BAYHORSE SILVER INC.

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MANAGEMENT'S DISCUSSION & ANALYSIS

Accompanying the September 30, 2016 Condensed Consolidated Interim Financial Statements

This Management's Discussion & Analysis ("MD&A"), prepared as of November 28, 2016, is intended to be read in conjunction with the Company's condensed consolidated interim financial statements for the three and nine months ending September 30, 2016, and related notes thereto, which have been reported in Canadian dollars (unless noted otherwise), and prepared in accordance with International Financial Reporting Standards ("IFRS"). Amounts in this MD&A are stated in Canadian dollars unless noted otherwise.

This discussion relates to the operations of Bayhorse Silver Inc. (the "**Company**"), during the period up to the date of this MD&A, being November 28, 2016.

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.

OVERVIEW

Bayhorse Silver Inc. (the "Company") was incorporated under the Canada Business Corporations Act on April 6, 2004 and continued its incorporation into British Columbia on May 3, 2010. The Company is engaged in the acquisition and exploration of mineral property interests. These consolidated financial statements include the records of the Company's wholly owned New Zealand based subsidiary, Kent Exploration NZ Limited ("Kent NZ"). Kent NZ was dissolved on June 23, 2016 with no significant impact on the consolidated financial statements of the Company. The Company is listed on the TSX-V under ticker symbol BHS as a Tier 2 mining issuer.

The Company is a junior natural resource company engaged in the acquisition, exploration and development of natural resource properties. The Company is yet to receive any revenue from its mineral exploration operations. Accordingly, the Company has no operating income or cash flows. As a result, the Company has relied almost exclusively upon equity and debt financing activities, which is not expected to significantly change in the immediate future.

RECENT HIGHLIGHTS

- Completed drilling three holes totaling 444.8m (1,459.4 ft) that penetrated both the Crown Point target and the Osburn Fault Zone intersecting St. Regis Formation in the hanging wall and Prichard Formation in the footwall at Bridging the Gap (BTG) Silver Property in Shoshone County, Idaho, located on the western end of the prolific Coeur d'Alene Mining District between the historical Bunker Hill mine to the east and the Page Mine to the west.

- Filed on SEDAR of the first National Instrument 43-101 Technical Report on the Bridging the Gap Project authored by Dr. Gerald E. Ray, QP.

- Received the Company's shipment of crushing and processing equipment at the Bayhorse Silver Mine, Oregon, USA. Equipment assembly is underway.

- Closed all tranches of its previously announced financing consisting of a three year, Convertible, Silver-convertible, net revenue participation debentures ("Debenture") for gross proceeds of US$900,000 (CAD$1,119,502). Terms, details, and valuation of the Debentures are disclosed further in this MD&A. The Debenture proceeds are to complete extracting of up to 5,000 cu/yds (approximately 15,000 tons) from the Bayhorse Silver Mine and for the diamond drill program at the Bridging The Gap silver/lead/zinc project in Idaho's "Silver Valley."

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 access.

Mineral Properties

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

Bridging the Gap (Government Gulch) Property, Idaho

On November 20, 2015, the Company entered in an Option Agreement with Blackhawk Mining L.L.C. ("Blackhawk") to acquire a 75% undivided right, title and interest in the Government Gulch Property in the Coeur d Alene Mining District in Idaho. Located in Idaho's highly prolific "Silver Valley", the properties lie approximately 1 mile south of the towns of Kellogg and Smelterville off US Interstate I-90 in Idaho. The Bridging the Gap ("BTG") property consists of approximately 410 acres of patented claims and mineral rights that abut the Bunker Hill Mine to the east and the Page Mine to the West. Mining operations were conducted by both the Bunker Hill Mine and the Page Mine right up to the east and west boundaries respectively of the Bridging the Gap group of claims.

