

NEW PACIFIC METALS CORP.

Management's Discussion and Analysis

For the years ended June 30, 2017 and 2016

(Expressed in Canadian dollars, unless otherwise stated)

DATE OF REPORT: September 20, 2017

Management's Discussion and Analysis ("MD&A") is intended to help the reader understand the significant factors that have affected New Pacific Metals Corp. and its subsidiaries' ("New Pacific" or the "Company") performance and such factors that may affect its future performance. This MD&A should be read in conjunction with the Company's audited consolidated financial statements for the year ended June 30, 2017 and the related notes contained therein. In addition, the Company reports its financial position, financial performance and cash flow in accordance with International Financial Reporting Standards ("IFRS"). The Company's significant accounting policies are set out in Note 2 of the audited consolidated financial statements for the year ended June 30, 2017.

FORWARD LOOKING STATEMENTS

Except for statements of historical fact relating to the Company, certain information contained herein constitutes forward-looking statements. Forward-looking statements are frequently characterized by words such as "plan", "expect", "project", "intend", "believe", "anticipate", and other similar words, or statements that certain events or conditions "may" or "will" or "can" occur. Forward-looking statements are based on the opinions and estimates of management on the date the statements are made, and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements. These factors include the fluctuating equity prices, bond prices, commodity prices, calculation of resources, reserves and mineralization, foreign exchange risks, interest rate risk, foreign investment risk, loss of key personnel, conflicts of interest, dependence on management, uncertainties relating to the availability and costs of financing needed in the future and other factors described in this report. There can be no assurance that such forward-looking 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 such statements. Except as required by applicable securities laws, the Company expressly disclaims any obligation to update any forward-looking statements or forward-looking statements that are incorporated by reference herein.

Additional information relating to the Company can be obtained on SEDAR at www.sedar.com, and on the Company's website at www.newpacificmetals.com.

BUSINESS STRATEGY

New Pacific Metals Corp. along with its subsidiaries is a Canadian mining issuer engaged in exploring and developing precious metal mining properties in Bolivia, Canada and China. The Company was previously an investment issuer engaged in investing in privately held and publicly traded corporations under the name of New Pacific Holdings Corp. The change of the Company's business and name was approved by the Company's shareholders at the Special Meeting held on June 30, 2017.

The Company is in the business of exploring and developing its mineral properties and has not yet determined whether its mineral property interests contain economically recoverable mineral reserves. The underlying value and the recoverability of the amounts shown for mineral property interests are entirely dependent upon the existence of economically recoverable mineral reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of the mineral property interests, and future profitable production or proceeds from the disposition of the mineral property interests.

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The Company is a reporting issuer in British Columbia, Alberta, Manitoba, Ontario, and Quebec, and trades on TSX Venture under the symbol "NUAG.V".

FISCAL 2017 HIGHLIGHTS

- Successfully completed the Alcira acquisition to acquire the Silver Sand Property in Bolivia for a total cash consideration of \$56,632,500 (US\$45,000,000), the transaction was closed on July 20, 2017;
- Managed to raise \$45,354,357 (US\$35,817,000) through two private placements as the funding source of the Alcira acquisition, the transactions were closed on July 17 and July 28, 2017, respectively;
- Net income attributable to equity holders of \$1.37 million, or \$0.02 per share, compared to net loss attributable to equity holders of \$0.12 million, or (\$0.00) per share.

ALCIRA ACQUISITION

Subsequent to year end on July 20, 2017, the Company has closed its previously announced acquisition of 100% interest in Empresa Minera Alcira S.A. ("Alcira"), a private Bolivian incorporated mining company from its three shareholders (the "Vendors") pursuant to the terms of a share purchase agreement (the "Agreement") dated March 28, 2017. Alcira has seven silver-polymetallic mineral properties or ATEs (Temporary Special Authorization) in Bolivia. The most significant property is the Silver Sand Property (the "Property"), located in the Potosi Department, which has been subjected to some small-scale, historic mining and was drilled during the period 2012 through 2015 by Alcira. The other six are early-stage exploration projects, which have either been subject to limited small-scale mining or historical drilling.

The Company acquired Alcira for total cash consideration of \$56,632,500 (US\$45,000,000). Payment terms and schedules are summarized as follow:

- \$4,866,375 (US\$3,750,000) was paid to the Vendors on April 6, 2017 and was included in deposits and prepayments as at June 30, 2017;
- \$40,586,625 (US\$32,250,000) was paid to the Vendors on July 20, 2017;
- \$2,517,000 (US\$2,000,000) was paid to Alcira on August 14, 2017 ahead of schedule of the October 18, 2017;
- \$2,517,000 (US\$2,000,000) to be paid on or before October 18, 2017; and
- \$6,145,500 (US\$5,000,000) to be paid to the Vendors once the Company has received certain specified permits and licenses from the authorities of Bolivia necessary for mining and milling operations, or once Alcira has commenced commercial production.

