



**AGAVE SILVER  
CORPORATION**

**MANAGEMENT'S DISCUSSION & ANALYSIS**

**SIX MONTHS ENDED SEPTEMBER 30, 2016**

# **Agave Silver Corp.**

## **Management's Discussion & Analysis** **Six months ended September 30, 2016**

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## **Agave Silver Corp.**

### **Management's Discussion & Analysis Six months ended September 30, 2016**

This document constitutes Management's Discussion and Analysis ("MD&A") of the financial and operational results of Agave Silver Corp. ("Agave" or the "Company") for the six months ended September 30, 2016. This MD&A supplements, but does not form part of the unaudited condensed interim financial statements of the Company for the six months ended September 30, 2016, and should be read in conjunction with the annual audited consolidated financial statements of Agave for the years ended March 31, 2016 and 2015 and the related notes thereto. All dollar figures stated herein are expressed in Canadian dollars, unless otherwise specified.

Unless indicated otherwise, all financial data in this MD&A has been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

#### ***FORWARD LOOKING STATEMENTS***

Certain statements in this MD&A, other than statements of historical fact, constitute "forward-looking information" within the meaning of Canadian securities legislation, and the United States Private Securities Litigation Reform Act of 1995. "Forward-looking information" includes, but is not limited to, statements with respect to potential mineralization and geological merits of the Company's exploration projects the Company's future plans, exploration and drilling programs, objectives, business strategy, budgets, projected costs, financial results, expected cash runway and liquidity, and requirements for additional capital. In certain cases, forward-looking information can be identified by the use of words such as "plans", "expects", "contemplates", "budget", "possible", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "believes", or variations of such words and phrases, or state that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved".

Forward-looking information is based on assumptions regarding future events and other matters and involves known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking information. Assumptions on which forward-looking information in this MD&A is based include the assumption that strategic alternatives are available to the Company, the assumption the Company will continue as a going concern and will continue to be able to access the capital required to advance its projects and continue operations. Risks and uncertainties include, among others: inherent risks involved in the exploration and development of mineral properties; uncertainties involved in interpreting drill results and other exploration data; potential for delays in exploration activities; geology, grade and continuity of mineral deposits; possibility that future exploration results may not be consistent with the Company's current expectations; reduction in future prices of precious metals; currency fluctuations; accidents, labor disputes and other risks associated with the mining industry; delays in obtaining governmental approvals; uncertainties relating to the availability and costs of financing required in the future; events adversely affecting the cash resources and estimated cash availability; and competition and loss of key employees. Other risks and uncertainties are discussed throughout this MD&A and, in particular, in the section below entitled "Risks and Uncertainties".

In making the statements in this MD&A containing forward-looking information, the Company has applied several material assumptions, including but not limited to, assumptions regarding the ability of the Company to obtain, on reasonable terms, the necessary financing to complete the exploration and

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development of its property interests, as well as the future profitable production or proceeds from the disposition of the Company's exploration and evaluation assets.

Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking information, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking information will prove to be accurate, and actual results and future events could differ materially from those anticipated in such statements.

The Company disclaims any intention or obligation to update or revise the forward-looking information in this MD&A, whether as a result of new information, events or otherwise, except as required by applicable securities legislation. Accordingly, readers are cautioned not to put undue reliance on forward-looking information.

### **1.1 DATE OF THE MD&A**

The MD&A was approved by the Board of Directors on November 14, 2016.

### **1.2 OVERVIEW**

Agave is a junior resource company engaged in the exploration and development of mineral properties.. It currently maintains an early stage exploration property in Canada. Agave was incorporated on October 12, 1966 in the Province of British Columbia under the Business Corporations Act of British Columbia.

Agave maintains its corporate office at #1601-675 West Hastings Street, in Vancouver, BC.

The Company's common shares trade on the TSX Venture Exchange (AGV), the OTCBB Exchange (Pink) (ASKDF) and the Frankfurt Exchange (DFL).

Over the past two year the Company has been able to secure financing that allowed it to pay off the majority of outstanding current payables. To help in our cost saving measures, the President, Ron Lang, has deferred most of his salary. That which has been paid was settled by way of issuance of shares for debt in June 2015.

Agave's loss for the six months ended September 30, 2016 ("Q2 2017") was \$216,184 or \$ 0.01 per share compared to Agave's loss of \$11,895 or \$0.00 per share in the six months ended September 30, 2015 ("Q1 2016").

The Company has one operating segment, which is the exploration and evaluation of mineral properties. The Company's principal operations are carried out in Canada.

### **1.21 Hastings Highland Property, Ontario**

Effective May 9, 2015 the Company and Hastings Highland Resources Limited ("Hastings") entered into an agreement with respect to the exclusive option to earn a 90% interest in Hastings' Limerick Township nickel-copper property located in Ontario, Canada, however the Company was unable to secure the requisite financing and terminated the option on September 3, 2015.

