MONTERO MINING AND EXPLORATION LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended December 31, 2017

1.1 DATE

This Management's Discussion and Analysis ("MD&A") of Montero Mining and Exploration Ltd. ("Montero" or the "Company") has been prepared by management as of April 25, 2018 and should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2017. The Company's Board of Directors have reviewed and approved this MD&A.

All amounts in the MD&A, financial statements and related notes are expressed in Canadian dollars unless otherwise noted.

All statements, other than of historical facts included herein, including without limitations, statements regarding potential mineralization, reserves and exploration results and future plans and objectives of the Company are forward looking statement and involve various risks and uncertainties, which are detailed in the Section "Risk Factors" of this MD&A. There can be no assurance that such statements will prove to be accurate, and actual results and future events could differ materially from those anticipated in such statements.

1.2 OVERALL PERFORMANCE

Current Year Highlights

Soris Lithium-Tantalum-Tin Project in Namibia:

- The Company has entered into a Letter of Intent (LOI) with Frovio Investment ("Frovio") and Mickal Tjituka ("Tjituka"), to acquire up to an 80% interest in its wholly owned Soris Lithium Project in Namibia (the "Project"). The agreement provides Montero three months to complete legal and technical due diligence to its satisfaction and is also subject to regulatory approval. Under the terms of the LOI, Montero immediately earns an 80% interest in the Project by committing to spending C$1 million and completing a feasibility study in 3 years.
- The Soris Lithium project is of a Lithium-Cesium-Tantalum (LCT) pegmatite type and a major exploration focus for economic lithium mineralization. Montero has received positive results from reconnaissance grab sampling collected over the exposed pegmatite.
- 16 grab samples were collected along approximately 2.4km strike of the known pegmatite intrusions. The samples vary in Li_2O content from 0.07% to 5.32% Li_2O. The samples retrieved also contain anomalous tin and tantalum values (refer news release November 1, 2017).
- An initial channel samples program of 4 channel traverses returned 14 m of 1.93% Li_2O, with values up to 3.66% Li_2O, tantalum values up to 1,917ppm Ta_2O_5 and tin values up to 12,696ppm SnO_2 (refer news release November 16, 2017).
- Results of RC drill sampling assays where received for two drill holes returned 33 m of 1.07% Li_2O and 36 m of 0.94% Li_2O, respectively. These where obtained from drilling in the Main zone of mineralized pegmatite (refer news release November 28, 2017).
- Mineralogical analysis of samples from Soris pegmatites confirm the dominant lithium mineral is spodumene (refer news release December 6, 2017).

Phosco Phosphate Project in South Africa:

- Montero terminated in writing the March 2, 2015 agreement with Ovation Capital whereby Ovation was earning into Montero's Phosco Project. Montero retains 74% ownership of the property where Ovation failed to complete its obligations to retain any interest.
- Montero is seeking a partner to advance the project and discussions with interested parties are underway.

Wigu Hill Rare Earth Element (REE) Project in Tanzania:

- The project continues to be held on a care-and-maintenance basis.
- The Retention License is valid for five years, expiring February 13, 2020.
- The security team has maintained the integrity of the Wigu Hill camp-site and the immediate surrounding area.
- Recent changes to the Mining laws in Tanzania, and the enactment thereof, is being assessed to better understand the long-term impact on the Wigu Hill Project.
- A number of listed and private development companies have approached Montero to evaluate taking an interest in Wigu Hill for its development.

- During the year, the Company settled debts totalling $820,270 by the issue of 4,101,347 common shares of the Company. Full details are provided below.
- During the year, the Company raised funds of $735,000 by the issue of 3,675,000 common shares. Full details are provided below.
- The Company spent $83,381 on its exploration and evaluation assets for the year ended December 31, 2017. Montero also spent $81,062 on project investigation costs in regards to lithium projects in Namibia.
- The Company recorded a net loss of $438,938 ($0.03 per share) for the year ended December 31, 2017 compared to a net income of $97,706 ($0.01 per share) for the year ended December 31, 2016.

- Subsequent to the year ended December 31, 2017:

a) On February 5, the Company announced it intends to raise funds through a private placement, raising a total of $1,120,000 by offering 4,000,000 Units at a price of $0.28 per Unit. Each Unit consists of one common share and one-half of a common share warrant, each warrant entitling the holder to purchase one common share at a price of $0.40 per common share within 18 months of the closing of the private placement. On March 13, 2018, the Company announced that is extended the final closing date.

On April 10, 2018, the Company announced a re-pricing of the private placement. The private placement will now consist of up to 4,666,666 Units at a price of $0.24 per Unit, raising a total of $1,120,000. Each Unit consists of one common shares and one common share purchase warrant, each warrant entitling the holder to purchase one common share at a price of $0.32 per common share within 18 months of the closing of the private placement.

b) On March 1, 2018, the Company entered into a LOI with Mr. Esegial Xamseb ("Xamseb"), a Namibian national, to acquire an 80% interest in the Exclusive Prospecting Licence 6162 ("EPL 6162 Lithium Project"). Under the terms of the LOI, Montero can earn an 80% interest in the EPL 6162 Lithium Project by spending $1,000,000 over a three year period. Montero shall pay Xamseb $5,000 on signing of a definitive agreement and make annual payments to him of $10,000 on the anniversary of the effective date. There is a due diligence period of three months provided.

c) On March 5, 2018, the Company entered into a binding Heads of Agreement ("HOA") with Namib Base Minerals CC ("NBM") and Namibia Silica CC ("NBS"), (collectively the "Owners") to acquire a 95% interest in the UIS Lithium Tin Tailings Project. Under the terms of the HOA, Montero can earn a 95% interest in the UIS Lithium Tin Tailings Project by spending United States dollars ("USD") $1,425,000 over a three year period. A payment of USD $10,000 is required on the execution of the HOA, another payment of USD $40,000 paid on the successful completion of due diligence, a further payment of USD$275,000 shall be paid within 6 months and the remainder as staged milestone payments. There is a due diligence period of two months provided.

d) Montero also entered into an agreement with Lithium Africa 1 ("LA1"), to acquire drilling and other data pertaining to the UIS Lithium tailings Project, within four months following a successful due diligence for the amount of $125,000 in cash or shares at LA1's election.

Montero was incorporated on October 5, 2006 under the laws of British Columbia, Canada. The Company is a public company listed on the TSX Venture Exchange, and is trading under the symbol *MON.V*. The Company's registered address is 1040 West Georgia Street, Suite 1900, Vancouver, BC, V6E 4H3 and its head office address is Suite 1128 - 789 West Pender Street, Vancouver, BC V6C 1H2: Phone: 416-840-9197 Web: www.monteromining.com.

The consolidated financial statements have been prepared using International Financial Reporting Standards ("IFRS") applicable to a going concern, which assume that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. As at December 31, 2017, the Company had not advanced its exploration and evaluation assets to commercial production and is not able to finance day to day activities through operations. The Company's continuation as a going concern is dependent upon the successful results from its mineral property exploration activities and its ability to attain profitable operations and generate funds there from and/or raise equity capital or borrowings sufficient to meet current and future obligations. These conditions give rise to substantial doubt about the Company's ability to continue as a going concern. When further funds are required, they will be financed through a private placement of common shares or by debt instruments. During the year ended December 31, 2017, the Company completed an Offering of Special Warrants for gross proceeds of $735,000 with the Consolidation Condition (as herein defined) satisfied and are more fully discussed in 1.6/1.7 LIQUIDITY AND CAPITAL RESOURCES.

