



**THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2017
MANAGEMENT DISCUSSION AND ANALYSIS**

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THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2017 MANAGEMENT DISCUSSION AND ANALYSIS

DATE

This Management Discussion & Analysis (“MD&A”) of Kootenay Silver Inc. and its subsidiaries (referred to as the “Company” or “Kootenay”) was prepared by management as at November 29, 2017, and was reviewed and approved the Audit Committee of Kootenay. The following discussion of performance, financial condition and future prospects should be read in conjunction with the consolidated interim financial statements for the three and nine months ended September 30, 2017 and 2016 and the annual audited consolidated financial statements and the MD&A for the years ended December 31, 2016 and 2015, and notes thereto (the “Financial Statements”), which have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”). The information provided herein supplements but does not form part of the financial statements. This discussion covers the three and nine months ended September 30, 2017, and the subsequent period up to the date of issue of this MD&A. Additional information relating to the Company is available at www.sedar.com.

The Company has prepared this MD&A following the requirements of National Instrument 51-102 (“NI-51-102”). These statements are filed with the relevant regulatory authorities in Canada. All currency amounts are expressed in Canadian dollars unless otherwise noted.

Unless otherwise indicated the geological disclosure contained within this MD&A has been reviewed and verified by Kootenay's President & CEO, James McDonald, P. Geo (a qualified person for the purpose of National Instrument 43-101 (“NI 43-101”), Standards of Disclosure for Mineral Projects). Mr. McDonald is also a director of Kootenay.

Forward-Looking Information

This Management’s Discussion and Analysis contains statements and information concerning anticipated developments in the Company’s continuing and future operations, the adequacy of the Company’s financial resources and financial projections. Forward-looking statements include, but are not limited to, statements concerning or the assumptions related to the estimation of mineral resources, methodologies and models used to prepare resource estimates, the conversion of mineral properties to resources, the potential to expand resources, future exploration budgets, plans, targets and work programs, development plans, activities and timetables, grades, metal prices, exchange rates, results of drill programs, environmental risks, political risks and uncertainties, unanticipated reclamation expenses, and other events or conditions that may occur in the future.

Forward-looking statements are frequently, but not always, identified by words such as “expects,” “anticipates,” “believes,” “intends,” “estimated,” “potential,” “possible” and similar expressions, or statements that events, conditions or results “will,” “may,” “could” or “should” occur or be achieved. Forward-looking statements are statements concerning the Company’s current beliefs, plans and expectations about the future and are inherently uncertain, and actual achievements of the Company or other future events or conditions may differ materially from those reflected in the forward-looking statements due to a variety of risks, uncertainties and other factors, including, without limitation, the risks that: (i) any of the assumptions in the resource estimates turn out to be incorrect, incomplete, or flawed in any respect; (ii) the methodologies and models used to prepare the resource estimates either underestimate or overestimate the resources due to hidden or unknown conditions, (iii) operations are disrupted or suspended due to acts of god, internal conflicts in the country of Mexico, unforeseen government actions or other events; (iv) the Company experiences the loss of key personnel; (v) the Company’s mine operations are adversely affected by other political or military, or terrorist activities; (vi) the Company becomes involved in any material disputes with any of its key business partners, lenders, suppliers or customers; or (vii) the Company is subjected to any hostile takeover or other unsolicited attempts to acquire control of the Company. Other factors that could cause the actual results to differ include market prices, exploration success, continued availability of capital and financing, inability to obtain required regulatory approvals and general market conditions. These statements are based on a number of assumptions, including assumptions regarding general market conditions, the timing and receipt of regulatory approvals, the ability of the Company and other relevant parties to satisfy regulatory requirements, the availability of financing for proposed transactions and programs on reasonable terms and the ability of third-party service providers to deliver services in a timely manner. Other risks are more fully described under the heading “RISKS AND UNCERTAINTIES” below. The Company’s forward-looking statements are based on the beliefs, expectations and opinions of management on the date the statements are made and the Company assumes no obligation to update such forward-looking statements in the future, except as required by law. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. For the reasons set forth above, investors should not place undue reliance on the Company’s forward-looking statements.

DESCRIPTION OF BUSINESS

The Company is an advanced exploration stage mining company involved in the exploration and development of mineral properties in Mexico and Canada. The Company is classified as a Tier One issuer on the TSX Venture Exchange (“TSX-V”) and its common shares are listed and trade under the symbol ‘KTN’ and certain share purchase warrants trade under the symbol ‘KTN.WT’. The management and technical team have extensive international experience in mineral exploration, development and mining, public company management and operations and experience in Canadian venture capital markets.

OBJECTIVES AND STRATEGY

The primary objective and business plan of the Company is to discover or acquire silver dominant mineral deposits that have the potential to become economic mines. The Company assesses financial, technical and market risk associated with a particular project before deciding whether to advance the project with its own capital or share the risk by optioning all or a portion of the project to a partner to conduct further exploration work or to provide funding to advance the project. If a project demonstrates potential to be economically viable via completion of a preliminary economic assessment, prefeasibility or feasibility study then it will be moved to a production decision and funding will be sought to build a mine through traditional mine finance sources, joint venture or sale of the company or project. The rate at which a given project is advanced is dependent on several factors including management’s assessment of project and the risks of development, including the probability of discovery and potential economic viability based on past work, results of additional drilling, resource estimates, metallurgy, environmental impact, social license to operate and permitting among others. It is also strongly influenced by access to capital to advance the various stages of assessment. When markets for precious metals are favorable towards precious metals and mining then capital is more accessible and projects can be advanced more quickly by equity financing with the Company moving ahead with a 100% interest. When markets are not favorable towards equity investment, the Company seeks partners to enter into option or joint venture agreements to advance projects for ongoing development.

The Company has been successful in discovering mineral resources through grassroots exploration and advancing these projects through equity financing and option (Promontorio and La Negra optioned to Pan American Silver Corp. “Pan American”) and option/joint venture agreements (Jumping Josephine gold discovery sold to Ores Minerals). The acquisition of 100% of the Promontorio Property and the ongoing exploration work conducted by the Company led to two significant silver discoveries in Sonora, Mexico, the Promontorio and La Negra. While a silver resource estimate has not yet been calculated on La Negra, the Promontorio deposit has the potential to become one of the largest poly-metallic silver deposits in Sonora.

Since the acquisition of the La Cigarra Project, the Company has been predominately focusing its financial resources and management effort on expanding the current resource size and delineating further discoveries within the project.

OVERVIEW OF PERFORMANCE - 2017

During the nine months ended September 30, 2017, the Company commenced its 7,500-meter core drill program on the La Cigarra silver project, which focused on drilling new discoveries as well as the expansion of the La Cigarra NI 43-101 mineral resource (see news release dated May 15, 2017). The Company announced initial results from the first 10 holes on August 15, 2017, with the successful discovery of a new mineralized silver zone located approximately 1,000 meters south of the current mineral resource. These results were followed up by another good set of silver grading drill intercepts extending the new discovery zone 140 meters northeast of original discovery hole. The Company mobilized the drill rig to the north to drill the prospective targets in La Navidad and La Borracha zones.

Additionally, the Company commenced its 3,000-meter core drill program on the Silver Fox project, located in south eastern British Columbia. The program is fully funded by a wholly-owned subsidiary of Antofagasta PLC under its earn-in agreement for the Silver Fox project and drilling will focus on five distinct targets on the project.

Kootenay also announced that Pan American had commenced a 4,000-meter drill program on the La Negra discovery, which follows the 6,800 meters they previously drilled since optioning the Promontorio Mineral Belt (see Subsequent Events section of this MD&A).

ACQUISITION OF NORTHAIR SILVER CORP.

On April 21, 2016, the Company completed its acquisition of Northair Silver Corp. (“Northair”) pursuant to a court approved plan of arrangement under the provisions of the Business Corporations Act (British Columbia). The Company acquired all the issued and outstanding common shares of Northair in exchange for common shares and share purchase warrants of the Company and Northair became a wholly-owned subsidiary of the Company. As consideration for the arrangement, each Northair shareholder received, in respect of each Northair common share held, 0.35 of a common share of the Company, plus 0.15 of a tradeable share purchase warrant to purchase common shares of the Company at an exercise price of \$0.55 for a period of five years from closing. Following the completion of this arrangement, the former shareholders of Northair held approximately 35% of the outstanding common shares of the Company, totaling 53,909,261 common shares and 23,103,969 share purchase warrants, which are listed on the TSXV under the trading symbol “KTN.WT”.

