

**Aura Silver Resources Inc.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Three and Nine Month Periods Ended September 30, 2017**  
**(Information as at November 28, 2017 unless otherwise noted)**

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**INTRODUCTION**

The following provides management's discussion and analysis of results of operations and financial condition for the three and nine month interim periods ended September 30, 2017 and 2016. Management's Discussion and Analysis ("MD&A") was prepared by Aura Silver Resources Inc. (the "Company") management and approved by the Board of Directors on November 28, 2017.

The following discussion and analysis should be read in conjunction with the Company's condensed consolidated interim financial statements for the periods ended September 30, 2017 and 2016 which have been prepared in accordance with International Financial Reporting Standards ("IFRS") for interim financial statements. The following discussion and analysis should also be read in conjunction with the Company's consolidated financial statements for the years ended December 31, 2016 and 2015 which have been prepared in accordance with IFRS for annual financial statements. All figures are presented in United States dollars (unless otherwise indicated). The consolidated financial statements include all of the assets, liabilities and expenses of the Company and its wholly-owned subsidiaries, Aura Resources Mexico S.A. de C.V. and Au Martinique Inc. ("Au Martinique", which is inactive). All intercompany balances and transactions have been eliminated upon consolidation.

**SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS**

*This document may contain or refer to certain forward-looking statements relating but not limited to Aura Silver Resources Inc.'s expectations, intentions, plans and beliefs. Forward-looking information can often be identified by forward-looking words such as "anticipate", "believe", "expect", "goal", "plan", "intend", "estimate", "may" and "will" or similar words suggesting future outcomes, or other expectations, beliefs, plans, objectives, assumptions, intentions or statements about future events or performance. Forward-looking information may include reserve and resource estimates, estimates of future production, unit costs, costs of capital projects and timing of commencement of operations, and is based on current expectations that involve a number of business risks and uncertainties. Factors that could cause actual results to differ materially from any forward-looking statement include, but are not limited to, failure to establish estimated resources and reserves, the grade and recovery of ore which is mined varying from estimates, capital and operating costs varying significantly from estimates, delays in obtaining or failures to obtain required governmental, environmental or other project approvals, inflation, changes in exchange rates, fluctuations in commodity prices, delays in the development of projects, the failure to obtain sufficient funding for operating, capital and exploration requirements and other factors. Forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results to differ materially from expected results. Potential shareholders and prospective investors should be aware that these statements are subject to known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from those suggested by the forward-looking statements. Shareholders are cautioned not to place undue reliance on forward-looking information. By its nature, forward-looking information involves numerous assumptions, inherent risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and various future events will not occur. Aura Silver Resources Inc. undertakes no obligation to update publicly or otherwise revise any forward-looking information whether as a result of new information, future events or other such factors which affect this information, except as required by law.*

## **NATURE OF OPERATIONS AND DESCRIPTION OF BUSINESS**

The Company is an exploration stage junior mining company engaged in the identification, acquisition, evaluation and exploration of mineral properties in North America. The Company has not determined if its properties contain mineral resources that are economically recoverable. The recoverability of amounts recorded for mineral exploration properties and deferred exploration expenditures is dependent upon the discovery of economically recoverable resources, the ability of the Company to obtain the necessary financing to complete the development of these resources and upon attaining future profitable production from the properties or sufficient proceeds from disposition of the properties.

### **Taviche – Mexico Property**

On June 8, 2009, the Company concluded a definitive option agreement with Plata Panamericana S.A. de C.V. (“Plata”, a wholly-owned subsidiary of Pan American Silver Corporation (“PanAm”)), Intrepid Mines Limited and Intrepid Minerals Corporation (collectively “Intrepid”). This definitive option agreement confirmed and superseded all prior agreements (which were entered into during 2006) for a potential joint venture with Intrepid and PanAm with respect to the Taviche properties in Oaxaca State, Mexico. The property concessions subject of the option agreement consisted of the East and West Taviche concessions and the Alma Delia concession. Under the terms of the option agreement the Company and Intrepid (the “Taviche JV”) were able to jointly earn a 70% interest in the properties by spending a minimum of \$4.0 million over five years on exploration and making option payments totalling \$790,000 over the same period. During the remainder of the five year option period with Plata, the Company and Intrepid could equally share exploration expenses and payment requirements or either party’s interest in the project would be diluted. Initially, Intrepid had the right to act as operator of the project.

On March 10, 2010, Intrepid notified the Company that it would not participate in funding the next phase of exploration for the Taviche project and, therefore, would allow its participating interest in the project to be diluted by the Company's ongoing funding of project costs. Operatorship of the project was transferred to the Company during March 2010. Intrepid has not provided further funding since this time. During the first quarter of 2016, the Company's and Intrepid's ownership interests were 73.5% and 26.5%, respectively. During February 2016, the Company acquired Intrepid's diluting interest resulting in the Company holding a 100% ownership interest in the Taviche project (see below).

