

SPANISH MOUNTAIN GOLD LTD.

Management Discussion & Analysis

For the Three Months Ended March 31, 2014

Dated: May 21, 2014

Spanish Mountain Gold Ltd.

MD&A for the three months ended March 31, 2014

The following is the 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 audited consolidated financial statements, including the notes thereto, of the Company for the years ended December 31, 2013 and 2012 as well as the unaudited condensed consolidated interim financial statements for the three months ended March 31, 2014.

The accompanying unaudited condensed consolidated interim financial statements and related notes are presented in accordance with International Financial Reporting Standards 34, Interim Financial Reporting ("IAS 34") as issued by the International Accounting Standards Board ("IASB"). Accordingly, certain disclosures included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by the IASB have been condensed or omitted. These consolidated financial statements, together with the following MD&A dated May 21, 2014 ("Report Date"), are intended to provide investors with a reasonable basis for assessing the financial performance of the Company as well as potential future performance. Please refer to the cautionary notices at the end of this MD&A, especially in regard to forward looking statements. All dollar amounts are in Canadian dollars unless otherwise noted.

Additional information relating to the Company including its consolidated financial statements may be found under the Company's profile on SEDAR at www.sedar.com and on the Company's website at www.spanishmountaingold.com.

This MD&A was reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on May 21, 2014. The information contained within this MD&A is current to the same date.

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. The Spanish Mountain property refers to the contiguous mineral and placer claims the Company holds while the Spanish Mountain gold project refers to the mineral resource that the Company has defined in an area within the property. An updated resource estimate for the project was released on April 10, 2014, for which a NI 43-101 Technical Report was filed on May 8, 2014. The Company announced the results of a Preliminary Economic Assessment (PEA) on the Spanish Mountain gold project on November 15, 2012 and filed a NI 43-101 Technical Report on December 19, 2012 on SEDAR.

The Company's March 31, 2014 consolidated financial statements reflect the financial position and results for the period then ended including those for its wholly-owned subsidiary, Wildrose Resources Ltd. ("Wildrose"). All material inter-company transactions have been eliminated.

As indicated above, the Company released an updated resource estimate on April 10, 2014. This resource estimate is an update to the previous estimate disclosed by the Company in a news release dated July 24, 2012. The updated resource was based on all drill data, including data from the 9,229 metre (56 drill holes) reverse circulation ("RC") drilling program completed by the Company during 2013. Compared to the last reported resource, the number of gold ounces within the measured and indicated categories increased an additional 10%, using an economic cut-off grade of 0.2 g/t established in the December 2012 PEA. The Company also announced that the current resource estimate provides confirmation for the magnitude of the grade increase based on a test block ("Test Block") of mineralization within the overall resource. As disclosed in the news releases dated March 7, 2013 and April 10, 2013, the Company observed that the core drilling used for the majority of the resource drilling appeared to underestimate the resource grade. Analysis of all available drill data has concluded that the grade within the Test Block is shown to be increased by 11% to 41% depending on the geologic domain through the use of RC drilling and that the precision of the assays from RC samples is up to three times greater than for the core drilling samples.

Mineral Asset

Spanish Mountain Gold Project, B.C.

The Spanish Mountain property is located in the Cariboo region of central British Columbia, 6 km east of the village of Likely, and 66 km northeast of the City of Williams Lake. The property, which comprises approximately 53 contiguous mineral claims and 13 placer claims and covers an area of approximately 7,916 hectares (or 30 square miles), is 100% owned by the Company.

Spanish Mountain Gold Ltd.

MD&A for the three months ended March 31, 2014

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 drilling on the property since 2005. The Spanish Mountain gold deposit is a bulk-tonnage, gold system of finely disseminated gold. 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 metres. The mineralization of the Main Zone extends northward covering another area of about 400m north-south with a similar width.

Gold mineralization occurs predominately as disseminated within the black, graphitic argillite. Gold grain size is typically less than 30 microns, and is often, but not always, associated with pyrite. Gold mineralization also occurs within quartz veins as free, fine to coarse (visible) gold. Although the highest grades have come from coarse gold within quartz veins, disseminated gold within the argillite units is the most economically important type of mineralization. The area of gold enrichment has been traced for over 2 km, occurring in multiple stratigraphic horizons.

The Spanish Mountain gold deposit is classified as sediment-hosted vein ("SHV") deposit, as it has many of the features common to these deposits, including some of the structural characteristics, regional extent of alteration, alteration mineralogy, mineralization style and gold grade.

