WAR EAGLE MINING COMPANY INC.

Management's Discussion and Analysis

June 30, 2016

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The following is management's discussion and analysis ("MD&A") of War Eagle Mining Company Inc. ("War Eagle" or the "Company"), prepared as of August 25, 2016. This MD&A should be read together with the unaudited condensed consolidated interim financial statements for the three months ended June 30, 2016 and related notes. Financial amounts are expressed in Canadian dollars unless otherwise specified.

Certain information included in this MD&A may constitute forward-looking statements. Statements in this report that are not historical facts are forward-looking statements involving known and unknown risks and uncertainties, which could cause actual results to vary considerably from these statements. Readers are cautioned not to put undue reliance on forward-looking statements. Forward-looking statements include references to potential joint venture opportunities for the Company's properties.

The Company's unaudited condensed consolidated interim financial statements for the three months ending June 30, 2016 have been prepared in accordance with accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Committee.

This MD&A contains "forward looking statements" that are subject to risk factors set out in this MD&A.

Additional information related to War Eagle is available on SEDAR at www.sedar.com.

OUR BUSINESS

We are involved in the acquisition, exploration and, if warranted, development of mineral properties and plan to focus our exploration activities on developing base and precious metal properties in Mexico and in other geologically attractive and mine friendly jurisdictions in the Americas. That focus might include a business combination with another similarly focused junior company. In fiscal 2014, we sold our interest in the small Tres Marias zinc-germanium-lead project in Chihuahua, Mexico. Today we continue our efforts to increase our interest in the Terrazas zinc-copper property, also in Chihuahua, Mexico. In that regard, in view of the declining zinc mine production levels and the accelerating price of zinc, we believe this is a prudent area for our investment. Accordingly, we also are searching for a major industry player to act as a joint venture partner.

INCORPORATION AND ORGANIZATION OF THE COMPANY

The Company was incorporated under the laws of British Columbia on March 6, 1984 and changed its name to "War Eagle Resources Ltd." on April 10, 1984 and then changed its name again to "War Eagle Mining Company Inc." on May 25, 1987. The Company's shares trade on the TSX Venture Exchange ("TSX-V") under the symbol "WAR".

Our head office is located at Suite 1100 – 1111 Melville Street, Vancouver, British Columbia, Canada, V6E 3V6 and our registered office is located at Suite 700 - 595 Burrard Street, Vancouver, British Columbia, Canada, V7X 1S8.

As of the date of this MD&A, we have two subsidiaries: Andromeda Resources Inc. ("Andromeda"), a wholly-owned Ontario corporation and its wholly-owned Mexican subsidiary, RD Minerals S.A. de C.V ("RDM").

CORPORATE DEVELOPMENTS

- In December 2013, we sold all of the shares of Tombstone Mexico, which was the owner of Tres Marias zinc-germanium-lead project in Mexico to Contratista Y Operaciones Mineras S.A. de C.V. (COMSA) for a consideration of US$2,500,000 ($2,710,032, based on the exchange rate in effect in December 2013), payable over a three year term.
- In July and August 2016, the Company received further payments under the sales agreement reducing the defaulted payment amount to US$950,000 with a further payment of US$750,000 due in January 2017. Company management is negotiating amendments to the sale agreement that will assist COMSA to achieve full performance of the sale agreement and the Company possibly achieving a higher return from the sale.
- On August 15, 2016, Paul A. Carroll QC was appointed as the Company's president and chief executive officer replacing Thomas R. Atkins who continues as a Director. Mr. Carroll has had a lengthy business career in the mining industry, both as a lawyer and as a director and officer of mining companies. He has been engaged in mineral exploration and mining in Canada, the US, Mexico, Central and South America, Africa, China, Russia and Kazakhstan. Companies with which he has been involved include Dundee Corporation, Corona Corporation and World Wide Minerals Ltd., among others.

MINERAL PROPERTIES

TERRAZAS

In February 2013 we acquired Andromeda, now a wholly-owned subsidiary, that had been a party to an option agreement with a Mexican private company, Minera Rio Tinto SA de CV (MRT), to acquire the mining rights to the Terrazas zinc-copper property in Chihuahua, Mexico. The property is located within a 30 minute drive from the State capital Chihuahua City (with a 1.0 million population), in a mining-friendly State, and it has extensive infrastructure in place, including railway, power, water and a nearby four-lane highway. In 2012, after expenditure by Andromeda of $1.2 million on option payments, the option agreement had lapsed for failure of Andromeda to raise the requisite additional capital at that time. Currently Andromeda holds an option to purchase the surface rights to the Terrazas property. We can acquire the surface rights by making biannual instalments payments until December 2018 for a total purchase price of US $400,000. As of June 30, 2016, the Company has not made the three instalment payments of $22,500 each that were due in fiscal year 2016 (two payments) and in the quarter ended June 30, 2016 (one payment), and the agreement is in default.

