DOLLY VARDEN SILVER CORPORATION
For the three and six month periods ended June 30, 2016
Management's Discussion and Analysis

This Management Discussion and Analysis ("MD&A") should be read in conjunction with the unaudited condensed interim financial statements for the three and six month periods ended June 30, 2016 and 2015, and the audited financial statements of Dolly Varden Silver Corporation (the "Company") for the year ended December 31, 2015. This MD&A contains forward-looking information and statements, which are based on the conclusions of management. The forward-looking information and statements are only made as of August 25, 2016, the effective date of this MD&A.

All financial information is presented in Canadian dollars unless otherwise stated. The Company is a reporting issuer in British Columbia. The Company's common shares trade on the TSX Venture Exchange under the symbol "DV". Financial results are reported in accordance with International Financial Reporting Standards ("IFRS").

Additional information related to the Company is available on SEDAR at www.sedar.com.

OVERVIEW

The Company is a Canadian based mineral exploration company focused on the exploration of the Dolly Varden Silver property located in Northwestern British Columbia, Canada. The Company owns 100% interest in the Dolly Varden property, subject to 2% net smelter return ("NSR") and has an option to acquire 100% interest in the Musketeer property.

The Company currently has no producing properties and consequently no operating income. The recovery of the amounts comprising exploration and evaluation assets are dependent upon (1) the ability of the Company to obtain necessary financing to successfully complete the exploration and development of those reserves, (2) the confirmation of economically recoverable reserves, (3) upon future profitable production or on selling the property. It is the intention of the Company to obtain financing through access to public equity markets, debt, and partnerships or joint ventures as sources of funding for its exploration expenditures and to meet ongoing working capital requirements.

MINERAL PROPERTIES

Dolly Varden Project ("DV Project")

The DV Project contains the core of the historic silver-rich Dolly Varden Mining Camp north of Alice Arm, within the regionally important and prolific Stewart Complex in northwestern British Columbia. The DV Project comprises an area of 8,800 hectares and includes the Dolly Varden and Big Bulk claims and an option to earn a 100% interest in the Musketeer property.

Dolly Varden Properties

The Dolly Varden properties encompass several historic underground workings, including the Dolly Varden, North Star, Torbrit, and Wolf Mines, as well as several other showings and many mineralized prospects. The silver-rich deposits found on the Dolly Varden properties are hosted in Jurassic-age volcanic and sedimentary rocks (Iskut River Formation) of the Hazelton Group. They display textural and mineralogical similarity to mineralization found in the region in subaqueous, gold-silver-rich, hot spring-type volcanogenic massive sulfide (VMS), and epithermal style deposits, such as the Eskay Creek and Brucejack deposits, respectively. Both of these deposit styles are characteristically high grade.

In the early years since acquiring the Dolly Varden properties in 2011, field work was dedicated to confirming and expanding the known mineralization near the historic deposits: Dolly Varden (2012), Torbrit (2013), Wolf (2011) and North Star. The Company's work consisted of surface and underground mapping, underground rehabilitation, detailed sampling, data compilation from reliable historic records, and over 17,000 meters of core drilling. This data was used to complete a mineral resource estimate in 2015 (see mineral resource estimate below).

The Company's 2014 exploration program was the first regional work completed in decades on the Dolly Varden properties. The program extended known mineralization signatures from the historic deposits, which were mined prior to the discoveries of Eskay and Brucejack, northward on the DV Project toward more regional targets, where the Company's mapping and sampling shows continuation of favorable lithologies and prospective structural features coincident with geochemical anomalies, intense alteration and historic showings and workings.

Musketeer Properties

In 2013, the Company entered into an option agreement with Musketeer Developments Ltd. and certain other parties to obtain a 100% interest in the Musketeer Property by making option payments totalling $1,050,000 due on various defined dates. A payment was made in February 2016 of $91,000, with remaining payments due in February 2017 of $102,334 and 2018 of $100,000, respectively. This agreement marks the Company's full consolidation of all of the major developed silver prospects and past producing mines in the Upper Kitsault Valley. Limited historical work has been completed on the Musketeer, with additional areas of interest including surface prospects at Kitsol, South Musketeer, and North Musketeer. Two diamond drill holes tested the North Musketeer showing during the 2014 program.