The following highlights the key recent developments in respect of the Spanish Mountain gold project which is located in the northern part of the property area:

Metallurgy

Under the direction of Dr. Morris Beattie, extensive metallurgical testwork has been completed by G&T Metallurgical and SGS Lakefield and a flowsheet for the recovery of gold from the deposit has been developed. This flowsheet incorporates gravity concentration followed by flotation to produce concentrates that are subsequently leached by cyanidation. The gravity concentrate is leached by means of intensive cyanidation followed by regrinding and combination with the flotation concentrate for CIL leaching. Testwork on the Main Zone has demonstrated a gold recovery of 97% or better using this procedure for the gravity concentrate. The gold extraction from the Main Zone flotation concentrate by CIL leaching has been indicated to be 95 - 97%. The recent completed PEA supports an average gold recovery of approximately 88% over the proposed mine life of 15 years for the project and an average 90% recovery during the initial three years.

Drilling and Other Field Activities

During the year ended December 31, 2013, the Company completed a reverse circulation program within a Test Block located in the central portion of the potential open pit as outline in the Preliminary Economic Assessment announced on November 14, 2012. The objective of the RC program is to provide larger samples than previously obtained from NQ diamond drilling to determine if there had been a negative bias in the grade of the resource estimate (see the section below) due to sample sizes generated by diamond core drilling. The section below details the magnitude of this negative bias within the Test Block as well as the updated resource estimate incorporating all available drill data to date.

The Company is currently planning another drilling program for the summer of 2014 and will announce the details in due course.

Resource Estimate

On April 10, 2014, the Company released a National Instrument (NI) 43-101 compliant resource estimate for the Spanish Mountain gold project. This resource estimate is an update to the previous estimate disclosed by the Company in a news release dated July 24, 2012.

Spanish Mountain Gold Ltd.
MD&A for the three months ended March 31, 2014

The recently completed PEA has established an economic cut-off of 0.2 g/t gold based on assumptions of operating costs for a potential open pit operation. The following table presents the updated resource at a cut-off grade of 0.2 g/t gold.

Spanish Mountain Updated Resources (at a 0.20 g/t gold cut-off) Effective April, 2014					
Classification	Tonnes	Gold grade (g/t)	Silver grade (g/t)	Gold (ounces)	Silver (ounces)
Measured	37,370,000	0.59	0.66	710,000	790,000
Indicated	200,460,000	0.43	0.69	2,790,000	4,450,000
Measured plus Indicated	237,830,000	0.46	0.69	3,500,000	5,280,000
Inferred	310,970,000	0.35	0.63	3,500,000	6,300,000

Tonnages and contained ounces presented above may not total as shown due to rounding. Readers are cautioned that mineral resources, which are not mineral reserves, do not have demonstrated economic viability.

Details of the parameters used in the resource estimate for the total deposit are as follows:

- Out of a total of 872 drill holes provided, 670 core drill holes (154,368m) and 126 RC drill holes (16,278m) penetrated the various geologic solids. Missing or unsampled intervals were filled with 0.001 g/t gold. Samples not analyzed for silver from earlier drill campaigns were left blank.
- A three dimensional geologic model was produced by the Company's geologist using Vulcan 3D mining software. The mineralization was modeled into an upper argillite unit, an altered siltstone unit, a tuff unit and a lower argillite unit. All material outside of these domains was considered waste.
- The gold grade distributions within the mineralized domains were examined to determine if capping was required. In each case the distribution for gold was strongly skewed. A lognormal cumulative frequency plot was produced for gold in each domain and in all cases showed multiple overlapping lognormal populations. Capping levels were determined to reduce the effect of small high grade populations that can be considered erratic. A similar procedure was used to cap silver values.
- Gold and silver were modeled separately for each geologic domain using pairwise relative semivariograms.
- A block model with blocks 15 x 15 x 5 meters in dimension was superimposed over the mineralized geologic solids.
- Ordinary kriging was used to interpolate grades into blocks within the mineralized solids. In all cases, the kriging exercise was completed in a series of four passes with the search ellipse for each pass being a function of the semivariogram ranges.

The completed National Instrument 43-101 compliant technical report was filed on May 8, 2014 and is available under the profile of the Company on SEDAR and the Company's website.

