SERRANO RESOURCES LTD. (formerly Mira Resources Corp.)
MANAGEMENT DISCUSSION AND ANALYSIS
NINE MONTHS ENDED SEPTEMBER 30, 2016

This management discussion and analysis of financial position and results of operations ("MD&A") is prepared as at November 28, 2016 and should be read in conjunction with the unaudited condensed consolidated financial statements for the nine months ended September 30, 2016 of Serrano Resources Ltd. ("Serrano" or the "Company") with the related notes thereto. Those unaudited consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

Readers may also want to refer to the December 31, 2015 audited consolidated financial statements and the accompanying notes. All dollar amounts included therein and in the following MD&A are expressed in Canadian dollars except where noted.

This discussion contains forward-looking statements that involve risks and uncertainties. Such information, although considered to be reasonable by the Company's management at the time of preparation, may prove to be inaccurate and actual results may differ materially from those anticipated in the statements made. Additional information on the Corporation is available for viewing on SEDAR at www.sedar.com.

Description of Business

Serrano was incorporated as "Suntec Pure Water Technologies Inc." pursuant to the provisions of the Business Corporations Act (Alberta) on October 30, 2003.

On March 27, 2008, the Company announced that its shareholders approved the sale of all of the Company's investment in the water treatment facility in a restructuring of the Company.

On April 8, 2008, the Company continued its corporate jurisdiction from Alberta to British Columbia, and changed its name from "Suntec Pure Water Technologies Inc." to "Mira Resources Corp". The Company also consolidated its outstanding common shares on a one (1) for two-and-eight-tenths (2.8) outstanding basis. The Alberta Energy and Utilities Board (the "EUB") requires that the permits and approvals associated with the water treatment facility be held by an Alberta corporation and, as a result, the Corporation transferred the permits to a wholly-owned, Alberta resident subsidiary, 1463411 Alberta Ltd.

On February 28, 2011, the Company's listing transferred from the NEX to TSX Venture Exchange upon the acquisition of all of the issued and outstanding shares of Equinox TSB Development (Nigeria) Limited ("Equinox TSB") and changed the Company classification to 'oil and gas'. The Company trades under the symbol SC.V.

On June 8, 2015, the Company changed its name from Mira Resources Corp to Serrano Resources Ltd. The Company also consolidated its outstanding common shares on a 50 for 1 outstanding basis.

As at September 30, 2016, $68,937 was held in trust by the EUB as security in respect of future potential reclamation costs associated with the facility. The Company is in the process of closing the plant facility.

Significant Events

On November 18, 2010, the Company entered into a share purchase agreement with the Equinox Group Limited (the "Equinox Group") in London England for the acquisition of 100% of the issued common shares of Equinox TSB. Equinox TSB's sole material asset was a 48-per-cent interest in the Tom Shot Bank marginal field ("TSB field") located in shallow water, eastern Nigeria, within the boundaries of oil mining license 14. Equinox TSB's interest in the TSB field was acquired through farm-in agreements with Dansaki Petroleum Limited (Dansaki) and Associated Oil & Gas Services Limited, (Associated) the operator. The TSB field is to be developed in accordance with a joint operating agreement among Associated, Dansaki and Equinox TSB.

The acquisition closed on February 25, 2011, Serrano made a cash payment to the vendors of U.S. $1,800,000 and issued 166,667 common shares. Upon first commercial production and export of oil from the TSB field, Serrano is required to make an additional payment of US $2,000,000 through a combination of cash and Serrano shares. Upon one million barrels of oil being produced and exported from the TSB field, Serrano shares.

On September 25, 2014 the Company announced that the Company had been advised by its Nigerian partners, Associated Oil and Gas Services Limited and Dansaki Petroleum Limited, that the Nigerian partners have contracted the Company's interest in the TSB Field elsewhere.

As at December 31, 2015, the Company had abandoned its projects in Nigeria and had written-off its mineral interest.

