

On September 4, 2018, the Company has appointed Adam Cegielski to its board of directors and as its interim chief executive officer, replacing Ken Tollstam who has resigned from the board and as the Company's chief executive officer.

On January 22, 2019, the Company appointed Jim Greig to the board of directors. On the same day, Mo Ahmad and Kon Tsukamis have resigned from the board of directors, effective immediately.

On January 29, 2019, the Company released an updated mineral resource estimate for the Taylor silver project in eastern Nevada, United States. This resource, summarized in the attached mineral resource estimate table, remains open for expansion and has demonstrated potential for higher-grade silver mineralization in several key areas, including: (1) underlying host rocks, (2) along the Argus fault zone, where previous higher-grade underground mining was concentrated, and (3) peripheral to the current resource subject to silver price.

On February 5, 2019, William Cronk has resigned from the board of directors and Larry Segerstrom has resigned as the vice -president of exploration, effective immediately.

APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

Accounting Standards and Amendments Issued but Not yet Effective

The following accounting standards were issued but not yet effective as of December 31, 2018:

IFRS 16 - Leases

In June 2016, the IASB issued IFRS 16 - *Leases*. IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. However, lessees are no longer classifying leases as either operating leases or finance leases as it is required by IAS 17. The standard is effective for annual periods beginning on or after January 1, 2019.

CRITICAL ACCOUNTING POLICIES

<u>Changes in Accounting Policies</u>

Financial Instruments

The Company adopted all of the requirements of IFRS 9 *Financial Instruments* ("IFRS 9") as of July 1, 2018. IFRS 9 replaces IAS 39 *Financial Instruments: Recognition and Measurement* ("IAS 39"). IFRS 9 utilizes a revised model for recognition and measurement of financial instruments and a single, forward-looking "expected loss" impairment model. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9, so the Company's accounting policy with respect to financial liabilities is unchanged. As a result of the adoption of IFRS 9, management has changed its accounting policy for financial assets retrospectively, for assets that continued to be recognized at the date of initial application. The change did not impact the carrying value of any financial assets or financial liabilities on the transition date. The main area of change is the accounting for equity securities previously classified as fair value through profit and loss.

The following is the Company's new accounting policy for financial instruments under IFRS 9:

(i) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

The Company completed a detailed assessment of its financial assets and liabilities as at July 1, 2018.

The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

Financial assets/liabilities	**Original classification IAS 39**	**New classification IFRS 9**
Cash	Amortized cost	Amortized cost
Receivables	Amortized cost	Amortized cost
Investments	FVTPL	FVTOCI
Accounts payable	Amortized cost	Amortized cost
Loan payable	Amortized cost	Amortized cost

Upon the adoption of IFRS 9, the Company made an irrevocable election to classify investments as FVTOCI given they are not held for trading and are instead held as strategic investments that align with the Company's corporate objective.

As the Company did not restate prior periods, it recognized the effects of retrospective application to shareholders' equity at the beginning of the 2019 annual reporting period that includes the date of initial application. Therefore, the adoption of IFRS 9 resulted in a decrease to the opening accumulated deficit on July 1, 2018 of $75,000 with a corresponding adjustment to accumulated other comprehensive loss.

(ii) Measurement

Financial assets at FVTOCI

Elected investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses recognized in other comprehensive income (loss).

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of net income (loss). Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of net income (loss) in the period in which they arise.

(iii) Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statements of net income (loss), as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

Derecognition

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the statements of net income (loss).

Financial liabilities

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the statements of net income (loss).

Revenue from Contracts with Customers

The Company adopted all of the requirements of IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15") as of July 1, 2018. IFRS 15 utilizes a methodical framework for entities to follow in order to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. The change did not impact the cumulated revenue recognized or the related assets and liabilities on the transition date.

The Company did not restate prior periods as it recognized the effects of retrospective application to shareholders' equity at the beginning of the 2019 annual reporting period, which also includes the date of initial application. The adoption of IFRS 15 resulted in no impact to the opening accumulated deficit nor to the opening balance of accumulated comprehensive income on July 1, 2018.

Share-based Payments

The Company adopted all of the requirements of IFRS 2 *Share-based Payments* ("IFRS 2") as of July 1, 2018. The amendment provide guidance on the accounting for i) the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; ii) share-based payment transactions with a net settlement feature for withholding tax obligations; and iii) a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

The Company did not restate prior periods as it recognized the effects of retrospective application to shareholders' equity at the beginning of the 2019 annual reporting period, which also includes the date of initial application. The adoption of IFRS 2 resulted in no impact to the opening accumulated deficit nor to the opening balance of accumulated comprehensive income on July 1, 2018.

SHARE CAPITAL

Issued

The Company has 45,151,570 common shares issued and outstanding as at December 31, 2018 and as at March 1, 2019.

Share Purchase Options

The Company has no stock options outstanding as at December 31, 2018 and as at March 1, 2019.

Share Purchase Warrants

The Company has 22,959,488 share purchase warrants outstanding as at December 31, 2018 and 9,692,000 share purchase warrants outstanding as at March 1, 2019.

Escrow Shares

The Company has no shares held in escrow as at December 31, 2018 and as at March 1, 2019.