

CMC METALS LTD.
MANAGEMENT DISCUSSION AND ANALYSIS (“MD&A”)
Quarter Ended March 31, 2016, as of May 16, 2016
(all figures in Canadian dollars)

General

The following Management Discussion and Analysis of Financial Condition and Results of Operations, prepared May 16, 2016, should be read in conjunction with the accompanying condensed consolidated interim financial statements and notes included in this report. These statements often can be identified by the use of terms such as "may," "will," "expect," "believes," "anticipate," "estimate," or "continue," or the negative thereof. The Company intends that such forward-looking statements be subject to the safe harbours for such statements. The Company wishes to caution readers not to place undue reliance on any such forward-looking statements, which speak only as of the date made. Any forward-looking statements represent management's best judgement as to risks, uncertainties and important factors beyond the control of the Company that could cause actual results and events to differ materially from historical results of operations and events from those presently anticipated or projected. The Company disclaims any obligation subsequently to revise any forward-looking statements to reflect events or circumstances after the date of such statements or to reflect the occurrence of anticipated or unanticipated events.

The Company's shares are listed on the Vancouver Stock Exchange under the symbol "CMC". Additional information related to the Company is available on SEDAR at www.sedar.com and on the Company's website at www.cmcmetals.ca.

Description of Business

The Company was incorporated under the laws of the Province of Alberta on June 21, 1996 and continued into the Province of British Columbia and changed its name to CMC Metals Ltd. from Bellevue Capital Corp., on July 4, 2005. The Company was extra-territorially registered in the Yukon on September 14, 2005.

On April 7, 2010, the Company incorporated a wholly-owned subsidiary, 0877887 B.C. Ltd. ("0877887 B.C."), under the Business Corporations Act of British Columbia. On April 12, 2012, the Company incorporated in the state of California, a 100% wholly-owned subsidiary, CMC Metals Corp.

These condensed consolidated interim financial statements include the accounts of the Company and its wholly-owned subsidiaries 0877887 B.C Ltd. and CMC Metals Corp.

The condensed consolidated interim financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). Therefore, the financial statements comply with International Accounting Standard ("IAS") 34 "Interim Financial Reporting".

The condensed consolidated interim financial statements have been prepared with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The continuing operations of the Company are dependent upon its ability to obtain continued financial support, raise adequate financing and to fund profitable operations in the future.

Discussion of Operations and Financial Condition

Operations Summary

During the start of the 2010 fiscal year, the Company continued its efforts to satisfy the British Columbia Securities Commissions concerns in seeking a revocation of the Cease Trade Order issued against the Company

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Operations Summary (cont’d)

on September 3, 2009, for failure to file an updated NI43-101 on its Silver Hart Property, plus non-compliant NI43-101 disclosure statements. The Company retained a qualified geologist to prepare the NI43-101 and legal counsel to aid it in the Company satisfying the Commission’s requirements. Having met all the requirements imposed by the Commission, a Revocation Order was issued on January 15, 2010, and the Company’s shares were reinstated for trading on the TSX-V on February 4, 2010.

During the 2011 fiscal year, the Company continued its efforts to progress the Silver Hart property towards the permitting of the mine and mill. The development application was updated for the Yukon Environmental and Socio-economic Assessment Board (“YESAB”) Executive Committee (“ExCom”) for pre-screening for completeness. Additional water quality and hydrological studies were undertaken to support the application. The application was submitted to YESAB on February 8th, 2010. In August 2010, a meeting with the YESAB ExCom members requested additional water balance studies and geotechnical studies for the site. It was stated that the geotechnical studies requested are for a prepared site area and can’t be performed prior. On June 3rd, 2011, the Company withdrew the YESAB ExCom application due to unreasonable time and cost risks associated with proceeding along that process. The Company is planning to reapply under the exploration permit that has been approved in an effort to accelerate the mining process.

During the 2011 fiscal year, the Company extracted a logistical 130.8 dry tonne bulk sample from the Silver Hart property and received \$445,000 (USD). During the 2012 fiscal year, the Company sent a second bulk sample of 114.1 dry tonnes and received \$311,401 (USD) pursuant to a letter of credit with a purchaser of the second bulk sample extracted from the Silver Hart Property. A third shipment of 268.6 dry tonnes was shipped in April, 2013 and the Company received \$205,885 (USD). During 2012, there was no activity on the Silver Hart property due to the Class 3 permit requiring renewal as of May 2012. During the fiscal year ended September 30, 2014, the Company filed an updated submission to the Yukon Government for a new Class 3 permit.

On March 15, 2010, the Company signed a Purchase Agreement for the Bishop Mill facilities located 8 miles north east of Bishop California. The purpose of the asset acquisition was based on the Bishop Mill being the only current permitted facility in Inyo County, California with several permitted active mines that required milling facilities. We are negotiating several joint venture agreements with permitted mines in the area. An amended Plan of Operation was developed with a new Class A Tailings Pond. The amended plan was submitted to the area water board for approval of the tailings pond design on December 23, 2010. The larger tailings pond required to have an updated California Environmental Quality Assessment and a National Environmental Protection Assessment conducted for the site. On May 13, 2011 a Waste Discharge Requirements approval was received. Prior to the Bureau of Land Management reviewing the amended Plan of Operation including the new tailings pond, the past operator’s buried tailings were requested to be classified under the current environmental regulations. On December 23, 2011 a report on the tailings defined the tailings as non-toxic allowing the BLM to complete their review of the amended Plan of Operations.

