

PINECREST RESOURCES LTD.
Form 51-102F1: Management's Discussion and Analysis
For the Year Ended December 31, 2019
(Expressed in Canadian Dollars)

Date

This Management Discussion and Analysis ("MD&A") should be read in conjunction with the consolidated financial statements of Pinecrest Resources Ltd. ("Pinecrest" or the "Company") for the year ended December 31, 2019. The Company reports its financial position, results of operations and cash flows in accordance with International Financial Reporting Standards ("IFRS"). Additional information relating to the Company including the most recent Company filings can be located on SEDAR at www.sedar.com.

This MD&A is prepared as of April 15, 2020. All dollar figures stated herein are expressed in Canadian dollars, unless otherwise specified.

This discussion includes certain statements that may be deemed "forward-looking statements." All statements in this discussion, other than statements of historical facts, that address events or developments that the Company expects are forward-looking statements. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in the forward-looking statements. Factors that could cause actual results to differ materially from those in forward-looking statements include continued availability of capital and financing and general economic, market or business conditions. Investors are cautioned that any such statements are not guarantees of future performance and that actual results or developments may differ materially from those projected in the forward-looking statements.

Business Overview and Overall Performance

Business overview

Pinecrest Resources Ltd. and its subsidiary engage principally in the acquisition, advancement and development of precious mineral properties, particularly its Enchi Gold Project in Ghana. Pinecrest Resources Ltd., the parent, was incorporated by a Certificate of Incorporation issued pursuant to the provisions of the *Business Corporations Act* (British Columbia) on January 18, 2010. Pinecrest is a public company listed on the TSX Venture Exchange (the "Exchange") (TSX-V: PCR) and its head office is located at Suite 413 – 595 Burrard Street, P.O. Box 49167, Vancouver, British Columbia, V7X 1J1.

Overall performance

- For the year ended December 31, 2019, the Company recorded a net loss of \$270,655 or \$0.00 loss per share compared to a net loss of \$516,962 or \$0.01 loss per share during the prior year. The decrease in net loss from the prior year is primarily due to the lower share-based compensation expense and management fees in 2019.
 - For the year ended December 31, 2019, the Company recorded a comprehensive loss of \$802,497 compared to a comprehensive income of \$403,564 during the prior year. The comprehensive income in 2018 is a result of a currency translation gain of \$920,526 which is due to the stronger US dollar in 2018.
 - As at December 31, 2019, the Company had total assets of \$14,652,641 (December 31, 2018 - \$15,231,689), consisting primarily of short-term investments and exploration and evaluation assets.
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Enchi Gold Project, Ghana

Exploration and evaluation assets

	<u>2019</u>	<u>2018</u>
Acquisition costs		
Balance, beginning of year	\$ 8,356,926	\$ 8,356,926
Balance, end of year	\$ 8,356,926	\$ 8,356,926
Exploration and evaluation costs		
Balance, beginning of year	\$ 2,252,462	\$ 1,729,722
Assays	-	53,968
Camp costs	17,180	26,475
Drilling	2,629	236,652
Geological	89,099	95,045
General and administration	1,393	1,519
Mining permits and licenses	274,841	1,974
Professional fees	40,579	-
Salaries and wages	17,604	31,754
Share-based compensation	-	17,507
Travel and lodging	169	-
Vehicle rental	54,168	57,846
Balance, end of year	\$ 2,750,124	\$ 2,252,462
Foreign exchange impact	2,890,130	3,415,605
Total exploration and evaluation assets	\$ 13,997,180	\$ 14,024,993

On December 4, 2014, the Company completed the acquisition of the Enchi Gold Project (the "Project") located in southwest Ghana from Red Back Mining Ghana Limited ("Red Back"), a wholly-owned subsidiary of Kinross Gold Corporation ("Kinross") (TSX: K; NYSE: KGC) and Edgewater Exploration Ltd. ("Edgewater") (TSX-V: EDW), a company with directors and officers in common. The Project was previously the subject of a joint venture between Red Back (49% interest) and Edgewater (51% interest).

Transaction Terms with Red Back Mining Ghana Limited

Pinecrest signed a definitive agreement with Red Back to acquire Red Back's 49% interest in the Project. In consideration for Red Back's interest in the Project, the Company:

- Issued 10,200,000 common shares to Red Back. The common shares were valued at \$0.22 per share totaling \$2,244,000 which has been classified as acquisition costs of the Project;
- Issued to Red Back an aggregate of 5,000,000 share purchase warrants, which entitles Red Back to purchase up to 5,000,000 common shares of Pinecrest at a purchase price of \$0.30 per share at any time prior to December 4, 2019. The fair value of the warrants issued was \$712,218 which has been classified as acquisition costs of the Project;
- Agreed to pay Red Back a 2% net smelter returns royalty (the "NSR") on production from the Project, with an option for Pinecrest to acquire 1% of the NSR at any time for US\$3.5 million ("Royalty Buyback Right"). This Royalty Buyback Right was indirectly assigned to Sandstorm Gold Ltd.;

