MANAGEMENT’S DISCUSSION AND ANALYSIS

For the three-months ended March 31, 2019 and 2018

Dated May 29, 2019

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

This Management's Discussion and Analysis ("MD&A") of Discovery Metals Corp. and its wholly-owned subsidiaries (together referred to as the "Company" or "Discovery Metals"), has been prepared to enable a reader to assess material changes in financial condition and results of operations as at and for the three months ended March 31, 2019 ("Q1 2019"). This MD&A, and the discussion of performance, financial condition and future prospects contained herein, should be read in conjunction with the Company's audited annual consolidated financial statements for the year ended December 31, 2018, the four-month period ending December 31, 2017 and the year ended August 31, 2017 and accompanying notes (the "consolidated financial statements"), prepared in accordance with International Financial Reporting Standards ("IFRS") and the Company's unaudited condensed interim consolidated financial statements for the three months ended March 31, 2019 (the "interim financial statements"), prepared in accordance with International Accounting Standard 34 – *Interim Financial Reporting* ("IAS 34"). The information provided herein supplements, but does not form part of, the interim financial statements and includes financial and operational information from the Company's subsidiary. This discussion also covers the three-month comparative period ended March 31, 2018 ("Q1 2018") and the subsequent period up to the date of this MD&A.

All dollar amounts are presented in Canadian dollars ("CAD"), the Company's functional currency, except where otherwise noted. References to United States dollars are denoted as "USD$" and to Mexican pesos as "MXP". Additional information relating to the Company is available on SEDAR at www.sedar.com and on the Company's website at www.dsvmetals.com.

The Company's certifying officers, based on their knowledge and having exercised reasonable diligence, are also responsible to ensure that this MD&A and related interim financial statements do not contain any untrue statement of material fact and do not omit any required statement of material fact with respect to the periods reported. The interim financial statements, together with the other financial information included in this MD&A present fairly in all material respects the financial condition, results of operations and cash flows of the Company, as at the date of and for the periods presented in this MD&A. This MD&A contains forward looking information that is subject to risk factors set out in the cautionary note herein.

The Company's Board of Directors' (the "Board") review is accomplished principally through the Company's Audit Committee, which meets periodically to review all financial reports, prior to filing. The Board has approved the interim financial statements and this MD&A, as well as ensured that the Company's management ("Management") has discharged its financial responsibilities. Information in this MD&A is prepared as at May 29, 2019.

DESCRIPTION OF BUSINESS

Discovery Metals is a mineral exploration company whose main objective is to identify and successfully define and develop mineral deposits, primarily in Mexico.

The Company was incorporated on October 10, 1986 under the laws of British Columbia as Ayubowan Capital Ltd. On June 13, 2017, the Company's name was changed to Discovery Metals Corp. On March 21, 2017 the Company incorporated a 100% wholly owned subsidiary in Mexico, Discovery Metals, S.A. de C.V. ("Discovery Mexico"). The Company is listed on the TSX Venture Exchange (the "Exchange" or "TSXV") under the symbol "DSV". The Company's head office is located at Suite 701 - 55 University Avenue, Toronto, Ontario, M5J 2H7.

(Expressed in Canadian dollars, except where otherwise noted)

RECENT DEVELOPMENTS

Puerto Rico project

During April 2019, the Company announced advances to the final stages in the land re-designation process at Puerto Rico. The Company is now awaiting the preparation of the Land Management Plan (the "Plan") by the National Commission for Nature Protected Areas ("CONANP") and the subsequent submission and approval at the federal level. Once complete, the Company can apply for the standard drill permits for the Project.

In addition to these advancements in the re-designation process, Discovery was granted membership and voting rights on the Board of the Maderas del Carmen Reserve (the "MDC Board"). The Board also approved the creation of a mining sub-committee which will work alongside CONANP in the review of the necessary changes to the Plan. The MDC Board will review and approve the final Plan prior to submission to the federal government.

