

**SPANISH MOUNTAIN GOLD LTD.**

**Management Discussion & Analysis**

**For the Period Ended June 30, 2019**

Dated: August 29, 2019

**Spanish Mountain Gold Ltd.**  
**MD&A for the period ended June 30, 2019**

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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 unaudited condensed consolidated interim financial statements, including the notes thereto, for the six months ended June 30, 2019 and 2018 ("Financial Statements") as well as the audited consolidated financial statements of the Company for the years ended December 31, 2018 and 2017.

The Company's 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"). The Company's significant accounting policies and the nature of its critical accounting estimates are the same as those applied in the Company's annual consolidated financial statements as at and for the years ended December 31, 2018 and 2017, except, as described in Note 3 of the condensed consolidated interim 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.

This MD&A prepared as of August 29, 2019 ("Report Date") and its accompanying Financial Statements, 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 29, 2019. The information contained within this MD&A is current to the same date.

**OVERVIEW**

The Company's June 30, 2019 Financial Statements reflect the financial position and results for the year 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 April 10, 2017 the Company announced the results of a Preliminary Economic Assessment ("PEA") for the higher-grade, near-surface section of the Project's identified resource. The PEA supports a scenario under which only the pit-delineated Measured & Indicated resource is mined as a stand-alone operation over 24 years. The resource estimate for the Project was also updated in conjunction with the PEA.

During 2018, the Company completed a number of field programs to further advance the Project. These activities built on the results reported in the 2017 PEA and are expected to provide additional data to support the quality of the Project's multi-million ounce gold resource. The highlights and results of the work completed are as follows:

- Archeological Impact Assessment: The objective of the current year's program is to assess the entire project area where future mining infrastructure has been proposed under the 2017 PEA. The comprehensive survey found that the investigated area has sustained previous disturbance through extensive forestry-related and placer mining activities. Specifically, 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 2017 Preliminary Economic Assessment.

**OVERVIEW** (continued)

- Exploration Drill Program - Phoenix Zone: The Company drilled three shallow holes with wide spacing along the one-kilometre corridor between the Phoenix Zone and the additional gold-bearing area to the north acquired by the Company in 2012 in order to test the potential continuity of mineralization through this corridor. All three drill holes encountered mineralization above the cut-off grade established under the Project's 2017 PEA indicating a northwest trend to the mineralization along a 3,500m long corridor, more than three times the strike length of the Main Zone. The trend remains open and untested to the northwest and southeast indicating further exploration potential within the Spanish Mountain property.
- Strategic infill drilling program within the proposed pit: The objective of the program is to increase the total number of gold ounces captured in a future mine plan by upgrading Inferred resources to the Measured & Indicated categories. All eleven drill holes completed in the 2018 program clearly indicate additional higher grade gold mineralization at shallow depths, most of which is at less than 100 metres from the surface. The holes are all located in areas that are proposed to be mined during the early years (Phase I) under the mine plan developed in the 2017 PEA.
- Metallurgical test work program: During the 2018 field program fresh sample material totaling approximately 4 tonnes were obtained for a metallurgical test work program that is expected to further increase the confidence level in the test results from previous test programs as well as to provide the information required for the proposed design of the overall process plant. The final results of the program were announced in August 2019 indicating a number of improvements over previous testing. Overall gold recovery is confirmed to be 91% vs. 90% assumed in 2017 PEA.

On August 28, 2019 the Company announced appointment of Sara Heston as a director of the Company's Board of Directors.

On August 6, 2019 the Company announced the completion of a non-brokered private placement and issued 6,250,000 common share units (the "Units") for gross proceeds of \$500,000. Each Unit consisted of one common share of the Company and one common share purchase warrant (a "Warrant"). Each Warrant entitles its holder to purchase one common share at a price of \$0.12 per share expiring on August 6, 2021. All of the securities issued in connection with the Offering are subject to a statutory four-month hold period expiring on December 7, 2019. No finders' fees, warrants or commissions were paid in connection with the Offering.

