Aura Silver Resources Inc.
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2017
(Information as at April 24, 2018 unless otherwise noted)

INTRODUCTION

The following provides management's discussion and analysis of results of operations and financial condition for the years ended December 31, 2017 and 2016. 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 April 24, 2018.

The following discussion and analysis should be read in conjunction with the Company's consolidated financial statements for the years ended December 31, 2017 and 2016 which have been prepared in accordance with International Financial Reporting Standards ("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. The reduced concession was renamed Higo Blanco and new title documentation for the concession was issued by Mexican authorities during 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 consolidated to 100% the Company's ownership interest in the Taviche project and eliminated a potential 1.5% NSR to Intrepid . 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). The 1.5% NSR held by Plata remains in place

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. changed its name to Maverix Metals Inc. upon completion of a reverse takeover transaction during July 2016.

As at December 31, 2017, due to 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 a full impairment charge with respect to prior mineral exploration property costs and deferred exploration expenditures associated with the project. Efforts to attract a joint venture partner, arrange additional financing, or other transactions for the Taviche project are on-going.

Subsequent to year end, on March 26, 2018, the Company received a lapsing notice with respect to the Higo Blanco concession. This notice provides the Company with a sixty-day period to May 25, 2018 to pay concession fees in arrears of approximately $69,631 (MXN$1,272,959) in order to avoid cancellation of the concession. The Company is evaluating its options with respect to the Taviche project including potential joint venture arrangements with funding partners. The Company initiated a private placement financing on April 18, 2018. If sufficient proceeds are raised in this financing the Company may fund the concession fee arrears from these proceeds.

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 as two distinct claim groupings. The southwestern claim group (comprised of 13 claims totalling 13,586 hectares) is the subject of an option agreement with Agnico Eagle Mines Ltd. (“Agnico Eagle”) where the Company currently has a 49% ownership interest with Agnico Eagle holding the remaining 51% interest. An application to convert the oldest 10 claims in the southwestern claim group to a mining lease has been submitted. The Company has a 100% interest in the northeastern claim group which is comprised of 7 claims totalling 6,072 hectares.

During June 2014, the Company entered into a definitive option agreement with Agnico Eagle which allows Agnico Eagle to earn an interest in 13 claims comprising the southwestern claim group 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 had 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). As of June, 2017 these commitments have been fulfilled.

During June 2016, the Company received the second anniversary cash option payment of $38,280 (CDN $50,000) from Agnico Eagle. On May 30, 2017, the Company received the third anniversary cash option payment of $81,761 (CDN$110,000) from Agnico Eagle. During June 2017, the Company received a formal notice from Agnico Eagle which confirmed they had met all requirements to complete the earn-in of a 51% interest in the southwestern claim group of the Greyhound project.

Agnico Eagle had an option to increase its ownership interest in the project to 70% over a further three-year period which was exercisable for a 180-day period following June 1, 2017. This second option was not exercised and lapsed during November 2017. From June 1, 2017 forward, the 13 claims became subject of a joint operating agreement between the Company and Agnico Eagle. Future work programs are to be established by a management committee comprised of one representative from each of the Company and Agnico Eagle. If either party to the joint operating agreement fails to fund its pro-rata share of approved exploration programs its interest in the project will be diluted on a pro-rata basis.

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 is the operator of the project and is required to have exploration meetings with the appointed representatives of the Company.

As at December 31, 2017, the Company's interest in the Greyhound project was 49%. On April 7, 2018, the Company received notice of the operating costs incurred by the operator for the period from June 1, 2017 to March 31, 2018 which total $290,810. Under the joint operating agreement, the Company can elect to fund its pro-rata share of these joint operating expenditures (amounting to $142,497) within a 30-day period following receipt of the operator's invoice for these expenditures. If the Company elects not to fund, or is unable to fund these expenditures, its interest in the Greyhound project would be diluted to approximately 45.2%. Future exploration programs to be initiated by the operator during May 2018 would require additional co-funding on a quarterly basis or the Company's interest would be further diluted.

SELECTED ANNUAL INFORMATION

The following table contains selected annual financial information for the fiscal years ended December 31, 2017, 2016 and 2015.