All drill samples were fire assayed at ALS Chemex Laboratory in Vancouver, BC. The Company has retained Discovery Consultants of Vernon, BC, to monitor independently the quality control and quality assurance (QC/QA) data on the Spanish Mountain Gold Project. Analytical precision and accuracy were measured and monitored by the use of duplicate core, prep and pulp samples and by standards (reference material). Possible contamination during the sampling and processing procedures was monitored by the insertion of blank samples.

Independent resource estimate consultant Gary Giroux MASC, P.Eng. (BC) of Giroux Consultants Ltd. has authorized the release of this estimate. Mr. Giroux is a qualified person by virtue of education, experience and membership in a professional association. He is independent of both the Company and ALS Chemex, applying all of the tests pursuant to section 1.5 of NI 43-101.

In news releases dated March 7, 2013 and April 10, 2013 the Company announced the potential for a grade increase as the core drilling used for the majority of the resource drilling appeared to underestimate the resource grade. The current resource estimate, in addition to providing an overall resource estimate which incorporates all the core drilling and RC drilling completed to date as reported above, provides confirmation for the magnitude of the grade increase based on a

Spanish Mountain Gold Ltd.
MD&A for the three months ended March 31, 2014

test block of mineralization within the overall resource. The Test Block is located in the central portion of the deposit in the area of the initial pit development as proposed in the 2012 PEA. Resource and grade estimates were made for the Test Block within the overall deposit based on each of the core drilling and RC drilling results in this area.

To test the effects of using only RC holes for determining the average grade of the Test Block, blocks within this test volume were re-graded using only RC composites in a similar manner to the 2012 Resource Estimate. Within the RC drilling area of the Test Block, only the upper argillite, tuff and lower argillite domains were present and estimated. Since the RC holes did not penetrate below 950 elevation, only blocks above this level were compared. A comparison of the RC block grades with the 2012 estimate, which used only core drill holes, is tabulated below.

**Comparison of Average Block Gold Grades between the Core Estimate
and the RC Estimate**

Domain	Drill type	Number of Blocks	Total Tonnage	Average Estimated Au (g/t)	% Increase
Upper Argillite	Core holes	3,014	9,358,000	0.52	11.5%
	RC holes			0.58	
Tuff	Core holes	8,498	26,670,000	0.40	25.0%
	RC holes			0.50	
Lower Argillite	Core holes	23,939	74,330,000	0.24	41.7%
	RC holes			0.34	

The reader is cautioned that the above results demonstrating an increased grade and gold content apply to the Test Block only and cannot be assumed to apply to the entire deposit as the Company's 2013 RC program did not cover any area outside of the Test Block.

Preliminary Economic Assessment

The completion of a positive PEA for the Spanish Mountain gold project was announced by the Company on November 15, 2012. The PEA was completed by Tetra Tech, an internationally recognized engineering firm. The NI 43-101 Technical Report was filed on December 19, 2012 under the Company's profile on SEDAR.

The results of the PEA demonstrate the potential technical and economic viability of establishing a new gold mine and mill complex on the project site.

The PEA is based on an open pit mine with a conventional truck and shovel operation that provides 40,000 tonnes per day (tpd) of mill feed for a period of 14 years followed by stockpile treatment during year 15. The life of mine strip ratio is expected to be 2.3. The process plant is conventional in design with crushing and grinding followed by gravity concentration and flotation to produce concentrates that are enriched in gold.

PROPOSED PROJECT HIGHLIGHTS

- A 15 year mine life producing an average of 197,000 ounces per year of gold for the first 14 years and a total life-of-mine (LOM) production of 2.8 million ounces of gold and one million ounces of silver (based the resource estimate dated July 24, 2012).
- Average gold production over years one through three of 268,000 ounces per year.
- An average feed grade during the first three years of operation of 0.70 g/t Au with a life of mine average grade of 0.48 g/t.

Spanish Mountain Gold Ltd.
MD&A for the three months ended March 31, 2014

- Cash costs averaging US\$526 per ounce for the first three years of production and US\$774 per ounce over the life of the mine.
- Financial Analysis - base case gold price assumption of \$1,462/oz being the November 1, 2012 – 36-month trailing average.

