

**SPANISH MOUNTAIN GOLD LTD.**

**Management Discussion & Analysis**

**For the Period Ended June 30, 2020**

Dated: August 28, 2020

**Spanish Mountain Gold Ltd.**  
**MD&A for the period ended June 30, 2020**

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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 consolidated interim financial statements, including the notes thereto, for the period ended June 30, 2020 and 2019 ("Financial Statements") as well as the audited consolidated financial statements of the Company for the years ended December 31, 2019 and 2018.

The accompanying Financial Statements and related notes are presented in accordance with International Financial Reporting Standards ("IFRS") and in accordance with International Accounting Standard 34, Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB") except, as described in Note 3 of the Financial Statements, the adoption of IFRS 16, Leases ("IFRS 16") effective January 1, 2019. Refer to the section "New Standards and Interpretations Adopted" in this MD&A for further details. These Financial Statements, together with the following MD&A dated August 28, 2020 ("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 Financial Statements may be found on the Company's website at [www.spanishmountaingold.com](http://www.spanishmountaingold.com) as well as under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

These MD&A were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on August 28, 2020. The information contained within this MD&A is current to the same date.

**OVERVIEW**

The Company's June 30, 2020 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.

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 (the "Project") refers to the mineral resource that the Company has defined in an area within the property. On October 23, 2019 the Company announced the results of a Preliminary Economic Assessment ("PEA"). The new PEA focused on the conceptual development of the higher grade/ near-surface ounces within the overall resource and the initial decade of mining operations (Phase I). The resource estimate for the Project was also updated in conjunction with the PEA.

During July and August 2020 the Company completed three private placements for an aggregate gross proceed of \$14,000,000. A total of 68,571,427 units were issued with prices ranging from \$0.10 to \$0.42 each. Each unit comprises one common share and one share purchase warrant with exercise price ranging from \$0.15 to \$0.60 each, expiring in two years. Mr. Eric Sprott, a highly respected mining investor, has subscribed to a total of 48,571,427 units for \$12,000,000. No finders' fees, commission or warrants were paid in connection with the private placements. All proceeds will be used to achieve the dual objectives of expanding the Project's multimillion ounce resource through drilling as well as advancing Phase 1 of the Project through Preliminary Feasibility Study ("PFS"), feasibility study, environmental assessment & permitting and a construction decision (the so called "shovel ready" stage).

In August 2020, the Company has mobilized its technical team and consultants to commence the first module of the summer program at the project site near Likely, BC. This first module consists of a series of geotechnical drill holes and test pits that will develop additional data to sustain the proposed project infrastructure as outlined in the PEA, which delineates the Project's current mineral resource. The program will also develop additional data that will assist in the evaluation of the potential for an expanded Phase 1 scenario as part of the Preliminary Feasibility Study that could be undertaken later this year. The first module of the field program will last

**OVERVIEW** (continued)

approximately six weeks and will immediately be followed by a drilling campaign designed to further expand the Project's multimillion ounce gold resource.

In accordance with the health and safety protocols mandated by the health authorities, company personnel have put in place various safety features and procedures that will be strictly enforced by management on-site throughout the duration of the field program. The camp and the enhanced operating procedures have been inspected and approved by the provincial health agency. Management believes that the necessary precautions have been taken to safeguard the health of our employees, consultants and community members and to avoid potential interruptions to the field work.

On May 19, 2020, the Company announced multiple measures to preserve cash. In spite of the recent success in financing, the Company will continue to practise prudent cash management.

**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 50 contiguous mineral claims and 6 placer claims and covers an area of approximately 10,000 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 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 Project is fully funded to achieve the dual objectives of expanding its multimillion ounce gold resource through drilling as well as advancing Phase 1 through Preliminary Feasibility Study, feasibility study, environmental assessment & permitting and a construction decision (the so called "shovel ready" stage). Given the extensive work completed to date, the Company expects to achieve the dual project objectives within a compressed timeline and with a modest budget.

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:

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**MINERAL ASSET** (continued)

**Spanish Mountain Gold Project, B.C.** (continued)

**1. Metallurgy**

Under the direction of Dr. Morris Beattie, extensive metallurgical test work has been completed through a series of work programs indicating the resource is amenable to conventional milling process. Additional detailed, confirmatory testwork, which was independently monitored by experts at Moose Mountain Technical Services, was conducted with bulk samples extracted during 2018, the results for which were announced in August 2019.

