

MONTERO MINING AND EXPLORATION LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three months ended March 31, 2020

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Management's Discussion and Analysis

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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 May 25, 2020 and should be read in conjunction with the condensed consolidated interim financial statements for the three months ended March 31, 2020 and the audited consolidated financial statements for the year ended December 31, 2019. The Company's Audit Committee 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.

COVID -19 PANDEMIC

The COVID-19 pandemic has made international travel impossible where government imposed self-isolation, fluctuations in currencies and volatile financial markets pose significant challenges in planning, budgeting and carrying out meaningful exploration programs. Further uncertainties arise from the inability of the Company to gauge the duration of the pandemic. Montero anticipates the pandemic will lead to a global slowdown where the Company's current battery metal focus will become increasingly difficult to finance and further negatively impact the Company's business and financial condition. The Company believes the recent spike in precious metal prices, at a time when companies are divesting non-core assets, presents a unique opportunity to refocus Montero on acquiring, exploring and defining precious metal resources. Montero is in the process of reducing its multiple country battery metal focus to further reduce costs while it adopts a precious metals focus.

1.2 OVERALL PERFORMANCE

Current Year Highlights

In this current period ending March 31, 2020 there has been no new developments. Below is the overall performance and pending transactions:

Soris Lithium Project in Namibia:

- On October 10, 2017, the Company entered into a Letter of Intent ("LOI") with Frovio Investment ("Frovio") and Mickal Tjituka ("Tjituka"), to acquire an 80% interest in its wholly owned Soris Lithium Project in Namibia (the "Soris "). Under the terms of the LOI, Montero immediately earned an 80% interest in the Project by committing to spending \$1 million and completing a feasibility study within 3 years.
- Montero established Soris Mining (Proprietary) Ltd. in Namibia in November 2017 whereby 80% equity was issued to Montero and 20% to Tjituka. Montero has entered into a shareholder's Agreement with Tjituka covering its term of operations.
- Due to the uncertainties as to who owns the legal rights to the claims an impairment has been recorded of \$224,229 during the year ending December 31, 2019.

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UIS Lithium Tin Tailings Project in Namibia:

- 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"), (the "Owners") to acquire a 95% interest in the UIS Lithium Tin Tailings Project ("Uis Project"). Montero can earn a 95% interest in the Uis Project by spending United States dollars ("US\$") US\$1,425,000 over a three-year period once Montero has completed a legal and technical due diligence to its satisfaction.
- Montero completed checks of the previous RC drilling samples and conducted metallurgical work on various bulk samples of sand and slime tailings.
- A NI43-101 minerals resource estimate was completed by Deloitte Technical Mining Advisory in January 2019 that, based on previous drilling and metallurgical test work, provided an Inferred Mineral Resource Estimate of 17.11 million tonnes at 0.5% SnO₂ and 14.40 million tonnes at 0.37% Li₂O at Uis Tailing project. This is equivalent to 53,3280 tonnes lithium (reported as Li₂O) and 8,958 tonnes tin (reported as SnO₂) in-situ.
- Montero has not made the property option payment of US\$275,000 due on October 15, 2019 to keep the existing agreement in good standing and is in default of the agreement.
- Montero has provided the Owners with an amended agreement on more acceptable terms to the Company and the Owners have not yet provided Montero with a reply or termination letter.
- As the agreement is currently in default the Company has impaired the carrying value of this project.

EPL 6162 Lithium Project in Namibia:

- On March 1, 2018, the Company entered into a binding Letter of Intent ("LOI") with Mr. Esegial Xamseb ("Xamseb"), a Namibian national, to acquire an 80% interest in the Exclusive Prospecting License 6162 ("EPL 6162").
- Montero has officially withdrawn from this project and a termination notice issued resulting in an impairment of \$11,023 for the capitalized costs

Avispa Project in Chile:

- On January 25, 2018, Montero entered into an agreement with certain individuals to apply for claims in Chile utilizing exploration techniques designed to identify lithium deposits. Due to a drop in lithium prices and a lack of meaningful exploration results, the exploration claims lapsed during the 4th quarter of 2019 and the agreement was terminated
- The Company has made a new application in the area to explore for copper molybdenum.