Gold Price US\$/oz	Pre-tax		
	Net Present Value @ 5% disc. (US\$ millions)	Internal Rate of Return (%)	Payback Period (years)
1,350	226	10	7.5
1,462 (3-year trailing)	454	15	4.4
1,716 (spot Nov.1, 2012)	887	23	2.7

- Initial Capital Cost (Q3 2012) of US\$755.9 million.
- Life of mine average gold recovery of 88%.
- By-product silver production with a silver recovery of 25%.
- On-site operating cost of US\$10.26 per tonne milled plus \$0.42 per tonne off-site costs for a total of US\$10.68 per tonne for the life of mine.
- Production Summary:

Year	1	2	3	LOM
Au, g/t	0.758	0.784	0.570	0.481
Au Recovery, %	90	90	90	88
Strip Ratio	1.58	.90	1.55	2.29
Oz Au Produced	212,000	332,000	241,000	2.8 million
Cash Cost, \$US/oz	517	453	634	774

CAPITAL COST

- The estimated development capital is based on the third quarter of 2012 and includes a contingency of US\$86 million.
- The initial capital cost estimate is summarized as follows:

Pre-Production Capital	US\$ (millions)
Overall Site	19.9
Open Pit Mining	127.7
Ore handling	54.3
Process	168.1
Tailings and Water Management	69.7
Environmental	11.9
On-site Infrastructures	56.5
Off-site Infrastructures	16.1
Project Indirects	129.0
Owner's Costs	16.6
Contingencies	86.1
PEA Total	755.9

- The life-of-mine sustaining capital is estimated at US\$168.1 million.

OPERATING COST

- Operating costs were estimated for each area of the project and life-of-mine average costs are summarized as follows:

Spanish Mountain Gold Ltd.
MD&A for the three months ended March 31, 2014

Operating Cost	US\$/tonne milled
Mining	5.19
Process	4.45
Tailings	0.04
G&A	0.58
Offsite costs (incl. royalty)	0.42
Total	10.68

DISCOUNTED CASH FLOW ANALYSIS

The results of the Discounted Cash Flow (DCF) analysis indicate that the project has a pre-tax NPV of US\$454 million and an after tax NPV of US\$291 million at a discount rate of 5% with a pre-tax IRR of 15% and a post tax IRR of 12%. Payback on the project from the start of commercial production is 4.4 years. The NPV calculations are based on the beginning of the construction period, two years prior to the start of production.

The pit design was developed using a gold price of US\$1,350/oz while the November 1, 2012 three year trailing gold price of US\$1,462 and a silver price of US\$28/oz were used for the financial base case gold price. Payables for gold were 99.5%. All prices quoted in the study are in Q3 2012 US dollars unless otherwise noted. A three year trailing exchange rate of C\$0.99 to US\$1.00 was used.

INFRASTRUCTURE CONSIDERATIONS

The Spanish Mountain gold property is located in an active mining region of the province with the Mt Polley copper mine and QR gold mine being visible from the project site. An existing highway provides access to within a few kilometres of the project and a Forest Service Road leads from this highway through the area of the project.

The Company intends to initiate studies with BC Hydro, the power authorities in the province, for the construction of a 230kV power line from the main lines in the area of the McLeese Lake Capacitor Station to the project site.

Several alternative locations were considered for the tailings storage facility on the basis of cost and risk analysis. The preferred location upon which the project economic model is based envisages a dam construction approximately 2 km in length in the area just below Nina Lake where seepage control is readily achieved. The man-made structure that created Nina Lake has been proposed for decommissioning by the British Columbia Provincial government due to stability concerns and the storage facility could potentially occupy this area.

CURRENT ACTIVITIES

Following the release of the positive PEA for the Spanish Mountain gold project, the Company's project team is currently evaluating multiple scenarios and trade-off studies with the objective of further improving the overall economics of the Project. Among other things, the project team is continuing a critical evaluation of major project parameters such as potential mining rate, resulting life of mine, cut-off grade, capital cost and operating cost based on the data contained in the PEA in order to define the most attractive potential project for further studies.

The Company cautions, in accordance with National Instrument 43-101 -- Standards of Disclosure for Mineral Projects as adopted by the Canadian Securities Regulators, that the PEA referred to herein is preliminary in nature, includes inferred mineral resources that are considered too speculative geologically to have the economic consideration applied to them that would enable them to be categorized as mineral reserves, and there is no certainty that the PEA will be realized. Mineral resources are not mineral reserves and do not have demonstrated economic viability.

The independent PEA was completed by Tetra Tech, an internationally recognized engineering firm. The PEA was prepared under the supervision of the following independent consultants:

Spanish Mountain Gold Ltd.

