

DEFIANCE SILVER CORP.

MANAGEMENT'S DISCUSSION & ANALYSIS For the three months ended September 30, 2017

The following Management Discussion and Analysis ("MD&A") of Defiance Silver Corp. (the "Company") has been prepared by management, in accordance with the requirements of National Instrument 51-102 ("NI 51-102") as of November 27, 2017 and should be read in conjunction with the unaudited condensed consolidated interim financial statements for the three months ended September 30, 2017 and 2016 and the related notes contained therein which have been prepared under International Financial Reporting Standards ("IFRS"). The following should also be read in conjunction with the audited annual consolidated financial statements for the year ended June 30, 2017, and all other disclosure documents of the Company, which are available on the SEDAR website: www.sedar.com.

Management is responsible for the preparation and integrity of the financial statements, including the maintenance of appropriate information systems, procedures and internal controls to ensure that information used internally or disclosed externally, including the MD&A, is complete and reliable.

All the financial information in this MD&A and all dollar amounts in the tables, including comparatives, are expressed in Canadian dollars, unless otherwise noted.

This document contains forward-looking statements. Please refer to "Note Regarding Forward-Looking Statements."

Description of Business

The Company is a publicly listed company on the TSX Venture Exchange ("TSX-V") trading under the symbol DEF. The Company is an exploration-stage company and engages principally in the acquisition and exploration of exploration and evaluation assets primarily in Mexico. To date, equity financings have provided the main source of financing.

The recovery of the Company's investment in its mineral rights is dependent upon the discovery of economically recoverable mineral reserves and the ability to raise sufficient capital to finance these operations. The ultimate outcome of these operations cannot presently be determined because they are contingent on future matters.

Overall Performance/Significant Events

During the period ended September 30, 2017, the Company:

- a) closed a non-brokered private placement by issuing 5,750,001 units at a price of \$0.30 per unit for gross proceeds of \$1,725,000. Each unit consists of one common share and one common share purchase warrant. Each warrant will entitle the holder thereof to acquire an additional common share of the Company for a period of twenty-four months at an exercise price of \$0.45. Total finder's fees of \$131,160 and 437,200 warrants were paid in connection with the private placement. Each finder's warrant entitles the holder to acquire one common share of the Company at \$0.45 for 24 months, subject to an acceleration clause such that if the closing

price of the Company's shares on the TSX Venture Exchange is at or above \$0.65 per share for a period of ten consecutive trading days during the term of the warrants, the Company may accelerate the expiry date of the Warrants to not less than 30 days following the date of notice.

- b) granted 300,000 stock options to officers of the Company, exercisable at a price of \$0.31 per option for a period of 5 years.

Subsequent to September 30, 2017, the Company granted 300,000 stock options to a consultant to the Company, exercisable at a price of \$0.30 per option for a period of 2 years, and 440,000 stock options exercisable at a price of \$0.27 expired on November 22, 2017.

Also, the Company announced the results of its Phase I drilling program significantly expanding the high grade mineralized envelope at San Acacio and the commencement of a Phase II, 5,000 meter drill program targeting new high-grade silver shoots along a 900m extension of the Veta Grande vein.

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Exploration and Evaluation Assets Review

This review has been prepared by the Company's geologic staff under the supervision of Bruce Winfield, P. Geo., , a Qualified Person ("QP") as defined by National Instrument 43-101 (Standards of Disclosure for Exploration and Evaluation Projects).

The Company currently has the right to acquire an interest in one property and has applied for a second property, both of which are located in Mexico (the San Acacio Deposit, and the Minerva Property). The Company terminated its option effective January 22, 2014 to acquire the Santa Gabriela Plant and concessions.

San Acacio Silver Deposit

The Company entered into an option agreement on October 24, 2011, subsequently the subject of several amendments, with the Mexican owners ("the Vendors") for an option to purchase a 100% interest in the San Acacio property consisting of 10 mining concessions and associated surface rights and tailings ("the Assets"). The San Acacio property is located approximately 6.5 km north of the city of Zacatecas, Mexico.

The Company has paid US\$1,325,000 towards the agreement through June 30, 2017. The remaining fees of US\$750,000 will be due in quarterly amounts of US\$187,500 commencing September 27, 2017 (paid). As a result of the amending agreement, the new payment terms are as follows:

Date	Extension payment	Amount credited toward final payment	Total yearly payment
By June 27, 2018	US\$ 112,200	US\$ 450,000	US\$ 562,500
On September 27, 2018	-	US\$ 4,600,000	US\$ 4,600,000

The property is subject to a 2.5% net smelter return royalty (“NSR”) payable to the vendors on production from the property. The Company will have the right to purchase the NSR at any time for US\$2,500,000 which will escalate with the official Mexican Inflation Index after a five year period.

Following the first anniversary of the purchase of the Assets, the Company must make minimum annual royalty payments of US\$125,000. The minimum royalty commitment terminates in the event that the production royalty paid is equal to or higher than the equivalent to the minimum that would have been due during 6 consecutive months.

The Veta Grande vein, which pinches and swells along strike, produced approximately 200M ounces of silver from high-grade shoots in the swells, with an estimated 100M ounces of silver from high-grade shoots on Defiance’s portion of the Veta Grande. Mapping, mineralogical studies and drilling to date indicate that the pinching and swelling continues along strike and the mineralized system hosting the San Acacio deposit is tilted to the southeast. With only a few shallow historic exploration shafts and minor modern exploration, there is significant potential for the discovery of multiple intact, high grade silver shoots in this area. Over 4.4 km of Defiance’s 5.6 km holdings along the Veta Grande vein have not seen historical production nor been systematically explored, providing Defiance the opportunity to potentially grow the resource along strike.

