DEFIANCE SILVER CORP.

INTERIM MANAGEMENT'S DISCUSSION & ANALYSIS

For the six months ended December 31, 2019

Introduction

This Interim Management's Discussion and Analysis ("**MD&A**") is an overview of all material information about Defiance Silver Corp. (the "**Company**" or "**Defiance**") operations, liquidity and capital resources for the six months ended December 31, 2019. The interim MD&A should be read with the unaudited condensed consolidated interim financial statements for the six months ended December 31, 2019, and the related notes contained therein which have been prepared under International Accounting Standard 34 – Interim Financial Reporting as issued by the International Accounting Standards Board. The following should also be read in conjunction with the audited consolidated financial statements for the year ended June 30, 2019, and the related notes contained therein which have been prepared under International Financial Reporting Standards ("IFRS"), and all other disclosure documents of the Company. All amounts are stated in Canadian dollars unless otherwise indicated. The information contained herein is not a substitute for detailed investigation or analysis on any particular issue. Additional information relevant to the Company's activities can be found on SEDAR at www.sedar.com and the Company's website at www.defiancesilver.com. The effective date of this MD&A is February 26, 2020.

Going Concern

These condensed consolidated interim financial statements have been prepared assuming the Company will continue on a going-concern basis. The Company has incurred losses since inception and the ability of the Company to continue as a going-concern depends upon its ability to develop profitable operations and to continue to raise adequate financing. Management is actively targeting sources of additional financing through other business and financial transactions which would assure continuation of the Company's operations and exploration programs. In order for the Company to meet its liabilities as they come due and to continue its operations, the Company is solely dependent upon its ability to generate such financing. The Company expects to use similar financing techniques in the future and is pursuing such additional sources of financing as estimated to be required to sufficiently support its operations until such time that its operations become self-sustaining.

At December 31, 2019, the Company had cash of $1,234,904 (June 30, 2019 $129,811) and working capital deficiency of $395,140 (June 30, 2019 –$2,264,242).The Company will require additional funds to support its exploration activities and meet working capital requirements in the next twelve months. These material uncertainties may cast significant doubt on the Company's ability to continue as a going concern. There can be no assurances that management's plans for the Company will be successful.

Forward-Looking Statements

Except for historical information, this MD&A may contain forward-looking statements. The statements involve known and unknown risks, uncertainties, and other factors that may cause the Company's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievement expressed or implied by these forward-looking statements.

The factors that could cause actual results to differ materially include, but are not limited to, the following: general economic conditions; changes in financial markets; the impact of exchange rates; political conditions and developments or criminal activity in countries in which the Company operates; changes in the supply, demand and pricing of the metal commodities which the Company hopes to find and successfully mine; changes in regulatory requirements impacting the Company's operations; the sufficiency of current working capital and the estimated cost and availability of funding for the continued exploration and development of the Company's exploration properties.

This list is not exhaustive and these and other factors should be considered carefully, and readers should not place undue reliance on the Company's forward-looking statements. As a result of the foregoing and other factors, no assurance can be given as to any such future results, levels of activity or achievements and neither the Company nor any other person assumes responsibility for the accuracy and completeness of these forward-looking statements (except as required by applicable law). The Company does not assume the obligation to update any forward-looking statement.

Description of Business

The Company is a publicly listed company on the TSX Venture Exchange ("TSX-V") trading under the symbol DEF. The Company is an exploration-stage company and engages principally in the acquisition and exploration of exploration and evaluation assets primarily in Mexico. To date, equity financings and short-term loans have provided the main source of financing.

The recovery of the Company's investment in its mineral rights is dependent upon the discovery of economically recoverable mineral reserves and the ability to raise sufficient capital to finance these operations. The ultimate outcome of these operations cannot presently be determined because they are contingent on future matters.

Liquidity

The Company is in the acquisition and early exploration stage and therefore has no incoming cash flows from operations. At December 31, 2019, the Company had cash of $1,234,904 (June 30, 2019 $129,811) and working capital deficiency of $395,140 (June 30, 2019 –$2,264,242).

At present, the Company's operations do not generate positive cash flows and its financial success is dependent on management's ability to discover economically viable mineral deposits. The mineral exploration process can take many years and is subject to factors that are beyond the Company's control.

The Company is considered to be in the exploration and evaluation stage. Thus, it is dependent on obtaining regular financings in order to continue its exploration and evaluation programs. Despite previous success in acquiring these financings, there is no guarantee of obtaining future financings. The Company's cash is invested in business accounts with quality financial institutions, is available on demand for the Company's programs, and is not invested in any asset backed commercial paper.

Capital Resources

The Company will continue to seek capital through public markets by issuing common shares pursuant to private placements. The Company manages its capital structure to maximize its financial flexibility making adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets and business opportunities. The Company does not presently utilize any quantitative measures to monitor its capital and is not subject to externally imposed capital requirements.

Loan Payable

During the period ended December 31, 2019, the Company:

i) entered into a loan agreement in the amount of $200,000. The loan is unsecured, bears interest at 1% per month and is repayable on or before July 24, 2020. The loan was repaid on August 15, 2019 including interest of $1,381;

ii) extended its outstanding loan facility for a period of 12 months; the principal balance on extension was $1,221,649. The loan bears interest at the rate of 10% per annum, accrued daily and matures on December 21, 2020. The Company issued 2,350,000 warrants to the lender, each warrant entitling the lender to acquire one common share of the Company at $0.20 until December 21, 2020. The warrants were valued using the Black-Scholes Model resulting in a fair value of $137,591 based on the following assumptions: dividend yield 0%, expected life of 1 year, expected volatility of 73.41%, and a risk-free interest rate of 1.67% (Note 11).

During the year ended June 30, 2019, the Company:

i) entered into a loan agreement which allows the Company to borrow up to $700,000. The loan was unsecured, bears interest at 1% per month and is repayable on the earlier of June 19, 2019 or the date the Company closes its next equity financing. The Company will pay a 2% commitment fee of $14,000, payable on maturity or at the repayment date in addition to issuing 2,058,800 warrants to the lender. The warrants were valued using the Black-Scholes Model resulting in a fair value of $249,102 based on the following assumptions: dividend yield 0%, expected life of 1 year, expected volatility of 94%, and a risk-free interest rate of 1.83%. Each warrant entitling the holder to acquire one common share of the Company at $0.34 until June 19, 2019 (Note 11).

ii) increased its loan facility from $700,000 to $1,120,810. The loan was unsecured, bears interest at the rate of 1% per month, and matures on the earlier of September 17, 2019 or the date the Company closes its next equity financing. The Company will pay a commitment fee of 2% of the loan, payable on maturity or repayment; and issued 1,618,500 warrants to the lender, each warrant entitling the lender to acquire one common share of the Company at $0.26 until September 17, 2019. The warrants were valued using the Black-Scholes Model resulting in a fair value of $177,567 based on the following assumptions: dividend yield 0%, expected life of 1 year, expected volatility of 93.87%, and a risk-free interest rate of 2.12% (Note 11).

iii) increased its loan facility from $1,120,810 to $1,543,232. The loan bears interest at the rate of 1% per month and matures on the earlier of December 21, 2019 or the date the Company closes its next equity financing. The Company will pay a commitment fee of 2% of the loan, payable on maturity or repayment; and issued 2,346,790 warrants to the lender, each warrant entitling the lender to acquire one common share of the Company at $0.18 until December 21, 2019. The warrants were valued using the Black-Scholes Model resulting in a fair value of $159,258 based on the following assumptions: dividend yield 0%, expected life of 1 year, expected volatility of 96.62%, and a risk-free interest rate of 1.93% (Note 11).

iv) partially settled the loan in the amount of $500,000.

On June 27, 2019 the Company signed a general security agreement with the lender whereby the assets of the Company's subsidiaries including property, plant and equipment have been pledged as collateral for this loan. (see Notes 8).

Financings

On March 11, 2019 the Company closed the first tranche of a non-brokered private placement by issuing 6,147,500 units at a price of $0.20 per unit for gross proceeds of $1,229,500. Each unit consists of one common share and one common share purchase warrant. Each warrant is exercisable to purchase one common share at a price of $0.30 per share on or before March 11, 2021. The Company paid finder's fees of $600.

On April 5, 2019 the Company closed the second tranche of a non-brokered private placement by issuing 5,289,452 units at a price of $0.20 per unit for gross proceeds of $1,057,890. Each unit consists of one common share and one common share purchase warrant. Each warrant is exercisable to purchase one common share at a price of $0.30 per share on or before April 5, 2021. The Company paid finder's fees of $21,300 and issued 106,500 broker warrants. Each broker warrant is exercisable to purchase one common share at a price of $0.20 per share on or before April 5, 2021.

On May 6, 2019 the Company closed the third and final tranche of a non-brokered private placement by issuing 1,401,152 units at a price of $0.20 per unit for gross proceeds of $280,230. Each unit consists of one common share and one common share purchase warrant. Each warrant is exercisable to purchase one common share at a price of $0.30 per share on or before May 3, 2021. The Company paid finder's fees of $10,200 and issued 51,000 broker warrants. Each broker warrant is exercisable to purchase one common share at a price of $0.20 per share on or before May 3, 2021.

On August 12, 2019 the Company closed a non-brokered private placement by issuing 14,448,283 units at a price of $0.23 per unit for gross proceeds of $3,323,106. Each unit consists of one common share and one common share purchase warrant. Each warrant is exercisable to purchase one common share at a price of $0.31 per share on or before August 12, 2022. The Company paid finder's fees of $30,056 and issued 87,780 broker warrants. Each broker warrant is exercisable to purchase one common share at a price of $0.23 per share on or before August 12, 2020.

Overall Performance/Significant Events

Acquisition of Valoro Resources Inc.

Effective November 5, 2018, the Company and ValOro Resources Inc. ("Valoro") signed a Definitive Arrangement Agreement to complete a transaction whereby the Company acquired all of the issued and outstanding Valoro shares (the "Transaction").

