CALICO RESOURCES

MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE SIX MONTH PERIOD ENDED DECEMBER 31, 2015

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This management discussion and analysis ("MD&A") should be read in conjunction with the unaudited condensed consolidated interim financial statements of Calico Resources Corp. ("Calico" or the "Company") and related notes thereto for the six month period ended December 31, 2015 and 2014 (the "Financial Statements"), which have been prepared in accordance with International Financial Reporting Standards. All amounts in the financial statements and this discussion and analysis are expressed in Canadian dollars, unless otherwise indicated. This Management Discussion and Analysis ("MD&A") is dated February 26, 2016 and discloses specified information up to that date.

FORWARD LOOKING INFORMATION

This MD&A contains certain forward-looking statements and information relating to Calico that are based on the beliefs of its 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 its management, are intended to identify forward-looking statements.

Forward-looking statements or information relate to the Company's anticipated content and cost of exploration programs, anticipated timing and results of exploration programs, planned exploration and development programs, the potential for a production decision to be made, the potential commencement of any development of a mine at the Grassy Mountain Project following a production decision, and the potential for any mining or production at the Grassy Mountain Project. These statements relate to analysis and other information that are based on expectations of future performance as set out in the Preliminary Economic Assessment ("PEA"), including gold and silver production and planned work programs. In addition, forward looking statements relate to, among other things: Calico's strategies and plans; the attractiveness of the Grassy Mountain Project as a development option for gold producers; the exploration potential at the Grassy Mountain Project; development scenarios at the Grassy Mountain Project; the Company's expectations with respect to a potential merger, sale or joint venture transaction; timing of receipt of permits and regulatory approvals; timing of completion of baseline studies in connection with the State of Oregon permitting review process; the sufficiency of the Company's capital to finance the Company's operations; geological interpretations and potential mineral recovery processes.

Forward-looking statements or information are subject to a variety of known and unknown risks, uncertainties and other factors that could cause actual events or results to differ from those reflected in the forward-looking statements or information, including, without limitation, risks relating to: uncertainty as to actual capital costs, operating costs, production and economic returns, and uncertainty that development activities will result in a profitable mining operation at the Grassy Mountain Project, fluctuations in the spot and forward price of gold or certain other commodities; changes in national and local government legislation, taxation, controls, regulations and political or economic developments in Canada, the United States or other countries in which the Company may carry on business in the future; the uncertainties involved in interpreting geological data; business opportunities that may be presented to, or pursued by, the Company; operating or technical difficulties in connection with mining activities; the speculative nature of gold exploration and development, including the risks of obtaining necessary licenses and permits; risks related to mineral resource estimates being based on interpretations and assumptions which may result in less mineral production under actual conditions than is currently estimated and to diminishing quantities or grades of mineral resources as the Grassy Mountain Project is mined; and contests over title to properties, particularly title to undeveloped properties. In addition, there are risks and hazards associated with the business of gold exploration, development and mining, including environmental hazards, industrial accidents, unusual or unexpected formations, pressures, cave-ins, flooding and gold bullion losses (and the risk of inadequate insurance, or the inability to obtain insurance, to cover these risks).

Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in the forward-looking statements or information. The Company's forward looking statements and information are based on beliefs, expectations, and opinions of management on the date the statements are made. For the reasons set forth above, investors should not place undue reliance on forward looking statements or information.

1. Description Of Business

The Company is an exploration and development stage company, incorporated on June 17, 1998 pursuant to the *Business Corporations Act* (British Columbia), and is engaged principally in the acquisition, exploration and development of mineral property interests. The Company's main focus is the ongoing development of its 100% owned Grassy Mountain Gold Project, located in Oregon, USA (the "Grassy Mountain Project").

The Company's shares trade on the TSX Venture Exchange ("TSX-V") under the symbol "CKB".

2. Discussion of Operations and overall performance

Calico Resources Corp. (the "Company") and its wholly owned subsidiary, Calico Resources USA Corp. are focused on advancing its 100% owned Grassy Mountain Project located in Oregon, U.S.A.

Matters in prior periods related to the ongoing development of the Grassy Mountain Project have been disclosed in previous MD&A filed on SEDAR.

Preliminary Economic Assessment

On January 13, 2015, the Company announced the results of a Preliminary Economic Assessment ("PEA") on the Grassy Mountain Project. The PEA was prepared by Metal Mining Consultants Inc. ("MMC") using resource and geologic information developed by Hardrock Consulting, LLC ("HRC"). A National Instrument 43-101 Standards of Disclosure for Mineral Projects ("National Instrument 43-101") technical report summarizing the PEA (the "Technical Report") was completed by MMC and filed on SEDAR on February 27, 2015.

On July 14, 2015, the Company announced that as a result of a review by the British Columbia Securities Commission (the "BCSC") of the Company's PEA, the Company filed an amended technical report entitled "Amended Preliminary Economic Assessment Calico Resources Corp, Grassy Mountain Project, Malheur County, Oregon, USA" (the "Amended PEA"). The Amended PEA was prepared by MMC using resource and geologic information developed by HRC.