The key findings are as follows:

- Low power consumption for crushing and grinding of mill feed indicated
- Simplified process flowsheet used in previous metallurgical test affirmed
- Overall gold recovery confirmed to be 91%
- Lower cyanide consumption than in previous test programs observed

The positive findings from the latest testwork have been incorporated in the PEA results that were announced on October 23, 2019.

**2. Resource Estimate**

The mine plan in the latest PEA incorporates 39 million tonnes (Mt) of mill feed and 139 Mt of waste over the 11-year project life (Phase I). The mill feed extracted from the total resource is comprised entirely of Measured & Indicated ounces and is summarized as follows:

<b>PEA Mine Plan Summary</b>	<b>Unit</b>	<b>Amount</b>
Measured and Indicated Mill Feed	Mt	39.10
Gold Grade	g/t	1.00
Silver Grade	g/t	0.74
Measured and Indicated Gold	koz	1,258
Measured and Indicated Silver	koz	927

The Company released a pit-constrained resource estimate along with the results of the latest PEA, which established an economic cut-off of 0.15 g/t gold based on assumptions of operating costs for a potential open pit operation. The following table presents the updated resource at various categories at the economic cut-off grade of gold.

<b>Resource Category</b>	<b>Tonnes (Million)</b>	<b>Gold grade (g/t)</b>	<b>Gold (Million oz)</b>
Measured	30	0.60	0.6
Indicated	244	0.46	3.6
<b>M&amp;I Total</b>	<b>273</b>	<b>0.47</b>	<b>4.1</b>
<b>Inferred</b>	<b>53</b>	<b>0.37</b>	<b>0.6</b>

*Notes for the Mineral Resources and PEA Mine Plan:*

1. *The Mineral Resource Estimates were prepared by Sue Bird, P.Eng. (who is also 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 October 10, 2019.*
2. *The Mineral Resource Estimates are reported at a cutoff grade of 0.15 g/t.*

**MINERAL ASSET (continued)**

**Spanish Mountain Gold Project, B.C. (continued)**

**2. Resource Estimate (continued)**

*Notes for the Mineral Resources and PEA Mine Plan (continued):*

3. *Cut-off grade assumes US\$1,275/oz. Au at a currency exchange rate of 0.75 C\$ per US\$; 99.8% payable gold; \$4.00/oz. offsite costs (refining and transport), a 1.5% royalty; and uses a 91% metallurgical recovery. The cut off-grade covers processing costs of \$5.00/t and general and administrative (G&A) costs of \$2.25/t.*
4. *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 \$2.20/t mining cost. Overall pit slope angles range from 20 degrees to 43 degrees and are estimated based on geotechnical analysis of various zones in the deposit.*
5. *The PEA Mine Plan and Mill Feed estimates are a subset of the October 10, 2019 Mineral Resource estimates and are based on open pit mine engineering and technical information developed at a Scoping level for the Spanish Mountain Gold deposit.*
6. *PEA Phase 1 Mine Plan and Mill Feed estimates are mined tonnes and grade, the reference point is the primary crusher.*
7. *Mining recovery of 97% and external mining dilution of 10.9% at 0.34 g/t Au grade is applied in addition to the modelled in-block dilution.*
8. *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 "Forward-Looking Statements".*
9. *Estimates have been rounded and may result in summation differences.*

*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.*

**3. Preliminary Economic Assessment**

On October 23, 2019, the Company announced the results of a PEA that indicate the potential viability of a mining operation that mines and processes exclusively the higher-grade/ near-surface M&I ounces (Phase I) within the Project's total resource. The PEA was prepared by Moose Mountain Technical Services (MMTS) under the direction of Marc Schulte, P. Eng., a Qualified Person (as defined under National Instrument 43-101) who is independent of the Company. The NI 43-101 Technical Report was filed on December 4, 2019 under the Company's profile on SEDAR.

**(a) Proposed Operations**

The PEA is based on a 10,000 tonnes per day (tpd) mill rate to process the near-surface Measured and Indicated Resources within an open pit focused on the central higher-grade resources within the deposit.