During April 2012, the Company, Intrepid and Plata entered into a new agreement which supersedes the option agreement and established the ownership interests of each party in the Taviche and Alma Delia concessions and related matters. Under the terms of the new agreement the Taviche JV acquired a full 100% ownership interest in both the East Taviche and Alma Delia concessions while Plata retained a 100% ownership position in the West Taviche concession. The Taviche JV was entitled to receive a cash payment of \$2.0 million, dependent on certain sale or disposition transactions undertaken by Plata in excess of a 70% interest with respect to the West Taviche property (see below). Plata refunded the final earn-in payment of \$250,000 paid in September 2011. Additionally, the Taviche JV granted Plata a 1.5% net smelter royalty (“NSR”) as well as a right of first offer on the East Taviche and Alma Delia concessions based on certain terms and conditions. The agreement vested a 100% ownership position in East Taviche and Alma Delia with the Taviche JV.

During February 2013, the Taviche JV determined that it would not renew the Alma Delia concession in order to focus on the core project holdings at East Taviche and to reduce project land maintenance costs.

On July 24, 2013, the Company received a cash payment of \$1,309,111 from Plata. This payment was triggered by the completion of Plata’s sale of the West Taviche concession to Fortuna Silver Mines Inc. and was in accordance with the April 2012 agreement between the Taviche JV and Pan Am. The payment was comprised of the Company's pro-rata share of the total payment of \$2 million paid to the Taviche JV

of \$1,412,000 net of prior concession fees of \$102,889 related to East Taviche which were reimbursable to Plata.

During February 2015, the Company completed filings with Mexican authorities to request a reduction in the size of the East Taviche concession. This reduction decreased the East Taviche concession to 986 hectares from its prior 7,470 hectares and retains the core area encompassing the Higo Blanco trend which has been the focus of the Company's exploration efforts in Mexico since 2009. Mexican authorities confirmed the reduction with the issuance of new title documentation in January 2016.

During February 2016, the Company entered into a binding letter agreement with Intrepid for the acquisition of Intrepid's 26.5% diluting joint venture interest in the Taviche project. The acquisition consolidated to 100% the Company's ownership interest in the Taviche project and eliminated a potential 1.5% NSR to Intrepid. Consideration payable for the acquisition of Intrepid's project interest comprised 1,000,000 common shares of the Company valued at \$10,958 (CDN\$15,000). The 1.5% NSR held by Plata remains in place

During April 2016, the Company was advised by Plata of its intention to assign its 1.5% NSR on the Taviche property to MacMillan Minerals Inc. pursuant to a purchase and sale agreement. MacMillan Minerals Inc. changed its name to Maverix Metals Inc. upon completion of a reverse takeover transaction during July 2016.

As at September 30, 2017, due to junior resource market conditions and the uncertainty associated with the Company's ability to retain its interest in and exploit any future economic benefit from the Taviche, Mexico project, the Company had recorded a full impairment charge with respect to prior mineral exploration property costs and deferred exploration expenditures associated with the project. Efforts to attract a joint venture partner, arrange additional financing, or other transactions for the Taviche project are on-going.

### **Greyhound Project – Nunavut, Canada**

During June 2006, the Company initiated its Greyhound project in the central Churchill region of Nunavut, Canada, staking 10 claims for a total of 10,451 hectares. From 2008 to 2011, the Company increased its land holdings in the Whitehills area to a total of 57 claims comprising over 55,000 hectares. During 2013 and 2014, the Company allowed a total of 37 low priority claims to lapse. Currently, the Greyhound project comprises a total of 20 claims covering approximately 19,658 hectares as two distinct claim groupings. The southwestern claim group (comprised of 13 claims totalling 13,586 hectares) is the subject of an option agreement with Agnico Eagle Mines Ltd. ("Agnico Eagle") where the Company currently has a 49% ownership interest with Agnico Eagle holding the remaining 51% interest. An application to convert the oldest 10 claims in the southwestern claim group to a mining lease has been submitted. The Company has a 100% interest in the northeastern claim group which is comprised of 7 claims totalling 6,072 hectares.

During June 2014, the Company entered into a definitive option agreement with Agnico Eagle which allows Agnico Eagle to earn an interest in 13 claims comprising the southwestern claim group of the Greyhound project. The option agreement was amended effective June 1, 2015 in order to change the timing and amounts of certain cash option payments. Under the terms of the amended option agreement, over the first three years of the agreement, Agnico Eagle had the exclusive right to earn an undivided 51% ownership interest by making a total of CDN\$210,000 in cash payments to the Company and incurring CDN\$1,750,000 in work expenditures (or, in respect of work expenditures, at Agnico Eagle's option, by making cash payments to the Company or a combination of work expenditures and cash payments). As of June, 2017 these commitments have been fulfilled.

During June 2016, the Company received the second anniversary cash option payment of \$38,280 (CDN \$50,000) from Agnico Eagle. On May 30, 2017, the Company received the third anniversary cash option payment of \$81,761 (CDN\$110,000) from Agnico Eagle. During June 2017, the Company received a formal notice from Agnico Eagle which confirmed they had met all requirements to complete the earn-in of a 51% interest in the southwestern claim group of the Greyhound project.

