



ARIZONA MINING INC.

Management's Discussion and Analysis

For the Three Months Ended March 31, 2016

Introduction

This management's discussion and analysis ("MD&A") of Arizona Mining Inc. (the "*Company*", "*Arizona Mining*", "*we*", "*us*", or "*our*") covers the three months ended March 31, 2016. This MD&A takes into account information available up to and including May 9, 2016. This MD&A should be read in conjunction with the accompanying condensed consolidated interim financial statements and notes ("financial statements") for the three months ended March 31, 2016, and MD&A for the year ended December 31, 2015, 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 condensed consolidated interim financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements including IAS 34, *Interim Financial Reporting*.

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 without limitation, statements with respect to the Company's expectations for drilling on the Taylor Deposit and the statements under "Summary and Outlook" later in this document. 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 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; contests over title to properties; 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 the MD&A for the year ended December 31, 2015.

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. 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, 2015 and other continuous disclosure documents available at www.sedar.com, which is subject to the qualifications and notes set forth therein.

Description of Business

Arizona Mining Inc. is incorporated in British Columbia, Canada. The Company now holds a 100% ownership interest in the Hermosa Project in Arizona, United States, following its May 4, 2016 acquisition of the non-controlling interest. The Company's corporate office is located at Suite 555 – 999 Canada Place, Vancouver, British Columbia, V6C 3E1 and its shares are listed on the Toronto Stock Exchange and trade under the symbol "AZ".

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, is a zinc-lead-silver carbonate replacement deposit and has a resource of 39.4 million tonnes in the Inferred Mineral Resource category grading 11% zinc equivalent ("ZnEq") utilizing a 6% ZnEq cutoff grade calculated in accordance with NI 43-101 guidelines. The Taylor Deposit remains open to the north, west and south over land controlled by the Company. Metallurgical test work on drill core from the Taylor Deposit projects overall recoveries of 92.9% Pb; 85.5% Zn and 91% Ag using industry standard froth flotation processing technology. The Central Deposit is a silver-manganese manto oxide development project that has a prefeasibility study announced in December 2013. The technical documents for both deposits are available on the Company's website at www.arizonamining.com or on Sedar at www.Sedar.com.

Summary and Outlook

During the first quarter of 2016, the Company built on the significant progress achieved in 2015 advancing the Taylor Deposit. Major milestones achieved and reported during or subsequent to the quarter include:

- Closing the acquisition of approximately 300 acres of patented mining claims that lie adjacent to the Taylor Deposit.
- Issuing an inferred resource on the Taylor Deposit of 39.4 million tonnes at 11.04% zinc equivalent.
- Closing a private placement financing of \$1.9 million.
- Negotiating a financing with Osisko Gold Royalties Ltd. for a 1% net smelter royalty on all sulfide ores of lead and zinc for C\$10 million and a private placement for C\$5 million, both of which closed on April 25, 2016.
- Negotiating the acquisition of the 20% interest in the Hermosa Project that the Company did not own for consideration of 40 million common shares and 5 million common share purchase warrants of the Company. The transaction closed on May 4, 2016 and as a result the Company now owns 100% of the project.
- Commencing an aggressive drill program on the Taylor Deposit designed to test the size and grade potential of the deposit. Results from the first two holes were released on May 5, 2016, which support the Company's view that the mineralization continues onto the newly acquired patented claims and the unpatented claims.

The Company currently has five drill rigs on site and is bringing in more in order to determine, as quickly as feasible, the size potential of the deposit and assist in planning for infill drilling and areas of future focus. In addition to drilling, the Company will also be performing additional metallurgical test work to increase the data on expected recoveries at different mineral grades, resuming its environmental base line studies and working on the inputs for a resource update and preliminary economic assessment.

Taylor Deposit

Drill Program

Following receipt of funding from a private placement in the first quarter of 2016, the Company restarted the drill program on its Taylor Deposit and is now engaged in an aggressive drill program to determine the extent of the Taylor Deposit sulfide mineralization. To-date approximately 45.9 acres (18.5 hectares) of the 275 acre (111.5 hectare), or 17 percent, of the area of permissive geology and mineralization highlighted by historic drilling and geology have been drill tested. The ongoing program is designed to test the entire area of permissive geology through a series of wide-spaced diamond drill holes. Currently 5 drill rigs are being utilized to carry out a planned 125,000 foot (38,100 m) exploration program, with additional rigs planned to be added in the coming weeks.