The Company also announced amendments to the terms of the Puerto Rico option agreement. A comparison of the key terms in the original and amendment agreements is shown in the table below:

PAYMENT TYPE	ORIGINAL TERM	AMENDED TERM
Drill Permit milestone	- 500,000 common shares - US$300,000 cash in lump sum payment	- US$300,000 cash in 15 equal monthly instalments
Drill Permit milestone	- Four tranches of 500,000 common shares issued annually beginning August 17, 2019	- Four tranches of 500,000 common shares issued annually beginning the latter of August 17, 2019 or receipt of Drill Permit
Purchase Option work required	- US$12,500,000 minimum spend over five (5) years	- 12,000 meters of drilling over three (3) years
Purchase Option consideration	- Higher of 30% of fair market value of the Project or US$10,000,000. - Payment in common shares and cash	- Higher of 20% of fair market value of the Project or 18,000,000 common shares. - Payment all in common shares

In addition to the amendment of the Agreement, the Company signed a 30-year agreement with the Boquillas del Carmen Ejido which grants full access for all exploration and mining activities both surface and underground. Consideration of 200,000MXP (approximately $13,500) was paid on signing with additional annual payments of 200,00MXP over the term of the agreement.

Refer to the Press Releases dated April 3, 2019 and April 25, 2019 available on SEDAR at www.sedar.com and on the Company's website at www.dsvmetals.com.

Minerva project

During April 2019, the Company announced the results of surface samples from Minerva. Highlights include:

- Results received from 273 surface channel samples and one grab surface outcrop, all part of a detailed mapping and sampling program on three high potential areas at the Minerva project;
  - Values up to 997 g/t Ag, 30.9% Zn and 12.8% Pb
- At all three key mineralized areas, strong Ag-Zn-Pb grades of surface anomalies plus the dimensions of the corresponding areas suggest the presence of a robust carbonate replacement system; and
- At Mina Minerva, one of the key areas, the anomalous area has been increased substantially, now at 1.5km long by 300m wide.

Refer to the Press Release dated April 10, 2019 available on SEDAR at www.sedar.com and on the Company's website at www.dsvmetals.com.

Monclova project

During April 2019, the Company announced the results of surface and underground samples from Monclova. Highlights include:

- Results from 41 underground channel samples include values of 1.0m breccia with 1,558 g/t AgEq1, 1.2m breccia with 814 g/t AgEq1 and 1.0m breccia with 1,018 g/t AgEq1 at two of the historical workings.
- Results from 200 surface samples include channel sample values of 1.0m breccia with 248g/t AgEq1, 1.5m fault breccia with 162 g/t AgEq1, and dump samples of 2,645 g/t AgEq1 and 704 g/t AgEq1.

Refer to the Press Release dated April 23, 2019 available on SEDAR at www.sedar.com and on the Company's website at www.dsvmetals.com.

2019 OUTLOOK

The Company is focused on discovering and advancing high-grade polymetallic deposits in a recently assembled land package of approximately 150,000 hectares over a large and historic mining district in northern Coahuila State, Mexico. The portfolio of three large-scale, drill-ready projects and several earlier-stage prospects, all with shallow high-grade silver-zinc-lead mineralization, is situated in a world-class carbonate replacement deposit belt that stretches from southeast Arizona to central Mexico. The land holdings contain numerous historical direct-ship ore workings with several kilometers of underground development, however no modern exploration or exploration drill testing has been carried out on the properties prior to Discovery's time.

Based on extensive surface exploration work (geology, geochemistry, geophysics) completed during 2018, Management has prioritized three projects (Puerto Rico, Minerva, Monclova) to be advanced to phase 1 drill-testing. The mineralized widths and grades in combination with the interpreted mineralization models from these three projects indicate that economically robust polymetallic mineralization potentially occurs on the projects. The company is finalizing its drill planning at Minerva and Monclova in order to begin drilling during 2019. Minerva is fully permitted for drilling and the final approval by SEMARNAT of Monclova's drill permit application is expected in Q2 2019. At Puerto Rico, the Company is in the final stages of having the land re-designated and, once completed, will submit its drill permit application.

While the Company's main focus in 2019 will be on Puerto Rico, Minerva and Monclova, other activities will include testing its earlier-stage properties with surface exploration work. In addition, the Company continues to evaluate other strategic and accretive business opportunities. There are no present plans for any material capital expenditures in the next twelve months. As such, the Company is sufficiently capitalized to support the budget forecast, including phase 1 drill-testing.

