MONTEREY MINERALS INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE COMPANY'S FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2020

FORM 51-102F1

The following Management Discussion & Analysis ("MD&A") is intended to assist in the understanding of the trends and significant changes in the financial condition and results of operations of Monterey Minerals Inc. (hereinafter "Monterey" or the "Company") for the interim period ended September 30, 2020. The MD&A should be read in conjunction with the unaudited condensed interim consolidated financial statements for the periods ended September 30, 2020 and audited consolidated financial statements and MD&A for the year ended December 31, 2019. The MD&A has been prepared effective November 30, 2020.

SCOPE OF ANALYSIS

The following is a discussion and analysis of Monterey Minerals Inc. The Company reports its financial results in Canadian dollars and in accordance with *IAS 34 – Interim Financial Reporting* as issued by the International Accounting Standards Board. All reported interim financial information includes the financial results of Monterey and its subsidiaries.

FORWARD LOOKING STATEMENTS

The information set forth in this MD&A contains statements concerning future results, future performance, intentions, objectives, plans and expectations that are, or may be deemed to be, forward-looking statements. These statements concerning possible or assumed future results of operations of the Company are preceded by, followed by or include the words 'believes,' 'expects,' 'anticipates,' 'estimates,' 'intends,' 'plans,' 'forecasts,' or similar expressions. Forward-looking statements are not guarantees of future performance. These forward-looking statements are based on current expectations that involve numerous risks and uncertainties, including, but not limited to, those identified in the Risks Factors section. Assumptions relating to the foregoing involve judgments with respect to, among other things, future economic, competitive and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate. These factors should be considered carefully, and readers should not place undue reliance on forward-looking statements. The Company may not provide updates or revise any forward-looking statements, except those otherwise required under paragraph 5.8(2) of NI 51-102, whether written or oral that may be made by or on the Company's behalf.

TRENDS

Other than as disclosed in this MD&A, the Company is not aware of any trends, uncertainties, demands, commitments or events which are reasonably likely to have a material effect upon its revenues, income from continuing operations, profitability, liquidity or capital resources, or that would cause reported financial information not necessarily to be indicative of future operating results or financial condition.

In early 2020, the outbreak of the novel strain of coronavirus ("COVID-19"), has resulted in governments enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused an economic slowdown and material disruption to business. Management has experienced a slow-down in the ability to transact business as a result of the self-isolating measures. Government has reacted with interventions intended to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial performance and financial position of the Company in future periods.

Due to weak capital markets for junior mineral exploration companies, Management with the support of the Board of Directors has reduced operations to conserve capital.

In February, 2020, the Company signed a letter of intent ("LOI") with Greater Arc Resources Limited ("GAR Ltd") to purchase its wholly owned subsidiary Greater Arc Pty Ltd. ("Greater Arc") which owns the Alicia high-grade gold and base metals project in Alicia Municipality, Philippines ("Alicia Project"). On August 13, 2020, the Company closed the acquisition of Greater Arc for 54 million common shares of the Company. In connection with this transaction, the Company also paid a finders' fee of 5 million common shares.

On July 9, 2020 the Company announced that it closed the first tranche of the private placement offering announced on July 7, 2020. On July 28, 2020, Monterey announced that it has closed the final tranche of the private placement offering. This Financing resulted in the Company receiving total gross proceeds of $1,629,500.. Each Unit consisted of one (1) common share and one (1) non-transferrable common share purchase warrant (a “Warrant”). Each Warrant will entitle the holder to purchase one additional common share at a price of $0.10 for a period of twenty-four (24) months from date of the issue. The Company paid finders’ fees consisting of 8% cash and 8% non-transferable warrants in connection with the financing totalling $39,400 and 788,000 non-transferable warrants.

On September 29, 2020 the Company announced that it signed a purchase and sale agreement to sell four of its southern tenements (the "Tenements") within the Company's portfolio of Pilbara gold properties in Australia. New Age Exploration Limited will acquire the Tenements for 25 million shares of New Age. The divested Tenements are E47/3886, E47/3887, E47/3891 and E45/5180 and represent 307 square kilometres. The Company recorded the 25 million New Age shares as marketable securities valued at $318,878 on the date of the sale which was recorded as a reduction of mineral acquisition and exploration expenses during the three and nine months ended September 30, 2020. The marketable securities of New Age shares was carried at $334,075 as at September 30, 2020. During the three and nine months ended September 30, 2020, the Company recorded an unrealized gain on the marketable securities of $23,863.