The economic aspects of the Amended PEA remain unchanged from the original PEA. All of the deficiencies identified during the BCSC review were addressed and corrected in the Amended PEA. The key deficiencies identified by the BCSC were related to the disclosure of the mineral resources for the Grassy Mountain Project.

The BCSC also noted that certain disclosure by the Company of the results of the PEA in news releases and investor materials did not include proximate cautionary language required by NI 43-101. Shareholders and investors are cautioned that the PEA is considered preliminary in nature and includes mineral resources, including inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves. Mineral resources that are not mineral reserves do not have demonstrated economic viability. Due to the uncertainty that may be attached to mineral resources, it cannot be assumed that all or any part of a mineral resource will be upgraded to mineral reserves. Therefore, there is no certainty that the results concluded in the PEA will be realized.

PEA Overview

The PEA was prepared as an underground mining operation accessed by a production decline with a processing plant handling mineralized material. Mineralization will be accessed by LHDs and underground haulage trucks. The mining method employed will be underhand cut and fill, using fill material comprised of mined waste and cemented tailings. Material would then be transported to the milling facility, including three-stage crushing to facilitate precious metals recovery. Treatment will by conventional gravity concentration followed by cyanide leaching (CIL) of the gravity tails. Metal would be recovered onsite and sold as gold-silver doré.

Mineral Resources

The Grassy Mountain Project's base case is an underground model but the original PEA disclosed estimated global resources that were not relevant to the resources used in the PEA. Further, the PEA disclosed lower grade resources that were not open pit-constrained, which may have included resources that might not have been able to demonstrate reasonable prospects for eventual economic extraction. It was also unclear in the PEA that underground resources were not included in the global resource estimate. To correct these disclosure issues, Calico's independent consultants have re-estimated the Grassy Mountain Project's mineral resources in a way that more clearly demonstrates reasonable prospects for eventual economic extraction.

Underground resources for the Grassy Mountain Project are reported in the Amended PEA at a gold cutoff grade of 0.065 opt, as opposed to a grade of 0.079 opt in the PEA, and are constrained within the designed underground stopes that were used in the PEA. In order to demonstrate the reasonable prospects of eventual economic extraction of lower grade mineralization by open pit methods, mineral resources were also constrained within an $800 (US) pit optimization boundary. To ensure that there was no double counting of underground and open pit mineral resources, the underground resources were removed from consideration of the determination of the pit limits and treated as un-mineralized backfill. The resulting mineral resource estimate, constrained by the pit, is now estimated at gold cutoff grade of 0.005 opt as opposed to the previous disclosure at 0.012 opt. Calico believes it is in the best interest of its shareholders to disclose this new resource estimate as it clarifies previous disclosure.

Mineral resources at the Grassy Mountain Project are estimated as follows:

Measured

	Tons (000s)	Au opt	Ounces Au (000s)	Ag opt	Ounces Ag (000s)
Underground *	3,157.2	0.155	490.5	0.263	828.9
Open Pit *	52,644.6	0.020	1,027.1	0.072	3,783.6

Indicated

	Tons (000s)	Au opt	Ounces Au (000s)	Ag opt	Ounces Ag (000s)
Underground *	88.3	0.149	13.2	0.163	14.4
Open Pit *	12,802.8	0.010	121.9	0.027	349.8

Measured plus Indicated

	Tons (000s)	Au opt	Ounces Au (000s)	Ag opt	Ounces Ag (000s)
Underground *	3,245.5	0.155	503.7	0.260	843.2
Open Pit *	65,447.4	0.018	1,149.0	0.063	4,133.3

Inferred

	Tons (000s)	Au opt	Ounces Au (000s)	Ag opt	Ounces Ag (000s)
Underground *	-	-	-	-	-
Open Pit *	221.3	0.007	1.5	0.010	2.2

**Underground (0.065 opt cog)*
**Open Pit (0.005 opt cog)*

Economic Projections

In the Amended PEA, MMC concluded that the most attractive development scenario for the Grassy Mountain Project consists of an underground mining operation with a processing plant handling mineralized material, producing a gold-silver doré. A milling base case scenario was developed for the Grassy Mountain Project with production of 365,000 tons per year, resulting in a projected nine year operation with estimated average annual production of 53,000 ounces of gold and 82,000 ounces of silver. Projected life of mine average cash operating costs are US$578 per ounce of gold recovered, net of silver byproduct credits. Start-up capital costs for this project scenario are projected to be US$120 million plus sustaining capital of $24.1 million. The total cost of gold production (including cash operating costs and total capital and contingency costs over the life of the mine) is estimated at US$880 per ounce.