The transaction is entered into based on normal market conditions at the amount agreed on by the parties. The transaction did not meet the criterial of a business combination since Alcira lacks the necessary inputs, process, and outputs of being a business; therefore it has been accounted for as an acquisition of assets by the Company. The purchase consideration was allocated to the assets acquired based on their fair values at the date of the acquisition net of any associated liabilities. The only material asset acquired was the mineral property interest of the Silver Sand Property.

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During the year ended June 30, 2017, cost associated with the Alcira acquisition for evaluation, investigation, due diligence, and confirmation drilling in the amount of \$466,972 were capitalized under the Silver Sand Property.

To facilitate the funding of its acquisition of Alcira, the Company successfully completed two private placements subsequent to the year end.

On July 17, 2017, the Company closed a private placement to issue a total of 43,521,250 common shares at a price of \$1.01 (US\$0.80) per share for gross proceeds of \$44,109,657 (US\$34,817,000). Total finder's fee for the transaction was \$554,632.

On July 28, 2017, the Company closed another private placement to issue a total of 1,250,000 common shares at a price of \$1.00 (US\$0.80) per share for gross proceeds of \$1,244,700 (US\$1,000,000).

PROJECTS OVERVIEW

1. Silver Sand Property

Subsequent to year-end on July 20, 2017, the Company acquired the Silver Sand Property through the Alcira acquisition. The Silver Sand Property is located in the Potosi Department, Bolivia. The property consists of 17 contiguous concessions totalling 3.15 square kilometers in size. There are no current mineral resources or mineral reserves on the Silver Sand Property, it has been subjected to some small-scale, historical mining and was drilled during the period 2012 through 2015 by its previous owner.

The Silver Sand Property will be the Company's main focus for the coming years. The Company plans to establish mineral resources and reserves on the property through comprehensive exploration programs. Planned works in fiscal 2018 include building an exploration camp on the property and conducting a 30,000 meters drilling program.

During the year ended June 30, 2017, the Company incurred expenditures of \$42,591 in preparing a NI43-101 report, \$392,726 in drilling and assaying and \$31,655 in other relevant expenditures on the Silver Sand Property as part of the acquisition process.

2. Tagish Lake Gold Property

In December 2010, the Company completed the acquisition of 100% of the Tagish Lake Gold Property through the acquisition of Tagish Lake Gold Corp. TLG is a wholly owned direct subsidiary of the Company. The Tagish Lake Gold Property is located 80 kilometres by road south of Whitehorse, Yukon, Canada, and consists of 1,510 mineral claims covering approximately 254 square kilometres. Within the property, three geographically distinct projects have been identified: the Skukum Creek, Goddell, and Mt. Skukum projects.

On September 14, 2012, the Company filed an updated National Instrument 43-101 ("NI 43-101") report for the Skukum Creek, Goddell and Mt. Skukum projects. The Company does not intend to conduct any further exploration on the Tagish Lake Gold Property and will examine strategic opportunities for the Tagish Lake Gold Property in accordance with its business strategies and objectives.

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Exploration Progress

Since the acquisition of the Tagish Lake Gold Property in December 2010, the Company had one exploration season that commenced on May 18, 2011 and ended on October 9, 2011. The property was on care and maintenance status with a rotating crew of 2 men on site at all times between the end of exploration work and November 2014. Since November 2014 the camp has been sealed and unmanned. All major onsite equipment items have been removed for sale.

3. RZY Silver-Lead-Zinc Project

On March 28, 2013, the Company acquired 80% of Fortress Mining Inc.'s ("FMI") interest in the RZY Silver-Lead-Zinc Project through the purchase of all the outstanding common shares of FMI from Silvercorp Metals Inc., a related party of the Company, for cash consideration of US\$3.5 million. The RZY Project is held through FMI's 82% owned subsidiary, Qinghai Found Mining Co. Ltd. ("QFM"). The RZY Project exploration permit has been transferred from Qinghai Geological Survey Institute ("QGS"), the minority shareholder of QFM, to QFM as of September 3, 2013.

The RZY Project, located in Qinghai, China is an early stage silver-lead-zinc exploration project, situated on a high plateau with an average elevation of 5,000 metres above sea level. The RZY project is located approximately 296 kilometres via paved and gravel roads from the capital city of Yushu, Tibetan Autonomous Prefecture, or 1157 kilometres via paved highway from Qinghai Province's capital city of Xining. Regular commercial flights are available from Xining to Yushu.

Exploration Progress

The most recent drill program at the RZY Project was completed on October 20, 2013. In 2016, the Qinghai Provincial Government issued a moratorium which temporarily suspends exploration for twenty six mining projects including the Company's RZY project. RZY's exploration permit expired on November 19, 2016. The application for the renewal of the exploration permit is in the final stage and subject to the Government's approval.

