



**INV METALS INC.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FOR THE THREE AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2017**

## **INTRODUCTION**

The following Management's Discussion and Analysis ("MD&A") of the financial condition and results of operations of INV Metals Inc. ("INV Metals" or the "Company") was prepared to enable the reader to assess material changes in the financial condition and results of operations of INV Metals as at and for the three and nine-month periods ended September 30, 2017, in comparison to the corresponding three and nine-month periods in the prior year. This MD&A is prepared as at November 13, 2017 and is intended to supplement and complement the interim condensed consolidated financial statements of INV Metals for the three and nine-month periods ended September 30, 2017 and 2016 (the "Financial Statements"), which are prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of interim financial statements, including *IAS 34 – Interim Financial Reporting*.

This MD&A should be read in conjunction with the Financial Statements and the Annual Information Form ("AIF") in respect of the 2016 fiscal year filed with the Canadian provincial securities regulatory authorities and available on the System for Electronic Document Analysis and Retrieval ("SEDAR") at [www.sedar.com](http://www.sedar.com). This MD&A contains certain forward-looking statements based on management's current expectations (please see "Cautionary Note Regarding Forward Looking Statements"). All references to dollars herein are in Canadian dollars ("C\$") unless otherwise specified.

## **COMPANY DESCRIPTION AND HIGHLIGHTS**

INV Metals is an international mineral resource company focused on the acquisition, exploration and development of precious and base metal projects, primarily in Ecuador. The Company is focused on the development and exploration of its 100% owned Loma Larga (formerly Quimsacocha) gold property, located in Ecuador ("Loma Larga," "Project" or "Property").

On September 18, 2017, the Company announced the results of the recent exploration program at Loma Larga, along with preliminary results of the initial field work performed at the Las Peñas and Tierras Coloradas exploration properties, located in Ecuador. The Company drilled 13 exploration holes at Loma Larga, totalling 4,567 m, primarily testing the western extension of the deposit and following up on mineralization discovered during the geotechnical drill program in early 2017. Management is encouraged with the results of the drill program which demonstrate the deposit remains open to the west and the broader high sulphidation system extends beyond the known resources.

Epithermal veins and potential porphyry alteration have been identified on initial reconnaissance at Tierras Coloradas and Las Peñas, with rock chip samples returning encouraging gold values. See "Mineral Properties" for details on exploration programs.

## **OUTLOOK**

In June 2017, the company awarded the Feasibility Study ("FS") of Loma Larga to a consortium of consultants led by DRA Americas Inc. ("FS Consultants"). The engineering work started immediately and is ongoing. Management estimates that the FS is proceeding on schedule. The FS Consultants have begun the engineering on the mine adit for the Underground Confirmation Program ("UCP"), metallurgical test work on the confirmation of the process flow sheet along with testing of the low-grade portion of the resources to determine viability, mine design and infrastructure, as well as continuing work on hydrogeological and geo-mechanical models. It is anticipated that the UCP will commence in 2018. See "Mineral Properties – Loma Larga, Ecuador – Feasibility Study" for further details.

The results of the Company's drill program at Loma Larga confirm the Company's belief in the exploration potential of the property, and that the deposit remains open and has significant potential to the west. The

## **OUTLOOK (continued)**

next phase of the exploration program at Loma Larga will be to analyze the information collected and to target locations for potential high-grade feeder zone to the west, with the goal of adding to the current resource and to discover new deposits on the property. Please see "Mineral Properties - Loma Larga, Ecuador - Exploration" below for further details.

During initial prospecting field work on the Las Peñas and Tierras Coloradas properties, which included mapping and rock chip sampling, the Company discovered numerous silica veins with anomalous to high-grade gold values in surface grab samples. Management plans to perform detailed follow up exploration activities, including geophysics, with the goal of the identification of drill targets when relevant permits have been applied for and issued next year. Please see "Mineral Properties - Exploration Properties, Ecuador" below for further details.

The Company has been reviewing public and proprietary exploration data throughout Ecuador and have identified highly prospective mineral concessions with potential for large gold and gold-copper deposits within Ecuador. This resulted in the Company being granted four highly prospective exploration projects earlier in 2017. The Company is aggressively continuing this strategy and expects to identify and acquire additional highly prospective exploration concessions within Ecuador.

## **MINERAL PROPERTIES**

### **1) Loma Larga, Ecuador**

The Project is located 30 kilometers ("km") southwest of the city of Cuenca and consists of approximately 8,000 hectares held in three contiguous concessions. The Loma Larga deposit is located within the Rio Falso concession. The Project is situated relatively close to existing infrastructure. The Company is preparing a FS on the Project to build upon the Pre-feasibility Study ("PFS") completed in 2016. See "Mineral Properties – Loma Larga, Ecuador – Feasibility Study" below for further details.

#### ***Exploration***

In August, INV Metals completed the first phase of its 2017 exploration drill program at Loma Larga, which commenced in April. The Company drilled 13 exploration holes, totalling 4,567 m, primarily testing the western extension of the deposit and following up on mineralization discovered during the geotechnical drill program in early 2017. A deeper hole testing the potential for porphyry mineralization was also completed in the north end of the present resource.

Management is encouraged with the results of the drill program which demonstrate the deposit remains open to the west and the broader high sulphidation system extends beyond the known resources.

The Loma Larga deposit has a strike length of 1,600 m north-south by 120 m to 400 m east-west, and is up to 60 m thick. The deposit occurs within a silica alteration package interpreted to have been caused by the presence of at least two high grade feeder zones. Management believes the potential for the discovery of one or more feeder zones, believed to be the source of the Loma Larga mineralization, to the west of the current delineated deposit, remains high.

The results of the Loma Larga drill program confirm the Company's belief in the exploration potential of the property, and that the deposit remains open and has significant potential for expansion. The focus of the program was to follow up on silica alteration containing gold mineralization that was encountered approximately 120 m west of the current resource during the Company's geotechnical and hydrogeological investigations of the proposed Loma Larga ramp location. Geotechnical hole LLDGT-004 returned values of 2.17 g/t gold and 52.5 g/t silver, over 19.50 m. As a result, the exploration team designed and conducted a drill program to systematically test for the western extension of the Loma Larga ore body, stepping out up to 600 m from the western border of the current resource. The results of

**MINERAL PROPERTIES (continued)**

**1) Loma Larga, Ecuador (continued)**

***Exploration (continued)***

the drilling are encouraging with interpretations from holes LLD-383 and LLD-385 possibly indicating the presence of a feeder zone approximately 75 m to 100 m from the western boundary of the resource. Hole LLD-383 returned values grading 3.22 g/t gold and 48.7 g/t silver over 51.25 m, including 20.24 g/t gold and 434.4 g/t silver, over 2.75 m, while hole LLD-385 returned values of 1.59 g/t gold and 25.5 g/t silver over 53.00 m, including 8.75 g/t gold and 211.2 g/t silver, over 2.70 m. Additional drilling is being considered by management. A decision will be made after all the pertinent data has been analyzed.

The silica alteration package, which hosts the Loma Larga gold mineralization, was present in all drill holes, providing evidence of a very extensive high sulphidation system on the property, which remains untested to the north, west and south. Gold mineralization, ranging from 0.83 g/t gold over 62 m, and as high as 20.24 g/t gold over 2.75 m, was encountered along all the east-west sections tested.

Nine of the eleven mineralized holes testing the western extension, ranging in distance from 35 m to over 300 m from the border of the known resource, returned gold values higher than the current resource cut-off grade of 2 g/t gold, while the other two holes returned values close to cut-off grade. Other highlights include hole LLD-376 grading 5.27 g/t gold and 64.6 g/t silver over 5 m, and hole LLD-386 grading 9.39 g/t gold and 72.0 g/t silver over 7.00 m. Table 1: Drill Results from Western Extension of Loma Larga below highlights the results of the program.

Hole LLD-384 was a deep hole drilled to a depth of 1,159.76 m to follow up on mineralization outside of the resource to the north which indicated the potential for porphyry style mineralization. The hole was completed at the above depth due to the restricted capability of the drill rig. Assay results grading 0.29 g/t gold and 416 ppb copper over 214.50 m, from a depth of 720.8 m are promising and management interprets that the location of the drill hole may indicate the lateral halo of the porphyry system. The hole intersected anomalous gold mineralized diorite and quartz diorite intrusions hosting quartz, pyrite, magnetite and chalcopyrite veinlets plus disseminated pyrite and magnetite, developed in an Intense Intermediate argillic alteration (illite-kaolinite-muscovite-pyrite). INV Metals will analyze the results from the hole and will determine if further geophysics and/or drilling, including deeper drilling, is warranted to continue to test for porphyry mineralization at Loma Larga.

