# SPANISH MOUNTAIN GOLD LTD.

**Management Discussion and Analysis**

For the three and nine months ended September 30, 2023 and 2022

(Expressed in Canadian dollars)

The following is management's discussion and analysis ("MD&A") of the financial condition and results of operations of Spanish Mountain Gold Ltd. (the "Company"). This MD&A should be read in conjunction with the condensed interim consolidated financial statements, including the notes thereto, for the three and nine months ended September 30, 2023 and 2022 ("financial statements") as well as the audited consolidated financial statements of the Company for the years ended December 31, 2022 and 2021.

The financial statements have been prepared by management in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Committee. All amounts are presented in Canadian dollars, the Company's presentation and functional currency, unless otherwise stated. References to US$ are to United States dollars. Other information contained in this document has been prepared by management and is consistent with the data contained in the financial statements.

The Company's certifying officers are responsible for ensuring that the financial statements and MD&A do not contain any untrue statements of a material fact or omissions of material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made. The Company's certifying officers certify that the financial statements together with the other financial information included in the filings fairly present in all material respects the financial condition, financial performance and cash flows of the Company as at the date of and for the periods presented in the filings.

In this MD&A, the words "we", "us", or "our", collectively refer to Spanish Mountain Gold Ltd. and its subsidiary. The first, second, third and fourth quarters of the Company's fiscal years are referred to as "Q1", "Q2", "Q3" and "Q4", respectively. The nine months ended September 30, 2023 and 2022 are referred to as "YTD 2023" and "YTD 2022", respectively.

The Board of Directors approved the disclosure contained in this MD&A on November 24, 2023.

The Company's Board of Directors provides an oversight role with respect to all public financial disclosures by the Company.

Management is responsible for the preparation and integrity of the Company's financial statements, including the maintenance of appropriate information systems, procedures and internal controls. Management is responsible for ensuring that information disclosed externally, including the information contained within the Company's financial statements and MD&A, is complete and reliable.

For a complete understanding of the Company's business environment, risks and uncertainties and the effect of accounting estimates on its results of operations and financial condition, this MD&A should be read together with the Company's financial statements.

Additional information relating to the Company including its financial statements may be found on the Company's website at *www.spanishmountaingold.com* as well as under the Company's profile on SEDAR+ at *www.sedarplus.ca*.

## OVERVIEW

The Company is an exploration stage company engaged in the acquisition, exploration and development of mineral properties. The Company's primary asset is the Spanish Mountain property located approximately 180 kilometres ("km") north of Kamloops, British Columbia ("BC") and 66 km northeast of Williams Lake, BC. The Spanish Mountain property refers to the contiguous mineral and placer claims the Company holds while the Spanish Mountain gold project (the "Project") refers to the mineral resource that the Company has defined in an area within the property. The Company's focus is to advance the development of the Project and may conduct exploration programs on the property.

The Company completed the Project's Pre-Feasibility Study ("PFS") along with a Mineral Reserve estimate and an updated Mineral Resource estimate in May 2021. The PFS is based on a 20,000 tonnes per day ("tpd") milling rate to process the delineated Proven & Probable Reserves as a standalone open pit operation for 14 years. The NI 43-101 Technical Report for the PFS was filed on SEDAR+ on June 3, 2021.

In 2022, the Company advanced the environmental assessment ("EA") and permitting processes. The Initial Project Description ("IPD") and Early Engagement Plan ("EEP") for the Project were submitted in March 2022 to the BC Environmental Assessment Office ("BCEAO") and the Impact Assessment Agency of Canada ("IAAC"). Both the provincial and federal agencies accepted the documents within the same month without requesting amendments. The issuance of the Summary of Engagement by BCEAO and the Joint Summary of Issues and Engagement by IAAC on June 23, 2022 completed the early engagement period.

The draft Detailed Project Description ("DPD") was submitted to the provincial and federal agencies in December 2022 to initiate the Readiness Decision stage of the EA process. During this phase, the draft DPD is reviewed by the Technical Advisory Committee, Participating Indigenous Nations, and federal authorities, leading to preparation of the final DPD on which the readiness decision will be based. A readiness decision was previously expected to be received around the end of April 2023, but the Company has chosen to delay completion of this process phase, and finalization of the DPD, subject to the outcome of the Geology and PFS review that is presently underway. This review may result in changes to the project plan that will need to be incorporated into the draft DPD prior to completion of the review and finalization by the agencies.

The Company continued active engagement with First Nations and other communities critical for the success of the EA process and is pleased to support the full involvement of the First Nations. Prior to the submission of the IPD, management conducted pre-submission review with all three First Nations (Lhtako Dené, Williams Lake and Xatśūll) whose traditional territories include the Project area. The Company signed an Engagement Protocol Agreement with Xatśūll First Nation in October 2021 and Lhtako Dené Nation in December 2021 and proceeded with the process of completing a Life-of-Mine Relationship Agreement with Williams Lake First Nation and the aforementioned Nations.