In order to earn its 75% interest in the Bridging the Gap Property, the Company is required to make an aggregate of US$25,000 to Blackhawk, and incur not less than an aggregate of US$3,000,000 of expenditures on the Property as follows:

- A non-refundable deposit to Blackhawk of US$5,000 on signing the agreement; (paid)
- A cash payment of US$20,000 to Blackhawk on the option date (November 20, 2015) (paid);
- On or before the first anniversary of the option date (November 20, 2016), incur a minimum of US$600,000 of Expenditures, of which US$250,000 shall be a property payment to Blackhawk;
- On or before the second anniversary of the Option Date (November 20, 2017), incur a further US$600,000 of Expenditures; which is a firm commitment of which US$250,000 shall be a property payment to Blackhawk (cumulative US$1,200,000);
- On or before the third anniversary of the Option Date (November 20, 2018), incur a further US$600,000 of Expenditures (cumulative US$1,800,000);
- On or before the fourth anniversary of the Option date (November 20, 2019), incur a further US$600,000 of Expenditures (cumulative US$2,400,000); and

- And on or before the fifth anniversary of the Option date (November 20, 2020), incur a further US$600,000 of Expenditures (cumulative US$3,000,000).

As at September 30, 2016, the Company paid US$14,500 (2015 – US$5,000) non-refundable deposit to Blackhawk and has made the required payment of US$20,000 (CAD$27,680). The Company has incurred exploration expenditures of $205,878 (US156,955 converted at an exchange rate of $1.3117) on a cumulative basis up to September 30, 2016.

A diamond drill program is currently underway at BTG and is based upon a 1979 planned drill program by Bunker Hill Mines in preparation for reopening the Crown Point Silver King workings, that historically graded 10 oz/t silver, but was never carried out. The diamond drill program is targeting a pair of parallel silver/lead/zinc structures and veins that are projected to extend east-west for approximately 1,400 feet in length and over 1,000 feet in vertical extent. The structural vein targets include those at the historic Crown Point/Silver King Mines, and the parallel Shea structure located 300 feet to the south.

The Shea structure was extensively mined at the adjacent Bunker Hill Mine, whose claims abut the eastern side of the BTG claims. Historical Bunker Hill mining records from 1936 report a 30 foot highly mineralized intersection in the Shea structure from an underground drill hole in the Silver King workings at the 200 foot level. The Shea zone mineralized drill hole intersection was never followed up based on the Company's historical mine data digital compilation.

Lithologically, the BTG property is dominated by mid-Proterozoic basin-fill sedimentary rocks of the Belt Super-group that include the St. Regis, Revett, Burke, and Prichard Formations. The complex structural geology, not well described in historical publications, includes multiple episodes of brittle and plastic deformation as observed in the current Bayhorse drill holes. The property lies on the northeastern limb of the Pine Creek Anticline, and in the footwall of the southeast-striking Page-Government Gulch reverse fault.

The BTG Property, not available for exploration for over 76 years, includes six former ASARCO-owned and operated underground mines and prospects. These include the Crown Point, Silver King, Wyoming, and Blackhawk Mines which produced over 2 million ounces of silver and by product Pb and/or Zn from 1901-1944, primarily from sulfide-mineral bearing veins. Also included are the Curlew and Ranger Mines for which no production data is available.

In November 2016, the Company announced that, as part of its drilling program, it had completed drilling three holes totaling 444.8m (1,459.4 ft) that penetrated both the Crown Point target and the Osburn Fault Zone intersecting St. Regis Formation in the hanging wall and Prichard Formation in the footwall. Complex structures in this hole include breccia, folds, shear zones, and faults that exhibit sericitic ± clay ± pyrite alteration and mineralization. Alteration and mineralization occur in both the hanging wall and footwall of the Osburn Fault Zone.

This initial surface drilling focused on testing the Crown Point and Shea targets. Both are located in the hanging wall of the east-striking Osburn Fault Zone that underwent 12 to 19 miles (20 to 30 km) of right-lateral strike slip displacement. The Crown Point and Shea targets have been modeled as east-striking structures/veins that lie subparallel to the Osburn fault zone.

Diamond drill core from this drill program is currently being logged and processed, and will be submitted for geochemical analysis to the American Analytical Services Laboratory (ISO 1705 Accredited) in Osburn, Idaho. Certified standard reference materials, blanks, and duplicate samples will be submitted with the core samples as part of the Quality Assurance and Quality Control (QA/QC) program.
The Company's geological consultants are pleased with the initial drill results and are planning follow up drill holes.