**Table 1: Drill Results from Western Extension of Loma Larga**

| <b>Hole</b> | <b>From</b> | <b>To</b> | <b>Width</b> | <b>True Width</b> | <b>Au</b> | <b>Ag</b> | <b>Section</b> |
|-------------|-------------|-----------|--------------|-------------------|-----------|-----------|----------------|
|             | metres      | metres    | metres       | metres            | g/t       | g/t       |                |
| LLDGT-004   | 223.50      | 243.00    | 19.50        | 16.90             | 2.17      | 52.5      | 600            |
| including   | 223.50      | 238.00    | 14.50        | 12.60             | 2.63      | 51.5      |                |
| LLD-376     | 187.00      | 196.00    | 9.00         | 8.70              | 3.25      | 32.3      | 600            |
| including   | 192.00      | 196.00    | 4.00         | 3.90              | 5.27      | 64.6      |                |
| LLD-377     | 226.50      | 254.50    | 28.00        | 24.20             | 2.35      | 29.6      | 600            |
| including   | 230.50      | 236.50    | 6.00         | 5.20              | 3.44      | 16.2      |                |
| LLD-378     | 170.00      | 187.00    | 17.00        | 16.40             | 1.65      | 30.6      | 500            |
| LLD-381     | 249.20      | 252.80    | 3.60         | 1.58              | 2.45      | 28.9      | 500            |
| LLD-382     | 167.50      | 186.50    | 19.00        | 18.40             | 2.66      | 57.1      | 800            |
| including   | 171.50      | 180.50    | 9.00         | 8.70              | 3.25      | 91.0      |                |

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**MINERAL PROPERTIES (continued)**

**1) Loma Larga, Ecuador (continued)**

**Exploration (continued)**

**Table 1: Drill Results from Western Extension of Loma Larga (continued)**

| Hole      | From<br>metres | To<br>metres | Width<br>metres | True<br>Width<br>metres | Au<br>g/t | Ag<br>g/t | Section |
|-----------|----------------|--------------|-----------------|-------------------------|-----------|-----------|---------|
| LLD-383   | 170.00         | 221.25       | 51.25           | 48.15                   | 3.22      | 48.7      | 700     |
| including | 179.00         | 217.00       | 38.00           | 35.70                   | 2.53      | 31.6      |         |
| and       | 213.00         | 217.00       | 4.00            | 3.80                    | 3.36      | 65.8      |         |
|           | 218.50         | 221.25       | 2.75            | 1.74                    | 20.24     | 434.4     |         |
| LLD-384   | 720.50         | 935.00       | 214.50          | ND*                     | 0.29      | 0.8       | -       |
| LLD-385   | 161.00         | 214.00       | 53.00           | 49.80                   | 1.59      | 25.5      | 700     |
| including | 162.00         | 177.00       | 15.00           | 14.10                   | 1.83      | 11.9      |         |
| and       | 193.00         | 201.00       | 8.00            | 7.50                    | 2.69      | 54.6      |         |
|           | 244.00         | 262.00       | 18.00           | 16.90                   | 2.28      | 38.8      |         |
| including | 250.00         | 252.70       | 2.70            | 1.70                    | 8.75      | 211.2     |         |
| LLD-386   | 152.00         | 189.35       | 37.35           | 37.20                   | 4.89      | 52.2      | 700     |
| including | 162.00         | 189.35       | 27.35           | 27.20                   | 5.89      | 67.4      |         |
| and       | 174.00         | 181.00       | 7.00            | 6.97                    | 9.39      | 72.0      |         |
| LLD-387   | 137.00         | 197.20       | 60.20           | 56.60                   | 0.83      | 26.0      | 800     |
| including | 149.00         | 153.00       | 4.00            | 3.80                    | 1.44      | 4.5       |         |
| and       | 186.00         | 197.20       | 11.20           | 10.50                   | 1.27      | 64.0      |         |
| and       | 192.00         | 197.20       | 5.20            | 4.90                    | 1.65      | 94.5      |         |
| LLD-388   | 126.00         | 161.00       | 35.00           | 33.80                   | 2.32      | 20.3      | 800     |
| including | 126.00         | 137.00       | 11.00           | 10.60                   | 3.36      | 14.0      |         |
| and       | 133.00         | 137.00       | 4.00            | 3.90                    | 5.31      | 24.9      |         |

\*Note: True widths determinations are estimated at 84-100% of the reported core length intervals for most of the holes, estimated sectionally based on the current alteration zone interpretation. The true width of Hole LLD-384 cannot be determined at this time.

Holes LLD-378 and LLD-380 were drilled to test for silica alteration and potential feeders up to 600 m from the current resource boundary, beneath of dacitic lithology identified on surface. Although no mineralized results were encountered, the presence of thick silica alteration in these holes at this significant distance from the current ore body is encouraging.

Table 2 below presents the drill results from the geotechnical and hydrogeological holes drilled within the Loma Larga deposit in early 2017 to obtain data for modelling. The results are in line with previous drill results and will be included in future resources and reserves calculation. Various samples of the core from these holes will be utilized in the on-going metallurgical test work program as part of the FS.

**MINERAL PROPERTIES (continued)**

**1) Loma Larga, Ecuador (continued)**

**Exploration (continued)**

**Table 2:** Drill Results from Geotechnical and Hydrogeological Program

| Hole      | From<br>metres      | To<br>metres | Width<br>metres | True Width*<br>metres | Au<br>g/t | Ag<br>g/t |
|-----------|---------------------|--------------|-----------------|-----------------------|-----------|-----------|
| LLDGT-007 | 71.45               | 77.50        | 6.05            | 5.70                  | 1.24      | 1.5       |
|           | 131.24              | 183.23       | 51.99           | 48.90                 | 3.25      | 27.6      |
|           | including<br>131.24 | 153.00       | 21.76           | 20.40                 | 4.20      | 11.8      |
|           | and<br>163.00       | 170.00       | 7.00            | 6.60                  | 4.88      | 53.7      |
| LLDGT-008 | 60.50               | 71.50        | 11.00           | 9.50                  | 7.27      | 91.8      |
|           | including<br>64.50  | 67.50        | 3.00            | 2.60                  | 12.97     | 155.8     |
|           | 92.80               | 173.00       | 80.20           | 69.50                 | 3.28      | 13.6      |
| LLDGT-011 | 120.00              | 161.00       | 41.00           | 39.40                 | 4.72      | 14.0      |
|           | including<br>141.00 | 149.00       | 8.00            | 7.70                  | 8.68      | 21.9      |
|           | 173.00              | 196.00       | 23.00           | 22.10                 | 3.00      | 12.8      |
|           | including<br>189.00 | 196.00       | 7.00            | 6.70                  | 4.82      | 18.1      |

\* Note: True widths determinations are estimated at 84-96% of the reported core length intervals for most of the holes, estimated sectionally based on the current alteration zone interpretation.

**Exploitation Contract**

In May 2017, The Company announced it successfully completed negotiations with the Ecuadorian Government on the terms and form of the Mining Exploitation Contract ("Exploitation Contract") for Loma Larga. The Company anticipates the Exploitation Contract will be executed after the successful completion of the FS and other key milestones.

A summary of the key items of the Exploitation Contract are noted below.

- INV Minerale Ecuador S.A. INVMINEC ("INV Minerale"), the Company's wholly owned Ecuadorian subsidiary, has the right to develop and operate Loma Larga for a period of 25 years, subject to renewal.
- INV Minerale will pay a royalty of 5% on the net income ("Royalty" or "Royalties") of precious metals and related by-product sales.
- INV Minerale will pay US\$15 million of the Royalty in advance ("Advanced Royalty") to primarily support community development and social programs.
- Payments of the Advanced Royalty will be subject to the following schedule and milestones:
  - i) US\$5 million on the execution of the Exploitation Contract;
  - ii) US\$5 million on the first anniversary of the execution of the Exploitation Contract; and
  - iii) US\$5 million on the second anniversary of the execution of the Exploitation Contract.
- The Advanced Royalty is deductible against future Royalties payable in the amount that is the lesser of 50% of the Royalties payable in a six-month period or 20% of the total Advanced Royalty calculated annually.