Northair owned 100% of the La Cigarra Project, which is located near the city of Parral, within the Parral Mining District, in the state of Chihuahua, north central Mexico. La Cigarra consists of mineral concessions totaling approximately 18,000 hectares.

On April 19, 2016 ("Closing Date"), completed the acquisition of the 2.5% net smelter return royalty ("NSR") on future production from Northair's La Cigarra project from Coeur Capital, Inc. ("Coeur"), as announced on March 29, 2016. Kootenay paid to Coeur US\$250,000 in cash upon signing and a second cash payment of US\$250,000 was on the Closing Date. In addition, the Company issued to Coeur on the Closing Date common shares of the Company equal to US\$2,000,000 at a share price of Cdn\$0.275 per share which resulted in the issuance of 9,629,091 common shares.

LA CIGARRA EXPLORATION

Since acquiring the Cigarra silver project in April 2016, the Company completed several exploration programs including drilling, relogging of core and mapping.

For the nine months ended September 30, 2017, the Company completed and announced in February 2017, seven drill holes totalling 1,395 meters along the La Soledad Structure. Drilling tested a 700-meter strike length of mineralization, which extends southward from the La Cigarra silver deposit for approximately 2 kilometers. All seven holes intercepted significant widths of veining and varying grades of silver mineralization confirming the presence of a large mineralized structure. Concurrent with the drill program at Soledad, a ground exploration program was also conducted by the Company east of the La Cigarra silver deposit. This program successfully identified a new area associated with a contact skarn zone representing a potentially significant gold target. The Company believes the newly identified zone, which trends east-west for up to 1,000 meters, may be the extension of the Navidad target that includes an untested silver-lead anomaly approximately 500 meters east of the La Cigarra deposit.

Announced in May 2017, the commencement of a 7,500-meter drill program to focus on the expansion of the La Cigarra mineral resource by first targeting an 800-meter region between the Las Venadas and Las Carolinas zones. This includes the southern boundary of Las Carolinas, where previous drilling conducted by Northair Silver Corp. in 2014 encountered widespread mineralization and a series of high-grade silver intercepts. Drilling was successful in the discovery of a new mineralized silver zone within the Las Venadas target area. This discovery area is blind to surface and lies approximately 1,000 meters south of the edge of the La Cigarra resource as defined to date. More than 250 meters in core length of quartz-calcite and quartz vein breccia and veining within altered sediments was intercepted in hole CC-17-26 which bottomed in veining. Textures are indicative of a variant of an epithermal hydrothermal breccia complex. The zone is anomalous throughout. Individual samples grade as high as 799 gpt silver over 1.1 meters and 692 gpt silver over 1 meter in two different zones indicating excellent grade potential. The best weighted average intervals in hole CC-17-26 are highlighted: 91.32 gpt silver over 29.5 meters, including 123.24 gpt silver over 19.25 meters, with 435.36 gpt silver over 2.5 meters, and 113.78 gpt silver over 10.75 meters

During August 2017, drilling at La Venadas successfully extended the new discovery zone 140 metres northeast of the original discovery hole CC-17-26. Drilling results reported weighted average silver intervals of 168.64 gpt silver over 7.0 meters, within 121.25 gpt silver over 12.0 meters and 92.88 gpt silver over 24.20 meters. All intervals are core length as the strike, dip and shape of the zone and thus true widths are unknown at this time. However, the strength and intensity of brecciation, veining and alteration observed in hole CC-17-28 is consistent with discovery hole CC-17-26, which bottomed in veining. Textures are indicative of a variant of an epithermal hydrothermal breccia complex. The new discovery zone is contained within the project's Venadas target area 1000 meters south of La Cigarra's established NI 43-101 resource.

OPTION AGREEMENT WITH PAN AMERICAN SILVER CORP.

On March 4, 2016, (see February 15, 2016 new release) the Company entered into an option agreement with Pan American and its wholly owned Mexican subsidiary Compania Minera Dolores S.A. de C.V. ("Dolores") whereby the Company and its wholly owned Mexican subsidiary Minera J.M. S.A. de C.V. ("MJM") granted Dolores the right to earn a 75% interest in MJM's Promontorio Mineral Belt silver properties (including the Promontorio deposit and La Negra discovery). The terms of the agreement allow Dolores to earn a 75% interest by incurring US\$8,000,000 of exploration and development expenditures on MJM's properties in the Promontorio Mineral Belt over a four-year period; making cash payments to MJM totaling US\$8,050,000, with US\$250,000 paid on closing and the balance over a four-year period; and a carried interest for MJM to production. The Company received the first anniversary payment of US\$150,000 during the three months ended March 31, 2017.

Upon exercise of the option, the parties will enter into a joint venture pursuant to which Company will retain a 25% carried interest to production. Pan American will have a preferred capital recovery period after the commencement of production, under which the Company will receive 40% of distributions on its 25% retained interest in the joint venture until Pan American fully recovers its invested capital, which will include construction and development capital, plus any additional expenditures incurred after the date on which Dolores exercises the option.

Additionally, Pan American completed a non-brokered private placement purchasing approximately 9.9% of the Company's then issued and outstanding shares on a non-diluted basis. Subject to certain conditions, Pan American has the right to participate in any future equity offerings of the Company to maintain its pro-rata share percentage interest in the Company. See Financing Section of this MD&A.

THE LA NEGRA DISCOVERY

The La Negra discovery is a hydrothermal-diatreme breccia exposed over a 100 to 150 x 500-meter area and is contained within the Promontorio claim block, approximately 7.0 km north of the current Promontorio resource. The Company has drilled a total of 6,213

meters over 41 core drill holes and has confirmed wide spread silver mineralization extending from surface up to depths of 250 to 300 vertical meters below surface. Since optioning the Promontorio property, Pan American have conducted two drill programs, with partial results from the second program still pending.

Drilling Programs conducted by Pan American

During the three months ended March 31, 2017, the Company announced further drill results from the La Negra discovery, drilling returned a series of high-grade silver intercepts from 19 holes from the drill program being conducted and operated by Pan American. All holes reported are infill and step out drilling down dip on the La Negra breccia.

Drill highlights include:

- **LN-59-16** returning 237 gpt silver over 32.15 meters including 534 gpt silver over 11.2 meters and 815 gpt silver over 2.90 meters and 991 gpt silver over 1.65 meters
- **LN-68-16** returning 194 gpt silver over 40.85 meters including 529 gpt silver over 7.5 meters and 90 gpt silver over 10.65 meters including 137 gpt silver over 5.55 meters

For additional details please see the Company's news releases dated February 15 and April 3, 2017.

Drill highlights from the first program include:

- **LN-42-16** returning three high grade intervals within 122.5 meters of 124 gpt silver and 0.15 gpt gold including 693 gpt silver and 0.39 gpt gold over 6.25 meters; 672 gpt silver and 0.13 gpt gold over 4.65 meters; and 631 gpt silver and 0.18 gpt gold over 3.45 meters.
- **LN-43-16** returning from a new more southerly breccia 720 gpt silver and 0.13 gpt gold over 19 meters within 44.5 meters of 363 gpt silver and 0.12 gpt gold and higher in the hole the previously known breccia graded 1,226 gpt silver and 0.28 gpt gold over 6.15 meters within 235 gpt silver and 0.09 gpt gold over 38 meters.

Pan American commenced drilling in early July 2017 (See Subsequent Events section of this MD&A).

SUBSEQUENT EVENTS

On November 15, 2017, the Company announced a non-brokered private placement of up to \$4,000,000 (the "Private Placement") consisting of 20,000,000 Units (the "Units") at a price of \$0.20 per Unit. Each Unit shall consist of one common share ("Common Share") and one-half of a transferable common share purchase warrant ("Warrant"). Each Warrant entitles the holder to acquire one Common Share at an exercise price of \$0.30 for a period of 36 months immediately following the closing date of the Private Placement. A finder's fee of 6% shall be paid at the election of the Company in cash or Common Shares, of the portion of the proceeds raised in the Private Placement through the efforts of arm's length finders. Net proceeds of the Private Placement will be used to fund the exploration and development of the Company's La Cigarra project in Chihuahua State, Mexico, possible new acquisitions and for general working capital purposes.