On October 31, 2017, the Company announced the commencement of a Phase II, 5,000 meter drill program targeting new high-grade silver shoots along a 900m extension of the Veta Grande vein located southeast of the San Acacio Silver Deposit in Zacatecas, Mexico.

Surface rights agreements

In August 2014, the Company obtained authorization to temporarily occupy and explore certain land holdings on the San Acacio property. In order to keep the agreement in good standing, the Company is required to make semi-annual payments of MX\$ 9,000 during the exploration phase and MX\$ 60,000 during the development phase. The agreement will be valid for 20 years with the option to extend in the future.

On February 27, 2015, the Company entered into an additional surface rights agreement for the right to occupy and perform exploration work on the San Acacio property. The Company will have authorization to explore the surface of the property for a term of three years which can be extended for an additional 3 years at the Company’s choice, by making annual advance payments of MX\$ 120,000 (paid) and by paying a onetime fee of MX\$ 100,000 (paid) on the signing of the agreement.

On July 14, 2016, the Company entered into an additional surface rights agreement with Fraccionamiento Saucedo de la Borda for the right to occupy and perform exploration work on the San Acacio property. The Company will have authorization to explore the surface of the property for a term of five years which can be renewed for a further 5 years at the Company’s choice by

making advance annual payments of MX\$120,000 (paid) and by paying a onetime fee of MX\$ 100,000 (paid) on signing of the agreement.

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Property Background

The San Acacio mining concessions control approximately 5.6 kilometers of the 8.5 kilometer long Veta Grande vein system, one of the three major vein systems within the Zacatecas Silver District that has produced over 700 million ounces of silver since 1548. Veta Grande is a classic epithermal silver rich vein system with accessory gold and base metal credits. The San Acacio Deposit has been exploited over a strike length of 1.2 kilometer to an approximate depth of 200 meters. Three shallow exploration shafts were also made prior to 1910 along the vein for an additional 900 meters along strike to the southeast. The structure, which is believed to exist over a further 3.5 kilometers of strike length to the southeast, has not had any modern exploration.

In accordance with the Company's decision to focus on expanding the resource at San Acacio, an exploration program has been designed to explore the potential of the vein structure to host additional mineral. The initial area targeted in the Phase I drill program was to start testing below the lower limit of the current resource at a depth of approximately 145m along a strike length of 1200 meters. Subsequent phases of drilling are planned to also test the extension of the veins to the southeast where they are open along a strike length of 4.4 kilometers.

On November 5, 2014, the Company through its subsidiary Minera Santa Remy S.A. de C.V. received approval from Semarnat, the Mexican environmental agency, for a 5000 meter drill program. The drill program is designed to increase the current resource through drilling below the current resource blocks along the 1.2 kilometer section of the San Acacio vein that hosted past production.

The Phase I 5000m drill program commenced on December 10, 2014 with 815.7 meters drilled in four holes prior to the Christmas break. Drilling began again in early January completing an additional four holes totaling 1042.7m.

On January 15th, 2015 the Company announced a new resource calculation with additional ounces of silver (AgEq) as well as significantly higher grade (AgEq).

San Acacio Inferred Resource

Vein	AgEq Cut-off g/t	Tonnes > Cut-off (tonnes)	Grade > Cut-off			Contained Metal		
			Ag(g/t)	Au(g/t)	AgEq (g/t)	Ag (oz)	Au (oz)	AgEq (oz)
Veta G	100	2,150,000	192.43	0.19	204.66	13,302,000	10,000	14,147
Veta C	100	739,000	153.28	0.08	158.66	3,642,000	19,000	3,770,000
Veta B	100	13,000	76.53	0.45	105.98	32,000	190	44,000
Total	100	2,902,000	181.94	0.16	192.50	16,976,000	12,090	17,961,000

Note: AgEq refers to silver equivalent (see news release January 15, 2015 for details).

On January 29, 2015 the Company announced results for the initial three holes which intersected wide zones of high grade mineralization (see news release for details).

Hole #	From (m)	To (m)	Length (m)	Ag, g/t	Au, g/t	Cu, %	Pb, %	Zn, %	Ageq, g/t*
SAD14-01	132.50	149.50	17.00	110.21	0.13	0.01	0.11	0.35	139.15
including	134.00	142.10	8.10	222.12	0.22	0.01	0.20	0.53	268.13
SAD14-02	168.50	185.20	16.70	101.11	0.75	0.02	0.14	1.79	235.36
including	168.50	171.70	3.20	419.09	0.82	0.02	0.14	0.30	499.43
including	176.20	182.10	5.90	30.15	1.46	0.03	0.23	4.62	334.68
SAD14-03	194.50	213.30	18.80	21.37	0.42	0.02	0.84	1.10	128.03
including	205.00	213.30	8.30	42.89	0.92	0.04	1.87	2.44	278.33

*Reported for comparison only, with no assumptions regarding metal recovery or smelter payments. Prices used are Au: \$1210.50/ounce, Ag: \$16.33/ounce, Cu; \$2.80/pound, Pb; \$0.83/pound and Zn \$0.95/pound. US dollars.

1 Gram = 0.03215074657 Troy ounce

*True Widths are approximately 70% to 80% of each intersection

The three holes were drilled on a single cross-section at the northwestern end of the San Acacio vein below the Almaden historic workings. The holes produced wide intersections of mineralization with grades substantially higher than the grade of the current resource.

On July 7th and August 26th, 2015 the Company announced results from the five remaining holes drilled in the first part of the Phase I, 5,000m drill program to test below the historic Almaden workings (see news releases for details).