The Company and Valoro completed the Transaction under the Business Corporations Act (British Columbia) on December 31, 2018. Former Valoro shareholders received 0.71 Defiance shares for each Valoro share held.

As consideration, the Company issued 15,421,520 common shares at a value of $3,855,380. As part of the arrangement, all unexercised Valoro stock options and warrants were replaced with 1,371,011 stock options and 1,357,708 warrants of the Company at the exchange ratio of 0.71 and a total Black Scholes value of $93,134. The Company incurred $27,409 in transaction costs and $260,630 in severance costs relating to the acquisition, and these costs were capitalized as part of the acquisition. The acquisition of Valoro has been treated as an acquisition of exploration and evaluation assets.

(See Note 7 - Acquisition of the December 31, 2019 Financial Statements).

At the time of completion, the Company had 118,773,341 common shares outstanding, of which shareholders of Defiance owned 87% and the former shareholders of Valoro owned approximately 13%.

Highlights of the Transaction

- Robust resource base with significant exploration potential: High grade San Acacio Silver deposit with an inferred mineral resource estimate of 16.9 M oz in 2.9 MT grading 181.94 grams per tonne silver.

- The Tepal Gold Copper Project having a 2017 Preliminary Economic Assessment ("PEA") estimating a pre-tax NPV5% of $299 million and a 36% IRR with a 1.6-year payback period and a post-tax NPV5% of $169 million and a 24% IRR with a 2.4-year payback period. The PEA is based on an estimated Measured and Indicated Resource containing 4 M oz. gold equivalent.

- Proven management team: Extensive experience in all critical mining and exploration disciplines with demonstrated capabilities in financing, acquiring, developing and operating mines and a proven track record of exploration successes.

- Enhanced market presence: The larger merged company is expected to appeal to a broader institutional shareholder base and improve share trading liquidity.

- Compelling value proposition: Significant leverage among junior Mexico explorer's equities and attractive relative valuation based on net asset value.

Post Transaction Management team announced on January 7th, 2019 was comprised of

- Mr. Peter J. Hawley as interim President and Chief Executive Officer
- Ms. Evelyn Abbott as interim Chief Financial Officer and Corporate Secretary
- Ms. Gillian Kearvell as Vice President of Exploration.

Defiance's new Board announced on January 7th, 2019 was comprised of

- Mr. Peter J. Hawley, interim director
- Mr. Darrell Rader, director
- Mr. Paul Smith, director
- Mr. Randy Smallwood, director
- Mr. Ron Sowerby, director, replaces Mr. George Brack, a former director of Valoro who was appointed to Defiance's board at the closing of the transaction, and who subsequently resigned as a director of Defiance to avoid any conflicts from his role as chair of Capstone Mining Corp. and the proximity and similarity of Defiance's major project to Capstone's Cozamin mine).

Significant events

- February 28, 2019 Ms. Sherry Roberge was appointed as Chief Financial Officer and Corporate Secretary (effective February 1, 2019);
- March 29, 2019 Mr. Dunham Craig, (Valoro's former President and CEO) joined the Board at Defiance's annual general meeting;
- May 9, 2019 Mr. Chris Wright joined the board as a Director and Executive Chairman of the Board;
- May 30, 2019 Defiance announces initiation of drilling at its San Acacio Property, Zacatecas, Mexico. Two deep HQ sized diamond drill holes were completed on July 8, 2019, for a total of 928.4 metres drilled;
- June 25, 2019 Mr. Peter Hawley resigns as Interim Chief Executive Officer, President and Director, remaining as a technical advisor. Mr. Chris Wright was appointed as interim CEO;
- July 23, 2019 Mr. James Bergin was appointed as director to replace Mr. Peter Hawley;
- September 16, 2019 Sweetwater Management LLC retained to provide investor relations consulting services to the Company;
- October 22, 2019 OreQuest Consultants appointed to Advisory Board and Technical Committee;
- October 31, 2019 Ms. Gillian Kearvell resigns as Vice President of Exploration;
- November 26, 2019 Mr. Randy Smallwood resigns as Director and has instead joined the Advisory Board and will remain on the Technical Committee;

Acquisition of MAG Silver's Zacatecas Silver District holdings

In June 2018, the Company entered into a binding agreement to acquire MAG Silver's Zacatecas Silver District holdings. As consideration for the sale, MAG received 5,000,000 common shares of the Company representing an approximate 5% strategic investment position. The Company has a 100% interest in MAG's Lagartos Project along with a significant regional exploration database covering 135,000ha stretching from the Zacatecas to the Fresnillo Silver Districts and cash of $10,000. The transaction provides Defiance control over a 1,506ha land package within the rapidly consolidating Zacatecas Silver district including over 65% of the Veta Grande vein, the San Acacio Silver Deposit (16.9M oz in 2.9 MT grading 182.42 grams per tonne silver inferred resource, see Defiance News Release dated January 15, 2015) and concessions bordering both the San Acacio deposit and veins being advanced by Pan American Silver, Capstone Mining and Endeavour Silver (see Exploration and Evaluation Asset Review below for further information).

Exploration and Evaluation Assets Review

Minera Santa Remy SA de CV Projects

Qualified Person

The review of the Minera Santa Remy SA de CV Projects has been prepared by the geologic staff under the supervision of Bruce Winfield, P.Geo., a Consultant of the Company, and a Qualified Person ("QP") as defined by National Instrument 43-101 (Standards of Disclosure for Exploration and Evaluation Projects).

The Company currently has the right to acquire an interest in one property, the San Acacio Deposit, located in Zacatecas State, Mexico, through the San Acacio purchase option agreement.

San Acacio Silver Deposit

The Company entered into an option agreement on October 24, 2011, subsequently the subject of several amendments, with the Mexican owners ("the Vendors") for an option to purchase a 100% interest in the San Acacio property consisting of 10 mining concessions and associated surface rights and tailings ("the Assets"). The San Acacio property is located approximately 6.5 km north of the city of Zacatecas, Mexico.

The Company has paid US$3,407,600 towards the agreement through December 31, 2019.

In August 2018, the Company renegotiated and extended the terms of its San Acacio Silver Project option agreement. The project vendor has agreed to postpone a substantial amount of the payments due in 2018 to September 27, 2020. As a result, the Company will be making four quarterly payments of US$226,900 totaling US$907,600 in year one and four quarterly payments of US$250,000 totaling US$1,000,000 in year two with the final option payment due September 2020. As a result of the amending agreement, the payment terms are as follows:

Date	Amount credited toward final payment	Total yearly payment
By September 27, 2019	US$ 600,000	US$ 907,600 (paid)
By September 27, 2020	US$ 800,000	US$ 1,000,000 (US$400,000 paid)
On September 27, 2020	US$ 3,291,440	US$ 3,291,440

The property is subject to a 2.5% net smelter return royalty ("NSR") payable to the vendors on production from the property. The Company will have the right to purchase the NSR at any time for US$2,500,000 which will escalate with the official Mexican Inflation Index after a five year period.

Following the first anniversary of the purchase of the Assets, the Company must make minimum annual royalty payments of US$125,000. The minimum royalty commitment terminates in the event that the production royalty paid is equal to or higher than the equivalent to the minimum that would have been due during six consecutive months.

The Veta Grande vein, which pinches and swells along strike, produced approximately 200M ounces of silver from high-grade shoots in the swells, with an estimated 100M ounces of silver from high-grade shoots on Defiance's portion of the Veta Grande. Mapping, mineralogical studies and drilling to date indicate that the pinching and swelling continues along strike and the mineralized system hosting the San Acacio deposit is tilted to the southeast. With only a few shallow historic exploration shafts and minor modern exploration, there is significant potential for the discovery of multiple intact, high grade silver shoots in this area. Over 4.4 km of Defiance's 5.6 km holdings along the Veta Grande vein have not seen historical production nor been systematically explored, providing Defiance the opportunity to potentially grow the resource along strike.

Property Background

The San Acacio mining concessions control approximately 5.6 kilometers of the 8.5 kilometer long Veta Grande vein system, one of the three major vein systems within the Zacatecas Silver District that has produced over 700 million ounces of silver since 1548. Veta Grande is a classic epithermal silver rich vein system with accessory gold and base metal credits. The San Acacio Deposit has been exploited over a strike length of 1.2 kilometer to an approximate depth of 200 meters. Three shallow exploration shafts were also made prior to 1910 along the vein for an additional 900 meters along strike to the southeast. The structure, which is believed to exist over a further 3.5 kilometers of strike length to the southeast, has not had any modern exploration.

On January 15th, 2015 the Company announced a new resource calculation with additional ounces of silver (AgEq) as well as significantly higher grade (AgEq).

San Acacio Inferred Resource

			Grade > Cut-off			Contained Metal		
Vein	AgEq Cut-off g/t	Tonnes > Cut-off (tonnes	Ag(g/t)	Au(g/t)	AgEq (g/t)	Ag (oz)	Au (oz)	AgEq (oz)
Veta G	100	2,150,000	192.43	0.19	204.66	13,302,000	10,000	14,147
Veta C	100	739,000	153.28	0.08	158.66	3,642,000	19,000	3,770,000
Veta B	100	13,000	76.53	0.45	105.98	32,000	190	44,000
Total	100	2,902,000	181.94	0.16	192.50	16,976,000	12,090	17,961,000

Note: AgEq refers to silver equivalent (see news release January 15, 2015 for details).
On January 29, 2015 the Company announced results for the initial three holes which intersected wide zones of high grade mineralization (see news release for details).

