DEFIANCE SILVER CORP.

MANAGEMENT'S DISCUSSION & ANALYSIS
For the year ended June 30, 2015

The following Management Discussion and Analysis ("MD&A)" of Defiance Silver Corp. (the "Company") for the year ended June 30, 2015 has been prepared as of October 28, 2015, and is intended to be read in conjunction with the Company's audited consolidated financial statements for the year ended June 30, 2015, together with the notes thereto, which are available on the SEDAR website: www.sedar.com.

The financial statements for the year ended June 30, 2015 have been prepared by management using accounting policies consistent with International Financial Reporting Standards ("IFRS"). Management is responsible for the preparation and integrity of the financial statements, including the maintenance of appropriate information systems, procedures and internal controls to ensure that information used internally or disclosed externally, including the MD&A, is complete and reliable.

All the financial information in this MD&A and all dollar amounts in the tables, including comparatives, are expressed in Canadian dollars, unless otherwise noted.

This document contains forward-looking statements. Please refer to "Note Regarding Forward-Looking Statements."

Description of Business

The Company is a publicly listed company on the TSX Venture Exchange ("TSX-V") trading under the symbol DEF. The Company is an exploration-stage company and engages principally in the acquisition and exploration of mineral property interests primarily in Mexico. To date, equity financings have provided the main source of financing.

The recovery of the Company's investment in its mineral rights is dependent upon the discovery of economically recoverable mineral reserves and the ability to raise sufficient capital to finance these operations. The ultimate outcome of these operations cannot presently be determined because they are contingent on future matters.

Overall Performance

On September 26, 2014, the Company renegotiated the terms for the purchase of the San Acacio Mine that allows for the extension of the option period to September 2018.

On November 6, 2014, the Company announced that Chris Bunka and Brian Robertson had resigned from, and Roger Scammell and Paul Smith were appointed to, the Board of Directors. Paul Smith has extensive experience in the non-ferrous mining and smelting industry with large mining companies and metal traders, and Roger Scammell with 43 years experience in exploration and mine development in North and South America.

On November 25, 2014, the Company announced that it has both received a drill permit and secured long-term surface rights that allow for an initial 2000 meter drill program on the San Acacio silver deposit in the historic Zacatecas Silver District.

On December 4, 2014, the Company announced the start of a 2000 meter drill program on the San Acacio silver deposit in the historic Zacatecas Silver District in Mexico.

On January 15, 2015, the Company announced that an Inferred Resource Estimate has been completed for the San Acacio deposit as follows:

Table 1 Estimated Inferred Silver Equivalent Resource - San Acacio silver veins

Vein	AgEq Cut-off (g/t)	Tonnes > Cut-off (tonnes)	Grade>Cut-off			Contained Metal		
			Ag(g/t)	Au (g/t)	AgEq (g/t)	Ag (ozs)	Au (ozs)	AgEq (ozs)
VETA G	100.0	2,150,000	192.43	0.19	204.66	13,302,000	10,000	14,147,000
VETA C	100.0	739,000	153.28	0.08	158.66	3,642,000	1,900	3,770,000
VETA B	100.0	13,000	76.53	0.45	105.98	32,000	190	44,000
TOTAL	**100.0**	**2,902,000**	**181.94**	**0.16**	**192.50**	**16,976,000**	**12,090**	**17,961,000**

On January 29 2015, the Company reported the results of the first three holes of its Phase I core drilling program (designed to test for a continuation of mineralization to depth below the current resource and the workings of the past producing mine) on the San Acacio Deposit.

On March 17, 2015, the Company announced that it had signed an agreement with the Ejido Sauceda de la Borda that grants the Company temporary occupation rights to carry out exploration within all of the mineral concessions underlying the Ejido lands.

On May 11, 2015, the Company announced that it raised $1,007,510 through the issuance of 10,075,100 units at $0.10.

On June 10, 2015 the Company announced that it closed the final tranche of the financing raising a total of $1,208,810 through the issuance of 12,088,100 units at $0.10.

Mineral Property Review

This review has been prepared by the Company's geologic staff under the supervision of Bruce Winfield, P.Geo., President, CEO and Director of the Company, and a Qualified Person ("QP") as defined by National Instrument 43-101 (Standards of Disclosure for Mineral Projects).

The Company currently has the right to acquire an interest in one property and has applied for a second property, both of which are located in Mexico (the San Acacio Mine, and the Minerva Property). The Company terminated its option effective January 22, 2014 to acquire the Santa Gabriela Plant.

