

**VIVA GOLD CORP.**  
**MANAGEMENT DISCUSSION & ANALYSIS**  
**July 31, 2019**

**INTRODUCTION**

This Management Discussion and Analysis (“MD&A”) is intended to supplement Viva Gold Corp.’s (“Viva” or the “Company”) unaudited interim condensed consolidated financial statements for the period ended July 31, 2019. All financial information, unless otherwise indicated, has been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting (“IAS 34”) and based on the principles of International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

The following discussion of the Company’s financial condition and results of operations should be read in conjunction with its interim condensed consolidated financial statements and the related notes for the period ended July 31, 2019.

All monetary amounts are in Canadian dollars unless otherwise specified. The effective date of this MD&A is September 25, 2019.

Viva’s current business is the acquisition, exploration, and development of precious metal properties. The Company is advancing its 100% owned Tonopah Project, located in the Walker Lane Trend in Western Nevada.

Additional information regarding the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com).

**FORWARD-LOOKING INFORMATION**

This MD&A contains certain statements that may be deemed “forward-looking statements” within the meaning of Canadian securities legislation and the United States Private Securities Litigation Reform Act of 1995. This information and these statements, referred to herein as “forward-looking statements” are made as of the date of this MD&A or as of the date of the effective date of information described in this MD&A, as applicable. Forward looking statements in this document are statements that are not historical facts and are generally, but not always, identified by the words “expects”, “plans”, “anticipates”, “believes”, “continue”, “intends”, “estimates”, “projects”, “potential” and similar expressions, or that events or conditions “will”, “would”, “may”, “could”, or “should” occur. Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by management, are inherently subject to significant business, economic, and competitive uncertainties and contingencies. There can be no assurance that such statements will prove to be accurate and actual results and future events could differ materially from those anticipated in such statements. The Company disclaims any obligation or intention to update or revise any forward-looking statement, whether as a result of new information, future events, or otherwise.

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## CURRENT CORPORATE HIGHLIGHTS

The Company announced on September 3, 2019 that it has mobilized a 20 hole drill campaign at its Tonopah gold project. The principal focus of the current drill program will be to confirm and extend gold mineralization in the Midway Hills area of the Tonopah project and on the prospective trend of over one kilometer in length between the Midway Hills and the core Tonopah resource area. The second focus of the program will be to test further extensions to the south and east of the current Tonopah resource area along the eastern flank of the undelaying Palmetto argillite formation.

On August 6, 2019, the Company announced that it closed the second and final tranche of the non-brokered Private Placement (the "Offering") announced April 3, 2019. In total, the Company issued 3,395,502 Units in both tranches of the Offering for gross proceeds of \$1,018,650. Each Unit consists of one common share in the capital of the Company (a "Share") and one whole transferable common share purchase warrant (each whole common share purchase warrant, a "Warrant"). Each whole Warrant is exercisable to acquire one Share at an exercise price of \$0.40 per Share. Warrants issued in the first tranche are exercisable until July 3, 2021 and those Warrants issued in the second tranche are exercisable until August 6, 2021, both of which are 24 months from the date of issuance.

On July 16, 2019, the Company announced an update on the Tonopah Gold Project. The updated resource estimate for the Tonopah project highlights a strong core of high-quality gold mineralization in the main deposit and the Company believes that the project has additional resource potential. The 2019 block model for the Tonopah project was extended over 1.0 kilometer along trend to incorporate historic drilling in the Midway Hills area. This extension developed new blocks of mineralized material containing approximately 25-30 thousand gold ounces, which is not currently included in the pit-constrained mineral resource estimate. (see Tonopah Project for further details)

On March 20, 2019, the Company announced that Mr. Edward J. Mahoney has joined the Board of Viva. Mr. Mahoney brings strong familiarity of the geology and mining business in Nevada from positions including three years as Chief Geologist at the large-scale Kinross Round Mountain Mine and eight years as Chief Geologist and Business Development Manager for Barrick North America. Additional experience includes positions as Chief Geologist at Barrick's Eskay Creek Mine in British Columbia, Manager of Project Development with Miramar Hope Bay, Manager of Geology for Sutton Resources and various geologic positions with the Giant Yellowknife/Pamour Group of companies. Mr. Mahoney holds a BSc in Geology from the University of Calgary, is a registered Professional Geoscientist in British Columbia, and a Registered Member of the SME.