In addition, New Age entered into an option and asset sale agreement to acquire a further four tenements comprising 538 sq.km. from Monterey for total consideration of 75 million New Age shares and 37.5 million unlisted New Age options with an exercise price of $0.02, expiring 28 September 2023. NAE will have an exclusive right to exercise the option to acquire the four tenements (E47/3958, E45/5063, E45/5064 and E45/5065) on or before completion of a 45 day due diligence period. NAE was required to pay an option fee of $25,000 which was received subsequent to September 30, 2020. The Company recorded the $25,000 option fee as other receivable as at September 30, 2020 and a reduction of mineral acquisition and exploration expenses during the three and nine months ended September 30, 2020.

As the Monterey progresses along with the exploration work on its properties it will need to raise additional working capital to fund its ongoing operations. While the current financial situation appears favourable, there no guarantee that these conditions will persist for a significant period of time and there is a risk that the Company will be unable to raise sufficient funds in the future, thus jeopardizing the Company's ability to continue as a going-concern.

Management believes that going forward, subject to economic conditions, finances and the availability of equity financing, the longer-term prospects for the Corporation should remain positive. It is the intention of the Company to continue exploration activities on certain of its mineral properties going forward.

GENERAL BUSINESS AND DEVELOPMENT

Monterey Minerals Inc. (the "Company") was incorporated on May 9, 2014 under the laws of British Columbia, Canada. Its registered office is located at 777 Hornby Street, Suite 600, Vancouver, BC, V6Z 1S4, Canada. On June 26, 2018, Monterey Minerals Inc. (“Former Monterey”) and Landsdown Holdings Ltd. (“Landsdown.”) entered into a Share Exchange Agreement (the “SEA”) under which the transaction was completed. This resulted in the Landsdown shareholders acquiring control of the Company, after which the Company effected a change in directors, management and business. The Company’s main office is Suite 2702, 401 Bay Street Toronto, Ontario, M5H 2Y4.

Former Monterey acquired Landsdown through a reverse acquisition transaction. Under the terms of the SEA, Former Monterey acquired all of the issued and outstanding common shares of Landsdown based on one share of the Company for each share of Landsdown. Landsdown is engaged in the business of mineral property exploration and was incorporated pursuant under the laws of British Columbia, Canada on August 9, 2015.

Landsdown is deemed to be the continuing entity for financial reporting purposes and therefore its historical operations, assets and liabilities are included as the comparative figures as at December 31, 2018.

Prior to the SEA, on October 19, 2016, Former Monterey incorporated four wholly-owned subsidiaries: 1093681 BC Ltd., 1093682 BC Ltd., 1093683 BC Ltd., and Blue Aqua Holdings Ltd. (formerly 1093684 B.C. Ltd.) ("Subcos") setup for proposed arrangement transactions. Former Monterey set the share distribution record date of a plan of an arrangement at close of business on April 18, 2018 whereby each Subcos would issue 1,010,549 common shares to shareholders of the Company. Blue Aqua Holdings Ltd. was spun out effective June 12, 2018 with the remaining Subcos being spun out August 28, 2018.

The technical information in this document has been reviewed and approved by Martin Dormer, a consultant to the Company, who is a Qualified Person as defined by NI 43-101. Martin is a member of the Australian Institute of Mining and Metallurgy (AusIMM), the Australian Institute of Geoscientists (AIG). He is a West Australian geologist with over 22 years' experience and sufficient experience of relevance to the styles of mineralization and types of deposits under consideration to qualify as a Competent Person as defined by the 2012 Edition of the Joint Ore Reserves Committee (JORC) Australian Code for Reporting of Exploration Results, Mineral Resources, and Ore Reserves.

The Company is a reporting issuer in the Province of British Columbia. All public filings for the Company on the SEDAR website www.sedar.com.

LIQUIDITY AND CAPITAL RESOURCES

As at September 30, 2020, the Company had a cash balance of $597,594 compared to a cash balance of $70,799 at December 31, 2019. The Company had working capital of $784,280 at September 30, 2020 (December 31, 2019 – working capital balance of $1,191**).**

On July 9, 2020 the Company announced that it closed the first tranche of the private placement offering announced on July 7, 2020. On July 28, 2020, Monterey announced that it has closed the final tranche of the private placement offering. This Financing resulted in the Company receiving total gross proceeds of $1,629,500. Each Unit consisted of one (1) common share and one (1) non-transferrable common share purchase warrant (a "Warrant"). Each Warrant will entitle the holder to purchase one additional common share at a price of $0.10 for a period of twenty-four (24) months from date of the issue. The Company paid finders' fees consisting of 8% cash and 8% non-transferable warrants in connection with the financing totalling $39,400 and 788,000 non-transferable warrants.