**MINERAL PROPERTIES (continued)**

**1) Loma Larga, Ecuador (continued)**

***Feasibility Study***

The FS Consultants are fully engaged in preparing the FS, building upon the Company's PFS prepared in 2016. The engineering work started immediately in June 2017, and management anticipates that it is proceeding on schedule. Areas of focus to-date include metallurgy, hydrology, site investigation studies for mine and process plant construction, tailings storage facilities, as well as access road construction and electrical power delivery to the site. Environmental investigations required for the necessary permits to construct and operate the mine, and to construct roads and power lines has also commenced. The engineering on the plans and schedules for the development of the mine, including mine design, geotechnical test work on mine openings, ventilation, pumping and paste backfill is ongoing.

The FS Consultants have also begun work on permitting for the UCP. The purpose of the ramp will be to drive an access to the ore to allow further drilling of the resource, as well as obtaining further metallurgical samples, while studying the development of the water inflow model and the ground support requirements. This will also allow the Company to commence a training program for local constituents, who may have the opportunity to work at the mine during construction and later in operations. It is anticipated that the UCP will commence in 2018.

The results of the PFS support the development of an underground mine at Loma Larga with production of approximately 3,000 tonnes per day ("tpd") and average annual gold production of 150,000 ounces. The economics of the PFS suggest a high return gold project with low capital and operating costs. Based on an estimated initial capital cost of US\$286 million and sustaining and reclamation capital of US\$94 million, a pre-tax IRR of 35.7%, an after-tax IRR of 26.3% and, using a 5% discount rate, a net present value of US\$490 million pre-tax and US\$301 million after-tax is anticipated at a gold price of US\$1,250/ounce. The undiscounted pre-tax cash flow is estimated at US\$772 million over the mine life, and simple payback occurs after 2.1 years. On an after-tax basis, the undiscounted cash flow is estimated at US\$496 million over the mine life with simple payback occurring after 2.7 years.

The PFS estimates probable mineral reserves of 1.86 million ounces of gold, 10.5 million ounces of silver and 73.6 million pounds of copper resulting from the production of 11.6 million tonnes grading at 4.98 g/t Au, 28 g/t Ag and 0.29% Cu. The PFS also estimates the mineral resources to include 2.55 million ounces of gold grading at 4.42 g/t of indicated mineral resources, as well as 0.54 million ounces of gold grading at 2.29 g/t of inferred mineral resources. Indicated mineral resources are inclusive of probable mineral reserves.

Estimated Life of Mine ("LOM") production of 1.68 million ounces of gold, 9.83 million ounces of silver and 71.30 million pounds of copper occurs over the estimated initial mine life of 12 years using an average gold recovery of 90%, average silver recovery of 94% and average copper recovery of 97%.

The concentrate production is estimated to contain an average of 150,000 ounces of gold per year with an estimated LOM cash cost per ounce ("Cash Cost") of US\$510/ounce<sup>1</sup> and an estimated LOM all-in sustaining cash cost ("AISC") of US\$590/ounce<sup>1</sup> after by-product credits.

Full details of the PFS can be found in the technical report titled "Technical Report on the Loma Larga Project, Azuay Province, Ecuador" (the "Technical Report"), which is available under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Company's website at [www.invmetals.com](http://www.invmetals.com).

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<sup>1</sup>"Cash Cost" and "AISC" are non-IFRS Performance Measures (see "Non-IFRS Measures").

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**MINERAL PROPERTIES (continued)**

**1) Loma Larga, Ecuador (continued)**

***Expenditures at Loma Larga in the nine-months ended September 30, 2017***

The following table sets forth a breakdown of material components of expenditures incurred at Loma Larga in the nine-month periods ended September 30, 2017 and 2016.

|  | 2017          | 2016          |
|--|---------------|---------------|
| Opening balance - January 1                  | \$ 48,687,558 | \$ 45,274,209 |
| Geological interpretation                    | 764,359       | 763,010       |
| Pre-feasibility study                        | 6,437         | 465,473       |
| Feasibility study                            | 1,645,061     | -             |
| Drilling and related costs                   | 2,917,880     | -             |
| Concession and related costs                 | 393,747       | 375,135       |
| General and administration                   | 612,804       | 536,131       |
| Camp, community relations and field expenses | 1,194,241     | 854,597       |
| Total expenditures - September 30            | 7,534,529     | 2,994,346     |
| Exchange differences                         | (3,621,878)   | (2,333,042)   |
| Closing balance - September 30               | \$ 52,600,209 | \$ 45,935,513 |

In the nine-month period ended September 30, 2017, total expenditures at Loma Larga increased to \$7,534,529, compared to \$2,994,346 in the corresponding period in 2016. The 2017 expenditures were higher than the same period in 2016 due to critical path long lead items and test work, as well as increased project expenditures overall to support the FS and the exploration drill program at Loma Larga in 2017.

Project and exploration expenditures have been in line with expectations overall for the nine-month period. The operating budget for 2017 is comprised of \$2.9 million of Project expenditures in Ecuador, \$7.3 million for the FS at Loma Larga and \$5 million for exploration at Loma Larga and other new exploration projects in Ecuador. Exchange differences included in budget values are approximately \$2.3 million.

**2) Exploration Properties, Ecuador**

As at the date hereof, the Company holds 100% interest other exploration concessions recently granted in Ecuador, including the Las Peñas, Tierras Coloradas, La Rebuscada and the Carolina exploration projects.

The Company believes Las Peñas holds numerous low and intermediate sulphidation gold, silver and base metal targets, and both Tierras Coloradas and La Rebuscada host highly prospective epithermal gold and silver targets. The Carolina concession is located within one km south east of SolGold PLC and Cornerstone Capital Resources Inc.'s significant Cascabel copper-gold porphyry discovery.

A \$2 million exploration program is underway on these properties consisting of surface mapping, geochemical sampling and geophysical surveys with the goal to defining additional drill targets by year-end. Expenditures in the nine months ended September 30, 2017, consist primarily of concession fees and initial prospecting. Results of exploration programs at Las Peñas and Tierras Coloradas to-date are noted below.

**MINERAL PROPERTIES (continued)**

**2) Exploration Properties, Ecuador (continued)**

***Las Peñas Project***

The Las Peñas concessions are comprised of 30,278 hectares, located in central Ecuador, within the provinces of Azuay and Cañar, approximately 20 m to 40 km north of the Company's Loma Larga gold development project and northeast of the Rio Blanco deposit.

Management believes the area is prospective for intermediate and low sulphidation epithermal gold systems, and early indications also indicate the presence of porphyry type targets. Initial field work consisted of prospecting activities, which included geological and structural mapping, as well as rock chip and stream sediment sampling.

Within three discrete areas, the presence of quartz veins were identified, the longest of which is the Pampeada vein which was traced on surface for 6,000 m. Of the 20 rock chip samples taken from this vein, 5 returned assay values over 2 g/t gold with the highest returning assays of 8.7 g/t gold. The La Cresta vein was traced on surface for approximately 400 m with 10 of the 37 rock chip grab samples of vein material grading greater than 1 g/t gold, including 2 samples grading over 4.5 g/t gold. The Playas Ecantadas vein was traced for about 250 m and 2 of the 21 samples returned assays grading over 1 g/t gold, with the highest returning a value of 39.6 g/t gold.

***Tierras Coloradas Project***

The Tierras Coloradas concessions are comprised of 10,071 hectares located in the southern part of Ecuador in the province of Loja, near the border of Peru. Initial prospecting fieldwork has identified seven priority quartz vein areas for detailed follow up. The quartz veins identified on surface have a combined length of approximately 7.2 km. Approximately 1,200 m of the veins range between 0.5 m and 2 m wide and about 1,800 m of the veins are estimated at over 2 m wide.

INV Metals collected 93 rock chip samples from the seven quartz vein areas mentioned above and the assay results demonstrated 20 of 93 samples returned gold values greater than 0.5 g/t (with corresponding silver values similar to historical data). The majority of the samples returned assay values of at least anomalous gold. Highlights from the grab samples include values of 49 g/t gold, 30.1 g/t gold and 8.1 g/t gold (with corresponding silver values similar to historical data).