	2017 US$	**2016 US$**	**2015 US$**
Revenue	Nil	Nil	Nil
Impairment of mineral exploration properties and deferred exploration expenditures	(3,039)	(31,428)	(54,384)
Total expenses	(447,993)	(260,676)	(353,614)
Other income	81,761	172,558	13,066
Net loss for the year	(366,232)	(88,118)	(340,548)
Currency translation differences	6,877	(2,655)	(11,805)
Total comprehensive loss for the year	(359,355)	(90,773)	(352,353)
Basic and diluted loss per common share	(0.00)	(0.00)	(0.00)
Total assets	99,679	20,317	59,363
Cash dividends per common share	Nil	Nil	Nil

For the year ended December 31, 2017, total expenses were $187,317 higher when compared to 2016. Promotion expenses were $65,508 higher relating to the initiation of an advertising and marketing contract during the first quarter of 2017 and due to promotion costs in support of the Company's financing activities during the first quarter of 2017. Stock option compensation charges were $153,570 higher and related to new options granted in April 2017. Increased promotion and stock option expenses were offset by lower impairment charges related to property and exploration costs for the Taviche, Mexico property of $28,389 during the year. Expenses in all other categories were relatively consistent when comparing the year ended December 31, 2017 to 2016.

On May 30, 2017, the Company received the third anniversary cash option payment of $81,761 (CDN$110,000) from Agnico Eagle. This amount was recorded as other income. During the second quarter of 2016, the Company received the second anniversary cash option payment of $38,280 (CDN$50,000) from Agnico Eagle. This amount was applied to reduce the carrying amount of deferred exploration expenditures for the Greyhound project by $5,125 with the balance of $33,155 recorded in 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. No VAT refunds were realized during the year ended December 31, 2017.

Total expenses were $92,938 lower during the year ended December 31, 2016 when compared to 2015. Significant components of decreased expenses were attributable to a reduction in promotion expenses of $14,958. During 2015, a contract for marketing consulting was initiated but was not continued during 2016. Professional fees decreased by $13,289 during 2016. Legal fees in Mexico were lower by $17,515 in 2016 During 2015 higher legal fees were associated with the reduction of the Taviche, Mexico property and related agreements. Decreased legal costs were partly offset by increased accounting fees in Mexico of $3,305 which related to efforts to reclaim value added tax ("VAT") refunds which were received during January 2016 (see below). General and administrative costs were lower by $13,078 primarily due to lower service fees with the Company's Chief Financial Officer and lower office rent. Stock option compensation charges were lower by $27,633 with no expense recorded during 2016 as all stock options were vested and fully expensed prior to 2016. Impairment charges related to property and exploration costs for the Taviche, Mexico property were lower by $22,956 during 2016.

Effective December 31, 2016, the Company's Chief Executive Officer forfeited accrued compensation totalling $106,918 (CDN$140,000) with respect to fourteen months of compensation related to the period from July 2015 to September 2016. The total amount forfeited of $106,918 has been reported in other income during 2016.

OVERALL PERFORMANCE AND RESULTS OF OPERATIONS

Mineral Exploration Properties and Deferred Exploration Expenditures

No property costs were recorded related to the Taviche, Mexico property during the year ended December 31, 2017. Subsequent to year end, on March 26, 2018, the Company received a lapsing notice with respect to the Higo Blanco concession. This notice provides the Company with a sixty-day period to May 25, 2018 to pay concession fees in arrears of approximately $69,631 (MXN$1,272,959) in order to avoid cancellation of the concession.

During the year ended December 31, 2016, the Company incurred total property costs of $26,123 related to the Taviche 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 year ended December 31, 2017, the Company incurred total exploration costs of $3,039 related to the Taviche project with respect to general field costs. During the year ended December 31, 2016, the Company incurred total exploration costs of $10,431. Costs of $1,202 for geology and $4,103 for general field costs related to the Taviche, Mexico property. Costs of $1,628 for geology and $3,498 for drill program planning related to the Greyhound, Nunavut project. Since June 2014, direct field exploration programs at Greyhound have been 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 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 with some silver contents in excess of 300 grams/tonne (g/t) encountered in 9 of the 22 holes, and gold contents in excess of 0.5 g/t 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.

Higo Blanco National Instrument 43-101 Technical Report
During September 2011, a National Instrument 43-101 ("43-101") technical report entitled "*Taviche Project, Resource Estimate and Preliminary Economic Assessment for the Higo Blanco Projec*t" was finalized. The 43-101 Report included an initial resource estimate and a mineral potential estimate for Higo Blanco as follows.

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 the former Alma Delia concession which the Company has since dropped 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).*

* ***Note that 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, the Company initiated an extensive soil sampling program across a 5 kilometre-long portion of the Higo Blanco trend. Analysis of these samples yielded sizeable anomalous zones characterized by Spatiotemporal Geochemistry Hydrocarbon ("SGH") analysis by Actlabs, a fully certified analytical lab in Ancaster, Ontario. During the fall of 2014, an infill sampling program was conducted across the main anomalies to better define their shape and extent. All samples, from phase 1 and 2, were then analyzed using SGH analysis.

One of the SGH pods identified by the survey results is coincident with the Company's silver resource as defined by the 43-101 report. None of the additional identified pods have been prospected or drill tested. Additionally, 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.