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- Agreed to pay Red Back US\$10 for each newly defined ounce of gold contained in any new NI 43-101 measured and indicated mineral resource estimate payable within 120 days from the date Red Back receives notice from Pinecrest of the completion by Pinecrest of a Feasibility Study or any ounce of gold mined, whichever occurs first ("Bonus Payment"). Such amount shall be payable in cash or at Pinecrest's option, in common shares of Pinecrest provided that such issuance would not result in Red Back holding more than 20% of the issued and outstanding shares of Pinecrest. A fair value of \$112,457 was assigned to the Bonus Payment as at the reporting date, which is classified as provision for bonus payment. This value was derived from management's estimate of future cash flows using the preliminary economic assessment report prepared by WSP Canada Inc.;
- Agreed to pay an arm's length party a 2% royalty, up to a maximum amount of USD\$500,000, on future production from one of the Enchi Project licenses; and
- Granted Red Back a right of first refusal to process ore from the Project at Red Back's Chirano Mill, if toll processing is considered by Pinecrest.

Transaction Terms with Edgewater Exploration Ltd.

Pinecrest signed a definitive agreement with Edgewater to acquire Edgewater's 51% interest in the Project, through the purchase of all of the shares of Edgewater's Ghanaian subsidiary, Cape Coast Resources Limited ("CCRL"), which holds the interest in the Project. In consideration for Edgewater's interest in the Project, the Company:

- Issued 20,938,887 common shares to Edgewater (the "Acquisition Shares"). The Acquisition Shares were valued at \$0.22 per share totaling \$4,606,555 which has been classified as acquisition costs of the Project; and
- Paid to Edgewater a cash payment of \$150,000. The cash payment was recorded as acquisition cost of the Project.

The Company accounted for its acquisition of CCRL as a purchase of assets.

Government of Ghana's participation in mining lease

Where a mineral right is for mining or exploitation, the Government of Ghana is entitled to a 10% free carried interest in the rights and obligations of the mineral operations in respect of which financial contribution shall not be paid by the Government of Ghana. The Company presently holds prospecting licenses, which do not entitle the Government of Ghana to a 10% free carried interest.

Preliminary Economic Assessment ("Owner Operated")

(All currency figures are in US Dollars (US\$))

During 2015, the Company completed an Owner Operated Preliminary Economic Assessment (the "PEA" or the "Study") on the Enchi Gold Project (the "Project"). The PEA was prepared by WSP Canada Inc. ("WSP") using a base case Inferred Mineral Resource of 1.07 million ounces (oz) of gold (37.3 million tonnes grading 0.9 gram of gold per tonne (g/t Au), at a cut-off of 0.5 g/t Au). The PEA contemplates an owner operated, open pit, heap leach operation processing 3.0 million tonnes per annum (Mtpy).

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Enchi Gold Project Highlights (estimates)

- Post-Tax NPV 5% of US\$62 Million, IRR 25%
- Pre-Tax NPV 5% of US\$102 Million, IRR 34%
- Life of Mine Average Cash Costs of US\$802/oz
- Average Annual Gold Production of 61,749 oz over an 8.7 years mine life
- Resource expansion potential to extend mine life considered to be excellent with several near surface, on-strike gold targets located outside of the current resource
- Evaluation of contract mining scenario planned to reduce initial capital requirement and enhance already attractive Project economics

PEA Highlights – Base Case US\$1,300/oz gold price (estimates)

Average Mined Gold Grade (g/t)	0.91
Processing Rate (Mtpy)	3.0
Mine Life (years)	8.7
Life-of-Mine (LOM) Strip Ratio	3.16:1
Initial Capital Cost (US\$ Million)	84
LOM Sustaining Capital Cost (US\$ Million)	39
Payback (Pre-Tax) (years)	2.8
Payback (After-Tax) (years)	3.4
LOM Cash Costs (US\$/oz)	802
Metallurgical Recoveries (oxide/transition/sulphide %)	75/75/73
Total Recovered Gold (oz)	538,450
Average Annual Gold Production (oz)	61,749
Peak Annual Gold Production (oz)	76,210

Note: Numbers may not add exactly due to rounding. Cash cost includes all operating costs, royalties, refining charges, environmental monitoring, tenure fees as well as general and administration costs. Cash cost excludes any capital cost, either initial or sustaining and closure and remediation costs.

Based on this PEA, over the first two years of production, it is estimated that Enchi will produce an average of 74,850 ounces of gold per year at a head grade of 1.24 g/t gold, with average cash costs of US\$541 per ounce including royalties and refining charges. Over a project mine life of 8.7 years, it is estimated that the current deposit would produce an average of 61,749 ounces of gold per year at an average cash cost of US\$802 per ounce including royalties and refining charges. The Study shows an estimated Pre-Tax Internal Rate of Return of 34% (25% After-Tax) and a Payback Period of 2.8 years (3.4 years After-Tax).