During Q3 2023 the Company focused on completing a review of the project and conducted field programs and desk top work to support the ongoing environmental assessment/ permitting process and to further enhance the Project's economics and viability in a number of areas including power, geology, mineral processing, water management and treatment, various pit scenarios and electrification of mining alternatives:

- **Environmental assessment and permitting:** )Ongoing baseline surface water quality sampling and stream hydrology monitoring was conducted. This work will continue until the end of the year. The EA and engagement process remained on hold while the company performed a review of the geology and PFS for the project.
- **Geology and PFS review:** A review of the historical geologic and, exploration information, and prefeasibility assumptions was undertaken. The review concluded at the end of October and included the following programs:
    - Equity Exploration Consultants Ltd. completed a data compilation, validation and review of historical exploration programs for the project. The scope of work included utilizing LeapFrog Geo to assess data trends to provide recommendations for potential mineralization extension drilling with respect to the proposed project footprint;
    - SRK Consulting Limited conducted a review of drill hole structural data in the context of the regional tectonic framework that identified three main structural orientations that control gold mineralization and concluded the deposit trends at a shallow plunge to the north-northwest;
    - Fathom Geophysics compiled, re-processed and re-interpreted the historical geophysical survey data that independently support the potential for extensions to mineralization;
    - Moose Mountain Technical Services examined the potential for a larger optimized open pit as compared to the PFS assumptions;
    - Ausenco Engineering Canada Inc. performed a trade-off analysis' assessing various throughput alternatives; and
    - A proposal was received from Whittle Consulting to optimize the project scale, NPV, carbon intensity and associated solutions.

- **Power line:** The System Impact Study with BC Hydro continued in Q3 2023 for a new 230 kV, 60-megawatt transmission line potentially supporting higher production, electrification alternatives and initiatives for lowering carbon footprint (see electrification discussion below) for the Project.

- **Metallurgy:** Metallurgical testing remained on hold for further planning with respect to examining potential opportunities to improve the project scale and economics. A review of potential alternatives to improve on the PFS mineral processing flowsheet was conducted identifying several opportunities such as coarse ore floatation. Planning for a metallurgical test program is underway to support optimizations.

- **Geotechnical and hydrogeological:** Geotechnical and hydrogeological work remained on hold. SRK Consulting was engaged to review the historical structural, geophysical, limited surface exposure and core log information that will lead to the development of a new updated 3D structural model for the project area.

- **Electrification, lowering carbon intensity and green-house gas emissions:** The Project's location is supported by excellent infrastructure including connectivity to the provincial power grids supplied with low-cost, renewable hydro power. Through collaboration with BC Hydro (the provincial utility company), a number of opportunities that may potentially reduce capital and operating costs, carbon intensity and green-house gas emissions have been identified for the proposed mine. These opportunities include trolley assist trucks and equipment as well as various energy efficiency measures. The Company engaged several mining equipment manufacturers and have identified potential opportunities to electrify the mining fleet. Evaluations are ongoing.

## Corporate

On May 12, 2023, the Company completed a non-brokered private placement and issued 28,571,429 common share units ("Unit") at a price of $0.21 per Unit for gross proceeds of $6,000,000. Each Unit consists of one common share of the Company and one half of one share purchase warrant. Each whole warrant will entitle the holder thereof to acquire one common share of the Company at a price of $0.25 per common share for a period of twenty-four months, subject to earlier expiry if the ten-day volume weighted average price exceeds $0.30 per common share. No finders' fees, commission or warrants were paid in connection with the private placement. The Company intends to use the proceeds from the Offering for exploration and development at its Project, and for general working capital purposes.

Mr. Troy Gill was appointed Vice President of Exploration in September 2023 and brings thirty years of exploration and mining geology experience including both major mining and junior exploration. A consulting contract with Judith Stoeterau (Vice President of Geology) was terminated in the second quarter. .

## MINERAL PROPERTY – Spanish Mountain Gold Project

The Spanish Mountain property is located in the Cariboo region of central BC, 6 km east of the village of Likely, and 66 km northeast of the City of Williams Lake, a key supply hub for multiple mines and projects in the region. The property, which comprises approximately 51 contiguous mineral claims and 13 placer claims and covers an area of approximately 10,414 hectares, is 100% owned by the Company.

The property can be reached from Williams Lake via a paved secondary road that leaves Highway 97 at 150 Mile House, approximately 16 km south of Williams Lake, and continues for 87 km to the village of Likely. From Likely, the property is accessed from the Spanish Mountain Forest Service Road 1300.

The Company has been actively conducting drilling and other exploration activities on the property since 2005. The Spanish Mountain gold deposit is situated at or close to surface and amenable to open pit mining methods as defined in the PFS. The largest zone carrying significant gold mineralization is called the Main Zone, which has been traced by drilling over a length of approximately 900 metres ("m") north-south and a width of 800 m and is open in all directions. The mineralization extends northward covering another area of about 400m north-south with a similar width named in the North Zone. Disseminated gold mineralization with a grain size typically less than 30 microns occurs predominately within the graphitic black argillite and is often, but not always, associated with pyrite. Coarser, sometimes visible free gold also occurs within quartz veins that cross-cut multiple lithologies. Recent geologic review and geophysical data re-interpretation has determined that the relationship between northwest trending stratigraphic layering and two different fault sets suggests the mineralization plunges gently to the north-northwest. These geological controls, especially how they relate to high-grade mineralization, will assist with future drill program targeting of mineralization within the pit shell and for possible extensions of the deposit.

The Company is focused on optimizing the scale and business case to advance the Project towards a construction decision.