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### **Management's Discussion & Analysis Six months ended September 30, 2016**

#### **1.22 Kaslo Silver Property, British Columbia**

The 100% owned 4,000 Ha Kaslo Silver Property (“Kaslo”), a silver target, hosts eleven historic high-grade silver mineralized zones within a 14 kilometres of favourable stratigraphy. Nine high-grade silver-lead-zinc mines operated on the Kaslo Property at various times from 1895 to 1966. The property is located 12 kilometres west of Kaslo in southern British Columbia.

Expenditures incurred by the Company on Kaslo in the six months ended September 30, 2016 (September 30, 2015 amounts in parentheses) amounted to \$260 ((-\$3,017)) and are composed of the following: geological and geophysical - \$Nil ((\$2,905)); land lease and property taxes - \$260 (\$760); and travel and accommodation - \$Nil ((\$872)).

Dr. Derek McBride, P.Eng., has reviewed the Company’s previous exploration programs, summarized above and is the Company’s supervisor and “Qualified Person” with respect to this property for the purpose of NI 43-101.

#### **1.23 Kootenay Lithium Property, British Columbia**

On October 7, 2016 the Company entered into an agreement to purchase (the “Agreement”) a 100% interest in certain mineral claims (the “Property”) covering 4,050 hectares located in the Revelstoke and Nelson Mining Divisions, southeastern British Columbia.

Under the terms of the Agreement, the Company has purchased a 100% interest in the Property by issuing 6,000,000 common shares of Agave. The Property is subject to a 2.0% Net Smelter Return (“NSR”) mineral royalty and a 24.0% Gross Overriding Royalty (“GOR”) on gemstones produced from the Property. The Company will have the option to reduce the NSR to 1.0% by paying \$2,500,000.00. The Company also has the option to purchase one half (50%) of the GOR for \$2,000,000. A Property vendor also reserves the exclusive right (the “Back In Right”) to produce gemstones for its own account from certain discrete zones within the Property as mutually agreed upon, in return for a 24.0% GOR payable to Agave. The Company will have the option to purchase 100% of the Back In Right for \$1,000,000.00. The Agreement was subject to customary closing conditions, including regulatory approval and satisfactory due diligence, all of which have been met and the transfer of title has been completed.

The Company issued finder’s fees totaling 420,000 common shares in regards to the transaction.

#### **About the Property**

The Property consists of three groups of mineral claims. The northernmost is located 5km by road northwest of Revelstoke (the Boulder Group), 9km to the southeast is the Begbie Group, and the Laib Group is situated 25km northwest of Creston. The Boulder and Begbie Groups have been discovered to host a number of lepidolite, pink and green tourmaline, petalite, tantalite, columbite, phosphate and amblygonite-bearing mineral occurrences in pegmatite (LCT type) dyke swarms. Analysis of two grab samples with visible lepidolite-bearing pegmatite outcrop on the Begbie Group returned values of 0.77% and 1.96% Li<sub>2</sub>O. A grab sample of visible lepidolite-bearing pegmatite outcrop on the Boulder Group assayed 3.70% Li<sub>2</sub>O.\*\*

Geological mapping, sampling and prospecting to further define drill targets will commence shortly.

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### **Management's Discussion & Analysis** **Six months ended September 30, 2016**

\*\*These results have not been confirmed and are of historical context only. There has been insufficient exploration to define a mineral resource, and it is uncertain if further exploration will result in the target being delineated as a mineral resource.

Mr. R. A. (Bob) Lane, M.Sc., P.Geo., a consulting geologist is a Qualified Person as defined by National Instrument 43-101 – *Standards of Disclosure for Mineral Projects*, and has reviewed and approved the technical disclosure of this news release.

### **1.3 RESULTS OF OPERATIONS**

Six months ended September 30, 2016 compared to three months ended June 30, 2015

#### *Statement of Operations and Comprehensive Loss*

|   | <b>Six months ended September 30,</b> |                    |
|---|---------------------------------------|--------------------|
|   | <b>2016</b>                           | <b>2015</b>        |
| <b>Expenses</b>                                       |                                       |                    |
| Exploration and evaluation costs                      | \$ 260                                | \$ (3,017)         |
| Foreign exchange                                      | --                                    | (336)              |
| General and administrative                            | 15,597                                | 27,601             |
| Professional fees                                     | 31,104                                | 26,217             |
| Salaries and benefits                                 | 30,155                                | 54,712             |
| Shareholder communications                            | 7,691                                 | 10,673             |
| Stock-based compensation                              | 131,412                               | 25,873             |
| <b>Loss Before Other Income (Expenses)</b>            | <b>(216,219)</b>                      | <b>(141,723)</b>   |
| <b>Other Income (Expenses)</b>                        |                                       |                    |
| Gain on settlement of debt (Note 8)                   | --                                    | 129,121            |
| Interest  | 35                                    | 707                |
| <b>Total Other Income (Expenses)</b>                  | <b>35</b>                             | <b>129,828</b>     |
| <b>Net Loss and Comprehensive Loss for the Period</b> | <b>\$ (216,184)</b>                   | <b>\$ (11,895)</b> |

