ARIZONA MINING INC.

Management's Discussion and Analysis

For the Year Ended December 31, 2017

Introduction

This management's discussion and analysis ("MD&A") of Arizona Mining Inc. (the "*Company*", "*Arizona Mining", "we"*, "*us*", or "*our")* covers the year ended December 31, 2017, with comparative information for the year ended December 31, 2016. This MD&A takes into account information available up to and including March 28, 2018. This MD&A should be read in conjunction with the accompanying consolidated financial statements and notes for the year ended December 31, 2017, which are available on the Company's website at www.arizonamining.com and on the SEDAR website at www.sedar.com.

The Company has prepared the consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

All dollar amounts reported herein are in US dollars unless indicated otherwise.

Cautionary Note Regarding Forward-Looking Information

Certain information contained in this document constitutes forward-looking statements. All statements, other than statements of historical facts, are forward looking statements, including statements with respect to the Company's intentions for its Hermosa Project in Arizona, USA including, without limitation, future drilling and other work on the Taylor Deposit, completing the Feasibility Study and statements under 'Outlook' later in this MD&A. The Company would also like to caution the reader that the preliminary economic assessment ("PEA") on the Company's Taylor Deposit that supports the technical feasibility or economic viability of the Taylor Deposit, including the marketability of the concentrate, mining methods, costs, recoveries and any other technical aspects related to the Taylor Deposit, is preliminary in nature and there is no certainty that the PEA will be realized. Forward-looking statements are often, but not always, identified by the use of words such as *may*, *will*, *seek*, *anticipate*, *believe*, *plan*, *estimate*, *budget*, *schedule*, *forecast*, *project*, *expect, intend*, or similar expressions.

The forward-looking statements are based on a number of assumptions which, while considered reasonable by the Company, are subject to risks and uncertainties. The Company cautions readers that forward-looking statements involve and are subject to known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements to differ materially from those expressed in or implied by such forward-looking statements and forward-looking statements are not guarantees of future results, performance or achievement. These risks, uncertainties and factors include general business, economic, competitive, political, regulatory and social uncertainties; actual results of exploration activities and economic evaluations; fluctuations in currency exchange rates; changes in project parameters; changes in costs, including labour, infrastructure, operating and production costs; future prices of zinc, lead, silver and other minerals; variations of mineral grade or recovery rates; operating or technical difficulties in connection with exploration, development or mining activities, including the failure of plant, equipment or processes to operate as anticipated; delays in completion of exploration, development or construction activities; changes in government legislation and regulation; the ability to maintain and renew existing licenses and permits or obtain required licenses and permits in a timely manner; the ability to obtain financing on acceptable terms in a timely manner; the potential for litigation including with respect to contests over title to properties; insurance not covering all the potential risks associated with a mining company operations; employee relations and shortages of skilled personnel and contractors; the speculative nature of, and the risks involved in, the exploration, development and mining business; and the factors discussed in the section entitled "Risks and Uncertainties" in this MD&A.

Although the Company has attempted to identify important risks, uncertainties and other factors that could cause actual performance, achievements, actions, events, results or conditions to differ materially from those expressed in or implied by the forward-looking information, there may be other risks, uncertainties and other factors that cause performance, achievements, actions, events, results or conditions to differ from those anticipated, estimated or intended. It is recommended that readers consult the more complete discussion of risks and uncertainties facing the Company included in the Company's Annual Information Form for the year ended December 31, 2017. Unless otherwise indicated, forward-looking statements contained herein are as of the date hereof and the Company disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or results or otherwise, except as required by applicable law.

About Reserves and Resources

This MD&A uses the terms measured, indicated and inferred resources as a relative measure of the level of confidence in the resource estimate. Readers are cautioned that: (a) mineral resources are not economic mineral reserves; (b) the economic viability of resources that are not mineral reserves has not been demonstrated; and (c) it should not be assumed that further work on the stated resources will lead to mineral reserves that can be mined economically. In addition, inferred resources are considered too geologically speculative to have any economic considerations applied to them. It cannot be assumed that all or any part of an inferred mineral resource will ever be upgraded to a higher category. Under Canadian rules, estimates of inferred mineral resources may not form the basis of feasibility or pre-feasibility studies or economic studies except for preliminary economic assessments as defined under NI 43-101. Readers should also refer to the Company's Annual Information Form for the year ended December 31, 2017 and other continuous disclosure documents available at www.sedar.com, which is subject to the qualifications and notes set forth therein.

About Arizona Mining

Arizona Mining Inc. is a mineral exploration and development company with its corporate office located in Vancouver, British Columbia. The Company is incorporated in British Columbia, and its shares are listed on the Toronto Stock Exchange and trade under the symbol "AZ".

The Company owns 100% of the Hermosa Project located in Santa Cruz County, Arizona. The Hermosa Project is a polymetallic mineral exploration project located approximately 100 kilometres southeast of Tucson, Arizona and about 15 kilometres north of the US – Mexico border. The Hermosa Project currently comprises two deposits, the Taylor Deposit and the Central Deposit.

The Taylor Deposit, the primary focus of the Company, is a zinc-lead-silver carbonate replacement deposit, with a resource of 15.2 million tons in the Measured Mineral Resource category grading 4.0% zinc, 4.0% lead and 1.6 opt silver, or 9.6% ZnEq, plus 85.8 million tons in the Indicated Mineral Resource category grading 4.2% zinc, 4.3% lead and 2.2 opt silver, or 10.5% ZnEq, and 43.6 million tons of Inferred Mineral Resources grading 3.9% zinc, 4.8% lead and 3.4 opt silver or 11.9% ZnEq, all reported in accordance with NI 43-101 guidelines utilizing a 4% ZnEq cutoff grade. The updated Preliminary Economic Assessment ("2018 PEA" defined below) indicates the Taylor Deposit has an after-tax Net Present Value at an 8% discount rate of $2.0 billion with a 48% after-tax internal rate of return and a 1.6 year payback. The Taylor and Taylor Deeps (a zone below the Taylor Deposit) Deposits remain open to the north, west and south over land controlled by the Company and will be aggressively drilled to test the limits of the resource.

