SERRANO RESOURCES LTD.
MANAGEMENT DISCUSSION AND ANALYSIS
NINE MONTHS ENDED SEPTEMBER 30, 2017

This management discussion and analysis of financial position and results of operations (“MD&A”) is prepared as at November 23, 2017 and should be read in conjunction with the unaudited condensed consolidated interim financial statements for the nine months ended September 30, 2017 of Serrano Resources Ltd. (“Serrano” or the “Company”) with the related notes thereto. Those unaudited condensed 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, 2016 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 pursuant to the provisions of the Business Corporations Act (Alberta) on October 30, 2003. On April 8, 2008, the Company continued its corporate jurisdiction from Alberta to British Columbia. The Company trades under the symbol SC.V and is currently seeking projects for investment.

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, 2017, the Company has a deficit of $46,458,638 (December 31, 2016 - $47,205,313) 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.

There is no assurance that debt or equity financing will be available when needed on terms acceptable to the Company in the future.

Results of Operation

During the three months ended September 30, 2017, the Company recorded income of $189,702 (2016 – loss of $29,179) and income per share of $0.06 (2016 – loss per share of $0.01). The increase in income is primarily related to a foreign exchange gain resulting from a higher Canadian dollar compared to the United States dollar.

During the nine months ended September 30, 2017, the Company recorded income of $443,086 (2016 – $142,742) and income per share of $0.14 (2016 – $0.05). The increase in income is primarily related to a foreign exchange gain resulting from a higher Canadian dollar compared to the United States dollar.

Quarterly Information

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

	Three Months Ended September 30, 2017	Three Months Ended June 30, 2017	Three Months Ended March 31, 2017	Three Months Ended December 31, 2016
Equipment	$ -	$ -	$ -	$ -
Total assets	75,622	75,352	72,916	72,455
Working capital deficiency	(11,664,227)	(12,157,002)	(12,457,017)	(12,565,564)
Operating expenses	(8,372)	(42,685)	(7,059)	(10,901)
Income (loss) for the period	189,702	142,550	110,834	(4,373)
Basic and diluted income (loss) per share	0.06	0.04	0.04	(0.00)

	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	(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)	0.06	(0.04)

Operating expenses increased during the three months ended June 30, 2017 as a result of an increase in professional fees relating to the accounting services exceeding prior period accruals.

Liquidity and Capital Resources

At September 30, 2017, the Company had a working capital deficiency of $11,664,227 and cash on hand of $2,476 compared to a working capital deficiency of $12,565,564 and cash on hand of $720 at December 31, 2016.

Net cash provided by operating activities for the period ended September 30, 2017 was $2,277 compared to $(519) used in during the period ended September 30, 2016 primarily due to change in foreign exchange.

Net cash used in investing activities for the period ended September 30, 2017 was $521 compared to $118 during the period ended September 30, 2016 for interest held in trust account.

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, 2017	Nine Months Ended September 30, 2016
Related parties:			
A firm where the CFO and Director of the Company is a partner	Professional	$ 42,170	$ 19,100

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

	September 30, 2017	December 31, 2016
Due to a firm where the CFO and Director of the Company is a partner	$ 461,805	$ 458,918
Due to the former CEO and Director of the Company	53,122	53,122
Due to a company controlled by the CFO and Director of the Company	100,167	63,497
	$ 615,094	$ 575,537

Amounts owing to related parties are as follows:

	Notes	September 30, 2017	December 31, 2016

Due to a Director and a former Director of the Company	i)	$ 1,171,361	$ 1,266,475
Due to a former Director's spouse	i)	389,788	421,493
Due to a former Director of the Company	ii)	364,198	371,523
Due to a Director of the Company	iii)	2,000	2,000
		$ 1,909,347	$ 2,061,491

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 June 30, 2017, 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 June 30, 2017, the loans were payable on demand with accrued interest up to December 31, 2013.

iii) The loan is non-interest bearing and payable on demand.

During the year ended December 31, 2014, the Company mutually agreed with related party debt holders to stop accruing interest from the fiscal 2014 year onward.

<u>Other related party transaction</u>

As at September 30, 2017, included in convertible debentures is $719,428 (US$574,913) (December 31, 2016 - $770,078 (US$574,913)) due to a former 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 $4,358,950 (US$3,500,000) as at September 30, 2017 (December 31, 2016 - $4,713,450 (US$3,500,000)).

Basis of Consolidation and Presentation

The unaudited condensed consolidated interim 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.

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, 2017 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.

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 at September 30, 2017, the Company had a cash balance of $2,476 and receivables of $3,688 to settle current liabilities of $11,670,391. 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 June 30, 2017, the Company's receivables consisted of $3,688 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 June 30, 2017, 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	$ 5,349,343
Related party loans	1,533,068
Convertible debenture	574,913
Total	$ 7,457,324

At September 30, 2017, the U.S. dollars were converted at a rate of USD 1.00 to CAD 1.24541.

Based on the above exposure at September 30, 2017, 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 $464,000. 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 November 23, 2017 the Company has:

a) 3,139,318 common shares outstanding;

b) Nil stock options outstanding;

c) Nil warrants outstanding;

d) Nil common shares subject to escrow; and

e) Total diluted: 3,139,318.

Change in Management

In August 2017, the Company announced the resignation of Jonathan More as Chief Executive Officer and a Director of the Company and appointing Byron Coulthard in his stead.