MEGASTAR DEVELOPMENT CORP.

Management Discussion & Analysis
Form 51-102F1

As at and for the nine months ended November 30, 2019

Suite 1450 – 789 West Pender Street, Vancouver, BC, Canada V6C 1H2

Tel : (604) 681-1568 / Fax: (604) 681-8240 / TF: 1-877-377-6222

Email: info@megastardevelopment.com

Website: www.megastardevelopment.com

January 27, 2020

OVERVIEW

The following management discussion and analysis ("MD&A") is a review of the operations, current financial position and outlook for Megastar Development Corp. (the "Company") and should be read in conjunction with the Company's unaudited interim condensed consolidated financial statements and the accompanying notes for the nine months ended November 30, 2019, and the audited consolidated financial statements and the accompanying notes for the year ended February 28, 2019, copies of which are filed on the SEDAR website: www.sedar.com.

The Company prepares its financial statements in accordance with International Financial Reporting Standards ("IFRS"). All dollar figures included herein and in the following discussion and analysis are quoted in Canadian dollars unless otherwise noted.

The financial information in this MD&A is derived from the Company's financial statements prepared in accordance with IFRS. Information provided in this MD&A, including financial information extracted from the financial statements, is the responsibility of management. This MD&A may contain forward looking statements based on assumptions and judgments of management regarding events or results that may prove to be inaccurate as a result of risk factors beyond its control. Accordingly, actual results may differ materially from the expected results.

DESCRIPTION OF THE COMPANY'S BUSINESS

The Company, incorporated in British Columbia on September 24, 1984, is an exploration stage public company listed on the TSX Venture Exchange ("TSX-V") and the Frankfurt Stock Exchange. The Company is assessing its mineral properties and has not yet determined whether these properties contain reserves that are economically recoverable. The recoverability of amounts shown for mineral properties is dependent upon the discovery of economically recoverable reserves and confirmation of the Company's interest in the underlying properties, the ability of the Company to obtain necessary financing to satisfy the expenditure requirements under mineral property agreements and to complete the development of the properties, and upon future profitable production or the sale thereof.

On August 24, 2018, the Company incorporated a subsidiary, Minera Mazateca, S.A. de C.V. ("Minera Mazateca" or "Subsidiary"), under the laws of the United Mexican States.

The Company is listed as a Tier 2 mining exploration issuer. The Company is primarily engaged in the acquisition, exploration and development of mineral properties in Quebec, Canada and in the state of Oaxaca, Mexico. At November 30, 2019, the Company had no revenue producing operations and has an accumulated deficit of $5,239,912 (February 28, 2019 - $4,861,655) since its inception. The Company had sufficient cash resources to meet its obligations for at least twelve months from the end of the reporting year. The Company will periodically have to raise funds to continue operations and, although it has been successful in doing so in the past, there is no assurance it will be able to do so in the future.

The Company's future capital requirements will depend on many factors, including the costs of exploring and developing its mineral property, operating costs, the current market environment and global market conditions. At November 30, 2019, the Company had a working capital of $196,370 (February 28, 2019 – $55,409). For significant expenditures and mineral property development, the Company will almost exclusively depend on outside capital. Such outside capital will include the issuance of additional equity shares. There can be no assurance that capital will be available, as necessary, to meet the Company's operating commitments and further exploration and development plans. The issuance of additional equity securities by the Company may result in significant dilution to the equity interests of current shareholders. If the Company is unable to obtain financing in the amounts and on terms deemed acceptable, the further success of the business could be adversely affected.

The head office, and principal address of the Company is Suite 1450, 789 West Pender Street, Vancouver, British Columbia, Canada, V6C 1H2. The Company's registered and records address is at the corporate solicitor's office, Fasken Martineau DuMoulin LLP, 2900 – 550 Burrard Street, Vancouver, BC, V6C 0A3.

OVERALL PERFORMANCE

MINERAL INTERESTS

RALLEAU Property, Quevillon, Quebec:

The Company has a 100% interest in the Ralleau property located within the Abitibi greenstone belt approximately 40 km east of Quévillon, Quebec. Previous mapping and sampling have identified anomalous Cu-Zn Volcanogenic Massive Sulphide (VMS) style mineralization and alteration on the property. Several untested airborne INPUT geophysical anomalies occur within felsic volcanic rocks from which anomalous base metal values have been returned in surface sampling. As of the date of this report, the Ralleau property comprises 59 contiguous mineral claims covering approximately 3,324 hectares.

From 2006 to 2010, the Company has completed the following exploration work in a number of successive programs:

- 75 km of line cut grid
- ground magnetic and deep EM surveys
- 1,545.7 meters (5 holes) of diamond drilling
- trenching and channel sampling
- 1,457-line km of helicopter-borne VTEM Survey spaced at 75-meter intervals and which identified a total of forty-nine anomalies of which eight were classified as Priority One
- Preliminary ground-proofing of VTEM anomalies together with minor mapping and prospecting

On April 5, 2017, the Company entered into an option agreement with Deeprock Minerals Inc. ("optionee") on the Company's wholly owned Ralleau Property. Under the terms of the option agreement and as amended on March 15, 2018 and on June 30, 2018, the optionee will be deemed to have exercised its option to acquire a 50% interest in the property by fulfilling the following terms:

(a) Cash payment of $100,000 and issuance of 1,700,000 post-split common shares as follows:
  i. $5,000 on or before the execution of this agreement (paid);
  ii. $5,000 (paid) and 600,000 post-split common shares (issued 600,000 shares on January 29, 2019 at a fair value of $0.07 per share) on or before the exchange listing date (November 16, 2018);

iii. $5,000 (paid) and 200,000 post-split common shares (issued 200,000 shares on April 9, 2018 at a fair value of $0.0375 per share) on or before the first anniversary date of this agreement (April 5, 2018);
iv. $10,000 (paid on April 9, 2019) and 400,000 post-split common shares (issued 400,000 shares on April 5, 2019) on or before the second anniversary date of this agreement (April 5, 2019);
v. $75,000 and 500,000 post-split (250,000 pre-split) common shares on or before the third anniversary date of this agreement (April 5, 2020).

(b) Exploration expenditures of $250,000 on the Property as follows:

i. $40,000 on or before May 30, 2017 (incurred);
ii. $15,000 on or before July 31, 2017 (incurred);
iii. $25,000 on or before October 31, 2018 (incurred);
iv. $50,000 on or before the second anniversary date of this agreement (April 5, 2019) (incurred);
v. $120,000 on or before the third anniversary date of this agreement (April 5, 2020).