On May 5, 2016 the Company announced the results of the first two holes from the current program, HDS-338 and HDS-339, which are significant step outs from the resource announced on February 1, 2016. HDS-338 represents a step out of 830 feet (253 m) onto the newly acquired patented mining claims from the northwestern extent of the previous drilling that was included in the February 2016 resource calculation. The drill hole intersected several zones of carbonate replacement and skarn styles of mineralization including 61.5 feet (18.7 m) grading 11.7% zinc; 17.3% lead; 0.28% copper and 9.32 opt. Ag. HDS-339 is an angle hole (230 degree az. / - 82 deg.) targeting the extension of the mineralization onto the unpatented mining claims to the southwest of the resource in an area previously untested by drilling. This hole encountered 17 individual zones of mineralization (exceeding 24 foot percent lead+zinc) including 57 feet (17.4 m) grading 22% zinc; 23% lead; 0.17% copper and 8.82 opt. Ag. The full drill results for HDS-338 and HDS-339 are listed in the following table.

DH_ID		From (feet)	To (feet)	Interval (in feet)	From (meters)	To (meters)	Interval (meters)	Ag opt	Cu%	Pb%	Zn%	Ore Zone
HDS-338		724	734	10	220.7	223.7	3.0	1.35	0.02	2.80	3.73	CRD
HDS-338		2395.5	2497	101.5	730.1	761.0	30.9	6.13	0.19	11.19	7.54	CRD
HDS-338	Including	2395.5	2457	61.5	730.1	748.9	18.7	9.32	0.28	17.31	11.78	CRD
HDS-338		2527	2537	10	770.2	773.2	3.0	3.60	0.05	7.09	3.24	CRD
HDS-338		3242	3254	12	988.1	991.8	3.7	3.72	0.86	4.18	3.86	CRD
HDS-338		3278	3352	74	999.1	1021.6	22.6	3.07	0.34	5.71	5.08	CRD
HDS-338		3372	3397	25	1027.7	1035.4	7.6	0.86	0.03	1.05	1.38	CRD
HDS-339		949	957	8	289.2	291.7	2.4	2.88	0.11	2.27	6.02	CRD
HDS-339		977	986	9	297.8	300.5	2.7	1.55	0.02	2.69	7.19	CRD
HDS-339		995	1000	5	303.3	304.8	1.5	2.70	0.12	2.36	4.20	CRD
HDS-339		1430	1450	20	435.8	441.9	6.1	1.56	0.09	2.52	1.51	CRD
HDS-339		1865	1879	14	568.4	572.7	4.3	2.90	0.37	8.72	13.48	CRD
HDS-339		1917	2025	108	584.3	617.2	32.9	5.51	0.15	14.72	16.61	CRD
HDS-339	Including	1917	1974	57	584.3	601.6	17.4	8.82	0.17	23.09	22.67	CRD
HDS-339		2062	2066	4	628.5	629.7	1.2	3.62	0.39	8.85	11.00	CRD
HDS-339		2092	2114.5	22.5	637.6	644.5	6.9	1.64	0.06	5.09	4.85	CRD
HDS-339		2144.5	2148	4.5	653.6	654.7	1.4	28.03	1.83	5.89	19.45	CRD
HDS-339		2421	2468	47	737.9	752.2	14.3	2.15	0.21	7.19	8.55	CRD
HDS-339		2488	2506	18	758.3	763.8	5.5	0.65	0.02	1.79	2.20	CRD
HDS-339		2526	2554.5	28.5	769.9	778.6	8.7	1.53	0.05	4.38	5.56	CRD
HDS-339		2574	2593.5	19.5	784.5	790.5	5.9	2.14	0.08	6.44	7.91	CRD
HDS-339		2612	2676	64	796.1	815.6	19.5	1.72	0.01	5.54	2.77	CRD
HDS-339		2691	2704.5	13.5	820.2	824.3	4.1	2.42	0.06	8.26	8.24	CRD
HDS-339		3042	3053.5	11.5	927.2	930.7	3.5	1.09	0.08	2.37	2.62	CRD
HDS-339		3146	3162	16	958.9	963.7	4.9	2.51	0.07	2.47	2.66	CRD

(Drill intersections with both Zinc>4.5% and Lead>4.5% highlighted. Drill intervals are down the hole drill width but are considered to be within 5% of true width)

The Company believes that these most recent drill results support its geological interpretation that the Taylor Deposit extends onto the newly acquired patented claims to the northwest and the unpatented claims to the west and southwest. The results continue to indicate the tremendous size and grade potential of the Taylor Deposit. The deposit remains open to the north, west and south.

