FORM 51-102F1
MANAGEMENT'S DISCUSSION AND ANALYSIS
NINE MONTHS ENDED AUGUST 31, 2016

The following Management's Discussion and Analysis, prepared as of October 31, 2016, should be read together with the interim consolidated financial statements for the nine months ended August 31, 2016 and related notes attached thereto, which are prepared in accordance with International Financial Reporting Standards. All amounts are stated in Canadian dollars unless otherwise indicated.

The reader should also refer to the annual consolidated audited financial statements for the years ended November 30, 2015 and 2014, and the Management's Discussion and Analysis for those years.

Bandera Gold Ltd. ("Bandera" or the "Company" or the "Corporation") was incorporated on November 23, 1993 pursuant to the Alberta Business Corporations Act, is listed on the TSX Venture Exchange and trades under the symbol BGL.

Additional information related to the Company is available on its website at www.banderagold.com and on SEDAR at www.sedar.com.

Business Overview

The Company is a junior natural resource company currently engaged in the acquisition, exploration and, if warranted, the development of mineral properties of merit.

Overall Performance

During the nine months ended August 31, 2016, the Company incurred a loss of $4,999,733 (2015–$310,504). The Company raised $51,284 from financing activities during the nine months ended August 31, 2016 compared to $57,293 raised from financing activities during the nine months ended August 31, 2015. As at August 31, 2016 the Company had a working capital deficiency of $3,969,179 compared to a working capital deficiency of $3,473,835 as at August 31, 2015.

Discussion of Operations

Cinco Minas and Gran Cabrera Legal Action

On April 15, 2016 Bandera announced that it has terminated the litigation on its Cinco Minas and Gran Cabrera mining properties located in Mexico. Bandera has diligently defended its rights to enforce the original option agreement signed by the parties, only to be obstructed at every turn by procedural maneuvers common in the justice system in Mexico. The Board of Bandera has assessed the uncertainty of any potential resolution, timing, and cost of continuing the court cases, combined with general poor financial conditions in the mining sector affecting the market value of the properties. As a result of this the Company has recorded an Impairment of the Cinco Minas and Gran Cabrera properties of $4,815,055.

Risks and Uncertainties

There is no assurance that the Company will be able to acquire new mineral properties of merit for exploration and development.

There is no assurance that the Company will be able to continue to raise sufficient funds for its operating activities.

Summary of Quarterly Results

Three Month Period Ended

	August 31, 2016	May 31, 2016	February 29, 2016	November 30, 2015
Revenue	$nil	$nil	$nil	$nil
Net loss	(14,129)	(119,456)	(4,866,147)	(187,882)
Loss per share, basic and diluted	(0.00)	(0.00)	(0.04)	(0.00)

Three Month Period Ended

	August 31, 2015	May 31, 2015	February 28, 2015	November 30, 2014
Revenue	$nil	$nil	$nil	$nil
Net loss	(88,555)	(146,961)	(74,985)	(6,547,055)
Loss per share, basic and diluted	(0.00)	(0.00)	(0.00)	(0.06)

Liquidity and Capital Resources

The Company relies on private placements, advances from directors and the exercise of stock options and warrants to finance its operating activities and exploration and development programs.

	August 31, 2016	November 30, 2015
Working capital deficiency	($3,969,179)	($3,841,357)
Deficit	(27,585,111)	(22,585,765)

Net cash used for operating activities for the nine months ended August 31, 2016 was $4,833,745 compared to $205,422 during the nine months ended August 31, 2015.

Financing activities provided cash of $51,285 during the nine months ended August 31, 2016 compared to cash of $57,293 for the nine months ended August 31, 2015. The Company received advances from directors of $51,285 during the nine months ended August 31, 2016 compared with $57,293 during the nine months ended August 31, 2015.

Related Party Transactions

During the nine months ended August 31, 2016 the Company paid management compensation of $Nil (2015- $94,500) of which $Nil was paid to Peter Gommerud, the CEO of the Company and $Nil was paid to a company controlled by Mr. Don Bossert, the CFO of the Company.

During the nine months ended August 31, 2016 the Company paid rent of $7,092 (2015 - $7,092) to a company wholly-owned by Mr. Russel Renneberg, a director of the Company.

During the nine months ended August 31, 2016 the Company paid directors fees of $15,000 (2015 - $15,000) of which $3,000 was paid to Peter Gommerud, the CEO and a director of the Company; $3,000 was paid to Don Bossert, the CFO and a director of the Company; $3,000 was paid to Russel Renneberg, a director of the Company; $3,000 was paid to Robert Morrison, a director of the Company and $3,000 was paid to Terry Byberg, a director of the Company.

Financial Instruments and Risk

(a) Fair Values

Assets and liabilities measured at fair value on a recurring basis were presented on the Company's statement of financial position as at August 31, 2016, as follows:

	Fair Value Measurements Using		
	Quoted prices in active markets for identical instruments	Significant other observable inputs	Significant unobservable inputs
	(Level 1)	(Level 2)	(Level 3)
	$	$	$
Cash	1,744	–	–
Restricted cash	107,468	–	–
Refundable warranty bond	426,840	–	–
	536,051	–	–

The fair values of other financial instruments, which include amounts receivable, accounts payable and accrued liabilities, and amounts due to related parties, approximate their carrying values due to the relatively short-term maturity of these instruments.

