BAYHORSE SILVER INC.

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MANAGEMENT'S DISCUSSION & ANALYSIS

Accompanying the June 30, 2015 Interim Consolidated Financial Statements

This Management's Discussion & Analysis ("MD&A"), prepared as of August 31 , 2015, is intended to be read in conjunction with the Company's interim consolidated financial statements for the six months ending June 30, 2015 and 2014, and related notes thereto, which have been reported in Canadian dollars, and prepared in accordance with International Financial Reporting Standards ("IFRS").

This discussion relates to the operations of Bayhorse Silver Inc. (the "**Company**"), during the period up to the date of this MD&A, being *August 31, 2015.*

Additional information, including press releases, has been filed electronically through the System for Electronic Document Analysis and Retrieval ("**SEDAR**") and is available under the Company's profile at www.sedar.com and at the Company's website at www.bayhorsesilver.com.

FORWARD LOOKING INFORMATION

This MD&A contains certain forward-looking statements and information relating to the Company that are based on the beliefs of 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 management, are intended to identify forward-looking statements. This MD&A contains forward-looking statements relating to, among other things, regulatory compliance, the sufficiency of current working capital, the estimated cost and availability of funding for the continued exploration and development of exploration properties. Such statements reflect the current views of management with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause the actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management's analysis only as of the date hereof. Readers should be aware the Company is under no obligation to publicly release the results of any revision to these forward-looking statements, which may not reflect circumstances, or occurrences of unanticipated events after the date of this document.

OVERVIEW

The Company was incorporated under the *Canada Business Corporations Act* on April 6, 2004. By Articles of Amendment dated January 31, 2006, the common shares of the Company were consolidated on the basis of one new common share for each two old common shares. On May 3, 2010, the Company was continued into British Columbia. Effective October 15, 2012, the Company completed a consolidation of its common shares on the basis of ten old shares for one new share.

On December 13, 2013 the Company changed its name to Bayhorse Silver Inc. and commenced trading on the TSX Venture Exchange under the symbol of BHS at the open of trading on December 16, 2013.

The Company, through a plan of arrangement effected on February 14, 2014, created a separate company, Silcom Systems Inc. ("Silcom"). Pursuant to the arrangement, a total of 4,797,128 common shares in the capital of Silcom have been issued, on a pro-rata basis, to the Company's shareholders. It is expected that Silcom will enter into a definitive agreement to acquire a business upon completion of the arrangement to create shareholder value for the Company.

OVERALL PERFORMANCE / DISCUSSION OF OPERATIONS

The Company's business is the acquisition, financing, and exploration of prospective mineral and oil properties in areas of low political risk, close to support facilities and with ready, all weather access.

The Company has entered into agreements to acquire interests in a number of exploration stage mineral and oil properties:

- The Company has received exploration permits on the Alexander River and Lyell-Red Queen gold prospects in New Zealand, and has applied for an exploration permit on the Paparoa gold prospect from the New Zealand Department of Petroleum and Minerals.
- The Company has entered into an Option and Joint Venture Agreement (the "Agreement") dated December 4, 2013 among Bayhorse Silver Mine, LLC, American Cordilleran Mining Corporation ("ACMC") and AMCOR Exploration Inc., a wholly owned subsidiary of ACMC (ACMC and AMCOR Exploration Inc. are collectively referred as "AMCOR"), to earn an 80% interest of AMCOR's 100% leasehold interest in the Bayhorse Silver Mine Claims in east-central Oregon State.
- The Company has entered into a Farm-In Agreement (the "Agreement") dated November 3, 2014 with Saturn Minerals Inc ("Saturn") whereby it can earn 50% of Saturn's interest in the 230,000 acre Little Swan ("LS") oil and gas prospect in Saskatchewan's "Northern Williston Basin". On February 20, 2015, the Company and Saturn amended the agreement.

