

**Aura Silver Resources Inc.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Three Month Period Ended March 31, 2016**  
**(Information as at May 25, 2016 unless otherwise noted)**

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**INTRODUCTION**

The following provides management's discussion and analysis of results of operations and financial condition for the three month interim periods ended March 31, 2016 and 2015. Management's Discussion and Analysis ("MD&A") was prepared by Aura Silver Resources Inc. (the "Company") management and approved by the Board of Directors on May 25, 2016.

The following discussion and analysis should be read in conjunction with the Company's condensed consolidated interim financial statements for the periods ended March 31, 2016 and 2015 which have been prepared in accordance with International Financial Reporting Standards ("IFRS") for interim financial statements. The following discussion and analysis should also be read in conjunction with the Company's consolidated financial statements for the years ended December 31, 2015 and 2014 which have been prepared in accordance with IFRS for annual financial statements. All figures are presented in United States dollars (unless otherwise indicated). The consolidated financial statements include all of the assets, liabilities and expenses of the Company and its wholly-owned subsidiaries, Aura Resources Mexico S.A. de C.V. and Au Martinique Inc. ("Au Martinique", which is inactive). All intercompany balances and transactions have been eliminated upon consolidation.

**SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS**

*This document may contain or refer to certain forward-looking statements relating but not limited to Aura Silver Resources Inc.'s expectations, intentions, plans and beliefs. Forward-looking information can often be identified by forward-looking words such as "anticipate", "believe", "expect", "goal", "plan", "intend", "estimate", "may" and "will" or similar words suggesting future outcomes, or other expectations, beliefs, plans, objectives, assumptions, intentions or statements about future events or performance. Forward-looking information may include reserve and resource estimates, estimates of future production, unit costs, costs of capital projects and timing of commencement of operations, and is based on current expectations that involve a number of business risks and uncertainties. Factors that could cause actual results to differ materially from any forward-looking statement include, but are not limited to, failure to establish estimated resources and reserves, the grade and recovery of ore which is mined varying from estimates, capital and operating costs varying significantly from estimates, delays in obtaining or failures to obtain required governmental, environmental or other project approvals, inflation, changes in exchange rates, fluctuations in commodity prices, delays in the development of projects, the failure to obtain sufficient funding for operating, capital and exploration requirements and other factors. Forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results to differ materially from expected results. Potential shareholders and prospective investors should be aware that these statements are subject to known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from those suggested by the forward-looking statements. Shareholders are cautioned not to place undue reliance on forward-looking information. By its nature, forward-looking information involves numerous assumptions, inherent risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and various future events will not occur. Aura Silver Resources Inc. undertakes no obligation to update publicly or otherwise revise any forward-looking information whether as a result of new information, future events or other such factors which affect this information, except as required by law.*

## **NATURE OF OPERATIONS AND DESCRIPTION OF BUSINESS**

The Company is an exploration stage junior mining company engaged in the identification, acquisition, evaluation and exploration of mineral properties in North America. The Company has not determined if its properties contain mineral resources that are economically recoverable. The recoverability of amounts recorded for mineral exploration properties and deferred exploration expenditures is dependent upon the discovery of economically recoverable resources, the ability of the Company to obtain the necessary financing to complete the development of these resources and upon attaining future profitable production from the properties or sufficient proceeds from disposition of the properties.

### **Taviche – Mexico Property**

On June 8, 2009, the Company concluded a definitive option agreement with Plata Panamericana S.A. de C.V. (“Plata”, a wholly-owned subsidiary of Pan American Silver Corporation (“PanAm”)), Intrepid Mines Limited and Intrepid Minerals Corporation (collectively “Intrepid”). This definitive option agreement confirmed and superseded all prior agreements (which were entered into during 2006) for a potential joint venture with Intrepid and PanAm with respect to the Taviche properties in Oaxaca State, Mexico. The property concessions subject of the option agreement consisted of the East and West Taviche concessions and the Alma Delia concession. Under the terms of the option agreement the Company and Intrepid (the “Taviche JV”) were able to jointly earn a 70% interest in the properties by spending a minimum of \$4.0 million over five years on exploration and making option payments totalling \$790,000 over the same period. During the remainder of the five year option period with Plata, the Company and Intrepid could equally share exploration expenses and payment requirements or either party’s interest in the project would be diluted. Initially, Intrepid had the right to act as operator of the project.

On March 10, 2010, Intrepid notified the Company that it would not participate in funding the next phase of exploration for the Taviche project and, therefore, would allow its participating interest in the project to be diluted by the Company's ongoing funding of project costs. Operatorship of the project was transferred to the Company during March 2010. Intrepid has not provided further funding since this time. During the first quarter of 2016, the Company's and Intrepid's ownership interests were 73.5% and 26.5%, respectively. During February 2016, the Company acquired Intrepid's diluting interest resulting in the Company holding a 100% ownership interest in the Taviche project (see below).