For the six months ended September 30, 2016, Agave's net loss was \$216,184, or \$0.01 per common share, compared to a net loss of \$11,895, or \$0.00 per common share in the six months ended September 30, 2015.

Exploration costs of \$260 (2016 – (\$3,017)) were related to the Kaslo project.

Total expenses other than exploration and evaluation costs were \$215,959 (2016 - \$144,740). Significant differences between the levels of expenditures in the six months ended September 30, 2016 compared to the six months ended September 30, 2015 respectively, include the following:

General and administrative expenses, consisting of depreciation and office and administration, decreased by \$12,004 from \$27,601 to \$15,597. This is primarily due to decreased directors' and officers' liability insurance costs.

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### **Management's Discussion & Analysis** **Six months ended September 30, 2016**

Professional fees increased by \$4,887 from \$26,217 to \$31,104. Included in costs for both periods are legal, audit and tax preparation fees. The increase was primarily a result of increased legal fees in connection with the Kootenay Lithium property acquisition, partially offset by a decrease of audit fees.

Salaries and benefits decreased by \$24,557 from \$54,712 to 30,155 as a result of severance payments for staff being made in the six months ended September 30, 2016 with no comparable payments in the six months ended September 30, 2015.

Shareholder communications decreased by \$2,982 from \$10,673 to \$7,691. The costs in both periods are primarily associated with statutory listing costs, filing fees and news release dissemination.

Stock-based compensation increased by \$105,539 from \$25,873 to \$131,412 as 1,250,000 stock options (2016 – 1,147,500) to directors, officers and consultants of the company. The stock options have an exercise price of \$0.11 per share (2016-\$0.07), expiring on August 1, 2021 (2016-June 3,2020). The fair value of the stock options granted has been calculated using the Black-Scholes pricing model, based on the following assumptions: weighted average risk free interest rate of 1.01% (2016-0.47%), volatility factor of 126% (2016-168%) and an expected life of 5 years (2016-5 years).

During the six months ended September 30, 2015 the Company settled all debts owing to officers and directors, with the exception of partial salaries payable to the President, by issuance of cash payments totaling \$68,281 and by the issuance of 1,147,500 shares for a total of \$22,950. These settlements resulted in a gain on settlement of debt of \$129,121. There was no comparable gain (or loss) in the six months ended September 30, 2016.

#### Three months ended September 30, 2016 compared to three months ended September 30, 2015

#### *Statement of Operations and Comprehensive Loss*

|   | <b>Three months ended September 30,</b><br><b>2016</b> |           | <b>2015</b> |          |
|---|--|-----------|-------------|----------|
| <b>Expenses</b>                                       |  |           |             |          |
| Exploration and evaluation costs                      | \$   | --        | \$          | 760      |
| General and administrative                            |  | 7,788     |             | 15,051   |
| Professional fees                                     |  | 19,088    |             | 9,804    |
| Salaries and benefits                                 |  | 15,155    |             | 14,773   |
| Shareholder communications                            |  | 5,492     |             | 6,821    |
| Stock-based compensation                              |  | 131,412   |             | --       |
| <b>Loss Before Other Income (Expenses)</b>            |  | (178,935) |             | (47,209) |
| <b>Other Income (Expenses)</b>                        |  |           |             |          |
| Interest  |  | 35        |             | 707      |
| <b>Total Other Income (Expenses)</b>                  |  | 35        |             | 707      |
| <b>Net Loss and Comprehensive Loss for the Period</b> | \$   | (178,900) | \$          | (46,502) |

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### **Management's Discussion & Analysis Six months ended September 30, 2016**

In Q2 2017, Agave's net loss was \$178,900, or \$0.01 per common share, compared to a loss of \$46,502, a loss of \$0.00 per common share in Q2 2016. Exploration costs of \$Nil (2016 - \$760) were related to the Kaslo project.

Total expenses other than exploration and evaluation costs were \$178,935 (2016 - \$46,449). Significant differences between the levels of expenditures in Q2 2017 and Q2 2016 respectively, include the following:

General and administrative expenses, consisting of depreciation and office and administration, decreased by \$7,263 from \$15,051 to \$7,788. The decrease was primarily due to decreased directors' and officers' liability insurance costs.

