



**MANAGEMENT'S DISCUSSION AND ANALYSIS  
OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS**

**FOR THE SIX MONTH ENDED SEPTEMBER 30, 2016**

**November 28, 2016**

The following Management's Discussion and Analysis ("MD&A") of the financial condition of Explore Resources Inc. ("Explore" or "the Company") and results of operations of the Company, should be read in conjunction with the unaudited interim financial statements including the notes thereto for the six months ended September 30, 2016 and the audited financial statements including the notes thereto for the years ended March 31, 2016. The financial statements together with this MDA are intended to provide investors with a reasonable basis for assessing the financial performance of the Company.

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

All monetary amounts are in Canadian dollars unless otherwise specified. Additional information regarding the Company and its operations can be obtained from the office of the Company or on SEDAR at [www.sedar.com](http://www.sedar.com).

**Description of Business**

Explore Resources Inc. (the "Company") was incorporated under the Business Corporations Act (British Columbia) on January 6, 2011 and is currently engaged in acquiring, exploring and developing mineral properties, principally located in British Columbia Canada. Effective June 11, 2012, the Company changed its name from Explore Capital Ltd. to Explore Resources Inc.

The Company is a reporting issuer in British Columbia, Alberta, Ontario and Yukon and its shares are listed on the CSE under the symbol EX.

**Overall Performance**

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

The Company has incurred recurring losses since its inception, and had an accumulated deficit of \$1,512,521 as at September 30, 2016 which has been funded primarily by the issuance of shares. The Company has no source of operating cash flows and expects to incur further losses in the exploration and development of its mineral properties. The Company's ability to continue its operations and to realize assets at their carrying values is dependent upon obtaining additional financing or maintaining continued support from its shareholders and creditors, and generating profitable operations in the future.

***Private Placement***

During the period ended September 30, 2016, the Company completed a non-brokered private placement of 4,620,000 common shares at a price of \$0.10 per share for gross proceeds of \$462,000. Finder's fee of \$15,250 was paid.

**Mineral Property*****Arlington Property, British Columbia***

On January 19, 2015, the Company acquired 100% interest by staking, the Arlington property located in the historic Beaverder silver camp, 40 kilometres southeast of Kelowna and 14 km due north of the historic Beaverdell mining camp located along B.C. Provincial Highway 33 in south-central British Columbia.

The Arlington property covers 586.46 hectares, is road accessible and is centred on Hall Creek at the south end of Arlington Lakes, and covers 10 mineral showings listed in the BCMEM (British Columbia Ministry of Energy and Mines) Minfile. The bulk of the historical work on the claims dates back to the early part of the century while the Beaverdell Mt. Wallace mining camp was developing and during the construction of the Kettle Valley Railway. Evidence of this early exploration activity is noted by the presence of numerous overgrown adits, shafts, trenches and pits scattered throughout the property. The Minfile showings are dominantly quartz vein shear-hosted to disseminated copper occurrences centred on shear structures within Middle Jurassic-aged quartz diorite to granodiorite and a bounding chlorite hornblende schist unit of the Carboniferous- to Permian-aged Anarchist group. The Arlington showing located in the central portion of the property hosts polymetallic vein-style mineralization located at the contact between Middle Jurassic-aged quartz diorite and chlorite hornblende schist of the Anarchist group. A 1973 channel sample of strongly silicified and epidotized chlorite hornblende schist returned 63.0 grams per tonne silver and 0.92 per cent copper over 0.6 metre, while a grab sample from the showing in 1987 returned up to 1.61 per cent copper, 0.08 per cent lead, 0.02 per cent zinc and 85.3 g/t Ag.

The geological setting of the Arlington property is similar to that of the Beaverdell mining camp, where mineralization is hosted by propylitic-altered granodiorite, quartz diorite and quartz monzonite of the Middle Jurassic Westkettle batholith and to some extent by the Wallace formation, which is correlative with the upper sections of the Anarchist group. High silver values characterize the structurally controlled quartz-vein-hosted mineralization along with galena, sphalerite, pyrite and chalcopyrite. The Beaverdell silver mine is one of the oldest operating mines in Canada with near-continuous production between 1913 and 1991. Over this period, 1.3 million tonnes of ore was mined, producing nearly 34.6 million ounces of silver along with lead, zinc, cadmium, copper and gold.

