

**SPANISH MOUNTAIN GOLD LTD.**

**Management Discussion & Analysis**

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

Dated: November 27, 2019

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

---

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 nine months ended September 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 November 27, 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 November 27, 2019. The information contained within this MD&A is current to the same date.

## **OVERVIEW**

The Company's September 30, 2019 Financial Statements reflect the financial position and results for the period then ended including those for its wholly-owned subsidiary, Wildrose Resources Ltd. ("Wildrose"). All material inter-company transactions have been eliminated.

The Company is an exploration stage company engaged in the acquisition, exploration and development of mineral properties. The Company's primary asset is the Spanish Mountain property located approximately 180 kilometres (km) north of Kamloops, British Columbia. The Spanish Mountain property refers to the contiguous mineral and placer claims the Company holds while the Spanish Mountain gold project (the "Project") refers to the mineral resource that the Company has defined in an area within the property. On October 23, 2019 the Company announced the results of a Preliminary Economic Assessment ("PEA"). The new PEA focused on the conceptual development of the higher grade/ near-surface ounces within the overall resource and the initial decade of mining operations (Phase I). The resource estimate for the Project was also updated in conjunction with the PEA.

During 2018, the Company completed a number of field programs to further advance the Project. These activities built on the results from previous work 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 program is to assess the entire project area where future mining infrastructure has been proposed. 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 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 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. These results have been incorporated in the resource estimate completed in conjunction with the latest 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 previous studies.

On October 23, 2019 the Company announced the results of a new PEA. The PEA is based on a 10,000 tonnes per day ("tpd") mill rate to process the higher-grade/near-surface Measured and Indicated Resources within an open pit. The positive economics and other details for the proposed operations are summarized in the sections below. A NI 43-101 Technical Report is currently being prepared and will be filed on SEDAR within 45 days of the announcement.

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 50 contiguous mineral claims and 6 placer claims and covers an area of approximately 10,000 hectares, is 100% owned by the Company.

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

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

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

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

The 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. Additional detailed, confirmatory testwork, which was independently monitored by experts at Moose Mountain Technical Services, was conducted with bulk samples extracted during 2018, the results for which were announced in August 2019.

The key findings are as follows:

- Low power consumption for crushing and grinding of mill feed indicated
- Simplified process flowsheet used in previous metallurgical test affirmed
- Overall gold recovery confirmed to be 91% vs 90% assumed in 2017 PEA
- Lower cyanide consumption than in previous test programs observed

The positive findings from the latest testwork have been incorporated in the PEA results that were announced in August 2019

**MINERAL ASSET** (continued)

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

**2. Resource Estimate**

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

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

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

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

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

- 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.*
- The Mineral Resource Estimates are reported at a cutoff grade of 0.15 g/t.*
- 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.*
- 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.*
- 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.*
- PEA Phase 1 Mine Plan and Mill Feed estimates are mined tonnes and grade, the reference point is the primary crusher.*
- 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.*
- Factors that may affect the estimates include: metal price assumptions, changes in interpretations of mineralization geometry and continuity of mineralization zones, changes to kriging assumptions, metallurgical recovery assumptions, operating cost assumptions, confidence in the modifying factors, including assumptions that surface rights to allow mining infrastructure to be constructed will be forthcoming, delays or other issues in reaching agreements with local or regulatory authorities and stakeholders, and changes in land tenure requirements or in permitting requirement. Any other known legal, political, environmental, or other risks that could materially affect the potential development of the Mineral Reserves are detailed below in the section entitled "Forward-Looking Statements".*
- Estimates have been rounded and may result in summation differences.*

*Mineral resources, which are not mineral reserves, do not have demonstrated economic viability. Inferred mineral resources have insufficient confidence to allow the meaningful application of technical and economic parameters or to enable an evaluation of economic viability suitable for public disclosure.*

### 3. Preliminary Economic Assessment

On October 23, 2019, the Company announced the results of a PEA that indicate the potential viability of a mining operation that mines and processes exclusively the higher-grade/ near-surface M&I ounces (Phase I) within the Project's total resource. The PEA was prepared by Moose Mountain Technical Services (MMTS) under the direction of Marc Schulte, P. Eng., a Qualified Person (as defined under National Instrument 43-101) who is independent of the Company. The NI 43-101 Technical Report will be filed within 45 days from the announcement date.