Hole #	From (m)	To (m)	Length (m)	Ag, g/t	Au, g/t	Cu, %	Pb, %	Zn, %	Ageq, g/t*
SAD14-01	132.50	149.50	17.00	110.21	0.13	0.01	0.11	0.35	139.15
including	134.00	142.10	8.10	222.12	0.22	0.01	0.20	0.53	268.13
SAD14-02	168.50	185.20	16.70	101.11	0.75	0.02	0.14	1.79	235.36
including	168.50	171.70	3.20	419.09	0.82	0.02	0.14	0.30	499.43
including	176.20	182.10	5.90	30.15	1.46	0.03	0.23	4.62	334.68
SAD14-03	194.50	213.30	18.80	21.37	0.42	0.02	0.84	1.10	128.03
including	205.00	213.30	8.30	42.89	0.92	0.04	1.87	2.44	278.33

*Reported for comparison only, with no assumptions regarding metal recovery or smelter payments. Prices used are Au: $1210.50/ounce, Ag: $16.33/ounce, Cu; $2.80/pound, Pb; $0.83/pound and Zn $0.95/pound. US dollars.

1 Gram = 0.03215074657 Troy ounce

*True Widths are approximately 70% to 80% of each intersection

The three holes were drilled on a single cross-section at the northwestern end of the San Acacio vein below the Almaden historic workings. The holes produced wide intersections of mineralization with grades substantially higher than the grade of the current resource.

On July 7th and August 26th, 2015 the Company announced results from the five remaining holes drilled in the first part of the Phase I, 5,000m drill program to test below the historic Almaden workings (see news releases for details).

Hole #	From (m)	To (m)	Length (m)	Ag, g/t	Au, g/t	Cu, %	Pb, %	Zn, %	Ageq, g/t*
SAD14-04	143.00	153.10	10.10	100.23	0.56	0.13	0.77	1.61	248.11
Including	147.00	153.10	6.10	138.35	0.80	0.19	1.27	1.90	340.41
SAD15-05	148.00	155.40	7.40	18.51	0.07	0.01	0.06	0.14	32.22
SAD15-05	176.60	185.80	9.20	10.40	0.04	0.01	0.01	0.07	18.03
SAD15-06	178.00	185.30	7.30	109.21	0.13	0.01	0.04	0.09	125.09
SAD15-06	219.50	231.00	11.50	20.06	0.39	0.03	0.04	1.54	114.85
including	224.00	231.00	7.00	19.88	0.57	0.03	0.06	2.35	161.82
SAD15-07	136.40	140.00	3.60	211.49	0.14	0.01	0.11	0.20	234.17
SAD15-07	147.10	149.50	2.40	149.16	0.16	0.02	0.42	1.59	241.55
SAD15-07	185.40	206.50	21.10	70.84	0.24	0.03	0.35	0.77	134.87
including	199.10	206.50	7.40	158.75	0.52	0.07	0.81	1.83	306.68
SAD15-8	106.05	113.30	7.25	631.46	0.43	0.01	0.09	0.22	675.58
SAD15-8	119.50	120.20	0.70	431.95	0.24	0.01	0.21	0.64	483.38
SAD15-8	163.05	163.80	0.75	330.75	0.10	0.01	0.15	0.31	356.81
SAD15-8	260.50	266.50	6.00	11.25	0.31	0.01	0.04	0.53	57.87
SAD15-8	272.10	275.50	3.40	38.47	0.20	0.01	0.03	0.27	65.84
SAD15-8	319.30	326.60	7.30	13.76	0.17	0.02	0.09	0.32	44.63

*Reported for comparison only, with no assumptions regarding metal recovery or smelter payments. Prices used are Au: $1210.50/ounce, Ag: $16.33/ounce, Cu; $2.80/pound, Pb; $0.83/pound and Zn $0.95/pound. US dollars.

1 Gram = 0.03215074657 Troy ounce

*True Widths are approximately 70% to 80% of each intersection

These five holes were drilled on two sections spaced 100m apart. The holes continued to give wide, high grade intersections extending the zone of mineralization along strike to a length of 200m and a depth of 140m below the base of the current resource.

On July 28, 2015, the Company announced commencement of drilling to test the zone below the historic Esperanza-Guadalupe workings 600m to the southeast along the San Acacio vein system. The program was completed on August 28, 2015 with the deepening of drill hole SAD15-8 and completion of drill holes SA15-9 to 11 for a total of 1236.05m.

In March 2016, the Company reported the results of the three holes SA15-9 to 11 drilled at the San Acacio silver deposit. Drilling 550m southeast of the last 8 reported drill holes intercepted wide zones of mineralization in both the Veta Grande and Veta Chica veins. Results from these holes extend the known mineralization to 140 meters below the current resource with mineralization still open to depth and along strike.

Drill hole SAD15-10 intersected the San Acacio vein over a length of 11.95m. Three zones straddling two old mine workings returned; 2.1m grading 333.87 g/t AgEq, 5.5m grading 187.06, and 1.6m grading 99.55 g/t AgEq. Hole SAD15-09 intersected the San Acacio vein over a length of 7.65m that includes a 3.05m wide old working. It is believed that the old workings encountered represent the high-grade portion of the vein had been mined historically.

Both drill holes SAD15-09 and SAD15-10 intersected the hanging wall Veta Chica Vein. SAD15-09 returned 15.65m grading 68.76 g/t AgEq with a 4.85m section grading 128.71 g/t AgEq. SAD15-10 returned 1.6m grading 110.50 g/t AgEq.

The workings intersected in both holes SAD15-9 and SAD15-10, are believed to represent the higher grade portions of the 7.65m and 11.95m long intersections of the San Acacio vein that were historically mined.

In all three holes, SAD15-9, SAD15-10, and SAD15-11, the vein intercepts were hosted within a zone defined by long intersections of 55.6m, 110.3m, and 136.4m respectively of a quartz pyrite breccia that is anomalous in silver, zinc and copper. This breccia represents a previously unrecognized hydrothermal event which may indicate a larger hydrothermal system at depth.

Hole #	From (m)	To (m)	Length (m)	Ag, g/t	Au, g/t	Cu, %	Pb, %	Zn, %	Ageq, g/t*
SAD15-9	221.00	224.05	3.05			Mine opening on Veta Chica			
SAD15-9	226.15	241.80	15.65	65.22	0.02	0.01	0.01	0.04	68.99
including	226.15	231.00	4.85	118.32	0.02	0.07	0.01	0.04	129.64
SAD15-9	263.70	266.75	3.05	40.38	0.09	0.01	0.15	0.52	74.55
	266.75	269.80	3.05			Mine Opening on Veta Grande			
	269.80	271.35	1.55	4.90	0.04	0.01	0.15	0.51	33.43
SAD15-10	282.70	284.30	1.60	100.03	0.11	0.01	0.01	0.03	110.72
SAD15-10 **	331.50	343.45	11.95		Veta Grande vein				
including	331.5	333.6	2.1	283.31	0.17	0.01	0.38	0.70	337.75
**	333.60	335.65	2.05			Mine Opening on Veta Grande			
including	335.65	341.15	5.5	96.65	0.26	0.03	0.61	1.34	194.32
**	341.15	341.85	0.7			Mine Opening on Veta Grande			
including	341.85	343.45	1.60	19.44	0.12	0.02	0.40	1.58	99.55
SAD15-11	283.50	285.00	1.50	136.03	0.03	0.02	0.03	0.06	143.22

*Reported for comparison only, with no assumptions regarding metal recovery or smelter payments. Prices used are Au: $1210.50/ounce, Ag: $16.33/ounce, Cu; $2.80/pound, Pb; $0.83/pound and Zn $0.95/pound. US dollars.

1 Gram = 0.03215074657 Troy ounce
** Grade not calculated because of no data for open mine workings
***True Widths are approximately 70% to 80% of each intersection

SAD15-10 *	331.50	343.45	11.95	96.87	0.17	0.02	0.40	0.95	163.07

* Calculated using zero grade for the mine openings.

On July 14, 2016, the Company entered into an additional surface rights agreement for the right to occupy and perform exploration work on the San Acacio property. The Company will have authorization to explore the surface of the property for a term of five years which can be renewed for a further five years at the Company's choice by making advance annual payments of MX$120,000 (paid) and by paying a onetime fee of MX$100,000 (paid) on signing of the agreement.

In July 2016, the Company filed a drill permit application with Semarnat for a drilling program to include up to 126 holes totaling approximately 60,000m. The drill holes will target extensions of mineralization within the 1200m long San Acacio deposit as well as the 900m long extension of the deposit to the southeast. As of January 2017, the required permit had been received.

The Company's drilling to date has extended mineralization below the base of the current resource in two of the past producing zones, Almaden and Guadalupe. Results were excellent, producing long intersections of high grade mineralization in the extension to depth of two of the zones as follows.

Zone	Hole #	From (m)	To (m)	Length (m)***	Ag g/t	Au g/t	Cu %	Pb %	Zn %	AgEq g/t*
Almaden	SAD14-01	132.50	149.50	17.00	110.21	0.13	0.01	0.11	0.35	139.15
	including	134.00	142.10	8.10	222.12	0.22	0.01	0.20	0.53	268.13
Almaden	SAD14-02	168.50	185.20	16.70	101.11	0.75	0.02	0.14	1.79	235.36
	including	168.50	171.70	3.20	419.09	0.82	0.02	0.14	0.30	499.43
	including	176.20	182.10	5.90	30.15	1.46	0.03	0.23	4.62	334.68
Almaden	SAD14-03	194.50	213.30	18.80	21.37	0.42	0.02	0.84	1.10	128.03

	including	205.00	213.30	8.30	42.89	0.92	0.04	1.87	2.44	278.33
Almaden	SAD14-04	143.00	153.10	10.10	100.23	0.56	0.13	0.77	1.61	248.11
	including	147.00	153.10	6.10	138.35	0.80	0.19	1.27	1.90	340.41
Almaden	SAD15-07	136.40	140.00	3.60	211.49	0.14	0.01	0.11	0.20	234.17
	SAD15-07	147.10	149.50	2.40	149.16	0.16	0.02	0.42	1.59	241.55
	SAD15-07	185.40	206.50	21.10	70.84	0.24	0.03	0.35	0.77	134.87
	including	199.10	206.50	7.40	158.75	0.52	0.07	0.81	1.83	306.68
Guadalupe	SAD15-10 **	331.50	343.45	11.95	Veta Grande vein					
	including	331.5	333.6	2.1	283.31	0.17	0.01	0.38	0.70	337.75
	**	333.60	335.65	2.05	Mine Opening on Veta Grande					
	including	335.65	341.15	5.5	96.65	0.26	0.03	0.61	1.34	194.32
	**	341.15	341.85	0.7	Mine Opening on Veta Grande					
	including	341.85	343.45	1.60	19.44	0.12	0.02	0.40	1.58	106.88
	SAD15-10 ****	331.50	343.45	11.95	96.87	0.17	0.02	0.40	0.95	163.07

*Reported for comparison only, with no assumptions regarding metal recovery or smelter payments. Prices used are Au: $1210.50/ounce, Ag: $16.33/ounce, Cu; $2.80/pound, Pb; $0.83/pound and Zn $0.95/pound. US dollars.
**Grade not calculated because of no data for open mine workings.
***True Widths are approximately 70% to 80% of each intersection.
****Calculated using zero grade for the mine openings.

