BAYHORSE SILVER INC.

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MANAGEMENT'S DISCUSSION & ANALYSIS

Accompanying the September 30, 2017 Unaudited Condensed Consolidated Interim Financial Statements

This Management's Discussion & Analysis ("MD&A"), prepared as of November 28, 2017, is intended to be read in conjunction with the Company's unaudited condensed consolidated interim financial statements for the three and nine months ended September 30, 2017, and related notes thereto, which have been reported in Canadian dollars (unless noted otherwise), and prepared in accordance with International Financial Reporting Standards ("IFRS"). Amounts in this MD&A are stated in Canadian dollars unless noted otherwise.

This discussion relates to the operations of Bayhorse Silver Inc. (the "**Company**"), during the period up to the date of this MD&A, being November 28, 2017.

Additional information, including press releases, has been filed electronically through the System for Electronic Document Analysis and Retrieval ("**SEDAR**") and is available under the Company's profile at www.sedar.com.

OVERVIEW

Bayhorse Silver Inc. (the "Company") was incorporated under the Canada Business Corporations Act on April 6, 2004 and continued its incorporation into British Columbia on May 3, 2010. The Company is engaged in the acquisition and exploration of mineral property interests. These unaudited condensed consolidated interim financial statements include the records of the Company's wholly owned US based subsidiary, Bayhorse Silver (USA) Inc., and its wholly owned New Zealand based subsidiary, Kent Exploration NZ Limited ("Kent NZ") up to June 23, 2016, after which Kent NZ was dissolved and no longer consolidated. The Company is listed on the TSX-V under ticker symbol BHS as a Tier 2 mining issuer, the Frankfurt Exchange, Germany, under the symbol 7KXN, and in the US under the symbol KXPLF.

The Company is a junior natural resource company engaged in the acquisition, exploration and development of natural resource properties. The Company is yet to receive any revenue from its mineral exploration operations. Accordingly, the Company has no operating income or cash flows. As a result, the Company has relied almost exclusively upon equity and debt financing activities, which is not expected to significantly change in the immediate future.

RECENT HIGHLIGHTS

- Received the Steinert KSS100 X-Ray Transmissive "Ore-Sorter" at the Bayhorse Silver Mine and commenced assembly of the equipment.

- Commenced a new diamond drilling program at its Bridging The Gap Silver Project.

- Signed a Letter of Intent ("LOI") with Minerals Solutions LLC ("Minerals") of Coeur d'Alene Idaho, whereby the Company undertakes to provide to Minerals direct shipping material from the Bayhorse Silver Mine, Oregon, USA. Minerals will concentrate, process, refine and sell, or return refined silver to the Company.

- Completed a financing of 200 units of US$5,000 convertible debentures for gross proceeds of US$1,000,000 (CAD$1,241,700).

- Received successful results from Steinert US ("Steinert") of the approximately 3,275 kg that was submitted for the ongoing Ore-Sorting testing on the Bayhorse Silver Mine mineralization using the KSS 100 XRay Transmissive ("XRT") Ore-Sorter that the Company has purchased. The 3,275 kg low grade (95.36 g/t or 2.78 oz/t) material supplied to Steinert for the testing was to establish a potential cut-off grade for the Bayhorse Silver Mine mineralization. The test, utilizing XRT and Laser sorting, resulted in recovery of 14% of the mass grading 261.61 g/t (7.64 oz/t) Ag for a 275% upgrade.

- Reopened the silver rich, formerly productive Sunshine mineralized zone, at the Bayhorse Silver Mine, Oregon, USA. Development work at the Sunshine zone has exposed veins, bands, seams and stringers of mineralization across the face, back and ribs of the workings. Silver bearing tetrahedrite is the main silver ore mineral.

- Commissioned the crusher/upgrader equipment at its Bayhorse Silver Mine and commenced crushing and upgrading silver bearing mineralized material recently extracted from the Mine.

- Shipped approximately 3,000 kilos (6,600lb) of crushed mineralized material to Steinert US to refine the Ore-Sorting equipment algorithm settings to ensure maximum separation of mineralized from non-mineralized material. By removing non-mineralized material from the process stream before final upgrading, substantial cost savings can be achieved in the crushing operations.

- Completed a non-brokered private placement financing of 6,000,000 units at a price of $0.15 per unit for gross proceeds of $900,000.

- Completed an Interim Financing Loan agreement for US$803,988 with NFS Leasing, Inc. to acquire the Steinert KSS100 X-Ray Transmissive "Ore-Sorter" for the Company's Bayhorse mine.

- Advised American Cordillera Mining Corp. ("AMCOR") that the Company has met the minimum expenditures as detailed in the mining lease option agreement dated Dec. 4, 2013, with respect to the Bayhorse silver mine.

OVERALL PERFORMANCE / DISCUSSION OF OPERATIONS

The Company's business is the acquisition, financing, and exploration of prospective mineral properties in areas of low political risk, close to support facilities and with ready access.

Mineral Properties

The Company has entered into agreements to acquire interests in a number of exploration stage mineral properties:

Bayhorse Silver Mine Property, Oregon State

The Company entered into an Option and Joint Venture Agreement dated December 4, 2013 among

Bayhorse Silver LLC, and American Cordillera Mining Corporation with its wholly-owned subsidiary Amcor Exploration Inc. (collectively, “AMCOR”) of Spokane Washington, whereby the Company was granted an option (the "Option") to acquire an 80% interest in AMCOR’s 100% leasehold interest from Bayhorse Silver Mine LLC in certain mineral claims commonly referred to as the Bayhorse Silver Mine located in Baker County, Oregon.

In order to earn its 80% interest in the Bayhorse Silver Mine the Company is required to make a cash payment of $25,000 (paid), and the following additional payments:

Share issuances

- On or before December 17, 2014, issue 500,000 common shares (issued);
- On or before December 17, 2016, issue 500,000 common shares (issued - cumulative 1,000,000); and
- On or before December 17, 2018, issue 500,000 common shares (cumulative 1,500,000 shares) (issued – cumulative 1,500,000).

Property expenditures

- On or before the first anniversary of the Option Date (December 17, 2014), incur a minimum of US$100,000 of Expenditures (Completed);
- On or before the second anniversary of the Option Date (December 17, 2015), incur a further US$100,000 of Expenditures (cumulative US$200,000) (Completed);
- On or before the third anniversary of the Option Date (December 17, 2016), incur a further US$300,000 of Expenditures; of which the aggregate total of US$500,000 for the first three anniversaries is a firm commitment (cumulative US$500,000) (Completed);
- On or before the fourth anniversary of the Option date (December 17, 2017), incur a further US$500,000 of Expenditures (cumulative US$1,000,000) (Completed); and
- On or before the fifth anniversary of the Option date (December 17, 2018), incur a further US$500,000 of Expenditures (cumulative US$1,500,000). As of September 30, 2017, the Company has incurred US$2,188,391 of Expenditures and as of the date of this MD&A, the Company has incurred over US$2,400,000 in Expenditures.