Resource

On February 1, 2016 the Company announced an updated mineral resource for its Taylor Deposit. The deposit now comprises a resource of 39.4 million tonnes in accordance with the NI 43-101 Inferred Mineral Resource category grading 11.04% zinc equivalent ("ZnEq") utilizing a 6% ZnEq cutoff grade. The resource at various zinc equivalent cut-off grades is estimated at:

<u>Zn Eq% Cutoff</u>	<u>Zn Eq% Grade</u>	<u>Tonnes (Mt)</u>	<u>Pb%</u>	<u>Zn%</u>	<u>Cu%</u>	<u>Ag g/t</u>
3	8.01	72.3	3.21	3.23	0.10	50.78
4	8.98	59.5	3.63	3.63	0.11	55.78
5	9.98	48.7	4.04	4.03	0.12	61.25
6	11.04	39.4	4.48	4.48	0.14	66.91
8	12.89	27.2	5.24	5.26	0.16	76.35
12	16.80	12.1	6.88	6.84	0.21	97.90
15	19.70	6.6	8.26	7.80	0.27	113.75
20	24.57	2.2	10.37	9.86	0.34	133.64

Results are based on a ZnEq grade calculated with the following metal prices: \$0.85/lb for lead and zinc; \$2.25/lb for copper; \$15/oz for silver. It is recognized for the Taylor Deposit that while Zn and Pb contribute approximately equally to the resource calculations, we have chosen to report Zn equivalents for calculation of the cut-off grade and the equivalents grade for the resource. Base Case highlighted.

The resource is based on assay results from 25 surface diamond drill holes completed through the end of 2015, totaling 19,648 meters (64,461 feet) of drilling, which have all intersected stratabound carbonate replacement sulfide mineralization within the Taylor Deposit. The updated Mineral Resource Estimate was prepared by Metal Mining Consultants Inc. of Highlands Ranch, Colorado.

Mineral resources are not mineral reserves and do not have demonstrated economic viability. There is no certainty that all or any part of mineral resources will be converted to mineral reserves. Inferred Mineral Resources are based on limited drilling (25 holes) which suggests the greatest uncertainty for a resource estimate and that geological continuity is only implied. Additional drilling will be required to verify geological and mineralization continuity and there is no certainty that all of the inferred resources will be converted to measured and indicated resources. Quantity and grades are estimates and are rounded to reflect the fact that the resource estimate is an approximation.

Land Position

On January 26, 2016, the Company closed the acquisition of approximately 300 acres of patented mining claims. The addition of the land package, which is adjacent to the Company's Hermosa Taylor Deposit, will greatly enhance Arizona Mining's surface lands available for further exploration of the Taylor Deposit and any future mining operations and is now being drill tested, as previously discussed.

As consideration for the acquisition, the Company has assumed the environmental liabilities, estimated at \$5.3 million, relating to past activities on the site. The Company submitted a remediation work plan that addresses the environmental liabilities, which has been approved by the Arizona Department of Environmental Quality. In accordance with the plan, the Company is required to construct a passive water treatment system estimated to cost \$2.9 million of which the Company's share is \$1.9 million with the \$1.0 balance contributed by a former owner of the claims. In addition, the Company has posted two bonds totaling \$1.97 million as security for the future operating performance of the passive water treatment system. The Company has posted \$0.86 million with a bond surety company as collateral for the bonds.

Financing and Corporate Activities

The following financing arrangements and acquisition were negotiated during the first quarter and closed subsequent to the quarter end.

Royalty Financing and Private Placement

On April 25, 2016, the Company closed a financing for a total of C\$15.6 million, comprised of the sale of a net smelter royalty and certain private placements. Osisko Gold Royalties Ltd. ("Osisko") acquired a 1% net smelter royalty on all sulfide ores of lead and zinc (and any copper, silver or gold recovered from the concentrate from such ores) mined from the Hermosa Project for proceeds of C\$10.0 million. Osisko also subscribed for a total of 8.93 million units (each a "Unit") at a price of C\$0.56 per Unit, for gross proceeds of C\$5.00 million and other parties subscribed for 1.06 million Units for a further C\$0.59 million. Each Unit consists of one common share and one half of one common share purchase warrant. Each whole common share purchase warrant is convertible into one common share of the Company at a price of C\$0.75 until October 25, 2017.