During April 2012, the Company, Intrepid and Plata entered into a new agreement which supersedes the option agreement and established the ownership interests of each party in the Taviche and Alma Delia concessions and related matters. Under the terms of the new agreement the Taviche JV acquired a full 100% ownership interest in both the East Taviche and Alma Delia concessions while Plata retained a 100% ownership position in the West Taviche concession. The Taviche JV was entitled to receive a cash payment of \$2.0 million, dependent on certain sale or disposition transactions undertaken by Plata in excess of a 70% interest with respect to the West Taviche property (see below). Plata refunded the final earn-in payment of \$250,000 paid in September 2011. Additionally, the Taviche JV granted Plata a 1.5% net smelter royalty (“NSR”) as well as a right of first offer on the East Taviche and Alma Delia concessions based on certain terms and conditions. The agreement vested a 100% ownership position in East Taviche and Alma Delia with the Taviche JV.

During February 2013, the Taviche JV determined that it would not renew the Alma Delia concession in order to focus on the core project holdings at East Taviche and to reduce project land maintenance costs.

On July 24, 2013, the Company received a cash payment of \$1,309,111 from Plata. This payment was triggered by the completion of Plata’s sale of the West Taviche concession to Fortuna Silver Mines Inc. and was in accordance with the April 2012 agreement between the Taviche JV and Pan Am. The

payment was comprised of the Company's pro-rata share of the total payment of \$2 million paid to the Taviche JV of \$1,412,000 net of prior concession fees of \$102,889 related to East Taviche which were reimbursable to Plata.

During February 2015, the Company completed filings with Mexican authorities to request a reduction in the size of the East Taviche concession. This reduction decreased the East Taviche concession to 986 hectares from its prior 7,470 hectares and retains the core area encompassing the Higo Blanco trend which has been the focus of the Company's exploration efforts in Mexico since 2009. Mexican authorities confirmed the reduction with the issuance of new title documentation in January 2016.

During February 2016, the Company entered into a binding letter agreement with Intrepid for the acquisition of Intrepid's 26.5% diluting joint venture interest in the Taviche project. The acquisition consolidates to 100% the Company's ownership interest in the Taviche project and eliminates a potential 1.5% NSR to Intrepid that would have applied to future production if Intrepid's interest in the joint venture had fallen below 10%. The 1.5% NSR held by Plata remains in place. Consideration payable for the acquisition of Intrepid's project interest comprised 1,000,000 common shares of the Company valued at \$10,958 (CDN\$15,000).

During April 2016, the Company was advised by Plata of its intention to assign its 1.5% NSR on the Taviche property to MacMillan Minerals Inc. pursuant to a purchase and sale agreement. MacMillan Minerals Inc. intends to change its name to Maverix Metals Inc. upon completion of a proposed reverse takeover transaction.

As at March 31, 2016 and December 31, 2015, due to prevailing junior resource market conditions and the uncertainty associated with the Company's ability to retain its interest in and exploit any future economic benefit from the Taviche, Mexico project, the Company had recorded an impairment charge totalling \$27,325 (2015 - \$54,384) with respect to the mineral exploration property costs and deferred exploration expenditures associated with the project.

During 2015, the Company compiled all exploration data on the East Taviche project which led to the identification of new drill targets.

#### **Greyhound Project – Nunavut, Canada**

During June 2006, the Company initiated its Greyhound project in the central Churchill region of Nunavut, Canada, staking 10 claims for a total of 10,451 hectares. From 2008 to 2011, the Company increased its land holdings in the Whitehills area to a total of 57 claims comprising over 55,000 hectares. During 2013 and 2014, the Company allowed a total of 37 low priority claims to lapse. Currently, the Greyhound project comprises a total of 20 claims covering approximately 19,658 hectares. The Company currently has a 100% direct ownership interest in the Greyhound project.

During June 2014, the Company entered into a definitive option agreement with Agnico Eagle Mines Ltd. ("Agnico Eagle") which allows Agnico Eagle to earn an interest in 13 claims (approx. 13,586 hectares) comprising part of the Greyhound project. The option agreement was amended effective June 1, 2015 in order to change the timing and amounts of certain cash option payments. Under the terms of the amended option agreement, over the first three years of the agreement, Agnico Eagle has the exclusive right to earn an undivided 51% ownership interest by making a total of CDN\$210,000 in cash payments to the Company and incurring CDN\$1,750,000 in work expenditures (or, in respect of work expenditures, at Agnico Eagle's option, by making cash payments to the Company or a combination of work expenditures and cash payments). During June 2015, the Company received the first anniversary cash option payment of \$40,657 (CDN \$50,000) from Agnico Eagle.

Upon completion of earning a 51% interest, Agnico Eagle will have an option to increase its ownership interest in the project to 70% over a further three year period by: (A) either (i) solely financing a Feasibility Study in respect of the project, or (ii) solely incurring CDN \$5,000,000 of additional work expenditures (or, at Agnico Eagle's option, providing cash payments to the Company in an equivalent amount or a combination of work expenditures and cash payments) on or in respect of the project, and (B) providing to the Company cash option payments of (i) CDN \$100,000 with the delivery of the notice as to its exercise of this option, and (ii) CDN \$150,000 at the first anniversary of exercise of the option.