The Company will be selling its New Age shares over time in order to fund exploration work in the Philippines and for general working capital needs.

Notwithstanding this equity raise, the continuation of the Company as a going-concern is dependent on its ability to raise additional capital or debt financing, including on reasonable terms, in order to meet business objectives towards achieving profitable business operations.

PROJECTS

Cobalt Mountain, British Columbia

This 4,921 hectare (12,160 acre) polymetallic project is located in the Omineca Mining Division of Northwest British Columbia, near Smithers, BC.

The following highlights work that was carried out in the fourth quarter of 2018, as reported in Jan. 2019 NI 43-101 report on Cobalt Mountain:

- The program outlined multiple copper ("Cu") anomalies in both soil and talus fines samples.
- Two areas in particular are:
  - the Zante Zone with an area of highly anomalous copper 1,000 metres ("m") x 200 m with several samples over 1000 ppm Cu
  - the Zante South Zone with a 400 m x 500 m Cu soil anomaly. Both areas have partially overlapping Mo Anomalies.
- Both Zante Zones have partially overlapping Molybdenum ("Mo") anomalies.

Previous operators identified multiple Cu/Mo/gold ("Au") porphyry targets that were not systematically followed up. These include the Corinth Zone – a high grade Cu/Au/silver ("Ag") zone which could be the possible extension of the historic Sultana Prospect and includes grab samples of 1.5% Cu, 22.5 g/t Ag, and 5.75% Cu, 26 g/t Ag, 0.34 g/t Au.

In October 2019, Monterey carried out a soil sampling, prospecting and mapping program at the Cobalt Mountain Property. The Company built on previous work and defined multiple soil anomalies for both copper and molybdenum that are related to magnetic anomalies identified by previous operators. The Zante Target showing hosts the largest copper (Cu) and coincidental molybdenum (Mo) anomalies covering an area of 1500m x 1000m with the Cu/Mo overlying geophysical magnetic highs. The Cu anomalies remain open to the east, west and north towards Tina. In addition to the Zante Target showing, limited sampling indicates coincidental Cu and Mo soil anomalies at Corinth Target area along with stockwork Cu mineralization. Both the historic Tina and Balsam targets returned elevated values for Cu in soils and rock samples.

Ridge Street Tenements, Australia

Exploration Licence E47/3886, the Sherlock River Property, is located within the northwest Pilbara Craton and in the Central Pilbara Tectonic Zone. The lease is predominantly underlain by rocks of the Sisters Supersuite and portions of the lease cover the sediments and intrusives of the Mallina Formation belonging to the De Grey Group. To the north, the geology is bounded by the Wohler Fault, which runs parallel to a package of sediments and greenstones that host numerous gold and base metal occurrences.

While relatively under-explored, historic work included some geochemical sampling and mapping. Gold anomalies adjacent to the southern border lie in close proximity to the Mallina Basin sediments and intrusives. The Sherlock River Property lies approximately 15 km to the west of Novo Resources Corp.'s ("Novo") Station Creek Gold Project and 17 km to the west of Novo's Edgina Gold Project. To the east of the project, Pacton Gold, Novo and Pioneer Resource all hold significant tenure packages focusing on the gold bearing conglomerates.

CTTR Mining Tenements, Australia

Tenement E47/3891 covers about 155 km^2. and is adjacent to Novo Resources / Pioneer Resources' Egina Joint Venture Project and directly to the northeast of Kairos Mineral's Croydon Project, where Kairos has had exploration success. The property is roughly 2 km from Pacton's Friendly Creek project. Tenement E45/5056 covers 22 km^2 and is surrounded by De Grey Mining's Pilbara Gold and Turner River Base Metals Projects. Adjacent to the property is De Grey's Wingina Mining Centre. The property hosts secondary faults and shears adjacent to the Tabba Tabba Shear Zone. Tenement E45/5063 covers 85 km^2 and lies 4 km to the north of the Tabba Tabba Shear Zone and directly south of the Indee Fault, which transects the tenement. The property is adjacent to and immediately northeast of the Pacton Gold / Arrow Minerals Joint Venture, and 5km to the north of De Grey Mining's Pilbara Gold Project.