Private Placements

On April 28, 2016, the Company closed the balance of a private placement issuing 647,000 units to certain of the Company's directors and officers at a price of C\$0.42 per unit for gross proceeds of C\$271,740. Each unit is comprised of one common share and one half of one common share purchase warrant. Each whole common share purchase warrant entitles the holder to purchase one common share at a price of C\$0.60 per common share until October 28, 2017.

On April 28, 2016, the Company closed a C\$280,000 private placement of 500,000 units at a price of C\$0.56 per unit with a director of the Company. Each unit is comprised of one common share and one half of one common share purchase warrant. Each whole common share purchase warrant entitles the holder to purchase one common share at a price of C\$0.75 per common share until October 28, 2017.

Acquisition of Minority Interest in the Hermosa Project

To consolidate its position in the Hermosa Project, on February 26, 2016 the Company announced that it had entered into a letter of intent to increase its ownership in the Project to 100% from 80%. The remaining 20% of the common shares and approximately 10% of the preference shares of AMI were held by 5348 Investments Ltd. ("5348 Investments"), an indirect wholly owned subsidiary of a private British Columbia company controlled by the Company's Executive Chairman.

On May 4, 2016, following shareholder approval of the transaction at the Company's Annual General Meeting held on April 22, 2016, the Company closed the acquisition of 5348 Investments and issued 40 million common shares and 5 million common share purchase warrants as consideration for the acquisition. Each common share purchase warrant is convertible into one common share of the Company at a price of C\$0.50 until May 4, 2019.

Project Costs Capitalized

The following shows total costs deferred on the Company's Hermosa Project during the three months ended March 31, 2016 and 2015:

	2016	2015
Balance, start of period	\$ 73,558,572	\$ 70,371,838
Additions:		
Mineral property acquisition costs – below	4,277,480	-
Mineral property acquisition costs – other	192,870	-
Drilling	345,066	396,491
Property access, restoration and maintenance	168,849	80,558
Assay and analysis	7,172	38,893
Salaries, benefits and stock based compensation	309,796	156,529
Geologic consulting and support	12,608	54,072
Engineering and metallurgy	72,330	-
Environmental baseline studies & permitting	90,819	-
Other	181,614	79,829
	5,658,604	806,372
Foreign currency translation adjustment	361,027	-
	6,019,631	806,372
Balance, end of period	\$ 79,578,203	\$ 71,178,210

During the three months ended March 31, 2016 the Company capitalized expenditures of \$6,019,631 on its Hermosa Project compared to \$806,372 in the same period of 2015. The costs for 2016 include the acquisition of the 300 acres of patented lands adjacent to the Taylor Deposit at an allocated amount of \$4,277,480. Consideration for the acquisition comprised the assumption of the environmental liabilities relating to past activities on the site, which are estimated at \$5,277,480. As part of the acquisition the Company also received, in exchange for assuming the environmental liabilities, \$1,000,000 in restricted cash from the former owner of the property. The restricted cash is held in escrow for purposes of partially funding the required construction of a passive water treatment system. Mineral property acquisition costs also include the costs for staking new claims to the north of the Taylor Deposit.

The Company recommenced its drilling program on the Taylor Deposit in the first quarter of 2016 beginning with two drills on site. Salaries and benefits increased for the three months compared to the prior year due to the addition of new employees and certain salary adjustments. Engineering and metallurgy costs incurred in the first quarter of 2016 relate to the inferred resource released by the Company in February, 2016 and the related NI 43-101 Technical Report. The foreign currency translation adjustment of \$361,027 arises on the translation for reporting purposes of the newly acquired patented mining claims, which were held by the Canadian parent at March 31, 2016.