Results from drill hole SAD15-10 includes two historic mine openings that were assigned no grade. Even with this artificially low assumption, the intercept returned the strong grade of 163.07g/t Ag Eq. It can be assumed that the high-grade was mined out by the historical miners. If this were to have been left in-situ, the grade would have been considerably higher. This extends the depth of the strongly mineralized main vein 150m below the base of the current resource.

In May 2017, Defiance announced the resumption of drilling at the San Acacio Silver Project in the Zacatecas silver district. This drilling targeted the expansion of the current deposit and focused specifically on following up on the Esperanza and Almaden mineralized high grade shoots. Previous drilling at Esperanza intersected 12.7m grading 297g/t silver equivalent (“AgEq”) while at Almaden, drilling returned 8.3m grading 278 g/t AgEq.

In July and October 2017, results were released from the remaining diamond drill holes SAD17-12 to SAD17-17 in the Phase I 5000m drill program as presented in the following table.

Hole #	From (m)	To (m)	Length (m)	Ag, g/t	Au, g/t	Cu, %	Pb, %	Zn, %	AgEq,* g/t*
SAD 17-12	226.2	253.65	27.03	148.21	0.29	0.02	0.13	0.67	202.99
including	226.2	234.20	7.58	212.91	0.05	0.01	0.06	0.26	230.03

including	238.0	243.00	5.00	230.69	0.51	0.04	0.43	1.68	354.97
including	247.6	253.65	6.05	122.07	0.74	0.01	0.09	1.04	222.59
SAD17-13	261.00	271.00	10.00	171.22	0.08	0.01	0.27	0.42	204.65
including	261.00	264.00	3.00	372.21	0.10	0.01	0.16	0.45	404.03
SAD17-14	308.07	308.67	0.60	139.53	0.40	0.00	1.84	1.09	276.74
	314.12	315.00	0.88	213.84	0.30	0.00	0.01	0.00	236.21
	318.00	318.30	0.30	477.55	0.46	0.00	0.05	0.17	520.27
SAD17-15	209.82	213.00	3.18	285.04	0.02	0.01	0.05	0.17	296.30
SAD17-17	439.13	440.14	1.01	33.90	0.12	0.01	0.51	3.14	187.85

*Reported for comparison only, with no assumptions regarding metal recovery or smelter payments. Prices used are Au: $1210.50/ounce, Ag: $16.33/ounce, Cu; $2.80/pound, Pb; $0.83/pound and Zn $0.95/pound. US dollars. **True Widths are approximately 70% to 80% of each intersection.

Drill holes SAD17-13 and SAD17-14 targeted the Esperanza Zone, extending the mineralization further at depth below drill hole SAD17-12 which intersected high grade silver over a core length of 27.03 meters of hydrothermal breccia and veins assaying 202.99 g/t AgEq (see Defiance news release dated June 8, 2017). Hole SAD17-13 extended the wide zone of mineralization in drill hole SAD17-12 with a 10 meter intersection grading 204.65 g/t AgEq. Drill hole SAD17-14 intersected three narrower zones of mineralization before intersecting a fault that displaced the main vein. Drill hole SAD17-15 drilled 100 meters to the southeast on the vein intersected high grade mineralization grading 296.30 g/t AgEq over 3.18 meters. Drill hole SAD17-17, drilled 100 meters farther to the southeast, extended the wide vein intersection of 11.95 meters in drill hole SAD15- 10 with its high grade mineralization and old workings, 80 meters vertically although mineralization was primarily base metals with 3.14% Zinc and 0.51% lead, possibly in the low grade zone between silver and silver-base metal zones.

Results from the drilling program announced in the News Release dated October 31, 2017, along the 900m segment of the Veta Grande vein from the Guadalupe Pit through to the historic Restauracion shaft indicated pinching and swelling of the Veta Grande vein. Holes SAD17-18 and SAD17-19 intersected wide zones of amethyst bearing vein with anomalous silver values, 9.8m and 27.76m respectively, that elsewhere on the Veta Grande vein are associated shoots of high-grade silver mineralization. Characteristics of the amethyst rich mineralization indicate being at a high level within the system.

An Induced Polarization (IP) geophysical survey was designed to test the potential at depth for the silver mineralization hosted within the 900m long segment of the San Acacio Vein from the Guadalupe Pit to the Restauracion Shaft. The survey defined an anomaly 200m long by 300m wide starting at depth of approximately 200m. The anomaly is open along strike as well as to depth with the potential to host a blind mineralized shoot on the Veta Grande vein.

Defiance followed up results of the geophysical survey with additional drilling in 2019. The diamond drill program tested the deep geophysical anomaly as recommended in the geophysical report, which interpreted the anomaly to occur about 450 metres southeast of previous drilling and between a downhole depth of 200 metres to 450 metres. Drilling also tested for the possible extension of the Veta

Grande vein system along strike to the southeast where it was thought to dip beneath cover. This represents the first exploration of the vein strike to the southeast where exploration is still in the early stages. Drilling was initiated on June 11 and completed July 8, 2019. Two deep HQ sized diamond drill holes were completed during this program, for a total of 928.4 metres drilled.

Drill hole DSA19-001 was completed as recommended, oriented to test the deep IP Anomaly to a depth of 500m to cross the full width of the anomaly. A total 451.15 meters were drilled, intersecting a thick volcano sedimentary basin stratigraphy of mafic volcanic's, intermediate to felsic tuff, pyritic carbonaceous mudstone, barite breccia, chert, siltstone and greywacke. Sulphide mineralization as marcasite, and both primary and secondary pyrite is common through out the drill hole, locally exceeding 10% pyrite at the depth of the IP anomaly. The drill hole ended in a magnetic basalt/andesite. The pyrite is sufficient to explain the IP anomaly; however, this amount of pyrite alteration does merit further investigation to determine its source. No significant assay results were received. The drill hole is currently interpreted to have collared in the footwall to the principal vein structure, where the San Acacio vein appears to be displaced by a fault intersected in core.

Drill hole DSA19-002 was oriented based on the results of the first drill hole, specifically to test the along strike continuity of the Veta Grande to the southeast, and beneath favourable alteration located in outcrop. The drill hole successfully intersected three zones of favourable alteration and quartz veining that likely correlates with the Veta Grande, meriting additional follow up drilling. Strong alteration and local quartz veining with silicification was intersected between downhole depths of 283.50 to 302.0 metres (18.50 metre thick), between 339.4 to 356.33 metres (16.93 metres thick), and between 380.26 to 397.26 metres (17.00 metres think). Due to drill permit restrictions that limited the hole location to an existing road, this hole did drill downdip of and at an oblique angle to the vein structure.

Until further information is received from additional drilling, true widths cannot be determined, but are expected to be less than the reported intersections. Drill hole DSA19-002 did not return any significant assay values but this is not uncommon with an epithermal vein system where ore shoots are commonly separated by barren zones. A similar stratigraphy as the first hole was intersected in this hole, including a thicker sequence of pyritic chert, silicified tuff, and mafic flows and/or dikes that suggest the basin may be deepening to the south.

Drill Collar location and orientation

	Date		Coords UTM WGS84				Orientation			Cumulative
Drill hole	Started	Ended	E	N	Elev	Survey	Azimuth	Dip	Depth (m)	(m)
DSA19-001	2019-06-11	2019-06-23	753420	2525255		Garmin	52	-68	451.15	451.15
DSA19-002	2019-06-23	2019-07-08	753590	2525325		Garmin	160	-48	477.25	928.40

Lagartos Project

The Lagartos Project consists of 14 concessions totaling approximately 800 hectares (Figure 1). In addition, Defiance has also received a database covering an additional 135,000 hectares in the Zacatecas silver district providing the opportunity to acquire further concessions. All of the Lagartos concessions are located within the Zacatecas silver district, which has produced an estimated 700 million ounces of silver, principally before 1895. Zacatecas lies along the "Fresnillo Silver Trend" a regional structural zone that has yielded over 5 billion ounces of silver. The four largest districts along the trend; Guanajuato, Zacatecas, Sombrerete and Fresnillo are all characterized by multiple sets of parallel silver-gold veins with high-grade oreshoots located periodically along their lengths. The Zacatecas District is characterized by six major sets of such parallel veins. This consolidation gives Defiance control of over 65% of the Veta Grande vein, which historically produced an estimated 200 million oz of silver within the district. A number of the other newly acquired Lagartos concessions lie along other important vein systems in the Zacatecas Silver District including: the Malanoche vein system currently being mined by Capstone Mining Corp.; the Cantera - El Bote vein system; and the Panuco vein system controlled by Santacruz Silver Mining Ltd. and Pan American Silver Corp. It is believed that all the known deposits were found in outcrop 350 to 500 years ago, while new “blind”vein systems remain to be discovered.