San Acacio Silver Mine

On October 24, 2011, the Company optioned from a private Mexican company, the right to acquire a 100% interest in the San Acacio silver mine located in the historic Zacatecas Silver

District, Mexico. The past producing San Acacio mine consisting of 10 mining concessions totaling 7.46 km^2, hosts the southeastern portion of the Veta Grande vein system.

Upon signing the option agreement on October 24, 2011, the Company paid US$25,000 for an initial 90 day period for evaluation and due diligence. This period was extended for a further 90 days on payment of US$50,000. The option to purchase was for a period of 9 months with a purchase price of US$5.5 million. On July 24, 2012, the Company renegotiated the terms for the purchase of the San Acacio Mine extending the option period to September 27th, 2015 with interim payments of US$150,000 and US$225,000 on September 27, 2013 and September 27, 2014 respectively. On July 25, 2013 the Company renegotiated payment terms for the US$150,000 payment due on September 27, 2013. The revised payment terms called for four quarterly payments of US$37,500 commencing on September 27, 2013. These four payments were subsequently made. On September 26, 2014 the Company renegotiated the terms for the purchase of the San Acacio Mine that allowed for the extension of the option period to September 27th, 2018. The US$225,000 payment due on September 27, 2014 was also rescheduled as four equal payments of US$56,250 payable every three months starting September 27, 2014 which were subsequently paid. In accordance with the amended terms of the purchase agreement, the Company must make US dollar payments as per the following schedule:

Date	Option Payment	Payment credited toward Final Payment	Total Yearly Payment
September 27, 2015	150,000	200,000	350,000
September 27, 2016	150,000	400,000	550,000
September 27, 2017	150,000	600,000	750,000
September 27, 2018			4,300,000

At the discretion of the Company, any of the yearly payments due in 2015, 2016 and 2017 can be replaced by a payment of $1.0 million, all of which will be credited toward the purchase price which will result in a final payment of between US$2.5 and US$4.3 million.

In a subsequent event on August 21, 2015, it was agreed that the US$350,000 payment on September 27, 2015 could be paid in four equal installments of US$87,500 every three months commencing on September 27, 2015 (paid).

The purchase agreement also provides for a 2.5% net smelter return royalty payable to the vendor on production from the property. The Company will have the right to purchase the royalty at any time. For five years from the date of the agreement, the purchase price is US$2.5 million. Thereafter the purchase price will escalate with the official Mexican Inflation Index. Following the first anniversary of the purchase of the assets, the Company must make minimum annual royalty payments of US$125,000. The minimum royalty commitment terminates in the event that the minimum royalty paid is equal to or higher than equivalent to US$125,000 during six consecutive months.

Under terms of the purchase agreement, the Company can also purchase: surface rights covering 12 ha controlling the adit access to the underground workings for US$5,000; and surface rights covering 12.0246 ha on which are located approximately 300,000 tonnes of tailings from the former San Acacio mine. The tailings can be purchased for a price of US$1.50 per tonne with the tonnage determined by future work programs.

The San Acacio mining concessions control approximately 5.6 kilometers of the 8.5 kilometer long Veta Grande vein system, one of the three major vein systems within the Zacatecas Silver District that has produced over 700 million ounces of silver since 1548. Veta Grande is a classic epithermal silver rich vein system with accessory gold and base metal credits. The San Acacio Mine has been exploited over a strike length of 1.0 kilometer to an average depth of 210 meters. Three shallow exploration shafts were also made prior to 1900 along the vein for an additional 600 meters along strike to the southeast. The structure, which is believed to exist over a further four kilometers of strike length to the southeast, has not had any modern exploration.

The Company through its subsidiary Minera Remy S.A. de C.V. signed an agreement on August 28 2014 for temporary occupation of 18.55 hectares of land covering the northwestern portion of the San Acacio vein system. The term is 20 years with six monthly payments of 9,000 Mexican pesos during exploration and development activities which increase to 60,000 Mexican pesos on commencement of production.

The Company through its subsidiary Minera Remy S.A. de C.V. signed an agreement on February 27th, 2015 with the Ejido Sauceda de la Borda for temporary occupation on Ejido lands covering the San Acacio mining claims. This will allow exploration along an additional 4.6 kilometers of the San Acacio vein. The agreement which includes exploration activities is for a term of three years which is renewable at the Company’s election for an additional three years. Terms include an annual payment of 120,000 Mexican pesos and a signing bonus of 100,000 Mexican pesos.