At a gold price of US$1,300 per ounce and a silver price of US $17.50 per ounce, the base case has a US$202.9 million pre-tax net cash flow, a US$144.2 million net present value at a 5% discount rate and an internal rate of return of 32.6%. At US$1,500 gold and US$20 silver, the total pre-tax net cash flow increases by 47.5% over the base case to US$299.2 million, the net present value at 5% increases to US$221.9 million and the internal rate of return improves to 45.1%.

The PEA is considered preliminary in nature and includes mineral resources, including inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves. Mineral resources that are not mineral reserves do not have demonstrated economic viability. Due to the uncertainty that may be attached to mineral resources, it cannot be assumed that all or any part of a mineral resource will be upgraded to mineral reserves. Therefore, there is no certainty that the results concluded in the PEA will be realized.

Base Case Assumptions	
Gold Price (US $)	$1,300.00
Silver Price (US $)	$17.50
Mill Processing Rate (tons per day)	1,000
Average Annual Gold Production (ounces)	53,000
Average Annual Silver Production (ounces)	82,000
Peak Annual Gold Production (ounces)	69,000
Peak Annual Silver Production (ounces)	118,000
Pre-Production Capital Costs (US $)	$119.6 M
LOM Sustaining Capital (US $)	$24.1 M
Pre-Production Period (years)	1
Production Life (years)	9
Cash Cost per Au Ounce (US $)	$578
Cash Costs and Sustaining Cost per Au Ounce (US $)	$880

BEFORE-TAX ECONOMIC RESULTS	
Life of Mine NPV at 5% Discount Rate (US $)	$144.2 M
Internal Rate of Return	32.6%
Payback Period (years)	2.5

AFTER-TAX ECONOMIC RESULTS	
Life of Mine NPV at 5% Discount Rate (US $)	$107.7 M
Internal Rate of Return	27.1%
Payback Period (years)	2.7

Mine Planning

To facilitate the estimation of mineable material for the PEA, HRC re-blocked the model to incorporate a smaller block size suitable for underground mine planning and mining dilution appropriate for cut and fill operations. The resource estimate is based on a 3D geologic model constructed using geologic and assay data from 219 exploration drill holes by previous owners and 17 holes drilled by Calico. The model incorporates 17,440 composites used in the estimation of gold and 13,683 samples used in the estimation of silver. Block grades were estimated using an Ordinary Kriging interpolation method in Micromine modeling software.

A PEA provides a basis to estimate project operating and capital costs and establish a projection of the potential mineable resource including measured, indicated and inferred categories as permitted under National Instrument 43-101. However, due to drilling density and metallurgical test work that has been conducted at Grassy Mountain, inferred resources were excluded from the PEA and all reported resources are in the measured and indicated categories. The underground design utilized estimates of operating costs typical of operating underground mines and mill processing facilities in northern Nevada. Estimates of metallurgical recovery are based on test work performed on samples from Grassy Mountain drill core. The ultimate mineralized envelope was determined using a gold price of $1,300 per ounce. Underground diluted resources used for production scheduling, at a 0.065 gold ounces per ton cutoff grade (2.0 Au g/t) are as follows:

Classification	Mineralized Material (000 Tonnes)	Gold Grade (oz/t)	Gold Grade (g/t)	Gold Ounces (000s)	Silver Grade (oz/t)	Silver Grade (g/t)	Silver Ounces (000s)
Measured	2,846	0.157	5.4	490	0.263	9.0	825
Indicated	86	0.149	5.1	14	0.156	5.0	14
Measured & Indicated	2,932	0.155	5.3	504	0.256	9.0	839

Metallurgy

Resource Development Inc. (RDi) has completed positive bench-scale metallurgical testing for the Grassy Mountain Project. A technically sound and economically viable processing strategy has been developed by RDi for production of gold and silver based on representative samples of drill core from the Grassy Mountain Project. Tests indicate that recoveries of 97.0% gold and 84.6% silver are achievable utilizing a conventional gravity process followed by carbon-in-leach (CIL) cyanidation of the gravity tailings. For the purpose of this study, recoveries of 95% gold and 84% silver were used.

Based on capital economic considerations, a mill is planned to process 1,000 tons per day. A small tailing pond is planned for early production.

Capital Costs

Capital costs were developed based on scaling costs from similar facilities for production rates and from design basis assumptions including an owner operated mining fleet. The estimated life of mine capital costs for the base case is summarized as follows:

Life of Mine Estimated Capital Costs

Description	US $ MIL
Underground Development	18.2
Mill Construction	48.2
EPCM	7.8
Contingency	14.2
Owner's Costs	5.0
In-directs includes Sustaining EPCM	24.3
Working Capital (2 months of Operating Costs)	2.2
Continue to Develop Underground	23.8
Total	143.7

Operating Costs

Operating cost assumptions were based on the Cost Mine Indexes updated 2014 underground mining operations using conventional processing facilities in northern Nevada. Process cost estimates for key consumables are based on the available metallurgical test data, power consumption data and prevailing costs for key materials in similar Nevada mining operations. Operating cost assumptions per ton of material processed are summarized as follows:

Unit Operating Costs

Cost Category	US$ (PerTonProcessed)
Mining Cost	39.86
Mill Processing	17.61
General and Administrative	5.00
Reclamation	1.54
Total	64.01

Economic Analysis

MMC chose prices of US$1,300 for gold and US$17.50 for silver as the base case economic scenario as these prices approximate the trailing three year averages for gold and silver. The base case, lower price case and higher price case economic results for the metal price assumptions are as follows:

Projected Economic Results (US$)

	Base Case	Lower Price Case	Higher Price Case
Gold Price per Ounce	$1,300	$1,100	$1,500
Silver Price per Ounce	$17.50	$15.00	$20.00
Pre-tax Net Cash Flow	$202.9 MIL	$106.5 MIL	$299.2 MIL
Pre-tax NPV @ 5% Discount Rate	$144.2 MIL	$66.5 MIL	$221.9 MIL
Pre-tax Internal Rate of Return	32.60%	19.00%	45.10%
Operating Costs per Ounce of Gold produced (Life-of-Mine)	$578	$580	$577
Total Costs per Ounce of Gold Produced (Includes all Capital)	$880	$882	$879
After-tax Net Cash Flow	$157.0 MIL	$89.6 MIL	$224.5 MIL
After-tax NPV @ 5% Discount Rate	$107.7 MIL	$52.8 MIL	$162.6 MIL
After-tax Internal Rate of Return	27.10%	16.40%	37.40%

Note: The PEA is considered preliminary in nature and includes mineral resources, including inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves. Mineral resources that are not mineral reserves do not have demonstrated economic viability. Due to the uncertainty that may be attached to mineral resources, it cannot be assumed that all or any part of a mineral resource will be upgraded to mineral reserves. Therefore, there is no certainty that the results concluded in the PEA will be realized.

Infrastructure

There are currently no facilities of any kind at the Grassy Mountain Project. The project is easily accessible from Vale, Oregon (22 miles) along the existing Twin Springs Road. As designed the project will operate using diesel generated power. An option for the transition to line-power is currently being studied. Sufficient processing water is available including vested water rights. Logistical support is available in the nearby communities of Vale, Nyssa and Ontario, Oregon. Mining personnel and other resources for operations at the Grassy Mountain Project are expected to be available from the local communities as well as Boise, Idaho and Northern Nevada.

Opportunities

MMC has recommended a geotechnical drilling program to allow better understanding of the rock mechanics for the project. It is expected that improved geotechnical information could suggest that roof and pillar strengths are higher than the test-work conducted 25 years ago by previous operators which could result in lower projected mining costs. Lower mining costs equate to lower cut-off grades which could increase the resources available for potential production and a higher NPV.

The Grassy Mountain Project also contains numerous exploration targets of a similar style of mineralization that should be further evaluated in order to determine economic viability.

Progress in Grassy Mountain Permitting

On July 28, 2015, the Company announced that it has elected to proceed with a design revision for its Grassy Mountain Gold Project to enhance its economics. The design change relocates the process facilities closer to the proposed mine which eliminates a 3.5 mile-long haul road. Reflecting this decision, Calico has filed an official notice of this change with the Oregon Department of Geology and Mineral Industries (DOGAMI) and a detailed "Plan of Operations" with the United States Bureau of Land Management (BLM). This process will allow Calico to proceed with the federal permitting component of the project while at the same time providing the pathway to satisfying Oregon's Consolidated Permit Application.

Under the original project description filed with DOGAMI in 2012, Calico proposed development of the gold mining project on a combination of federal lands managed by the BLM and patented lode mining claims, with the processing facilities to be located on private lands leased to Calico. Subsequently, Calico gave notice of its intention to change the location of the process facilities to BLM lands to eliminate the haul road. The notices were filed as part of Calico's on-going state review process led by DOGAMI.

The new facilities layout results in a compact mine plan which centers all working components of the project in the immediate vicinity of the proposed mine area, adjacent to the patented claims. Tailings would be placed in a single tailings storage facility close to the mill. The new facilities arrangement will result in significant operating and capital cost savings, improved project efficiency and a reduced overall footprint of the operation.

On January 22, 2016, the Company announced significant advancements on two separate fronts in the permitting process of Grassy Mountain.

In a letter dated January, 20, 2016, the State of Oregon Technical Review Team (TRT) under the direction of the DOGAMI has determined that the baseline data submitted by Calico is complete and may be used by Calico to support both the consolidated application and environmental evaluation.

Furthermore, in a letter dated November 10, 2015, the United States Bureau of Land Management (BLM) has determined that Calico's Revised Plan of Operations (Plan) at Grassy Mountain is complete. This means that Calico can now proceed with conducting the necessary National Environmental Policy Act (NEPA) activities required to complete the application without submitting a reclamation bond at this time. When the NEPA process is finalized, the Company must submit a detailed reclamation plan. Once the reclamation bond has been determined by the BLM and Calico has submitted a financial guarantee, the Company can begin project construction. The Plan will be considered complete and authorized when the NEPA process is finalized and the reclamation bond submitted.