On May 3, 2013, the Company received confirmation that the NEPA assessment was completed and the approval of the filed Plan of Operation with the Bureau of Land Management has been granted. On February 20, 2014, the Company received final acceptance of construction plans from the Lohontan Water Board. Construction of the tailings pond commenced in March, 2014 and completion is expected in September, 2014. The tailings pond has been excavated to depth and the Company has contracted a subcontractor to contour the pond to a 2 to 1 slope with completion slated for early September. After contouring, the lining contractor will supply and install a double liner as well as bird netting for the pond. A new assay lab has been purchased and installed at the Bishop Mill site.

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Operations Summary (cont’d)

The Company is working towards upgrading the mill capacity to 100tpd and work towards Mine Safety and Health Administration (“MSHA”) certification is progressing. In January, 2015 the Company installed the geo membrane liner on the tailings pond. In June, 2015, the Company received an acceptance of the preliminary closure and post closure maintenance plan with the Lahontan Regional Water Control Board. The Company is installing a vadose zone monitoring well and bird netting on the tailings pond, and is working towards final permitting to commence operations.

On March 1, 2011, the Company entered into a Letter of Intent (“Radcliff LOI”) with Pruett Ballarat Inc. (PBI), to acquire up to a 50% interest in the Radcliff Property development located in Inyo County, California. PBI held an option agreement to develop the Radcliff Property and proposed to process the mines mineralized rock at the Bishop Mill facilities. On December 19, 2011, the Company and PBI entered into an Acquisition Agreement with WB & Radcliff Inc. to acquire the claims which comprise the Company’s Radcliff Property. The Company continued to technically and financially assist in the advancement of the Radcliff mine and in June 2012 it was determined that a second adit was needed to properly develop the mineralized structure systematically. The mine development was suspended until the Bishop Mill facility approvals had been completed. The approvals were issued in May 2013 and the Company has proceeded in coordinating the construction and commissioning of the Mill facilities to allow the continuation of the Radcliff Mine development. The Radcliff Mine recommenced operations in March 2014. The operator of the mine has constructed a new adit towards the high grade intercepts identified by drilling. The operator expects to be producing mill feed in the third quarter of 2016.

For the continued growth of the Company, we are actively reviewing several properties of merit and capital asset acquisitions that will support the Company’s focus of developing properties that will provide value to the shareholders in the long term.

Property Acquisitions

Bishop Mill

On March 19, 2010 and as completed on April 15, 2010, the Company entered into a sale and purchase agreement to acquire a 100% interest in certain claims, buildings, water rights and machinery, comprising the Bishop Millsite Property located near Bishop, California.

As consideration, the Company made the following payments:

- \$156,345 (US\$150,000) by March 19, 2010 (paid). Of this amount, \$89,574 was allocated toward acquisition cost and \$66,771 (US\$64,061) towards a reclamation bond on the property.
- \$100,533 (US\$100,000) by April 15, 2010 (paid).

Upon completion of the above payments, the Company assumed a US\$68,160 (CDN \$68,523) liability, which represented a loan used towards the reclamation bond.

The reclamation bond was transferred to the Company upon repayment of the loan in full which occurred in April, 2011, and increased to \$136,747 (US\$133,663) as of September 30, 2012 and September 30, 2013, by the payment of a further \$1,453 (US\$1,442) during the first quarter of the fiscal year ending September 30, 2012. Preceding the Company’s September 30, 2013 fiscal year end date, the Company was required to increase the bond on the Bishop Mill to \$196,046 (US\$191,269) prior to commencing operations, which was done and confirmed by the Bureau of Land Management, the holders of the bond, by letter dated December 17, 2013.

As at March 31, 2016, the Bishop Mill was not operating in the manner intended by management. During the year ended September 30, 2015, the Company fully impaired the Bishop Mill Property.

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Property Acquisitions (cont’d)

Logjam Property

The Company entered into an option agreement dated May 30, 2006 (the “Logjam Option Agreement”) to acquire a 100% interest in the Logjam Property located in the Watson Lake Mining District, Yukon Territories. As consideration, the Company paid \$5,000 upon execution of the agreement for access rights to the Logjam Property. Pursuant to the option agreement, at the end of the four years, the Company had the option to acquire a 100% ownership of the claims.

During the year ended September 30, 2010, the Company issued 50,000 common shares at a fair value of \$8,500 and acquired a 100% interest in the Logjam Property. Further, pursuant to the Logjam Option Agreement, the Company will pay an additional amount of \$100,000 or issue 100,000 common shares if an assessment is made that the property contains not less than 350,000 tons of economic grade ore.

As at September 30, 2013 the Company did not abandon these claims. However, as the Company has no current plan for the property, the Company wrote-down the exploration and evaluation asset costs related to the Logjam property by \$39,539 to \$Nil. Further property maintenance fees related to this property will be expensed on the statement of comprehensive loss.

Silver Hart Property

On February 21, 2005, the Company acquired a 100% interest in the Silver Hart Property located in the Watson Lake Mining District, Yukon Territories from an arm’s length individual who subsequently became a director and officer of the Company.

On March 1, 2007, the terms to the Silver Hart Property agreement were amended. The Company acquired a 100% interest in the Silver Hart Property from the director and officer of the Company for a total of \$995,000 with interest accruing commencing January 1, 2007 at 8.5% per annum, with accrued interest being payable on the date of the last principal payment.

