

SPANISH MOUNTAIN GOLD LTD.

Management Discussion & Analysis

For the Year Ended December 31, 2020

Dated: April 26, 2021

Spanish Mountain Gold Ltd.
MD&A for the year ended December 31, 2020

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 audited consolidated financial statements, including the notes thereto, for the years ended December 31, 2020 and 2019 ("Financial Statements").

The accompanying Financial Statements and related notes are presented in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These Financial Statements, together with the following MD&A dated April 26, 2021 ("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 as well as under the Company's profile on SEDAR at www.sedar.com.

These MD&A were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on April 26, 2021. The information contained within this MD&A is current to the same date.

OVERVIEW

The Company's December 31, 2020 Financial Statements reflect the financial position and results for the year 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. The Company's immediate focus is to pursue the dual objectives of further expanding its multimillion ounce gold resource and advancing the development of the Main Zone, which is comprised of the higher grade/ near-surface ounces within the overall resource.

During July and August 2020 the Company completed three private placements for aggregate gross proceeds 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 participated in all three private placements subscribing to a total of 48,571,427 units for \$12,000,000. All proceeds will be used towards pursuing the dual objectives of expanding the Project's multimillion ounce resource through drilling as well as advancing the Project through Preliminary Feasibility Study ("PFS"), feasibility study, environmental assessment & permitting and a construction decision (the so called "shovel ready" stage).

The Company commenced a field program in August 2020 comprising 33 geotechnical drill holes, 600 metres of diamond drill holes and 84 test pits. The data gathered from the program appears to support the proposed project configuration as outlined in the 2019 Preliminary Economic Assessment. The Company also completed a resource drilling program during the winter of 2020 with the objective of further expanding the overall Mineral Resource. A total of 28 exploration drill holes covering approximately 4,500 metres was completed. As previously reported, the pandemic has caused an industry-wide delay in assaying laboratories. The Company will report the assays results as they are available.

In October 2020, the Company announced the commencement of a Preliminary Feasibility Study for the Project, the results for which are expected during the second quarter of 2021. The PFS will evaluate a mining operation with a mill throughput of 20,000 tonnes per day, which is expected to deliver the optimal combination of capital

Spanish Mountain Gold Ltd.
MD&A for the year ended December 31, 2020

expenditure, operational efficiency, economic metrics, mine life and production profile. The PFS will also delineate a Mineral Reserve for the Project.

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. There had been no cases of COVID diagnosis and transmission throughout the field programs.

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, a key supply hub for multiple mines and projects in the region. 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 conducting drilling and other exploration activities 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 Company is concurrently pursuing the dual objectives of expanding its multimillion ounce gold resource through drilling as well as advancing the Project through Preliminary Feasibility Study, feasibility study, environmental assessment and permitting and a construction decision (the so called "shovel ready" stage).

The following highlights the key recent developments in respect of the Spanish Mountain gold project:

1. Metallurgy

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 independent experts, has been conducted with bulk samples extracted in multiple field programs.

Spanish Mountain Gold Ltd.
MD&A for the year ended December 31, 2020

The Company expects to conduct additional testwork in order to further optimize the processing and reduce operating cost.

The Project's flowsheet and processing is characterized as follows:

- Low power consumption for crushing and grinding of mill feed
- Simplified process flowsheet
- Overall gold recovery confirmed to be 90%
- Low cyanide and reagent consumptions

2. Resource Estimate

The mine plan in the 2019 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:

PEA Mine Plan Summary	Unit	Amount
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 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.

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

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.
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

Spanish Mountain Gold Ltd.
MD&A for the year ended December 31, 2020

affect the potential development of the Mineral Reserves are detailed below in the section entitled "Forward-Looking Statements". Estimates have been rounded and may result in summation differences.

9. *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%

(b) Project Economics

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

Project Economics at Select Gold Price (US\$)		\$1,100	\$1,200	\$1,275*	\$1,450	\$1,500	\$1,600	\$1,700	\$1,800
Pre-tax									
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
Post-tax									
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:

	Units	Years 1 - 5	
		Avg.	LOM Avg.
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:

Area	Unit Cost (C\$)
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
Total (\$/t milled)	\$19.10

(d) Initial and Sustaining Capital Cost

- The initial capital cost estimate is summarized as follows:

Direct Costs	Initial Capital Cost (C\$ Million)
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
Sub-Total	C\$254.1
Indirect Costs	
Project Indirects	58.9
Owner's Costs	9.3
Contingencies	41.5
Sub-Total	C\$109.7
Total Initial Capital Cost	C\$363.8

- 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:

Qualified Person	Company	Areas of Responsibility
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.