Financial Models

The financial models were completed using a base case gold price of US\$1,300 per ounce. The Base Case Pre-Tax economic evaluation has an estimated IRR of 34%, payback of capital in 2.8 years and an estimated NPV of US\$102 million at a discount rate of 5%.

Table 1 Pre-Tax Financial Model Sensitivity Analysis

	Units	Metal Price Scenarios			
				(Base Case)	
Gold	US\$/oz	1,200	1,250	1,300	1,350
NPV	5%	61.9	81.9	101.9	121.9

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Payback	Years	3.4	3.0	2.8	2.7
IRR	%	23	28	34	37

The Pre-Tax financial model includes: an initial capital cost estimate of US\$72.7 million, a contingency of US\$11.8 million (20% of direct costs); estimated sustaining capital of US\$38.6 million including a contingency of US\$5.3 million and reclamation and estimated closure costs of US\$18.3 million. The Financial Model was completed on a 100% Project basis and includes a 5% NSR to the Ghanaian Government and a 2% NSR to Red Back Mining Ghana, a subsidiary of Kinross Gold Corporation. The After-Tax financial model includes a 35% corporate tax, demonstrating an estimated base case NPV of US\$62 million at a discount rate of 5%. The Government of Ghana have the right to a 10% free carry interest in the Project which is not reflected in this analysis.

The PEA is preliminary in nature, and it includes inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves. Mineral resources that are not mineral reserves do not have demonstrated economic viability. There is no certainty that the PEA will be realized.

The completed NI 43-101 Technical Report ("Report") was filed by WSP on April 14, 2015 and included a restatement of the mineral resource estimate and present in-pit mineral resource estimate. The Report was prepared by Todd McCracken, P.Geol. (Geology), Ms. Joanne Robinson, P.Eng. (Mining), Mr. Mireno Dhe Paganon, Eng. (Metallurgical and processing), Mr. Bruce White, PrEng. (Infrastructures), Mr. Paul Vermaak, Pr.Sci.Nat. (Environmental and social aspects), and Mr. Jean-Sebastien Houle, Eng. (financial). All individuals providing certifications are Independent Qualified Persons as defined by NI 43-101.

Mr. Gregory Smith, P. Geo., Vice President, Exploration of Pinecrest is the qualified Person as defined by NI 43-101 and has prepared and approved the technical data and information.

The PEA was based on the July 15, 2014 NI 43-101 Inferred Mineral Resource estimate prepared by WSP which as a result of the PEA is being restated using a 0.5 g/t cut-off. (See Table 2 for details).

Table 2 Enchi Gold Project - Inferred Mineral Resource (0.5 g/t Cut-Off)

Cut-off			Grade	Contained Gold
Au (g/t)	Zone	Tonnes	Au (g/t)	(ounces)
0.5	Boin	15,872,000	0.96	489,892
0.5	Nyamebekyere	5,350,000	0.96	165,129
0.5	Sewum	16,135,000	0.82	423,676
	TOTAL	37,357,000	0.90	1,078,697

1. CIM definition standards were followed for the resource estimate.
2. The 2014 resource models used ordinary kriging (OK) grade estimation within a three-dimensional block model with mineralized zones defined by wireframed solids.
3. A base cut-off grade of 0.5 g/t Au was used for reporting resources with a capping of gold grades at 18 g/t.
4. A US\$1,300/ounce gold price, open pit with heap leach operation was used to determine the cut-off grade.
5. A density of 2.45 g/cm³ was applied.
6. Numbers may not add exactly due to rounding.
7. Mineral Resources that are not mineral reserves do not have economic viability

The 2014 Mineral Resource estimate was based on 52,385 metres of diamond and RC drilling in 646 holes as well as data from 102 surface trenches totalling 13,799 metres. The drilling is generally spaced at 25 to 50 metre intervals.

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Preliminary Economic Assessment ("Contract Mining Option")

On December 2015, the Company announced the results from an alternative PEA using Contract Mining, carried out on the Company's 100% owned Enchi Gold Project.

Contract Mining Option PEA Highlights (US\$ 1,300 /oz gold) (estimates)

Average Mined Gold Grade (g/t)	0.91
Processing Rate (Mtpy)	3.0
Mine Life (years)	8.7
Life-of-Mine (LOM) Strip Ratio	3.16:1
Pre-tax NPV 5%	\$73.4 Million
Internal Rate of Return (Pre-tax)	44%
Payback (Pre-Tax) (years)	2.3
Post-tax NPV 5%	\$44.8 Million
Internal Rate of Return (Post tax)	31%
Initial Capital Cost (US\$ Million)	61.6
Payback (Post-Tax) (years)	2.6
Metallurgical Recoveries (oxide/transition/sulphide %)	75/75/73
Total Recovered Gold (oz)	538,450
Average Annual Gold Production (oz)	61,749

The contract mining alternative presented an attractive initial capital cost of an estimated US\$61.6 million (including 20% contingency) compared to an estimated US\$84 million under an owner operated scenario. In an era where mining investors are seeking lower capital cost entry solutions into future gold production and cash-flow, the Company believes this presents an attractive scenario which fulfills this objective. The IRR on a pre-tax basis is estimated to be 44% representing an improvement from the estimated 34% IRR with the owner operated option.