During August 2015, the Company announced the findings of a compilation of all new and existing geochemical and geophysical data outlining drill targets exhibiting good mineral potential.

Dr. James M. Franklin, PhD, FRSC, P. Geo., a director of the Company, 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 from other exploration companies that were supervised by our project geologists.

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.

Effective June 1, 2017, the Company holds a 49% interest in the southwestern claim group of the Greyhound property following Agnico Eagle's completion of a 51% earn-in in accordance with the option agreement entered into during June 2014. The Company retains a right to fund its pro-rata share of joint operating expenditures of $142,497 relating to the period from June 1, 2017 to March 31, 2018. If the Company elects not to fund these expenditures its interest in the Greyhound project would be diluted to approximately 45.2%. Details of the definitive option agreement with Agnico Eagle are set out on page 3 and 4 of this MD&A.

Aura Silver 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) deposits. In 2008, grab samples from float and subcrop near Aura Lake contained up to 4.1% Cu, 13.4% Zn, 8% Pb, 2,700 g/t Ag and 28 g/t Au and to the northeast of Aura Lake samples from a series of boulders contained up to 18.5% Zn and 9.2% Cu.

In spite of the prospective surface samples, the Company announced negative preliminary results of drilling and prospecting in 2010 for VMS deposits and redirected its future program towards gold and silver. In 2010, the Company announced assay results from surface rock samples with gold contents as high as 28.2 g/t while silver contents 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 nearby area, carbonate quartz veins associated with alkaline dykes have 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 the northeast claim group 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 ("SGH") to unravel anomalous trends in the entire area and to pinpoint drill targets by geochemical means. The potential sources of high-grade gold boulders and subcrop samples (up to 28 g/t) and high-grade silver (up to 5,380 g/t) are thought to be in close proximity to Aura Lake due to the grouping of the high-grade surface showings in this area. In a review dated November 2017, Agnico Eagle acknowledged that their interpretation of the source of high-grade gold lies to the south of Aura Lake.

Agnico Eagle Exploration and Drill Programs 2014 to 2017

The 2014 exploration program conducted by Agnico Eagle consisted of surface sampling, as well as a drill program designed to explore coincident structural and conductive targets. The highlight of these programs was the confirmation of the presence of high-grade gold, silver and copper sulphide occurrences located within the Greyhound property with the highest gold sample returning 15.5 g/t; the best silver sample returning 3,850 g/t; and, copper samples assayed up to 3.3%. As expected the highest gold / silver values occurred primarily south of Aura Lake while the highest copper value is to the northeast of Aura Lake at a the Dingo zone showing. The diamond drilling program consisted of 7 holes (894 metres) and tested various structural and conductive targets across the property. This program did not intersect economically significant precious metal values.

In 2015, Agnico Eagle initiated Phase 2 drilling and other exploration programs. Drilling was completed by September and comprised a total of 1,557 metres in 8 holes.

The best hole (GHD15-017) located east of Aura Lake discovered a stockwork with an intersection of greater than 25 metres of silicification and quartz-carbonate veining within mafic volcanics. Of particular note is that the last 1.5 metres of the 195 metre length of core contains 6.41 g/t gold. In addition, one other hole (GHD15-012) located in the Dingo area intersected 3.31 g/t Au over 2.7 metres (includes 1.5 metres of 5.68 g/t Au). No other significant gold mineralization was intersected in other holes drilled. Follow up of the results of GHD15-017 was carried out during 2017 and failed to enlarge the area of mineralization.

A geophysical survey (IP) was recommended to cover the area east and north of GHD15-017 in order to confirm the extent and strength of this potentially highly mineralized stockwork zone. Grab samples in the Dingo area contain up to 14.6 g/t gold.

Additionally, during the 2015 field season Agnico Eagle completed a land survey of the boundaries of 10 claims forming part of the core southwestern 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. Final approval by Government authorities is anticipated but remains pending.

In 2016, a property-wide ground magnetic (MAG) geophysical survey was completed to better interpret structural features known to host gold ore deposits. Additionally, extensive mapping and prospecting within the area of the MAG survey was conducted. Results were positive, with eight assays over 2.0 g/t Au and three samples over 10.0 g/t Au. Values as high as 15.6 g/t Au (18.93 g/t) were found in sulphide-rich quartz veins in mafic volcanics. In all, 10 assays reported grades in a range exceeding 1.0 g/t.

A new gold showing was located eight kilometres northeast of Aura Silver’s main target at Aura Lake, and was named the Gilmore prospect. This prospect area measures 500 by 360 metres in size. Also during 2016, the highest grade of 15.6 g/t Au (18.93 g/t) was sampled from a quartz vein containing copper and lead mineralization. In addition, another significant high-grade sample assaying 13.26 g/t Au was reported. Two diamond drill holes into this zone in 2017 failed to confirm surface mineralization.