Management has reduced operating costs including voluntary fee reductions from management, reduced rent and administrative fees and decreased usage of administrative staff and consultants. Management has kept exploration costs to a minimum that include staff reductions and deferred work programs, as well as the deferral of payments to management and elimination of director fees to Montero's directors. These efforts will extend the Company's treasury. A small compliment of contractors in South Africa and Tanzanian staff has been retained to ensure security, work programmes and assessment at the project areas. In Tanzania, the staff are also involved with routine maintenance of the camp and environmental activities to protect the company's assets.

Management believes that reduction in operating expenses, funding from potential funding partners, borrowings from directors and management, and further private placements will generate the required funding to maintain operations. Although management is committed and expects to raise additional funding, the timing and the nature of the financing is uncertain and there can be no assurances that this will occur. Further details on financing alternatives available to the Company are more fully discussed in 1.6/1.7 LIQUIDITY AND CAPITAL RESOURCES.

The Company is engaged in the identification, evaluation, acquisition, evaluation, exploration and development of quality mineral properties in Africa. The primary focus of the company is battery metals and lithium, the phosphates and rare earth elements (REE) projects in South Africa and Tanzania, are in feasibility study and care-and-maintenance, respectively. The Company has not yet determined whether its exploration and evaluation assets contain sufficient mineral reserves, such that their recovery would be economically viable.

The key performance driver for Montero is to develop mineral deposits to create wealth for shareholders by joint venture or outright sale. This will be achieved through acquiring and exploring properties which host the highest potential for future discoveries or development of existing mineral resources into mineable reserves. Management works to rationalize all of its significant core holdings to maintain percentage

ownership, while working with others to share the risk of development of these properties. Management acquires its exploration assets through the issuance of common shares where possible to preserve the Company's cash reserves.
Management is experienced with the necessary skills required to achieve success, both in the technical and financial area with experienced exploration and consulting geologists and those with entrepreneurial and financial experience. Shareholders are represented by a strong management and independent Board of Directors, experienced in the mining industry where the Board and management has collectively several years of exploration, development and mining experience and have been part of at least 4 discoveries that have found mineral resources and gone into production.

The Company has access to consulting geologists, chemical and mining engineers and corporate finance and legal counsel with commodity and country expertise in the countries where the current properties are held. Consultants are retained through variable or fixed term consulting contracts.

Our Exploration Process

Montero uses its management's expertise to evaluate and acquire exploration and development assets with a view to defining resources that potentially will be developed and brought into production, although there are no assurances that this will occur. These can be acquired through assessment of projects offered to the Company, literature research or conceptual models. The appropriate exploration and/or development strategies for each style of deposit and mineral occurrences with time frame and key decision points throughout the year are applied. During periods where the Company's cash resources are limited and the markets are not receptive to financing, the Company continues with minimum expenditure to maintain the licences in good standing. The further development of the Company's assets will be via joint venture or equity dilution at the asset holding level thus minimizing dilution to Montero's shareholders.

Our Exploration Results for the Year

Namibia

<u>Soris Lithium Project</u>
<u>Summary:</u>
On October 10, 2017, the Company entered into a Letter of Intent ("LOI") with Frovio Investment ("Frovio") and Mickal Tjituka ("Tjituka"), the owner of Frovio, to acquire up to an 80% interest in a newly formed company ("Newco") that will hold the mining claims that make up the Soris Lithium Project (the "Project"). Frovio has applied for eight mining claims making up the Project and will transfer them into Newco in exchange for a 20% interest. Montero will earn the remainder 80% interest by committing to spending $1 million on the Project over a three year period. The LOI indicated a three month due diligence period and Montero requested an extension until November 10, 2018, which has been granted. If successful results are achieved after this due diligence period, Frovio and Montero will complete a definitive agreement covering this Project. Montero has established a new subsidiary in Namibia, Soris Mining (Proprietary) Ltd. as required by the LOI above, and entered into a shareholder's Agreement with Tjituka covering its term of operations.

<u>Background:</u>
The Soris Lithium project has been identified as a Lithium-Cesium-Tantalum (LCT) pegmatite and a major focus for economic lithium mineralization. The project is located in the Erongo Region of central Namibia north west in the De Rust pegmatite field near the town of Uis, 220kms north of Walvis Bay, Namibia's largest commercial deep-water port. The project can be accessed by dirt and asphalt road from the port of Walvis Bay.

The project occurs in a pegmatite field hosted in the metasedimentary units of the Damara Mobile Belt, the northeast-trending branch of the Neo-Proterozoic, Pan African Damara Orogen in Namibia. The zoned pegmatites at the project belong to a group of highly fractionated, tantalite-cassiterite, lithium-rich rare metal pegmatites. Lithium mineralization occurs in the form of spodumene crystals developed virtually over the whole length of the pegmatite, although the relative abundance of spodumene varies from one location to another. Towards the pegmatite core zone spodumene minerals of up to 80 cm long are observed inter-grown with quartz.

The Project's pegmatite encompass several outcrops, varying in length between 100m up to 470m over 2.4kms and has been measured in places to be more than 30m wide. The pegmatites were mined on a small scale for tin and tantalum between 1960 to 1990 with an estimated total production of 4 - 5 tonnes tantalite concentrate grading 54% to 61% Ta_2O_5 and about 4 tonnes of cassiterite concentrate grading 64% SnO_2. (Diehl, 1992). More recently exploration for tantalum and tin, including Reverse Circulation (RC) drilling was undertaken until 2015. The pegmatite has not been mined or systematically sampled for lithium.

<u>Due Diligence Sampling Program:</u>
The due diligence field investigations revealed the pegmatite to host more than 30% spodumene by volume with values of up to 5.6% Li_2O obtained from initial grab samples, these range from 4.5% Li_2O to 5.6% Li_2O, with an average and median value of 5.1% Li_2O. The 16 grab samples were collected along approximately 2.4km strike of the known pegmatite intrusions. The samples vary in Li_2O content from 0.07% to 5.32% Li_2O. The samples retrieved also contain anomalous tin and tantalum values. The grab samples are selective samples and not necessarily representative of the mineralization hosted in the pegmatites on the property (refer news release November 1, 2017).

An initial channel sampling program has been completed and returned an average lithium grade of 0.76% Li_2O with values up to 3.66% Li_2O, tantalum values up to 1,917ppm Ta_2O_5 and tin values up to 12,696ppm SnO_2 from the channel samples that were taken every 1 metre across the exposed and accessible portions of the pegmatite. The best result from channel sampling returned 14 m of 1.93% Li_2O.

The channel sampling program was designed to test lithium bearing spodumene mineralization in a number of pegmatites on the property where prior operators mined for tantalum and tin and did not test the lithium potential of the property. The 53 channel samples were submitted for full chemical analysis to SGS laboratories in Johannesburg, South Africa. The samples within the selected channels are representative of those channels but may not necessarily be representative of the overall mineralization hosted in the pegmatites on the property. Spodumene has been identified as the major lithium bearing mineral (refer news release November 16, 2017).

South Africa

<u>Phosco Phosphate Project</u>
<u>Summary</u>
Notice of termination was delivered to Ovation Capital on an agreement that was signed on March 2, 2015 to develop the Phosco Project. Montero is to acquire all the data for the work completed to date or in progress and is seeking alternative methods to advance the project.

