SOURCE EXPLORATION CORP

MANAGEMENT DISCUSSION & ANALYSIS

YEAR ENDED JUNE 30, 2016

(EXPRESSED IN CANADIAN DOLLARS)

MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016

Introduction

The following management's discussion and analysis ("MD&A") of the financial condition and results of the operations of Source Exploration Corp. ("Source" or the "Corporation") constitutes management's review of the factors that affected the Corporation's financial and operating performance for the year ended June 30, 2016. This MD&A was written to comply with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations. This discussion should be read in conjunction with the audited annual consolidated financial statements of the Corporation for the years ended June 30, 2016 and 2015, together with the notes thereto. Results are reported in Canadian dollars, unless otherwise noted. The Corporation's consolidated financial statements and the financial information contained in this MD&A are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC"). Information contained herein is presented as of October 24, 2016, unless otherwise indicated.

For the purposes of preparing this MD&A, management, in conjunction with the Board of Directors, considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of Source's common shares; (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) it would significantly alter the total mix of information available to investors. Management, in conjunction with the Board of Directors, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity.

Information about the Corporation and its operations can be obtained from the offices of the Corporation or from **www.sedar.com**.

Cautionary Note Regarding Forward-Looking Information

Certain statements contained in this MD&A and in certain documents incorporated by reference in this Interim MD&A, constitute forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as "forward-looking statements"). These statements relate to future events or the Corporation's future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "continues", "forecasts", "projects", "predicts", "intends", "anticipates" or "believes", or variations of, or the negatives of, such words and phrases, or statements that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in such forward-looking statements. The forward-looking statements in this MD&A speak only as of the date of (i) this MD&A; or (ii) as of the date specified in such statement. The following table outlines certain significant forward-looking statements contained in this MD&A and provides the material assumptions used to develop such forward-looking statements and material risk factors that could cause actual results to differ materially from the forward-looking statements.

Forward-looking statements	Assumptions	Risk factors
Potential of Source's property to contain economic deposits of gold and/or other metals (as described under the headings "Description of Business" and "Overall Performance").	Financing will be available for future exploration of Source's property; the actual results of Source's exploration activities will be favourable; operating, exploration costs will not exceed Source's expectations; the Corporation will be able to retain and attract skilled staff; all requisite regulatory and governmental approvals for exploration projects and other operations will be received on a timely basis upon terms acceptable to Source, and applicable political and economic conditions will be favourable to Source; the price of gold and/or other applicable metals and applicable interest and exchange rates will be favourable to Source; no title disputes exist with respect to the Corporation's property.	Gold and/or other metals price volatility; uncertainties involved in interpreting geological data and confirming title to acquired property; the possibility that future exploration results will not be consistent with Source's expectations; availability of financing for and actual results of Source's exploration activities; increases in costs; environmental compliance and changes in environmental and other local legislation and regulation; interest rate and exchange rate fluctuations; changes in economic and political conditions; the Corporation's ability to retain and attract skilled staff; availability of permits.
Corporation's estimated head office costs for fiscal 2017 and need to raise capital in order to meet its working capital needs (as described under the heading "Liquidity and Financial Position").	The operating and exploration activities of the Corporation on a going forward basis, and the costs associated therewith, will be consistent with Source's current expectations; debt and equity markets, exchange and interest rates and other applicable economic conditions will be favourable to Source; availability of financing.	Changes in debt and equity markets; timing and availability of external financing on acceptable terms; increases in costs; interest rate and exchange rate fluctuations; changes in economic conditions and planned operations.

Plans, costs, timing and capital for future exploration of Source's property interests, including the costs and potential impact of complying with existing and proposed laws and regulations (as described under the headings "Description of Business" and "Overall Performance").	Financing will be available for Source's exploration activities and the results thereof will be favourable; actual operating and exploration costs will be consistent with the Corporation's current expectations; the Corporation will be able to retain and attract skilled staff; all applicable regulatory and governmental approvals for exploration projects and other operations will be received on a timely basis upon terms acceptable to Source; the Corporation will not be adversely affected by market competition; debt and equity markets, exchange and interest rates and other applicable economic and political conditions will be favourable to Source; the price of gold and/or other applicable metals will be favourable to Source; no title disputes exist with respect to Source's property.	Gold and/or other metals price volatility; changes in debt and equity markets; timing and availability of external financing on acceptable terms; the uncertainties involved in interpreting geological data and confirming title to acquired property; the possibility that future exploration results will not be consistent with Source's expectations; increases in costs; environmental compliance and changes in environmental and other local legislation and regulation; interest rate and exchange rate fluctuations; changes in economic and political conditions; the Corporation's ability to retain and attract skilled staff; receipt of permits.
Management's outlook regarding future trends and potential future acquisitions and financings.	Financing will be available for Source's exploration and operating activities; the price of gold and/or other applicable metals will be favourable to Source.	Gold and/or other metals price volatility; changes in debt and equity markets; interest rate and exchange rate fluctuations; changes in economic and political conditions; availability of financing.
Prices and price volatility for gold.	The price of gold will be favourable; debt and equity markets, interest and exchange rates and other economic factors which may impact the price of gold will be favourable.	Changes in debt and equity markets and the spot price of gold; interest rate and exchange rate fluctuations; changes in economic and political conditions.