Outlook

The Company will continue its efforts to refinance and restructure as part of its strategy.

Going Concern

The Company’s consolidated financial statements have been prepared on the going concern basis, which assumes the realization of assets and settlement of liabilities in the normal course of business. At September 30, 2016, the Company has a deficit of $47,410,879 (December 31, 2015 - $50,107,868) and has incurred losses since inception. The continuing operations of the Company are dependent upon obtaining necessary financing to meet the Company’s commitments as they come due and to finance future exploration and development of potential business acquisitions, economically recoverable reserves, securing and maintaining title and beneficial interest in the properties and upon future profitable production. Failure to continue as a going concern would require that assets and liabilities be recorded at their liquidation values, which might differ significantly from their carrying values. There is substantial doubt that the Company can meet general operating expenditures requirement due to its limited working capital. There can be no assurances that the Company will be able to raise additional financial resources necessary and/or achieve profitability or positive cash flows. If the Company is unable to obtain adequate additional financing, the Company will be required to curtail operations, exploration and evaluation activities. These uncertainties raise substantial doubt upon the Company’s ability to continue as a going concern and realize its assets and settle its liabilities and commitments in the normal course of business.

The Company completed financings in February 2011, July 2011, February 2012 and October 2012, however¸ there is no assurance that debt or equity financing will be available when needed on terms acceptable to the Company in the future.

Selected Annual Financial Information

The following table provides a brief summary of the Company's financial operations. For more detailed information, refer to the consolidated financial statements.

	Year Ended December 31, 2015	Year Ended December 31, 2014	Year Ended December 31, 2013
Total revenues	$ -	$ -	$ -
Loss for the year	(532,547)	(241,893)	(37,023,951)
Comprehensive loss for the year	(1,757,910)	(757,092)	(36,433,765)
Basic and diluted loss per share	(0.17)	(0.08)	(11.79)
Total assets	73,360	72,622	99,880
Total long-term liabilities	396	2,316	4,221
Cash dividends	-	-	-

Results of Operations

During the three months ended September 30, 2016, the Company recorded a loss of $29,179 (2015 – $272,806) and loss per share of $0.01 (2015 – $0.09). The loss is related primarily to foreign exchange.

During the nine months ended September 30, 2016, the Company recorded an income of $142,742 (2015 – loss of $415,226) and income per share of $0.05 (2015 – loss per share of $0.13). The income is related primarily to foreign exchange gain of $177,736. Professional fees decreased to $41,240 from $26,320 due to lower accounting fees incurred.

Quarterly Information

The following table sets forth selected quarterly financial information prepared by management of the Company:

	Three Months Ended September 30, 2016	Three Months Ended June 30, 2016	Three Months Ended March 31, 2016	Three Months Ended December 31, 2015
Equipment	$ -	$ -	$ -	$ -
Total assets	73,913	73,550	73,482	73,360
Working capital (deficiency)	(12,250,396)	(12,228,190)	(12,282,397)	(12,921,403)
Operating (expenses) recovery	(10,410)	(14,686)	(10,017)	(17,708)
Income (loss) for the period	(29,179)	(7,826)	179,747	(117,321)
Basic and diluted income (loss) per share	(0.01)	(0.00)	(0.01)	(0.04)

	Three Months Ended September 30, 2015	Three Months Ended June 30, 2015	Three Months Ended March 31, 2015	Three Months Ended December 31, 2014
Equipment	$ -	$ -	$ -	$ -
Total assets	71,242	70,665	72,134	72,622
Working capital (deficiency)	(12,554,847)	(11,704,805)	(11,910,425)	(11,161,096)
Operating (expenses) recovery	(24,435)	(20,471)	(16,465)	113,781
Income (loss) for the period	(272,806)	49,245	(191,665)	546,307
Basic and diluted income (loss) per share	(0.09)	0.02	(0.06)	0.17

Liquidity and Capital Resources

At September 30, 2016 the Company had a working capital deficiency of $12,250,396 and cash on hand of $999 compared to a working capital deficiency of $12,921,403 and cash on hand of $1,636 at December 31, 2015.