<u>Background:</u>
On November 18, 2011, the Company's subsidiary, Montero Projects Limited ("Montero Projects") acquired the shares in Eurozone which holds interests in subsidiary companies that hold phosphate exploration projects in South Africa (hereafter, "Phosco"). Montero Projects paid $101,700 (United States dollars "USD" $100,000) and issued 2,500,000 common shares of Montero, valued at $750,000, and completed the

acquisition of Eurozone. The Company now holds two licences covering the Duyker Eiland and Phillips Kraal areas.
On March 2, 2015, a definitive Exploration and Co-development Agreement ("Agreement") was signed between Montero Projects and Mellosat Proprietary Limited, Montero's subsidiaries, and Business Venture Investments No. 1709 Proprietary Limited ("BVI"), an Ovation company whereby BVI would finance a Pre-feasibility Study (to be completed within 12 months of signing of the Agreement) to earn 10% of Phosco and would further finance a Bankable Feasibility Study (to be completed within 24 months of signing the Agreement) to earn an additional 20% of Phosco, for a total potential ownership of 30% of Phosco.

The work undertaken to date includes site visits with project engineers, environmentalist and resource geologists. BVI have indicated that they will have completed expenditures totalling over the CAD$2.7 million. On October 2, 2017, Montero terminated in writing the March 2, 2015 agreement with Ovation Capital whereby Ovation was earning into Montero's Phosco Project. Montero retains 74% ownership of the property where Ovation failed to complete its obligations to retain any interest.

The Company is considering other offers to advance the project.

<u>Duyker Eiland Project</u>
The Technical Report (NI43-101 compliant) of the sedimentary phosphate deposit, completed by AMEC Earth & Environmental UK Ltd. ("AMEC") was filed on SEDAR on December 14, 2011. A total Inferred Mineral Resource of 32.8 million tonnes at a grade of 7.15% P_2O_5 has been outlined. Preliminary metallurgical test work has indicated that an acid-grade phosphate concentrate of 33% P_2O_5 to 35% P_2O_5 (72.1% BPL to 76.5% BPL) can be produced by flotation.

The Preliminary Economic Assessment ("PEA") report was completed by Turgis Consulting (Pty) Ltd., as an independent NI43-101 compliant report (refer news releases February 28, 2012, April 13, 2012). The PEA report is preliminary in nature and includes the Inferred Mineral Resources that are considered geologically too speculative to apply the economic considerations that would enable the resource to be categorized as Mineral Reserves.

Selected environmental baseline studies were undertaken and additional metallurgical testwork including different flotation reagents analysis including the amenability of the phosphate mineralisation at Duyker Eiland project was completed in 2012/3.

Ovation commissioned DRA Global ("DRA"), a South African based engineering company, to review and update the Technical Report and Preliminary Economic Assessment completed by AMEC and Turgis, respectively. The DRA report, which is non-NI 43-101 compliant, clearly sets out the parameters that have changed since the prior studies were undertaken and lists the positive attributes of the project. The review undertaken by DRA has identified that the project economics are positive but very sensitive to phosphate rock prices and to currency exchange rates in South Africa.

The Prospecting Rights for Duyker Eiland and Phillips Kraal have successfully been renewed by the Department of Mineral Resources, Western Cape for a further period of 3 years to February 28, 2019.

The Company has a total of $9,393 in reclamation bonds and deposits lodged with the South African government in regards to any potential reclamation costs that may arise regarding its Phosco Project.

As at December 31, 2017, the Company records its Phosco Project at a value of $1,345,924.

Tanzania

Wigu Hill Project

Summary

The Wigu Hill Project continues to be maintained on care-and-maintenance basis. The Company has a Retention Licence over Wigu Hill that is valid for five years. Management continues to seek strategic partners to advance the project.

Background:

The Wigu Hill project is located 170kms south-west of Dar es Salaam and 12kms by road from Kisaki village on the Tazara railway line to Dar es Salaam. The project area of 15.14km^2, straddles the major extent of Wigu Hill (Retention licence RL0016/2015, from February 2015, refer news release March 23, 2015).

Ownership:

On May 26, 2008 the Company and RSR (Tanzania) Limited ("RSR") entered into an agreement whereby RSR granted the Company an exclusive option to earn an initial 60% interest in the Wigu Hill Project (the "First Option"), and an additional 10% interest in the Wigu Hill Project (the "Second Option"). The terms and conditions of the final amended agreement on April 27, 2010 are outlined as follows. In order to exercise the First Option, the Company must pay USD $150,000 on or before April 30, 2010 (paid). After the exercise of the First Option, RSR will transfer the prospecting licences comprising the Wigu Hill Project (the "Wigu Hill Licences") to a newly-formed company (established and called - Wigu Hill Mining Company Limited "WHMC") and the Company will concurrently pay RSR a further USD $50,000 (paid). The Company is further obligated to incur exploration expenditures of USD $3.5 million (incurred) (or alternatively complete a prefeasibility study) on or before November 28, 2012. Once completed, the Company may at its sole discretion, within 60 days after November 28, 2012, elect to acquire a further 10% interest in the Wigu Hill Licences by paying RSR a further USD $2,000,000 to complete the requirements to execute the Second Option (amended as outlined below).

On September 22, 2011, the Company and RSR executed a shareholders' agreement, which outlines the following:

- amended the payment of USD $2,000,000 to an initial Second Option payment of $800,000 (paid) and a final Second Option payment of USD $700,000, which is to be paid subject to receipt of mining and retention licences granted by the Government of Tanzania, as well as a development agreement executed by the Government of Tanzania and the Company. By mutual agreement between the Company and RSR, the USD $700,000 payment may be satisfied by the issuance of common shares of Montero at the prevailing market price of such shares at the date of payment.
- agreement that the Company has now duly and validly exercised the First Option and the Second Option, and owns a 70% interest in the Wigu Hill Licences.
- RSR has transferred the Wigu Hill Licences to WHMC which was originally owned 70% by the Company and 30% by RSR. Further funding of exploration on the Wigu Hill Licences shall be provided by the Company and RSR in proportion to their ownership of WHMC.
- dilution provisions are provided subject to a deemed expenditure formula and, and where a party's interest is diluted to less than 10%, conversion of such interest to a 2.5% net smelter returns royalty ("NSR") will be done. The Company has the right to purchase all or part of the NSR for USD $1 million per each 0.5%.

After the establishment of WHMC, further exploration costs were incurred by the Company and RSR has not yet paid their share of these costs which at December 31, 2017 were determined to be $1,520,798 (USD $1,212,274) and have been included in exploration and evaluation assets. Management has not recorded RSR's share as a receivable due to the uncertainty of payment. RSR has been put on notice for its contribution required to date and has been advised that dilution will occur if payment is not received.

Currently Montero controls 82.25% in the Wigu Hill project. Montero will be providing notice on the outstanding contribution or dilute RSR further as per the agreement.

In common with all mining companies, licences are required to be renewed in order to maintain ownership. The Company regularly reviews its licences and meets the local governmental requirements on the licences it plans to renew. The Retention Licence granted for 5 years is valid until February 13, 2020.

Wigu Hill Geology and mineralization:
The Wigu Hill carbonatite complex is hosts an extensive occurrence of rare earth mineralization. Bastnaesite-rich carbonatite dikes hosts high grade TREO's (Total Rare Earth Oxides) dominantly the light rare earths and included mainly in the mineral bastnaesite and containing the rare earths: Cerium, Lanthanum, Neodymium, Praseodymium and Samarium.