The continuity schedule of mineral property acquisition costs and deferred exploration and development costs is summarized as follows:

Cost	Silver Sand	Tagish Lake	RZY Project	Total
Balance, July 1, 2015	\$ -	\$ -	\$ 8,253,673	\$ 8,253,673
<u>Capitalized exploration expenditures</u>				
Camp services	-	-	43,132	43,132
Permitting	-	-	8,639	8,639
Impairment of RZY Project	-	-	(3,850,343)	(3,850,343)
Foreign currency translation impact	-	-	(39,201)	(39,201)
Balance, June 30, 2016	\$ -	\$ -	\$ 4,415,900	\$ 4,415,900
Reporting and assessment	42,591	-	-	42,591
Drilling and assaying	392,726	-	-	392,726
Other	31,655	-	-	31,655
Foreign currency translation impact	-	-	(97,028)	(97,028)
Balance, June 30, 2017	\$ 466,972	\$ -	\$ 4,318,872	\$ 4,785,844

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INVESTMENTS OVERVIEW

1. Bonds

The Company acquired bonds issued by other companies from various industries through the open market. These bonds were held to receive coupon interest payments as well as to realize potential gains. The bonds may also be disposed on demand through the open market should the Company require funds for other operational or investment needs.

The bonds portfolio as June 30, 2017 and June 30, 2016 is summarized as follows:

Issuer	Coupon rate	Gain	Rate of return	Moody's or S&P rating	Fair value	
					June 30, 2017	June 30, 2016
Huarong Finance Co., Ltd.	3.00%	\$ 25,813	1.35%	Baa1	\$ -	\$ 2,659,751
Grand China Air Hong Kong Co., Ltd.	5.50%	58,181	5.40%	N.R.	-	1,315,409
Shui On Development Holding Ltd.	8.70%	70,923	5.02%	N.R.	1,336,826	1,383,767
Central China Real Estate Ltd.	6.50%	88,989	6.63%	Ba3, B+	1,314,582	1,315,138
Evergrande Real Estate Group	8.75%	88,100	13.25%	B3, CCC+	679,588	651,805
CITIC Envirotech Limited	5.45%	61,953	4.52%	N.R.	1,329,034	1,342,471
eHi Car Services Ltd.	7.50%	110,829	8.04%	BB-	1,358,508	1,350,768
Zhiyuan Group (BVI) Co., Ltd.	6.20%	44,809	3.17%	BB	1,347,500	1,387,547
Blue Sky Fliers Co., Ltd.	6.90%	14,679	2.08%	N.R.	658,610	690,724
Credit Agricole S.A.	6.63%	252,118	20.88%	A1, A	1,341,463	1,183,778
Standard Chartered Bank	6.50%	239,061	19.47%	Ba1, BB-	1,350,573	1,204,086
Stats Chippac Ltd.	8.50%	123,254	12.56%	B3, B+	-	1,360,741
Unigroup International Holdings Ltd.	6.00%	77,640	17.70%	N.R.	687,582	1,355,645
Total or weighted average	6.86%	\$ 1,256,349	9.95%		\$ 11,404,266	\$ 17,201,630

During the year ended June 30, 2017 total gains in the amount of \$1,256,349 (year ended June 30, 2016 - \$577,538) were derived from the bonds portfolio. This represents an annualized weighted average rate of return of 9.95%, compared to the return of 6.42 % as at June 30, 2016.

Subsequent to year end on July 27, 2017, bond of Shui On Development Holding Ltd. was redeemed for proceeds of \$1,278,788.

2. Equity Investments

Equity investments represent equity interests of other publicly-trading or privately-held companies that the Company has acquired through the open market or through private placements. These equity interests consist of common shares and warrants.

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The equity investments portfolio as at June 30, 2017 and June 30, 2016 is summarized as follow:

		June 30, 2017	June 30, 2016
Common shares			
Silvercorp Metals Inc.	(a)	\$ 3,519,200	\$ 3,375,120
Cozystay Holdings Inc.	(b)	428,669	325,225
Aton Resources Inc.	(c)	441,000	-
Avesoro Resources Inc.	(d)	260,000	-
Prophecy Development Corp.	(e)	172,150	-
Treck Mining Inc.	(f)	560,000	-
VanEck Vectors Junior Gold Miners	(g)	866,345	-
Warrants			
Prophecy Development Corp.	(e)	113,078	-
Treck Mining Inc.	(f)	479,952	-
		\$ 6,840,394	\$ 3,700,345

(a) Silvercorp Metals Inc.