2015 Exploration Program

In July 2015, the Company commenced its 2015 field season with work focused on the Ace-Galena and Kitsol areas on the DV Project. Work completed during the third quarter of 2015 included collection of 1,574 soil samples over a total of 40 line kilometers to infill portions of the property that had not been systematically soil sampled and geological mapping of the Ace-Galena and Moose-Climax-Last Chance target areas.

During the fourth quarter of 2015, the Company completed phase two of the 2015 field program consisting of 2,037 meters of drilling (ten drill holes), six at Ace Galena, three at Kitsol and one structural and stratigraphic test. Drilling confirmed the presence of volcanogenic massive sulphides ("VMS") mineralization at Ace-Galena target and intersected a new, epithermal quartz vein and breccias, with a high-grade silver, also at Ace-Galena. All of the 2015 Ace-Galena drill holes intercepted highly anomalous silver, lead and zinc mineralization in a sedimentary volcaniclastic package. Logged lithology, alteration and mineralization confirmed the presence of VMS-style, syngenetic stratiform "layers" that host mineralization in this prospective rock package.

In addition to the holes drilled on the Ace-Galena target, a fan of three holes were drilled in the Kitsol area to follow up on a significant 2014 drill intercept in hole DV14-010 which graded 712 grams of silver per tonne (g/t) over 22.6 meters true thickness with the Kitsol epithermal vein structure. The new holes were located 60 meters northeast of hole DV14-010 and were targeted to test the Kitsol vein down-dip form historic trench results, which graded 626 g/t silver over 4.11 meters. The Kitsol vein/structure shows evidence of multiple phases of fluid influx and silver mineralization, including native silver, in a prominent structural flexure on the property.

Mineral Resource Estimate

A maiden National Instrument 43-101 Standards of Disclosure for Mineral Projects ("NI43-101") mineral resource estimate was released on August 27, 2015. The mineral resource estimate was completed by Giroux Consultants Ltd. and covered the four known deposits on the Dolly Varden Project. The Indicated resource estimate for the Dolly Varden, North Star, Torbrit, and Wolf deposit totals 31.8 million ounces of silver within 3.07 million tonnes of material with an average grade of 321.6 grams of silver per tonne ("g/t silver"). The Inferred mineral resource totals an additional 10.8 million ounces of silver at a grade of 373.3 g/t silver within 0.9 million tonnes of material.

Readers should refer to the Company's continuous disclosure documents available at www.sedar.com for more detailed information regarding the mineral resource estimate, which is subject to the qualifications and notes set forth therein.

Qualified Person

The Dolly Varden Project exploration program is directed by Rory Kutluoglu, P.Geo., Vice President, Exploration, who is a "qualified person" as defined by National Instrument 43-101 and who also prepared and approved the scientific and technical information contained in this MD&A.

RESULTS OF OPERATIONS

Change in Accounting Policy

In 2015, the Company adopted a new accounting policy with respect to accounting for exploration expenditures. In prior years the Company's policy was to capitalize by property all costs directly related to the exploration and evaluation of mineral properties classified as exploration and evaluation assets. The Company changed its accounting policy to now expense to operations exploration expenditures as incurred, effective with the presentation of financial statements for the year ended December 31, 2015, on a retrospective basis. Accordingly, certain 2015 and 2014 comparative amounts have been restated from amounts presented previously to reflect this change in accounting policy.

For the three months ended June 30, 2016

The net loss for the three months ended June 30, 2016 was $257,269 as compared to $321,209 for the prior comparative period.

