Form 51-102-F1

PARLANE RESOURCE CORP.

MANAGEMENT'S DISCUSSION & ANALYSIS
For the year ended May 31, 2016

Directors and Officers as at September 23, 2016

Directors:

Robert Eadie
Gary Arca
David Gunning
Ken Sumanik

Officers:

President & Chief Executive Officer – Robert Eadie
Chief Financial Officer & Corporate Secretary – Gary Arca

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TSX Venture Exchange Symbol:	PPP-V

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PARLANE RESOURCE CORP.

MANAGEMENT'S DISCUSSION & ANALYSIS
For the year ended May 31, 2016

1.1 Date of This Report

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the audited consolidated financial statements of Parlane Resource Corp. ("Parlane", or the "Company") for the year ended May 31, 2016. All dollar amounts herein are expressed in Canadian Dollars unless stated otherwise.

Management is responsible for the preparation and integrity of the financial statements, including the maintenance of appropriate information systems, procedures and internal controls and to ensure that information used internally or disclosed externally, including financial statements and MD&A, is complete and reliable. The Company's Board of Directors follows recommended corporate governance guidelines for public companies to ensure transparency and accountability to shareholders. The Board of Directors' Audit Committee meets with management quarterly to review the financial statements and the MD&A and to discuss other financial, operating and internal control matters. The reader is encouraged to review the Company's statutory filings on www.sedar.com.

This MD&A is prepared as of September 23, 2016.

This MD&A includes certain statements that may be deemed "forward-looking statements". All statements in this discussion, other than statements of historical facts, that address exploration drilling, exploitation activities and events or developments that the Company expects are forward-looking statements. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in the forward-looking statements. Factors that could cause actual results to differ materially from those in forward-looking statements include market prices, exploitation and exploration successes, continued availability of capital and financing and general economic, market or business conditions. Investors are cautioned that any such statements are not guarantees of future performance and actual results or developments may differ materially from those projected in the forward-looking statements.

The Company does not undertake to update or revise any forward-looking information, except as, and to the extent, required by applicable securities laws. The forward-looking information contained in this MD&A is expressly qualified by this cautionary statement

1.2 Overall Performance

Description of Business

The Company was incorporated in the Province of British Columbia on June 1, 2007 under the Business Corporations Act of British Columbia. The Company is engaged in exploration in British Columbia on the Big Bear Project ("Big Bear") located in the Omineca Mining Division, and Bearcat claim situated 76 kilometres west of Quesnel. The Company is listed on the TSX Venture Exchange (the "Exchange"), having the symbol PPP-V, as a Tier 2 issuer and is in the process of exploring its mineral properties.

Recent News

Share issuance

On August 2, 2016, the Company closed its non-brokered private placement with the issuance of 1,407,780 Units (the "Units") priced at $0.15 per Unit, for gross proceeds of $211,167. Each Unit consists of one common share of the Company and one-half of one share purchase warrant with each whole Warrant (a "Warrant") entitling the holder thereof to acquire an additional common share of the Company for a period of two years at a price of $0.20 per share.

A cash payment of $900 was paid as a finder's fee for a portion of the financing attributable to such finder's efforts. All securities issued are subject to a hold period of four months in accordance with the rules and policies of the Exchange and applicable Canadian securities laws.

The net proceeds of the private placement will be used for general corporate purposes, further exploration of its Big Bear project and investigating other opportunities for the Company.

Exploration Property

The Company entered into an agreement with Deveron UAS Corp. to acquire an undivided interest in 28 contiguous claims covering approximately 12,968.43 hectares located in the prolific Omineca Mining Division in British Columbia, more commonly known as the Nechako Property. The Nechako gold property is situated on the Nechako Plateau, approximately 110 kilometres southwest of Vanderhoof and 160 kilometres west of Quesnel, adjacent to New Gold Inc.'s Blackwater and Capoose properties.

The acquisition calls for an immediate cash payment of $50,000 (paid) and additional cash payments of $50,000 on the first and second anniversaries of the agreement. The acquisition is subject to TSX Venture Exchange approvals.