On November 14, 2017, the Company announced that its exploration partner Aztec Minerals Corp. (TSXV: AZT) commenced a diamond core drill program on the Cervantes gold-copper porphyry property in Sonora State, Mexico. The Program will consist of 14 to 17 holes totaling approximately 3,000 meters. Prior to the commencement of drilling, the Company reported on October 3, 2017 that Aztec Minerals trenching returned attractive gold, copper, and molybdenum grades at the Jasper prospect on Kootenay's Cervantes Property in Sonora State, Mexico. Results of hand trenching conducted between and beyond the Penasco to the Cardon trenches, linked and further extended copper, gold, and molybdenum mineralization over a 71.0 meters linear distance in 92.35 meters. The sample interval weighted average over 92.35 meters returned 0.52% copper, 0.62 gpt gold, and 76 ppm molybdenum and continues to be open in all directions. Furthermore, the new trenching exposed a 6.0 meters interval of 4.78 gpt gold with 0.44% copper and 90 ppm molybdenum, in which several specks of visible gold were identified.

On October 5, 2017, the Company announced the results of 13 infill drill holes completed by Pan American on its La Negra silver discovery. Drill highlights from LN 17-73 to LN 17-85 include:

- LN-76-17: 3004 gpt silver over 1.95 meters, 2,146 gpt silver over 1.00 meter and 558 gpt silver over 5.35 meters within 281 gpt silver over 48.70 meters;
- LN-81-17: 3018 gpt silver over 1.10 meters within 274 gpt silver over 21.00 meters and a separate interval of 388 gpt silver over 11.40 meters within 274 gpt silver over 21 meters;
- LN-82-17: 1098 gpt silver over 8.85 meters within 403 gpt silver over 31.80 meters and a separate interval of 138 gpt silver over 29.25 meters;
- LN-83-17: 674 gpt silver over 7.60 meters within 289 gpt silver over 38.70 meters and a separate interval of 236 gpt silver over 76.35 meters;
- LN-85-17: 308 gpt silver over 12.15 meters within 174 gpt silver over 53.80 meters and a separate interval of 571 gpt silver over 5.35 meters.

PORTFOLIO OF MINERAL PROPERTIES

The Company has aggressively pursued the advancement of its Promontorio and La Cigarra Projects as well as establishing Generative Exploration Teams in Northwest Mexico and British Columbia, Canada. The Company continues to seek joint venture partners to option its generative exploration projects, who by spending exploration dollars and issuing share and/or cash payments to the Company, obtain a right to an earn-in interest, or explored by the Company directly. The Company currently has five exploration properties that are optioned out to third parties: namely the Fox and Two Times Fred located in the Nechako region of British Columbia, the Silver Fox property located in the South-Eastern region of British Columbia, the Cervantes property located in Sonora, Mexico, and the Promontorio Silver Belt located in Sonora State, Mexico.

LA CIGARRA PROJECT – RESOURCE ESTIMATE

In January 2015, Northair announced the results of an updated NI 43-101 Resource Estimate (“Resource Estimate”) completed by Allan Armitage, PhD, P. Geo. and Joe Campbell, B.Sc., P. Geo., of GeoVector Management Inc. and was filed on SEDAR on March 2, 2015. The Resource Estimate was calculated based on results from 156 of 171 holes totaling 30,443 meters within the potentially surface minable mineralized area comprised of the San Gregorio and Las Carolinas mineralized zones, which combine to form a total strike length of 2.4 kilometers. The resource estimate was constrained by a Whittle™ pit shell utilizing a USD \$22/oz silver price, an economic cutoff grade of 35 gpt of silver and metallurgical recoveries of 84% silver is tabulated below:

Resource Category*	Tonnes	In-Situ Grade				Contained Metal			
		Ag (gpt)	Au (gpt)	Pb (%)	Zn (%)	Ag (oz)	Au (oz)	Pb (lbs)	Zn (lbs)
Measured	3,620,000	88.9	0.074	0.14	0.19	10,340,000	9,000	10,920,000	15,510,000
Indicated	14,930,000	85.7	0.068	0.13	0.18	41,130,000	33,000	42,950,000	59,260,000
Meas + Ind	18,540,000	86.3	0.069	0.13	0.18	51,470,000	41,000	53,870,000	74,770,000
Inferred	4,450,000	80.0	0.058	0.13	0.16	11,460,000	8,000	12,680,000	15,610,000

*Note: Mineral resources are reported in relation to a conceptual pit shell at a 35 gpt silver cut-off grade and a USD \$22/oz silver price. Mineral resources that are not mineral reserves do not have demonstrated economic viability. All figures are rounded to reflect the relative accuracy of the estimate and numbers may not add up due to rounding.

PROMONTORIO SILVER PROJECT – RESOURCE ESTIMATE

On May 14, 2013, the Company announced the results of an updated resource estimate prepared by SRK incorporating the gold (“Au”) content contained into the mineral resources of the Promontorio Silver Project, due to new metallurgical data and information which supports the potential recovery of gold (see February 28, 2013 news release). The updated Measured and Indicated Resource contains an estimated 44,504,000 tonnes containing an estimated 92,035,000 oz. silver equivalent (“AgEq”) grading 64.32 gpt AgEq with another 24,326,000 oz. AgEq grading 51.95 gpt AgEq categorized as Inferred, as summarized the table below:

Resource Statement for the Promontorio Deposit, Sonora State, Mexico: Effective Date March 31, 2013*

Pit-Constrained	20 gpt AgEq Cut-Off	Tonnes (000's)	Avg AgEq (gpt)	Avg Ag (gpt)	Avg Au (gpt)	Avg Pb (%)	Avg Zn (%)	AgEq Oz (000's)	Ag Oz (000's)	Au Oz (000's)	Pb lbs (000's)	Zn lbs (000's)
	Measured		10,289	74.79	32.69	0.40	0.46	0.55	24,741	10,814	134	105,328
Indicated		34,215	61.18	26.30	0.34	0.38	0.45	67,294	28,926	373	287,579	335,904
M+I		44,504	64.32	27.77	0.35	0.40	0.47	92,035	39,740	506	392,907	459,619
Inferred		14,564	51.95	24.95	0.28	0.28	0.31	24,326	11,683	132	89,430	98,462

Underground	45 gpt AgEq Cut-Off	Tonnes (000's)	Avg AgEq (gpt)	Avg Ag (gpt)	Avg Au (gpt)	Avg Pb (%)	Avg Zn (%)	AgEq Oz (000's)	Ag Oz (000's)	Au Oz (000's)	Pb lbs (000's)	Zn lbs (000's)
	Measured		3	62.27	25.12	0.32	0.37	0.63	6	2	0	23
Indicated		212	56.88	22.86	0.28	0.40	0.55	387	156	2	1,889	2,551
M+I		215	56.96	22.89	0.28	0.40	0.55	393	158	2	1,913	2,591
Inferred		1,265	61.17	26.57	0.37	0.36	0.38	2,488	1,081	15	10,049	10,667

Notes: * **Mineral Resources are not Mineral Reserves and do not have demonstrated economic viability. There is no certainty that all or any part of the Mineral Resources estimated will be converted into Mineral Reserves.**

¹ Open pit resources stated as contained within a potentially economically minable pit shell;

² Pit optimization is based on assumed silver (“Ag”), gold, lead (“Pb”), and zinc (“Zn”) prices of \$31/oz., \$1650/oz., \$0.96/lb, and \$0.89/lb respectively, mill recoveries of 74%, 70%, 81% and 88% respectively, a 1.5% NSR, estimated mining costs of \$1.20/t, and estimated processing and G&A cost of \$12.00/t; and an estimated POX cost of \$2/tonne (\$30/tonne of pyrite concentrate);

³ Break-even cut-off grades used were 20 gpt AgEq for open pit mill material and 45 gpt AgEq for underground material;

⁴ Silver equivalency is based on unit values calculated from the above metal prices, and assumes 100% recovery of all metals; and

⁵ Mineral resource tonnage and contained metal have been rounded to reflect the accuracy of the estimate, and numbers may not add due to rounding.

The following material changes incorporated into the updated resource estimate contributed to the significant increase in the mineral resource:

- Additional metallurgical test work has allowed for the inclusion of gold in the mineral resources, which has a significant impact on the AgEq grades and relative ounces.
- The estimated Measured and Indicated gold resources contained within the mineralized diatreme system total 508,000 ounces with an additional 155,000 ounces Inferred.