Professional fees increased by \$9,284 from \$9,804 to \$19,088. Included in costs for both periods are legal, audit and tax preparation fees. The increase was primarily a result of increase legal fees legal fees in connection with the Kootenay Lithium property acquisition, partially offset by a decrease of audit fees.

Salaries and benefits increased by \$382 from \$14,773 to 15,155.

Shareholder communications decreased by \$1,329 from \$6,821 to \$5,492. The costs in both years are primarily associated with statutory listing costs, filing fees and news release dissemination.

Stock-based compensation increased from \$Nil to \$131,412. In Q2 2017, 1,250,000 stock options were granted to directors, officers and consultants of the company. The stock options have an exercise price of \$0.11 per share, expiring on August 1, 2021. The fair value of the stock options granted has been calculated using the Black-Scholes pricing model, based on the following assumptions: weighted average risk free interest rate of 1.01% , volatility factor of 126% and an expected life of 5 years. No options were granted, or vested, in Q2 2016.

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### Management's Discussion & Analysis Six months ended September 30, 2016

#### 1.4 SUMMARY OF QUARTERLY RESULTS

The Company's selected quarterly results for the eight most recently completed interim financial periods are below. The tables below provide the total exploration costs incurred in the eight quarters in the past two years on a project-by-project basis and administration costs and other income or expenses for the eight quarters in the previous two years:

|                    | Kaslo<br>Silver<br>Property,<br>British<br>Columbia | Nuevo<br>Milenio<br>Property,<br>Mexico | Totals  |
|--------------------|---|---|---------|
| <b>Fiscal 2015</b> |   |   |         |
| Third Quarter      | (7,885)   | 54,961                                  | 47,076  |
| Fourth Quarter     | 1,127   | --                                      | 1,127   |
| <b>Fiscal 2016</b> |   |   |         |
| First Quarter      | (3,777)   | --                                      | (3,777) |
| Second Quarter     | 760   | --                                      | 760     |
| Third Quarter      | --  | --                                      | --      |
| Fourth Quarter     | 1,127   | --                                      | 1,127   |
| <b>Fiscal 2017</b> |   |   |         |
| First Quarter      | 260   | 260                                     | --      |
| Second Quarter     | --  | --                                      | --      |

Quarterly information for the eight quarters to September 30, 2016, is summarized as follows:

| Statement of Operations Data                           | Three months<br>ended December<br>31, 2015 | Three months<br>ended March 31,<br>2016 | Three months<br>ended June 30,<br>2016 | Three months<br>ended September<br>30, 2016 |
|--|--|---|--|---|
| General and administrative expenses and other expenses | 67,409                                     | 31,160                                  | 37,024                                 | 178,900                                     |
| Exploration and evaluation costs                       | --   | 1,127                                   | 260                                    | --  |
| Net loss (income) and comprehensive loss (income)      | 67,409                                     | 37,153                                  | 37,284                                 | 178,900                                     |
| Net loss (income) per common share                     | 0.00                                       | 0.00                                    | 0.00                                   | 0.01  |

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### Management's Discussion & Analysis Six months ended September 30, 2016

| <b>Statement of Operations Data</b>                    | Three months<br>ended December<br>31, 2014 | Three months<br>ended March 31,<br>2015 | Three months<br>ended June 30,<br>2015 | Three months<br>ended September<br>30, 2015 |
|--|--|---|--|---|
| General and administrative expenses and other expenses | 120,041                                    | 95,796                                  | 98,293                                 | 46,449                                      |
| Exploration and evaluation costs                       | (7,885)                                    | 1,127                                   | (3,777)                                | 760   |
| Gain on settlement of debt                             | --   | --                                      | (129,121)                              | --  |
| Loss on sale of discontinued operations                | 54,961                                     | (684,023)                               | --                                     | --  |
| Net loss (income) and comprehensive loss (income)      | 167,117                                    | (587,100)                               | (34,605)                               | 46,502                                      |
| Net loss (income) per common share                     | 0.00                                       | (0.02)                                  | 0.00                                   | 0.00  |

### **1.5 LIQUIDITY AND CAPITAL RESOURCES**

The Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements to accredited investors and institutions. The Company has issued common shares in each of the past few years, pursuant to private placement financings and the exercise of warrants and options.

At September 30, 2016, Agave had a working capital deficiency of \$313,886 compared to a working capital deficiency of \$237,139 at March 31, 2016, and a deficit of \$34,468,942 at September 30, 2016 compared to \$34,302,758 at March 31, 2016.

Current assets increased by \$9,429 to \$24,092 as at September 30, 2016 from \$14,663 at March 31, 2016.