In October 2016, the Company announced that the drilling program anticipated during 2016 would be postponed until the Spring of 2017. The final water license required to initiate drilling was delayed and only received in late Fall of 2016.

The Spring 2017 drilling program commenced in April 2017 with the first phase comprising eight holes completed by the end of May. Agnico Eagle undertook a second phase of drilling comprised of two additional holes during July 2017 to follow up on encouraging results from the first phase. In total, the 2017 drilling program comprised 2,262 metres within ten drill holes; 8 around Aura Lake and 2 on the Gilmore vein.

Close to the south end of Aura Lake where past prospecting uncovered surface samples containing gold up to 28 g/t, hole GHD17-023 targeted a magnetically interpreted structural target and intersected quartz veining assaying 3.3 g/t Au over a core length of 3.0 metres (from 94 to 97 m) which included a shorter interval of 1.8 metres assaying 5.42 g/t Au. Deeper in the hole were several intersections of gold mineralization: from 100 to 109.5 metres assaying from 0.2 to 0.45 g/t Au; at 138 metres 1.38 g/t Au over 1.5 metres; and at 179.3 metres 0.993 g/t Au over 1.7 metres. Shorter holes were drilled on either side of GHD17-023 which both intersected similar quartz veins suggesting that the mineralization in GHD17-023 was not isolated but may form part of a quartz vein system within a large siliceous, sulfide-bearing, sericite alteration zone. Hole GHD17-026 hit 1.202 g/t Au over 3.6 metres (62.2 to 65.8 m) including 0.8 metre of 4.92 g/t Au at 63.5 metres. Hole GHD17-027 intersected 0.197 g/t Au from 38.2 to 41.3 metres (3.1 m) and 0.94 g/t Au at 42.1 metres. This is the first time in a drill program on the property that continuity of mineralization has been established. Further follow-up in 2018 will be required to fully evaluate these gold intercepts in quartz veins.

In the northeastern portion of the claim group, a long, linear quartz vein was traced over 1.7 kilometres in strike length. Prior grab samples collected from this vein, referred to as the Dingo zone, assayed from 1.18 g/t Au up to 126 g/t Au (unverified) and 96.6 to 356 g/t Ag. West of this vein a gossanous copper rich stringer zone assayed 0.896 g/t Au in one grab sample. The copper gossan zone target has not been drilled and further IP geophysical surveys, prospecting and diamond drilling are recommended.

The 2017 field program also included a rock sampling survey conducted on a small area to the northwest of Aura Lake and confirmed the presence of the gold anomaly found in previous prospecting campaigns. Samples taken in this area have returned anomalous Au values with one sample returning 2.1 g/t gold and two samples returning 0.55 g/t gold and 0.59 g/t gold respectively. An iron formation has been mapped in the area which has been affected by the presence of a major fold hinge and faulting. Additional work in this northwest zone is planned during 2018 and would include detailed mapping and an induced polarization geophysical survey followed by drilling if warranted.

Cumulative expenditures incurred by Agnico Eagle for Greyhound project exploration totaled approximately CDN$1,846,000 as at May 31, 2017. This level of expenditures exceeded the minimum expenditure requirement of CDN$1,750,000 required under the option agreement. Expenditures incurred relating to the initial Spring 2017 drilling program were approximately CDN$575,000 while prior expenditures were CDN$1,271,000. Since June 2014, direct field exploration programs at Greyhound have been funded by Agnico Eagle under the terms of the option agreement as detailed above.

On May 30, 2017, the Company received the third anniversary cash option payment of $81,761 (CDN$110,000) from Agnico Eagle. During June 2017, the Company received formal notice of Agnico Eagle's exercise of the first option to complete the earn-in of a 51% interest in the Greyhound project. This notice included confirmation of meeting the exploration expenditure requirements and all other conditions under the option agreement.

During the 2018 field season to initiate during May, Agnico Eagle has proposed to undertake surface mapping, induced polarization ("IP") geophysical surveys, till sampling and drilling on newly defined targets. This work will focus primarily on gold targets at two distinct areas around Aura Lake. The first target is to the southwest of the lake and the second is north of the lake and to the northwest.

As at December 31, 2017, the Company's interest in the Greyhound project was 49%. On April 7, 2018, the Company received notice of the operating costs incurred by the operator for the period from June 1, 2017 to March 31, 2018 which total $290,810. Under the joint operating agreement, the Company can elect to fund its pro-rata share of these joint operating expenditures (amounting to $142,497) within a 30-day period following receipt of the operator's invoice for these expenditures. If the Company elects not to fund, or is unable to fund these expenditures, its interest in the Greyhound project would be diluted to approximately 45.2%.