On January 10, 2018, the Company announced that it had received three key state permits from the State of Arizona – the Aquifer Protection Permit ("APP"), the Arizona Pollutant Discharge Elimination System Permit ("AZPDES") and the Dam Safety Permit. These permits enable the Company to commence the construction of a lined tailings storage facility ("TSF"), an active water treatment plant ("WTP") and an underdrain collection pond. Construction of these facilities is underway and will serve as the foundation for future operations planned for the site.

The Company intends to deliver a Feasibility Study during Q3 2018. The Feasibility Study will be a critical milestone as it will refine the estimated capital and operating costs of the mine. The Company will apply to amend the key permits previously obtained from the State of Arizona based on the output from the Feasibility Study which would allow for construction of the processing facilities. The Company would expect to receive the updated permits during Q1 2019.

The Company's other deposit on the Hermosa property is the Central Deposit, a silver-manganese-zinc manto oxide exploration project. The most recent technical documents for the Taylor Deposit, including certain aspects for the Central Deposit, are available on the Company's website at www.arizonamining.com or on SEDAR at www.sedar.com. The Company is spending $1 million in additional studies during the first half of 2018 including marketing studies on manganese and bench scale tests at a pilot plant.

Highlights and Activities

The Company continued to make significant progress in advancing its Taylor Deposit during 2017, with significant milestones achieved and reported including:

- Enhanced the profile of the Company's board of directors with the appointment of John Boehner, former Speaker of the United States House of Representatives, William Mulrow, Senior Advisor at the Blackstone Group, and Gillian Winckler, director of Pan American Silver Corp. and West Fraser Timber Co. Ltd.

- Strengthened the management team with the appointment of Jerrold Annett, formerly with ScotiaBank, as Senior Vice President, Corporate Development and the appointment of Tom Whelan as Chief Financial Officer.

- Strengthened the Hermosa-Taylor development team with the appointment of Richard Lock, P. Eng, as Senior Vice President and Project Director, John Barber, PE as Vice President, Mining, Ryan Hoel as Vice President, Logistics/Construction and the engagement of metallurgical consultant, Greg Sharp.

- In February 2017, the Company announced the discovery of the new Taylor Deeps zone that lies below the Taylor Deposit and is open in all directions.

- The release on April 3, 2017 of a mineral resource update and Preliminary Economic Assessment (the "2017 PEA") for its Taylor Deposit, with the Company reporting an upgraded resource estimate and an estimated after tax net present value ("NPV") at 8% for the project of $1.3 billion and 42% after-tax internal rate of return ("IRR").

- The closing on May 16, 2017 of a private placement of 45 million common shares in the Company at a price of C$2.45 per share with South32 Limited ("South32") for gross proceeds of C$110.3 million.

- Determined that the capacity of the water supply testing well and supporting aquifer should be more than sufficient to supply the estimated 650 gallons per minute water requirement for the proposed mining operations outlined in the 2018 PEA (defined below).

- On December 13, 2017, the Company issued 1,432,982 common shares at a price of C$3.14 per share to South32 pursuant to the exercise, in full, by South32 of its top-up right to September 30, 2017 in accordance with the Investor Rights Agreement ("the IR Agreement") with the Company for a total of C$4.5 million ($3.5 million).

Subsequent to the year-end, the following milestone were achieved and reported, including:

- On January 10, 2018, the Company announced it had received three permits from the State of Arizona – the APP, the AZPDES and the Dam Safety Permit.

- On January 16, 2018, the Company released an updated Mineral Resource estimate (the "2018 Resource Estimate") increasing the total measured and indicated tons by 39% to 101 million tons grading 10.4 zinc equivalent ("ZnEq") and the inferred resource by 13% to a total of 43.6 million tons grading 11.9% ZnEq at a 4% ZnEq cut off.

(In thousands of United States dollars, unless otherwise stated)

- Also on January 16, 2018, the Company released an updated PEA (the "2018 PEA") to the 2017 PEA for the Taylor Deposit indicating an after-tax NPV at an 8% discount rate of $2.0 billion with a 48% after-tax IRR and a 1.6 year payback.

- On February 13, 2018, the Company issued 836,279 common shares at a price of C$4.48 per share to South32 pursuant to the exercise, in full, by South32 of its top-up right to December 31, 2017 in accordance with the IR Agreement with the Company for a total of C$3.7 million ($3.0 million).

- In addition to the 241,541 feet (73,622 metres) drilled in 2017 to the September 2017 drilling cut-off date for the 2018 PEA, the Company drilled an additional 145,688 feet (44,406 metres) of infill and step-out drilling that will be included in the Feasibility Study.

- On March 26, 2018, the Company announced that it received all required permits and notices for twin exploration declines on the Hermosa Project. The declines will enable earlier access to key platforms from underground allowing for lower cost infill and expansion drilling, as well as further testing of the high-grade Trench Vein System while maintaining the Company's development schedule. The project has a scheduled completion date of the first quarter of 2020.

Hermosa Project

On January 16, 2018 the Company announced the results of a 2018 PEA for its Taylor zinc-lead-silver sulfide deposit. The technical report is available on the Company's website at www.arizonamining.com and on the SEDAR website at www.sedar.com.