Agnico Eagle retains an option to increase its ownership interest to 70% over a further three year period by: (A) either (i) solely financing a Feasibility Study in respect of the project, or (ii) solely incurring CDN\$5,000,000 of additional work expenditures (or, at Agnico Eagle's option, providing cash payments to the Company in an equivalent amount or a combination of work expenditures and cash payments) on or in respect of the project, and (B) providing to the Company cash option payments of (i) CDN\$100,000 with the delivery of the notice as to its exercise of this option, and (ii) CDN\$150,000 at the first anniversary of exercise of the option. Agnico Eagle has up to a 180 day period following June 1, 2017 to provide notice of its election to enter into this second option.

If any party's interest in the project falls below 10% then that party will forfeit their 10% interest and in return will receive a 2% NSR. The other party may at any time purchase one-half of the NSR, namely a 1% NSR, for an amount of CDN\$2,000,000. Agnico Eagle is the operator of the project and is required to have exploration meetings with the appointed representatives of the Company.

#### SELECTED INTERIM INFORMATION

The following table contains selected interim financial information for the three and nine month periods ended September 30, 2017 and 2016.

	<b>Three month period ended September 30, 2017 \$ (unaudited)</b>	<b>Three month period ended September 30, 2016 \$ (unaudited)</b>	<b>Nine month period ended September 30, 2017 \$ (unaudited)</b>	<b>Nine month period ended September 30, 2016 \$ (unaudited)</b>
Revenue	Nil	Nil	Nil	Nil
Total expenses	(141,748)	(56,814)	(337,603)	(208,879)
Other income	Nil	Nil	81,761	65,640
Net loss for the period	(141,748)	(56,814)	(255,842)	(143,239)
Currency translation differences	5,654	(220)	7,863	(2,202)
Total comprehensive loss for the period	(136,094)	(57,034)	(247,979)	(145,441)
Net loss per common share: - Basic and diluted	(0.00)	(0.00)	(0.00)	(0.00)
		<b>As at September 30, 2017 (unaudited)</b>	<b>As at December 31, 2016</b>	
Total assets		149,322	20,317	
Cash dividends per common share		Nil	Nil	

Total expenses were \$84,934 higher during the third quarter of 2017 when compared to the third quarter in 2016. Significant components of higher expenses during the quarter related to: increased promotion costs of \$11,123 primarily relating to an advertising and marketing contract initiated in early 2017; and, increased stock option compensation charges of \$82,390 related to stock options granted in April 2017. These increases in expenses were partially offset by lower general and administrative costs of \$5,315 primarily due to lower service fees charged by the Company's Chief Financial Officer; and, due to lower professional fees of \$2,064. Expenses in other categories were relatively consistent when comparing the third quarter of 2017 to the same quarter in 2016.

For the nine month period ended September 30, 2017, total expenses were \$128,724 higher when compared to the same period during 2016. Promotion expenses were \$53,569 higher relating to the initiation of an advertising and marketing contract during the first quarter of 2017 and due to promotion costs in support of the Company's financing activities during the first quarter of 2017. Stock option compensation charges were \$104,809 higher and related to new options granted in April 2017. Increased promotion and stock option expenses were offset by lower impairment charges related to property and exploration costs for the Taviche, Mexico property of \$30,385 during this period. Expenses in all other categories were relatively consistent when comparing the nine month period ended September 30, 2017 to the same period during 2016.

On May 30, 2017, the Company received the third anniversary cash option payment of \$81,761 (CDN\$110,000) from Agnico Eagle. This amount was recorded as other income. During the second quarter of 2016, the Company received the second anniversary cash option payment of \$38,280 (CDN\$50,000) from Agnico Eagle. This amount was applied to reduce the carrying amount of deferred exploration expenditures for the Greyhound project by \$5,125 with the balance of \$33,155 recorded in other income.

During the first quarter of 2016, the Company recorded other income of \$32,485 related to Mexican value added tax ("VAT") refunds received with respect to two claims related to claim periods in 2010. These refund claims were originally filed during 2011 and were initially rejected and were later resubmitted. Due to the uncertainty and inconsistency related to the Mexican tax authority's interpretation of tax laws related to value added tax claims and due to the significant time periods it can take to realize collection of claimed amounts, the Company records Mexican value added tax refunds only at the time of receipt. No VAT refunds were realized during the nine month period ended September 30, 2017.

## **OVERALL PERFORMANCE AND RESULTS OF OPERATIONS**

### **Mineral Exploration Properties and Deferred Exploration Expenditures**

No property costs were recorded related to the Taviche, Mexico property during the nine month period ended September 30, 2017. During the nine month period ended June 30, 2016, the Company incurred total property costs of \$26,123 related to the Taviche property. The first semester concession fee was \$15,165. Additionally, the Company issued 1,000,000 common shares valued at \$10,958 for the acquisition of Intrepid's diluting interest in the Taviche project.

During the nine month period ended September 30, 2017, the Company incurred total exploration costs of \$1,043 related to the Taviche project with respect to general field costs. During the nine month period ended September 30, 2016, the Company incurred total exploration costs of \$8,802. Costs of \$1,202 for geology and \$4,103 for general field costs related to the Taviche, Mexico property. Costs of \$3,497 were related to drill program planning for the Greyhound, Nunavut project. Since June 2014, direct field exploration programs at Greyhound have been funded by Agnico Eagle under the terms of the option agreement.