Phosco Phosphate Project in South Africa:

- The licenses comprising the Phosco project expired in February 2019 and the Company has re-applied for only the Prospecting Rights to the Duyker Eiland project area.
- Due to this uncertainty and the Company's focus on lithium in Namibia, the Company recorded an impairment charge for Phosco totaling \$1,362,197 for the year ended December 31, 2018.

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

- On June 26, 2019, the Company signed an amendment to the letter of intent which outlined to the sale of 100% of the Intellectual Property ("IP") relating to the Wigu Hill Project to Cheetah Resources Pty Ltd. ("Cheetah"). Upon signing, the Company received a non-refundable fee of

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\$100,000. Cheetah has agreed to fund a \$500,000 development program over six months and complete a legal and technical due diligence of the IP once a Mining License is awarded at Wigu Hill. Cheetah retains an option to acquire all the Company's equity interest in the Tanzanian subsidiary for \$ 1.1 million after which Cheetah will grant and register a 1% net smelter return royalty payable to the Company on any production from the IP and licenses awarded. Until such time as the mining rights have been granted, Cheetah has agreed to pay overhead costs of US\$7,000 per month. During the current period ending March 31, 2020 the Company received US\$21,000 (\$28,243) towards the overhead costs.

- Discussions with the Government and Mines Ministry and the Company has not yielded any resolution to the Company re-establishing its rights to the Wigu Hill project area.
- On the 19th December 2019, the Government of Tanzania issued a Tender document on its website for the application to tender for a number of mineral properties previously held under Retention License, the list of properties included that for the Wigu Hill Retention License area.
- On 17th January 2020 the Company delivered a "Notice of Intent" to Submit a Claim to Arbitration to the Attorney General of Tanzania in accordance with the 2013 Agreement for the Promotion and Reciprocal Protection of Investments in the Bilateral Investment Treaty ("BIT") between Canada and the United Republic of Tanzania. This was necessary in order to preserve the Company's rights to initiate arbitration should a resolution with the Tanzanian government not be reached on compensation for the expropriation of the property.
- The Company spent \$49,581 on its exploration and evaluation assets and received \$111,144 of cost recoveries for the year ended December 31, 2019. The Company received other reimbursements in the amount of US\$42,575 (\$56,333), plus the deposit of \$100,000 offset by other costs of \$16,840 for a net recovery of \$250,637.
- The Company recorded a net loss of \$71,194 (\$0.01 per share) for the three months ended March 31, 2020 compared to a net loss of \$111,026 (\$0.01 per share) for the three months ended March 31, 2019.

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 1080 - 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 March 31, 2020, 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.

Management has reduced operating costs including voluntary fee reductions from directors, reduced rent and administrative fees and decreased usage of administrative staff and consultants. Management has focused its exploration efforts on the projects it believes will provide the best value to shareholders. It continues its exploration work programs on projects to advance them, and seeks joint venture and other partners for other projects where no exploration is currently being conducted.

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Management believes that controlling 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, Namibia, and Tanzania, are in study phases 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 licenses 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.

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Our Exploration Results To Date

Namibia

Soris Lithium Project

Summary:

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 an 80% interest in a newly formed company that will hold the 8 mining claims that make up the Soris Lithium Project (the "Soris "). Montero 80% interest by committing to spending \$1 million on the Project over a three-year period. Copies of the Mining Claims certificate has been received from Frovio. A private Namibian company has been formed and a shareholder agreement is in place evidencing Montero's 80% equity interest and 20% held by Mickal Tjituka. ("MME").

UIS Lithium Tin Tailings Project

Summary:

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 ("US\$") US\$1,425,000 over a 12-month period. A payment of US\$10,000 required on the execution of the HOA was made, a further payment of US\$40,000 was made on the successful completion of due diligence. A further payment of US\$275,000 shall be paid within six months and the remainder as staged milestone payments.