As a stand-alone operation spanning more than a decade, the PEA envisages a low-cost, owner-operated open pit mine processing 39 million tonnes of material at an average diluted grade of 1.00 gram/tonne gold (g/t Au). The process involves a three-stage crushing circuit followed by a ball mill to produce a relatively coarse grind of 180 microns which is then concentrated by flotation to produce a concentrate for fine grinding and cyanidation at an overall gold recovery of 91%.

Highlights of the PEA are as follows (all amounts are in Canadian dollars unless otherwise indicated; base case is stated using a gold price of US\$ 1,275 per ounce and an exchange rate of \$C1.00 equal US\$0.75):

- This first phase of operation has a mine life of 11 years with peak production of 130,000 ounces per annum (Year 4) and an average LOM annual production of 104,000 ounces of gold for a total of 1,145,000 ounces
- Initial capital is estimated to be C\$364M (or US\$273M), which includes a contingency of C\$42M. Sustaining capital over the life of the mine is estimated to be C\$58M
- Average metallurgical recovery of gold is 91%

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**MINERAL ASSET** (continued)

**Spanish Mountain Gold Project, B.C.** (continued)

**3. Preliminary Economic Assessment** (continued)

**(b) Project Economics**

The economic results for the proposed operations at various gold price assumptions are as follows:

<b>Project Economics at Select Gold Price (US\$)</b>		<b>\$1,100</b>	<b>\$1,200</b>	<b>\$1,275*</b>	<b>\$1,450</b>	<b>\$1,500</b>	<b>\$1,600</b>	<b>\$1,700</b>	<b>\$1,800</b>
<b>Pre-tax</b>									
NPV@5%	C\$m	\$232	\$336	\$414	\$596	\$648	\$752	\$856	\$960
Internal Rate of Return (IRR)		16%	20%	23%	29%	31%	34%	37%	40%
Payback of Initial Capex	Years	4.3	3.8	3.5	2.9	2.8	2.6	2.4	2.2
<b>Post-tax</b>									
NPV@5%	C\$m	\$201	\$274	\$325	\$443	\$476	\$543	\$609	\$676
Internal Rate of Return (IRR)		15%	18%	21%	26%	27%	30%	32%	35%
Payback of Initial Capex	Years	4.3	3.8	3.5	3.0	2.9	2.6	2.4	2.3

\* PEA base case assumptions

**(c) Operational and Cost Metrics**

- Selected operational and cost metrics are shown in the table below:

	<b>Years 1 - 5</b>		
	<b>Units</b>	<b>Avg.</b>	<b>LOM Avg.</b>
Gold grade	g/t	1.13	1.00
Recovery	%	91	91
Annual Gold Production	koz	116	104
Cash Cost/ oz	US\$	481	511
All-in-sustainable Cash Cost/ oz	US\$	519	549
Total Cost/ oz	US\$	776	807

- Operational unit cost summary:

<b>Area</b>	<b>Unit Cost (C\$)</b>
Mining (\$/t mined)	\$2.48
Mining (\$/t milled)	\$10.73
Processing (\$/t milled)	\$6.14
Tailings (\$/t milled)	\$0.16
G&A (\$/t milled)	\$2.06
<b>Total (\$/t milled)</b>	<b>\$19.10</b>

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**MINERAL ASSET** (continued)

**Spanish Mountain Gold Project, B.C.** (continued)

**3. Preliminary Economic Assessment** (continued)

**(d) Initial and Sustaining Capital Cost**

- The initial capital cost estimate is summarized as follows:

<b>Direct Costs</b>	<b>Initial Capital Cost (C\$ Million)</b>
Overall Site	6.7
Open Pit Mining	70.2
Processing Plant (including Ore Handling)	77.4
Tailing Management Facility & Water Management	46.7
Environmental	12.0
On-Site Infrastructure	24.0
Off-Site Infrastructure	17.1
<b>Sub-Total</b>	<b>C\$254.1</b>
<b>Indirect Costs</b>	
Project Indirects	58.9
Owner's Costs	9.3
Contingencies	41.5
<b>Sub-Total</b>	<b>C\$109.7</b>
<b>Total Initial Capital Cost</b>	<b>C\$363.8</b>

- The life-of-mine sustaining capital is estimated at C\$57.8 million.