Financial and Operating Summary (all tons are short tons unless otherwise noted)

Financial Summary		**Jan 2018**	**Apr 2017**	**% Chg**
After-tax NPV (8%)	$(000's)	$1,979,101	$1,260,764	57%
After-tax IRR	%	48%	42%	6%
Payback	Years	1.6	1.7	6%
Pre-production Capex	$(000's)	$518,959	$457,170	14%
Sustaining Capex	$(000's)	$725,261	$500,196	45%
LOM Capex	$(000's)	$1,244,220	$957,366	30%
Operating Summary				
Mineable Resource	m tons	96,671	60,846	59%
Mine Life	years	29	19	53%
Zinc Equivalent Head grade	% ZnEq	10.44	10.34	1%
Zinc Head grade	% Zn	4.01	4.43	-9%
Lead Head grade	% Pb	4.34	4.31	1%
Silver Head grade	opt Ag	2.22	1.71	30%
LOM Avg. Annual Payable Zinc Production[1]	m lbs	211	224	-6%
LOM Avg. Annual Payable Lead Production[1]	m lbs	262	250	5%
LOM Avg. Annual Payable Silver Production[1]	m oz	5.6	4.3	30%
Zinc concentrate treatment charge (base)	$/dmt[2]	210	210	0%
Zinc treatment charge (Mn penalty)	$/dmt	13	13	0%
Lead concentrate treatment charge (base)	$/dmt	190	190	0%
All concentrates transportation charge	$/dmt	97	97	0%
Operating Costs per Ton				
Mining	$/t	$38.02	$35.35	8%
Processing	$/t	$10.54	$10.73	-2%
Site-G&A	$/t	$2.00	$2.00	0%
Total operating costs (mine, processing, G&A)	$/t	$50.56	$48.08	5%
C1 Zinc Co-Product Cost[3]	$/lb	$0.49	$0.51	-4%
C1 Lead Co-Product Cost[3]	$/lb	$0.37	$0.38	-3%
All-in Sustaining Cost (ZnEq)[4]	$/lb	$0.61	$0.61	0%

1. Average annual payable metal for Life of Mine.
2. Dry metric tonne.
3. Silver treated as a by-product.
4. Based on long-term prices of $1.10/lb zinc, $1.00/lb lead and $20/oz silver, respectively. ZnEq Formula: payable zinc production plus lead revenue divided by zinc price plus silver revenue divided by zinc price.

The Company cautions the reader that the 2018 PEA on the Company's Taylor Deposit that supports the technical feasibility or economic viability of the Taylor Deposit, including the marketability of the concentrate, mining methods, costs, recoveries and any other technical aspects related to the Taylor Deposit, is preliminary in nature and includes inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves. There is no certainty that the results of the PEA will be realized. The basis for the preliminary economic assessment and any qualifications and assumptions are made by the qualified person as disclosed in this MD&A.

Financing and Corporate Activities

South32 Private Placements

On May 16, 2017 the Company closed a private placement (the "S32 Placement") of 45,000,000 in the Company at a price of C$2.45 per common share with South32 for gross proceeds of C$110,250 ($81,090), representing approximately 15% of the Company's outstanding common shares on a non-diluted, post-subscription basis.

Provided South32 maintains a minimum ownership of 12.5% on a non-diluted basis: it has a pre-emptive right to participate in future equity financings to maintain its ownership percentage at 15% on a non-diluted basis, and will be restricted from selling any common shares for one year from the closing date of the S32 Placement; South32 has exercised its right to nominate one Director to the Company's Board of Directors with the appointment of Gillian Winckler; South32 has also exercised the right to appoint one member to an Operations Committee, with the Company appointing the other three members with decisions taken by majority vote.

Provided the Company's board of directors (excluding the South32 board designee) and management maintain a minimum of 20% of the Company's shares on a non-diluted basis, South32 may not make a hostile bid for the Company nor increase its ownership in the Company in excess of 19.9% prior to November 16, 2018 unless another party makes an unsolicited or hostile bid for the Company or the Company announces a sale of the Company or its assets.

On December 13, 2017, the Company issued 1,432,982 common shares at a price of C$3.14 per share to South32 pursuant to the exercise, in full, by South32 of its top-up right to September 30, 2017 in accordance with the Investor Rights Agreement ("the IR Agreement") with the Company for a total of C$4,500 ($3,501), maintaining its ownership in the Company of 15%.

On February 13, 2018, the Company issued 836,279 common shares at a price of C$4.48 per share to South32 pursuant to the exercise, in full, by South32 of its top-up right to December 31, 2017 in accordance with the IR Agreement with the Company for a total of C$3,747 ($2,973), maintaining its ownership in the Company of 15%.

Management Appointments

- On May 23, 2017 the Company appointed Jerrold Annett as Senior Vice President, Corporate Development, effective June 1, 2017. Mr. Annett is a Professional Engineer in Mining Engineering with a specialty in metallurgy from Queen's University. He has over 11 years of experience with Teck and Falconbridge and an additional 10 years in capital markets, most recently with Scotiabank. In 1996, he commenced work for Cominco as a metallurgist at their lead-zinc Polaris Mine, followed by the prolific Sullivan lead-zinc mine, and the Quebrada Blanca Mine in Chile. In 2001, Mr. Annett entered the commercial side of the mining business when he joined the by-product sales group for the Trail Metallurgical Smelter in British Columbia. Here he worked closely with the company's business development group with a focus on improving netbacks and new product initiatives. Key in his new and prior roles is his extensive technical expertise in mining and metallurgy which clients appreciate as they assess the risk profile of potential investments. Mr. Annett was ranked a Brendan Woods TopGun SuperLeague Sales Professional as voted by both Corporate and Institutional Clients during the last two surveys in 2015 and 2012.

- On August 15, 2017, the Company announced it has added four senior technical staff to the Hermosa-Taylor development team:

  - Richard Lock, P. Eng was appointed Senior Vice President and Project Director. Mr. Lock has more than 20 years of experience in project management, development and operations for large companies including Rio Tinto, Western Potash, DeBeers and Anglo American. He has been involved with projects including Rio Tinto's Resolution and Keystone projects and its Bingham Canyon and Diavik mines, and most recently was project director at Yara International's potash project in Ethiopia. Mr. Lock has a Bachelor of Science in Mine Engineering from University College Cardiff and is a registered professional engineer in Canada.

  - John Barber, PE was appointed Vice President, Mining. Mr. Barber has more than 40 years of experience in underground mine operations, engineering, and project management. He has also been responsible for mine construction and production, as well as feasibility and optimization studies, for several large underground operations and projects, including Freeport-McMoRan's Deep Ore Zone and Big Gossan Mines at Grasberg, Rio Tinto's Resolution and Oyu Tolgoi projects, and Lundin Gold's Fruta del Norte project. Just prior to joining Arizona Mining, he served as Technical Director – Underground Mining at Amec Foster Wheeler. Mr. Barber has a Bachelor of Science (Cum Laude) in Mining Engineering from Virginia Polytechnic Institute and State University, and is a registered Professional Engineer in several states including Arizona.