Hole #	From (m)	To (m)	Length (m)	Ag, g/t	Au, g/t	Cu, %	Pb, %	Zn, %	Ageq, g/t*
SAD14-04	143.00	153.10	10.10	100.23	0.56	0.13	0.77	1.61	248.11
Including	147.00	153.10	6.10	138.35	0.80	0.19	1.27	1.90	340.41
SAD15-05	148.00	155.40	7.40	18.51	0.07	0.01	0.06	0.14	32.22
SAD15-05	176.60	185.80	9.20	10.40	0.04	0.01	0.01	0.07	18.03
SAD15-06	178.00	185.30	7.30	109.21	0.13	0.01	0.04	0.09	125.09
SAD15-06	219.50	231.00	11.50	20.06	0.39	0.03	0.04	1.54	114.85
including	224.00	231.00	7.00	19.88	0.57	0.03	0.06	2.35	161.82
SAD15-07	136.40	140.00	3.60	211.49	0.14	0.01	0.11	0.20	234.17
SAD15-07	147.10	149.50	2.40	149.16	0.16	0.02	0.42	1.59	241.55
SAD15-07	185.40	206.50	21.10	70.84	0.24	0.03	0.35	0.77	134.87
including	199.10	206.50	7.40	158.75	0.52	0.07	0.81	1.83	306.68
SAD15-8	106.05	113.30	7.25	631.46	0.43	0.01	0.09	0.22	675.58
SAD15-8	119.50	120.20	0.70	431.95	0.24	0.01	0.21	0.64	483.38
SAD15-8	163.05	163.80	0.75	330.75	0.10	0.01	0.15	0.31	356.81
SAD15-8	260.50	266.50	6.00	11.25	0.31	0.01	0.04	0.53	57.87
SAD15-8	272.10	275.50	3.40	38.47	0.20	0.01	0.03	0.27	65.84
SAD15-8	319.30	326.60	7.30	13.76	0.17	0.02	0.09	0.32	44.63

*Reported for comparison only, with no assumptions regarding metal recovery or smelter payments. Prices used are Au: \$1210.50/ounce, Ag: \$16.33/ounce, Cu; \$2.80/pound, Pb; \$0.83/pound and Zn \$0.95/pound. US dollars.

1 Gram = 0.03215074657 Troy ounce

*True Widths are approximately 70% to 80% of each intersection

These five holes were drilled on two sections spaced 100m apart. The holes continued to give wide, high grade intersections extending the zone of mineralization along strike to a length of 200m and a depth of 140m below the base of the current resource.

On July 28, 2015, the Company announced commencement of drilling to test the zone below the historic Esperanza-Guadalupe workings 600m to the southeast along the San Acacio vein system. The program was completed on August 28, 2015 with the deepening of drill hole SAD15-8 and completion of drill holes SA15-9 to 11 for a total of 1236.05m.

In March 2016, the Company reported the results of the three holes SA15-9 to 11 drilled at the San Acacio silver deposit. Drilling 550m southeast of the last 8 reported drill holes intercepted wide zones of mineralization in both the Veta Grande and Veta Chica veins. Results from these holes extend the known mineralization to 140 meters below the current resource with mineralization still open to depth and along strike.

Drill hole SAD15-10 intersected the San Acacio vein over a length of 11.95m. Three zones straddling two old mine workings returned; 2.1m grading 333.87 g/t AgEq, 5.5m grading 187.06, and 1.6m grading 99.55 g/t AgEq. Hole SAD15-09 intersected the San Acacio vein over a length of 7.65m that includes a 3.05m wide old working. It is believed that the old workings encountered represent the high-grade portion of the vein had been mined historically.

Both drill holes SAD15-09 and SAD15-10 intersected the hanging wall Veta Chica Vein. SAD15-09 returned 15.65m grading 68.76 g/t AgEq with a 4.85m section grading 128.71 g/t AgEq. SAD15-10 returned 1.6m grading 110.50 g/t AgEq.

The workings intersected in both holes SAD15-9 and SAD15-10, are believed to represent the higher grade portions of the 7.65m and 11.95m long intersections of the San Acacio vein that were historically mined.

In all three holes, SAD15-9, SAD15-10, and SAD15-11, the vein intercepts were hosted within a zone defined by long intersections of 55.6m, 110.3m, and 136.4m respectively of a quartz pyrite breccia that is anomalous in silver, zinc and copper. This breccia represents a previously unrecognized hydrothermal event which may indicate a larger hydrothermal system at depth.

Hole #	From (m)	To (m)	Length (m)	Ag, g/t	Au, g/t	Cu, %	Pb, %	Zn, %	Ageq, g/t*
SAD15-9	221.00	224.05	3.05						
SAD15-9	226.15	241.80	15.65	65.22	0.02	0.01	0.01	0.04	68.99
including	226.15	231.00	4.85	118.32	0.02	0.07	0.01	0.04	129.64
SAD15-9	263.70	266.75	3.05	40.38	0.09	0.01	0.15	0.52	74.55
	266.75	269.80	3.05						
	269.80	271.35	1.55	4.90	0.04	0.01	0.15	0.51	33.43
SAD15-10	282.70	284.30	1.60	100.03	0.11	0.01	0.01	0.03	110.72
SAD15-10 **	331.50	343.45	11.95						
including	331.5	333.6	2.1	283.31	0.17	0.01	0.38	0.70	337.75
**	333.60	335.65	2.05						
including	335.65	341.15	5.5	96.65	0.26	0.03	0.61	1.34	194.32
**	341.15	341.85	0.7						
including	341.85	343.45	1.60	19.44	0.12	0.02	0.40	1.58	99.55
SAD15-11	283.50	285.00	1.50	136.03	0.03	0.02	0.03	0.06	143.22
*Reported for comparison only, with no assumptions regarding metal recovery or smelter payments. Prices used are Au: \$1210.50/ounce, Ag: \$16.33/ounce, Cu; \$2.80/pound, Pb; \$0.83/pound and Zn \$0.95/pound. US dollars.									
1 Gram = 0.03215074657 Troy ounce									
** Grade not calculated because of no data for open mine workings									
***True Widths are approximately 70% to 80% of each intersection									
SAD15-10 *	331.50	343.45	11.95	96.87	0.17	0.02	0.40	0.95	163.07
* Calculated using zero grade for the mine openings.									

