



DISCOVERY-CORP ENTERPRISES INC.
(an exploration stage company)

Management's Discussion & Analysis

**For the period ended
January 31, 2018**



**Stated in
Canadian dollars**

**Management's
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& Analysis**

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January 31, 2018**

The following discussion and analysis of the operations, results, and financial position of the Company for the period ended January 31, 2018 and should be read in conjunction with the July 31, 2017 Audited Consolidated Financial Statements and the related Notes. The effective date of this report is March 15, 2018. All amounts are expressed in Canadian dollars unless otherwise noted.

INTERIM REPORTING

The condensed consolidated interim financial statements of Discovery-Corp Enterprises Inc. (an exploration stage company) are the responsibility of the Company's management. The condensed consolidated interim financial statements are prepared in accordance with International Financial Reporting Standards and reflect management's best estimates and judgment based on information currently available. The financial information contained elsewhere in this report has been reviewed to ensure consistency with the condensed consolidated interim financial statements.

Management maintains systems of internal control designed to provide reasonable assurance that the assets are safeguarded, all transactions are authorized and duly recorded, and financial records are properly maintained to facilitate the preparation of financial statements in a timely manner. The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Audit Committee.

The accompanying unaudited condensed consolidated interim financial statements of Discovery-Corp Enterprises Inc. ("the Company"), for the six months ended January 31, 2018, have been prepared by management and have not been subject to a review by the Company's independent auditor.

In the opinion of the Company's management, all adjustments considered necessary for a fair presentation of these unaudited condensed consolidated interim financial statements have been included and all such adjustments are of a normal recurring nature. Operating results for the six month period ended January 31, 2018 are not necessarily indicative of the results that can be expected for the fiscal year ending July 31, 2018.

These unaudited condensed consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements and accompanying notes thereto for the fiscal year ended July 31, 2017.

OVERVIEW

Discovery-Corp Enterprises Inc. (the "Company") was incorporated under the laws of British Columbia on May 6, 1986 and maintains its head office and registered office at Suite 1108 - 193 Aquarius Mews, Vancouver, British Columbia, Canada, V6Z 2Z2. The Company is an exploration stage company engaged in the exploration for base and precious metals. The Company holds an undivided 50% interest in the mineral rights associated with Rock Creek Ranch located in Humboldt County, Nevada, USA. The company's Galaxy property is located in the Kamloops Mining Division in southern British Columbia, Canada. The property is comprised of two Crown granted mineral claims and seven two-post legacy mineral claims that cover an area of approximately 90 hectares. The legacy claims are 100% owned by Discovery-Corp Enterprises Inc. The Company's shares trade on the TSX Venture Exchange under the trading symbol DCY.V.



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FORWARD LOOKING STATEMENTS

The Management Discussion and Analysis is based on a review of the Company's operations, financial position and plans for the future based on facts and circumstances as of January 31, 2018. Except for historical information or statements of fact relating to the Company, certain information contained herein constitutes forward looking statements. Forward looking statements are based on the opinions, plans and estimates of management at the date the statements are made and are subject to a variety of risks, uncertainties and other factors that could cause the actual results to differ materially from those projected by such statements. The primary risk factors affecting the Company are discussed further under the heading "Risk Factors" below. The Company undertakes no obligation to update forwarding looking statements if circumstances or management's estimates, plans or opinions should change. The reader is cautioned not to place undue reliance on forwarding looking statements.

SELECTED ANNUAL INFORMATION

The following are highlights of financial data on the Company for the most recently completed three financial years:

Expressed in Canadian \$

	July 31, 2017	July 31, 2016	July 31, 2015
Loss before other items	(177,399)	(226,537)	(622,302)
Total comprehensive (loss)	(145,792)	(219,520)	(292,405)
(Loss) income per share	(0.002)	(0.004)	(0.006)
Total assets	144,338	71,186	244,828
Total liabilities	11,516	59,242	13,364
Working capital (deficiency)	103,906	(16,972)	202,548