On September 11, 2017, the optionee changed its share capital structure by 1:2 forward split. Consequently, the Company prorated proportionally the receipt of shares, aligning with the split.

As at November 30, 2019, the Company had a receivable balance of $3,277 from the optionee.

During the period ended November 30, 2019, the Company received $10,000 (February 28, 2019 - $10,000) from the optionee pursuant to the option agreement.

RAMA DE ORO Project, Oaxaca, Mexico

On May 9, 2018, the Company entered into an option agreement to acquire a 100% interest in the Rama de Oro Project, located in the state of Oaxaca, Mexico.

The Project lies to the northwest of and borders the La Calavera and Cobre Grande copper-gold porphyry-skarn projects in east-central Oaxaca. It also lies to the north of the WNW-ESE San José structural zone defined by Gold Resource Corporation (http://www.goldresourcecorp.com/exploration.php). The Project is hosted by caldera-related Tertiary volcanic rocks (e.g. El Aguila model) crosscut by hydrothermal veining inferred to be related to late-stage granitic magmatism locally exposed as dikes and underlying the adjacent 'Nueve Puntos' mountain. Similar intrusions are associated with an NI 43-101 inferred resource of 49.8 MT containing 0.5% Cu, 0.04% Mo, 0.22% Zn and 12.9 g/t Ag at the Cobre Grande skarn system, which lies 6 km to the east, along the same structural trend (Source: TECHNICAL REPORT ON THE COBRE GRANDE PROJECT, OAXACA STATE, MEXICO prepared for Linear Metals Corporation (now Stockport Exploration Inc.), David A. Ross, M.Sc., P.Geo. and Paul Chamois, M.Sc. (Applied), P.Geo., May 6, 2008 - available on SEDAR on the issuer profile of Stockport Exploration Inc.).

Access to the Project is provided by a two-lane paved highway from Oaxaca City followed by improved dirt roads from Santiago Matatlán to the western side of the project area. Numerous dirt farm roads and paths afford access to majority of the project area. Oaxaca City, Santiago Matatlán, and San Pablo Villa de Mitla are local sources of skilled workers, water, and power for the project.

To date, exploration work at Rama de Oro has consisted of reconnaissance geological mapping and rock-chip sampling. This work has outlined a 4 square-kilometer zone of quartz veining, silicification, and clay alteration of volcanic rocks inside and near the eastern margin of a Miocene caldera. Several rock samples assayed anomalous values of gold, silver, arsenic, mercury, and antimony, suggesting that the present-day surface represents high structural levels of a precious metal system.

To earn the 100% interest, the Company is required to make total cash payments of US$35,000, issue a total of 2,900,000 common shares of the Company, and incur total work expenditures of US$350,000 over a two-year period as follows:

i. Pay US$35,000 (paid $45,703 CAD) and issue 1,100,000 common shares (issued on August 8, 2018 with a fair value of $71,500) to the optionor within 15 days following the execution of the agreement, approved by TSX-V.
ii. Issue 600,000 common shares (issued on July 24, 2019) to the optionor and incur US$150,000 work expenditures (incurred $71,769 CAD (US$54,435) until November 30, 2019) on or before the first anniversary of the approval date (May 9, 2019).
iii. Issue 1,200,000 common shares to the optionor and incur US$200,000 work expenditures on or before the second anniversary of the approval date (May 9, 2020).

A 2% net smelter return royalty is payable to the optionor, of which the Company have the right to purchase 1% of the royalty at any time for US$1,650,000.

All securities to be issued in connection with the transactions will be subject to a hold period of 4 months and one day from their date of issuance.

Work on this project is currently paused pending community agreement for access. As of the date of the report the parties to the option agreement are negotiating amended terms on the work exploration of the project.

YAUTEPEC Project, Oaxaca, Mexico

On June 1, 2018, the Company entered into an option agreement to acquire a 100% interest in the Yautepec Project, located in the state of Oaxaca, Mexico.

The Yautepec Project comprises 4,861 hectares of Tertiary volcanic rocks highly prospective for hosting epithermal precious metal mineralization similar to that in the nearby producing Arista and Switchback mines at Gold Resources El Aguila project (20 km to the WNW) and Chesapeake Gold's La Gitana project (8 km to the east-southeast). The Yautepec project lies along a prominent northwest-southeast structural trend defined by small volcanic centers which include numerous identified Au-Ag prospects as identified in regional mapping by the Mexican Geological Survey (Servicio Geológico Mexicano (SGM)), none of which have been systematically explored by modern methods. The mapped altered rocks along this trend are part of a nearly 100-kilometer-long structural volcanic corridor that extends from the San Jose mine (Fortuna Silver) to the northwest, to Chesapeake Gold's Gitana project to the southeast. Outside of areas of active mining, the region has seen little to no systematic exploration, and the Yautepec project is inferred to represent one of the most prospective segments of the trend.

Two periods of geologic mapping and rock chip sampling have been completed to date. This work has identified volcanic caldera-related features which include rhyolite domes, breccias, and volcanic tuffs along a 22-kilometer trend. Evidence for a strongly developed epithermal system with the potential to host precious and base metal deposits in veins is found along at least 8.4 kilometers of this trend as evidenced by the presence of quartz veins and intrusive dike rocks, and fossil carbonate and silica hot springs deposits (travertine and sinter). Geochemical results from 321 rock chip samples reveal modest to strong anomalies in Au, Ag, Cu, Pb, Zn, Mo. As, Ba, Hg, Se, Te, and Tl as reported in news releases dated July 16 and August 22, 2019. No new work has been conducted at the project during this reporting quarter. Further field work is planned during 2020. Community negotiations and environmental permitting have been initiated with the intent of drill testing in 2020.

To earn the 100% interest, the Company is required to make total cash payments of US$5,000, issue a total of 1,550,000 common shares of the Company, and incur total work expenditures of US$310,000 over a three-year period as follows:

i. Pay US$5,000 (paid CAD $6,529) and issue 200,000 common shares (issued on August 8, 2018 with a fair value of $13,000) to the optionor within 15 days following the execution of the agreement, approved by TSX-V.
ii. Issue 450,000 common shares (issued on July 24, 2019) to the optionor and incur US$40,000 work expenditures (incurred) on or before the first anniversary of the agreement (June 1, 2019).
iii. Issue 900,000 common shares to the optionor and incur US$80,000 work expenditures (incurred) on or before the second anniversary of the agreement (June 1, 2020).
iv. Incur US$190,000 work expenditures on or before the third anniversary of the agreement (June 1, 2021). As of November 30, 2019, the Company had incurred CAD $69,936 (USD $52,627 in work expenditures).