Financial Models Sensitivity Analysis (Owner Operated versus Contract Mining)

The financial models were completed using a base case gold price of US\$1,300 per ounce.

Table 3 Pre-Tax Financial Model Sensitivity Analysis

Description	Units	Gold Price Scenarios (US\$/oz)			
		1,200	1,250	1,300	1,350
Owner Operated					
NPV (5% discount)	US\$ M	62,554	82,547	101,882	122,534
IRR	%	24%	29%	34%	39%
Payback	Year	3.4	3.0	2.8	2.7
Contractor Option					
NPV (5% discount)	US\$ M	33,426	53,419	73,413	93,406

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IRR	%	26%	36%	44%	52%
Payback	Year	2.6	2.5	2.3	2.2

The Pre-Tax financial model includes the following estimates: an initial capital cost of US\$61.6 million, including a contingency of US\$8.1 million (20% of direct costs); sustaining capital of US\$22.4 million including a contingency of US\$2.9 million and reclamation and closure costs of US\$18.3 million. The financial model was completed on a 100% Project basis and includes a 5% NSR to the Ghanaian Government and a 2% NSR to Red Back Mining Ghana, a subsidiary of Kinross. The Post-Tax financial model includes a 35% corporate tax rate, demonstrating a base case NPV of \$44.8 million at a discount rate of 5%. The Government of Ghana has the right to a 10% free carried interest in the Project which is not reflected in this analysis.

The PEA was based on the 2015 NI 43-101 Inferred Mineral Resource estimate prepared by WSP and detailed in the Technical report entitled "Technical Report and Preliminary Economic Assessment on the Enchi Gold Project" dated April 2015 using a 0.5 g/t cut-off grade. (See Table 4 for details).

Table 4 Enchi Gold Project - Inferred Mineral Resource (0.5 g/t Cut-Off)

Cut-off Au (g/t)	Zone	Tonnes	Grade Au (g/t)	Contained Gold (ounces)
0.5	Boin	15,872,000	0.96	489,892
0.5	Nyamebekyere	5,350,000	0.96	165,129
0.5	Sewum	16,135,000	0.82	423,676
	Total	37,357,000	0.90	1,078,697

1. CIM definition standards were followed for the resource estimate.
2. The 2015 resource models used ordinary kriging (OK) grade estimation within a three-dimensional block model with mineralized zones defined by wireframed solids.
3. A base cut-off grade of 0.5 g/t Au was used for reporting resources with a capping of gold grades at 18 g/t.
4. A US\$1,300/ounce gold price, open pit with heap leach operation was used to determine the cut-off grade.
5. A density of 2.45 g/cm³ was applied.
6. Numbers may not add exactly due to rounding.
7. Mineral Resources that are not mineral reserves do not have economic viability

The 2015 Mineral Resource estimate was based on 52,385 metres of diamond and RC drilling in 646 holes as well as data from 102 surface trenches totalling 13,799 metres. The drilling is generally spaced at 25 to 50 metre intervals.

Initial Capital Cost

An initial capital expenditure estimate of US\$61.6 million is required to construct the project and is detailed in the following table.

Table 5 Initial Capital Cost (in US\$ Million)

Description	Owner Operated	Contract Mining
Direct Costs		
Mining (Owner's share included)	18.8	0.4
Process Plant	35.6	35.6
Infrastructure	4.4	4.7
Sub-total -- Direct Costs	58.8	40.7
Indirect Costs		

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Engineering and Procurement	4.9	4.6
Construction Indirect	5.9	5.0
Owners Costs	3.1	3.1
Sub-total -- Indirect Costs	13.9	12.7
Total Capital Costs	72.7	53.4
Contingency: 20% of direct cost	11.8	8.1
Total Capital Costs with Contingency	84.4	61.6

Numbers may not add exactly due to rounding

Capital estimate is based on industry standard estimates. Estimated sustaining capital of US\$22.4 million includes US\$18.3 million for mine closure and remediation (direct costs), US\$0.9 million for mining, US\$2.4 million for infrastructure, US\$5.1 million for EPCM and construction indirect costs as well as US\$4.9 million for additional contingencies and a residual value of US\$7.2 million (mainly on processing equipment and infrastructures).