If any party's interest in the project falls below 10% then that party will forfeit their 10% interest and in return will receive a 2% NSR. The other party may at any time purchase one-half of the NSR, namely a 1% NSR, for an amount of CDN\$2,000,000. Agnico Eagle will be the operator of the project.

### SELECTED INTERIM INFORMATION

The following table contains selected interim financial information for the three month periods ended March 31, 2016 and 2015.

	<b>Three months ended March 31, 2016 US\$ (unaudited)</b>	<b>Three months ended March 31, 2015 US\$ (unaudited)</b>
Revenue	Nil	Nil
Impairment of mineral exploration properties and deferred exploration expenditures	(27,325)	(35,616)
Total expenses	(82,914)	(114,118)
Other income	32,485	55
Net loss for the period	(50,429)	(114,063)
Currency translation differences	(1,959)	(7,968)
Total comprehensive loss for the period	(52,388)	(122,031)
Basic and diluted loss per common share	(0.00)	(0.00)
	<b>As at March 31, 2016 (unaudited)</b>	<b>As at December 31, 2015</b>
Total assets	50,311	59,363
Cash dividends per common share	Nil	Nil

Total expenses were \$31,204 lower during the first quarter of 2016 when compared to the first quarter in 2015. General and administrative expenses were lower by \$11,209 primarily due to lower service fees with the Company's Chief Financial Officer and lower office rent. Stock option compensation charges were lower by \$12,323 with no expense recorded during the first quarter of 2016. Impairment charges related to property and exploration costs for the Taviche, Mexico property were lower by \$8,291.

During the first quarter of 2016, the Company recorded other income of \$32,485 related to Mexican value added tax ("VAT") refunds received with respect to two claims related to claim periods in 2010. These refund claims were originally filed during 2011 and were initially rejected and were later resubmitted. Due to the uncertainty and inconsistency related to the Mexican tax authority's interpretation of tax laws related to value added tax claims and due to the significant time periods it can take to realize collection of claimed amounts, the Company records Mexican value added tax refunds only at the time of receipt.

## **OVERALL PERFORMANCE AND RESULTS OF OPERATIONS**

### **Mineral Exploration Properties and Deferred Exploration Expenditures**

During the three month period ended March 31, 2016, the Company incurred total property costs of \$26,123 related to the Taviche, Mexico property. The first semester concession fee was \$15,165. Additionally, the Company issued 1,000,000 common shares valued at \$10,958 for the acquisition of Intrepid's diluting interest in the Taviche project.

During the three month period ended March 31, 2016, the Company incurred total exploration costs of \$1,479. Costs of \$1,202 related to geology for the Taviche, Mexico property and costs of \$277 were related to drill program planning for the Greyhound, Nunavut project. Since June 2014, direct field exploration programs at Greyhound are being funded by Agnico Eagle under the terms of the option agreement.

### **Taviche – Mexico Property**

#### ***Higo Blanco Prospect / Early Exploration***

Reconnaissance activities in the East Taviche and Alma Delia concessions during 2007 and 2008 delineated a corridor of northwest-trending gold and silver-bearing quartz-sulfide-carbonate veins, vein breccia and stockwork lenses. In proximity to where these vein systems intersect the underlying Cretaceous limestone, a zone of extensive silicification includes areas of silver-gold-bearing jasperoid (a siliceous replacement of the carbonate sedimentary strata). The Higo Blanco prospect is a series of discontinuous jasperoid occurrences over a strike length of approximately 7 kilometres. Follow-up mapping and sampling in 2008 enabled the Taviche JV to define several drill targets, initially within a small portion (~2 kilometres) of the overall strike length of the vein/jasperoid complex.

Further sampling at Higo Blanco revealed a very large Au-Ag-Sb (gold, silver, antimony) anomaly associated with a major NW-trending zone referred to as the Mezcal structure. During the period from mid 2009 to 2011, four phases of drilling were completed comprising a total of approximately 7,925 metres of diamond drilling in 35 holes.

#### ***Higo Blanco Prospect / 2009 to 2013***

The 2009 drill program comprised of a total of 4,019 metres and showed that silver/gold mineralization is shallow and widespread. Silver contents in excess of 10 oz/tonne or 312 grams/tonne (g/t) were encountered in 9 of the 22 holes, and gold contents in excess of 0.5 g/t were encountered in 14 of the holes. During March 2010, the Company initiated a Phase III drilling program to follow up on the encouraging initial results obtained in 2009 drilling. This drilling extended the silver and gold targets. The results from one drill hole suggests that the mineralized structure is southwest dipping and not vertical. This has important implications for exploration going forward which contemplates further deeper drilling.