On June 26, 2019 the Company announced the appointment of W. Terry MacLean as a director of the Company's Board of Directors upon the resignation of Jim Rogers as a director. The Company also appointed Sharon Ng as Chief Financial Officer.

On March 11, 2019, the Company announced the retirement of Ian Watson as a director and the appointment of Dr. Morris Beattie as a director and the Chairman of the Company's Board of Directors.

**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 45 contiguous mineral claims and 6 placer claims and covers an area of approximately 7,700 hectares (or 30 square miles), 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.

**MINERAL ASSET** (continued)

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

The Company has been actively drilling on the property since 2005. The Spanish Mountain gold deposit is a bulk-tonnage, gold system of finely disseminated gold. The largest zone carrying significant gold mineralization is called the Main Zone, which has been traced by drilling over a length of approximately 900 metres (m) north-south and a width of 800 metres. The mineralization of the Main Zone extends northward covering another area of about 400m north-south with a similar width.

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

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

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

**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. A recent metallurgical study concluded the flowsheet previously used for the 2012 PEA can be streamlined with the elimination of gravity and pre-float recovery steps without reducing the overall gold recovery. The streamlined flowsheet led to savings in capital and operating costs and had been incorporated in the 2017 PEA. Additional 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% vs 90% assumed in 2017 PEA
- Lower cyanide consumption than in previous test programs observed

**2. Resource Estimate**

On April 10, 2017, the Company released a pit-constrained resource estimate along with the results of a new PEA. The PEA 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.

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**MINERAL ASSET** (continued)

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

**2. Resource Estimate** (continued)

Spanish Mountain Pit-Constrained Resource Estimate (at a 0.15 g/t gold cut-off) Effective April 2017

Classification	Tonnes	Gold grade (g/t)	Silver grade (g/t)	Gold (ounces)	Silver (ounces)
Measured	44,130,000	0.53	0.65	752,055	922,331
Indicated	226,010,000	0.38	0.67	2,761,537	4,869,026
<b>Measured plus Indicated</b>	<b>270,140,000</b>	<b>0.40</b>	<b>0.67</b>	<b>3,513,592</b>	<b>5,791,357</b>
<b>Inferred</b>	<b>181,352,000</b>	<b>0.31</b>	<b>0.65</b>	<b>1,807,689</b>	<b>3,790,315</b>

Notes for Resource Tables:

- This Mineral Resource Estimate was prepared by Gary Giroux, P.Eng. in accordance with CIM Definition Standards and NI 43-101, with an effective date of October 3, 2016.
- A Mineral Resource is a concentration or occurrence of solid material of economic interest in the Earth's crust in such form, grade or quality and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade or quality, continuity and other geological characteristics of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge, including sampling.
- Mineral Resources are reported within a Constraining Pit at a cut-off grade of 0.15 g/t Au. The cut-off grade includes the following considerations: gold price of US\$1,100/oz, exchange rate of 0.77 US\$:C\$; Payable gold % of 99.5%, Offsite refining costs of US\$8/oz, royalties of 1.5%, mining costs of C\$2.10/t, process costs (including General and Administration cost) of C\$6.07/t, and a 90% process recovery. Silver value is not considered in the cut-off grade estimation.
- A Measured Mineral Resource is that part of the Mineral Resource for which quantity, grade or quality, densities, shape and physical characteristics are estimated with confidence sufficient to allow the application of Modifying Factors to support detailed mine planning and final evaluation of the economic viability of the deposit. Geological evidence is derived from detailed and reliable exploration, sampling and testing and is sufficient to confirm geological and grade or quality continuity between points of observation.
- An Indicated Mineral Resource is that part of the Mineral Resource for which quantity, grade or quality, densities, shape and physical characteristics are estimated with sufficient confidence to allow the application of Modifying Factors in sufficient detail to support mine planning and evaluation of the economic viability of the deposit. Geological evidence is derived from adequately detailed and reliable exploration, sampling and testing and is sufficient to assume geological and grade or quality continuity between points of observation.
- An Inferred Mineral Resource is that part of the Mineral Resource for which quantity and grade or quality are estimated on the basis of limited geological evidence and sampling. Geological evidence is sufficient to imply but not verify geological and grade or quality continuity. It is reasonably expected that the majority of Inferred Mineral Resources could be upgraded to Indicated Mineral Resources with continued exploration.
- 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.