Flagstaff Mountain Property

- The Company entered into a mineral exploration development lease in November 2006 pursuant to a mining lease option agreement. Pursuant to the term of the agreement, the Company agreed to pay a production royalty equal to 3% of the NSR on all bullion and barite products produced.
- In August 2012, the Company entered into a Loan and Option Agreement ("LOA") with SBS Mining Ltd. ("SBS"), pursuant to which SBS loaned the Company $250,000, payable on or before February 28, 2013, which loan accrued interest at prime plus 1%. $3,069 in interest was accrued on this loan as at December 31, 2013.
- Pursuant to the LOA, SBS Mining exercised its option to purchase the mineral rights to the Flagstaff Property on December 4, 2013. This was done through the purchase of the shares of Kent USA. Upon exercising the option the loan payable of $250,000 was forgiven, the reclamation bond held in the Company's name with the BLM for $139,286 was assumed by SBS, and the amount was refunded to the Company. The Company's reclamation obligation of $25,000 was also assumed by SBS. A $50,000 advance payment made by SBS to the Company in July 24, 2013 and a $US 50,000 payment made to a vendor on the Company's behalf was also repaid along with the loan fee of $25,000 and interest of $3,069 as part of the exercise of the option.
- A net gain of $391,889 on the sale of Kent USA was recognized from this transaction in the year of 2013.
- In 2013, the Company received $123,531 from SBS and completed the agreement.

In 2014, a $50,000 loan was repaid to Albar Industrial Minerals.

Ivanhoe Creek Property

The Company acquired the Ivanhoe Creek property lode claims in 2006, and in August of 2013, relinquished these claims.

Alexander River Gold Project

The Company through its wholly owned subsidiary, Kent Exploration NZ Limited ("**Kent NZ**"), applied for and received a prospecting permit on the Alexander River Gold Project in 2009. Subsequently, after comprehensive exploration programs through to 2012, it applied for, and has received, an exploration permit over a portion of the property including the historic Alexander River gold mine. The Company anticipates a diamond drill program on Alexander River during the 2014 year.

A National Instrument 43-101-Compliant Technical Report was commissioned on the Alexander River Project, which report was received on April 30, 2013.

Lyell-Red Queen Gold Project

The Company through its wholly owned subsidiary, "**Kent NZ**", applied for and received a prospecting permit on the Lyell Gold Project in 2009. Subsequently, after exploration programs through to 2012, it applied for, and has received, an exploration permit over a portion of the property including the historic Red Queen gold mine. Up to the date of this report, the Company has commissioned a NI-43-101-Report on the Red Queen mine and in March of 2014, a site visit was conducted on the property by Dr. G. E. Ray, P.Geol., and a qualified person as defined by NI-43-101.

Paparoa Gold Project

The Company applied to New Zealand Petroleum and Minerals through Kent NZ and was granted a prospecting permit covering a number of historic gold mines, including the Croesus and Minerva, and has potential for intrusive related gold mineralization. According to historic records filed with New Zealand Petroleum and Minerals, the property contained two of the largest nuggets found in New Zealand, one of which was 86 ounces. Subsequently, after exploration programs through to 2013, it applied for an Exploration permit over a portion of the ground including the historic gold mines. Permit approval is pending. Up to the date of this report, a historic mine location survey has been completed, along with other data acquisition.

As of June 30, 2015, C$2,188,715 (2014: $2,168,620) has been expended on exploration activities on the Company's New Zealand gold properties.

Bayhorse Silver Mine Property, Oregon State

The Company entered into an Option and Joint Venture Agreement dated December 4, 2013 among Bayhorse Silver LLC, and American Cordillera Mining Corporation with its wholly-owned subsidiary Amcor Exploration Inc. (collectively, "AMCOR") of Spokane Washington, whereby the Company was granted an option (the "Option") to acquire an 80% interest in AMCOR's 100% leasehold interest in certain mineral claims commonly referred to as the Bayhorse Silver Mine located in Baker County, Oregon.

In order to earn its 80% interest in the Bayhorse Silver Mine the Company is required to make a cash payment of $25,000 (paid), and the following additional payments:

Share issuances

- On or before December 17, 2014, issue 500,000 common shares (issued);
- On or before December 17, 2017, issue 500,000 common shares (cumulative 1,000,000); and
- On or before December 17, 2019, issue 500,000 common shares (cumulative 1,500,000 shares).