Inherent in forward-looking statements are risks, uncertainties and other factors beyond Source's ability to predict or control. Please also make reference to those risk factors referenced in the "Risks and Uncertainties" section below. Readers are cautioned that the above chart does not contain an exhaustive list of the factors or assumptions that may affect the forward-looking statements, and that the assumptions underlying such statements may prove to be incorrect. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this MD&A.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause Source's actual results, performance or achievements to be materially different from any of its future results, performance or achievements expressed or implied by forward-looking statements. All forward-looking statements herein are qualified by this cautionary statement. Accordingly, readers should not place undue reliance on forward-looking statements. The Corporation undertakes no obligation to update publicly or otherwise revise any forward-looking statements whether as a result of new information or future events or otherwise, except as may be required by law. If the Corporation does update one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements, unless required by law.

Description of Business

Source Exploration Corp. was incorporated under the Business Corporation's Act (Alberta) on October 5, 2006 and was continued under the Business Corporations Act (Ontario) on January 17, 2011. The Corporation is a Canadian-based junior exploration and development company with exploration projects in Mexico. The principal business of the Corporation is the acquisition, exploration and development of high value mineral properties.

The Corporation's Las Minas project is located in the State of Veracruz, Mexico, approximately 270 kilometres east of Mexico City. The project is comprised of six mineral concessions covering approximately 1,616 hectares in the heart of the historical Las Minas mining district The project is accessible by road and located near a hydro-electric power plant.

Overall Performance

Corporate

Gold prices exhibited continuing strength in 2016, increasing from a low of US $1,061.00 on January 1st to a high of US$1,365.40 on July 8th. The dramatic increase in the gold price generated much stronger market sentiment and a renewed interest in extremely undervalued gold stocks.

This much stronger market sentiment brought with it a boom in equity issuance in the mining sector. Following a dearth of financing in 2015, a number of companies completed financings in the first half of the year. And the trend is continuing. With the renewed market interest in junior exploration companies focussed on gold, your company experienced strong interest in financing and joint venture opportunities.

On September 28, 2016, the Corporation announced a non-brokered private placement of up to 10,000,000 units of the Corporation at a price of $0.15 per Unit for gross proceeds of up to $1,500,000. Each Unit will consist of one common share of the Corporation and one transferable common share purchase warrant. Each Warrant will entitle the holder to purchase one transferable common share of the Corporation for a period of twenty-four months from the closing date of the private placement (subject to early expiry) at a price of $0.25 per common share.

The net proceeds from the private placement will be used to continue exploration on the Corporation's Las Minas project located in the State of Veracruz, Mexico. The program will include a 2,000 to 3,000 metre drill program for definition and expansion of the El Dorado - Juan Bran mineralized zone, an initial National Instrument 43-101 resource technical report, property payments, debt reduction, and general working capital purposes.

In conjunction with the private placement, the Corporation completed a Share Consolidation of its issued and outstanding common shares on the basis of one (1) post-consolidation common Share for every ten (10) pre-consolidation common shares. The Share Consolidation was approved by the shareholders of the Corporation at an annual and special meeting of the shareholders of the Corporation held on August 15, 2016, and approved by the TSX Venture Exchange. A total of 8,764,369 post-consolidation common shares were issued and outstanding after the Share Consolidation. All applicable references to the number of shares and per share information have been restated to reflect the effect of the Share Consolidation.

The renaissance in precious metal prices has attracted significant interest in the Las Minas property from a number of companies. Source has been active in evaluating other options for advancing the development of the Las Minas property, including merger or joint venture opportunities. Confidentiality agreements and due diligence site visits have been completed for companies expressing serious interest and discussions are continuing with regards to joint venture or merger opportunities.

These efforts, in conjunction with site visits, data evaluation and investor presentations resulted in the mineral potential of the property becoming better known to interested companies. We are continuing these efforts and believe they will result in a positive outcome for all stakeholders. However, we caution that there are no assurances or a guarantee that the process will result in a transaction, and if a transaction is undertaken, as to the terms or timing of such transactions.

On September 7, 2016, the Corporation announced that it had entered into a non-binding letter of intent (the "Letter of Intent") which sets forth the basic terms upon which an extension to the option agreement to acquire the Pepe, Pepe Tres and San Jose concessions located at its Las Minas property may be granted. These concessions are part of the six concessions held under option or wholly owned by Source at Las Minas, Veracruz State, Mexico.

The Letter of Intent provides for an extension to the term of the option agreement by an additional one year to December 5, 2017 for consideration equal to US$180,000, payable in equal monthly installments over a six month period and commencing no later than December 7, 2016. All payments would be subject to Value Added Tax. All other terms of the original agreement of November 30, 2010 and prior extension agreements would remain unchanged.

The extension is subject to the negotiation and execution of a definitive agreement to extend the option agreement. It is anticipated that the definitive agreement will be executed on or about November 1, 2016.

The Corporation participated in the 2016 Anchor Point Chinese Investor Launch Conference held on February 27, 2016 in Richmond, BC, Canada. The conference featured keynote presentations from industry leaders and was attended by over 300 qualified Chinese investors and entrepreneurs. Chinese Media Sponsors covering the event include: Sing Tao, Dawa Business Group, China Daily, Orient Star Media, Fairchild Radio, CNTVna.com, and Canadian City Post.