***Expenditures at Ecuador Exploration Properties in the nine-months ended September 30, 2017***

|                                   | 2017       |                   |              |          | Total        |
|-----------------------------------|------------|-------------------|--------------|----------|--------------|
|                                   | Las Peñas  | Tierras Coloradas | La Rebuscada | Carolina |              |
| Opening balance - January 1       | \$ -       | \$ -              | \$ -         | \$ -     | \$ -         |
| Geological interpretation         | 330,129    | 364,629           | 28,947       | -        | 723,705      |
| Concession and related costs      | 354,971    | 125,063           | 37,179       | 1,870    | 519,083      |
| Total expenditures - September 30 | 685,100    | 489,692           | 66,126       | 1,870    | 1,242,788    |
| Exchange differences              | (32,947)   | (23,093)          | (2,142)      | -        | (58,182)     |
| Closing balance - September 30    | \$ 652,153 | \$ 466,599        | \$ 63,984    | \$ 1,870 | \$ 1,184,606 |

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**RESULTS OF OPERATIONS**

The following table presents the changes between INV Metals' consolidated statement of loss and comprehensive loss/(income) for the three and nine-month periods ended September 30, 2017 and 2016.

| <i>For the periods ended</i>                   | Three Months Ended    |                       |                     | Nine Months Ended     |                       |                     |
|--|-----------------------|-----------------------|---------------------|-----------------------|-----------------------|---------------------|
|  | September 30,<br>2017 | September 30,<br>2016 | Change              | September 30,<br>2017 | September 30,<br>2016 | Change              |
| <b>General and administration</b>              |                       |                       |                     |                       |                       |                     |
| Shareholder and regulatory                     | \$ 117,840            | \$ 12,955             | \$ 104,885          | \$ 326,106            | \$ 81,641             | \$ 244,465          |
| Travel expense                                 | 53,921                | 3,097                 | 50,824              | 103,002               | 21,755                | 81,247              |
| Office   | 59,080                | 34,628                | 24,452              | 176,587               | 142,462               | 34,125              |
| Total general and administration               | 230,841               | 50,680                | 180,161             | 605,695               | 245,858               | 359,837             |
| <b>Compensation</b>                            |                       |                       |                     |                       |                       |                     |
| Compensation                                   | 370,319               | 226,341               | 143,978             | 1,242,482             | 735,225               | 507,257             |
| Stock-based compensation                       | 286,963               | 77,682                | 209,281             | 931,817               | 356,709               | 575,108             |
| Total compensation                             | 657,282               | 304,023               | 353,259             | 2,174,299             | 1,091,934             | 1,082,365           |
| Professional fees                              | 27,374                | 56,004                | (28,630)            | 152,884               | 153,157               | (273)               |
| Write down of exploration property             | -                     | -                     | -                   | -                     | 452,308               | (452,308)           |
| Fair value gain on investments                 | (188,604)             | (64,026)              | (124,578)           | (254,293)             | (138,129)             | (116,164)           |
| Other expenses and general exploration         | 7,247                 | 9,512                 | (2,265)             | 848,153               | 40,477                | 807,676             |
| Foreign exchange (gain)/loss                   | (14,421)              | (3,633)               | (10,788)            | 170,970               | 3,295                 | 167,675             |
| <b>Operating loss</b>                          | <b>719,719</b>        | <b>352,560</b>        | <b>367,159</b>      | <b>3,697,708</b>      | <b>1,848,900</b>      | <b>1,848,808</b>    |
| Finance income                                 | (57,881)              | (24,456)              | (33,425)            | (150,672)             | (74,255)              | (76,417)            |
| <b>Total loss for the period</b>               | <b>\$ 661,838</b>     | <b>\$ 328,104</b>     | <b>\$ 333,734</b>   | <b>\$ 3,547,036</b>   | <b>\$ 1,774,645</b>   | <b>\$ 1,772,391</b> |
| <b>Other comprehensive loss</b>                |                       |                       |                     |                       |                       |                     |
| Cumulative translation adjustment              | 2,147,301             | (754,846)             | 2,902,147           | 3,851,251             | 2,352,170             | 1,499,081           |
| <b>Total comprehensive loss for the period</b> | <b>\$ 2,809,139</b>   | <b>\$ (426,742)</b>   | <b>\$ 3,235,881</b> | <b>\$ 7,398,287</b>   | <b>\$ 4,126,815</b>   | <b>\$ 3,271,472</b> |

During the three-month period ended September 30, 2017 the Company recorded a total loss from continuing operations of \$661,838 or \$0.01 per share, compared to \$328,104 or \$0.01 per share in Q3/2016, an increase of \$333,734 from the corresponding period in the prior year mainly due to higher shareholder and regulatory costs due to marketing efforts and higher compensation costs, offset by gains on fair value investments.

For the nine-month period ended September 30, 2017, the Company recorded a total loss of \$3,547,036 or \$0.04 per share, which was \$1,772,391 higher than the corresponding period in the prior year total loss of \$1,774,645 or \$0.03 per share. The loss increased in nine-month period in 2017 compared to the corresponding period in 2016 mainly due to a one-time mandatory contribution to the Government of Ecuador for earthquake relief efforts, higher compensation costs and stock-based compensation costs in 2017, higher shareholder and regulatory costs and higher foreign exchange losses, offset by a write-down of the Kaoko property that occurred in 2016 and gains on fair value investments.

Shareholder and regulatory expenses totalled \$117,840 in Q3/2017, an increase of \$104,885 from \$12,955 in Q3/2016 due to corporate marketing efforts in the quarter. Shareholder and regulatory expenses increased year-to-date by \$244,465 from \$81,641 to \$326,106. The increase in the nine-month period is due to corporate marketing efforts and conference attendance in 2017.

In Q3/2017, travel expenses were higher by \$50,824 totalling \$53,921 from \$3,097 in Q3/2016. For the nine-month period ended September 30, 2017, travel expenses totalled \$103,002, an increase of \$81,247 from \$21,755. The increase for the three and in nine-month period ended September 30, 2017 was due to corporate marketing efforts and conference attendance.

During Q3/2017, compensation expenses totalled \$370,319 compared to \$226,341 in Q3/2016, an increase of \$143,978. For the nine-month period to-date compensation expenses totalled \$1,242,482

## **RESULTS OF OPERATIONS (continued)**

compared to \$735,225 in the corresponding period in 2016, an increase of \$507,257. The increase for the three and nine-month periods compared to the same periods in the prior year was mainly as a result of a larger number of employees at INV Metals due to the commencement of the FS and bonuses paid to employees in Q1/2017.

In Q3/2017, the stock-based compensation expense was higher by \$209,281 totalling \$286,963 from \$77,682 in Q3/2016. For the nine-month period ended September 30, 2017, stock-based compensation expenses totalled \$931,817, an increase of \$575,108 from \$356,709. The increase for the three and nine-month period was due to vesting of options issued in Q1/2017.

During the nine-month period ended September 30, 2017, the write-down of exploration property decreased from \$452,308 to nil over the same period in 2016 due to write-downs of the Kaoko property in Namibia in Q2/2016. No further write-downs were deemed necessary by management in 2017.

The fair value gain on investments totalled \$188,604 in Q3/2017, an increase of \$124,578 from a gain of \$64,026 in Q3/2016. The year-to-date gain on investments increased by \$116,164 to \$254,293 in the nine-month period, compared to a gain of \$138,129 in the same period in 2016. The increase in the three and nine-month periods is due gains on mark-to-market on investments in 2017.

The foreign exchange gain increased by \$10,788 from a gain of \$3,633 in Q3/2016 to \$14,421 in Q3/2017. Year-to-date, foreign exchange losses totalled \$170,970, an increase of \$167,675 from \$3,295 in the corresponding period in 2016. The fluctuations in the three and nine-month periods are due to a higher cash balance held in USD compared to the same periods in the prior year, and an appreciation of the Canadian Dollar ("CAD") relative to USD in the quarter.

The cumulative translation adjustment increased by \$2,902,147 to \$2,147,301 in Q3/2017 compared to a gain of \$754,846 in Q3/2016. For the nine-month period year-to-date, cumulative translation increased by \$1,499,081 compared to the same period in 2016 from \$2,352,170 to \$3,851,251. The movements in the three and nine-month periods are as a result of changes in the US dollar value relative to the Canadian dollar on translation of the assets and liabilities of the Ecuadorian subsidiary.

## **FOREIGN EXCHANGE**

INV Metals reports its financial results in Canadian dollars. The Company's expenses include costs incurred in Canadian and US dollars.

