DEFIANCE SILVER CORP.

MANAGEMENT'S DISCUSSION & ANALYSIS
For the year ended June 30, 2016

The following Management Discussion and Analysis ("MD&A") of Defiance Silver Corp. (the "Company") has been prepared by management, in accordance with the requirements of National Instrument 51-102 ("NI 51-102") as of October 25, 2016 and should be read in conjunction with the audited annual consolidated financial statements for the years ended June 30, 2016 and 2015, and all other disclosure documents of the Company, which are available on the SEDAR website: www.sedar.com.

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 exploration and evaluation assets 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/Significant Events

On July 21, 2016, the Company announced the appointment of Peter J. Hawley, BSc, BEng, PGeo. as a Director and Chairman of the Board.

As at the date of this report, 27,332,550 warrants priced at $0.05 and $0.15 were exercised for total proceeds of $1,719,883 providing capital to further explore the San Acacio silver project.

As at the date of this report, 130,000 options priced at $0.10 were exercised for total proceeds of $13,000 providing capital to further explore the San Acacio silver project.

Exploration and Evaluation Assets 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 Exploration and Evaluation 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 Deposit, and the Minerva Property). The Company terminated its option effective January 22, 2014 to acquire the Santa Gabriela Plant and concessions.

San Acacio Silver Deposit

On October 24, 2011, the Company optioned from a private Mexican company, the right to acquire a 100% interest in the San Acacio silver deposit 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 12 months with a purchase price of US$5.5 million (the "Final Payment"). On July 24, 2012, the Company renegotiated the terms for the purchase of the San Acacio Deposit 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 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. On September 26, 2014 the Company renegotiated the terms for the purchase of the San Acacio Deposit that allowed for the extension of the option period to September 27th, 2018. At the discretion of the Company, the yearly payment Sept 27th, 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$4.2 and US$4.6 million.

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. As at June 30, 2016, the first and second instalments have been paid.

In April 2016, the Company renegotiated payment terms and postponed payments of US$300,000 originally due by September 27, 2017 to September 27, 2018. Under the renegotiated agreement, the Company will pay only four quarterly payments of US$37,500 totaling US$150,000 to December 27, 2016.

In accordance with the amended terms of the purchase agreement, the Company must make US dollar payments as per the following schedule:

Date	Extension payment	Amount credited toward final payment	Total yearly payment
By December 27, 2016	US$ 150,000	$Nil	US$ 150,000
By September 27, 2017	US$ 225,000	US$ 800,000	US$ 1,025,000
On September 27, 2018	-	US$ 4,600,000	US$ 4,600,000

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 Deposit has been exploited over a strike length of 1.2 kilometer to an approximate depth of 20 0 meters. Three shallow exploration shafts were also made prior to 1910 along the vein for an additional 900 meters along strike to the southeast. The structure, which is believed to exist over a further 3.5 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 and 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 was to start testing below the lower limit of the current resource at a depth of approximately 145m along a strike length of 1200 meters. Subsequent phases of drilling are planned to also test the extension of the veins to the southeast where they are open along a strike length of 4.4 kilometers.

On November 5, 2014 the Company through its subsidiary Minera Santa Remy S.A. de C.V. received approval from Semernat, 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 the 1.2 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 the Company announced a new resource calculation with additional ounces of silver (AgEq) as well as significantly higher grade (AgEq).

San Acacio Inferred Resource

			Grade > Cut-off			Contained Metal		
Vein	AgEq Cut-off g/t	Tonnes > Cut-off (tonnes	Ag(g/t)	Au(g/t)	AgEq (g/t)	Ag (oz)	Au (oz)	AgEq (oz)
Veta G	100	2,150,000	192.43	0.19	204.66	13,302,000	10,000	14,147
Veta C	100	739,000	153.28	0.08	158.66	3,642,000	19,000	3,770,000
Veta B	100	13,000	76.53	0.45	105.98	32,000	190	44,000
Total	100	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, the Company 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

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, the Company 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

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 200m and a depth of 140m below the base of the current resource.