1.3 Selected Annual Information

The highlights of financial data for the Company's three most recently completed year-ends are as follows:

	May 31, 2016	May 31, 2015	May 31, 2014
(a) Total other income	$ -	$ -	$ -
(b) Total expenses	$ (101,746)	$ (209,696)	$ (307,924)
(c) Net loss	$ (182,046)	$ (313,156)	$ (442,341)
(d) Loss per share – basic and diluted	$ (0.02)	$ (0.04)	$ (0.07)
(e) Total assets	$ 1,676,174	$ 1,621,335	$ 1,803,506
(f) Total long-term liabilities	$ 80,065	Nil	Nil
(g) Cash dividends declared per- share	Nil	Nil	Nil

1.4 Results of Operations

Discussion of Acquisitions, Operations and Financial Condition

The following should be read in conjunction with the May 31, 2016 audited consolidated financial statements of the Company and notes attached thereto.

1.4.1 Property Activity

Big Bear Project

On January 15, 2013, the Company's wholly owned subsidiary Little Bear Gold Corp. ("Little Bear") acquired an undivided 100% interest in 31 claims covering approximately 14,366 hectares located in the Omineca Mining Division of British Columbia known as the Big Bear Project ("Big Bear") by exercising its option under a Property Option Agreement.

To exercise the option on Big Bear, the Company made cash payments of $600,000, issued an aggregate of 240,000 common shares and 240,000 warrants and expended a minimum of $650,000 on exploration expenses over a period of two years to December 1, 2012. The warrants expired unexercised. The Big Bear Project is subject to a 2% net smelter royalty in favour of the optionor, 1% of which may be purchased at any time by the Company for $1,000,000.

The Company was required to provide financial assurance to the Ministry of Energy and Mines for the reclamation costs on the property. As of May 31, 2016, amounts on deposit with the ministry were $25,000 (May 31, 2015 - $25,000).

Property Description and Location

The Big Bear property is located in the Omineca Mining Division, Nechako Plateau, in central British Columbia, covers 14,366 ha, and is 100% owned by the Company's wholly owned subsidiary, Little Bear. Access to the Big Bear property is provided by forestry gravel roads from the town of Vanderhoof located approximately 100 km north from the investigated area. The Nechako Plateau lies within the Stikine Terrain. It was regionally uplifted, exposing a horst of Jurassic and Cretaceous volcanics and intrusives surrounded by Tertiary and younger volcanics and volcaniclastics. Extensional faulting and related structural activity plus associated extensive precious metal rich hydrothermal systems provide an attractive geological setting for precious metal high level epithermal, subvolcanic intrusive porphyry and transitional deposits.

History

Outcrop at the Big Bear property is limited, so much of what is known about the geology is based on work done by the B.C. Geological Survey and drilling on adjacent properties: Blackwater-Davidson and Capoose. The Blackwater-Davidson property is operated by New Gold Inc. ("New Gold") (who acquired the previous owner, Richfield Venture Corp.) and is located adjacent to the southeast of the Big Bear property. At the Blackwater-Davidson property, disseminated gold mineralization is hosted in strongly fractured and silicified volcanic rocks correlated with the Kasalka Group, a unit of latest Cretaceous volcanic and subvolcanic strata.

As of the end of October 2010, total drilling on the Blackwater-Davidson property reached 24,100 metres and defined a mineralized zone that extends over 600 by 800 m. Drilling intersected significant grades and lengths of gold with values of silver. Gold values are typically on the order of 1 g/t over hundreds of metres laterally and to depth, while silver is generally between 4 and 10 g/t over similar dimension. Richfield Ventures reported the drill intersections of 148 metres of 1.77 g/t Au and 171 metres of 3.13 g/t Ag.

The Capoose project is located immediately adjacent to the northwest of the Big Bear property and was operated by Silver Quest prior to being acquired by New Gold in December, 2011. Numerous silt and moss mat samples located immediately northwest from the Big Bear property returned up to 1.64 g/t gold, and collected soil samples up to 0.54 g/t gold (Jag claims).

In the New Gold press release dated December 23, 2011, New Gold reported that with the acquisition of Silver Quest, which owned 25% of the Blackwater-Davidson deposit and the Capoose deposit, consolidates 100% ownership of Blackwater Project thus increasing their indicated gold resources by 0.6 million ounces to 5.4 million ounces (165 million tonnes at an average grade of 1.01 g/t) and increases inferred gold resources by 0.2 million ounces to 1.2 million ounces (39 million tonnes at an average grade of 0.94 g/t). The Capoose Property's mineral resource added an indicated resource of 0.4 and 26.6 million ounces of gold and silver, respectively (31 million tonnes at an average grade of 0.38 g/t gold and 26.5 g/t silver) and an inferred resource of 0.4 and 29.5 million ounces of gold and silver, respectively (37 million tonnes at an average grade of 0.37 g/t gold and 24.6 g/t silver).