The CAD increased in value relative to the USD during the three-month ended September 30, 2017 as the average rate was \$1.2536/US\$1.00 compared to an average rate of \$1.3038/US\$1.00 in Q3/2016. The CAD also increased in value relative to the USD for the first nine months of the year in 2017, as the average rate was C\$1.3071/US\$, compared to C\$1.3219/US\$ during the same period in 2016.

The CAD was \$1.2681/US\$1.00 as at November 12, 2017.

## **FINANCIAL CONDITION AND LIQUIDITY**

### ***Operating activities***

The Company is not in commercial production on any of its properties and accordingly, does not generate cash from operations. The Company finances its activities by raising capital through equity issuances. During the nine-month period ended September 30, 2017 and 2016, the Company had negative cash flow from operating activities and anticipates negative cash flow from operating activities in future periods until such time that commercial production may be achieved from the development of Loma Larga.

**INV METALS INC.**  
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**FINANCIAL CONDITION AND LIQUIDITY (continued)**

***Operating activities (continued)***

Cash flows used in operating activities in the nine-month period ended September 30, 2017 totalled \$2,641,010, compared to \$1,137,396 in the nine-month period in 2016. Changes in share-based compensation, interest income on cash deposits, foreign currency translation losses and unrealized fair value gains on investments comprise the principal amounts that reconcile the statement of loss to the statement of cash flows from operating activities.

See "Contractual Obligations and Commitments" and "Liquidity and Capital Resources" below for further discussion of the Company's contractual commitments and ability to fund those commitments in connection with its business plan.

***Financing activities***

On March 2, 2017, the Company completed an equity financing by way of short form prospectus offering ("the Offering") issuing 27.6 million common shares for gross proceeds of \$27.6 million less transaction costs of \$2.3 million for net proceeds of \$25.3 million. The Company intends to use the net proceeds of the Offering to advance the development of Loma Larga, including the initiation of a FS, exploration at Loma Larga and the Company's other exploration properties within Ecuador, and for general corporate purposes. See "Use of Proceeds" for details.

***Investing activities***

Cash flows used in investing activities for the nine-month period ended September 30, 2017 totalled \$8,672,954 compared to \$2,789,033 for the corresponding nine-month period in 2016. Investing activities in 2017 were higher than the same period in 2016 primarily due to expenditures related to critical path FS fieldwork at Loma Larga, including drilling, and exploration programs at both Loma Larga and the newly acquired Ecuadorian exploration concessions.

***Liquidity and Capital Resources***

As at September 30, 2017, the Company had cash of \$22,817,944 (2016 - \$8,737,850) and working capital<sup>2</sup> of \$22,030,631 (2016 - \$8,380,909). The following table sets forth a breakdown of the components to calculate working capital as at September 30, 2017 and December 31, 2016.

| <i>For the years ended</i> | <b>September 30,<br/>2017</b> | <b>December 31,<br/>2016</b> |
|----------------------------|-------------------------------|------------------------------|
| <b>Current assets</b>      |                               |                              |
| Cash                       | \$ 22,817,944                 | \$ 8,737,850                 |
| Other receivables          | 606,787                       | 130,498                      |
|                            | <b>23,424,731</b>             | <b>8,868,348</b>             |
| <b>Current liabilities</b> |                               |                              |
| Other payables             | 1,394,100                     | 487,439                      |
|                            | <b>1,394,100</b>              | <b>487,439</b>               |
| <b>Working capital</b>     | <b>\$ 22,030,631</b>          | <b>\$ 8,380,909</b>          |

Cash and working capital have increased in 2017 due to the Offering, partially offset by expenditures at Loma Larga, exploration concessions and general corporate expenditures. The majority of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

<sup>2</sup> "Working Capital" is a non-IFRS Performance Measure (see "Non-IFRS Measures").

**FINANCIAL CONDITION AND LIQUIDITY (continued)**

***Liquidity and Capital Resources (continued)***

In management's view, the Company has sufficient financial resources to maintain the Property in good standing and fund ongoing operating and administrative expenditures given that the Company had working capital of \$22,030,631 as at September 30, 2017. The value of the Canadian dollar relative to the US dollar significantly impacts the Company's operating budget as Loma Larga expenditures and regional exploration in Ecuador are USD denominated.

The Company has, in the past, financed its activities by raising capital through equity issuances. Many factors influence the ability to raise funds, including the current economic climate for and overall sentiment towards mineral exploration investment, the Company's track record, foreign exchange fluctuations at the Ecuadorian subsidiary and the experience and caliber of its management. Although the Company has been able to access external financing to-date, there can be no assurance that funding will be available in the future or available on acceptable terms.

A continuous review of capital expenditure programs ensures the Company's capital resources are utilized in a responsible and sustainable manner to conserve cash and maintain adequate working capital. The Company's future is dependent upon its ability to obtain sufficient cash from external financing and related parties in order to fund its ongoing operations, permitting, further feasibility desktop study work, and ultimate development and construction of the Project. The Company will consider over the near term the requirements to advance Loma Larga to the next phase of evaluation and finance further exploration.

The Company will continue to be dependent on raising equity capital or debt, in addition to adjusting expenditures and disposing of assets as required unless it reaches the production stage and generates cash flow from operations. See "Risks and Uncertainties" for further details.

**USE OF PROCEEDS**

The Company's objectives are to bring Loma Larga into production at the earliest opportunity and to grow through internal exploration and strategic acquisitions. The Company was awarded exploration concessions by the Government of Ecuador, including the Las Peñas, Tierras Coloradas, La Rebuscada and the Carolina exploration projects in 2017. See "Company Description and Highlights".

The Company intends to use the proceeds of the Offering (the "Proceeds"), in part, to complete its FS on the Property over the following 14 months. In addition, the Company intends to use the Proceeds, in part, to undertake exploration programs on Loma Larga, and to undertake early stage exploration of the Company's other recently acquired properties in Ecuador.

| <b>Use of Proceeds</b>   | <b>Previously Disclosed</b> | <b>Expenditures</b> |
|--|-----------------------------|---------------------|
| Initiation and Advancement of the Loma Larga Project Feasibility Study | \$ 11,500,000               | \$ 2,309,000        |
| Exploration at the Loma Larga Property and Other Properties in Ecuador | 5,000,000                   | 3,438,000           |
| Working Capital and General Corporate Purposes                         | 8,800,000                   | 713,000             |
|  | <b>\$ 25,300,000</b>        | <b>\$ 6,460,000</b> |

The FS expenditures above include funds for the geotechnical and hydrogeological programs as well as initial engineering, environmental and permitting costs. The exploration drill program at Loma Larga continued throughout Q3/2017 with the Company expending \$2.2 million of a budgeted \$3 million. Exploration work at other properties in Ecuador commenced in Q2/2017 and continued in Q3/2017, with the Company expending \$1.2 million of a budgeted \$2 million for concession fees and initial prospecting activities.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
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**RELATED PARTY TRANSACTIONS**

The Company's related parties and subsidiaries are the same as those presented by the Company in its Financial Statements.

**1) Transactions with related parties**

There were no transactions with related parties in Q3/2017 other than as noted below for remuneration of directors and officers.

- i) On March 2, 2017 IAMGOLD Corporation and certain directors and officers participated in Offering. See "Company Description and Highlights" for further detail.
- ii) A company of which a director is the Chief Executive Officer provided capital market advisory services to INV Metals in the amount of \$70,000 in relation to the Offering approved by the board of directors.

**2) Remuneration of directors and officers**

The following summarizes remuneration of directors and officers during the nine-month periods ended September 30, 2017 and 2016.

|                            | <b>September 30,<br/>2017</b> | September 30,<br>2016 |
|----------------------------|-------------------------------|-----------------------|
| Salaries of key management | <b>\$ 818,025</b>             | \$ 368,604            |
| Director fees              | <b>174,403</b>                | 178,206               |
| Stock-based compensation   | <b>883,624</b>                | 318,856               |
|                            | <b>\$ 1,876,052</b>           | \$ 865,666            |

**CONTRACTUAL OBLIGATIONS AND COMMITMENTS**

The Company has committed to payments under various leases and other commitments as outlined in the table below. The expenditures for amounts which may be required to maintain the Company's mineral properties in good standing are not outlined in the table below.

|                               | <b>Total</b> | <b>Less than One<br/>Year</b> | <b>Between<br/>1 - 5 Years</b> | <b>More than<br/>5 Years</b> |
|-------------------------------|--------------|-------------------------------|--------------------------------|------------------------------|
| Office and house leases       | \$ 1,044,610 | \$ 230,406                    | \$ 814,204                     | \$ -                         |
| Environmental management plan | \$ 336,147   | \$ 336,147                    | \$ -                           | \$ -                         |

INV Metals has a lease arrangement for office space in effect until December 31, 2017. During the nine-month period ended September 30, 2017, an amount of \$212,206 was recognized in the Company's total loss for operating leases.