Property expenditures

- On or before the first anniversary of the Option Date (December 17, 2014), incur a minimum of US$100,000 of Expenditures *(Completed);*
- On or before the second anniversary of the Option Date (December 17, 2015), incur a further US$100,000 of Expenditures (cumulative $200,000) *(Completed);*
- On or before the third anniversary of the Option Date (December 17, 2016), incur a further US$300,000 of Expenditures; of which the aggregate total of $500,000 for the first three anniversaries is a firm commitment (cumulative $500,000)*;*
- On or before the fourth anniversary of the Option date (December 17, 2017), incur a further $500,000 of Expenditures (cumulative $1,000,000); and
- And on or before the fifth anniversary of the Option date (December 17, 2018), incur a further $500,000 of Expenditures (cumulative $1,500,000).

In addition the Option calls for a 2% NSR on up to US$500 of ore value and 3% for ore over $500.

Up to the date of this report, the Company has paid a total of US$25,000 on the execution of the Option Agreement and issued 500,000 units of common shares to AMCOR under the Option Agreement terms.

On April 8, 2014, the Company received a loan for the sum of $198,000 (the "Loan"). The Loan is for a term of 12 months, unsecured and bears interest at the rate of 12% per annum, compounded quarterly and payable quarterly in arrears. As additional consideration for the Loan, the Company had agreed to issue 330,000 bonus shares, that are equal to 20% of the principal amount of the Loan issued at a deemed price of $0.12 per share. The proceeds from the loan is to be used for the Bayhorse silver mine project in east-central Oregon, where the Company has contracted American Mining and Tunneling to conduct remedial work on the existing adit to provide safe access to the underground workings in preparation for a substantive sampling program. American Mining and Tunneling is currently conducting remedial work on the adit to make the adit and the underground workings safe for underground mapping and sampling. The Company has obtained a significant amount of data on the project, and is looking to confirm the historic resource. Exploration work is ongoing. On September 26, 2014, the Company increased the loan for the sum of $198,000 to $210,000 and bonus shares from 330,000 to 420,000 at a deemed price of $0.10 per share.

On April 8, 2015, the Company and the holders of the promissory reached an agreement to extend the expiry date of the loan for a period of six (6) months from the expiry date, namely April 10, 2015, to October 10, 2015 and accrue interest on the outstanding loan principals and accrued interests at the same rate.

As of June 30, 2015, the Company accrued a note interest payable of $33,969 from the Loan and the bonus shares of 420,000 were issued in the year of 2014.

A site visit was conducted on the property and a NI-43-101 Report on the Bayhorse silver mine by Dr. G. E. Ray, P.Geol., a qualified person as defined by NI-43-101 has been filed. Up to the date of this report, the Company has conducted surface sampling and mapping programs, and assessed the existing 1983/1984 adit for safety concerns.

As of June 30, 2015, the Company has expended $487,853 (2014: $478,400) on the Bayhorse property.

Williston Basin Saskatchewan Oil Property, Saskatchewan

On November 3, 2014, the Company entered into a Farm In Agreement (the "Agreement") with Saturn Minerals Inc ("Saturn") whereby it can earn 50% of Saturn's interest in the 230,000 acre Little Swan ("LS") oil and gas prospect in Saskatchewan's "Northern Williston Basin".

The terms for the Farm In Agreement to acquire 50% of Saturn's oil and gas rights on the LS property is based on the following terms:

- A $50,000 non-refundable deposit towards an equalization payment of $600,000, payable as to $150,000 on approval of the TSX Venture Exchange (TSX-V), $200,000 on or before 90 days after Exchange approval and $200,000 on or before 180 days after Exchange approval.
- Assume $230,000 of Saturn's cost of the planned 2014-1015 seismic program, payable on or before January 30, 2015 and issue 500,000 of the Company share to Saturn.
- Other than lands converted by drilling into an oil lease, the Company must participate as to 25% of all ongoing geological or geophysical expenditures on the Farm-in Lands or forfeit its interest.

On February 20, 2015, the Company and Saturn Minerals have, subject to TSX-V approval, amended the Farm-In Agreement dated November 3, 2014. The terms for the Farm-In Agreement to acquire 50% of Saturn's oil and gas rights on the Little Swan property with respect to the Equalization Payment to Saturn is amended as follows:

- Pay to Saturn $200,000, or, at the sole direction of the Company, 2,000,000 common shares of Bayhorse,
- on or before 45 days after Exchange approval and $200,000, or, at the sole direction of the Company, 2,000,000 common shares of Bayhorse,
- on or before 90 days after Exchange approval

As of June 30, 2015, the Company has expended $53,800 (2014: $nil) on the Little Swan property.