On July 14, 2016, the Company entered into an additional surface rights agreement for the right to occupy and perform exploration work on the San Acacio property. The Company will have authorization to explore the surface of the property for a term of five years which can be renewed for a further 5 years at the Company's choice by making advance annual payments of MX\$120,000 (paid) and by paying a onetime fee of MX\$100,000 (paid) on signing of the agreement.

In July 2016, the Company filed a drill permit application with Semarnat for a drilling program to include up to 126 holes totaling approximately 60,000m. The drill holes will target extensions of mineralization within the 1200m long San Acacio deposit as well as the 900m long extension of the deposit to the southeast. As of January 2017, the required permit had been received.

The Company's drilling to date has extended mineralization below the base of the current resource in two of the past producing zones, Almaden and Guadalupe. Results were excellent, producing long intersections of high grade mineralization in the extension to depth of two of the zones as follows.

Zone	Hole #	From (m)	To (m)	Length (m)***	Ag g/t	Au g/t	Cu %	Pb %	Zn %	AgEq g/t*
Almaden	SAD14-01	132.50	149.50	17.00	110.21	0.13	0.01	0.11	0.35	139.15
	<i>including</i>	134.00	142.10	8.10	222.12	0.22	0.01	0.20	0.53	268.13
Almaden	SAD14-02	168.50	185.20	16.70	101.11	0.75	0.02	0.14	1.79	235.36
	<i>including</i>	168.50	171.70	3.20	419.09	0.82	0.02	0.14	0.30	499.43
	<i>including</i>	176.20	182.10	5.90	30.15	1.46	0.03	0.23	4.62	334.68
Almaden	SAD14-03	194.50	213.30	18.80	21.37	0.42	0.02	0.84	1.10	128.03
	<i>including</i>	205.00	213.30	8.30	42.89	0.92	0.04	1.87	2.44	278.33
Almaden	SAD14-04	143.00	153.10	10.10	100.23	0.56	0.13	0.77	1.61	248.11
	<i>including</i>	147.00	153.10	6.10	138.35	0.80	0.19	1.27	1.90	340.41
Almaden	SAD15-07	136.40	140.00	3.60	211.49	0.14	0.01	0.11	0.20	234.17
	SAD15-07	147.10	149.50	2.40	149.16	0.16	0.02	0.42	1.59	241.55
	SAD15-07	185.40	206.50	21.10	70.84	0.24	0.03	0.35	0.77	134.87
	<i>including</i>	199.10	206.50	7.40	158.75	0.52	0.07	0.81	1.83	306.68
Guadalupe	SAD15-10 **	331.50	343.45	11.95	Veta Grande vein					
	<i>including</i>	331.5	333.6	2.1	283.31	0.17	0.01	0.38	0.70	337.75
	**	333.60	335.65	2.05	Mine Opening on Veta Grande					
	<i>including</i>	335.65	341.15	5.5	96.65	0.26	0.03	0.61	1.34	194.32
	**	341.15	341.85	0.7	Mine Opening on Veta Grande					
	<i>including</i>	341.85	343.45	1.60	19.44	0.12	0.02	0.40	1.58	106.88
	SAD15-10 ****	331.50	343.45	11.95	96.87	0.17	0.02	0.40	0.95	163.07

* Reported for comparison only, with no assumptions regarding metal recovery or smelter payments. Prices used are Au: \$1210.50/ounce, Ag: \$16.33/ounce, Cu; \$2.80/pound, Pb; \$0.83/pound and Zn \$0.95/pound. US dollars.

** Grade not calculated because of no data for open mine workings.

*** True Widths are approximately 70% to 80% of each intersection.

**** Calculated using zero grade for the mine openings.

Results from drill hole SAD15-10 includes two historic mine openings that were assigned no grade. Even with this artificially low assumption, the intercept returned the strong grade of 163.07g/t Ag Eq. It can be assumed that the high-grade was mined out by the historical miners. If this were to have been left in-situ, the grade would have been considerably higher. This extends the depth of the strongly mineralized main vein 150m below the base of the current resource.

In May 2017, Defiance announced the resumption of drilling at the San Acacio Silver Project in the Zacatecas silver district. This drilling targeted the expansion of the current deposit and focused specifically on following up on the Esperanza and Almaden mineralized high grade shoots. Previous drilling at Esperanza intersected 12.7m grading 297g/t silver equivalent (“AgEq”) while at Almaden, drilling returned 8.3m grading 278 g/t AgEq.

In July and October 2017, results were released from the remaining diamond drill holes SAD17-12 to SAD17-17 in the Phase I 5000m drill program as presented in the following table.