In accordance with the Company’s decision to focus on expanding the resource at San Acacio, an exploration program has been designed to explore potential of the vein structure to host additional mineral. The initial area targeted in the Phase I drill program will be below the historic workings which are open below a relatively shallow depth of 200 meters along a strike length of 1000 meters. Subsequent phases of drilling will test the extension of the veins to the southeast where they are open along a strike length of 4.6 kilometers.

On November 5, 2014 the Company through its subsidiary Minera Santa Remy S.A. de C.V. received approval from Semarnat, the Mexican environmental agency, for a 5000 meter drill program. The drill program is designed to increase the current resource through drilling below the current resource blocks along the1.0 kilometer section of the San Acacio vein that hosted past production.

The Phase I 5000m drill program commenced on December 10th 2014 with 815.7 meters drilled in four holes prior to Christmas break. Drilling began again in early January completing an additional four holes totaling 1042.7m.

On January 15th, 2015 Defiance announced a new resource calculation with additional ounces of silver (AgEq) as well as significantly higher grade (AgEq).

San Acacio Inferred Resource

Vein	AgEq Cut-off (g/t)	Tonnes > Cut-off (tonnes)	Grade>Cut-off			Contained Metal		
			Ag(g/t)	Au (g/t)	AgEq (g/t)	Ag (ozs)	Au (ozs)	AgEq (ozs)
VETA G	100.0	2,150,000	192.43	0.19	204.66	13,302,000	10,000	14,147,000
VETA C	100.0	739,000	153.28	0.08	158.66	3,642,000	1,900	3,770,000
VETA B	100.0	13,000	76.53	0.45	105.98	32,000	190	44,000
TOTAL	**100.0**	**2,902,000**	**181.94**	**0.16**	**192.50**	**16,976,000**	**12,090**	**17,961,000**

Note: AgEq refers to silver equivalent (see news release January 15, 2015 for details).

On January 29, 2015, Defiance announced results for the initial three holes which intersected wide zones of high grade mineralization (see news release for details).

Hole #	From (m)	To (m)	Length (m)	Ag, g/t	Au, g/t	Cu, %	Pb, %	Zn, %	Ageq, g/t*
SAD14-01	132.5	149.5	17	110.21	0.13	0.013	0.106	0.351	139.1
including	134	142.1	8.1	222.12	0.22	0.014	0.198	0.532	268.1
SAD14-02	168.5	185.2	16.7	101.11	0.753	0.02	0.136	1.792	235.5
including	168.5	171.7	3.2	419.1	0.82	0.022	0.14	0.303	499.4
including	176.2	182.1	5.9	30.15	1.46	0.033	0.23	4.62	316.5
SAD14-03	194.5	213.3	18.8	21.14	0.416	0.021	0.832	1.093	127
including	205	213.3	8.3	42.89	0.92	0.041	1.87	2.439	278.1

*Reported for comparison only, with no assumptions regarding metal recovery or smelter payments. Prices used are Au: $1210.50/ounce, Ag: $16.33/ounce, Cu; $2.80/pound, Pb; $0.83/pound and Zn $0.95/pound. US dollars.

*True Widths are approximately 70% to 80% of each intersection
**Reported for comparison only, with no assumptions regarding metal recovery or smelter payments. Prices used are Au: $1,210.50/ounce, Ag: $16.33/ounce, Cu; $2.80/pound, Pb; $0.83/pound and Zn $0.95/pound in US$

The three holes were drilled on a single cross-section at the northwestern end of the San Acacio vein below the Almaden historic workings. The holes produced wide intersections of mineralization with grades substantially higher than the grade of the current resource.

On July 7th and August 26th , 2015, Defiance announced results from the five remaining holes drilled in the first part of the Phase I, 5,000m drill program to test below the historic Almaden workings(see news releases for details).