Expenses for the current quarter amounted to $232,725 (2015 - $323,970). Exploration and evaluation expenditures of $29,334 (2015 - $128,502) were lower due to decreased level of activity due to financial condition. Administrative and consulting fees of $6,905 (2015 - $41,437) were similarly lower and were the result of contracts that did not recur after 2015. Directors' fees were $89,348 (2015 – recovery of $60,752 due to the liability decreasing with falling share price in that period) due to the fair value change in Deferred Share Units as a result of the increasing share price in the period with the converse occurring in the comparative period of 2015. Expenditures for Marketing and communications of $3,747 (2015 - $69,963) were significantly lower as marketing service contracts were terminated or expired in 2015 and not renewed. All other expenses were either similar to or lower than the comparable period of 2015 due to extreme cost cutting efforts.

Finance charges of $24,932 (2015 - $Nil) relates to the interest accrual on the Hecla/Gibson loan that was secured during the third quarter of 2015.

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For the six months ended June 30, 2016

The net loss for the six months ended June 30, 2016 was $374,929 as compared to $868,287 for the prior comparative period.

Expenses for the current six month period amounted to $339,849 (2015 - $875,082). Exploration and evaluation expenditures of $70,771 (2015 - $287,936) were lower due to decreased level of activity due to financial condition. Administrative and consulting fees of $15,545 (2015 - $55,841) were similarly lower and were the result of contracts that did not recur after 2015. Directors' fees were $92,834 (2015 – recovery of $40,090 due to the liability decreasing with falling share price in that period) due to the fair value change in Deferred Share Units as a result of the increasing share price in the period with the converse occurring in the comparative period of 2015. Expenditures for Marketing and communications of $4,638 (2015 - $166,209) were significantly lower as marketing service contracts were terminated or expired in 2015 and not renewed. All other expenses were either similar to or lower than the comparable period of 2015 due to extreme cost cutting efforts.

Finance charges of $47,849 (2015 - $Nil) relates to the interest accrual on the credit facility that was secured during the third quarter of 2015.

During the six months ended June 30, 2016, the Company sold a vehicle for cash and realized a gain on sale of $12,381. Also in the six months ended June 30, 2016, the Company negotiated the sale of a vehicle and a small boat in exchange for storage of core and mining equipment until December 2017.

Summary of Quarterly Results

The following table summarizes selected quarterly financial information derived from the Company's financial statements for each of the eight most recently completed fiscal quarters:

		June 30, 2016		March 31, 2016		December 31, 2015		September 30 2015
Total assets	$	4,035,559	$	4,045,373	$	3,972,054	$	4,014,148
Exploration and evaluation assets	$	3,524,092	$	3,524,092	$	3,433,092	$	3,433,092
Equipment	$	105,222	$	128,643	$	140,262	$	149,728
Working capital/(deficiency)	$	(2,252,503)	$	(2,018,655)	$	(1,821,614)	$	496,311
Shareholders' equity	$	1,467,811	$	1,725,080	$	1,842,740	$	3,297,543
Interest income	$	388	$	-	$	55	$	1,569
Net loss	$	(257,269)	$	(117,659)	$	(1,517,237)	$	(1,179,129)
Basic loss per share(1)	$	(0.01)	$	(0.01)	$	(0.08)	$	(0.06)
Fully diluted loss per share	$	(0.01)	$	(0.01)	$	(0.08)	$	(0.06)

		June 30 2015		March 31 2015		December 31 2014		September 30 2014
Total assets	$	4,530,950	$	4,924,978	$	5,446,876	$	7,309,529
Exploration and evaluation assets	$	3,433,092	$	3,433,092	$	3,239,579	$	3,239,759
Equipment	$	159,195	$	168,662	$	178,129	$	195,270
Working capital	$	397,298	$	733,587	$	1,342,756	$	2,765,903
Shareholders' equity	$	4,164,994	$	4,485,933	$	4,949,026	$	6,481,936
Interest income	$	2,761	$	4,034	$	8,877	$	4,593
Net loss	$	(321,209)	$	(547,078)	$	(1,515,022)	$	(2,872,038)
Basic loss per share(1)	$	(0.02)	$	(0.03)	$	(0.08)	$	(0.18)
Fully diluted loss per share	$	(0.02)	$	(0.03)	$	(0.08)	$	(0.18)

(1) On June 19, 2015, the common shares of the Company were consolidated on a 10:1 basis. Comparative periods are presented as if the 10:1 consolidation had taken place prior to the earliest periods presented.