Total liabilities increased by \$86,176 to \$337,978 at September 30, 2016 from \$251,802 as at March 31, 2016. Accounts payable and accrued liabilities decreased \$824 from \$23,371 to \$22,547 and accounts payable, related parties increased by \$87,547 from \$228,431 to \$315,978.

Agave's operations consist, almost exclusively, of cash consuming activities given that its mineral project is in the early exploration stage. Agave will need to receive additional equity capital or other funding from the joint venture of, or the sale of its property this fiscal year, and failing that, may cease to be economically viable. To date, the only sources of funds that have been available to the Company are the sale of equity capital, the sale of the Company's property or loans made from related parties.

The Company does not have sufficient cash on hand to meet its current liabilities. The Company has a working capital deficit as at November 14, 2016.

The Company is proceeding with a non-brokered private placement of up to 22,000,000 units ("Units") at a price of \$0.07 per Unit for gross proceeds of up to \$1,540,000.00 (the "Private Placement"). Each Unit will be comprised of one common share and one common share purchase warrant ("Warrant"), each Warrant entitling the holder thereof to purchase one additional common share of the Company at a price of \$0.08 for a term of two years after the closing of the Private Placement. The proceeds will be used for

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exploration of the company's properties and general working capital purposes. The Company expects to close the financing by the end of November, 2016.

In June, 2015 the Company closed the first and final tranche of a non-brokered private placement ("Private Placement") of units ("Units") of the Company at a price of \$0.05 per Unit by issuing an aggregate of 5,000,000 Units for gross proceeds of \$250,000. Each Unit is comprised of one common share of the Company and one common share purchase warrant ("Warrant"), each Warrant entitling the holder thereof to purchase one additional common share of the Company at a price of \$0.10 for a term of 24 months after the closing of the Private Placement.

In June, 2015 the Company issued 1,147,500 shares at a deemed price of \$0.02 in partial settlement of \$52,500 of deferred salary payable to Ron Lang since his appointment as President in October, 2013 and settlement in full of director's fees arrears incurred prior to his appointment as President.

Agave is continuously reviewing strategies for private placement equity financings as well as other forms of financings that would carry the Company through the fiscal year.

#### **1.6 OFF STATEMENT OF FINANCIAL POSITION ARRANGEMENTS**

There are no off statements of financial position arrangements.

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### Management's Discussion & Analysis Six months ended September 30, 2016

#### **1.7 TRANSACTIONS WITH RELATED PARTIES**

Remuneration of directors and key management personnel of the Company was as follows for the six months ended September 30, 2016 and 2015:

|                             | <b>Six months ended September 30,</b> |             |
|-----------------------------|---------------------------------------|-------------|
|                             | <b>2016</b>                           | <b>2015</b> |
| Salaries, fees and benefits | \$ 30,000                             | \$ 54,712   |
| Stock based compensation    | 26,282                                | 22,304      |

Related party balances as at September 30, 2016 and March 31, 2016 were as follows:

| Balances at:                    | <b>September 30,<br/>2016</b> | <b>March 31,<br/>2016</b> |
|---------------------------------|-------------------------------|---------------------------|
| Payables:                       |                               |                           |
| Dauntless Developments Ltd. (a) | \$ 187,931                    | \$ 130,931                |
| Directors and Officers (b)      | 127,500                       | 97,500                    |
| Totals                          | <b>\$ 315,431</b>             | <b>\$ 228,431</b>         |

- (a) Dauntless Developments Ltd. (“Dauntless Developments”) is a private companies controlled by the Company’s President, Ronald M. Lang and his sister, Jennifer Susan Lang. Mr. Ronald Lang is also a director of Dauntless Developments. Dauntless Developments provided the Company with non-interest bearing loans, with no specified terms of repayment.
- (b) The directors’ and officers’ balances include fees and expenses owing to directors and officers .

During the year ended March 31, 2016, the Company settled all debts owing to officers and directors, with the exception of partial salaries payable to the President, by cash payments totaling \$68,281 and the issuance of 1,147,500 common shares at \$0.02 per common share for \$22,950. These settlements resulted in a gain on settlement of debt in the amount of \$129,121. Also, the Company accrued rent payable to Dauntless Developments in the amount of \$36,000.

As at September 30, 2016, the balance payable to directors and officers is composed entirely of salary arrears payable to the President.

#### **1.8 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS**

The preparation of financial statements requires management to make judgments and estimates that affect the amounts reported in the financial statements and notes. By their nature, these judgments and estimates are subject to change and the effect on the financial statements of changes in such judgments and estimates in future periods could be material. These judgments and estimates are based on historical experience, current and future economic conditions, and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from these judgments and estimates. The more significant areas are as follows:

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#### **(a) Share-based Payment Transactions**

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 9.