Pursuant to the March 1, 2007 agreement, as amended, payments were due as follows:

- \$50,000 upon execution of the original agreement (paid);
- \$75,000 within five days of July 5, 2005 (paid);
- \$100,000 on April 5, 2006 (paid);
- \$100,000 on January 5, 2007 (paid);
- \$100,000 on July 5, 2007 (paid);
- \$100,000 on January 5, 2008 (paid);
- \$100,000 on July 5, 2008 (paid);
- \$100,000 on January 5, 2009 (amended – due on September 30, 2014);
- \$100,000 on July 5, 2009 (amended – due on September 30, 2014); and
- the balance of the principal of \$270,000, extension fees and accumulated interest on September 30, 2011(amended – due on September 30, 2016).

The Company granted a first charge on the mineral property as security for the payments.

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Property Acquisitions (cont’d)

Silver Hart Property (cont’d)

On January 5, 2010, the terms of the Silver Hart Property agreement, as amended, were revised such that the payments of \$100,000 due on January 5, 2009 and July 5, 2009 were extended to March 31, 2011. In addition, the balance of the principal of \$270,000 and the accumulated interest to be paid on January 5, 2010 was extended to March 31, 2011. In exchange, the Company is obligated to pay an extension fee of \$50,000, which had been recorded as long-term debt.

On September 30, 2010, the terms of the Silver Hart Property agreement, as amended, were revised once again such that the expiration date wherein the balance of both principal and accrued interest was extended from March 31, 2011 to March 31, 2012 for an extension fee of \$35,000, which fee was applied to the principal balance owing as of September 30, 2010 as long-term debt.

On January 26, 2011, the terms of the Silver Hart Property agreement, as amended, were revised once again such that the expiration date wherein the balance of both principal and accrued interest was extended from March 31, 2012 to September 30, 2012 upon receipt by the vendor of a principal payment of \$100,000 (paid).

On September 30, 2012, the terms of the Silver Hart Property agreement, as amended, were revised once again such that the expiration date wherein the balance of each of the principal, accrued interest and extension fees was extended from September 30, 2012 to September 30, 2013. On September 24, 2013, the terms of the agreement were further revised such that the expiration date for the balance of the principal, accrued interest and extension fees were extended from September 30, 2013 to September 30, 2014. On September 24, 2014, the terms of the agreement were further revised such that the expiration date for the balance of the principal, accrued interest and extension fees were extended from September 30, 2014 to September 30, 2015 and again on September 24, 2015, the terms of the agreement were further revised so that the expiration date for the balance of the principal, accrued interest and extension fees were extended from September 15, 2015 to September 30, 2016.

The principal balance owing pursuant to the Silver Hart Property agreement including accrued interest and extension fees as of March 31, 2016 was \$800,130 (September 30, 2015 - \$767,510).

The Company is required to issue 1,000,000 common shares with a fair value of \$300,000 on the earlier of 24 months from July 5, 2005 and the date of completion of the property payments. In 2005, the amount was recorded as an obligation to issue shares, with a corresponding entry to mineral properties and deferred exploration expenditures. As at September 30, 2015 and March 31, 2016, the Company has not yet issued these shares.

During the year ended September 30, 2013, the Company reviewed the carrying amount of the Silver Hart Property to determine whether there is any indication of impairment. An impairment loss of \$2,695,582 was recognized in the statement of comprehensive loss.

During the year ended September 30, 2014, the Company further impaired the Silver Hart Property to its estimated recoverable amount of \$405,000.

During the year ended September 30, 2015, the Silver Hart Property was fully impaired and management recorded an impairment loss of \$459,197 in the statement of comprehensive loss.

As of September 30, 2015 and March 31, 2016, the Company did not abandon these claims.

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Property Acquisitions (cont’d)

Silver Hart Property (cont’d)

By letter dated January 8, 2015, the Yukon Energy, Mines and Resources issued an Inspector’s Direction to the Company pursuant to which the Company is to commence reclamation proceedings on the Silver Hart Property to the satisfaction of the Inspector prior to February 15, 2016, unless the Company completes an exploration permit prior to commencement of reclamation. The Company has not reclaimed the Silver Hart Property prior to February 15, 2016 due to access issues to the Property and will work with the Yukon Government to come to an agreement going forward.

As at March 31, 2016, the Company holds a reclamation bond with the United States Department of Interior Bureau of Land Management of \$254,292 (US\$191,269)(September 30,2015 - \$259,186(US\$191,269)) for site restoration on the Bishop Mill Property.

Black Horse Mine / Chesco Claims – Joint Venture

On November 2, 2010, the Company entered into a Letter of Intent (“LOI”) to enter in a Joint Venture Agreement (the “Joint Venture”) with Pruett Ballarat Inc. (“PBI”) to progress mine and mill developments in California and Nevada. Pursuant to the Joint Venture, property acquisitions into the Joint Venture will be owned and operated on a 50/50 proportionate basis. Such Joint Venture will not limit the Company nor PBI from acquiring mineral properties for their sole interest. The Company paid US\$20,000 (CDN\$20,652) upon signing the LOI.

To initiate the Joint Venture, PBI registered title interest in certain claims comprising its 100% interest in the Black Horse Mine / Chesco Property. In return, the Company paid US\$30,000 (CDN\$30,977).