### Pre-Feasibility Study

The PFS is based on a 20,000 tpd milling rate to process the delineated Proven & Probable Reserves as a standalone open pit operation for 14 years.

The proposed open pit mine is expected to produce a total of 96 million tonnes ("Mt") of ore with an average diluted gold grade of 0.88 grams per tonne ("g/t") for the first six years and 0.76 g/t Life of Mine ("LOM"). Stockpiling of some material is utilized to maximize mill feed grade early in the project life. This material is reclaimed for processing over the course of the operation.

The milling process involves a primary crushing circuit followed by a two-stage grinding circuit consisting of a semi-autogenous grind mill and a ball mill to produce a gravity concentrate and flotation concentrate for fine grinding and CIL cyanidation at an overall LOM average gold recovery of 90% and silver recovery of 40%. Doré will be produced on-site as an end product.

(Expressed in Canadian dollars)

Tailings from the processing plant are stored in a tailings storage facility that has been designed to minimize contained water. All of the site water is managed through a separate water management pond that includes a water treatment plant for any water to be discharged during the LOM.

### a) Mineral Reserves

The Project's Mineral Reserves, which are a subset of the Measured & Indicated Mineral Resources, are based on the mine plan developed for the PFS. Mineral Reserves are estimated in accordance with the Canadian Institute of Mining, Metallurgy and Petroleum ("CIM") 2019 Best Practices Guidelines and are classified using the 2014 CIM Definition Standards.

A summary of the Project's Mineral Reserves are as follows:

| Reserve Class | Mill Feed (Mt) | Mill Feed Gold Grade (g/t) | Contained Gold (Moz) | Mill Feed Silver Grade (g/t) | Contained Silver (Moz) |
|---|---|---|---|---|---|
| Proven | 40.8 | 0.79 | 1.03 | 0.67 | 0.88 |
| Probable | 55.1 | 0.74 | 1.31 | 0.74 | 1.30 |
| **Total** | **95.9** | **0.76** | **2.34** | **0.71** | **2.18** |

- The Mineral Reserve estimates were prepared by Marc Schulte, P.Eng. (who is the independent Qualified Person for these Mineral Reserve estimates), reported using the 2014 CIM Definition Standards, and have an effective date of March 31, 2021.
- Mineral Reserves are based on the PFS Life of Mine Plan.
- Mineral Reserves are mined tonnes and grade, the reference point is the mill feed at the primary crusher and includes consideration for operational modifying factors.
- Mineral Reserves are reported at a cut-off grade of 0.3 g/t Au.
- Cut-off grade assumes US$1,500/oz. Au and US$20/oz Ag at a currency exchange rate of 0.76 US$ per C$; 99.8% payable gold; 95.0% payable silver; US$5.00/oz Au offsite costs (refining, transport and insurance); a 1.5% NSR royalty; and uses a 91% metallurgical recovery for gold and 25% recovery for silver.
- The cut-off grade equates to incremental operating costs of $17/t, which covers process, G&A and site, stockpile reclaim, and sustaining and closure capital costs.
- Mined tonnes and grade are based on a selective mining unit (SMU) of 15mx15mx5m, including additional estimates for mining loss (3%) and dilution between ore and waste zones (6.6%, 0.24 g/t Au, 0.6 g/t Ag).
- Factors that may affect the Mineral Reserve estimates include metal prices, changes in interpretations of mineralization geometry and continuity of mineralization zones, geotechnical and hydrogeological assumptions, ability of the mining operation to meet the annual production rate, process plant and mining recoveries, the ability to meet and maintain permitting and environmental licence conditions, and the ability to maintain the social licence to operate.
- Numbers have been rounded as required by reporting guidelines.

There are no other known factors or issues that materially affect the Mineral Reserve estimate other than normal risks faced by mining projects in the province in terms of environmental, permitting, taxation, socio-economic, marketing, and political factors and additional risk factors are detailed below in the section entitled "Cautionary Notices".

(Expressed in Canadian dollars)

### b) Mineral Resource

As part of the PFS, an update of the Mineral Resources has been prepared based on the pit shell developed using assumed cost parameters and assumptions. Mineral Resources, which are not Mineral Reserves, do not have demonstrated economic viability. Inferred Mineral Resources have insufficient confidence to allow the meaningful application of technical and economic parameters or to enable an evaluation of economic viability suitable for public disclosure.

A summary of the Project's Mineral Resources is provided below. The Mineral Resources include the Mineral Reserves:

| Classification | Run of Mine (Mt) | Gold Grade (g/t) | Silver Grade (g/t) | Contained Gold (Moz) | Contained Silver (Moz) |
|---|---|---|---|---|---|
| Measured | 68.4 | 0.59 | 0.67 | 1.3 | 1.5 |
| Indicated | 225.7 | 0.47 | 0.73 | 3.4 | 5.3 |
| M&I Resources | 294.2 | 0.50 | 0.72 | 4.7 | 6.8 |
| Inferred Resource | 18.3 | 0.63 | 0.76 | 0.4 | 0.4 |