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

On October 1, 2018, the Owners, LA1 and Montero agreed to an extension of the due diligence period to March 1, 2019 to complete the evaluation of the property. A further extension of the HOA was granted on July 25th, 2019 by which was extended to October 15th, 2019. Montero did not make the property option payment of US\$275,000 payment due on October 15, 2019 to keep the existing agreement in good standing. The Owners have not yet provided Montero with a termination letter. The agreement with LA1 has also expired. As the March 5, 2018 agreement is currently in default, the Company has impaired the carrying value of this project.

EPL 6162 Lithium Project

Summary:

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 License 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 (paid) and make annual payments to him of \$10,000 on the anniversary of the effective date.

Montero spent \$11,023 on the EPL 6162 Lithium Project to the year ending December 31, 2019. The Company has officially withdrawn from this project and a termination notice issued and therefore recorded an impairment of \$11,023 for the capitalized costs.

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Tanzania

WIGU HILL INTELLECTUAL PROPERTY SALE AND DISPUTE

From May 26, 2008 to April 27, 2010 Montero Tanzania completed an earn-in on the Wigu Hill rare earth Project whereby the tenements were transferred to a newly-formed company Wigu Hill Mining Company Limited ("WHMC"). Pursuant to defining a rare earth resource, Montero's interest in WHMC increased to 82.25%. In 2015, Montero applied for and was awarded a Retention Licence over the Wigu Hill Deposit, placing the project on care-and-maintenance. Retention Licences were granted to holders of a prospecting licence after a mineral deposit was defined within the prospecting area which could not immediately be developed due to technical constraints, adverse market conditions or other economic factors.

In July 2017 the Government of Tanzania announced wide-ranging and severe amendments to the Mining Act 2010, which, inter alia, abolished the legislative basis for the Retention License classification with no replacement classification. On 10 January 2018 Tanzania cancelled all Retention Licenses issued prior to 10 January 2018 at which point they ceased to have any legal effect.

On August 8th 2018 the Company signed a letter of intent ("LOI") to sell the holding company that holds 100% of the Intellectual Property ("IP") relating to the Wigu Hill Project to Cheetah Resources Pty Ltd. ("Cheetah"). Upon signing, the Company received a non-refundable fee of CDN of CDN\$100,000. Cheetah agreed to fund a CDN \$500,000 development program over six months to complete a legal and technical due diligence of the IP once a Mining License had been awarded. In the event that Cheetah was to acquire all the Company's equity interest and thereby the IP for CDN \$1.1 million in the Wigu Hill Project after which Cheetah will grant and register a 1% net smelter return royalty payable to the Company on any production from the IP and future licenses awarded at Wigu Hill. Until such time as the Mining rights have been granted, Cheetah has agreed to pay overhead costs of US \$7,000 per month.

On June 26th 2019 an amendment letter to change the terms of the August 8 LOI was signed between Montero and Cheetah. This amendment letter included the following: an assignment of all of Transocean rights to Cheetah; Montero's Holding company to include any other subsidiary Tanzania companies set up by Montero; a payment or Deposit of CDN \$100,000 to be made by Cheetah to Montero which shall be classified as a loan if the Mining License is not awarded and the agreement is terminated by Cheetah.

On the December 19th, 2019, the Mining Commission of Tanzania announced a public invitation to tender for the joint development of areas previously covered by Retention Licenses, including the Wigu Hill Retention License area.

On January 17th, 2019, the Company delivered a "Notice of Intent" to Submit a Claim to Arbitration to the Attorney General of Tanzania in accordance with the 2013 Agreement for the Promotion and Reciprocal Protection of Investments in the Bilateral Investment Treaty ("BIT") between Canada and the United Republic of Tanzania. This was necessary in order to preserve the Company's rights to initiate arbitration should a resolution with the Tanzanian government not be reached on compensation for the expropriation of the property. Montero has thereby formally notified the Tanzanian government that there exists an investment dispute between Montero and Tanzania.

The action of the Tanzanian government revoking the Wigu Hill Retention License and the removal of the rights to the minerals and land conferred thereunder has rendered the Wigu Hill Project valueless. Thus, as a direct consequence of the legislative, regulatory and other measures by the Tanzanian government, the Company has lost completely its investment.