The Arlington property is considered underexplored with potential for hosting polymetallic silver, lead, zinc plus/minus copper and gold mineralization.

As at September 30, 2016, the Company had \$35,935 of cumulative acquisition and exploration costs related to the Arlington property project.

***Silver Dollar Property, British Columbia***

On May 11, 2016, the Company has entered into an option agreement with Happy Creek Minerals Ltd. to purchase a 100% interest in Happy Creek's Silver Dollar Property, located, approximately 45 kilometres southeast of Revelstoke, B.C. The Silver Dollar property is 3,160 hectares (31.6 square kilometres) in area and it is situated within the historical Camborne mining camp dating from around the early 1900's.

Upon the signing the Agreement and to earn 100% interest, the Company is required to make the following payments as follows:

- \$20,000 cash on the earlier of the date that is 5 days following Canadian Securities Exchange approval for closing of the Company's proposed private placement of \$400,000 and June 30, 2016 (paid);
- a minimum \$100,000 work commitment by November 11, 2016;
- 300,000 shares by December 1, 2016;
- 300,000 shares by November 11, 2017; and
- 1,000,000 shares by May 11, 2018.

The property is subject to a 1% NSR.

In 1984, a drill hole on the Silver Dollar zone returned 2.10 metres grading 229.0 g/t silver, 1.0 g/t gram per tonne gold, 10.95 per cent zinc, 4.04 per cent lead and 0.29 per cent copper. Initial due diligence by Happy Creek in 2013 returned samples containing 50.30 g/t gold, 216 g/t silver and 4.49 g/t gold, 4496 g/t silver. Important base metal results include a 1.8 metre chip sample returning 16.8% zinc, 3.9% lead, 1.67 g/t gold and 241.0 g/t silver. These results have largely confirmed those found in historical reports.

At the north end of the property, historical production and shipment (1) from the Goldfinch in 1903 was 1,316 tonnes averaging 15.9 g/t gold, 4.3 g/t silver. Granges Exploration. Ltd conducted drilling between 1985 and 1989. This historical work included a number of drill holes with results including 41.2 metres of 2.32 g/t gold starting from 4.57 metres downhole, and including a higher grade portion of 3.4 metres of 23.0 g/t gold. A review of historical drill logs suggests that between higher grade zones there are broad intervals containing geochemically elevated gold values often ranging from 0.5 to 1.0 g/t gold. Other drill holes report intervals of up to 0.85 metres containing 141.58 g/t gold and visible gold is noted in drill logs.

In 2015, Happy Creek Minerals conducted a detailed soil sampling program to the south of the Goldfinch which identified two sub-parallel and strongly positive zones of gold in soil extending 500 metres that remains open in extent. On the southern-most grid line, nine of ten continuous samples were over 111 ppb gold and up 2,500 ppb gold. This corresponds to a zone, approximately 225 metres in width, that remains open to the south and east. Two adjacent lines to the north contain similar values up to 868 ppb gold over 175 and 100 metre width, respectively.

As at September 30, 2016, the Company had \$43,159 of cumulative acquisition and exploration costs related to the Silver Dollar property project.

**Results of Operations**

<i><b>For the six month ended September 30,</b></i>	2016	2015
	\$	\$
Financial results:		
Net loss for the period	(185,392)	(112,978)
Basic and diluted loss per share	(0.04)	(0.03)
Statement of financial position date:		
Cash	221,452	59,479
Total assets	324,163	102,632
Shareholders' equity	247,791	69,190

Net Gain/Loss and Operating Expenses

For the six month ended September 30, 2016, the Company reported a loss of \$185,392 (2015 - \$112,978). The Company's loss per share was \$0.04 (2014 - \$0.03). The increase is due to the increased in advertising, consulting and stock based compensation.