Net cash used in operating activities for the period ended September 30, 2016 was $519 compared to $862 used during the period ended September 30, 2015 and consists primarily of non-working capital items.

Net cash used in investing activities for the period ended September 30, 2016 was $118 compared to $168 during the period ended September 30, 2015.

To finance future acquisition, exploration, development and operating costs, the Company will require financing from external sources, including from the issuance of new shares, issuance of debt or execution of working interest farm-out agreements. There can be no assurance that such financing will be available to the Company or, if available, that it will be offered on acceptable terms. If additional financing is raised through the issuance of equity or convertible debt securities, control of the Company may change and the interest of shareholders in the net assets of the Company may be diluted. If unable to secure financing on acceptable terms, the Company may have to cancel or postpone certain of its planned exploration and development activities which may ultimately lead to the Company's inability to fulfill the minimum work obligations under the terms of its joint operating agreements. Availability of capital will also directly impact the Company's ability to take advantage of acquisition opportunities.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Related Party Transactions

The Company incurred the following fees and expenses in the normal course of operations in connection with the following related parties:

	Nature of transactions	Nine months Ended September 30 2016	Nine months Ended September 30, 2015
Related parties:			
A firm where the CFO and Director of the Company is a partner	Professional	$ 19,100	$ 30,000

The amounts due to related parties included in accounts payable and accrued liabilities are as follows:

	September 30, 2016	December 31, 2015
Due to a firm where the CFO and Director of the Company is a partner	$ 453,918	$ 433,863
Due to the CEO and Director of the Company	53,122	53,122
Due to a company controlled by the CFO and Director of the Company	57,997	53,594
	$ 565,037	$ 540,579

Amounts owing to related parties are as follows:

		September 30, 2016	December 31, 2015
Due to Directors of the Company	i)	$ 1,231,246	$ 1,301,694
Due to a Director's spouse	i)	409,750	433,899
Due to a Director of the Company	ii)	362,143	383,735
		$ 2,003,139	$ 2,119,328

i) The loans bear interest at 12% per annum with an extended maturity date of February 7, 2014. The principal sum is convertible into common shares at the option of the Company at any time prior to maturity of the loan with a conversion price per share equal to 95% of the weighted average trading price of the Company's common share for the 20 trading days preceding the conversion date. As at December 31, 2015, the loans were payable on demand with accrued interest up to December 31, 2013.

ii) The loan bears interest at 12% per annum with a maturity date of February 8, 2014. The principal sum is convertible into units of the Company at the Company's market price at the time of conversion. Each unit will consist of one common share and one half share purchase warrant with each full warrant being convertible into one additional common share of the Company at the Company's market price at the time of conversion for a period of two years from closing. As at December 31, 2015, the loans were payable on demand with accrued interest up to December 31, 2013.

During the year ended December 31, 2015, the Company mutually agreed with related party debt holders to stop accruing interest from the 2014 year onward and has accrued $Nil (2014 - $Nil) in interest for the related party loans for the period ended December 31, 2015.

Other related party transaction

As at September 30, 2016, included in convertible debentures is $751,318 (US$574,913) (December 31, 2015 - $795,600 (US$574,913) due to a director's spouse.

Contingent Liabilities

The Company is in the process of settling outstanding balance with Axxis Petroconsultants Ltd. The maximum liability is estimated to be US$5,543,000, of which the Company has accrued $4,693,150 (US$3,500,000) as at December 31, 2015 (December 31, 2015 - $4,069,310 (US$3,500,000)).

Basis of Consolidation and Presentation

The unaudited condensed consolidated financial statements have been prepared on a historical cost basis except for certain financial assets measured at fair value. All dollar amounts presented are in Canadian dollars unless otherwise specified.