- The Mineral Resource Estimates were prepared by Marc Jutras, P.Eng.; M.A.Sc. (who is the independent Qualified Person for these Mineral Resource Estimates), in accordance to the 2014 Canadian Institute of Mining, Metallurgy and Petroleum ("CIM") Definition Standards for Mineral Resources and Mineral Reserves, with an effective date of February 3, 2021.
- The Mineral Resource Estimates are reported at a cutoff grade of 0.15 g/t Au.
- Cut-off grade assumes US$1,600/oz. Au at a currency exchange rate of $0.75 per US$; 99.8% payable gold; $4.00/oz. offsite costs (refining and transport), a 1.5% royalty; and uses a 91% metallurgical recovery for Au and a 25% recovery for Ag. The cut off-grade covers processing costs of $7.33/t and general and administrative (G&A) costs of $2.67/t.
- The Mineral Resources are constrained by an open pit shell generated by applying the Lerchs-Grossman algorithm to the Spanish Mountain deposit. The pit shell was generated using the same inputs as the cutoff grade determination, as well as a $2.40/t mining cost for ore and a $2.20/t mining cost for waste. Overall pit slope angles range from 21 degrees to 35 degrees and are estimated based on geotechnical analysis of various zones in the deposit.
- Factors that may affect the estimates include: metal price assumptions, changes in interpretations of mineralization geometry and continuity of mineralization zones, changes to kriging assumptions, metallurgical recovery assumptions, operating cost assumptions, confidence in the modifying factors, including assumptions that surface rights to allow mining infrastructure to be constructed will be forthcoming, delays or other issues in reaching agreements with local or regulatory authorities and stakeholders, and changes in land tenure requirements or in permitting requirement. Any other known legal, political, environmental, or other risks that could materially affect the potential development of the Mineral Reserves are detailed below in the section entitled "Cautionary Notices".
- Estimates have been rounded and may result in summation differences.

### Exploration Programs

A drilling program to extract samples for the metallurgical and geotechnical analyses was completed in the fall of 2022.

A drill core re-logging program has commenced based on the outcomes of the geological and PFS review completed at the end of October 2023. The program will initially focus on drill holes from the Main Zone and North zone of the deposit with the aim of improving the understanding of the controls to gold mineralization and provide greater detail to assist the project optimization process using the Whittle Enterprise Optimizer (refer to Section – Subsequent Events). This knowledge will then be used to enhance the geological interpretation and to identify the potential for:

(1) high grade, near surface targets within the existing pit constrained resource, and
(2) mineralization extensions beyond the PFS pit design.

## AGREEMENTS WITH FIRST NATIONS

The Company recognizes and respects the First Nations' asserted aboriginal rights and title in the area of the Project and, for over a decade, has regularly engaged all three First Nations whose traditional territories include the Project area concerning the Company's plans and project activities.

As a part of the current environmental assessment and permitting process, the Company signed Engagement Protocol Agreements with Xatśūll First Nation in October 2021 and Lhtako Dené Nation in December 2021. The Williams Lake First Nation opted to proceed directly to negotiate a LOM Agreement.

The signed Engagement Protocol Agreements acknowledge that the First Nations have existing rights protected under s.35(1) of the *Constitution Act* (1982) and interests within their Traditional Territories, which include the area occupied by the Project. The Company and the First Nations will work together in a spirit of cooperation, mutually respect each other's values to establish a long term, mutually beneficial relationship based on honesty, trust, respect and understanding. General procedures will be established to guide the relationship whereby information regarding the project activities may be exchanged, and issues of concern can be raised and addressed. The Engagement Protocol Agreement commences the process to negotiate a Life-of-Mine Relationship Agreement between the parties.

Once completed, the Life-of-Mine Relationship Agreements will guide the relationship between the First Nations and the Company and the participation of the Nations in the Project as the Company advances the Project through the environmental assessment/permitting process and later through the construction, operation, and decommissioning of the proposed mine.

## ENVIRONMENTAL ASSESSMENT AND PERMITTING PROCESS

The Project is subject to the requirements of both the *British Columbia Environmental Assessment Act* (2018) and the federal *Impact Assessment* Act (2019). The Company formally entered both processes in March 2022 with the submission of the IPD and EEP to the BC EAO and IAAC. Agency, First Nations, and public review questions and comments were solicited and these were used to develop the draft Detailed Project Description ("DPD") that was submitted to the agencies in December 2022. Environmental baseline studies resumed in 2020 and have continued to date to build on significant studies conducted from 2007 to 2012. The reviews of the IPD and EEP included extensive engagement with First Nations, regulatory agencies and the general public and the Company continues regular communication and engagement with the agencies and the Nations. The Company expects to continue environmental field work and planning studies for the foreseeable future to support the next stages of the provincial and federal environmental assessment processes.

## OUTLOOK

The Company's current strategy remains focused on optimizing the project and advancing towards a build decision. In Q1 2023, the Company initiated a study to assess larger pit-constrained resource options to advance towards a bankable feasibility. In Q2, the preliminary findings indicated the potential for a larger production throughput and optimized pit size than considered in the PFS. In Q3, the company completed its project review, identified opportunities to improve and received a proposal from Whittle Consulting, a global consultancy with expertise in mining optimization, to assist with the optimization of production scale and Net Asset Value of the project. The Company will begin the optimization work with Whittle in Q4 2023 and estimates concluding this work in Q2 2024.