## TONOPAH PROJECT

The Tonopah Project, located near the town of Tonopah in Western Nevada, consists of 444 unpatented mineral claims, 185 of which are subject to a 2% Net Smelter Royalty ("NSR"), with the option to acquire 1% of the NSR for US\$1.0 million. The property position totals 8,762 acres of land.

The Tonopah property contains a near-surface low-sulfidation epithermal gold system which includes near vertical quartz-adularia-gold veins hosted by the Palmetto Formation argillite and the overlying Tertiary rhyolitic volcanics all within a low-angle zone of mineralization which includes and often parallels an erosion surface unconformity at the top of the Palmetto. It is interpreted that ascending fluids entering the contact zone depositing precious metals in a favorable chemical and textural horizon in the base of the tertiary volcanics and in the top of the Palmetto, as well as in veins and breccia's along structures and structural junctions.

Mineralization has been identified over a northwest-southeast trending zone of several kilometers in length associated with an extensional/compressional break in the regional Rye Patch fault system and along the limbs of the Rye Patch Fault itself. Alteration and mineralization at the Tonopah Project are typical of low-sulfidation, volcanic-hosted epithermal gold deposits found elsewhere in Nevada and around the world. The deposit type is characterized by overall low original sulfide content, and quartz-adularia and clay-sericite alteration assemblages,

among others. Higher grade gold mineralization appears to project along some of the veins/related structures in the tertiary volcanoclastics and ash fall tuffs (Tombstone Formation). Visible gold is commonly observed in and along the edges of veins, is frequently associated with hematite, and occurs locally in coarse form. Dendritic gold has been observed in core. Gold contained in the overall system is predominantly micron-sized in nature and is not visible to the naked eye.

The Tonopah Project is well situated and can be easily accessed by paved road 20 miles from the town of Tonopah, Nevada. Both water and power is available in close proximity to the site, although water rights will need to be acquired. Tonopah is located within four hours' drive of Las Vegas, Nevada and is close to Round Mountain, Nevada, where equipment supply depots, machine shops and skilled labor can be found.

### **CURRENT HIGHLIGHTS – TONAPAH PROJECT**

On September 03, 2019, the Company announced that it had received approval to drill 20 holes at its Tonopah gold project. A reverse circulation drill rig has been mobilized to the site has commence drilling. The principal focus of the current drill program will be to confirm and extend gold mineralization in the Midway Hills area of the Tonopah project and on the highly prospective trend of over one kilometer in length between the Midway Hills and the core Tonopah resource area. The second focus of the program will be to test further extensions to the south and east of the current Tonopah resource area along the eastern flank of the undelaying Palmetto argillite formation.

In July 2019, the Company performed an extensive review of geophysical data associated with the property that was conducted by former operators in 1994 and 2002. Of the six different methods utilized, two, gravity and CSAMT, were highly effective for analysis. Incorporation of the gravity and CSAMT results with geology/ore shapes results in a hypothesized argillite horst bounded by a complex of west-northwest and north-south structures. Ore shapes fall along the margins of the horst, suggesting a genetic link between the horst bounding structures and mineralization. The link is established based on the concept that mineralized fluids ascend along feeder structures and spread laterally along the volcanic-argillite interface. Based on this model, the horst bounding structures could well be feeders. However, prominent structures are also noted within the horst. A review of the mineralization distribution within the main zone indicates structural intersections are foci for increased mineralization due to enhanced ground preparation. On this basis a total of eleven structural junction of interest have been identified for drilling.

During March 2018, the Company completed and filed the NI43-101 Technical Report for the Tonopah Gold Project, located on the prolific Walker Lane Trend of Western Nevada about 30 kilometers north and east of the town of Tonopah, Nevada. On May 21, 2019, the Company announced an updated mineral resource estimate for the Tonopah project, which included information from 26 new drill holes completed by Viva in 2018 and 2019, and resulted in a 36 percent increase in measured and indicated resource. The Mineral Resource estimate for the Tonopah Gold Project is as follows:

#### **In-Pit Constrained Mineral Resource**

<b>Classification</b>	<b>Tonnes (x1000)</b>	<b>Gold Grade grams/tonnes</b>	<b>Contained Ounces</b>
Measured	2,500	1.32	112,000
Indicated	6,300	0.62	141,000
Measured and Indicated	8,800	0.93	253,000
Inferred	6,000	0.54	123,000

Thomas C Matthews, MMSA-QP, Principal Resource Geologist for Gustavson Associates, is the Qualified Person responsible for this Mineral Resource Estimate for the Tonopah Gold Project. Resources are not Reserves and do not have demonstrated economic viability.