The Big Bear property, located between the two mineralized systems of Blackwater-Davidson and Capoose, is highly prospective for discovery similar to the type of mineralization as explored by New Gold. Coincidentally the Big Bear property is also centered on a 2.5km diameter aeromagnetic high anomaly that extends to the Blackwater-Davidson and Capoose deposit.

Results

In its ***news release dated October 2, 2012***, the Company announced completion of its 2012 soil, rock and stream sediment geochemical survey and an induced polarization (IP) and magnetometer survey. Field personnel collected a total of 827 soil samples, 25 stream sediment and 50 rock samples over 9 areas that returned anomalous results during the 2011 field season. Results from this year's sampling have been received from an accredited laboratory. In addition, a 14-line kilometre pole-dipole induced polarization (IP) and magnetometer survey have been conducted over nine zones and the results of this survey have also been received. Four of the nine zones that were surveyed by IP produced moderate to high chargeability, with moderate resistivity. The Chedakuz and Chedakuz South zones, about 1 kilometre apart, both yielded moderate to high chargeability of 20.9 - 41.7 mV/V, resistivity between 273 - 540 ohm-metre and soil geochemical analyses ranging from less than 0.1 to 6.2 grams per tonne silver and less than 0.5 to 334 parts per billion gold. An area approximately 100 metres by 200 metres, on the east side of the Chedakuz zone, contains numerous boulders at surface that are mineralized with pyrite, sericite, epidote and quartz: one of these float boulders assayed 2,502 parts per million zinc. The Top Lake South zone contains high chargeability (31 - 51.2 mV/V) that extends 600 metres east - west and a zone of sharp magnetic contrast (56200 to 57300 nT across 75 metres). Soil geochemical analysis in this area includes values of less than 0.1 to 1.7, 1.9 and 2.0 grams per tonne silver along an E-W soil line with 50-metre sample spacing. The Top Lake North zone contains an 80-metre wide east-west chargeability of 15.5 - 21.7 mV/V.

In its ***news release dated January 18, 2013***, the Company announced assay results from the 2012 drill program at its Big Bear property. Six drill holes were completed at 5 sites for a total of 1,637 metres of core. The objective of this drill program was to target areas yielding moderate to high chargeability responses that were coincident with anomalous results from soil sampling.

Two of the 6 drill holes intersected newly discovered mineralization. Drill hole BB12-4 was drilled at the Black Bear anomaly to a depth of 330.71 metres and was sampled at 1-metre or 2-metre intervals for its entirety. Significant mineralized sections are shown in Table 1 and include 9 metres assaying 2.14 grams per tonne (g/t) gold, 12.64 g/t silver and 0.76 % zinc. Within this section, a 1-metre interval, at 196 metres depth, assayed 13.50 g/t gold, 58.10 g/t silver and 1.36 % zinc. The average grade for all of the samples over the entire hole is 0.26 g/t gold, 2.67 g/t silver and 0.21 % zinc. Hole BB12-6 was also drilled at the Black Bear anomaly and was collared 200 metres west of BB12-4. Significant mineralized intersections (Table 1) include 8 metres assaying 0.67 g/t gold, 4.99 g/t silver and 0.67 % zinc and within this section a 1-metre interval assayed 2.06 g/t gold, 6.69 g/t silver and 1.63 % zinc. Mineralization at the Black Bear is hosted in thick units of intermediate to felsic lapilli and crystal tuff. The orientation of this volcanic package is considered to be dipping moderately to the northeast, based on outcroppings at higher elevations in the area, and drill intersections are approximately perpendicular to layering thereby giving true thicknesses plus or minus 90 per cent.