Advance royalty payments

- Minimum advance royalty payment of US$20,000 on June 26, 2014 (completed);
- Minimum advance royalty payment of US$30,000 on June 26, 2015 (completed);
- Minimum advance royalty payment of US$40,000 on June 26, 2016 (completed); and
- Minimum advance royalty payment of US$60,000 on June 26, 2017 and annually thereafter (not completed).

In addition, the Option calls for a 2% NSR on up to US$500 of ore value and 3% for ore over $500.

On May 15, 2017, the Company advised AMCOR that it has met the minimum expenditures as detailed in the mining lease option agreement dated Dec. 4, 2013, with respect to the Bayhorse silver mine. The company has expended in excess of the minimum US$1.5 million of required property expenditures as defined in the option agreement and has exercised its option to acquire an 80% undivided right, title and interest in and to AMCOR's mining lease with Bayhorse Silver Mine LLC on and to the Bayhorse silver mine. In accordance with the provisions of the option agreement, the Company formally advised AMCOR that it had made a decision to mine and in accordance with the option agreement, a joint venture is automatically deemed to have been formed with the Company as the operator.

As of May 15, 2017, the company has expended approximately US$1,600,000 in property expenditures and as such the initial calculation for the joint venture expenditures shall be based upon that amount. As a result of the exercise of the option and commencement of the joint venture, AMCOR and the Company are deemed to have the joint venture expenditures of US$320,000 and US$1,600,000, respectively with joint venture interests of 20% and 80%, respectively. The Company has also issued AMCOR 500,000 shares of the Company.

In accordance with the provisions of the option agreement, the Company will be responsible for 80% of the project expenditures and AMCOR will be responsible for 20% of the expenditures going forward. Provisions in the option agreement allow for dilution of either joint venture parties' interest in the joint venture and, when either party's interest falls below 10% based on participating project expenditures, their interest shall be converted to a 1% net smelter royalty and the surviving party shall hold a 100% interest to the mining lease.

The Company now has established through engineering and testing work that the Bayhorse Mine mineralization is amenable through Ore-Sorting and Dense Media processing to be readily upgraded to direct shipping material. The Company has conducted mucking out and timbering operations inside the Bayhorse Mine and opened the secondary escape-way as required by MSHA regulations. The Company has received the shipment of crushing and processing equipment at the project site and equipment assembly has been completed.

The Company has reopened the silver rich, formerly productive Sunshine mineralized zone, at the Bayhorse Silver Mine, Oregon, USA. Development work at the Sunshine zone has exposed veins, bands, seams and stringers of mineralization across the face, back and ribs of the workings. Silverbearing tetrahedrite (a copper mineral) is the main mineral. The 140 foot long Sunshine zone was last mined in 1926. Historic smelter records show that 63,470 ounces of silver was recovered from the 2,558 tons mined from the zone. Development material currently extracted from the zone is being processed and upgraded at the Bayhorse Mine site. Silver and copper mineralization at the Sunshine zone is reported to be up to 85ft wide south to north and open along strike to the west, through the Junction and Big Dog zones, for a known 840 ft. (Herdrick, 1981). An underground assay map developed by Cordex in 1976, to confirm prior assay maps, showed copper grades ranging from 1% to 3%. Also, under the current re-development phase, work is progressing on re-opening the Big Dog zone that was extensively drilled by Silver King Mines in 1984. The Silver King drilling extended the 120 feet long Big Dog zone a further 200 feet along strike to the west.

The Company has commissioned the crusher/upgrader equipment and commenced crushing and upgrading silver bearing mineralized material ("Material") recently extracted from the Mine. The upgraded Material will be stockpiled at the mine in 1,000 Kg (2,200 lb) supersacks, that will be individually assayed. Samples of the material and the assays will be submitted to interested potential purchasers.

The Company anticipates that up to 10,000 kg of sacked upgraded Material will be available for shipping by the end of December 2017, with increasing quantities available as upgrading operations ramp up.

With the crushing/upgrading plant commissioned, the Company will now focus on extracting up to 30,000 tonnes of mineralized material from the intermediate and upper workings of the Bayhorse Silver Mine for upgrading. Development of the Legend Zone, that is directly beneath the Sunshine Zone, 50 feet above, continues, and mineralized material is being extracted from the zone to add to that material already stockpiled. The Company is winterizing the Mine so that seven day a week operations, both mining and processing, can continue through the winter.

The Company has received successful results from Steinert of the approximately 3,275 kg that was submitted for the ongoing Ore-Sorting testing on the Bayhorse Silver Mine mineralization using the XRT Ore-Sorter that the Company has purchased. The 3,275 kg low grade (95.36 g/t or 2.78 oz/t) material supplied to Steinert for the testing was to establish a potential cut-off grade for the Bayhorse Silver Mine mineralization. The test, utilizing XRT and Laser sorting, resulted in recovery of 14% of the mass grading 261.61 g/t (7.64 oz/t) Ag for a 275% upgrade. The Company believes that this test provides substantiation for assigning a lower cut-off grade of 2.5 oz/t (85.5 g/t) Ag for the mining and processing of the Bayhorse mineralization. Of the feed into the Ore-Sorter, 2,817.2kg (86%) averaging 68.34 g/t (1.97 oz/t) Ag was rejected. The feed material tested had a crush size of -50mm with the best recovery in the size range from 10mm to 25mm.

Testing of Bayhorse mineralization conducted on the Steinert XRT/Laser Ore-Sorter that the Company has purchased, shows it will effectively select crushed mineralized (5-400 mm) material containing more than 2.5 oz/t Ag (85.5 g/t). It will reject up to 86% of the non-mineralized gangue, and minimally mineralized material under 2.5 oz/t Ag.

The Company has received the Ore-Sorter at the Bayhorse Silver Mine and assembly has commenced. Commissioning of the Ore-Sorter, and training of operating personnel will commence on completion of assembly.

The Company has entered into an Interim Financing Loan agreement for US$803,988 with NFS Leasing, Inc. to acquire ore sorting equipment for its Bayhorse mine. The loan carries an interest rate of 14.98% per annum and is intended to be converted into a 48 month lease with NFS Leasing, Inc. at the time when the equipment is delivered, but no later than December 1, 2017. Interest accrued on the loan is due and payable upon commencement of the lease. The lease payments will be US$6,750, US$13,500 and US$26,713.71 for months one to three, months four to twelve and months thirteen to forty-eight, respectively, from the commencement date of the lease.

In August 2017, the Company received the assay results from sampling the silver mineralized Sunshine and Big Dog Zones at the Bayhorse Silver Mine. Samples were taken from each mined round of a 30-m (110 ft.) drift advanced alongside the Sunshine Zone workings. Each drilled and blasted round was approximately 3.3 m (10 ft.) high, 2.6 m (8 ft.) wide, and 2 m (6.6 ft.) deep. One sample was taken from the Big Dog Zone, where the majority of the mining was conducted under the 1984 mining program.