SUMMARY OF QUARTERLY RESULTS

Quarter Ended	2018	2017				2016		
	Jan. 31 Q2 (IFRS)	Oct. 31 Q1 (IFRS)	Jul. 31 Q4 (IFRS)	Apr. 30 Q3 (IFRS)	Jan. 31 Q2 (IFRS)	Oct. 31 Q1 (IFRS)	Jul. 31 Q4 (IFRS)	Apr. 30 Q3 (IFRS)
Income (Loss) Before Other Items	(45,791)	(38,617)	(49,314)	(43,473)	(43,716)	(40,896)	(46,255)	(42,593)
Net Income (Loss)	(45,736)	(38,575)	(49,262)	(43,389)	(43,119)	(40,626)	(46,249)	(42,568)
Comprehensive gain (loss)	(52,705)	(43,075)	(51,100)	(33,263)	(28,263)	(33,166)	(50,680)	(31,373)
Loss (Gain) Per Share	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)



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OVERALL PERFORMANCE FOR THE PERIOD ENDED JANUARY 31, 2018

Management will continue investigating new exploration opportunities identified as having favorable potential to enhance the Company's resource property interests. Discovery-Corp's 43-101 Technical Report on its Galaxy Project is available for viewing on SEDAR and the Company's website www.discovery-corp.com. The technical information was approved by Christopher Naas, P. Geo, a qualified person as defined by NI 43-101 and is not independent of Discovery-Corp.

RESULTS OF OPERATION FOR THE PERIOD ENDED JANUARY 31, 2018

The review of results should be read in conjunction with the Audited Consolidated Financial Statements of the Company for the fiscal years ended July 31, 2017 and 2016.

The comprehensive loss for the period ended January 31, 2018 was \$52,705 or \$(0.001) per share compared to a comprehensive loss of \$28,263 for the period ended January 31, 2017 or \$(0.001) per share. The increase in comprehensive loss is due to the significant change in fair value of marketable securities that had a \$6,969 decrease in value in the three month period ended January 31, 2018 compared to the \$14,856 increase in value for the three month period ended January 31, 2017. The change in value is a non-cash item.

Administration expenses for the period ending January 31, 2018 were \$45,791 compared to \$43,716 in 2017. The administration expenses for the Company expressed in Canadian dollars are broken down as follows:

	Three Month Period ended Jan. 31, 2018	Six Month Period ended Jan.31, 2018	Three Month Period ended Jan. 31, 2017	Six Month Period ended Jan. 31, 2017
Share-based payment expense (Note 8)	\$ -	\$ -	\$ -	\$ -
Consulting fees (Note 9)	28,500	57,000	29,500	58,000
Professional fees	4,230	5,940	4,224	6,299
Travel	-	340	23	114
Rent	4,500	9,000	4,500	9,000
Listing, filing and transfer agent fees	7,271	9,579	4,261	8,460
Office and miscellaneous	942	1,492	927	2,095
Shareholder and investor relations	231	496	185	346
Bank charges and interest	117	277	96	298
	\$ 45,791	\$ 84,124	\$ 43,716	\$ 84,612

The nil share-based expense is not paid in cash and is the result of issuing no stock options during the period. Investor relations and travel remain constant at under \$1,000 for the period.

The Company's exploration work focus on First Nation Consultation. Interest income decreased from \$597 in 2017 to \$55 in 2018.



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OPERATION RESULTS FOR THE 1st QUARTER ENDED JANUARY 31, 2018 COMPARED TO 1st QUARTER ENDED JANUARY 31, 2017

Comprehensive loss for the 2nd Quarter ended January 31, 2018 was \$52,705 an increased loss of \$24,442 when compared to the 2nd Quarter of 2017 Comprehensive loss of \$28,263. Most of this increased loss is attributed to the decrease in the fair value of GRIT marketable securities held by the company.

RESOURCE PROPERTIES

	January 31, 2018	July 31, 2017
Galaxy Property, British Columbia, Canada	\$ 20,916	\$ 20,916

Galaxy Property, British Columbia, Canada

The Company holds an undivided 100% interest in seven mineral claims and two Crown-granted mineral claims in the Kamloops Mining Division of British Columbia, Canada, known as the Galaxy Property.