On July 28, 2015, Defiance announced commencement of drilling to test the zone below the historic Esperanza-Guadalupe workings 600m to the southeast along the San Acacio vein system. The program was completed on August 28, 2015 with the deepening of drill hole SAD15-8 and completion of drill holes SA15-9 to 11 for a total of 1236.05m.

In March 2016, the Company reported the results of the three holes SA15-9 to 11 drilled at the San Acacio silver deposit. Drilling 550m southeast of the last 8 reported drill holes intercepted wide zones of mineralization in both the Veta Grande and Veta Chica veins. Results from these holes extend the known mineralization to 140 meters below the current resource with mineralization still open to depth and along strike.

Drill hole SAD15-10 intersected the San Acacio vein over a length of 11.95m. Three zones straddling two old mine workings returned; 2.1m grading 333.87 g/t AgEq, 5.5m grading 187.06, and 1.6m grading 99.55 g/t AgEq. Hole SAD15-09 intersected the San Acacio vein over a length of 7.65m that includes a 3.05m wide old working. It is believed that the old workings encountered represent the high-grade portion of the vein had been mined historically.

Both drill holes SAD15-09 and SAD15-10 intersected the hanging wall Veta Chica Vein. SAD15-09 returned 15.65m grading 68.76 g/t AgEq with a 4.85m section grading 128.71 g/t AgEq. SAD15-10 returned 1.6m grading 110.50 g/t AgEq.

The workings intersected in both holes SAD15-9 and SAD15-10, are believed to represent the higher grade portions of the 7.65m and 11.95m long intersections of the San Acacio vein that were historically mined.

In all three holes, SAD15-9, SAD15-10, and SAD15-11, the vein intercepts were hosted within a zone defined by long intersections of 55.6m, 110.3m, and 136.4m respectively of a quartz pyrite breccia that is anomalous in silver, zinc and copper. This breccia represents a previously unrecognized hydrothermal event which may indicate a larger hydrothermal system at depth.

Results for holes SAD15-9 through SAD15-11 are provided in the following table:

Hole #	From (m)	To (m)	Length (m)	Ag, g/t	Au, g/t	Cu, %	Pb, %	Zn, %	Ageq, g/t*
SAD15-9	221.00	224.05	3.05		Mine opening on Veta Chica				
SAD15-9	226.15	241.80	15.65	65.22	0.02	0.01	0.01	0.04	68.76
including	226.15	231.00	4.85	118.32	0.02	0.07	0.01	0.04	128.71
SAD15-9	263.70	266.75	3.05	40.38	0.09	0.01	0.15	0.52	72.00
	266.75	269.80	3.05		Mine Opening on Veta Grande				
	269.80	271.35	1.55	4.90	0.04	0.01	0.15	0.51	31.02
SAD15-10	282.70	284.30	1.60	100.03	0.11	0.01	0.01	0.03	110.50
SAD15-10 **	331.50	343.45	11.95		Veta Grande vein				
including	331.5	333.6	2.1	283.31	0.17	0.01	0.38	0.70	333.87
**	333.60	335.65	2.05		Mine Opening on Veta Grande				
including	335.65	341.15	5.5	96.65	0.26	0.03	0.61	1.34	187.06
**	341.15	341.85	0.7		Mine Opening on Veta Grande				
including	341.85	343.45	1.60	19.44	0.12	0.02	0.40	1.58	99.55
SAD15-11	283.50	285.00	1.50	136.03	0.03	0.02	0.03	0.06	142.73
*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.									
1 Gram = 0.03215074657 Troy ounce									
** Grade not calculated because of no data for open mine workings									
***True Widths are approximately 70% to 80% of each intersection									

Exploration efforts were conducted under the direct supervision of Rick Tschauder, B.Sc. the Company's Vice President Exploration.