While the information set out in the foregoing table is mandated by *National Instrument 51-102*, it is management's view that the variations in financial results that occur from quarter to quarter are not particularly helpful in analyzing the Company's performance. It is in the nature of the business of junior exploration companies that unless they sell a mineral interest for a sum greater than the costs incurred in acquiring such interest, they have no significant net sales or total revenue.

Significant variances in the Company's reported loss from quarter to quarter most commonly arise from several factors that are difficult to anticipate in advance or to predict from past results. These factors include: (i) level of exploration and project evaluations expenses incurred, (ii) decisions to write off acquisition costs when management concludes there has been an impairment in the carrying value of a mineral property, or the property is abandoned, and (iii) the vesting of incentive stock options, which results in the recording of amounts for share-based compensation expense that can be quite large in relation to other general and administrative expenses incurred in any given quarter.

Investing Activities

During the six month period ended June 30, 2016, the Company invested $91,000 (2015 - $193,333) in property acquisitions related to the option agreement on the Musketeer property. Exploration expenditures incurred on the Company's mineral properties for the current quarter were $70,771 (2015 - $287,936), much lower than the comparative period due to the decreased level of activity. During the period, the Company sold a vehicle and realized proceeds of $24,000. Also during the period the Company negotiated the sale of a vehicle and a small boat in exchange for storage of core and mining equipment until December 2017.

Financing Activities:

During the six month period ended June 30, 2016 and 2015, the Company did not complete any equity financings.

On September 30, 2015, the Company arranged a credit facility in the principle amount of up to $2,000,000 ("the Credit Facility"), with $1,500,000 being drawn down as of December 31, 2015. The remaining $500,000 was drawn down in February 2016.

Off Balance Sheet Arrangements

The Company is not party to any off balance sheet arrangements.

Transactions with Related Parties

The Company's related parties consist of directors and officers (being key management personnel), companies with directors and officers in common and/or companies owned in whole or in part by executive officers and/or directors of the Company. The Company incurred the following related party transactions:

	For the three months June 30, 2016	For the three months June 30, 2015	For the six months June 30, 2016	For the six months June 30, 2015
Allan Ambrose, Former Director [7]				
Directors' fees[3]	$ -	$ 7,250	$ -	$ 22,000
Share-based compensation (stock options)	-	-	-	10,750
	$ -	$ 7,250	$ -	$ 32,750
Allan Marter[1], Former Director [7]				
Directors' fees[3]	$ -	$ 21,652	$ -	$ 53,402
Share-based compensation (stock options)	-	-	-	21,500
	$ -	$ 21,652	$ -	$ 74,902
Connie Norman[1], Corporate Secretary				
Management & Consulting fees	$ 3,885	$ 7,437	$ 7,745	$ 12,841
Share-based compensation (stock options)	-	-	-	6,450
	$ 3,885	$ 7,437	$ 7,745	$ 19,291
Ian He, Former Director [7]				
Directors' fees[3]	$ -	$ 5,000	$ -	$ 17,500
Share-based compensation (stock options)	-	-	-	10,750
	$ -	$ 5,000	$ -	$ 28,250
John King Burns, Former Director [4]				
Directors' fees[3]	$ -	$ -	$ -	$ 5,338
Keith Margetson[1], Former CFO				
Management & Consulting fees	$ -	$ 9,000	$ -	$ 18,000
Ron Nichols[1], VP Exploration, Former President & CEO [5]				
Costs included in exploration and evaluation expenses	$ 625	$ 33,000	$ 6,063	$ 73,500
Rosie Moore, Director, Interim President & CEO [6]				
Directors' fees[3]	$ -	$ -	$ -	$ 1,278
Management & Consulting fees	33,750	45,000	67,500	80,323
Share-based compensation (stock options)	-	-	-	21,500
	$ 33,750	$ 45,000	$ 67,500	$ 103,101
Total related party transactions	$ 38,260	$ 128,339	$ 81,308	$ 355,132