Dr. James M. Franklin, PhD, FRSC, P. Geo., a director of the Company, 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 year ended December 31, 2017 were $447,993 (2016 – $260,676). For the year ended December 31, 2017, total expenses were $187,317 higher when compared to 2016. Promotion expenses were $65,508 higher relating to the initiation of an advertising and marketing contract during the first quarter of 2017 and due to promotion costs in support of the Company's financing activities during the first quarter of 2017. Stock option compensation charges were $153,570 higher and related to new options granted in April 2017. Increased promotion and stock option expenses were offset by lower impairment charges related to property and exploration costs for the Taviche, Mexico property of $28,389 during the year. Expenses in all other categories were relatively consistent when comparing the year ended December 31, 2017 to 2016.

Other Income

On May 30, 2017, the Company received the third anniversary cash option payment of $81,761 (CDN$110,000) from Agnico Eagle. This amount was recorded as other income. During the second quarter of 2016, the Company received the second anniversary cash option payment of $38,280 (CDN$50,000) from Agnico Eagle. This amount was applied to reduce the carrying amount of deferred exploration expenditures for the Greyhound project by $5,125 with the balance of $33,155 recorded in 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. No VAT refunds were realized during the year ended December 31, 2017.

Net Loss and Net Loss per Common Share

Net loss for the year ended December 31, 2017 was $366,232 (2016 – $88,118) and basic and diluted loss per common share was $0.00 (2016 – $0.00).

SUMMARY OF QUARTERLY RESULTS AND FOURTH QUARTER EVENTS

The following table contains a summary of unaudited quarterly information for the eight quarters ended December 31, 2017.

	2017				2016			
	Q1 $	**Q2 $**	**Q3 $**	**Q4 $**	**Q1 $**	**Q2 $**	**Q3 $**	**Q4 $**
Revenue	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Net loss	(84,686)	(29,408)	(141,748)	(110,390)	(50,429)	(35,996)	(56,814)	55,121
Basic and diluted loss per common share	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	0.00

During the second quarter of 2017, the Company received the third anniversary option payment from Agnico Eagle resulting in $81,761 being recorded in other income.

During the second quarter of 2017, the Company granted a new round of stock options and began expensing the fair value of these options over their vesting period. During 2017, stock option compensation charged to expense was $22,419, $82,390 and $48,761 in the second, third and fourth quarters of 2017, respectively. No stock option expenses were recorded during 2016.

During the first quarter of 2016, the Company received Mexican VAT refunds of $32,485 which were recorded in other income. During the second quarter of 2016, the Company received the second anniversary option payment from Agnico Eagle resulting in $33,155 being recorded in other income.

During the fourth quarter of 2016, the Company's Chief Executive Officer forfeited accrued compensation totalling $106,918 (CDN$140,000) with respect to fourteen months of compensation related to the period from July 2015 to September 2016. The total amount forfeited of $106,918 has been reported in other income during 2016 and exceeded all other expenses during the quarter.

LIQUIDITY AND CAPITAL RESOURCES

As at December 31, 2017, the Company held cash of $89,541 (December 31, 2016 – $13,589). As at December 31, 2017, the Company had a working capital deficiency of $6,102 (December 31, 2016 – deficiency of $156,894). Existing funds on hand at December 31, 2017 will not be sufficient to conduct or co-fund exploration on either of the Company’s projects, to maintain its Taviche, Mexico property concession in good standing 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.

Agnico Eagle has funded exploration at the Greyhound project under the terms of the option agreement established during June 2014 up until their earn-in on June 1, 2017. The Company will be required to co-fund its pro-rata share of ongoing exploration costs for the Greyhound project or its ownership interest will be diluted. On May 30, 2017, the Company received the third anniversary cash option payment of $81,761 (CDN$110,000) from Agnico Eagle. No additional cash option payments remain payable under the agreement with Agnico Eagle.

During January 2017, the Company closed a private placement financing, in two tranches, issuing a total of 14,285,714 units for gross proceeds of $379,973 (CDN$500,000) (see details below under *private placement financings*).

On April 18, 2018, the Company announced the initiation of a private placement financing of units for a minimum of CDN$150,000 (5,000,000 units) and a maximum of CDN$600,000 (20,000,000 units). The units in this financing are priced at CDN$0.03 per unit. Each unit is comprised 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.

The Company continues to pursue potential joint ventures for 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 other transactions or that the terms would be acceptable.

Private placement financings

During January 2017, the Company closed a private placement financing, in two tranches, issuing a total of 14,285,714 units at CDN$0.035 per unit for gross proceeds of $379,973 (CDN$500,000). 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 dates of issuance. In connection with this private placement, the Company paid finders fees of CDN$11,071 and issued 316,309 compensation options. Each compensation option entitles the finder to acquire a unit at an exercise price of $0.05 per unit and is exercisable for 36 months from the dates of issuance.