MAG’s exploration programs successfully identified a number of broad (10s of meters wide) hydrothermal alteration zones along structures up to 4 kilometers long that appear to represent the upper level manifestations of deeper Zacatecas and/or Fresnillo (Juanicipio)-style epithermal vein mineralization. Select grab samples along these zones returned values ranging from one half ounce up to 2.3 kilograms silver (67 ounces). Significant drilling highlights include 850 g/t (24.8 ounces per tonne) silver over 0.95 meters and 417 g/t (12.1 ounces per tonne) silver over 1.0 meter (See MAG Silver News Release dated Jan 19, 2010). Selected grab samples are not necessarily representative of the mineralization hosted on the property.

Highlights

- 800 hectares of mining rights in 14 concessions
- Exploration digital data bank including; a drill hole database totaling 90 holes, extensive geochemistry, geophysics, satellite imagery, and detailed drill logs from over 135,000ha of ground stretching from the Zacatecas Silver District to the Fresnillo Silver District
- All core drilled by MAG Silver in the district.

Geologix Mexico SA de CV

Tepal Project

<u>Qualified Person</u>

*The disclosure of technical information on the Tepal Project has been approved by Dunham Craig, B.Sc., P. Geo., a 'qualified person' for the purpose of National Instrument 43-101, Standards of Disclosure for Mineral Projects of the Canadian Securities Administrators ("**NI 43-101**"). He has verified that the data disclosed is in accordance with the published results of the reports described under the Tepal Project.*

The Tepal Gold/Copper Project ("**Tepal Project**") is located in Michoacán State, Mexico.

Information on the Tepal Project in this MD&A is summarized or extracted from the following reports and news releases as reported by Valoro Resources Inc. (formerly Geologix Explorations Inc.), previous to the completion of the merger:

- *Technical Report on the Mineral Resources of the Tepal Gold-Copper Project Michoacán State, Mexico* with an effective date of March 29th, 2012 (the "**2012 Resource Report**") of David K. Makepeace, M.Eng., P.Eng. of Micon International Limited, an independent 'qualified person' as defined in NI 43-101;

- *Technical Report on the Prefeasibility Study of the Tepal Project Michoacán State, Mexico* with an effective date of March 19th, 2013 (the "**2013 PFS Study**") of Matt R. Bender, P.E. et al. of JDS Energy & Mining Inc., each of whom are 'qualified persons' for the purpose of NI 43-101;

- *Technical Report on the Preliminary Economic Assessment on the Tepal Project, Michoacán, Mexico* with an effective date of January 19, 2017 (the "**2017 PEA Study**") of Gord Doerksen, P.E. et al. of JDS Energy & Mining Inc., each of whom are 'qualified persons' for the purpose of NI 43-101;

- News releases dated February 23, 2012, March 27, 2012, June 13, 2012, July 16, 2012, August 29, 2012, November 8, 2012, February 4, 2013, March 19, 2013, May 7, 2013, July 24, 2013, October 23, 2013, April 8, 2014, January 19, 2017, February 27, 2017, August 31, 2017 and March 15, 2018.

For a complete description of the assumptions, qualifications, and procedures associated with the following information, reference should be made to the full text of the 2012 Resource Report, the 2013 PFS Study, the 2017 PEA Study and all relevant news releases detailed above. All financial information disclosed in this MD&A and referenced from the 2012 Resource Report, 2013 PFS Study and 2017 PEA Study are stated in US dollars, unless specifically noted. The geological and other non-financial disclosure which follows is a summary of the geological and technical results as at the filing date of this MD&A.

A chronology of Tepal Project milestones completed by Valoro are as follows:

- March 2012 Resource Report containing Measured and Indicated category of 187.8 million tonnes ("**t.**") grading 0.30 g/t gold ("**Au**.") and 0.20 % copper ("**Cu**."), containing 1.80 million ounces ("**oz.**") Au and 813 million pounds Cu, for a gold equivalent ("**Au Eq.**") of 4.04 million oz. and an

Inferred category of 35.7 million t. grading 0.16 g/t Au and 0.15 % Cu, containing 182,000 oz. Au and 120 million lbs. Cu for an AuEq of 512,000 oz.

- Detailed mapping, extensive soil (1,064 samples) and rock chip (1,263 samples) sampling completed over seven airborne geophysical anomalies highlighting five high priority areas for exploration drill testing.
- A reverse circulation ("**RC**") drill program was completed with the purpose of drill testing prospective zones of mineralization as outlined by geophysical, soil and rock chip sampling anomalies. The drill program consisted of 34 drill holes with a total drilled of 4,906 metres ("**m.**").
- Archeological Permit for construction granted by Mexican authorities.
- Metallurgical and comminution laboratory work.
- Field studies in preparation for the 2013 PFS Study.
- The 2013 PFS Study was completed on March 19, 2013.
- Pilot plant utilizing 12 tonnes of project material in September 2013.
- Environmental permit application and risk assessment submitted to SEMARNAT in September 2013. Tepal permit resolution received from the Mexican mining authority SEMARNAT for the project based on the PFS Study in April 2014.
- The 2017 PEA Study was completed on January 19, 2017.
- The results of the 2017 exploration program which identified new potential at Tepal were reported in the March 15, 2018 News Release.

2017 Exploration Program

The 2017 exploration program was initiated in the third quarter of 2017. The objectives of the 2017 exploration program were to evaluate new higher-grade and/or bulk tonnage exploration targets with resource expansion potential as well as assess the potential for new discoveries. Key results are summarized as follows:

- Valoro geologists developed a new structurally controlled exploration model for Tepal that is a departure from the long-held porphyry exploration model, with upside implications for both property-scale and regional exploration.
- The 2017 work program successfully tested the updated model via surface mapping and sampling, alteration and structural surveys, core re-logging and 3D geophysical modeling. Exploration was extended into the 2018 calendar year to generate new drill-ready resource expansion and new exploration targets with potential for making a new discovery.
- The updated model identified under-drilled areas within and surrounding the three proposed PEA pits where there is excellent potential to improve the existing gold-copper resource through additional infill and step-out drilling targeting known structural controls to mineralization that remain under drilled..
- Importantly, the 2017 exploration program directly resulted in the discovery of a previously unknown and untested epithermal system underlying the Tepal property, with characteristics of a

high sulphidation system that will be advanced for drilling, representing an important new discovery potential for Tepal.

2017 PEA Study

The 2017 PEA Study was completed during the first quarter of 2017. The purpose of the 2017 PEA Study was to revise and update the 2013 PFS Study and to generate an optimized mining development scenario based on updated capital and operating costs and new economic base case metal prices. The 2013 PFS Study was prepared using base case metals prices of $1,390/oz. gold, $3.44/lb. copper and $26.03/oz. silver ($1,400/oz. gold, $3.15/lb. copper and $26.00/oz. silver for pit design), which reflected the 4-year trailing average metals prices as of February 28, 2013. The 2017 PEA Study was prepared using more conservative base case metals prices of $1,250/oz. gold, $2.50/lb. copper and $18.00/oz. silver ($1,250/oz. gold, $2.25/lb copper and $20.00/oz. silver for pit design). As of May 23, 2017, spot metals prices as quoted on COMEX were $1,261.40/oz. gold, $2.60/lb. copper and $17.19/oz. silver.

The 2017 PEA Study work included: a revised Whittle pit optimization, which applied estimates of metals prices, mining dilution, process recovery, off-site costs, geotechnical constraints (slope angles), and royalties to the current resource estimation (2012 Resource Report) in order to generate economic pit shells; a revised process flow sheet consisting primarily of reduction of the sulphide flotation throughput from an average 37,000 tonnes per day ("**t/d**") to 22,000 t/d, change from batch grinding oxide material in the SAG and ball mills to an independent oxide crushing and grinding circuit; and increase of oxide carbon-in-leach (CIL) retention time from 8 hours to 24 hours; a revised mining schedule based on changes to the process plant; updated mining operating costs based on contractor mining rates; and updated capital and operating cost estimates (CAPEX and OPEX) based on revised designs and more recent equipment budgetary pricing. Engineering, metallurgical, environmental, and geotechnical studies were completed for the 2013 PFS Study and the 2017 PEA study relies upon this previous work. Permitting applications have been prepared and have in some instances already been approved by the Mexican Authorities (e.g. archeological and environmental permits). Community relations strategies are being developed and implemented as part of the 2017 work program.

Valoro continued discussions with the local communities in an effort to continually assess the environmental, social, and political risks or issues related to the project. Ongoing community relations and education programs were initiated as a means of informing the immediately surrounding communities as to the status and progress of the project to date.

The positive results of the 2017 PEA Study were announced on January 19, 2017 and the technical report was filed on SEDAR on February 24, 2017. Completion of the 2017 PEA Study involved evaluating design input parameters and mineral processing requirements, performing mining and processing optimizations and trade-off studies, estimating facilities, infrastructure and operating costs, and generating project economics associated with the potential development of the Tepal mineral resource.

Mine planning studies were completed for fleet sizing and costing utilizing contractor mining, vs. an owner-operator fleet in the 2013 PFS Study. It is planned to mine the three deposits at Tepal (North, South and Tizate) via conventional open pit ("**OP**") methods. Processing options were evaluated and resulted in the decisions to utilize independent circuits for processing oxide and sulphide material, increase the oxide CIL retention time from eight to 24 hours, and establish process throughput rates of 5,500 t/d for oxide material and 22,000 t/d for sulphide material.

Updated capital and operating cost estimates (CAPEX and OPEX) were prepared based on revised designs and more recent equipment budgetary pricing.

The 2017 PEA Study results are outlined below:

- Pre-tax: NPV5% of $299 million and 36% IRR with a 1.6-year payback period[1]
- After-tax: NPV5% of $169 million and 24% IRR with a 2.3-year payback period[1]
- Production averages 79,000 oz. of gold and 32 Mlbs of copper over a 10-year mine life
- Life of mine ("LOM") average cash cost of $313/oz. gold and LOM average cash cost plus sustaining cost of $396/oz. gold (net of copper and silver by-product credits)[1]
- Initial capital costs estimated at $214 million with a 2-year pre-production period
- LOM sustaining and closure capital costs estimated at $87 million

[1] Using base case metals prices: $1,250/oz. for gold, $2.50/lb for copper, $18.00/oz. for silver

Summary Economics

Summary 2017 PEA Study economics are detailed below. The base case economic evaluation used metals prices that are close to current spot prices and near the median of current medium to long term analyst forecasts. After-tax economics were prepared using the following assumptions: a 2.5% Net Smelter Return (NSR) royalty, 0.5% Mexican royalty based on precious metals revenue, 7.5% Mexican royalty based on EBITDA, 12% annual depreciation rate, accumulated tax loss carry forward of US$22.4 million, and a 30% Mexican income tax rate.