The total payment of US\$50,000 (CDN\$51,629) made by the Company constituted the Company’s purchase of a 50% interest in the Black Horse Mine / Chesco Property. A further contribution of US\$50,000 to the Joint Venture is required by the Company on or before 30 days from the signing date of the Joint Venture Agreement, which to September 30, 2014 and June 30, 2015 has not been signed.

As of September 30, 2015 and March 31, 2016, the Company allowed these claims to lapse and has no further interest in the Black Horse Mine / Chesco Property. As the Company had no current plan for the property, the Company wrote-down the exploration and evaluation asset costs related to the Black Horse Mine / Chesco Property by \$53,762 on September 30, 2013, to \$Nil.

Radcliff Property

On March 1, 2011, the Company entered into a Letter of Intent (“Radcliff LOI”) with PBI, to acquire up to a 50% interest in the Radcliff Property development located in Inyo County, California for a total purchase price of US\$600,000.

On March 2, 2011, the Company paid to PBI US\$150,000 (CDN \$148,305) of a total US\$300,000 due in payment of an initial 25% interest, and pursuant to the Radcliff LOI, will advance the US\$150,000 balance owing in three monthly payments of US\$50,000 each commencing June 15, 2011 and concluding August 15, 2011. The Company and PBI agreed to amend the payment schedule on the balance owing for the initial 25% interest by the Company paying US\$75,000 (CDN\$73,253) on April 26, 2011 (paid) and US\$75,000 (CDN\$72,600) on May 26, 2011 (paid).

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Property Acquisitions (cont’d)

Radcliff Property (cont’d)

The Company completed the payment for the initial 25% interest and at September 30, 2011, had the option to purchase an additional 25% interest in the Radcliff Property for a further US\$300,000. The option was set to expire on December 31, 2013. On November 15, 2011, the Company and PBI entered into an amended letter agreement whereby the remaining 25% interest could be acquired by advancing US\$150,000 to PBI. The Company paid US\$100,000 (CDN \$100,000) and the remaining US\$50,000 was deemed by PBI to have been considered paid through performance of services. Accordingly, the Company has exercised its option for the 50% interest.

On February 27, 2012, the Company entered into an amendment to the letter of agreement with PBI, wherein PBI transferred certain equipment to the Radcliff joint venture for an agreed value of US\$342,500. The Company would match the US\$342,500 commitment by making financial contributions towards the development of the property. On June 22, 2012, the total financial contribution to be made by the Company was amended to US\$271,000. The Company completed its contribution on June 22, 2012.

On December 19, 2011, the Company and PBI entered into an Acquisition Agreement with WB Radcliff Inc. to acquire certain claims which comprise additions to the Company’s Radcliff Property, located in California for the following consideration:

- US\$100,000 (CDN \$100,000) (paid) upon execution of the Acquisition Agreement; and
- US\$900,000 upon closing of the Acquisition Agreement on or before April 16, 2012.

On April 16, 2012 the transaction pursuant to the Acquisition Agreement closed and the Radcliff Property was title registered 50% to the Company, after payment of an additional US\$100,000 (CDN \$100,000) (paid) on April 11, 2012. Furthermore, the Company and PBI agreed that the Company will pay for all of the consideration to acquire the additional claims. In consideration, the Company will be reimbursed the funds from revenues generated from the Radcliff Property.

On April 18, 2012, the Company entered into a Promissory Note Agreement, whereby the Company agreed to pay the remaining US\$800,000 (the “Promissory Note”) by June 15, 2012. Any amounts unpaid by June 15, 2012 would be subject to an interest rate of 7% per annum (amended from 10% on November 16, 2012). The Promissory Note is secured by a Deed of Trust. Should such property be sold or conveyed prior to the maturity date, the entire amount will become immediately due and payable without notice.

On September 14, 2012, the Promissory Note was amended and the Company paid US\$150,000 (CDN\$150,150) towards the Promissory Note.

On November 16, 2012, the Promissory Note was further amended as follows:

- US\$50,000 (CDN\$50,050 paid) due on execution of the amendment;
- US\$50,000 (CDN\$50,000 paid) due on or before February 28, 2013;
- US\$50,000 (CDN\$50,050 paid) due on or before April 30, 2013; and
- US\$500,000, and all accrued interest due on or before August 31, 2013.

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Property Acquisitions (cont’d)

Radcliff Property (cont’d)

In consideration of the amendments, the Company was required to pay a US\$50,000 (CDN\$50,775) extension fee (the “Extension Fee”), which was recorded in the statement of comprehensive loss during the year ended September 30, 2014. As at August 31, 2013, the Company did not make the payment of US\$50,000, and as a result the extension fee commenced bearing interest.

As of March 31, 2016, the outstanding Promissory Note includes a principal balance of US\$500,000 (CDN\$648,550) (September 30, 2015 – US\$500,000 (CDN\$669,000)) and Extension Fee of US\$50,000 (CDN\$64,855) (September 30, 2015 - US\$50,000 (CDN\$66,900)). As at March 31, 2016, the Company has recorded US\$183,107 (CDN\$237,508) (September 30, 2015 – US\$158,087 (CDN\$193,092)) in accrued interest. During the six months ended March 31, 2016, the Company recorded interest expense of \$34,795 (2014 - \$29,806).

As of the date of the accompanying condensed consolidated interim financial statements, the Promissory Note, including interest and extension fee, was in default. The principal and interest relating to this Promissory Note is secured by a deed of trust related to the Radcliff Property.

As at the date of the accompanying condensed consolidated interim financial statements, the note holder has not taken action to obtain control of the Radcliff Property.