MD&A for the three months ended March 31, 2014

Project Infrastructure –	Hassan Ghaffari, P. Eng. of Tetra Tech WEI Inc.
Project Execution –	Hassan Ghaffari, P.Eng. of Tetra Tech WEI Inc.
Capital Cost –	Hassan Ghaffari, P. Eng. of Tetra Tech WEI Inc.
Mineral Processing –	Andre de Ruijter, P.Eng. of Tetra Tech WEI Inc.
Operating Cost –	Andre de Ruijter, P. Eng. of Tetra Tech WEI Inc.
Economic Analysis –	Sabry AbdelHafez, P. Eng. of Tetra Tech WEI Inc.
Resource Estimates –	Gary Giroux, P. Eng. of Giroux Consultants Ltd.
Mine Planning –	Bob Fong, P Eng. of Moose Mountain Technical Services
Geotechnical –	Warren Newcomen, P. Eng. of BGC Engineering Inc.
Environmental –	Ken Brouwer, P. Eng. of Knight Piésold Ltd.
Tailings Facility –	Les Galbraith, P. Eng. of Knight Piésold Ltd.
Power Supply –	Ibro Hadzismajlovic, P. Eng. of Stantec Consulting Ltd.
Tax Model –	PricewaterhouseCoopers LLP

Agreement with First Nations

The Company executed Protocol Agreements with the Williams Lake Indian Band in March 2011 and the Soda Creek Indian Band (Xat'sùll First Nation) in March 2012; and a Cooperation Agreement with Lhtako Dene Nation in September 2012. These agreements address issues in relation to the development of the Spanish Mountain gold project.

Under the agreements, the Company recognizes and respects the First Nations groups' asserted aboriginal rights and title in the area of the Spanish Mountain gold project and the First Nation groups recognize and respect the Company's rights and interests in the exploration and development of the Company's properties. They also reflect commitments by the parties for continued engagement in a respectful and collaborative manner.

The agreements provide capacity support to the First Nations groups for their ongoing involvement in the project as well as training, employment, and business opportunities. Additionally, the parties have committed to negotiating a more detailed agreement regarding the impacts and benefits associated with the construction, operation and reclamation of a large scale mine development.

Environmental Assessment and Permitting Process

On August 4, 2011, the Company announced that the Project Description for the Spanish Mountain gold project had been accepted by both the British Columbia Environmental Assessment Office and the Canadian Environmental Assessment Agency. The Project Description describes the technical, economic, social, environmental, heritage and health components of the construction and operation of the proposed gold mine on the Spanish Mountain property. The acceptance of the Project Description means that the project had now entered the 'Pre-Application' phase of the Environmental Assessment and Permitting process. As part of the process, public meetings will be scheduled although the Company has already held initial public meetings in the communities of Likely, Big Lake and Williams Lake and has held several meetings with both the Williams Lake Indian Band and Soda Creek Indian Band. As described above, the Company has separately signed a protocol agreement with each Indian band.

For further details on the Environmental Assessment and Permitting processes, please refer to the websites listed below:

- British Columbia Environmental Assessment Office: <http://www.eao.gov.bc.ca>
- Canadian Environmental Assessment Agency: <http://www.ceaa.gc.ca>
- Government of Canada Major Projects Management Office: <http://www.mpmo-bggp.gc.ca>

Results of Operations

Three Months Ended March 31, 2014 Compared to Three Months Ended March 31, 2013

General and administrative (G&A) expenses for the three months ended March 31, 2014 total \$245,826, compared to \$472,464 for the three months ended March 31, 2013, a decrease of \$226,638. Given the prevailing weak capital market conditions, the Company has implemented various austerity measures in order to conserve cash. Total salaries and wages decreased by \$75,698 (2014 - \$98,220 vs. 2013 - \$173,918) due to the reduction of staff level during the fourth quarter of

Spanish Mountain Gold Ltd.
MD&A for the three months ended March 31, 2014

2013. Total investor relations and related expense decreased by \$22,105 (2014 - \$24,346 vs. 2013 - \$2,241) as much of the function has been curtailed or assumed by remaining staff. There were no share-based payments recorded during the three months ended March 31, 2014 (2013 - \$112,251). The Company has not granted any stock options since April 2012 and as a result share-based payments were not incurred or amortized during the current quarter. Share-based payments recognize the portion of the fair values of granted options attributable to the periods using the Black-Scholes valuation model. The fair values of options are influenced by such parameters as stock price volatility and current interest rates incorporated in the valuation model. Share-based payments are non-cash expenditures.