#### ***Higo Blanco National Instrument 43-101 Technical Report***

During September 2011, a National Instrument 43-101 technical report entitled "*Taviche Project, Resource Estimate and Preliminary Economic Assessment for the Higo Blanco Project*" (the "43-101

Report”) was finalized by Geoffrey S. Carter, P. Eng. of Broad Oak Associates, an independent qualified person (as defined by NI 43-101), and is dated September 28, 2011. The 43-101 Report included an initial resource estimate and a mineral potential estimate for Higo Blanco. The 43-101 Report is publicly available under Aura Silver’s profile at [www.sedar.com](http://www.sedar.com).

### ***Inferred Resource Estimate***

The 43-101 Report provides estimates of an Inferred silver resource of 865,000 tonnes at a grade of 119 g/t for 3.3 million ounces of contained silver and an Inferred gold resource of 3.3 million tonnes at a grade of 0.51 g/t for 54,000 ounces of contained gold. The resource estimate is based on intercepts from 14 drill holes undertaken by the Company with core lengths ranging from 63.5 metres to 161.6 metres. The intercept values for gold and silver provided have been weighted and summed as a global estimation of grade within a geometric envelope referred to as the ‘deposit’.

### ***Mineral Potential Estimate***

Additionally, the 43-101 Report includes an estimation of “Mineral Potential” located near or within its seven kilometre-long by 300 metre-wide Higo Blanco jasperoid-altered area on the East Taviche and Alma Delia concessions. This exploration target mineral inventory is estimated to be between 6.0 million and up to 29.0 million ounces of silver (2 to 6 million tonnes at a grade of 100 to 150 g/t) and between 108,000 and up to 450,000 ounces of gold (10 to 20 million tonnes at a grade of 0.4 to 0.7 g/t).\*

***\* The potential quantity and grade is conceptual in nature, there has been insufficient exploration to date to define this as a mineral resource and it is uncertain if further exploration will result in the target being delineated as a mineral resource.***

### ***2014 / 2015 Soil Survey and Spatiotemporal Geochemical Hydrocarbon Analysis***

During June of 2014, Aura Silver initiated an extensive soil sampling program across a 5 kilometre long portion of the Higo Blanco trend. A total of 151 samples were collected. Analysis of these samples yielded sizeable anomalous zones characterized by Spatiotemporal Geochemistry Hydrocarbon (“SGH”) analysis. During the fall of 2014, an infill sampling program was conducted across the main anomalies to better define their shape and extent. This resulted in an additional 283 samples being collected. All samples, from phase 1 and 2, were then analyzed using SGH analysis.

One of the SGH pods identified by the survey results lies directly coincident with the Company’s previously defined silver resource. The trend which hosts the resource and the other identified drill targets (pods) is approximately 1,500 metres in length and runs along the southwestern flank of the Higo Blanco mineralized jasperoid zone. Both gold and silver targets overlap within this trend. Two other sizeable anomalies, along with several smaller pods, are located along the northwestern edge of the jasperoid zone. These anomalies are related to a SE-NW silver-gold trend. These newly discovered anomalies significantly dwarf in size the Company’s current resource area.

The identification of the existing resource area by the SGH analysis was a blind test confirming the location of the known resource as this was not known to the interpreters of the SGH survey.

In addition, at the northern end of the Higo Blanco trend located 3 kilometres from the resource, there is a strong gold anomaly with an adjacent and overlapping silver target but both are interpreted to be deeper. Neither has been mapped, trenched or drill tested.

The SGH analysis suggests that the importance of silver in the Higo Blanco trend far exceeds that of gold, although Actlabs ranks both mineralized occurrences highly with silver achieving the highest possible ranking for probability of occurrence while gold is ranked at an exceptional level of probability.

During August 2015, the Company announced the findings of a compilation of all new and existing geochemical and geophysical data for the East Taviche concession. This compilation outlines drill targets exhibiting extremely high mineral potential based on a comparison of data overlying the known silver and gold zones at East Taviche and to similar properties found elsewhere.

The recent evaluation of exploration data has discovered several new target areas, some of which are much larger in size and require drill testing, as well as untested structural zones with associated mineralization found in historical pits. These previously undetected drill targets are a consequence of an interpretation of results from the SGH deep-penetrating geochemical tool along with co-incident I.P. (induced polarization) data, surface rock, trench sampling data and past drill results. The Company believes that these are the most definitive drill targets identified at the Taviche project to date. As with the current drilled resource, the new targets appear to be associated with strong chargeability anomalies and also appear to lie along or adjacent to major, known and interpreted structural trends and intercepts.

It is noteworthy that I.P. interpreted cross-faulting transects the known ore zone and elsewhere along the 2.5 km chargeability zone known as the Higo Blanco trend. Cross faults provide the pathways for upwelling pregnant solutions carrying gold and silver mineralization. In fact, previous drilling in areas of cross-faulting led to the discovery of high-grade silver and 0.5 to 2.0 g/t gold at the area containing the Company's current silver and gold resource.

During the three month period ended March 31, 2016, the Company incurred exploration costs for the Taviche project of \$1,202 related to geology.

Patrick Toth, P. Geo., the Company's consulting geologist is Aura Silver's qualified person (as defined by National Instrument 43-101) for the Taviche, Mexico property and has reviewed and approved the scientific and technical information contained in this document.