The claims are subject to 5% net smelter royalty (“NSR”) upon receipt of net smelter returns from the commercial production of valuation minerals on the Radcliff Property. The Company and PBI shall pay the NSR on the commercial production on the Radcliff Property.

During the year ended September 30, 2013, the Company reviewed the carrying amount of the Radcliff Property to determine if there was any indication of impairment. An impairment loss of \$407,002 was recognized in the statement of comprehensive loss.

During the year ended September 30, 2015, the Company reviewed the carrying amount of the Radcliff Property to determine if there was any indication of impairment. As impairment loss of \$2,353,973 was recognized in the statement of comprehensive loss.

Share Roll-Back

On February 11, 2016, the Company completed a rollback of its issued and outstanding common shares on the basis of one (new) post rollback share for each seven (old) pre-rollback shares. The Company had 133,316,146 common shares issued and outstanding. Following the rollback, the Company has 19,045,139 common shares issued and outstanding.

The exercise or conversion price and the number of common shares issuable under any of the Company's outstanding warrants and stock options have been proportionately adjusted to reflect the rollback in accordance with their respective terms thereof. No fractional common shares were issued pursuant to the rollback, and any fractional common shares that would otherwise be issued were rounded down or up to the nearest whole number.

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Private Placements

On February 10, 2016, the Company announced its intention to enter into a private placement for 10,000,000 Units at \$0.10 per Unit. Each Unit consists of one common share and one transferrable share purchase warrant, which every two warrants exercisable into one additional common share of the Company at \$0.12 per share, for a two year period. The TSX Venture Exchange granted its approval to this placement on May 5, 2016 and the Company issued the shares and warrants pursuant thereto with an effective date of May 5, 2016. The Company raised \$1,120,000 from the issuance of 11,200,000 units at a price of \$0.10 per unit.

Each unit consists of one common share of the Company and one share purchase warrant. Every two warrants entitle the holder to purchase one additional common share of the Company at a price of \$0.12 per share for a period of two years.

On July 3 and July 8, 2015, the Company issued 1,142,857 and 571,428 units respectively, for a total of 1,714,285 units, pursuant to a non-brokered private placement at \$0.35 per unit for gross proceeds of \$600,000. Each unit consisted of one common share and one share purchase warrant to purchase one additional common share of the Company at \$0.49 per share during for a two year period expiring July 3, 2017. Pursuant to this transaction broker’s warrants were issued for a total of 96,536 warrants on the same terms and conditions as the 1,714,285 units.

On June 15, 2015, the Company issued 42,857 common shares pursuant to the exercise of 42,857 warrants at \$0.35 per share for proceeds of \$15,000.

On June 8, 2015, the Company 1,451,428 units pursuant to a non-brokered private placement at \$0.35 per unit for gross proceeds of \$508,000. Each unit consisted of one common share and one share purchase warrant to purchase one additional common share of the Company at \$0.42 per share during for a two year period expiring June 8, 2017. Pursuant to this transaction broker’s warrants were issued for a total of 37,642 warrants on the same terms and conditions as the 1,451,428 units.

On May 21, 23 and June 10, 2015, the Company issued a total of 250,000 common shares pursuant to the exercise of 250,000 incentive stock at \$0.35 per share for proceeds of \$97,500.

On May 13, 2015, the Company issued 35,714 common shares pursuant to the exercise of 35,714 warrants at \$0.42 per share for proceeds of \$15,000.

On April 11, 2015, the Company issued 14,285 common shares pursuant to the exercise of 14,285 warrants at \$0.42 per share for proceeds of \$22,200.

On March 23, 2015, the Company issued 14,285 common shares pursuant to the exercise of 14,285 warrants at \$0.42 per share for proceeds of \$6,000.

On February 24, 2015, the Company issued 1,869,642 units pursuant to a non-brokered private placement at \$0.28 per unit for gross proceeds of \$523,500. Each unit consisted of one common share and one share purchase warrant to purchase one additional common share of the Company at \$0.35 per share during for a two year period expiring February 24, 2017. A value of \$130,875 was allocated to the warrants. Pursuant to this transaction broker’s warrants were issued for a total of 26,714 warrants on the same terms and conditions as the 1,869,642 units.

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On February 24, 2015, the Company issued 142,857 common shares pursuant to the exercise of incentive stock options at \$0.35 per share for proceeds of \$50,000.

On December 19, 2014, the Company issued 28,571 common shares with a fair value of \$10,000 pursuant to the issuance of bonus shares for a related party loan.

On October 30, 2014, the Company issued 142,857 common shares pursuant to the exercise of 142,857 warrants at \$0.35 per share for proceeds of \$50,000.

On October 16, 2014, the Company issued 57,142 common shares pursuant to the exercise of 57,142 warrants at \$0.35 per share for proceeds of \$20,000.

On September 25, 2014, the Company issued 71,428 common shares pursuant to the exercise of 71,428 warrants at \$0.35 per share for proceeds of \$25,000.

On September 9, 2014, the Company issued 172,857 common shares pursuant to the exercise of 172,857 warrants at \$0.35 per share for proceeds of \$60,500.

On July 16, 2014, the Company issued 257,142 common shares pursuant to the exercise of 257,142 warrants at \$0.35 per share for proceeds of \$90,000.

On July 9, 2014, the Company issued 285,714 common shares pursuant to the exercise of 285,714 warrants at \$0.35 per share for proceeds of \$100,000.