The Company has financed its operations from inception to date primarily through the issuance of equity securities. 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. Currently, no future cash payments are payable under existing partnership agreements. The Company's financial success is dependent on its ability to discover economically viable mineral deposits on its properties. 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.

OUTSTANDING SHARE DATA

Information with respect to outstanding common shares, warrants, compensation options and stock options as at April 24, 2018, December 31, 2017 and December 31, 2016 is as follows:

	April 24, 2018	December 31, 2017	December 31, 2016
Common shares	128,116,558	128,116,558	113,830,844
Warrants	25,435,714	25,435,714	11,150,000
Compensation options	316,309	316,309	Nil
Compensation option warrants	316,309	316,309	Nil
Stock options	8,800,000	8,800,000	4,150,000
Fully diluted shares outstanding	162,984,890	162,984,890	129,130,844

On April 24, 2017, the Company granted a total of 5,300,000 stock options to officers, directors and consultants of the Company. These stock options are exercisable at CDN$0.07 per stock option and expire on April 23, 2022. During 2017, a total of 250,000 stock options exercisable at CDN$0.10 expired and 400,000 stock options exercisable at $0.05 were forfeited.

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 for the years ended December 31, 2017 and 2016.

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 4 to the consolidated annual financial statements for the years ended December 31, 2017 and 2016.

NEW ACCOUNTING STANDARDS

Standards that are not yet effective or adopted early

IAS 7 – Statement of cash flows

In January 2016, International Accounting Standards Board ("IASB") amended IAS 7, Statement of Cash Flows. The amendments require that the following changes in liabilities arising from financing activities are disclosed (to the extent necessary): (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and, (v) other changes. One way to fulfil the new disclosure requirement is to provide a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities. Finally, the amendments state that changes in liabilities arising from financing activities must be disclosed separately from changes in other assets and liabilities. This amendment was mandatory for reporting periods beginning on or after January 1, 2017. The Company adopted this standard effective January 1, 2017. There was no impact on the Company's financial statements.

IFRS 9 – Financial Instruments

In July 2014, the 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 evaluated the new standard and does not anticipate any material impact from the adoption on its results of operations, financial position, and disclosures.

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. The following factors should be considered:

Additional Funding and Financing Risk

Additional funds will be required for future exploration and development and for general operating costs of the Company. The main source of future funds available to the Company is through the sale of additional equity capital or borrowing of funds. There is no assurance that such funding will be available to the Company. Furthermore, even if such financing is successfully completed, there can be no assurance that it will be obtained on terms favourable to the Company or will provide the Company with sufficient funds to meet its objectives, which may adversely affect the Company's business and financial position. In addition, any future equity financings by the Company may result in substantial dilution for existing shareholders.

Exploration Stage Company

The Company is engaged in the business of acquiring and exploring mineral properties in the hope of locating economic deposits, with the discovery of gold and silver being the Company's focus. The Company's property interests are in the exploration stage only and are without a known economic mineral deposit. Accordingly, there is little likelihood that the Company will realize any profits in the short to medium term. Any profitability in the future from the Company's business will be dependent upon locating an economic mineral deposit, which itself is subject to numerous risk factors. Further, there can be no assurance, even if an economic deposit of minerals is located, that any of the Company's property interests can be commercially mined. The exploration and development of mineral deposits involves a high degree of financial risk over a significant period of time which even a combination of careful evaluation, experience and knowledge of management may not eliminate. While discovery of additional ore-bearing structures may result in substantial rewards, few properties which are explored are ultimately developed into producing mines. Major expenses may be required to establish reserves by drilling and to construct mining and processing facilities at a particular site. It is impossible to ensure that the current exploration programs of the Company or any existing or future partner will result in profitable commercial mining operations. The profitability of the Company's operations will be, in part, directly related to the cost and success of its exploration programs which may be affected by a number of factors. Substantial expenditures are required to establish reserves which are sufficient to commercially mine and to construct, complete and install mining and processing facilities in those properties that are actually mined and developed.

Joint Venture Arrangements

The Company's Greyhound project is subject to a joint operating agreement with Agnico Eagle Mines Limited whereby Agnico Eagle has earned an interest in the project by meeting contractual commitments for staged exploration expenditures and providing cash option payments to the Company over time. Agnico Eagle is operator of the Greyhound project. Under the terms of the joint operating agreement the Company must co-fund its pro-rata share of program expenditures or its interest in the project will be diluted. No absolute assurance can be provided that Agnico Eagle will continue with the project. Continued participation in the project could be influenced by the success of future exploration programs, by other priorities or objectives set by Agnico Eagle, by market related factors or by a number of other factors beyond the control of the Company. The Company may attract additional joint venture partners to projects in the future which would be subject to similar risks and uncertainties.