In August 2016, the Company announced that it has signed an agreement with the Fraccionamiento Rural Sauceda de la Borda that grants the Company rights to carry out exploration within all of its mineral concessions underlying the Fraccionamiento lands. The Company now controls surface rights covering both the 1.2km of vein strike length that hosts the San Acacio deposit along with over 4.4 km of vein that has little to no modern exploration.

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 granitic to dioritic 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	3.20	248	8.64
Measured + Indicated	3.38	291	19.75
Inferred (oxides + tailings)	6.93	137	30.56

Ref: First Majestic Silver Corp website February 2016

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 2016	2015	2014
Net loss	$ 650,501	$ 835,480	$ 2,227,348
Basic and diluted loss per share	$ 0.01	$ 0.02	$ 0.07
Working capital	$ 560,898	$ 191,965	$ 545,629
Total assets	$ 3,210,843	$ 2,123,583	$ 1,496,194
Total long term liabilities	$ 36,000	$ 36,000	$ 36,000

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:

	June 30, 2016	**March 31, 2016**	**December 31, 2015**	**September 30, 2015**
Revenue	$ Nil	$ Nil	$ Nil	$ Nil
Loss and comprehensive loss for the period	(207,660)	(156,717)	(139,815)	(146,309)
Exploration and evaluation assets	2,019,716	1,955,698	1,875,603	1,736,509
Total assets	3,210,843	2,385,032	2,187,777	2,099,715
Loss per share	(0.00)	(0.00)	(0.00)	(0.00)

	June 30, 2015	March 31, 2015	December 31, 2014	September 30, 2014
Revenue	$ Nil	$ Nil	$ Nil	$ Nil
Loss and comprehensive loss for the period	(224,241)	(99,446)	(356,467)	(155,326)
Exploration and evaluation assets	1,399,816	1,109,328	978,934	759,799
Total assets	2,123,583	1,639,000	1,228,311	1,320,017
Loss per share	(0.00)	(0.00)	(0.01)	(0.00)

Years ended June 30, 2016

The Company's loss for the year ended June 30, 2016 totaled $650,501 ($0.01 per share) as compared to a loss $835,480 ($0.02 per share) for the year ended June 30, 2015.

Expense details are as follows:

a) Investor relations and promotion of $46,121 (2015 - $17,073) – The increase is due to a new contract entered in June 2015 for investor relations services.

b) Legal and audit of $142,536 (2015 - $156,653) – The decreased slightly due to the variable nature of legal activities incurred in the Company's subsidiary during the ongoing renegotiation of the option to purchase agreement and the acquisition of surface rights.

c) Management and consulting fees of $285,267 (2015 - $331,852) – The decrease is due to new consulting contracts entered in fiscal 2015 and reduced rates.

d) Share-based compensation of $28,145 (2015 - $196,278) – The decrease is due to fewer options granted in the current year compared to the prior year and the timing of their related vesting periods.

e) Travel of $17,128 (2015 - $33,848) – The decrease is due to less travelling in the current year compared to the prior year.

f) Interest expense of $5,348 (2015 – $Nil) – The increase is due to the loan proceeds of $160,000 from a third party which was repaid during the current fiscal year.

g) Loss on foreign exchange of $43,743 (2015 - $13,887) – The gains and losses are due to fluctuating exchange rates between the CAD, USD and MXN in the current year compared to the prior year.

Quarter ended June 30, 2016

For the quarter ended June 30, 2016, the Company incurred a net loss of $207,660 ($0.00 per share) as compared to a loss $224,241 ($0.00 per share) for the quarter ended June 30, 2015.