The financial statements include the financial statements of Serrano Resources Ltd. and its subsidiaries listed in the following table:

Name of Subsidiary	Country of Incorporation	Proportion of Ownership Interest	Principal Activity
Equinox TSB Development (Nigeria) Ltd.	Lagos, Nigeria	100%	Not active
146411 Alberta Ltd.	Alberta, Canada	100%	Not active

Functional and Presentation Currency

These condensed consolidated interim financial statements are presented in Canadian dollars, which is the functional currency for parent company and 146411 Alberta Ltd. The functional currency for Equinox TSB Development (Nigeria) Ltd. is US dollars.

Risk and Risk Management

The Company participates in oil and gas projects located in emerging markets, including Nigeria. Oil and gas exploration, development and production activities in these emerging markets are subject to significant political and economic uncertainties which may adversely affect the Company's operations. Uncertainties include, but are not limited to, the risk of war, terrorism, expropriation, nationalization, renegotiation or nullification of existing or future concessions and contracts, the imposition of international sanctions, a change in crude oil or natural gas pricing policies, a change in taxation policies, and the imposition of currency controls. These uncertainties, all of which are beyond the Company's control, could have a material adverse effect on the Company's business, prospects and results of operations. In addition, if legal disputes arise related to oil and gas concessions acquired by the Company, the Company could be subject to the jurisdiction of courts other than those of Canada. The Company’s recourse may be very limited in the event of a breach by a government or government authority of an agreement governing a concession in which the Company acquires an interest. The Company may require licenses or permits from various governmental authorities to carry out future exploration, development and production activities. There can be no assurance that the Company will be able to obtain all necessary licenses and permits when required.

The risks and uncertainties described below are considered by management to be the most important in the context of the Company's business. The risks and uncertainties below are not listed in order of importance nor are they inclusive of all the risks and uncertainties the Company may be subject to as other risks may apply.

- The oil and gas property interests the Company anticipates exploring will be in the exploration stage only and consequently, exploration of oil and gas property interests may not result in proven or probable oil and gas reserves. Oil and gas exploration involves a high degree of risk and few properties which are explored are ultimately developed into producing wells. If the Company’s efforts do not result in any discovery of proven or probable oil and gas reserves, the Company will be forced to look for other exploration projects or cease operations.

- Governmental regulation may have negative impacts on the Company. The Company's assets and activities will be subject to extensive Canadian and Nigerian federal, provincial, territorial and local laws and regulations governing various matters, including, but not limited to:

    - environmental legislation and protection;
    - management and use of toxic substances and explosives;
    - management of natural resources;
    - exploration, drilling of wells, production and any asset retirement obligations;
    - exports;
    - price controls;
    - taxation;
    - royalties;
    - onerous development criteria;
    - labour standards and occupational health and safety, including site safety; and
    - historic and cultural preservation.

  The costs associated with compliance with these laws and regulations are substantial and possible future laws and regulations, changes to existing laws and regulations or more stringent enforcement of current laws and regulations by governmental authorities, could cause additional expenses, capital expenditures, restrictions on or suspensions of the Company's operations and delays in the development of its oil and gas properties. Moreover, these laws and regulations may allow governmental authorities and private parties to bring lawsuits against the Company based upon potential damage(s) to property and injury to persons resulting from the environmental, health and safety impacts of the Company's past and current operations, or possibly even those actions of parties from whom the Company acquired its properties, and could lead to the imposition of substantial fines, penalties and/or other civil or criminal sanctions. The Company retains competent and well trained individuals and consultants in jurisdictions in which it does business; however, there is no certainty that the Company will continuously be compliant with all applicable laws. The failure to comply with all applicable laws could lead to financial restatements, fines, penalties and other material negative impacts on the Company.

- Failure to comply with applicable laws, regulations and local practices relating to oil and gas rights, applications and tenures could result in loss, reduction or expropriations of entitlements, or the imposition of additional local or foreign parties as joint venture partners with carried or other interests. Any such loss, reduction or imposition of partners could have a material adverse impact on the Company's operations or business.