Hole #	From (m)	To (m)	Length (m)	Ag, g/t	Au, g/t	Cu, %	Pb, %	Zn, %	AgEq,* g/t*
SAD 17-12	226.2	253.65	27.03	148.21	0.29	0.02	0.13	0.67	202.99
including	226.2	234.20	7.58	212.91	0.05	0.01	0.06	0.26	230.03
including	238.0	243.00	5.00	230.69	0.51	0.04	0.43	1.68	354.97
including	247.6	253.65	6.05	122.07	0.74	0.01	0.09	1.04	222.59
SAD17-13	261.00	271.00	10.00	171.22	0.08	0.01	0.27	0.42	204.65
including	261.00	264.00	3.00	372.21	0.10	0.01	0.16	0.45	404.03
SAD17-14	308.07	308.67	0.60	139.53	0.40	0.00	1.84	1.09	276.74
	314.12	315.00	0.88	213.84	0.30	0.00	0.01	0.00	236.21
	318.00	318.30	0.30	477.55	0.46	0.00	0.05	0.17	520.27
SAD17-15	209.82	213.00	3.18	285.04	0.02	0.01	0.05	0.17	296.30
SAD17-17	439.13	440.14	1.01	33.90	0.12	0.01	0.51	3.14	187.85

*Reported for comparison only, with no assumptions regarding metal recovery or smelter payments. Prices used are Au: \$1210.50/ounce, Ag: \$16.33/ounce, Cu; \$2.80/pound, Pb; \$0.83/pound and Zn \$0.95/pound. US dollars.

**True Widths are approximately 70% to 80% of each intersection.

Drill holes SAD17-13 and SAD17-14 targeted the Esperanza Zone, extending the mineralization further at depth below drill hole SAD17-12 which intersected high grade silver over a core length of 27.03 meters of hydrothermal breccia and veins assaying 202.99 g/t AgEq (see Defiance news release dated June 8, 2017). Hole SAD17-13 extended the wide zone of mineralization in drill hole SAD17-12 with a 10 meter intersection grading 204.65 g/t AgEq. Drill hole SAD17-14 intersected three narrower zones of mineralization before intersecting a fault that displaced the main vein. Drill hole SAD17-15 drilled 100 meters to the southeast on the vein intersected high grade mineralization grading 296.30 g/t AgEq over 3.18 meters. Drill hole SAD17-17, drilled 100 meters farther to the southeast, extended the wide vein intersection of 11.95 meters in drill hole SAD15-10 with its high grade mineralization and old workings, 80 meters vertically although mineralization was primarily base metals with 3.14% Zinc and 0.51% lead, possibly in the low grade zone between silver and silver-base metal zones.

Exploration efforts were conducted under the direct supervision of Rick Tschauer, B.Sc. the Company's geological consultant. Bruce Winfield P.Geo.) was the Qualified Person for the exploration program.

Minerva Property

The Company has applied for the Minerva property located in northern Mexico. The property comprises approximately 29,000 ha covering a district with a series of old artisanal mine workings from the 1980's with very limited production from a small stamp mill. Access is good via a series of paved and dirt roads. However, only limited modern exploration has been carried out. Silver-lead-zinc mineralization occurs as carbonate replacement and skarn bodies within a well-

developed limestone-siltstone sequence and is related to a series of granitic to dioritic igneous intrusions.

The deposit model for the area is the nearby La Encantada deposit being mined by First Majestic Corp (previously mined by Penoles). La Encantada is reported to contain the following reserves and resources:

Resource Category	Tonnage (mt)	Grade AgEq (g/t)	Contained AgEq (million oz)
Proven + Probable	6.75	143	32.35
Measured + Indicated	6.15	1.61	33.75
Inferred (oxides + tailings)	0.76	235	5.77

Ref: First Majestic Silver Corp website, effective December 31, 2016

Management plans to initially carry out a regional satellite imagery alteration study and prospecting to define areas for more follow up mapping, sampling and possibly ground geophysics.

Results of Operations

Summary of Quarterly Results

The following tables summarize information derived from the Company's financial statements for each of the eight most recently completed quarters:

	September 30, 2017	June 30, 2017	March 31, 2017	December 31, 2016
Revenue	\$ Nil	\$ Nil	\$ Nil	\$ Nil
Loss and comprehensive loss for the period	(249,247)	(164,528)	(124,023)	(182,707)
Exploration and evaluation assets	3,209,694	2,898,890	2,444,938	2,194,330
Total assets	4,857,647	3,361,492	3,339,033	3,444,543
Loss per share	(0.00)	(0.00)	(0.00)	(0.00)

	September 30, 2016	June 30, 2016	March 31, 2016	December 31, 2015
Revenue	\$ Nil	\$ Nil	\$ Nil	\$ Nil
Loss and comprehensive loss for the period	(145,322)	(207,660)	(156,717)	(139,815)
Exploration and evaluation assets	2,115,735	2,019,716	1,955,698	1,875,603
Total assets	3,185,123	3,210,843	2,385,032	2,187,777
Loss per share	(0.00)	(0.00)	(0.00)	(0.00)

Three months ended September 30, 2017

The Company's loss for the period ended September 30, 2017 totaled \$249,247 (\$0.00 per share) as compared to a loss \$145,322 (\$0.00 per share) for the period ended September 30, 2016.

Expense details are as follows:

- a) Investor relations of \$23,133 (2016 – \$15,410) –. The Company has restructured its investor relations activities during the current period to include greater reliance of external consultants, which have revised contractual arrangements.
- b) Legal and audit of \$50,771 (2016 – \$18,708) – The increase is due to the variable nature of legal activities incurred in the Company's subsidiary during the ongoing renegotiation of the option to purchase agreement, which completed during the current period, and the acquisition of surface rights.
- c) Management and consulting fees of \$80,797 (2016 – \$35,889) – The increase is due to the appointment of a new CEO and an increase in geological consulting in the current period.
- d) Share-based compensation of \$60,388 (2016 – \$43,623) – The increase is due to the issuance of 300,000 (2016 – 200,000) stock options in the current period and the timing of their related vesting periods.
- e) Loss on foreign exchange of \$7,001 (2016 – \$6,263) – The losses are due to fluctuating exchange rates between the CAD, USD and MXN in the current period compared to the prior period.