Expense details are as follows:

a) Management and consulting fees of $43,551 (2015 - $106,409) – The decrease is due to new consulting contracts entered in fiscal 2015 and reduced rates.
b) Legal and audit fees of $118,562 (2015 - $59,447) can vary considerably from quarter to quarter due to the timing of billings received from Mexican legal counsel.

c) Share-based compensation of $460 (2015 - $10,744) – The decrease is due to fewer options granted in the current period compared to the prior period and the timing of their related vesting periods.

d) Interest expense of $5,348 (2015 – $Nil) – The increase is due to the loan proceeds of $160,000 from a third party which was repaid during the current fiscal year.

e) Loss on foreign exchange of $19,281 (2015 - $8,898) – The gains and losses are due to fluctuating exchange rates between the CAD, USD and MXN in the current period compared to the prior period.

Liquidity

The Company is in the acquisition and early exploration stage and therefore has no cash flow from operations. At June 30, 2016, the Company had cash of $932,315 (2015 - $419,343) and working capital of $560,898 (2015 –$191,965) (see Capital Resources section below regarding proceeds from warrant exercises).

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.

The Company is considered to be in the exploration and evaluation stage. Thus, it is dependent on obtaining regular financings in order to continue its exploration and evaluation programs. Despite previous success in acquiring these financings, there is no guarantee of obtaining future financings. The Company's cash is invested in business accounts with quality financial institutions, is available on demand for the Company's programs, and is not invested in any asset backed commercial paper.

Value added tax (VAT)

The Company, through its wholly-owned subsidiary in Mexico, has a total of $243,786 in VAT receivable as of June 30, 2016 (2015 – $211,342). This amount reflects VAT paid from 2011 through 2016. 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 classified as a long-term receivable. The Company received a refund of approximately $38,000 in October, 2016 against the above VAT receivable.

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.

As at the date of this report, 27,332,550 warrants priced at $0.05 and $0.15 were exercised for total proceeds of $1,719,883.

As at the date of this report, 130,000 options priced at $0.10 were exercised for total proceeds of $13,000.

During the year ended June 30, 2016, the Company received loan proceeds of $160,000 from a third party. The loan bears interest of 10% per annum, was due on March 31, 2016, and was callable at any time by the lender. In April 2016, the Company repaid the loan of $160,000 and accrued interest of $5,348.

Outstanding Share Data

As at the date of this report, the Company had 89,840,320 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	60,000	0.60	December 19, 2016
	640,000	0.27	November 22, 2017
	250,000	0.27	December 10, 2017
	1,890,000	0.10	November 6, 2019
	100,000	0.15	March 12, 2020
	250,000	0.11	June 10, 2020
	50,000	0.10	November 27, 2020
	200,000	0.41	July 20, 2021
	3,440,000		

	Number	Exercise Price	Expiry Date
Warrants	2,005,000	0.15	November 12, 2016
	506,500	0.15	December 2, 2016
	2,511,500		

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements as at June 30, 2016 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, 2016, accounts payable and accrued liabilities included $36,156 (2015 - $28,976) 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.

During the year ended June 30, 2016, the Company:

(a) paid or accrued management fees of $82,500 (2015 – $90,000) to a company controlled by Bruce Winfield, the CEO, President and director of the Company.

(b) paid or accrued management fees of $86,267 (2015 – $91,328) to Rick Tschauder, an officer of the Company.

(c) paid or accrued management fees of $30,000 (2015 - $36,550) to a company controlled by Darrell Rader a director of the Company.

(d) paid or accrued management fees of $7,500 (2015 - $30,000) to Matthew Kavanagh, a former officer of the Company.

(e) paid or accrued management fees of $9,000 (2015 - $Nil) to a company controlled by Michael Kinley the CFO of the Company.

(f) paid or accrued $22,000 (2015 - $24,000) in rent expense, included in office and administration, to Minaurum Gold Inc., a company related by common directors.

Share-based compensation includes stock options granted to directors and officers recorded at a fair value of $14,777 (2015 - $160,599).