Economic Risk

The prices of gold, silver and other metals fluctuate. The future direction of the price of any metal or mineral will depend on numerous factors beyond the Company's control including international, economic and political trends, expectations of inflation, currency exchange fluctuations, interest rates, global or regional consumption patterns, speculative activities and increased production due to new extraction developments and improved extraction and production methods. The effect of these factors on the price of commodities, and therefore on the economic viability of the Company's properties, cannot accurately be predicted. As the Company is only at the exploration stage, it is not yet possible for it to adopt specific strategies for controlling the impact of fluctuations in the price of the commodities being explored for.

Management; Dependence on Key Personnel, Contractors and Service Providers

Shareholders of the Company rely on the good faith, experience and judgment of the Company's management and advisors in supervising and providing for the effective management of the business and the operations of the Company and in selecting and developing new investment and expansion opportunities. The Company may need to recruit additional qualified contractors and service providers to supplement existing management. The Company will be dependent on a relatively small number of key persons, the loss of any one of whom could have an adverse effect on the Company.

Industry Conditions

The exploration and development of mineral deposits involve significant risks which even a combination of careful evaluation, experience and knowledge may not eliminate. While the discovery of a deposit may result in substantial rewards, few properties which are explored are ultimately developed into producing mines. Major expenses may be required to establish reserves, to develop processes and to construct mining and processing facilities at a particular site. It is impossible to ensure that the current exploration and development programs planned by the Company or any partner will result in a profitable commercial operation.

Whether a mineral deposit will be commercially viable depends on a number of factors, some of which are the particular attributes of the deposit, such as size, grade and proximity to infrastructure, as well as commodity prices which are highly cyclical and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals 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.

Mining operations generally involve a high degree of risk. The Company's operations will be subject to all the hazards and risks normally encountered in the exploration and development of minerals, including unusual and unexpected geology formations, rock bursts, cave-ins, flooding and other conditions involved in the drilling and removal of material, any of which could result in damage to, or destruction of mines and other producing facilities, damage to life or property, environmental damage and possible legal liability.

Value of Common Shares

The value of the Company's common shares could be subject to significant fluctuations in response to variations in quarterly and annual operating results, the success of the Company's business strategy and exploration programs, competition or other applicable regulations which may affect the business of the Company and other factors.

Competition

There is aggressive competition within the mining industry for the discovery and acquisition of properties considered to have commercial potential. The Company competes with other interests, many of which have significantly greater financial resources than it has, for the opportunity to participate in promising projects. Significant capital investment is required to achieve commercial production following successful exploration efforts.

Environmental Risk

Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There can be no assurance that future changes to environmental regulation, if any, will not adversely affect the Company's operations. Environmental hazards may exist on the properties in which the Company holds interests that have been caused by previous or existing owners or operators.

Title to Property

Although the Company has taken reasonable measures to ensure proper title to its properties, there is no guarantee that title to any of its properties will not be challenged or impugned. Third parties may have valid claims underlying portions of the Company's interests.

Uninsured Hazards

The Company may not always be able or may choose not to obtain insurance for many of the risks that it faces. In the course of exploration, development and production of mineral properties, several risks and, in particular, unexpected or unusual geological or operating conditions, may occur. It is not always possible to fully insure against such risks, and the Company may decide not to take out insurance against such risks as a result of high premiums or for other reasons. Should such liabilities arise, they could reduce or eliminate any future profitability and result in an increase in costs and a decline in the value of the Company's securities. The Company is currently not insured against environmental risks. Insurance against environmental risks (including potential liability for pollution or other hazards as a result of the disposal of waste products occurring from exploration and production) has not generally been available to companies within the industry. The Company may periodically evaluate the cost and coverage of the insurance that is available against certain environmental risks to determine if it would be appropriate to obtain such insurance. Without such insurance, and if the Company becomes subject to environmental liabilities, the payment of such liabilities would reduce or eliminate the Company's available funds or could exceed the available funds that the Company has and result in bankruptcy. Should the Company be unable to fully fund the remedial cost of an environmental problem, it might be required to enter into interim compliance measures pending completion of the required remedy.

Conflicts of Interest

Certain directors and officers of the Company also serve as directors or officers of other companies involved in natural resource exploration, development and production. Consequently, there exists the possibility that such directors will be in a position of conflict of interest. Any decision made by such directors involving the Company are made in accordance with their duties and obligations to deal fairly and in good faith with the Company and such other companies. In addition, such directors will declare, and refrain from voting on, any matter in which such directors may have a material conflict of interest.