## **Greyhound Project – Nunavut, Canada**

### ***Property Background***

In June 2006, the Company acquired a precious and base metals prospect known as the Greyhound project in the central Churchill region of Nunavut based on historical assays from prospecting with samples assaying 1,480 and 3,080 g/t Ag. The initial land position comprised 10 claims for a total of 10,451 hectares. From 2008 to 2011, the Company increased its land holdings in the Whitehills area to a total of 57 claims comprising over 55,000 hectares. During 2013 and 2014, the Company allowed a total of 37 low priority claims to lapse. Currently, the Greyhound project comprises a total of 20 claims covering approximately 19,658 hectares.

The claims lie within the Archean supracrustal rocks of the Woodburn Lake Greenstone Belt ("WLGB"). The WLGB is known for having a high potential for economic gold deposits. However, due to the perceived remoteness of the area, past exploration for base and precious metals has been minor, particularly if compared to other greenstone belts such as the Abitibi Region.

The Greyhound property is located north of the community of Baker Lake, Nunavut and south of Agnico Eagle's Meadowbank Gold Mine which has been in commercial operation since 2010. An all-weather road to the Meadowbank Mine from Baker Lake crosses portions of the Greyhound property enhancing the project's infrastructure and setting the project apart from many exploration projects in the north.

The Company continues to hold a 100% interest in the Greyhound property, subject to the earn-in agreement with Agnico Eagle entered into during June 2014. Details of the definitive option agreement with Agnico Eagle are set out on page 3 of this MD&A.

### ***Exploration Programs 2006 - 2013***

From 2006 to 2009, several airborne geophysical surveys were flown. Samples collected in 2007 contained up to 2.4% zinc (Zn), 1.02% copper (Cu), 8.1% lead (Pb), 10g/t gold (Au) and 51 g/t silver (Ag) highlighting the potential for discovery of VMS (volcanogenic massive sulphide) ores.

In 2008, samples were found to contain up to 4.1% Cu, 13.4% Zn, 8% Pb, 2,700 g/t Ag and 28g/t Au and to the northeast of Aura Lake a series of boulders contained up to 18.5% Zn and 9.2% Cu.

During 2010, the Company announced negative preliminary results of drilling and prospecting and the redirecting and focusing of its future program on gold and silver from that of base-metals.

In 2010, the Company announced assay results from surface rock samples with gold grades as high as 28.2 g/t while silver assays are up to 5,380 g/t. Seven samples contain an average grade of 14.8 g/t Au (range from 0.3 to 28.8 g/t) and in the same area an average grade of 1,472 g/t Ag (range from 21 to 5,380 g/t).

The 2011 fieldwork consisted of a multi-phase exploration program including prospecting and geological mapping, detailed soil sampling, ground geophysical surveying and diamond drilling. The 2011 drilling was conducted in two phases focused in the South Aura Lake area and later at Northeast Greyhound but results were not encouraging and no significant assay results were encountered.

Also during 2011, the Company contracted for an interpretative study referred to as Spatiotemporal Geochemical Hydrocarbon to unravel anomalous trends in the entire area and to pinpoint drill targets.

The potential sources of high-grade gold boulders (up to 28 g/t) and high-grade silver (up to 5,380 g/t) have been identified in close proximity to Aura Lake by SGH studies. The gold and copper targets at the Dingo prospect area north-west of Aura Lake are surface showings and the new interpretation of geophysical data and SGH has refined the drill targets for drill testing of the Dingo showings. This geophysical analysis has identified multiple structures/contacts with the use of three-dimensional inversion imagery of airborne VTEM EM and magnetic responses and ground Induced Polarization and Resistivity data. These structures/contacts at Aura Lake may have provided a pathway for fluids carrying mineralization and are interpreted to support the drill targets originally defined by geochemical analysis.

### ***Agnico Eagle Exploration and Drill Programs 2014 / 2015***

The 2014 exploration program conducted by Agnico Eagle consisted of surface sampling, collection of 328 rock samples as well as a drill program designed to explore coincident structural and conductive targets.

The highlight of Agnico Eagle's 2014 exploration programs was the confirmation of the presence of high-grade gold, silver and copper sulphide occurrences located within the Greyhound property. Approximately 20% of the samples collected were anomalous with the highest gold sample returning 15.5 g/t; the best silver sample encountered 3,850 g/t; and, copper samples assayed up to 3.3%. Lead is also present with sampling returning up to 38,700 ppm (3.9%). As expected the highest gold, silver and lead values occurred around and approximately one kilometre to the south of Aura Lake while the highest copper value was centered to the northeast of Aura Lake at the Dingo zone. Sampling in the Dingo zone was much more extensive in 2014 than in previous exploration programs in the area. The above gold and



copper values are both consistent, and in some instances, better than previous prospecting conducted by the Company. The 2014 prospecting campaign supports the Company's conclusion that drill targets for gold and silver exist close to Aura Lake while gold/copper targets are present in the Dingo area.