Site Operation Cost

The Project is modelled as a near surface open pit heap leach mine with heap leach feed material trucked from three proximal deposits (Boin, Nyamebekyere, Sewum) to a central crushing and process facility. Open pits have been designed with bench heights ranging between 10 - 20 metres, interramp slope angles ranging between 44 and 47 degrees for oxide material and 55 degrees for fresh material. Life of mine operating costs (including royalties and refining fees) is US\$18.92/tonne processed as detailed in the following table.

Table 6 Estimated Site Operating Cost (in US\$ Million)

Description	Operating Cost (\$/tonne*)	
	Owners Operated	Contract Mining
Mining (including waste and labour)	9.19	12.84
Processing	5.18	5.18
Environment, Infrastructure	0.22	0.04
G & A, including mineral tenure fees	0.87	0.87
Operating Costs	15.45	18.92
Royalties and refining fees	2.01	2.01
Cash Costs (Operating + Royalties and Refining)	17.46	20.93
Sustaining Capital Costs	1.56	0.91
Total All-in site costs	19.02	21.84

*Per metric tonne of heap leach feed

Numbers may not add exactly due to rounding

Table 7 Life of Mine Production Schedule

Description	Units	Value
Oxide tonnes processed	million t	16.60
Transitional tonnes processed	million t	5.15
Sulphide tonnes processed	million t	2.97

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Tonnes processed	million t	24.72
Waste mined	million t	78.02
Gold grade	g/t	0.91
Average Annual recovered gold	Troy ounce	61,749
Strip ratio	w/o	3.16:1

Metallurgy and Processing

The current Study utilized 75% for the oxide and transitional gold recoveries and 73% for the sulphide gold recovery. These recoveries are based on limited, preliminary basic bottle roll tests on oxide material and assume processing configurations to be similar to other heap leach facilities in the region. The initial tests show that cyanide leaching may be a viable option for the extraction of gold from the oxide domains. Further work on the metallurgical behavior and physical constraints associated with heap leaching is still required to definitively select heap leaching as the best technical process option.

Selected Annual Information

The following discussion and analysis of financial conditions and results of operations should be read in conjunction with the Company's consolidated financial statements and related costs for the years ended December 31, 2017 to December 31, 2019.

	December 31, 2019	December 31, 2018	December 31, 2017
Total revenues	\$ Nil	\$ Nil	\$ Nil
Net loss	\$ 270,655	\$ 516,962	\$ 1,008,307
Comprehensive loss (income)	\$ 802,497	\$ (403,564)	\$ 1,748,367
Loss per share - basic and diluted	\$ 0.00	\$ 0.01	\$ 0.02
Total assets	\$ 14,652,641	\$ 15,231,689	\$ 14,623,657
Total liabilities	\$ 398,701	\$ 175,251	\$ 167,689
Total shareholders' equity	\$ 14,253,941	\$ 15,056,438	\$ 14,455,968

Results of Operations

The following discussion and analysis of the Company's financial results of its operations should be read in conjunction with the Company's financial statements and related notes.

Year ended December 31, 2019 compared to year ended December 31, 2018

Share-based compensation was \$nil during 2019 (2018 - \$178,785). The decrease in share-based compensation expense during 2019 was due to the absence of vested stock options.

Management fees were \$110,625 during 2019 (2018 - \$178,445). The decrease in fees during 2019 was due to the Company's Chief Executive Officer ("CEO") electing to waive his remuneration beginning H2 2019.

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Cash outflows from the Company's exploration activities was \$270,157 during 2019 (2018 - \$502,080). There were no cash flows from financing activities during 2019.

Summary of Quarterly Results

The following information is derived from the Company's unaudited quarterly financial statements for the preceding eight quarters.

	Revenue	Net loss	Loss per share
December 31, 2019 ⁽¹⁾	\$ Nil	\$ 48,300	\$ 0.00
September 30, 2019 ⁽²⁾	\$ Nil	\$ 49,366	\$ 0.00
June 30, 2019	\$ Nil	\$ 113,305	\$ 0.00
March 31, 2019 ⁽²⁾	\$ Nil	\$ 59,683	\$ 0.00
December 31, 2018 ⁽²⁾	\$ Nil	\$ 63,692	\$ 0.00
September 30, 2018	\$ Nil	\$ 127,404	\$ 0.00
June 30, 2018	\$ Nil	\$ 150,270	\$ 0.00
March 31, 2018	\$ Nil	\$ 175,596	\$ 0.00

⁽¹⁾See discussion under "Results of Operations" above.

⁽²⁾Lower quarterly loss is due to minimal share-based compensation expense during the period.