Completing the baseline data has cleared a major hurdle in meeting the requirements of the State's Division 37 Chemical Process Mining Permit for hardrock mines. It is the farthest any major hardrock mining permit has progressed since the inception of the 1993 Division 37 regulations. What we have demonstrated is that the process works and the State is able and willing to move forward with well-designed, environmentally-responsible mining projects. Calico has now entered the consolidated application phase of Division 37 and we intend to submit a completed application during the 3rd Quarter of 2016.

3. RESULTS OF OPERATIONS QUARTER ENDED

	Three month period ended December 31, 2015	2014	Six month period ended December 31, 2015	2014
Expenses				
Audit and tax services	$ 7,900	$ 10,468	$ 14,150	$ 18,468
Administration	16,729	22,133	41,306	52,267
Insurance	4,708	2,662	6,083	5,325
Investor relations	1,079	871	2,509	7,672
Legal services	31,754	24,498	84,165	61,105
Management fees	44,619	52,334	91,385	91,687
Share-based payments	12,461	11,496	24,922	154,562
Transfer agent and filing fees	2,061	6,518	6,204	31,522
Travel, promotion and board meetings	4,540	8,594	6,709	9,821
	(125,851)	(139,574)	(277,433)	(432,429)
Other items				
Interest income	564	-	3,662	58
Interest expense	-	-	-	(4,723)
Foreign exchange gain / (loss)	(2,194)	963	10,166	12,708
Net loss for period	**(127,481)**	**(138,611)**	**(263,605)**	**(424,386)**

Loss

The net loss for the quarter ended December 31, 2015 was $127,481 compared to a loss of $138,611 for the quarter ended December 31, 2014 representing a decrease of $11,130.

The net loss for the six month period ended December 31, 2015 was $263,605 compared to a net loss for the six month period ended December 31, 2014 of $424,386.

Overall, the Company continues to examine all expense categories and reduce costs.

Expenses

For the quarter ended December 31, 2015, total expenses were $125,851 compared to $139,574 recorded during the same period in 2014, representing a decrease of $13,723 or 10%. The expenses for the six month period ended December 31, 2015 were $277,433 compared to $432,429 in the prior period. Included in expenses is a non-cash charge of $24,922 (December 31, 2014 - $154,562) for share-based compensation. After deducting this non-cash adjustment for expenses, expenses totalled $252,511 (December 31, 2014 - $277,867) representing a decrease of $25,356 or 9%. Material variances over the comparable period are discussed below.

Legal Services

For the quarter ended December 31, 2015, legal services were $31,754, compared to $24,498 for the quarter ended December 31, 2014. Legal services were $84,165 for the six month period ended December 31, 2015 compared to

$61,105 reported over the same time period in 2014. Included in legal expenses is one matter not in the course of the usual corporate activities, and which in turn is the main component of the increased legal fees is in 2015 when compared to the same period in 2014.

The Company has recorded an accrued liability for services provided by previous legal counsel in the amount of $573,725. Of this amount, $200,000 was settled by the issuance of 1,666,667 common shares and 833,333 warrants. This same previous legal counsel invoiced the Company a further amount of $69,521 on June 7, 2015. A total of $443,246 then has been recorded by the Company as an unpaid amount, as at the year end June 30, 2015, being the invoiced totals less the amount settled by issuing common shares and warrants. The Company is contesting the amount of these invoices and an action was started in the Supreme Court of British Columbia for a review of all of these invoices to determine what amount for which the Company would then be liable. The review was completed on January 29, 2016 and the Company is currently waiting for the Court's decision.

In the six month period ended December 31, 2015 legal counsel retained by the Company on this matter invoiced the Company an amount of $65,276. Additional legal costs will be incurred as the review process is undertaken by this legal counsel on behalf of the Company.

Share Based Payments

These non-cash expenditures are a function of the implementation of the methodology used for calculating share based payment values, and a direct result of stock options vested.

Transfer Agents and Filing Fees

For the quarter ended December 31, 2015, transfer agent and filings fees were $2,061 compared to $6,518 for the quarter ended in the prior year. Transfer agents and filings fees for the six month period ended December 31, 2015 were $6,204 compared to $31,522 in the prior year. The costs in 2014 were related to the financing activities of the Company.