In November 2016, the Company announced that it has filed on SEDAR the first National Instrument 43-101 Technical Report on the Bridging the Gap Project authored by Dr. Gerald E. Ray, QP.

Williston Basin Saskatchewan Oil Property, Saskatchewan

On November 5, 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's shares 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:

a. On or before 45 days after Exchange approval, pay to Saturn $200,000, or, at the sole discretion of the Company, 2,000,000 common shares of the Company,
b. On or before 90 days after Exchange approval, pay to Saturn $200,000, or, at the sole discretion of the Company, 2,000,000 common shares of the Company.

The execution timeline of the agreement is fully depended on the date of Exchange approval. In 2014, the Company paid a $50,000 non-refundable deposit to Saturn.

As at June 30, 2016, the Company paid $230,000 to Saturn under the agreement to assume Saturn's cost of the planned 2014-2015 seismic program under the Farm-In Agreement dated November 3, 2014. All funds were raised through the Company's flow-through private placements. The Company has not issued the required 2,000,000 shares to Saturn as the project is still under TSX-V review and subject to approval.

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, 2016, issue 500,000 common shares (cumulative 1,000,000); and
- On or before December 17, 2018, 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 US$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 US$500,000 for the first three anniversaries is a firm commitment (cumulative US$500,000) *(Completed);*
- On or before the fourth anniversary of the Option date (December 17, 2017), incur a further US$500,000 of Expenditures (cumulative US$1,000,000); and
- And on or before the fifth anniversary of the Option date (December 17, 2018), incur a further US$500,000 of Expenditures (cumulative US$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. The Company has incurred exploration expenditures of $1,266,933 (US$965,871 converted at an exchange rate of $1.3117) on a cumulative basis up to September 30, 2016.

Currently, HRB Mining Services of Silver Valley is conducting mucking out and timbering operations inside the Bayhorse Mine and opening the secondary escape-way as required by MSHA regulations. The Company has purchased an EIMCO 911 LHD and a JCI-125 underground mucker, that are operating at the Bayhorse Silver Mine. These machines are very suitable for use in the Bayhorse Silver Mine.

The Company now has established through engineering and testing work that the Bayhorse Mine mineralization is amenable through Ore-Sorting and Dense Media testing that it can be readily upgraded to direction shipping material. The Company has received the shipment of crushing and processing equipment at the project site and equipment assembly is underway. The Company is planning on ordering the Dense Media processing equipment from Sepro Systems of Langley, BC.

In July 2016, the Company announced it has received select sample assay results from the "run of mine" mineralization extracted from the Bayhorse Silver Mine as tabulated below:

Sample	Weight	g/t Ag	oz/t Ag	Cu%	Zn%
1	0.34kg	24,738	795.35	13.08	9.2
2	1.04kg	17,040	547.85	5.87	7.6
3	0.63kg	3,641	117.06	2.69	3.03
4	4.24kg	1,423	45.75	5.24	1.7
5	0.27kg	700.7	22.53	2.32	0.76
6	0.73kg	583.2	18.75	5.03	2.23
7	3.36kg	559.6	17.99	3.67	0.82
8	1.50kg	283.3	9.11	9.12	4.71
9	2.43kg	137.5	4.42	1.39	2.08
10	4.24kg	35.7	1.15	0.32	1.03

Over 542 kg (1,190 lb) of "run-of-mine" material has been received in Vancouver from the Bayhorse Silver Mine. This material was sampled during the first week, the third week, and the fifth week of stockpiling. As previously reported, 85kg of this material was submitted to Metsolve Metallurgical Labs, Langley, BC, for comparison assays, and continued Dense Media Separation in preparation for mine-site mineral processing.

Additionally, as tabulated above, ten select samples from the first and second sampling were assayed separately by Metsolve Labs, using MS1714, 24 element assay package with fire assay for gold and silver, and four acid digestions for ICP. The samples are selective by nature and may not be representative of the material being sampled.