Proposed Transactions

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

Risk Factors

The Company is in the business of acquiring, exploring and, if warranted, developing and exploiting natural exploration and evaluation assets. Due to the nature of the Company's proposed business and the present stage of exploration of its exploration and evaluation assets, the following risk factors, among others, will apply:

Mining Industry is Intensely Competitive: The Company's business is the acquisition and exploration of exploration and evaluation assets. The mining industry is intensely competitive and the Company will compete with other companies that have far greater resources.

Resource Exploration and Development is Generally a Speculative Business: Resource exploration and development is a speculative business and involves a high degree of risk, including, among other things, unprofitable efforts resulting not only from the failure to discover resource deposits but from finding resource deposits which, though present, are insufficient in size to return a profit from production. The marketability of natural resources that may be acquired or discovered by the Company will be affected by numerous factors beyond the control of the Company. These factors include market fluctuations, the proximity and capacity of natural resource markets, government regulations, including regulations relating to prices, taxes, royalties, land use, importing and exporting of resources and environmental protection.

The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving an adequate return on invested capital. The vast majority of exploration projects do not result in the discovery of commercially mineable deposits of ore.

Fluctuation of Metal Prices: Even if commercial quantities of resource deposits are discovered by the Company, there is no guarantee that a profitable market will exist for the sale of the metals produced. Factors beyond the control of the Company may affect the marketability of any substances discovered. The prices of various metals have experienced significant movement over short periods of time, and are affected by numerous factors beyond the control of the Company, including international economic and political trends, expectations of inflation, currency exchange fluctuations, interest rates and global or regional consumption patterns, speculative activities and increased production due to improved mining and production methods.

The supply of and demand for metals are affected by various factors, including political events, economic conditions and production costs in major producing regions. There can be no assurance that the price of any commodities will be such that any of the properties in which the Company has, or has the right to acquire, an interest may be mined at a profit.

Permits and Licenses: The operations of the Company will require consents, approvals, licenses and/or permits from various governmental authorities. There can be no assurance that the Company will be able to obtain all necessary consents, approvals, licenses and permits that may be required to carry out exploration, development and mining operations at its projects.

No Assurance of Profitability: The Company has no history of earnings and, due to the nature of its business, there can be no assurance that the Company will ever be profitable. The Company has not paid dividends on its shares since incorporation and does not anticipate doing so in the foreseeable future. The only present source of funds available to the Company is from the sale of its common shares or, possibly, from the sale or optioning of a portion of its interest in its exploration and evaluation assets.

Even if the results of exploration are encouraging, the Company may not have sufficient funds to conduct the further exploration that may be necessary to determine whether or not a commercially mineable deposit exists. While the Company may generate additional working capital through further equity offerings or through the sale or possible syndication of its property, there can be no assurance that any such funds will be available on favourable terms, or at all. At present, it is impossible to determine what amounts of additional funds, if any, may be required. Failure to raise such additional capital could put the continued viability of the Company at risk.

Uninsured or Uninsurable Risks: The Company may become subject to liability for pollution, criminal activity or hazards against which it cannot insure or against which it may elect not to insure where premium costs are disproportionate to the Company's perception of the relevant risks. The payment of such insurance premiums and of such liabilities would reduce the funds available for exploration and production activities.

Government Regulation: Any exploration, development or mining operations carried on by the Company will be subject to government legislation, policies and controls relating to prospecting, development, production, environmental protection, mining taxes and labour standards. In addition, the profitability of any mining prospect is affected by the market for precious and/or base metals which is influenced by many factors including changing production costs, the supply and demand for metals, the rate of inflation, the inventory of metal producing corporations, the political environment and changes in international investment patterns.

Environmental Matters: Existing and possible future environmental legislation, regulations and actions could cause significant expense, capital expenditures, restrictions and delays in the activities of the Company, the extent of which cannot be predicted and which may well be beyond the capacity of the Company to fund. The Company's right to exploit any mining properties is and will continue to be subject to various reporting requirements and to obtaining certain government approvals and there can be no assurance that such approvals, including environment approvals, will be obtained without inordinate delay or at all.