Silvercorp Metals Inc. ("SVM") is a publicly traded mining company based in Canada. The Company acquired a total of 1,148,000 shares of SVM through the open market at a weighted average cost of \$0.764 per share for a total consideration of \$876,667. For the year ended June 30, 2017, the gains on SVM shares were \$1,711,069 (year ended June 30, 2016 – gains of \$2,498,453). During the year ended June 30, 2017, the Company sold a total of 300,000 SVM's shares through the open market at a weighted average price of \$5.2233 per share for total proceeds of \$1,566,989. As of September 20, 2017, SVM was traded at \$3.55 per share and the Company's total investment in SVM represented 0.5% of SVM's total outstanding shares.

(b) Cozystay Holdings Inc.

Cozystay Holdings Inc. ("Cozystay") is a private Canadian company. The Company acquired a total of 750,750 shares of Cozystay through a private placement at a cost of \$0.466 (USD \$0.333) per share for a total consideration of \$350,150 (USD \$250,000). For the year ended June 30, 2017, gains on Cozystay shares was \$103,444 (year ended June 30, 2016 – loss of \$24,925).

(c) Aton Resources Inc.

Aton Resources Inc. ("AAN") is a publicly traded mining company based in Canada. The Company acquired a total of 14,000,000 shares of AAN through a private placement at a cost of \$0.05 per share for a total consideration of \$700,000. For the year ended June 30, 2017, loss on AAN shares were \$164,000 (year ended June 30, 2016 – nil). During the year ended June 30, 2017, the Company sold 1,400,000 AAN's shares through the open market a weighted average price of \$0.0678 per share for total proceeds of \$95,000. As of September 20, 2017, AAN was traded at \$0.045 per share and the Company's total investment in AAN represented 6.9% of AAN's total outstanding shares.

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(d) Avesoro Resources Inc. (Formerly "Aureus Mining Inc.")

Avesoro Resources Inc. ("ASO") is a publicly traded mining company based in Canada. The Company acquired a total of 6,500,000 shares of ASO through the open market at a weighted average cost of \$0.0564 per share for a total consideration of \$366,860. For the year ended June 30, 2017, loss on ASO shares was \$106,860 (year ended June 30, 2016 – nil). As of September 20, 2017, ASO was traded at \$0.035 per share and the Company's total investment in AUE represented 0.12% of AUE's total outstanding shares.

(e) Prophecy Development Corp.

Prophecy Development Corp. ("PCY") is a publicly traded mining company based in Canada. The Company acquired a total of 90,000 units (each unit contains one common share and half warrant) of PCY through a private placement at a cost of \$3.80 per unit for a total consideration of \$342,000. The consideration was allocated to common share and warrants based on their relative fair value at the acquisition date. The 90,000 common shares were valued at \$238,521 (\$2.65 per share) and the 45,000 warrants were valued at \$103,479 (\$2.3 per warrant) based on the allocation. The warrants have an exercise price of \$4.40 per share and expire on August 15, 2021.

For the year ended June 30, 2017, gain on PCY shares was \$123,434 (year ended June 30, 2016 – nil). For the year ended June 30, 2017, gain on PCY warrants was \$9,599 (year ended June 30, 2016 – nil). During the year ended June 30, 2017, the Company sold a total of 35,000 PCY shares through the open market at a weighted average price of \$5.423 per share for total proceeds of \$189,805. As of September 20, 2017, PCY was traded at \$3.75 per share and the Company's total investment in PCY represented 1.0% of PCY's total outstanding shares.

(f) Trek Mining Inc.

Trek Mining Inc. ("Trek") is a publicly traded mining company based in Canada. The Company acquired a total of 500,000 units (each unit contains 6.45 common shares and one warrant) of Trek through a private placement at a cost of \$2.00 per unit for a total consideration of \$1,000,000. The consideration was allocated to common share and warrants based on their relative fair value at the acquisition date. The 3,225,000 common shares were valued at \$535,837 (\$0.1662 per share) and the 500,000 warrants were valued at \$464,163 (\$0.93 per warrant) based on the allocation. The warrants have an exercise price of \$3.00 for 6.45 common shares and expire on September 11, 2021.

For the year ended June 30, 2017, gain on Trek shares was \$24,366 (year ended June 30, 2016 – nil). For the year ended June 30, 2017, gain on Trek warrants was \$15,586 (year ended June 30, 2016 – nil). As of September 20, 2017, Trek was traded at \$1.10 per share and the Company's total investment in Trek represented 0.28% of Trek's total outstanding shares.

(g) VanEck Vectors Junior Miners ETF

VanEck Vectors Junior Miners ETF ("GDXJ") tracks a market-cap-weighted index of global gold and silver mining firms, focusing on small caps. The Company acquired a total of 20,000 shares of GDXJ through the open market at a weighted average cost of \$50.04 per share for a total consideration of \$1,000,768. For the years ended June 30, 2017, loss on GDXJ was \$134,423 (year ended June 30, 2016 – nil). As of September 20, 2017, GDXJ was traded at \$41.86 per share.

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(h) Dalradian Resources Inc.