The select samples assayed were taken from the first sample size of approximately 85 kilograms (180 lb) and the second sample size of approximately 200kg (440lb) from the mineralized "run of mine" material that the Company has excavated and stockpiled.

To date, HRB has excavated, hauled to the surface, and stockpiled, approximately 800 metric tonnes of mineralized "run-of-mine" material. Stockpiling of run-of-mine material for metallurgical testing is ongoing.

A further shipment of 110 kg (242 lb) of the mineralized "run of mine" material was submitted to Mt Baker Mining & Metals of Ferndale, WA, (MBMM) for crushing and sizing testing for the Dense

Media process. A Wilfley table test was conducted by MBMM on fines material under1 mm from the crushing and sizing test and the resultant products were submitted for assay.

A shipment of 75kg of the mineralized "run-of-mine" material sized between 1" to 4" has been shipped to Steinert USA for further testing on Steinert's Ore-Sorting equipment.

For additional comprehensive metallurgical concentrate testwork, approximately 800 tonnes of the stockpiled "run-of-mine" material is being evaluated for shipping to either the New Jersey Flotation Mill in Kellogg, Idaho, or the U.S. Grant Mill, Virginia City, Montana.

Mineralization at the Bayhorse Silver Mine occurs within veins, stockworks, replacements and pods dominated by sulfosalts tetrahedrite-tennantite, acanthite and other sulfosalts together with abundant sphalerite (Leitch 2013). Chalcopyrite, galena and minor pyrite are present.

Mining by Silver King Mines in 1984 produced 5,718 tons of silver bearing material, of which 23% graded between 21 – 100 oz/t Ag, 71% graded between 6 – 20 oz/t Ag while 6% graded under the cut-off grade of 6 oz/t Ag.

The current work has been funded by the proceeds of the US Debenture.

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.

A National Instrument 43-101-Compliant Technical Report was commissioned on the Alexander River Project, which report was received on April 30, 2013 and revised February 2015. At this time the property and permits have been relinquished and the Company no longer holds any permits.

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. For strategic reasons the Company relinquished the property in 2015 and the Company no longer holds any permits.

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. For strategic reasons the Company relinquished the property in 2015 and the Company no longer holds any permits.

MINERAL & OIL EXPLORATION EXPENSES BY PROPERTY

Mineral expenses by property in Canadian dollars for the nine months ended September 30, 2016 and 2015 are as follows.

Nine months ended September 30, 2016	Bayhorse	Bridging The Gap	Total
Acquisition and holding costs	4,764	32,217	36,981
Assays and analysis	10,641	-	10,641
Drilling	-	125,772	125,772
Equipment rental	57,425	-	57,425
Field costs	118,103	-	118,103
Geological	3,770	8,668	12,438
Project preparation	193,126	4,236	197,362
Travel and accommodation	53,183	290	53,473
Miscellaneous	663	261	924
	$ 441,675	$ 171,444	$ 613,119

Nine months ended September 30, 2015	Bayhorse	Alexander River	Paparoa	Lyell-Red Queen	Total
Acquisition and holding costs	3,669	2,633	26,111	4,302	36,715
Assays and analysis	2,500	-	-	-	2,500
Equipment rental	19,406	-	-	-	19,406
Field costs	162,102	1,255	1,255	1,255	165,867
Geological	4,350	-	-	4,688	9,038
Insurance	-	42	43	42	127
Travel and accommodation	4,983	-	-	-	4,983
	$ 197,010	$ 3,930	$ 27,409	$ 10,287	$ 238,636

SUMMARY OF QUARTERLY RESULTS

A summary of the last eight quarterly financial results is as follows:

Three Months Ended	General, administrative expenses ($)	Exploration Expenses ($)	(Net Loss) ($)	Loss per Share ($)
30 Sep 2016	627,527	315,935	(1,023,041)	(0.03)
30 Jun 2016	307,522	262,928	(570,450)	(0.02)
31 Mar 2016	149,679	34,256	(152,008)	(0.01)
31 Dec 2015	447,535	395,823	(894,921)	(0.03)
30 Sept 2015	118,001	226,770	(344,771)	(0.01)
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)

Expenses for the quarters ended September 30, 2016 and December 31, 2105 were higher due to the cost of warrants issued with the Debentures. Expenses for the quarter ended June 30, 2016 was due to the cost of stock options granted.