#### **(b) Going Concern**

The assessment of the Company's ability to raise sufficient funds to finance its exploration and administrative expenses involves judgment. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

#### **(c) Intangible Exploration and Evaluation Assets**

Management is required to assess impairment in respect of intangible exploration and evaluation assets. Note 5 discloses the carrying value of such assets. The triggering events for exploration and evaluation assets are defined in IFRS 6 Exploration for and Evaluation of Mineral Properties and are as follows:

- the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area;
- sufficient data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

In making the assessment, management is required to make judgments on the status of each project and the future plans towards finding commercial reserves. The nature of exploration and evaluation activity is such that only a proportion of projects are ultimately successful and some assets are likely to become impaired in future periods.

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### **Management's Discussion & Analysis Six months ended September 30, 2016**

#### **(d) Determination of Cash Generating Units**

The determination of cash generating units (“CGUs”) requires judgment in defining a group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets. CGUs are determined by similar geological structure, shared infrastructure, geographical proximity, commodity type, similar exposure to market risks and materiality.

#### **(e) Accrued Liabilities**

The Company has applied judgment in recognizing accrued liabilities, including judgment as to whether the Company has a present obligation (legal or constructive) as a result of a past event; whether it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and whether a reliable estimate can be made of the amount

## **1.9 CHANGES IN ACCOUNTING POLICIES**

### **Changes in Accounting Standards Not Yet Adopted**

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or IFRIC that are mandatory for accounting periods beginning after January 1, 2016, or later periods. Updates that are not applicable or are not consequential to the Company have been excluded in the standards listed below.

The Company anticipates that the application of these standards, amendments, revisions and interpretations will not have a material impact on the results and financial position of the Company.

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

IFRS 9 Financial Instruments is part of the IASB’s wider project of replacing IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 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 the entity’s business model and the contractual cash flow characteristic of the financial assets. This standard is effective for annual periods beginning on or after January 1, 2018.

#### **IFRS 15 Revenue from Contracts with Customers**

IFRS 15 Revenue from Contracts with Customers establishes a five-step model that will apply to revenue earned from a contract, regardless of the type of revenue transaction or the industry. The standard’s requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity’s ordinary activities. IFRS 15 is effective for annual periods beginning on or after January 1, 2018 with earlier adoption permitted.

#### **IFRS 16 Leases**

IFRS 16 Leases replaces IAS 17 – Leases and requires lessees to account for leases on the statement of

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financial position by recognizing a right to use asset and lease liability. The standard is effective for annual reports beginning on or after January 1, 2019, with earlier adoption permitted.

#### **Amendments to IAS 1 Presentation of Financial Statements**

The amendments are designed to encourage companies to apply professional judgment to determine what information to disclose in the financial statements. In addition, the amendments clarify that companies should use professional judgment in determining where and in what order information is presented in the financial disclosures. The amendment is effective for annual periods beginning on or after January 1, 2016.

#### **1.10 INTERNAL CONTROLS OVER FINANCIAL REPORTING**

Management has established processes to provide them sufficient knowledge to support representations that they have exercised reasonable diligence that (i) the consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the consolidated financial statements, and (ii) the consolidated financial statements fairly present in all material respects the financial condition, results of operations and cash flow of the Company, as of the date of and for the periods presented.

There was no change in the Company's internal controls over financial reporting ("ICFR") that occurred during the six months ended September 30, 2016, and which materially affected, or is reasonably likely to materially affect, the Company's ICFR.

#### **1.11 FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS**

##### **Financial risk**

The Company's activities expose it to a variety of financial risks including credit risk, liquidity risk and market risk. Risk management is carried out by the Company's management team with guidance from the Audit Committee under policies approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

##### ***Credit risk***

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its obligations. The Company's maximum exposure to credit risk at the balance sheet dates under its financial instruments is summarized as follows:

|      | <b>September 30, 2016</b> | <b>March 31, 2016</b> |
|------|---------------------------|-----------------------|
| Cash | \$ 8,457                  | \$ 774                |

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All of the Company's cash is held with major financial institutions in Canada, and management believes the exposure to credit risk with such institutions is not significant. Those financial assets that potentially subject the Company to credit risk are receivables. The Company considers the risk of material loss to be significantly mitigated due to the financial strength of the major financial institutions where cash and term deposits are held. In the six months ended September 30, 2016, no material provision has been recorded in respect of impaired receivables. The Company's maximum exposure to credit risk as at September 30, 2016, is the carrying value of its financial assets.

#### ***Liquidity risk***

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with financial liabilities. The Company has a planning and budgeting process in place by which it anticipates and determines the funds required to support normal operation requirements as well as the growth and development of its mineral property interests.