On June 10, 2014, the Company issued 14,285 common shares pursuant to the exercise of 14,285 warrants at \$0.35 per share for proceeds of \$5,000.

On April 10, 2014, the Company issued 735,714 common shares pursuant to a 735,714 Unit non-brokered private placement at \$0.42 per Unit. Each Unit consisted of one common share and one transferrable share purchase warrant entitling the holder thereof to purchase one additional common share of the Company at \$0.70 per share for a two year period expiring April 10, 2016. In connection with the private placement, the Company paid finder's fees of \$18,720 and issued 41,142 finder's warrants exercisable at \$0.70 expiring April 10, 2016. The fair value of the finder's warrants are estimated to be \$14,212.

On March 12, 2014, the Company issued 357,142 common shares pursuant to the exercise of 357,142 warrants at \$0.35 per share for proceeds of \$125,000.

On December 27, 2013, the Company issued 166,428 flow-through common shares pursuant to a 166,428 Unit non-brokered private placement at \$0.35 per Unit. Each Unit consisted of one flow-through common share and one transferrable share purchase warrant entitling the holder thereof to purchase one additional common share of the Company at \$0.35 per share during year one, and \$0.70 per share during year two, expiring December 27, 2015.

No value has been allocated to the warrants. A flow-through premium of \$54,600 has been recorded in connection with the issuance of the flow-through shares.

On October 30, 2013, the Company issued 1,362,857 common shares and 780,000 flow-through common shares pursuant to a 2,142,857 Unit non-brokered private placement at \$0.35 per Unit. 1,362,857 Units consisted of one

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Private Placements (cont’d)

common share and one transferrable share purchase warrant and 780,000 Units consisted of one flow-through common share and one transferrable share purchase warrant. Each share purchase warrant entitles the holder thereof to purchase one additional common share of the Company at \$0.35 per share during year one, and \$0.70 per share during year two expiring October 30, 2015. In connection with the private placement, the Company paid share issuance costs of \$15,650 and issued 5,714 finders warrants exercisable at \$0.05 per share during year one and \$0.10 per share during year two expiring October 30, 2015. The fair value of the finders’ warrants was estimated to be immaterial. A flow-through premium of \$54,600 has been recorded in connection with the issuance of the flow-through shares.

Proceeds from these placements were used to continue the Company’s efforts in developing its Silver Hart Property in the Yukon, as well as its US operations for the Bishop Mill, as well as further payments required pursuant to the Promissory Note on the Radcliff Property and funding expenditures of its joint venture.

Shares for Debt Settlement

During the quarter ended March 31, 2016, there were no shares issued in settlement of outstanding debt.

Results of Operations

The following discussion and analysis explains trends in the Company’s financial condition and results of operations. This discussion and analysis of the results of operations and financial condition of the Company should be read in conjunction with the audited financial statements and the notes thereto for that period. Unless expressly stated otherwise, all references to dollar amounts in this section are in Canadian dollars.

Annual Information

The following is a summary of the results of financial operations of the Company for the year ended September 30, 2015, September 30, 2014 and September 30, 2013. The annual results for September 30, 2014 and 2013 were derived from financial statements prepared using IFRS.

	Year Ended September 30, 2015	Year Ended September 30, 2014	Year Ended September 30, 2013
Revenues	Nil	Nil	Nil
Expenses General & Administrative	\$5,658,384	\$4,821,117	\$3,657,957
Amortization	Nil	Nil	Nil
Net Loss	\$(5,738,350)	\$(4,934,382)	\$(3,381,967)
Working Capital (Deficiency)	\$(2,613,405)	\$(1,705,514)	\$(1,296,901)
Property, plant & equipment	Nil	\$1,039,098	\$677,291
Exploration and evaluation assets	Nil	\$2,291,751	\$5,688,810
Total Assets	\$326,368	\$3,626,340	\$6,868,074
Long Term Liabilities	\$14,000	\$514,000	\$473,348
Shareholder Equity			
Number of common shares	19,045,139	13,242,663	9,039,092
Share Capital	\$15,968,086	\$14,095,753	\$12,687,835

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Results of Operations (cont’d)

Quarterly Information

The quarterly results were derived from financial statements using IFRS. The quarterly results for following selected financial data should be read in conjunction with the Company’s audited financial statements and quarterly management prepared financial statements.

	Quarter Ended 06/30/2014	Quarter Ended 09/30/2014	Quarter Ended 12/31/2014	Quarter Ended 03/31/2015
Net loss	\$451,360	\$4,206,348	\$239,094	\$295,825
Loss per share	\$0.07	\$0.36	\$0.02	\$0.01
	Quarter Ended 06/30/2015	Quarter Ended 09/30/2015	Quarter Ended 12/31/2015	Quarter Ended 03/31/2016
Net loss	\$474,908	\$4,728,523	\$180,612	\$123,955
Loss per share	\$0.02	\$0.30	\$0.01	\$0.01

Management Discussion and Analysis

Quarter Ended March 31, 2016 Compared Year Ended September 30, 2015

As of March 31, 2016, the Company had total assets of \$455,183, as compared with \$326,368 at September 30, 2015. The Company had a working capital deficiency at March 31, 2016 of \$3,000,318, compared to a working capital deficiency of \$2,613,405 as at September 30, 2015.