Dalradian Resources Inc. ("DNA") is a publicly traded mining company based in Canada. The Company acquired a total of 300,000 shares of DNA through the open market at a cost of \$1.03 per share for a total consideration of \$309,000. For the year ended June 30, 2017, gain on DNA shares was \$103,600 (year ended June 30, 2016 – nil). During the year ended June 30, 2017, the Company sold a total of 300,000 DNA's shares through the open market at a weighted average price of \$1.3753 per share for total proceeds of \$412,600.

(i) Centerra Gold Inc.

Centerra Gold Inc. ("CG") is a publicly traded mining company based in Canada. The Company acquired a total of 60,000 shares of CG through the open market at a cost of \$7.8559 per share for a total consideration of \$471,354. For the year ended June 30, 2017, loss on CG shares was \$63,222 (year ended June 30, 2016 – nil). During the year ended June 30, 2017, the Company sold a total of 60,000 CG's shares through the open market at a weighted average price of \$6.8022 per share for total proceeds of \$408,132.

(j) Goldquest Mining Corp.

Goldquest Mining Corp. ("GQC") is a publicly traded mining company based in Canada. The Company acquired a total of 500,000 shares of GQC through the open market at a weighted average cost of \$0.3543 per share for a total consideration of \$177,138. For the year ended June 30, 2017, gain on GQC shares was \$98,302. During the year ended June 30, 2017, the Company sold a total of 500,000 shares of GQC through the open market at a weighted average price of \$0.5509 per share for total proceeds of \$275,440.

FINANCIAL RESULTS

Net income attributable to equity holders of the Company for the year ended June 30, 2017 was \$1,372,544 or \$0.02 per share (year ended June 30, 2016 - net loss of \$118,167 or \$0.00 per share). The Company's financial results were mainly impacted by the following: (i) income from investments of \$3,032,548 compared to \$3,098,622 in the prior year; (ii) foreign exchange loss of \$78,944 compared to foreign exchange gain of \$864,648 in the prior year; (iii) operating expenses of \$2,107,187 compared to \$1,029,722 in the prior year, and, (iv) no impairment charge compared to impairment of mineral property interest of \$3,850,343 in the prior year.

Income from investments for the year ended June 30, 2017 was \$3,032,548 (year ended June 30, 2016 - \$3,098,622). Within the investments income, \$1,720,896 was from gain on the Company's equity investments and \$1,256,349 was from fair value change and interest earned on bonds.

Operating expenses for the year ended June 30, 2017 was \$2,107,187 (year ended June 30, 2016 - \$1,029,722). The increase in operating expenses was a result of the Company's increased activities in refocusing on mining and acquiring mining properties in Bolivia. Significant items included in operating expenses are as follows:

- (i) **Consulting fees** for the year ended June 30, 2017 was \$110,169 (year ended June 30, 2016 - \$3,690). The increase of consulting fees was due to external consulting services related to seeking and acquiring mining properties in Bolivia.

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- (ii) **Filing and listing fees** for the year ended June 30, 2017 was \$100,190 (year ended June 30, 2016 - \$73,831). The filing fees include the base fee and variable fee based on the market capitalization paid to TSX Venture.
- (iii) **Investor relations expense** for the year ended June 30, 2017 was \$119,993 (year ended June 30, 2016 - \$55,103). The Company engaged in more mining conferences and roadshows in the current year since it changed its business back to mining.
- (iv) **Professional fees** for the year ended June 30, 2017 was \$455,978 (year ended June 30, 2016 - \$105,180). The increase in professional fees was a result of additional legal and accounting services related to the Alcira acquisition.
- (v) **Salaries and benefits expense** for the year ended June 30, 2017 was \$618,333 (year ended June 30, 2016 - \$366,284). The increase in salaries in the current year was due to increased operating activities resulted in more chargeable hours for existing employees and the creation of a couple of new positions.
- (vi) **Office and administration expense** for the year ended June 30, 2017 was \$424,167 (year ended June 30, 2016 - \$255,397). The increase in office and administration expenses was a result of the overall increased activity levels of the Company.
- (vii) **Share-based compensation** for the year ended June 30, 2017 was \$246,156 (year ended June 30, 2016 - \$129,726).

Foreign exchange loss for the year ended June 30, 2017 was \$78,944 (year ended June 30, 2016 - foreign exchange gain of \$864,648). The Company holds a large portion of cash and cash equivalents and bonds in US dollars while the Company's functional currency is Canadian dollar, the fluctuation in exchange rates between the US dollar and Canadian dollar will impact the financial results of the Company. During the year ended June 30, 2017, the US dollar depreciated by 0.2% against Canadian dollar (from 1.3009 to 1.2977) while in the prior year the US dollar appreciated by 4.3% against Canadian dollar (from 1.2474 to 1.3009).