Costs Expensed, Net Loss and Comprehensive Loss

	Three months ended March 31,	
	2016	2015
Expenses:		
Salaries and benefits	\$ 258,953	\$ 163,823
Stock based compensation	218,898	2,648
Investor relations	96,064	6,948
Professional services	51,387	15,258
Office and administrative	49,183	30,443
Filing and regulatory	21,974	23,079
Directors' fees	11,014	13,354
Travel	9,806	1,300
Depreciation	932	2,128
Loss from operations	<u>(718,211)</u>	<u>(258,981)</u>
Foreign exchange gain (loss)	55,442	(3,249)
Loss on disposition of property, plant and equipment	(2,578)	-
Interest and finance charges	(175,506)	(46,747)
Interest and other income	-	7,287
Net loss	<u>(840,853)</u>	<u>(301,690)</u>
Other comprehensive income:		
Items that may be reclassified to profit or loss:		
Foreign currency translation loss (gain)	63,354	(100,290)
	<u>(63,354)</u>	<u>100,290</u>
Comprehensive loss	<u>\$ (904,207)</u>	<u>\$ (201,400)</u>
Net loss attributable to:		
Shareholders of the Company	\$ (839,500)	\$ (300,077)
Non-controlling interest	(1,353)	(1,613)
	<u>\$ (840,853)</u>	<u>\$ (301,690)</u>
Comprehensive loss attributable to:		
Shareholders of the Company	\$ (902,854)	\$ (199,787)
Non-controlling interest	(1,353)	(1,613)
	<u>\$ (904,207)</u>	<u>\$ (201,400)</u>
Basic and diluted net loss per share attributable to shareholders of the Company	<u>\$ (0.005)</u>	<u>\$ (0.002)</u>
Weighted average number of shares outstanding	<u>163,886,067</u>	<u>148,040,893</u>

For the three months ended March 31, 2016, the Company reported a net loss of \$840,853 (\$0.005 per common share) and a comprehensive loss of \$904,207 compared to a net loss of \$301,690 (\$0.002 per common share) and a comprehensive loss of \$201,400 for the same period in 2015. The increased loss reflects the increase in corporate activities commensurate with the increased exploration activity on the Taylor Deposit.

Salary and benefits costs increased to \$258,953 in the three months ended March 31, 2016 from \$163,823 a year earlier as a result of the appointment of a new President and CEO and salary adjustments.

The increase in stock based compensation expense, a non-cash expense, is a result of the grant in late May, 2015 of 9,515,000 stock options with an exercise price of C\$0.40 per share to directors, officers and employees of the Company. The Company uses the Black-Scholes option pricing model to determine the value of stock options, which is then amortized as an expense over the vesting period.

Investor relations expense increased to \$96,064 for the three months ended March 31, 2016 from \$6,948 in the comparable period of 2015 as a result of increased attendance at conferences and trade shows to broaden market awareness of the Company and the Taylor Deposit.

The foreign exchange gain of \$55,442 in the three months ended March 31, 2016 reflects the impact of both the strengthening of the Canadian dollar and the increase in the net liabilities denominated in US dollars of the Canadian parent since December 31, 2015. This compares to a loss of \$3,249 in the same period of 2015 when there was a small US\$ denominated net asset. The increase in interest and finance charges in 2016 compared to 2015 reflects the increased borrowing from insiders to support the Company's operations.

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 \$63,354 for the three months ended March 31, 2016 compared to a gain of \$100,290 in the same period of 2015.

Liquidity and Capital Resources

At March 31, 2016, the Company had cash and cash equivalents of \$1,067,628 compared to \$418,950 at December 31, 2015.

Cash outflow from operating activities was \$453,890 in the three months ended March 31, 2016 compared to a use of cash of \$230,668 in the same period of 2015. The increased use of cash is primarily attributable to the same increased corporate cash costs, previously discussed.

Cash inflow from financing activities of \$4,649,828 for the three months ended March 31, 2016 primarily relates to a loan from the Company's Executive Chairman of C\$4,000,000 (US\$2,798,377) and proceeds from a private placement of \$1,892,651. The loan was received on January 13, 2016 to fund the \$2,310,833 of escrow and surety bond collateral requirements with respect to the environmental and remediation obligations assumed on the acquisition of the patented mining claims on January 26, 2016. The loan is 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 completes a financing of C\$10,000,000 or more by way of sale of securities from treasury or through the issuance of debt or other form of financing. The loan bears interest at 16% per annum, compounded monthly and a cash fee of 1% was paid on drawdown with an additional 1% fee paid in April, 2016. In addition, 1,000,000 warrants have been 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 lender waived its right to early repayment following the C\$15.6 million financing that closed on April 25, 2016.

The private placement was for 6,069,100 units at a price of C\$0.42 per unit for gross proceeds of C\$2,549,022 (US\$1,892,651). Each unit is comprised of one common share and one half of one common share purchase warrant. Each whole common share purchase warrant entitles the holder to purchase one common share at a price of C\$0.60 per common share until September 2, 2017.