  - Ryan Hoel was appointed Vice President, Logistics/Construction. Mr. Hoel is an experienced mining professional with 18 years of experience in transportation logistics, mine operations, operational readiness, procurement, and business development and improvement with resource companies including New Gold, Rio Tinto and Lundin Mining. Mr. Hoel has a Bachelor of Science in Mining Engineering from the South Dakota School of Mines and Technology and an MBA from Westminster (Gore School of Business).

  - Greg Sharp was engaged as metallurgical consultant. Mr. Sharp has more than 40 years of experience in process development and design, engineering and construction, operation of mineral processing plants and metallurgical research and development. Mr. Sharp developed the metallurgical processes for Tahoe Resources' Escobal project in Guatemala, a 4,500 ton per day underground lead-zinc-silver mine with froth flotation recovery similar to that envisioned for the Hermosa-Taylor Deposit. He will be instrumental in overseeing feasibility level metallurgical test work, finalizing the process flow sheet and building the plant at Hermosa-Taylor. Mr. Sharp received a Bachelor of Science in Metallurgical Engineering from the University of Idaho.

- On September 19, 2017 the Company appointed Tom Whelan as Chief Financial Officer effective September 20, 2017. Mr. Whelan joins Arizona Mining from Nevsun Resources Ltd., where he was Chief Financial Officer since 2014. He is a Chartered Professional Accountant (CPA, CA) and was previously a partner with the international accounting firm EY LLP where he was the EY Global Mining & Metals Assurance sector leader, the leader of the EY Assurance practice in Vancouver and previously EY's Canadian Mining & Metals sector leader. Mr. Whelan is a very experienced executive with extensive public company experience, having over 20 years of experience working with some of Canada's largest mining companies and global mining companies with operations in Canada. Mr. Whelan graduated with a Bachelor of Commerce from Queen's University.

Board Appointments

- On June 8, 2017, the Company appointed former Speaker of the House John Boehner to its Board of Directors. Mr. Boehner served as the 53rd Speaker of the United States House of Representatives from 2011 to 2015. A member of the Republican Party, Mr. Boehner was the U.S. Representative from Ohio's 8th congressional district, serving from 1991 to 2015. He previously served as the House Minority Leader from 2007 until 2011, and House Majority Leader from 2006 until 2007. Following his career in government service, Mr. Boehner joined Squire Patton Boggs, a global law and public policy firm. He earned a Bachelor of Arts in business administration from Xavier University.

- On June 8, 2017, the Company appointed investment banker William Mulrow to its Board of Directors. Mr. Mulrow is a Senior Advisor at the Blackstone Group, an alternative asset manager. Previously, he was a Director of Global Capital Markets at Citigroup, Inc., a Managing Director of Paladin Capital Group, a Senior Vice President and Head of New Product Development at Gabelli Asset Management (now GAMCO Investors), a Managing Director in Corporate Finance for Rothschild Inc., and a Managing Director and Head of Public Finance Banking for Donaldson, Lufkin and Jenrette Securities Corporation. He is a graduate of the Kennedy School of Government at Harvard University and of Yale College where he graduated Cum Laude and was a Rhodes Scholar finalist.

- On October 26, 2017, the Company appointed Gillian Winckler to its Board of Directors pursuant to the Company's agreement with South32. Ms. Winckler is a former mining and business executive with over 25 years of diversified experience in the metals and mining industry and the financial sector. Ms. Winckler spent 16 years with BHP Billiton where she was involved with corporate and divisional strategy, mergers and acquisitions, divestments and exploration, as well as project evaluation and development. Upon leaving the company she joined Coalspur Limited, a thermal coal development company listed in Canada and Australia, as President and CEO. Ms. Winckler held this position for three years, and also acted as Chief Financial Officer for a brief period, until the company was acquired in June 2015. Prior to her mining experience, Ms. Winckler spent five years as a corporate financier in South Africa and London and five years in the auditing profession. Ms. Winckler is currently a director of Pan American Silver Corp. and West Fraser Timber Co. Ltd.

Exploration and Evaluation Assets

During the year ended December 31, 2017 the Company capitalized $34,898 (2016 – $25,238) related to drilling costs. The Company drilled a total of 409,928 feet (124,946 metres) during the year ended December 31, 2017 compared to 298,327 feet (90,930 metres) drilled during the year ended December 31, 2016, reflecting the Company's increased focus on resource growth with the goal to test the size and growth potential of Taylor Deeps and other high priority targets.

The permitting costs increased to $4,849 in 2017 (2016 – $824), leading to the receipt of three key permits. Permitting costs also include environmental baseline studies and the engineering services for the design of the dry stack tailings storage facility on the Hermosa property.

During the year ended December 31, 2017, the Company capitalized $2,171 related to studies (2016 – $1,249), which includes two PEAs and trade-off and metallurgical studies that are being undertaken in connection with the Feasibility Study expected in 2018.

During the year ended December 31, 2017, the Company capitalized $3,939 (2016 – $1,225) related to salaries, benefits, stock based compensation costs and consulting fees. The increase primarily reflects additional employees and consultants that have been hired to strengthen the Hermosa-Taylor development team, deliver the 2018 PEA that was issued in January 2018, and build out the overall project team to deliver on the necessary work to complete the TSF/WTP capital projects as well as the Feasibility Study planned for Q3 2018.

Site services as well as administration, public relations and professional fees increased in 2017 to $2,849 and $2,000, respectively (2016 – $536 and $789) in support of the increased level of activity as the Company advances the Taylor Deposit towards production in late 2020.

As at December 31, 2017, the Hermosa Project is comprised of 28 patented mining claims totaling approximately 532.98 acres (2016 – 454.43 acres) with the surface and mineral rights owned fee simple. The patented land is surrounded by 1,104 unpatented lode mining claims approximately 19,012 acres (2016 – 1,088 unpatented lode mining claims approximately 18,824 acres). During the year ended December 31, 2017, the Company capitalized $1,455 (2016 – $4,830) related to mineral property and other acquisition costs, with the acquisition of 4 patented mining claims, 16 unpatented lode mining claims and other strategic land acquisitions near the Hermosa Project. The expenditures decreased from 2016 when the Company completed the acquisition of 300 acres of patented lands adjacent to the Taylor Deposit, and 315 unpatented lode mining claims.