A 2% net smelter return royalty is payable to the optionor, of which the Company will have the right to purchase 1% of the royalty at any time for US$1,650,000.

All securities to be issued in connection with the transactions will be subject to a hold period of 4 months and one day from their date of issuance.

Cerro Minas

Successful negotiations were reached with Gunpoint Exploration Ltd., and its subsidiary, Minera CJ Gold S.A. de C.V., to acquire an inlier tenement ('Cerro Minas'; 899 hectares), per an agreement dated September 30, 2019. Under the terms of such Agreement, the Company may earn a 100% interest in the Property by paying Gunpoint US$100,000 and issuing 800,000 common shares (the "**Shares**") as follows:

i. US$10,000 (paid $13,200 October 25, 2019) and 100,000 Shares (issued October 23, 2019) on the Effective Date (October 23, 2019);
ii. US$20,000 and 150,000 Shares on the first anniversary of the Effective Date (October 23, 2020);

iii. US$30,000 and 250,000 Shares on the second anniversary of the Effective Date (October 23, 2021); and
iv. US$40,000 and 300,000 Shares on the third anniversary of the Effective Date (October 23, 2022).

Gunpoint shall retain a 1.5% Net Smelter Returns Royalty on the Property, of which the Company may purchase, at any time, 0.5% for US$1,000,000. The agreement is subject to the approval of the TSX Venture Exchange (received October 21, 2019) and Gunpoint satisfying certain conditions, specifically: (a) Gunpoint having delivered to Megastar (and to Mazateca) all reports and other filings regarding the Property which were required to be filed by CJ Gold under applicable laws (including, notably, the Ley Minera and the regulations adopted thereunder), and (b) having paid all outstanding fees and having provided written evidence of same to Megastar (and to Mazateca). All conditions were met as of October 23, 2019).

The Cerro Minas property contains multiple areas of polymetallic (Au-Ag-Cu-Pb-Zn) skarn mineralization as documented in previous work by Gunpoint Exploration Ltd and visually confirmed by the Company prior to entering into the aforementioned agreement. The Company plans to conduct confirmation field work and drill target identification and permitting in 2020.

All securities to be issued in connection with the transactions will be subject to a hold period of 4 months and one day from their date of issuance.

MAGDALENA Project, Oaxaca, Mexico

On June 1, 2018, the Company entered into an option agreement to acquire a 100% interest in the Magdalena Project, located in the state of Oaxaca, Mexico.

The Magdalena Project comprises a single 480-hectare property in the central portion of the Oaxaca Au-Ag polymetallic epithermal belt in the Sierra Madre del Sur, Mexico, 20 kilometers east-northeast of Gold Resource Corporation's producing Au-Ag-base metal Arista-Switchback Mine, and 22 kilometers south of the Company's Yautepec project. Extensive felsic tuffs mapped by the Mexican Geological Survey (SGM) are interpreted by Mr. David Jones as a caldera setting similar to that of both the nearby Gold Resource Corporation mine area and the Company's recently acquired Rama de Oro Project. Historical sampling of strongly clay- and silica-altered rocks at Magdalena reported values up to 0.705 g/t Au, 15.2 g/t Ag, 2700 ppm As, 53 ppm Bi, 357 ppm Cu, 12,780 ppm Hg, 38 ppm Mo, 2730 ppm Pb, and 147 ppm Zn. The area of coincident metals anomalies, clay and silica alteration, sulfate (gypsum) deposition, and minor rhyolite diking, lies along a prominent NW-SE structural trend (SGM mapping) adjacent to an inferred caldera margin. The presence of various types of chalcedonic and vuggy silica, elevated pathfinder metals (Hg, As), and extensive sulfate deposition (gypsum) indicates exposures at the highest levels of an anomalous Au-Ag-base metal system with excellent exploration potential.

Two periods of geologic mapping and rock chip geochemical sampling were completed during the second half of 2019, as reported in a Company news release dated December 5th, 2019. This work identified characteristics of a significant epithermal system developed within and along the structural boundary of a partially defined Tertiary caldera system. Strong epithermal alteration was mapped along a minimum 1.7 km E-W structural trend that shows sheeted quartz veining and silicification in conjugate NNW to NNE-NE structural sets. The setting is the eastern structural margin of the caldera where it intersects a prominent regional E-W structural trend. Approximately 4,100 square meters of silicified bladed calcite textures were mapped within a larger area of strong and sheeted quartz veining. Geochemical sampling result highlights include two samples above 3.00 g/t gold, 12 samples above 1.00 g/t gold, and 54 samples above 0.20 g/t gold from a quartz veined area of approximately 375 meters E-W by 190 meters N-S. Mound-like silica forms within 250 meters of this area are interpreted as silicified stromatolites related to a fossil hot springs system, this suggesting that the entire vertical extent of the potential 'bonanza' grades , if present, may be conserved at depth. Further field work is planned during 2020. Community negotiations and environmental permitting plans have been initiated with the intent of drill testing in 2020.

To earn the 100% interest, the Company is required to make total cash payments of US$5,000, issue a total of 1,550,000 common shares of the Company, and incur total work expenditures of US$230,000 over a three-year period as follows:

i. Pay US$5,000 (paid $6,529) and issued 200,000 common shares on August 8, 2018 with a fair value of $13,000,
ii. Issue 450,000 common shares (issued on July 24, 2019) to the optionor and incur US$40,000 work expenditures (incurred) on or before the first anniversary of the approval date (June 1, 2019).
iii. Issue 900,000 common shares to the optionor and incur US$70,000 work expenditures on or before the second anniversary of the approval date (June 1, 2020).
iv. Incur US$120,000 work expenditures on or before the third anniversary of the approval date (June 1, 2021).

A 2% net smelter return royalty is payable to the optionor, of which the Company has the right to purchase 1% at any time for US$1,650,000.

All securities to be issued in connection with the transactions will be subject to a hold period of 4 months and one day from their date of issuance.

As of the date of the report, the Company and the optionee were negotiating amending work exploration amount on the project.