Liquidity

The Company's consolidated financial statements have been prepared in accordance with IFRS applicable to a going concern, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. The Company's continuing operations and the ability of the Company to meet its administrative and exploration expenditures are dependent upon the ability of the Company to continue to raise additional equity or debt financing and to find joint venture partners. The Company has no source of revenue, is unable to self-finance operations, and has incurred operating losses since inception. As at December 31, 2019, the Company had a working capital of \$296,656 (2018: \$1,067,915) and an accumulated deficit of \$4,496,467 (2018: \$4,225,812). For the year ended December 31, 2019, the Company incurred a net loss for the year of \$270,655 (2018: \$516,962) and used cash in operating activities of \$282,900 (2018: \$376,360).

As part of the recently obtained 3-year license renewals relating to the Enchi Gold Project, the Company has committed to exploration expenditures over the next 3 years as follows: 2020: US\$563,000; 2021: US\$779,000, and 2022: US\$2,085,000. In order to be able to meet these commitments the Company will need to raise funding through equity financing, debt financing or through finding joint venture partners. The ability to do this may be impacted by the COVID 19 pandemic (see Risk Factors).

Management is actively looking to advance the exploration program by seeking potential joint venture partners. In addition, management closely monitors commodity prices, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company if favorable or adverse market conditions occur. There is no assurance that the Company will be able to obtain adequate financing or find joint venture partners to advance the Company's planned exploration programs. These material uncertainties may cast significant doubt about the Company's ability to continue as a going concern.

Subsequent to December 31, 2019, 1,000,000 stock options with an exercise price of \$0.10 were exercised by directors of the Company for gross proceeds of \$100,000.

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Capital Resources

The Company's only source of funding has been the issuance of equity securities for cash. Management believes it will be able to raise equity capital as required, but recognize there will be risks involved that may be beyond their control. The Company has no outstanding debt facility upon which to draw.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Transactions with Related Parties

(a) Trading transactions

The Company shares office space and administration costs with related parties in order to minimize operational costs. During 2019, the Company paid or accrued \$7,653 (2018 - \$15,069) for office rent to related companies.

The Company had a payable balance of \$nil as at December 31, 2019 (2018 - \$13,402). These payable amounts relate to expense reimbursements. All related party transactions were recorded at the amount agreed upon by the related parties. There are no ongoing contractual or other commitments resulting from the above transactions.

(b) Compensation of key management personnel

Key management personnel include directors and officers that provide management and consulting services to the Company. Remuneration of key management personnel during the year was as follows:

<u>Related Party</u>	<u>Relationship</u>	<u>2019</u>	<u>2018</u>
Gladstone Capital Ltd.	Chief Executive Officer	\$ 40,625	\$ 106,445
Pacific Court Capital Corp.	Chief Financial Officer	34,000	36,000
Sail View Capital Ltd.	Director	36,000	36,000
		<u>\$ 110,625</u>	<u>\$ 178,445</u>

Management consulting agreements are on a month-to-month basis and can be terminated by either party with sixty days' notice. Share-based payments to key management personnel of the Company amounted to \$nil (2018 - \$159,464).

Fourth Quarter

Share-based compensation expense was \$nil during Q4 2019 compared to \$8,032 during Q4 2018. The decrease in expense during 2019 was due to the absence of vested stock options.

Management fees were \$16,000 during Q4 2019 compared to \$30,227 during Q4 2018. The decrease in expense during 2019 was due to the Company's CEO not taking remuneration.

Proposed Transactions

None.

Critical Accounting Estimates and Change in Accounting Policies including Initial Adoption

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from these estimates. The areas that require management to make significant judgments, estimates and assumptions in determining carrying values include, but are not limited to:

Impairment of exploration and evaluation assets

Management assesses its exploration and evaluation assets for impairment indicators at the end of each reporting period. Such assessment is based on the facts and circumstances for each project, which considers the Company's intentions for a property. If any impairment indicator exists, an estimate of the recoverable amount is undertaken. If the asset's carrying amount exceeds its recoverable amount, an impairment loss is recognized in the statement of loss and comprehensive loss (income).

In calculating the recoverable amount, the Company uses discounted cash flow techniques to determine fair value when it is not possible to determine fair value either by quotes from an active market or a binding sales agreement. The determination of discounted cash flows is dependent on a number of factors, including future metal prices, the amount of reserves, the cost of bringing the project into production, production schedules, production costs, sustaining capital expenditures, and site closure, restoration and environmental rehabilitation costs. Additionally, the reviews take into account factors such as political, social and legal, and environmental regulations. These factors may change due to changing economic conditions or the accuracy of certain assumptions and, hence, affect the recoverable amount. The Company uses its best efforts to fully understand all of the aforementioned to make an informed decision based upon historical and current facts surrounding its projects.

Fair value of warrants and share-based payments

The Company uses the fair-value method of accounting for share-based payments related to incentive stock options and warrants issued, modified or settled. Under this method, compensation cost attributable to options is measured at fair value at the grant date and expensed over the vesting period. Proceeds from the issuance of units is allocated between common shares and common share purchase warrants on a pro-rata basis on a relative fair value basis, wherein the fair value of the common share purchase warrants is determined using the Black-Scholes pricing model. In determining the fair value of the options or warrants, the Company makes estimates of the expected volatility of the stock, the expected life of the options or warrants, and an estimated risk-free interest rate. Changes to these estimates could result in the fair value of the options and warrants being less than or greater than the amount recorded.