Table 1. Drill Hole Information and Significant Drill Hole Intersections

Drill Hole Information							Significant Drill Hole Intersections							
Hole	Easting	Northing	Elev.	Azimuth	Dip	Length (m)	From (m)	To (m)	Length (m)	gold g/t	silver g/t	copper %	zinc %
BB12-4	365225	5901000	1248	270	-50	330.71	18	24	6	1.34	3.62	0.04	0.25
						including	18	20	2	3.83	1.51	0.00	0.23
						and	114	126	12	1.12	9.30	0.11	0.43
						including	124	125	1	8.63	65.40	0.75	1.10
						and	195	204	9	2.14	12.64	0.06	0.76
						including	195	196	1	3.93	28.20	0.16	2.80
						including	196	197	1	13.50	58.10	0.11	1.36
BB12-6	364991	5901019	1255	360	90	300.84	7	15	8	0.67	4.99	0.06	0.67
						including	12	13	1	2.06	6.69	0.04	1.63
						and	24	25	1	0.20	5.38	0.01	1.05
						and	37	38	1	1.00	6.84	0.00	0.09
						and (with 1.92% lead)	53	54	1	0.10	17.20	0.10	0.77
						and	188	190	2	0.62	10.10	0.03	0.20
BB12-1	371500	5904950	1262	260	-60	317.92	No significant intersections						
BB12-2	371941	5906105	1222	360	-75	203.00	No significant intersections						
BB12-3	373600	5906075	1160	360	-60	218.00	No significant intersections						
BB12-5	368945	5905705	1430	225	-70	267.00	No significant intersections						

The Black Bear mineralization requires more geophysical surveying and drilling to determine its extent. Parlane has scheduled to return as funds allow to continue further work at this site.

The Brown Bear anomaly is located 2.6 kilometres south of the Black Bear and is characterized by anomalous silver, copper, lead and zinc values in soils and is coincident with a strong chargeability over an area approximately 500 metres by 700 metres. It is targeted for drilling; however, snow and ice have made access difficult.

The Medley Zone was discovered late in 2012 within the western block of the Big Bear tenure. Closely spaced, 1 to 5 centimetre-wide quartz and epidote veins carry silver and copper mineralization extending approximately 700 metres northerly. A selected hand sample assayed 2.67 g/t silver and 0.83 % copper. Further sampling and geological mapping is planned for this area.

Drill core samples were analyzed by AGAT Laboratories Ltd., an ISO 9001 - ISO/IEC 17025 certified laboratory. Parlane maintains a quality assurance and quality control program whereby standard samples and blanks are inserted into the sample stream.

In its ***news release dated November 2, 2015***, the Company announced completion of a successful 2015 mineral exploration program comprised of soil sampling and geological mapping at two mineral properties. The work has further defined drill target areas for future exploration work. The 14,366-hectare Big Bear property, located on the Nechako Plateau approximately 100 kilometres southwest of Vanderhoof, is situated between two mineralized systems: New Gold Inc.'s Blackwater and Capoose properties. The 389-hectare Bearcat property is situated 76 kilometres west of Quesnel and 6 kilometres northwest of Nazko.

Soil sampling at the Black Bear zone on the Big Bear property has identified an anomalous area extending approximately 400 by 170 metres south from the mineralization discovered during Parlane's 2012 drill program (see Parlane news release Jan. 18, 2013).

The 2015 120-sample set contained anomalous soil samples that are geochemically similar to the samples that led to the highly successful 2012 drill program. Future work including additional soil sampling, induced polarization surveying and drilling is planned for this area.

In its ***news release dated November 16, 2015***, the Company announced the extension of the mineral exploration permit to December 2020.

Parlane plans to resume exploration at Big Bear late 2016 and early 2017 including soil sampling at areas determined to be very prospective during prior property-wide soil sampling. In addition, it is anticipated that further induced polarization geophysical surveying and drilling will occur at the Black Bear zone. The Black Bear is highly prospective for gold (Parlane news release Jan. 18, 2013) and was discovered during the Company's 2012 drill program. Soil sampling at the Black Bear during the 2015 field season successfully outlined an anomalous area to target future work (Parlane news release Nov. 2, 2015).

Bearcat Claim

The Company has staked the 389-hectare Bearcat claim situated 76 kilometres west of Quesnel and six kilometres northwest of Nazko. The claim block covers a prospective area identified during Geoscience BC's TREK (Targeting Resources through Exploration and Knowledge) 2014 till sampling project.

The Company targeted the Bearcat area based on the results of an anomalous multi-element glacial till sample released in the TREK project's 677-sample data set. The original TREK till sample returned values (ICP-MS analytical method) greater than the 98th percentile for gold, silver, lead, zinc and nickel. Values for molybdenum and copper were greater than the 90th percentile. In addition, arsenic was the highest in the data set, antimony was 2nd highest and cadmium 3rd highest.