**(e) Qualified Persons**

The independent PEA was completed by Moose Mountain Technical Services (MMTS) and was prepared under the supervision of the following independent consultants:

<b>Qualified Person</b>	<b>Company</b>	<b>Areas of Responsibility</b>
Bill Gilmour, P.Geo.	Discovery Consultants	Geology and Exploration
Sue Bird, P.Geo.	MMTS	Mineral Resource Estimate
Marc Schulte P.Eng.	MMTS	Lead Consultant, Mine Plan, and Capital
Tracey Meintjes, P.Eng.	MMTS	Metallurgy and Processing
Les Galbraith, P.Eng.	Knight Piésold Ltd.	Tailing, Water Management, Environmental, and Permitting

*The Company cautions, in accordance with NI 43-101 -- Standards of Disclosure for Mineral Projects as adopted by the Canadian Securities Regulators, that the PEA referred to herein is preliminary and conceptual in nature, the PEA's mine plan only incorporates measured and indicated resources, which are not 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.*

**MINERAL ASSET** (continued)

**Spanish Mountain Gold Project, B.C.** (continued)

**4. Current and Recent Activities**

The Company has commenced a summer field program in August 2020. This first module consists of a series of geotechnical drill holes and test pits that will develop additional data to sustain the proposed project infrastructure as outlined in the PEA, which delineates the Project's current mineral resource. The program will also develop additional data that will assist in the evaluation of the potential for an expanded Phase 1 scenario as part of the Preliminary Feasibility Study that could be undertaken later this year with a target completion date during first quarter of 2021.

As a part of the 2020 field program, the Company will begin a drilling campaign designed to further expand the Project's multimillion ounce gold resource.

In addition to the completion of the PEA in 2019, the Company completed a number of field programs during 2018 as follows:

- Archeological Impact Assessment—the entire project area has been cleared. Final reports were accepted by all three First Nations bands whose traditional territories cover the project area
- Additional Metallurgical Testwork—detailed testing was completed confirming efficient flowsheet and average gold recovery of 91%
- Exploration Drilling at the Phoenix Zone—results indicate the potential mineralization with a strike length exceeding three kilometers, three times longer than that of the Main Zone where the proposed pit under the PEA is located
- Strategic Infill Drilling within Proposed Pit—the objective was to reclassify certain gold ounces from Inferred to Measured and Indicated categories. The data supported the objective and has been incorporated in a resource estimate, which was released along with the latest PEA

**5. Future Opportunities: Remaining Resource Ounces and Phoenix Zone**

The Company's current project strategy allows fast-tracking Phase 1 of the Project to be "shovel ready" within a compressed timeline. Phase 1 targets exclusively the near-surface/ higher-grade portion of the mineral deposit, comprising less than 30% of the measured and indicated ounces of the Project's multimillion ounce gold resource. The 2020 field program will include gathering data that could potentially sustain an expanded scenario for Phase 1. The Company believes that an expanded Phase 1, if supported by the underlying data, may immediately deliver additional value by further enhancing the potential economics and multiple key metrics of the Project.

The Company believes that certain gold ounces within the total resource, while not included in the PEA, may potentially deliver additional value over time as they could be conceptually processed using the infrastructure, equipment and labour put in place as a result of the development of proposed standalone operations. However, there is no assurance that all or any part of these ounces will be incorporated in a future mine plan.

The Phoenix Zone was discovered in 2011 by the Company and is located less than two kilometres from the proposed open pit delineated within the Main Zone of the Project. Exploration drilling to date has indicated a northwest trend to the mineralization along a 3,500m long corridor, more than three times the strike length of the Main Zone. This broad trend of gold mineralization is not primarily associated with argillite as at the Main Zone. The trend remains open and untested to the northwest and southeast. Preliminary metallurgical test work has shown that core samples from this area are amenable to the same gold recovery process as has been developed for the Main Zone.