The Company's financial assets are comprised of its cash, short-term investments, marketable securities and amounts receivable and the Company's financial liabilities are comprised of its accounts payable, accrued liabilities and accounts payable, accrued liabilities and accounts payable, related parties, the contractual maturities of which at September 30, 2016 and March 31, 2016 and are summarized as follows:

|   | <b>September 30, 2016</b> | <b>March 31, 2016</b> |
|---|---------------------------|-----------------------|
| Cash  | \$ 8,547                  | \$ 774                |
| Short-term investments  | --                        |                       |
| Accounts payable and accrued liabilities                                    |                           |                       |
| with contractual maturities – Within 90 days or less                        | (22,547)                  | (23,371)              |
| Due to related parties with contractual maturities - Within 90 days or less | (315,431)                 | (228,431)             |

#### ***Interest rate risk***

The Company has no significant exposure at September 30, 2016 to interest rate risk through its financial instruments.

#### ***Currency risk***

The Company has no significant exposure at September 30, 2016 to currency risk through its financial instruments.

The Company has not hedged its exposure to currency fluctuations.

Financial assets and financial liabilities that bear interest at fixed rates are subject to fair value interest rate risk. The Company has no cash equivalents at September 30, 2016. In respect of financial assets, the Company's policy is to invest cash at floating rates of interest in cash equivalents, in order to maintain liquidity, while achieving a satisfactory return. Fluctuations in interest rates impact the amount of return the Company may realize but interest rate risk is not significant to the Company.

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#### **Management of capital**

The Company defines capital that it manages as equity. When managing capital, the Company's objective is to ensure the Company continues as a going concern as well as to achieve optimal returns to shareholders and benefits for other stakeholders. The Board of Directors does not establish a quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management team to sustain the future development of the business.

The Company's capital management approach is revised on an ongoing basis and reflects adjustments in light of economic conditions affecting metal markets and the mining industry in particular. Given the nature of its activities, the Company is dependent on financing to fund its operations. To maintain or adjust the capital structure, the Company may issue new shares, options and warrants, and issue debt. There were no changes in the Company's approach to capital management during the six months ended September 30, 2016. The Company is not subject to externally imposed capital requirements.

#### **1.12 RISKS AND UNCERTAINTIES**

An investment in the securities of the Company is highly speculative and involves numerous and significant risks. Only investors whose financial resources are sufficient to enable them to assume such risks and who have no need for immediate liquidity in their investment should undertake such investment. Prospective investors should carefully consider the risk factors that have affected, and which in the future are reasonably expected to affect, the Company and its financial position.

The Company's financial condition, results of operations and businesses are subject to certain risks, certain of which are described below (and elsewhere in this MD&A):

##### **Property risk**

None of the Company's Canadian projects have reserves or demonstrated economic viability and there is no assurance that an economic or minable deposit will be found. If the Company acquires additional mineral properties, any material adverse development affecting the new mineral properties could also have a material adverse effect on the financial condition and results of operations.

##### **Additional Funding Requirements**

The Company is reliant upon additional equity financing in order to continue its business and operations, as it is in the business of mineral exploration and at present does not derive any income from its mineral assets. There is no guarantee that future sources of funding will be available to the Company. If the Company is not able to raise additional equity funding in the future, it will be unable to carry out its business.

##### **Mineral Exploration**

Mineral exploration involves a high degree of risk. Few properties that are explored are brought to production. Unusual or unexpected geological formations, formation pressures, structural weaknesses, fires, power outages, labour disruptions, flooding, explosions, tailings impoundment failures, cave-ins, landslides and the inability to obtain adequate machinery, equipment or labour are some of the risks involved in mineral exploration and exploitation activities. The Company has relied on and will continue to rely on consultants and others for mineral exploration and exploitation expertise. Substantial

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expenditures are required to establish mineral reserves and resources through drilling. There can be no assurance that the funds required will be obtained on a timely basis or at all. The economics of exploiting mineral reserves and resources discovered by the Company are affected by many factors, many of which are outside the control of the Company, including the cost of operations, variations in the grade recovered, price fluctuations in the metal markets, costs of processing and other equipment, and other factors such as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals and environmental protection. There can be no assurance that the Company's mineral exploration and exploitation activities will be successful. Commodity Price Volatility

The price of various commodities that the Company is exploring for can fluctuate significantly, and is beyond the Company's control. The Company is specifically concerned with the prices of precious and base metals. While the Company would benefit from an increase in the value of precious and base metals, a decrease in the value of precious and base metals and other minerals could also adversely affect it.