RESULTS OF OPERATIONS

Three Months Ended September 30, 2016

During the three months ended September 30, 2016, the Company had no revenues. General and administration expenses totaled $627,527 which was $509,526 higher than the same period in 2015 mainly due to the following significant variances:

Financing fee was $563,509, which was comprised of the fair value of warrants issued with the convertible debentures and interest expense on the convertible debentures. There was no financing fee in the comparable period in 2015.

Foreign exchange and bank charges was a gain of $42,168 compared to an expense of $15,437 for the comparable period in 2015 mainly because the Canadian dollar strengthened against the US dollar for the US dollar denominated convertible debentures.

Office and other of $22,953 increased by $13,831 over the comparable period in 2015 mainly due to additional office administration costs.

Promotion expense was $7,788 compared to $34,656 for the comparable period in 2015. The reduction in promotion expense due to fewer promotional activities.

Travel expense was $9,043, an increase of $7,574 from the comparable period in 2015. The increase was due travel for financing and project related activities.

Exploration expenditures of $315,935 for the three months ended September 30, 2016 increased by $89,165 from the three months ended September 30, 2015 mainly due to the mine work and drilling activities at the Company's projects in the USA.

The Company's Debentures are denominated in US dollars but the conversion price is denominated in Canadian dollars. The number of shares to be converted varies based on the foreign exchange rate at conversion date. The amount of interest payment also varies based on the foreign exchange rate on interest payment dates. The Debenture issued by the Company is a hybrid instrument, containing a loan component and embedded derivatives and as such is classified as fair value through profit and loss ("FVTPL") and all changes in fair value are recorded in profit and loss. Accordingly, the Company recorded a loss of $79,579 (2015 - $nil) for the three months ended September 30, 2016.

Nine Months Ended September 30, 2016

During the nine months ended September 30, 2016, the Company had no revenues. General and administration expenses totaled $1,084,727 which was $755,733 higher than the same period in 2015 mainly due to the following significant variances:

Financing fee was $721,613, which was comprised of the fair value of warrants issued with the convertible debentures and interest expense on the convertible debentures. There was no financing fee in the comparable period in 2015.

Foreign exchange and bank charges was a gain of $49,848 compared to gain of $9,982 for the comparable period in 2015 mainly because the Canadian dollar strengthened against the US dollar for the US dollar denominated convertible debentures.

Office and other of $43,060 increased by $13,901 over the comparable period in 2015 mainly due to additional office administration costs.

Promotion expense was $43,321 compared to $35,571 for the comparable period in 2015. The increase in promotion expense was due to the engagement of a promotional firm in the first quarter of 2015.

Share based compensation of $111,627 was $31,833 higher than the comparable period in 2015 because the Company granted 935,000 options that had a higher fair value compared to 1,100,000 options that had a lower fair value in the same period in 2015.

Transfer, listing and filing fees of $28,808 increased by $5,441 from the comparable period in 2015 primarily due to additional filing fees for the various financing activities.

Travel expense was $17,305, an increase of $15,836 from the comparable period in 2015. The increase was due travel for financing and project related activities.

Exploration expenditures of $613,119 for the nine months ended September 30, 2016 increased by $374,483 from the nine months ended September 30, 2015 mainly due to the mine work and drilling activities at the Company's projects in the USA.

LIQUIDITY, CAPITAL RESOURCES, COMMITMENTS AND CONTINGENCIES

Working Capital and Cash

The Company's cash decreased by $309,918 to $310,840 during the nine months ended September 30, 2016. Cash used in operations was $963,642 mainly for exploration expenses, management fees, office administration, professional fees and promotion costs. The Company also purchased $113,137 of mining equipment.

