



**Rosita Mining Corporation**  
(formerly Midlands Minerals Corporation)

**Interim Management's Discussion and Analysis**

**Quarterly Highlights**

**Three months ended September 30, 2016**

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*This interim management discussion and analysis - quarterly highlights (“Interim MD&A”) has been prepared based on information available to Rosita Mining Corporation (“Rosita” or the “Company”) (formerly Midlands Mining Corporation) as at November 28, 2016. This Interim MD&A updates disclosure previously provided in the Company’s annual and interim MD&A’s, up to the date of this Interim MD&A and should be read in conjunction with the Company’s unaudited interim consolidated financial statements and the related notes as at and for the three and nine months ended September 30, 2016 and 2015, the Company’s audited consolidated financial statements for the years ended December 31, 2015 and 2014 (altogether, the “Consolidated Financial Statements”). The Consolidated Financial Statements have been prepared by management in accordance with International Financial Reporting Standards (“IFRS”) and all amounts are expressed in Canadian dollars unless otherwise noted. Other information contained in this Interim MD&A has also been prepared by management and is consistent with the data contained in the Financial Statements. Additional information relating to the Company may be found under its profile on SEDAR at [www.sedar.com](http://www.sedar.com).*

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**MANAGEMENT’S ASSESSMENT OF INTERNAL CONTROL OVER FINANCIAL REPORTING (“ICFR”)**

Management is responsible for establishing and maintaining adequate internal control over the Company’s financial reporting.

As the Company is a Venture Issuer (as defined under under *National Instrument 52-109 Certification of Disclosure in Issuers’ Annual and Interim Filings*) (“NI 52-109”), the Company and Management are not required to include representations relating to the evaluation, design, establishment and/or maintenance of disclosure controls and procedures (“DC&P”) and/or ICFR, as defined in NI 52-109, nor has it completed such an evaluation. Inherent limitations on the ability of the certifying officers to design and implement on a cost effective bases DC&P and ICFR for the issuer may result in additional risks of quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

**CAUTIONARY NOTE ON FORWARD-LOOKING INFORMATION**

This document may contain or may refer to forward-looking information. Such forward-looking information includes, among other things, statements regarding targets, estimates and/or assumptions in respect of future production, capital costs and future economic, market and other conditions, and is based on current expectations that involve a number of business risks and uncertainties. Factors that could cause actual results to differ materially from any forward-looking statement include, but are not limited to: the grade and recovery of ore which is mined varying from estimates; exploration and development costs varying significantly from estimates; inflation; fluctuations in commodity prices; delays in the development of the any project caused by unavailability of equipment, labour or supplies, climatic conditions or otherwise; termination or revision of any debt financing; failure to raise additional funds required to finance the completion of a project; and other factors. Forward-looking statements are subject to significant risks and uncertainties and other factors that could cause actual results to differ materially from expected results. Readers should not place undue reliance on forward-looking statements. These forward-looking statements are made as of the date hereof and we assume no responsibility to update them or revise them to reflect new events or circumstances, except as required by law.

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***Financial condition and performance***

***Financial condition***

During the quarter ended September 30, 2016, the Company's net assets increased by \$610,306, the result of an increase in assets of \$358,330 plus a decrease in liabilities of \$251,976.

The Company's cash balance increased by \$349,235 a result of net cash raised through financing activities (detailed below) of \$762,424, offset by cash used for operating activities of \$412,299 and plus cash used for investing activities of \$900, for miscellaneous equipment purchases.

***Financing activities***

On July 20, 2016, the Company closed a non-brokered private placement (the "Private Placement") of 17,000,000 units ("Units") at a price of \$0.05 per Unit, for gross proceeds of \$850,000 (the "July Financing"). Each unit is comprised of one common share and one common share purchase warrant, with each warrant entitling the holder to acquire a further common share of the Company at a price of \$0.055 for a period of two years following the date of issuance. The fair value of the issued warrants was calculated at \$425,000 using the Black-Scholes option pricing model with the following variables: Risk-free return rate of 0.6%; dividend yield of 0%, expected volatility of 236.4%, expected life of 2 years and an underlying stock price of \$0.05.

Cash finders' fees in the amount of \$31,045 and finders' common shares totalling 363,300 with a fair value of \$18,165, were paid and issued on certain subscriptions. All costs of the issuance were allocated among common shares and warrants based on the relative fair value of the warrants issued.

The net proceeds from this financing will be used to advance the Company's Rosita project and enhance its working capital position.

***Issuance of options***

On August 2, 2016, the Company issued an aggregate of 3,400,000 stock options, with a grant-date fair value of \$340,000 (the "Options") to eligible participants of its stock option plan. The Options vested immediately and are exercisable at \$0.11 each for a period of up to 5 years from the date of issuance. The Black-Scholes option pricing model with the following variables was used to calculate the fair value of the issued options: Risk-free return rate of 0.63%; dividend yield of 0%, expected volatility of 343.7%, expected life of 5 years and an underlying stock price of \$0.105.