Exploration update

Following the successful completion of an $800,000 financing in February 2015, a 2,000 metre diamond drill program was completed at its Las Minas property. The drill program was part of an overall program aimed at completing a maiden NI 43-101 compliant resource estimate. Additionally, preliminary metallurgical test work was carried out by ALS Metallurgy of Kamaloops. British Columbia. The test results were very positive, with recoveries of 95% copper, 89% gold and 84% silver. The bulk concentrate from the locked cycle test graded 22% copper, 13 g/tonne gold and 57 g/tonne silver

On February 25, 2015, Source announced the signing of a diamond drilling contract with K.D.L. Mexico S.A de C.V. to carry out a minimum of 2,000 metres of drilling at the Las Minas project. The drill program was designed to extend and infill the Santa Cruz zone where previous drilling returned grades that included a 10 metre interval averaging 10.6 g/t gold, 48.5 g/t silver, and 7.44 % copper or 24.11 g/t gold equivalents (1), contained within a wider zone grading 3.57 g/t Au Eq over 99.0 meters. The program also included step-out drilling at the El Dorado / Juan Bran target to extend the zone to the south, as well as exploration drilling to test the Nopaltepec target.

Santa Cruz Zone Drilling Results

Step-out drilling at the Santa Cruz target commenced on March 17, 2015. Diamond drill hole LM-15-SC-15 intersected a high-grade interval grading 6.07 g/t Au Eq(1) over 14.2 metres, contained within 113.0 metres grading 2.03 g/t Au Eq**.** Hole LM-15-SC-16, which was drilled to extend the high-grade mineralization in hole LM-12-SC-54 to depth, cut 6.54 g/t Au Eq over 14.0 metres, contained within 24.0 metres grading 4.30 g/t Au Eq. Previously drilled hole LM-12-SC-54, located up dip, assayed 3.82 g/t Au Eq over 28.0 metres, including 12.0 metres grading 6.39 g/t Au Eq. (See press release dated October 18, 2012.)

Highlights included:

LM-15-SC-15

121.3 metres grading 1.91 g/t Au Eq, including

- **2.03 g/t Au Eq over 113.0 metres, including**
- **4.02 g/t Au Eq over 31.2 metres, including**
- **6.07 g/t Au Eq over 14.2 metres, including**
- **9.73 g/t Au Eq over 6.0 metres**

LM-15-SC-16

24.0 metres grading 4.30 g/t Au Eq, including

- **6.54 g/t Au Eq over 14.0 metres**

LM-15-SC-17

20.0 metres grading 3.57 g/t Au Eq, and separately

- **2.46 g/t Au Eq across 30.0 metres, within**
- **1.73 g/t Au Eq over 90.1 metres.**

El Dorado / Juan Bran Zone Drilling Results

Initial drilling results for the El Dorado / Juan Bran zone were announced on May 7, 2015. The drilling was successful in linking the shallow dipping zone with earlier drilling completed in 2011 further to the south. The mineralized zone was intersected by drilling over an interval of approximately 650 metres down dip.

Highlights include:

LM-15-ED-20

22.0 metres grading 2.00 g/t Au Eq, including

- **3.38 g/t Au Eq over 12.0 metres, including**
- **4.67 g/t Au Eq over 8.0 metres**

LM-15-ED-21

14.0 metres grading 4.01 g/t Au Eq, including

- **5.17 g/t Au Eq over 10.0 metres, including**
- **5.89 g/t Au Eq over 8.0 metres**

LM-15-ED-22

14.3 metres grading 3.59 g/t Au Eq, including

- **4.14 g/t Au Eq over 12.3 metres**

Further drilling results were announced on May 26th, including hole LM-15-ED-24 grading 3.59 g/t Au Eq over 27.7 metres.

Highlights from the additional infill and step-out drilling included:

LM-15-ED-23
2.63 g/t Au Eq across 10.0 metres, within

- **1.83 g/t Au Eq over 17.0 metres**

LM- 15-ED-24

4.74 g/t Au Eq across 19.7 metres, within

- **3.59 g/t Au Eq over 27.7 metres**

LM-15-JB-09

2.24 g/t Au Eq across 6.0 metres

Nopaltepec Zone Drilling Results

On May 28, 2015, the Corporation announced that drilling at the Nopaltepec target had resulted in the discovery of a new highly mineralized zone. Discovery hole LM-15-NP-01 intersected multiple mineralized intercepts of gold, silver and copper from near the collar to a depth of 203.0 metres. The intercepts include 5.74 g/t Au Eq over 17.0 metres, including 5.0 metres grading 13.70 g/t Au Eq, containing a 1.0 metre interval grading 35.02 g/t Au Eq. Additional and separate mineralized intercepts included 1.33 g/t Au Eq over 10.3 metres, 2.21 g/t Au Eq over 8.0 metres, 0.55 g/t Au Eq over 44.0 metres and 1.20 g/t Au Eq over 4.0 metres. The hole ended in mineralization.

The new zone is located approximately 100-150 metres above the downward projection of the recently drilled El Dorado /Juan Bran zone. The grades and type of mineralization are similar to the high –grade mineralization at the Santa Cruz target, located approximately 250 metres to the east.

Metallurgical Test Work and Results

ALS Metallurgy of Kamloops, British Columbia, was commissioned to carry out preliminary test work on samples from the Las Minas project. The test work included comminution tests, including Bond ball mill work index and Bond abrasion, a preliminary flotation program, Davis tube magnetic separation, and Trace Mineral Searches by size using QEMSCAN.

Approximately 59 kilograms of sample was collected from drill core and constructed as a composite sample for test work. The average grade of the composite sample measured 2.2% copper, 1.3 g/tonne gold, and 7.0 g/tonne silver. The iron content measured 31.5%.