The five tenements E45/5058 and E45/5062 through E45/5065 cover 344 km^2. The properties are predominately underlain by granitoids of the Sisters Supersuite and the Split Rock Supersuite as well as sediments of the Mallina Basin, which form part of the De Grey Superbasin within the Pilbara Craton. Monterey will be targeting gold bearing sediments of the Mallina Basin and host structures in the area as Novo, Pacton, DeGrey and Sayona are currently doing.

Gold River Tenements, Australia

E47/3958 and E47/3959, covering 218 km^2, abut Pacton Gold to the west and are just north of Novo Resources. Locally, E47/3958 is 7 km to the north of De Grey Mining's Withnell Mining Centre that hosts over 445,000 ounces ("ozs") of gold (Measured and Indicated) with another 429,000 ozs (Indicated) in a cluster of deposits (De Grey - 2018 Annual Mineral Resources Statement). The mineralization hosted on adjacent and nearby properties is not necessarily indicative or representative of mineralization that may be hosted on the Company's properties. Withnell is also the site of De Grey's proposed gold processing facility (DEG March Quarterly Report 2019). There is a prospective quartz vein in the centre of the property that can be traced for over 400 metres at surface with evidence of artisanal mining. Pacton Gold's exploration in the adjacent area in similar-aged granitoids have found occurrences of swarms of quartz veins, many of which host gold mineralization.

The tenements are situated within the Central Pilbara Tectonic Zone and is underlain by the sediments of the De Grey Superbasin and underlying granitic rocks that intrude the Supergroup. Local lithologies include the Portee granitoid of the Sisters Supersuite and unclassified Mallina Basin sediments which are the dominant host to gold mineralization in the area. Immediately to the north of E47/3958 is the large regional structure of the Sholl Shear Zone which is the tectonic boundary between the Central Pilbara Tectonic Zone, and the Karratha Terrane. The Portee Granitoid is evident from the magnetics and has intruded the basin in multiple phases. It forms a series of discrete “nested” ovoid plutons evident from their magnetic signature. Within these plutons are potentially preserved roof pendants of the Mallina Formation providing exploration targets for gold, antimony, and/or tin, tantalum, niobium mineralization. Other targets at the project include semi preserved or partially assimilated rafts of greenstones, and faulted contacts of the plutons and surrounding Mallina sediments. Anomalous levels of gold, tin, and tantalum were recorded adjacent to the south-east corner of E47/3958.

E47/3960, covering 64 km^2, abuts Kairos Minerals’ Croyden project, which hosts gold with conglomerates, and is just northwest of Pacton Gold’s tenement E47/3905. The Hardy Formation outcrops within 1 km of the western boundary of the lease. The conglomerates of the Hardy Formation have been targeted historically for gold and uranium mineralization. The tenement is underlain by the Powder Monzogranite of the Yule Granitoid Complex (2,935 Ma) which includes porphyritic and seriatic textured monzogranites cross-cut by Proterozoic doleritic dykes. Swarms of pegmatites, which occur locally and in close proximity to the SE corner of the lease, are the historic Mumbillia Lithium bearing pegmatite mine workings.

E45/5180, covering 6 km^2, abuts a Novo Resources tenement to the northwest and is adjacent to Novo Resources’ Talga Talga Mining Centre, located 20 km north of the town of Marble Bar. The Talga Talga Mining Centre and E45/5180 are situated within the greenstone belts surrounding the Mt Edgar Granitoid Complex. The historic workings at Talga Talga were mined until 1940 with 1,614 ozs of gold mined from 1,432 tonnes of ore for an average grade of 35.1 grams per tonne of gold (ASX:TLG - Talga Gold Limited Prospectus). The mineralization hosted on adjacent and nearby properties is not necessarily indicative or representative of mineralization that may be hosted on the Company’s properties. E46/1243, covering 3 km2 , sits within the Middle Creek mineralized corridor of the Mosquito Creek Formation. The Middle Creek mineralized corridor is known to host over 745,000 ozs of gold (Measured and Indicated) with another 410,000 ozs (Inferred) in numerous deposits currently being mined by Millennium Minerals, who are targeting gold production of 90,000 ozs to 100,000 ozs in 2019 (ASX:MOY - 2018 Ore Reserve and Mineral Resource Statement). The mineralization hosted on adjacent and nearby properties is not necessarily indicative or representative of mineralization that may be hosted on the Company’s properties.

E46/1243 sits in close proximity to a major structural offset of the Blue Spec Fault, a well mineralized structure which hosts the Blue Spec Gold Mine.

E46/1244, covering 32 km^2, is 5 km south of the Mosquito Creek Formation. The ground is underexplored and the only previous exploration was regional stream sediment sampling and bulk sampling for diamonds by DeBeers Australia Ltd. The Sandy Creek Cu-Pb-Zn-Ag (copper, lead, zinc & silver) prospect is 7 km to the east of the project.