#### Title to Mineral Properties

Acquisition of title to mineral properties is a very detailed and time-consuming process. Title to, and the area of, mineral properties may be disputed or impugned. Although the Company has investigated its title to the mineral properties for which it holds an option or concessions or mineral leases or licences, there can be no assurance that the Company has valid title to such mineral properties or that its title thereto will not be challenged or impugned. For example, mineral properties sometimes contain claims or transfer histories that examiners cannot verify; and transfers under foreign law often are complex. The Company does not carry title insurance with respect to its mineral properties. A successful claim that the Company does not have title to a mineral property could cause the Company to lose its rights to explore, develop and mine that property, perhaps without compensation for its prior expenditures relating to the property.

#### Country Risk

The Company could be at risk regarding any political developments in the country in which it operates. Currently the Company is not pursuing the development any of its properties.

#### Uninsurable Risks

Mineral exploration activities involve numerous risks, including unexpected or unusual geological operating conditions, formation weaknesses, hydrogeological conditions, rock bursts, cave-ins, fires, floods, earthquakes and other environmental occurrences and political and social instability. It is not always possible to obtain insurance against all such risks and the Company may decide not to insure against certain risks as a result of high premiums or other reasons. Should such liabilities arise, they could negatively affect the Company's profitability and financial position and the value of its common shares.

#### Environmental Regulation and Liability

The Company's activities are subject to laws and regulations controlling not only mineral exploration and exploitation activities but also the possible effects of such activities upon the environment. Environmental legislation may change and make mining uneconomic or result in significant environmental or reclamation costs. Environmental legislation provides for restrictions and prohibitions and a breach of environmental legislation may result in the imposition of fines and penalties or the suspension or closure of operations. In addition, certain types of operations require the submission of environmental impact statements and approval thereof by government authorities. Environmental

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legislation is evolving in a manner that may mean 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 directors, officers and employees. Permits from a variety of regulatory authorities are required for many aspects of mineral exploitation activities, including closure and reclamation. Future environmental legislation could cause additional expense, capital expenditures, restrictions, liabilities and delays in the development of the Company's properties, the extent of which cannot be predicted. In the context of environmental permits, including the approval of closure and reclamation plans, the Company must comply with standards and laws and regulations that may entail costs and delays, depending on the nature of the activity to be permitted and how stringently the regulations are implemented by the permitting authority. The Company does not maintain environmental liability insurance.

#### **Regulations and Permits**

The Company's activities are subject to a wide variety of laws and regulations governing health and worker safety, employment standards, waste disposal, protection of the environment, protection of historic and archaeological sites, mine development and protection of endangered and protected species and other matters. The Company is required to have a wide variety of permits from governmental and regulatory authorities to carry out its activities. Changes in these laws and regulations or changes in their enforcement or interpretation could result in changes in legal requirements or in the terms of the Company's permits that could have a significant adverse impact on the Company's existing or future operations or projects. Obtaining permits can be a complex, time-consuming process. There can be no assurance that the Company will be able to obtain the necessary permits on acceptable terms, in a timely manner or at all. The costs and delays associated with obtaining permits and complying with these permits and applicable laws and regulations could stop or materially delay or restrict the Company from continuing or proceeding with existing or future operations or projects. Any failure to comply with permits and applicable laws and regulations, even if inadvertent, could result in the interruption or closure of operations or material fines, penalties or other liabilities.

#### **Potential Dilution**

The issue of common shares of the Company upon the exercise of the options and warrants will dilute the ownership interest of the Company's current shareholders. The Company may also issue additional options and warrants or additional common shares from time to time in the future. If it does so, the ownership interest of the Company's then current shareholders could also be diluted.

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#### **1.13 ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE**

The required disclosure on general and administrative expenses is presented in the schedule expenses by nature in Note 8 of the financial statements.

There were no research and development costs, deferred development costs or other material costs, whether capitalized, deferred or expensed, that were not referred to above.

#### **1.14 OUTSTANDING SHARE DATA**

The following details the share capital structure as of November 14, 2016, the date of this MD&A:

##### Authorized Capital

Unlimited number of common shares without par value.

##### Issued and Outstanding Capital

38,471,559 common shares are issued and outstanding

##### Stock Options Outstanding

| <b>Number of Options</b> | <b>Exercise Price (\$)</b> | <b>Expiry Dates</b> |
|--------------------------|----------------------------|---------------------|
| 1,380,000                | 0.07                       | June 3, 2020        |
| 1,250,000                | 0.11                       | August 1, 2021      |

##### Warrants Outstanding

| <b>Number of Warrants</b> | <b>Exercise Price</b> | <b>Expiry Dates</b> |
|---------------------------|-----------------------|---------------------|
| 5,000,000                 | \$0.10                | June 17, 2017       |

##### **Approval**

The Board of Directors of Agave has approved the disclosure contained in the MD&A. A copy of this MD&A will be provided to anyone who requests it and can be located, along with additional information, on the SEDAR website at [www.sedar.com](http://www.sedar.com).