4. Summary of Quarterly Financial Information

Fiscal quarter ended	Revenues[1]	Net loss – total[3,4]	Loss from continuing operations – per share[1,2]	Net comprehensive income (loss) – total[3,4]
		$	$	$
December 31, 2015	Nil	(127,481)	(0.00)	395,900
September 30, 2015	Nil	(136,124)	(0.00)	701,720
June 30, 2015	Nil	(175,538)	(0.00)	(335,135)
March 31, 2015	Nil	(210,996)	(0.00)	754,301
December 31, 2014	Nil	(138,611)	(0.00)	208,778
September 30, 2014	Nil	(285,775)	(0.00)	142,073
June 30, 2014	Nil	(257,242)	(0.00)	(547,949)
March 31, 2014	Nil	(299,638)	(0.01)	16,742

Note 1: Revenues exclude interest income. Fully diluted per share amounts are not shown as they would be anti-dilutive.
Note 2: Loss per share is rounded to the nearest whole cent
Note 3: The periods December 2013 and March 2014 reflect the reclassifications made in the year end audited financial statements of June 30, 2014
Note 4: The periods September 2014, December 2014, March 2015 and June 2015 reflect the reclassifications made in the year end audited financial statements of June 30, 2015

Discussion

The operating results of junior exploration companies are capable of demonstrating wide variations from period to period. Other than the factors leading to certain costs already discussed, management of Calico does not believe that meaningful information about the Company's operations can be derived from an analysis of quarterly fluctuations in any more detail than presented here.

5. Liquidity and Capital Resources

As at December 31, 2015, the Company had current assets of $513,254 and current liabilities of $904,201 compared to current assets of $1,815,189 and current liabilities of $907,563 as at June 30, 2015. Working capital was negative $390,947 at December 31, 2015 compared to positive $907,626 at June 30, 2015.

Included in trade payables is the amount of $443,246 representing invoiced legal fees from the Company's previous legal counsel. The Company is contesting the amount of these invoices and an action was started in the Supreme Court of British Columbia for a review of all of these invoices to determine what amount for which the Company would then be liable. The review was completed on January 29, 2016 and the Company is currently waiting for the Court's decision.

Cash and cash equivalents at December 31, 2015, were $493,152 compared to $1,791,499 at June 30, 2015.

In the future, the Company will need to continue raising additional capital for property exploration and development, and for general corporate requirements. As a public company, the evaluation by the investment community and individual investors will determine the outcome of any financing in the public market.

6. Off Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

7. Transactions with Related Parties and Key management Personnel

Key Management Compensation

The following amounts due to related parties are included in trade payables and accrued liabilities. These amounts are unsecured, non-interest bearing and have no fixed terms of payments. All related party amounts are to key management personnel.

	December 31, 2015	June 30, 2015
Directors and officers of the Company	$ 126,641	$ 121,217

Transactions with related parties are summarized in the table below:

	Six month period ended	
	December 31, 2015	December 31, 2014
Management fees and other (1)	$ 125,215	$ 158,464
Share-based payment	21,897	-
	$ 147,112	$ 158,464

(1) In 2015, $34,600 (2014: $80,499) of management fees were allocated to exploration and evaluation assets as warranted.

8. PROPOSED TRANSACTIONS

The Company is continuously evaluating new opportunities that could include a joint venture, a disposal of the project or a sale of the Company. While various negotiations may be ongoing at any given time, these may or may not be successful. The Company considers opportunities where there is expected to be significant value to the shareholders. At this date, the Board of Directors have not approved any transaction, nor presented any potential transaction to the shareholders.

9. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

The following standards, interpretations and amendments, which have not been applied in the condensed consolidated interim unaudited financial statements, may have an effect on the Company's future condensed consolidated interim unaudited financial statements. The Company is in the process of evaluating these new standards.

IFRS 9 — Financial instruments, classification and measurement
IFRS 9 Financial Instruments is part of the IASB's wider project to replace 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 the entity's business model and the contractual cash flow characteristics of the financial asset. The standard is effective for annual periods beginning on or after January 1, 2018. The Company is in the process of evaluating the impact of the new standard.

10. FINANCIAL INSTRUMENTS

The Company classifies its financial instruments in the following categories: at fair value through profit or loss, loans and receivables, available-for-sale and other financial liabilities. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

Financial assets are classified at fair value through profit or loss when they are either held for trading for the purpose of short-term profit taking.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortized cost.

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not suitable to be classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments and are subsequently measured at fair value. Unrealized gains and losses on the fair value of such assets are recognized in other comprehensive income whereas impairment losses and foreign exchange gains and losses on such assets are recorded in the statement of loss.

The Company has classified its cash and cash equivalents, and other receivables as loans and receivables. Trade payables and accrued liabilities are classified as other financial liabilities.

Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the Company commits to purchase the asset.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant and prolonged decline in the value of an instrument is considered to determine whether impairment has arisen.

11. RISKS RELATED TO THE COMPANY'S BUSINESS

Mineral property exploration is a speculative business and involves a high degree of risk. There is a probability that the expenditures made by the Company in exploring its properties will not result in discoveries of commercial quantities of minerals. A high level of ongoing expenditures is required to locate and estimate ore reserves, which are the basis to further the development of a property. Capital expenditures to support the commercial production stage are also very substantial.

The following sets out the principal risks faced by the Company.