(Expressed in Canadian dollars)

## RESULTS OF OPERATIONS

The following discussion explains the variations in the key components of the Company's operating results. As with most junior mineral exploration companies, the results of operations are not the main factor in establishing the financial health of the Company. Of greater significance is the mineral property in which the Company has, or may earn, an interest, its working capital, and how many shares it has outstanding. For details on the results of work on and other activities in connection with the Company's exploration of mineral property, see "Mineral Property".

| | **Q3 2023** | Q3 2022 | **YTD 2023** | YTD 2022 |
|---|---|---|---|---|
| | **$** | $ | **$** | $ |
| **Operating expenses** | | | | |
| Depreciation | **17,946** | 16,065 | **57,517** | 55,934 |
| Investor relations, travel and filing fees | **39,303** | 26,765 | **121,610** | 96,410 |
| Legal and accounting | **126,495** | 28,524 | **308,366** | 134,899 |
| Office and administrative | **200,336** | 24,825 | **280,761** | 89,658 |
| Salaries and wages | **172,672** | 97,086 | **633,851** | 297,800 |
| Share-based compensation | **19,798** | 42,228 | **102,115** | 223,267 |
| | **576,550** | 235,493 | **1,504,220** | 897,968 |
| **Other income (expenses)** | | | | |
| Interest and finance expense | **(3,931)** | (4,307) | **(12,232)** | (4,806) |
| Interest and other income | **54,191** | 31,806 | **105,329** | 49,140 |
| Recovery of doubtful accounts | **-** | 23,809 | **-** | 88,571 |
| **Net loss before income tax** | **(526,290)** | (184,185) | **(1,411,123)** | (765,063) |
| Deferred income tax recovery | **-** | 35,470 | **204,887** | 122,225 |
| **Net loss and comprehensive loss** | **(526,290)** | (148,715) | **(1,206,236)** | (642,838) |

**Q3 2023 compared to Q3 2022**

The Company reported a higher net loss before income tax of $526,290 compared to $184,185 in the prior year comparable period due to the following primary drivers:

- Investor relations, travel and filing increased to $39,303 from $26,765 in the prior year comparable period as a result of expanded marketing activities, and the Company's private placement which closed on May 12, 2023.
- Legal and accounting increased to $126,495 from $28,524 in the prior year comparable period as a result of additional legal fees incurred related to the ongoing transition of the CEO, management team and Board of Directors.
- Office and administrative expenses increased to $200,336 from $24,825 in the prior year comparable period. Spending during the current period included fees paid for additional advisory services and modernization of IT systems that include upgrading the IT infrastructure, software, data security and training.
- Salaries and wages increased to $172,672 from $97,086 in the prior year comparable period, which is a result of a change in senior management in Q2 2023.
- There was no recovery of doubtful accounts in 2023. In the prior year, the Company entered a settlement agreement with its former sub-tenant and recovered $23,809 in the prior year comparable period.

Offsetting the increase in the net loss before income tax recovery were decreases to expenses as follows:

- Share-based compensation decreased to $19,798 from $42,228 in the prior year comparable period, which is a result of lower fair value of stock options vesting in current year period.
- Interest and other income increased to $54,191 from $31,806 in the prior year comparable period, which is a result of higher term deposits and short-term investments generated from the capital raise in Q2 2023 and higher interest rates on these investments in the current year period.

(Expressed in Canadian dollars)

**YTD 2023 compared to YTD 2022**

The Company reported a net loss before income tax of $1,411,123 compared to $765,063 in the prior year comparable period due to the following primary drivers:

- Investor relations, travel and filing fees increased to $121,610 from $96,410 in the prior year comparable period as a result of expanded marketing activities and conference attendance to support to the Company's private placement, which closed in May 2023.
- Legal and accounting increased to $308,366 from $134,899 in the prior year comparable period as a result of additional legal fees incurred related to the transition of the CEO and Board of Directors in the current period.
- Office and administrative increased to $280,761 from $89,658 in the prior year comparable period. Spending during the current period included fees paid for additional advisory services and modernization of information technology ("IT") systems, encompassing costs related to upgrading IT infrastructure, software, data security and training.
- Salaries and wages increased to $633,851 from $297,800 in the prior year comparable period as a result of the departure of the former CEO and the associated contractual termination benefits totaling $240,000.
- Interest and finance expense increased to $12,232 from $4,806 in the prior year comparable period as a result of the interest and accretion expenses related to the office lease that started in June 2022.
- Recovery of doubtful accounts was $nil in 2023. A recovery of $88,571 was recognized in the same prior year period as a result of a one-time settlement of with its former sub-tenant.

Offsetting the increase in the net loss before tax were decreases to certain expenses as follows:

- Share-based compensation decreased to $102,115 from $223,267 in the prior year comparable period as a result of lower fair value of stock options vesting in current period.
- Interest and other income increased to $105,329 from $49,140 in the prior year comparable period as a result of a higher balance of term deposits and higher interest rates on these investments in current period.

For the nine months ended September 30, 2023 the Company incurred gross expenditures of $1,897,882 on its mineral property, before recoverable tax credits and impairment loss, if any. The most significant expenditures this quarter were $757,575 for environmental assessment, $407,420 for contract wages and geological and engineering consulting fees, $286,569 for maps and reports and $225,348 for geochemical assaying. Exploration and project activity expenditures are capitalized in accordance with the Company's accounting policies.