This mineral resource estimate was completed by Matthew Hastings MSc, P. Geo and reviewed by Frank Daviess, MAusIMM, RM-SME, Associate Principal Resource Geologist with SRK. A site visit was conducted by Allan Moran, of SRK, R.G., C.P.G, who has reviewed pertinent geological information in sufficient detail to support the data incorporated in the mineral resource estimate. Mr. Davies is an Independent Qualified Person as defined under NI 43-101 and is responsible for the mineral resource estimate presented in this release. Eric Olin, of SRK, MSc, MBA, RM-SME reviewed the metallurgical information contained in this release.

G&T Metallurgical Services Ltd, Kamloops, BC, Canada completed preliminary metallurgical programs on drill core composites from the Promontorio property for Kootenay in 2009, 2012 and 2013. Several significant factors were noticed in SRK’s review of the metallurgical process work conducted to date. The metallurgical program investigated a standard polymetallic sequential flotation flow sheet that includes:

- Crushing;
- Grinding;
- Lead Flotation;
- Zinc Flotation; and
- Pyrite/Arsenopyrite Flotation

Pressure oxidation (POX) of the pyrite/arsenopyrite concentrate is required to extract the contained gold by cyanidation. SRK estimates metal recoveries shown in the table below are based on the average results from the preliminary metallurgical test programs conducted in 2009, 2012 and 2013. Overall gold recovery is estimated at 70% and is based on 65% gold recovery into the pyrite flotation concentrate followed by 94% cyanidation gold extraction from the pyrite concentrate after pressure oxidation, plus an average 9% gold recovery into the lead flotation concentrate.

Metallurgical Recovery Assumptions

Metal	Product	Recovery (%)
Silver	Lead Concentrate	74
Lead	Lead Concentrate	81
Zinc	Zinc Concentrate	88
Gold	Pyrite Concentrate	65
Gold	Lead Concentrate	9
Gold	Overall *	70

* Includes 94% cyanidation extraction from pyrite concentrate + gold contained in lead concentrate

The current NI 43-101 compliant Technical Report was filed on June 7, 2013 and can be reviewed on SEDAR (www.sedar.com).

GENERATIVE EXPLORATION PROJECTS

The Company continues to seek partners to option its projects under its generative model, which minimizes financial and exploration risk by granting external exploration companies a right to earn an interest in properties, subject to exploration expenditures and share payments made by them. Generative properties are continuously prioritized and dropped based on ongoing exploration work.

Cervantes

On July 25, 2015, the Company entered into an option agreement with Aztec Metals Corp. (“Aztec”), whereby the Company granted Aztec the right to earn up to a 100% interest in the Cervantes Gold/Copper project located in Sonora, Mexico. The terms of the agreement allow Aztec to earn a 65% interest by: spending an aggregate total of US\$1.5 million in exploration expenditures by July 25, 2019; paying an aggregate total of US\$150,000 in staged payments to the Company by July 25, 2019; and issuing an aggregated total of 1,000,000 common shares in staged payments on each anniversary to the Company, with final issuance payable 60 days after

the fourth anniversary. Aztec will also be responsible for annual Mexican assessment work and mining concession taxes during the term of the agreement. The Company has received 300,000 common shares and US\$60,000 under the terms of this agreement of which with 100,000 common shares and a cash payment of US\$30,000 was received during the three months ended September 30, 2017.

Upon earning the initial 65% interest and within 60 days of such date, Aztec will have the right to elect and acquire the remaining 35% interest by completing a preliminary economic assessment report ("Scoping Study") by the fifth anniversary date (July 25, 2020), paying US\$5.00 per gold or gold equivalent ounce of estimated recoverable, payable gold or gold equivalent ounce of the contained metal for the Measured, Indicated and Inferred Resources based on the Scoping Study. On acquisition by Aztec of 100% interest, Kootenay will receive a 2.5% net smelter royalty. If Aztec decides not to exercise the Second Option to acquire the remaining 35%, a joint venture will be formed to further develop the project. If at any time during the process of exploration and/or development after the completion of the Scoping Study and before the completion of a feasibility study or production decision, an additional resource is delineated on the property Aztec shall have the right to acquire the remaining 35% interest under the same terms of acquiring the initial resource outlined previously. Effective September 30, 2016, the obligations of the option agreement were assigned to Aztec Minerals Corp. from Aztec. See Subsequent Events section of the MD&A.

Silver Fox

On September 29, 2015, the Company entered into an option agreement with a wholly-owned subsidiary of Antofagasta plc ("Antofagasta"), whereby the Company granted Antofagasta the option to earn up to an 80% interest in the Silver Fox property located in South Eastern British Columbia. The terms of the agreement grant Antofagasta the right to earn a 65% interest ("First Option") by funding or incurring an aggregate total of US\$2.5 million (the "First Option Expenditures") in exploration expenditures on or before September 29, 2021. Antofagasta has the right to accelerate the First Option Expenditures.

Upon exercising the First Option, Antofagasta will have the right to acquire a further 15% interest ("Second Option") by incurring an additional aggregate total US\$1.65 million in exploration expenditures within two years of the First Option exercise date. Upon the exercise of the Second Option Antofagasta will have earned an 80% interest and Kootenay will hold a 20% interest in Silver Fox under a joint venture basis under the terms of the Agreement. If Antofagasta decides not to exercise the Second Option, a joint venture based on a 65/35% interest will form under the Agreement in relation to the property. Under the terms of the Underlying Option Agreement, the Company can acquire a 100% interest in Silver Fox by issuing 100,000 common shares (of which 50,000 shares have been issued) to Kennedy by July 3, 2018 (the "Underlying Option"), subject only to a 2.0% net smelter returns royalty in favour of Kennedy (the "Underlying Royalty"). The Underlying Royalty is subject to a purchase right in favour of the Company, exercisable by the Company by paying \$500,000 for each 0.5% of the Underlying Royalty. Under the terms of the Agreement, the Company is obligated to exercise the Underlying Option prior to the exercise by Antofagasta of the First Option.

On June 29, 2017, the Company announced that its option partner, a wholly-owned subsidiary of Antofagasta PLC had commenced a 3,000-meter drill program on five separate targets on the Company's Silver Fox Property. See the Overview of Performance – 2017 section of the MD&A.

EARN-IN OPTION AGREEMENT

The Company currently has five properties that are subject to earn-in option agreements, summarized below:

Property	Company	Interest of partner
Promontorio, Sonora, Mexico	Pan American Silver Corp. via its subsidiary	up to 75% earn-in carried option
Cervantes, Sonora, Mexico	Aztec Minerals Corp.	up to 100% earn-in option
Silver Fox, BC, Canada	Antofagasta plc via its subsidiary	up to 80% earn-in option
Fox, BC, Canada	Theia Resources Ltd.	60% earn-in option
Two Times Fred, BC, Canada	Theia Resources Ltd.	60% earn-in option

FINANCING ACTIVITIES

There were no financings completed during the nine months ended September 30, 2017. See Subsequent Events section of the MD&A.

RESULTS OF OPERATIONS

Three month period ended September 30, 2017

The Company recorded a net loss of \$823,746 or \$0.005 per share (2016 – \$1,103,254 or \$0.007) based on a greater weighted average number of shares outstanding.

Corporate general and administrative expenditure totaled \$708,211 (2016 – \$763,558), which included a non-cash share based payment expense of \$192,844 (2016 – \$11,704). The increased expense is related to the Company granting of stock options on January 20, 2017 and the resulting share based compensation. Office and general costs totaling decreased to \$293,143 (2016 – \$346,483) which includes the Company's offices and staff in Vancouver and exploration offices in Hermosillo, Mexico and Kimberley, British

Columbia. The decreased expense partly relates expenses occurred in the prior comparable period related to the acquisition of Northair Silver. Also included in office and general is the Company's promotional, travel and investor relations expenses, which decreased versus the prior comparable period and totaled \$63,755 (2016 – \$146,244). Management fees were \$100,750 (2016 – \$89,750). Professional fees decreased over the prior comparable period totaling \$74,980 (2016 – \$253,360), the prior year expense included items related to the acquisition of Northair Silver.