Cash inflow from financing activities in the comparable period of 2015 of \$815,588 primarily relates to loans from insiders totalling \$726,501 and contributions from the non-controlling interest of \$114,500.

Investing activities used cash of \$3,486,072 in the three months ended March 31, 2016 compared to \$550,101 in the same period of 2015. Included in investing activities is the \$2,310,833 contribution to the escrow and surety bond collateral requirements, already discussed under cash flow from financing activities, above. Additions to exploration and evaluation assets were \$970,621 in the three months ended March 31, 2016 compared to \$549,845 in 2015.

At March 31, 2016 the Company had cash flow commitments as follows (\$000's):

	< 1 Year	1-3 Years	3-5 Years	> 5 Years	Total
Accounts payable and accrued liabilities	\$ 869	\$ -	\$ -	\$ -	\$ 869
Due to related parties	4,698	-	-	-	4,698
Operating lease obligations	233	325	-	-	558
	<u>\$ 5,800</u>	<u>\$ 325</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,125</u>

As previously noted, at March 31, 2016 the Company had cash and cash equivalents of \$1,067,628 and a working capital deficiency of \$3,882,822. On April 25, 2016, the Company closed the financings discussed under "Financing and Corporate Activities" for a total of C\$15.59 million. Based on anticipated cash flows, the Company is expected to have sufficient resources to meet its committed expenditures for the next twelve months. However, additional funds may be required to complete the level of expenditures planned on exploration activities on the Hermosa Project and the Company may need to seek additional funding to finance such activities. The Company has historically raised funds principally through the sale of securities, advances from Company insiders and most recently from the sale of a net smelter royalty. However, there can be no assurance that the Company will be able to obtain such additional funding or obtain it on acceptable terms.

Quarterly Review of Financial Information

The following table is a summary of the Company's results for the eight most recently completed quarters ended March 31, 2016:

Unaudited	2016	2015				2014		
(\$000s, unless otherwise stated)	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Net income (loss)	\$ (795)	\$ (331)	\$ (444)	\$ (429)	\$ (302)	\$ (325)	\$ (402)	\$ (475)
Exploration and evaluation assets additions	\$ 6,641	\$ 854	\$ 448	\$ 1,078	\$ 806	\$ 584	\$ 1,275	\$ 464
US\$ to C\$ Exchange rate - period end	\$ 1.2971	\$ 1.3840	\$ 1.3394	\$ 1.2474	\$ 1.2683	\$ 1.1601	\$ 1.1208	\$ 1.0676
Basic and diluted net income (loss) per share	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

The most significant factors influencing the Company's quarterly results over the last eight quarters are:

- Increased staffing levels and corporate activity in the first quarter of 2016 in response to the increased exploration on the Taylor Deposit.
- The acquisition of patented mining claims in the first quarter of 2016 at a net cost of \$4,277,480 together with legal and closing adjustments.
- The impact of the timing of stock option grants on stock based compensation expense including the higher expense where a portion of the grant vests immediately.
- Additions to exploration and evaluation assets in the second quarter of 2014 primarily reflect work associated with the Central Deposit's pre-feasibility technical report and permitting and ongoing property maintenance. Additions from the third quarter of 2014 onwards reflect the drill program on the Taylor Deposit and ongoing property maintenance costs with the variation in expenditures by quarter dependent on the level of drilling and associated activity in the quarter.
- The fourth quarter of 2015 includes a gain of \$183,205 with respect to the settlement of certain accounts payable for less than the amount owing.

Share Capital Information

As at May 9, 2016, the Company had an unlimited number of common shares authorized for issuance with 214,160,344 issued and outstanding and an unlimited number of preferred shares authorized with nil outstanding. Also at May 9, 2016, the Company had 11,074,000 stock options outstanding held by directors, officers, and

employees and 33,013,401 warrants issued in connection with various private placements, the acquisition of 5348 Investments and insider loans.

Proposed Transactions

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

Off-Balance Sheet Arrangements

The Company does not have any material off-balance sheet arrangements.

Related Party Transactions

In addition to the related party transactions or balances disclosed elsewhere in this MD&A, the Company had the following related party transactions during the three months ended March 31, 2016.