### **AGREEMENTS WITH FIRST NATIONS**

The Company has executed Protocol Agreements with the Williams Lake First Nation in March 2011 and the Soda Creek Indian Band (Xat'sül First Nation) in March 2012; and a Cooperation Agreement with Lhtako Dene Nation in September 2012. These agreements address issues in relation to the potential 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. The Company does not expect such negotiations to proceed materially until, at the earliest, the commencement of a feasibility study in which detailed parameters of a proposed operation will be defined.

### **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. As part of the Environmental Assessment and Permitting process, the Company had also held initial public meetings in the communities of Likely, Big Lake and Williams Lake.

Both the federal and provincial governments have enacted new legislations in 2019 governing the permitting process for resource projects. In light of these significant legislative changes and the modifications made to the Project's scope since 2011, the Company believes that it is prudent to withdraw from the previous EA process at this time and restart under the new legislative regime after a PFS is completed. The data and information gathered from the previously submitted Project Description, baseline environmental studies and community meetings are expected to shorten the timeline in subsequent EA reviews.

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

	<b>Website</b>
British Columbia Environmental Assessment Office	<a href="http://www.eao.gov.bc.ca">www.eao.gov.bc.ca</a>
Canadian Environmental Assessment Agency	<a href="http://www.canada.ca/en/environmental-assessment-agency">www.canada.ca/en/environmental-assessment-agency</a>
Government of Canada Major Projects Management Office	<a href="http://www.mpmo-bggp.gc.ca">www.mpmo-bggp.gc.ca</a>

The comprehensive archeological impact assessment (completed in 2018) concluded that no further archaeological work is recommended prior to any project activities within the entire project area where future mining infrastructure has been proposed under the latest PEA.

**RESULTS OF OPERATIONS**

**1. 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.

<b>Period Ended</b>	<b>Revenue \$</b>	<b>G&amp;A Expenses \$</b>	<b>Net Loss \$</b>	<b>Loss per share \$</b>
June 30, 2020	Nil	(82,451)	(73,050)	(0.00)
March 31, 2020	Nil	(195,540)	(152,929)	(0.00)
December 31, 2019	Nil	(222,081)	(321,825)	(0.00)
September 30, 2019	Nil	(236,611)	(199,868)	(0.00)
June 30, 2019	Nil	(176,130)	(133,183)	(0.00)
March 31, 2019	Nil	(183,356)	(139,440)	(0.00)
December 31, 2018	Nil	(190,818)	(147,342)	(0.00)
September 30, 2018	Nil	(237,081)	(99,099)	(0.00)

In accordance with IFRS, general and administrative (“G&A”) items are charged to the period’s income as they are incurred. 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. Additionally, certain tax items such as the British Columbia Mining Exploration Tax Credit (“BC METC”) tend to be processed and recognized during the third quarter of the year 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 properties are capitalized and form part of the carrying values of the underlying assets in accordance with the Company’s accounting policy.

**2. Three months ended June 30, 2020 compared to three months ended June 30, 2019**

G&A expenses are costs associated with the Company’s corporate head office and other expenditures that are not directly attributable to the Company’s exploration projects. For the three months ended June 30, 2020, G&A expenses decreased by \$93,679 when compared with the same period in the previous year (2020 - \$82,451 vs. 2019 - \$176,130). The decrease is primarily due to a significant reduction of salaries and wages of \$87,012 (2020 – \$1,341 vs. 2019 – \$88,353), as the Company took measures to secure its cash position in light of uncertainties caused by the COVID-19 pandemic during the second quarter. These measures include temporary suspension of executive pay and furloughing a majority of the staff.

For the three months ended June 30, 2020, the Company recorded deferred income tax recovery of \$10,445 compared with \$40,887 during the same period in 2019, a reduction of \$30,422. The reduction in tax recovery reflects the reduction in taxable losses during the current quarter. Tax recoveries are recorded to reflect tax losses incurred during the period that may be potentially used to offset future taxable income.

For the quarter ended June 30, 2020 the Company incurred \$221,025 lower gross expenditures (2020 - \$26,256 vs. 2019 - \$247,281) on its mineral properties, before recoverable tax credits and impairment loss, when compared to the same period in prior year. The higher spending during 2019 is primarily due to project activities related to the PEA. The most significant expenditures this quarter was \$23,517 for utilities and ongoing maintenance of the Company’s exploration camp located near Likely, BC. Exploration and project activity expenditures are capitalized as "Mineral Properties" in accordance with the Company’s accounting policies.