For the three month period ended September 30, 2017, the Company recorded a foreign exchange loss of \$103,924 (2016 – \$340,185). The Company maintains foreign currency in both Mexican peso and US dollar accounts and incurs certain operating expenditures in each of those currencies, which coupled with consolidating its Mexican subsidiary gives rise to exchange risk. Property investigation and impairment of mineral properties costs totaling \$20,346 (2016 - \$13,202) were expensed in the period.

Nine month period ended September 30, 2017

The Company recorded a net loss of \$3,105,689 or \$0.018 per share (2016 – \$2,851,638 or \$0.024) based on a greater weighted average number of shares outstanding.

Corporate general and administrative expenditure totaled \$2,494,037 (2016 – \$1,978,893), which included a non-cash share based payment expense of \$895,791 (2016 – \$69,386). The Company granted 6,695,000 stock options to its personnel, directors, officers and consultants on January 20, 2017, which gave rise to the increase non-cash stock based compensation. Office and general costs totaling decreased to \$917,916 (2016 – \$1,020,672) which includes the Company's offices and staff in Vancouver and exploration offices in Hermosillo, Mexico and Kimberley, British Columbia. The decreased expense partly relates expenses occurred in the prior comparable period related to the acquisition of Northair Silver. Also included in office and general is the Company's promotional, travel and investor relations expenses, which decreased versus the prior comparable period and totaled \$299,716 (2016 – \$450,350). Management fees were \$287,250 (2016 – \$269,250). Professional fees decreased over the prior comparable period totaling \$240,964 (2016 – \$457,432), which includes comparable directors' fees.

For the nine month period ended September 30, 2017, the Company recorded a foreign exchange loss of \$478,672 (2016 – gain \$68,274). The Company maintains foreign currency in both Mexican peso and US dollar accounts and incurs certain operating expenditures in each of those currencies, which coupled with consolidating its Mexican subsidiary gives rise to exchange risk. During the nine months ended September 30, 2017, the Company held a larger balance in US dollars which as weakened versus the Company's reporting currency giving rise to the larger exchange loss. The Company incurred in the prior comparable period \$726,595 related to termination benefits related to the acquisition of Northair Silver. Property investigation and impairment of mineral properties costs totaling \$166,366 (2016 - \$198,697) were expensed in the period.

LIQUIDITY AND CAPITAL RESOURCES

As of September 30, 2017, the Company had working capital of \$2,878,991 (2016 - \$8,426,163), with cash and cash equivalents totaling \$2,342,938 (2016 - \$7,115,468).

Subsequent to September 30, 2017, the Company announced a non-brokered Private Placement of \$4 million with the intention to close in early December 2017. See Subsequent Events section of the MD&A for details. Subject to closing the Private Placement, the Company's cash position will allow the continued exploration efforts for 2018 in Mexico and Canada, see Outlook section of the MD&A, as well as to generate new properties and forming options or joint venture agreements to managing risk, in which partner companies explore and develop such projects in return for the right to earn an interest in them. The Company plans to obtain financing in the future primarily through further equity issuance, as well as through joint venturing and/or optioning out the Company's properties to qualified mineral exploration companies. There can be no assurance that the Company will succeed in obtaining financing, now or in the future. Failure to raise additional financing on a timely basis could cause the Company to suspend its operation and eventually to forfeit or sell its interest in its mineral properties.

The Company's access to additional capital may not be available on terms acceptable to us or at all. As we expect our reliance on equity financings to continue, these current market conditions could make it difficult or impossible for us to raise necessary funds to meet our capital requirements. If we are unable to obtain financing through equity investments, we will seek multiple solutions including, but not limited to, joint ventures, credit facilities or debenture issuances. We are also attuned to the effect of capital markets on many of our joint venture partners who may not be able to meet their obligations under their option or joint venture agreements.

All cash is held with Schedule A banks either in deposit accounts or guaranteed investment certificates, and the Company has no joint ventures with any parties that potentially create derivative or hedge risk.

OUTLOOK

The La Cigarra project contains a current resource with significant expansion potential located in one of the most prolific silver mining districts of Mexico, the Parral Mining District. The Company will focus its financial resources and management efforts advancing the La Cigarra property toward the expansion of resources and economic assessment.

The Company's immediate priority is to materially increase the contained resource size and work on determining the scope and economic viability of two of its established silver assets in Mexico for ultimately pursuing future silver production. This includes Kootenay's carried to production interest with Pan American Silver Corp. on its high-grade La Negra silver discovery in Sonora State and the continued resource expansion and economic development of its La Cigarra silver deposit.

The Company will also continue to focus on additional acquisitions in the silver resource space, predominately in Mexico if accretive deals can be made and silver ounces can be purchased for less than their finding cost. The Company also continues to fund modest grass roots exploration that generates new mineral discoveries with the objective of seeking partners to finance the advancement of these projects. Work programs will also be initiated on other properties located in Mexico and Canada by the Company's Joint Venture partners.

For the remainder of 2017, the Company exploration program encompasses the reporting of drill results from La Cigarra, La Negra and Silver Fox.

Plans for the next phase of drill testing and expanding the La Cigarra resource are underway with an initial 18,000 meters multiphase program planned to commence in early 2018, with an initial 9,000-meter phase budgeted \$1.8 million. Drilling will be a follow up on both extension of La Cigarra deposit and the newly discovered mineralized foot print.

Work on Promontorio Property is being conducted by Pan American. The focus of the 2017 exploration program was to define the potential size of the La Negra magmatic hydrothermal silver-lead breccia. The ongoing 2017 exploration program entails approximately 4,000 meters of diamond drilling, geologic mapping and reconnaissance work to define additional prospective targets proximal to La Negra within the Promontorio project. The Company will report plans for the 2018 exploration program upon notice from Pan American.

The Company awaits results from the Silver Fox drill program which commenced in late June 2017, with approximately 3,000 meters of drilling completed. The Company with partners Antofagasta are planning the 2018 program for both the Silver Fox and Mark projects with budgets being funded by Antofagasta, the Company is the operator under the guidance of a technical committee comprised of both companies.

SUMMARY OF QUARTERLY RESULTS

The following table sets forth selected quarterly financial information prepared in accordance with IFRS for each of the Company's last eight quarters:

	Q3 2017	Q2 2017	Q1 2017 ⁽²⁾	Q4 2016	Q3 2016	Q2 2016 ⁽³⁾	Q1 2016	Q4 2015 ⁽⁴⁾
	\$	\$	\$	\$	\$	\$	\$	\$
Total Revenue ⁽¹⁾	8,735	11,400	11,341	6,069	13,691	47,807	8,757	1,643
Net Loss	(823,746)	(1,136,351)	(1,147,502)	(769,002)	(1,103,254)	(1,289,635)	(458,749)	(1,693,185)
Loss Per Share	(0.005)	(0.007)	(0.007)	(0.004)	(0.007)	(0.009)	(0.006)	(0.023)

⁽¹⁾ Revenue is derived from administration fees and interest income.

⁽²⁾ The variation in the net loss for the three months ended March 31, 2017 to the previous quarter, was primarily due to recording stock based compensation totaling \$373,246 (Q4 2016: \$nil).

⁽³⁾ The variation in the net loss for the three months ended June 30, 2016 to the previous quarter, was primarily due to recording termination payments to certain individuals upon the acquisition of Northair totaling \$726,595. This is a contractual obligation payable over 24-30 months.

⁽⁴⁾ The variation in net loss for the three months ended December 31, 2015 to the three months ended September 30, 2015, was primarily due to the impairment of marketable securities totaling \$729,580; mineral properties totaling \$254,391 and property investigation costs of \$82,647.

⁽⁵⁾ The variation in net loss for the three months ended September 30, 2015 to the three months ended June 30, 2015 related to decreased office and general costs of \$34,205, decreased management fees of \$8,000 and decreased professional fees of \$20,896. The Company also recorded increased foreign exchange gain of \$42,186 as compared to the prior period.

SELECTED ANNUAL INFORMATION

The financial statements have been prepared in accordance with IFRS for fiscal years 2016, 2015, and 2014, and are expressed in Canadian dollars.