**3. Preliminary Economic Assessment**

The completion of a positive PEA for the pit-delineated high grade core of the Spanish Mountain gold project was announced by the Company on April 10, 2017. 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 SEDAR on May 17, 2017 (subsequently amended and filed on February 12, 2019).

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

**MINERAL ASSET** (continued)

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

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

**(a) Proposed Operations**

The PEA is based on an open pit mine with a conventional truck and shovel operation that provides mill-feed at 20,000 tpd for a mine life of 24 years. It is expected that mill-feed will be sourced from stockpile from years 12 through 24. The process plant is conventional in design and includes primary grinding, flotation, regrinding of the concentrate, and cyanidation via a CIL circuit to produce doré.

At an assumed life of mine (“LOM”) gold price of US\$1,250 per ounce (the base case), the proposed operations generate a pre-tax NPV (@5%) of C\$597M and a post-tax net present value (“NPV”) of C\$482M. Pre-tax and post-tax Internal Rates of Return (“IRR”) are 21% and 19%, respectively. Payback of capital is expected to be less than four years.

Selected operational and cost metrics for Years 1 - 5; Years 1 - 10 and LOM are as follows:

	<b>Units</b>	<b>Years 1 - 5 Avg.</b>	<b>Years 1 - 10 Avg.</b>	<b>LOM</b>
Gold grade	g/t	0.77	0.69	0.43
Strip Ratio		0.96	1.55	1.44
Annual Gold Production	koz	157	142	92
Cash Cost/ oz	US\$	469	555	595
All-in-sustainable Cash Cost	US\$	533	619	659
Total Cost/ oz	US\$	667	752	792

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**MINERAL ASSET** (continued)

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

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

**(b) Comparison to 2012 PEA**

Compared to the 2011 PEA, the new PEA demonstrates significant improvements to the Project's economics by focusing on a lower throughput, smaller footprint and small impact operation. Some of the key improvements are as follows:

- Compared with the previously (2012) estimated NPV (@5%) for the entire resource, the 2017 PEA has achieved an NPV that is up to 63% higher even at a gold price that is US\$210 lower than that assumed for the 2012 PEA
- Post-tax IRR has increased from 12% to 19%
- Initial capital has decreased by up to C\$257M (or 33%) from C\$764M to C\$507M
- LOM All-in-sustainable Cash Cost per ounce has decreased from US\$834 to US\$659
- Project life extends to 24 years vs. 14 years in the 2012 PEA