Test Results

In addition to characterization test work, a series of rougher and cleaner test were carried out to optimize a preliminary flotation flow sheet, followed by a locked cycle flotation test to test metallurgical performance under closed circuit conditions. Highlights from the test work were:

- Locked cycle test work recorded recoveries of 95% copper, 89% gold and 84% silver.
- The bulk concentrate from the locked cycle test graded 22% copper, 13 g/tonne gold and 57 g/tonne silver.
- Bond ball work index was 13.3 kW-hr/ tonne, indicating a moderately soft mineralized sample in terms of ball milling.
- Bond abrasion index was 0.14, indicating only mildly abrasive mineralized sample

Davis Tube Magnetic Separation Results

A Davis tube magnetic separation conducted on the rougher tail produced a magnetic concentrate grading 67% iron, with 65% of the iron in the tail recovered. This would be considered a high grade magnetic concentrate, which may require little further treatment to meet saleable grade requirements.

Note

All reported intervals are core lengths and additional information is required to determine true widths. Assays are uncut, length–weighted average values.

(1) Gold equivalent (Au Eq) calculations use metal prices of US$ 1200/oz. for gold, US$ 19.00/oz. for silver and US$ 3.00/lb. for copper. No adjustments have been made for potential relative differences in metal recoveries.
Au Eq g/t equals Au g/t + (Ag g/t x 0.016) + (Cu% x1.71).

Environmental Contingency

The Corporation's mining and exploration activities are subject to various laws and regulations relating to the protection of the environment. These environmental regulations are continually changing and are generally becoming more restrictive. As of June 30, 2016, the Corporation does not believe that there are any significant environmental obligations requiring material capital outlays in the immediate future.

Off-Balance Sheet Arrangements

As of the date of this filing, the Corporation does not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Corporation including, without limitation, such considerations as liquidity and capital resources that have not previously been discussed.

Overall Objective

The Corporation's business objective is to generate superior returns for our shareholders by acquiring high potential precious metals exploration properties in safe jurisdiction and adding significant value by carrying out focused exploration and development programs

Selected Annual Financial Information

The following is selected financial data derived from the audited consolidated financial statements of the Corporation at June 30, 2016, 2015 and 2014 and for the years ended June 30, 2016, 2015 and 2014.

Description	Year Ended June 30, 2016 ($)	Year Ended June 30, 2015 ($)	Year Ended June 30, 2014 ($)
Total revenues	3,430	4,208	4,208
Total net loss	(945,158)	(1,174,950)	(2,142,896)
Net loss per common share - basic and	(0.11)	(0.15)	(0.35)

Description	As at June 30, 2016 ($)	As at June 30, 2015 ($)	As at June 30, 2014 ($)
Total assets	71,892	468,996	786,409
Total non-current financial liabilities	nil	nil	nil
Distribution or cash dividends	nil	nil	nil

- The net loss of $945,158 for the year ended June 30, 2016, consisted primarily of general and administrative of $674,560 and exploration and evaluation expenditures of $328,448 offset by the recovery of Value Added Tax (“VAT”) of $102,851.

- The net loss of $1,174,950 for the year ended June 30, 2015, consisted primarily of general and administrative of $876,466; exploration and evaluation expenditures of $916,805; and share-based payments of $128,800 offset by the recovery of VAT of $847,264.

- The net loss of $2,201,797 for the year ended June 30, 2014, consisted primarily of general and administrative of $493,887; exploration and evaluation expenditures of $1,010,514; and share-based payments of $565,785 offset by the recovery of VAT of $25,919.

Summary of Quarterly Information

Three Months Ended	Total Assets $	Total Revenue $	Net Loss Total $	Net Loss Per Share [9][10] $
June 30, 2016	71,892	-	(224,517) [1]	(0.03)
March 31, 2016	106,754	-	(282,827) [2]	(0.03)
December 31, 2015	276,175	-	(154,687) [3]	(0.02)
September 30, 2015	361,957	-	(283,127) [4]	(0.03)
June 30, 2015	468,996	-	(546,935) [5]	(0.06)
March 31, 2015	1,028,949	-	(297,924) [6]	(0.04)
December 31, 2014	488,014	-	(75,846) [7]	(0.01)
September 30, 2014	415,869	-	(254,245) [8]	(0.03)

(1) Net loss of $224,517 includes administrative and general of $106,187, exploration and evaluation expenditures of $122,850 and professional fees of $3,973 offset by recovery of VAT of $11,145. All other items were for working capital purposes.

(2) Net loss of $282,827 includes administrative and general of $116,800, exploration and evaluation expenditures of $139,216 and professional fees of $6,518 offset by recovery of VAT of $11,145. All other items were for working capital purposes.

(3) Net loss of $154,687 includes administrative and general of $113,781, exploration and evaluation expenditures of $45,528 and professional fees of $11,634 offset by recovery of VAT of $11,145. All other items were for working capital purposes.

(4) Net loss of $283,127 includes administrative and general of $337,792, exploration and evaluation expenditures of $20,854 and professional fees of $12,621 offset by recovery of VAT of $92,790. All other items were for working capital purposes.

(5) Net loss of $546,935 includes administrative and general of $255,268, exploration and evaluation expenditures of $344,691 and professional fees of $30,557 offset by recovery of VAT of $84,666. All other items were for working capital purposes.

(6) Net loss of $297,924 includes administrative and general of $279,713, exploration and evaluation expenditures of $337,034 and share-based payments of $128,800 offset by recovery of VAT of $469,871. All other items were for working capital purposes.

(7) Net loss of $75,846 includes administrative and general of $202,755, exploration and evaluation expenditures of $148,373 and professional fees of $30,082 offset by recovery of VAT of $308,078. All other items were for working capital purposes.

(8) Net loss of $254,245 includes administrative and general of $138,730, exploration and evaluation expenditures of $86,707 and write-off of VAT of $15,351. All other items were for working capital purposes.