INV Mineraleas holds a term deposit relating to its environmental management plan for ongoing expenditures related to environmental matters at Loma Larga.

**QUARTERLY FINANCIAL INFORMATION**

The following selected financial data has been derived from the Company's Financial Statements. The total comprehensive (loss)/income in each quarter below includes cumulative translation adjustments of the Company's Ecuadorian subsidiary, which fluctuate due to movements of the Canadian dollar relative to the US dollar.

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**QUARTERLY FINANCIAL INFORMATION (continued)**

| <i>For the period ended</i>                                    | September 30,<br>2017 | June 30,<br>2017 | March 31,<br>2017 | December 31,<br>2016 |
|--|-----------------------|------------------|-------------------|----------------------|
| Interest income  | \$ 57,881             | \$ 59,445        | \$ 33,347         | \$ 20,996            |
| Total loss   | (661,838)             | (1,105,285)      | (1,779,909)       | (540,518)            |
| Total comprehensive (loss)/income                              | (2,809,139)           | (2,473,237)      | (2,115,906)       | 470,952              |
| Loss per share from continuing operations* - basic and diluted | \$ (0.01)             | \$ (0.01)        | \$ (0.02)         | \$ (0.01)            |

| <i>For the period ended</i>                                    | September 30,<br>2016 | June 30,<br>2016 | March 31,<br>2016 | December 31,<br>2015 |
|--|-----------------------|------------------|-------------------|----------------------|
| Interest income  | \$ 24,456             | \$ 26,704        | \$ 23,096         | \$ 22,919            |
| Total loss   | (328,104)             | (1,125,583)      | (320,963)         | (375,718)            |
| Total comprehensive (loss)/income                              | 426,742               | (1,286,131)      | (3,267,431)       | 1,122,981            |
| Loss per share from continuing operations* - basic and diluted | \$ (0.01)             | \$ (0.02)        | \$ (0.01)         | \$ (0.01)            |

*\*Basic and diluted loss per share is calculated based on the weighted-average number of shares outstanding. The conversion of stock options and restricted share units is not included in the calculation of the diluted loss per share because the conversion would be anti-dilutive.*

The total loss decreased in Q3/2017 compared to Q2/2017 primarily due to gains on marked to market and lower foreign currency translation losses. The total loss decreased in Q2/2017 compared to Q1/2017 primarily due to lower compensation and stock-based compensation expenses in the quarter. The total loss increased in Q1/2017 compared to Q4/2016 primarily due to a one-time mandatory contribution to the Government of Ecuador for the earthquake relief efforts, compensation and stock-based compensation expenses in the quarter. The total loss increased in Q4/2016 compared to Q3/2016 primarily due to corporate marketing efforts and conference attendance expenditures. The total loss decreased in Q3/2016 compared to Q2/2016 primarily due to a write-down of the Kaoko property in Namibia, offset by increased share-based payment expenses. The total loss increased in Q2/2016 compared to Q1/2016 primarily due to a write-down of the Kaoko property in Namibia and increased share-based payment expenses from the issuance of stock options and restricted share units in the quarter. The total loss decreased in Q1/2016 compared to Q4/2015 primarily due to fair value gains on investments compared to losses in Q4/2015. The total loss decreased in Q4/2015 compared to Q3/2015 primarily due to an amount included in compensation costs for payments relating to the retirement of an employee in Q3/2015.

**OUTSTANDING SHARE DATA**

As at November 13, 2017 the Company had 92,586,747 Common Shares outstanding, as well as stock options to purchase 7,589,500 Common Shares at a weighted average price of \$0.90 and restricted share units of 691,902 at a weighted average price of \$0.38.

**OFF-BALANCE SHEET TRANSACTIONS**

During the three and nine-month periods ended September 30, 2017 the Company was not involved in any off-balance-sheet transactions.

## **QUALIFIED PERSON**

The scientific and technical information contained in this MD&A has been reviewed and approved by William (Bill) Shaver, P. Eng., Chief Operating Officer, INV Metals Inc. and a Qualified Person under National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* (“NI 43-101”).

For readers to fully understand the technical information in this MD&A, they should review the Technical Report filed on August 29, 2016 under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com) in its entirety, including all of the qualifications, assumptions and exclusions that relate to the information set out in the Technical Report, which qualify the technical information contained in the Technical Report. The Technical Report is intended to be read as a whole, and sections should not be reviewed or relied upon out of context. The Technical Report also describes the mineral resource and mineral reserve estimation methodologies and the assumptions used, and to which those estimates are subject. The AIF filed under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com) includes details of certain risk factors that could materially affect the potential development of the mineral resources and mineral reserves and should be considered carefully.

## **NON-IFRS PERFORMANCE MEASURES**

Cash Cost, AISC, and Working Capital are non-IFRS performance measures included in this MD&A.

The Company reports Cash Cost per ounce sold and AISC in accordance with the guidance published by the World Gold Council in June 2013. These performance measures are included because these statistics are key performance measures that management uses to monitor performance. Management uses these statistics to assess how the Project ranks against its peer projects and to assess the overall effectiveness and efficiency of the contemplated mining operations.

The Company calculates Working Capital as its current assets less its current liabilities. Management uses working capital as an internal measure to better assess performance trends. It is understood that a number of investors and others that follow the Company's business assess performance in this way.

The above performance measures do not have a meaning within IFRS, and, therefore, amounts presented may not be comparable to similar data presented by other mining companies. These performance measures should not be considered in isolation as a substitute for measures of performance in accordance with IFRS.

## **RISKS AND UNCERTAINTIES**

An investment in the Company entails certain risk factors, which should be considered carefully, including but not limited to, those set out below. A discussion of these and other factors that may affect the Company's actual results, performance, achievements or financial position is contained in “Risk Factors” and elsewhere in the Company's AIF filed under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

The Company's material property is Loma Larga, located in Ecuador. There is a risk that the positive results of the PFS as a large-scale mining project may not be realized as anticipated in the PFS to warrant advancement following the FS and, as a result, that the Board of Directors (the “Board”) and/or management of the Company may decide not to proceed with the further exploration and development of the Project.

There is a risk that the Company may not be able to execute the Exploitation Contract with the government of Ecuador under the negotiated terms or may not obtain the required permits to operate Loma Larga as a large-scale mining project as contemplated in the PFS. If the Company does not execute the Exploitation Contract with the Ecuadorian government or is unable to obtain the required permits to operate such that the Board decides not to proceed with development, the Company may be required to write-down part or all of the value currently attributed to the Project as management may look

**RISKS AND UNCERTAINTIES (continued)**

to change the focus of its future activities on other assets. The current value attributed to Loma Larga is approximately \$53 million. A write-down of some or all of the value of the Project could materially adversely affect the Company's financial condition and its ability to raise funds through financing transactions as Loma Larga is currently the Company's flagship asset.

The PFS on Loma Larga estimates initial capital costs for development of approximately US\$286 million. There is a risk that the Company may not be able to fund the development of the Project if it cannot raise significant equity or debt financing in the future. During the nine-month period ended September 30, 2017, the Company had negative cash flow from operating activities. The Company anticipates it will continue to have negative cash flow from operating activities in future periods until commercial production is achieved at the Project. The Company's failure to achieve profitability and positive operating cash flows will result in the requirement for additional financing, which may or may not be available upon terms acceptable to the Company or at all, and could have a material adverse effect on the Company's financial condition and results of operations.

The Company is subject to political, regulatory and taxation risks associated with conducting mineral exploration and development in foreign countries, mainly Ecuador. Exploration and development of mineral deposits may be affected by risks associated to changes in government regulations with regard to, but not limited to, restrictions on future exploitation and production including adequate infrastructure, price and export controls, income taxes, immigration policies, potential delays in obtaining or the inability to obtain necessary permits, opposition to mining from non-governmental organizations ("NGOs"), limitations on foreign ownership, expropriation of property, environmental legislation, labour relations, limitations on repatriation of income and return of capital investment, high rates of inflation and site safety.