Alicia Project, Philippines

On February 28, 2020, the Company issued 625,000 common shares to Greater Arc Resources Limited ("GAR Ltd") in accordance with the letter of intent ("LOI") with GAR Ltd. to purchase its wholly owned subsidiary Greater Arc Pty Ltd. ("Greater Arc") which owns the Alicia high-grade gold and base metals project in Alicia Municipality, Philippines ("Alicia Project"). On April 1, 2020, the Company issued 312,500 additional common shares as per the LOI. On May 22, 2020 the Company announced that it signed a definitive agreement (the “DFA”) GAR Ltd. The acquisition was completed on August 13, 2020 and Monterey issued a further 53,062,500 shares to GAR Ltd.

<u>Highlights:</u>

- Greater Arc has identified a system of eleven veins hosting high grade gold and base metal mineralization.
- The mineralized veins are up to 3.8 m wide and up to 1.7 km in length, with a combined strike length in excess of 10 km.

- Previous fieldwork at the Alicia Project included detailed geological mapping, geochemical sampling and limited drilling.
- The eleven veins generally trend northwest-southeast and are grouped into three main vein structures:
    - Sandi Vein in the east
    - Baloy Vein in the central portion of the tenement
    - Pamaraw-Sumihig Vein to the west
- Several semi-parallel subsidiary veins also occur.
- Veins host native gold, silver, galena, sphalerite, and pyrite minerals.
- High grade samples from shallow drilling into the Baloy Vein include:
    - **1.2m of 116 g/t Au, 1,263 g/t Ag, 6.3% Cu, 6.5% Zn, and 47.9% Pb**
    - **1.5m of 40.9 g/t Au, 437 g/t Ag, 1.1% Cu, 3.6% Zn, and 62.9% Pb**
- Field Work on the Pamaraw-Sumihig Vein yielded:
    - a drill intersection of **1.5 m of 13.86 g/t Au, 181g/t Ag and 4.8% Cu**
    - a grab sample returning **7.51 g/t Au, 55.2 g/t Ag and 1.76% Cu**
- The Alicia Project is situated within a Declared Mineral Reservation determined by the Mines and Geosciences Bureau (MGB) in 1995 and is on a granted Exploration Permit.
- The Project is accessible by sealed roads, is proximal to power and towns, is 10 km away from a port facility at Malangas, and 60 km from an airport at Pagadian City.

On June 8, 2020, the Company announced its 2020 exploration plans on the Alicia Project. The exploration focus for the 2020 exploration plan will be to prove continuity between the previously identified veins and better understand the bigger system at depth that the Company's technical team believes is feeding these near-surface veins along the greater than ten (10) kilometers of strike.

2020 Exploration Plan Highlights:

- Exploration drilling along strike down to a depth of 300 metres to:
    - Discover the source of the veins at surface and test the geologist's premise that the vein systems are merging at depth
- Define the down-dip continuity/extension of the vein systems, grade distribution, consistency and vein characteristics
    - Check consistency of zone width and grade at depth below the near surface oxidation zone
    - Begin the groundwork for JORC or NI 43-101 maiden resource
- Priority Drill targets include:
    - Pamaraw- Sumilhig Area (the "PSA") (see Figure 1)
    - Baloy Vein (see Figure 2)
- Ground and downhole IP surveys to define possible extent of mineralization
- Extended geological mapping, trenching and sampling program

Drill Target: Pamaraw - Sumilhig Area ("PSA")

Previous drilling on this target did not generate significant results nor did it gather the best information as the holes were too shallow and too close to the vein. The Company's target area for the PSA is below the Sumilhig Adit. The Sumilhig Adit has a total on-vein length of 190 metres with vein materials comprised of mostly white to grayish quartz with specks of sulfides and some visible gold. Our review of the geology suggests that the base of the mineralization is deeper.

Drill Target: Baloy Vein Area ("BV")

Exploration on the BV will include drilling below anomalous intercepts and probing the down-hole sulphide continuity and extending the vein along strike and at depth. Past exploration identified anomalous grades closer to the fault (near the Samuel Tunnel) that require further exploration, as well. On the southern side, the vein systems tend to get closer together and merge both laterally and down-dip, which presents some exciting drill targets. The BV is well-exposed and previous sampling by Greater Arc contained intriguing values.