The Company shares office space, equipment, personnel and various administrative services with other companies (Catalyst Copper Corp. and Armor Minerals Inc.) related by virtue of certain common directors and management. 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 three months ended March 31, 2016 and 2015:

	2016		2015
Salaries and benefits	\$ 235,194	\$	142,861
Office and administrative	106,722		90,746
Other income	-		(7,253)
	\$ 341,916	\$	226,354

In addition, for the three months ended March 31, 2016, the Company charged out \$nil (March 31, 2015 – \$7,533) and at March 31, 2016, amounts receivable includes \$4,856 (December 31, 2015 – \$4,530) and prepaids and other includes \$31,847 (December 31, 2015 – \$25,962) with respect to these arrangements.

Other assets of \$232,482 (December 31, 2015 – \$217,885) relate to the Company's share of jointly owned assets (primarily security deposits, leasehold improvements, and furniture and equipment) held by the management company.

Critical Accounting Policies and Estimates

The Company's accounting policies are described in its consolidated financial statements for the year ended December 31, 2015. 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:

- Exploration and evaluation assets impairment estimation – The Company assesses its exploration and evaluation assets on a periodic basis to determine whether any indication of impairment exists. Where an indicator of impairment exists, an estimate is made of the recoverable amount, which is the higher of the fair market value less costs to sell and its value in use. In determining the value in use the Company will develop an estimated cash flow for the mineral property, which will be based on the Company's estimates of ore

reserves and mineral resources. The Company estimates its ore reserves and mineral resources based on information compiled by qualified persons as defined in accordance with Canadian Securities Administrators' National Instrument 43-101 Standards of Disclosure for Mineral Projects requirements. The estimation of mineral reserves and resources is based upon the results, assumptions and interpretation of various exploration techniques and information and includes additional factors such as metallurgical assumptions, expected commodity prices, capital requirements and operating costs that will also be used to develop the cash flow model. The Company must also determine an appropriate discount rate at which to discount the cash flows to determine the net present value. Changes in any of these assumptions, interpretations and estimates may have a significant impact on the net present value and therefore may also impact the carrying value of the exploration and evaluation assets.

- Reclamation and restoration provision – As a result of the acquisition of certain patented mining claims the Company has assumed the environmental liabilities for past activities on the site. The Company has recorded a reclamation and remediation provision, which represents the estimated costs required to provide restoration and rehabilitation for those past activities. The provision requires the estimation of cash flows many years into the future as well as estimates of inflation and the selection of appropriate discount rates. A change in any of these inputs can have a significant impact on the provision.
- 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 have been excluded.

IFRS 9, Financial Instruments: Classification and Measurement is the first part of a new standard on classification and measurement of financial assets that will replace IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 has two measurement categories: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is measured at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. Otherwise it is measured at fair value through profit or loss. The standard was initially effective for annual periods beginning on or after January 1, 2013, but the complete version of IFRS 9, issued in July 2014, moved the mandatory effective date to January 1, 2018. The Company expects to adopt this standard effective January 1, 2018 and has not yet assessed the impact on its financial reporting.

On January 13, 2016, the IASB issues IFRS 16, Leases ("IFRS 16"), according to which, all leases will be on the balance sheet of lessees, except those that meet the limited exception criteria. The standard is effective for annual periods beginning on or after January 1, 2019. The Company and has not yet assessed the impact on its financial reporting of IFRS 16 on its financial statements.

Financial Instruments

The Company's financial instruments are classified into the following categories of financial assets and liabilities (shown at carrying value):

Category	Measurement	March 31, 2016	December 31, 2015
Cash and cash equivalents	Loans and receivables	\$ 1,067,628	\$ 418,950
Amounts receivable	Loans and receivables	\$ 290,549	\$ 172,951
Restricted cash	Loans and receivables	\$ 3,310,833	\$ -
Accounts payable and accrued liabilities	Other financial liabilities	\$ 868,899	\$ 211,630
Due to related party – current	Other financial liabilities	\$ 4,697,842	\$ 1,485,486

The carrying values of the Company's financial instruments in the table above 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 March 31, 2016, the Company is exposed to currency risk through the following assets and liabilities denominated in US dollars held by the Canadian parent company:

	March 31, 2016		December 31, 2015
Cash and cash equivalents	US\$ 523,201	US\$	397
Amounts receivable	664		664
Due from related party	242,793		139,089
Restricted cash	3,310,833		-
Accounts payable and accrued liabilities	(2,218)		(53,310)
Reclamation and restoration provision	(5,100,386)		
	US\$ (1,025,113)	US\$	86,840

As at March 31, 2016, based on the above net exposures a 10% change in the Canadian-US dollar exchange rate would impact the Company's earnings by approximately \$103,000 (December 31, 2015 – \$9,000). As the Company reports in US dollars this amount would be offset by an approximately equivalent amount as part of other comprehensive income.