**RESULTS OF OPERATIONS** (continued)

**3. Six months ended June 30, 2020 compared to six months Ended June 30, 2019**

G&A expenses for the six months ended June 30, 2020 decreased by \$81,495 compared to the same period in the previous year (2020 – \$277,991 vs. 2019 - \$359,486). As indicated above, the decrease is primarily due to the measures taken during the second quarter in response to the pandemic, specifically, salaries and wages decreased by \$88,032 (2020 - \$92,977 vs. 2019 - \$181,009). The decrease was partially offset by an increase in share based payment compensation ("SBC") of \$12,794 (2020 – \$57,417 vs. 2019 - \$44,623) reflecting the vesting schedules' underlying options granted by the Company. SBC is an estimated non-cash expenditure which is recorded when the Company grants stock options.

For the six months ended June 30, 2020, the Company recorded a lower deferred income tax recovery of \$53,295 compared to \$81,346 (a reduction of \$28,051) for the same period in the prior year reflecting the current period's lower taxable losses. Tax recoveries are primarily generated for taxable losses incurred during the period reflecting the potential benefits of offsetting future taxable income.

**LIQUIDITY AND CAPITAL RESOURCES**

At June 30, 2020, the Company has a working capital of \$1,048,873 (December 31, 2019 - \$380,109) and \$1,316,389 (December 31, 2019 - \$805,466) in cash, cash equivalents and short-term investments.

The cash balance at June 30, 2020 includes \$939,673 in proceeds pending share issuance related to a non-brokered private placement that was subsequently closed on July 13, 2020. In connection with the offering, 40,000,000 common share units were issued for total gross proceeds of \$4,000,000. Each unit was issued at a price of \$0.10 consisted of one common share of the Company and one common share purchase warrant. Each warrant entitles the holder to purchase one common share at a price of \$0.15 per share expiring July 13, 2022.

As described in the section below, subsequent to June 30, 2020, the Company completed two additional non-broker private placements for aggregate proceeds of \$10,000,000.

On August 6, 2019 the Company completed a non-brokered private placement and issued 6,250,000 common share units at a price of \$0.08 per Unit, for total gross proceeds of \$500,000. Each Unit consists of one common share of the Company and one common share purchase warrant. Each Warrant entitles its holder to purchase one common share at a price of \$0.12 per share expiring on August 6, 2021. Cash share issue costs in the amount of \$16,155 were incurred.

In all the private placements described above, no finders' fees, warrants or commissions were paid.

During the year ended December 31, 2019, the company received an aggregate refund of \$266,400 for BC METC related to previously filed claims attributable to qualified project expenditures.

The Company believes that it currently has sufficient cash on hands to fully fund its operations for the foreseeable future and to achieve its dual project objectives as described above. On a case by case basis, the Company may explore financing opportunities including those involving stock or flow-through shares. The Company is also exploring non-equity financing arrangements as potential sources of funding.

Currently, the Company's budgeted non-project monthly expenditures are approximately \$50,000 and primarily comprise of payroll costs for current level of staff and other G&A costs for its head office. The actual 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 properties, which are capitalized in accordance with its accounting policy, typically represent the most significant use of its capital resources.

**Spanish Mountain Gold Ltd.**  
**MD&A for the period ended June 30, 2020**

**LIQUIDITY AND CAPITAL RESOURCES** (Continued)

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 also 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.

Changes to the Company's cash flow activities are summarized as follows:

	<b>Increase (Decrease) in Cash and Cash Equivalents for the Period Ended June 30</b>	
	<b>2020</b>	<b>2019</b>
Operating Activities	\$(190,656)	\$(225,799)
Financing Activities	\$940,685	\$(38,988)
Investing Activities	\$160,894	\$(376,505)
<b>Total Increase (Decrease) in Cash</b>	<b>\$910,923</b>	<b>\$(641,292)</b>
Cash and Cash Equivalents, beginning of the year	\$405,466	\$826,043
Cash and Cash Equivalents, end of the period	\$1,316,389	\$184,751