Exploration to date has revealed the following:
Delineation of 2 defined shallow resource areas and at least 3 additional potential resource target areas that have seen geological mapping, trenching and drilling, namely: Twiga, Tembo, and Tumbili, Lower Nyati and Upper Nyati, respectively;

Resources defined at Twiga and Tembo Targets:
- Inferred Resource of 3.3 million tonnes at 2.6% TREO at the Twiga and Tembo targets (by AMEC, refer news releases September 12, 2011, October 24, 2011);
- Inferred Resource at the Twiga Target of 1.9 million tonnes at a grade of 2.7% LREO5 (Light Rare Earth Oxide) from the preliminary and infill drilling of 32 boreholes (2,546m). (refer news release August 6, 2013).
- Inferred Mineral resource at the Twiga Target contains a higher-grade portion consisting of 0.47 million tonnes averaging 5.2% LREO5 to a depth of 50m and cut-off grade of 3% LREO5 (refer news release August 6, 2013). This was based on 32 core boreholes (2,546m) at 25m intervals. This outlined the potential for a small high-grade open pit mining operation within the larger resource.

Potential Resource Targets identified:
- Lower Nyati target - mapping, grab sampling, trenching and initial core drilling of 1030m at 100m intervals at the Lower Nyati Target have identified a potential REE resource target of 20 million tonnes. A proposed core-drilling program of 20 infill and exploration drill holes (5,200m) was designed and access roads and drill pads constructed.
- Upper Nyati target - geological mapping and grab sampling have shown that the REE mineralisation on the Lower Nyati Target extends to the Upper Nyati target to the top of Wigu Hill.
- Tumbili target - mapping, trenching and drilling have identified a potential high grade REE resource target in the western portion of the Tumbili Target.

Exploration budget
A review of exploration resource targets located on the Retention Licence over Wigu Hill was undertaken in 2013 and again in 2017 to quantify the drilling and exploration requirements. An overview re-assessment of exploration costs continues to be updated with updated costs to determine the potential financial commitment that would be required should an opportunity arise to undertake such an evaluation.

Environmental and Social Impact Assessment
A detailed Environmental and Social Impact Assessment ("ESIA") has been undertaken for the Project area and the Environmental Impact Assessment Certificate issued on April 17, 2013, confirming environmental approval for a mining operation at Wigu Hill.

Metallurgical Testwork
The Twiga Target samples of high-grade REE-rich carbonatite material from trenches and outcrops were selected for metallurgical testwork at Mintek, SGS Lakefield and other metallurgical/analytical facilities.

Camp and Project Security
This is being maintained at the Wigu Hill camp site by staff that also ensure fire breaks are maintained, basic maintenance and road repairs are undertaken and responsible for maintaining the environmental integrity of the project area.

Current Activity
The Company is maintaining the project on a care-and-maintenance basis. Staff on site has been further reduced to cut back on-site maintenance costs. The borehole core has been stored in the container. The field visit by our technical staff has established that the heavy rains had caused only minimal damage on the campsite.

Recent changes to the Mining laws in Tanzania, and the enactment thereof, is being assessed to better understand the long-term impact on the Wigu Hill Project. A number of companies have been approached to participate in the development of Wigu Hill and also to participate in a pooling of resources and costs to further advance the development of the Wigu Hill Project.

REE Outlook
Prices of REE's in 2014 and 2015 stabilized and actually increased in 2017 sparking renewed interest from project developers and existing producers. Future pricing is expected to be influenced by global supply and demand trends with Chinese consolidation placing restrictions on some critical rare earths.

As at December 31, 2017, the Company records its Wigu Hill Project at a value of $1,152,253.

Risk Factors
Through its operations, the Company is exposed to various business risks outlined below. Additional risks and uncertainties, including those that we are not aware of now or that we currently deem immaterial, may also adversely affect our business.

- The Company has not been profitable since inception and it may continue to incur substantial losses.
- The Company operates in the highly speculative business of mining exploration and development and is currently in the exploration stage. The Company has not yet determined whether their properties contain enough mineral reserves, such that their recovery would be economically viable.
- The Company is exploring for mineral resources and these commodities are subject to pricing and other risks.
- The Company may not be able to secure adequate financing to support the expenditures required to sustain the Company until profitable operations are achieved.
- The Company operates in foreign jurisdictions and although professional advice is obtained to ensure the Company meets all the local requirements, there may be deficiencies in some areas.
- The Company is subject to foreign government's policies and regulations, and seeks local advice to assess and comply with local requirements.
- The Company faces currency risks in its operations.
- The Company has limited personnel with various degrees of knowledge concerning their area of expertise and there may be instances where segregation of duties does not exist and reliance must be placed on outside advisors to assist with complex areas.

The Company undertakes its best efforts to mitigate the above risks using the resources at its disposal, but believes that uncertainties and risks do exist in its business operations. Further discussions on risks associated with the Company's operations are elaborated below. Readers should review and consider the financial, operational, permitting and environmental risk factors faced by the Company, which are common to junior exploration companies.

Industry and Economic Factors affecting the Company

The Company's future performance is largely tied to the financial markets related to junior exploration companies, which is often cyclical and is currently very unfavorable. The Company continuously monitors several economic factors including the uncertainty regarding rare earth element and phosphate prices and the availability of equity financing for the purposes of mineral exploration and development. The Company's future performance is largely tied to the development of its current mineral property interests and the overall financial markets. Financial markets relating to commodities are likely to continue to be volatile reflecting ongoing concerns about the global economy and potential sovereign defaults throughout the world. Globally companies have been affected negatively by these trends. As a result, the Company may have difficulties raising equity financing for the purposes of mineral exploration and development, particularly without excessively diluting the interests of its current shareholders.

With continued market volatility expected, the Company's current strategy is to continue to conduct limited exploration work on its properties where required and keep these in good standing until access to capital for junior mining companies becomes more available and to seek out other prospective business opportunities including entering into option arrangements and/or joint ventures. The Company believes that this focused strategy will enable it to maintain momentum on key initiatives. These trends may limit the Company's ability to develop and/or further explore its Tanzanian properties, and/or other property interests that could be acquired in the future. Management regularly monitors economic conditions and estimates their impact on the Company's operations and incorporates these estimates in short-term operating and longer-term strategic decisions.

Exploration, Development and Operating Risks

The exploration for and development of mineral deposits is a speculative venture involving a high degree of risk. Even a combination of careful evaluation, experience and knowledge may not eliminate such risks. While the discovery of a commercially viable ore body may result in substantial rewards, few mineral properties, which are explored, are ultimately developed into producing mines. Unusual or unexpected formations, formation pressures, fires, power outages, labour disruptions, flooding, cave-ins, landslides, and the inability of the Company to obtain suitable machinery, equipment or labour are all risks involved with the conduct of exploration programs and the operation of mines. Substantial expenditures may be required to locate and establish mineral reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site, and substantial additional financing may be required.

It is impossible to ensure that the exploration or development programs planned by Montero will result in a profitable commercial mining operation. The decision as to whether a particular property contains a commercial mineral deposit and should be brought into production will depend on the results of exploration programs and/or feasibility studies, and the recommendations of duly qualified engineers and geologists. Several significant factors will be considered, including, but not limited to: (i) the particular attributes of the deposit, such as size, grade, metallurgical characteristics, and proximity to infrastructure; (ii) metal prices, which are highly cyclical; (iii) government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, permitting, importing and exporting of minerals and environmental protection; (iv) ongoing costs of production; (v) availability and cost of additional funding; and (vi) local community and landowner opposition to access mineral rights. The exact effect of these factors cannot be accurately predicted, but one or any combination of these factors may result in Montero not receiving an adequate return on invested capital.