(Expressed in Canadian dollars, except where otherwise noted)

SUMMARY OF CONSOLIDATED QUARTERLY RESULTS

		Q1 2019		Q4 2018		Q3 2018		Q2 2018
Net loss								
(a) Total	**$**	**(793,684)**	$	(1,384,584)	$	(1,983,699)	$	(2,115,844)
(b) basic and diluted per share	**$**	**(0.01)**	$	(0.02)	$	(0.03)	$	(0.03)
Net loss and total comprehensive loss	**$**	**(704,463)**	$	(1,179,158)	$	(1,934,797)	$	(2,027,768)
Cash and cash equivalents	**$**	**3,952,973**	$	4,691,676	$	5,928,552	$	8,060,078
Total assets[(1)]	**$**	**6,601,720**	$	7,216,714	$	8,341,816	$	10,097,337
Total current liabilities[(1)]	**$**	**142,402**	$	230,090	$	254,985	$	218,076
Total weighted average shares outstanding		**65,043,998**		65,043,998		65,043,998		65,043,998

(1) Due to the adoption of IFRS 16 – Leases on January 1, 2019, opening balances of assets and liabilities were each increased by $176,073 as a result of the creation of a right-of-use asset and associated liability related to the Company's office lease. Refer to the IFRS 16 transition adjustment discussion in the "Review of Quarterly Consolidated Financial Results" section and the "Changes in Accounting Policies" section of this MD&A.

		Q1 2018		4-Months Dec. 31, 2017[(2)]		Q4 2017		Q3 2017
Net loss								
(a) Total[(1)]	$	(1,546,500)	$	(1,901,029)	$	(2,100,859)	$	(320,265)
(b) basic and diluted per share	$	(0.02)	$	(0.03)	$	(0.05)	$	(0.01)
Net loss and total comprehensive loss	$	(1,645,433)	$	(2,247,458)	$	(2,100,859)	$	(320,265)
Cash and cash equivalents	$	10,317,254	$	12,234,811	$	14,643,353	$	451,522
Total assets	$	12,137,236	$	13,697,402	$	15,912,142	$	668,756
Total current liabilities	$	358,225	$	442,391	$	802,667	$	112,059
Total weighted average shares outstanding		65,043,998		65,043,998		38,652,150		32,669,999

(2) As a result of the change in year-end from August 31 to December 31, the transition period was the four-month period ended December 31, 2017.

REVIEW OF QUARTERLY CONSOLIDATED FINANCIAL RESULTS

Q1 2019 vs. Q1 2018

Net loss and total comprehensive loss

The Company had a net and total comprehensive loss of $704,463 for Q1 2019, compared to a net and total comprehensive loss of $1,645,433 for Q1 2018 with expenses in the prior year comparative period being significantly higher as a result of the commencement of operations. The net and total comprehensive loss for Q1 2019 includes a non-cash currency translation adjustment ("CTA") gain of $89,221 as a result of the translation of Discovery Mexico's MXP functional currency financial statements to the Company's presentation currency of CAD on consolidation (Q1 2018 – a CTA loss of $98,933).

Share-based compensation expense

The Company incurred non-cash share-based compensation expenses of $55,393 during Q1 2019, compared to $169,433 during Q1 2018. This decrease is the direct result of the natural vesting of stock granted which results in a higher expense in the earlier stage of a stock option's life. In addition, 300,000 stock options were granted during Q1 2018 resulting in a higher share-based compensation expense during that period while no stock options were granted during Q1 2019.

Exploration and project evaluation expense

The Company incurred exploration and project evaluation costs of approximately $274,975 during Q1 2019 compared to $1,186,436 during Q1 2018. This decrease is the direct result of the majority of mapping, sampling and assay work being performed on the Company's three main properties during 2018. This work during Q1 2018 included $600,790 spent on Puerto Rico (comprised primarily of $477,624 for permitting and $43,301 on assays), $207,866 spent on La Kika (comprised primarily of $149,862 for drilling), $207,671 spent on Monclova (comprised primarily of $40,518 for surface access rights, $46,464 for assays and $30,336 for salaries and benefits), $168,748 spent on Minerva (comprised primarily of $24,649 for surface access rights, $38,314 for assays and $30,336 for salaries and benefits) with the remainder of $305,032 having been spent on mining duties across all properties and general project expenses.