During the nine months ended September 30, 2016, the Company received gross proceeds of $1,119,502 from the issuance of Debentures, $405,565 from warrant exercises and $55,000 from option exercises. During the same period, the Company repaid $203,615 of loans and notes payable.

Going Concern

The Company has not yet put into commercial production any of its mineral properties and as such has no operating revenues or cash flows. Accordingly, the Company is dependent on the equity and debt markets as its sole source of operating working capital, and the Company's capital resources are largely determined by the strength of the junior resource capital markets and by the status of the Company's projects in relation to these markets, and its ability to compete for investor support of its projects. There can be no assurance that financing, whether debt or equity, will always be available to the Company in the amount required at any particular time or for any particular period or, if available, that it can be obtained on terms satisfactory to it.

The Company is in the mineral 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 and debt 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 condensed consolidated interim financial statements for the three and nine months ended September 30, 2016 have been prepared on the basis of accounting principles applicable to a "going concern", which assumes that the Company will continue its operations and will be able to realize its assets and discharge its liabilities in the normal course of operations for the foreseeable future. At September 30, 2016, the Company had a working capital deficit of $1,067,594, had not yet achieved profitable operations and expects to incur further losses in the development of its business. For the nine months ended September 30, 2016, the Company reported a comprehensive loss of $1,751,583. 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. Management of the Company believes that the current level of funds is not sufficient to pay for expected cash expenditures over the next 12 months. The recoverability of the underlying value of assets is entirely dependent on the existence of economically recoverable reserves, securing and maintaining title and beneficial interest in the properties, the ability of the Company to obtain the necessary financing to complete development, and future profitable production. These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern. The Company's condensed consolidated interim financial statements for the three and nine months ended September 30, 2016 do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary should the going concern assumption be inappropriate, and such adjustments could be material.

Capital Management

The Company manages its capital structure, being its share capital, and makes adjustments to it, based on the funds available to the Company, in order to support future business opportunities. The Company had share capital of $9,584,392 (December 31, 2015 - $8,557,473), $1,582,639 (December 31, 2015 - $440,674) of Debentures and loans totalling $61,637 (December 31, 2015 - $304,450) as at September 30, 2016. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. Planning, annual budgeting, cash flow forecasting and implementing controls over major investment decisions are primary tools used to manage the Company's capital.

The Company's investment policy is to hold cash in interest bearing bank accounts.

The Company currently has no source of revenues. As such, the Company is dependent upon external financings to fund activities. In order to carry future projects and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.
There were no changes to the Company's approach to capital management during the quarter. The Company is not subject to externally imposed capital requirements.

Contractual Obligations

The following table summarizes the contractual maturities of the Company's significant financial liabilities and capital commitments, including contractual obligations:

September 30, 2016	**Payments Due by Period**		
	Less than 1 year	1 to 3 years	Total
	$	$	$
Accounts payable and accrued liabilities	1,190,940	-	1,190,940
Agreement obligations (1)	980,000	3,690,000	4,670,000
Loan Payable	8,450	-	8,450
Promissory Notes	53,187	-	53,187
Convertible Debentures (2)	82,175	1,639,625	1,721,800
Total	2,314,752	5,329,625	7,644,377

(1) Agreement obligations include all shares and expenditure obligations for the Company's mineral properties.
(2) The convertible debentures may be converted to common shares and may not result in a cash outflow. The amount represents the actual debt obligation and not its fair value at the September 30, 2016.

TRANSACTIONS BETWEEN RELATED PARTIES

Key management personnel compensation

The remuneration of the Company's directors and other members of key management, who have the authority and responsibility for planning, directing and controlling the activities of the Company, consists of the following amounts.

The following table summarizes transactions with related parties during the nine months ended September 30, 2016 and 2015:

		Nine months ended	
	Note	September 30 2016	September 30 2015
Management fees	(a)	$ 90,000	$ 90,000
Office	(a)	21,600	21,600
Professional fees	(b)	45,000	45,000
Corporate services	(c)	18,000	18,000
Share-based compensation	(d)	111,627	79,794
		$ 286,227	$ 254,394

(a) Management fees of $90,000 (2015: $90,000) and office rental fees of $21,600 (2015: $21,600) were paid to Highcard Exploration Inc. ("Highcard"), a company controlled by Graeme O'Neill, the CEO, President and director of the Company ("Graeme"). During the year ended December 31, 2015, the Company renewed the 2-year management services agreements with Highcard requiring annual payments of $120,000.