Hole #	From (m)	To (m)	Length (m)	Ag, g/t	Au, g/t	Cu, %	Pb, %	Zn, %	Ageq, g/t*
SAD14-04	143	153.1	10.1	100.23	0.557	0.131	0.771	1.608	224.3
Including	147	153.1	6.1	138.35	0.795	0.19	1.274	1.902	306.6
SAD15-05	148	155.4	7.4	18.51	0.067	0.008	0.064	0.140	31.4
SAD15-05	176.6	185.8	9.2	10.40	0.041	0.01	0.01	0.07	17.6
SAD15-06	178	185.3	7.3	109.21	0.129	0.01	0.04	0.09	124.5
SAD15-06	219.5	231	11.5	20.06	0.390	0.026	0.043	1.537	108.73
including	224.0	231.0	7	19.88	0.571	0.030	0.062	2.354	152.56
SAD15-07	136.4	140	3.6	211.49	0.0001	0.009	0.109	0.198	223.00
SAD15-07	147.1	149.5	2.4	149.16	0.0002	0.0183	0.422	1.592	222.08
SAD15-07	185.4	206.5	21.1	70.84	0.237	0.03	0.35	0.77	130.6
including	199.1	206.5	7.4	158.75	0.522	0.068	0.809	1.83	264.54
SAD15-8	106.05	113.3	7.25	631.46	0.426	0.005	0.088	0.222	674.4
SAD15-8	119.5	120.2	0.7	431.95	0.237	0.007	0.213	0.642	480.2
SAD15-8	163.05	163.8	0.75	330.75	0.098	0.013	0.145	0.306	355.1
SAD15-8	260.5	266.5	6	11.25	0.308	0.011	0.041	0.528	53.2
SAD15-8	272.1	275.5	3.4	38.47	0.199	0.009	0.026	0.267	64.7
SAD15-8	319.3	326.6	7.3	13.76	0.00	0.020	0.090	0.324	30.5

*Reported for comparison only, with no assumptions regarding metal recovery or smelter payments. Prices used are Au: $1210.50/ounce, Ag: $16.33/ounce, Cu; $2.80/pound, Pb; $0.83/pound and Zn $0.95/pound. US dollars.

*True Widths are approximately 70% to 80% of each intersection
**Reported for comparison only, with no assumptions regarding metal recovery or smelter payments. Prices used are Au: $1,210.50/ounce, Ag: $16.33/ounce, Cu; $2.80/pound, Pb; $0.83/pound and Zn $0.95/pound in US$

These five holes were drilled on two sections spaced 100m apart. The holes continued to give wide, high grade intersections extending the zone of mineralization along strike to a length of 300m and a depth of 140m below the base of the current resource.

On July 28th, Defiance announced commencement of drilling which will test the zone below the historic Esperanza-Guadalupe historic workings 600m to the southeast along the San Acacio vein system. Results will be released as they become available.

Minerva Property

The Company has applied for the Minerva property located in northern Mexico. The property comprises approximately 29,000 ha covering a district with a series of old artisanal mine workings from the 1980's with very limited production from a small stamp mill. Access is good via a series of paved and dirt roads. However, only limited modern exploration has been carried out. Silver-lead-zinc mineralization occurs as carbonate replacement and skarn bodies within a well developed limestone-siltstone sequence and is related to a series of granite to diorite igneous intrusions.

The deposit model for the area is the nearby La Encantada deposit being mined by First Majestic Corp (previously mined by Penoles). La Encantada is reported to contain the following reserves and resources:

Resource Category	Tonnage (mt)	Grade Ag (g/t)	Contained Ag (million oz)
Proven + Probable	7.36	157	37.23
Measured + Indicated	3.19	213	21.86
Inferred	4.35	156	21.82

Ref: First Majestic Silver Corp website October 2014

Management plans to initially carry out a regional satellite imagery alteration study and prospecting to define areas for more follow up mapping, sampling and possibly ground geophysics.

Results of Operations

Selected Annual Information

The following table provides selected audited annual financial information that should be read in conjunction with the financial statements of the Company.

	Year ended June 30		
	2015	2014	2013
Net loss	$ 835,480	$ 2,227,348	$ 890,654
Basic and diluted loss per share	$ 0.02	$ 0.07	$ 0.04
Working capital (deficiency)	$ 191,965	$ 545,629	$ (159,187)
Total assets	$ 2,123,583	$ 1,496,194	$ 2,191,359
Total long term liabilities	$ 36,000	$ 36,000	Nil

Year ended June 30, 2015

For the year ended June 30, 2015, the Company incurred a net loss of $835,480 (2014 - $2,227,348) or $0.02 (2014 - $0.07) per share. The major component of the loss in the prior year and reason for the decrease in the loss in the current year was due to the write-off of mineral property interests of $1,620,082.

The significant operating expenses for the year were investor relations and promotion of $17,073 (2014-$85,275), professional fees of $156,653 (2014-$79,817), management fees of $331,852 (2014-$295,318), share based compensation of $196,278 (2014-$nil) and travel costs of $33,848 (2014-$34,734).

The Company spent $750,845 cash on operating activities during the year ended June 30, 2015 as compared to $488,509 during the previous year.