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Montero has written off the value of the Wigu Hill rare earth deposit as a result of the Tanzanian government cancelling the Retention License and transferring the rights there under to the government. The Company has filed the Notice of Intent to protect its substantial investment of in the ground cost of approximately \$11 million.

The "Notice of Intent" is a necessary step before the Company initiates international arbitration under the Bilateral Investment Treaty ("BIT"), signed between Canada and Tanzania in 2013, should a resolution with the Tanzanian government not be reached. The filing of the "Notice of Intent" initiates a 180-day consultation period between the Company and Tanzania during which time they are to attempt to settle the dispute amicably. If no amicable settlement is reached in this 180-day period, the Company may then initiate international arbitration proceedings against Tanzania in accordance with the BIT.

Montero confirms that it is taking all necessary actions to preserve its rights and protect its investments in Tanzania. The Company's desire is for both parties to reach a mutually acceptable outcome. If such an outcome is not achieved before the expiry of the 180-day consultation period, the Company expects it will have no alternative but to pursue its claims before an international tribunal and seek full compensation for damages the Company has suffered as a result of Tanzania's acts and omissions.

Montero can provide no assurance that the Tanzanian government will favour Montero's claims to the defined Wigu Hill Project resource areas and cautions that other companies and individuals have submitted applications and bids for licenses over Montero's previously held resource areas.

Chile

Avispa Claims:

On January 25, 2018, Montero entered into an agreement with certain individuals to apply for claims in Chile utilizing exploration techniques designed to identify lithium deposits. Due to a drop in lithium prices and a lack of meaningful exploration results, the exploration claims lapsed during the 4th quarter of 2019 and the agreement was terminated.

The Company has made a new application in the area to allow the Company to explore for copper molybdenum. Exploration will commence once the new claims have been awarded.

At December 31, 2019, no new claims had been granted to Montero, so the Company recorded these costs as property investigation costs. During the year ended December 31, 2018, Montero spent \$91,781 on a lithium exploration program. During the year ending December 31, 2019 the Company incurred a further \$46,583 on lithium exploration. During the current period ending March 31, 2020, the Company was granted claims and capitalized \$30,102 in costs.

South Africa

Phosco Phosphate Project

The claims to the Phosco Project expired in February, 2019 and Montero has re-applied for the Prospecting Rights to the Duyker Eiland project area only. The Phillips Krall area was not re-applied due to the depth of mineralisation. Due to this uncertainty, the Company's limited resources and a change in focus to lithium projects in Namibia, the Company decided to record an impairment charge for Phosco totaling \$1,362,197

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which includes \$9,393 in reclamation costs. In the year ending December 31, 2019 the Company incurred costs of \$6,648 on the Phosco project which were expensed as project investigation costs.

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 COVID-19 pandemic has initiated travel bans and an economic crisis whereby the Company is restricted in its ability to finance, operate and plan exploration.

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

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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,

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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 Licenses

The validity of mining licenses generally can be contested, and although Montero has taken steps to acquire the necessary title to its mining licenses, some risk exists that title to such licenses may be defective. In order to maintain the mining licenses, Montero must incur certain minimum exploration expenditures annually or risk forfeiture of the mining licenses and any such expenditure made to such time. As a result of the enactment of certain legislation by the Tanzanian government, all existing mineral retention licenses, including those related to the Wigu Hill Project, have been revoked. The Company is eligible to apply to have its license reinstated and has therefore submitted all applications and necessary documents to the Tanzanian Ministry of Minerals for this application. There are no guarantees that Montero will be granted this mining license.

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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.

MONTERO MINING AND EXPLORATION LTD.

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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 Namibia, 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, 2019, 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.

Management has reduced operating costs including voluntary fee reductions from directors, reduced rent and administrative fees and decreased usage of administrative staff and consultants. Management has focused its exploration efforts on the projects it believes will provide the best value to shareholders. It continues its exploration work programs on projects to advance them, and seeks joint venture and other partners for other projects where no exploration is currently being conducted.

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Management believes that controlling 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.