Alicia Project Recent History

- Mining and Geosciences Bureau (MGB) recognized the project's potential and declared it a Mineral Reservation in 1992, a region with land use set aside for future mining.
- Greater Arc acquired the tenement application in 2013 and carried out due diligence work confirming the auriferous nature of quartz and calc-silicate veins.
- Since the exploration permit was granted in June 2016, Greater Arc carried out detailed mapping and geochemical sampling programs with some limited drilling. Further field work carried out by Greater Arc also:
    - Explored the Baloy Vein and confirmed high grade massive sulphides present within the footwall and along over 400 m of strike.
    - Identified extensive calc-silicate alteration zones containing chalcopyrite, galena, and sphalerite confirming that base metal mineralization may have a base metal carbonate porphyry system as it's source.
    - Established local offices and locally based exploration management team to plan and execute field programs to further develop the Alicia Project.

Mineralization and Veining – Developing Exploration Targets

Past exploration has identified 3 major parallel gold-bearing mineralized quartz vein structures generally trending NW-SE and numerous semi-parallel subsidiary vein systems, as shown below. The quartz veins have an average thickness ranging from 0.5 m to 3.9 m wide and generally exhibit drusy, chalcedonic quartz with massive textures. The clay-silica alteration is right beside the vein and either in sharp or gradational contact with propylitic alteration. Minerals present are native gold, sphalerite, galena and pyrite.

The focus of artisanal mining and modern exploration work is centered on Baloy and Pamaraw Veins. Channel sampling along Baloy vein and shallow diamond drilling at the Dacula locality (Baloy vein) returned high grade gold and massive sulphides including:

- 1.2m of 116 g/t Au, 1,263 g/t Ag, 6.3% Cu, 6.5% Zn, and 47.9% Pb;
- 1.5m of 40.9 g/t Au, 437 g/t Ag, 1.1% Cu, 3.6% Zn, and 62.9% Pb; and
- **a channel sample that returned 1,299.9 g/t Au and 332.6 g/t Ag**

In the southern half of the Exploration Licence exploration work confirmed the mineralization was open along strike over at least several kilometres. Assays from rock-chip and grab samples returned anomalous gold values, including: 77.7 g/t Au, 54.5 g/t Au and 46.4 g/t Au.

Geological indicators highlight a well-developed epithermal system, with the anomalous Cu grades having been introduced into the system post the primary epithermal system. The presence of a mature epithermal system provides a much bigger resource target within the known mineralization of the Pamaraw Vein. Mineralization within the tenement is from both a deep-seated epithermal source (and a near-surface, high-grade base metal sulphide source. The overprint of two mineralized systems significantly increases the resource potential.

SHARE CAPITAL AND OUTSTANDING SHARE DATA

Common Shares

Authorized – Unlimited Common shares without par value; and

Issued and Outstanding as at September 30, 2020: 151,736,656 (December 31, 2019: 60,146,656)

On August 13, 2020, the Company closed the acquisition of Greater Arc Pty Ltd. ("Greater Arc") which owns the Alicia high-grade gold and base metals project in Alicia Municipality, Philippines ("Alicia Project") for 54 million common shares of the Company including the 625,000 common shares and 312,500 common shares issued on February 28, 2020 and April 1, 2020, respectively. In connection with this transaction, the Company also paid a finders' fee of 5 million common shares.

On July 28, 2020, Monterey announced that it has closed the final tranche of a private placement offering which resulted in the Company receiving total gross proceeds of $1,629,500 through the issuance of units at a price of $0.05 per unit. Each Unit consisted of one (1) common share and one (1) non-transferrable common share purchase warrant (a "Warrant"). Each Warrant will entitle the holder to purchase one additional common share at a price of $0.10 for a period of twenty-four (24) months from date of the issue. The Company paid finders' fees consisting of 8% cash and 8% non-transferable warrants in connection with the financing totalling $39,400 and 788,000 non-transferable warrants.

RESULTS OF OPERATIONS

SELECTED QUARTERLY INFORMATION

Management continues to keep costs under control as much as possible. During the three-month and nine-month periods ended September 30, 2020, the Company incurred a net loss of $5,371,164 and $5,610,199, respectively (three and six months ended September 30, 2019 – loss of $488,413 and $3,067,570, respectively). Included in the three- and nine-month periods ended September 30, 2020 loss was the $4,655,524 and $4,661,285, respectively, of mineral acquisition and exploration costs (2019 - $116,856 and $2,451,913, respectively). Of these amounts in 2020, $4,637,791 was non-cash in nature, resulting from the issuance of common shares as consideration for asset acquisitions (2019 - $2,120,000). Share-based compensation is non-cash in nature, calculated using the Black Scholes option pricing method, and is recognized when stock options vest. The amount recognized as expense in the three and nine months ended September 30, 2020 was $127,725 and $138,645, respectively (three and nine months ended September 30, 2019 - $69,675 and $133,200, respectively). Consulting fees increased significantly in 2020 compared to 2019, reflective of the "deal flow" and activity in the Company.