Summary of Quarterly Results

The following tables summarize information derived from the Company's financial statements for each of the eight most recently completed quarters:

	2015Q4	2015Q3	2015Q2	2015Q1
Net loss	$ 224,241	$ 99,446	$ 356,467	$ 155,326
Net loss per share	$ 0.00	$ 0.00	$ 0.01	$ 0.00

	2014Q4	2014Q3	2014Q2	2014Q1
Net loss	$ 202,872	$ 154,325	$1,737,818	$ 141,377
Net loss per share	$ 0.00	$ 0.01	$ 0.07	$ 0.01

Quarter ended June 30, 2015

The Company's loss for the quarter ended June 30, 2015 totaled $224,241 ($0.00 per share) as compared to a loss $202,872 ($0.00 per share) for the quarter ended June 30, 2014.

Operating expenses totaled $215,897 (2014-$164,449). The significant quarterly expenses were investor relations and promotion of $8,552 (2014-$23,096), professional fees of $59,447 (2014-$54,929), management fees of $106,409 (2014-$78,353) and travel costs of $4,462 (2014-$14,906).

Liquidity

The Company is in the acquisition and early exploration stage and therefore has no cash flow from operations. At June 30, 2015, the Company had cash of $419,343 (2014 - $685,317) and working capital of $191,965 (2014 – $545,629).

At present, the Company's operations do not generate cash flows and its financial success is dependent on management's ability to discover economically viable mineral deposits. The mineral exploration process can take many years and is subject to factors that are beyond the Company's control.

Value added tax (VAT)

The Company, through its wholly-owned subsidiary in Mexico, has a total of $211,342 in VAT receivable as of June 30, 2015 (2014 – $117,423). This amount reflects VAT paid from 2011 through 2015. The Company has prepared and submitted claims to recover the VAT but the timing of the recovery of the amounts cannot be determined with any certainty and, accordingly, the VAT has been reclassified from a current receivable to long term as of June 30, 2014

Capital Resources

The Company will continue to seek capital through public markets by issuing common shares pursuant to private placements. The Company manages its capital structure to maximize its financial flexibility making adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets and business opportunities. The Company does not presently utilize any quantitative measures to monitor its capital and is not subject to externally imposed capital requirements.

Outstanding Share Data

As at the date of this report, the Company had 62,777,770 common shares issued and outstanding. The following stock options and warrants are outstanding at the date of this report:

	Number	Exercise Price	Expiry Date
Stock Options	675,000	0.33	June 6, 2016
	60,000	0.60	December 19, 2016
	640,000	0.27	November 22, 2017
	250,000	0.27	December 10, 2017
	2,020,000	0.10	November 6, 2019
	100,000	0.15	March 12, 2020
	250,000	0.11	June 10, 2020
Warrants			
	1,800,000	0.05	February 5, 2016
	2,000,000	0.05	February 14, 2016
	19,600,000	0.05	March 27, 2016
	5,037,500	0.15	November 12, 2016
	1,006,500	0.15	December 2, 2016

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements as at June 30, 2015 or as of the date of this report.

Related Party Transactions

Related parties include the Board of Directors, officers, close family members and enterprises that are controlled by these individuals.

As at June 30, 2015, accounts payable and accrued liabilities included $28,976 (2014 - $17,727) payable to directors, officers and companies controlled or related to directors and/or officers. Amounts payable to related parties have no specific terms of repayment, are unsecured and do not bear interest.

The Company entered into the following transactions with related parties:

a) Paid or accrued $90,000 (2014 – $94,500) in management fees to a company controlled by Bruce Winfield, a director of the Company.

b) Paid or accrued $91,328 (2014 – $71,483) in management fees to Rick Tschauder, an officer of the Company.

c) Paid or accrued of $36,550 (2014-$29,235) in management fees to a company controlled by Darrell Rader, a director of the Company.

d) Paid or accrued $30,000 (2014 - $30,500) in management fees to Matthew Kavanagh, an officer of the Company.

e) Paid or accrued $24,000 (2014 - $24,000) in rent expense, included in office and administration, to a company related to Darrell Rader, a director of the Company.

Proposed Transactions

At the present time, there are no new proposed transactions that should be disclosed.

Risks and Uncertainties

No Source of Revenue

The Company has no source of revenue other than interest income earned on cash held in investment accounts. All of the Company's short to medium-term operating and project expenses must be derived from its existing cash position or from external financing.