Insufficient Financial Resources: The Company does not presently have sufficient financial resources to undertake by itself the exploration and development of any significant exploration and development programs. The development of the Company's property will therefore depend upon the Company's ability to obtain financing through the joint venturing of projects, private placement financing, public financing or other means. There can be no assurance that the Company will be successful in obtaining the required financing. Failure to raise the required funds could result in the Company losing, or being required to dispose of, its interest in its property. In particular, failure by the Company to raise the funding necessary to maintain in good standing the various option agreements it has entered into could result in the loss of the rights of the Company to such property. In addition, should the Company incur significant losses in future periods, it may be unable to continue as a going concern, and realization of assets and settlement of liabilities in other than the normal course of business may be at amounts significantly different from those reflected in its current financial statements.

Recent market events and conditions, including disruptions in the Canadian, United States and international credit markets and other financial systems and the deterioration of the Canadian, United States and global economic conditions, could, among other things, impede access to capital or increase the cost of capital, which would have an adverse effect on the Company's ability to fund its working capital and other capital requirements.

These unprecedented disruptions in the current credit and financial markets have had a significant material adverse impact on a number of financial institutions and have limited access to capital and credit for many companies, particularly junior resource exploration companies such as the

Company. These disruptions could, among other things, make it more difficult for the Company to obtain, or increase its cost of obtaining, capital and financing for its operations. The Company's access to additional capital may not be available on terms acceptable to the Company or at all.

In years, worldwide securities markets, including those in the United States and Canada, have experienced a high level of price and volume volatility, and the market price of securities of some companies, particularly those considered exploration stage companies, have experienced declines in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. As a consequence, despite the Company's past success in securing significant equity financing, market forces may render it difficult or impossible for the Company to secure places to purchase new share issues at a price which will not lead to severe dilution to existing shareholders, or at all. Therefore, there can be no assurance that significant fluctuations in the trading price of the Company's common shares will not occur, or that such fluctuations will not materially adversely impact on the Company's ability to raise equity funding without significant dilution to its existing shareholders, or at all.

Dependence Upon Others and Key Personnel: The success of the Company's operations will depend upon numerous factors, many of which are beyond the Company's control, including (i) the ability to design and carry out appropriate exploration programs on its exploration and evaluation asset; (ii) the ability to produce resources from any resource deposits that may be located; (iii) the ability to attract and retain additional key personnel in exploration, marketing, mine development and finance; and (iv) the ability to obtain the operating resources to develop and maintain the property held by the Company. These and other factors will require the use of outside suppliers as well as the talents and efforts of the Company and its consultants and employees. There can be no assurance of success with any or all of these factors on which the Company's operations will depend, or that the Company will be successful in finding and retaining the necessary employees, personnel and/or consultants in order to be able to successfully carry out such activities. This is especially true as the competition for qualified geological, technical and mining personnel and consultants is particularly intense in the current marketplace.

Price Fluctuations and Share Price Volatility: In recent months, the securities markets in the United States and Canada have experienced a high level of price and volume volatility, and the market price of securities of many companies, particularly those considered exploration stage companies, have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual and extreme fluctuations in price will not occur.

Uncertainty of Resource Estimates/Reserves: Unless otherwise indicated, mineralization figures presented in the Company's filings with securities regulatory authorities, press releases and other public statements that may be made from time to time are based upon estimates made by Company personnel and independent geologists. These estimates are imprecise and depend upon geological interpretation and statistical inferences drawn from drilling and sampling analysis, which may prove to be unreliable. There can be no assurance that:

- these estimates will be accurate;
- reserves, resource or other mineralization figures will be accurate; or

• this mineralization could be mined or processed profitably.