## SUMMARY OF QUARTERLY RESULTS

The selected quarterly consolidated information set out below has been derived from and should be read in conjunction with the previous eight quarterly consolidated financial statements for each respective financial period.

| | **Q3 2023** | Q2 2023 | Q1 2023 | Q4 2022 |
|---|---|---|---|---|
| | **$** | $ | $ | $ |
| Loss from operations | **(576,550)** | (306,061) | (621,609) | (316,777) |
| Net loss and comprehensive loss | **(526,290)** | (274,535) | (405,411) | (233,624) |
| Loss per share - basic and diluted | **(0.00)** | (0.00) | (0.00) | (0.00) |

| | Q3 2022 | Q2 2022 | Q1 2022 | Q4 2021 |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| Loss from operations | (235,493) | (328,506) | (333,969) | (273,452) |
| Net loss and comprehensive loss | (148,715) | (209,021) | (285,102) | (204,927) |
| Loss per share - basic and diluted | (0.00) | (0.00) | (0.00) | (0.00) |

Several factors tend to cause variation in quarterly results. Seasonal weather conditions affect the Company's operations at its exploration camp. Typically, its field program commences in spring or summer and is completed during the fourth quarter of the year. As a result, items such as impairment can only be reasonably determined after the program is completed. No impairment was recorded in the periods presented above. Additionally, certain tax items such as the British Columbia Mining Exploration Tax Credit tend to be processed and recognized during the third or fourth quarter of the year, when the Company is notified, resulting in potential adjustments to the corporate tax provision for the period. Furthermore, the timing of assessment for the Company's filings by tax authorities may lead to a one-time adjustment to the period's tax provision resulting in potentially significant changes to the net income or loss. Expenditures on mineral property are capitalized and form part of the carrying values of the underlying assets in accordance with the Company's accounting policy.

The increase in net loss in Q1 2023 was due to additional legal fees associated with employment matter and salaries and wages as a result of a change in senior management and the associated contractual termination benefits totaling $240,000. The increase in net loss in Q3 2023 was due to the additional hires in senior management in preparation for exploration projects.

## LIQUIDITY AND CAPITAL RESOURCES

As at September 30, 2023, the Company had a working capital of $4,906,795 (December 31, 2022 - $1,917,125) and in cash and cash equivalents and short-term investments of $4,878,117 (December 31, 2022 - $3,065,985).

During the nine months ended September 30, 2023, the Company completed a non-brokered private placement and issued 28,571,429 common share units at a price of $0.21 per unit for gross proceeds of $6,000,000. Each unit consists of one common share of the Company and one half of one share purchase warrant. Each whole warrant entitles the holder thereof to acquire one common share of the Company at a price of $0.25 per common share for a period of 24 months, subject to earlier expiry if the ten-day volume weighted average price exceeds $0.30 per common share. In connection with the private placement, the Company paid unit issuance costs of $90,231 in cash. The Company intends to use the proceeds from the private placement for exploration and development at the Project, and for general working capital purposes.

During the nine months ended September 30, 2023, 2,550,000 stock options were exercised for proceeds of $239,000 pursuant to which the Company issued a total of 2,550,000 common shares. As a result, $200,017 was transferred to share capital from reserves.

During the nine months ended September 30, 2023, the Company cancelled 1,950,000 stock options. As a result, $376,202 was transferred to deficit from reserves.

During the year ended December 31, 2022, the Company issued 600,000 common shares from the exercise of stock purchase options ranging in price from $0.08 to $0.10 for gross proceeds of $52,000 and issued 7,241,500 common shares from the exercise of share purchase warrants with an exercise price of price $0.15 per share for gross proceeds of $1,086,225.

The Company believes that it currently has sufficient cash on hand to fund certain phases of its project. The Company's ability to continue its operations as intended are dependent on its ability to obtain necessary financing and raise capital sufficient to cover certain phases of its project. The Company will explore financing opportunities including those involving stock or flow-through shares. The Company may explore non-equity financing arrangements as potential sources of funding, if applicable.

The Company's expenditures are continuously being evaluated and adjusted with the objective of preserving cash to the furthest extent possible. The Company's expenditures on its mineral property, which are capitalized in accordance with its accounting policy, typically represent the most significant use of its capital resources.

The Company is at an exploration/development stage and has no revenue from its business operations. The Company's ability to meet its future obligations and maintain operations for the foreseeable future is contingent upon successful completion of additional financing arrangements. Although the Company has been successful in raising funds in the equity markets, there is no assurance that additional funding will be available in the future at reasonable terms. The Company evaluates other financing opportunities that become available from time to time. As a prudent business practice for a non-revenue generating enterprise, management carefully monitors its cash resources and explores available options to address any potential shortfall.

(Expressed in Canadian dollars)

## SOURCES AND USES OF CASH

| | **Q3 2023** | Q3 2022 | **YTD 2023** | YTD 2022 |
|---|---|---|---|---|
| | **$** | $ | **$** | $ |
| Cash used in operating activities | **(679,831)** | (176,526) | **(2,465,912)** | (316,681) |
| Cash used in investing activities | **(813,295)** | (1,025,257) | **(1,576,411)** | (3,365,453) |
| Cash (used in) provided by financing activities | **(12,841)** | 364,867 | **6,104,455** | 1,088,730 |
| Change in cash and cash equivalents during the period | **(1,505,967)** | (836,916) | **2,062,132** | (2,593,404) |
| Cash and cash equivalents, beginning of the period | **6,384,084** | 4,931,876 | **2,815,985** | 6,688,364 |
| Cash and cash equivalents, end of the period | **4,878,117** | 4,094,960 | **4,878,117** | 4,094,960 |

For the nine months ended September 30, 2023, the Company reported a net increase in cash of $2,062,132, primarily due to the net cash received during Q2 2023 from a non-brokered private placement of units completed in May 2023. The proceeds from the sale of the private placement will be used for exploration and development at the Project and for general working capital purposes.