Additional Capital

The ability of the Company to arrange additional financing in the future will depend, in part, on the prevailing capital market conditions as well as the business performance of Montero. The development and exploration of the Company's properties will require substantial additional financing. Such financing can also be sourced by allowing investment groups to obtain equity at the asset level of properties of interest rather than via subscription into the listed Company. Failure to obtain financing may result in delaying or indefinite postponement of exploration, development or production on any or all of Montero's properties or a loss of a property interest. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favourable to the Company. If additional financing is raised by Montero through the issuance of securities from treasury, control of Montero may change and security holders may suffer additional dilution.

Environmental Risks and Hazards

All phases of Montero's operations are subject to environmental regulation in the various jurisdictions in which it operates. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations. Environmental hazards may exist on the properties on which Montero holds interests which are unknown to Montero at present and which have been caused by previous or existing owners or operators of the properties or by current or previous surface rights owners. Government approvals and permits have been submitted as required and future approvals will be required in connection with Montero's operations. To the extent such approvals are required and not obtained, Montero may be curtailed or prohibited from continuing its mining operations or from proceeding with the planned exploration or development of the mineral properties in which it has an interest. Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, 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 the exploration or development of exploration properties may be required to compensate those suffering loss or damage by reason of such parties' activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations. Amendments to current laws, regulations and permits governing operations and activities of exploration companies, or more stringent implementation thereof, could have a material adverse impact on Montero and cause increases in exploration expenses or capital expenditures or require abandonment or delays in development of new exploration properties.

Permitting

Montero's current and future operations will require approvals and permits from various federal and local governmental authorities, and such operations are and will be governed by laws and regulations governing prospecting, development, mining, production, taxes, labour standards, health, waste disposal, toxic substances, land use, environmental protection, mine safety and other matters. There is no assurance that delays will not occur in connection with obtaining all necessary renewals of such approvals and permits for the existing operations or additional approvals or permits for any possible future changes to operations. Prior to any development on any of its properties, Montero must receive permits from appropriate governmental authorities. There can be no assurance that Montero will obtain or continue to hold all permits necessary to develop or continue operating at any particular property.

Title to Mining and Retention Licences
The validity of mining licences generally can be contested, and although Montero has taken steps to acquire the necessary title to its mining licences, some risk exists that title to such licences may be defective. In order to maintain the mining licences, Montero must incur certain minimum exploration expenditures annually or risk forfeiture of the mining licences and any such expenditure made to such time. The validity of a Retention Licence in Tanzania is not subject to the annual minimum expenditure criteria.

Uninsurable Risks
In the course of exploration, development and production of mineral properties, several risks and, in particular, unexpected or unusual geological or operating conditions, may occur. It is not always possible to fully insure against such risks, and the Company may decide not to insure such risks as a result of high premiums or other reasons. Should such liabilities arise they could reduce or eliminate any future profitability and result in an increase in costs and a decline in value of the securities of Montero. The Company is not insured against environmental risks. Insurance against environmental risks (including potential liability for pollution or other hazards as a result of the disposal of waste products occurring from exploration and production) has not been generally available to companies within the industry. Montero periodically evaluates the cost and coverage of the insurance against certain environmental risks that is available to determine if it would be appropriate to obtain such insurance. Without such insurance, and if Montero becomes subject to environmental liabilities, the payment of such liabilities would reduce or eliminate its available funds or could exceed the funds available to Montero to pay such liabilities and result in bankruptcy. Should Montero be unable to fund fully the remedial cost of an environmental problem it might be required to enter into interim compliance measures pending completion of the required remedy.

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

Market Factors and Volatility of Commodity Prices
The marketability of mineralized material, which may be acquired or discovered by Montero, will be affected by numerous factors beyond the control of the Company. These factors include market fluctuations in the prices of minerals sought, which are highly volatile, the proximity and capacity of natural resource markets and processing equipment, and government regulations, including regulations relating to prices, taxes, royalties, permitting, land tenure, land use, importing and exporting of minerals and environmental protection. The effect of these factors cannot be accurately predicted, but these factors may result in Montero not receiving an adequate return on invested capital. Prices of certain minerals have fluctuated, particularly in recent years, and are affected by numerous factors beyond the control of Montero. Future mineral prices cannot be accurately predicted. A severe decline in the price of a mineral being produced or expected to be produced by Montero would have a material adverse effect on Montero, and could result in the suspension of exploration or development of mining operations by Montero.

Competition
The resource and mining exploration industry is intensely competitive in all of its phases. As a result of this competition, some of which is with large, established mining companies with substantial capabilities and greater financial and technical resources than Montero, the Company may be unable to acquire additional mineral properties on terms it considers acceptable, or continue to explore and develop its existing properties.

Exchange Rate Fluctuations
Exchange rate fluctuations may adversely affect Montero's financial position and results. The Company does not currently hedge or otherwise mitigate its foreign currency risks.

Foreign Operations
The Company's property interests are located in South Africa and Tanzania, and are subject to the respective jurisdiction's laws and regulations. The Company is always assessing current developments in policies and regulations and investors should assess the political risks of investing in a foreign country. Variations from the current regulatory, economic and political climate could have an adverse effect on the affairs of the Company.

Key Executives
Montero is dependent on the services of key executives and a small number of highly skilled and experienced consultants and personnel. Locating mineral deposits depends on a number of factors, not the least of which is the technical skill of the exploration personnel involved. Due to the relatively small size of the Company, the loss of these persons or the Company's inability to attract and retain additional highly skilled employees may adversely affect its business and future operations. Montero does not currently carry any key man life insurance on any of its executives.

Conflicts of Interest
Certain of the directors and officers of Montero also serve as directors and/or officers of other companies involved in natural resource exploration and development and consequently there exists the possibility for such directors and officers to be in a position of conflict. Any decision made by any of such directors and officers involving Montero will be made in accordance with their duties and obligations to deal fairly and in good faith with a view to the best interests of the Company and its shareholders.

The consolidated financial statements have been prepared using International Financial Reporting Standards ("IFRS") applicable to a going concern, which assume that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. As at December 31, 2017, the Company had not advanced its exploration and evaluation assets to commercial production and is not able to finance day to day activities through operations. The Company's continuation as a going concern is dependent upon the successful results from its mineral property exploration activities and its ability to attain profitable operations and generate funds there from and/or raise equity capital or borrowings sufficient to meet current and future obligations. These conditions give rise to substantial doubt about the Company's ability to continue as a going concern. When further funds are required, they will be financed through a private placement of common shares or by debt instruments. During the year ended December 31, 2017, the Company completed an Offering of Special Warrants for gross proceeds of $735,000 with the Consolidation Condition (as herein defined) satisfied and are more fully discussed in 1.6/1.7 LIQUIDITY AND CAPITAL RESOURCES.

Management has undertaken to reduce operating costs including voluntary fee reductions from management, elimination of director fees, reduced rent and administrative fees and decreased usage of administrative staff and consultants. Management has kept exploration costs to a minimum, which includes staff reductions and deferred work programs, as well as the deferral of payments to management, directors and consultants. These efforts will extend the Company's treasury.

Management believes that further reductions in operating expenses, funding from potential funding partners, borrowings from directors and management, and further private placements will generate the required funding to maintain operations. Although management is committed and expects to raise additional funding, the timing and the nature of the financing is uncertain and there can be no assurances that this will occur. Further details on financing alternatives available to the Company are more fully discussed in 1.6/1.7 LIQUIDITY AND CAPITAL RESOURCES.

Financial Performance

During the year ended December 31, 2017, the Company conducted minimal exploration work on its exploration and evaluation assets. The total cash expenditures on exploration and evaluation assets were $83,381 for the year ended December 31, 2017 compared to $102,734 for the year ended December 31, 2016.