On November 27, 2017, the Company announced that new mineralized intersections at the Bayhorse Bayhorse Silver mine have significantly increased the vertical extent of mineralized zones to 70 feet (21 metres) from 20 ft (7 m). Niton x-ray fluorescence testing has confirmed the mineralization as silver-bearing tetrahedrite and sphalerite. The new development headings intersected wide zones of mineralization beneath the Sunshine zone and also beneath the Junction zone workings. These headings are located at distances of 48 m (160 feet) and 103 m (340 feet) from the mine portal and oriented to the north from the main adit at the mine. The newly intersected mineralization is open to depth from an elevation of 2,307 feet (793 m). The two zones lie 50 feet (15 m) below the previously known extent of the mineralized zones at elevation 2,367 (720 m) in areas that have never before been explored. The Company will use underground drilling in the 2018 from the two new headings to confirm historic mining grades, and also to confirm drill results from an un-mined zone at the westerly end of the Big Dog zone, that is over 600 feet (200 m) from the mine portal.

The highest grade sampled was 111.85 oz/t (3,478.92 g/t) Ag from the Big Dog Zone, while the highest grade sampled from the Sunshine Zone was 83.5 oz/t (2,597.13 g/t) Ag. Minor gold values were identified in the majority of the samples. The full results are tabulated below.

Sample Type	Au Oz/t	Ag Oz/t	Ag g/t
Grab, blasted round	<.001	0.80	24.88
Grab blasted round	0.001	2.70	83.98
Grab blasted round	0.005	62.50	1,943.96
Grab blasted round	<.001	0.50	15.55
Grab blasted round	0.006	69.60	2,164.80
Grab blasted round	0.001	14.75	458.78
Grab blasted round	0.001	17.90	556.75
Grab blasted round	0.004	52.78	1,641.64
Select blasted rock	0.003	68.76	2,138.67
Select blasted rock	<.001	4.33	134.68
Grab, 46' into drift	0.001	23.55	732.49
Grab, 52' into drift	0.002	61.12	1,901.04
Grab, 61' into drift	0.002	35.56	1,106.04
Grab 68' into drift	<.001	5.72	177.91
Chip 76'- 18" across vein	0.003	49.58	1,542.11
Chip 80' - 18" across vein	0.001	2.70	83.98
Chip 85' - 24" across vein	0.004	83.50	2,597.13
Select - Big Dog Zone	0.005	111.85	3,478.92

Grab/select samples are selected samples and are not representative of the mineralization hosted on the property.

Assaying was undertaken by Umpire Assayer for Metal Solutions LLC and Liberty Refiners LLC, Chris Christophersen, Metal Chemist and Assay Lab, Kellogg, Idaho. The analytical method used for the silver & gold analysis consisted of a 50 gram sample subjected to fire assay with gravimetric finish.

Pulps of these samples have been submitted to Dr. Jerry Demenna, Chem Check Laboratory, Bronx, NY for *ICP-AES (Induction Coupled Plasma-Atomic Emission Spectral)* multi-element analysis, which is pending.

Bridging the Gap (Government Gulch) Property, Idaho

On November 20, 2015, the Company entered into an Option Agreement with Blackhawk Mining L.L.C. ("Blackhawk") to acquire a 75% undivided right, title and interest in the Government Gulch Property in the Coeur d'Alene mining district in Idaho. The Government Gulch Property holds mineral rights that abut the Bunker Hill Mine to the east and the Page Mine to the West. Mining operations were conducted by both the Bunker Hill Mine and the Page Mine right up to the east and west boundaries respectively of the Bridging the Gap group of claims.

In order to earn its 75% interest in the Bridging the Gap Property, the Company is required to make an aggregate payment of US$25,000 to Blackhawk, and incur not less than an aggregate of US$3,000,000 of expenditures on the Property as follows:

- A non-refundable deposit to Blackhawk of US$5,000 on signing the agreement; (paid)
- A cash payment of US$20,000 to Blackhawk on the option date (November 20, 2015) (paid);
- On or before the first anniversary of the option date (November 20, 2016), incur a minimum of US$600,000 of Expenditures, of which US$250,000 shall be a property payment to Blackhawk (as at September 30, 2017, the US$350,000 of required Expenditures has been completed and US$125,000 was paid. The remaining US$125,000 was paid subsequent to September 30, 2017);
- On or before the second anniversary of the Option Date (November 20, 2017), incur a further US$600,000 of Expenditures; which is a firm commitment of which US$250,000 shall be a property payment to Blackhawk (cumulative US$1,200,000);
- On or before the third anniversary of the Option Date (November 20, 2018), incur a further US$600,000 of Expenditures (cumulative US$1,800,000)*;*
- On or before the fourth anniversary of the Option date (November 20, 2019), incur a further US$600,000 of Expenditures (cumulative US$2,400,000); and
- And on or before the fifth anniversary of the Option date (November 20, 2020), incur a further US$600,000 of Expenditures (cumulative US$3,000,000).

As at September 30, 2017, the cumulative exploration expenditure incurred was US$374,285 and as of the date of this MD&A, the Company has incurred over US$512,000 in Expenditures.

A diamond drill program was conducted at BTG and is based upon a 1979 planned drill program by Bunker Hill Mines in preparation for reopening the Crown Point and Silver King workings, that historically graded 10 oz/t silver, but was never carried out. The diamond drill program targeted a pair of parallel silver/lead/zinc structures and veins that are projected to extend east-west for approximately 1,400 feet in length and over 1,000 feet in vertical extent. The structural vein targets include those at the historic Crown Point/Silver King Mines, and the parallel Shea structure located 300 feet to the south.

The Shea structure was extensively mined at the adjacent Bunker Hill Mine, whose claims abut the eastern side of the BTG claims. Historical Bunker Hill mining records from 1936 report a 30 foot highly mineralized intersection in the Shea structure from an underground drill hole in the Silver King workings at the 200 foot level. The Shea zone mineralized drill hole intersection was never followed up based on the Company's historical mine data digital compilation.
Lithologically, the BTG property is dominated by mid-Proterozoic basin-fill sedimentary rocks of the Belt Super-group that include the St. Regis, Revett, Burke, and Prichard Formations. The complex structural geology, not well described in historical publications, includes multiple episodes of brittle and plastic deformation as observed in the current Bayhorse drill holes. The property lies on the northeastern limb of the Pine Creek Anticline, and in the footwall of the southeast-striking Page-Government Gulch reverse fault.

The BTG Property, not available for exploration for over 76 years, includes six former ASARCO-owned and operated underground mines and prospects. These include the Crown Point, Silver King, Wyoming, and Blackhawk Mines which produced over 2 million ounces of silver and by product Pb and/or Zn from 1901-1944, primarily from sulfide-mineral bearing veins. Also included are the Curlew and Ranger Mines for which no production data is available.

In November 2016, the Company announced that, as part of its drilling program, it had completed drilling three holes totaling 444.8m (1,459.4 ft) that penetrated both the Crown Point target and the Osburn Fault Zone intersecting St. Regis Formation in the hanging wall and Prichard Formation in the footwall. Complex structures in this hole include breccia, folds, shear zones, and faults that exhibit sericitic ± clay ± pyrite alteration and mineralization. Alteration and mineralization occur in both the hanging wall and footwall of the Osburn Fault Zone.