Up to date of this report, the Company has paid $50,000 non-refundable deposit and $230,000 to assume Saturn's cost of the planned 2014-2015 seismic program to Saturn.

MINERAL & OIL EXPLORATION EXPENSES BY PROPERTY

Up to June 30, 2015, the mineral expenses by property in Canadian dollars on a comparative basis to 2014 are as follows.

Bayhorse Silver Inc.
June 30 2015

Property expenses	Flagstaff	Bayhorse	Alexander River	Paparoa	Lyell-Red Queen	TOTAL
Acquisition and Holding Costs	-	-	-	-	-	**-**
Assays and Analysis	-	-	-	-	-	**-**
Field Cost	-	-	1,323	1,323	1,323	**3,968**
Geological	-	1,763	-	-	4,688	**6,450**
Geophysical	-	-	-	-	-	**-**
Insurance	-	-	43	43	43	**130**
Other Rental	-	-	-	-	-	**-**
Project Preparation	-	-	-	-	-	**-**
Travel & Accommodation	-	1,318	-	-	-	**1,318**
	-	**1,318**	**1,366**	**1,366**	**1,366**	**11,866**

Bayhorse Silver Inc.
June 30 2014

Property expenses	Flagstaff	Bayhorse	Alexander River	Paparoa	Lyell-Red Queen	TOTAL
Acquisition and Holding Costs	-	1,365	-	-	-	**1,365**
Assays and Analysis	-	24,725	820	-	292	**25,837**
Field Cost	-	128,383	3,652	1,560	1,964	**135,557**
Geological	-	53,642	4,395	240	8,830	**67,108**
Geophysical	-	646	-	-	-	**646**
Insurance	-	-	1,111	1,111	1,111	**3,333**
Other Rental	-	32,161	-	-	-	**32,161**
Project Preparation	-	8,564	868	1,999	635	**12,065**
Travel & Accommodation	-	9,882	393	-	2,099	**12,373**
	-	**259,367**	**11,238**	**4,910**	**14,931**	**290,446**

SUMMARY OF QUARTERLY RESULTS

A summary of financial results for the previous eight quarters is as follows:

Six months Ended	General, administrative expenses ($)	Exploration Expenses ($)	Net Income (Net Loss) ($)	Loss per Share ($)
30 Jun 2015	27,143	9,947	(37,089)	(0.00)
31 Mar 2015	183,850*	1,920	(185,769)	(0.01)
31 Dec 2014	272,774	59,595	(332,368)	(0.02)
30 Sept 2014	115,717	17,991	(133,708)	(0.01)
30 June 2014	175,681	238,841	(414,522)	(0.02)
31 Mar 2014	329,584	51,604	(725,242)	(0.04)
31 Dec 2013	451,909	242,859	(374,555)	(0.04)
30 Sept 2013	201,872	(126,456)	(75,416)	(0.02)

* Includes non-cash item being share based compensation of $79,794

RESULTS OF OPERATIONS

Three and Six Months Period Ended June 30, 2015

The Company did not have any revenues during the three and six months period ended June 30, 2015.

General and administration expenses during the three months period ended June 30, 2015 totaled $27,143 compared to $175,681 in 2014. Investor Relations $nil (2014: $37,474) were over $35,000 lower compared to the three months period ended June 30, 2014. During the three months period ended June 30, 2015 office related expenses of $11,372 (2014: $28,920), office rent of $7,200 (2014: $18,000), and professional fees of $17,261 (2014: $37,023) were all over fifty percent lower compared to 2014. During the three months period ended June 30, 2015, the company did not have share based compensation expense compared to $15,937 in 2014. The Company shows a significant low general and administration expenses during the three months period partially due to the offset of soft Canadian dollars from consolidation of the Company's New Zealand subsidiary on foreign exchange rate.

Net exploration expenditures of $9,947 for the three months period ended June 30, 2015 were significantly lower than $238,841 incurred during the three months period ended June 30, 2014 mainly due to the sampling and mine work at our Bayhorse silver mine property in the prior year.