Liquidity

The Company is in the acquisition and early exploration stage and therefore has no incoming cash flows from operations. At September 30, 2017, the Company had cash of \$1,010,251 (June 30, 2017 – \$183,758) and working capital of \$783,261 (June 30, 2017 – working capital deficiency of \$292,450) (see Capital Resources section below regarding proceeds from warrant and stock options exercises).

At present, the Company's operations do not generate positive cash flows and its financial success is dependent on management's ability to discover economically viable mineral deposits. The mineral exploration process can take many years and is subject to factors that are beyond the Company's control.

The Company is considered to be in the exploration and evaluation stage. Thus, it is dependent on obtaining regular financings in order to continue its exploration and evaluation programs. Despite previous success in acquiring these financings, there is no guarantee of obtaining future financings. The Company's cash is invested in business accounts with quality financial institutions, is available on demand for the Company's programs, and is not invested in any asset backed commercial paper.

Value added tax (VAT)

The Company, through its wholly-owned subsidiary in Mexico, has a total of \$275,138 in VAT receivable as of September 30, 2017 (June 30, 2017 – \$264,711). This amount reflects VAT paid from 2011 through 2017. The Company has prepared and submitted claims to recover the VAT but the timing of the recovery of the amounts cannot be determined with any certainty and, accordingly, the VAT has been classified as a long-term receivable.

Capital Resources

The Company will continue to seek capital through public markets by issuing common shares pursuant to private placements. The Company manages its capital structure to maximize its financial flexibility making adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets and business opportunities. The Company does not presently utilize any quantitative measures to monitor its capital and is not subject to externally imposed capital requirements.

During the period ended September 30, 2017, the Company completed a private placement financing in two tranches raising gross proceeds of \$1,725,000. Total finder's fees of \$131,160 and 437,200 warrants were paid in connection with the private placement.

Outstanding Share Data

As at the date of this report, the Company had 98,101,821 common shares issued and outstanding.

The following stock options were outstanding at the date of this report:

	Number	Exercise Price	Expiry Date
Stock Options	100,000	0.27	December 10, 2017
	1,840,000	0.10	November 6, 2019
	100,000	0.15	March 12, 2020
	250,000	0.11	June 10, 2020
	50,000	0.10	November 27, 2020
	200,000	0.41	July 20, 2021
	830,000	0.32	December 14, 2021
	30,000	0.32	December 16, 2021
	300,000	0.31	July 26, 2022
	300,000	0.30	October 23, 2019
	<u>4,000,000</u>		

Warrants

As at the date of this report and pursuant to a private placement completed on September 29, 2017, there are 6,187,201 share purchase warrants outstanding, including finders' warrants, with an exercise price of \$0.45 for a twenty-four months period until September 19 and 29, 2019.

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements as at September 30, 2017 or as of the date of this report.

Related Party Transactions

Related parties include the Board of Directors, officers, close family members and entities that are controlled by these individuals.

As at September 30, 2017, accounts payable and accrued liabilities included \$50,265 (June 30, 2017 – \$19,775) payable to directors, officers and companies controlled or related to directors and/or officers. Amounts payable to related parties have no specific terms of repayment, are unsecured and do not bear interest.

During the period ended September 30, 2017, the Company:

- (a) paid or accrued management fees of \$7,500 (2016 – \$7,500) to a company controlled by a director of the Company.
- (b) paid or accrued management fees of \$21,590 (2016 – \$Nil) to a company controlled by the CEO of the Company.
- (c) paid or accrued management fees of \$3,500 (2016 – \$3,500) to a company controlled by the CFO of the Company.
- (d) paid or accrued management fees of \$5,000 (2016 – \$15,000) to a company controlled by the former CEO, President and director of the Company.

Share-based compensation includes stock options granted to directors and officers recorded at a fair value of \$55,550 (2016 – \$43,623).

Proposed Transactions

At the present time, there are no new proposed transactions that should be disclosed.

Risk Factors

The Company is in the business of acquiring, exploring and, if warranted, developing and exploiting natural exploration and evaluation assets. Due to the nature of the Company's proposed business and the present stage of exploration of its exploration and evaluation assets, the following risk factors, among others, will apply:

Mining Industry is Intensely Competitive: The Company's business is the acquisition and exploration of exploration and evaluation assets. The mining industry is intensely competitive and the Company will compete with other companies that have far greater resources.

Resource Exploration and Development is Generally a Speculative Business: Resource exploration and development is a speculative business and involves a high degree of risk, including, among other things, unprofitable efforts resulting not only from the failure to discover

resource deposits but from finding resource deposits which, though present, are insufficient in size to return a profit from production. The marketability of natural resources that may be acquired or discovered by the Company will be affected by numerous factors beyond the control of the Company. These factors include market fluctuations, the proximity and capacity of natural resource markets, government regulations, including regulations relating to prices, taxes, royalties, land use, importing and exporting of resources and environmental protection.

The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving an adequate return on invested capital. The vast majority of exploration projects do not result in the discovery of commercially mineable deposits of ore.

