



WAR EAGLE MINING COMPANY INC.

Management's Discussion and Analysis

September 30, 2017

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The following is management's discussion and analysis ("MD&A") of War Eagle Mining Company Inc. ("War Eagle" or the "Company"), prepared as of November 15, 2017. This MD&A should be read together with the unaudited condensed consolidated interim financial statements for the six months ended September 30, 2017 and related notes. Financial amounts are expressed in Canadian dollars unless otherwise specified.

Certain information included in this MD&A may constitute forward-looking statements. Statements in this report that are not historical facts are forward-looking statements involving known and unknown risks and uncertainties, which could cause actual results to vary considerably from these statements. Readers are cautioned not to put undue reliance on forward-looking statements. Forward-looking statements include references to potential joint venture opportunities for the Company's properties.

The Company's unaudited condensed consolidated interim financial statements for the six months ending September 30, 2017 have been prepared in accordance with International Financial Reporting Standards ("IFRS") in accordance with IAS 34.

This MD&A contains "forward looking statements" that are subject to risk factors set out in this MD&A.

Additional information related to War Eagle is available on SEDAR at www.sedar.com.

OUR BUSINESS

We are involved in the acquisition, exploration and, if warranted, development of mineral properties and plan to focus our exploration activities on developing base and precious metal properties in Mexico and in other geologically attractive and mine friendly jurisdictions in the Americas. That focus might include a business combination with another similarly focused junior company. In fiscal 2014, we sold our interest in the small Tres Marias zinc-germanium-lead project in Chihuahua, Mexico.

INCORPORATION AND ORGANIZATION OF THE COMPANY

The Company was incorporated under the laws of British Columbia on March 6, 1984. The Company's shares trade on the TSX Venture Exchange ("TSX-V") under the symbol "WAR".

Our head office is located at Suite 1100 – 1111 Melville Street, Vancouver, British Columbia, Canada, V6E 3V6 and our registered office is located at Suite 700 - 595 Burrard Street, Vancouver, British Columbia, Canada, V7X 1S8.

As of the date of this MD&A, we have two subsidiaries: Andromeda Resources Inc. ("Andromeda"), a wholly-owned Ontario corporation and its wholly-owned Mexican subsidiary, RD Minerals S.A. de C.V ("RDM").

CORPORATE DEVELOPMENTS

- In December 2013, we sold all of the shares of Tombstone Mexico, which was the owner of Tres Marias zinc-germanium-lead project in Mexico to Contratista Y Operaciones Mineras S.A. de C.V. ("COMSA") for a consideration of US\$2,500,000 (\$2,710,032, based on the exchange rate in effect in December 2013), payable over a three year term.
- In August 2016, the Company entered into a new agreement with COMSA for the payment of US\$1,700,000, the balance of the US\$2,500,000 consideration for the sale of Tres Marias, where COMSA has agreed to make payments every quarter starting on December 31, 2016, with the final payment on March 31, 2018.
- On August 15, 2016, Paul A. Carroll QC was appointed as the Company's president and chief executive officer replacing Thomas R. Atkins. Mr. Carroll has had a lengthy business career in the mining industry, both as a lawyer and as a director and officer of mining companies. He has been engaged in mineral exploration and mining in Canada, the US, Mexico, Central and South America, Africa, China, Russia and Kazakhstan. Companies with which he has been involved include Dundee Corporation, Corona Corporation and World Wide Minerals Ltd., among others.
- In October 2016, the Company's shareholders approved all resolutions at its annual general meeting, including the appointment of William S. Hamilton as a new independent director of the Company. Mr. Hamilton is a Toronto-based geologist with extensive exploration experience in Canada and Mexico. Since the 1970's he has been a practicing exploration geologist for several mining companies in those regions and has held senior executive positions with several mining companies including Corona Corporation (now Barrick Gold Corp.), Campbell Resources Inc. and Campbell Chibougamau Mines Ltd. Since 2001, he has been a private consultant, providing exploration services for a number of companies, principally in Mexico. In earlier years he was employed as a geologist with the Geological Survey of Canada and the New Brunswick Department of Mines. He is a registered Professional Geologist in Ontario. The directors of the Company after the annual general meeting include: Paul A. Carroll, Donald Padgett, Malcolm P. Burke and William S. Hamilton.