The spend during Q1 2019 primarily relates to mining duties of $70,035, surface and site access of $20,453, geophysics and paleontological work of $17,998 and salaries and benefits and travel costs of approximately $119,873 and $27,251, respectively.

General office and other expenses

During Q1 2019, the Company incurred general office and other expenses of $319,250 compared to $437,511 during Q1 2018. This change is primarily the result of a decrease in salaries and benefits of $85,053 related to the Company's optimization of its workforce, a decrease of $16,971 in travel as a result of the stabilization of exploration operations with the hiring of a country manager and a $11,410 decrease in business development. These decreases were partially offset by an increase of $18,789 in depreciation expense on the property and equipment purchased during Q1 2018.

Professional fees

During Q1 2019, the Company incurred professional fees of $46,289 compared to $29,438 during Q1 2018. This change is primarily the result of increased accounting costs in Mexico, offset by a decrease of approximately $2,794 in legal fees.

Foreign exchange (gain) loss

The company incurred a foreign exchange loss of $116,221 during Q1 2019 compared to a foreign exchange gain of $242,010 during Q1 2018. The change is the result of an devaluation of the MXP against the CAD combined with an appreciation of the USD against the CAD during the period. The Company remains unhedged with respect to foreign currency.

(Expressed in Canadian dollars, except where otherwise noted)

IFRS transition adjustments

The Company has applied IFRS 16 using the modified retrospective approach which requires the cumulative effect of the initial application to be recognized in retained earnings at January 1, 2019. The Company determined the impact to opening retained earnings to be immaterial and no adjustment was made.

On adoption of IFRS 16, the Company recognized lease liabilities for leases previously classified as operating leases under IAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the applicable incremental borrowing rate as of January 1, 2019 of 3.95%. The company did not have any leases previously classified as finance leases under IAS 17.

The Company applied certain practical expedients and exemptions permitted under IFRS 16 as follows:

- The accounting for operating leases with a remaining lease term of less than 12 months as at January 1, 2019 as short-term leases;
- The accounting for operating leases of low-value assets to remain as operating leases; and
- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The following table summarizes the difference between operating lease commitments disclosed immediately preceding the date of initial application and the lease liabilities in the statement of financial position at the date of initial application:

Operating lease commitments at December 31, 2018	$	361,243
Less: short-term and low-value operating leases		(4,600)
Operating lease commitments subject to IFRS 16	$	356,643
Discounted using the incremental borrowing rate of 3.95%		**176,073**
Lease liabilities recognized at January 1, 2019		**176,073**
Less: current portion		**43,232**
Non-current portion	**$**	**132,841**

The associated ROU asset was measured at the amount equal to the lease liabilities and included in Property and equipment on the statement of financial position.

CASH FLOW

Q1 2019 vs. Q1 2018

The Company had net cash used in operating activities of $705,649 for Q1 2019 compared to net cash used in operating activities of $1,903,557 for Q1 2018. Minimal exploration activities occurred during Q1 2019 while a significant amount of mapping, sampling and assays occurred during Q1 2018 as the Company began exploration activities.

The Company had net cash used in investing activities of $nil for Q1 2019 compared to net cash used in investing activities of $63,287 for Q1 2018. Investing activities for the prior period included the acquisition of a vehicle in Mexico, office equipment and computer equipment.

(Expressed in Canadian dollars, except where otherwise noted)

The Company's cash used in financing activities of $10,649 during Q1 2019 relates entirely to the principal repayments on the lease liability created on January 1, 2019, as a result of the adoption of the new accounting standard IFRS 16 – Leases (refer to the "Changes in Accounting Policies" section of this MD&A). The Company did not have any financing activities during Q1 2018.