## **Taviche – Mexico Property**

### ***Higo Blanco Prospect / Early Exploration***

Reconnaissance activities in the East Taviche and Alma Delia concessions during 2007 and 2008 delineated a corridor of northwest-trending gold and silver-bearing quartz-sulfide-carbonate veins, vein breccia and stockwork lenses. In proximity to where these vein systems intersect the underlying Cretaceous limestone, a zone of extensive silicification includes areas of silver-gold-bearing jasperoid (a siliceous replacement of the carbonate sedimentary strata). The Higo Blanco prospect is a series of jasperoid occurrences over a strike length of approximately 7 kilometres. Follow-up mapping and sampling in 2008 enabled the Taviche JV to define several drill targets, initially within a small portion (~2 kilometres) of the overall strike length of the vein/jasperoid complex.

Further sampling at Higo Blanco revealed a very large Au-Ag-Sb (gold, silver, antimony) anomaly associated with a major NW-trending zone referred to as the Mezcal structure.

During the period from mid 2009 to 2011, four phases of drilling were completed comprising a total of approximately 7,925 metres of diamond drilling in 35 holes with some silver contents in excess of 300 grams/tonne (g/t) encountered in 9 of the 22 holes, and gold contents in excess of 0.5 g/t encountered in 14 of the holes. During March 2010, the Company initiated a Phase III drilling program to follow up on the encouraging initial results obtained in 2009 drilling. This drilling extended the silver and gold targets.

### ***Higo Blanco National Instrument 43-101 Technical Report***

During September 2011, a National Instrument 43-101 (“43-101”) technical report entitled “*Taviche Project, Resource Estimate and Preliminary Economic Assessment for the Higo Blanco Project*” was finalized. The 43-101 Report included an initial resource estimate and a mineral potential estimate for Higo Blanco as follows.

### ***Inferred Resource Estimate***

The 43-101 report provides estimates of an Inferred silver resource of 865,000 tonnes at a grade of 119 g/t for 3.3 million ounces of contained silver and an Inferred gold resource of 3.3 million tonnes at a grade of 0.51 g/t for 54,000 ounces of contained gold. The resource estimate is based on intercepts from 14 drill holes undertaken by the Company with core lengths ranging from 63.5 metres to 161.6 metres. The intercept values for gold and silver provided have been weighted and summed as a global estimation of grade within a geometric envelope referred to as the ‘deposit’.

### ***Mineral Potential Estimate***

Additionally, the 43-101 Report includes an estimation of “Mineral Potential” located near or within its seven kilometre-long by 300 metre-wide Higo Blanco jasperoid-altered area on the East Taviche and the former Alma Delia concession which the Company has since dropped. This exploration target mineral inventory is estimated to be between 6.0 million and up to 29.0 million ounces of silver (2 to 6 million tonnes at a grade of 100 to 150 g/t) and between 108,000 and up to 450,000 ounces of gold (10 to 20 million tonnes at a grade of 0.4 to 0.7 g/t).\*

***\* Note that the potential quantity and grade is conceptual in nature, there has been insufficient exploration to date to define this as a mineral resource and it is uncertain if further exploration will result in the target being delineated as a mineral resource.***

### ***2014 / 2015 Soil Survey and Spatiotemporal Geochemical Hydrocarbon Analysis***

During June of 2014, the Company initiated an extensive soil sampling program across a 5 kilometre-long portion of the Higo Blanco trend. Analysis of these samples yielded sizeable anomalous zones characterized by Spatiotemporal Geochemistry Hydrocarbon (“SGH”) analysis by Actlabs, a fully certified analytical lab

in Ancaster, Ontario. During the fall of 2014, an infill sampling program was conducted across the main anomalies to better define their shape and extent. All samples, from phase 1 and 2, were then analyzed using SGH analysis.

One of the SGH pods identified by the survey results lies directly coincident with the Company's silver resource as defined by the 43-101 report, thus substantiating the survey methodology and accuracy. None of the additional identified pods have been prospected or drill tested. Additionally, at the northern end of the Higo Blanco trend located 3 kilometres from the resource, there is a strong gold anomaly with an adjacent and overlapping silver target but both are interpreted to be deeper. Neither has been mapped, trenched or drill tested.

The SGH analysis suggests that the importance of silver in the Higo Blanco trend far exceeds that of gold, although Actlabs ranks both mineralized occurrences highly with silver achieving the highest possible ranking for probability of occurrence while gold is ranked at an exceptional level of probability.

During August 2015, the Company announced the findings of a compilation of all new and existing geochemical and geophysical data outlining drill targets exhibiting extremely high mineral potential.

Patrick Toth, P. Geo., the Company's consulting geologist is Aura Silver's qualified person (as defined by National Instrument 43-101) for the Taviche, Mexico property and has reviewed and approved the scientific and technical information contained in this document.

## **Greyhound Project – Nunavut, Canada**

### ***Property Background***

In June 2006, the Company acquired a precious and base metals prospect known as the Greyhound project in the central Churchill region of Nunavut based on historical assays from prospecting with samples assaying 1,480 and 3,080 g/t Ag from other exploration companies that were supervised by our project geologists.