This initial surface drilling focused on testing the Crown Point and Shea targets. Both are located in the hanging wall of the east-striking Osburn Fault Zone that underwent 12 to 19 miles (20 to 30 km) of right-lateral strike slip displacement. The Crown Point and Shea targets have been modeled as east-striking structures/veins that lie subparallel to the Osburn fault zone. The Company's geological consultants are pleased with the initial drill results and are planning follow up drill holes.

Diamond drill core from this drill program was logged and processed, and 113 samples were submitted for geochemical analysis to the American Analytical Services Laboratory (ISO 1705 Accredited) in Osburn, Idaho. Certified standard reference materials, blanks, and duplicate samples were submitted with the core samples as part of the Quality Assurance and Quality Control (QA/QC) program. Mineralized samples submitted for assay include pyrite-rich bedding replacement veins, as well as quartz-rich vein intercepts with galena, sphalerite, and pyrite, and chevron folds with blebby pyrite from the Pritchard Formation, along with clast-rich crackle breccia from the St. Regis Formation.

In November 2016, the Company announced that it has filed on SEDAR the first National Instrument 43-101 Technical Report on the Bridging the Gap Project authored by Dr. Gerald E. Ray, QP.

In October 2017, the Company announced that it has started a new diamond drill program. Following completion of the access roads to the first drill pads on the Crown Point structure, the Company has mobilized its drill rig. The first drill target is a pair of parallel silver/zinc/lead veins at the historic Crown Point Mine, and approximately 300 feet to the south, the parallel Shea structure.

MINERAL PROPERTY AND EXPLORATION EXPENSES BY PROPERTY

Mineral expenses by property in Canadian dollars for the nine months ended September 30, 2017 and 2016 are as follows:

Nine months ended September 30, 2017

	Bayhorse	Bridging The Gap	Total
Acquisition and holding costs	80,000	78,630	158,630
Assays and analysis	22,920	-	22,920
Depreciation	39,880	-	39,880
Drilling	-	(2,481)	(2,481)
Equipment & other rentals	45,627	-	45,627
Geological costs	13,397	2,957	16,354
Labour	414,464	-	414,464
Other contractors	50,725	38,934	89,659
Project management	77,909	13,764	91,673
Supplies	251,955	17	251,972
Technical	42,067	5,262	47,329
Travel and accommodation	108,414	2,044	110,458
Miscellaneous	419	-	419
	$ 1,147,777	$ 139,127	$ 1,286,904

Nine months ended September 30, 2016

	Bayhorse	Bridging The Gap	Total
Acquisition and holding costs	4,764	32,217	36,981
Assays and analysis	10,641	-	10,641
Drilling	-	125,772	125,772
Equipment rental	57,425	-	57,425
Geological	3,770	8,668	12,438
Project preparation	193,126	4,236	197,362
Field costs	118,103	-	118,103
Travel and accommodation	53,183	290	53,473
Miscellaneous	663	261	924
	$ 441,675	$ 171,444	$ 613,119

SUMMARY OF QUARTERLY FINANCIAL RESULTS

A summary of the last eight quarterly financial results is as follows:

Three Months Ended	General administrative expenses ($)	Exploration Expenses ($)	(Net Loss) ($)	Loss per Share ($)
30 Sep 2017	729,750	577,210	(1,761,097)	(0.03)
30 Jun 2017	144,532	457,249	(615,491)	(0.01)
31 Mar 2017	224,744	252,445	(605,095)	(0.01)
31 Dec 2016	451,853	821,449	(593,755)	(0.02)
30 Sep 2016	627,527	315,935	(1,023,041)	(0.03)
30 Jun 2016	307,522	262,928	(576,534)	(0.02)
31 Mar 2016	149,678	34,256	(152,008)	(0.01)
31 Dec 2015	447,535	395,823	(894,921)	(0.03)

Exploration expenses for the quarter ended December 31, 2016 were higher due to acquisition and drilling costs at Bridging the Gap and project preparation costs at Bayhorse. Expenses for the quarters ended September 30, 2016 and December 31, 2015 were higher due to the cost of warrants issued with the Debentures. Expenses were higher for the quarter ended June 30, 2016 due to the cost of stock options granted. Exploration expenses for the quarter ended June 30, 2017 were higher mainly due to increased labour cost as the Company reopened the mineralized zone at the Bayhorse Mine. General administrative expenses decreased for the quarter ended June 30, 2017 mainly because there was no stock-based compensation. General and administration expenses increased for the quarter ended September 30, 2017 mainly due to the cost of warrants issued with the Debentures and the cost of stock options issued. Exploration expense increased for the quarter ended September 30, 2017 mainly due to increased mining preparation activity at the Bayhorse mine. The Company recorded a loss on conversion of convertible debenture resulting in the increase in net loss for the quarter ended September 30, 2017.

RESULTS OF OPERATIONS

Three Months Ended September 30, 2017

The following table sets forth Expense items with variances between the three months ended September 30, 2017 and 2016.

	Three Months Ended		
	September 30, 2017	September 30, 2016	Increase (Decrease)
Mineral property costs	$ 577,210	$ 315,935	$ 261,275
Expenses			
Communications	1,972	2,400	(428)
Financing fee	422,643	563,509	(140,866)
Foreign exchange and bank charges	(35,350)	(42,169)	6,819
Insurance	2,970	-	2,970
Management fees	30,000	30,000	-
Office and other	12,102	22,953	(10,851)
Office rent	9,000	7,200	1,800
Professional fees	20,500	16,170	4,330
Promotion	2,857	7,788	(4,931)
Share-based compensation	258,945	-	258,945
Transfer, listing and filing fees	3,911	10,633	(6,722)
Travel	200	9,043	(8,843)
	$ (729,750)	$ (627,527)	$ (102,223)

Exploration expenditures increased for the three months ended September 30, 2017 compared to the same period last year mainly due to project preparation costs and increased labour cost as the Company reopened the mineralized zone at Bayhorse.

The increase in financing fee for the 2017 period compared to the 2016 period was mainly due to the fair value of the warrants issued with the convertible debentures recorded as financing fees, financing costs on the interim financing loan for the purchase of the ore sorting equipment and interest on the convertible debentures.

Office and other of decreased for the 2017 period over the comparable period in 2016 mainly because the Company made efforts to reduce costs in this area.

Share-based compensation increased for the 2017 period compared to the 2016 period because the company granted 1,750,000 stock option during the 2017 period compared to no stock options granted during the 2016 period.

Transfer, listing and filing fees decreased in 2017 compared to the 2016 period primarily due to additional filing fees for the various financing activities incurred in 2016.

Travel expense decreased in the current period compared to the comparable period in 2016. The decrease was due increased travel for financing and project related activities for 2016.