The Company collected an additional 7 soil and till samples during November 2014 in the immediate vicinity of the anomalous site and all of these samples returned positive results similar to the original sample. The Company’s data set returned values (ICP-MS) greater than the TREK data's 90th percentile for the elements noted above except for copper, which were all elevated, and a single gold value (greater than 95th percentile).

This region of the Interior Plateau is underlain by Cretaceous Skeena Group sedimentary rocks, Eocene Ootsa Lake Group felsic volcanic rocks and Chilcotin Group flood basalts. Gold-bearing low sulphidation epithermal prospects occur to the west and southwest of the area; the Nazko cone industrial mineral mine is situated 9 kilometres to the southwest and Amarc Resources Limited's prospect "Bob" lies 5 kilometres to the south. In 1986 Lac Minerals took 40 soil samples and performed a 3.8 kilometre IP survey on the McKay claims, approximately 3 kilometres to the north; however the Bearcat claim area remains untested. The strong multi-element geochemical signature from soils and till samples on the Bearcat property suggests the area is prospective for, but not limited to, similar styles of mineralization that are known to occur in the area.

The Company plans to explore the Bearcat property by developing a closely spaced soil grid over the anomalous area, a property-scale soil program and commencing a geological mapping and rock sampling project. The Company has paid $682 in regards to the acquisition of these claims.

In its ***news release dated November 2, 2015***, the Company announced sampling at the Bearcat property expanded on the initial soil sampling carried out during November 2014 (see Parlane news release January 20, 2015). The claim block covers a prospective area identified during Geoscience BC's TREK (Targeting Resources through Exploration and Knowledge) 2014 till sampling project. The 2015 60-sample program indicates an anomalous area exists in soil approximately 800 metres south of the original TREK sample site. Further exploration work including additional soil sampling and prospecting is planned for this area.

Summary of Expenditures

	Big Bear Property	Bearcat Property	Total
Acquisition costs:			
Balance, May 31, 2014	$ 909,460	$ -	$ 909,460
Claim acquisition	-	682	682
Balance May 31, 2015 & 2016	**$ 909,460**	**$ 682**	**$ 910,142**
Exploration costs:			
Balance, May 31, 2014	$ 618,341	$ -	$ 618,341
Assays and sampling	2,200	-	2,200
Geological consulting	2,735	675	3,410
Travel	1,133	-	1,133
Balance, May 31, 2015	624,409	675	625,084
Assays and sampling	5,086	-	5,086
Claim maintenance	476	-	476
Geological consulting	13,024	1,700	14,724
Travel	766	-	766
Balance, May 31, 2016	**$ 643,761**	**$ 2,375**	**$ 646,136**
Total exploration and evaluation assets			
Balance, May 31, 2015	$ 1,533,869	$ 1,357	$ 1,535,226
Balance, May 31, 2016	**$ 1,553,221**	**$ 3,057**	**$ 1,556,278**

1.4.2 Results of Operations

The expenses and other losses relating to the loss for the year ended May 31, 2016 of $182,046 and for the comparative year ended May 31, 2015 of $313,156 are as follows:

For the year ended		**May 31, 2016**		May 31, 2015
Accounting and audit fees	$	8,200	$	33,240
Finance costs		2,411		422
Foreign exchange (gain) loss		(849)		1,505
Legal and corporate services		-		2,850
Management services		60,500		61,350
Office, rent and administration		10,869		73,926
Shareholder communications		2,748		18,194
Transfer agent and filing fees		17,867		18,209
Loss on forgiveness of debt		58,225		-
Impairment on marketable securities		22,075		103,460
Total loss for the year	$	182,046	$	313,156

Outside of ongoing operating costs, discussed below, the most significant expenses decrease for the year ended May 31, 2016, is the $22,075 non-cash impairment loss on marketable securities and the most significant expenses increase is the non-cash $58,225 loss on forgiveness of debt.

During the current year, the Company incurred lower corporate overhead expenses compared to prior year due to decreased activity. These expenses include accounting and audit fees which decreased by $25,040, shareholders communications decreased by $15,446 and office, rent and administration were lower by $63,057 due to decrease in operational costs. Legal and corporate services costs were lower by $2,850 due to decreased activity in the operation of the Company.