Cash used in operating activities are primarily comprised of G&A expenditures as the Company is at an exploration/ project development stage and has no source of revenue or associated expenses. During the period ended June 30, 2020, the Company used \$35,143 less cash when compared to the same period in the prior year (2020 - \$190,656 vs. 2019 - \$225,799). The most significant cash saving came from the reduction of staff salaries and wages as employees were furloughed during the three months ended June 30, 2020 in response to the COVID-19 pandemic. Cash used for operating activities is primarily attributable to G&A expenses and normal changes to outstanding accounts payable and prepaid expenses. The Company continues to practice prudent cash management and preserve cash, which includes negotiating savings and deferring payments to the maximum extent possible.

During the period ended June 30, 2020 the most significant source of cash from financing activities was the receipt of \$939,673 for proceeds pending share issuance in connection with a private placement that was closed subsequent to June 30, 2020. On April 30, 2020, the Company also obtained an interest-free, forgivable business account totaling \$40,000 under a government program. The funds are interest free until December 31, 2022 and 25% of the balance is forgivable if repaid by such date.

During the period ended June 30, 2020, cash provided by investing activities increased by \$537,399 on net basis (2020 – increase of \$160,894 provided vs. 2019 – use of \$376,505) compared to the same period in the prior year reflecting lower project activity level, combined with changes in cash investment, during the period.

**TRANSACTIONS WITH RELATED PARTIES**

Compensation of key management personnel for the six months ended June 30, 2020 decreased by \$75,316 (2020 - \$161,333 vs. 2019 - \$236,649). This is primarily due to a \$90,578 reduction in salary and consulting fees (2020 - \$104,376 vs. 2019 - \$194,954) as executive compensation was temporarily suspended.

The overall reduction in executive compensation was offset by a \$15,262 increase in SBC (2020 - \$56,957 vs. 2019 - \$41,695) which is recognized in accordance with the scheduled vesting of stock options. SBC is an estimated non-cash expenditure which is recorded when the Company grants stock options.

**TRANSACTIONS WITH RELATED PARTIES** (Continued)

At June 30, 2020 accounts payable and accrued liabilities owed to related parties totaled \$199,966 (December 31, 2019 - \$207,507).

Certain executive officers are entitled to termination benefits equivalent to two years' gross salary totaling approximately \$480,000 in the event of a change of control in the Company's ownership. No termination benefits were paid to any key management personnel during the period ended June 30, 2020 and 2019.

All related party transactions were recorded at the amounts agreed upon between the parties. Any balances payable are payable on demand without interest.

**FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS**

The carrying values of cash and cash equivalents, short-term investments, accounts receivable and accounts payable and accrued liabilities approximate their fair values due to the short-term maturity of these financial instruments. The carrying value of deposits for reclamation 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, cash equivalents and short term investments. The Company manages credit risk, in respect of cash, cash equivalents and short term investments by holding these at a major Canadian financial institution.

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

The company maintains an outstanding balance on its trade accounts receivable and is an additional source of credit risk as the balance of the account is for its sub-tenant who is leasing a portion of the company's office premise. During the year ended December 31 2019 the company recorded a provision of \$139,067 for doubtful accounts related to past due payments.

**(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 June 30, 2020, the Company had cash and cash equivalents in the amount of \$1,316,389. Current liabilities comprise of accounts payable, accrued liabilities and current portion of lease liability and 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, 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 June 30, 2020.

**FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS** (continued)

**(c) Market risk** (continued)

ii. Foreign currency risk

The Company's operations are located in Canada with substantially all transactions denominated in Canadian 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 at June 30, 2020 and the Report Date:

	<b>At June 30, 2020</b>	<b>Issued</b>	<b>(Exercised)</b>	<b>At Report Date</b>
<b>Common shares</b>	238,625,957	77,538,427	-	316,164,384
<b>Stock options</b>	9,550,000	-	(2,475,000)	7,075,000
<b>Warrants</b>	22,116,667	68,571,427	(6,492,000)	84,196,094
<b>Fully Diluted shares outstanding</b>	<b>270,292,624</b>	<b>146,109,854</b>	<b>(8,967,000)</b>	<b>407,435,478</b>

**OFF-BALANCE SHEET ARRANGEMENTS**

The Company has no off-balance sheet arrangements.