- In the ordinary course of business, the Company is required to obtain and renew governmental permits for existing operations and any ultimate development, construction and commencement of oil and gas operations. Obtaining or renewing the necessary governmental permits is a complex and time-consuming process involving numerous jurisdictions and often involving public hearings and costly undertakings on the Company's part. Any unexpected delays or costs associated with the permitting process could delay the development or impede the drilling of a property, which could adversely impact the Company's operations and profitability.

- The oil and gas exploitation industry is intensely competitive in all its phases and the Company competes with many companies possessing greater financial resources and technical facilities. The Company competes with many companies possessing greater financial resources and technical abilities than itself for the acquisition of oil and gas reserves, claims, leases, other oil and gas interests, and equipment required to conduct its activities as well as for the recruitment and retention of qualified employees.

- In addition, there is no assurance that even if proven reserves of oil and gas are discovered, a ready market will exist for their sale. Factors beyond the control of the Company may affect the marketability of any oil and gas discovered. These factors include market fluctuations, the proximity and capacity of natural resource markets and processing equipment, international economic and political trends, expectations of inflation, currency exchange fluctuations (specifically, the U.S. dollar relative to other currencies), interest rates and global or regional consumption patterns, speculative activities, government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of oil and gas and environmental protection. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving an adequate return on invested capital or losing its invested capital.

- Substantial expenditures are required to establish probable or proven oil and gas reserves through drilling. Estimates of oil and gas reserves and oil and gas resources can also be affected by environmental factors, unforeseen technical difficulties and unusual or unexpected geological formations. In addition, the grade of oil and gas ultimately extracted may differ from that indicated by the reserve reports. Material changes in oil and gas reserves, grades, or recovery rates may affect the economic viability of any project.

- The Company's future performance is dependent on key personnel. The loss of the services of any of the Company's executives or directors could have a material adverse effect on the Company's business.

Forward-Looking Statements

This MD&A contains certain forward-looking statements relating, but not limited to, the Company's operations, anticipated financial performance, business prospects and strategies. Forward-looking information typically contains statements with words such as "may", "will", "should", "expects", "projects", "plans", "anticipates" or similar expressions suggesting future outcomes.

The Company does not have a history of earnings. These statements represent management's expectations or beliefs concerning, among other things, future performance and financial results and various components thereof. Readers are cautioned not to place undue reliance on forward-looking information because it is possible that predictions, forecasts, projections and other forms of forward-looking assumptions will not be achieved by the Company. By its nature, forward-looking information involves numerous assumptions, inherent risks and uncertainties, including but not limited to: changes in business strategies; general economic and business conditions; the effects of competition; changes in laws and regulations, including environmental and regulatory laws; and various events that could disrupt operations. Actual performance and financial results in future periods may differ materially from any projections of future performance or results expressed or implied by forward-looking statements.

The Company undertakes no obligation to update publicly or otherwise revise any forward-looking information, whether as a result of new information, future events or otherwise, or the foregoing list of factors affecting such information.

Changes in Accounting Policies including Initial Adoption

New Accounting Pronouncements Effective in Future Periods

The following new and amended IFRS pronouncements were adopted for the fiscal 2015 year and had no significant impact on the consolidated financial statements.

- Amendments to IAS 24- The amendments to IAS 24 clarify that a management entity, or any member of a group of which it is a part, that provides key management services to a reporting entity, or its parent, is a related party of the reporting entity. The amendments also require an entity to disclose amounts incurred for key management personnel services provided by a separate management entity. This replaces the more detailed disclosure by category required for other key management personnel compensation.

- Amendments to IFRS 2- *Share based payment*. The amendment clarifies vesting conditions by separately defining a performance condition and a service condition, both of which were previously incorporated within the definition of a vesting condition.