(9) Basic and diluted.

(10) Per share amounts are rounded to the nearest cent, therefore aggregating quarterly amounts may not reconcile to year-to-date per share amounts.

Discussion of Operations

Year ended June 30, 2016, compared with year ended June 30, 2015

The Corporation's net loss totaled $945,158 for the year ended June 30, 2016, with basic and diluted loss per share of $0.11. This compares with a net loss of $1,174,950 with basic and diluted loss per share of $0.15 for the year ended June 30, 2015. The decrease in net loss of $229,792 was principally because:

- Exploration and evaluation expenditures for the year ended June 30, 2016 were $328,448 (year ended June 30, 2015 – $916,805). The current year expenses relate to general exploration of $74,482 on the Las Minas and La Miqueta projects and acquisition costs and option payments of $253,966. The decrease in exploration and evaluation expenditures of $588,357 resulted from the conservation of cash until the Corporation can raise more funding.

- General and administrative for the year ended June 30, 2016 decreased to $674,560 (year ended June 30, 2015 – $876,466) due to aggressive cost reduction program to reduce discretionary expenditures and conserve cash. General and administrative consisted of salaries, management fees, occupancy costs and insurance.

- The Corporation incurred a decrease in share-based payments of $126,532 for the year ended June 30, 2016, compared to the year ended June 30, 2015, due to the grant of 140,000 options during the current period compared to 2,300,000 options granted in the prior period.

- Professional fees for the year ended June 30, 2016 decreased to $34,746 (year ended June 30, 2015 – $90,938) due to less support cost for the Corporation's operations.

- The recovery of VAT of $102,851 was received during the year ended June 30, 2016 as compared to $847,264 in the previous year. The variance in recovery of VAT is due to VAT recovery being recorded when received from the Mexican authorities and these recoveries vary from period to period based on the release of funds.

Three months ended June 30, 2016, compared with three months ended June 30, 2015

The Corporation's net loss totaled $224,517 for the three months ended June 30, 2016, with basic and diluted loss per share of $0.03. This compares with a net loss of $546,935 with basic and diluted loss per share of $0.06 for the three months ended June 30, 2015. The decrease in net loss of $322,418 was principally because:

- Exploration and evaluation expenditures for the three months ended June 30, 2016 were $122,850 (three months ended June 30, 2015 – $344,691). These expenses relate to general exploration of $20,660 on the Las Minas and La Miqueta projects and acquisition costs and option payments of $102,190. The decrease in exploration and evaluation expenditures of $588,357 resulted from the conservation of cash until the Corporation can raise more funding.

- General and administrative for the three months ended June 30, 2016 decreased to $106,187 (three months ended June 30, 2015 – $255,268) due to aggressive cost reduction program to reduce discretionary expenditures and conserve cash. General and administrative consisted of salaries, management fees, occupancy costs and insurance.

- Professional fees for the three months ended June 30, 2016 decreased to $3,973 (three months ended June 30, 2015 – $30,557) due to less support cost for the Corporation's operations.

- The recovery of VAT of $11,145 was received during the three months ended June 30, 2016 as compared to $84,666 in the comparative three month period. The variance in recovery of VAT is due to VAT recovery being recorded when received from the Mexican authorities and these recoveries vary from period to period based on the release of funds.

Liquidity and Financial Position

As at June 30, 2016, the Corporation had a working capital deficit of $654,070, compared to working capital of $269,570 at June 30, 2015. The Corporation had $44,377 in cash and cash equivalents available to fund its ongoing operations compared to $208,936 in cash and cash equivalents and $163,393 in liquid investments at June 30, 2015. Current liabilities at June 30, 2016 were $716,105 compared to $178,152 at June 30, 2015. The Corporation cash is not sufficient to continue the day to day operations even with the deferral of payment of accrued salaries and fees to key management and directors of $358,888. The Corporation plans to complete a financing in the future, although the exact timing and amounts are not known at this time. The Corporation intends to reduce discretionary spending to conserve its cash. The Corporation is also currently actively seeking a strategic investor or financing opportunities to improve liquidity.

Cash and cash equivalents used in operating activities was $208,936 for the year ended June 30, 2016. Operating activities were affected by a $11,417 adjustment for depreciation, $2,268 share-based payments, $15,843 non-cash exploration expenditure and the net change in non-cash working capital balances of $595,688 because of a decrease in accounts receivable of $15,697, decrease in prepaids and deposits of $42,038 and increase in accounts payable and accrued liabilities of $537,953.

Cash and cash equivalents provided by investment activity was $163,393 for the year ended June 30, 2016. This pertained to the sale of investments.

The Corporation has no operating revenues, and depends on debt and/or equity financing to fund its operations.

As of June 30, 2016, and to the date of this MD&A, the cash resources of Source are held with one Canadian chartered bank. The Corporation has no debt and its credit and interest rate risk is minimal. Accounts payable and accrued liabilities are short-term and non-interest-bearing.

During fiscal 2016, the Corporation's corporate head office costs are estimated to average less than $150,000 per quarter. Head office costs include professional fees, reporting issuer costs, business development costs and general and administrative costs. Head office costs exclude property research and area selection costs. The cost of acquisition and work commitments on the new acquisitions cannot be accurately estimated.

The Corporation has undertaken an aggressive cost reduction program to reduce corporate overhead and field office costs and conserve cash.

