ARIZONA MINING INC.

Management's Discussion and Analysis

For the Three and Nine Months Ended September 30, 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 and nine months ended September 30, 2016. This MD&A takes into account information available up to and including November 7, 2016. This MD&A should be read in conjunction with the accompanying condensed consolidated interim financial statements and notes ("financial statements") for the three and nine months ended September 30, 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 a Canadian mineral exploration and development company focused on the exploration and development of its 100%-owned 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, a zinc-lead-silver carbonate replacement deposit, has 31.1 million tons in the Indicated Mineral Resource category grading 10.9% zinc equivalent ("ZnEq") plus 82.7 million tons of Inferred Mineral Resource grading 11.1% ZnEq, both reported in accordance with NI 43-101 guidelines utilizing a 4% ZnEq cutoff grade. The Taylor Deposit remains open to the north, west and south over land controlled by the Company. In addition to the zinc-lead-silver mineralization other target types have been identified on the mineral holdings and will be drill tested. Metallurgical test work on drill core from the Taylor Deposit projects overall recoveries of 90% Zn, 95% Pb and 85% Ag using industry standard froth flotation processing technology. The Company's other project on the Hermosa property is the Central Deposit, a silver-manganese manto oxide development project that has a prefeasibility study completed 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.

Arizona Mining Inc. is incorporated in British Columbia, Canada and the Company's corporate office is located at Suite 555 – 999 Canada Place, Vancouver, British Columbia, V6C 3E1. The Company's shares are listed on the Toronto Stock Exchange and trade under the symbol "AZ".

Summary and Outlook

During the third quarter of 2016, the Company continued its aggressive 2016 drill program on the Taylor Deposit designed to test the size and grade potential of the deposit. The results from 34 exploration drill holes have been released to date and were incorporated into an updated mineral resource estimate that was announced on October 31, 2016 showing a significant increase in tons and grade of mineralization, as discussed below.

The Company is continuing to drill on the project and currently has 14 drill rigs on site to determine the size potential of the deposit and for infill drilling. In addition to drilling, the Company is also performing additional metallurgical test work to optimize metal recoveries and determine the operational process flow sheet, continuing its environmental base line studies and working on the inputs for a preliminary economic assessment.

Taylor Deposit

Resource Update

Subsequent to the quarter end, on October 31, 2016 the Company announced a Mineral Resource update for the Taylor Zn-Pb-Ag sulfide deposit. The deposit now comprises 31.1 million tons in the Indicated Mineral Resource category grading 10.9% zinc equivalent ("ZnEq") plus 82.7 million tons of Inferred Mineral Resource grading 11.1% zinc equivalent (ZnEq), both reported in accordance with NI 43-101 guidelines utilizing a 4% ZnEq cutoff grade.

(U.S. dollars)

Table 1. Taylor Deposit Indicated and Inferred Mineral Resources

Indicated Mineral Resource						
Cutoff ZnEq %	**Short Tons**	**ZnEq %**	**Zn %**	**Pb %**	**Cu %**	**Ag opt**
25	1,775,000	32.8	13.4	12.8	0.4	6.6
20	3,640,000	27.2	11.4	10.8	0.3	5.0
15	6,499,000	22.7	9.8	9.0	0.3	4.0
10	12,303,000	17.8	7.7	7.1	0.2	3.0
6	22,280,000	13.3	5.8	5.3	0.2	2.2
5	26,265,000	12.1	5.2	4.8	0.1	2.0
4	31,143,000	10.9	4.7	4.4	0.1	1.8
3	38,571,000	9.5	4.1	3.8	0.1	1.6
0	185,918,000	2.4	1.0	0.9	0.0	0.4
Inferred Mineral Resource						
Cutoff ZnEq %	**Short Tons**	**ZnEq %**	**Zn %**	**Pb %**	**Cu %**	**Ag opt**
25	5,231,000	36.1	16.4	13.7	0.4	6.1
20	8,399,000	30.9	13.4	12.1	0.4	5.4
15	15,713,000	24.4	9.9	10.0	0.3	4.5
10	32,203,000	18.2	7.1	7.6	0.2	3.6
6	61,112,000	13.3	5.1	5.6	0.2	2.6
5	71,222,000	12.2	4.6	5.1	0.2	2.4
4	82,748,000	11.1	4.2	4.7	0.2	2.2
3	98,671,000	9.9	3.7	4.1	0.1	2.0
0	749,354,000	1.6	0.6	0.6	0.0	0.3

The resource is based on assay results from 59 surface diamond drill holes, totaling 206,192 feet (62,863 meters) of drilling, which have all intersected stratabound carbonate replacement sulfide mineralization within the Taylor Deposit. The updated Mineral Resource Estimate was prepared by AMC Mining Consultants (Canada) Ltd. (AMC) of Vancouver, B.C.