(b) Fees paid to the Company's former CFO, Anike Li, of $45,000 (2015: $45,000).

(c) Fees paid to the Company's Corporate Secretary, Donna Moroney, of $18,000 (2015: $18,000).

(d) During the nine months ended September 30, 2016, the Company issued 925,000 (2015: 1,100,000) stock options to the above related parties. Total fair value is $111,627 (2015 - $79,794).

The following table summarizes payable balances to related parties as at September 30, 2016 and December 31,2015.

		September 30 2016		December 31 2015
Promissory note payable to Graeme	$	-	$	155,000
Interest on promissory note payable to Graeme		-		35,000
Trade payable to Graeme**		45,456		17,636
Trade payable to Highcard**		20,826		170,287
Trade payable to Anike Li**		-		28,818
Trade payable to a director of the Company**		3,275		9,244
Trade payable to corporate secretary**		22,844		28,636
	$	92,401	$	444,621

**These trade payables are bearing an interest rate of 12% per annum, compounded quarterly, and payable quarterly.

During the nine months ended September 30, 2016, Graeme subscribed for 28 units of US$5,000 convertible debenture with total proceeds of US$140,000. Graeme received 560,000 warrants that are exercisable 3 years from the date of issuance at exercise price of $0.25.

During the nine months ended September 30, 2016, the former CFO of the Company subscribed for 3 units of US$5,000 convertible debenture with total proceeds of US$15,000 and received 60,000 warrants that are exercisable 3 years from the date of issuance at exercisable price of $0.25.

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 September 30, 2016, the Company had $12,487 (2015 - $2,732) in advance receivable from Silcom.

FINANCIAL INSTRUMENTS

Fair Value: The carrying values of cash, current assets, accounts payable and accrued liabilities, loan payable, promissory note payable approximate their fair values due to the short-term maturity of these financial instruments.

The fair value of the loan component of the Debenture was based of the present value of expected future cash flows at the discount rate that would have applied to the financial instrument without conversion or other embedded derivative features.

Cash is 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. 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 the USA. The Company is also exposed to foreign exchange risk arising from:

- Cash balances held in U.S. dollars
- Debentures and Interest payments denominated in U.S. dollars

These are all shown on the statement of loss and comprehensive loss. 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 $180,000 per year.

Interest Rate Risk: The Company's overdue accounts payable and accrued liabilities, promissory note payable and convertible debentures accrue interest at fixed rates; therefore, the Company is not exposed to interest rate risk on these instruments.

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.

OUTSTANDING SHARE DATA

The Company's authorized share capital consists of an unlimited number of common shares without par value. As at the date of this report, 35,543,860 shares were issued and outstanding.

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

Number	Exercise Price	Expiry Date
420,000	$0.10	August 12, 2018
275,000	$0.20	February 26, 2019
50,000	$0.10	June 23, 2019
50,000	$0.10	September 26, 2019
250,000	$0.10	January 8, 2020
425,000	$0.10	December 8, 2020
700,000	$0.125	June 23, 2021
235,000	$0.12	June 30, 2021
2,405,000		

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

Number	Exercise Price	Expiry Date
620,000	$0.10	January 20, 2017
617,500	$0.15	February 7, 2017
422,000	$0.15	February 24, 2017
500,000	$0.15	April 17, 2017
1,900,000	$0.20	June 17, 2017
200,000	$0.10	July 10, 2017
600,000	$0.15	July 26, 2017
3,000,000	$0.20	July 23, 2017
1,000,000	$0.25	September 15, 2018
341,900	$0.10	September 26, 2018
400,000	$0.25	November 7, 2018
120,000	$0.25	January 22, 2019
280,000	$0.25	February 22, 2019
214,000	$0.25	May 18, 2019
220,000	$0.25	June 6, 2019
440,000	$0.25	August 3, 2019
340,000	$0.25	August 10, 2019
2,131,600	$0.25	September 19, 2019
13,347,000		

OFF BALANCE SHEET ARRANGEMENTS

The Company has no off balance sheet arrangements.