The Greyhound property is located north of the community of Baker Lake, Nunavut and south of Agnico Eagle's Meadowbank Gold Mine which has been in commercial operation since 2010. An all-weather road to the Meadowbank Mine from Baker Lake crosses portions of the Greyhound property enhancing the project's infrastructure and setting the project apart from many exploration projects in the north.

Effective June 1, 2017, the Company now holds a 49% interest in the southwestern claim group of the Greyhound property following Agnico Eagle's completion of a 51% earn-in in accordance with the option agreement entered into during June 2014. Agnico Eagle retains a right to enter into a second option to earn up to a 70% interest prior to December 1, 2017 (180 days after the initial earn-in date). Details of the definitive option agreement with Agnico Eagle are set out on page 3 of this MD&A.

### ***Aura Silver Exploration Programs 2006 - 2013***

From 2006 to 2009, several airborne geophysical surveys were flown. Samples collected in 2007 contained up to 2.4% zinc (Zn), 1.02% copper (Cu), 8.1% lead (Pb), 10g/t gold (Au) and 51 g/t silver (Ag) highlighting the potential for discovery of VMS (volcanogenic massive sulphide) ores. In 2008, grab samples from float were found to contain up to 4.1% Cu, 13.4% Zn, 8% Pb, 2,700 g/t Ag and 28g/t Au and to the northeast of Aura Lake a series of boulders contained up to 18.5% Zn and 9.2% Cu.

In spite of the prospective surface samples, the Company announced negative preliminary results of drilling and prospecting in 2010 for VMS deposits and redirected its future program towards gold and silver. In

2010, the Company announced assay results from surface rock samples with gold grades as high as 28.2 g/t while silver assays are up to 5,380 g/t. Seven samples contain an average grade of 14.8 g/t Au (range from 0.3 to 28.8 g/t) and in the same area an average grade of 1,472 g/t Ag (range from 21 to 5,380 g/t).

The 2011 fieldwork consisted of a multi-phase exploration program including prospecting and geological mapping, detailed soil sampling, ground geophysical surveying and diamond drilling. The 2011 drilling was conducted in two phases focused in the South Aura Lake area and later at the northeast claim group but results were not encouraging and no significant assay results were encountered.

Also during 2011, the Company contracted for an interpretative study referred to as Spatiotemporal Geochemical Hydrocarbon (“SGH”) to unravel anomalous trends in the entire area and to pinpoint drill targets by geochemical means. The potential sources of high-grade gold boulders (up to 28 g/t) and high-grade silver (up to 5,380 g/t) are thought to be in close proximity to Aura Lake (Company named) due to the grouping of the high-grade surface showings in this area.

#### ***Agnico Eagle Exploration and Drill Programs 2014 to 2017***

The 2014 exploration program conducted by Agnico Eagle consisted of surface sampling, as well as a drill program designed to explore coincident structural and conductive targets. The highlight of these programs was the confirmation of the presence of high-grade gold, silver and copper sulphide occurrences located within the Greyhound property with the highest gold sample returning 15.5 g/t; the best silver sample returning 3,850 g/t; and, copper samples assayed up to 3.3%. As expected the highest gold / silver values occurred around Aura Lake while the highest copper value was centered to the northeast of Aura Lake at a showing called the Dingo zone. The diamond drilling program consisted of 7 holes (894 metres) and tested various structural and conductive targets across the property. This program did not intersect interesting precious metal values.

In 2015, Agnico Eagle initiated Phase 2 drilling and other exploration programs. Drilling was completed by September and comprised a total of 1,557 metres in 8 holes.

The best hole (GHD15-017) located east of Aura Lake discovered a potential porphyry system with an intersection of greater than 25 metres of a stockwork zone of quartz-carbonate veining hosted within mafic volcanics. Of particular note is that the last 1.5 metres of the 195 metre length of core assayed 6.41 g/t gold (check assay resulted in 7.4 g/t gold). In addition, one other hole (GHD15-012) located in the Dingo area intersected 3.31 g/t Au over 2.7 metres (includes 1.5 metres of 5.68 g/t Au). No other significant mineralization was intersected in other holes drilled. Follow up of the results of GHD15-017 was carried out during 2017 and failed to enlarge the area of mineralization.

A geophysical survey was recommended to cover the area east and north of GHD15-017 in order to confirm the extent and strength of this potentially highly mineralized stockwork zone. It is noteworthy that the mineralization and drill target is interpreted to be adjacent to a SGH anomaly. Grab samples in the Dingo area varied up to 14.6 g/t gold.

Additionally, during the 2015 field season Agnico Eagle completed a survey related to 10 claims forming part of the core southwestern Greyhound project claims in order to support registration of the claims as a mining lease. Final submission of this survey and application for lease was submitted to authorities during March 2016. Final approval by Government authorities is anticipated but remains pending.