The Company's Debentures are denominated in US dollars but the conversion price is denominated in Canadian dollars. The number of shares to be converted varies based on the foreign exchange rate at conversion date. The amount of interest payment also varies based on the foreign exchange rate on interest payment dates. The Debenture issued by the Company is a hybrid instrument, containing a loan component and embedded derivatives and as such is classified as fair value through profit and loss ("FVTPL") and all changes in fair value are recorded in profit and loss. Accordingly, the Company recorded a loss of $14,184 (2016 - $79,579) for the three months ended September 30, 2017. The Company recorded a loss on shares converted from convertible debenture of $439,953 (2016 - $nil) for the three months ended September 30, 2017 due to the conversion of Debentures into common shares when the market price of the shares was higher than the conversion price.

Nine Months Ended September 30, 2017

The following table sets forth Expense items with variances between the nine months ended September 30, 2017 and 2016.

	Nine Months Ended		
	September 30, 2017	September 30, 2016	Increase (Decrease)
Mineral property costs	$ 1,286,904	$ 613,119	$ 673,785
Expenses			
Communications	13,353	4,115	9,238
Financing fee	582,901	721,613	(138,712)
Foreign exchange and bank charges	(9,810)	(49,848)	40,038
Insurance	4,570	7,466	(2,896)
Management fees	90,000	90,000	-
Office and other	35,248	43,060	(7,812)
Office rent	28,020	21,600	6,420
Professional fees	54,000	45,660	8,340
Promotion	9,420	43,321	(33,901)
Share-based compensation	258,945	111,627	147,318
Transfer, listing and filing fees	21,405	28,808	(7,403)
Travel	10,974	17,305	(6,331)
	$ (1,099,026)	$ (1,084,727)	$ (14,299)

Exploration expenditures increased for the nine months ended September 30, 2017 compared to the same period last year mainly due to project preparation costs and increased labour cost as the Company reopened the mineralized zone at Bayhorse.

The increase in communications for the 2017 period compared to the 2016 period was mainly due to trade show attendances in 2017.

The decrease in financing fee for the 2017 period compared to the 2016 period was mainly due to the higher fair value in 2016 of the warrants issued with the convertible debentures recorded as financing fees, interest on the convertible debentures.

Foreign exchange and bank charges increased for the 2017 period compared to the 2016 period primarily due to the exchange rate changes for the US dollar as the Company's convertible debentures are denominated in US dollars.

Office and other decreased for the 2017 period over the comparable period in 2016 mainly because the Company made efforts to reduce costs in this area.

Office rent increased for the 2017 period over the comparable period in 2016 mainly because the monthly rental rate increased.

Professional fees increased for the 2017 period over the comparable period in 2016 mainly because additional consultants were engaged in 2017.

Promotion decreased for the 2017 period compared to the 2016 period because the Company did not engage as many investor relations consultants in 2017 compared to the 2016 period.

Share-based compensation increased for the 2017 period compared to the 2016 period because the company granted 1,750,000 stock option during the 2017 period compared to 925,000 stock options granted during the 2016 period.

Transfer, listing and filing fees decreased in 2017 compared to the 2016 period primarily due to additional filing fees for the various financing activities incurred in 2016.

Travel expense decreased in the current period compared to the comparable period in 2016. The decrease was due increased travel for financing and project related activities for 2016.

The Company's Debentures are denominated in US dollars but the conversion price is denominated in Canadian dollars. The number of shares to be converted varies based on the foreign exchange rate at conversion date. The amount of interest payment also varies based on the foreign exchange rate on interest payment dates. The Debenture issued by the Company is a hybrid instrument, containing a loan component and embedded derivatives and as such is classified as fair value through profit and loss ("FVTPL") and all changes in fair value are recorded in profit and loss. Accordingly, the Company recorded a loss of $221 (2016 - $53,737) for the nine months ended September 30, 2017. The Company recorded a loss on shares converted from convertible debenture of $595,532 (2016 - $nil) for the nine months ended September 30, 2017 due to the conversion of Debentures into common shares when the market price of the shares was higher than the conversion price.

LIQUIDITY, CAPITAL RESOURCES, COMMITMENTS AND CONTINGENCIES

Working Capital and Cash

The Company's cash increased by $1,190,530 to $1,200,229 during the nine months ended September 30, 2017. Cash used in operations was $1,660,356 mainly for exploration expenses, management fees, office administration, and professional fees.

During the nine months ended September 30, 2017, the Company received proceeds from various financing activities. The net proceeds received were from private placement of convertible debentures ($1,205,638), private placement of shares issued ($820,907), exercise of warrants ($786,076), short term loan ($301,013) and exercise of stock options ($168,190). During the same period, the Company purchased $409,171 worth of equipment.

Going Concern

The Company has not yet put into commercial production any of its mineral properties and as such has no operating revenues or cash flows. Accordingly, the Company is dependent on the equity and debt markets as its sole source of operating working capital, and the Company's capital resources are largely determined by the strength of the junior resource capital markets and by the status of the Company's projects in relation to these markets, and its ability to compete for investor support of its projects. There can be no assurance that financing, whether debt or equity, will always be available to the Company in the amount required at any particular time or for any particular period or, if available, that it can be obtained on terms satisfactory to it.

The Company is in the mineral exploration and development business and is exposed to a number of risks and uncertainties inherent to the mineral resource industry. This activity is capital intensive at all stages and subject to fluctuations in metal prices, market sentiment, currencies, inflation and other risks. The Company currently has no source of material revenues, and relies primarily on equity and debt financings to fund its exploration, development and administrative activities. Material increases or decreases in the Company's liquidity will be substantially determined by the success or failure of its exploration and development activities, as well as its continued ability to raise capital. The current severe recessionary credit conditions have significantly limited the Company's ability to raise financing through its usual methods and if these conditions persist they will materially decrease the Company's liquidity and capital resources.

The Company's unaudited condensed consolidated interim financial statements for the three and nine months ended September 30, 2017 have been prepared on the basis of accounting principles applicable to a "going concern", which assumes that the Company will continue its operations and will be able to realize its assets and discharge its liabilities in the normal course of operations for the foreseeable future. At September 30, 2017, the Company had a working capital deficit of $14,941, had not yet achieved profitable operations and expects to incur further losses in the development of its business. For the nine months ended September 30, 2017, the Company reported a comprehensive loss of $2,981,683 and has incurred accumulated losses of $19,283,580 since inception. The Company's continued existence is dependent upon its ability to raise additional capital, the continuing support of its creditors, and ultimately, the attainment of profitable operations and positive cash flows. While management has been successful in obtaining additional sources of finance in the past, there can be no assurance that it will be able to do so in the future. The recoverability of the underlying value of assets is entirely dependent on the existence of economically recoverable reserves, securing and maintaining title and beneficial interest in the properties, the ability of the Company to obtain the necessary financing to complete development, and future profitable production. These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern. The Company's unaudited condensed consolidated interim financial statements for the three and nine months ended September 30, 2017 do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary should the going concern assumption be inappropriate, and such adjustments could be material.