The Company's operating costs for the year ended December 31, 2017 were $440,520 compared to $320,219 for the year ended December 31, 2016.

At December 31, 2017, the Company had cash and cash equivalents on hand of $222,580 compared to $4,589 on hand at December 31, 2016. The Company will require further funds in the future for general working capital and to fund its exploration programs since it currently has no revenue sources. Further details on financing alternatives available to the Company are more fully discussed in 1.6/1.7 LIQUIDITY AND CAPITAL RESOURCES.

Company Objectives and the Year Ahead

The Company's corporate objectives are to create value by a focus on exploring, discovery and development of battery metals, initially, specifically lithium in Namibia. The company will endeavour to create value form its existing portfolio of rare earth element and phosphate deposits in South Africa and Tanzania, respectively.

The Company believes that it has a portfolio of battery metals projects can add value to the company and will seek methods of adding value by de-risking the lithium portfolio by drilling resources and conducting metallurgy in a timely fashion, by raising exploration funding and using such funds in a prudent manner or by continuing exploration through joint ventures with partners.

1.3 SELECTED ANNUAL INFORMATION

	Year ended December 31		
	2017	**2016**	**2015**
Consulting, directors', administrative and management fees	$ 215,439	$ 168,725	$ 123,208
Depreciation	9,564	13,825	23,072
Impairment of exploration and evaluation assets	-	11,681	-
Professional fees	34,508	25,105	27,927
Project investigation costs	81,062	34,264	-
Shareholder and regulatory	41,215	23,543	34,091
Stock-based compensation	-	-	-
Other operating costs	58,732	43,076	48,479
Finance costs	-	54,898	35,571
Interest income and other	(1,582)	(472,823)	9,416
Net (loss)	(438,938)	97,706	(301,764)
Basic and diluted (loss) per share	$ (0.03)	$ 0.01	$ (0.01)
Exploration and evaluation assets	2,498,177	2,493,536	2,530,596
Total assets	2,754,457	2,530,134	2,596,631
Total liabilities	197,371	937,097	1,611,050
Shareholders' equity	2,557,086	1,593,037	985,581

1.4 RESULTS OF 2017 OPERATIONS

During the year ended December 31, 2017, Montero spent $83,381 on its exploration and evaluation assets i.e., its Phosco assets in South Africa and its Wigu Hill property in Tanzania, compared to spending $102,734 on its exploration and evaluation assets for the year ended December 31, 2016.

The Company's operating expenses in the current year were similar compared to the prior comparative year. Significant changes in the Company's expenses are outlined below.

Consulting, directors', administrative and management fees increased from $168,725 for the year ended December 31, 2016 to $215,439 for the year ended December 31, 2017 due to reinstatement of fees paid to management for part of the year as well as new CFO being in place for part of the year.

Project investigation costs increased from $34,264 for the year ended December 31, 2016 to $81,062 for the year ended December 31, 2017 due to work undertaken on due diligence on lithium projects in Namibia.

No finance costs were incurred for the year ended December 31, 2017 compared to $54,898 for the year ended December 31, 2016 as the lenders waived all interest for the year and all of the loans were settled with common shares in a Debt Settlement Agreement.

The Company's net loss for the year ended December 31, 2017 was $438,938 ($0.03 per share), compared with a net income of $97,706 ($0.01 per share) for the year ended December 31, 2016.

At December 31, 2017, the Company had cash and cash equivalents on hand of $222,580 compared to $4,589 on hand at December 31, 2016. The Company will require further funds in the future for general working capital and to fund its exploration programs since it currently has no revenue sources. Further details on financing alternatives available to the Company are more fully discussed in 1.6/1.7 LIQUIDITY AND CAPITAL RESOURCES.

Commitments and Contingencies
The Company has no operating lease commitments. The Company has capital commitments relating to its exploration and evaluation assets as outlined in 1.2 OVERALL PERFORMANCE, *Our Exploration Results for the Year* and the consolidated financial statements for the year ended December 31, 2017 (Notes 8 and 21).

The Company has no contingent liabilities.

Segmented Information

The Company has one business segment being the exploration and evaluation of mineral resources. The Company is organized by geographic area and as such, its reportable operating segments are located in Canada, South Africa and Tanzania.

As at December 31, 2017	**Canada**	**South Africa**	**Tanzania**	**Total**
	$	**$**	**$**	**$**
Reclamation bonds	-	9,393	-	9,393
Property, plant and equipment	-	-	5,725	5,725
Exploration and evaluation assets	-	1,345,924	1,152,253	2,498,177
Total non-current assets	**-**	**1,355,317**	**1,157,978**	**2,513,295**

As at December 31, 2016	**Canada**	**South Africa**	**Tanzania**	**Total**
	$	**$**	**$**	**$**
Reclamation bonds	-	9,393	-	9,393
Property, plant and equipment	-	-	14,950	14,950
Exploration and evaluation assets	-	1,333,501	1,160,035	2,493,536
Total non-current assets	**-**	**1,342,894**	**1,174,985**	**2,517,879**

1.5 SUMMARY OF QUARTERLY RESULTS

	2017			
	Q4	**Q3**	**Q2**	**Q1**
	$	**$**	**$**	**$**
Consulting, directors', administrative and management fees	83,853	63,871	20,510	47,205
Impairment of exploration and evaluation Assets	-	-	-	-
Professional fees	16,187	8,030	(878)	11,169
Other expenses	119,216	32,005	18,599	20,753
Stock-based compensation	-	-	-	-
Finance costs	-	-	(15,310)	15,310
Interest income and other	483	(530)	(1,289)	(246)
Net loss	(219,739)	(103,376)	(21,632)	(94,191)
Basic and diluted (loss) per share	(0.01)	(0.01)	(0.01)	(0.01)
Exploration and evaluation assets	2,498,177	2,461,826	2,502,406	2,533,891
Total assets	2,754,457	2,900,362	3,128,116	2,570,842
Total liabilities	197,371	127,842	1,081,027	1,081,874
Shareholders' equity	2,557,086	2,772,520	2,110,089	1,488,968

	2016			
	Q4	**Q3**	**Q2**	**Q1**
	$	**$**	**$**	**$**
Consulting, directors', administrative and management fees	39,510	39,338	40,413	49,464
Impairment of exploration and evaluation Assets	11,681	-	-	-
Professional fees	3,785	7,143	6,937	7,240
Other expenses	30,046	26,954	35,537	22,171
Stock-based compensation	-	-	-	-
Finance costs	15,304	14,603	13,309	11,682
Interest income and other	(459,103)	(1,093)	(6,905)	(5,722)
Net loss	358,777	(86,945)	(89,291)	(84,835)
Basic and diluted (loss) per share	0.01	(0.01)	(0.01)	(0.01)
Exploration and evaluation assets	2,493,536	2,566,664	2,546,195	2,546,822
Total assets	2,530,134	2,609,153	2,603,653	2,602,341
Total liabilities	937,097	1,942,303	1,856,276	1,767,450
Shareholders' equity	1,593,037	666,850	747,377	834,891

Note: Loss per share amounts disclosed above on a quarterly basis may not necessarily equal the cumulative amounts disclosed in the Company's annual financial statements, due to the timing of changes in the weighted average number of shares throughout the year versus the weighted average number of shares throughout the quarter.