As at December 31:	2016	2015	2014
	\$	\$	\$
Total Assets ⁽¹⁾	\$ 76,652,739	\$ 40,036,588	\$ 35,349,095
Current Liabilities	729,167	488,035	416,852
Long-term Liabilities	144,665	-	-
Shareholders' Equity	<u>75,778,907</u>	<u>39,548,555</u>	<u>34,932,243</u>
Total Shareholders' Equity & Liabilities	<u>\$ 76,652,739</u>	<u>\$ 40,036,588</u>	<u>\$ 35,349,095</u>
For the year ended December 31:	2016	2015	2014
	\$	\$	\$
Total Revenue ⁽²⁾	<u>\$ 64,806</u>	<u>\$ 19,570</u>	<u>\$ 28,337</u>
Net Loss ⁽³⁾⁽⁴⁾	<u>3,620,640</u>	<u>3,528,391</u>	<u>5,889,605</u>
Basic and diluted loss per share	<u>\$ (0.025)</u>	<u>\$ (0.046)</u>	<u>\$ (0.089)</u>
Weighted average number of common shares outstanding	<u>142,590,488</u>	<u>76,366,958</u>	<u>66,064,625</u>

⁽¹⁾ During the year ended December 31, 2016, the Company acquired Northair Silver which was deemed an asset acquisition for accounting purposes.

⁽²⁾ Revenue is derived from administration fees and interest income

⁽³⁾ Net Loss for 2015 included \$729,580 in impairment of marketable securities (2014 - \$nil); \$271,919 in impairment to the carrying value of mineral properties (2014 - \$3,215,783)

⁽⁴⁾ Net Loss for 2015 included non-cash share based payments expense of \$447,343 (2014 - \$557,762)

RISKS AND UNCERTAINTIES

The Company is in the business of acquiring, exploring mineral properties. It is exposed to several risks and uncertainties that are common to other mineral exploration companies in the same business. The industry is capital intensive at all stages and is subject to variations in commodity prices, market sentiment, exchange rates for currency, inflation and other risks. The Company currently has no source of revenue other than project management fees, and interest on cash balances. The Company will rely mainly on equity financing to fund exploration activities on its mineral properties.

The risks and uncertainties described in this section are not inclusive of all the risks and uncertainties to which the Company may be subject.

Early Stage – Need for Additional Funds

The Company has no history of profitable operations and its present business is at an early stage. As such, the Company is subject to many risks common to other companies in the same business, including under-capitalization, cash shortages, and limitations with respect to personnel, financial and other resources and the lack of revenues. There is no assurance that the Company will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered considering its early stage of operations.

The Company anticipates future expenditures will require additional infusions of capital; there can be no assurance that such financing will be available or, if available, will be on reasonable terms. If financing is obtained by issuing common shares from treasury, control of the Resulting Issuer may change and investors may suffer additional dilution. Furthermore, if financing is not available, lease expiry dates, work commitments, rental payments and option payments, if any may not be satisfied and could result in a loss of the shareholders entire investment.

Exploration and Development

Mineral exploration and development is a speculative business, characterized by several significant risks including, among other things, unprofitable efforts resulting not only from the failure to discover mineral deposits, but also from finding mineral deposits that, though present, are of insufficient size and/or grade to return a profit from production.

All the mineral claims to which the Company has a right to acquire an interest are in the exploration stages only and are without a known body of commercial ore. Upon discovery of a mineralized occurrence, several stages of exploration and assessment are required

before its economic viability can be determined. Development of the subject mineral properties would follow only if favorable results are determined at each stage of assessment. Few precious and base metal deposits are ultimately developed into producing mines.

Estimates of mineral resources may not be realized

The mineral resource estimates contained in the Company's Technical Reports are only estimates and no assurance can be given that an identified resource will ever qualify as a commercially mineable (or viable) deposit, which can be legally and economically exploited. In addition, the grade of mineralization ultimately mined may differ from the one indicated by the drilling results and the difference may be material. Material changes in resources, grades and other factors, may affect the economic viability of projects.

Earn-In agreements

The Company continues to enter into separate option agreements with publicly listed companies where the opportunity exists on the Company's exploration properties other than Promontorio. The terms of such option agreements vary but primarily optioning companies are granted an option to earn an ownership interest in an exploration property by issuing shares to the Company and incurring exploration expenditures. These are not firm payments or expenditure commitments and are subject to these companies obtaining sufficient financing to fulfill their earn-in requirements. The agreements are also subject to termination if such payment and expenditure commitments are not fulfilled. On fulfillment of these commitments, the ownership arrangement and future development of the property will be subject to a joint venture agreement whereby the Company will be required to finance its proportionate share of exploration expenditures based on the ownership ratio of each of the parties. There is no certainty that any of these companies will complete the required expenditures on the properties to earn-in on the properties or that they will be able to obtain the necessary financing to complete the expenditure requirements in which case the costs of carrying and developing the properties will be the responsibility of the Company.

Operating Hazards and Risks

Mining operations involve many risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. In the course of exploration, development and production of mineral properties, certain risks, and in particular unexpected or unusual geological operating conditions, including rock bursts, cave-ins, fires, flooding and earthquakes, may occur. Operations in which the Company has a direct or indirect interest will be subject to all the hazards and risks normally incidental to exploration, development and production of mineral deposits, any of which could result in damage to or destruction of mines and other producing facilities, damage to life and property, environmental damage and possible legal liability for any or all damage.

Although the Company maintains liability insurance in an amount that it considers adequate, the nature of these risks is such that liabilities could exceed policy limits, in which event the Company could incur significant costs that could have a materially adverse effect upon its financial conditions.

Political Risk

The Company's advanced project and certain other property interests are located in Mexico, and are subject to that jurisdiction's laws and regulations. Obtaining financing, finding or hiring qualified people or obtaining all necessary services for the Company's operations in Mexico may be difficult. Mexico's status as a country may make it more difficult for the Company to attract investors or to obtain any required financing for its exploration projects. The Company believes the present attitude of Mexico to foreign investment and mining to be favourable but investors should assess the political risks of investing in a foreign country. Variations from the current regulatory, economic and political climate could have an adverse effect on the affairs of the Company.

Supplies, Infrastructure, Weather and Inflation

The Company's property interests are often located in remote, undeveloped areas and the availability of infrastructures such as surfaces access, skilled labour, fuel and power at an economic cost cannot be assured. These are integral requirements for exploration, production and development facilities on mineral properties. Power may need to be generated on site.

Due to the partial remoteness of its exploration projects, the Company is forced to rely on the accessibility of secondary roads resulting in potentially unavoidable delays in planned programs and/or cost overruns. The rainy season in Mexico during the months of June through September can sometimes flood the main access road causing temporary delays.

Metal Prices

The mining industry, in general, is intensely competitive and there is no assurance that a profitable market will exist for the sale of metals produced even if commercial quantities of precious and/or base metals are discovered. Factors beyond the control of the Company and may affect the marketability of metals discovered. Pricing is affected by numerous factors beyond the Company's control, such as international economic and political trends, global or regional consumption and demand patterns, increased production and smelter availability. There is no assurance that the price of metals recovered from any mineral deposit will be such that they can be mined at a profit.

Title Risks

Although the Company has exercised due diligence with respect to determining title to properties in which it has a material interest, there is no guarantee that title to such properties will not be challenged or impugned. The Company's mineral property interest may be subject to prior unregistered agreements, or transfers, or conflicting claims; or native claims, and title may be affected by undetected defects.

Environmental Regulations, Permits and Licenses

The Company's operations are subject to various laws and regulations governing the protection of the environment, exploration, development, production, taxes, labour standards, occupational health, waste disposal, safety and other matters. Environmental legislation in British Columbia, Canada and Mexico provides restrictions and prohibition on spills, releases or emissions of various substances produced in association with certain mining industry operations, such as seepage from tailings disposal areas, which would result in environmental pollution. A breach of such legislation may result in imposition of fines, penalties and work stoppage. In addition, certain types of operations require the submission and approval of environmental impact statements. Environmental legislation is evolving in a direction of stricter standards and enforcement, and higher fines and penalties for non-compliance. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees. The cost of compliance with changes in governmental regulations has the potential to reduce the profitability of operations. The Company intends to fully comply with all environmental regulations.

The current operations of the Company require permits from various government authorities and such operations are governed by laws and regulations governing prospecting, development, mining, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental, mine safety and other matters.

The Company believes that it is in compliance with all material laws and regulations, which currently apply to its activities. There can be no assurance, however, that all permits which the Company may require for its operations and exploration activities will be obtainable on reasonable terms or on a timely basis or that such laws and regulations would not have an adverse effect on any mining project which the Company might undertake.