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 (see discussion on liquidity earlier in this MD&A).

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 and amounts due from a related party. 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 GIC's.

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 referred to below 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 including those described in the Company's Annual Information Form and Management's Discussion and Analysis for the year ended December 31, 2015, which are 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 and Internal Control over Financial Reporting

The Company's management, under the supervision of the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), have designed disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in National Instrument 52-109, *Certification of Disclosure in Issuers' Annual and Interim Filings*, based on the 2013 control framework developed by the Committee of Sponsoring Organizations of the Treadway Commission.

The DC&P have been designed to provide reasonable assurance that material information relating to the Company is made known to the CEO and CFO, particularly during the period in which the interim filings are prepared and the information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified. The ICFR have been designed to provide reasonable assurance regarding the reliability of financial reporting for external purposes in accordance with international financial reporting standards. Due to the inherent limitations associated with any such controls and procedures, management recognizes that, no matter how well designed and operated, they may not prevent or detect misstatements on a timely basis.

Changes in Internal Control over Financial Reporting

NI 52-109 also requires Canadian public companies to disclose any changes in ICFR during the most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, ICFR. No material changes were made to internal controls in the three months ended March 31, 2016.

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 in each batch of samples. Core is photographed and split in half with one-half retained in a secured facility for verification purposes.

Post March 2014, sample preparation (crushing and pulverizing) is 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 triggers a fire assay with gravimetric finish analysis. Gold values are determined by a 30 gm fire assay with an ICP-AES finish (Au-ICP21).

Pre-March 2014, sample preparation (crushing and pulverizing) was performed at Skyline Laboratories, an ISO/IEC accredited lab located in Tucson, Arizona. Skyline Laboratories prepared two pulps of all samples and completed analysis of one pulp sample by ICP for Cu% (copper), Pb% (lead), Zn% (zinc) and Mn% (manganese). The second pulp was shipped to Inspectorate Labs, an ISO: 9001-2008 accredited laboratory in Reno, Nevada, where the duplicate pulp was analyzed for Au (gold) and Ag (silver). Silver values were determined by gravimetric fire assay (1 AT) with gold values determined by an AA finish from the same dore bead: Final silver value is the weight of the dore bead minus the AA gold value. In certain drill holes Skyline completed analyses of pulps for gold (FA-1AT/AA) and silver was determined by multi-acid digestion/AA finish. If the silver value was greater than 150 gpt the sample was redone by gravimetric FA (1AT) with the gravimetric gold value subtracted. At both labs if the FA/AA Au value was greater than 3 gpt the Au assay was repeated by FA gravimetric methods. Certain duplicate pulps had gold-silver QA/QC checks run at Skyline by the above methods. Also certain duplicate pulps also had Cu, Pb, Zn, Mn QA/QC checks using ICP/AA methods and 30 element spectral ICP determined at Inspectorate after 4-acid digestion.

Qualified Persons

Scott Wilson, President of Metal Mining Consultants, is an independent qualified person as defined by National Instrument 43-101 and approved and verified the information in relation to the February 1, 2016, updated Taylor Deposit resource estimate. Mr. Wilson is a Certified Professional Geologist and member of the American Institute of Professional Geologists (CPG #10965) and a Registered Member (#4025107) of the Society of Mining, Metallurgy and Exploration, Inc., a professional association and designation recognized by the Canadian regulatory authorities.

The results of Arizona Mining's drilling results on the Taylor Deposit have been reviewed, verified and compiled by Donald Taylor, MSc., PG Chief Operating Officer for Arizona Mining, 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). Mr. Taylor is also a Licensed Professional Geologist in several US states.

ARIZONA MINING INC.
Corporate Information

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Officers	Richard W. Warke – Executive Chairman James Gowans – President and Chief Executive Officer Donald R. Taylor – Chief Operating Officer Paul J. Ireland – Chief Financial Officer Gregory F. Lucero – Vice President, Government and Community Relations Purni Parikh – Vice President, Corporate Secretary
Registrar and Transfer Agent	Computershare Investors Services Inc. #401 - 510 Burrard Street Vancouver, BC V6C 3B9
Auditors	PricewaterhouseCoopers LLP Chartered Professional Accountants 250 Howe Street, Suite 700 Vancouver, BC V6C 3S7
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