General and administration expenses during the six months period ended June 30, 2015 totaled $222,859 compared to $795,711 in 2014. Communications $3,732 (2014: $51,680) and Investor Relations $nil (2014: $68,249) were almost $11,500 lower compared to the six months period ended June 30, 2014 as those services were curtailed. Office related expenses were $20,037 during the six months period ended June 30, 2015 were lowered by over $20,000 compared to $43,943 during the six months period ended June 30, 2014 as the office was moved to a lower cost location. Professional fees decreased from $86,427 in 2014 to $32,261 in 2015 during the six month period due to the legal and accounting fees incurred for the Plan of Arrangement that was approved by the shareholders on December 13, 2013.

Three and Six Months Period Ended June 30, 2014

The Company did not have any revenues during the three or six months period ended June 30, 2014 and June 30, 2013.

General and administration expenses during the three months period ended June 30, 2014 totalled $175,681 compared to $19,948 for the three months period ended June 30, 2013, and acquisition, holding, and exploration costs were $238,841. Net exploration expenditures for the three months period ended June 30, 2014 were higher by $211,477 than the $27,364 incurred during the three months period ended June 30, 2013 mainly due to the extensive underground work at our Bayhorse silver mine property. The increased costs during the three months ended June 30, 2014 was primarily the result of a foreign exchange credit of $(5,877) compared to $(80,086) in 2013 due to foreign exchange fluctuations in both $NZ and $US. Investor relations increased by $34,170 (2013: $3,304) and professional fees increased by $23,851 (2013: $13,172) as a result of extensive marketing and mining activities on our newly acquired Bayhorse silver mine. Office expenses increased by $27,027 ($2013: 1,893) and office rental fees increased by $14,132 (2013: $3,868). The low office expenses from 2013 were mainly due to the office recovery fee of $2,000 received from Transatlantic for office space and equipment sharing. During the three months ended June 30, 2014, share-based compensation was $15,937 (2013: $nil) was offset by the decrease in Insurance expenses of $9,854 (2013: $11,725) and transfer, listing and filing fees of $5,926 (2013: 10,545).

General and administration expenses during the six months period ended June 30, 2014 totalled $505,265 compared to $294,575 for the six months period ended June 30, 2013, and acquisition, holding, and exploration costs were $290,446. Net exploration expenditures for the six months period ended June 30, 2014 were higher by $234,339 than the $56,407 incurred during the six months period ended June 30, 2013 mainly due to the extensive underground work at our Bayhorse silver mine property. Operating costs for the six months period ended June 30, 2014 were higher by $210,690 than the six months period ended June 30, 2013.Foreign exchange charges increased by $41,821 primarily due to the extensive mining related expenses in the United States and expenses in New Zealand. Investor relations increased by $54,249 due to extensive marketing on our newly acquired Bayhorse silver mine. Office expenses increased by $16,464 and office rental fees increased by $20,801, the low office expenses from 2013 were mainly due to the office recovery fee of $2,000 received from Transatlantic for office space and equipment sharing. There was $75,255 in share based compensation for six months period ended June 30, 2014 compared to the prior period (2013: $nil). Professional fees increased by $57,237 from the prior period due to the legal and accounting fees incurred for the Plan of Arrangement that was approved by the shareholders on December 13, 2013. Promotional costs were slightly higher by $2,003 compared to the six months period ended June 30, 2013. Communications decreased by $29,045 compared to $80,725 for the six months period ended in 2013. Insurance costs were lowered by $16,425 compared to 2013 due to the Company switching to a new Insurance broker. Transfer, listing and filing fees were in line with the six months period ended June 30, 2013.

LIQUIDITY AND CAPITAL RESOURCES

As of June 30, 2015, the Company had cash of $924, compared to $174 as at June 30, 2014, representing an increase of $750. As of June 30, 2015, the Company had a working capital deficiency of $1,058,801, compared to a working capital deficiency of $978,550 as at June 30, 2014.

Up to the date of this report the Company has closed the following non-brokered private placements:

- On January 17, 2015 the Company completed a private placement of 2,200,000 units at $0.05 per unit for gross proceeds of $110,000. Each unit consisted of one common share and one transferable common share purchase warrant, with each warrant exercisable into one common share of the Company at an exercise price of $0.10 per share, exercisable for a period of 24 months from the date of issuance.