Loss from Operations

The Company incurred salaries and benefits expense of $1,974 for the year ended December 31, 2017 (2016 – $943). The increase reflects the hiring of additional experienced senior management to support the growth plans of the Company.

The Company incurred stock based compensation expense, a non-cash cost, of $2,999 for the year ended December 31, 2017 (2016 – $689). The increase reflects the additional stock option grants provided to existing employees during Q1 2017 and the additional stock option grants to new employees and directors that have joined the Company during the year.

The Company incurred general and administration expenses of $1,226 for the year ended December 31, 2017 (2016 – $999). The increase in general and administrative expenses is consistent with the increased overall activity of the Company during 2017.

The foreign exchange loss of $444 (2016 – gain of $77) in the year ended December 31, 2017 primarily reflects the impact of the strengthening of the Canadian dollar since December 31, 2016 on the Canadian parent's US dollar cash balances.

Other comprehensive income represents the gain on the translation of the parent company's Canadian dollar financial statements into US dollars for presentation purposes of $6,713 for the year ended December 31, 2017 and compares to a loss of $1,175 for the year ended December 31, 2016. The gain reflects the impact of the strengthening Canadian dollar on the net assets of the Company denominated in Canadian dollars since December 31, 2016. The Company holds most of its cash and cash equivalents balance in Canadian dollars.

Liquidity and Capital Resources

At December 31, 2017, the Company had cash and cash equivalents of $61,101 compared to $19,237 at December 31, 2016.

Cash outflow from operating activities was $2,766 in the year ended December 31, 2017 and compares to a use of cash of $1,829 in the same period for 2016. This outflow primarily reflects corporate head office expenditures.

Cash inflow from financing activities of $92,033 for the year ended December 31, 2017 (2016 – $45,083) primarily relates to the closing of the South32 private placements (as described under "Highlights and Activities" earlier in this MD&A), South32 exercising its top-up right, and $7,727 from the exercise of stock options and share purchase warrants of the Company.

Investing activities for the year ended December 31, 2017 used cash of $53,662 compared to $23,877 in the same period for 2016. The increase in cash used for investing activities during 2017 reflects the increased spend on exploration and evaluation expenditures (as discussed under "Exploration and Evaluation Assets", earlier in this MD&A) and an increase in the purchase of property, plant and equipment. Investing activities for year ended December 31, 2016 include proceeds from the sale of a royalty interest ($7,886) in the Hermosa Project and the use of cash for the escrow and surety bond collateral requirements arising from the acquisition of the Trench patented mining claims in the first quarter of 2016.

(In thousands of United States dollars, unless otherwise stated)

At December 31, 2017 the Company had contractual cash flow commitments as follows:

	< 1 Year	1-3 Years	3-5 Years	> 5 Years	Total
Accounts payable and accrued liabilities	$ 6,402	$ -	$ -	$ -	$ 6,402
Deferred rental contribution	73	-	-	-	73
Operating lease obligations	600	1,045	353	-	1,998
	$ 7,075	$ 1,045	$ 353	$ -	$ 8,473

Outlook

The Company's key objectives during 2018 include the construction of the Tailings Storage Facility and the Water Treatment Plant, continue to test the potential of the Taylor deposit with an estimated $15 - $20 million success based exploration program, initiate work with respect to the twin decline announced on March 26, 2018 and deliver a Feasibility Study during Q3 2018. The Company is funded for these objectives and guidance with respect to its financing strategy will be provided after the issuance of the Feasibility Study.

The Company has begun discussions with a range of financial partners to determine the best method to finance the construction of the mine. All funding alternatives are being considered. The Company will provide additional guidance on its financing strategy after the issuance of the Feasibility Study.

The Company continues to receive routine inquiries about the quantum of the proposed zinc and lead concentrates. Both concentrates are of high quality due to their elevated concentrate grade and will be readily marketable to smelters around the world. The Company believes the demand for its products, in addition to the long life, low cost nature of the deposit with early payback, will ensure a competitive landscape of financing alternatives for the Company to evaluate.

The H1 2018 drilling will be a combination of step-out exploration drilling and infill drilling to explore the continued potential for resource growth and increased grades and condemnation drilling for future infrastructure sites. The drilling to the end of January 2018, following the September 2017 drilling cut-off date for the 2018 PEA, is part of an additional 44,406 metres of infill and step-out drilling that will be included in the Feasibility Study. Should the drill results be successful, the Company may elect to allocate additional capital to exploration in 2018. In addition, the Company has submitted a Plan of Operations ("POO") to the US Forest Service to allow for drilling on Company held unpatented mining claims whose surface is administered by the US Forest Service. Should the approval of the POO be obtained in 2018, the Company may elect to allocate additional capital for several near surface targets that have already been identified.

Selected Annual Financial Information

Information for the three years ended December 31, 2017, as extracted from the Company's audited financial statements, is presented as follows:

	2017	2016	2015
Net loss for the year	$ 6,054	$ 3,129	$ 1,506
Net loss per share (basic and diluted)	$ (0.02)	$ (0.02)	$ (0.01)
Weighted-average number of common shares outstanding	284,409,980	211,287,978	151,855,825
Exploration and evaluation asset additions	$ 54,042	27,395	3,187
Total assets	$ 225,868	$ 125,195	$ 74,459

Quarter Ended December 31, 2017 Compared to the Quarter Ended December 31, 2016

The Company incurred salaries and benefits expense of $550 for the three months ended December 31, 2017 (2016 – $238). The increase reflects the hiring of additional experienced senior management to support the growth plans of the Company.

The Company incurred stock based compensation expense, a non-cash cost, of $1,015 for the three months ended December 31, 2017 (2016 – $124). The increase reflects the additional stock option grants to new employees and a director that have joined the Company during the quarter as the Company builds out the corporate team to support bringing the Taylor Deposit to feasibility.