SUMMARY OF FINANCIAL RESULTS FOR EIGHT MOST RECENTLY COMPLETED QUARTERS

The following table summarizes the financial results of operations for the eight most recent fiscal quarters:

	Sep. 30, 2020	**June 30, 2020**	**Mar. 31, 2020**	**Dec. 31, 2019**
Expenses	**$ (5,399,397)**	**$ (130,802)**	**$ (118,606)**	**$ (106,326)**
Net loss	**(5,371,164)**	**(130,802)**	**(108,233)**	**(106,326)**
Loss per share - basic & diluted	**(0.05)**	**(0.00)**	**(0.00)**	**(0.00)**
	Sep. 30, 2019	**June 30, 2019**	**Mar. 31, 2019**	**Dec. 31, 2018**
Expenses	**$ (488,413)**	**$ (1,312,884)**	**$ (1,266,273)**	$ (128,252)
Net loss	**(488,413)**	**(1,312,884)**	**(1,266,273)**	(128,252)
Loss per share - basic & diluted	**(0.01)**	**(0.03)**	**(0.03)**	(0.01)

RELATED PARTY TRANSACTIONS

Related parties include the Board of Directors, close family members, other key management individuals and enterprises that are controlled by these individuals as well as certain persons performing similar functions. The Company define keys management personnel as its CEO, CFO and Board of Directors.

Related party transactions conducted in the normal course of operations are measured at the fair value and approved by the Board of Directors in strict adherence to conflict of interest law and regulations.

The Company incurred the following charges with related parties for the periods ended September 30, 2020 and 2019:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	**2019**	**2020**	**2019**
Consulting – President and CEO	**$ 15,000**	$ 22,500	**$ 45,000**	$ 67,500
Accounting – Cronin Services (controlled by former director)	**---**	1,603	**---**	20,250
Exploration – Cronin Capital (controlled By a former director)	**---**	---	**---**	147,904
Consulting - CFO	**10,500**	---	**38,500**	---
Stock-based compensation	**48,800**	---	**59,720**	---
	$ 74,300	$ 24,103	**$ 143,220**	$ 235,654

As at September 30, 2020, included in accounts payable and accrued liabilities is $28,648 (December 31, 2019 - $16,339) due to companies controlled by directors of the Company.

CRITICAL JUDGMENTS AND ACCOUNTING ESTIMATES

Measurement Uncertainty

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of the accounting policies to financial information presented. Actual results may differ from the estimates, assumptions and judgments made. Estimates and underlying assumptions are reviewed on an ongoing basis. Changes made to estimates are reflected in the period the changes are made.

The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the amounts recognized in the consolidated financial statements are:

Taxes

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

Significant accounting judgments

The critical judgments that the Company's management has made in the process of applying the Company's accounting policies, apart from those involving estimations that have the most significant effect on the amounts recognized in the Company's financial statements, are related to the functional currency assessment, related parties, the provision for reclamation and obligation, when and if deferred taxes are recoverable and the assumption that the Company will continue as a going concern.

The Company made a determination that its functional currency and that of its subsidiaries is the Canadian dollar. Management considered all of the relevant factors in making this determination.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Set out below is a comparison, by category, of the carrying amounts and fair values of all of the Company's financial instruments that are carried in the financial statements and how the fair value of financial instruments is measured.

Fair values

Fair value represents the price at which a financial instrument could be exchanged in an orderly market, in an arm's length transaction between knowledgeable and willing parties who are under no compulsion to act.

The Company classifies the fair value of the financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument.

The following table provides an analysis of the financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in the active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. prices) or indirectly (derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at September 30, 2020 and December 31, 2019, the Company did not have any financial instruments measured at fair value.