RESULTS OF OPERATIONS

The Company had a comprehensive loss of $378,257 for the nine months ended November 30, 2019 (November 30, 2018 – $203,844). The Company's significant operating expenses included the following:

- Accounting and audit fees of $23,263 (2018 - $9,656)
- Consulting fees of $36,715 (2018 - Nil)
- Insurance of $6,358 (2018 - $5,860)
- Investor relations and promotion of $5,644 (2018 - $Nil)
- Legal fees of $9,974 (2018 - $53,120)
- Management fees of $65,000 (2018 - $45,000)
- Office, telephone, and miscellaneous of $5,370 (2018 - $4,539)
- Property investigation of $Nil (2018 - $32,127)
- Share-based payments of $129,394 (2018 - $Nil)

- Shareholder information of $5,025 (2018 - $16,356)
- Transfer agent and filing fees of $21,355 (2018 - $14,660)

During the nine months ended November 30, 2019, the Company had interest income of $54 (2018 - $55), loss on foreign exchange of $8,039 (2018 - $1,096), unrealized loss on marketable securities of $53,300 (2018 – $12,425).

Accounting and audit fees of $23,263 (2018 - $9,656) consist of expenses relating to the Company's financial recording and reporting activities. The accounting fees increased in the nine months ended November 30, 2019 due to the increased activities related to the new mineral properties, additional activities related to the subsidiary and the compliance related to new projects and operations.

Consulting fees of $36,715 (2018 - Nil) relate to the fees paid to the consultants of the Company for consultation on the Company's current and prospective projects. These general consulting expenses cannot be directly attributed to any particular project and have therefore been expensed as general consulting. See also "Transactions with Related Parties".

Legal fees of $9,974 (2018 - $53,120) relate to legal advice and guidance for the operations and projects of the Company and its compliance. Legal fees decreased over the same period last year, as no new legal fees were incurred for project due diligence and compliance on new projects.

Management fees of $65,000 (2018 - $45,000) consist of payments made to the CEO and CFO as discussed under the heading "Transactions with Related Parties".

Property investigation expenses were $Nil (2018 - $32,127) and previous period expenses relate to fees paid to consultants of the Company for investigation and due diligence consultation on the prospective projects. These property investigation expenses cannot be directly attributed to any particular project and were therefore expensed as a general expense.

Share-based payments of $129,394 (2018 - $Nil) relates to the issuance of options to the Company's employees, officers and directors or consultants pursuant to its Share Option Plan. See "Transactions with Related Parties".

Shareholder information expenses of $5,025 (2018 - $16,356) relates to maintaining the current projects and promoting the Company. These expenses decreased in the current period in comparison to the same period in the previous year, due to decreased activities with new projects and shareholder communications.

Transfer agent and filing fees of $21,355 (2018 - $14,660) relates to expenditures in connection with share capital activities and reporting of the Company. The expenses increased due to the private placement issuances and option exercises during the period ended November 30, 2019. See "Transactions with Related Parties".

The overall expenses were higher than for the same period last year, most expenditures incurred during the current and the prior periods were primarily increased due to the share based compensation expense, the issuance of shares pursuant to a private placement, increased activities related to Mexican projects/properties and the subsidiary, and the consultation on the Company's current and prospective projects.

SUMMARY OF QUARTERLY FINANCIAL RESULTS

The Company's operating results from the last eight quarters are summarized as follows:

	Three months ended							
	November 30, 2019		August 31, 2019		May 31, 2019		February 28, 2019	
Net loss	$	(76,064)	$	(201,604)	$	(100,589)	$	(111,079)
Loss per share	$	(0.001)	$	(0.006)	$	(0.003)	$	(0.004)

	Three months ended							
	November 30, 2018		August 31, 2018		May 31, 2018		February 28, 2018	
Revenue								
Net loss	$	(45,647)	$	(55,759)	$	(90,015)	$	(59,781)
Loss per share	$	(0.001)	$	(0.002)	$	(0.003)	$	(0.002)

The increased net loss in the quarter ended February 28, 2018 compared with the quarter ended November 30, 2017 was primarily due to the increase in accounting and audit fees of $ 16,096, the legal fees of $21,147, the transfer agent filing fees of $1,860 for the year end reporting, and the consulting fee of $532. Other expenses were comparable and remained the same.

The increased net loss in the quarter ended May 31, 2018 compared with the quarter ended February 28, 2018 was primarily due to legal fees of $28,838, property investigation expense of $32,127, and the transfer agent and filing fees of $5,887. Other expenses were comparable and remained the same.

The decreased net loss in the quarter ended August 31, 2018 compared with the quarter ended May 31, 2018 was primarily due to the $32,127 payments paid for property investigation for potential properties in the quarter ended May 31, 2018 and the decreased legal and filing fees in the quarter ended August 31, 2018. Other expenses were comparable and remained the same.

The decreased net loss in the quarter ended November 30, 2018 compared with the quarter ended August 31, 2018 was primarily due to the $21,262 legal fees incurred in the quartered ended August 31, 2018 for its compliance for the new mineral property acquisition. Other expenses were comparable and remained the same.

The increased net loss in the quarter ended February 28, 2019 compared with the quarter ended November 30, 2018 was primarily due to the increased in consulting fees and accounting and audit fees related to the year-end audit. Other expenses were comparable and remained the same.

The decrease in the net loss in the quarter ended May 31, 2019 compared with the quarter ended February 28, 2019 was primarily due to the decrease in the consulting fees and accounting and audit fees charged in the quarter May 31, 2019. Other expenses are comparable and remained reasonable.

The increased net loss in the quarter ended August 31, 2019 compared with the quarter ended May 31, 2019 was primarily due to the issuance of share-based payments during the period. Other expenses were comparable and remained reasonable.

The decrease in the net loss in the quarter ended November 30, 2019 compared with the quarter ended August 31, 2019 was primarily due to the decrease in the share-based payment and accounting and auditing fees expense. Other expenses were comparable and remained reasonable.

LIQUIDITY AND CAPITAL RESOURCES

As at November 30, 2019, the Company had net working capital of $196,370 (February 28,2019 – $55,409) and cash and cash equivalents of $177,483 (February 28, 2019 - $187,106). The Company anticipates similar general and administrative expenses over the next quarter and anticipates significant expenditures required on projects in Mexico and as dictated by option agreements for these projects (See MINERAL PROPERTIES section of this report). As at November 30, 2019, the Company had sufficient liquidity to meet its obligations for the current fiscal year. The Company may require additional financing to fulfill project expenditure requirements for the next fiscal year.

Year ended February 28, 2019

On August 8, 2018, the Company issued 1,500,000 common shares valued at $97,500 for the acquisition of exploration and evaluation assets.