CAPITAL MANAGEMENT AND LIQUIDITY

The Company defines capital as its shareholder's equity (comprised of issued share capital, contributed surplus and deficit). The Company's objectives when managing capital are to support the Company's main activities of identifying, defining and developing mineral deposits, thus creating shareholder value, as well ensuring that the Company will be able to meet its financial obligations as they become due.

The Company manages its capital structure to maximize its financial flexibility to enable the Company to respond 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, but rather relies on the expertise of the Company's management to sustain the future development of the business. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. As at March 31, 2019, the Company does not have any long-term debt outstanding and is not subject to any externally imposed capital requirements or debt covenants. There was no change to the Company's approach to capital management Q1 2019.

As at March 31, 2019, the Company had working capital (defined as current assets less current liabilities) of $4,814,548 (December 31, 2018 – $5,483,006), shareholders' equity of $6,337,555 (December 31, 2018 – $6,986,625) and an accumulated deficit of $29,423,000 (December 31, 2018 – $28,629,316). The Company is sufficiently capitalized to complete planned initial exploration programs on its properties for the current fiscal year. However, the Company will likely require additional financing to accomplish its long-term strategic objectives. Future funding may be obtained by means of issuing share capital, debt financing or a combination of both and will be assessed by Management at that time.

SHARE CAPITAL

There were no changes in commons shares issued and outstanding Q1 2019.

A summary of the shares issued and outstanding as at March 31, 2019 is as follows:

	Common Shares		Amount
As at December 31, 2018	65,043,998	$	23,539,388
Expiry of warrants issued under private placement	**-**		**346,993**
As at March 31, 2019	**65,043,998**	**$**	**23,886,381**

(Expressed in Canadian dollars, except where otherwise noted)

OUTSTANDING SHARE DATA

As at May 29, 2019 the Company had the following equity securities and convertible securities outstanding:

	Authorized	**Number and Type Outstanding**
Voting or Equity Securities Issued and Outstanding	Unlimited Common Shares	65,043,998 Common Shares
Securities convertible or exercisable into voting or equity securities-stock options	Stock Options to acquire up to 10% of outstanding Common Shares	Stock options to acquire 5,083,333 Common Shares
Securities convertible or exercisable into voting or equity securities-warrants[(1]	Warrants to acquire 32,908,960 Common Shares	Warrants to acquire 31,664,500 Common Shares

[(1)] 1,244,460 private placement warrants expired unexercised on February 17, 2019.

RELATED PARTY TRANSACTIONS

Key management personnel

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers.

A company partially owned by one of the directors of the Company provides access to administrative and exploration personnel and has made certain payments on behalf of the Company on an as-needed basis. There is no fee charged to the Company, as all expenses are allocated at cost.

Reimbursed expenses for the three months ended March 31, 2019 totalled $5,772 (three months ended March 31, 2018 – $19,204). The Company had $10,813 in expenses payable to this company as at March 31, 2019 (December 31, 2018 – $5,772). These expenses are not included in the table below.

Under a similar arrangement, during the three months ended March 31, 2019 the Company reimbursed expenses of USD$707 (three months ended March 31, 2018 – USD$756) to another company which has a Director in common. There was USD$1,299 in expenses payable at March 31, 2019 (December 31, 2018 – USD$707). These expenses are not included in the table below.

		Three Months Ended March 31,	
Transaction Type	**Nature of Relationship**	**2019**	2018
Share-based payments	Directors and officers	**$ 31,343**	$ 108,337
Salaries and benefits	Officers	**162,451**	136,059
Directors fees	Directors	**43,750**	43,750
		$ 237,544	$ 288,146

(Expressed in Canadian dollars, except where otherwise noted)

A summary of amounts due to related parties:

Transaction Type	Nature of Relationship		March 31, 2019		December 31, 2018
Accounts payable and accrued liabilities	A director and a company with a director/officer in common with the Company	**$**	**1,554**	$	1,554
		$	**1,554**	$	1,554

FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, accounts receivable and deposits, and accounts payable and accrued liabilities.

Accounts receivable and deposits are classified as receivables and are measured at amortized cost using the effective interest method. Accounts payable and accrued liabilities are classified as other financial liabilities and are measured at amortized cost. These financial instruments approximate their fair value due to their short-term nature.

The fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Financial instruments are classified into one of three levels in the fair value hierarchy according to the degree to which the inputs used in the fair value measurement are observable.

Level 1	Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2	Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
Level 3	Inputs that are not based on observable market data.

As at March 31, 2019 the Company had no financial instruments classified as Level 2 or 3.

RISK FACTORS

The operations of the Company are speculative due to the high-risk nature of its business, which is the acquisition, financing, exploration and development of mining properties. For a detailed discussion of risks, refer to the Company's MD&A for the year ended December 31, 2018 dated April 26, 2019, which is incorporated by reference herein and available on SEDAR at www.sedar.com and on the Company's website at www.dsvmetals.com. For additional risks, refer to the Company's Filing Statement in Respect of a Change of Business dated August 3, 2017, available on SEDAR at www.sedar.com.

This MD&A also contains forward-looking information that involve risks and uncertainties. The Company's actual results could differ materially from those anticipated in these forward-looking statements as a result of the risks faced by the Company as described in the documents incorporated by reference herein. Refer to the "Cautionary Statement Regarding Forward-Looking Information".

(Expressed in Canadian dollars, except where otherwise noted)

Additional risks not currently known to the Company, or that the Company currently deems immaterial, may also impair the Company's operations. If any of the following risks occur, the Company's business, financial condition and operating results could be adversely affected.

Financial Risk Factors

The Company's has exposure to certain risks resulting from its use of financial instruments.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at March 31, 2019, the Company had a cash balance of $3,952,973 (December 31, 2018 – $4,691,676) to settle current liabilities of $142,403 (December 31, 2018 – $230,090). The Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

As at March 31, 2019, the Company has no sources of revenue to fund its operating expenditures an relies solely on the gross proceeds of $15,618,500 received through a non-brokered private placement of 31 million common shares at a price of $0.50 per share during the year ended December 31, 2017. Management believes these financings will fund the Company's initial exploration work on the properties in Coahuila, Mexico as well as the existing administrative needs for the near term. However, the Company will require additional financing to accomplish the Company's long-term strategic objectives. Future funding may be obtained by means of issuing share capital, or debt financing. If the Company is unable to continue to finance itself through these means, it is possible that the Company will be unable to continue as a going concern. Consequently, the Company is currently exposed to a moderate level of liquidity risk.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to fulfill an obligation and cause the other party to incur a financial loss. The Company's cash and cash equivalents, accounts receivable and prepaids and deposits are exposed to credit risk. The Company has assessed the credit risk on its cash and cash equivalents as low as its funds are held in highly rated Canadian financial institutions. Management deems the credit risk associated with sales tax receivable and prepaids and deposits to be at an acceptable level.

The Company's maximum exposure to credit risk related to certain financial instruments as identified below, approximates the carrying value of these assets on the Company's consolidated statements of financial position.

		March 31, 2019		December 31, 2018
Cash and cash equivalents	**$**	**3,952,973**	$	4,691,676
Sales tax and other receivables		**983,044**		984,547
Prepaids and deposits		**20,933**		36,873
	$	**4,956,950**	**$**	5,713,096

Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and equity prices.

Interest rate risk

The Company has significant cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in high-yield savings accounts. The Company regularly monitors its cash management policy. Management has determined interest rate risk to be low.

Foreign currency risk

The Company's functional currency is the Canadian dollar. At March 31, 2019, cash balances were held primarily in Canadian dollars. Foreign currency risk is the risk that the value of the Company's financial instruments denominated in foreign currencies will fluctuate due to changes in foreign exchange rates. Changes in the exchange rate between foreign currencies and the Canadian Dollar could have a significant impact on the Company's financial position, results of operations, and cash flows. The Company does not use derivative instruments to reduce its exposure to foreign currency risk.

The Company is mainly exposed to foreign currency risk on financial instruments (consisting of trade payables) denominated in USD and MXP.