Operating Assumptions/Highlights	***(Currency in USD)***
Mine Life	9.8 years
Total Material Mined	142.9 million tonnes
Strip Ratio	0.6 : 1
Average Plant Throughput (Sulphide + Oxide)	9.6 Mtpa
Average Au Sulphide Head Grade	0.33 g/t
Average Cu Sulphide Head Grade	0.21%
Average Au Oxide Head Grade	0.45 g/t
LOM Average Au Sulphide Recovery (combined Flotation & CIL)	77%
LOM Average Cu Sulphide Recovery	87%
LOM Average Au Oxide Recovery	81%
Total Au Ounces Recovered	766,248 oz.
Total Cu lbs Recovered	308.0 Mlbs
Total AuEq. Ounces Recovered(1)	1,417,618 oz.
Average Au Production (Years 1-5)	108,390 oz.
Average Cu Production (Years 1-5)	37.3 Mlbs
Average AuEq. Production (Years 1-5)(1)	184,923 oz.
LOM Average Au Production	78,572 oz.
LOM Average Cu Production	31.6 Mlbs
LOM Average AuEq. Production(1)	145,239 oz.
Pre-Production Capital Cost	$214.2 million
LOM Sustaining and Closure Capital Cost	$86.7 million
LOM Average Cash Cost(2) per Au Ounce (net of by-products)	$313/oz.
LOM Average Cash Cost(2) plus Sustaining Cost per Au Ounce (net of by-products)	$396/oz.

(1) Using US$1,250/oz. Au, US$2.50/lb. Cu and US$18.00/oz. Ag prices

(2) Cash cost includes all mining, milling & refining, transport, mine-level G&A, and royalty costs

Results of Operations

Summary of Quarterly Results

The following quarterly financial data is derived from the unaudited condensed consolidated interim financial statements of Defiance as at (and for) the three month periods ended on the dates indicated below. The data should be read in conjunction with the Company's audited consolidated financial statements for the years ended June 30, 2019 and 2018 and the notes thereto.

The following tables summarize information derived from the Company's financial statements for each of the eight most recently completed quarters:

	December 31, 2019	September 30, 2019	June 30, 2019	March 31, 2019
Revenue	$ Nil	$ Nil	$ Nil	$ Nil
Loss and comprehensive loss for the period	(317,246)	(255,885)	(763,896)	(295,898)
Exploration and evaluation assets	14,092,336	13,550,520	12,977,665	12,452,542
Total assets	16,345,275	16,644,963	14,012,075	13,516,351
Loss per share	(0.00)	(0.00)	(0.00)	(0.00)

	December 31, 2018	September 30, 2018	June 30, 2018	March 31, 2018
Revenue	$ Nil	$ Nil	$ Nil	$ Nil
Loss and comprehensive loss for the period	(202,650)	(194,729)	(238,436)	(115,986)
Exploration and evaluation assets	11,887,051	6,553,200	6,122,855	4,265,451
Total assets	12,627,558	7,195,607	6,751,934	4,966,451
Loss per share	(0.00)	(0.00)	(0.00)	(0.00)

Three months ended December 31, 2019

The Company's loss for the three months ended December 31, 2019 totaled $317,246 ($0.00 per share) as compared to a loss $202,650 ($0.00 per share) for the three months ended December 31, 2018.

Expense details are as follows:

a) Investor relations of $146,427 (2018 - $4,771) - The increase is primarily due to new consultants engaged to provide media and investor relations services.

b) Legal and audit fees of $49,512 (2018 – $84,606) – Accounting and audit fees reflect accrued expenses for the Company's annual external audit and income tax preparation. Legal fees relate to general corporate matters.

c) Share-based compensation of $31,860 (2018 – $17,117) – The stock based-compensation expense is primarily affected by the number of options granted and vesting during the period, the strike price at grant date and stock-price volatility calculations used in the Black-Scholes option pricing model.

Six months ended December 31, 2019

The Company's loss for the six months ended December 31, 2019 totaled $605,570 ($0.00 per share) as compared to a loss $397,379 ($0.00 per share) for the six months ended December 31, 2018.

Expense details are as follows:

a) Investor relations of $187,920 (2018 - $9,016) - The increase is primarily due to new consultants engaged to provide media and investor relations services.

b) Legal and audit fees of $88,700 (2018 – $149,505) – Accounting and audit fees reflect accrued expenses for the Company's annual external audit and income tax preparation. Legal fees relate to general corporate matters.

c) Share-based compensation of $80,138 (2018 – $40,686) – The stock based-compensation expense is primarily affected by the number of options granted and vesting during the period, the strike price at grant date and stock-price volatility calculations used in the Black-Scholes option pricing model.

Value added tax (VAT)

The Company, through its wholly-owned subsidiaries in Mexico, has a total of $873,612 in VAT receivable as of December 31, 2019 (June 30, 2019 – $729,702).

Outstanding Share Data

As at the date of this report, the Company had 149,475,565 common shares issued and outstanding.

The following stock options were outstanding at the date of this report:

Number of Options Outstanding	Exercise Price ($)	Expiry Date
100,000	0.15	March 12, 2020
7,100	0.70	March 16, 2020
3,550	0.56	May 5, 2020
100,000	0.11	June 10, 2020
197,913	0.70	January 13, 2021
125,848	0.70	March 2, 2021
42,600	1.13	June 16, 2021
200,000	0.41	July 20, 2021
75,000	0.28	September 16, 2021
650,000	0.32	December 14, 2021
221,875	1.13	March 1, 2022
135,000	0.35	February 15, 2023
273,350	0.70	March 16, 2023
40,000	0.20	May 29, 2024
900,000	0.20	May 29, 2029
200,000	0.31	July 23, 2029
3,272,236	0.41	

Warrants

As at the date of this report, the Company had 36,385,879 warrants issued and outstanding as follows:

Number of Warrants	Exercise Price	Expiry Date
754,208	1.41	June 21, 2020
87,780	0.23	August 12, 2020
4,860,001	0.45	September 19, 2020
890,000	0.45	September 29, 2020
2,350,000	0.20	December 21, 2020
6,147,500	0.30	March 11, 2021
5,289,452	0.30	April 5, 2021
106,500	0.20	April 5, 2021
1,401,152	0.30	May 3, 2021
51,000	0.20	May 3, 2021
14,448,286	0.31	August 12, 2022
36,385,879	0.34	

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements as at December 31, 2019 or as of the date of this report.

Related Party Transactions

Related parties include the Board of Directors, officers, close family members and entities that are controlled by these individuals.

As at December 31, 2019, accounts payable and accrued liabilities included $41,749 (June 30, 2019 - $204,682) payable to directors, officers and companies controlled or related to directors and/or officers. Amounts payable to related parties have no specific terms of repayment, are unsecured and do not bear interest.

During the period ended December 31, 2019, the Company:

(a) paid or accrued management fees of $30,000 (2018 - $30,000) to a company controlled by a director of the Company.

(b) paid or accrued management fees of $1,406 (2018 - $30,000) to a company controlled by a former CEO, President and director of the Company.

(c) paid or accrued management fees of $Nil (2018 - $60,000) to a former CEO of the Company.

(d) paid or accrued management fees of $Nil (2018 - $10,000) to a company controlled by a former CFO of the Company.

(e) Accrued severance of $Nil (2018 - $260,630) to a former CFO of the Company

(f) paid or accrued management fees of $87,244 (2018 - $Nil) to the CFO of the Company.

Share-based compensation includes stock options granted to directors and officers recorded at a fair value of $71,342 (2018 - $30,714).

Subsequent Events

Subsequent to December 31, 2019 the following events occurred:

(a) stock options to purchase 376,600 shares of the Company expired unexercised;

Proposed Transactions

At the present time, there are no new proposed transactions that should be disclosed.

Risks and Uncertainties

Investment Considerations and Risk Factors

An investment in securities of the Company involves a high degree of risk and must be considered highly speculative due to the nature of the Company’s business and the present stage of exploration and development of its properties. In addition to information set out or incorporated by reference in this MD&A, prospective investors should carefully consider the risk factors set out below. Any one of such risk factors could materially affect the Company’s financial condition and future operating results and could cause actual events to differ materially from those described in forward-looking statements relating to the Company.

Exploration and Mining Risks

Resource exploration and development and mining operations are highly speculative and characterized by a number of significant risks which even a combination of careful evaluation, experience and knowledge may not eliminate, including, among other things, unprofitable efforts resulting not only from the failure to discover mineral deposits, but from finding mineral deposits which, though present, are insufficient in quantity and quality to be mined profitability. Few properties that are explored are ultimately developed into producing mines. There is no assurance that the Company’s mineral exploration and development programs will result in any discoveries of bodies of commercial mineralization. There is also no assurance that even if commercial quantities of mineralization are discovered, a mineral property will be brought into commercial production.

Substantial expenditures are required to establish and upgrade mineral resources, to establish mineral reserves, to develop metallurgical processes to extract metals from mineral resources and, in the case of new properties, to develop the mining and processing facilities and infrastructure at any site chosen for mining. No assurance can be given that the funds required for development can be obtained on a timely basis. Whether a mineral deposit will be commercially viable depends on a number of factors, some of which are: the particular attributes of the deposit, such as size and grade; metal prices which are highly cyclical; and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. Unsuccessful exploration and development programs could have a material adverse impact on the Company's operations and financial condition.