Company Objectives and the Year Ahead

The Company's corporate objectives are to create value by focusing the expertise of its management and board of directors on exploring, discovery and development of metals and minerals projects. The company will endeavour to create value from its properties in Chile, Namibia, Tanzania and South Africa, through exploration and agreements with other partners to advance the projects, or outright sale.

The Company has elected to change its focus away from battery metals due to a contraction of the global economy and the potential for a deep recession due to the corona virus where diminished demand for battery metals may further depress prices. Montero is aggressively reducing its portfolio of battery metals projects as it is difficult to justify exploration. Management has a deep expertise in defining precious metals deposits and is working towards securing precious metal assets outside of Africa in order to add value for shareholders. A new focus on identifying and adding precious metal projects is underway. The company is reducing the existing portfolio of battery metal assets in order to focus on precious metals.

1.3 SELECTED ANNUAL INFORMATION

| | Year ended December 31 | | |
|--|------------------------|-------------|------------|
| | 2019 | 2018 | 2017 |
| Consulting, directors', administrative and management fees | \$ 283,428 | \$ 273,231 | \$ 215,439 |
| Depreciation | 1,058 | 3,764 | 9,564 |
| Impairment of exploration and evaluation assets | 375,091 | 2,582,995 | - |
| Professional fees | 58,311 | 78,352 | 34,508 |
| Project investigation costs | 53,231 | 100,236 | 81,062 |
| Shareholder and regulatory | 45,247 | 90,855 | 41,215 |
| Stock-based compensation | - | 421,447 | - |
| Other operating costs | 50,052 | 63,598 | 58,732 |
| Finance costs | - | - | - |
| Interest income and other | (255,761) | 26,484 | (1,582) |
| Net (loss) | (657,557) | (3,669,089) | (438,938) |
| Basic and diluted (loss) per share | \$ (0.01) | \$ (0.18) | \$ (0.03) |
| Exploration and evaluation assets | - | 403,781 | 2,498,177 |
| Total assets | 83,056 | 467,889 | 2,754,457 |
| Total liabilities | 549,288 | 282,349 | 197,371 |
| Shareholders' equity (deficit) | (466,232) | 185,540 | 2,557,086 |

MONTERO MINING AND EXPLORATION LTD.

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1.4 RESULTS OF Q1 2020 OPERATIONS

During the three months ended March 31, 2020, the Company did not expand on exploration work on its exploration and evaluation assets in Namibia and the Company spent \$30,102 on license and claims in Chile. The total cash expenditures on exploration and evaluation assets for the period ending March 31, 2020 was \$30,102 compared to \$1,537 during the period ending March 31, 2019 and \$6,624 was spent on project investigation costs.

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

Consulting, directors', administrative and management fees decreased from \$70,689 for the three months ended March 31, 2019 to \$66,462 for the three months ended March 31, 2019 due to less administrative fees charged.

Professional fees increased from \$11,594 for the three-month period ended March 31, 2019 to \$14,202 for the three-month period ended March 31, 2020 due to legal costs on the Tanzania situation.

Regulatory fees were lower due to fewer transactions.

The Company has recorded \$32,295 on recovery costs in the current period compared to nil in the prior comparative period.

Other expenses decreased from \$9,883 for the three-month period ended March 31, 2019 to \$2,789 for the three-month period ended March 31, 2020 as a result of less traveling.

The Company's net loss for the three month period ended March 31, 2020 was \$71,194 (\$0.01 per share), compared with a net loss of \$111,026 (\$0.01 per share) for the three month period ended March 31, 2019.

At March 31, 2020, the Company had cash and cash equivalents on hand of \$743 compared to \$10,979 on hand at December 31, 2019. 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.

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, 2019 (Note 8). 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 Namibia and Chile.