The Company incurred general and administration expenses of $414 for the three months ended December 31, 2017 (2016 – $284). The increase in general and administrative expenses is consistent with the increased overall activity of the Company during 2017.

The foreign exchange gain of $223 (2016 – gain of $324) in the three months ended December 31, 2017 primarily reflects the impact of the weakening of the Canadian dollar since the last reporting period on the Canadian parent's US dollar cash balances.

Other comprehensive income represents the loss on the translation of the parent company's Canadian dollar financial statements into US dollars for presentation purposes of $596 for the three months ended December 31, 2017 and compares to a loss of $417 for the same period of 2016. The loss reflects the impact of the weakening Canadian dollar on the net assets of the Company denominated in Canadian dollars since the last quarter end. The Company holds most of its cash and cash equivalents balance in Canadian dollars.

The Company capitalized $19,475 of exploration and evaluation expenditures during the quarter ended December 31, 2017 compared to $13,445 in the comparable quarter of 2016. The expenditures were higher in 2016 as a result of the exploration program on the Taylor Deposit, with 15 drill rigs on site by the fourth quarter of 2017. Accordingly, all cost categories associated with the drilling have increased substantially over the 2016 comparable amounts.

During the fourth quarter of 2017, the Company received proceeds of $3,501, less share issue costs of $12, when South32 exercised its top-up right to subscribe for an additional 1,432,982 common shares of the Company at a price of C$3.14 per share, for a total of C$4,500. The Company also received proceeds of $2,945 from the exercise of 4,979,286 share purchase warrants of the Company. During the fourth quarter of 2016, the Company received proceeds of $27,110 (C$36,005) from a Bought Deal Offering of 11,805,000 common shares at a price of C$3.05 per common share, less share issue costs of $1,809 and repaid the remaining loan balance of $1,513 (C$2,000) and accrued interest of $234 (C$309) to a company controlled by the Company's Executive Chairman.

Summary of Quarterly Financial Information

The Company's quarterly financial statements are reported under IFRS issued by the IASB, as applicable to interim financial reporting. The following table provides highlights from the Company's financial statements of quarterly results for the past eight quarters.

(In thousands of United States dollars, unless otherwise stated)

	2017 Q4	2017 Q3	2017 Q2	2017 Q1
Net Loss for the period	$ (1,519)	$ (1,842)	$ (1,255)	$ (1,438)
Net Loss per share (basic and diluted)	$ (0.00)	$ (0.01)	$ -	$ -
Weighted-average number of common shares outstanding	309,844,790	302,955,110	274,392,528	249,581,463
Exploration and evaluation asset additions	$ 19,475	$ 12,787	$ 9,284	$ 12,496
Working capital	$ 56,013	$ 70,237	$ 80,005	$ 2,863

	2016 Q4	2016 Q3	2016 Q2	2016 Q1
Net Loss for the period	$ (440)	$ (781)	$ (1,068)	$ (841)
Net Loss per share (basic and diluted)	$ -	$ -	$ -	$ -
Weighted-average number of common shares outstanding	240,964,510	235,365,326	204,345,308	163,886,067
Exploration and evaluation asset additions	$ 13,446	$ 8,901	$ (971)	$ 6,020
Working capital	$ 16,208	$ 4,827	$ 13,256	$ (3,883)

The Company has not generated any income to date other than interest income. The Company has selected an accounting policy to capitalize all of its exploration and evaluation activities. Accordingly the statement of net loss and comprehensive income (loss) is comprised of corporate head office costs and foreign currency fluctuations on our cash balances.

Share Capital Information

As at March 28, 2018, the Company had an unlimited number of common shares authorized for issuance with 313,097,467 issued and outstanding and an unlimited number of preferred shares authorized with nil outstanding. Also at March 28, 2018, the Company had outstanding 19,227,334 stock options held by directors, officers and employees of the Company and 12,902,566 warrants issued in connection with private placements and loans to the Company.

Proposed Transactions

There are no undisclosed proposed transactions that will materially affect the performance of the Company.

Off-Balance Sheet Arrangements

Other than the operating leases referred to in the table above, the Company does not have any material off-balance sheet arrangements.

Related Party Transactions

Compensation of key management personnel

Key management includes the Company's directors and certain senior management. Key management compensation, which is expensed or allocated to exploration and evaluation assets depending on the nature of the services provided for the years ended December 31, 2017 and 2016 comprised:

	2017	2016
Salaries and benefits	$ 2,413	$ 1,043
Stock based compensation	$ 2,866	$ 775

(In thousands of United States dollars, unless otherwise stated)

Related party transactions

The Company shares office space, equipment, personnel and various administrative services with other companies (NewCastle Gold Ltd. until December 22, 2017, Titan Mining Corporation and Armor Minerals Inc.) related by virtue of certain directors and management in common. These services have been mainly provided through a management company equally owned by the related companies. Costs incurred by the management company are allocated between the related companies based on time incurred and use of services and are charged at cost.

The Company was charged for the following with respect to these arrangements in the years ended December 31, 2017 and 2016:

		2017		2016
Salaries and benefits	$	1,374	$	837
General and administration		470		347
Other income		-		(30)
Other assets		218		-
	$	2,062	$	1,154

In addition, for the year ended December 31, 2017, the Company charged out $5 (December 31, 2016 – $6) and at December 31, 2017, amounts receivable includes $9 (December 31, 2016 – $4) and prepaids and other includes $44 (December 31, 2016 – $63) with respect to these arrangements.

During the year ended December 31, 2017, the Company entered into an agreement with Titan Mining Corporation ("Titan Mining") related to a prospective area in New Mexico. The agreement enables Titan Mining to explore the area and take title to any claims subject to a back-in right whereby the Company can acquire a 60% interest in the claims on payment of two times the exploration expenditures at that time. The right is exercisable on the earlier of Titan Mining expending $2,500 on exploration or three years.

Other assets of $459 (December 31, 2016 – $225) relate to the Company's share of jointly owned assets (primarily security deposits, leasehold improvements, and furniture and equipment) held by the management company.