**PROPOSED TRANSACTIONS**

At the 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 Financial Statements for the period ended June 30, 2020.

**COMMITMENTS**

In February 2017 the Company signed an Extension Agreement to renew the lease of its office premises. The new agreement commences June 1, 2017 and expires May 31, 2022. The total lease payment pursuant to the agreement is \$730,678 (including estimated operating expenses of \$342,622). Concurrently, the Company renewed an agreement to sublease a portion of its office premises to a third party sub-tenant. The agreement commences June 1, 2017 and expires May 31, 2020. The rental recovery is expected to be \$272,902 (including estimated operating expenses of \$139,531). The sub-tenant has elected to terminate the sublease agreement effective August 31, 2020.

**COMMITMENTS RELATED TO MINERAL PROPERTIES 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.

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 ADOPTED**

***IFRS 16 Leases***

As at January 1, 2019 the Company adopted IFRS 16, *Leases* (“IFRS 16”) which specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize a right of use asset (“ROU asset”) and a lease obligation or liability at the commencement date of the lease. This is applicable for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16’s approach to lessor accounting substantially unchanged from its predecessor, IAS 17 *Leases*.

The Company adopted IFRS 16 using the modified retrospective approach. Under this approach, the Company recognizes transition adjustments, if any, in retained earnings or deficit on the date of initial adoption (January 1, 2019), without retrospective restatement of the financial statements and resulted with the recording of additional lease liabilities of \$277,317 and the recording of a right-of-use asset as part of property, plant and equipment.

**SUBSEQUENT EVENTS**

On August 6, 2020 the Company completed a non-brokered private placement and issued 11,904,761 common share units for gross proceeds of \$5,000,000. Each unit consisted of one common share of the Company and one common share purchase warrant. Each warrant entitles its holder to purchase one common share at a price of \$0.60 per share expiring August 5, 2022. No finder’s fees, warrants or commissions were paid in connection with the Offering.

On July 27, 2020 the Company completed a non-brokered private placement and issued 16,666,666 common share units for gross proceeds of \$5,000,000. Each unit consisted of one common share of the Company and one common share purchase warrant. Each warrant entitles its holder to purchase one common share at a price of \$0.45 per share expiring July 24, 2022. No finder’s fees, warrants or commissions were paid in connection with the Offering.

On July 13, 2020 the Company completed a non-brokered private placement and issued 40,000,000 common share units for gross proceeds of \$4,000,000. Each unit consisted of one common share of the Company and one common share purchase warrant. Each warrant entitles its holder to purchase one common share at a price of \$0.15 per share expiring July 13, 2022. No finder’s fees, warrants or commissions were paid in connection with the Offering.

**SUBSEQUENT EVENTS** (continued)

Subsequent to June 30, 2020, 6,492,000 warrants were exercised at prices ranging \$0.05 to \$0.12 and 2,475,000 options were exercised at prices ranging \$0.08 to \$0.16 resulting in an aggregate of 8,967,000 common shares being issued.

**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.sedar.com](http://www.sedar.com).

**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. In August 2014, there was a breach of the tailings dam of a copper/ gold mine, owned by a third party, located near Likely, B.C. resulting in significant environmental damages in the area. Although the Company's operations have not been directly affected by the incident, the long-term impact, if any, on the regulatory or permitting process in connection with the Company's project cannot be determined at this time.

**CAUTIONARY NOTICES**

The Company's Financial Statements for the period ended June 30, 2020, and 2019 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. 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.

As of the report date the COVID-19 pandemic has caused significant disruptions to the global economy and increased volatility in the global financial markets. The extent to which COVID-19 may adversely impact the Company's business and financing opportunities will depend on future developments such as the geographic spread of the disease, the duration of the outbreak, travel restrictions and social distancing, business closures or business disruptions, and the effectiveness of actions taken in Canada, and other countries to contain and treat the disease. Although it is not possible to reliably estimate the length or severity of these developments and their financial impact to the date of approval of these Financial Statements, there may be further significantly adverse impact on the Company's financial position and results of operations for future periods if the pandemic is not successfully contained or the effects of which are not mitigated.