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Selected Quarterly Information

	For the Quarters Ended			
	Jun. 30, 2017	Mar. 31, 2017	Dec. 31, 2016	Sep. 30, 2016
Income (loss) from Investments	\$ (708,806)	\$ 2,420,122	\$ (2,361,196)	\$ 3,682,428
Income (loss) before other income and expenses	(1,465,329)	1,721,712	(2,760,090)	3,429,068
Other income (loss)	(93,991)	(154,423)	528,271	149,309
Net (loss) income	(1,559,320)	1,567,289	(2,231,819)	3,578,377
Net (loss) income attributable to equity holders	(1,551,574)	1,570,466	(2,228,616)	3,582,268
Basic and diluted (loss) earnings per share	(0.02)	0.02	(0.03)	0.05
Total assets	31,982,526	33,837,211	32,107,923	34,439,948
Total liabilities	406,837	799,402	737,447	805,111
	For the Quarters Ended			
	Jun. 30, 2016	Mar. 31, 2016	Dec. 31, 2015	Sep. 30, 2015
Income (loss) from Investments	\$ 1,507,480	\$ 1,543,806	(37,290)	\$ 84,626
Income (loss) before other income and expenses	1,287,128	1,286,638	(295,171)	(209,695)
Impairment of mineral property interests	(3,850,343)	-	-	-
Other income (loss)	117,268	(1,456,190)	713,076	1,597,382
Net income (loss)	(2,445,947)	(169,552)	417,905	1,387,687
Net income (loss) attributable to equity holders	(1,760,845)	(165,165)	421,784	1,386,059
Basic and diluted earnings (loss) per share	(0.03)	(0.00)	0.01	0.02
Total assets	30,799,017	33,274,197	34,186,828	34,068,509
Total liabilities	790,340	793,016	1,042,440	1,480,034

LIQUIDITY AND CAPITAL RESOURCES

1. Cash Flows

Cash used in operating activities for the year ended June 30, 2017 was \$694,557 (year ended June 30, 2016 – \$880,205).

Cash used in investing activities for year ended June 30, 2017 was \$589,253 (year ended June 30, 2016 – \$9,907,934). Cash flows from investing activities were mainly impacted by the following: (i) capital expenditure on mineral properties of \$467,829 compared to \$51,771 in the prior year; (ii) net proceeds of \$6,226,770 from disposition of bonds compared to net spending of (\$8,739,896) from purchase of bonds in the prior year; and (iii) prepayment of \$4,866,375 for the Alcira acquisition in the current year.

Cash provided by financing activities for year ended June 30, 2017 was \$76,251 (year ended June 30, 2016 – nil). Cash provided in the current year was from stock option exercises.

2. Liquidity and Capital Resources

As at June 30, 2017, the Company had working capital of \$19,844,283 (June 30, 2016 – 21,816,903), comprised of cash and cash equivalents of \$3,810,360 (June 30, 2016 - \$5,267,066), bonds of \$11,404,266 (June 30, 2016 - \$17,201,630) and other current assets of \$5,036,494 (June 30, 2016 - \$138,547) offset by current liabilities of \$406,837 (June 30, 2016 - \$790,340). Management believes that the Company has sufficient funds to support its normal exploration and operating requirement on an ongoing basis. Funding requirement to facilitate the Alcira acquisition is set out in the early sections above.

The Company does not have unlimited resources and its future capital requirements will depend on many factors, including, among others, cash flow from interest, dividends, and realized gains on investments. To the extent that its existing resources and the funds generated by future income are insufficient to fund

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the Company's operations, the Company may need to raise additional funds through public or private debt or equity financing. If additional funds are raised through the issuance of equity securities, the percentage ownership of current shareholders will be reduced and such equity securities may have rights, preferences or privileges senior to those of the holders of the Company's common stock. No assurance can be given that additional financing will be available or that, if available, can be obtained on terms favourable to the Company and its shareholders. If adequate funds are not available, the Company may be required to delay, limit or eliminate some or all of its proposed operations. The Company believes it has sufficient capital to meet its cash needs for the next 12 months, including the costs of compliance with continuing reporting requirements.

FINANCIAL INSTRUMENTS

The Company manages its exposure to financial risks, including liquidity risk, foreign exchange rate risk, interest rate risk, credit risk and equity price risk in accordance with its risk management framework. The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework and reviews the Company's policies on an ongoing basis.

(a) Fair Value

The Company classifies its fair value measurements within a fair value hierarchy, which reflects the significance of inputs used in making the measurements as defined in IFRS 7 – Financial Instruments: Disclosures ("IFRS 7").

Level 1 – Unadjusted quoted prices at the measurement date for identical assets or liabilities in active markets.

Level 2 – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 – Unobservable inputs which are supported by little or no market activity.