#### (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:

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

\* PEA base case assumptions

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

**(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
<b>Total (\$/t milled)</b>	<b>\$19.10</b>

**(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
<b>Sub-Total</b>	<b>C\$254.1</b>
Indirect Costs	
Project Indirects	58.9
Owner's Costs	9.3
Contingencies	41.5
<b>Sub-Total</b>	<b>C\$109.7</b>
<b>Total Initial Capital Cost</b>	<b>C\$363.8</b>

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

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

**(e) Qualified Persons**

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

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

*The Company cautions, in accordance with NI 43-101 -- Standards of Disclosure for Mineral Projects as adopted by the Canadian Securities Regulators, that the PEA referred to herein is preliminary and conceptual in nature, the PEA's mine plan only incorporates measured and indicated resources, which are not mineral reserves, and there is no certainty that the PEA will be realized. Mineral resources are not mineral reserves and do not have demonstrated economic viability.*

**4. Recent Activities**

On top of the completion of a new PEA in 2019, 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

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

While the processing of the remainder of the geologic resource has not been incorporated into the latest 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 within the total resource, while not included in the PEA, could potentially deliver additional value over time. However, there is no assurance that all or any part of these ounces will be incorporated in a future mine plan.

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

### **AGREEMENTS WITH FIRST NATIONS**

The Company has executed Protocol Agreements with the Williams Lake Indian Band 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.

### **ENVIRONMENTAL ASSESSMENT AND PERMITTING PROCESS**

On August 4, 2011, the Company announced that the Project Description for the Spanish Mountain gold project had been accepted by both the British Columbia Environmental Assessment Office and the Canadian Environmental Assessment Agency. The Project Description describes the technical, economic, social, environmental, heritage and health components of the construction and operation of the proposed gold mine on the Spanish Mountain property. As part of the Environmental Assessment and Permitting process, the Company had also held initial public meetings in the communities of Likely, Big Lake and Williams Lake.

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

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

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

The comprehensive archeological impact assessment (completed in 2018) concluded that no further archaeological work is recommended prior to any project activities within the entire project area where future mining infrastructure has been proposed under the latest 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>Period Ended</b>	<b>Revenue \$</b>	<b>G&amp;A Expenses \$</b>	<b>Net Income (Loss) \$</b>	<b>Income (Loss) per share \$</b>
September 30, 2019	Nil	(236,611)	(199,868)	(0.00)
June 30, 2019	Nil	(176,130)	(133,183)	(0.00)
March 31, 2019	Nil	(183,356)	(139,440)	(0.00)
December 31, 2018	Nil	(190,818)	(147,342)	(0.00)
September 30, 2018	Nil	(237,081)	(99,099)	(0.00)
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)

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 September 30, 2019 compared to three months ended September 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 September 30, 2019, G&A expenses remained consistent when compared with the same period in the previous year and totaled \$236,611 (2018 - \$237,081), a decrease of \$470. Discretionary expenses related to investor relations activities decreased by \$19,545 (2019 – \$28,457 vs. 2018 - \$48,002) in response to weak market conditions. Non-cash share-based payment compensation (“SBC”) of \$95,291 (2018 – \$69,951) was recorded during the period reflecting amortization of costs associated with vested stock 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 \$19,947 (2019 - \$21,141 vs. 2018 - \$1,194) 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 \$18,679 (2019 - \$3,296 vs. 2018 - \$21,975) as lease payments were directly expensed in the prior 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 September 30, 2019, the Company recorded deferred income tax recovery of \$35,928 (2018 – \$126,882), a decrease of \$90,954 over the prior year. The 2018 provision was impacted by a non-recurring adjustment of \$88,479 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

**RESULTS OF OPERATIONS** (continued)

**2. Three months ended September 30, 2019 compared to three months ended September 30, 2018** (continued)

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 September 30, 2019 the Company incurred \$691,231 fewer gross expenditures (2019 - \$242,027 vs. 2018 - \$933,258) on its mineral properties, before recoverable tax credits and impairment loss, when compared to the same period in prior year. The higher spending in 2018 is primarily due to the field drill program conducted during last year. The most significant expenditures this quarter were engineering (\$128,997), and environmental (\$64,058) consulting fees. Mineral property expenditures are capitalized in accordance with the Company's accounting policies.

**3. Nine months ended September 30, 2019 compared to nine months ended September 30, 2018**

G&A expenses for the nine months ended September 30, 2019 decreased by \$23,115 compared to the same period in the previous year (2019 - \$596,096 vs. 2018 - \$619,211). During this period discretionary expenses related to investor relations activity decreased by \$74,475 (2019 - \$82,835 vs. 2018 - \$157,310). The decrease was offset by an increase in SBC of \$51,920 (2019 - \$139,914 vs. 2018 - \$87,994) reflecting the vesting schedule of 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 \$59,857 during the nine months ended September 30, 2019 (2019 - \$63,386 vs. 2018 - \$3,529) 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 \$56,130 (2019 - \$11,010 vs. 2018 - \$67,140) as lease payments were directly expensed in same period in the prior year.