The future minimum payments due under the contract at June 30, 2016 are:

Period ending March 31	US$
2017	35,000
2018	90,000
2019	90,000
	215,000

To date, in excess of $18 million has been spent on the project by War Eagle, Andromeda and its predecessors.

FINANCIAL

CONSOLIDATED FINANCIAL INFORMATION

All fiscal 2016 and comparative financial amounts discussed below are determined in accordance with IFRS.

SELECTED QUARTERLY INFORMATION

Quarter ended	Asset Impairment	Income (loss) for the period	Income (loss) per share *	Total assets
	$	$	$	$
September 30, 2014	(24,014)	(107,800)	(0.01)	28,049
December 31, 2014	(23,808)	(81,557)	(0.00)	3,004
March 31, 2015	-	275,195	0.01	216,133
June 30, 2015	-	(128,738)	(0.01)	36,268
September 30, 2015	-	(110,860)	(0.01)	19,859
December 31, 2015	-	(111,852)	(0.01)	6,395
March 31, 2016	-	243,668	0.01	373,035
June 30, 2016	-	194,253	0.01	416,360

* Basic and fully diluted

Apart from the exploration and evaluation asset write-downs the main factors contributing to variations in the quarterly income (loss) were share-based compensation awards, and receipt of proceeds from sale of a subsidiary.

Factors affecting quarterly income:

- June 30, 2016 – The Company recognized US$150,000 as collectible as at June 30, 2016 from Contratista Y Operaciones Mineras S.A. de C.V. ("COMSA") and recognized an equivalent amount of gain on sale of subsidiary. The Company received the payments in July and August, 2016.

RESULTS OF OPERATIONS

The Company incurred net income before and after tax of $194,253 or $0.01 per share, for the three months ended June 30, 2016, compared to a loss of ($128,738) or ($0.01) per share, in the three months ended June 30, 2015. The Company's operating expenses decreased slightly in the three months of fiscal 2017 due to lower consulting fees and travel expenses.

This following section discusses significant operating expenses for the three months ended June 30, 2016 as compared to the three months ended June 30, 2015, unless discussed elsewhere:

- Consulting fees – These fees are paid to consultants not acting in a management or staff capacity.
- Insurance – The insurance expense is prepaid for a 12 month period and expensed at each quarter end.
- Management fees and salaries – This expense represents amounts paid or payable to officers and consultants that administer the operations of the Company.

- Professional fees – Professional fees comprise audit and legal fees. The professional fees decreased in the current year primarily due to decrease in the legal fees component thereof because the Chairman, being a lawyer, has assumed certain legal functions for the Company.
- Rent – Rent expense comprises the cost of a storage facility.

CHANGE IN FINANCIAL POSITION

Changes in the Company's financial position since March 31, 2016 primarily relates to receipt of proceeds of sale of Tombstone Mexico and the use of cash to fund operations in the ordinary course.

EXPLORATION EXPENDITURES

In December 23, 2013, the Company completed the sale of the Company's Mexican subsidiary Tombstone Mexico, the owner of the Tres Marias property to COMSA. The proceeds of sale are being received by the Company as a return of the advances to Tombstone Mexico which were invested in the property.

The Company continues to impair its exploration expenditures due to the uncertain outlook and has deferred any immediate development plans on its properties while it focuses on seeking joint venture opportunities.

LIQUIDITY AND CAPITAL RESOURCES

At June 30, 2016, we had a working capital deficiency of $182,625. As a result of continuing administrative and property maintenance costs, we estimate that we have a cash shortfall to fund operations in fiscal 2016. We are considering our options to attract investment in the Company; however, we can provide no assurance we will be able to do so.

In July and August 2016, we received US$150,000 as partial payment from COMSA relating to the sale of Tres Marias. In August 2016, we entered into a new agreement with COMSA for the payment of US$1,700,000, the balance of the US$2,500,000 consideration for the sale of Tres Marias, where COMSA has agreed to make payments every quarter starting on September 30, 2016, with the final payment on March 31, 2018.

We have not paid any dividends since incorporation and it has no plans to pay dividends in the immediate future. We expect to retain our earnings, if any, to finance further growth. The directors of the Company will determine if and when dividends should be declared and paid in the future based on the Company's financial position at the relevant time. All of the common shares of the Company are entitled to an equal share in any dividends declared and paid.