For the three months ended March 31, 2014, the Company recorded an interest income of approximately \$22,975 (2013 - \$12,907), which was primarily earned on its \$2,195,149 refundable tax credit receivable balance outstanding for the 2012 taxation year. The tax refund along with accrued interest was received in February 2014.

For the three months ended March 31, 2014, the Company recorded a deferred income tax recovery of \$67,355 compared to an expense of \$633,114 for the same period in the prior year. The deferred income tax recovery is accrued primarily for tax losses generated during the period reflecting the potential benefits of offsetting future taxable income. In comparison, the tax expense from the same period in the prior year is attributable to a provision of \$677,557 resulting from the renouncing of \$2,710,227 flow-through expenditures in January 2013. The flow-through share offering was completed in December 2012.

For the three months ended March 31, 2014, the Company incurred expenditures on its mineral properties, before recoverable tax credits and impairment loss, totaling \$131,513 (2013 - \$336,822), which had been capitalized in accordance with its accounting policies. During the period, the most significant expenditures were wages (\$38,503) and consulting fees (\$41,175) for the exploration staff and contractors, respectively. A majority of the expenditures was related to preparatory work for the summer drilling program, which is expected to commence near the end of June; and the maintenance costs for the exploration camp located near Likely, BC.

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.

	Revenue \$	Loss \$	Loss per share \$
March 31, 2014	Nil	(156,181)	(0.00)
December 31, 2013	Nil	(2,384,047)	(0.01)
September 30, 2013	Nil	(516,208)	(0.00)
June 30, 2013	Nil	(508,974)	(0.00)
March 31, 2013	Nil	(1,092,671)	(0.01)
December 31, 2012	Nil	(2,632,803)	(0.01)
September 30, 2012	Nil	(517,067)	(0.00)
June 30, 2012	Nil	(721,954)	(0.00)

In accordance with the Company's accounting policies, G&A items are charged to the period's income as they are incurred. The Company's operations are affected by weather conditions 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, such items as impairment can only be reasonably determined after the program is completed. In addition, certain items that affect the tax provisions can only be accurately determined at the year end. Expenditures on mineral properties are capitalized and form parts of the carrying values of the underlying assets.

Liquidity and Capital Resources

At March 31, 2014, the Company has working capital (total current assets minus total current liabilities) of \$986,688 (December 31, 2013 - \$1,336,285), which includes \$1,229,821 (2013 - \$373,592) in cash and cash equivalents. The increase in cash balance during the period ended March 31, 2014 reflects the receipt of the British Columbia Mineral Exploration Tax Credit (BCMETS) refund of \$2,195,149 in February 2014. The outstanding BCMETS balance at December 31, 2013 represents the expected refund on qualified exploration expenditures in connection with the Company's 2012 exploration program. Generally, the BCMETS refund amounts to 30% of qualified exploration expenditures on the Company's properties.

Spanish Mountain Gold Ltd.
MD&A for the three months ended March 31, 2014

The current working capital balance described above is expected to sufficiently meet the Company's cash requirements in the near term. The Company's main uses of cash are its G&A expenditures and its exploration/ project activities for its Spanish Mountain gold project. The Company's current monthly cash expenditures approximate \$80,000 comprised of primarily payroll costs for current level of staff, maintenance costs for its exploration camp and general administrative costs for its head office. The Company's expenditures on its mineral properties, which are capitalized in accordance with its accounting policy, have been the most significant use of its capital resources. On September 27, 2013, the Company completed an offering of flow-through units for total gross proceeds of \$1,046,296, which is required to be spent on qualified exploration expenditures by December 31, 2014. Other than these flow-through expenditures, the Company has not made additional commitments with respect to expenditures on mineral properties or other capital items for 2014 at Report Date.

The Company has initiated cost cutting measures to conserve cash and may take actions to further reduce expenditures if required. 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 to date, there can be no assurance that additional funding will be available in the future at reasonable terms. As needs arise, the Company will explore financing opportunities involving stock or flow-through shares to fund its exploration/development program.

