



(A DEVELOPMENT STAGE COMPANY)

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS  
AND RESULTS OF OPERATIONS  
FOR THE PERIOD ENDED JUNE 30, 2016**

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The following Management's Discussion and Analysis ("MD&A") of the financial condition of Alliance Mining Corp ("Alliance" or the "Company") and results of operations of the Company, should be read in conjunction with the unaudited interim financial statements including the notes thereto for the six months ended June 31, 2016 and the audited financial statements including the notes thereto for the years ended December 31, 2015. The financial statements together with this MDA are intended to provide investors with a reasonable basis for assessing the financial performance of the Company.

The financial statements are presented in accordance with International Financial Reporting Standards ("IFRS"). The Company's accounting policies are described in Note 2 of the Financial Statements. The financial statements together with this MDA are intended to provide investors with a reasonable basis for assessing the financial performance of the Company.

All monetary amounts are in Canadian dollars unless otherwise specified. The effective date of this MD&A is August 26, 2016. Additional information relating to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com).

**Description of Business**

Alliance Mining Corporation is an exploration company engaged in resource exploration and project development. In this regard, the Company's plan is to acquire properties of merit and take them through the exploration phase and hopefully through feasibility and on to construction and into mining operations.

**Overall Performance**

The level of the Company's future operations will be determined by the availability of capital resources, which will be derived from the issuance of special warrants and future financings.

The Company has incurred recurring losses since its inception, and had an accumulated deficit of \$4,715,760 as at June 30, 2016 which has been funded primarily by the issuance of shares. The Company has no source of operating cash flows and expects to incur further losses in the exploration and development of its mineral properties. The Company's ability to continue its operations and to realize assets at their carrying values is dependent upon obtaining additional financing or maintaining continued support from its shareholders and creditors, and generating profitable operations in the future.

In addition, the Company has engaged in negotiations with creditors and significant shareholders and reviewed several strategic opportunities in the mining business with a view to increasing shareholder value.

*Private Placement*

On May 18, 2016, the Company completed a private placement to raise gross proceeds of \$150,000 by issuing 7,500,000 units at a price of \$0.02 per unit. Each unit consists of one Class “A” common share and one share purchase warrant. Each share purchase warrant entitles the holder to purchase one additional Class “A” common share of the Company at a price of \$0.05 per share for a period of 5 years.

*Property Acquisition*

On June 8, 2016, the Company announced that it has entered into an exclusivity agreement (the “Exclusivity Agreement”) with Madeira Resources (“Madeira”), a privately held exploration company located in Winnipeg, Manitoba whereby Alliance will have up to 30 days to conduct due diligence on certain of Madeira’s mineral claims commonly known as the Lotus and Denver claims located in Manitoba, with a view to negotiating the terms of a letter of intent and, if applicable, a definitive agreement in order to complete the acquisition of certain of Madeira’s mineral claims (the “Transaction”).

The Lotus and Denver claims are located within the Archean Rice Lake greenstone belt in southeastern Manitoba. This belt forms part of the Uchi Subprovince that includes the Red Lake and Pickle Crow belts in northwestern Ontario. The Uchi Subprovince has produced in excess of 15 million ounces of gold with some copper and zinc. Gold production from the Rice Lake belt exceeded 1.7 million ounces with no significant production of other metals. The Lotus claims are just off a provincial highway located approximately 35 kilometers west of the town of Bissett where the Rice Lake Mine is located.

The discovery of gold has played a big part in developing this area of Manitoba. Over the many years there have been multiple smaller mines which include the Jeep Mine and the Poundmaker to only mention a few.

The Transaction is subject to, among other things, the completion of due diligence, completion of a National Instrument 43-101 technical report on the Property, the execution of a mutually satisfactory definitive agreement and obtaining all necessary regulatory approvals, including the TSX Venture Exchange.

**Results of Operations**

	2016	2015
	\$	\$
Financial results:		
Net loss for the period	(124,106)	(302,553)
Basic and diluted gain per share	(0.00)	(0.01)
Balance sheet date		
Cash	13,011	295
Total assets	17,141	259,435
Shareholders’ equity	(513,754)	(177,187)

For the period ended June 30, 2016 Company reported a loss of \$124,106 (2015 - \$302,553). The Company's loss per share was \$0.00 (2015 - \$0.00). The decrease in the loss reported is due decreased in expenses.