Based on the Corporation's working capital deficit of $654,070 at June 30, 2016 (June 30, 2015 – $269,570), the Corporation will have to raise equity capital in fiscal 2016 in amounts sufficient to fund both planned exploration work and working capital requirements. The major variables are expected to be the size, timing and results of the Corporation's exploration program and its ability to continue to access capital to fund its ongoing operations. The Corporation's cash and cash equivalents at June 30, 2016 are not anticipated to be sufficient to fund its exploration activities, accounts payable and accrued liabilities of $716,105 and estimated operating expenses of $600,000 for fiscal 2017.

Related Party Transactions

The Corporation's related parties include key management personnel and entities over which they have control or significant influence as described below.

	Nature of transactions
DRAX Services Limited	Corporate secretarial and filing services
0702232 B.C. Ltd. (o/a D. Baker Capital Inc.)	Investor relations, consulting and office rental

Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash.

The following are the related party transactions, recorded at the exchange amount as agreed to related parties:

i) Included in general and administrative expenses for the year ended June 30, 2016 are amounts totaling $8,456 (year ended June 30, 2015 - $9,274) for corporate secretarial and filing services provided by DRAX, a company related to the Corporation through Shaun Drake, Corporate Secretary of the Corporation. As at June 30, 2016, DRAX was owed $1,697 (June 30, 2015 - $765) and this amount was included in accounts payable and accrued liabilities.

ii) Included in general and administrative expenditures for the year ended June 30, 2016 are amounts totaling $4,286 (year ended June 30, 2015 - $17,143) for office rental and $90,000 (year ended June 30, 2015 - $90,000) for investor relations and consulting services provided by 0702232 B.C. Ltd. (o/a D. Baker Capital Inc.), a company related to the Corporation through David Baker, Chairman and director of the Corporation. As at June 30, 2016, D. Baker Capital Inc. was owed $100,804 (June 30, 2015 - $33,075) and this amount was included in accounts payable and accrued liabilities. During the year ended June 30, 2016, the Corporation received a short-term loan of $145,000 from D. Baker Capital Inc. The loan is interest free and repayable on demand.

Key management personnel remuneration includes the following amounts:

Salaries and wages (i) **Names**	**Year Ended June 30, 2016 ($)**	**Year Ended June 30, 2015 ($)**
Brian Robertson	308,701	96,090
Lance Dyll	nil	9,242
Total	**308,701**	**105,332**

Share-based payments **Names**	**Year Ended June 30, 2016 ($)**	**Year Ended June 30, 2015 ($)**
Vivian Gu	2,268	nil
Brian Robertson	nil	34,720
Lance Dyll	nil	5,320
Total	**2,268**	**40,040**

Directors fees (i) **Names**	**Year Ended June 30, 2016 ($)**	**Year Ended June 30, 2015 ($)**
Earl Terris	15,000	nil
Gorden Glenn	15,000	nil
Total	**30,000**	**nil**

(i) On November 12, 2015, the Chief Executive Officer's ("CEO") temporary 50% salary reduction of his base salary was reinstated effective January 1, 2014 and all outstanding amounts were accrued. In addition, unpaid CEO salaries from July 15, 2015 to June 30, 2016 were also accrued. Directors' fees of $12,000 per annum were reinstated effective January 1, 2014 and all outstanding amounts were accrued.

As at June 30, 2016, the director and key management were owed $341,131 (June 30, 2015 - $nil) and this amount was included in accounts payable and accrued liabilities.

Commitments

The Corporation has commitments relating to property payment obligations related to the Las Minas property held by the Corporation's subsidiary. The annual payments for the next fiscal year are as follows:

Fiscal year	Amount ($)
2017	406,885
Total	**406,885**

Subsequent Events

(i) On July 8, 2016, 36,500 stock options with exercise price of $3.50 expired unexercised.

(ii) On August 15, 2016, the shareholders of the Corporation approved the share consolidation of its issued and outstanding common shares on the basis of one post-consolidation common share for every ten pre-consolidation common shares. All applicable references to the number of shares and per share information has been restated to reflect the effect of the share consolidation

(iii) On September 7, 2016, the Corporation announced that it has entered into a non-binding letter of intent (the "Letter of Intent") which sets forth the basic terms upon which an extension to the option agreement to acquire the Pepe, Pepe Tres and San Jose concessions located at its Las Minas property may be granted. These concessions are part of the six concessions held under option or wholly owned by Source at Las Minas, Veracruz State, Mexico.

The Letter of Intent provides for an extension to the term of the option agreement by an additional one year to December 5, 2017 for consideration equal to US$180,000, payable in equal monthly installments over a six month period and commencing no later than December 7, 2016. All payments would be subject to VAT. All other terms of the original agreement of November 30, 2010 and prior extension agreements would remain unchanged.

The extension is subject to the negotiation and execution of a definitive agreement to extend the option agreement. It is anticipated that the definitive agreement will be executed on or about November 1, 2016.

(iv) On September 28, 2016, the Corporation announced a non-brokered private placement of up to 10,000,000 units of the Corporation at a price of $0.15 per Unit for gross proceeds of up to $1,500,000. Each Unit will consist of one common share of the Corporation and one transferable common share purchase warrant. Each Warrant will entitle the holder to purchase one transferable common share of the Corporation for a period of twenty-four months from the closing date of the Private Placement (subject to early expiry) at a price of $0.25 per common share.

(v) On September 28, 2016, the Corporation announced that it had reached an agreement with certain of its officers and directors to settle up to $478,910 of indebtedness for past services rendered by issuing common shares at a deemed price of $0.25 per common share. The debt settlement is subject to shareholder approval and receipt of all required regulatory approvals including the approval of the TSXV.

Share Capital

The Corporation is authorized to issue an unlimited number of common shares and special shares. As of the date of this MD&A, the Corporation had 8,764,369 common shares outstanding.