Agnico Eagle's 2014 diamond drilling program consisted of 7 holes (894 metres) and tested various structural and conductive targets across the property. Sulphide mineralization in the order of 2-10% pyrite over widths of up to 80 metres was intersected in all of the holes with semi-massive chalcopyrite and bornite being identified in at least one hole. The area hosting the chalcopyrite (copper) mineralization was found at the Dingo zone, northeast of Aura Lake. The other holes were targeted at geological structural targets and did not intersect interesting precious metal values.

Total expenditures incurred by Agnico Eagle with respect to the 2014 exploration programs were approximately \$332,600.

The summer 2015 drilling program was based on 2014 results combined with past geochemical work, both organic and inorganic, and geophysics work previously conducted on the property by the Company.

Agnico Eagle initiated Phase 2 drilling and other exploration programs at the Greyhound project during the summer of 2015. The drilling program focused on the previously identified gold and silver rich zones around Aura Lake as well as the gold and base metal, copper rich area at the Dingo zone. Additional prospecting was also carried out. Drilling was completed in early September 2015 and comprised a total of 1,557 metres in 8 holes with drill hole lengths ranging from 111 to 270 metres. Highlights of the 2015 program include prospecting and drilling discoveries that confirm untested auriferous (gold) targets and newly discovered gold drill intercepts that will be the subject of additional prospecting and drilling programs in 2016.

One hole (GHD15-017) located east of Aura Lake discovered a potential porphyry system with an intersection of greater than 25 metres of a stockwork zone of quartz-carbonate veining hosted within mafic volcanics. Of particular note is that the last 1.5 metres of the 195 metre length of core assayed an impressive 6.41 g/t gold. This gold intercept is 137.8 metres vertical depth from surface. This hole will be deepened in the 2016 drill program to determine the extent of gold mineralization at deeper levels. In addition, one other hole (GHD15-012) located in the Dingo area intersected 3.31 g/t Au over 2.7 metres (including 1.5 metres of 5.68 g/t Au). This interval corresponds to a medium grained intermediate intrusive, which is weakly foliated. The dyke is injected with 2% of white quartz carbonate veinlets cross-cutting the foliation and contains traces of pyrite finely disseminated or related to veining. This dyke is injected in an intermediate to felsic volcanic unit, strongly sheared, sericitized, ankeritized and injected by up to 5-15% of millimeter to decimeter milky quartz ankerite veins over a few metres. It's the only dyke of that kind within the drill hole. No other significant mineralization was intersected in other holes drilled.

The final report of the 2015 campaign summarized the final results of the drilling program and made initial recommendations for 2016 program activities. This included a geophysical survey (induced polarization) to be carried out to the east and north of GHD15-017 to confirm the extent and strength of this potentially highly mineralized stockwork zone. The mineralization and drill target is interpreted to be adjacent to a SGH anomaly identified by Activation Laboratories which used detailed soil survey samples collected by Aura Silver in 2011. This target was given the "highest" rating of probability for intersecting gold mineralization. The gold mineralized intersection in hole GHD15- 017 was at a vertical depth of 137.8 metres from surface which is consistent with Actlabs SGH analysis which predicted a depth of 200 metres or less.

Almost all of the surface sample grades identified from 2015 prospecting were located in the Dingo Area (located north east of Aura Lake). Grab samples varied with up to 14.6 g/t gold identified in one sample

associated with a quartz vein within mafic volcanic rocks. A 2.9 g/t gold sample was also assayed and is associated with an intrusive rock carrying 5% chalcopyrite (copper mineral) and pyrite which is consistent with a previously discovered copper target at the south end of Dingo.

The most significant highlight of the 2015 exploration program was the discovery of a potential quartz-carbonate vein stockwork system which, at the bottom of drill hole GHD15-017 assayed 6.41 g/t over 1.5 metres. The size and extent of the veining remain unknown but was in fact intersected over a 25+ metre drill interval. Associated with the quartz-carbonate veining are porphyric felsic dykes carrying abundant (35-40%) feldspar phenocrysts in a fine silica-sericite matrix. Of interest is that both copper and gold have been found at felsic intrusive/mafic volcanic contacts, both in the Dingo area and in the Aura Lake area. Previously, the significance of this was underappreciated.

Additionally, during the 2015 field season Agnico Eagle completed a survey related to 10 claims forming part of the core Greyhound project claims in order to support registration of the claims as a mining lease. Final submission of this survey and application for lease was submitted to authorities during March 2016.

Total expenditures incurred by Agnico Eagle with respect to the 2015 exploration programs were approximately \$718,300. Cumulative expenditures incurred by Agnico Eagle to the end of 2015 are approximately \$1,050,900. A minimum balance of approximately \$700,000 in exploration expenditures is required to complete the requirements of the earn-in for the first option. Agnico Eagle has confirmed its intent to complete this work during the 2016 field season.