4. Current and Recent Activities

The Company commenced a summer field program in August 2020. This first module consists of a series of geotechnical drill holes and test pits that had developed additional data to sustain the proposed project infrastructure as outlined in the 2019 PEA, which delineates the Project's current mineral resource. The program also generated additional data to support an expanded operating scenario for a Preliminary Feasibility Study, the commencement of which was announced in October 2020. The PFS will evaluate a mining operation with a mill throughput of 20,000 tonnes per day, which is expected to deliver the optimal combination of capital expenditure, operational efficiency, economic metrics, mine life and production profile. The PFS will also delineate a Mineral Reserve for the Project.

As a part of the 2020 field program, the Company began a drilling campaign designed to further expand the Project's multimillion ounce gold resource. A total of 28 exploration drill holes covering approximately 4,500 metres was completed and the assay results will be announced once they are received.

5. Future Opportunities: Remaining Resource Ounces and Phoenix Zone

The Company's current project strategy allows fast-tracking the Project to be "shovel ready" within a compressed timeline. The proposed operations target 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 operating scenario. The Company believes that an expanded operation, 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.

Spanish Mountain Gold Ltd.
MD&A for the year ended December 31, 2020

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 (Xatsúll 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

The Company resumed the environmental assessment process in early 2021 and will build on significant activities initiated since 2011. Updated environmental data are being gathered and compiled on an ongoing basis.

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:

	Website
British Columbia Environmental Assessment Office	www.eao.gov.bc.ca
Canadian Environmental Assessment Agency	www.canada.ca/en/environmental-assessment-agency
Government of Canada Major Projects Management Office	www.mpmo-bggp.gc.ca

Spanish Mountain Gold Ltd.
MD&A for the year ended December 31, 2020

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.

Period Ended	Revenue \$	G&A Expenses \$	Net Loss \$	Loss per share \$
December 31, 2020	Nil	(485,996)	(471,531)	(0.00)
September 30, 2020	Nil	(159,057)	(49,355)	(0.00)
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)

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 December 31, 2020 compared to three months ended December 31, 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 December 31, 2020, G&A expenses increased by \$263,915 when compared with the same period in the previous year (2020 - \$485,996 vs. 2019 - \$222,081). The increase is primarily due to an increase in recorded salary and wages of \$102,326 (2020 – \$207,946 vs. 2019 - \$105,620), as the Company recognized a onetime accrual for certain unpaid work performed during the pandemic shutdown. Share-based payment compensation (“SBC”) increased by \$129,095 (2020 - \$185,941 vs. 2019 - \$56,846) as stock options were granted during the fourth quarter of 2020. SBC are a non-cash, estimated expense related to stock options granted by the Company.

For the three months ended December 31, 2020, the Company recorded deferred income tax recovery of \$53,759 compared with \$35,324 during the same period in 2019, an increase of \$18,435. Tax recoveries are recorded to reflect tax losses incurred during the period that may be potentially used to offset future taxable income. During the period, the tax recovery was further increased due to the timing difference resulting from the tax treatment of share issue costs incurred for the private placements.

Spanish Mountain Gold Ltd.
MD&A for the year ended December 31, 2020

For the quarter ended December 31, 2020 the Company incurred gross expenditures of \$3,054,304 (2019 - \$177,270) on its mineral properties, before recoverable tax credits and impairment loss. The higher spending during 2020 is due to project and field activities which began during the summer. The most significant expenditures this quarter was \$1,038,533 for staff wages, geological and engineering consulting fees, \$1,219,923 for drilling, and \$617,910 for environmental consulting. Other significant expenditures include \$134,896 related to utilities and the 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.

3. Year ended December 31, 2020 compared to year ended December 31, 2019

G&A expenses for the year ended December 31, 2020 increased by \$104,866 compared to the previous year (2020 – \$923,044 vs. 2019 - \$818,178). The increase is primarily due to changes in SBC of \$60,643 (2020 – \$257,403 vs. 2019 - \$196,760) as new stock options were granted during the fourth quarter of the year. Expenditures for marketing activities increase by \$31,241 over the prior year (2020 - \$148,348 vs 2019 - \$117,107) due to participation in various trade conferences.

For the year ended December 31, 2020, the Company recorded a deferred income tax recovery of \$203,862 compared to \$152,598 for the prior year. The difference reflects the impact of the timing difference resulting from the incurrence of share issue costs in spite of similar overall operating losses compared to the prior year.