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 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.

Estimation Parameters

The Taylor Deposit Mineral Resource update was carried out using Ordinary Kriging of drill core sample data that was composited to 10 feet in length. The compositing process honored lithological domain boundaries. Tonnages and grades of lead, zinc and silver were estimated for seven separate lithological domains. In all cases boundaries between domains were treated as "hard", meaning that grades from adjacent domains were not used to influence the estimation of grades within a given domain.

(U.S. dollars)

Because of the sparsity of bulk density data, a formula using the analyzed abundances of zinc, lead and copper was used. This formula produces bulk density values within approximately 10% of a set of 30 samples of various grades of mineralization for which bulk density measurements were made.

Top cut analysis was carried out using log cumulative probability plots for all metals. Only silver was determined to require capping and was capped at 42 ounces per short ton.

Variographic analysis was carried out for lead, zinc, silver and copper assay grades and the variograms were employed in the kriging estimation. Search ellipses were constructed for each domain and honoured the attitude of mineralization within each domain. Most search ellipses were 600 feet long in the strike direction, 300 feet wide in the cross-strike direction and 100 feet high (vertical direction). Several domains were estimated using ellipses with a vertical height of 50 feet because of the restricted nature of the mineralization in those domains.

Grades were estimated in a single pass. For a grade to be interpolated into a block it was necessary that a minimum of four composites were located within the search ellipse. A maximum of two composites per hole was allowed to ensure that at a minimum, each block was informed by composites from at least two drill holes. A maximum of 10 composites, representing five drill holes, was allowed.

Blocks were classified as an Indicated or Inferred Mineral Resource. For a block to be classified as Indicated it was necessary that a minimum of eight and a maximum of 10 composites were located within 300 feet of the block centroid; for a block to be classified as Inferred, it was necessary that a minimum of four and a maximum of 10 composites were located within 600 feet of a block centroid. No blocks were classified as Measured Resources as at present, mineralization has not been exposed by underground openings, a circumstance that would be necessary to provide sufficient evidence of continuity to warrant that classification.

Estimation results

The Mineral Resource has been stated in terms of Zinc Equivalent, (ZnEq). The ZnEq formula and the underlying parameters used in its formulation are set out in Table 2. Although the grade of copper was estimated, it was not used as a component of the ZnEq formula because of its relatively low abundance and uncertain mineral processing route.

Table 2. Zinc Equivalent parameters and formula[1]

Metal	Price (US$)	Recovery (%)
Lead	0.90/lb	95
Zinc	0.95/lb	90
Silver	20.00/oz	85

[1] ZnEq = [(Pb/100)*0.9*2000)*0.95 + (Zn/100)*0.95*2000)*0.90 + (20*Ag)*0.85] / (2000*0.95*0.9/100)

The Mineral Resource is summarized in Table 1 (above) at a range of ZnEq cut-off grades. Grades have been rounded to the nearest 0.1% for lead and zinc and the nearest 0.1 ounce per ton for silver. Tons have been rounded to the nearest thousand.

Drill Program

The Company operated with 10 core rigs for most of the quarter releasing the results from 14 drill holes including the best hole drilled on the project to date HDS-361, along with 2 water well monitoring holes and one water production well. Subsequent to the quarter end the Company increased the number of core drills on site to 14 and is attempting to contract a 15th. A further 11 drill hole results were released subsequent to the quarter end. All of the drill holes released through to the date of this report have been included in the updated resource estimate, discussed above. The Company is continuing drilling for both infill and resource expansion as the mineral resource remains open to the north, west and south over mineral rights controlled by the Company. In addition to the zinc-lead-silver mineralization other target types have been identified on the mineral holdings and will be drill tested in the coming months.

(U.S. dollars)

Corporate Activities

Management Appointment

On August 8, 2016 the Company appointed Susan Muir as Vice President Investor Relations and Corporate Communications. Susan is a seasoned investor relations executive, and was most recently Vice President, Investor Communications at Barrick Gold Corporation following a series of increasingly senior roles since 2007. Prior to Barrick, Susan also has 25 years of experience analyzing and covering large and small cap precious metals equities, respectively, for several major Canadian investment banks. Susan holds a Bachelor of Arts from Concordia University and is based in Toronto.