Expenses for the quarter ended March 31, 2016 were \$169,353 as compared to \$5,658,384 for the year ended September 30, 2015. The loss per share for the quarter ended March 31, 2016 was \$0.01 compared to \$0.35 at September 30, 2015.

Quarter Ended March 31, 2016 Compared Quarter Ended March 31, 2015

As of March 31, 2016, the Company had total assets of \$455,183, as compared with \$4,187,776 at March 31, 2015. The Company had a working capital deficit at March 31, 2016 of \$3,000,318, compared to a working capital deficit of \$2,185,289 at March 31, 2015.

Total operating expenses during the quarter ended March 31, 2016 amounted to \$169,353, compared to \$198,856 for the quarter ended March 31, 2015. The loss per share for the quarter ended March 31, 2016 was \$0.01 compared with a loss per share of \$0.02 for the quarter ended March 31, 2015.

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Results of Operations (cont’d)

General and Administrative (G&A)

General and administration expenses were as follows:

For the quarter ended March 31,		<u>2016</u>		<u>2015</u>
Consulting	\$	38,045	\$	42,368
Filing and transfer agent fees		11,635		13,385
Flow through share related taxes and expenses		8,578		-
Interest expense		42,948		31,252
Investor communications		-		32,174
Marketing		15,000		-
Office and miscellaneous		45,614		32,184
Professional fees		(7,044)		(2,781)
Rent		4,500		4,500
Travel		7,902		4,453
Wages		2,175		41,321
	\$	<u>169,353</u>	\$	<u>198,856</u>

Related Party Transactions

During the six months ended March 31, 2016, the Company entered into the following transactions with related parties:

- a) incurred rent of \$9,000 (2015 – \$9,000) to a company controlled by a director and officer of the Company;
- b) incurred secretarial fees of \$21,000 (2015 - \$21,000) to a company controlled by a director and officer of the Company which was recorded in office and miscellaneous;
- c) incurred consulting fees of \$30,000 (2015 - \$30,000) to directors of the Company;
- d) incurred interest expense of \$32,620 (2015 - \$30,064) to a director and officer of the Company, pursuant to the Silver Hart Property; and
- e) incurred interest expenses of \$10,003 (2015 - \$Nil) to a company controlled by a director of the Company.

At March 31, 2016, a total of \$128,739 (September 30, 2015 - \$59,618) was owing to directors and a former director of the Company.

At March 31, 2016, a total of \$800,130 (September 30, 2015 -\$767,511) was owing to a director and officer of the Company. The amount bears interest at 8.5%, is due on September 30, 2016 and is secured by the Silver Hart property.

At March 31, 2016, \$347,207 (September 30, 2015- \$74,000), was owing to a company controlled by a director and senior officer of the Company. The amount is payable on demand and bears an interest rate of 15% (2015-15%) per annum.

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The Company incurred the following key management compensation charges:

	March 31, 2016	March 31, 2015
Consulting fees	\$ 30,000	\$ 30,000

Off Balance Sheet Agreements

None

Proposed transactions

None

Accounting Standards Issued but not yet Effective

At the date of approval of the condensed consolidated interim financial statements, a number of accounting standards and interpretations are issued but not yet effective. The Company considers that these new standards and interpretations are either not applicable or are not expected to have a significant impact on the Company's condensed consolidated interim financial statements.

Liquidity & Capital Resources

Cash as of March 31, 2016, was \$40,054, compared to \$6,923 for the year ended September 30, 2015. As at March 31, 2016, the Company had a working capital deficiency of \$3,000,318 compared to a working capital deficiency of \$2,613,405 as at the September 30, 2015 year end.

The Company will require additional capital to provide working capital and to finance its current and any proposed acquisition.

Risk, Uncertainties and Outlook

The business of mineral deposit exploration and extraction involves a high degree of risk. Few properties that are explored ultimately become producing mines.

Subsequent to March 31, 2016, the Company continues to have a working capital deficiency. It is estimated that it may require approximately \$1.5 million in total working capital to continue to operate the Company and pay the liabilities of the Company, including all accrued liabilities.

The Company currently has paid employees through its US operations at the Bishop Mill, California through its wholly owned subsidiary company, 0877887 BC Ltd.

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Risk, Uncertainties and Outlook (cont’d)

The ability to raise working capital directly impacts the ability of the Company to undertake any planned exploration programs. Currently sufficient work has been undertaken on all of its current mineral property interests for a number of years, however, if the Company is unable to perform sufficient exploration work in future years or with exploration partners, it may be necessary to write-down additional mineral property interests in future periods. The Company’s exploration activities and its potential mining and processing operations are subject to various laws governing land use, the protection of the environment, prospecting, development, production, contractor availability, commodity prices, exports, taxes, labour standards, occupational safety and health, waste disposal, toxic substances, mine safety and other matters. The Company believes it is in substantial compliance with all material laws and regulations which currently apply to its activities. There is no assurance that the Company will be able to obtain all permits required for exploration, any future development and construction of mining facilities and conduct of mining operations on reasonable terms or that new legislation or modifications to existing legislation, would not have an adverse effect on any exploration or mining project which the Company might undertake.

The Company has been performing reclamation activities on an on-going basis. As such, management feels that there is no significant reclamation liability outstanding on properties owned by the Company.