The change in cash flow activities can be summarized as follows:

	Increase (Decrease) in Cash and Cash Equivalents for the Period Ended March 31	
	2014	2013
Operating Activities	\$(301,197)	\$(572,616)
Financing Activities	nil	\$(54,884)
Investing Activities	\$1,157,426	\$(764,412)
Total Change in Cash	\$(856,229)	\$(1,391,913)
Cash and Cash Equivalents, Beginning of the Year	\$373,592	\$3,718,025
Cash and Cash Equivalents, End of the Period	\$1,229,821	\$2,326,112

Cash used in operating activities primarily comprise G&A expenditures as the Company is at an exploration/ project development stage and has no significant source of revenue. The \$271,419 decrease in the use of cash for operating activities for the period ended March 31, 2014 over the prior year is mainly attributable to the reduction of rate of cash use for accounts payable balances. The Company has adopted prudent cash management practices to preserve cash, which include deferring payments to the extent possible.

The Company has been dependent on equity financing to fund its operations. For the periods ended March 31, 2014 and 2013, the Company did not complete any fund raising activities. A recorded adjustment of \$54,884 during the same period in the prior year is related to issuing costs for a financing transaction completed in December 2012.

During the period ended March 31, 2014, the \$1,157,426 cash increase in investing activity is due to the receipt of BCMETC refund of \$2,195,149, which is offset by expenditures on mineral properties (\$998,932) and equipment (\$38,791). Of the \$998,932 invested in mineral properties, \$117,364 is direct cash spending during the period and the remaining is related to changes in working capital attributable to mineral properties.

Transactions with Related Parties

The Company has engaged Beattie Consulting Ltd., on an ongoing basis, to provide technical and strategic advice since 2010. Following the appointment of Dr. Morris Beattie to the Company's Board of Directors in March 2011, Beattie Consulting Ltd., of which Dr. Beattie is major shareholder, has been classified as a related party. For the period ended March 31, 2014, the Company was charged \$60,000 (2013 - \$54,000) for the services rendered.

Spanish Mountain Gold Ltd.
MD&A for the three months ended March 31, 2014

Due to the significant increase in investor and shareholder activities in Europe during recent years, the Board of Directors has authorized the Company to retain Lancelot Gold Limited, a London-based firm, to provide marketing, administrative support and, if required, office facility. A director of the Company is a director and major shareholder of this firm. For the period ended March 31, 2014, the Company did not incur any charges (2013 - \$59,265) from Lancelot Gold. The Company is curtailing marketing activities and has suspended using the services from this firm until market conditions improve.

Compensation of key management personnel, including directors, for the three months ended March 31, 2014 amounts to \$158,207 (2013 - \$275,580). No share-based payments were recorded during the period whereas \$101,628 was recorded during the same period in the prior year. Certain executive officers are entitled to termination benefits equivalent to two years' gross salary totalling approximately \$960,000 in the event of a change of control in the Company's ownership. No termination benefits were paid to key management personnel during the periods ended March 31, 2014 and 2013.

Financial Instruments and Other Instruments

The Company has classified its financial instruments as follows:

- Cash and cash equivalents as fair value through profit or loss ("FVTPL")
- Deposits for reclamation as held-to-maturity; and
- Accounts payable and accrued liabilities as other financial liabilities.

The carrying values of cash and cash equivalents, accounts payable and accrued liabilities, approximate their fair values due to the short-term maturity of these financial instruments. The carrying value of reclamation deposits approximates fair value since amounts held 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 refers to the potential that counterparty to a financial instrument will fail to discharge its contractual obligations and arises principally from the Company's holdings of cash and cash equivalents. The Company manages credit risk, in respect of cash and cash equivalents by holding these at a major Canadian financial institution.

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

(b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they become due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. At March 31, 2014, the Company maintains cash and cash equivalents in the amount of \$1,229,821 and accounts payable and accrued liabilities of \$273,540. The accounts payable and accrued liabilities have contractual maturities of 90 days or less.

(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:

I. Interest rate risk

The Company's cash and cash equivalents 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 December 31, 2013.

II. Foreign currency risk

The Company's operations are located in Canada with substantially all transactions denominated in Canadian

Spanish Mountain Gold Ltd.
MD&A for the three months ended March 31, 2014

dollars and, accordingly, the Company is not exposed to significant foreign currency risk.

III. Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk. The Company is not exposed to significant other price risk with respect to its financial instrument as their fair values and future cash flows are not impacted by fluctuations in market prices.

Outstanding Share Data

The Company had the following common shares, stock options and warrants outstanding as at Report Date:

	At Report Date
Common shares	201,447,706
Stock options	9,795,000
Warrants	13,409,922
Fully Diluted shares outstanding	224,652,628

Off-balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Proposed Transactions

At Report Date, 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 consolidated financial statements for the three months ended March 31, 2014.