NEW ACCOUNTING PRONOUNCEMENTS

The Company is currently evaluating the following standards issued but not yet in effect and has not yet determined the impact on its financial position and results of operations:

IFRS 15, Revenue from Contracts with Customers – On May 28, 2014, the IASB issued IFRS 15 that provides a single, principles based five-step model to be applied to all contracts with customers. Guidance is provided on topics such as the point in which revenue is recognized, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced. IFRS 15 is effective for annual periods beginning on or after January 1, 2018.

IFRS 9 Financial Instruments - In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory.

IFRS 16, Leases - On January 13, 2016, the IASB published a new standard, IFRS 16, Leases. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Under the new standard, a lessee recognizes a right-of-use asset and a lease liability. The right-of-use asset is treated similarly to other non-financial assets and depreciated accordingly. The liability accrues interest. This will typically produce a front-loaded expense profile (whereas operating leases under IAS 17 would typically have had straight-line expenses). The standard is effective for annual periods beginning after December 15, 2019 (i.e., calendar periods beginning on January 1, 2020), and interim periods thereafter. Early adoption is permitted.

RISKS AND UNCERTAINTIES

Certain risks are faced by the Company, which could affect its financial position. In general, they relate to the availability of equity capital to finance the acquisition, exploration and development of existing and future exploration and development projects. The availability of equity capital to junior resource companies is affected by commodity prices, global economic conditions and economic conditions and government policies in the countries of operation, among other things. These conditions are beyond the control of the management of the Company and have a direct effect on the Company’s ability to raise capital.

The Company's working capital and liquidity fluctuate in proportion to its ongoing equity financing activities. The Company requires a certain amount of liquid capital in order to sustain its operations and in order to meet various obligations as specified under the its mineral property option agreement. Should the Company fail to obtain future equity financing due to reasons as described above, it will not be able to meet these obligations and may lose its interest in the property covered by the agreement. Further, should the Company be unable to obtain sufficient equity financing for working capital, it may be unable to meet its ongoing operational commitments.

The Company’s properties are in the exploration stage and without known reserves. Exploration and development of natural resources involves substantial expenditures and a high degree of risk. Few exploration properties are ultimately developed into producing properties. Accordingly, the Company has no material revenue, writes-off its mineral properties from time to time and operates at a loss. Continued operations are dependent upon ongoing equity financing activities.

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.

Unless otherwise indicated, forward-looking statements in this MD&A describe the Company's expectations as of November 28, 2016.

Readers are cautioned not to place undue reliance on these statements as the Company's actual results, performance or achievements may differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements if known or unknown risks, uncertainties or other factors affect the Company's business, or if the Company's estimates or assumptions prove inaccurate. Such risks and other factors include, among others, risks related to integration of acquisitions; risks related to operations; actual results of current exploration activities; actual results of current reclamation activities; conclusions of economic evaluations; changes in project parameters as plans continue to be refined; future prices of metals; accidents, labour disputes and other risks of the mining industry; delays in obtaining governmental approvals or financing or in the completion of development or construction activities, as well as those factors discussed in the section entitled "Risks and Uncertainties." Therefore, the Company cannot provide any assurance that forward-looking statements will materialize.

The Company assumes no obligation to update or revise any forward-looking statement, whether as a result of new information, future events or any other reason, except as required by law. For a description of material factors that could cause the Company's actual results to differ materially from the forward-looking statements in this MD&A, please see "Risks and Uncertainties."

QUALIFIED PERSON

All technical information about the Company's mineral properties contained in this MD&A has been prepared under the supervision and approval of Dr. Clay Conway, Ph.D., P.Geol, a director of the Company, who is a "qualified person" within the meaning of National Instrument 43-101.