- On February 6, 2015 the Company completed a flow-through private placement of 1,100,000 units at $0.10 per unit for gross proceeds of $110,000. Each unit consisted of one common share and one transferable non flow-through common share purchase warrant, with each warrant exercisable into one common share of the Company at an exercise price of $0.15 per share, exercisable for a period of 24 months from the date of issuance.

- On February 20, 2015 the Company completed a flow-through private placement of 600,000 units at $0.10 per unit for gross proceeds of $60,000. Each unit consisted of one common share and one transferable non flow-through common share purchase warrant, with each warrant exercisable into one common share of the Company at an exercise price of $0.15 per share, exercisable for a period of 24 months from the date of issuance.

- On April 8, 2015 the Company completed a flow-through private placement of 600,000 units at $0.10 per unit for gross proceeds of $60,000. Each unit consisted of one common share and one transferable non flow-through common share purchase warrant, with each warrant exercisable into one common share of the Company at an exercise price of $0.15 per share, exercisable for a period of 24 months from the date of issuance.

During the year ended December 31, 2014, the Company completed private placements as follows:

- 3,000,000 units at $0.10 per unit for gross proceeds of $300,000. Each unit consisted of one common share and one transferable common share purchase warrant, with each warrant exercisable into one common share of the Company at an exercise price of $0.20 per share, exercisable for a period of 30 months from the date of issuance. Cash finders' fees of $10,500 and 105,000 finders' warrants were paid on a portion of the private placement.

- 1,500,000 units at $0.10 per unit for gross proceeds of $150,000. Each unit consisted of one common share and one transferable common share purchase warrant, with each warrant exercisable into one common share of the Company at an exercise price of $0.15 per share, exercisable for a period of 30 months from the date of issuance.

During the year ended December 31, 2013, the Company completed private placements as follows:

- 3,516,400 units at $0.10 per unit for gross proceeds of $351,640. Each unit consisted of one common share and one half common share purchase warrant, with each full warrant exercisable for two years at a price of $0.15 per share.

- 500,000 common shares at a fair value price of $0.14 per share for total consideration of $70,000 to American Cordillera Mining Corp. under the Option and Joint Venture Agreement dated December 4, 2013

- 1,900,000 units at $0.10 per unit for gross proceeds of $190,000. Each unit consisted of one common share and one transferable common share purchase warrant, with each warrant exercisable into one common share of the Company at an exercise price of $0.20 per share, exercisable for a period of 30 months from the date of issuance.

- 3,000,000 units at $0.10 per unit for gross proceeds of $300,000. Each unit consisted of one common share and one transferable common share purchase warrant, with each warrant exercisable into one common share of the Company at an exercise price of $0.20 per share, exercisable for a period of 30 months from the date of issuance. Cash finders' fees of $10,500 and 105,000 finders' warrants were paid on a portion of the private placement.

The Company is in the mineral and resource exploration and development business and is exposed to a number of risks and uncertainties inherent to the mineral resource industry. This activity is capital intensive at all stages and subject to fluctuations in metal prices, market sentiment, currencies, inflation and other risks. The Company currently has no source of material revenues, and relies primarily on equity financings to fund its exploration, development and administrative activities. Material increases or decreases in the Company's liquidity will be substantially determined by the success or failure of its exploration and development activities, as well as its continued ability to raise capital. The current severe recessionary credit conditions have significantly limited the Company's ability to raise financing through its usual methods and if these conditions persist they will materially decrease the Company's liquidity and capital resources.

The Company's continued existence is dependent upon its ability to raise additional capital, the continuing support of its creditors, and ultimately, the attainment of profitable operations and positive cash flows. While management has been successful in obtaining additional sources of finance in the past, there can be no assurance that it will be able to do so in the future. Based on current market conditions management is aware that material uncertainties exist that could adversely affect the Company's ability to continue as a going concern. Recognizing that there are insufficient cash reserves to conduct planned programs and continue operations for the ensuing twelve months, in order to carry out its operations and administration, management is fully aware that the Company will need to generate working capital through additional equity financing.