Nine months ended November 30, 2019

On May 8, 2019, the Company closed its non-brokered private placement financing for total gross proceeds of $672,600. The Company issued 11,210,000 units (the "Units") at a price of $0.06 per Unit. Each Unit comprises one common share and one non-transferable warrant, with each warrant entitling the holder to purchase one additional common share of the Company for a period of up to 24 months at a price of $0.10. Should the common shares close at or above $0.20 for a period of 10 consecutive days, the Company may accelerate the expiry date of the warrants to 30 days from such notice.

In addition, the Company paid $33,601 finders' fees and issued 560,000 finders' warrants (the "Finders Warrants"). Each Finders Warrant is exercisable into one common share for a period of up to 24 months at a price of $0.06.

The 560,000 Finders Warrants have an estimated fair value of $14,882, which has been included in warrant reserve. The fair value of the warrants was estimated using the Black-Scholes option pricing model with the following assumptions: expected life 2 years, volatility 110.36%, risk-free rate 1.53%, dividend yield 0%.

On June 26, 2019, the Company granted 1,850,000 stock options to members of its Board and management. The stock options are exercisable for a period of three years from the date of grant at a price $0.11 per share and vesting over a period of three years.

On July 24, 2019, pursuant to the agreements with respect to its Mexican properties, the Company issued an aggregate of 1,500,000 common shares which comprises 450,000 common shares towards Magdalena property, 450,000 common shares towards Yautepec property, and 600,000 common shares towards Rama de Oro property.

During the period ended November 30, 2019, 825,000 stock options were exercised at $0.05 by officers, a current director and a former director for proceeds of $41,250.

On October 23, 2019, pursuant to the option agreement with respect to the Cerro Minas property (Oaxaca, Mexico), the Company issued an aggregate of 100,000 common shares valued at $0.09 per share.

Cash Flow Activities:

Year ended February 28, 2019:

Cash balances decreased by $261,837 during the year ended February 28, 2019 and decreased by $136,104 during the year ended February 28, 2018.

During the year ended February 28, 2019, cash used in operating activities was $149,953 compared to cash used in operating activities of $141,152 during the year ended February 28, 2018. The cash used in operating activities in 2019 increased compared to 2018 because of the increased expenses associated with the newly acquired properties in the year ended February 28, 2019.

Cash used in investing activities during the year ended February 28, 2019 was $111,884 compared to cash provided by investing activities of $5,048 during the year ended February 28, 2018. The difference is primarily attributed to the cash acquisition payments and exploration and evaluation expenditures incurred in the Company's new properties, Rama De Oro Project, Magdalena Project, and Yautepec Project.

Nine months ended November 30, 2019:

Cash balances decreased by $9,623 during the nine months ended November 30, 2019 and decreased by $292,274 during the nine months ended November 30, 2018.

During the nine months ended November 30, 2019, cash used in operating activities was $379,472 compared to cash used in operating activities of $181,114 during the nine months ended November 30, 2018. The cash used in operating activities in 2019 increased compared to 2018 and is attributable to increased expenses associated with the newly acquired properties in the year ended February 28, 2019.

Cash used in investing activities during the nine months ended November 30, 2019 was $310,400 compared to cash used in investing activities of $111,160 during the nine months ended November 30, 2018. The difference is primarily attributed to the payments in relation to the exploration and evaluation expenditures in the Company's new properties, Rama De Oro Project, Magdalena Project, and Yautepec Project.

Cash provided by financing activities during the nine months ended November 30, 2019 was primarily due to funds provided by the private placement financing closed on May 8, 2019.

Outstanding Share Data

	Number of shares		Share capital
Balance, February 28, 2018	28,996,716	$	5,141,178
Share issued for exploration and evaluation assets	1,500,000		97,500
Balance, February 28, 2019	30,496,716	$	5,238,678

Private placements	11,210,000		672,600
Shares issuance costs	-		(48,483)
Options exercised	825,000		71,135
Share issued for exploration and evaluation assets	1,600,000		249,000
Balance, November 30, 2019	44,131,716	$	6,182,930

As of the date of this report, there were 44,131,716 common shares, 11,770,000 warrants, and 2,225,000 share options outstanding.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements as at November 30, 2019 or as of the date of this report.

TRANSACTIONS WITH RELATED PARTIES

The amounts due to/from related parties are amounts due to the directors and officers. The balances are unsecured, non-interest bearing and have no specific terms for repayment. These transactions are in the normal course of operations and have been valued in these financial statements at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

As at November 30, 2019, $31,651 (February 28, 2019 - $63,139) was due to directors and officers of the Company.

		November 30, 2019		February 28, 2019
Company controlled by CFO - Zara Kanji	$	8,700	$	5,000
Company controlled by a Director - David Jones		22,951		58,139
	$	31,651	$	63,139

During the nine months ended November 30, 2019 and 2018, the Company entered into the following transactions with related parties:

	Nine months ended			
		November 30, 2019		November 30, 2018
Expenses paid or accrued to directors of the Company, senior officers and companies with common directors:				
Management fees	$	65,000	$	15,000
Accounting and audit fees		15,947		2,000
Consulting fees		24,096		-
Mineral exploration consulting		87,013		-
	$	192,056	$	17,000

Management fees consisted of the following:

	Nine months ended	
	November 30, 2019	November 30, 2018
Company controlled by CEO - Dusan Berka	$ 35,000	$ 9,000
Company controlled by CFO - Zara Kanji	30,000	6,000
	$ 65,000	$ 15,000

Consulting fees consisted of the following:

	Nine months ended	
	November 30, 2019	November 30, 2018
Company controlled by the Corporate Secretary - Kelly Pladson	$ 22,500	$ -
Company controlled by a Director - David Jones	1,596	-
	$ 24,096	$ -

Professional fees are paid for accounting services to a company controlled by the CFO. Mineral exploration consulting paid to a company controlled by David Jones (director) were capitalized as part of exploration and evaluation assets.

Options granted on June 27, 2019 to officers and directors as follows:

Name of the related party	Position of optionee	Number of options granted	Value
Dusan Berka	Director and officer	450,000	$ 30,086
David Jones	Directors	450,000	30,086
Kelly Pladson	Corporate Secretary	150,000	10,029
Robert Archer	Directors	300,000	20,058
Paul A. Smith	Directors	300,000	20,058
Zara Kanji-Aquino	CFO	200,000	13,372
		1,050,000	$ 123,689

CRITICAL ACCOUNTING ESTIMATES

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In the future, actual experience may differ from these estimates and assumptions. The loss effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income or loss in the year of the change, if the change affects that year only, or in the year of the change and future years, if the change affects both.