Competition and Agreements with Other Parties

The mining industry is intensely competitive in all its phases, and the Company competes with other companies that have greater financial resources and technical capacity. Competition could adversely affect the Company's ability to acquire suitable properties or prospects in the future.

The Company may, in the future, be unable to meet its share of costs incurred under such agreements to which it is a party and it may have its interest in the properties subject to such agreements reduced as a result. Also, if other parties to such agreements do not meet their share of such costs, the Company may not be able to finance the expenditures required to complete recommended programs.

Economic Conditions

Unfavorable economic conditions may negatively impact the Company's financial viability. Unfavorable economic conditions could also increase the Company's financing costs, decrease net income or increase net loss, limit access to capital markets and negatively impact any of the availability of credit facilities to the Company.

Dependence on Management

The Company is very dependent upon the personal efforts and commitment of its existing management. To the extent that management's services would be unavailable for any reason, a disruption to the operations of the Company could result, and other persons would be required to manage and operate the Company.

Conflicts of Interest

The Company's directors and officers may serve as directors or officers, or may be associated with, other reporting companies, or have significant shareholdings in other public companies. To the extent that such other companies may participate in business or asset acquisitions, dispositions, or ventures in which the Company may participate, the directors and officers of the Company may have a conflict of interest in negotiating and concluding terms respecting the transaction. If a conflict of interest arises, the Company will follow the provisions of the Business Corporations Act (BC) ("Corporations Act") dealing with conflict of interest. These provisions state that where a director has such a conflict, that director must, at a meeting of the Company's directors, disclose his or her interest and refrain from voting on the matter unless otherwise permitted by the Corporations Act. In accordance with the laws of the Province of British Columbia, the directors and officers of the Company are required to act honestly, in good faith, and the best interest of the Company.

Insurance coverage

The mining industry is subject to significant risks that could result in damage to, or destruction of, mineral properties or producing facilities, personal injury or death, environmental damage, delays in mining, monetary losses and possible legal liability.

The Company's policies of insurance may not provide sufficient coverage for losses related to these or other risks. The Company's insurance does not cover all risks that may result in loss or damages and may not be adequate to reimburse the Company for all losses sustained. In particular, the Company does not have coverage for certain environmental losses or certain types of earthquake damage. The occurrence of losses or damage not covered by insurance could have a material and adverse effect on the Company's cash flows, results of operation and financial condition.

Shareholder dilution

The Company's constituting documents permit the issuance of an unlimited number of common shares and a limited number of preferred shares issuable in series on such terms as the Directors determine without the approval of shareholders, who have no pre-emptive rights

in connection with such issuances. In addition, the Company is required to issue common shares upon the conversion of its outstanding share purchase warrants and options in accordance with their terms. Accordingly, holders of common shares may suffer dilution.

Uninsurable risks

In the course of exploration, development and production of mineral properties, certain risks and, in particular, unexpected or unusual geological operating conditions including cave-ins, fires, flooding and earthquakes may occur. It is not always possible to fully insure against such risks and the Company may decide not to take out insurance against such risks as a result of high premiums or other reasons. Should such liabilities arise, they could reduce or eliminate any future profitability and result in increasing costs and a decline in the value of the securities of the Company.

Disclosure Controls and Procedures

Management is responsible for the preparation and integrity of the Financial Statements and maintains appropriate information systems, procedures and controls to ensure that information used internally and disclosed externally is complete and reliable. Management is also responsible for the design of the Company's internal controls over financial reporting in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Financial Statements for external purposes in accordance with IFRS.

Readers are cautioned that the Company is not required to certify the design and evaluation of its disclosure controls and procedures and internal controls over financial reporting and has not completed such an evaluation. The inherent limitations on the ability of the Company's certifying officers to design and implement on a cost-effective basis disclosure controls and procedures and internal controls over financial reporting for the Company may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Company's financial instruments include cash and cash equivalents, receivables and advances, marketable securities, advances and deposits, accounts payable and accrued liabilities and termination benefit liabilities. The carrying values of these financial instruments approximate their fair values due to their relatively short periods to maturity and due to the insignificant carrying values of long term financial instruments except for marketable securities, which are measured at fair value through other comprehensive income at each reporting period end.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's activities. The Company has exposure to credit risk, liquidity risk and market risk as a result of its use of financial instruments.

This note presents information about the Company's exposure to each of the above risks and the Company's objectives, policies and processes for measuring and managing these risks. Further quantitative disclosures are included throughout these financial statements. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has implemented and monitors compliance with risk management policies.

(a) Credit risk:

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's accounts receivable relates to receivables from exploration partners who are earning a right to the Company's property via earn-in option agreements, Goods and Services Tax input tax credits and IVA credits (Mexican Value added Tax refunds) from the Mexican Government. Accordingly, accounts receivable in the form of tax credits from Canada and Mexico are regarded with minimal risk and receivables from exploration partners are regarded with moderate risk by the Company.

(b) Liquidity risk:

Liquidity risk is the risk that the Company will incur difficulties meeting its financial obligations as they are due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking harm to the Company's reputation.

The Company prepares annual expenditure budgets, which are regularly monitored and updated as considered necessary. To facilitate its expenditure program, the Company raises funds through private equity placements. The Company anticipates it will have adequate liquidity to fund its financial liabilities through future equity contributions.

As at September 30, 2017, the Company's financial liabilities were comprised of accounts payable and accrued liabilities, which have a maturity of less than one year and termination benefit payments, payable up to a further 16 months.

(c) Market risk:

Market risk consists of currency risk, commodity price risk and interest rate risk. The objective of market risk management is to manage and control market risk exposures within acceptable limits while maximizing returns.

(i) Currency risk:

Foreign currency exchange rate risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in foreign exchange rates. Although the Company is considered to be in the exploration stage and has not yet developed commercial mineral interests, the underlying market prices in Canada for minerals are impacted by changes in the exchange rate between the Canadian, the United States dollar and the Mexican Peso. The Company's transactions are denominated in Canadian dollars, United States dollars and the Mexican Peso, the Company has not entered into any arrangements to hedge currency risk but does maintain cash balances within each currency with a predominate balance held in Canadian Dollars. Canadian dollars are exchanged when needed to meet foreign denominated liabilities.

The balances denominated in foreign currency are as follows:

	September 30, 2017	September 30, 2016
	US\$	US\$
Cash and cash equivalents	1,721,253	825,663
Receivables and advances	149,125	-
Trade accounts payable and accrued liabilities	59,421	58,741
	Mexican Peso	Mexican Peso
Cash and cash equivalents	489,228	1,318,286
Receivables and advances	16,340,087	16,888,678
Trade accounts payable and accrued liabilities	100,357	2,151,611

The Company has completed a sensitivity analysis to estimate the impact of the change in the foreign exchange rates on net loss for the period. The result of the sensitivity analysis shows a change in +/- 10% in the US Dollar and Mexican Peso exchange rate could have an collective impact of approximately +/- \$342,000 on the Company's net loss. This result arises primarily because the Company has Mexican Peso denominated cash accounts, accounts receivable and short-term liabilities. The actual results of a change in foreign exchange rates would depend on the foreign currency denominated assets and liabilities at the time and could cause the impact on the Company's results to differ from above.

(ii) Commodity price risk:

Commodity price risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for minerals are impacted by world economic events that dictate the levels of supply and demand as well as the relationship between the Canadian and United States dollar, as outlined above. The Company is exposed to the price volatilities for precious and base metals that could significantly impact its future operating cash flow. As part of its routine activities, management is closely monitoring the trend of international metal prices.

(iii) Interest rate risk:

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The risk that the Company will realize a loss as a result of a decline in the fair value of cash and cash equivalents is limited because of their short-term investment nature. A variable rate of interest is earned on cash and cash equivalents, changes in market interest rates at the period-end would not have a material impact on the Company's financial statements.

OFF BALANCE SHEET ARRANGEMENTS

The Company had no off Balance Sheet Arrangements.

TRANSACTIONS WITH RELATED PARTIES

During the nine months ended September 30, 2017, officers of the Company earned management and consulting fees totaling \$429,750 (2016 - \$377,244) of which \$149,998 (2016 - \$108,000) has been allocated to deferred mineral property costs. These amounts were incurred in the ordinary course of business.