MONTERO MINING AND EXPLORATION LTD.**Management's Discussion and Analysis**

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As at March 31, 2020

| | Chile | Namibia | Total |
|-----------------------------------|---------------|--------------|---------------|
| | \$ | \$ | \$ |
| Plant and equipment | 729 | 1,109 | 1,838 |
| Exploration and evaluation assets | 30,102 | - | 30,102 |
| Total non-current assets | 30,831 | 1,109 | 31,940 |

As at December 31, 2019

| | Chile | Namibia | Total |
|---------------------------------|------------|--------------|--------------|
| | \$ | \$ | \$ |
| Plant and equipment | 817 | 1,286 | 2,103 |
| Total non-current assets | 817 | 1,286 | 2,103 |

1.5 SUMMARY OF QUARTERLY RESULTS

| | 2020 Q1 | Q4 | 2019 Q3 | Q2 |
|--|------------|-----------|------------|----------|
| Consulting, directors', administrative and management fees | 86,544 | 50,326 | 71,874 | 71,929 |
| Impairment of exploration and evaluation Assets | - | 602,064 | (152,890) | (74,083) |
| Professional fees | 14,202 | 15,840 | 6,155 | 24,722 |
| Other expenses | 2,789 | 117,023 | 27,003 | 36,991 |
| Interest income and other | (32,341) | (251,681) | 116 | 1,144 |
| Net income/(loss) | (71,194) | (533,572) | 47,742 | (60,701) |
| Basic and diluted (loss) per share | (0.01) | (0.03) | (0.00) | (0.01) |
| Exploration and evaluation assets | - | - | 441,383 | 404,914 |
| Total assets | 130,665 | 83,056 | 559,928 | 495,267 |
| Total liabilities | 671,690 | 549,288 | 494,327 | 512,053 |
| Shareholders' equity (deficit) | (541,025) | (466,232) | 65,601 | (16,786) |

| | 2019 Q1 | Q4 | 2018 Q3 | Q2 |
|--|------------|-------------|------------|-----------|
| | \$ | \$ | \$ | \$ |
| Consulting, directors', administrative and management fees | 89,299 | 61,997 | 66,747 | 68,559 |
| Impairment of exploration and evaluation Assets | - | 2,582,995 | - | - |
| Professional fees | 11,594 | 13,863 | 7,666 | 21,616 |
| Other expenses | 9,883 | 45,001 | 85,243 | 83,226 |
| Stock-based compensation | - | - | - | 421,447 |
| Interest income and other | 250 | (5,144) | 593 | 31,740 |
| Net loss | (111,026) | (2,698,712) | (160,249) | (626,588) |
| Basic and diluted (loss) per share | (0.01) | (0.12) | (0.02) | (0.04) |

MONTERO MINING AND EXPLORATION LTD.

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| | | | | |
|-----------------------------------|---------|---------|-----------|-----------|
| Exploration and evaluation assets | 377,256 | 403,781 | 2,896,502 | 2,777,419 |
| Total assets | 453,969 | 467,889 | 3,034,303 | 3,261,842 |
| Total liabilities | 412,782 | 282,349 | 164,970 | 212,214 |
| Shareholders' equity | 41,187 | 185,540 | 2,869,333 | 3,049,628 |

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.

1.6/1.7 LIQUIDITY AND CAPITAL RESOURCES

The Company held cash and cash equivalents of \$743 as at March 31, 2020 compared to \$10,979 as at December 31, 2019.

The Company used \$30,134 of cash in its operations for the three-month period ended March 31, 2020 compared to cash used of \$34,724 in its operations for the three-month period ended March 31, 2019. The Company used cash of \$30,102 in its investing activities for the three months ended March 31, 2020, compared to gaining cash of \$7,617 in its investing activities for the three-month period ended March 31, 2019. The Company generated Nil cash from its financing activities for the three-month period ended March 31, 2020 and 2019.

No changes in share capital took place for the three month period ended March 31, 2020.

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 audited consolidated financial statements for the year ended December 31, 2019 (Note 4).

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 reduced operating costs including voluntary fee reductions from directors, reduced rent and administrative fees and decreased usage of administrative staff and consultants. Management has focused its exploration efforts on the projects it believes will provide the best value to shareholders. It continues its exploration work programs on projects to advance them and seeks joint venture and other partners for other projects where no exploration is currently being conducted.

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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.