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements within the next financial year are discussed below:

i) Exploration and Evaluation Expenditures

The application of the Company's accounting policy for exploration and evaluation expenditures requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in the profit or loss in the year the new information becomes available.

ii) Title to Mineral Property Interests

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

iii) Income Taxes

The Company has not recognized a deferred tax asset, as management believes it is not probable that taxable profit will be available against which deductible temporary differences can be utilized.

iv) Share-based Payment Transactions
The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the stock option, volatility and dividend yield and making assumptions about them.

For a detailed summary of the Company's significant accounting policies, the readers are directed to Note 3 of the Notes to the unaudited interim condensed consolidated financial statements for the nine months ended November 30, 2019 that are available on SEDAR at www.sedar.com.

RISKS AND UNCERTAINTIES

The Company believes that the following risks and uncertainties may materially affect its success.

Limited Operating History

The Company has no history of business or mining operations, revenue generation or production. The Company was incorporated on September 24, 1984 and has yet to generate a profit from its activities. The

Company is subject to all of the business risks and uncertainties associated with any new business enterprise, including the risk that it will not achieve its growth objective. The Company anticipates that it may take several years to achieve positive cash flow from operations.

Exploration, Development and Operating Risks

The exploration for and development of minerals involves significant risks, which even a combination of careful evaluation, experience and knowledge may not eliminate. Few properties that are explored are ultimately developed into producing mines. There can be no guarantee that the estimates of quantities and qualities of minerals disclosed will be economically recoverable. With all mining operations, there is uncertainty and, therefore, risk associated with operating parameters and costs resulting from the scaling up of extraction methods is tested in pilot conditions. Mineral exploration is speculative in nature and there can be no assurance that any minerals discovered would result in an increase in the Company's resource base.

The Company's operations are subject to all of the hazards and risks normally encountered in the exploration, development and production of minerals. These include unusual and unexpected geological formations, rock falls, seismic activity; flooding and other conditions involved in the extraction of material, any of which could result in damage to, or destruction of, mines and other producing facilities, damage to life or property, environmental damage and possible legal liability. Although precautions to minimize risk will be taken, operations are subject to hazards that may result in environmental pollution and consequent liability that could have a material adverse impact on the business, operations and financial performance of the Company.

Fluctuating Mineral Prices

The economics of mineral exploration are affected by many factors beyond the Company's control, including commodity prices, the cost of operations, and variations in the grade of minerals explored. Depending on the price of minerals, it may be determined that it is impractical to continue the mineral exploration operation.

Regulatory Requirements

The current or future operations of the Company require permits from various governmental authorities, and such operations are and will be governed by laws and regulations governing exploration, development, production, taxes, labor standards, occupational health, waste disposal, toxic substances, land use, environmental protection, site safety and other matters. Companies engaged in the exploration and development of mineral properties generally experience increased costs and delays in development and other schedules as a result of the need to comply with applicable laws, regulations and permits. There can be no assurance that all permits which the Company may require for the facilities and conduct of exploration and development operations will be obtainable on reasonable terms or that such laws and regulation would not have an adverse effect on any exploration and development project which the Company might undertake.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions. Parties engaged in exploration and development operations may be required to compensate those suffering loss or damage by reason of the exploration and development activities and may have civil or criminal fines or penalties imposed upon them for violation of applicable laws or regulations. Amendments to current laws, regulation and permits governing operations and activities of mineral companies, or more stringent implementation thereof, could have a material adverse impact on the

Company and cause increases in capital expenditures or exploration and development costs or require abandonment or delays in the development of new properties.

Financing Risks and Dilution to Shareholders

The Company will have limited financial resources, no operations and no revenues. If the Company's exploration program on its properties is successful, additional funds will be required for the purposes of further exploration and development. There can be no assurance that the Company will be able to obtain adequate financing in the future or that such financing will be available on favorable terms or at all. It is likely such additional capital will be raised through the issuance of additional equity, which will result in dilution to the Company's shareholders.

Title to Properties

Acquisition of title to mineral properties is a very detailed and time-consuming process. Title to, and the area of, mineral properties may be disputed. The Company cannot guarantee that title to the Property will not be challenged or impugned. Mineral properties sometimes contain claims or transfer histories that examiners cannot verify. A successful claim that the Company, as the case may be, does not have title to the properties could cause the Company to lose any rights to explore, develop and mine any minerals on that property, without compensation for its prior expenditures relating to such property.

Competition

There is competition within the mining industry for the discovery and acquisition of properties considered to have commercial potential. The Company will compete with other mining companies, many of which have greater financial, technical and other resources than the Company, for, among other things, the acquisition of minerals claims, leases and other mineral interests as well as for the recruitment and retention of qualified employees and other personnel.

Reliance on Management and Dependence on Key Personnel

The success of the Company will be largely dependent upon on the performance of the directors and officers and the ability to attract and retain key personnel. The loss of the services of these persons may have a material adverse effect on the Company's business and prospects. The Company will compete with numerous other companies for the recruitment and retention of qualified employees and contractors. There is no assurance that the Company can maintain the service of its directors and officers, or other qualified personnel required to operate its business. Failure to do so could have a material adverse effect on the Company and its prospects.

No Mineral Reserves or Mineral Resources

The properties in which the Company holds an interest are considered to be early exploration stage properties and no mineral reserve or mineral resource estimates have been prepared in respect of the properties. Mineral reserves are, in the large part, estimates and no assurance can be given that the anticipated tonnages and grades will be achieved or that the indicated level of recovery will be realized. Reserve estimates for properties that have not yet commenced production may require revision based on actual production experience. Market price fluctuations of metals, as well as increased production costs or reduced recovery rates, may render mineral reserves containing relatively lower grades of mineralization uneconomic and may ultimately result in a restatement of reserves. Moreover, short-term operating factors relating to the mineral reserves, such as the need for orderly development of the ore bodies and the processing of new or different mineral grades may cause a mining operation to be unprofitable in any particular accounting period.

Environmental Risks

The Company's exploration and appraisal programs will, in general, be subject to approval by regulatory bodies. Additionally, all phases of the mining business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of international conventions and federal, provincial and municipal laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances produced in association with mining operations. The legislation also requires that drill holes and facility sites be operated, maintained, abandoned and/or reclaimed to the satisfaction of applicable regulatory authorities. Compliance with such legislation can require significant expenditures and a breach may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs.