### **Analysis of the results of operation for the six months ended June 30, 2016**

#### **Expenses**

Expenses during the period ended June 30, 2016 were \$143,498, which is a decrease with the same period in 2015-\$314,884. Significant differences in expenses for the six month period ended June 30, 2016 include:

#### Exploration and Evaluation Expenditures

As at June 30, 2016, the Company had \$Nil (2015 - \$3,522) of cumulative acquisition and exploration costs related to the Placerita Project, Arizona.

#### General and Administrative Expenses

- Consulting fees of \$60,539 (2015 - \$202,779), were accrued /paid to company controlled by CEO of the Company general management, strategic, financing, administrative services and to a company for project evaluation and future acquisition. The decreases is due to cancellation of property acquisition and evaluation in Peru in YE2015.
- The Company incurred \$27,338 (2015 - \$18,778) in general and administration costs during the period. These costs for both six month periods included administration, office expenses, telephone, courier and postage, printing and insurance. These costs were higher for the period due to increase in administration fees.
- Accounting, audit and legal of \$20,041 (2015 - \$24,168) accrued to accounting being charged during the period. The accounting, audit and legal decrease as a result of decrease in audit fees.
- Bank charges and interest of \$4,030 (2015-\$1,346), increased due to the charges of interest on loan payable.
- Filing and transfer agent fees of \$11,985 (2015 - \$13,568) consisted of fees paid to regulatory bodies in Canada in connection with routine filings.

#### Other Items

The Company wrote off \$19,392 (2015-\$5,000) of old accounts payable and forgiven debt.

### **Analysis of the results of operation for the three months ended June 30, 2016**

#### **Expenses**

Expenses during the period ended June 30, 2016 were \$66,073, which is a decrease with the same period in 2015-\$197,817. Significant differences in expenses for the three month period ended June 30, 2016 include:

### General and Administrative Expenses

- Consulting fees of \$30,216 (2015 - \$152,500), were accrued /paid to company controlled by CEO of the Company general management, strategic, financing, administrative services and to a company for project evaluation and future acquisition. The decreases is due to cancellation of property acquisition and evaluation in Peru in YE2015.
- The Company incurred \$8,792 (2015 - \$4,446) in general and administration costs during the period. These costs for both three month periods included administration, office expenses, telephone, courier and postage, printing and insurance. These costs were higher for the period due to increase in administration fees.
- Accounting, audit and legal of \$10,041 (2015 - \$16,276) accrued to accounting being charged during the period. The accounting, audit and legal decrease as a result of decrease in audit fees.
- Filing and transfer agent fees of \$5,830 (2015 - \$12,308) consisted of fees paid to regulatory bodies in Canada in connection with routine filings.

### Summary of Quarterly Reports

Results for the most recent quarters ending with the last quarter for the period ended June 30, 2016:

	Three Months Ended			
	June 30, 2016 \$	March 31, 2016 \$	December 31, 2015 \$	September 30, 2015 \$
Revenue	Nil	Nil	Nil	Nil
Net Income(Loss)	(46,681)	(77,425)	1,350	(365,305)
Basic and diluted loss per share	(0.00)	(0.00)	(0.00)	(0.00)

	Three Months Ended			
	June 30, 2015 \$	March 31, 2015 \$	December 31, 2014 \$	September 30, 2014 \$
Revenue	Nil	Nil	Nil	Nil
Net Income(Loss)	(197,817)	(104,736)	(113,794)	(82,337)
Basic and diluted loss per share	(0.00)	(0.00)	(0.00)	(0.00)

Over the last eight quarters, the Company has been exploring and acquiring property projects and the majority of the loss each quarter relates to the expenditures incurred in maintaining the operations of the Company and indirect cost in supporting the Company's Projects.

Mineral exploration is typically a seasonal business, and accordingly, the Company's operating expenses and cash requirements will fluctuate depending upon the season and the level of activity. The Company's

primary source of funding is through the issuance of share capital. When the capital markets are depressed, the Company's activity level normally declines accordingly. As capital markets strengthen and the Company is able to secure equity financing with favorable terms, the Company's activity levels and the size and scope of planned exploration projects will typically increase.