Capital Management

The Company manages its capital structure, being its share capital, and makes adjustments to it, based on the funds available to the Company, in order to support future business opportunities. At September 30, 2017, the Company had share capital of $ 14,080,696 (December 31, 2016 - $10,157,664), $1,642,767 (December 31, 2016 - $1,511,540) of Debentures and loans totaling $364,178 (December 31, 2016 - $58,450). The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. Planning, annual budgeting, cash flow forecasting and implementing controls over major investment decisions are primary tools used to manage the Company's capital.

The Company's investment policy is to hold cash in interest bearing bank accounts.

The Company currently has no source of revenues. As such, the Company is dependent upon external financings to fund activities. In order to carry future projects and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes to the Company's approach to capital management during the year. The Company is not subject to externally imposed capital requirements.

Contractual Obligations

The following table summarizes the contractual maturities of the Company's significant financial liabilities and capital commitments, including contractual obligations for the years indicated:

	2017	2018	2019	2020	2021	Total
Accounts payable and accrued liabilities	$ 783,342	$ -	$ -	$ -	$ -	$ 783,342
Agreement obligations [1]	1,420,857	748,800	748,800	748,800	-	3,667,257
Advance royalty payment obligations	58,656	74,880	74,880	74,880	74,880	358,176
Loan Payable	309,463	-	-	-	-	309,463
Promissory Notes	54,715	-	-	-	-	54,715
Convertible Debentures [2]	68,799	124,800	349,440	1,248,000	-	1,791,039
	$ 2,695,832	$ 948,480	$1,173,120	$2,071,680	$ 74,880	$6,963,992

[1] Agreement obligations include all purchase commitments, option payments and expenditure obligations for the Company's mineral properties.
[2] The convertible debentures may be converted to common shares and may not result in a cash outflow. The amount represents the actual debt obligation and not its fair value at September 30, 2017.

The Company has signed a Letter of Intent ("LOI") with Minerals Solutions LLC ("Minerals") of Coeur d'Alene, which is a Joint Venture between Liberty Refiners LLC ("Liberty") of Hayden, Idaho and Irish Metals LLC ("Irish)" of Coeur d'Alene, Idaho. Under the LOI, the Company undertakes to provide to Minerals direct shipping material from the Bayhorse Silver Mine, Oregon, USA. Minerals will concentrate, process, refine and sell, or return refined silver to the Company. The Company has undertaken to provide direct shipping material, at a minimum 3,000 grams per ton silver to Minerals, commencing October 1, 2017. Under the terms of the LOI, the Company will provide Minerals with a minimum 1,000 kg direct shipping sample to establish the cost of processing that will form the basis for a formal processing agreement.

The Company is, from time to time, involved in various claims, legal proceedings and complaints arising in the ordinary course of business. The Company does not believe that adverse decisions in any pending or threatened proceedings related to any matter, or any amount which it may be required to pay by reason thereof, will have a material effect on the financial condition or future results of operations of the Company.

Subsequent Events

The following are transactions that occurred subsequent to September 30, 2017:

(a) The Company received proceeds of $5,000 from the exercise of 50,000 stock options and issued 50,000 common shares.

(b) The Company issued 1,611,084 common shares on the conversion of US$185,000 of Debentures plus US$30,316 in accrued interest. The value of the shares issued was $277,607.

(c) NFS Leasing, Inc. advanced a further US$562,792 for the ore sorting equipment for its Bayhorse mine. This final advance brings the total advanced to US$803,988, which the Company has recorded as loan payable.

TRANSACTIONS BETWEEN RELATED PARTIES

Key management personnel compensation

The remuneration of the Company's directors and other members of key management, who have the authority and responsibility for planning, directing and controlling the activities of the Company, consists of the following amounts.

The following table summarizes transactions with related parties during the nine months ended September 30, 2017 and 2016:

		Nine months ended	
	Note	September 30 2017	September 30 2016
Management fees	(a)	$ 90,000	$ 90,000
Office	(a)	27,000	21,600
Interest and Financing fee	(b)	22,614	-
Professional fees	(c)	38,000	45,000
Office and other - Corporate services	(d)	19,770	18,000
Share-based compensation	(e)	232,254	111,627
Mineral property costs – project management	(f)	15,000	-
		$ 444,638	$ 286,227

(a) Management fees and office rental fees were paid to Highcard Exploration Inc. ("Highcard"), a company controlled by Graeme O'Neill, the CEO, President and director of the Company ("O'Neill").
(b) Interest charged at 12% per annum, compounded quarterly, and payable quarterly for outstanding related party accounts payable balances.
(c) Fees paid to the Company's former CFO, Anike Li and fees paid to the Company's current CFO, Rick Low.
(d) Fees paid to the Company's Corporate Secretary, Donna Moroney.
(e) During the nine months ended September 30, 2017, the Company issued 1,510,000 (2016: 925,000) stock options to related parties.
(f) Management fees were paid to Highcard.

The following table summarizes payable balances to related parties as at September 30, 2017 and December 31, 2016.

	September 30 2017	December 31 2016
Trade payable to O'Neill**	$ 258,800	$ 102,888
Trade payable to Highcard**	55,585	31,950
Trade payable to a director of the Company**	-	19,776
Trade payable to corporate secretary**	4,590	5,187
Trade payable to CFO**	6,300	-
	$ 325,275	$ 159,801

**These trade payables bear an interest rate of 12% per annum on overdue amounts, compounded quarterly, and payable quarterly.

During the nine months ended September 30, 2017, O'Neill subscribed for 61 units of US$5,000 convertible debenture with total proceeds of US$305,000. O'Neill received 1,220,000 warrants that are exercisable 3 years from the date of issuance at exercise price of $0.30.

During the nine months ended September 30, 2016, O'Neill subscribed for 28 units of US$5,000 convertible debenture with total proceeds of US$140,000. O'Neill received 560,000 warrants that are exercisable 3 years from the date of issuance at exercise price of $0.25.

During the nine months ended September 30, 2016, the former CFO of the Company subscribed for 3 units of US$5,000 convertible debenture with total proceeds of US$15,000 and received 60,000 warrants that are exercisable 3 years from the date of issuance at exercisable price of $0.25.

During the nine months ended September 30, 2017, O'Neill subscribed for 1,580,768 (2016 – nil) shares of the private placement with total proceeds of $237,115. O'Neill received 1,580,768 warrants that are exercisable 2 years from the date of issuance at exercise price of $0.25.

During the nine months ended September 30, 2017, O'Neill converted 5 units (2016 – nil) of US$5,000 convertible debenture into 274,052 shares of the Company.

The plan of arrangement that was approved by the Company's shareholders at the annual and special meeting held on December 13, 2013, pursuant to which the Company's shareholders receive one share in a subsidiary company, Silcom Systems Inc., ("Silcom") for every 4 common shares of the Company held, was approved by the court on January 24, 2014. Accordingly, on February 13, 2014, the Company completed the plan of arrangement at a $100,000 adjusted cost base for Silcom as follows:

$100,000 4,797,128 shares for $0.02 cents

As at September 30, 2017, the Company had $50,154 (December 31, 2016: $12,487) in advance receivable from Silcom. The loan is unsecured, non-interest bearing with no set terms of repayment.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair Value of financial instrument

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value, by reference to the reliability of the inputs used to estimate the fair values.