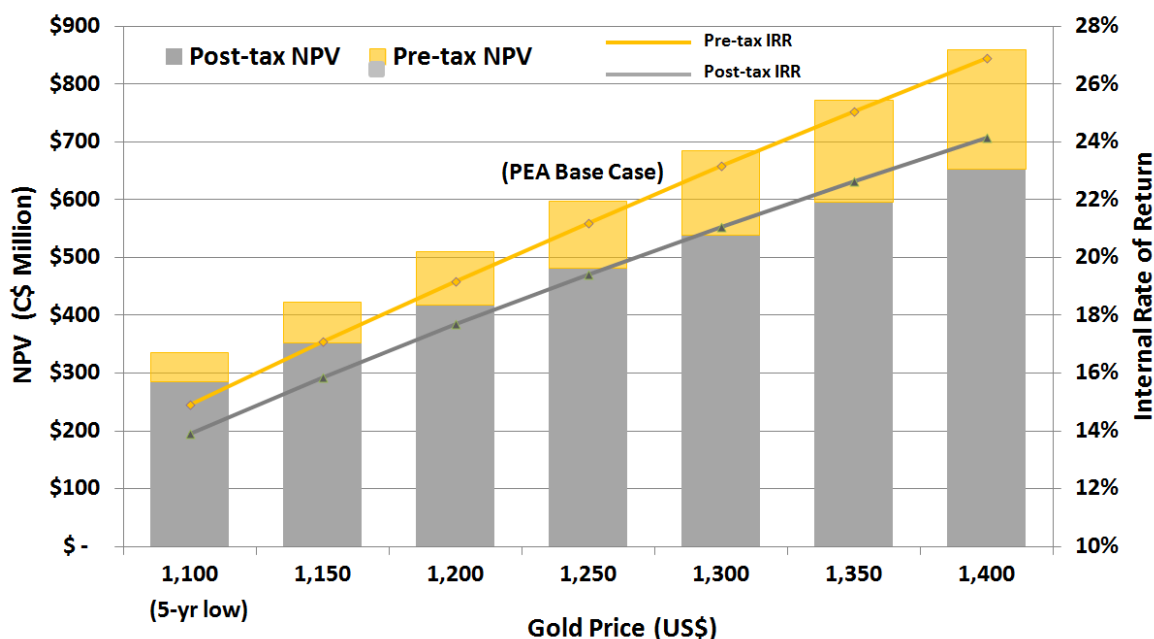
	<b>Units</b>	<b>2012 PEA- 100% Resource</b>	<b>2017 PEA – High-Grade/ M&amp;I Resource only</b>	<b>Change</b>
Assumed LOM Gold Price per ounce	US\$	\$1,462	\$1,250	- \$212
Post-tax NPV@5%	C\$million	\$295	\$482	+ \$187
Post-tax Internal Rate of Return (IRR)		12%	19%	+ 7%
Payback Period	Years	4.4	3.7	- 0.65
LOM Cumulative Free Cashflow including Initial Capex (undiscounted)	C\$million	\$704	\$963	+ \$259
Initial Capital	C\$million	\$764	\$507	- \$257
LOM Production	koz	2,799	2,210	- 589
Mine Life	Years	14	24	+ 10
LOM Strip Ratio		2.3	1.4	- 0.86
LOM Cash Cost per Ounce	US\$	\$774	\$595	- \$179
LOM AISC per Ounce	US\$	\$834	\$659	- \$175

**MINERAL ASSET** (continued)

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

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

**(c) Sensitivity of Economics to Gold Price:**



**(d) Initial Capital Cost**

- The estimated development capital is based on data from the fourth quarter of 2016 and includes a contingency of C\$51 million.
- The initial capital cost estimate is summarized as follows:

Direct Costs	Initial Capital Cost (C\$ Million)
Overall Site	16.6
Open Pit Mining	97.3
Processing Plant (including Ore Handling)	140.0
Tailing Management Facility & Water Management	56.8
Environmental	12.0
On-Site Infrastructure	28.6
Off-Site Infrastructure	14.3
<b>Sub-Total</b>	<b>C\$365.6</b>
<b>Indirect Costs</b>	
Project Indirects	84.6
Owner's Costs	5.8
Contingencies	51.1
<b>Sub-Total</b>	<b>C\$141.5</b>
<b>Total Initial Capital Cost</b>	<b>C\$507.1</b>

- The life-of-mine sustaining capital is estimated at C\$ 193.5 million.



**Spanish Mountain Gold Ltd.**  
**MD&A for the period ended June 30, 2019**

**MINERAL ASSET** (continued)

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

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

**(e) Operating Costs**

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

Operating Costs	C\$/tonne milled
Mining	4.79
Process	4.01
Tailings	0.05
G&A and Offsite costs (incl. royalty)	1.09
<b>Total</b>	<b>9.94</b>

*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, includes inferred mineral resources that are considered too speculative geologically to have the economic consideration applied to them that would enable them to be categorized as mineral reserves, and there is no certainty that the PEA will be realized. Mineral resources are not mineral reserves and do not have demonstrated economic viability.*

**(f) Qualified Persons**

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

Qualified Person	Company	Areas of Responsibility
Bill Gilmour, P.Geol.	Discovery Consultants	Geology and Exploration
Gary Giroux, P.Eng.	Giroux Consultants Ltd.	Mineral Resource Estimating
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

**4. Recent Activities**

As previously indicated, the Company completed a number of field programs during 2018 as follows:

- Archeological Impact Assessment
- Additional Metallurgical Testwork
- Exploration Drilling at the Phoenix Zone
- Strategic Infill Drilling within Proposed Pit

The results received for each program have met the stated objective and will be incorporated in future studies.