Fluctuation of Metal Prices: Even if commercial quantities of resource deposits are discovered by the Company, there is no guarantee that a profitable market will exist for the sale of the metals produced. Factors beyond the control of the Company may affect the marketability of any substances discovered. The prices of various metals have experienced significant movement over short periods of time, and are affected by numerous factors beyond the control of the Company, including international economic and political trends, expectations of inflation, currency exchange fluctuations, interest rates and global or regional consumption patterns, speculative activities and increased production due to improved mining and production methods.

The supply of and demand for metals are affected by various factors, including political events, economic conditions and production costs in major producing regions. There can be no assurance that the price of any commodities will be such that any of the properties in which the Company has, or has the right to acquire, an interest may be mined at a profit.

Permits and Licenses: The operations of the Company will require consents, approvals, licenses and/or permits from various governmental authorities. There can be no assurance that the Company will be able to obtain all necessary consents, approvals, licenses and permits that may be required to carry out exploration, development and mining operations at its projects.

No Assurance of Profitability: The Company has no history of earnings and, due to the nature of its business, there can be no assurance that the Company will ever be profitable. The Company has not paid dividends on its shares since incorporation and does not anticipate doing so in the foreseeable future. The only present source of funds available to the Company is from the sale of its common shares or, possibly, from the sale or optioning of a portion of its interest in its exploration and evaluation assets.

Even if the results of exploration are encouraging, the Company may not have sufficient funds to conduct the further exploration that may be necessary to determine whether or not a commercially mineable deposit exists. While the Company may generate additional working capital through further equity offerings or through the sale or possible syndication of its property, there can be no assurance that any such funds will be available on favourable terms, or at all. At present, it is impossible to determine what amounts of additional funds, if any, may be required. Failure to raise such additional capital could put the continued viability of the Company at risk.

Uninsured or Uninsurable Risks: The Company may become subject to liability for pollution, criminal activity or hazards against which it cannot insure or against which it may elect not to insure where premium costs are disproportionate to the Company's perception of the relevant risks. The payment of such insurance premiums and of such liabilities would reduce the funds available for exploration and production activities.

Government Regulation: Any exploration, development or mining operations carried on by the Company will be subject to government legislation, policies and controls relating to prospecting, development, production, environmental protection, mining taxes and labour standards. In addition, the profitability of any mining prospect is affected by the market for precious and/or base metals which is influenced by many factors including changing production costs, the supply and demand for metals, the rate of inflation, the inventory of metal producing corporations, the political environment and changes in international investment patterns.

Environmental Matters: Existing and possible future environmental legislation, regulations and actions could cause significant expense, capital expenditures, restrictions and delays in the activities of the Company, the extent of which cannot be predicted and which may well be beyond the capacity of the Company to fund. The Company's right to exploit any mining properties is and will continue to be subject to various reporting requirements and to obtaining certain government approvals and there can be no assurance that such approvals, including environment approvals, will be obtained without inordinate delay or at all.

Insufficient Financial Resources: The Company does not presently have sufficient financial resources to undertake by itself the exploration and development of any significant exploration and development programs. The development of the Company's property will therefore depend upon the Company's ability to obtain financing through the joint venturing of projects, private placement financing, public financing or other means. There can be no assurance that the Company will be successful in obtaining the required financing. Failure to raise the required funds could result in the Company losing, or being required to dispose of, its interest in its property. In particular, failure by the Company to raise the funding necessary to maintain in good standing the various option agreements it has entered into could result in the loss of the rights of the Company to such property. In addition, should the Company incur significant losses in future periods, it may be unable to continue as a going concern, and realization of assets and settlement of liabilities in other than the normal course of business may be at amounts significantly different from those reflected in its current financial statements.

Recent market events and conditions, including disruptions in the Canadian, United States and international credit markets and other financial systems and the deterioration of the Canadian, United States and global economic conditions, could, among other things, impede access to capital or increase the cost of capital, which would have an adverse effect on the Company's ability to fund its working capital and other capital requirements.

These unprecedented disruptions in the current credit and financial markets have had a significant material adverse impact on a number of financial institutions and have limited access to capital and credit for many companies, particularly junior resource exploration companies such as the Company. These disruptions could, among other things, make it more difficult for the Company

to obtain, or increase its cost of obtaining, capital and financing for its operations. The Company's access to additional capital may not be available on terms acceptable to the Company or at all.

In years, worldwide securities markets, including those in the United States and Canada, have experienced a high level of price and volume volatility, and the market price of securities of some companies, particularly those considered exploration stage companies, have experienced declines in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. As a consequence, despite the Company's past success in securing significant equity financing, market forces may render it difficult or impossible for the Company to secure places to purchase new share issues at a price which will not lead to severe dilution to existing shareholders, or at all. Therefore, there can be no assurance that significant fluctuations in the trading price of the Company's common shares will not occur, or that such fluctuations will not materially adversely impact on the Company's ability to raise equity funding without significant dilution to its existing shareholders, or at all.

Dependence Upon Others and Key Personnel: The success of the Company's operations will depend upon numerous factors, many of which are beyond the Company's control, including (i) the ability to design and carry out appropriate exploration programs on its exploration and evaluation asset; (ii) the ability to produce resources from any resource deposits that may be located; (iii) the ability to attract and retain additional key personnel in exploration, marketing, mine development and finance; and (iv) the ability to obtain the operating resources to develop and maintain the property held by the Company. These and other factors will require the use of outside suppliers as well as the talents and efforts of the Company and its consultants and employees. There can be no assurance of success with any or all of these factors on which the Company's operations will depend, or that the Company will be successful in finding and retaining the necessary employees, personnel and/or consultants in order to be able to successfully carry out such activities. This is especially true as the competition for qualified geological, technical and mining personnel and consultants is particularly intense in the current marketplace.