The Company had net cash used in operating activities for the nine months ended September 30, 2023 and 2022 of $2,465,912 and $316,681, respectively. The increase in cash used in operating activities in the current year period is mainly due to the Company paying down its accounts payable compared to the prior year period.

The Company had net cash used in investing activities during nine months ended September 30, 2022 of $3,365,453, attributed to the expenditures at the Project compared to $1,576,411 in the current year period that reflects reduced expenditures relating to environmental assessment and field supplies and services.

## KEY MANAGEMENT COMPENSATION

Key management personnel include those persons having the authority and responsibility of planning, directing and executing the activities of the Company. The Company has determined that its key management personnel consist of directors and executive officers of the Company.

A summary of the Company's compensation for key management personnel is as follows:

| | **Q3 2023** | Q3 2022 | **YTD 2023** | YTD 2022 |
|---|---|---|---|---|
| | **$** | $ | **$** | $ |
| Salary and wages (1) | **114,138** | 94,303 | **545,753** | 282,959 |
| Share-based compensation (2) | **19,908** | 43,386 | **103,054** | 230,628 |
| Consulting fees (3) | **-** | 39,380 | **58,500** | 118,158 |
| | **134,046** | 177,069 | **707,307** | 631,745 |

1. During the three and nine months ended September 30, 2023, the Company paid contractual termination benefits totaling $nil and $240,000, respectively (2022 - $nil and $nil, respectively), to key management personnel.
2. During the three and nine months ended September 30, 2023, share-based compensation of $2,208 and $18,763, respectively (2022 - $23,177 and $140,137, respectively), was capitalized to mineral property.
3. Consulting fees were capitalized to mineral property as geological and technical consulting.

Accounts payable and accrued liabilities as at September 30, 2023 totalling $13,431 (December 31, 2022 - $137,421) were owed to certain officers. Interest is not charged on outstanding balances and there are no specified terms of repayment.

(Expressed in Canadian dollars)

## FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 - Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 - Inputs that are not based on observable market data.

The Company's financial instruments classified as Level 1 in the fair value hierarchy are cash and cash equivalents as well as short-term investments. The carrying value of accounts receivable, returnable rent deposit, accounts payable and accrued liabilities and loans payable, approximate their fair values due to their short term to maturity. The carrying value of deposits for reclamation approximates fair value since amounts invested earn interest at market rates.

The Company's risk exposure and the impact on the Company's financial instruments are summarized below.

### a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to fulfill its contractual obligations and arises principally from the Company's holdings of cash and cash equivalents, short-term investments and accounts receivable. The Company manages credit risk in respect of cash and cash equivalents and short-term investments by holding these at a major Canadian financial institution with strong investment-grade ratings by a recognized agency.

Concentration of credit risk exists with respect to the Company's cash and cash equivalents and short-term investments, as all amounts are held at a major Canadian financial institution.

A summary of the Company's cash and cash equivalents as well as short-term investments is as follows:

| | **September 30, 2023** | December 31, 2022 |
|---|---|---|
| | **$** | $ |
| Cash held in bank accounts | **339,208** | 275,677 |
| Term deposits | **4,538,909** | 2,540,308 |
| Short-term investments | **-** | 250,000 |
| | **4,878,117** | 3,065,985 |

As at September 30, 2023, the Company had $nil (December 31, 2022 - $250,000) invested in non-redeemable GICs with original maturity greater than three months. Interest is accrued during the GIC term. The weighted average interest rate earned on the Company's cash, cash equivalents and short-term investments at September 30, 2023 is 4.40% (December 31, 2022 - 3.67%).

### b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in satisfying its financial obligations as they become due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investment and financing activities. The Company has cash, cash equivalents and short-term investments at September 30, 2023 of $4,878,117 (December 31, 2022 - $3,065,985) in order to meet short-term liabilities. As at September 30, 2023 the Company had accounts payable and accrued liabilities of $114,645 (December 31, 2022 - $1,151,823), which have contractual maturities of 90 days or less, interest free loan payable of $40,000 (December 31, 2022 - $40,000), of which $10,000 is forgivable if paid by January 18, 2024 and a current portion of liability of $58,571 (December 31, 2022 - $46,166). The amount of the Company's remaining undiscounted contractual maturities for the lease liability is approximately $269,334 (December 31, 2022 - $324,007) which are due between one to five years.

(Expressed in Canadian dollars)

### c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Company is exposed to interest rate, foreign currency risk, and other price risk as follows:

Interest rate risk

The Company's cash and cash equivalents and short-term investments are held in bank accounts earning interest at variable interest rates. Due to the short-term nature of these financial instruments and the prevailing interest rate environment, fluctuations in market rates do not have a significant impact on estimated fair values as of September 30, 2023.