History of Net Losses. The Company has a history of net losses and negative cash flows from operations and the Company expects to incur net losses and negative cash flows from operations for the foreseeable future. As of December 31, 2015, the Company's deficit totaled $9,840,628. None of the Company's properties has advanced to the commercial production stage and the Company has no history of earnings or positive cash flow from operations.

The Company expects to continue to incur net losses unless and until such time as one or more of its projects enters into commercial production and generates sufficient revenues to fund continuing operations or until such time as the Company is able to offset its expenses against the sale of one or more of its projects, if applicable. The development of the Company's projects to achieve production will require the commitment of substantial financial resources. The amount and timing of expenditures will depend on a number of factors, including the progress of ongoing exploration and development, the results of consultant analysis and recommendations, the rate at which operating losses are incurred and the execution of any sale or joint venture agreements with strategic partners, some of which are beyond the Company's control. There is no assurance that the Company will be profitable in the future.

Exploration Risks. Unless otherwise indicated, resource figures presented in the PEA, the Amended PEA, this MD&A and in the Company's other filings with securities regulatory authorities, press releases and other public statements that may be made from time to time are based upon estimates made by Company personnel and independent geologists. These estimates are imprecise and depend upon geologic interpretation and statistical inferences drawn from drilling and sampling analysis, which may prove to be inaccurate. There can be no assurance that resource or other mineralization figures will be accurate or that this mineralization could be mined or processed profitably.

Because the Company has not commenced commercial production at any of its properties, resource estimates for the Company's properties may require adjustments or downward revisions based upon further exploration or development work or actual production experience. In addition, the grade of ore ultimately mined, if any, may differ from that indicated by drilling results. There can be no assurance that recovery of minerals in small-scale tests will be duplicated in large-scale tests under on-site conditions or in production scale.

The resource estimates contained in the PEA, the Amended PEA and this MD&A have been determined based on assumed future prices, cut-off grades and operating costs that may prove to be inaccurate. Substantial declines in market prices for gold and other metals or increases in costs may eliminate the potential profitability of the Company's deposits, require increases in cut-off grades and result in reduced reported resources. Any material reductions in estimates of resources, or of the Company's ability to extract these resources, could have a material adverse effect on the Company's prospects and could restrict the Company's ability to successfully implement its strategies for long-term growth.

Permitting Risks. The Company's proposed operations at the Grassy Mountain Project are subject to receiving and maintaining permits (including environmental permits) from appropriate governmental authorities. The Company has not yet received all required permits for the proposed operations, and there is no assurance that delays will not occur in connection with obtaining all necessary renewals of such permits for the Company's proposed operations, additional permits for any possible future changes to operations, or additional permits associated with new legislation. There can be no assurance that the Company will be able to obtain all permits necessary to continue with its proposed work at the Grassy Mountain Project.

Market Risks. The Company's securities trade on public markets and the trading value thereof is determined by the evaluations, perceptions and sentiments of both individual investors and the investment community taken as a whole. Such evaluations, perceptions and sentiments are subject to change; both in short term time horizons and longer term time horizons. An adverse change in investor evaluations, perceptions and sentiments could have a material adverse outcome on the Company and its securities.

Commodity price risks. The Company's exploration project seeks silver and gold in the United States. While each of these minerals have recently been the subject of significant price increases from levels prevalent earlier in the decade, there can be no assurance that such price levels will continue, or that investors' evaluations, perceptions, beliefs and sentiments will continue to favour these target commodities. An adverse change in these commodities' prices, or in investors' beliefs about trends in those prices, could have a material adverse outcome on the Company and its securities.

Financing Risks. Exploration and development of mineral deposits is an expensive process, and frequently the greater the level of interim stage success the more expensive it can become. The Company has no producing properties and generates no operating revenues; therefore, for the foreseeable future, it will be dependent upon selling equity in the capital markets to provide financing for its continuing substantial exploration budgets and general operations as a public company. While the Company has been successful in obtaining financing from the capital markets, in recent years, there can be no assurance that the capital markets will remain favorable in the future, and/or that the Company will be able to raise the financing needed to continue its operations on favorable terms, or at all. Restrictions on the Company's ability to finance could have a material adverse outcome on the Company and its securities.

Share Price Volatility and Price Fluctuations. In recent years, the securities markets in Canada have experienced a high level of price and volume volatility, and the market prices of securities of many companies, particularly junior mineral exploration companies like the Company, has experienced wide fluctuations which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that these price fluctuations and volatility will not continue to occur.

Currency Risks. The Company's exploration expenditures are predominately in US dollars and equity raised is predominately in Canadian dollars. The financial risk is the risk to the Company's operations that arises from fluctuations in foreign exchange rates and the degree of volatility of these rates. Currently, the Company does not use derivative instruments to reduce its exposure to foreign currency risk.

Key Personnel Risks. The Company's exploration efforts are dependent to a large degree on the skills and experience of certain of its key personnel. The Company does not maintain "key man" insurance policies on these individuals. Should the availability of these persons' skills and experience be in any way reduced or curtailed, this could have a material adverse outcome on the Company and its securities.