Level 1: Valuations based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Valuations based on directly or indirectly observable inputs in active markets for similar assets or liabilities, other than Level 1 prices such as quoted interest or currency exchange rates; and

Level 3: Valuations based on significant inputs that are not derived from observable market data, such as discounted cash flow methodologies based on internal cash flow forecasts.

	Level 1	Level 2	Level 3
September 30, 2017			
Cash	$ 1,200,229	$ -	$ -
Convertible debenture	-	-	(1,642,767)
December 31, 2016			
Cash	$ 9,699	$ -	$ -
Convertible debenture	-	-	(1,511,540)

As at September 30, 2017 and December 31, 2016, the Company believes that the carrying value of cash, receivables, loan payable, promissory note payable, account payables, and accrued liabilities approximate their fair value because of their nature and relatively short maturity dates or duration.

As at September 30, 2017 and December 31, 2016, the carrying value of convertible debenture has been assessed based on the fair value hierarchy described above and are classified as Level 3.

There were no transfers between Level 1, 2 and 3 for the nine months ended September 30, 2017 and the year ended December 31, 2016.

The fair values of the Company's financial instruments classified as FVTPL are determined as follows:

- The fair value of the loan component of the Debenture is based on the present value of expected future cash flows at the discount rate that would have applied to the financial instrument without conversion or other embedded derivative features. None of the fair value change in the Debenture for the nine months ended September 30, 2017 and the year ended December 31, 2016 is related to a change in the credit risk of the Debenture. All of the change in fair value is associated with changes in market condition.

The continuity of the Debentures and their effect on contributed surplus is provided in the following table.

	Debenture	Contributed Surplus
	$	$
Balance, December 31, 2014	-	-
Fair value of US$350,000 (CAD$458,945), initial measurement	420,327	38,618
Change in fair value at year end	20,347	-
Balance, December 31, 2015	440,674	38,618
Fair value of US$900,000 (CAD$1,187,601), initial measurement	1,075,718	111,883
Converted to shares	(29,560)	(3,118)
Change in fair value	29,771	-
Transaction costs	(5,063)	(525)
Balance, December 31, 2016	1,511,540	146,858
Fair value of US$1,000,000 (CAD$1,231,409), initial measurement	1,182,608	65,205
Converted to shares	(1,051,160)	(104,073)
Change in fair value	(221)	-
Balance, September 30, 2017	1,642,767	107,990
Current portion	218,423	-
Long-term portion	1,424,344	-
	1,642,767	-

Financial Risk

A discussion of the Company's use of financial instruments and their associated risk is provided below:

Industry Risk

The Company is engaged primarily in the mineral exploration field and manages related industry risk issues directly. The Company is potentially at risk for environmental reclamation and fluctuations in commodity based market prices associated with resource property interests. Management is of the opinion that the Company addresses environmental risk and compliance in accordance with industry standards and specific project environmental requirements.

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is in its cash accounts and its receivables. This risk is managed through the use of a major bank that is a high credit quality financial institution as determined by rating agencies. The Company's receivables relate to GST recoverable from the Government of Canada and its related party "Silcom". The risk associated with its receivables is minimal.

Currency Risk

The Company's functional currency is the Canadian dollar. There is moderate foreign exchange risk to the Company as it incurs significant mineral property-related expenditures in the USA and its Debentures are denominated in US dollars. The Company is also exposed to foreign exchange risk arising from:

- Cash balances held in US dollars,
- Accounts payable denominated in US dollars, and
- Debentures and interest payments denominated in US dollars.

These are all shown on the statement of loss and comprehensive loss. The Company does not engage in any hedging activities to reduce its foreign currency risk. A 10% variance in the foreign exchange rates would expose the Company to a positive or negative impact on its comprehensive loss of approximately $192,000 per year.

Interest Rate Risk

The Company has interest rate risk with respect to interest that can be charged on the balances in accounts payable and accrued liabilities, and advances from related parties. Related party payables bear interest at 12% per annum in 2017 and 2016.

The Company's promissory notes payable and convertible debentures accrue interest at fixed rate; therefore, the Company is not exposed to interest rate risk on these instruments.

Liquidity and Funding Risk

Liquidity risk arises through the excess of financial obligations due over available financial assets at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available capital in order to meet its liquidity requirements. Funding risk is the risk that market conditions will impact the Company's ability to raise capital through equity markets under acceptable terms and conditions. Under current market conditions, both liquidity and funding risk are assessed as high.

The Company is not subject to externally imposed capital requirements but must maintain the minimum listing requirements in order to maintain its TSX-V listing. The Company manages its capital structure based on the funds available to the Company, in order to fund its general and administration expenses, support acquisition, maintenance, exploration and development of mineral properties.

The board of directors has not established any quantitative return on capital criteria for management, instead relying on the expertise of the Company's management to sustain future development of the business.

The properties in which the Company currently has interests are in the exploration stage so the Company is dependent on external financing to fund its activities. In order to carry out activities and administration, the Company will spend its existing working capital and raise additional amounts as needed.

OUTSTANDING SHARE DATA

The Company's authorized share capital consists of an unlimited number of common shares without par value. As at the date of this report, 61,100,690 shares were issued and outstanding.

As at the date of this report, the following stock options were outstanding and exercisable:

Number	Exercise Price	Expiry Date
335,000	$0.10	August 12, 2018
225,000	$0.20	February 26, 2019
50,000	$0.10	June 23, 2019
50,000	$0.10	September 26, 2019
250,000	$0.10	January 8, 2020
75,000	$0.10	December 1, 2020
200,000	$0.125	June 23, 2021
225,000	$0.12	June 30, 2021
1,100,000	$0.15	December 5, 2021
120,000	$0.125	December 20, 2021
400,000	$0.20	July 13, 2022
1,000,000	$0.20	September 18, 2022
4,030,000		

As at the date of this report, the following warrants were outstanding and exercisable:

Number	Exercise Price	Expiry Date
2,300,000	$0.20	July 31, 2018
1,000,000	$0.25	September 15, 2018
400,000	$0.25	November 7, 2018
120,000	$0.25	January 22, 2019
280,000	$0.25	February 22, 2019
2,160,000	$0.25	May 10, 2019
214,000	$0.25	May 18, 2019
220,000	$0.25	June 6, 2019
2,060,000	$0.25	June 12, 2019
1,780,000	$0.25	August 2, 2019
240,000	$0.25	August 3, 2019
540,000	$0.25	August 10, 2019
2,000,000	$0.25	September 19, 2019
128,154	$0.20	September 27, 2020
4,000,000	$0.30	September 27, 2020
17,442,154		