Foreign exchange gain increased by $2,354 compared to the prior year due to the increase of GBP against the CDN dollar. The Company's marketable securities is a major factor for the foreign exchange gain.

Investor Relations Activities

During the year ended May 31, 2016, the Company responded directly to investor inquiries.

Financings, Principal Purposes & Milestones

Issuances for Cash

During the year ended May 31, 2016, the Company completed a non-brokered private placement with the issuance of 250,000 flow-through shares at $0.10 per share for proceeds of $25,000.

Debt Settlement

During the year ended May 31, 2016, the Company issued 3,105,333 common shares pursuant a debt settlement of $174,675 owed to four creditors, two of whom are directors of the Company. A Price of $0.075, being the Company's closing market price on the dates of issuance, was used in the determination of the $232,900 fair value of the shares, a loss on forgiven debt of $58,225 was recorded in the Company's profit or loss for the year.

1.5 Summary of Quarterly Results

The following is a summary of the Company's financial results for the most recent eight quarterly periods completed:

	Q4 31-May-16	Q3 29-Feb-16	Q2 30-Nov-15	Q1 31-Aug-15
Total Revenue:	$ -	$ -	$ -	$ -
Net Loss:				
Total	$ 90,506	$ 20,648	$ 37,597	$ 33,295
Per share – basic and fully diluted loss – post consolidation	$ 0.01	$ 0.00	$ 0.00	$ 0.00

	Q4 31-May-15	Q3 28-Feb-15	Q2 30-Nov-14	Q1 31-Aug-14
Total Revenue:	$ -	$ -	$ -	$ -
Net Loss:				
Total	$ 90,760	$ 52,221	$ 62,479	$ 107,696
Per share – basic and fully diluted loss – post consolidation	$ 0.01	$ 0.01	$ 0.01	$ 0.02

Discussion

For the discussion of results for the year ended May 31, 2016, see Section 1.4.2 *Results of Operations.*

1.6 Liquidity and Capital Resources

In management's view, given the nature of the operations, which currently consists of its interest in certain resource properties, the most relevant financial information relates primarily to current liquidity, solvency and planned expenditures. The Company's financial success will be dependent upon the extent to which it can determine whether its resource properties contain reserves, which are economically recoverable.

Such development may take years to complete and the amount of resulting income, if any, is difficult to determine. The Company does not expect to generate significant income in the foreseeable future.

As at May 31, 2016, the Company had $72,485 in cash, a working capital deficiency of $11,674 and $80,064 of long-term debt. The Company's ability to continue as a going concern is dependent upon its existing working capital and obtaining the necessary financing to meet its obligations and pay its liabilities arising from normal business operations when they come due. Management has estimated that the Company's existing working capital may not be adequate to meet corporate, development, administrative and property obligations for the coming year, however, with completion of the financing discussed above, management believes it has adequate working capital to maintain the immediate minimum operations for the coming year.

1.7 Off Balance Sheet Arrangements

There are no off-balance sheet arrangements to which the Company is committed or to which the Company is a party.

1.8 Transactions with Related Parties

The following is a summary of charges incurred by the Company with related parties:

For the year ended May 31,		2016		2015
Accounting fees	$	-	$	21,000
Loss on forgiveness of debt		38,025		-
Management services		60,500		61,350
Office, rent and administration		3,000		60,000
Shareholder communications		-		15,000
Total	$	101,525	$	157,350

During the year ended May 31, 2016, the Company incurred expenses of $101,525 (May 31, 2015 - $157,350) from companies controlled by directors and officers of the Company.

During the year ended May 31, 2016, the Company agreed to issue 2,027,999 common shares pursuant to a debt settlement of $114,075 to two of the Company's directors. A price of $0.075, being the Company's closing market price on the dates of issuance, was used in the determination of the $152,100 fair value of the shares, resulting a loss on forgiveness of debt of $38,025 (May 31, 2015: $Nil).

Key management personnel compensation

For the year ended May 31,		2016		2015
Management services	$	60,500	$	61,350
Total	$	60,500	$	61,350

Key management personnel include the Company's directors and officers.