As at March 31, 2019, the Company had the following foreign currency denominated trade payables:

	March 31, 2019	December 31, 2018
United States dollar	**$ -**	$ 38,077
Mexican Peso	**41**	108,625
	$ 41	$ 146,702

It is estimated that a 10% fluctuation in the United States Dollar and Mexican Pesos against the Canadian dollar would affect net loss for the year by approximately $nil (December 31, 2018: $19,035).

As at March 31, 2019, Management has determined the Company's exposure to foreign currency risk to be at an acceptable level.

Price risk

The Company is exposed to price risk with respect to commodity prices and prices of equity securities. Equity security price risk is defined as the potential adverse impact on the Company's net income or loss due to movements in individual prices of equity securities or price movements in the stock market generally. Commodity price risk is defined as the potential adverse impact on net income or loss and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices, particularly as they relate to base metals, and movement in the price of individual equity securities movements and the stock market generally, to determine the appropriate course of action to be taken by the Company.

As at March 31, 2019, Management has determined the Company's exposure to price risk to be at an acceptable level.

COMMITMENTS AND CONTRACTUAL OBLIGATIONS

Puerto Rico project

On completion of the permitting for the Puerto Rico project, the Company will have to pay USD$300,000 over 15 months, beginning 30 calendar days after the receipt of the permit (refer to note 24 of the interim financial statements).

During the year ended December 31, 2017, the Company contracted an environmental engineering consultancy firm to assist in the preparation and filing of all environmental and technical reports required by various governmental agencies with respect to the permitting process at Puerto Rico. The contract totaled USD$1.2 million of which the remaining USD$100 thousand will be paid upon receipt of all permits.

Monclova project

During the year ended December 31, 2018, the Company contracted an environmental engineering consultancy firm to assist in the preparation and filing of all environmental and technical reports required by various governmental agencies with respect to the permitting process at Monclova. The contract totalled USD$90 thousand which will be paid upon receipt of all permits.

Other commitments

Effective January 1, 2019, the Company adopted IFRS 16 – Leases which brings operating leases onto the statement of financial position while allowing for certain exemptions based on duration of the lease and total dollar value of the contract. As a result of the adoption of IFRS 16, the Company determined that the office premise lease previously accounted for as an operating lease, matched the criteria under IFRS 16 for setting up a right-of-use asset and associated liability (refer to the "IFRS transition adjustments" section of this MD&A).

The Company has operating leases for certain office equipment that fall within the IFRS exemption criteria. Total payments made during the three months ended March 31, 2019 for these operating leases were $690 (three months ended March 31, 2018 - $690). Total future minimum lease payments, under non-cancellable operating leases as at March 31, 2019 and December 31 ,2018 are as follows:

Year	**March 31, 2019**	December 31, 2018
2019	**$ 2,070**	$ 2,760
2020	**1,840**	1,840
	$ 3,910	$ 4,600

SIGNIFICANT ACCOUNTING POLICIES

The Company's interim financial statements were prepared using the same accounting policies and methods of application as those disclosed in note 3 of the consolidated financial statements, except as noted in the "Changes in Accounting Policies" section below.

CHANGES IN ACCOUNTING POLICIES

Application of new and revised accounting standards effective January 1, 2019

The Company has adopted certain new IFRS standards, amendments to standards and interpretations effective for annual periods beginning January 1, 2019. The Company deemed the adoption of IFRS 16 – *Leases* ("IFRS 16") to have a material impact on the interim financial statements.

IFRS 16

In January 2016, the IASB issued IFRS 16, replacing *IAS 17 – Leases*. IFRS 16 provides a single lessee accounting model and requires the lessee to recognize assets and liabilities for all leases on its balance sheet, providing the reader with greater transparency of an entity's lease obligations. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. The transitional adjustments arising from the adoption are recognized in the opening balance sheet (refer to the "IFRS 16 Transition Adjustment" section of this MD&A).

At inception of a contract, the Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a specified period of time in exchange for consideration. If the determination is made that the contract is, or contains, a lease, the Company recognizes a lease liability and a right-of-use asset ("ROU asset") at the lease commencement date.

The Company has elected to apply certain exemption and does not recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less, and leases of low-value assets. For these leases, the Company recognizes the lease payments as an expense in net earnings on a straight-line basis over the term of the lease.