Rock Creek, Nevada, USA

The Company holds a 50% interest in the Rock Creek property. The Company has written off the property for accounting purposes, but retains its interest for viable projects in the future.

Exploration Expenditures

The exploration expenses for the Company expressed in Canadian dollars are broken down as follows:

	Three Month Period ended Jan.31, 2018	Six Month Period ended Jan 31, 2018	Three Month Period ended Jan 31, 2017	Six Month Period ended Jan. 31, 2017
Drill Program	\$ -	\$ -	\$ -	\$ -
First Nations Consultation	-	284	-	-
Government fees	-	-	-	-
	\$ -	\$ 284	\$ -	\$ -

LIQUIDITY AND WORKING CAPITAL

Working Capital

The Company has working capital of \$124,332 at January 31, 2018. The working capital includes \$75,993 of cash, \$48,246 of marketable securities and \$2,106 in receivables. The Company believes the working capital is sufficient to meet its on-going obligations and general operating expenses for the 2018 fiscal year.



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LIQUIDITY AND WORKING CAPITAL (continued)

Cash flow

Cash utilized in operations was \$68,752 for the three months ended January 31, 2018 compared to \$57,368 for the three months ended January 31, 2017.

At this time the Company has no operating revenues. Historically, the Company has raised funds through equity financing and the exercise of options and warrants to fund its operations. Financing through the issuance of common shares is affected by certain market conditions including the price of metals. The market price of metals is highly speculative and volatile. Instability in the market price may affect investor interest in mining stocks. If the metal prices substantially decline, this may adversely affect the Company's ability to raise sufficient capital to fund operations including exploration.

On September 6, 2016, the Company closed a non-brokered private placement of 9,000,000 units at a price of \$0.03 per unit for total gross proceeds of \$270,000. Each unit consists of one common share and one share purchase warrant of the Company. Each warrant will entitle the holder to purchase an additional share in the capital of the Company at an exercise price of \$0.05 until September 6, 2019. No finder's fees were paid. Total share issuance costs of \$3,330 were incurred yielding net proceeds of \$266,670.

On December 12, 2017 the Company closed a non-brokered private placement of 8,000,000 units at a price of \$0.015 per unit for total gross proceeds of \$120,000. Each unit consists of one common share and one share purchase warrant of the Company. Each warrant will entitle the holder to purchase an additional share in the capital of the Company at an exercise price of \$0.05 until December 11, 2020. No finder's fees were paid. Total share issuance costs of \$3,804 were incurred yielding net proceeds of \$116,196. All securities issued pursuant to the Offering are subject to a four-month resale restriction expiring on April 12, 2018.

CRITICAL ACCOUNTING ESTIMATES

The preparation of these condensed consolidated interim financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates, which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and may affect both the period of revision and future periods.

Significant assumptions about the future and other sources of estimation uncertainty that management has made that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:



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Recovery of deferred tax assets

The Company estimates the expected manner and timing of the realization or settlement of the carrying value of its assets and liabilities and applies the tax rates that are enacted or substantively enacted on the estimated dates of realization or settlement. In assessing the probability of realizing income tax assets, management makes estimates related to expectations of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities.

Mining exploration tax credit

The Company is eligible for refundable tax credits on qualified resource expenditures incurred in the province of British Columbia. Management's judgment is applied in determining whether the resource expenditures are eligible for claiming such credits.

CRITICAL ACCOUNTING JUDGMENTS

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements include, but are not limited to, the following:

Exploration and evaluation assets

Management is required to make judgments on the status of each mineral property and the future plans with respect to finding commercial reserves. Resource exploration and development is highly speculative and involves inherent risks. While the rewards if an ore body is discovered can be substantial, few properties that are explored are ultimately developed into producing mines. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Estimates and assumptions made in the realization of the Company's investment in mineral property interests may change if new information becomes available. New information may become available during the use of these assets that causes the Company to adjust its estimates.