### Liquidity and Capital Resources

	June 30, 2016 \$	December 31, 2015 \$
Current assets	16,338	2,910
Property and Equipment	803	868
Total Assets	<u>17,141</u>	<u>3,778</u>
Total Liabilities	<u>530,895</u>	<u>543,426</u>
Shareholders' Equity	<u>(513,754)</u>	<u>(539,648)</u>
Working Deficit	<u>514,557</u>	<u>540,516</u>

The Company does not generate sufficient cash flow from operations to fund its exploration activities, its acquisitions and its administration costs. The Company is reliant on equity financing to provide the necessary cash to continue its operations.

	June 30, 2016 \$	June 30, 2015 \$
Cash used in operating activities	(137,165)	(303,256)
Cash used in investing activities	-	19,500
Cash provided by financing activities	<u>150,000</u>	<u>284,400</u>
Change in cash	<u>12,835</u>	<u>644</u>

During the period ended June 30, 2016;

- The Company had cash of \$13,011 (December 31, 2016 - \$176) and working capital deficiency of \$514,557 (December 31, 2015 - \$540,516).
- The Company completed a non-brokered public placement for a total proceeds of \$150,000.00

**Loan Payable**

	June 30, 2016 \$	December 31, 2015 \$
Loan Payable	85,000	75,000
Accrued Interest	1,397	5,026
	<u>86,397</u>	<u>80,026</u>

On May 5, 2015, the Company issued a \$75,000 (2014 - \$nil) convertible debenture (the "Debenture"). At the option of the holder, the principal amount of the Debenture is to be converted into 1,500,000 units. One unit consists of one common share and one share purchase warrant. One warrant entitles the holder to acquire one additional common share of the company at an exercise price of five cents per share for 60 months following the date of issuance.

The Debenture had a maturity date of October 5, 2015 and was subject to an interest rate of 10% over the term of the Debenture.

The Debenture is recorded in part as a liability and in part as shareholders' equity. The Company uses the "residual valuation" method to determine the debt and equity components of the convertible debenture. Under the residual valuation method, the liability component is determined by estimating the present value of the future cash payments discounted at a rate of interest which the Company would be charged by the market for similar debt without the conversion option. The difference between the net proceeds of the debenture and the liability component is recorded as a separate component of shareholders' equity.

The Debenture has been accreted to its face value at maturity through a charge to operations. For the year ended December 31, 2015, the Company recorded accretion expense in the amount of \$1,494 (2014 - \$nil).

On February 5, 2016, the Company and the lender entered into an agreement to extend the loan for an extension fee of \$10,000 and to accrue interest on the principal at a rate of 12% per annum.

For the period ended June 30, 2016, the Company recorded interest expense of \$3,963 (2015 - \$nil).

**Transactions with Related Parties**

**a) Related Party Balances**

As at June 30, 2016 and December 31, 2015, the Company has the following amounts owed to related parties:

	June 30, 2016 \$	December 31, 2015 \$
Due to a company controlled by Director and CEO for Consulting Services and other expenses	281,956	217,252
Due to an Officer for Accounting Services	-	2,000
Due to a company controlled by a director for Rental Services	40,200	81,405
Loan due to a person related to a Director	10,000	10,000
	<u>332,156</u>	<u>310,657</u>

**b) Compensation of Key Management Personnel and Other Related Parties**

The Company incurred consulting and management fees for services provided by key management personnel for the period ended June 30, 2016 and 2015, as described below. All related party transactions were in the ordinary course of business and were measured at their exchange amount.

	2016 \$	2015 \$
Consulting Fees	60,000	60,000
Exploration	-	3,522
Rent and Office	-	18,000
	<u>60,000</u>	<u>81,522</u>

**Commitments**

On September 1, 2013, the Company signed a consulting agreement with a Director of the Company to provide consulting services for a monthly fee of \$10,000 for a period of three years and was automatically renewed for additional three years.

**Off Balance Sheet Agreements**

The Company has not engaged in any off-balance sheet arrangements in the six month period ended June 30, 2016.

### **Critical Accounting Policies and Estimates**

The details of Alliance's accounting policies are presented in Note 2 of the audited financial statement ended December 31, 2015.

### **Changes in Accounting Policies**

In preparing these interim financial statements as at June 30, 2016, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements for the year ended December 31, 2015.

### **Risk and Uncertainties**

There are no significant changes relating to the risk factors since the filing of the annual MD&A of December 31, 2015.