As of the date of this MD&A, the following warrants were outstanding:

Warrants	Expiry Date	Exercise Price
636,250	February 24, 2017	$0.80
39,300	February 24, 2017 (1)	$0.80
1,025,717	May 15, 2019	$2.00
51,738	May 15, 2019 (1)	$2.00
1,753,005		

(1) Finder's warrants

As of the date of this MD&A, the following stock options were outstanding:

Options	Expiry Date	Exercise Price
51,500	August 29, 2017	$2.00
374,000	June 20, 2019	$1.35
199,000	March 20, 2020	$0.80
14,000	September 1, 2020	$0.80
638,500		

Change in Accounting Policies

Recent accounting pronouncements

IFRS 9 Financial Instruments (“IFRS 9”) was issued by the IASB in November 2009 with additions in October 2010 and May 2013 and will replace IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity's own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted. The Corporation is currently assessing the impact of this pronouncement.

IFRS 16 Leases ("IFRS 16") was issued by IASB in January 2016. IFRS 16 is effective for periods beginning on or after January 1, 2019, with early adoption permitted. IFRS 16 eliminates the current dual model for lessees, which distinguishes between on-statement of financial position finance leases and off statement of financial position operating leases. Instead, there is a single, on statement of financial position accounting model that is similar to current finance lease accounting. The extent of the impact of adoption of IFRS 16 has not yet been determined.

Financial Instruments and Related Risks

The Corporation's operations include the acquisition and exploration of mineral properties in Mexico. The Corporation examines the various financial risks to which it is exposed and assesses the impact and likelihood of occurrence. These risks may include credit risk, liquidity risk, currency risk, interest rate risk and other risks. Where material, these risks are reviewed and monitored by the Board of Directors.

(a) Credit risk

Counterparty credit risk is the risk that the financial benefits of contracts with a specific counterparty will be lost if a counterparty defaults on its obligations under the contract. This includes any cash amounts owed to the Corporation by those counterparties, less any amounts owed to the counterparty by the Corporation where a legal right of set-off exists and also includes the fair values of contracts with individual counterparties which are recorded in the financial statements.

i) Trade credit risk

The Corporation is in the exploration stage and has not yet commenced commercial production or sales. Therefore, the Corporation is not exposed to significant credit risk and overall the Corporation's credit risk has not changed significantly from the prior year.

ii) Cash and cash equivalents
In order to manage credit and liquidity risk the Corporation invests only in highly rated investment grade instruments that have maturities of three months or less. Limits are also established based on the type of investment, the counterparty and the credit rating.

(b) Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation manages liquidity risk through the management of its capital structure. At June 30, 2016, the Corporation had a working capital deficit of $654,070 which is not sufficient to meet its upcoming liabilities.

Accounts payable and accrued liabilities are due within the current operating period.

(c) Interest rate risk

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 risk that the Corporation will realize a significant loss as a result of a decline in the fair market value of investments and other items held within cash and cash equivalents is limited given that the majority of investments have a relatively short maturity. The Corporation manages its interest rate risk with investments by investing the majority of funds in short-term investments and therefore is not exposed to significant fluctuations in interest rates.

(d) Currency risk

The Corporation is exposed to the financial risk related to the fluctuation of foreign exchange rates. The functional and reporting currency of the Corporation is the Canadian dollar. The functional currency of the subsidiary is the Mexican Peso. As at June 30, 2016, there are no significant financial instruments denominated in Mexican Pesos. Changes in the currency exchange rates between the Canadian dollar relative to Mexican Pesos could have an effect on the Corporation's results of operations, financial position or cash flows. The Corporation has not hedged its exposure to currency fluctuations. At June 30, 2016, a 100 basis point decrease/increase in the Mexican Peso would result in a foreign exchange gain/loss of $250. The Corporation does not invest in derivatives to mitigate these risks.

Management of Capital Risk

The Corporation manages its common shares, stock options and warrants as capital. The Corporation's objectives when managing capital are to safeguard the Corporation's ability to continue as a going concern in order to pursue the exploration of its mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Corporation manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Corporation may attempt to issue new shares and, acquire or dispose of assets.

In order to maximize ongoing exploration efforts, the Corporation does not pay out dividends. The Corporation's investment policy is to invest its short-term excess cash in highly liquid short-term interest bearing investments with short-term maturities, selected with regard to the expected timing of expenditures from continuing operations.

Risks and Uncertainties

An investment in the Corporation involves a number of risks. You should carefully consider the following risks and uncertainties in addition to other information in this report in evaluating the Corporation and its business before making any investment decision in regards to the common shares of the Corporation. The Corporations' business, operating and financial condition could be harmed due to any of the following risks. The risks described below are not the only ones facing the Corporation. Additional risks not presently known to us may also impair business operations.

Exploration and Mining Risks

The Corporation is engaged in mineral exploration and development activities. Mineral exploration and development involves a high degree of risk and few properties which are explored are ultimately developed into producing mines. The long-term profitability of our operations will be in part directly related to the cost and success of our exploration programs, which may be affected by a number of factors beyond our control.

Mineral exploration involves many risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. Operations in which the Corporation has a direct or indirect interest will be subject to all the hazards and risks normally incidental to exploration, development and production of mineral resources, any of which could result in work stoppages, damage to property, and possible environmental damage.