Certain new accounting standards and interpretations have been published that are not mandatory for the Company's December 31, 2016 reporting period. These standards and interpretations have not been adopted and are yet to be assessed by the Company unless otherwise stated. The Company plans to adopt these standards and interpretations during the period required.

- New standard IFRS 9, Financial Instruments, classification and measurement is the first part of a new standard on classification and measurement of financial assets that will replace IAS 39, "Financial Instruments: Recognition and Measurement." IFRS 9 has two measurement categories: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. Otherwise it is at fair value through profit and loss. This standard is effective for years beginning on or after January 1, 2018. The Company is currently evaluating the impact the final standard is expected to have on its financial statements.

- New standard IFRS 16, Leases, specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. This standard is effective for reporting periods beginning on or after January 1, 2019.

- Amendment to IFRS 11, Joint Operations, was amended to provide specific guidance on accounting for acquisition of interest in a joint operation that is a business. The amendments are effective for annual periods beginning on or after January 1, 2016.

FINANCIAL INSTRUMENTS

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets and liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liabilities either directly or indirectly;
and

Level 3 – Inputs that are not based on observable market data.

The Company's primary financial instruments are classified as follows:

Financial instruments	Classifications
Cash	FVTPL
Cash held in trust	LAR
Accounts payable and accrued liabilities	OFL
Related party loans	OFL
Convertible debentures	OFL

The fair value of these assets and liabilities approximates their respective carrying amounts due to their short term nature except as otherwise noted. The fair value of the Company's cash constitutes a Level 1 fair value measurement. The Company does not currently hold any financial instruments that would be included in the classification of AFS.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Liquidity risk

Liquidity risk is the risk that the Company cannot meet its financial obligations associated with financial liabilities in full. The Company manages liquidity risk through the management of its capital structure, as outlined in Note 16 of these financial statements. As at September 30, 2016, the Company had a cash balance of $999 and receivables of $3,977 to settle current liabilities of $12,255,372. All of the Company's financial liabilities have contractual maturities of 30 days or due on demand and are subject to normal trade terms. The Company will require financing from lenders, shareholders and other investors to generate sufficient capital to meet its short term business requirements. The Company is planning additional financings in the near term to raise working capital to finance its ongoing operations.

Credit risk

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. As at September 30, 2016, the Company's receivables consisted of $3,977 in GST receivable from government authorities in Canada. Substantially all cash balances are held at chartered banks in Canada. The Company believes it has no significant credit risk.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

a) Interest rate risk

The Company has cash balances and interest-bearing debt. The Company is satisfied with the credit ratings of its banks. As of September 30, 2016, the Company did not hold any investments. The Company believes it has no significant interest rate risk.

b) Foreign currency risk

The Company is exposed to changes in foreign exchange rates as expenses in international subsidiaries, oil and gas expenditures, or financial instruments may fluctuate due to changes in rates. The Company had the following liabilities denominated in U.S. Dollars:

	USD
Accounts payable and accrued liabilities	5,569,015
Related party loans	1,527,316
Convertible debenture	574,913
Total	7,671,244

Based on the above exposure at September 30, 2016, assuming that all other variables remain constant, a 5% appreciation or deterioration of the Canadian dollar against the U.S. dollar would result in a change of approximately $502,156. The Company has not entered into any derivative instruments in an effort to mitigate exposure to fluctuations in foreign exchange rates.

c) Price risk

The recoverability of the Company's exploration and evaluation assets is indirectly related to the market price of oil and gas. The Company's ability to continue with its exploration program is also indirectly subject to commodity prices. The Company is not currently directly exposed to fluctuations in commodity prices as the Company is currently in the exploration phase and has no production.

Proposed transactions

There are no proposed transactions as of the date of this MD&A.

Outstanding Share Data

As at September 30, 2016 the Company has:

a) 3,139,318 common shares outstanding;

b) 23,000 stock options outstanding;

c) Nil warrants outstanding; and

d) Nil common shares subject to escrow.

e) Total diluted: 3,162,318