A national election occurred in Ecuador on February 19, 2017. As a result of the outcome of the election there was a run-off vote held for the position of President and Vice-President held on April 2, 2017. The outcome of the national election did not result in a change in the governing political party. The Company faces the risk that future governments may adopt substantially different policies, which might extend to restrictions on mining, the expropriation of assets, increased taxes, royalties or other government participation in the mining sector or renegotiation of existing mineral rights, any of which could adversely affect the Company's business. In addition, internal political volatility could generate a situation in which delays occur for contract negotiations or permit approvals, resulting in changes to the overall Project schedule, or the Government of Ecuador may in the future adopt substantially more onerous laws or policies, which might extend to, as an example, expropriation of assets or the implementation of new taxes or royalties that render the Project uneconomic.

The Constitution and laws of Ecuador establish that the control, management and decisions for the development of the strategic sectors and the mining industry in particular are under the control, management and decision of the national authorities. However, in January 2017, the Municipality of Cuenca (the "Municipality"), a local authority where the Company's Loma Larga and Las Peñas Project are located, approved a declaration relating to the preservation of water sources and mining activities in the region (the "Declaration"). Although the Declaration could impose certain conditions on mining activities within urban areas, municipalities do not have the authority to prevent the development of mining activities within an area such as the Municipality (i.e. a canton) because the central Government of Ecuador is the sole authority for the control and regulation of mining activities within the country. Amongst other matters, the Declaration seeks to declare the Municipality as a canton free of mining activities and to request that the Government of Ecuador suspend the exploration and operational activities of the mining companies in its jurisdiction. The Declaration is not binding on any party because the Government of Ecuador is the sole authority for the control and regulation of mining activities within the country. However, if the Government of Ecuador puts such a prohibition in place, then it would have a material adverse effect on the Company, would likely result in a write-down of part or all of the value currently attributed to Loma Larga and may result in a change in the focus of the Company's future activities.

**RISKS AND UNCERTAINTIES (continued)**

Loma Larga and the recently awarded Las Peñas, Tierras Coloradas, La Rebuscada and Carolina concessions are located near rural communities. Some of these communities contain groups that have been opposed to mining activities from time to time in the past. Opposition to mining activities in the region may affect the Company's ability to explore and develop Loma Larga, Las Peñas, Tierras Coloradas, La Rebuscada and Carolina in the short and long term. Furthermore, local communities may be influenced by external entities, groups or organizations opposed to mining activities. Certain NGOs, some of which oppose globalization and resource development, are often vocal critics of the mining industry and its practices. These organizations may create or inflame public unrest and anti-mining sentiment among the inhabitants in areas of influence surrounding the Company's mineral properties.

The National Assembly of Ecuador enacted changes to the "Organic Law for Production Incentives and Prevention of Tax Fraud," which became effective on December 29, 2014 and was subsequently amended on December 18, 2015 by the Public and Private Alliances Act ("PPAA"). The Organic Law for Production Incentives and Prevention of Tax Fraud states that the resident taxpayer must report changes in excess of certain thresholds and is applicable under specific conditions. Failure to report these changes may result in a fine of 5% of the market value of the transaction. The law also states that the resident taxpayer, namely the Company's subsidiary, INV Minerale, may be liable for any indirect taxation unpaid by its shareholders who are liable to pay tax. As at the date of this MD&A, regulations providing a mechanism to calculate any tax payable or a process for reporting any information regarding the indirect tax have not yet been published. INV Metals will not likely be able to comply with this law as currently drafted as it does not have access to the information requested by the law. It is unknown at this time what, if any, liability the Company or its subsidiary may be subject to as a result of the application of this law. There is also a risk that the Company's access to financing may be limited as a result of the indirect taxation under the law as currently enacted.

The Company will be subject to various corporate, profit sharing and extraordinary taxes, among others, that are imposed by the Government of Ecuador. The tax regimes in Ecuador may be subject to differing interpretations, are subject to change without notice and the Company's interpretations may not coincide with that of the Ecuadorian tax authorities. In order for there to be restrictions on the repatriation of earnings, the Government of Ecuador would need to reform the Production, Commerce and Investment Organic Code that grant rights to freely repatriate earnings.

INV Metals' material mineral property, Loma Larga, is in the advanced exploration stage and consists of probable mineral reserves and mineral resources. It is not yet known if the mineral resources at the Loma Larga deposit can be converted from mineral resources to mineral reserves or if the probable mineral reserves can be converted to proven mineral reserves. If the mineral resources and mineral reserves at Loma Larga are found not to be economically extractable, there is the potential that the Company may be required to write-down part or all of the value currently attributed to the Project, which was carried at a cost of approximately \$53 million for Loma Larga as at September 30, 2017.

Additional principal risks affecting the Company include those summarized below which remain substantially unchanged from the disclosure contained and expanded upon in the Company's AIF and are not readily quantifiable:

- Risks that the results of the FS will not be consistent with the Company's actual results and the possibility that future exploration, development or mining results will not warrant further advancement at Loma Larga;
- Risks and uncertainties related to the interpretation of drill results, the geology, grade, continuity of mineral deposits and conclusions of economic evaluations and other assumptions and parameters;

**RISKS AND UNCERTAINTIES (continued)**

- Risks related to the reliability of commercial laboratory analytical results, possible variations in reserves, grade, and changes in project parameters as plans continue to be refined;
- Exploration and potential future development risks, including risks related to the grant of access rights to the properties, accidents, equipment breakdowns, labour disputes (including work stoppages and strikes) or other unanticipated difficulties with or interruptions to exploration and development;
- Risks related to the Company's lack of mineral production history and dependence on a single material project;
- Risks related to the Ecuadorian mining law, including the regulatory regime requirements in order for the Company to commence exploitation of the Project;
- Risks and uncertainties related to the unexpected costs and/or liabilities related to Loma Larga;
- Risks related to potential delays in exploration, potential future development activities or the completion of the FS;
- Risks related to market sentiment and commodity price fluctuations;
- Risks related to the economic viability of Loma Larga based on changing commodity prices;
- Risks related to the global economy, including disruptions in the international credit markets and other financial systems and the deterioration of the global economic conditions, could impact the Company's access to capital;
- Risks of failure to obtain adequate financing on a timely basis and on acceptable terms or delays in obtaining governmental approvals or in the completion of development or construction activities;
- Risks related to environmental regulation and liabilities arising from changes to enacted laws and regulations and probability of new laws and regulations;
- Risks of potential losses, liabilities and damages arising from the lack of insurance coverage related to risks of the business that are uninsured or uninsurable;
- Risks related to the loss of the services of key executives, including the directors of the Company and a small number of highly skilled and experienced executives and personnel;
- Risks related to having a significant shareholder following the Loma Larga acquisition in 2012 with significant influence on decisions to be made by shareholders; and
- Other risks and uncertainties related to the Company's prospects, properties and business strategy.

**CORPORATE GOVERNANCE**

Management and the Board of INV Metals recognize the value of good corporate governance and the need to adopt best practices. The Company is committed to continuing to improve its corporate governance practices in light of its stage of development and evolving best practices and regulatory guidance. INV Metals' directors have expertise in exploration, metallurgy, mining, accounting, banking,

## **CORPORATE GOVERNANCE (continued)**

financing and the securities industry. The Board meets at least four times per year, and committees meet per their respective mandates or as required.

The mandate of the Board has been adopted by the Board outlining its responsibilities and defining its duties. The Board has four committees (the Audit committee, the Compensation committee, the Social, Health, Safety and Environment committee and the Corporate Governance and Nominating committee).

The Audit committee has an approved committee charter, which outlines the committees' mandate, specifies procedures for calling a meeting and authorizes access to outside resources.

The Company's Social, Health, Safety and Environment committee has adopted a Mandate of the Social, Health, Safety and Environment committee concerning the Company's treatment of social, environmental and health and safety matters.

The Board has also approved a Code of Business Conduct and Ethics, which governs the ethical behavior of all employees, management and directors. Separate insider trading and disclosure policies are also in place. For more details on INV Metals' corporate governance practices, please refer to INV Metals' website at [www.invmetals.com](http://www.invmetals.com).

While the Company is subject to Canadian regulatory provisions, the Board and management incorporate strong corporate governance practices in the belief that such practices provide protection for its investors and add value to the Company. The Board formally reviews the risks impacting the Company on an annual basis when it reviews and approves the AIF. In addition, the Board reviews the risks impacting the Company on an as needed basis, such as in connection with the Company's expenditures and strategy given the status of the Company's flagship asset, Loma Larga and Ecuador's relatively new mining laws.