**MINERAL ASSET** (continued)

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

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

While the development of the balance of the geologic resource has not been incorporated into the 2017 PEA, it has the potential to benefit significantly from the infrastructure, equipment and labour put in place as a result of the development of proposed standalone operations.

The Company believes that certain gold ounces (primarily in the Inferred category), while not included in the PEA, could potentially deliver additional value over time. However, there is no assurance that all or any part of an Inferred Resource will ever be upgraded to a higher category.

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 executed Protocol Agreements with the Williams Lake Indian Band 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 development of the Spanish Mountain gold project.

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

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

**ENVIRONMENTAL ASSESSMENT AND PERMITTING PROCESS**

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

**ENVIRONMENTAL ASSESSMENT AND PERMITTING PROCESS** (continued)

Both the federal and provincial governments have enacted new legislations during the year governing the permitting process for resource project. The Company is currently assessing the changes and implications for the Project's EA process.

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 2017 Preliminary Economic Assessment.

**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>Revenue</b> \$	<b>G&amp;A Expenses</b> \$	<b>Net Income (Loss)</b> \$	<b>Income (Loss)</b> per share \$
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)
June 30, 2018	Nil	(177,773)	(82,350)	(0.00)
March 31, 2018	Nil	(204,356)	(103,667)	(0.00)
December 31, 2017	Nil	(197,264)	(371,335)	(0.00)
September 30, 2017	Nil	(174,992)	(1,055,301)	(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 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.

**RESULTS OF OPERATIONS** (continued)

**2. Three months ended June 30, 2019 compared to three months ended June 30, 2018**

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, 2019, G&A expenses remained consistent when compared with same period in the previous year and totaled \$176,130 (2018 - \$177,773), a decrease of \$1,643. Discretionary expenses related to investor relations activities decreased by \$27,868 (2019 - \$ 25,878 vs. 2018 - \$53,746) in response to weak market conditions. Non-cash share-based payment compensation ("SBC") of \$19,598 (2018 - \$ nil) was recorded during the period reflecting amortization of costs associated with vested options. Costs associated with stock options are calculated using the Black-Scholes model at the time of grant and amortized in accordance the vesting schedules for underlying options. As a result of the adoption of IFRS 16 for the lease of the office premises using the modified retrospective approach, depreciation expense increased by \$19,951 (2019 - \$21,132 vs. 2018 - \$1,181) as the lease was capitalized (on January 1, 2019) as a right-of-use asset, which is to be depreciated over the duration of the lease. Correspondingly, office and administrative expenses decreased by \$17,972 (2019 - \$4,651 vs. 2018 - \$22,623) as lease payments were directly expensed in prior the year. Cash payments pursuant to the lease agreement for the Company's office premise did not change as a result of the adoption of IFRS 16.

For the three months ended June 30, 2019, the Company recorded deferred income tax recovery of \$40,887 (2018 - \$84,933), a decrease of \$44,046 over the prior year. The 2018 provision is impacted by a non-recurring adjustment of \$40,333 for recovery of flow-through premium related to issuance of flow-through shares in 2017. Deferred income tax expenses or recoveries are non-cash provisions and are recognized to reflect timing differences between accounting and actual tax positions during the period. Tax recoveries are recorded to primarily recognize taxable losses incurred during the period reflecting the potential benefits of offsetting future taxable income.

For the quarter ended June 30, 2019 the Company incurred gross expenditures on its mineral properties, before recoverable tax credits and impairment loss, of \$139,817 (2018 - \$141,256) reflecting the project activities which were initiated during the summer of 2018 and carried over into the current period. During the period, the most significant expenditures were maps and reports (\$53,135), and consulting fees (\$39,939). Mineral property expenditures are capitalized in accordance with the Company's accounting policies.