In 2016, a property-wide ground magnetic (MAG) geophysical survey was completed. This type of geophysical survey enables geologists to better interpret structural features known to host gold ore deposits elsewhere in greenstone terrain. Additionally, extensive mapping and prospecting within the area of the

MAG survey was conducted. Results were positive, with eight assays over 2.0 g/t Au and three samples over 10.0 g/t Au. Values as high as 15.6 g/t Au (18.93 g/t) were found in sulphide-rich quartz veins in mafic volcanics. In all, 10 assays reported grades in a range exceeding 1.0 g/t.

A new gold showing was located eight kilometres northeast of Aura Silver's main target at Aura Lake, and was named the Gilmore prospect. This prospect area measures 500 by 360 metres in size. Also during 2016, the highest grade of 15.6 g/t Au (18.93 g/t) was sampled from a quartz vein containing copper and lead mineralization. In addition, another significant high-grade sample assaying 13.26 g/t Au was reported. Two diamond drill holes into this zone in 2017 failed to confirm surface mineralization.

In October 2016, the Company announced that the drilling program anticipated during 2016 would be postponed until the Spring of 2017. The final water license required to initiate drilling was delayed and only received in late Fall of 2016.

The Spring 2017 drilling program commenced in April 2017 with the first phase comprising eight holes completed by the end of May. Agnico Eagle undertook a second phase of drilling comprised of two additional holes during July 2017 to follow up on encouraging results from the first phase. In total, the 2017 drilling program comprised 2,262 metres within ten drill holes; 8 around Aura Lake and 2 on the Gilmore vein.

Close to the south end of Aura Lake where past prospecting uncovered surface samples containing gold up to one ounce per ton, hole GHD17-023 targeted a magnetically interpreted structural target and intersected quartz veining assaying 3.3 g/t Au over a core length of 3.0 metres (from 94 to 97 m) which included a shorter interval of 1.8 metres assaying 5.42 g/t Au. Deeper in the hole were several hits of gold mineralization: from 100 to 109.5 metres assaying from 0.2 to 0.45 g/t Au; at 138 metres 1.38 g/t Au over 1.5 metres; and at 179.3 metres 0.993 g/t Au over 1.7 metres. Shorter holes were drilled on either side of GHD17-023 which both intersected similar quartz veins suggesting that the mineralization in GHD17-023 was not isolated but may form part of a quartz vein system within a large siliceous, pyritic, sericite alteration zone. Hole GHD17-026 hit 1.202 g/t Au over 3.6 metres (62.2 to 65.8 m) including 0.8 metre of 4.92 g/t Au at 63.5 metres. Hole GHD17-027 intersected 0.197 g/t Au from 38.2 to 41.3 metres (3.1 m) and 0.94 g/t Au at 42.1 metres. Although the grades were not spectacular it is the first time in a drill program on the property that continuity of mineralization has been established. Further follow-up in 2018 will be required to fully evaluate these interesting gold intercepts in quartz veins. Agnico Eagle is in the process of finalizing its budget to continue exploration around Aura Lake during 2018.

In the northeastern portion of the claim group, a long, linear quartz vein was traced over 1.7 kilometres in strike length. Prior grab samples collected from this vein, referred to as the Dingo zone, assayed from 1.18 g/t Au up to 126 g/t Au and 96.6 to 356 g/t Ag. West of this vein a gossanous copper rich stringer zone assayed 0.896 g/t Au in one grab sample. The copper gossan zone target has not been drill tested and further IP geophysical surveys, prospecting and diamond drilling are recommended.

The 2017 field program also included a rock sampling survey. Approximately 110 assays for rock samples collected over new areas during August are still pending.

Cumulative expenditures incurred by Agnico Eagle for Greyhound project exploration totaled approximately CDN\$1,846,000 as at May 31, 2017. This level of expenditures exceeded the minimum expenditure requirement of CDN\$1,750,000 required under the option agreement. Expenditures incurred relating to the initial Spring 2017 drilling program were approximately CDN\$575,000 while prior expenditures were CDN\$1,271,000. Since June 2014, direct field exploration programs at Greyhound have been funded by Agnico Eagle under the terms of the option agreement as detailed above.

On May 30, 2017, the Company received the third anniversary cash option payment of \$81,761 (CDN\$110,000) from Agnico Eagle. During June 2017, the Company received formal notice of Agnico Eagle's exercise of the first option to complete the earn-in of a 51% interest in the Greyhound project. This notice included confirmation of meeting the exploration expenditure requirements and all other conditions under the option agreement.

Paul Pitman, P. Geo. is Aura Silver's qualified person (as defined by National Instrument 43-101) for the Greyhound, Nunavut property and has reviewed and approved the scientific and technical information contained in this document.

### **Expenses**

Total expenses for the three month period ended September 30, 2017 were \$141,748 (Q3 2017 – \$56,814). Total expenses were \$84,934 higher during the third quarter of 2017 when compared to the third quarter in 2016. Significant components of higher expenses during the quarter related to: increased promotion costs of \$11,123 primarily relating to an advertising and marketing contract initiated in early 2017; and, increased stock option compensation charges of \$82,390 related to stock options granted in April 2017. These increases in expenses were partially offset by lower general and administrative costs of \$5,315 primarily due to lower service fees charged by the Company's Chief Financial Officer; and, due to lower professional fees of \$2,064. Expenses in other categories were relatively consistent when comparing the third quarter of 2017 to the same quarter in 2016.