Impairment of marketable securities

Management assesses at each reporting date to determine whether there is any objective evidence that marketable securities are other than temporarily impaired. Marketable securities are considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows. Management applies judgment in determining impairment by considering whether the decline in fair value is both significant and prolonged. All impairment losses are recognized in profit or loss.

Going concern

Management assesses the amount of cash on hand at each reporting date to determine whether the Company pursues any exploration programs or adjusts management salaries and other expenses in the following year. Management ensures that the Company has enough cash to cover the operating expenses. Based on the analysis, the Company will be a going concern for Fiscal 2018.



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Pending Accounting Pronouncements

Certain new standards, interpretations, amendments and improvements to the existing standards were issued by the IASB or International Financial Reporting Interpretations Committee ("IFRIC") that are mandatory for accounting periods beginning on August 1, 2017 or later periods. The standards impacted that are applicable to the Company are as follows:

Disclosure Initiative (Amendments to IAS 7 Statement of Cash Flows)

The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities; and are effective for the Company's annual period beginning August 1, 2017.

IFRS 16 Leases

This new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both the lessee and the lessor. The new standard introduces a single lessee accounting model that requires the recognition of all assets and liabilities arising from a lease.

The main features of the new standard are as follows:

- An entity identifies as a lease a contract that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.
- A lessee recognizes an asset representing the right to use the leased asset, and a liability for its obligation to make lease payments. Exceptions are permitted for short-term leases and leases of low-value assets.
- A lease asset is initially measured at cost, and is then depreciated similarly to property, plant and equipment. A lease liability is initially measured at the present value of the unpaid lease payments.
- A lessee presents interest expense on a lease liability separately from depreciation of a lease asset in the statement of profit or loss and other comprehensive income.
- A lessor continues to classify its leases as operating leases or finance leases, and to account for them accordingly.
- A lessor provides enhanced disclosures about its risk exposure, particularly exposure to residual-value risk.

The new standard supersedes the requirements in IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

The new standard is effective for the Company's annual period beginning on August 1, 2019.

IFRS 9 Financial Instruments

IFRS 9 will replace IAS 39 *Financial Instruments: Recognition and Measurement* and IFRIC9 *Reassessment of Embedded Derivatives*. The final version of this new standard supersedes the requirements of earlier versions of IFRS 9.



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Pending Accounting Pronouncements (continued)

The main features introduced by this new standard compared with predecessor IFRS are as follows:

- **Classification and measurement of financial assets:**
Debt instruments are classified and measured on the basis of the entity's business model for managing the asset and its contractual cash flow characteristics as either: "amortized cost", "fair value through other comprehensive income", or "fair value through profit or loss" (default). Equity instruments are classified and measured as "fair value through profit or loss" unless upon initial recognition elected to be classified as "fair value through other comprehensive income".
- **Classification and measurement of financial liabilities:**
When an entity elects to measure a financial liability at fair value, gains or losses due to changes in the entity's own credit risk is recognized in other comprehensive income (as opposed to previously profit or loss). This change may be adopted early in isolation of the remainder of IFRS 9.
- **Impairment of financial assets:**
An expected credit loss impairment model replaced the incurred loss model and is applied to financial assets at "amortized cost" or "fair value through other comprehensive income", lease receivables, contract assets or loan commitments and financial guarantee contracts. An entity recognizes twelve-month expected credit losses if the credit risk of a financial instrument has not increased significantly since initial recognition and lifetime expected credit losses otherwise.
- **Hedge accounting:**
Hedge accounting remains a choice, however, is now available for a broader range of hedging strategies. Voluntary termination of a hedging relationship is no longer permitted. Effectiveness testing now needs to be performed prospectively only. Entities may elect to continue to applying IAS 39 hedge accounting on adoption of IFRS 9 (until the IASB has completed its separate project on the accounting for open portfolios and macro hedging).

The final version of this new standard is effective for the Company's annual period beginning August 1, 2018.

Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2 *Share-based Payment*)

The amendments provide guidance on the accounting for:

- the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- share-based payment transactions with a net settlement feature for withholding tax obligations; and
- a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

The amendments are effective for the Company's annual period beginning on August 1, 2018.



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FINANCIAL INSTRUMENTS

The Company classifies its financial instruments as follows: cash, as financial assets at FVTPL; marketable securities, as AFS; reclamation bonds, as held-to-maturity; and accounts payable and accrued liabilities, as other financial liabilities. With the exceptions of cash and marketable securities, all financial instruments held by the Company are measured at amortized cost.

The carrying value of accounts payable and accrued liabilities approximates its fair value due to the short-term maturity of the financial instrument. Cash and marketable securities are recorded at fair value based on quoted market prices in accordance with Level 1 of the fair value hierarchy.

(a) Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counter party to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit risk with respect to its cash and reclamation bonds. The Company limits exposure to credit risk by maintaining its cash and reclamation bonds with major financial institutions.

(b) Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they become due. The Company's approach to managing liquidity risk is to provide reasonable assurance that it will have sufficient funds to meet liabilities when due. The Company manages its liquidity risk by forecasting cash flows required for operations and anticipated investing and financing activities.

At January 31, 2018, the Company had cash of \$75,993 (July 31, 2017 - \$54,027) available to apply against short-term business requirements and current liabilities of \$2,023 (July 31, 2017 - \$11,516). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

(c) Market Risk

Market risk is the risk that the fair value or future cash flows from the Company's financial instruments will fluctuate due to changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency risk and other price risk. The Company holds 280,449 Global Resource Investment Trust, plc ("GRIT") common shares traded on the London Stock Exchange and as such the Company is exposed to significant market risk. The Company's sensitivity analysis suggests that a 25% decrease in market prices would change comprehensive loss by \$12,062.

The Company's exposure to and management of credit risk, liquidity risk and market risk related to financial instruments above have not changed materially since July 31, 2017.

RISK FACTORS

The reader is cautioned that the following description of risks and uncertainties is not all-inclusive as it pertains only to conditions currently known to management. There can be no guarantee, or assurance, that other factors will or will not adversely affect the Company.



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Risks Inherent in the Exploration and Development Business

Exploration and development involve a high degree of risk and few properties are ultimately developed into producing mines. There is no assurance that the Company's future exploration and development activities will result in any discoveries of commercial bodies of ore. Whether an ore body will be commercially viable depends on a number of factors including the particular attributes of the deposit such as size, grade and proximity to infrastructure, as well as mineral prices and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals, and environmental protection. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in a mineral deposit being unprofitable. Availability of skilled people, equipment and infrastructure (including roads, posts, power supply) can constrain the timely development of a mineral deposit.

Even after the commencement of mining operations such operations may be subject to risks and hazards, including environmental hazards, industrial accidents, unusual or unexpected geological formations, ground controls problems and flooding. The occurrence of any of the foregoing could result in damage to or destruction of mineral properties and production facilities, personal injuries, environmental damage, delays or interruption of production, increases in production costs, monetary losses, legal liability and adverse governmental action. Insurance coverage against certain risks, including certain liabilities for environmental pollution, may not be available to the Company or to other companies within the industry. In addition, insurance coverage may not continue to be available at economically feasible premiums, or at all. Any such event could have a material adverse effect on the Company.

Environmental

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and properties in which it has previously had an interest. The Company conducts its mineral exploration activities in compliance with applicable environmental protection legislation. The Company is not aware of any existing environmental problems related to any of its current or former properties that may result in material liability to the Company.

Environmental legislation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The impact of new and future environmental legislation on the Company's operations may cause additional expenses and restrictions. If the restrictions adversely affect the scope of exploration and development on the resource properties, the potential for production on the property may be diminished or negated.

Title

Title to resource properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral properties. The Company has investigated title to all of its resource properties and, to the best of its knowledge, title to all its properties are in good standing. However, such properties may be subject to prior agreements or transfer and title may be affected by undetected defects.