Price Fluctuations and Share Price Volatility: In recent months, the securities markets in the United States and Canada have experienced a high level of price and volume volatility, and the market price of securities of many companies, particularly those considered exploration stage companies, have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual and extreme fluctuations in price will not occur.

Uncertainty of Resource Estimates/Reserves: Unless otherwise indicated, mineralization figures presented in the Company's filings with securities regulatory authorities, press releases and other public statements that may be made from time to time are based upon estimates made by Company personnel and independent geologists. These estimates are imprecise and depend upon geological interpretation and statistical inferences drawn from drilling and sampling analysis, which may prove to be unreliable. There can be no assurance that:

- these estimates will be accurate;
- reserves, resource or other mineralization figures will be accurate; or
- this mineralization could be mined or processed profitably.

Because the Company has not commenced production at its property, and has not defined or delineated any proven or probable reserves on any of its properties, mineralization estimates for the Company's property may require adjustments or downward revisions based upon further exploration or development work or actual production experience. In addition, the grade of ore ultimately mined, if any, may differ from that indicated by drilling results. There can be no assurance that minerals recovered in small-scale tests will be duplicated in large-scale tests under on-site conditions or in production scale. The resource estimates contained in the Company's filings with securities regulatory authorities, press releases and other public statements that may be made from time to time have been determined and valued based on assumed future prices, cut-off grades and operating costs that may prove to be inaccurate. Extended declines in market prices for gold, silver, copper or other metals may render portions of the Company's mineralization uneconomic and result in reduced reported mineralization. Any material reductions in estimates of mineralization, or of the Company's ability to extract this mineralization, could have a material adverse effect on the Company's results of operations or financial condition.

The Company has not established the presence of any proven and probable reserves at its exploration and evaluation asset. There can be no assurance that subsequent testing or future studies will establish proven and probable reserves at the Company's exploration and evaluation asset. The failure to establish proven and probable reserves could restrict the Company's ability to successfully implement its strategies for long-term growth.

Surface Rights and Access: Although the Company acquires the rights to some or all of the resources in the ground subject to the tenures that it acquires, or has a right to acquire, in most cases it does not thereby acquire any rights to, or ownership of, the surface to the areas covered by its resource tenures. In such cases, applicable mining laws usually provide for rights of access to the surface for the purpose of carrying on mining activities, however, the enforcement of such rights can be costly and time consuming. In areas where there are no existing surface rights holders, this does not usually cause a problem, as there are no impediments to surface access. However, in areas where there are local populations or land owners, it is necessary, as a practical matter, to negotiate surface access. There can be no guarantee that, despite having the right of law to access the surface and carry on mining activities, the Company will be able to negotiate a satisfactory agreement with any such existing landowners/occupiers for such access, and therefore it may be unable to carry out mining activities. In addition, in circumstances where such access is denied, or no agreement can be reached, the Company may need to rely on the assistance of local officials or the courts in such jurisdiction.

Title: Although the Company has taken steps to verify the title to the exploration and evaluation asset in accordance with industry standards for the current stage of exploration of such property, these procedures do not guarantee title. Title to exploration and evaluation assets may be subject to unregistered prior agreements or transfers, and may also be affected by undetected defects or the rights of indigenous peoples.

Disclosure For Venture Issuers Without Significant Revenue

An analysis of the material components of the Company's general and administrative expenses is disclosed in the consolidated financial statements for the year ended June 30, 2017 to which this MD&A relates. An analysis of the material components of the exploration and evaluation assets

of the Company is disclosed in the consolidated financial statements for the year ended June 30, 2017 to which this MD&A relates.

Critical Accounting Estimates

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual reports could differ from management's estimates.

Contingencies

There are no contingent liabilities.

Internal Controls Over Financial Reporting

Changes in Internal Control over Financial Reporting ("ICFR")

In connection with National Instrument 52-109, Certification of Disclosure in Issuer's Annual and Interim Filings ("NI 52-109") 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 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 Issue 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 NI52-109.

Management's Responsibility For Financial Statements

The information provided in this report, including the financial statements, is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the financial statements.

Other MD&A Requirements

Additional disclosure of the Company's technical reports, material change reports, news releases and other information can be obtained on SEDAR at www.sedar.com.

Recent Accounting Policies

Please refer to the September 30, 2017 condensed consolidated interim financial statements on www.sedar.com.

Financial Instruments

Please refer to the September 30, 2017 condensed consolidated financial statements on www.sedar.com.

Note Regarding Forward-Looking Statements

Except for historical information, this MD&A may contain forward-looking statements. The statements involve known and unknown risks, uncertainties, and other factors that may cause the Company's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievement expressed or implied by these forward-looking statements.

The factors that could cause actual results to differ materially include, but are not limited to, the following: general economic conditions; changes in financial markets; the impact of exchange rates; political conditions and developments or criminal activity in countries in which the Company operates; changes in the supply, demand and pricing of the metal commodities which the Company hopes to find and successfully mine; changes in regulatory requirements impacting the Company's operations; the sufficiency of current working capital and the estimated cost and availability of funding for the continued exploration and development of the Company's exploration properties.

This list is not exhaustive and these and other factors should be considered carefully, and readers should not place undue reliance on the Company's forward-looking statements. As a result of the foregoing and other factors, no assurance can be given as to any such future results, levels of activity or achievements and neither the Company nor any other person assumes responsibility for the accuracy and completeness of these forward-looking statements (except as required by applicable law). The Company does not assume the obligation to update any forward-looking statement.

Additional information relating to the Company can be found on SEDAR at www.sedar.com.