Total expenses for the nine month period ended September 30, 2017 were \$337,603 (2017 – \$208,879). For the nine month period ended September 30, 2017, total expenses were \$128,724 higher when compared to the same period during 2016. Promotion expenses were \$53,569 higher relating to the initiation of an advertising and marketing contract during the first quarter of 2017 and due to promotion costs in support of the Company's financing activities during the first quarter of 2017. Stock option compensation charges were \$104,809 higher and related to new options granted in April 2017. Increased promotion and stock option expenses were offset by lower impairment charges related to property and exploration costs for the Taviche, Mexico property of \$30,385 during this period. Expenses in all other categories were relatively consistent when comparing the nine month period ended September 30, 2017 to the same period during 2016.

### **Other Income**

On May 30, 2017, the Company received the third anniversary cash option payment of \$81,761 (CDN\$110,000) from Agnico Eagle. This amount was recorded as other income. During the second quarter of 2016, the Company received the second anniversary cash option payment of \$38,280 (CDN\$50,000) from Agnico Eagle. This amount was applied to reduce the carrying amount of deferred exploration expenditures for the Greyhound project by \$5,125 with the balance of \$33,155 recorded in other income.

During the first quarter of 2016, the Company recorded other income of \$32,485 related to Mexican value added tax ("VAT") refunds received with respect to two claims related to claim periods in 2010. These refund claims were originally filed during 2011 and were initially rejected and were later resubmitted. Due to the uncertainty and inconsistency related to the Mexican tax authority's interpretation of tax laws related to value added tax claims and due to the significant time periods it can take to realize collection of claimed amounts, the Company records Mexican value added tax refunds only at the time of receipt. No VAT refunds were realized during the nine month period ended September 30, 2017.

### **Net Loss and Net Loss per Common Share**

Net loss for the three month period ended September 30, 2017 was \$141,748 (Q3 2016 – \$56,814) and basic and diluted loss per common share was \$0.00 (Q3 2016 – \$0.00). Net loss for the nine month period ended September 30, 2017 was \$255,842 (2016 – \$143,239) and basic and diluted loss per common share was \$0.00 (2016 – \$0.00).

### **LIQUIDITY AND CAPITAL RESOURCES**

As at September 30, 2017, the Company held cash of \$121,275 (December 31, 2016 – \$13,589). As at September 30, 2017, the Company had working capital of \$56,513 (December 31, 2016 – deficiency of \$156,894). Existing funds on hand at September 30, 2017 will not be sufficient to support the Company's need for cash to conduct exploration and to continue operations during the coming year. The Company will require additional funding to be able to advance and retain mineral exploration property interests and to meet ongoing requirements for general operations.

Agnico Eagle has funded exploration at the Greyhound project under the terms of the option agreement established during June 2014. The Company may be entitled to future cash option payments in accordance with the terms of the option agreement. On May 30, 2017, the Company received the third anniversary cash option payment of \$81,761 (CDN\$110,000) from Agnico Eagle.

During January 2017, the Company closed a private placement financing, in two tranches, issuing a total of 14,285,714 units for gross proceeds of \$379,973 (CDN\$500,000) (see details below under *private placement financings*).

The Company continues to pursue potential joint ventures for its properties which would allow partners to earn in to a portion of the Company's projects utilizing their own capital over time. Such joint venture arrangements are believed to limit shareholder dilution while allowing the Company and its shareholders to benefit from any success generated by the joint venture exploration programs. However, there is no assurance that the Company will be successful in negotiating additional joint ventures or other transactions or that the terms would be acceptable.

#### **Private placement financings**

During January 2017, the Company closed a private placement financing, in two tranches, issuing a total of 14,285,714 units at CDN\$0.035 per unit for gross proceeds of \$379,973 (CDN\$500,000). The Company applied for, and received, approval from the TSX Venture Exchange for a waiver from the five-cent minimum price requirement. Each unit consisted of one common share of the Company and one common share purchase warrant. Each warrant entitles the holder to purchase one common share of the Company at a price of CDN\$0.05 per share for a period of 36 months following the dates of issuance. In connection with this private placement, the Company paid finders fees of CDN\$11,071 and issued 316,309 compensation options. Each compensation option entitles the finder to acquire a unit at an exercise price of \$0.05 per unit and is exercisable for 36 months from the dates of issuance.

The Company has financed its operations from inception to date primarily through the issuance of equity securities. The Company is dependent on raising additional funds in order to finance future exploration programs and to meet requirements for administrative and other operating costs. The Company's operations do not generate cash flows except for cash option payments potentially payable under exploration partnership agreements. The Company's financial success is dependent on its ability to discover economically viable mineral deposits on its properties. The mineral exploration process can take many years and is subject to a number of factors many of which are beyond the Company's control (see *Risks and Uncertainties*).

### **Contractual Obligations**

The Company does not currently have any fixed contractual obligations or commitments for capital or operating leases, purchase obligations or other long-term commitments.