Because the Company has not commenced production at its property, and has not defined or delineated any proven or probable reserves on any of its properties, mineralization estimates for the Company's property may require adjustments or downward revisions based upon further exploration or development work or actual production experience. In addition, the grade of ore ultimately mined, if any, may differ from that indicated by drilling results. There can be no assurance that minerals recovered in small-scale tests will be duplicated in large-scale tests under on-site conditions or in production scale. The resource estimates contained in the Company's filings with securities regulatory authorities, press releases and other public statements that may be made from time to time have been determined and valued based on assumed future prices, cut-off grades and operating costs that may prove to be inaccurate. Extended declines in market prices for gold, silver, copper or other metals may render portions of the Company's mineralization uneconomic and result in reduced reported mineralization. Any material reductions in estimates of mineralization, or of the Company's ability to extract this mineralization, could have a material adverse effect on the Company's results of operations or financial condition.

The Company has not established the presence of any proven and probable reserves at its exploration and evaluation asset. There can be no assurance that subsequent testing or future studies will establish proven and probable reserves at the Company's exploration and evaluation asset. The failure to establish proven and probable reserves could restrict the Company's ability to successfully implement its strategies for long-term growth.

Surface Rights and Access: Although the Company acquires the rights to some or all of the resources in the ground subject to the tenures that it acquires, or has a right to acquire, in most cases it does not thereby acquire any rights to, or ownership of, the surface to the areas covered by its resource tenures. In such cases, applicable mining laws usually provide for rights of access to the surface for the purpose of carrying on mining activities, however, the enforcement of such rights can be costly and time consuming. In areas where there are no existing surface rights holders, this does not usually cause a problem, as there are no impediments to surface access. However, in areas where there are local populations or land owners, it is necessary, as a practical matter, to negotiate surface access. There can be no guarantee that, despite having the right of law to access the surface and carry on mining activities, the Company will be able to negotiate a satisfactory agreement with any such existing landowners/occupiers for such access, and therefore it may be unable to carry out mining activities. In addition, in circumstances where such access is denied, or no agreement can be reached, the Company may need to rely on the assistance of local officials or the courts in such jurisdiction.

Title: Although the Company has taken steps to verify the title to the exploration and evaluation asset in accordance with industry standards for the current stage of exploration of such property, these procedures do not guarantee title. Title to exploration and evaluation assets may be subject to unregistered prior agreements or transfers, and may also be affected by undetected defects or the rights of indigenous peoples.

Disclosure For Venture Issuers Without Significant Revenue

An analysis of the material components of the Company's general and administrative expenses is disclosed in the consolidated financial statements for the year ended June 30, 2016 to which this MD&A relates. An analysis of the material components of the exploration and evaluation assets of the Company is disclosed in the consolidated financial statements for the year ended June 30, 2016 to which this MD&A relates.

Critical Accounting Estimates

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual reports could differ from management's estimates.

Contingencies

There are no contingent liabilities.

Internal Controls Over Financial Reporting

Changes in Internal Control over Financial Reporting ("ICFR")

In connection with National Instrument 52-109, Certification of Disclosure in Issuer's Annual and Interim Filings ("NI 52-109") adopted in December 2008 by each of the securities commissions across Canada, the Chief Executive Officer and Chief Financial Officer of the Company will file a Venture Issuer Basic Certificate with respect to financial information contained in the unaudited interim financial statements and the audited annual financial statements and respective accompanying Management's Discussion and Analysis. The Venture Issue Basic Certification does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI52-109.

Management's Responsibility For Financial Statements

The information provided in this report, including the financial statements, is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the financial statements.

Other MD&A Requirements

Additional disclosure of the Company's technical reports, material change reports, news releases and other information can be obtained on SEDAR at www.sedar.com.

Recent Accounting Policies

Please refer to the June 30, 2016 consolidated financial statements on www.sedar.com.

Financial Instruments

Please refer to the June 30, 2016 consolidated financial statements on www.sedar.com.

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 or criminal activity 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.