The following table sets forth the Company's financial assets that are measured at fair value on a recurring basis by level within the fair value hierarchy at June 30, 2017 and June 30, 2016 that are not otherwise disclosed. As required by IFRS 7, financial assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

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Recurring measurements	Fair value as at June 30, 2017			
	Level 1	Level 2	Level 3	Total
Financial Assets				
Cash and cash equivalents	\$ 3,810,360	\$ -	\$ -	\$ 3,810,360
Bonds	11,404,266	-	-	11,404,266
Common shares ⁽¹⁾	5,818,745	-	428,669	6,247,414
Warrants	-	592,980	-	592,980

⁽¹⁾ Investment in Cozystay is a Level 3 financial instrument

Recurring measurements	Fair value as at June 30, 2016			
	Level 1	Level 2	Level 3	Total
Financial Assets				
Cash and cash equivalents	\$ 5,267,066	\$ -	\$ -	\$ 5,267,066
Bonds	17,201,630	-	-	17,201,630
Common shares ⁽¹⁾	3,375,120	-	325,225	3,700,345

⁽¹⁾ Investment in Cozystay is a Level 3 financial instrument

Fair value of other financial instruments excluded from the table above approximates their carrying amount as of June 30, 2017 and June 30, 2016, respectively.

There were no transfers into or out of level 3 during 2017 and 2016.

(b) Liquidity Risk

The Company has a history of losses and no operating revenues from its operations. Liquidity risk is the risk that the Company will not be able to meet its short term business requirements. As at June 30, 2017, the Company had a working capital position of \$19,844,283 and sufficient cash resources to meet the Company's short-term financial liabilities and its planned exploration expenditures on the Silver Sand property in Bolivia (see note 17) for the foreseeable future, for, but not limited to, the next 12 months.

In the normal course of business, the Company enters into contracts that give rise to commitments for future minimum payments. The following summarizes the remaining contractual maturities of the Company's financial liabilities:

	June 30, 2017	June 30, 2016
	Due within a year	
Trade and other payables	\$ 355,909	\$ 701,228
Due to related parties	50,928	6,112
	\$ 406,837	\$ 707,340

(c) Foreign Exchange Risk

The Company is exposed to foreign exchange risk when it undertakes transactions and holds assets and liabilities denominated in foreign currencies other than its functional currencies. The Company currently does not engage in foreign exchange currency hedging. The Company's exposure to foreign exchange risk is summarized as follows:

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The amounts are expressed in CAD equivalents	June 30, 2017		June 30, 2016
United States dollars	\$	15,666,583	\$ 22,505,852
Bolivianos		41,826	-
Chinese RMB		149,171	243,484
Financial assets in foreign currency	\$	15,857,580	\$ 22,749,336
Bolivianos	\$	3,545	\$ -
Chinese RMB		79,160	82,494
Financial liabilities in foreign currency	\$	82,705	\$ 82,494

As at June 30, 2017, with other variables unchanged, a 1% strengthening (weakening) of the U.S. Dollar against the CAD would have increased (decreased) net income by approximately \$157,000.

As at June 30, 2017, with other variables unchanged, a 1% strengthening (weakening) of the Bolivianos against the CAD would have increased (decreased) net income by approximately \$400.

As at June 30, 2017, with other variables unchanged, a 1% strengthening (weakening) of the Chinese RMB against the CAD would have increased (decreased) net income by approximately \$700.

(d) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company's cash and cash equivalents primarily include highly liquid investments that earn interest at market rates that are fixed to maturity. The Company also holds a portion of cash and cash equivalents in bank accounts that earn variable interest rates. Due to the short-term nature of these financial instruments, fluctuations in market rates do not have significant impact on the fair values of the financial instruments as of June 30, 2017. The Company also owns bonds that earn coupon payments at fixed rates to maturity. Fluctuation in market interest rates usually will have an impact on bond's fair value. An increase in market interest rates will generally reduce bond's fair value while a decrease in market interest rates will generally increase it. The Company monitors market interest rate fluctuations closely and adjusts the investment portfolio accordingly.

(e) Credit Risk

Credit risk is the risk of financial loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit risk primarily associated with cash and cash equivalents, bonds, and receivables. The carrying amount of financial assets included on the statement of financial position represents the maximum credit exposure.

The Company has deposits of cash equivalents that meet minimum requirements for quality and liquidity as stipulated by the Company's Board of Directors. Management believes the risk of loss to be remote, as majority of its cash and cash equivalents are held with major financial institutions. Bonds by nature are exposed to more credit risk than cash. The Company manages its risk associated with bonds by only investing in large globally recognized corporations from diversified industries. As at June 30, 2017, the Company has a receivables balance of \$149,568 (June 30, 2016 - \$115,146).

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(f) Equity Price Risk

The Company holds certain marketable securities that will fluctuate in value as a result of trading on global financial markets. As the Company's marketable securities holding are mainly in mining companies, the value will also fluctuate based on commodity prices. Based upon the Company's portfolio at June 30, 2017, a 10% increase (decrease) in the market price of the securities held, ignoring any foreign exchange effects would have resulted in an increase (decrease) to net income of approximately \$680,000.