### **OUTSTANDING SHARE DATA**

Information with respect to outstanding common shares, warrants, compensation options and stock options as at November 15, 2017, September 30, 2017 and December 31, 2016 is as follows:

	<b>November 15, 2017</b>	<b>September 30, 2017</b>	<b>December 31, 2016</b>
Common shares	128,116,558	128,116,558	113,830,844
Warrants	25,435,714	25,435,714	11,150,000
Compensation options	316,309	316,309	Nil
Compensation option warrants	316,309	316,309	Nil
Stock options	9,200,000	9,200,000	4,150,000
Fully diluted shares outstanding	163,384,890	163,384,890	129,130,844

On April 24, 2017, the Company granted a total of 5,300,000 stock options to officers, directors and consultants of the Company. These stock options are exercisable at CDN\$0.07 per stock option and expire on April 23, 2022. On May 25, 2017, a total of 250,000 stock options exercisable at CDN\$0.10 expired.

### **OFF-BALANCE SHEET ARRANGEMENTS**

The Company has not entered into any material off-balance sheet arrangements such as guarantee contracts, contingent interests in assets transferred to unconsolidated entities, derivative instrument obligations, or with respect to any obligations under a variable interest entity arrangement.

### **FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

The Company's financial instruments consist of cash, accounts payable and accrued liabilities. Details relating to financial instruments and risk management associated with credit risk, liquidity risk, currency risk and interest rate risk are disclosed in note 12 to the Company's consolidated annual financial statements for the years ended December 31, 2016 and 2015.

### **PROPOSED TRANSACTIONS**

As is typical of the mineral exploration and development industry, the Company periodically reviews potential merger, acquisition, investment and joint venture transactions and opportunities that could enhance shareholder value. Timely disclosure of such transactions is made as soon as reportable events arise.

### **CRITICAL ACCOUNTING ESTIMATES**

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the amounts reported in the financial statements and disclosures in the notes thereto. These estimates and assumptions are based on management's best knowledge of current events and actions that the Company may undertake in the future. Actual results may differ from those estimates. The

most significant items requiring the use of management estimates and valuation assumptions are related to the recoverable value of mineral exploration properties and deferred exploration expenditures; the valuation of all liability and equity instruments including flow-through share premiums, warrants, compensation options and stock options; and, the ability of the Company to continue as a going concern.

Details with respect to critical accounting estimates, judgments and estimation uncertainties are disclosed in note 2 to the condensed consolidated interim financial statements.

## **NEW ACCOUNTING STANDARDS**

### **Standards that are not yet effective or adopted early**

#### ***IAS 7 – Statement of cash flows***

In January 2016, International Accounting Standards Board (“IASB”) amended IAS 7, Statement of Cash Flows. The amendments require that the following changes in liabilities arising from financing activities are disclosed (to the extent necessary): (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and, (v) other changes. One way to fulfil the new disclosure requirement is to provide a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities. Finally, the amendments state that changes in liabilities arising from financing activities must be disclosed separately from changes in other assets and liabilities. This amendment was mandatory for reporting periods beginning on or after January 1, 2017. The Company adopted this standard effective January 1, 2017. There was no impact on the Company’s financial statements.

#### ***IFRS 9 – Financial Instruments***

In July 2014, the IASB issued the final version of IFRS 9, *Financial Instruments* (IFRS 9) which replaces International Accounting Standard (IAS) 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on an entity’s business model and the contractual cash flow of the financial asset. Classification is made at the time the financial asset is initially recognized, namely when the entity becomes a party to the contractual provisions of the instrument. IFRS 9 also introduces additional changes relating to financial liabilities and aligns hedge accounting more closely with risk management.

IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early adoption of the new standard permitted. Company management has evaluated the new standard and does not anticipate any material impact from the adoption on its results of operations, financial position, and disclosures.

## **RISKS AND UNCERTAINTIES**

The Company is subject to a number of risks and uncertainties due to the nature of its business and the present stage of development of its business. Investment in the natural resource industry in general, and the exploration and development sector in particular, involves a great deal of risk and uncertainty. Current and potential investors should give special consideration to the risk factors involved. These factors are discussed more fully in the annual Management’s Discussion and Analysis dated April 24, 2017 which is filed on SEDAR.

## **OTHER INFORMATION**

Other information relating to the Company may be found on the SEDAR website at [www.SEDAR.com](http://www.SEDAR.com).

## **CORPORATE INFORMATION**

### **Directors and Officers**

Robert Boaz, M. Econ., Hons. BA – President, CEO and Director  
W. William Boberg, MSc., P. Geo. – Independent Director  
James M. Franklin, PhD, FRSC, P. Geo. – Independent Director  
Nick Tintor, BSc. – Independent Director  
John McNeice, CA, CPA – Chief Financial Officer and Corporate Secretary

### **Corporate Office**

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Phone: (613) 692-7704

**Web Site:** [www.aurasilver.com](http://www.aurasilver.com)

### **Independent Auditor**

PricewaterhouseCoopers LLP, Ottawa, Canada

### **Corporate Legal Counsel**

Fasken Martineau DuMoulin LLP, Ottawa, Canada

### **Corporate Banker**

Royal Bank of Canada, Ottawa, Canada

### **Transfer Agent**

TSX Trust Company, Toronto, Canada