General Administrative Expenses

	Three Months Ended		Six Months Ended	
	September 30,		September 30,	
	2016	2015	2016	2015
	\$	\$	\$	\$
Advertising and promotion	13,775	-	13,775	-
Consulting (Note 7)	12,000	9,000	27,000	9,000
General office	19,969	9,617	26,877	17,295
Management fees (Note 7)	19,500	18,000	37,500	36,000
Professional fees	6,597	11,530	15,711	18,687
Rent	5,900	5,400	11,300	10,800
Stock-based compensation	41,744	-	49,423	-
Transfer agent and filing fees (Recovery)	5,377	(217)	8,455	17,988
Travel	1,316	1,882	1,316	3,208
	<u>126,178</u>	<u>55,212</u>	<u>191,357</u>	<u>112,978</u>

***Three Month Period Ending September 30, 2016***

During the three months ended September 30, 2016, the Company reported a loss of \$126,178 (2015 - \$55,212). The Company's loss per share was \$0.02 (2015 - \$0.02). The loss for the period ended September 30, 2016 was mainly due to the following:

- Advertising, investor relations and promotion \$13,775 (2015-\$Nil). Amounts included in advertising, investor relation and promotion are monthly investor relations fees, print and internet advertising costs and web site. In June 2016, the Company hired Bircress Corporate Relation Inc. to provide investor relations services and the fees were \$2,000 per month.

- Management fees of \$19,500 (2015 - \$18,000) were paid to the President and CEO of the Company, in consideration of management services provided by such director, including day to day administration for the Company, and overseeing regulatory filings and requirements.
- Professional fees of \$6,597 (2015 - \$11,530) were incurred in relation to legal, audit and accounting services.
- Consulting fees of \$12,000 (2015 - \$9,000) were incurred in relation to director's fee, strategic financing and project evaluation.
- General office of \$19,969 (2015-\$9,617) comprised of administration, bank charges and interest expenses, telephone, shareholder costs and office supplies.
- The Company recorded \$41,744 (2015 - \$Nil) of non-cash compensation cost due to the grant stock options during the period ended September 30, 2016.

### **Summary of Quarterly Reports**

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

	September 30, 2016 \$	Three Months Ended June 30, 2016 \$	March 31, 2016 \$	December 31, 2015 \$
Interest income	Nil	Nil	Nil	Nil
Net loss	(120,213)	(65,179)	(71,513)	(188,167)
Basic and diluted per share	(0.02)	(0.02)	(0.02)	(0.04)

	September 30, 2015 \$	Three Months Ended June 30, 2015 \$	March 31, 2015 \$	December 31, 2014 \$
Interest income	Nil	Nil	Nil	256
Net loss	(55,212)	(57,766)	(61,353)	(48,966)
Basic and diluted per share	(0.02)	(0.01)	(0.01)	(0.01)

Over the last eight quarters, expenditures have been consistent reflecting operational activities. The Company's expenses are comprised mainly of management, consulting, general office, stock exchange and transfer fees and professional fees. Expenses have remained low as a result of management of corporate and operational activity.

Mineral exploration is typically a seasonal business, and accordingly, the Company's operating expenses and cash requirements will fluctuate depending upon the season and the level of activity. The Company's primary source of funding is through the issuance of share capital. When the capital markets are depressed, the Company's activity level normally declines accordingly. As capital markets strengthen and the Company is

able to secure equity financing with favorable terms, the Company’s activity levels and the size and scope of planned exploration projects will typically increase.

### **Related Party Transactions**

Key management includes directors (executive and non-executive) and senior management, including our Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”).

The Company had the following transactions with related parties in the periods indicated:

- Paid or accrued exploration costs of \$43,159 (2015 - \$25,000) that were capitalized as exploration and evaluation assets to a company controlled by a director of the Company.
- Paid or accrued consulting fees of \$15,000 (2015 - \$Nil) to a company controlled by a director of the Company.
- Paid or accrued rent of \$11,300 (2015 - \$10,800) and management fees of \$37,500 (2015 - \$36,000) to a company controlled by a director and Chief Executive Officer of the Company.
- Paid or accrued professional fees of \$3,000 (2015 - \$1,000) to the current Chief Financial Officer of the Company.
- Remuneration attributed to key management personnel and directors included stock-based compensation of \$34,064 (2015 – \$Nil).