Competition. Significant and increasing competition exists for the limited number of mineral property acquisition opportunities available. As a result of this competition, some of which is with large established mining companies with substantial capabilities and greater financial and technical resources than the Company, the Company may be unable to acquire additional attractive mineral properties on terms it considers acceptable.

Foreign Countries and Regulatory Requirements. The properties are in the United States of America. Consequently, the Company is subject to certain risks associated with foreign ownership, including currency fluctuations, inflation, and political risk. Both mineral exploration and mining activities and production activities in foreign countries may be affected in varying degrees by political stability and government regulations relating to the mining industry. Any changes in regulations or shifts in political conditions are beyond the control of the Company and may adversely affect its business. Operations may be affected in varying degrees by government regulations with respect to community rights, restrictions on production, price controls, export controls, restriction of earnings, taxation laws, expropriation of property, environmental legislation, water use, labour standards and workplace safety.

Environmental and Other Regulatory Requirements. The current or future operations of the Company, including development activities and commencement of production on its properties, require permits from various governmental authorities and such operations are and will be subject to laws and regulations governing prospecting, development, mining, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, safety and other matters. Companies engaged in the development and operation of mines and related facilities generally experience increased costs, and delays in production and other schedules as a result of the need to comply with applicable laws, regulations and permits. There can be no assurance that approvals and permits required to commence production on its properties will be obtained on a timely basis, or at all. Additional permits and studies, which may include environmental impact studies conducted before permits can be obtained, will be necessary prior to operation of the properties in which the Company has interests and there can be no assurance that the Company will be able to obtain or maintain all necessary permits that may be required to commence construction, development or operation of mining facilities at these properties on terms which enable operations to be conducted at economically justifiable costs.

Failure to comply with applicable laws, regulations, and permitting requirements may result in enforcement actions there under, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations or extraction operations may be required to compensate those suffering loss or damage by reason of such activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in capital expenditures or production costs or reduction in levels of production at producing properties or abandonment or delays in development of new mineral exploration properties.

To the best of the Company's knowledge, it is currently operating in compliance with all applicable environmental regulations.

Going Concern. It is assumed that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company was not expected to continue operations for the foreseeable future. As at December 31, 2015, the Company had not advanced its mineral properties to commercial production. At December 31, 2015, the Company had not achieved profitable operations, had accumulated losses of $9,840,628 since inception and expects to incur further losses in the development of its business, all of which indicate a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern. The Company’s continuation as a going concern is dependent upon successful results from its mineral property exploration activities and its ability to attain profitable operations to generate funds and/or its ability to raise equity capital or borrowings sufficient to meet its current and future obligations. Although the Company has been successful in the past in raising funds to continue operations, there is no assurance it will be able to do so in the future.

Conflicts of Interest. Certain of the directors and officers of the Company are also directors, officers or shareholders of other natural resource or mining-related companies. Such associations may give rise to conflicts of interest from time to time. The directors of the Company are required by law to act honestly and in good faith with a view to the best interests of the Company and to disclose any interest that they may have in any project or opportunity of the Company. If a conflict of interest arises in a matter to be discussed at a meeting of the board of directors, any director in a conflict must disclose his interest and abstain from voting on such matter. In determining whether or not the Company will participate in any project or opportunity, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at the time.

Uninsurable Risks. The Company and its subsidiary may become subject to liability for pollution, fire, explosion, against which it cannot insure or against which it may elect not to insure. Such events could result in substantial damage to property and personal injury. The payment of any such liabilities may have a material, adverse effect on the Company's financial position.

12. OTHER MD&A DISCLOSURE REQUIREMENTS

Information available on SEDAR

As specified by National Instrument 51-102, Calico advises readers of this MD&A that important additional information about the Company is available on the SEDAR website http://www.sedar.com/

Disclosure by venture issuer without significant revenue

An analysis of the material components of the Company’s general and administrative expenses is disclosed in the financial statements to which this MD&A relates. An analysis of the material components of the exploration and evaluation assets of the Company's mineral properties is disclosed in Note 4 to the condensed consolidated interim unaudited financial statements as at December 31, 2015.

Outstanding Share Data

As at February 26, 2016, the Company had 102,445,845, common shares outstanding. As at the same date there were 2,620,000 stock options were outstanding at exercise prices from $0.16 to $0.60 per share.

	Number of shares	Number of options	Exercise price	Expiry date
Issued and outstanding	102,445,845	50,000	$0.40	May 12, 2016
		110,000	$0.60	Jun 10, 2016
		25,000	$0.60	Aug 22, 2016
		185,000	$0.60	Dec 22, 2016
		1,350,000	$0.16	Aug 18, 2019
		600,000	$0.17	Aug 25, 2019
		300,000	$0.17	Jan 20, 2020
		2,620,000	$0.22	

Vancouver, British Columbia February 26, 2016