Project Costs Capitalized

The following shows total costs deferred on the Company's Hermosa Project during the three and nine months ended September 30, 2016 and 2015:

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
Balance, start of period	$ 78,607,453	$ 72,256,057	$ 73,558,572	$ 70,371,838
Additions:				
Mineral property acquisition costs – see below	-	-	4,277,480	-
Mineral property acquisition costs – other	161,107	24,811	521,401	167,680
Drilling	5,131,698	(39,112)	9,892,805	793,497
Property access, restoration and maintenance	875,645	58,620	1,717,854	248,108
Assay and analysis	680,774	-	1,043,069	139,969
Salaries, benefits and stock based compensation	629,248	219,531	1,513,570	581,545
Geologic consulting and support	433,524	5,333	719,160	111,126
Engineering and metallurgy	311,358	27,320	411,717	27,320
Environmental baseline studies & permitting	130,986	-	391,962	-
Claims maintenance	143,995	113,731	143,995	113,731
Other	405,502	38,134	1,205,857	149,611
	8,903,837	448,368	21,838,870	2,332,587
Sale of NSR	-	-	(7,886,435)	-
Foreign currency translation adjustment	(2,705)	-	(2,422)	-
	8,901,132	72,704,425	13,950,013	72,704,425
Balance, end of period	$ 87,508,585	$ 72,704,425	$ 87,508,585	$ 72,704,425

During the three and nine months ended September 30, 2016 the Company capitalized gross expenditures of $8,903,837 and $21,838,870, respectively on its Hermosa Project compared to $448,368 and $2,332,587 in the corresponding periods of 2015. The costs for 2016 reflect the aggressive drilling and exploration program currently underway on the Taylor deposit that was re-initiated late in the first quarter of 2016 and intensified following receipt of funding during the second quarter of 2016. The costs for the first nine months 2016 also include the acquisition in the first quarter of the 300 acres of patented lands adjacent to the Taylor Deposit at an allocated amount of $4,277,480. 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. Following positive drill results and funding received in the second quarter of 2016, the number of drill rigs on site was gradually increased to 10 core drills and subsequent to the quarter end to 14 core drills. Accordingly, all cost categories associated with the drilling have increased substantially over the 2015 comparable amounts.

(U.S. dollars)

Costs Expensed, Net Loss and Comprehensive Loss

	Three months ended September 30, 2016	Three months ended September 30, 2015	Nine months ended September 30, 2016	Nine months ended September 30, 2015
Expenses:				
Salaries and benefits	$ 213,123	$ 149,394	$ 705,452	$ 443,357
Investor relations	208,425	7,726	329,813	39,398
Stock based compensation	122,971	202,486	564,709	366,803
Office and administrative	36,624	43,415	136,353	115,268
Professional services	23,888	14,628	124,817	47,877
Directors' fees	11,884	11,555	35,299	37,973
Filing and regulatory	6,151	14,192	47,152	56,787
Depreciation	1,351	1,417	3,626	5,675
Travel	-	2,591	38,350	6,215
Loss from operations	(624,417)	(447,404)	(1,985,571)	(1,119,353)
Foreign exchange loss	(51,132)	(4,554)	(246,629)	(12,409)
Interest and finance charges	(125,469)	(12,811)	(488,799)	(92,559)
Gain on disposition of property, plant and equipment	-	-	2,227	-
Interest and other income	20,407	20,633	29,664	49,882
Net loss	(780,611)	(444,136)	(2,689,108)	(1,174,439)
Other comprehensive income (loss):				
Items that may be reclassified to profit or loss:				
Foreign currency translation gain (loss)	(139,876)	61,411	(758,008)	122,505
Comprehensive loss	$ (920,487)	$ (382,725)	$ (3,447,116)	$ (1,051,934)
Net loss attributable to:				
Shareholders of the Company	$ (780,611)	$ (442,692)	$ (2,687,894)	$ (1,170,019)
Non-controlling interest	-	(1,444)	(1,214)	(4,420)
	$ (780,611)	$ (444,136)	$ (2,689,108)	$ (1,174,439)
Comprehensive loss attributable to:				
Shareholders of the Company	$ (920,487)	$ (381,281)	$ (3,445,902)	$ (1,047,514)
Non-controlling interest	-	(1,444)	(1,214)	(4,420)
	$ (920,487)	$ (382,725)	$ (3,447,116)	$ (1,051,934)
Basic and diluted net loss per share attributable to shareholders of the Company	$ (0.003)	$ (0.003)	$ (0.013)	$ (0.008)
Weighted average number of shares outstanding	235,365,326	154,049,392	201,323,595	150,461,900

For the three and nine months ended September 30, 2016, the Company reported a net loss of $780,611 ($0.003 per common share) and $2,689,108 ($0.013 per common share), respectively compared to a net loss of $444,136 ($0.003 per common share) and $1,174,439 ($0.008 per common share) for the same periods in 2015. The increase in net loss reflects the increase in corporate activity, commensurate with the increase in overall exploration activity on the Taylor Deposit.