Governmental Regulations and Processing Licenses and Permits

The activities of the Company are subject to Canadian and provincial approvals, various laws governing prospecting, development, land resumptions, production taxes, labor standards and occupational health, mine safety, toxic substances and other matters. Although the Company believes that its activities are currently carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner that could limit or curtail production or development. Amendments to current laws and regulations governing operations and activities of exploration and mining, or more stringent implementation thereof, could have a material adverse impact on the business, operations and financial performance of the Company. Further, the mining licenses and permits issued in respect of its projects may be subject to conditions which, if not satisfied, may lead to the revocation of such licenses. In the event of revocation, the value of the Company's investments in such projects may decline.

Local Resident Concerns

Apart from ordinary environmental issues, work on, or the development and mining of, the properties could be subject to resistance from local residents that could either prevent or delay exploration and development of the properties.

Conflicts of Interest

Certain directors and officers of the Company will be engaged in, and will continue to engage in, other business activities on their own behalf and on behalf of other companies (including mineral resource companies) and, as a result of these and other activities, such directors and officers of the Company may become subject to conflicts of interest. The British Columbia Business Corporations Act ("BCBCA") provides that in the event that a director has a material interest in a contract or proposed contract or agreement that is material to the issuer, the director must disclose his interest in such contract or agreement and refrain from voting on any matter in respect of such contract or agreement, subject to and in accordance with the BCBCA. To the extent that conflicts of interest arise, such conflicts will be resolved in accordance with the provisions of the BCBCA.

Uninsurable Risks

Exploration, development and production operations on mineral properties involve numerous risks, including unexpected or unusual geological operating conditions, rock bursts, cave-ins, fires, floods, earthquakes and other environmental occurrences. It is not always possible to obtain insurance against all such risks and the Company may decide not to insure against certain risks as a result of high premiums or other reasons. Should such liabilities arise, they could have an adverse impact on the Company's results of operations and financial condition and could cause a decline in the value of the Company shares. The Company does not intend to maintain insurance against environmental risks.

Litigation

The Company and/or its directors may be subject to a variety of civil or other legal proceedings, with or without merit.

FORWARD-LOOKING STATEMENTS

This MD&A contains forward-looking statements. Forward-looking statements are projections of events, revenues, income, future economic performance or management's plans and objectives for future operations. In some cases, you can identify forward-looking statements by the use of terminology such as "may", "should", "expects", "plans", "anticipates", "believes", "estimates", "predicts", "potential" or "continue" or the negative of these terms or other comparable terminology. Examples of forward-looking statements made in this MD&A include statements about the Company's business plans; the costs and timing of its developments; its future investments and allocation of capital resources; success of exploration activities; requirements for additional capital; government regulation of mining operations. These statements are only predictions and involve known and unknown risks, uncertainties and other factors, including: general economic and business conditions, fluctuations in worldwide prices and demand for minerals; our lack of operating history; the actual results of current exploration activities; conclusions or economic evaluations; changes in project parameters as plans continue to be refined; possible variations in grade and or recovery rates; failure of plant, equipment or processes to operate as anticipated; accidents, labor disputes or other risks of the mining industry; delays in obtaining government approvals or financing or incompletion of development or construction activities, any of which may cause our or our industry's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these 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 the Company's business, actual results will almost always vary, sometimes materially, from any estimates, predictions, projections, assumptions or other future performance suggested herein. Except as required by applicable law, including the securities laws of the Canada, the Company does not intend to update any of the forward-looking statements to conform these statements to actual results.

MANAGEMENT'S REPORT ON INTERNAL CONTROLS OVER FINANCIAL REPORTING

In connection with Exemption Orders issued in November 2007 by each of the securities commissions across Canada, the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") of the Company will file a Venture Issuer Basic Certificate with respect to the financial information contained in the unaudited interim financial statements and the audited annual financial statements and respective accompanying MD&A.

In contrast to the certificate under National Instrument ("NI") 52-109 (Certification of Disclosure in Issuer's Annual and Interim Filings), the Venture Issuer Basic Certification includes a 'Note to Reader' stating that the CEO and CFO do not make any representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financing reporting, as defined in NI 52-109.

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

New accounting policies

(i) IFRS 9, Financial Instruments
New standard IFRS 9 *Financial Instruments* ("IFRS 9") was issued by IASB to replace IAS 39 *Financial Instruments: Recognition and Measurement* ("IAS 39"). IFRS 9 introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new "expected credit loss model" for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting. The standard became effective for annual periods beginning on or after January 1, 2018.

Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS, so the Company's accounting policy with respect to financial liabilities is substantially unchanged.

As a result of adopting this standard, the Company has changed its accounting policy for financial assets retrospectively, for assets that were recognized at the date of application. An assessment has been made and the impact to the Company's financial statements was to reclassify its available-for-sale marketable securities to FVTPL. The Company adopted IFRS 9 retrospectively without restatement of comparative amounts resulting in a reclassification of $28,600 from accumulated other comprehensive income to deficit on March 1, 2018. Future changes in the fair value of these marketable securities have and will be recorded directly in profit or loss. No other differences of any significance have been noted in relation to the adoption of IFRS 9.

The accounting policy disclosure on financial instruments above describes the new accounting policies under IFRS 9.

The Company completed an assessment of its financial instruments as at March 1, 2018. The following table shows the original classification under IAS 39 and the new classification under IFRS 9.

	Original classification under IAS 39	**New classification under IFRS 9**
Cash and cash equivalents	Loans and receivables – amortized cost	Amortized cost
Marketable securities	Available-for-sale – fair value through other comprehensive income	FVTPL
Receivables	Loans and receivables – amortized cost	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities – amortized cost	Amortized cost
Due to related parties	Other financial liabilities – amortized cost	Amortized cost

(ii) IFRS 16, Leases

New standard IFRS 16 *Leases* ("IFRS 16") was issued by IASB to replace IAS 17 *Leases* ("IAS 17"). IFRS 16 is a new standard that sets out the principles for recognition, measurement, presentation, and disclosure of leases including guidance for both parties to a contract, the lessee and the lessor. The new standard eliminates the classification of leases as either operating or finance leases as is required by IAS 17 and instead introduces a single lessee accounting model.

The Company's only lease transaction pertains to the rent of its office premises whereby it pays $1,000. The terms of the contract do not provide a fixed term for the lease, but management intends to stay within the premises for the next twelve months. Given the amount and the short-term nature of the lease, the Company determined that such transaction and the application of IFRS 16 has no material impact on its financial statements as at and for the period ended November 30, 2019.