## **DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING**

### **1) Disclosure Controls**

Disclosure controls and procedures ("Disclosure Controls") are procedures designed to provide reasonable assurance that all relevant information required to be disclosed in documents filed with securities regulatory authorities is recorded, processed, summarized and reported on a timely basis, and is accumulated and communicated to the Company's management, including the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"), as appropriate, to allow timely decisions regarding required disclosure. Management, including the CEO and the CFO, does not expect that the Company's Disclosure Controls will prevent or detect all error and all fraud.

The inherent limitations in all control systems are such that they can provide only reasonable, not absolute, assurance that all control issues and instances of fraud or error, if any, within the Company have been detected.

National Instrument 52-109, "Certification of Disclosure in Issuers' Annual and Interim Filings," issued by the Canadian Securities Administrators ("CSA") requires the CEO and the CFO to certify that they are responsible for establishing and maintaining Disclosure Controls for the issuer, that Disclosure Controls have been designed to provide reasonable assurance that material information relating to the issuer is made known to them, that they have evaluated the effectiveness of the issuer's Disclosure Controls, and that their conclusions about the effectiveness of those Disclosure Controls at the end of the period covered by the relevant annual filings have been disclosed by the issuer.

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**DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING**  
**(continued)**

**2) Internal Controls over Financial Reporting**

INV Metals' CEO and CFO have evaluated the effectiveness of the Company's Disclosure Controls as at September 30, 2017 and concluded that, subject to the inherent limitations noted above, those disclosure controls were effective for the period then ended.

National Instrument 52-109 also requires CEO's and CFO's to certify that they are responsible for conducting an evaluation of the effectiveness of internal controls over financial reporting ("ICFR"), as defined by the CSA, for the Company, that the ICFR have been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with Canadian GAAP, and that the Company has disclosed any changes in its ICFR during its most recent period that has materially affected, or is reasonably likely to materially affect, its' financial reporting.

As discussed above, the inherent limitations in all control systems are such that they can provide only reasonable, not absolute, assurance that all control issues and instances of fraud or error, if any, within the Company have been detected. Therefore, no matter how well designed, ICFR has inherent limitations, can provide only reasonable assurance with respect to financial statement preparation and may not prevent and detect all misstatements.

Management conducted an assessment of the effectiveness of ICFR in place as of September 30, 2017 and concluded that such procedures are adequate and effective. The Board assesses the integrity of the public financial disclosures through the oversight of the Audit Committee. No material changes in ICFR have been made as of September 30, 2017.

**CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS**

Except for statements of historical fact relating to the Company (as defined below), certain information contained in this MD&A constitutes "forward-looking information" under Canadian securities legislation. Forward-looking information includes, but is not limited to, statements with respect to the financial results and expectation for 2017, the Property categorization as a "large-scale" project under Ecuador's mining laws and tax regimes, future anticipated results of exploration programs, including, but not limited to, interpretation of drill results, uncertainty surrounding metallurgical test results, the geology, grade and continuity of mineral deposits and conclusions of economic evaluations and the assumptions on which such economic evaluations are based, the industry-wide and Loma Larga specific risks that are identified in the Technical Report, the possibility that future exploration, development or mining results will not be consistent with the Company's expectations, the future price of precious and base metals, demand for metals, currency exchange rates, political and operational risks inherent in mining or development activities, legislative factors relating to prices, taxes, royalties, land use, title and permits, importing and exporting of minerals, environmental protection, expenditures on property, plant and equipment, increases and decreases in mineral reserves and/or mineral resources, anticipated grades and recovery rates that are or may be based on assumptions and/or estimates related to future economic, market and other conditions, requirements for additional capital and other statements relating to the financial and business prospects of the Company.

Generally, 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", "does not anticipate", "believes" or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might", "will be taken", "occur" or "be achieved".

**CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS (continued)**

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: uncertainties regarding the price of precious and base metals and the availability of equity financing; uncertainties regarding the exploration and development of mineral deposits; the high degree of risk involved in mining operations; lack of mineral production history; dependence on a single project; negative cash flow from operations; compliance with anti-corruption laws; uncertain political stability and government regulation of mining operations, including the expropriation of assets and the presence of illegal miners; the possibility that future exploration results will not be consistent with the Company's expectations; taxation; uncertain political and economic environments; non-governmental organization intervention and the creation of adverse sentiment among the inhabitants of areas of mineral development; conducting operations in a foreign country and compliance with foreign laws; failure to fulfill the requirements of any phase of the mining laws of Ecuador; uncertainties of project cost, construction and operating cost overruns or unanticipated costs and expenses; presence of a significant shareholder; presence of endangered species; the reliability of mineral resource and mineral reserve estimates as well as other assumptions and parameters underlying the anticipated recoverability of precious and base metals; compliance with statutory and regulatory standards; environmental hazards; reliance on adequate infrastructure for mining activities; the assurance of titles or boundaries; surface rights and access rights; costs of land reclamation; permits; uninsurable risks related to exploration, development and production; uncertainties inherent in competition with other exploration companies; hedging; timing and availability of external financing on acceptable terms and in light of the current decline in global liquidity and credit availability; future prices of precious and base metals; currency exchange rates; the market price of Common Shares; future sales of Common Shares; dependence on key management employees and the ability to recruit and retain employees with special skill and knowledge; conflicts of interest of directors and officers of the Company; use of proceeds; dilution; the regulatory regime in Ecuador; the tax regime in Ecuador; community relations; and enforcement of legal rights. See "Risks and Uncertainties" in this MD&A. This list is not exhaustive of the factors that may affect the forward-looking statements. These and other factors should be considered carefully by prospective investors, who should not place undue reliance on such forward-looking statements. Forward-looking statements are made based upon management's beliefs, estimates and opinions on the date the statements are made, which management believes are reasonable, and the Company undertakes no obligation to update forward-looking statements if these beliefs, estimates and opinions or other circumstances should change, except as otherwise required by applicable law. Although management of the Company 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.

All disclosure contained herein concerning future plans for the Loma Larga is subject to the assumptions and qualifications set forth in the Technical Report, which is available under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

**DIFFERENCES IN REPORTING OF MINERAL RESOURCE ESTIMATES**

This MD&A was prepared in accordance with Canadian standards for reporting of mineral resource estimates, which differ in some respects from standards in the United States. In particular, and without limiting the generality of the foregoing, the terms "inferred mineral resources," "indicated mineral resources," "measured mineral resources" and "mineral resources" used or referenced in this MD&A are

**DIFFERENCES IN REPORTING OF MINERAL RESOURCE ESTIMATES (continued)**

Canadian mineral disclosure terms as defined in accordance with NI 43-101 under the guidelines set out in the Canadian Institute of Mining, Metallurgy and Petroleum (the "CIM") Standards on Mineral Resources and Mineral Reserves (the "CIM Standards"). The CIM Standards differ significantly from standards in the United States. While the terms "mineral resource," "measured mineral resources," "indicated mineral resources," and "inferred mineral resources" are recognized and required by Canadian regulations, they are not defined terms under standards in the United States. "Inferred mineral resources" have a great amount of uncertainty as to their existence, and great uncertainty as to their economic and legal feasibility. It cannot be assumed that all or any part of an inferred mineral resource will ever be upgraded to a higher category. Under Canadian rules, estimates of inferred mineral resources may not form the basis of feasibility or other economic studies, except in limited circumstances. The term "resource" does not equate to the term "reserves". Under the United States' standards, mineralization may not be classified as a "reserve" unless the determination has been made that the mineralization could be economically and legally produced or extracted at the time the reserve determination is made. Readers are cautioned not to assume that all or any part of measured or indicated mineral resources will ever be converted into mineral reserves. Readers are also cautioned not to assume that all or any part of an inferred mineral resource exists, or is economically or legally mineable. Disclosure of "contained ounces" in a mineral resource is permitted disclosure under Canadian regulations; however, United States companies are only permitted to report mineralization that does not constitute "reserves" by standards in the United States as in place tonnage and grade without reference to unit measures. The requirements of NI 43-101 for identification of "reserves" are also not the same as those of the United States Securities and Exchange Commission (the "SEC"), and reserves reported by the Company in compliance with NI 43-101 may not qualify as "reserves" under SEC standards. Accordingly, information regarding mineral resources contained or referenced in this MD&A containing descriptions of our mineral deposits may not be comparable to similar information made public by United States companies.