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RISK FACTORS (continued)

Realization

The investment in resource properties comprises a significant portion of the Company's assets. Realization of the Company's investment in these assets is dependent upon the confirmation of legal ownership, the attainment of successful production from the properties or from the proceeds of their disposal.

Competition for Mining Properties

The mining industry in which the Company is engaged is in general, highly competitive. Competitors include well-capitalized mining companies, independent mining companies and other companies having financial and other resources far greater than those of the Company. The Company competes with other mining companies in connection with the acquisition of mineral properties. In general, properties with a higher grade of recoverable mineral with economically viable deposits afford the owners a competitive advantage in that the cost of production of the final mineral product is lower. Thus, a degree of competition exists between those engaged in the mining industry to acquire the most valuable properties. As a result, the Company may eventually be unable to acquire attractive mining properties.

Seasonality

Currently the Company's exploration has been focused on the Galaxy Property in British Columbia. The property lies within an area that is semi-arid, with hot summers, little rainfall and with temperatures typically exceeding 30° C during summer months. Winters are relatively mild with little snowfall and with average temperatures just below freezing. Short "cold-snaps" where temperatures drop to -20° C are common. Although winter may last from November to April, exploration is possible year-round. In the summer months access to the property may be limited if there are access restrictions imposed to monitor the risks of forest fires.

Financing and Market price

Historically, the Company has raised funds through equity financing and the exercise of options and warrants to fund its operations. Financing through the issuance of common shares is affected by certain market conditions including the price of metals. The market price of metals is highly speculative and volatile. Instability in the market price may affect investor interest in mining stocks. If the metal prices substantially decline, this may adversely affect the Company's ability to raise sufficient capital to fund operations including exploration. The current uncertain global market conditions have significantly reduced the Company's ability to finance operations.



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OUTSTANDING SHARE DATA

The Company is authorized to issue an unlimited number of common shares without par value. As at March 15, 2018, the Company had 72,170,962 common shares issued and outstanding.

(a) Issued:

- (i) On December 12, 2017 the Company closed a non-brokered private placement of 8,000,000 units at a price of \$0.015 per unit for total gross proceeds of \$120,000. Each unit consists of one common share and one share purchase warrant of the Company. Each warrant will entitle the holder to purchase an additional share in the capital of the Company at an exercise price of \$0.05 until December 11, 2020. No finder's fees were paid. Total share issuance costs of \$3,804 were incurred yielding net proceeds of \$116,196. All securities issued pursuant to the Offering are subject to a four-month resale restriction expiring on April 12, 2018.
- (ii) On September 6, 2016, the Company closed a non-brokered private placement of 9,000,000 units at a price of \$0.03 per unit for total gross proceeds of \$270,000. Each unit consists of one common share and one share purchase warrant of the Company. Each warrant will entitle the holder to purchase an additional share in the capital of the Company at an exercise price of \$0.05 until September 6, 2019. No finder's fees were paid. Total share issuance costs of \$3,330 were incurred yielding net proceeds of \$266,670.
- (iii) No shares were issued during the year ended July 31, 2016.

(b) Stock Options

The Company established a stock option plan under which it may grant stock options totaling in aggregate up to 10% of the Company's total number of shares issued and outstanding on a non-diluted basis. The stock option plan provides for the granting of stock options to employees and persons providing investor-relation or consulting services up to a limit of 5%, 2% and 2%, respectively, of the Company's total number of issued and outstanding shares per year. The stock options are fully vested on the date of grant, except for options granted to persons providing investor relations services, which vest over a twelve-month period. The option price must be greater or equal to the discounted market price on the grant date and the option expiry date cannot exceed five years after the grant date.

The Company applies the fair value method using the Black-Scholes option pricing model in accounting for its stock options granted. There were no options granted during the years ended July 31, 2017 and 2016 and no options granted during the six month period ended January 31, 2018.