Recent accounting pronouncements

In January 2016, the IASB issued a new standard IFRS 16, *Leases* ("IFRS 16"). This standard is effective for annual periods beginning on or after January 1, 2019, and permits early adoption, provided IFRS 15, has been applied, or is applied at the same date as IFRS 16. IFRS 16 requires lessees to recognize assets and liabilities for most leases. The Company's adoption of IFRS 16 did not have a material measurement or disclosure impact on its consolidated financial statements.

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Financial Instruments and Other Instruments

The Company's financial instruments consist of cash, receivables, short-term investment, and trade and other payables. The Company determines the classification of financial assets at initial recognition. Financial liabilities are measured at amortized cost unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Company has opted to measure them at FVTPL. All of the Company's financial instruments are measured at amortized cost. Financial assets and liabilities at amortized cost are initially recognized at fair value and subsequently carried at amortized cost less any impairment.

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the consolidated statements of loss and comprehensive loss.

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the consolidated statements of loss and comprehensive loss.

The Company does not use derivative instruments or hedges to manage various risks because the Company's exposure to credit risk, liquidity risk, and market risks is relatively low. Cash and short-term investment are held through a large national financial institution. Note 10 of the Company's consolidated financial statements contain additional disclosures on the Company's financial instruments.

Other MD&A Requirements

Additional information relating to the Company including the most recent Company filings can be located on the SEDAR website at www.sedar.com.

Additional Disclosure for Venture Issuers Without Significant Revenue

See results of operations in Business Overview and Overall Performance above.

Disclosure of Outstanding Share Data

The following describes the outstanding share data of the Company as at April 15, 2020.

	Number Outstanding
Common shares	63,566,547
Options to purchase common shares	4,150,000

Additional Disclosure for Reporting Issuers with Significant Equity Investees

Not applicable.

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Risk Factors

The operations of the Company are speculative due to the high-risk nature of its business, which includes the acquisition, financing, exploration, development, and operation of mining properties. These risk factors could materially affect the Company's future operations and could cause actual events to differ materially from those described in forward-looking statements relating to the Company.

Coronavirus (COVID-19)

Since March 2020, several measures have been implemented in Canada and the rest of the world in response to the increased impact from novel coronavirus (COVID-19). We continue to operate our business and move our exploration plans forward at this time. While the impact of COVID-19 is expected to be temporary, the current circumstances are dynamic and the impacts of COVID-19 on our business operations, including the duration and impact on our future exploration plans, cannot be reasonably estimated at this time and we anticipate this could have an adverse impact on our business, results of operations, financial position and cash flows in 2020.

Estimation of Mineralization, Resources and Reserves

There is a degree of uncertainty attributable to the calculation of mineralization, resources and reserves and corresponding grades being mined or dedicated to future production. Until reserves or mineralization are actually mined and processed, the quantity of mineralization and reserve grades must be considered estimates only. In addition, the value of reserves and mineralization may vary depending on commodity prices. Any material change in quantity of reserves, mineralization, grade or stripping ratio may affect the economic viability of a project. In addition, there can be no assurance that recoveries from laboratory tests will be duplicated in tests under on-site conditions or during production.

Infrastructure

Mining, processing, development and exploration activities depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges and power and water supply are important determinants that affect capital and operating costs. Unusual or infrequent weather phenomena, sabotage, government or other interference in the maintenance or provision of such infrastructure could adversely affect the Company's activities and profitability.

Title Matters

Any changes in the laws of Ghana relating to mining could materially affect the rights and title to the interests held there by the Company. No assurance can be given that applicable governments will not revoke or significantly alter the conditions of the applicable exploration and mining authorizations nor that such exploration and mining authorizations will not be challenged or impugned by third parties.

Competition

There is aggressive competition within the mining industry for the discovery and acquisition of properties considered to have commercial potential. The Company competes with other exploration and mining companies, many of which have greater financial resources than the Company, for the acquisition of mineral claims, leases and other mineral interests as well as for the recruitment and retention of qualified employees and other personnel.

Funding Requirements

Mining exploration and development involves financial risk and capital investment. The continuance of the Company's development and exploration activities and its growth through the acquisition of exploration, development or production assets depend upon the Company's ability to generate positive cash flows, private and public equity

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financing, debt and/or other means. There is no assurance that the Company will be successful in obtaining additional financing on a timely basis or continue to generate positive cash flows.