RELATED PARTY TRANSACTIONS

Related party transactions not disclosed elsewhere in the consolidated financial statements are as follows:

Transactions with related parties	Years ended June 30,	
	2017	2016
Silvercorp Metals Inc. (a)	\$ 380,523	\$ 253,799

Related party transactions are entered at the amounts agreed on by the parties. As at June 30, 2017 and 2016, the balances with related parties, which are unsecured, non-interest bearing, and due on demand, are as follows:

Due to related parties	June 30, 2017	June 30, 2016
Silvercorp Metals Inc. (a)	\$ 50,928	\$ 6,112

(a) Silvercorp has two common directors and one officer with the Company and shares office space and provides various general and administrative services to the Company. During the year ended June 30, 2017, the Company recorded total expenses of \$380,523 (year ended June 30, 2016 - \$253,799) for services rendered and expenses incurred by Silvercorp on behalf of the Company.

(b) Compensation of key management personnel

The remuneration of directors and other members of key management personnel for the years ended June 30, 2017 and 2016 are as follows:

	Year ended June 30,	
	2017	2016
Directors' compensation	\$ 225,491	\$ 70,000
Key management compensation	364,138	162,000
	\$ 589,629	\$ 232,000

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet financial arrangements.

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PROPOSED TRANSACTIONS

There are no proposed acquisitions or disposals of assets or business, other than those in the ordinary course of business and the Alcira acquisition disclosed in early sections, approved by the board of directors as at the date of this MD&A.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the amounts reported on the consolidated financial statements. These critical accounting estimates represent management estimates that are uncertain and any changes in these estimates could materially impact the Company's consolidated financial statements. Management continuously reviews its estimates and assumptions using the most current information available. The Company's critical accounting policies and estimates are described in Note 2 of the accompanied audited consolidated financial statements for the year ended June 30, 2017.

Management has identified: (a) Impairment of mineral property interests and (b) Share-based payments as the critical estimates for the following discussion:

(a) Impairment of mineral property interests

Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs to sell and value in use. These assessments require the use of estimates and assumptions such as long-term commodity prices (considering current and historical prices, price trends and related factors), discount rates, operating costs, future capital requirements, closure and rehabilitation costs, exploration potential, reserves and in-situ value of the property. These estimates and assumptions are subject to risk and uncertainty. Therefore, there is a possibility that changes in circumstances will impact these projections, which may impact the recoverable amount of assets and/or CGUs. Fair value or value in use is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties.

(b) Share-based payments

The Company accounts for stock options granted to employees, officers, directors, and consultants using the fair value method. The fair value of options granted to employees, officers, and directors is determined using the Black-Scholes option pricing model with market related inputs as of the date of grant. The fair value of stock options granted to consultants is measured at the fair value of the services delivered. Market related inputs using the Black-Scholes option pricing model are subject to estimation and includes risk free interest rate, expected life of option, expected volatility, expected dividend yield, and estimated forfeiture rate.

FUTURE ACCOUNTING CHANGES

IAS 7 - *Statement of Cash Flows* has been revised to incorporate amendments issued by the International Accounting Standards Board ("IASB") in January 2016. The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendments are effective for annual periods beginning on or after January 1, 2017 with early adoption permitted. The Company is assessing the impact of this standard.

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IAS 12 - *Income Taxes* has been revised to incorporate amendments issued by the IASB in January 2016. The amendments clarify how to account for deferred tax assets related to debt instruments measured at fair value. The amendments are effective for annual periods beginning on or after January 1, 2017 with early adoption permitted. The Company is assessing the impact of this standard.

IFRS 16 - *Leases* was issued by the IASB and will replace Leases ("IAS 17"). IFRS 16 requires most leases to be reported on a company's balance sheet as assets and liabilities. IFRS 16 is effective for annual periods beginning on or after January 1, 2019 with early application permitted for companies that also apply IFRS 15 Revenue from Contracts with Customers. The Company is currently assessing the impact of this new standard.

OUTSTANDING SHARE DATA

As at the date of this MD&A, the following securities were outstanding:

(a) Share Capital

Authorized – unlimited number of common shares without par value.

Issued and outstanding – 112,749,479 common shares with a recorded value of \$102.9 million.

Shares subject to escrow or pooling agreements is nil.

(b) Options

The outstanding options as at the date of this MD&A are summarized as follows:

Options		
Outstanding	Exercise Price \$	Expiry Date
1,745,000	0.55	October 31, 2021
410,000	0.57	September 23, 2017
615,000	0.62	September 23, 2018
1,965,000	1.15	July 31, 2022
4,735,000	0.58	

RISK FACTORS

The Company is subject to many risks which are outlined in its Annual Information Form, which is available on SEDAR at www.sedar.com. In addition, please refer to the *Financial Instruments Section* for the analysis of financial risk factors.