400,000 options exercisable at \$0.12 due to expire on September 23, 2018 were cancelled on July 17, 2017 and the related reserve amount of \$39,160 was transferred to deficit. On February 2, 2017, 2,975,000 options exercisable at \$0.10 per share expired unexercised and the related reserve amount of \$297,158 was transferred to deficit. On May 17, 2017, 175,000 options exercisable at \$0.10 per share expired unexercised and the related reserve amount of \$20,580 was transferred to deficit.



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OUTSTANDING SHARE DATA (continued)

Stock Options (continued)

Expected stock price volatility is based on the historical volatility of the Company to the extent of the expected life of the option. A summary of the changes in the Company's stock options is as follows:

	January 31, 2018		July 31, 2017	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of year	1,050,000	\$ 0.12	4,600,000	\$ 0.11
Cancelled	-	-	(400,000)	\$ 0.12
Expired	500,000	-	(3,150,000)	\$ 0.10
Outstanding, end of period	550,000	\$ 0.12	1,050,000	\$ 0.12

As at January 31, 2018 and July 31, 2017, the following share purchase options were outstanding and exercisable:

Expiry Dates	Exercise Price	January 31, 2018	July 31, 2017
		Number of Options	Number of Options
August 25, 2017	\$ 0.12	-	500,000
September 23, 2018	\$ 0.12	400,000	400,000
January 17, 2019	\$ 0.12	150,000	150,000
		550,000	1,050,000

The weighted average remaining contractual life of options outstanding at January 31, 2018 is .7 (July 31, 2017 - 0.7) years.

(c) Warrants

Details of the status of the Company's warrants as at January 31, 2018 and July 31, 2017 and changes during the years then ended are as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, July 31, 2016	2,000,000	\$ 0.10
Issued	9,000,000	\$ 0.05
Balance, July 31, 2017	11,000,000	\$ 0.06
Issued	8,000,000	\$ 0.05
Balance, January 31, 2018	19,000,000	\$ 0.05



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OUTSTANDING SHARE DATA (continued)

Warrants (continued)

The warrants outstanding at January 31, 2018 are as follows:

Number of Warrants	Exercise Price	Expiry Date
2,000,000	\$ 0.10	June 16, 2020*
9,000,000	\$ 0.05	September 6, 2019
8,000,000	\$ 0.05	December 11, 2020
<u>19,000,000</u>		

The weighted average remaining contractual life of warrants outstanding at January 31, 2018 is 2.17 (July 31, 2017 – 2.24) years.

* These warrants were originally issued with an expiration date of June 16, 2017. The expiration date of these warrants has been extended to June 16, 2020.

RELATED PARTY TRANSACTIONS

The condensed consolidated interim financial statements include transactions with directors and/or officers of the Company and/or corporations related to or controlled by them. The remuneration of directors and other key management personnel was as follows:

	January 31, 2018	January 31, 2017
Short-term employee benefits	<u>\$ 57,000</u>	<u>\$ 58,000</u>

Key management personnel were not paid any post-employment benefits, termination benefits or other long-term benefits during the respective periods.

CHANGES IN ACCOUNTING POLICIES

There has been no change in the Company's significant accounting policies from those disclosed in Note 3 of the Company's audited consolidated financial statements for the July 31, 2017.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has not entered into any off-balance sheet arrangements in the current year.

PROPOSED TRANSACTIONS

The Company does not have any proposed transactions.



**Stated in
Canadian dollars**

**Management's
Discussion
& Analysis**

**For the period ended
January 31, 2018**

SEGMENT DISCLOSURE

The Company operates in one business segment, mining exploration, and its consolidated assets are held in Canada.

OUTLOOK

Operating expenses for fiscal year 2018 are expected to be funded by cash on hand and/or the issuance of shares including the exercise of warrants and options. Financing through the issuance of common shares is affected by certain market conditions including the price of metals. The market price of metals is highly speculative and volatile. Instability in the market price may affect investor interest in mining stocks. If the metal prices substantially decline, this may adversely affect the Company's ability to raise sufficient capital to fund operations including exploration. The current uncertain global market conditions have significantly reduced the Company's ability to finance operations.

Additional information relating to the Company is available on SEDAR at www.sedar.com and at www.discovery-corp.com.