Uninsured Risks

The mining business is subject to a number of risks and hazards including environmental hazards, industrial accidents, labour disputes, encountering unusual or unexpected geologic formations or other geological or grade problems, encountering unanticipated ground or water conditions, cave-ins, pit wall failures, flooding, rock bursts, periodic interruptions due to inclement or hazardous weather conditions and other acts of God. Such risks could result in damage to, or destruction of, mineral properties or facilities, personal injury or death, environmental damage, delays in mining, monetary losses and possible legal liability. The Company maintains insurance against certain risks associated with its business in amounts that it believes to be reasonable. Such insurance, however, contains exclusions and limitations on coverage. There can be no assurance that such insurance will continue to be available, will be available at economically acceptable premiums or will be adequate to cover any resulting claim.

Foreign Operations

Operations, development and exploration activities carried out by the Company are or may be affected to varying degrees by taxes and government regulations relating to such matters as environmental protection, land use, water use, health, safety, labour, restrictions on production, price controls, currency remittance, maintenance of mineral rights, mineral tenure, and expropriation of property. There is no assurance that future changes in taxes or such regulation in the various jurisdictions in which the Company operates will not adversely affect the Company's operations. Industrial disruptions, work stoppages and accidents in the course of the Company's operations can result in future production losses and delays, which may adversely affect future profitability. The Company currently holds assets in Ghana. Although the operating environment in Ghana is considered favorable compared to that in other developing countries, with various government incentives offered to attract international investment into Ghana, there are still political risks. The risks include, but are not limited to, terrorism, hostage taking, military repression, expropriation, extreme fluctuations in currency exchange rates, high rates of inflation and labor unrest.

Changes in mining or investment policies or shifts in political attitudes may also adversely affect the Company's business. Operations may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on production, price controls, export controls, currency remittance, income taxes, maintenance of claims, environmental legislation, expropriation of property, land use, land claims of local people, water use and safety. The effect of these factors cannot be accurately predicted.

Exploration and Development Risks

The successful exploration and development of mineral properties is speculative and subject to a number of uncertainties that even a combination of careful evaluation, experience and knowledge may not eliminate. There is no certainty that the expenditures made or to be made by the Company in the exploration and development of its mineral properties or properties in which it has an interest will result in the discovery of mineralized materials in commercial quantities. Most exploration projects do not result in the discovery of commercially mineable deposits. While discovery of a base metal or precious metal bearing structure may result in substantial rewards, few properties that are explored are ultimately developed into producing mines. Major expenses may be required to establish reserves by drilling and to construct mining and processing facilities at a site. It is impossible to ensure that exploration programs carried out by the Company will result in profitable commercial mining operations.

The Company's operations are subject to all of the hazards and risks normally incident to mineral exploration, mine development and operation, any of which could result in damage to life or property, environmental damage and possible legal liability for any or all damage. The Company's activities may be subject to prolonged disruptions due to weather conditions depending on the location of operations in which the Company has interests. Hazards such as unusual or unexpected formations, pressures or other conditions may also be encountered.

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Environmental and Other Regulatory Requirements

The current or future operations of the Company, including development activities and, if warranted, commencement of production on properties in which it has an interest, require permits from various governmental authorities, and such operations are and will be governed by laws and regulations governing prospecting, development, mining, production, exports, taxes, labour standards, occupational health and safety, waste disposal, toxic substances, land use, environmental protection, mine safety and other matters. Companies engaged in the development and operation of mines and related facilities generally experience increased costs and delays in production and other schedules as a result of the need to comply with applicable laws, regulations and permits. The Company believes it is in substantial compliance with all material laws and regulations that currently apply to its activities. However, there can be no assurance that all permits which the Company may require for the conduct of mineral exploration and development can be obtained or maintained on reasonable terms or that such laws and regulations would not have an adverse effect on any such mineral exploration or development which the Company might undertake. Amendments to current laws, regulations and permits governing operations and activities of mineral exploration companies, or more stringent interpretation, implementation or enforcement thereof, could have a material adverse impact on the Company.

Hedging and Foreign Exchange

While hedging of commodity prices and exchange and interest rates is possible, there is no guarantee that appropriate hedging will be available at an acceptable cost should the Company choose or need to enter into these types of transactions.

Internal Controls and Disclosure Controls over Financial Reporting

On November 23, 2007, the British Columbia Securities Commission in which the Company is registered exempted Venture Issuers from certifying disclosure controls and procedures, as well as, Internal Controls over Financial Reporting as of December 31, 2007, and thereafter. Since the Company is a Venture Issuer, it is required to file basic certificates, which it has done for the year ended December 31, 2019. The Company makes no assessment relating to establishment and maintenance of disclosure controls and procedures as defined under National Instrument 52-109 as at December 31, 2019.

Outlook

The Company plans to continue drilling on known zones and additional priority targets on the Enchi Gold Project. The Company will continue to look at various options available in order to advance the Enchi Gold Project including securing additional equity or debt financing and joint venture partnerships.