Prepaid expenses include $Nil as at May 31, 2016 (May 31, 2015: $8,000) in respect of prepaid rent and refundable expenses advanced to a company controlled by a director. Included in accounts payables at May 31, 2016 is $95,461 (May 31, 2015: $207,900) due to directors of the Company and to a company controlled by a director. These balances are in respect of management activities and reimbursable expenses.

1.9 Critical Accounting Estimates

a) Exploration and Evaluation Expenditures

The application of the Company's accounting policy for E&E expenditures requires judgement in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditures are capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in the Company's profit or loss in the period the new information becomes available.

b) Title to Mineral Property Interests

Although the Company takes steps to verify title to mineral properties in which it has an interest, these procedures do no guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

c) Functional Currency

The functional currency for the Company and the Company's subsidiaries is the currency of the primary economic environment in which the entity operates. The Company has determined that the functional currency of the parent and one of its subsidiaries is the Canadian Dollar ("CAD") and the functional currency of the other subsidiary is the Mexican Peso ("MXP"). Determination of functional currency may involve certain judgements to determine the primary economic environment and the Company reconsiders the functional currency of its entities if there is a change in events and conditions which determined the primary economic environment.

d) Convertible Debenture

The Company has entered into a convertible debenture as described in Note 7. The fair value of the conversion option is estimated at the date of the transaction as the value of a similar liability that does not have an equity conversion option. Assumptions are made and judgments are used in applying valuation techniques. Such judgment is inherently uncertain. Changes in the valuation assumptions could materially affect the fair value estimates of the liability and equity components of the convertible debenture.

1.10 Changes in Accounting Policies and upcoming policies not yet effective

There were no changes to accounting policies during the year ended May 31, 2016.

The following accounting standards have been issued or amended but are not yet effective. The Company has not early adopted these new and amended standards. The Company continues to evaluate the new standards but currently no material impact is expected as a result of the adoptions of these new and amended standards:

- IFRS 9 – Financial Instruments – effective for annual periods beginning on or after January 1, 2018. The Company intends to adopt IFRS 9 for the year ended May 31, 2019.

There are no standards or interpretations that are not yet effective that would be expected to have a material impact on the Company.

1.11 Fourth Quarter

The fourth quarter ended May 31, 2016, shows decreased corporate activity compared to the previous quarters. Significant expenses in the quarter include the impairment on marketable securities. See Section 1.5 for a summary of expenses incurred during the first quarter and Section 1.4.2 for a discussion.

1.12 Financial and Other Instruments

a) Interest Rate Risk

The Company's cash earns interest at a variable interest rate. Because of the nature of this financial instrument, fluctuations in market rates do not have a significant impact on estimated fair values as of May 31, 2016. Future cash flows from interest income on cash and reclamation deposit will be affected by interest rate fluctuations. Interest rate risk consists of two components:

(i) To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk.

(ii) To the extent that changes in prevailing market interest rates differ from the interest rates in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

The Company's exposure to interest rate fluctuations is minimal.

b) 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 is exposed to credit risk with respect to its cash and reclamation deposit, the balance of which at May 31, 2016, is $72,485 and $25,000, respectively. Cash is held, primarily, at a chartered Canadian financial institution.

c) Liquidity Risk

Liquidity risk arises from the excess of financial obligations over available financial assets due at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements. As at May 31, 2016, the Company was holding cash of $72,485. The Company's trade and other payables are due in the short term.

As at May 31, 2016, the Company had $72,485 in cash, working capital deficiency of $11,674 and $80,064 of long-term debt. The Company may not have sufficient cash resources to meet its obligations for at least twelve months from the end of the reporting year. While the Company has been successful in obtaining the necessary financing through the issuance of common shares and loans from related parties in the past, there is no assurance it will be able to raise funds in this manner in the future and there remains significant doubt as to the Company's ability to continue as a going concern.

1.13 <u>Other</u>

N/A

1.14 Disclosure of Outstanding Share Capital as at September 23 , 2016:

	Number		Book Value
Common Shares	11,930,865	$	5,214,601

The Company has the following share purchase options outstanding:

Number of Options Exercisable	Exercise Price	Expiry Date
2,000	$1.00	December 20, 2017

The Company has the following outstanding warrants exercisable to purchase one common share for each warrant held:

Number of Warrants	Exercise Price	Expiry Date
703,889	0.20	August 2, 2018

1.15 Approval

The Board of Directors, upon the recommendation of the Audit Committee, has approved the disclosure contained in this MD&A.