Resources are reported at a cutoff grade of 0.25 grams of gold per tonne (“g/t”), which constitutes a reasonable prospect for economic extraction based on a comparison with similar gold deposits in Nevada, and within a US\$1,250 pit shell using a 42 degree average pit slope. This resource estimate was prepared by Gustavson Associates of Lakewood Colorado and has an effective date of May 21, 2019. Additional infill drilling is required to convert the inferred resource to a measured and indicated classification and we also believe that substantial potential exists to further expand the resource on this project through step-out drilling along trend and between mineralized zones. Additional metallurgical test work is required to determine the final process route and gold recovery for the project.

The 2018 resource estimate for the Tonopah Gold Project uses Leapfrog Mining software for domain analysis and construction, and Datamine Studio RM for block grade estimation. Mineralization is contained within the upper portion of the Ordovician Palmetto formation, and the lower portion of overlying Tertiary Volcanics. The resource is estimated using ordinary Kriging, with an indicator model used to segregate geostatistics and estimation parameters for higher grade mineralization controlled by conjugate shear zones from the main body of mineralization. Resources are classified as Measured, Indicated, and Inferred based on distance from data, with Measured mineralization requiring at least two drill holes within 50% of variogram range, indicated requiring 2 drill holes within 100% of the variogram range, and inferred requiring 2 drill holes within 200% of the variogram range.

### Sensitivity to Cutoff Grade

<b>Classification</b>	<b>Cutoff Grade</b>	<b>Tonnes (x1000)</b>	<b>Au Grade grams/tonnes</b>	<b>Contained Ounces</b>
<b>Measured</b>	0.15	2,700	1.19	114,000
	0.25	2,500	1.32	112,000
	1.0	1,400	2.13	92,000
<b>Indicated</b>	0.15	7,000	0.55	145,000
	0.25	6,300	0.62	141,000
	1.0	1,000	1.62	51,000
<b>Inferred</b>	0.15	6,500	0.47	127,000
	0.25	6,000	0.54	123,000
	1.0	700	1.28	30,000

This table shows limited sensitivity to cutoff grade in the low grade ranges. The 1.0 g/t cutoff grade range outlines the high-grade core of the mineralization. Two distinct populations of high and low grade gold mineralization exist at the Tonopah Gold Project, which are seen in this analysis.

This resource estimate is based on initial recovery and process cost assumptions. The high grade population of gold mineralization occurs partially as free-gold, which has been demonstrated to be recoverable through gravity methods.

As discussed in Viva’s press release of May 21, 2019, current resource modelling work, combined with new information received in regards to historic drilling in the Midway Hills (“MH”) area of the Tonopah project, has helped to refine the geologic model at Tonopah and define potentially significant exploration upside potential for the project.

The MH area of the Tonopah project was the subject of exploration work by a number of reputable Companies including Coeur Mining, Rio Algom and Kennecott who drilled approximately 55 reconnaissance drill holes in the MH area between 1988 and 2002. The 2019 resource model for the Tonopah project was extended for the first time to incorporate the MH area. This work developed blocks of mineralized material containing approximately 30,000 gold ounces. No pit shell was developed in this area, so this material is not currently considered part of the mineral resource. Additional detail on the estimation methodology will be incorporated in the updated Technical Report on Mineral Resources for the Tonopah Project, which is expected to be filed during July, 2019.

Drilled mineralization in the MH area provides a demonstrable anchor point at one end of an almost one to 1.5 kilometer linear extension from the northwest trending primary resource area at the Tonopah project. Historic drilling exists along this trend, but at a broad spacing of approximately 200 to 250 meters, which is insufficient density to develop resource. Very similar to lithologic and structural controls in the Tonopah project area, gold intercepts grading above 0.25 g/t can be seen in this zone where drill holes penetrated the Palmetto Argillite (“Opa”)/Tertiary Volcanic (“Tv”) contact zone and higher grades can be seen where the trend has been cut by cross-faulting. Viva believes that this under-drilled trend represents significant upside potential for the project.

Gold mineralization in the MH area, besides being directly on trend from the Tonopah project area, follows the same general structural and lithologic model as seen at the Tonopah project. Lower-grade intercepts are seen associated with the Opa/Tv contact zone. In addition, some high angle structures appear to offset the Palmetto argillite in the MH area resulting in high-grade intercepts as seen in drill holes MW-M17: 4.8 meters at 10.1 g/t, MW-M23: 6.4 meters at 2.1 g/t, and MW-M24: 16 meters at 0.9 g/t including 4.5 meters @ 4.5 g/t. Virtually all of the drill holes completed in the MH area were vertical reverse circulation holes, so only limited verification of high angle structure exists.