## OUTSTANDING SHARE DATA

A summary of the Company's outstanding share data is as follows:

| | September 30, 2023 | MD&A Date |
|---|---|---|
| Common shares | 372,936,980 | 372,936,980 |
| Stock options | 5,250,000 | 5,250,000 |
| Warrants | 14,285,715 | 14,285,715 |
| Fully diluted shares outstanding | 392,472,695 | 392,472,695 |

## OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

## PROPOSED TRANSACTIONS

At the date of this MD&A, the Company does not have any proposed material transactions. All material transactions including those completed subsequent to the financial statement date are fully disclosed in the financial statements for the period ended September 30, 2023.

## COMMITMENTS

In February 2017, the Company signed an Extension Agreement to renew the lease of its former office premises. The agreement commenced on June 1, 2017 and expired on May 31, 2022. At the expiration date, the Company had fulfilled its entire lease obligation and thereby terminated the lease.

The Company entered into a lease extension which began April 1, 2023 and expires March 31, 2028. The total aggregate lease payments pursuant to the agreement are $404,001. Additionally, operating costs are estimated at $253,124 over the same period.

## COMMITMENTS RELATED TO MINERAL PROPERTY

### Spanish Mountain Property, British Columbia

On June 15, 2010, the Company acquired a 100% undivided interest in the Cedar Creek property, which is contiguous to the Spanish Mountain property. The wholly-owned property is subject to a 2.5% NSR in favour of a third party. The NSR may be purchased by the Company for $500,000 per 1% NSR. On May 23, 2011, the Company acquired two additional mineral claims that are adjacent to the Cedar Creek Property for $110,000 cash. The claims are subject to a 3% NSR, 2.5% of which may be purchased for $1,000,000.

On August 21, 2012, the Company completed the acquisition of an additional group of mineral claims for consideration of $500,000 in cash and 2,000,000 common shares of the Company. The property is subject to an underlying 4% NSR. The Company has the option to reduce the net NSR to 2% by paying a one-time cash payment of $2,000,000 to the royalty holders.

In accordance with regulatory requirements, as at September 30, 2023, the Company holds a number of guaranteed investment certificates ("GICs") aggregating in the sum of $91,000 (December 31, 2022 - $91,000) and is presented as reclamation deposit on the statement of financial position, in safekeeping for the Government of British Columbia. The security will be released once the Company performs its obligations pursuant to its Mineral Exploration Permit.

## SUBSEQUENT EVENT

On November 22, 2023, the Company entered into a cash or shares-for- debt agreement with Whittle Consulting Ltd., to complete an enterprise optimization on the Spanish Mountain Gold project to assist the Company in determining the optimal scale and net present value, range of solutions and lowest carbon intensity footprint for project advancement.

## OTHER REQUIREMENTS

Additional disclosure of the Company's technical reports, material change reports, news releases, and other information can be obtained under the Company's profile at the following website: www.sedarplus.ca.

## RISKS AND UNCERTAINTIES

The Company is subject to many risks that may affect future operations over which the Company has little control. These risks include, but are not limited to, intense competition in the resource industry, market conditions and the Company's ability to access new sources of capital, mineral property title, results from property exploration and development activities, and currency fluctuations. The Company has incurred losses since inception and there is no expectation that this situation will change in the foreseeable future.

For a detailed listing of the risks and uncertainties faced by the Company, please refer to the Company's MD&A for the years ended December 31, 2022 and 2021.

## CAUTIONARY NOTICES

The Company's financial statements for the period ended September 30, 2023 and 2022, and these accompanying MD&A contain statements that constitute "forward-looking statements" within the meaning of National Instrument 51-102, *Continuous Disclosure Obligations* of the Canadian Securities Administrators. Forward-looking statements often, but not always, are identified by the use of words such as "seek", "anticipate", "believe", "plan", "estimate", "expect", "targeting" and "intend" and statements that an event or result "may", "will", "should", "could", or "might" occur or be achieved and other similar expressions. Forward-looking statements in this MD&A include statements regarding the Company's future exploration plans and expenditures, the satisfaction of rights and performance of obligations under agreements to which the Company is a part, the ability of the Company to hire and retain employees and consultants and estimated administrative assessment and other expenses. The forward-looking statements that are contained in this MD&A involve a number of risks and uncertainties. As a consequence, actual results might differ materially from results forecast or suggested in these forward-looking statements. Some of these risks and uncertainties are identified under the heading "Risks and Uncertainties" in this MD&A. Additional information regarding these factors and other important factors that could cause results to differ materially may be referred to as part of particular forward-looking statements. The forward-looking statements are qualified in their entirety by reference to the important factors discussed under the heading "Risks and Uncertainties" and to those that may be discussed as part of particular forward-looking statements.

Forward-looking statements involve known and unknown risks, uncertainties, assumptions and other factors that may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Factors that could cause the actual results to differ include market prices, exploration success, continued availability of capital and financing, inability to obtain required regulatory approvals and general market conditions. These statements are based on a number of assumptions, including assumptions regarding general market conditions, the timing and receipt of regulatory approvals, the ability of the Company and other relevant parties to satisfy regulatory requirements, the availability of financing for proposed transactions and programs on reasonable terms and the ability of third-party service providers to deliver services in a timely manner. Forward-looking statements contained herein are made as of the date of this MD&A and the Company disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or results or otherwise other than as required by securities law. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.