***Performance***

The Company's operations are not generally subject to seasonal variations. The timing of exploration activities is influenced primarily by the availability of funds and the identification of suitable exploration targets. However, due to either their location or nature, the exploration of some properties may be restricted during certain times of the year due to climatic conditions.

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Operating expenditures for the quarter have been limited to the amount necessary to advance the Company's Rosita project under the current limited work plan and to allow the Company to meet all of its reporting and disclosure requirements. Loss for the quarter totalled \$548,649 and was the result of direct project expenditures totalling \$149,591 together with general and administrative expenditures totalling \$62,388. Forex gains of \$1,564 and other income of \$1,766 reduced the operating losses. The remaining loss of \$340,000 was the result of non-cash share-based compensation, resulting from the above-noted issuance of Options.

The decreased loss from the comparative quarterly-period of approximately \$1.4 million is mainly due to decreased exploration costs of approximately \$1.1 million as the comparative period included the acquisition of Alder Resources Ltd. and the Rosita project. Shareholder and public company expenses were reduced by approximately \$51,000. The current quarter also saw a reduction from the comparative quarter in RG Mining Investments Inc.'s ("RGMI") fees of \$15,000, the result of the Company's renegotiation of RGMI's contract for management services. Salaries and professional costs and change-of-control payments were reduced by \$178,000.

***Rosita project update***

On September 14, 2016, the Company announced that a formal joint venture agreement (the "JV Agreement") had been executed with Calibre Mining Corp. ("Calibre") governing the go-forward management, accounting and possible dilution of the Rosita project. Cumulative to September 30, 2016, the Company (including Alder Resources Ltd. prior to its acquisition by Rosita) has expended \$4.648 million on the Rosita property. Pursuant to the JV Agreement, all expenditures in excess of \$4,000,000 (the amount at which the Company earned its 65% interest in the project) are to be borne by the joint venture, funded by each joint venture partner at its current participation percentage. To date, the Company has funded the entire excess amount of \$648,000, on behalf of the joint venture.

***Commitments, liquidity and capital resources***

The Company has not incurred any new commitments during the quarter. The Company continues its obligation to pay a 0.5% net smelter royalty ("NSR") on its interest in the Rosita project (see note 17 of the Consolidated Financial Statements).

As at September 30, 2016, the Company had a cash balance of \$474,301 and working capital of \$245,650. Its properties are in the exploration and development stage and, as a result, the Company currently has no source of operating cash flow. The only sources of future funds presently available to the Company are through the exercise of outstanding stock options, the sale of equity and/or debt of the Company or the sale by the Company of an interest in its Rosita property, in whole or in part. As noted above, the Company completed a private placement raising net proceeds of approximately \$819,000.

***Related-party transactions and balances***

During the three months ended September 30, 2016, \$30,000 (2015 - \$45,000) was earned by RG Mining Investments Inc. ("RGMI") for management (including CFO) services and administrative

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fees pursuant to an agreement that had an original term of one year, excluding non-cash stock-based compensation of \$120,000 (2015 - \$nil). The agreement has been renewed for successive 12-month periods ending September 30. The agreement may be terminated by the Company by providing notice within 60 days of the current-year renewal date or upon the criminal conviction, death, disability, incapacity, bankruptcy, insolvency, gross negligence, gross dereliction of duty or gross misconduct, of RGMI. The Company's Chairman of the Board and CFO beneficially own RGMI. Effective March 1, 2016, RGMI agreed to defer payment of \$5,000 of its monthly management fees until the Company completed the July Financing. Upon completion of the July Financing, RGMI was paid these deferred fees and agreed to reduce its monthly fee to \$10,000, effective July 1, 2016.

During the three months ended September 30, 2016, \$12,000 (2015 - \$100,859) was earned by key management personnel or to companies controlled by them, with regard to professional fees, salaries and benefits, excluding non-cash stock-based compensation of \$80,000 (2015 - \$nil). The Company identifies key management personnel as current and former officers of the Company including the President and CEO as well as current and former directors of the Company. The Company's Chairman and CFO are also considered key management but payments are made to RGMI (noted above) pursuant to the management services agreement. Effective February 1, 2016, the Company's CEO agreed to defer payment of the entire monthly management fee of \$4,000 until the Company completed the July Financing. Upon completion of the July Financing, all deferred amounts were paid to the Company's CEO.

In addition, directors earned \$nil (2015 - \$6,000) in director fees and \$80,000 (2015 - \$nil) of non-cash share-based compensation.

210,000 Finders' Shares (included in the total of 363,300 issued with the July Financing – see note 12) with a fair value of \$10,500, were issued to a firm of which a director of the Company is a partner. The Black-Scholes option pricing model with variables disclosed in note 12, was used to calculate the fair value of the Finders' Shares.