Lease liability

The lease liability is initially measured at the present value of future lease payments discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, at the Company's incremental borrowing rate which is the rate which the Company would have to pay to borrow the funds necessary to obtain an asset of similar value to the ROU asset, over a similar term and in a similar economic environment.

Lease payments included in the measurement of the lease liability comprise the following (if applicable):
- Fixed payments, including in-substance fixed payments, less any lease incentives receivable;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable by the Company under residual value guarantees;
- The exercise price of a purchase option if the Company is reasonably certain to exercise that option; and

- Payments of penalties for terminating the lease, if the Company expects to exercise an option to terminate the lease.

The lease liability is subsequently measured by:
- Increasing the carrying amount to reflect interest on the lease liability;
- Reducing the carrying amount to reflect the lease payments made; and
- Remeasuring the carrying amount to reflect any reassessment or lease modifications.

Right-of-use asset

The ROU asset is initially measured at cost, which comprises the following (if applicable):
- The amount of the initial measurement of the liability;
- Any lease payments made at or before the commencement date, less any lease incentives received;
- Any initial direct costs incurred by the Company; and
- An estimate of costs to be incurred by the Company in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

The ROU asset is subsequently measured at cost, less any accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the lease liability. It is depreciated in accordance with the Company's accounting policy for property and equipment, from the commencement date to the earlier of the end of its useful life or the end of the lease term.

Each lease payment is allocated between the lease liability and finance cost. The finance cost is charged to net earnings over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

On the statement of financial position, the ROU assets are presented in 'Property and equipment' and the lease liabilities are presented in 'Lease liabilities'.

Details of other accounting standards deemed to have no impact upon adoption at January 1, 2019 are disclosed in note 4(a) of the interim financial statements.

CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

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

Critical accounting judgments and estimates include but are not limited to the Company's determination of: functional currency, the economic recoverability and probability of future economic benefits of exploration, evaluation and development costs, determination of useful lives, impairment charges, income taxes and share-based payments. The estimates of non-cash share-based payments expense involve considerable judgment and are, or could be, affected by significant factors that are out of the Company's control. Actual results could differ from those estimates. During Q1 2019, there have been no changes to these critical accounting judgments and estimates.

For details on the Company's critical accounting judgments and estimates, refer to note 5 of the Company's consolidated financial statements for the year ended December 31, 2018 available on SEDAR at www.sedar.com or on the Company's website at www.dsvmetals.com.

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements.

QUALIFIED PERSON

The technical information in this MD&A was reviewed and approved by Gernot Wober, P. Geo., Vice President Exploration of the Company, who is recognized as a Qualified Person ("QP") under the guidelines of NI 43-101.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This MD&A includes "forward-looking statements", within the meaning of applicable securities legislation, which are based on the opinions and estimates of Management and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements. While these forward-looking statements, and any assumptions upon which they are based, are made in good faith and reflect our current judgment regarding the direction of our business, actual results could differ materially from any estimates, forecasts, predictions, projections, assumptions, or other future performance suggested herein.

Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "budget", "plan", "continue", "estimate", "expect", "forecast", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar words suggesting future outcomes or statements regarding an outlook. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements.

These forward-looking statements may include but are not limited to statements concerning:

- The Company's success at completing future financings;
- The Company's strategies and objectives;
- The Company's receipt of permits for the Puerto Rico Property;
- The availability of qualified employees for business operations;
- General business and economic conditions;
- The Company's ability to meet its financial obligations as they become due; and
- The Company's ability to identify, successfully negotiate and/or finance an acquisition of a new business opportunity.

Readers are cautioned that the preceding list of risks, uncertainties, assumptions and other factors are not exhaustive. Events or circumstances could cause actual results to differ materially from those estimated or projected and expressed in, or implied by these forward-looking statements. Due to the risks, uncertainties and assumptions inherent in forward-looking statements, investors in securities of the Company should not place undue reliance on these forward-looking statements.

ADDITIONAL INFORMATION

Additional information relating to the Company is available on the Company's website at www.dsvmetals.com or on SEDAR at www.sedar.com.