Expenses fluctuate throughout the quarters due to company activity and the timing of work performed. Consulting, directors', admin and management fees are higher in Q3 and Q4 of 2017 due to reinstatement of fees, new CFO hired and more company activity. The Company recorded impairment on its Wigu Hill Project in Q4 of 2016. Other expenses are higher in Q4 2017 due to due diligence costs on Montero's lithium projects in Namibia. Finance costs are nil after Q2 2017 as the loans were settled with shares. A gain was recognized in Q4 2016 from the debt settlement.

1.6/1.7 LIQUIDITY AND CAPITAL RESOURCES

The Company held cash and cash equivalents of $222,580 as at December 31, 2017 compared to $4,589 as at December 31, 2016.

The Company used cash of $357,672 in its operations for the year ended December 31, 2017 compared to using cash of $32,390 in its operations for the year ended December 31, 2016. The Company spent cash of $84,281 in its investing activities for the year ended December 31, 2017 compared to spending cash of $102,734 in its investing activities for the year ended December 31, 2016. The Company generated cash $659,944 from its financing activities for the year ended December 31, 2017 compared to generating cash of $130,835 from its financing activities for the year ended December 31, 2016.

During the year ended December 31, 2017, the following events took place.

Debt settlement
On July 7, 2017, the Company announced that it completed a debt settlement transaction (the "Debt Settlement") with certain creditors ("Creditors"), including Creditors who are related parties of the Company, providing for the settlement of all of the loans payable of $625,959 and trade and other payables of $194,311 totalling $820,270 of its outstanding debts, which will be settled through the issuance of an aggregate of 32,810,000 Special Warrants (as herein defined) of the Company at a deemed issue price of $0.025 per Special Warrant. The Debt Settlement was subject to the completion of the Consolidation Condition (as herein defined) and final TSX-V approval, both of which were satisfied effective July 13, 2017 as described below. Share issue costs of $5,996 were incurred in conjunction with this Debt Settlement.

Special Warrant Financing
As at June 30, 2017, the company received cash of $735,000 for subscriptions for special warrants and on July 13, 2017, the Company announced that it completed a non-brokered private placement of 29,400,000 special warrants (the "Special Warrants") at a price of $0.025 per Special Warrant (the "Subscription Price") for gross proceeds of $735,000 (the "Offering"). Each eight Special Warrants are exercisable into one common share if the Consolidation Condition (as herein defined) is satisfied on or before September 30, 2017. Share issue costs of $69,060 were incurred in conjunction with this Offering.

The Offering was made pursuant to the grant of a "discretionary waiver" of the TSX-V's minimum $0.05 pricing requirement (the "Waiver") and is subject to acceptance by the TSX-V. With respect to the Waiver, the Company is to conduct a share consolidation of its outstanding common shares on the basis of one post-consolidation common share for each eight pre-consolidation common shares (the "Share Consolidation"), or such other ratio as may be agreed in writing by the Company and the subscribers to the Offering (the "Consolidation Condition") which would result in a post-consolidation conversion price equal to or greater than $0.05 per common share on or before September 30, 2017 (the "Consolidation Deadline").

If the Consolidation Condition was satisfied on or before the Consolidation Deadline, the Special Warrants shall be deemed to be exercised for no further consideration (without any further action on the part of the Special Warrant holders) on the date of the Consolidation Condition. However, if the Consolidation Condition was not satisfied on or before the Consolidation Deadline, the Special Warrants shall be redeemed at the Subscription Price with interest payable at the rate of 10% per annum.

The Company received shareholder approval of the Share Consolidation at the annual and special meeting of shareholders held on June 30, 2017 and received final TSX-V approval on July 13, 2017, thereby satisfying the Consolidation Condition by the Consolidation Deadline.

Effective July 13, 2017, the 32,810,000 Special Warrants issued pursuant to the Debt Settlement noted above and the 29,400,000 Special Warrants issued pursuant to the Offering noted above were converted into common shares on the basis of eight Special Warrants for one post-consolidated common share.

The Company's share capital position on December 31, 2017 after the Consolidation Condition was satisfied and the Special Warrants were exercised, is as follows:

	Number of shares	**Amount $**
Balance, December 31, 2016 pre-consolidation	84,752,174	14,448,342
Share consolidation on basis of eight to one	10,594,022	-
Issued pursuant to Debt Settlement	4,101,347*	820,270
Issued pursuant to Offering	3,675,000	735,000
Share issue costs	-	(75,056)
Balance, December 31, 2017	18,370,369	15,928,556

**(rounded due to fractional shares)*

On February 5, March 13, 2018 and April 10, 2018, the Company announced it intends to raise funds through a private placement, raising a total of $1,120,000 by offering 4,666,666 Units at a price of $0.24 per Unit. Each Unit consists of one common share and one-half of a common share warrant, each warrant entitling the holder to purchase one common share at a price of $0.32 per common share within 18 months of the closing of the private placement.

The Company has no operating lease commitments. The Company has capital commitments relating to its exploration and evaluation assets as outlined in 1.2 OVERALL PERFORMANCE, *Our Exploration Results for the Year* and the consolidated financial statements for the year ended December 31, 2017 (Notes 8 and 21).

The Company is dependent upon its ability to raise additional funds to support its operations and it does require additional financing since it is an exploration stage company with no current sources of revenue. Funding options available to the Company are outlined below.

Montero is a publicly traded corporation listed on the TSX Venture Exchange and plans to utilize the public market to raise the additional funds it requires, either through brokered or non-brokered private placements. The Company issues shares where possible for mineral property acquisitions as well as for debt settlements when practicable. In addition, the Company negotiates favourable funding terms for its mineral property payments where possible and amends the agreements, if required, to coincide with the Company's cash funds available. Montero works with its other exploration partners in exploring for its mineral properties to share the costs and risks in exploring them. The Company has also obtained loan financing from related parties when required.

Management has undertaken to reduce operating costs including voluntary fee reductions from management and directors, reduced rent and administrative fees and decreased usage of administrative staff and consultants. As well, management has kept exploration costs to a minimum, which includes staff reductions, deferred work programs and deferral of payments to management. These efforts will extend the Company's treasury. Management believes that further reductions in operating expenses, funding from potential funding partners, borrowings from directors and management, and further private placements will generate the required funding to maintain operations. Although management is committed and expects to raise additional funding, the timing and the nature of the financing is uncertain and there can be no assurances that this will occur.

The Company grants stock options to promote the profitability and growth of the Company by facilitating the efforts to attract and retain its directors, officers and consultants.

As of December 31, 2017, Montero has 175,625 stock options outstanding, exercisable at a weighted average exercise price of $1.00 per share. The stock options may be a future source of funding depending upon the Company's trading stock price, although it is unlikely that this will occur before they expire on April 30, 2018.

1.8 OFF-BALANCE SHEET ARRANGEMENTS

Montero does not utilize off-balance sheet arrangements.

1.9 TRANSACTIONS WITH RELATED PARTIES

Key management personnel compensation

	Year ended December 31,	
	2017	**2016**
	$	**$**
Compensation of directors		
Short-term benefits	-	-
Share-based payments	-	-
	-	-
Compensation of key management personnel		
Short-term benefits	140,344	79,586
Share-based payments	-	-
Total remuneration of directors and key management personnel	140,344	79,586

Related party transactions
The Company incurred the following transactions with management, directors, officers or companies which have directors in common, or in which the directors have significant influence and interests.