For the nine months ended September 30, 2019, the Company recorded a lower deferred income tax recovery of \$117,274 compared to \$301,325 (a reduction of \$184,051) 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 \$153,848 non-recurring recovery of flow-through premium related to the issuance of flow-through shares in December 2017.

During the nine months ended September 30, 2019 the company incurred \$481,251 less on its mineral properties (2019 - \$686,006 vs. 2018 - \$1,167,257) when compared with the same period in 2018. The increased spending in 2018 is primarily due to the field drill program conducted by the Company during the third quarter. Mineral property expenditures are capitalized in accordance with the Company's accounting policies. Significant expenditures during the current period include \$320,531 in engineering and consulting fees and \$75,267 for utilities and ongoing maintenance of the Company's exploration camp located near Likely, BC.

**LIQUIDITY AND CAPITAL RESOURCES**

At September 30, 2019, the Company has a working capital of \$848,400 (December 31, 2018 - \$1,269,816) with \$905,355 (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 raised gross proceeds of \$500,000. Subsequent to September 30, 2019, the company received a refund of \$246,960 for BC METC, which was recorded as accounts receivable at September 30, 2019. The proceeds from the private placement, tax refund and the existing cash on hand are expected to be sufficient to fund the Company's operating and project expenditures for the 2019 fiscal year.

**LIQUIDITY AND CAPITAL RESOURCES** (continued)

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.

As referenced above, on August 6, 2019 the Company completed a non-brokered private placement and issued 6,250,000 common share units ("Units") at a price of \$0.08 per Unit, for total gross proceeds of \$500,000. Each Unit consists of one common share of the Company and one common share purchase warrant (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. Cash share issue costs in the amount of \$16,155 were incurred. No finders' fees, warrants or commissions were paid in connection with the offering.

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.

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

	<b>Increase (Decrease) in Cash and Cash Equivalents for the period ended September 30</b>	
	<b>2019</b>	<b>2018</b>
Operating Activities	\$(372,412)	\$(503,298)
Financing Activities	\$429,261	\$20,000
Investing Activities	\$(277,537)	\$(769,357)
<b>Total Decrease in Cash</b>	<b>\$(220,688)</b>	<b>\$(1,252,655)</b>
Cash and Cash Equivalents, beginning of the year	\$826,043	\$1,707,860
Cash and Cash Equivalents, end of the period	\$605,355	\$455,205

Cash used in operating activities are primarily comprised of G&A expenditures as the Company is at an exploration/ project development stage and has no source of revenue or associated expenses. During the period ended September 30, 2019, the decrease of \$130,886 (2019 - \$372,412 vs. 2018 - \$503,298) in cash used for operating activities is primarily attributable to reduction in overall G&A expenses and normal changes to outstanding accounts payable and prepaid expenses. The Company continues to practice prudent cash management and preserve cash, which includes negotiating savings and deferring payments to the maximum extent possible.

With respect to financing activities, net proceeds of \$483,845 were received in relation to the closing of a non-brokered private placement during the period ended September 30, 2019. Proceeds from the private placement were offset by \$54,584 in payment of lease obligations which are now classified as financing activity following the adoption of IFRS 16 effective January 1, 2019. The exercise of warrants during the same period in 2018 resulted in the receipt of \$20,000.

During the period ended September 30, 2019, cash used for investing activities decreased by \$573,254 (2019 - \$277,537 vs. 2018 - \$769,357) compared the prior year reflecting lower project activity level during the current year.

**TRANSACTIONS WITH RELATED PARTIES**

Compensation of key management personnel for the period ended September 30, 2019 increased by \$67,775 (2019 - \$432,429 vs. 2018 - \$364,654). This is primarily due to a \$54,068 increase in SBC (2019 - \$134,919 vs 2018 - \$80,851) in accordance with vesting of stock options granted in July and August of 2019. During the period ended September 30, 2019 a consultant and an employee were appointed as a director and an officer, respectively, resulting in higher reported related-party consulting fees and salary (combined increase of \$28,605) during the current period over the prior year.

At September 30, 2019 accounts payable and accrued liabilities owed to related parties totaled \$128,876 (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 September 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.

**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 September 30, 2019, the Company had cash and cash equivalents in the amount of \$605,355, short term investments of \$300,000 and accounts payable and accrued liabilities of \$404,088. Accounts payable and accrued liabilities have contractual maturities of 90 days or less.

---

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

**(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 September 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.

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 September 30, 2019 and the Report Date:

	<b>At September 30, 2019 and Report Date</b>
<b>Common shares</b>	238,625,957
<b>Stock options</b>	9,550,000
<b>Warrants</b>	22,116,667
<b>Fully Diluted shares outstanding</b>	<b>270,292,624</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 September 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**

At the Report Date, no reportable material events have occurred subsequent to September 30, 2019.

### **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 September 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 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.