During 2008, the Company entered into consulting agreements with Makwa Exploration Ltd. for the services of James McDonald to act as the Company's President and CEO, and with Manly Capital Corp. for the services of Kenneth Berry to act as the Company's Chairman. The consulting agreement provides for a base monthly fee of \$15,000 payable to each party. The base monthly fee for Makwa was amended effective January 1, 2017 to \$20,833, the Manly amount remains at \$15,000. The consulting agreements were effective as of January 1, 2008 and extend in increments of 24 months, until terminated.

Effective September 1, 2008, the Company entered into an administrative and geological services agreement with a private company indirectly related to two common directors, which provides services to the Company including assisting in professional analysis, geological personnel, planning of exploration programs, promotional materials; providing access to financial and secretarial services and providing such other additional instructions and directions as the Company may require. For the nine months ended September 30, 2017, the Company incurred expenses \$90,000 (2016 - \$90,000) under the administrative services contract.

In addition to the above:

- a) Included in marketable securities as at September 30, 2017 is \$317,500 (2016 - \$277,000) market value of shares received from companies with directors in common.
- b) Included in exploration recovery of costs as at September 30, 2017 is \$1,251,393 (2016 - \$1,239,657) received from joint venture partners who have a common director and a common officer.
- c) Included in accounts receivable as at September 30, 2017 is \$163,503 (2016 - \$129,466) from companies who have common directors or officers.
- d) Included in accounts payable as at September 30, 2017 is \$54,752 (2016 - \$168,831) to companies who have common directors or officers.
- e) For the nine months ended September 30, 2017, the Company incurred \$74,500 (2016 - \$42,000) for compensation to directors. As at September 30, 2017, \$26,000 (2016 - \$42,000) was held in accrued liabilities and has been paid subsequent to the reporting period.

FUTURE ACCOUNTING STANDARDS

Future accounting standards issued but not yet adopted

The following amendments to existing standards were issued by the International Accounting Standards Board ("IASB") and are effective for annual periods beginning on or after January 1, 2017. Pronouncements that are not applicable or do not have a significant impact to the Company have been excluded from below:

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers*, which replaces IAS 18 Revenue, IAS 11 Construction Contracts and several revenue-related interpretations. IFRS 15 establishes a single revenue recognition framework which requires an entity to recognize revenue to reflect the transfer of goods and services for the amount it expects to receive, when control is transferred to the purchaser. The new standard is effective for periods beginning on or after January 1, 2018, with earlier adoption permitted. The Company is currently evaluating the impact of adopted IFRS 15 on the consolidated interim financial statements.

In January 2016, the IASB issued IFRS 16, *Leases*, which replaces IAS 17, *Leases*, and other lease related interpretations. The new standard establishes the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a lease contract. The standard is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted only in conjunction with IFRS 15. The Company is currently evaluating the impact of the standard on its consolidated financial statements.

IFRS 9, *Financial Instruments* ("IFRS 9") replaces IAS 39, *Financial Instruments: Recognition and Measurement* in its entirety to reduce the complexity in the classification and measurement of financial instruments with the establishment of three primary measurement categories for financial assets: amortized cost, fair value through other comprehensive income ("OCI") and FVTPL. The completed version of IFRS 9 includes classification and measurement, impairment and hedge accounting requirements and is effective for annual periods beginning on or after January 1, 2018. The Company is currently evaluating the impact of IFRS 9 on its consolidated financial statements.

Critical Accounting Estimates

Please refer to Note 3 of the Company's Audited Financial Statements for the year ended December 31, 2016, for additional information under "Significant Accounting Policies".

Significant areas requiring the use of management estimates include the collectability of amounts receivable, balances of accrued liabilities, the fair value of financial instruments, the rates for depreciation of property and equipment, the recoverability of mineral property interests, determination of estimates of deferred tax assets and liabilities, and the determination of variables used in the calculations of share based payments. While management believes that these estimates are reasonable, actual results could differ from those estimates and could impact future results of operations and cash flows.

OTHER MD&A REQUIREMENTS

Additional Disclosure for Venture Companies without Significant Revenues

The following table sets forth a breakdown of material components of the office and general costs of the Company for the periods indicated.

	Nine Months Ended September 30, 2017	Year Ended December 31, 2016	Year Ended December 31, 2015
	\$	\$	\$
Office	565,855	779,861	532,618
Telephone and postage	14,702	40,620	31,795
Travel and promotion	299,716	617,381	541,702

Disclosure of Outstanding Share Data

The following table states the diluted share capital of the Issuer as at November 29, 2017:

	Number Shares Outstanding (Diluted)
Outstanding as at December 31, 2016 and November 29, 2017	174,697,376
Shares reserved for issuance pursuant share purchase warrants outstanding	26,872,141 ⁽¹⁾
Shares reserved for issuance pursuant share purchase options outstanding	13,340,250 ⁽²⁾
DILUTED TOTAL	214,909,767

Notes

- (1) As at November 29, 2017, the Company had outstanding share purchase warrants, enabling holders to acquire common shares as follows:

Number of Shares	Exercise Price	Expiry Date
26,872,141*	0.55	April 22, 2021
26,872,141		

* Warrants trade on the TSX.V under the symbol "KTN.WT".

- (2) As at November 29, 2017, the Company had outstanding share purchase options, enabling holders to acquire common shares as follows:

Number of Shares	Exercise Price	Expiry Date
52,500	0.83	January 10, 2018 ^(a)
439,250	0.63	March 4, 2018 ^(a)
1,760,000	0.66	September 18, 2018
337,750	0.43	May 30, 2019 ^(a)
1,050,000	0.47	September 8, 2019 ^(a)
262,500	0.23	December 17, 2019 ^(a)
348,250	0.23	January 26, 2020 ^(a)
2,395,000	0.35	February 23, 2020
6,695,000	0.40	January 20, 2022
13,340,250		

(a) Assumed from the Northair Acquisition.

Commitments

The Company has entered, jointly with other tenants, into an office lease, which commenced January 1, 2016 and expires July 31, 2018 at \$3,259 per month. Additionally, the Company has entered, into an additional office lease, which commenced August 1, 2013 and expires July 31, 2018 at \$3,182 per month. During the year ended December 31, 2015, the additional office lease was subleased to a third party until July 30, 2018 thereby reducing the Company's commitment to \$339 per month.

Mineral property payments and project related commitments have been outlined under the property headings found in the 'Portfolio of Mineral Properties' section of this MD&A and the consolidated interim financial statements for the three and nine months ended September 30, 2017.

During the year ended December 31, 2016, the Company recorded an allowance of termination benefits related to the certain individuals contracted to Northair. Of the total expense, \$261,768 is outstanding as at September 30, 2017.

Disclosure Controls and Procedures

Management is responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting for the Company. Based on an evaluation of the Company's disclosure controls and procedures as of the end period covered by this MD&A, management believes such controls and procedures are effective in providing reasonable assurance that material items requiring disclosure are identified and reported in a timely manner.

Cautionary note regarding preparation of Mineral Reserves and Resources

This MD&A uses the terms "reserves" and "resources" and derivations thereof. These terms have the meanings set forth in Canadian National Instrument 43-101 - Standards of Disclosure for Mineral Projects (NI 43-101) and the Canadian Institute of Mining, Metallurgy and Petroleum's Classification System (CIM Standards). NI 43-101 and CIM Standards differ significantly from the requirements of the United States Securities and Exchange Commission (the SEC). Under SEC Industry Guide 7, mineralization may not be classified as a "reserve" unless the determination has been made that is part of a mineral deposit, which could be economically and legally extracted or produced at the time of the reserve determination". In addition, the term "resource", which does not equate to the term "reserve", is not recognized by the SEC and the SEC's disclosure standards normally do not permit the inclusion of information concerning resources in documents filed with the SEC, unless such information is required to be disclosed by the law of the Company's jurisdiction of incorporation or of a jurisdiction in which its securities are traded. Accordingly, information concerning descriptions of mineralization and resources contained in this Management's Discussion and Analysis may not be comparable to information made public by US domestic companies subject to the reporting and disclosure requirements of the SEC.

Approval

This MD&A has been prepared by management with an effective date of November 29, 2017. The MD&A and the Consolidated Interim Financial Statements were approved by the Company's Audit Committee as authorized by the Board of Directors of the Company.

ADDITIONAL INFORMATION

Additional information relating to the Company can be found on the Company's website at www.kootenaysilver.com and on SEDAR at www.sedar.com