Hazards such as unusual or unexpected formations and other conditions such as formation pressures, fire, power outages, labour disruptions, flooding, explorations, cave-ins, landslides and the inability to obtain suitable machinery, equipment or labour are involved in mineral exploration, development and operation. We may become subject to liability for pollution, cave-ins or hazards against which we cannot insure or against which we may elect not to insure. The payment of such liabilities may have a material, adverse effect on our financial position.

The Corporation relies upon consultants and others for exploration and development expertise. Substantial expenditures are required to establish ore reserves through drilling, to develop metallurgical processes to extract the metal from the ore and, in the case of new properties, to develop the mining and processing facilities and infrastructure at any site chosen for mining. Although substantial benefits may be derived from the discovery of a major mineralized deposit, no assurance can be given that minerals will be discovered in sufficient quantities to justify commercial operations or that funds required for development can be obtained on a timely basis. The economics of developing mineral properties is affected by many factors including the cost of operations, variations in the grade of ore mined, fluctuations in metal markets, allowable production, importing and exporting of minerals and environmental protection.

Financing Risks

The Corporation is limited in financial resources, and as a mineral exploration company has no source of operating cash flow. The Corporation has no assurance that additional funding will be available to us for further exploration and development of our projects or to fulfil our obligations under any applicable agreements. There can be no assurance that we will be able to obtain adequate financing in the future, or that the terms of such financing will be favourable. Failure to obtain additional financing could result in delay or indefinite postponement of further exploration and development of our projects with the possible loss of such properties.

Regulatory Requirements

Even if our mineral properties are proven to host economic reserves of mineral resources, factors such as governmental expropriation or regulation may prevent or restrict mining of any such deposits or repatriation of profits. The Corporation may acquire other properties in other jurisdictions or countries. Any changes in regulations or shifts in political conditions are beyond the control of the Corporation and may adversely affect our business. Operations may be affected in varying degrees by government regulations with respect to restrictions on production, price controls, export controls, income taxes, and expropriation of property, environmental legislation and mine safety.

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 rock bursts, cave-ins, fires, flooding and earthquakes may occur. It is not always possible to fully insure against such risks and the Corporation 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 Corporation.

No Assurance of Titles

It is possible that any of our properties may be subject to prior registered agreements or transfers or native land claims and title may be affected by undetected defects.

Permits and Licenses

The operations of the Corporation may require licenses and permits from various governmental authorities. There can be no assurance that such licenses and permits as may be required to carry out exploration, development and mining operations at our projects will be granted.

Competition

The mineral industry is intensely competitive in all its phases. We compete with many companies possessing greater financial resources and technical facilities than the Corporation for the acquisition of mineral concessions, claims, leases and other mineral interests as well as for the recruitment and retention of qualified employees.

In addition, there is no assurance that a ready market will exist for the sale of commercial quantities of ore. Factors beyond the control of the Corporation may affect the marketability of any substances discovered. These factors include market fluctuations, the proximity and capacity of natural resource markets and processing equipment, government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Corporation not receiving an adequate return on invested capital or losing our investment capital.

Environmental Regulations

Our operations may be subject to environmental regulations promulgated by government agencies from time to time. Environmental legislation provides for restrictions and prohibitions 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 and penalties. In addition, certain types of operations require the submission and approval of environmental impact assessments. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non- compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations. There is no assurance that future changes in environmental regulation, if any, will not adversely affect our operations.

Stage of Development

The Corporation is in the business of exploring for, with the ultimate goal of producing, mineral resources from our mineral exploration properties. None of our properties have commenced commercial production and we have no history of earnings or cash flow from our operations. As a result of the foregoing, there can be no assurance that we will be able to develop any of our properties profitably or that our activities will generate positive cash flow. We are unlikely to enjoy earnings or pay dividends in the immediate or foreseeable future. A prospective investor in the Corporation must be prepared to rely solely upon the ability, expertise, judgment, discretion, integrity and good faith of our management in all aspects of the development and implementation of our business activities.

Markets for Securities

There can be no assurance that an active trading market in our securities will be established and sustained. The market price for our securities could be subject to wide fluctuations. Factors such as commodity prices, government regulation, interest rates, share price movements of our peer companies and competitors, as well as overall market movements, may have a significant impact on the market price of the securities of the Corporation. The stock market has from time to time experienced extreme price and volume fluctuations, particularly in the mining sector, which have often been unrelated to the operating performance of particular companies.

Reliance on Key Individuals

Our success depends to a certain degree upon certain key members of the management. It is expected that these individuals will be a significant factor in our growth and success. The loss of the service of members of the management and certain key employees could have a material adverse effect on the Corporation.

Geopolitical Risks

The Corporation may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on future exploitation and production, price controls, export controls, currency availability, income taxes, delays in obtaining or the inability to obtain necessary permits, opposition to mining from environmental and other non-governmental organizations, expropriation of property, ownership of assets, environmental legislation, labour relations, limitations on mineral exports, increased financing costs, and site safety. In addition, legislative enactments may be delayed or announced without being enacted and future political action that may adversely affect the Corporation cannot be predicted. Any changes in regulations or shifts in political attitudes that may result, among other things, in significant changes to mining laws or any other national legal body of regulations or policies are beyond the control of the Corporation and may adversely affect its business. The possibility that future governments may adopt substantially different policies, which might extend to the expropriation of assets, cannot be ruled out.

Disclosure of Internal Controls

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

In contrast to the certificate required for non-venture issuers under National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in NI 52-109. In particular, the certifying officers filing this certificate are not making any representations relating to the establishment and maintenance of:

(i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

(ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with the issuer's GAAP (IFRS).

The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in the certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

Additional Information

Additional information concerning the Corporation is available on Sedar at **www.sedar.com**.