On January 13, 2016, the Company borrowed C$4,000 ($2,798) from a company controlled by the Company's Executive Chairman in connection with the acquisition of the Acquired Claims. The loan was unsecured, repayable on the earlier of: one year from the date of advance; the date of any change of control of the Company; or the date the Company completed a financing of C$10,000 or more by way of sale of securities from treasury or through the issuance of debt or other form of financing. The loan bore interest at 16% per annum, compounded monthly and was subject to a cash fee of 1% with an additional 1% fee payable after three months if the loan remained outstanding. In addition, 1,000,000 warrants were issued to the lender. Each warrant entitles the lender to purchase one common share at a price of C$0.30 per common share until January 13, 2021. The Company repaid C$2,000 ($1,562) of the loan plus accrued interest of C$143 ($112) on June 20, 2016 following the C$15,594 financing that closed on April 25, 2016. The lender waived its right to early repayment on the balance of the loan of C$2,000, which was subsequently repaid later in 2016.

On April 26, 2016 the Company repaid three loans totalling C$2,000 plus accrued interest of C$109 ($86). The loans were received at various times in 2015 from a company controlled by the Company's Executive Chairman. The loans were unsecured, bore interest at 8% per annum and were repayable on the earlier of (i) one year from the date of advance, (ii) a change of control of the Company, or (iii) the completion of a financing of C$4,000 or more by way of sale of securities from treasury of the Company or through the issuance of debt or other form of financing.

Critical Accounting Policies and Estimates

The Company's accounting policies are described in its consolidated financial statements for the year ended December 31, 2017. The preparation of the Company's consolidated financial statements requires management to make judgements, estimates and assumptions in the process of applying the Company's accounting policies that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Estimates and assumptions are continually evaluated. However, actual outcomes could materially differ from these estimates. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected. Information about critical judgements and estimates in applying accounting policies that have the most significant effect on amounts recognized in the consolidated financial statements are as follows:

a) Exploration and evaluation assets impairment estimation – The application of the Company's accounting policy for impairment of exploration and evaluation assets requires judgement to determine whether indicators of impairment exist, including factors such as: the period for which the Company has the right to explore has expired or will expire in the future, and is not expected to be renewed; substantive expenditures on further exploration for and evaluation of mineral resources in the specific area is neither budgeted or 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 sufficient data exists to indicate that, although a development of 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. Management has assessed impairment indicators on the Company's exploration and evaluation assets and has concluded that no impairment indicators exist as of December 31, 2017

b) Reclamation and remediation provision – The present value of estimated future legal or constructive obligations as a result of the Company's exploration activities include assumptions as to the future estimated costs, timing of the cash flows to discharge the obligation, inflation rates, and the prevalent market discount rates. Any changes to the assumptions will result in an adjustment to the provision which affects the Company's liabilities.

c) Stock based compensation – In determining the fair value of stock based compensation, the Company uses the Black-Scholes option pricing model. The Black-Scholes option pricing model requires the input of highly subjective assumptions such as the expected life of the options, estimates of interest rates and share price volatility that can materially affect the fair value estimate.

Changes in Accounting Policies

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or IFRIC. Some updates that are not applicable or are not consequential to the Company may have been excluded. The Company has not early adopted these new standards and is currently assessing the impact, if any, that these amendments will have on the Company's Financial Statements.

In January 2016, the IASB issued IFRS 16, *Leases*, which eliminates the classification of leases as either operating or finance leases for a lessee. Under IFRS 16, all leases are considered finance leases and will be recorded on the balance sheet. The only exemptions to this classification will be for leases that are 12 months or less in duration or for leases of low-value assets. The requirement to record all leases as finance leases under IFRS 16 will increase lease assets and lease liabilities on an entity's financial statements. IFRS 16 will also change the nature of expenses relating to leases as the straight-line lease expense previously recognized for operating leases will be replaced with depreciation expense for lease assets and finance expense for lease liabilities. IFRS 16 includes an overall disclosure objective and requires a company to disclose (a) information about lease assets and expenses and cash flows related to leases; (b) a maturity analysis of lease liabilities; and (c) any additional company-specific information that is relevant to satisfying the disclosure objective. IFRS 16 is effective from January 1, 2019 and can be applied before that date but only if IFRS 15 is also applied. The

Company is currently assessing the effect of this standard on its financial statements. As at December 31, 2017, the Company has developed an understanding of the requirements of IFRS 16 but has not commenced analysis of existing arrangements or possible changes that may result from adoption of IFRS 16.

The final version of IFRS 9, *Financial Instruments*, was issued by the IASB in July 2014 and will replace IAS 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 requires financial assets to be classified into three measurement categories on initial recognition: those measured at fair value through profit and loss, those measured at fair value through other comprehensive income and those measured at amortized cost. Investments in equity instruments are required to be measured by default at fair value through profit or loss. However, there is an irrevocable option for each equity instrument to present fair value changes in other comprehensive income. Measurement and classification of financial assets is dependent on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. IFRS 9 also introduces a forward-looking "expected loss" impairment model and a substantially reformed approach to hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, but is available for early adoption. The Company plans to adopt the standard beginning January 1, 2018. The Company has determined that there will not be any material changes in the classification, measurement or carrying values of the Company's financial instruments as a result of the adoption of IFRS 9.

Financial Instruments

The carrying values of the Company's financial instruments approximate their fair values as a result of their short-term nature.

Financial risk management

The Company is exposed to various financial instrument risks and assesses the impact and likelihood of this exposure and attempts to manage the risk, where possible. These risks include market risk, liquidity risk and credit risk.

a) Market risk

Market risk represents the risk that the fair value of cash flows of a financial instrument will fluctuate because of changes in market prices. In particular:

Foreign exchange risk

Foreign exchange risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rate.

The Company incurs expenditures in Canadian and US dollars with the majority of the expenditures being incurred in US dollars exploring on its Hermosa property. As the functional currency of the parent company is Canadian dollars, foreign exchange risk arises because the amount of the US dollar cash and cash equivalents will vary in Canadian dollar terms due to changes in exchange rates. However, to the extent the US dollar balances will be used to fund future exploration expenditures on the Hermosa property the risk is mitigated and provides more certainty in terms of the funds available for that purpose.