Accounting standards, amendments and interpretations not yet effective

The following standards and interpretations have been issued but are not yet effective:

IAS 1 – Presentation of Financial Statements ("IAS 1") and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8") were amended in October 2018 to refine the definition of materiality and clarify its characteristics. The revised definition focuses on the idea that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements. The amendments are effective for annual reporting periods beginning on or after January 1, 2020. Earlier adoption is permitted. The Company is currently evaluating the potential impact of these amendments on the Company's consolidated financial statements.

IFRIC 23 – Uncertainty over Income Tax Treatments **–** clarifies the accounting for uncertainties in income taxes. This Interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 Income Taxes when there is uncertainty over income tax treatments. In such a circumstance, an entity shall recognise and measure its current or deferred tax asset or liability applying the requirements in IAS 12 based on taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates determined applying this Interpretation.

The Company does not expect that the new and amended standards will have a significant impact on its financial statements.

FINANCIAL AND OTHER INSTRUMENTS

Fair values

Per IFRS 7, a three-level hierarchy that reflects the significance of inputs used in making fair value measurements is required. The three levels of fair value hierarchy are as follows:

a) Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities.
b) Level 2 – Inputs other than quoted prices that are observable for assets or liabilities, either directly or indirectly; and
c) Level 3 – Inputs for assets or liabilities that are not based on observable market data.

Financial Instrument Risks

The following table outlines the Company's financial assets and liabilities measured at fair value by level within the fair value hierarchy described above. Assets and liabilities are classified in entirety based on the lowest level of input that is significant to the fair value measurement.

Assets	As at November 30, 2019		As at February 28, 2019	
Cash and cash equivalents	$	177,483	$	187,106
Amounts receivable		11,280		3,277
Marketable securities		36,025		69,325
Total	$	224,788	$	259,708

The Company's cash and cash equivalents, receivables and marketable securities are valued using quoted market prices in active markets for identical assets, and therefore are classified as Level 1.

The fair value of accounts payable and accrued liabilities and due to related parties approximates their carrying values due to their short term to maturity, and therefore are also classified as Level 1.

The Company's financial instruments are exposed to certain financial risks, including credit risk, interest rate risk, market risk, liquidity risk and currency risk.

Credit risk

Credit risk is the risk of financial loss to the Company if a counter party to a financial instrument fails to meet its contractual obligation. The Company's exposure to credit risk includes cash, cash equivalents and receivables. The Company reduces its credit risk by maintaining its bank accounts at large international financial institutions.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company's ability to continue as a going concern is dependent on management's ability to raise required funding through future equity issuances. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments. As at November 30, 2019, the Company had a working capital of $196,370 (February 28, 2019 - $55,409). The payment terms for accounts payable and accrued liabilities from vendors are generally 30 days or due on receipt.

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 commodity and equity prices. The Company's marketable securities bear market price risk. The maximum exposure to this risk is equal to the carrying value of the investment.

Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company is exposed to risks associated with the effects of fluctuations in the prevailing levels of market interest rates. The Company has no significant interest rate risk. As of November 30, 2019, the Company had cash and cash equivalents balance of $177,483 of which $11,046 was in a term deposit, earning interest at a rate of 0.65% per annum. The Company had no interest-bearing debt.

Foreign currency risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company does not hedge its exposure to fluctuations in foreign exchange rates. The Company is exposed to foreign currency risk on fluctuations related to amounts payable and Mexican property expenditures that are denominated in US dollars and Mexican pesos. 10% fluctuations in the Mexican peso against the Canadian dollar will affect comprehensive loss for the period by approximately $10,465.

OTHER MATTERS

Legal proceedings

The Company is not aware of any legal proceedings.

Contingent liabilities

At the date of report, management was unaware of any outstanding contingent liability relating to the Company's activities.

PROPOSED TRANSACTIONS

The Company had no proposed transactions.

ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE

Detailed listings of general and administrative expenses and exploration expenditures are provided in the consolidated financial statements of the Company for the nine months ended November 30, 2019.

DIRECTORS

Certain directors of the Company are also directors, officers and/or shareholders of other companies that are similarly engaged in the business of acquiring, developing and exploring natural resource properties. Such associations may give rise to conflicts of interest from time to time. The directors of the Company are required to act in good faith with a view to the best interests of the Company and to disclose any interest they may have in any project 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/her interest and abstain from voting in the matter(s). 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 the time.

On August 9, 2018, Mr. David M. Jones was appointed to the board of directors of the Company and shall also become a technical/ consultant to the Company in relation to its exploration activities in Mexico.

On June 27, 2019, Robert A. Archer was appointed to the board of directors of the Company, and the Company announced the departure of Jonathan Rich from its board of directors.

OUTLOOK

The Company's primary focus for the foreseeable future will be on reviewing its financial position, continuing evaluating exploration and development activities on its mineral properties, and the Company's ongoing evaluation of possible projects.

OTHER REQUIREMENTS

Additional disclosure of the Company's material documents, information circular, material change reports, new release, and other information can be obtained on SEDAR at www.sedar.com.

APPROVAL

The Audit Committee of the Company has approved the disclosure contained in this Management Discussion and Analysis. A copy will be provided to anyone who requests it.

On Behalf of Management,

"Dusan Berka"

Dusan Berka, P. Eng.
President, CEO and Director
January 27, 2020

MEGASTAR DEVELOPMENT CORP.

LISTING

TSX Venture Exchange Symbol:	MDV
Frankfurt Stock Exchange Symbol:	M5QN

HEAD OFFICE

Suite 1450 – 789 West Pender Street, Vancouver, BC, V6C 1H2

Telephone:	604-681-1568
Fax:	604-681-8240
Toll Free:	1-877-377-6222
Email:	info@megastardevelopment.com
Website:	www.megastardevelopment.com

DIRECTORS AND OFFICERS

Dusan Berka, P. Eng., President & CEO, Director
Zara Kanji, CPA, CGA, Chief Financial Officer
Kelly Pladson, Corporate Secretary
Paul A. Smith, Director
David M. Jones, Director
Robert A. Archer, Director

LEGAL COUNSEL

Fasken Martineau DuMoulin, LLP
Solicitor – Frank Mariage
800 Victoria Square, Ste. 3700, P.O. Box 242
Montreal, Quebec, H4Z 1E9

Registered and Records Office:
Fasken Martineau DuMoulin LLP
2900 – 550 Burrard Street
Vancouver, BC, V6C 0A3.

REGISTRAR AND TRANSFER AGENT

Computershare Trust Co. of Canada
3rd Floor – 510 Burrard Street, Vancouver, BC, V6C 3B9

AUDITORS

Davidson & Company LLP
1200 – 609 Granville Street, Vancouver, BC, V7Y 1G6