FINANCIAL

CONSOLIDATED FINANCIAL INFORMATION

All fiscal 2017 and comparative financial amounts discussed below are determined in accordance with IFRS.

SELECTED QUARTERLY INFORMATION

Quarter ended	Income (loss) for the period	Income (loss) per share *	Total assets
	\$	\$	\$
December 31, 2015	(111,852)	(0.01)	6,395
March 31, 2016	243,668	0.01	373,035
June 30, 2016	194,253	0.01	416,360
September 30, 2016	2,133,950	0.10	2,503,700
December 31, 2016	1,074	0.00	2,355,821
March 31, 2017	(116,758)	(0.01)	2,177,272
June 30, 2017	(104,079)	(0.00)	1,995,065
September 30, 2017	(81,211)	(0.00)	1,845,652

* Basic and fully diluted

The main factors contributing to variations in the quarterly income (loss) were share-based compensation awards, receipt of proceeds from sale of a subsidiary and recognition of sale of subsidiary.

Significant factors affecting quarterly income:

- September 30, 2016 – The Company recognized US\$1,700,000 (\$2,233,970) as gain on sale of subsidiary.

RESULTS OF OPERATIONS

Overview of Three Months Ended September 30, 2017

The Company incurred net loss before and after tax of (\$81,211) or (\$0.00) per share, for the three months ended September 30, 2017, compared to a net income of \$2,133,950 or \$0.10 per share, in the three months ended September 30, 2016. The Company's operating expenses increased in the three months of fiscal 2017 primarily due to higher management fees and transfer agent and filing fees offset by lower office and miscellaneous and consulting fees.

This following section discusses significant operating expenses for the three months ended September 30, 2017 as compared to the three months ended September 30, 2016, unless discussed elsewhere:

- Consulting fees – These fees are paid to consultants not acting in a management or staff capacity.
- Insurance – The insurance expense is prepaid for a 12 month period and expensed at each quarter end.
- Management fees and salaries – This expense represents amounts paid or payable to officers and consultants that administer the operations of the Company.

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- Professional fees – Professional fees comprise audit and legal fees. The professional fees decreased in the current year primarily due to decrease in the legal fees component thereof because the Chairman, being a lawyer, has assumed certain legal functions for the Company.
- Rent – Rent expense comprises the cost of a storage facility.

Overview of Six Months Ended September 30, 2017

The Company incurred net loss before and after tax of (\$185,290) or (\$0.01) per share, for the six months ended September 30, 2017, compared to a net income of \$2,328,203 or \$0.11 per share, in the six months ended September 30, 2016. The Company's operating expenses increased marginally in the six months of fiscal 2017 primarily due to higher professional fees and transfer agent and filing fees.

CHANGE IN FINANCIAL POSITION

Changes in the Company's financial position since March 31, 2017 primarily relates to receipt of proceeds of sale of Tombstone Mexico and the use of cash to fund operations in the ordinary course.

LIQUIDITY AND CAPITAL RESOURCES

At September 30, 2017, we had working capital of \$1,651,851. We estimate that we have sufficient resources to maintain our continuing administrative costs; however, we may have a cash shortfall if we were to acquire any new projects in fiscal 2018. We are considering our options to attract investment in the Company, however, we can provide no assurance we will be able to do so.

In August 2016, we entered into a new agreement with COMSA for the payment of US\$1,700,000, the balance of the US\$2,500,000 consideration for the sale of Tres Marias, where COMSA has agreed to make payments every quarter starting on December 31, 2016, with the final payment on March 31, 2018. Between September 2016 and October 2017, we received a total of US\$1,200,000 from COMSA as per the new agreement.