Salary and benefits costs increased in both periods of 2016 compared to 2015 reflecting new executive appointments and certain salary adjustments.

The decrease in stock based compensation expense, a non-cash cost, in the three month period ended September 30, 2016 compared to the same period of 2015 is primarily a result of the completion of the first years vesting of the stock option 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 three year vesting period.

Investor relations expense increased in both the three and nine month periods as a result of increased marketing in North America and Europe and attendance at investor conferences and trade shows to broaden market awareness of the Company and the Taylor Deposit.

The foreign exchange loss of $51,132 in the three months and $246,629 in the nine months ended September 30, 2016 primarily reflects the impact of both the weakening of the Canadian dollar during the year to date and the increased balances subject to exchange rate fluctuations, principally being cash. The increase in interest and finance charges in 2016 compared to 2015 reflects the increased borrowing from insiders to support the Company's operations, C$2.0 million of which remains outstanding at September 30, 2016.

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 $139,876 for the three months and $758,008 for the nine months ended September 30, 2016 and compares to income of $61,411 and a gain of $122,505 in the same periods of 2015.

Liquidity, Capital Resources and Going Concern

At September 30, 2016, the Company had cash and cash equivalents of $7,926,441 compared to $418,950 at December 31, 2015.

Cash outflow from operating activities of $631,171 in the three months and $1,586,991 in the nine months ended September 30, 2016 compares to a use of cash of $257,764 and $695,687 in the same periods of 2015. The increased use of cash is primarily attributable to the same reasons for the increased corporate cash costs, as previously discussed as well as changes in non-cash working capital.

Cash inflow from financing activities of $1,981,841 for the three months ended September 30, 2016 relates to the exercise of 4,600,000 warrants into common shares of the Company at $0.55 per warrant. In addition to the exercise of the warrants, cash inflow from financing activities of $29,415,322 for the nine months ended September 30, 2016 primarily relates to the closing of a number of private placements in the first and second quarters of 2016 for $20,929,697 less share issue costs of $788,445 and proceeds of $7,886,435 (C$10,000,000) from the sale of a royalty interest in the Hermosa project.

In addition, cash inflow from financing activities for the nine months ended September 30, 2016 includes the repayment of C$4.0 million ($3,147,186) of loans from a company controlled by the Company's Executive Chairman together with accrued interest and fees of $257,903. C$2.0 million of the loans repaid had been advanced in 2015. The other C$2.0 million repaid was received on January 13, 2016, as part of a C$4.0 million ($2,798,377) loan in connection with the acquisition of certain patented mining claims. The lender waived its right to early repayment on the balance of the loan of C$2.0 million following a C$15.6 million financing that closed on April 25, 2016. The outstanding loan is 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.

Cash inflow from financing activities of $1,102,215 in the three months and $2,814,675 in the nine months ended September 30, 2015 primarily relates to loans from insiders and contributions from the previous non-controlling interest.

Investing activities used cash of $9,482,658 in the three months and $19,768,185 in the nine months ended September 30, 2016 compared to $769,915 and $2,052,863 in the same periods of 2015. The increase in both periods of 2016 compared to 2015 reflects the initiation of the Company's intensive drilling and exploration program following receipt of funding early in the second quarter of 2016. Included in investing activities for the nine months ended September 30, 2016 is the $2,310,833 contribution to the escrow and surety bond collateral requirements arising on the acquisition of the patented mining claims in the first quarter of 2016.