	Year ended December 31,	
	2017	**2016**
	$	**$**
Exploration and evaluation asset transactions		
Geological consulting	5,863	12,464
Total exploration and evaluation asset transactions	5,863	12,464
Operating expense transactions		
Consulting, directors', administrative and management fees	26,306	30,000
General and administrative	9,154	12,000
Property investigation costs	-	34,264
Finance costs	-	51,890
	35,460	128,154
Total trading transactions with related parties	**41,323**	**140,618**

Related party balances

	December 31, 2017	December 31, 2016
	$	$
Due to related parties	**50,549**	**135,246**
Loans payable	**-**	**591,688**

The amounts due to related parties represent amounts due to directors and officers or companies which have directors in common, or in which the directors have significant influence and interests. These amounts, which are noted above and included in trade and other payables are unsecured, non-interest bearing and are due within twelve months.

1.10 FOURTH QUARTER

Please see 1.4 SUMMARY OF QUARTERLY RESULTS for information on the fourth quarter of 2017.

1.11 CRITICAL ACCOUNTING ESTIMATES

Not applicable as the Company is a venture issuer.

1.12 CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

Changes in accounting policies
None.
Initial adoption of accounting policies and accounting standards
None.

1.13 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT, INCLUDING MANAGEMENT OF CAPITAL

Capital Management
The Company manages its capital to ensure that it will be able to continue as a going concern, while supporting the Company's business and maximizing the return to its stakeholders. The Company's capital structure is adjusted based on management's decisions to issue debt or equity instruments to fund expenditures. In order to maximize ongoing exploration efforts, the Company does not pay dividends. The Company's Board of Directors does not establish quantitative return on capital criteria, but rather relies on the expertise of management and other professionals to sustain future development of the business. The capital of the Company consists of equity attributable to owners of the parent comprised of share capital, stock options and warrants.

The Company's principle assets are in the exploration and evaluation stage and, as a result, the Company currently has no source of operating cash flow. In order to facilitate the management of capital and exploration of its mineral properties, the Company needs to raise capital as and when required to complete its projects and for working capital. The sources of future funds presently available to the Company are through the issuance of new share capital, through the exercise of stock options and/or warrants or through divestiture of certain assets. The ability of the Company to arrange such financing in the future will depend in part upon the prevailing capital market conditions, as well as the business performance of the Company.

There can be no assurances that the Company will be successful in its efforts to arrange additional financing, when required, on terms satisfactory to the Company.

Management prepares operating budgets to forecast its financing requirements in advance and they review their capital management approach on an ongoing basis and believes that this approach is reasonable, given the relative size of the Company. The Company's investment policy is to hold cash in interest-bearing accounts at high credit quality financial institutions to minimize risk and maximize liquidity.

The Company's overall strategy remains unchanged from the prior period. The Company is not subject to any externally imposed capital requirements.

Risk Management and Financial Instruments
The Company operates in the mining industry and faces a number of risks that could adversely affect the Company's operations. These risks include industry risk, credit risk, liquidity risk, interest rate risk, foreign currency risk, and commodity price risk. Management reviews and develops policies for managing each of these risks which are summarized below.

Industry Risk
The Company is engaged primarily in the mineral exploration field, which is subject to inherent risks of success as well as compliance with environmental, political and regulatory requirements. The Company is potentially at risk for environmental reclamation obligations associated with resource property interests. As well, the Company operates in foreign countries and is subject to local political risks, as well as local regulatory requirements regarding ownership and maintenance of mineral licences. Management is of the opinion that they have the expertise to address these risks and makes all efforts to conduct their business in compliance with local industry standards, however environmental and local industry laws and practices are complex, and there is no certainty that all exposure to liability or costs have been mitigated.

Credit Risk
Credit risk is the risk of loss associated with a counter-party's ability to fulfil its payment obligations. The Company's primary exposure to credit risk is attributable to its cash and cash equivalents, as well as other receivables. This risk relating to cash and cash equivalents is considered low since the Company only invests its cash in major banks which are high credit quality financial institutions. The other receivables primarily comprise local sales tax refunds due from governmental agencies and other sundry amounts, as such, management considers the risk with their collection minimal. The cash and cash equivalents is invested in short-term investment certificates for periods less than 90 days. The other receivables are due in less than 90 days.

Liquidity Risk
Liquidity risk arises through the excess of financial obligations due over available financial assets at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available cash in order to meet its liquidity requirements and to develop budgets to forecast cash requirements in advance of their requirements. As discussed previously, the Company currently does not have a source of operating cash flow and must raise funds for its exploration and evaluation programs and for general working capital. There are risks associated with raising the funds required, and there can be no assurances that the Company will be successful in its efforts to arrange additional financing on terms satisfactory to the Company. The Company's trade and other payables are generally due within 90 days, with all amounts due within twelve months.

Interest Rate Risk
Interest rate risk refers to the risk that the fair values of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company is exposed to interest rate risk on its cash equivalents which represent excess cash invested in short-term investments and these accrue interest at variable market rates. The Company monitors these investments with its need for cash flow and is satisfied with the return on these investments, given the timing of the need for cash in the Company. The Company has a fixed interest rate on its loans payable. The effect of changes in interest rates is not significant to the Company.

Foreign Currency Risk
Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company operates in Canada, South Africa and Tanzania and portions of its expenditures are incurred in US dollars, South African Rand and Tanzanian Shillings. The Company's presentation currency is the Canadian dollar, the South African subsidiaries' functional currency is the Canadian dollar and the Tanzanian subsidiaries' functional currency is the United States dollar ("USD"). The value of financial assets and liabilities denominated in currencies other than the functional currency of the entity to which they relate is not significant.

Commodity Price Risk
The Company is exposed to price risk with respect to commodity prices. Commodity price risk is the potential adverse impact on earnings and economic value of its exploration and evaluation assets, due to commodity price movements and volatilities. The Company monitors commodity prices (primarily lithium, rare earth elements and phosphates) to determine the appropriate course of action to be taken by the Company.

1.15 OTHER MD&A REQUIREMENTS

DISCLOSURES FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE

The information required on the Company's exploration and evaluation assets are readily available from the Company's consolidated financial statements for the year ended December 31, 2017 and therefore are not required to be repeated here.

DISCLOSURE OF OUTSTANDING SHARE DATA

The information on the Company's share capital including numbers of shares outstanding, details of any conversion features, number of shares issuable on conversion of stock options and warrants, etc. are detailed in the Company's consolidated financial statements for the year ended December 31, 2017. The number of common shares outstanding as of the date of this report on April 25, 2018 is 18,370,369 shares.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

Except for statements of historical fact relating to Montero, certain information contained in this MD&A constitutes "forward-looking information" under Canadian securities legislation.

Forward-looking information estimates and statements that Montero's future plans, objectives and goals, including words to the effect that Montero or management expects a stated condition or result to occur. Forward-looking information can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved". Since forward-looking information is based on the reasonable assumptions, estimates, analysis and opinions of management made in light of its experience and its perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable in the circumstances at the date that such statements are made, and are inherently subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking information, including but not limited to risks related to: unexpected events and delays during permitting; the possibility that future exploration results will not be consistent with the Company's expectations; timing and availability of external financing on acceptable terms and in light of the current decline in global liquidity and credit availability; the uncertainty of conducting activities within a joint venture structure; currency exchange rates; government regulation of mining operations; failure of equipment or processes to operate as anticipated; risks inherent in mineral exploration and development including environmental hazards, industrial accidents, unusual or unexpected geological formations; and uncertain political and economic environments. Although management of Montero has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking information. The Company does not undertake to update any forward-looking information, except in accordance with applicable securities laws.

Additional disclosures pertaining to the Company's technical report, management information circulars, material change reports, press releases and other information are available on the SEDAR website at www.sedar.com.