Accounts payable to related parties are as follows:

	2016	2015
An entity controlled by a director and Chief Executive Officer	\$ -	\$ -
An entity controlled by a director	5,568	-
	<b>\$ 5,568</b>	<b>\$ -</b>

### *Commitments – Consulting agreements*

On August 1, 2012, amended on July 11, 2013 and was amended on September 1, 2016, the Company has entered into a consulting agreement with a director of the Company for the provision of consulting services at a current cost of \$90,000 per annum. The agreement is for a term of five years.

**Liquidity and Capital Resources**

	September 30, 2016 \$	March 31, 2016 \$
Working capital (deficiency)	168,697	(98,925)
Deficit	1,512,521	1,327,129
Cash	221,452	2,080
Current assets	245,069	7,394
Current liabilities	76,372	106,319
Shareholders' equity (deficiency)	247,791	(62,990)

The Company does not have any commitments for material capital expenditures and none are presently contemplated other than as disclosed above normal operating requirements. The Company is dependent on the sale of common shares to finance its exploration activities, property acquisition payments and general and administrative costs. There can be no assurance that financing, whether debt or equity, will always be available to the Company in the amount required at any particular time or for any particular period or, if available, that it can be obtained on terms satisfactory to the Company.

**Off Balance Sheet Agreements**

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

**Critical Accounting Policies and Estimates**

The details of Explores' accounting policies are presented in Note 2 of the annual financial statements ended March 31, 2016.

**Changes in Accounting Policies**

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

**Capital Management**

Capital is comprised of the Company's shareholders' equity. As at September 30, 2016, the Company's shareholders' equity was \$247,791. The Company's objectives when managing capital are to maintain financial strength and to protect its ability to meet its on-going liabilities, to continue as a going concern, to maintain creditworthiness and to maximize returns for shareholders over the long term. Protecting the ability to pay current and future liabilities includes maintaining capital above minimum regulatory levels, current financial strength rating requirements and internally determined capital guidelines and calculated risk management levels.

The Company is dependent on the capital markets as its sole source of operating capital and the Company's capital resources are largely determined by the strength of the junior resource markets and by the status of the

Company's projects in relation to these markets, and its ability to compete for investor support of its projects. The Company is not subject to any externally imposed capital requirements. There has been no change in the Company's approach to capital management during the period ended September 30, 2016.

### **Management Financial Risks**

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly;

Level 3 – Inputs that are not based on observable market data.

The fair value of cash is based on level 1 inputs of the fair value hierarchy.

The fair value of the Company's receivables, accounts payable and accrued liabilities approximates their carrying values due to the short-term nature.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

#### *Credit Risk*

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company believes it has no significant credit risk.

#### *Liquidity risk*

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at September 30, 2016, the Company had a cash balance of \$221,452 to settle current liabilities of \$76,372.

#### *Market risk*

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

##### (a) Interest rate risk

The Company has cash balances and no interest-bearing debt. The interest rate risk on cash is not considered significant.



(b) Foreign currency risk

The Company does not have assets or liabilities in a foreign currency.

(c) Price risk

The Company is exposed to price risk with respect to commodity prices. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices, and the stock market to determine the appropriate course of action to be taken by the Company.

### **Risk and Uncertainties**

There are no significant changes relating to the risk factors since the filing of the annual MD&A of March 31, 2016.

### **Forward-Looking Information**

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

### **Management’s Report on Internal Control Over Financing Reporting**

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

**Outstanding Shares**

	Number	Exercise Price	Expiry Date
Common Shares	9,200,697	n/a	n/a
Stock Options	11,111	\$0.90	July 17, 2017
Stock Options	250,000	\$0.15	May 15, 2017
Stock Options	550,000	\$0.13	September 29, 2021
Warrants	933,333	\$0.169	July 25, 2019

**Other Requirements**

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