### **Forward-Looking Information**

This MD&A, which contains certain forward-looking statements, are intended to provide readers with a reasonable basis for assessing the financial performance of the Company. All statements, other than statements of historical fact, are forward-looking statements. The words "believe", "expect", "anticipate", "contemplate", "target", "plan", "intend", "continue", "budget", "estimate", "may", "will", "schedule" and similar expressions identify forward looking statements. Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by the Company, are inherently subject to significant business, economic and competitive uncertainties and contingencies.

### **Capital Risk Management**

The Company manages its share capital as capital, which as at June 30, 2016, was \$4,200,512 (December 31, 2015 - \$4,050,512). The Company's objectives when managing capital are:

- i) to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- ii) to ensure the entity has the capital and capacity to support a long-term growth strategy.

The Company's capital structure reflects the requirements of a company focused on significant growth in a capital intensive industry. The Company faces lengthy development lead times, as well as risks associated with rising capital costs and timing of project completion because of the availability of resources, permits and other factors beyond our control. The Company's operations are also affected by potentially significant volatility of the metals and materials cycles.

Management continually assesses the adequacy of the Company's capital structure and makes adjustments within the context of its strategy, the base metal mining industry, economic conditions,

and the risk characteristics of the Company's assets. To adjust or maintain its capital structure, the Company may enter into new credit facilities or issue new shares.

### **Financial Instruments and Risk Management**

The Company is exposed to various risks in relation to financial instruments. The Company's financial assets and liabilities by category are summarized in Note 2(m) of the audited financial statement. The Company's risk management is coordinated in close co-operation with the board of directors and focuses on actively securing the Company's short to medium-term cash flows and raising finances for the Company's capital expenditure program. The Company does not actively engage in the trading of financial assets for speculative purposes. The most significant financial risks to which the Company is exposed are described below.

a) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company is dependent upon the availability of credit from its suppliers and its ability to generate sufficient funds from equity and debt financing to meet current and future obligations. The Company has a working capital deficiency of \$514,557 as at June 30, 2016. There can be no assurance that such financing will be available on terms acceptable to the Company.

b) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Management considers that risk related to interest is not significant to the Company at this time as the Company has limited short term investments. Amounts owed from and to related parties are non-interest bearing.

c) Credit Risk

Credit risk is the risk of loss associated with a counter party's inability to fulfill its payment obligations. The Company is in the exploration stage and has not yet commenced commercial production or sales. The Company is not exposed to significant credit risk.

d) Foreign Exchange Risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company conducts a significant portion of its business activities in foreign currency. The Company is exposed to foreign exchange risk to the extent it incurs mineral exploration expenditures and operating costs denominated in U.S. Dollars. The Company does use derivatives to manage its exposure to foreign exchange risk.

e) Commodity Price Risk

Commodity price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in commodity prices. The ability of the Company to develop its mineral properties and the future profitability of the Company are directly related to the market price of gold. The Company has not hedged any of its future gold sales. The Company's input costs are also affected by the price of fuel. The Company closely monitors gold and fuel prices to determine the appropriate

course of action to be taken.

f) Fair Values

The Company uses the following hierarchy for determining fair value measurements:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: Techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement. The Company's financial instruments measured at fair value use Level 1 valuation technique during the period ended June 30, 2016 and December 31, 2015. The carrying values of the Company's financial assets and liabilities approximate their fair values as at June 30, 2016 and December 31, 2015.

**Internal Control over Financial Reporting**

In connection with National Instrument (NI) 52-109 (Certification of Disclosure in Issuer's Annual and Interim Filings) adopted in December 2008 by each of the securities commissions across Canada, the Chief Executive Officer and Chief Financial Officer of the Company will file a Venture Issuer Basic Certificate with respect to the financial information contained in the unaudited interim financial statements and the audited annual financial statements and respective accompanying Management's Discussion and Analysis. The Venture Issuer Basic Certification does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109.

**Outstanding Shares**

	Number	Exercise Price	Expiry Date
Common shares	60,008,310	n/a	n/a
Stock options	Nil	n/a	n/a
Warrant	5,388,000	\$0.05	April 22, 2020
Warrant	7,500,000	\$0.05	May 18, 2021

**Other Requirements**

Additional disclosure of the Company's technical reports, material change reports, news release and other information can be obtained on SEDAR at [www.sedar.com](http://www.sedar.com).