At September 30, 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	$ 1,935	$ -	$ -	$ -	$ 1,935
Due to related parties	1,673	-	-	-	1,673
Operating lease obligations	140	160	-	-	300
	$ 3,748	$ 160	$ -	$ -	$ 3,908

At September 30, 2016 the Company had cash and cash equivalents of $7,926,441, working capital of $4,826,942, a net loss for the nine months ended September 30, 2016 of $2,689,108 and a deficit of $62,373,742. The Company will require funding for its operating expenses and to continue drilling and other work on its Hermosa Taylor Project. The Company has historically raised funds principally through the sale of securities and more recently, through the sale of a royalty and advances from Company insiders. The Company expects that it will continue to obtain funding through similar or other means depending on market conditions and other relevant factors at the time. However, there can be no assurance that the Company will be able to obtain such additional funding or obtain it on acceptable terms. This material uncertainty casts significant doubt about the Company's ability to continue as a going concern.

These condensed consolidated interim financial statements have been prepared on the basis of a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of operations. These financial statements do not reflect the adjustments to carrying values of assets and liabilities that would be necessary should the going concern assumption prove to be inappropriate, and these adjustments could be material.

Quarterly Review of Financial Information

The following table is a summary of the Company's results for the eight most recently completed quarters ended September 30, 2016:

Unaudited	2016			2015				2014
($000s, unless otherwise stated)	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Net loss	$ (781)	$ (1,068)	$ (841)	$ (331)	$ (444)	$ (429)	$ (302)	$ (325)
Exploration and evaluation assets additions	$ 8,901	$ (971)	$ 5,659	$ 854	$ 448	$ 1,078	$ 806	$ 584
US$ to C$ Exchange rate - period end	$ 1.3117	$ 1.3009	$ 1.2971	$ 1.3840	$ 1.3394	$ 1.2474	$ 1.2683	$ 1.1601
Basic and diluted net income (loss) per share	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

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

- Receipt of $7.9 million on the sale of a 1% NSR on the Hermosa property in the second quarter of 2016 that was applied for accounting purposes against the Exploration and Evaluation assets. Excluding this, the additions in the second quarter are $7.3 million.
- Impact of the weakening Canadian dollar in the second quarter of 2016, primarily on the Company's cash balances, which are largely denominated in Canadian dollars resulting in foreign exchange losses of $250,939.
- Increased staffing levels and corporate activity in 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 from the fourth 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 and the other factors previously noted.
- 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 November 7, 2016, the Company had an unlimited number of common shares authorized for issuance with 237,756,630 issued and outstanding and an unlimited number of preferred shares authorized with nil outstanding. Also at November 7, 2016, the Company had 11,304,000 stock options outstanding held by directors, officers, and employees and 28,413,401 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 and nine months ended September 30, 2016.

The Company shares office space, equipment, personnel and various administrative services with other companies (NewCastle Gold Ltd. 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:

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
Salaries and benefits	$ 191,591	$ 129,710	$ 621,258	$ 382,903
Office and administrative	66,334	67,688	266,597	229,137
	$ 257,925	$ 197,398	$ 887,855	$ 612,040

In addition, for the three and nine months ended September 30, 2016, the Company charged out $244 and $4,795, respectively, with respect to these arrangements (September 30, 2015 – $nil and $6,062). At September 30, 2016, amounts receivable includes $2,787 (December 31, 2015 – $4,530) and prepaids and other includes $20,836 (December 31, 2015 – $25,962) with respect to these arrangements.

Other assets of $229,895 (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 issued 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		September 30, 2016		December 31, 2015
Cash and cash equivalents	Loans and receivables	$	7,926,441	$	418,950
Amounts receivable	Loans and receivables	$	37,825	$	172,951
Restricted cash	Loans and receivables	$	3,310,833	$	-
Accounts payable and accrued liabilities	Other financial liabilities	$	1,935,291	$	211,630
Due to related party – current	Other financial liabilities	$	1,672,592	$	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.

(U.S. dollars)

At September 30, 2016, the Company is exposed to currency risk through the following US dollar denominated assets held by the Canadian parent company and Canadian dollar denominated assets and liabilities held by the US subsidiary company:

		September 30, 2016		December 31, 2015
Cash and cash equivalents	US$	4,624,198	US$	397
Amounts receivable		903		664
Due from related party		-		139,089
Accounts payable and accrued liabilities		(1,519)		(53,310)
	US$	4,623,582	US$	86,840
Accounts payable and accrued liabilities	C$	(85,942)	C$	-

As at September 30, 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 $468,000 (December 31, 2015 – $9,000) and comprehensive income (loss) by $722,000 (December 31, 2015 – $104,000).

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 going concern 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 September 30, 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 Person

The QP for the Mineral Resource estimate announced on October 31, 2016 is G. Z. Mosher, P.Geo, an associate 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.

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