(b) Credit Risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash and amounts receivable. The Company limits its exposure to credit loss by placing its cash with high credit quality financial institutions. Amounts receivable consists of GST receivable. GST receivable is due from the Government of Canada. The carrying amount of financial assets represents the maximum credit exposure.

(c) Foreign Exchange Rate Risk

The Company operates in Canada, Colombia, and Mexico, but has the majority of its cash held in Canada in Canadian dollars. Future exploration programs and option payments may be denominated in US dollars, Colombian Pesos, or Mexican Pesos. Foreign exchange risk arises from purchase transactions as well as financial assets and liabilities denominated in these foreign currencies. The Company does not use derivative instruments to hedge exposure to foreign exchange rate risk. A change of 5% in the exchange rate for the Mexican Peso would not result in a significant change in net loss. A change of 5% in the exchange rate for the Colombian Peso would not result in a significant change in net loss.

(d) Interest Rate Risk

The Company's cash may contain highly liquid investments that earn interest at market rates. The Company manages its interest rate risk by maximizing the interest earned on excess funds while maintaining the liquidity necessary to fund daily operations. Fluctuations in market interest rates do not have a significant impact on the Company's results of operations due to the short term to maturity of the investments held.

(e) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations out of cash. The ability to do this relies on the Company raising debt or equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs.

(f) Price Risk

The Company is exposed to price risk with respect to commodity prices. The Company's ability to raise capital to fund exploration and development activities is subject to risks associated with fluctuations in the market price of commodities.

Accounting Standards Issued But Not Yet Effective

A number of new standards, and amendments to standards and interpretations, are not yet effective for the period ended August 31, 2016 and have not been applied in preparing these financial statements.

(i) IFRS 9, *Financial Instruments* (New)
(ii) IFRS 10, *Consolidated Financial Statements* (Amended)
(iii) IAS 1, *Presentation of Financial Statements* (Amended)

The Company has not early adopted these revised standards and is currently assessing the impact that these standards will have on the consolidated financial statements.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's consolidated financial statements.

Exploration and Evaluation Assets

	Tiberius	Cinco Minas and Gran Cabrera	Total
	$	$	$
Acquisition costs:			
Balance, November 30, 2013 and 2014	100,000	302,197	402,197
Disposals	(100,000)	–	(100,000)
Balance, November 30, 2015	0	302,197	302,197
Disposals	0	-302197	(302,197)
Balance, August 31, 2016	0	0	0
Exploration costs:			
Balance, December 1, 2013	38,675	9,984,231	10,022,906
Accounting and legal	-	380,743	380,743
Concession Taxes	2,864	-	2,864
Impairment	(41,539)	(6,106,496)	(6,148,035)
Sub-total of costs for the period	(38,675)	(5,725,753)	(5,764,428)
Balance, November 30, 2014	**$ -**	**$ 4,258,478**	**$ 4,258,478**
Exploration costs:			
Balance, December 1, 2014	-	4,258,478	4,258,478
Accounting and Legal		254,379	254,379
Sub-total of costs for the period	-	254,379	254,379
Balance, November 30, 2015	**-**	**$ 4,512,857**	**$ 4,512,857**
Exploration costs:			
Balance, December 1, 2015	-	4,512,857	4,512,857
Impairment		(4,512,857)	(4,512,857)

Sub-total of costs for the period	-	(4,512,857)	(4,512,857)
Balance, August 31, 2016	-	-	-
Carrying Amounts			
Balance November 30, 2013	$ 138,675	$ 10,286,428	$ 10,425,103
Balance November 30, 2014	$ 100,000	$ 4,560,675	$ 4,660,675
Balance November 30, 2015	**$ -**	$ 4,815,054	$ 4,815,054
Balance August 31, 2016	-	-	-

General & Administrative Expenses

Expense	Nine Months Ended August 31, 2016	Nine Months Ended August 31, 2015
Advertising and promotion	$-	$-
Amortization	-	-
Consulting fees	5,600	47,467
Foreign exchange loss (gain)	70,092	18,541
Interest and bank charges	123	158
Impairment of exploration and evaluation assets	4,815,055	-
Insurance	9,678	14,512
Mining venture expenses	60,744	10,779
Office and general	846	954
Professional fees	-	31,248
Rent	7,092	7,092
Salaries, directors fees, and related benefits	15,000	82,500
Telephone and utilities	626	974
Transfer agent and regulatory fees	12,221	9,738
TOTAL	**$4,997,077**	**$223,963**

Disclosure of Outstanding Share Data as at October 31, 2016

Common shares (basic)	110,252,653
Options and warrants	Nil
Common shares (fully-diluted)	110,252,653