**3. Six months ended June 30, 2019 compared to six months Ended June 30, 2018**

G&A expenses for the six months ended June 30, 2019 decreased by \$22,644 compared to the same period in the previous year (2019 - \$359,486 vs. 2018 - \$382,130). During this period discretionary expenses related to investor relations activity decreased by \$54,933 (2019 - \$54,376 vs. 2018 - \$109,309). The decrease was offset by an increase in SBC of \$19,598 (2019 - \$44,623 vs. 2018 - \$18,043) reflecting the vesting schedules' underlying options granted by the Company.

As a result of the adoption of IFRS 16 for the lease of the office premises, depreciation expense increased by \$39,910 during the six months ended June 30, 2019 (2019 - \$42,245 vs. 2018 - \$2,335) as the lease was capitalized on January 1, 2019 and is to be depreciated over the duration of the lease. Correspondingly, office and administrative expenses decreased by \$37,451 (2019 - \$7,715 vs. 2018 - \$45,166) as lease payments were directly expensed in same period in the prior year.

For the six months ended June 30, 2019, the Company recorded a lower deferred income tax recovery of \$81,346 compared to \$174,443 (a reduction of \$93,097) for the same period in the prior year. Tax recoveries are primarily generated for taxable losses incurred during the period reflecting the potential benefits of offsetting future taxable income. The provision for the prior period is impacted by \$65,369 recovery of flow-through premium related to the issuance of flow-through shares in December 2017.

**RESULTS OF OPERATIONS** (continued)

**3. Six months ended June 30, 2019 compared to six months Ended June 30, 2018** (continued)

During the six months ended June 30 2019 the company incurred \$209,730 more on its mineral properties (2019 \$443,979 vs. 2018 - \$234,249) when compared with the same period in 2018. The increase is primarily due to geochemical assay expenditures related to project activities initiated in 2018 but incurred during the first quarter of 2019. Mineral property expenditures are capitalized in accordance with the Company's accounting policies. Other significant expenditures include engineering and consulting fees of \$159,446. In addition, \$55,756 was expended for utilities and ongoing maintenance of the Company's exploration camp located near Likely, BC.

**LIQUIDITY AND CAPITAL RESOURCES**

At June 30, 2019, the Company has a working capital of \$483,738 (December 31, 2018 - \$1,269,816) with \$684,751 (December 31, 2018 - \$1,538,470) in cash, cash equivalents and short-term investments. On August 6, 2019 the Company completed a non-brokered private placement and issued 6,250,000 common share units for gross proceeds of \$500,000. The proceeds from the private placement along with the cash on hand are expected to be sufficient to fund the Company's operating and project expenditures for the 2019 fiscal year.

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 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.

On December 14, 2017, the Company completed a private placement with an institutional investor and issued 3,846,200 flow-through common shares for \$0.13 each raising gross proceeds of \$500,006. The gross proceeds are required to and have been spent on qualified exploration expenditures on the Company's Spanish Mountain gold project by December 31, 2018. These expenditures constitute "Canadian exploration expenses" and "flow through mining expenditures" (as defined in the Tax Act) which have been renounced to the investor for the 2017 taxation year. As of December 31, 2018 the Company has fulfilled its obligations to incur qualified expenditures in connection with this issuance of flow-through shares.

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 is exploring available options to address any potential shortfall.

**Spanish Mountain Gold Ltd.**  
**MD&A for the period ended June 30, 2019**

**LIQUIDITY AND CAPITAL RESOURCES** (continued)

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>2019</b>	<b>2018</b>
Operating Activities	\$(225,799)	\$(344,188)
Financing Activities	\$(38,988)	\$20,000
Investing Activities	\$(376,505)	\$(295,070)
<b>Total Decrease in Cash</b>	<b>\$(641,292)</b>	<b>\$(619,258)</b>
Cash and Cash Equivalents, beginning of the year	\$826,043	\$1,707,860
Cash and Cash Equivalents, end of the period	\$184,751	\$1,088,602

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. During the period ended June 30, 2019, the decrease of \$118,389 (2019 - \$225,799 vs. 2018 - \$344,188) in cash used for operating activities is primarily attributable to 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.