The 2016 exploration plan for the Greyhound property was finalized during April 2016 with field work having already commenced. Key aspects of the 2016 program include the following:

1. A ground Magnetic Resonance (MAG) geophysical survey of the property was initiated during April 2016. This detailed survey will enable geologists to better interpret structural features known to host gold ore deposits elsewhere in greenstone terrain. The survey is being conducted by snowmobile and will cover an area of approximately eight kilometres by three kilometres and will utilize 50 metre grid spacing. The MAG survey grid overlaps the past induced polarization geophysical survey around Aura Lake and includes a broad area to the east of the all-weather Meadowbank road (running through the Greyhound claims) which has not been explored extensively in the past but has known mineralized showings and boulders.
2. Extensive mapping and prospecting within the area of the MAG survey will determine the extent and range of surface mineralization as well as outline structural features.
3. The 2016 drilling program is scheduled to begin in August with the priority target to be located in close proximity to drill hole GHD15-017 (as described above). The first priority is to deepen hole GHD15-017 in order to determine the extent and depth of the high grade gold mineralization. Two additional holes are also proposed adjacent to either side of GHD15-017. The drill program will continue with additional holes on a five kilometre trajectory to the Dingo zone depending on the success of initial the initial drill holes at Aura Lake.

During the three month period ended March 31, 2016, the Company incurred directly exploration costs of \$277 related to drill program planning. Since June 2014, direct field exploration programs at Greyhound are being funded by Agnico Eagle under the terms of the option agreement as detailed above.

Paul Pitman, P. Geo. is Aura Silver's qualified person (as defined by National Instrument 43-101) for the Greyhound, Nunavut property and has reviewed and approved the scientific and technical information contained in this document.

## **Expenses**

Total expenses for the three month period ended March 31, 2016 were \$82,914 (Q1 2015 – \$114,118) being \$31,204 lower during the first quarter of 2016 when compared to the first quarter in 2015. General and administrative expenses were lower by \$11,209 primarily due to lower service fees with the Company's Chief Financial Officer and lower office rent. Stock option compensation charges were lower by \$12,323 with no expense recorded during the first quarter of 2016. Impairment charges related to property and exploration costs for the Taviche, Mexico property were lower by \$8,291.

## **Other Income**

During the first quarter of 2016, the Company recorded other income of \$32,485 related to Mexican value added tax ("VAT") refunds received with respect to two claims related to claim periods in 2010. These refund claims were originally filed during 2011 and were initially rejected and were later resubmitted. Due to the uncertainty and inconsistency related to the Mexican tax authority's interpretation of tax laws related to value added tax claims and due to the significant time periods it can take to realize collection of claimed amounts, the Company records Mexican value added tax refunds only at the time of receipt.

## **Net Loss and Net Loss per Common Share**

Net loss for the three month period ended March 31, 2016 was \$50,429 (Q1 2015 – \$114,063) and basic and diluted loss per common share was \$0.00 (Q1 2015 – \$0.00).

## **LIQUIDITY AND CAPITAL RESOURCES**

As at March 31, 2016, the Company held cash of \$35,497 (December 31, 2015 – \$50,070). As at March 31, 2016, the Company had a working capital deficiency of \$119,556 (December 31, 2015 – \$77,849). Existing funds on hand at March 31, 2016 will not be sufficient to support the Company's need for cash to conduct exploration and to continue operations during the coming year. The Company will require additional funding to be able to advance and retain mineral exploration property interests and to meet ongoing requirements for general operations.

As at March 31, 2016, the Company's available cash was not sufficient to undertake significant exploration programs at a scale required to advance the Company's projects. Current market conditions remain poor for raising cash through the issuance of common shares.

Agnico Eagle is currently funding exploration at the Greyhound project under the terms of the option agreement established during June 2014. The Company is entitled to various future cash option payments in accordance with the terms of the option agreement. During June 2015, the Company received the first anniversary option payment of \$40,657 (CDN\$50,000). It is anticipated that the second anniversary option payment of CDN\$50,000 will be received on or before June 1, 2016.

The Company continues to pursue potential joint ventures on its properties which would allow partners to earn in to a portion of the Company's projects utilizing their own capital over time. Such joint venture arrangements are believed to limit shareholder dilution while allowing the Company and its shareholders to benefit from any success generated by the joint venture exploration programs. However, there is no assurance that the Company will be successful in negotiating additional joint ventures or that the terms would be acceptable.

## **Private placement financing**

On July 9, 2015, the Company closed a private placement financing issuing a total of 11,150,000 units at CDN\$0.015 per unit for gross proceeds of \$135,028 (CDN\$167,250). The Company's Chief Executive Officer and Chief Financial Officer together subscribed for a total of 7,650,000 units for gross proceeds of

CDN\$114,750. The Company applied for, and received, approval from the TSX Venture Exchange for a waiver from the five-cent minimum price requirement. Each unit consisted of one common share of the Company and one common share purchase warrant. Each warrant entitles the holder to purchase one common share of the Company at a price of CDN\$0.05 per share for a period of 36 months following the date of issuance which expires on July 9, 2018.