Categories of Financial Instruments	**Sept. 30, 2020**	**Dec. 31, 2019**
Financial Assets—other receivables		
Cash	**$597,594**	**$70,799**
Loans receivable, GST receivable and prepaids	**112,005**	**96,652**
Financial Liabilities—other financial liabilities		
Accounts payable and accrued expenses	**152,909**	**68,581**
Loans payable	**84,863**	**80,641**

The fair values of all the Company's financial instruments approximate the carrying value due to the short-term nature of the financial instruments. The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (currency fluctuations, interest rates and commodity prices). The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

Credit Risk

Credit risk is the risk of a financial loss to the Company if a customer is unable to meet its contractual obligations and arises principally from the Company's accounts receivable. The Company's cash is held with Canadian chartered banks.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company has established a standard of ensuring that it has enough resources available to withstand any downturn in the industry. As the Company's industry is very capital intensive, the majority of its spending is related to its capital programs. The Company prepares periodic capital expenditure budgets, which are regularly monitored and updated as considered necessary. Further, the Company utilizes authorizations for expenditures on both operated and non-operated projects to further manage capital expenditures. The Company's goal is to prudently spend its capital while maintaining its credit reputation amongst its suppliers.

Market Risk

Market risk is the risk that changes in interest rates, foreign exchange rates and commodity and equity prices will affect the Company's net earnings or the value of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximizing returns.

Interest rate risk

The Company has cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in certificates of deposit issued by a Canadian chartered bank with which it keeps its bank accounts. The Company periodically monitors the investments it makes and is satisfied with the creditworthiness of the Canadian chartered bank.

Commodity and equity risk

The Company is exposed to price risk with respect to commodity and equity prices. Commodity price risk is the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. Equity price risk is the potential adverse impact on the Company's comprehensive earnings due to movements in individual equity prices or general movements in the level of the stock market. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company. Commodity price risk could adversely affect the Company. In particular, the Company's future profitability and viability of development depend upon the world market price of certain precious and base metals. Precious and base metals have fluctuated widely in recent years. There is no assurance that, even if commercial quantities of precious and base metals are produced in the future, a profitable market will exist for them.

CAPITAL MANAGEMENT

The Company's objective when managing capital is to safeguard its ability to continue as a going concern, so that it can continue to provide returns to shareholders and benefits for other stakeholders. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying natural resource properties. The Company's objective is met by retaining adequate equity to guard against the possibility that cash flows from assets will not be sufficient to meet future cash flow requirements. The Company considers its capital structure to include cash and working capital. In order to maintain or adjust the capital structure, the Company may from time to time issue shares and adjust its capital spending to manage current and projected debt levels. To assess capital and operating efficiency and financial strength, the Company continually monitors its net cash and working capital.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

MANAGEMENT’S RESPONSIBILITY

Management is responsible for all information contained in this report. The June 30, 2020 financial statements have been prepared in accordance with IFRS and include amounts based on management’s informed judgments and estimates.

RISKS AND UNCERTAINTIES

An investment in the securities of the Company is highly speculative and involves numerous and significant risks. Only investors whose financial resources are sufficient to enable them to assume such risks and who have no need for immediate liquidity in their investment should undertake such investment. Prospective investors should carefully consider the risk and uncertainties that have affected, and which in the future are reasonably expected to affect, the Company and its financial position.

FORWARD-LOOKING STATEMENTS

Certain statements contained in this discussion, including information as to future activities, events and financial or operating performance of the Company and its projects, constitute forward-looking statements. Such forward-looking statements involve known and unknown risks and uncertainties that could cause actual events or results to, differ materially from estimated or anticipated activities, events or results implied or expressed in such forward-looking statements. Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by the Company, are inherently subject to significant business, economic, competitive, political and social uncertainties and contingencies.

Generally, forward-looking information can be identified by the use of forward-looking terminology such as “plans”, “expects” or “does not expect”, “is expected”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates” or “does not anticipate”, “believes”, or variations of such words and phrases. Forward-looking information may also be identified in statements where certain actions, events or results “may”, “could", "would”, “might” or “will be taken”, “occur” or “be achieved”.

Forward-looking information is based on the reasonable assumptions, estimates, analysis and opinions of management made in light of its experience and its perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable in the circumstances at the date that such statements are made.

Many factors could cause actual activities and events and the Company’s actual results to differ materially from those expressed or implied in any forward-looking statements made by, or on behalf of, the Company. These include metal prices, exploitation and exploration successes, continued availability of capital and financing and general economic, market or business conditions.

These forward-looking statements are made as of the date hereof and the Company disclaims any intent or obligation to update publicly any forward-looking statements, whether as a result of new information, future events or results or otherwise. Investors are cautioned that forward-looking statements are not guarantees of future performance and accordingly investors are cautioned not to put undue reliance on forward-looking statements due to the inherent uncertainly therein.

OTHER INFORMATION

Additional information on the Company is available on SEDAR at www.sedar.com.