TRANSACTIONS BETWEEN RELATED PARTIES

The following table summarizes services provided by related parties as at June 30, 2015 and 2014:

	2015	**2014**
	$	$
Management (a)	60,000	60,000
Office (a)	14,400	36,000
Professional fees (b)	30,000	35,000
Mineral property expenses (c)	1,318	23,210
	105,718	**74,642**

- Management fees of $60,000 (2014: $60,000) and office rental fees of $14,400 (2014: $36,000) were paid to Highcard Exploration Inc. (“Highcard”), a company controlled by Graeme O’Neill, the CEO and President of the Company. The Company entered into management services agreements with a company controlled by a director and president of the Company requiring annual payments aggregating $180,000 (2014: $180,000).

- CFO fees paid to Giuseppe Gallo, former CFO of the Company, for a total of $nil (2014: $25,000). CFO fees paid to Anike Li, current CFO of the Company, for a total of $30,000 (2014: $10,000)

- Mineral property expenses paid to a Company controlled by a director of the Company of $1,318 (2014: $23,210).

Additionally, during the six months period ended June 30, 2015 Graeme O’Neill, the CEO and President, incurred $10,954 (2014: $40,197) of expenses on behalf of the Company that related to, among other things, exploration costs, corporate travel, consultants mobilization costs, filing costs, BLM fees, and other geological and project services and expenses.

During the six months period ended June 30, 2015, the company issued 1,100,000 (2014: 560,000) options with a fair value of $79,794 (2014: $75,255) to key management.

These transactions are in the normal course of operations and are measured at the exchange amount that is the amount of consideration established and agreed to by the related parties. Management believes the rates set are within industry standard ranges for compensation and benefits. At June 30, 2015, $382,251 (2014: $237,468) is owing to related parties, which is comprised of:

- $45,579 owed to Graeme O'Neill, the CEO and President of the Company, for advances made to the Company and expenses incurred on the Company's behalf (2014: $45,000).
- $1,500 owed to Highcard, for advances made to the Company and expenses incurred on the Company's behalf (2014: $1,500).
- $10,859 of interest remained payable on the 2013 owing amounts at 18.5% (2014: $10,859).
- $155,000 of note payable from debt financing (2014: 143,000) (Note 13)
- $24,958 of note interest payable accrued from debt financing (2014: 3,994) (Note 13)
- $21,815 in trade payables for amounts due to Graeme O'Neill (2014: $10,015)
- $122,540 in trade payables for amounts due to Highcard (2014: 23,100)

Amounts due to/from related parties, besides from the amounts owing to Highcard and Graeme O'Neill, are non-interest bearing, unsecured, and have no fixed terms of repayment. The fair value of amounts due to related parties is not determinable as they have no specified repayment terms.

The plan of arrangement that was approved by the Company's shareholders at the annual and special meeting held on December 13th, 2013, pursuant to which the Company's shareholders receive one share in a subsidiary company, Silcom Systems Inc., ("Silcom") for every 4 common shares of the Company held, was approved by the court on January 24, 2014. Accordingly, on February 13, 2014, the Company completed the plan of arrangement at a $100,000 adjusted cost base for Silcom as follows:

$100,000	4,797,128 shares	for $0.02 cents

As at June 30, 2015, the Company had $2,732 in advances receivable from Silcom (2014: $2,382)

FINANCIAL INSTRUMENTS

Fair Value

The carrying values of cash, accounts receivable, subscriptions receivable, amounts due to related parties, reclamation bond, accounts payable and accrued liabilities, amounts due to related parties and amounts due to an equity affiliate approximate their fair values due to the short-term maturity of these financial statements.

Cash are carried at a level 1 fair value measurement.

Industry Risk: The Company is engaged primarily in the mineral exploration field and manages related industry risk issues directly. The Company is potentially at risk for environmental reclamation and fluctuations in commodity based market prices associated with resource property interests. Management is of the opinion that the Company addresses environmental risk and compliance in accordance with industry standards and specific project environmental requirements.

Credit Risk: Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is in its cash accounts and its receivables. This risk is managed through the use of a major bank that is a high credit quality financial institution as determined by rating agencies. The Company's receivables relate to GST recoverable from the Governments of Canada and New Zealand. The risk associated with its receivable is minimal.

Currency Risk: The Company's functional currency is the Canadian dollar. There is moderate foreign exchange risk to the Company as it incurs significant mineral property-related expenditures in New Zealand. The Company does not engage in any hedging activities to reduce its foreign currency risk. A 10% variance in the foreign exchange rates would expose the Company to a positive or negative impact on its comprehensive loss of approximately $50,000 per year.