Foreign Political Risk

The Taviche property is located in Mexico and, as such, the Company's business is exposed to various degrees of political, economic and other risks and uncertainties. The Company's operations and investments may be affected by local political and economic developments, including expropriation, nationalization, invalidation of governmental orders, permits or agreements pertaining to property rights, political unrest, labour disputes, limitations on repatriation of earnings, limitations on foreign ownership, inability to obtain or delays in obtaining necessary mining permits, opposition to mining from local, environmental or other non-governmental organizations, government participation, royalties, duties, rates of exchange, high rates of inflation, price controls, exchange controls, currency fluctuations, taxation and changes in laws, regulations or policies as well as bylaws and policies of Canada affecting foreign trade, investment and taxation. In the past, Mexico has been subject to political instability, changes and uncertainties, which may cause changes to existing governmental regulations affecting mineral exploration and mining activities. The Company's interest in the property is subject to a variety of Mexican governmental regulations including, among others: regulations promulgated by SEMARMAT; the Mining Law; and the regulations of the *Comision Nacional del Aqua* with respect to water rights. Mexican regulators have broad authority to shut down and/or levy fines against operations that do not comply with regulations or standards. Mineral exploration and development activities on the properties in Mexico may be adversely affected in varying degrees by changing government regulations relating to the mining industry or shifts in political conditions that increase the costs related to the mineral exploration and development activities on, or maintaining, the properties. Operations may also be affected in varying degrees by government regulations with respect to restrictions on production, price controls, export controls, income taxes, expropriation of property, environmental legislation and mine safety. Mexico's status as a developing country may make it more difficult for the Company to obtain any required financing for its projects.

Repatriation of Earnings

There is no assurance that any countries, other than Canada, in which the Company carries on business or may carry on business in the future, will not impose restrictions on the repatriation of earnings to foreign entities.

Permits, Licences and Approvals
The operations of the Company may require licences and permits from various governmental authorities. The Company believes it holds or is in the process of obtaining all necessary licences and permits to carry on the activities which it is currently conducting under applicable laws and regulations. Such licences and permits are subject to changes in regulations and in various operating circumstances. There can be no guarantee that the Company will be able to obtain all necessary licences and permits that may be required to maintain its exploration activities, construct mines or other facilities and commence operations of any of their exploration properties. In addition, if the Company proceeds to production on any exploration property, it must obtain and comply with permits and licences which may contain specific conditions concerning operating procedures, water use, the discharge of various materials into or on land, air or water, waste disposal, spills, environmental studies, abandonment and restoration plans and financial assurances. There can be no assurance that the Company will be able to obtain such permits and licences or that it will be able to comply with any such conditions.

Surface Rights of Private Landowners
Laws in Mexico allow staking of mineral rights on privately-held lands and the carrying out of assessment work. However, the owners of the properties are required to negotiate access and provide compensation to an owner of surface rights for access to the property or if damage occurs to the owner's property during the course of exploration. There can be no assurance that the operator of the Taviche, Mexico property will be able to obtain all of the necessary letters of authorization from the owners of the surfaces rights on acceptable terms, in a timely manner or at all.

Community Risks
In addition to mineral tenure and environmental permitting, the Company attempts to engage local communities where it explores. Communities may respond differently to exploration and mineral development activities from region to region. Increasingly the exploration sector is required to engage in social contracts with local residents, communities and surface land owners. Factors affecting social acceptance of exploration are variable and can be unpredictable over time. Local opinions can change rapidly about exploration activities and opinions may not be related to the activity of the Company although its ability to enter an area and conduct its programs may be affected by shifts in perception.

Land Claims
At the present time, none of the properties in which the Company has an interest is the subject of an aboriginal land claim. However, no assurance can be provided that such will not be the case in the future.

Regulatory Matters
The Company's business is subject to various federal, provincial and local laws governing prospecting and development, taxes, labour standards and occupational health, mine safety, toxic substances, environmental protection and other matters. Exploration and development are also subject to various federal, provincial, state and local laws and regulations relating to the protection of the environment. These laws impose high standards on the mining industry to monitor the discharge of waste water and report the results of such monitoring to regulatory authorities, to reduce or eliminate certain effects on or into land, water or air, to progressively rehabilitate mine properties, to manage hazardous wastes and materials and to reduce the risk of worker accidents. A violation of these laws may result in the imposition of substantial fines and other penalties.

Mineral Price Fluctuations
The marketability of any mineral is subject to numerous factors beyond the control of the Company. The price of minerals can experience volatile and significant movements over short periods of time. Factors impacting price include, but are not limited to, demand for the particular mineral, political and economic conditions and production levels and costs of production in other areas or countries.

OTHER INFORMATION

Other information relating to the Company may be found on the SEDAR website at 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
James M. Franklin, PhD, FRSC, P. Geo. – Independent Director
Nick Tintor, BSc. – Independent Director
John McNeice, CA, CPA – Chief Financial Officer and Corporate Secretary

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TSX Trust Company, Toronto, Canada