Critical Accounting Estimates

Significant areas requiring the use of management estimates include the collectability of amounts receivable, recovery of the BCMETC receivable, completeness of accrued liabilities, the fair value of financial instruments, the rates for amortization of property and equipment, the recoverability of mineral property interests, determination of asset retirement and environmental obligations, estimates of deferred income tax assets and liabilities, and the determination of variables used in the calculations of share-based payment. While management believes that these estimates are reasonable, actual results could differ from those estimates and could impact future results of operations and cash flows.

Commitments

The Company's minimum combined lease payments for office premises and equipment for the next four years are as follows:

2014 (remainder of the year)	148,568
2015	182,191
2016	175,808
2017	69,186
	<u>\$575,753</u>

Commitments related to mineral properties are as follows:

Spanish Mountain Property, British Columbia

Pursuant to the purchase agreement, certain mineral claims comprising the Spanish Mountain property are subject to various net smelter returns ("NSR") at 2.5%. The Company may, at its option, reduce the NSR to 1% or 1.5% dependent on the underlying mineral claims with a maximum aggregate payment of \$1,000,000 to the vendors.

Spanish Mountain Gold Ltd.
MD&A for the three months ended March 31, 2014

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 considerations 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 onetime cash payment of \$2,000,000 to the royalty holders.

New Standards and Interpretations Not Yet Adopted

All of the new and revised standards described below may be applicable to the Company and may be early-adopted. The Company does not expect any material impact from adopting these standards.

(a) *IFRS 9 Financial Instruments (2009)*

IFRS 9 introduces new requirements for classifying and measuring financial assets, as follows:

- Debt instruments meeting both a “business model” test and a “cash flow characteristics” test are measured at amortized cost (the use of fair value is optional in some limited circumstances)
- Investments in equity instruments can be designated as “fair value through other comprehensive income” with only dividends being recognized in profit or loss
- All other instruments (including all derivatives) are measured at fair value with changes recognized in profit or loss
- The concept of “embedded derivatives” does not apply to financial assets within the scope of the standard and the entire instrument must be classified and measured in accordance with the above guidelines.

The IASB has indefinitely postponed the mandatory adoption date of this standard.

(b) *IFRS 9 Financial Instruments (2010)*

This is a revised version incorporating revised requirements for the classification and measurement of financial liabilities, and carrying over the existing de-recognition requirements from IAS 39 Financial Instruments: Recognition and Measurement.

The revised financial liability provisions maintain the existing amortized cost measurement basis for most liabilities. New requirements apply where an entity chooses to measure a liability at fair value through profit or loss; in these cases, the portion of the change in fair value related to changes in the entity's own credit risk is presented in other comprehensive income rather than within profit or loss.

The IASB has indefinitely postponed the mandatory adoption date of this standard.

Subsequent Events

As at the Report Date, no reportable material events have occurred subsequent to March 31, 2014.

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 on SEDAR.

Risks and Uncertainties

The Company's principal activity is mineral exploration and development. Companies in this industry are subject to many and varied kinds of risks, including but not limited to, environmental, metal prices, political and economical.

Although the Company has taken steps to verify the title to mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

The Company has no significant source of operating cash flow and no revenues from operations. None of the Company's mineral properties currently have reserves. The Company has limited financial resources. Substantial expenditures are required to be made by the Company to establish ore reserves.

The property interests owned by the Company, or in which it has an option to earn an interest are in the exploration stages only, are without known bodies of commercial mineralization and have no ongoing mining operations. Mineral exploration involves a high degree of risk and few properties, which are explored, are ultimately developed into producing mines. Exploration of the Company's mineral properties may not result in any discoveries of commercial bodies of mineralization. If the Company's efforts do not result in any discovery of commercial mineralization, the Company will be forced to look for other exploration projects or cease operations.

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and properties in which it has previously held an interest. The Company conducts its mineral exploration activities in compliance with applicable environmental protection legislation. The Company is not aware of any existing environmental problems related to any of its current or former properties that may result in material liability to the Company.

Cautionary Notices

The Company's consolidated financial statements for the year ended December 31, 2013, and this 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

Spanish Mountain Gold Ltd.
MD&A for the three months ended March 31, 2014

any obligation to update any forward-looking statements, whether as a result of new information, future events or results or otherwise. 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.