Interest Rate Risk: The Company has interest rate risk with respect to interest that can be charged on the balances in accounts payable and accrued liabilities, and advances from related parties. Related party advances bear interest at 18.5%. Other trade payable balances accrue interest at rates ranging from 10% to 12% annually. The Company's total exposure to interest rate risk on these balances, if they remain unpaid, is approximately $160,000.

Liquidity and Funding Risk: Liquidity risk arises through the excess of financial obligations due over available financial assets at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available capital in order to meet its liquidity requirements. Funding risk is the risk that market conditions will impact the Company's ability to raise capital through equity markets under acceptable terms and conditions. Under current market conditions, both liquidity and funding risk are assessed as high.

The Company is not subject to externally imposed capital requirements but must maintain the minimum listing requirements in order to maintain its TSX-V listing. The Company manages its capital structure based on the funds available to the Company, in order to fund its general and administration expenses, support acquisition, maintenance, exploration, and development of mineral properties.

The Board of Directors has not established any quantitative return on capital criteria for management, instead relying on the expertise of the Company's management to sustain future development of the business.

The properties in which the Company currently has interests are in the exploration stage so the Company is dependent on external financing to fund its activities. In order to carry out activities and administration, the Company will spend its existing working capital and raise additional amounts as needed.

SHARE CAPITAL

The Company's authorized share capital consists of an unlimited number of common shares without par value. As at the date of this report, 25,903,519 shares were issued and outstanding.

During the six months ended June 30, 2015 and 2014, the Company granted, exercised and cancelled the following incentive stock options to officers, directors, and consultants:

- On June 16, 2015, 200,000 options were exercised and the fair value of the shares recognized was $12,353 as determined by the Black Scholes Option Pricing Model.

- On March 13, 2015, the Company granted incentive stock options to officers, directors, and consultants to purchase up to an aggregate of 500,000 common shares at an exercise price of $0.10 per share, exercisable for a term of five years from the date of grant. The fair value of the share based compensation recognized was $41,519 as determined using the Black Sholes Option Pricing Model.

- On January 8, 2015, the Company granted incentive stock options to officers, directors, and consultants to purchase up to an aggregate of 600,000 common shares at an exercise price of $0.10 per share, exercisable for a term of five years from the date of grant. The fair value of the share based compensation recognized was $38,300 as determined using the Black Sholes Option Pricing Model

- On September 26, 2014, the Company granted incentive stock options to officers, directors, and consultants to purchase up to an aggregate of 300,000 common shares at an exercise price of $0.10 per share, exercisable for a term of five years from the date of grant.

- On February 28, 2014, 95,000 options were exercised and the fair value of the shares recognized was $5,890 as determined by the Black Scholes Option Pricing Model.

- On February 26, 2014, the Company granted incentive stock options to officers, directors, and consultants to purchase up to an aggregate of 385,000 common shares at an exercise price of $0.20 per share, exercisable for a term of five years from the date of grant.

- On June 30, 2014, the Company cancelled all stock options issued at exercise price of $1.00 or higher. Accordingly, 187,000 options were cancelled.

- On June 23, 2014, the Company granted incentive stock options to officers, directors, and consultants to purchase up to an aggregate of 175,000 common shares at an exercise price of $0.10 per share, exercisable for a term of five years from the date of grant.

Number	Exercise Price	Expiry Date
675,000	$0.10	August 12, 2018
315,000	$0.20	February 26, 2019
50,000	$0.10	June 23, 2019
250,000	$0.10	September 26, 2019
600,000	$0.10	January 8, 2020
500,000	$0.10	March 13, 2020
2,390,000		

As at the date of this report, the following warrants were outstanding and exercisable:

Number	Exercise Price	Expiry Date
1,900,000	$0.20	June 17, 2016
3,105,000	$0.20	July 23, 2016
1,500,000	$0.15	January 10, 2017
2,249,000	$0.10	January 20, 2017
1,135,000	$0.15	February 4, 2017
642,000	$0.15	February 24, 2017
600,000	$0.15	April 17, 2017
11,131,000		

CHANGES IN ACCOUNTING POLICIES

There no changes in accounting policies during the period ended June 30, 2015.

OFF BALANCE SHEET ARRANGEMENTS

The Company has no off balance sheet arrangements.