Unproven Mineral Right Interests

The Company has not been able to identify a known body of commercial grade ore on its mineral property interests. The ability of the Company to realize the costs it has incurred to date on these mineral property interests is dependent upon the Company being able to lever its property interests and cash, by way of exploration activities and option/joint ventures, into assets of greater value.

Financial Instruments

The Company’s financial instruments consist of cash, receivables and accounts payable and accrued liabilities. Unless otherwise noted, it is management’s opinion that the Company is not exposed to significant interest, currency or credit risks arising from the financial instruments. The fair value of the financial instruments approximates their carrying value due to their short-term maturity or capacity of prompt liquidation.

Foreign exchange risk is the risk arising from changes in foreign currency fluctuations. The Company does not use any derivative instruments to reduce its exposure to fluctuations in foreign currency rates. It is the opinion of management, however, that the foreign exchange risk to which the Company is exposed is minimal.

Critical Accounting Policies and Estimates

The Company's significant accounting policies are described in Note 2 of the consolidated financial statements for the year ended June 30, 2015. Management considers the following policies to be critical in understanding the judgments that are involved in the preparation of the financial statements and the uncertainties that could impact the results of operations, financial condition and cash flows:

Use of estimates

The preparation of consolidated financial statements in accordance with accounting policies consistent with IFRS requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the year. Actual results could differ from these estimates. Significant accounts that require estimates relate to the impairment of mineral property interests, valuation allowance applied against future income tax assets and share-based compensation.

Mineral property interests

The Company defers all costs related to investments in mineral properties on a property-by-property basis. Such costs include mineral property acquisition costs and exploration expenditures, net of any recoveries. Costs are deferred until such time as the extent of mineralization has been determined and mineral properties are either developed or the Company's mineral rights are allowed to lapse.

All deferred mineral property expenditures are reviewed each reporting period, on a property-by-property basis, to consider whether there are any conditions that may indicate impairment. When the carrying value of a property exceeds its net recoverable amount that may be estimated by quantifiable evidence of an economic geological resource or reserve, joint venture expenditure commitments or the Company's assessment of its ability to sell the property for an amount exceeding the deferred costs, provision is made for the impairment in value.

From time to time, the Company may acquire or dispose of a mineral property pursuant to the terms of an option agreement. As the options are exercisable entirely at the discretion of the optionee the amounts payable or receivable are not recorded. Option payments are recorded as property costs or recoveries when the payments are made or received.

Income taxes

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recognized in respect of temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities which affect neither accounting nor taxable loss as well as differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the consolidated statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Share-based compensation

The Company accounts for stock-based compensation using a fair value based method with respect to all stock-based payments to directors, employees and non-employees. For directors and employees, the fair value of the options is measured at the date of grant. For non-employees, the fair value of the options is measured on the earlier of the date at which the counterparty performance is completed or the date the performance commitment is reached or the date at which the equity instruments are granted if they are fully vested and non-forfeitable. The fair value of the options is accrued with the offset credit to contributed surplus. For directors and employees the fair value is recognized over the vesting period and for non-employees the fair value is recognized over the related service period. If and when the stock options are ultimately exercised, the applicable amounts of contributed surplus are transferred to share capital.

The Company grants stock options to acquire common shares of the Company to directors, officers, employees and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes, or provides services similar to those performed by an employee.

The fair value of stock options is measured on the date of grant, using the Black-Scholes option pricing model, and is recognized over the vesting period. Consideration paid for the shares on the exercise of stock options is credited to share capital.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

Note Regarding Forward-Looking Statements

Except for historical information, this MD&A may contain forward-looking statements. The statements involve known and unknown risks, uncertainties, and other factors that may cause the Company's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievement expressed or implied by these forward-looking statements.

The factors that could cause actual results to differ materially include, but are not limited to, the following: general economic conditions; changes in financial markets; the impact of exchange rates; political conditions and developments in countries in which the Company operates; changes in the supply, demand and pricing of the metal commodities which the Company hopes to find and successfully mine; changes in regulatory requirements impacting the Company's operations; the sufficiency of current working capital and the estimated cost and availability of funding for the continued exploration and development of the Company's exploration properties.

This list is not exhaustive and these and other factors should be considered carefully, and readers should not place undue reliance on the Company's forward-looking statements. As a result of the foregoing and other factors, no assurance can be given as to any such future results, levels of activity or achievements and neither the Company nor any other person assumes responsibility for the accuracy and completeness of these forward-looking statements (except as required by applicable law). The Company does not assume the obligation to update any forward-looking statement.

Additional information relating to the Company can be found on SEDAR at www.sedar.com.