Factors beyond the Company's Control

The mining exploration business is subject to a number of factors beyond the Company's control including changes in economic conditions, intense industry competition, variability in operating costs, changes in government and in rules and regulations of various regulatory authorities. An adverse change in any one of such factors would have a material adverse effect on the Company, its business and results of operations which might result in the Company not identifying a body of economic mineralization, completing the development of a mine according to specifications in a timely, cost effective manner or successfully developing mining activities on a profitable basis.

Uncertainty in the Estimation of Mineral Resources

The figures for mineral resources contained in this MD&A are estimates only and no assurance can be given that the anticipated tonnages and grades will be achieved. Actual resources may not conform to geological, metallurgical or other expectations, and the volume and grade may be below the estimated levels.

There are numerous uncertainties inherent in estimating mineral resources and reserves, including many factors beyond the Company's control. Such estimation is a subjective process, and the accuracy of any resource estimate is a function of the quantity and quality of available data and of the assumptions made and judgments used in engineering and geological interpretation. If the Company's actual mineral resources and reserves are less than current estimates, or if the Company fails to develop its resource and reserve base through the realization of identified mineralized potential, its results of operations or financial condition may be materially and adversely affected.

Re-evaluation of resources occurs from time to time and they may change depending on further geological interpretation, drilling results and metal prices. The category of inferred resource is often the least reliable resource category and is subject to the most variability. The Company regularly evaluates its resources and it often determines the merits of increasing the reliability of its overall resources.

Reliance on Independent Contractors

The Company's success depends to an extent on the performance and continued service of certain independent contractors. The Company has contracted the services of professional drillers and others for exploration, environmental, engineering and other services. Poor performance by such contractors or the loss of such services could have a material and adverse effect on the Company, its business and results of operations and result in the Company failing to meet its business objectives. Nevertheless, the Company will continue to rely upon the advice and work of consultants and others for exploration, development, construction and operating expertise.

Write downs and Impairments

Mining interests are the most significant assets of the Company and represent capitalized expenditures related to the development of the Company's Projects and related plant and equipment and the value assigned to exploration potential on acquisition. The costs associated with the property are allocated to exploration and evaluation assets and include acquired interests in the exploration stage property representing the fair value at the time the property was acquired. The value of such mineral property is primarily driven by the nature and amount of material interests believed to be contained or potentially contained, in the property to which they relate.

The Company reviews and evaluates its mining interests for impairment on a quarterly basis or when events or changes in circumstances indicate that the related carrying amounts may not be recoverable, which becomes more of a risk in the global economic conditions that exist currently. An impairment is considered to exist if the total estimated future undiscounted cash flows are less than the carrying amount of the assets. An impairment loss is measured and recorded based on discounted estimated future cash flows. Future cash flows are estimated based on expected future production, commodity prices, operating costs and capital costs. There are numerous uncertainties inherent in estimating mineral resources. Differences between management's assumptions and market conditions could have a material effect on the future on the Company's financial position and results of operation.

In addition, with a weaker global economy, there is a larger risk surrounding inventory levels. The assumptions used in the valuation of work in process inventories by the Company include estimates of minerals recovered, assumptions of the amount of minerals that will be crushed for concentrate, assumptions of the amount of minerals in these mill circuits and an assumption of the mineral prices expected to be realized when the minerals are recovered. If these estimates or assumptions prove to be inaccurate, the Company could be required to write down the recorded value of its work in process inventories, which would reduce the Company's earnings and working capital.

Foreign Operations

The Company's mineral exploration and development operations are currently conducted in the foreign jurisdictions of Mexico, and, as such, the Company's operations are exposed to various levels of political, economic, regulatory and other such risks and uncertainties as military repression; extreme fluctuations in currency exchange rates; high rates of inflation; labour unrest; the risks of war, violence, terrorism or civil unrest; expropriation and nationalization; renegotiation or nullification of existing concessions, licenses, permits and contracts; illegal mining; changes in fiscal regimes, changes in royalty and taxation policies; uncertainty regarding enforceability of contractual rights and judgments; restrictions on foreign exchange and repatriation; changing political conditions, currency controls and governmental regulations that favour or require the awarding of contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction.

In the past, Mexico has been subject to political instability, changes and uncertainties, which may cause changes to existing governmental regulations affecting mineral exploration and mining activities. Mexico's status as a developing country may make it more difficult for the Company to obtain any required financing for its projects.

The Company's operations and property are subject to a variety of governmental regulations governing health and worker safety, employment standards, waste disposal, protection of historic and archaeological sites, mine development, protection of endangered and protected species and other matters.

The Company's mineral exploration and mining activities in Mexico may be adversely affected in varying degrees by changing government regulations relating to the mining industry or shifts in political conditions that increase the costs related to the Company's activities or the maintenance of its properties.

Changes, if any, in mining or investment policies or shifts in political attitude may adversely affect the Company's operations and financial condition. Operations may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on production, price controls, export controls, currency remittance, income and other taxes, expropriation of property, foreign investment, maintenance of claims, environmental legislation, land use, land claims of local people, water use and mine safety.

Failure to comply strictly with applicable laws, regulations and local practices relating to mineral right applications and tenure could result in loss, reduction or expropriation of entitlements, or the imposition of additional local or foreign parties as joint venture partners with carried or other interests.

The occurrence of these various factors and uncertainties cannot be accurately predicted and could have an adverse effect on the Company's operations and financial condition.

Future changes in applicable laws and regulations or changes in their enforcement or regulatory interpretation could negatively impact current or planned exploration and development activities on the Company's property or in respect of any other projects in which the Company becomes involved. Any failure to comply with applicable laws and regulations, even if inadvertent, could result in the interruption of exploration and development operations or material fines, penalties or other liabilities.

Title Risks

Although the Company believes that it has taken reasonable measures to ensure that title to the Company's properties are held by the Company, including obtaining title opinions, there is no guarantee that title to any of the claims comprising the Company's property will not be challenged or impaired.

The Company's properties may be subject to prior unregistered agreements, interests or native land claims, and title may be affected by undetected defects. There may be valid challenges to the title of any of the claims comprising the Company's property that, if successful, could impair development or operations. A defect could result in the Company losing all or a portion of its right, title, estate and interest in and to the property to which the title defect relates.

Additional Funding Required

Further exploration on, and development of, the Company's projects, will require significant additional financing. Accordingly, the continuing development of the Company's property will depend upon the Company's ability to obtain financing through equity financing, debt financing, the joint venturing of projects or other external sources. Failure to obtain sufficient financing may result in a delay or an indefinite postponement of exploration, development or production on the Company's property, or even a loss of property interest, or have a material adverse impact on the Company's future cash flows, earnings, results of operations and financial condition or result in the substantial dilution of its interests in its property. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favourable to the Company. Debt financing will expose the Company to the risk of leverage, while equity financing may cause existing shareholders to suffer dilution. There can be no assurance that the Company will be successful in overcoming these risks or any other problems encountered in connection with such financings. Failure to raise capital when needed would have a material adverse effect on the Company's business, financial condition and results of operations.

The Company has and will continue to have negative operating cash flow until one of the properties commences commercial production should exploration and development efforts demonstrate that commercial production from such mineral property is feasible.

Global Financial Conditions

Current global financial conditions have been subject to increased volatility. The Company is exposed to liquidity risks in meeting its operating and capital expenditure requirements in instances where cash positions are unable to be maintained or appropriate financing is unavailable. These factors may impact the ability of the Company to obtain loans and other credit facilities or equity or debt financing in the future and, if obtained, on terms favourable to the Company. If these increased levels of volatility and market turmoil continue, the Company's operations could be adversely impacted and the trading price of the common shares could be adversely affected.

Fluctuations in Metal Prices and Currencies

The Company raises its equity in Canadian dollars and maintains its accounts in Canadian dollars. Foreign expenditures by the Company are subject to foreign currency fluctuations which may materially and adversely affect the Company's financial operations. The Company does not engage in any hedging or other transactions to protect itself against such currency fluctuations.

Market Price of Common Shares

The trading price of the Company's common shares is likely to be significantly affected by short term changes in mineral prices or in its financial condition or results of operations as reflected in its quarterly earnings reports. Other factors unrelated to the Company's performance that may have an effect on the price of the common shares include the following: the extent of analytical coverage available to investors concerning the Company's business; the lessening in trading volume and general market interest in the Company's securities (which may affect an investor's ability to trade significant numbers of common shares); and the price of the common shares and size of the Company's public float (which may limit the ability of some institutions to invest in the Company's securities).

As a result of any of these factors, the market price of the common shares at any given point in time may not accurately reflect the Company's long term value. Securities class action litigation often has been brought against companies following periods of volatility in the market price of their securities. The

Company could be the target of similar litigation. Securities litigation could result in substantial costs and damages and divert management's attention and resources.

Dilution to Common Shares

During the life of the Company's outstanding common share purchase warrants, as well as options and other rights granted or assumed by the Company, if any, the holders are given an opportunity to profit from a rise in the market price of the common shares. The Company's ability to obtain additional financing during the period such rights are outstanding may be adversely affected and the existence of the rights may have an adverse effect on the price of the common shares. The holders of common share purchase warrants, options and other rights of the Company may exercise such securities at a time when the Company would, in all likelihood, be able to obtain any needed capital by a new offering of securities on terms more favourable than those provided by the outstanding rights.

The increase in the number of common shares in the market and the possibility of sales of such shares may have a depressive effect on the price of the common shares. In addition, as a result of such additional common shares, the voting power of the Company's existing shareholders will be diluted.

Future Sales of Common Shares by Existing Shareholders

Sales of a large number of common shares in the public markets could decrease the trading price of the common shares and impair the Company's ability to raise capital through future sales of common shares.

Volatility of Share Price

The price of the shares of resource companies tends to be volatile, as has been particularly evidenced during recent economic crisis and price volatilities in the commodity markets. The market price of the Company's common shares has experienced wide fluctuations which may not necessarily be related to the operating performance, underlying asset values or prospects of the Company. Fluctuations in the market price for precious metals and other elements which are beyond the control of the Company could materially affect the price of the securities of the Company.