At December 31, 2017, the Company is exposed to currency risk through the following assets and liabilities denominated in US dollars held by the Canadian parent company:

(In thousands of United States dollars, unless otherwise stated)

		December 31, 2017		December 31, 2016
Cash and cash equivalents	$	113	$	7,764
Prepaids and other		2		14
Accounts payable and accrued liabilities		(22)		(13)
	$	93	$	7,765

The Company is also exposed to currency risk through other comprehensive income as a result of the net assets (mainly cash) held in Canadian dollars of C$72,543 at December 31, 2017 (December 31, 2016 – C$25,488). As at December 31, 2017, based on the above net exposures a 10% change in the Canadian-US dollar exchange rate would impact the Company's earnings by approximately $2 (December 31, 2016 – $784) and comprehensive income (loss) by $5,783 (December 31, 2016 – $1,898).

Price and Interest rate risk

Price risk is the risk that the fair value or future cash flows from a financial instrument will fluctuate because of changes in market prices other than those arising from interest rate and currency risk. The Company is not materially exposed to price risk at this time.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not materially exposed to interest rate risk at this time.

b) Liquidity risk

Liquidity risk represents the risk that the Company will be unable to meet its obligations associated with its financial liabilities. The Company endeavours to manage its liquidity risk by maintaining sufficient readily available cash in order to meet its liquidity requirements at any point in time.

c) Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. Credit risk arises for the Company from cash and cash equivalents held with banks and financial institutions, as well as credit exposure on outstanding amounts receivable. The maximum exposure to credit risk is equal to the carrying value of the financial assets.

The Company manages its exposure to credit risk by holding its cash and cash equivalents through Canadian or US chartered banks, with short-term investments held in high-interest bank accounts and GICs.

Risks and Uncertainties

An investment in the Company's common shares is highly speculative and subject to a number of risks and uncertainties. Only those persons who can bear the risk of the entire loss of their investment should invest in the Company's common shares. An investor should carefully consider the risks and the other information filed with the Canadian securities regulators before investing in the Company's common shares. Arizona Mining's business is subject to a number of risks and uncertainties described in the Company's Annual Information Form, which is available on the Company's website at www.arizonamining.com and SEDAR at www.sedar.com. Any of the risks and uncertainties described in the above-noted documents could have a material adverse effect on the Company's business and financial condition and accordingly, should be carefully considered in evaluating the Company's business.

Disclosure Controls and Procedures

The Company, under the supervision and with the participation of its President and Chief Executive Officer and Chief Financial Officer has evaluated the effectiveness of the Company's disclosure controls and procedures. Based upon the results of that evaluation, the Company's President and Chief Executive Officer and Chief Financial Officer have concluded that, as of December 31, 2017, the Company's disclosure controls and procedures were effective in providing reasonable assurance that the information required to be disclosed by the Company in reports it files is recorded, processed, summarized and reported, within the appropriate time periods and is accumulated and communicated to management, including the President and Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Internal Control over Financial Reporting

The Company's management, with the participation of its President and Chief Executive Officer and Chief Financial Officer is responsible for establishing and maintaining adequate internal control over financial reporting. Under the supervision of the President and Chief Executive Officer and Chief Financial Officer the Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Company with the participation and under the supervision of its President and Chief Executive Officer and Chief Financial Officer assessed the effectiveness of the Company's internal control over financial reporting. In making this assessment, management used the criteria set forth in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, the President and Chief Executive Officer and Chief Financial Officer have concluded that, as of December 31, 2017, the Company's internal control over financial reporting was effective.

There were no changes in the controls, which materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting during the three months ended December 31, 2017.

Assays and Quality Assurance/Quality Control

To ensure reliable sample results, the Company has a rigorous QA/QC program in place that monitors the chain-of-custody of samples and includes the insertion of blanks, duplicates, and certified reference standards at statistically derived intervals within each batch of samples. Core is photographed and split in half with one-half retained in a secured facility for verification purposes.

Sample preparation (crushing and pulverizing) has been performed at ALS Minerals Laboratories, an ISO/IEC accredited lab located in Tucson, Arizona. ALS Minerals Laboratories prepares a pulp of all samples and sends the pulps to their analytical laboratory in Vancouver, B.C. Canada for analysis. ALS analyzes the pulp sample by ICP following a 4-acid digestion (ME-ICP61 for 33 elements) including Cu (copper), Pb (lead), and Zn (zinc). All samples in which Cu (copper), Pb (lead), or Zn (zinc) are greater than 10,000 ppm are rerun using four acid digestion with an ICP – AES finish (Cu-OG62; Pb-OG62; and Zn-OG62) with the elements reported in percentage (%). Silver values are determined by ICP (ME-ICP61) with all samples with silver values greater than 100 ppm repeated using four acid digestion with an ICP-AES finish (Ag-OG62) calibrated for higher levels of silver contained. Any values over 1,500 ppm Ag trigger a fire assay with gravimetric finish analysis. Gold values are determined by a 30 gm fire assay with an ICP-AES finish (Au-ICP21).

Qualified Person

The QP for the Mineral Resource estimate announced on January 16, 2018 is Dinara Nussipakynova, P.Geo, an employee of AMC. The Mineral Resource estimate has been prepared under the guidelines of National Instrument 43-101 ("NI 43-101") for reporting of Mineral Resources.

The results of the metallurgical tests have been reviewed and compiled by Mr. Chris Kaye, President and Principal Process Engineer of Mine and Quarry Engineering Services Inc., a qualified person as defined by National Instrument 43-101 (NI 43-101). Mr. Kaye has more than 35 years of mineral processing experience and is a Registered Member of the Society for Mining, Metallurgy & Exploration; and a Fellow of the AusImm.

Arizona Mining's drilling results on the Taylor Deposit have been reviewed, verified and compiled by Donald R. Taylor, MSc., PG Chief Operating Officer for Arizona Mining Inc., a qualified person as defined by National Instrument 43-101 (NI 43-101). Mr. Taylor has more than 25 years of mineral exploration and mining experience, and is a Registered Professional Geologist through the SME (registered member #4029597).