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 March 31, 2020, there were 1,752,000 stock options outstanding at a weighted average exercise price of \$0.25 per share, which expire on May 14, 2023. In addition, there are 3,440,849 warrants outstanding at an exercise price of \$0.32, expiring October 27, 2020.

1.8 OFF-BALANCE SHEET ARRANGEMENTS

Montero does not utilize off-balance sheet arrangements.

1.9 TRANSACTIONS WITH RELATED PARTIES

Key management personnel compensation

| | Three months ended March 31 | |
|---|-----------------------------|--------|
| | 2020 | 2019 |
| | \$ | \$ |
| <i>Compensation of key management personnel</i> | 32,206 | 32,669 |
| | 32,206 | 32,669 |

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.

| | Three months ended March 31 | |
|--|-----------------------------|---------------|
| | 2020 | 2019 |
| | \$ | \$ |
| <i>Operating expense transactions</i> | | |
| Consulting, directors', administrative and management fees | 25,048 | 17,864 |
| General and administrative | 1,734 | 1,868 |
| Total trading transactions with related parties | 26,782 | 19,732 |

Related party balances

| | March 31, 2020 | December 31, 2019 |
|------------------------|----------------|-------------------|
| | \$ | \$ |
| Due to related parties | 334,954 | 274,215 |
| Promissory Note | 50,000 | - |

MONTERO MINING AND EXPLORATION LTD.

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| | | |
|--------------|----------------|----------------|
| Total | 384,954 | 274,215 |
|--------------|----------------|----------------|

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. The promissory note is interest bearing at 5.0% per annum. The unpaid principal amount together with any accrued and unpaid interest, shall become due and payable in full on or before December 31, 2020.

1.10 FOURTH QUARTER

Please see 1.4 SUMMARY OF QUARTERLY RESULTS for information on the fourth quarter of 2019.

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

The Company adopted all of the requirements of IFRS 9 Financial Instruments ("IFRS 9") as of January 1, 2018. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 utilizes a revised model for recognition and measurement of financial instruments and a single, forward-looking "expected loss" impairment model. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9, so the Company's accounting policy with respect to financial liabilities is unchanged. As a result of the adoption of IFRS 9, management has changed its accounting policy for financial assets retrospectively, for assets that continued to be recognized at the date of initial application. The change did not impact the carry value of any of the financial assets or financial liabilities on the transition date.

The following is the Company's new accounting policy for financial instruments under IFRS 9:

i) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

The Company completed a detailed assessment of its financial assets and liabilities as at January 1, 2018. The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

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| <u>Financial assets/liabilities</u> | <u>Original classification IAS 39</u> | <u>New classification IFRS 9</u> |
|-------------------------------------|---------------------------------------|----------------------------------|
| Other receivables | Amortized cost | Amortized cost |
| Deposits | Amortized cost | Amortized cost |
| Reclamation bonds | Amortized cost | Amortized cost |
| Trade and other payables | Amortized cost | Amortized cost |

The Company did not restate prior periods as it recognized the effects of retrospective application to shareholder's equity at the beginning of the 2018 annual reporting period, which also includes the date of initial application. The adoption of IFRS 9 resulted in no impact to the opening accumulated deficit nor to the opening balance of accumulated comprehensive loss on January 1, 2018.

ii) Measurement

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the consolidated statements of net loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the consolidated statements of net loss in the period in which they arise.

iii) Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If, at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the consolidated statements of loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

iv) Derecognition of financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the consolidated statements of loss.

Initial adoption of accounting policies and accounting standards

None.

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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 licenses. 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

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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 are 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 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, Namibia, 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 Tanzanian subsidiaries' functional currency is the United States dollar and the South African and Namibian subsidiaries' functional currency is the Canadian dollar. 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, and rare earth elements) to determine the appropriate course of action to be taken by the Company.

1.14 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 audited consolidated financial statements for the year ended December 31, 2019, and therefore are not required to be repeated here.

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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 audited consolidated financial statements for the year ended December 31, 2019. The number of common shares outstanding as of the date of this report on May 25, 2020 is 21,880,818 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.