Future Profits or Losses and Production Revenues and Expenses

There can be no assurance that significant losses will not occur in the near future or that the Company will be profitable in the future. The Company's operating expenses and capital expenditures may increase in subsequent years as required consultants, personnel and equipment associated with advancing exploration, development and commercial production of the Company's properties and any other properties that the Company may acquire are added. The amounts and timing of expenditures will depend on the progress of ongoing exploration and development, the results of consultants' analyses and recommendations, the rate at which operating losses are incurred, the execution of any joint venture agreements with strategic partners, if any, and the Company's acquisition of additional properties, in addition to other factors, many of which are beyond the Company's control.

The Company expects to incur expenditures and losses unless and until such time as the Company's current property or future properties may achieve a sufficient level of commercial production and revenues to fund continuing operations. The development of the Company's properties will require the commitment of substantial resources to conduct the time-consuming exploration and development of properties. There can be no assurance that the Company will generate any revenues or achieve profitability, nor can there be any assurance that the underlying assumed levels of expenses will prove to be accurate.

Labour and Employment Matters

While the Company has good relations with its employees, its operations are dependent upon the efforts of its employees. In addition, relations between the Company and its employees may be affected by changes in the scheme of labour relations that may be introduced by the relevant governmental authorities in whose jurisdictions the Company carries on business. Changes in such legislation or in the relationship between the Company and its employees may have a material adverse effect on the Company's operations and financial condition.

Acquisitions and Integration

From time to time, the Company examines opportunities to acquire additional mining assets and businesses. Any acquisition that the Company may choose to complete may be of a significant size, may change the scale of the Company's business and operations, and may expose the Company to new geographic, political, operating, financial and geological risks. The Company's success in its acquisition activities depends on its ability to identify suitable acquisition candidates, negotiate acceptable terms for any such acquisition, and integrate the acquired operations successfully with those of the Company. Any acquisitions would be accompanied by risks. For example, there may be a significant change in commodity prices after the Company has committed to complete the transaction and established the purchase price or exchange ratio; a material orebody may prove to be below expectations; the Company may have difficulty integrating and assimilating the operations and personnel of any acquired companies, realizing anticipated synergies and maximizing the financial and strategic position of the combined enterprise, and maintaining uniform standards, policies and controls across the organization; the integration of the acquired business or assets may disrupt the Company's ongoing business and its relationships with employees, customers, suppliers and contractors; and the acquired business or assets may have unknown liabilities which may be significant. If the Company chooses to raise debt capital to finance any such acquisition, the Company's leverage will be increased. If the Company chooses to use equity as consideration for such acquisition, existing shareholders may suffer dilution. Alternatively, the Company may choose to finance any such acquisition with its existing resources. There can be no assurance that the Company would be successful in overcoming these risks or any other problems encountered in connection with such acquisitions.

Competition

The Company's business is intensely competitive in all of its phases and the Company will compete with other mining companies for natural resource acquisition opportunities, many of which have greater resources and technical facilities than the Company. Competition in the mining industry is primarily for mineral rich properties which can be developed and can produce economically; the technical expertise to find, develop, and operate such properties; the skilled labour to operate such properties; and the capital for the purpose of funding such properties. Many competitors not only explore for and mine metals, but also conduct refining and marketing operations on a world-wide basis. Such competition may result in the

Company being unable to (i) acquire desired properties, (ii) recruit or retain qualified employees or (iii) raise or generate the capital necessary to fund its operations and develop its properties. The Company's inability to compete with other mining companies for these resources could have a material adverse effect on its operations, financial condition and trading price of the securities of the Company.

Loss of Key Employees

The Company depends on the business and technical expertise of a number of key personnel, including its directors and executive officers and key personnel working full-time in management and administrative capacities or as consultants. The number of persons skilled in the acquisition, exploration and development of mining properties is limited and competition for such persons is intense. As the Company's exploration and development activities expand, it will require additional key personnel. The Company does not maintain life insurance for such personnel. The loss of any key personnel, or the failure to retain such personnel, could have a material adverse effect on the Company's operations and financial condition.

Environmental Regulations

The operations of the Company are 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, which 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 which means stricter standards, and enforcement, fines and penalties for non-compliance are more stringent. Future legislation and regulations could cause additional expenses, capital expenditures, restrictions, liabilities and delays in the development of the Company's properties, the extent of which cannot be predicted. 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.

Litigation and Tax Risks

All industries, including the mining industry, are subject to legal claims, with and without merit. Defence and settlement costs can be substantial, even with respect to claims that have no merit. Due to the inherent uncertainty of the litigation process, there can be no assurance that the resolution of any particular legal proceeding will not have a material effect on the Company's operations and financial position.

The Company conducts operations through foreign subsidiaries and substantially all of its assets are held in such entities. Accordingly, any limitation on the transfer of cash or other assets between the parent corporation and such entities, or among such entities, could restrict the Company's ability to fund its operations efficiently. Any such limitations, or the perception that such limitations may exist now or in the future, could have an adverse impact on the Company’s valuation and stock price. In addition, the use of foreign subsidiaries could give rise to tax risks and obligations for the Company.

Enforcement of Civil Liabilities

Two directors of the Company reside outside of Canada and, similarly, a majority of the assets of the Company are located outside of Canada. It may not be possible for investors to effect service of process within Canada upon the director not residing in Canada. It may also not be possible to enforce against the Company and certain of its directors and officers judgments obtained in Canadian courts.

Operating Hazards and Risks

Unusual or unexpected formations, formation pressures, fires, power outages, labour disruptions, flooding, explosions, pit-wall failures, cave-ins, seismic activity, rock bursts, pollution, accidents relating to historical workings, landslides and the inability to obtain suitable or adequate machinery, equipment or labour are several of the hazards and risks involved in the operation of mines and the conduct of exploration programs, any of which could result in damage to or destruction of mines and other producing facilities, personal injury or death, damage to property, environmental damage and possible legal liability for any or all damage.

Any future milling operations will be subject to various hazards, including, without limitation, equipment failure and failure of retaining dams around tailings disposal areas, which may result in environmental pollution and legal liability.

The Company maintains insurance against risks in the operation of its business in amounts that it believes to be reasonable. Such insurance, however, contains exclusions and limitations on coverage and the Company's insurance may not cover all potential risks associated with a company with operations of the nature of those of the Company. There can be no assurance that any such insurance will continue to be available, will be available at economically acceptable premiums or will be adequate to cover any resulting liability. In some cases, such as with respect to environmental risks, coverage is not available or considered too expensive relative to the perceived risk. Losses resulting from any uninsured events may cause the Company to incur significant costs that could have a material adverse effect on the Company's operations and financial condition.

Infrastructure

Mining, development and exploration activities depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges, power sources and water supply are important determinants, which affect capital and operating costs. Unusual or infrequent weather phenomena, sabotage, government or other interference in the maintenance or provision of such infrastructure could adversely affect the Company’s operations and financial condition.

No History of Dividends

Investors cannot expect to receive a dividend on their investment in the foreseeable future, if at all. Accordingly, it is likely investors will not receive any return on their investment in the Company’s securities other than possible capital gains.

Conflicts of Interest

Certain directors and officers of the Company are also directors or officers or shareholders of other companies that are similarly engaged in the business of acquiring, developing and exploiting natural resource properties. Such associations may give rise to conflicts of interest from time to time. The directors of the Company are required by law to act honestly and in good faith with a view to the best interests of the Company and to disclose any interest which they may have in any project or opportunity of the Company. If a conflict of interest arises at a meeting of the board of directors, any director in a conflict will disclose his interest and abstain from voting on such matter.

Directors and officers with conflicts of interests will be subject to, and will follow the procedures set out in, applicable corporate and securities legislation. In determining whether or not the Company will participate in any project or opportunity, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at that time.

From time to time several companies may participate in the acquisition, exploration and development of natural resource properties, thereby allowing for their participation in larger programs, permitting involvement in a greater number of programs and reducing financial exposure in respect of any one program. It may also occur that a particular company will assign all or a portion of its interest in a particular program to another of these companies due to the financial position of the Company making the assignment. In determining whether or not the Company will participate in a particular program and the interest therein to be acquired by it, the directors will primarily consider the risk to which the Company may be exposed and its financial position at that time.

These risk factors could materially affect the Company's future results and could cause actual events to differ materially from those described in forward-looking statements relating to the Company.

Certain statements contained in this document constitute "forward-looking" statements. Such forward-looking statements involve known and unknown risks, uncertainties, and other factors which may cause the actual results, performance, or achievements of the Company to be materially different from any future results, performance, or achievements expressly stated or implied by such forward-looking statements.

Disclosure For Venture Issuers Without Significant Revenue

An analysis of the material components of the Company's general and administrative expenses is disclosed in the consolidated financial statements for the year ended June 30, 2019 to which this MD&A relates. An analysis of the material components of the exploration and evaluation assets of the Company is disclosed in the consolidated financial statements for the year ended June 30, 2019 to which this MD&A relates.

Contingencies

There are no contingent liabilities.

Internal Controls Over Financial Reporting

Changes in Internal Control over Financial Reporting (“ICFR”)

In connection with National Instrument 52-109, Certification of Disclosure in Issuer’s Annual and Interim Filings (“NI 52-109”) 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 financial information contained in the unaudited interim financial statements and the audited annual financial statements and respective accompanying Management’s Discussion and Analysis. The Venture Issue 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 NI52-109.

Management’s Responsibility For Financial Statements

The information provided in this report, including the financial statements, is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the financial statements.

Other MD&A Requirements

Additional disclosure of the Company’s technical reports, material change reports, news releases and other information can be obtained on SEDAR at www.sedar.com.

Recent Accounting Policies

Please refer to the December 31, 2019 condensed consolidated interim financial statements on www.sedar.com.

Financial Instruments

Please refer to the December 31, 2019 condensed consolidated interim financial statements on www.sedar.com.