The Company has financed its operations from inception to date primarily through the issuance of equity securities and by the advance of related party demand notes. The Company is dependent on raising additional funds in order to finance future exploration programs and to meet requirements for administrative and other operating costs. The Company's operations do not generate cash flows except for cash option payments potentially payable under exploration partnership agreements. The Company's financial success is dependent on its ability to discover economically viable mineral deposits. The mineral exploration process can take many years and is subject to a number of factors many of which are beyond the Company's control (see Risks and Uncertainties).

### **Contractual Obligations**

The Company does not currently have any fixed contractual obligations or commitments for capital or operating leases, purchase obligations or other long-term commitments. The Company's operating lease for office premises can be cancelled with sixty days' notice.

### **OUTSTANDING SHARE DATA**

Information with respect to outstanding common shares, warrants and stock options as at April 30, 2016, March 31, 2016 and December 31, 2015 is as follows:

	<b>April 30, 2016</b>	<b>March 31, 2016</b>	<b>December 31, 2015</b>
Common shares	113,830,844	113,830,844	112,830,844
Warrants	11,150,000	11,150,000	11,150,000
Stock options	6,850,000	6,850,000	6,850,000
Fully diluted shares outstanding	131,830,844	131,830,844	130,830,844

During February 2016, the Company issued 1,000,000 common shares to Intrepid Mines Limited for the acquisition of their 26.5% diluting interest in the Taviche, Mexico project.

### **OFF-BALANCE SHEET ARRANGEMENTS**

The Company has not entered into any material off-balance sheet arrangements such as guarantee contracts, contingent interests in assets transferred to unconsolidated entities, derivative instrument obligations, or with respect to any obligations under a variable interest entity arrangement.

### **FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

The Company's financial instruments consist of cash, accounts payable and accrued liabilities. Details relating to financial instruments and risk management associated with credit risk, liquidity risk, currency risk and interest rate risk are disclosed in note 12 to the Company's consolidated annual financial statements.

## **PROPOSED TRANSACTIONS**

As is typical of the mineral exploration and development industry, the Company periodically reviews potential merger, acquisition, investment and joint venture transactions and opportunities that could enhance shareholder value. Timely disclosure of such transactions is made as soon as reportable events arise.

## **CRITICAL ACCOUNTING ESTIMATES**

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the amounts reported in the financial statements and disclosures in the notes thereto. These estimates and assumptions are based on management's best knowledge of current events and actions that the Company may undertake in the future. Actual results may differ from those estimates. The most significant items requiring the use of management estimates and valuation assumptions are related to the recoverable value of mineral exploration properties and deferred exploration expenditures; the valuation of all liability and equity instruments including flow-through share premiums, warrants, compensation options and stock options; and, the ability of the Company to continue as a going concern.

Details with respect to critical accounting estimates, judgments and estimation uncertainties are disclosed in note 2 to the consolidated interim financial statements.

## **NEW ACCOUNTING STANDARDS**

### **Standards that are not yet effective or adopted early**

#### ***IFRS 9 – Financial Instruments***

In July 2014, the International Accounting Standards Board ("IASB") issued the final version of IFRS 9, *Financial Instruments* (IFRS 9) which replaces International Accounting Standard (IAS) 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on an entity's business model and the contractual cash flow of the financial asset. Classification is made at the time the financial asset is initially recognized, namely when the entity becomes a party to the contractual provisions of the instrument. IFRS 9 also introduces additional changes relating to financial liabilities and aligns hedge accounting more closely with risk management.

IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early adoption of the new standard permitted. Company management has yet to assess the impact of this new standard on the Company's consolidated financial statements. The Company does not intend to early adopt IFRS 9.

## **RISKS AND UNCERTAINTIES**

The Company is subject to a number of risks and uncertainties due to the nature of its business and the present stage of development of its business. Investment in the natural resource industry in general, and the exploration and development sector in particular, involves a great deal of risk and uncertainty. Current and potential investors should give special consideration to the risk factors involved. These factors are discussed more fully in the annual Management's Discussion and Analysis dated April 26, 2016 which is filed on SEDAR.

## **OTHER INFORMATION**

Other information relating to the Company may be found on the SEDAR website at [www.SEDAR.com](http://www.SEDAR.com).

## **CORPORATE INFORMATION**

### **Directors and Officers**

Robert Boaz, M. Econ., Hons. BA – President, CEO and Director

W. William Boberg, MSc., P. Geo. – Independent Director

Eric Craigie, BSc. – Director

James M. Franklin, PhD, FRSC, P. Geo. – Independent Director

Nick Tintor, BSc. – Independent Director

John McNeice, CA, CPA – Chief Financial Officer and Corporate Secretary

### **Corporate Office**

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### **Web Site**

[www.aurasilver.com](http://www.aurasilver.com)

### **Independent Auditor**

PricewaterhouseCoopers LLP, Ottawa, Canada

### **Corporate Legal Counsel**

Fasken Martineau DuMoulin LLP, Ottawa, Canada

### **Corporate Banker**

Royal Bank of Canada, Ottawa, Canada

### **Transfer Agent**

TMX Equity Transfer Services, Toronto, Canada