We have not paid any dividends since incorporation and it has no plans to pay dividends in the immediate future. We expect to retain our earnings, if any, to finance further growth. The directors of the Company will determine if and when dividends should be declared and paid in the future based on the Company's financial position at the relevant time. All of the common shares of the Company are entitled to an equal share in any dividends declared and paid.

We have a history of losses and its ability to continue as a going concern is dependent upon the discovery of economically recoverable mineral reserves, confirmation of our interest in the underlying mineral claims, our ability to obtain necessary financing to complete their development, and future profitable production or proceeds from the sale of the property.

TOMBSTONE MEXICO TRANSACTION

In December 2013, we completed the sale of Tombstone Mexico, the owner of the Tres Marias zinc-germanium mine in Chihuahua, Mexico to COMSA. Total consideration for the sale was US\$2,500,000 cash in the form of partial repayment of loan advances to Tombstone Mexico, of which, we've received US\$1,600,000 and royalties of US\$99,108 as of the date of this MD&A. We will receive additional US\$400,000 if sales of product are US\$20 million or more, (iii) a further US\$400,000 if sales of product are US\$25 million or more and (iv) a 2% net smelter

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return royalty to a maximum of a further US\$2,500,000. The result would be total sales proceeds of up to US\$5,800,000.

SHARE OPTIONS

We have a 10% floating option plan which provides that the aggregate number of common shares of the Company's capital issuable pursuant to options granted may not exceed 10% of the number of outstanding shares at the time of the grant. The Company's shareholders approved the 2014 Plan at its annual general and special meeting held on January 15, 2015.

RELATED PARTY TRANSACTIONS

We entered into the following transactions with related parties not disclosed elsewhere in this MD&A as follows:

Key management personnel compensation

Payee	Relationship	Nature of Transaction	2017	2016
			\$	\$
Carnarvon Capital Corporation	Company controlled by Paul A. Carroll, Chairman & Director	Compensation including fee and share-based payments	55,000	45,000
L&D Holdings Inc. (formerly, "1091096 Ontario Inc.")	Company controlled by Don Padgett, Director	Compensation including fee and share-based payments	18,000	18,000
Primary Venture Corporation	Company controlled by Malcolm Burke, Director	Compensation including fee and share-based payments	18,000	18,000
W. S. Hamilton Geological Consulting Ltd.	Company controlled by William S. Hamilton, Director	Compensation including consulting fee and share-based payments	22,000	-
Koios Corporate Financial Services Ltd.	Company controlled by Salil Dhaumya, CFO	Compensation including fee and share-based payments	24,000	24,000

As at September 30, 2017, \$nil (March 31, 2017 - \$69,000) in total is owing to companies owned by officers and directors of the Company for services. These amounts owing have been included in accounts payable and accrued liabilities.

Related party balances are due on demand, bear no interest and are unsecured.

Transactions with related parties were in the normal course of business and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

LITIGATION

In August 2016, we terminated the services of Mr. Thomas Atkins, the former CEO, for non-performance. In October 2016, Mr. Atkins filed a lawsuit in the Supreme Court of Ontario for damages of \$205,000 and also claimed damages of \$500,000 for undisclosed claims. We also counter-claimed for \$500,000 for damages suffered by the Company. We have offered to settle all the claims plus legal costs for the sum of \$100,000. The offer has not been accepted at the time this MD&A was filed. The Company has made a provision of \$160,000 for this contingency.

OUTSTANDING SHARE DATA

As of November 15, 2017, the Company had:

- 21,990,276 common shares issued and outstanding.
- Stock options to purchase 1,558,000 common shares to directors, officers, employees and consultants.

All of the options are out of the money but if those were exercised, the maximum number of shares potentially issuable is therefore 1,558,000.