During the year ended December 31, 2020 the Company expended \$5,028,513 on its mineral properties (2019 - \$863,275). The most significant expenditures the year were \$2,185,904 for drilling, \$1,076,205 for environment consulting and \$1,419,826 for staff wages and geological and engineering consulting fees.

LIQUIDITY AND CAPITAL RESOURCES

During the year ended December 31, 2020 the Company completed three non-brokered private placements, further details below, and issued 68,571,427 common share units for aggregate gross cash proceeds of \$14,000,000. The Company also issued 2,525,000 common shares from the exercise Stock Options ranging in prices of \$0.05 to \$0.16 for gross proceeds of \$362,000 and issued 17,891,667 common shares for the exercise of Share Purchase Warrants ranging in price from \$0.05 to \$0.15 for gross proceeds of \$1,042,333. The proceeds provide the Company with a working capital of \$10,231,130 at December 31, 2020 (2019 - \$380,109) and \$11,545,862 (2019 - \$805,466) in cash, cash equivalents and short-term investments.

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. Cash share issue costs of \$120,002 were incurred.

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. Cash share issue costs of \$42,211 were incurred.

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. Cash share issue costs of \$36,478 were incurred.

In the prior year, 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

Spanish Mountain Gold Ltd.
MD&A for the year ended December 31, 2020

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 of \$16,323 were incurred.

During the year ended December 31, 2020 the Company received a refund of \$241,615 (2019 - \$266,400) for BC METC related to previously filed claims attributable to qualified project expenditures incurred during 2019.

The Company believes that it currently has sufficient cash on hands to fund its operations for the foreseeable future. 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.

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.

TRANSACTIONS WITH RELATED PARTIES

Compensation of key management personnel for the year ended December 31, 2020 increased by \$147,598 compared with the prior year (2020 - \$748,313 vs. 2019 - \$600,715). This is primarily due to an increase in SBC of \$70,097 (2020 - \$260,484 vs. 2019 - \$190,387) as the Company granted stock options in the fourth quarter of the year. SBC which is recognized in accordance with the scheduled vesting of stock options is an estimated non-cash expenditure which is recorded when the Company grants stock options. Additionally, during the year ended December 31, 2019 a consultant and an employee were appointed as a director and an officer, respectively, resulting in reclassification of certain expenditures totalling \$77,501 (2020 - \$487,829 vs. 2019 - \$410,328) as related party compensation.

At December 31, 2020 accounts payable and accrued liabilities owed to related parties totaled \$317,112 (2019 - \$207,507).

The Company does not have current employment or consulting contracts with any of the executive officers stipulating termination benefits 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 year ended December 31, 2020 and 2019. The Company has no material post-employment benefits and other long-term employee benefits that are contractually stipulated but will be subject to the applications of employment legislations or potential litigations.

All related party transactions were recorded at the amounts agreed upon between the parties. Any balances 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, accrued liabilities and loan payable approximate their fair values due to the short-term maturity of these financial instruments. The carrying value of deposits for reclamation also 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, 2020 the Company recorded a provision of \$239,741 (2019 - \$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 December 31, 2020, the Company had cash and cash equivalents in the amount of \$11,545,862 (2019 - \$805,466). Current liabilities of \$1,787,296 (2019 - \$495,475) comprise of accounts payable, accrued liabilities and current portion of lease liability and have contractual maturities within 12 months.

(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 December 31, 2020.

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.

Spanish Mountain Gold Ltd.
MD&A for the year ended December 31, 2020

OUTSTANDING SHARE DATA

The Company had the following common shares, stock options and warrants outstanding at December 31, 2020 and the Report Date:

	At December 31, 2020	Issued	(Exercised)	At Report Date
Common shares	327,614,051	910,000	-	328,524,051
Stock options	10,225,000	-	(550,000)	9,675,000
Warrants	72,796,427	-	(360,000)	72,436,427
Fully Diluted shares outstanding	410,635,478	910,000	(910,000)	410,635,478

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 year ended December 31, 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 with an option to extend until May 31, 2022. 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.

SUBSEQUENT EVENTS

Subsequent to December 31, 2020, 550,000 stock options were exercised at prices ranging from \$0.08 to \$0.16 per share resulting in the issuance of 550,000 common shares and 360,000 share purchase warrants were exercised at prices ranging from \$0.12 to \$0.15 per share resulting in the issuance of 360,000 common shares.

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.

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 year ended December 31, 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

Spanish Mountain Gold Ltd.
MD&A for the year ended December 31, 2020

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. To date, COVID-19 has had minimal impact on the Company’s exploration and business operating activities. 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.