We have a history of losses and its ability to continue as a going concern is dependent upon the discovery of economically recoverable mineral reserves, confirmation of our interest in the underlying mineral claims, our ability to obtain necessary financing to complete their development, and future profitable production or proceeds from the sale of the property.

TOMBSTONE MEXICO TRANSACTION

In December 2013, we completed the sale of Tombstone Mexico, the owner of the Tres Marias zinc-germanium mine in Chihuahua, Mexico to COMSA. Total consideration for the sale was US$2,500,000 cash in the form of partial repayment of loan advances to Tombstone Mexico, of which, we've received US$800,000 as of the date of this MD&A. We will receive additional US$400,000 if sales of product are US$20 million or more, (iii) a further US$400,000 if sales of product are US$25 million or more and (iv) a 2% net smelter return royalty to a maximum of a further US$2,500,000. The result would be total sales proceeds of up to US$5,800,000.

We are recognizing a gain on sale of the Mexican subsidiary on receipt of each instalment as the timing of the receivable is uncertain. If the purchase price is not paid in full when due, then after a grace period, we have the right to reacquire the Tres Marias property.

SHARE OPTIONS

We have a 10% floating option plan which provides that the aggregate number of common shares of the Company's capital issuable pursuant to options granted may not exceed 10% of the number of outstanding shares at the time of the grant. The Company's shareholders approved the 2014 Plan at its annual general and special meeting held on January 15, 2015.

RELATED PARTY TRANSACTIONS

We entered into the following transactions with related parties not disclosed elsewhere in this MD&A as follows:

Key management personnel compensation

Payee	Relationship	Nature of Transaction	June 30, 2016 $	June 30, 2015 $
Thomas Atkins	Former President & CEO	Compensation including fee and share-based payments and reimbursement of exploration and travel related expenses	30,440	30,000
Carnarvon Capital Corporation	Company controlled by Paul A. Carroll, Chairman, President, CEO & Director	Compensation including fee and share-based payments	30,000	30,000
L&D Holdings Inc. (formerly, "1091096 Ontario Inc.")	Company controlled by Don Padgett, Director	Compensation including consulting fee and share-based payments	9,000	9,000
Primary Venture Corporation	Company controlled by Malcolm Burke, Director	Compensation including consulting fee and share-based payments	9,000	9,000
Koios Corporate Financial Services Ltd.	Company controlled by Salil Dhaumya, CFO	Compensation including fee and share-based payments	12,000	12,000

As at June 30, 2016, $416,000 (March 31, 2016 - $528,500) in total is owing to officers and directors for services. The total amount includes: $256,000 (March 31, 2016 - $351,500) owing to companies owned by officers and directors of the Company. These amounts owing have been included in accounts payable and accrued liabilities.

During the three months ended June 30, 2016, Mr. Carroll agreed to reduce the amount owed to his company by $64,000. The Company recognized a gain on settlement of debt of $64,000 in the condensed consolidated interim statement of comprehensive income.

Related party balances are due on demand, bear no interest and are unsecured.

Transactions with related parties were in the normal course of business and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

Information about financial instruments is disclosed in note 12 of the June 30, 2016 condensed consolidated interim financial statements.

RISKS

- We have limited cash resources and there can be no assurance we will be able to raise sufficient cash to develop or joint venture our properties.
- We continue to seek complementary joint venture opportunities for our projects and require additional financing to fund our plans and any possible transactions.
- We will incur significant operating losses for the foreseeable future.
- Our success is dependent on future mineral prices.
- In order to develop our mineral properties, we will need to add experienced senior management, personnel and consultants. Furthermore, we will be substantially dependent upon the services of a few key individuals for the successful operation of our business.
- The development of mines is subject to extensive laws and regulations by various government agencies that may make mine development uneconomical or impossible.
- There can be significant political risk to operating in foreign jurisdictions.

OFF-BALANCE SHEET ARRANGEMENTS

We have not entered into any off-balance sheet arrangements during or after the three months ended June 30, 2016.

PROPOSED TRANSACTIONS

We have not entered into any proposed transactions that have not already been disclosed to the public.

OUTSTANDING SHARE DATA

As of August 25, 2016, the Company had:

- 21,990,276 common shares issued and outstanding.
- Stock options to purchase 1,498,000 common shares to directors, officers, employees and consultants.

All of the options are out of the money but if those were exercised, the maximum number of shares potentially issuable is therefore 1,498,000.