The Company’s ability to continue as a going concern is contingent on its ability to obtain additional financing. Several adverse conditions cast significant doubt on the validity of this assumption. The current financial equity market conditions and the inhospitable funding environment make it difficult to raise funds by private placements of shares. The junior resource industry has been severely adversely affected by the world economic situation, as it is considered to be a high-risk investment. There is no assurance that the Company will be successful with any financing ventures. It is dependent upon the continuing financial support of shareholders and obtaining financing to continue exploration of its mineral property interests. While the Company is expanding its best efforts to achieve its plans by examining various financing alternatives including reorganizations, mergers, sales of assets, and settlement of debts by share issuances, or other form of equity financing, there is no assurance that any such activity will generate funds that will be available for operations.

The condensed consolidated interim financial statements do not include any adjustments to the recoverability and classification of recorded assets, or the amounts of, and classification of liabilities that would be necessary if the going concern assumption were not appropriate. Such adjustments could be material. The amounts shown as mineral properties and related deferred costs represent costs net of recoveries to date, less amounts written off, and do not necessarily represent present or future values. Recoverability of the amounts shown for mineral properties is dependent upon the discovery of economically recoverable mineral reserves, securing and maintaining title and beneficial interest in the properties, the ability of the Company to obtain financing necessary to complete the exploration and development of its mineral property interests, and on future profitable production or proceeds from the disposition of the mineral property interests.

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

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Risk, Uncertainties and Outlook (cont’d)

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 on its cash held in bank accounts. The majority of cash is deposited in bank accounts held with one major bank in Canada. As most of the Company’s cash is held in one bank there is a concentration of credit risk. This risk is managed by using major banks that are high credit quality financial institutions as determined by rating agencies. The Company’s secondary exposure to risk is on its other receivables and reclamation bond. This risk is minimal as receivables consist primarily of refundable government goods and services taxes and the reclamation bond is held with government authorities.

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 has a planning and budgeting process in place to help determine the funds required to support the Company’s normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash and cash equivalents.

Historically, the Company’s sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company’s access to financing is always uncertain. There can be no assurance of continued access to significant equity funding. The Company has a working capital deficiency and the contractual maturities of all financial liabilities are less than one year.

Foreign exchange risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company’s subsidiary is not exposed to material currency risk as its functional currency is the Canadian dollar. The Company does not hedge its exposure to fluctuations in foreign exchange rates.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The fair value of the Company’s cash accounts are relatively unaffected by changes in short term interest rates. The Company’s debt has a fixed interest rate and is not affected by changes in interest rates.

Capital management

The Company’s policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Company consists of equity, comprising share capital, net of accumulated deficit.

There were no changes in the Company’s approach to capital management during the year.

The Company is not subject to any externally imposed capital requirements.

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Classification of financial instruments

Financial assets included in the statement of financial position are as follows:

	March 31, 2016 (Unaudited)	September 30, 2015 (Audited)
Loans and receivables:		
Cash	\$ 40,054	\$ 6,923
Reclamation deposits	272,292	274,186
	\$ 312,346	\$ 281,109

Financial liabilities included in the statement of financial position are as follows:

	March 31, 2016 (Unaudited)	September 30, 2015 (Audited)
Non-derivative financial liabilities:		
Trade payables	\$ 66,132	\$ 60,877
Due to related parties	128,739	52,675
Promissory note	950,913	929,762
Loans	1,147,337	842,092
Preferred shares	500,000	500,000
	\$ 2,793,121	\$ 2,385,406

Share Capital

On February 10, 2016, the Company received TSX Venture Exchange approval to rollback its issued and outstanding common shares on a seven (7) old for one (1) new basis, with an effective date of February 11, 2016.

As of May 16, 2016, the Company had 30,245,139 common shares issued and outstanding.

In addition, as at May 16, 2016 the Company had 10,753,392 outstanding warrants and 478,571 outstanding stock options. If all of these securities were exercised, a total of 11,231,965 shares would be issued and outstanding and would be resulted in additional gross proceeds of \$3,312,010.

Forward-looking Statements

The Management Discussion and Analysis of Financial Condition and Results of Operations contain certain statements that may be deemed “forward-looking statements”. All statements in this document, other than statements of historical fact, that address events or developments that the Company expects to occur, are forward looking statements. Forward looking statements are statements that are not historical facts and are generally, but not always, identified by the words “expects”, “plans”, “anticipates”, “believes”, “intends”, “estimates”, “projects”, “potential”, “interprets” and similar expressions, or that events or conditions “will”, “would”, “may”, “could” or “should” occur. Forward-looking statements in this document include statements regarding future exploration programs and joint venture partner participation, liquidity and effects of accounting policy changes. 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 may differ materially from those in forward-looking statements. Factors that could cause the actual results to differ materially from those in forward-looking statements include market prices, exploitation and exploration success,

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Forward-looking Statements (cont’d)

continued availability of capital and financing, inability to obtain required regulatory or governmental approvals 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. Forward-looking statements are based on beliefs, estimates and opinions of the Company’s management on the date the statements are made. The Company undertakes no obligations to update these forward-looking statements in the even that management’s beliefs, estimates or opinions, or other factors, should change except as required by law.

These statements are based on a number of assumptions, including, among others, assumptions regarding general business and economic conditions, the timing of receipt of regulatory and governmental approvals for the transactions described herein, the ability of the Company and other relevant parties to satisfy stock exchange and other regulatory requirements in a timely manner, the availability of financing for the Company’s proposed transactions and exploration and development programs on reasonable terms and the ability of third-party service providers to deliver services in a timely manner. The foregoing list of assumptions is not exhaustive. Events or circumstances could cause results to differ materially.