OFF BALANCE SHEET ARRANGEMENTS

The Company has no off balance sheet arrangements.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the Company's financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical Accounting Estimates

i. Valuation of equity instruments - The Company measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they were granted. Estimating the fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility, and dividend yield and making assumptions about them.

ii. Valuation of derivatives – certain derivatives issued by the Company are valued using the Black Scholes Option Pricing Model. The Black Scholes Option Pricing Model is a formula that is used to determine the fair value of a call or put option based on factors such as underlying stock volatility, days to expiration, and others. The key inputs used by the Company in its Black Scholes Option Pricing Model are further disclosed within these consolidated financial statements. Changes in the inputs to the valuation model could impact the carrying value of the derivatives and the amount of unrealized gains or losses recognized in profit or loss.

iii. Valuation of convertible loan – the Company's convertible loans are valued using the present value of the future cash flows. This method is used based on underlying factors such as the current interest rate, foreign exchange rate, and Company's ability to make all interest payments on timely basis. The key input used by the Company in this calculation are further disclosed within this consolidated financial statements. Changes in the input to the calculation could impact the carrying value of the convertible loan and the amount of unrealized gains or losses recognized in profit or loss.

iv. Deferred income taxes – The Company is periodically required to estimate the tax basis of assets and liabilities. Where applicable tax laws and regulations are either unclear or subject to varying interpretations, it is possible that changes in these estimates could occur that materially affect the amounts of deferred income tax assets and liabilities recorded in the consolidated financial statements. Changes in deferred tax assets and liabilities generally have a direct impact on earnings in the period that the changes occur. Each period, the Company evaluates the likelihood of whether some portion or all of each deferred tax asset will be realized. This evaluation is based on historic and future expected levels of taxable income, the pattern and timing of reversals of taxable temporary timing differences that give rise to deferred tax liabilities, and tax planning initiatives.

Critical Accounting Judgments

Critical accounting judgments are accounting policies that have been identified as being complex or involving subjective judgments or assessments.

i. The assumption that the Company is a going concern and will continue in operation for the foreseeable future and at least one year.

ii. The determination of functional currency. Management has determined that the functional currency of the Company is the Canadian dollar.

iii. The determination or absence of asset retirement obligation.

iv. Determination of categories of financial assets and financial liabilities involves assessments made by management.

v. Assessment of impairment, recoverability of the carrying value of financial assets.

vi. Refundable tax credits and flow-through expenditures - The Company is entitled to refundable input tax credits and tax credits on qualified resource expenditures incurred in Canada. Management's judgment is applied in determining whether expenditures are eligible for claiming such credits. The Company is also required to spend proceeds received from the issuance of flow-through shares on qualifying resource expenditures. Management's judgment is applied in determining whether qualified expenditures have been incurred. Differences in judgment between management and regulatory authorities can materially increase the flow-through premium liability and outstanding commitments.

NEW ACCOUNTING PRONOUNCEMENTS

The Company is currently evaluating the following standards issued but not yet in effect and has not yet determined the impact on its financial position and results of operations:

IFRS 15, Revenue from Contracts with Customers – On May 28, 2014, the IASB issued IFRS 15 that provides a single, principles based five-step model to be applied to all contracts with customers. Guidance is provided on topics such as the point in which revenue is recognized, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced. IFRS 15 is effective for annual periods beginning on or after January 1, 2018.

IFRS 9 Financial Instruments - In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory.

IFRS 16, Leases - On January 13, 2016, the IASB published a new standard, IFRS 16, Leases. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Under the new standard, a lessee recognizes a right-of-use asset and a lease liability. The right-of-use asset is treated similarly to other non-financial assets and depreciated accordingly. The liability accrues interest. This will typically produce a front-loaded expense profile (whereas operating leases under IAS 17 would typically have had straight-line expenses). The standard is effective for annual periods beginning after December 15, 2019 (i.e., calendar periods beginning on January 1, 2020), and interim periods thereafter. Early adoption is permitted.

RISKS AND UNCERTAINTIES

Certain risks are faced by the Company, which could affect its financial position. In general, they relate to the availability of equity capital to finance the acquisition, exploration and development of existing and future exploration and development projects. The availability of equity capital to junior resource companies is affected by commodity prices, global economic conditions and economic conditions and government policies in the countries of operation, among other things. These conditions are beyond the control of the management of the Company and have a direct effect on the Company's ability to raise capital.

The Company's working capital and liquidity fluctuate in proportion to its ongoing equity financing activities. The Company requires a certain amount of liquid capital in order to sustain its operations and in order to meet various obligations as specified under the its mineral property option agreement. Should the Company fail to obtain future equity financing due to reasons as described above, it will not be able to meet these obligations and may lose its interest in the property covered by the agreement. Further, should the Company be unable to obtain sufficient equity financing for working capital, it may be unable to meet its ongoing operational commitments.

The Company's properties are in the exploration stage and without known reserves. Exploration and development of natural resources involves substantial expenditures and a high degree of risk. Few exploration properties are ultimately developed into producing properties. Accordingly, the Company has no material revenue, writes-off its mineral properties from time to time and operates at a loss. Continued operations are dependent upon ongoing equity financing activities.

FORWARD LOOKING INFORMATION

This MD&A contains certain forward-looking statements and information relating to the Company that are based on the beliefs of management as well as assumptions made by and information currently available to the Company. When used in this document, the words "anticipate", "believe", "estimate", "expect" and similar expressions, as they relate to the Company or management, are intended to identify forward-looking statements. This MD&A contains forward-looking statements relating to, among other things, regulatory compliance, the sufficiency of current working capital, the estimated cost and availability of funding for the continued exploration and development of exploration properties. Such statements reflect the current views of management with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause the actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements.

Unless otherwise indicated, forward-looking statements in this MD&A describe the Company's expectations as of November 28, 2017.

Readers are cautioned not to place undue reliance on these statements as the Company's actual results, performance or achievements may differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements if known or unknown risks, uncertainties or other factors affect the Company's business, or if the Company's estimates or assumptions prove inaccurate. Such risks and other factors include, among others, risks related to integration of acquisitions; risks related to operations; actual results of current exploration activities; actual results of current reclamation activities;

conclusions of economic evaluations; changes in project parameters as plans continue to be refined; future prices of metals; accidents, labour disputes and other risks of the mining industry; delays in obtaining governmental approvals or financing or in the completion of development or construction activities, as well as those factors discussed in the section entitled "Risks and Uncertainties." Therefore, the Company cannot provide any assurance that forward-looking statements will materialize.

Except as required under applicable securities law, the Company undertakes no obligation to publicly update or revise forward-looking information, whether as a result of new information, future events or others. For a description of material factors that could cause the Company's actual results to differ materially from the forward-looking statements in this MD&A, please see "Risks and Uncertainties."

QUALIFIED PERSON

All technical information about the Company's mineral properties contained in this MD&A has been prepared under the supervision and approval of Dr. Clay Conway, Ph.D., P.Geol, a director of the Company, who is a "qualified person" within the meaning of National Instrument 43-101.