With respect to financing activities, cash proceeds of \$20,000 were received in relation to the exercise of warrants during 2018 whereas the \$38,988 payment of lease obligations is classified as financing following the adoption of IFRS 16 effective January 1, 2019.

During the period ended June 30, 2019, cash used for investing activities increased by \$81,435 (2019 - \$376,505 vs. 2018 - \$295,070) compared the prior year. During the current period investing activities comprised of the redemption of \$212,427 of short-term investments which in part funded the \$588,932 of mineral property expenditures.

**TRANSACTIONS WITH RELATED PARTIES**

Compensation of key management personnel for the period ended June 30, 2019 increased by \$35,802 to \$236,649, compared with \$200,847 in 2018. This is primarily due to a \$24,132 increase in SBC (2019 - \$41,695 vs. 2018 - \$17,563) resulting from recognition of duly vested stock options granted in September 2018. During the period ended June 30, 2019 a consultant and an employee were appointed as director and officer, respectively, resulting in higher reported related-party consulting fees (increase of \$7,626) and salary (increase of \$4,044) over the same period in the prior year.

At June 30, 2019 accounts payable and accrued liabilities owed to related parties totaled \$101,087 (December 31, 2018 - \$61,721).

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, 2019 and 2018.

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

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**FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS**

In accordance with IFRS 9, the Company has classified its financial instruments as follows:

	<b>IFRS 9 Classification</b>
Cash and cash equivalents	Fair value – P&L
Rent receivable	Amortized cost
Deposits	Amortized cost
Accounts payable and accrued liabilities	Amortized cost

The carrying values of accounts payable, accrued liabilities and returnable security deposits approximate their fair values due to the short-term maturity of these financial instruments. The carrying value of reclamation deposits approximates fair value since amounts held earn interest at market rates.

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

**(a) Credit risk**

Credit risk refers to the potential that counterparty to a financial instrument will fail to discharge its contractual obligations and arises principally from the Company's holdings of cash, 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 all amounts are held at a single major Canadian financial institution.

**(b) Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they become due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. At June 30, 2019, the Company had cash and cash equivalents in the amount of \$184,751, short term investments of \$500,000 and accounts payable and accrued liabilities of \$262,316. Accounts payable and accrued liabilities have contractual maturities of 90 days or less.

**(c) Market risk**

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

i. Interest rate risk

The Company's cash, 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, 2019.

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.

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

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

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, 2019 and the Report Date:

	<b>At June 30, 2019</b>	<b>Subsequent Issuance</b>	<b>At Report Date</b>
<b>Common shares</b>	232,375,957	6,250,000	238,625,957
<b>Stock options</b>	6,400,000	3,150,000	9,550,000
<b>Warrants</b>	25,482,051	6,250,000	31,732,051
<b>Fully Diluted shares outstanding</b>	<b>264,258,008</b>	<b>15,650,000</b>	<b>279,908,008</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, 2019.

**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). Pursuant to the sublease agreement, the sub-tenant may elect to extend the agreement for another 24 months with an option to terminate by providing a three-month notice to the Company. Assuming the sub-tenant exercises the option to extend the lease, the rental recovery during the extension period is expected to be \$211,573 (including estimated operating expenses of \$93,021).



**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, 2019 the Company completed a non-brokered private placement and issued 6,250,000 common share units for gross proceeds of \$500,000. 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 \$0.12 per share expiring on August 6, 2021. All of the securities issued in connection with the Offering are subject to a statutory four-month hold period expiring on December 7, 2019. No finders’ fees, warrants or commissions were paid in connection with the Offering.

Subsequent to June 30, 2019, the following incentive stock options were granted to certain employees and directors of the Company and will be vested in accordance with the Company’s Incentive Stock Option Plan.

<b>Number of Options</b>	<b>Exercise Price</b>	<b>Grant Date</b>	<b>Expiry Date</b>
300,000	\$ 0.12	August 28, 2019	August 28, 2024
2,850,000	\$ 0.08	July 03, 2019	July 3, 2024
3,150,000			

### **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 periods ended June 30, 2019 and 2018 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

**CAUTIONARY NOTICES** (continued)

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.