Note 1: or a company controlled by the individual
Note 2: or a company controlled by or in which the individual has an indirect interest
Note 3: includes cash directors' fees and fair value of non-cash DSUs in 2015
Note 4: Mr. Burns served as Chairman from January 2012 to March 2015
Note 5: Mr. Nichols served as President & CEO from January 2012 to February 2014 and as VP Exploration from February 2014
Note 6: Ms. Moore served as Director from July 2013 and as Interim President & CEO from January 2015
Note 7: Mr. Ambrose, Mr. He and Mr. Marter resigned from the board effective September 30, 2015

At June 30, 2016, included in accounts payable and accrued liabilities is $158,141 (December 31, 2015 - $158,141) as a provisional amount owed to Cambria Geosciences Inc. (Paul McGuigan, former VP Exploration), $117,273 owing to current and former directors (2015 - $85,586) for directors' fees. An additional $2,951 (December 31, 2015 - $6,824) was owed to directors and companies owned by officers.

LIQUIDITY AND CAPITAL RESOURCES

The Company has no operations that generate cash flow. The Company's future financial success will depend on its ability to raise capital or on the discovery of one or more economic mineral deposits. Discovery may take many years, can consume significant resources and is largely based on factors that are beyond the control of the Company and its management. To date, the Company has financed it activities by the issuance of equity securities, consisting of a combination of flow-through and non-flow securities and most recently by debt. In order to continue funding their exploration activities, corporate costs and repayment of debt, exploration companies are usually reliant on their ongoing ability to raise financing through the sale of equity. This is dependent on positive investor sentiment, which in turn is influenced by a positive climate for the target commodities, a company's track record, and the experience and caliber of the company's management. There is no assurance that equity funding will be accessible to the Company at the times and in the amounts required to fund the Company's activities and repay the Credit Facility.

Cash and Financial Condition

As at June 30, 2016, the Company had a working capital deficiency of $2,252,503.

FINANCIAL INSTRUMENTS

The Company's financial instruments currently consist of cash, receivables, advances, deposits, and accounts payable and accrued liabilities, loan and interest payable. The fair value of cash is based on Level 1 of the fair value hierarchy. The fair value of receivables, advances, deposits and accounts payable and accrued liabilities, loans and interest payable approximate their book values because of the short-term nature of these instruments. Moreover, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

RISK FACTORS

There have been no material changes in the risks and uncertainties affecting the Company that were discussed in the Company's annual MD&A filed on August 25, 2016.

OUTSTANDING SHARE DATA

The Company has unlimited authorized common shares and the issued and outstanding share capital at the date of this MD&A is:

	Common shares Issued and Outstanding	Warrants	Options
Balance at December 31, 2015	18,268,963	2,500,000	1,355,000
Balance at June 30, 2016	18,268,963	2,500,000	1,355,000
Balance as at the date of this MD&A	30,086,287	5,642,967	2,580,000

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The information included in the audited financial statements and this MD&A is the responsibility of management, and their preparation in accordance with IFRS requires management to make estimates and their assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of expenses during the reported period. Actual results could differ from those estimates.

FORWARD LOOKING STATEMENTS

This MD&A contains forward-looking statements that are based on the Company's current expectations and estimates. Forward-looking statements are frequently characterized by words such as "plan", "expect", "project", "intend", "believe", "anticipate", "estimate", "suggest", "indicate" and other similar words or statements that certain events or conditions "may" or "will" occur. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that could cause actual events or results to differ materially from estimated or anticipated events or results implied or expressed in such forward-looking statements. Such factors include, among others: the actual results of current exploration activities; conclusions of economic evaluations; changes in project parameters as plans to continue to be refined; possible variations in ore grade or recovery rates; accidents, labour disputes and other risks of the mining industry; delays in obtaining governmental approvals or financing; and fluctuations in metal prices. There may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. Any forward-looking statement speaks only as of the date on which it is made and, except as may be required by applicable securities laws, the Company disclaims any intent or obligation to update any forward-looking statement, whether as a result of new information, future events or results or otherwise. Forward-looking statements are not guarantees of future performance and accordingly undue reliance should not be put on such statements due to the inherent uncertainty therein.