The 2018-2019 drill programs were very successful. The program produced positive results in virtually every drill-hole. Completed drill holes spread over a distance of more than 1.0 kilometer along the extent of the northwest to southeast trend of the system. These results confirm the model of blanket like mineralization associated with the argillite-volcanic contact zone and favorable rock types in the volcanics, and high-grade mineralization associated with high-angle structural controls in the volcanics and feeder systems at depth in the argillite. Some drill-holes demonstrate both types of mineralization, while other drill-holes reflect only the blanket type mineralization. The program also demonstrated the relatively shallow nature of the mineralization and the excellent potential for additional resource expansion. Notable drill results from the 11 hole winter reverse circulation (“RC”) drill program completed in February 2019 follows:

### Tonopah Project Drill Results for 2018-2019 RC Drill Programs

Hole	Azimuth	Dip	From	To	Length	Gold Grade
			<i>Meter</i>	<i>Meter</i>	<i>Meter</i>	<i>Gram/Tonne</i>
<b>TG1906</b>	<b>200</b>	<b>-90</b>	<b>0</b>	<b>134.0</b>		
			25.91	44.20	18.3	0.4
<b>TG1905</b>	<b>210</b>	<b>-69</b>	<b>0</b>	<b>146.3</b>		
			32.0	53.3	21.3	0.6

<b>TG1904</b>	<b>270</b>	<b>-60</b>	<b>0</b>	<b>134.0</b>		
			36.6	41.1	4.6	0.7
			126.5	131.1	4.6	2.4
	<i>including</i>		128.0	129.5	1.5	6.7
<b>TG1903</b>	<b>275</b>	<b>-75</b>	<b>0</b>	<b>140.2</b>		
			45.7	48.8	3.0	8.0
	<i>including</i>		47.2	48.8	1.5	15.4
			70.1	74.7	4.6	26.9
	<i>including</i>		70.1	71.6	1.5	50.3
			82.3	115.8	33.5	2.6
	<i>including</i>		82.3	83.8	1.5	14.1
	<i>including</i>		94.5	96.0	1.5	22.7
			118.9	128.0	9.1	0.6
			132.6	140.2	7.6	0.8
TG1902 to TG1820 Reported February 2019						
<b>TG1902</b>	<b>0</b>	<b>-70</b>	<b>0</b>	<b>146.3</b>		
			10.7	111.3	100.6	1.3
	<i>including</i>		41.15	47.24	6.10	3.3
	<i>including</i>		60.96	64.01	3.05	4.8
	<i>including</i>		83.82	91.44	7.62	4.1
<b>TG1901</b>	<b>50</b>	<b>-70</b>	<b>0</b>	<b>65.5</b>		
			38.1	53.3	15.2	0.4
<b>TG1820</b>	<b>200</b>	<b>-60</b>	<b>0</b>	<b>119</b>		
			35.1	41.1	6.1	0.3
TG 1816 to TG1819 Reported January 29,2019						
<b>TG 1819</b>	<b>200</b>	<b>-69</b>	<b>0</b>	<b>201</b>		
			53.3	57.9	4.6	0.4
			62.5	65.5	3.0	1.9

			89.9	100.6	10.7	0.6
<b>TG1818</b>	<b>100</b>	<b>-65</b>	<b>0</b>	<b>110</b>		
			21.3	33.5	12.2	0.9
			71.63	74.68	3.0	46.1
	<i>including</i>		73.15	74.68	1.5	84.9
<b>TG1817</b>	<b>58</b>	<b>-80</b>	<b>0</b>	<b>122</b>		
			112.8	118.9	6.1	1.0
			143.3	189.0	45.7	2.2
	<i>Including</i>		163.1	176.8	13.7	5.1
	<i>Including</i>		172.21	173.74	1.5	13.4
<b>TG1816</b>	<b>105</b>	<b>-60</b>	<b>0</b>	<b>164</b>		
			88.4	96.0	7.6	0.3
			108.2	112.8	4.6	6.1
	<i>Including</i>		108.2	109.7	1.5	16.4

0.25 g/t cutoff grade utilized in determining grade intercepts

## **RESULTS OF OPERATIONS**

### **For the nine months ended July 31, 2019 as compared to the nine months ended July 31, 2018**

For the nine months ended July 31, 2019 the Company incurred a loss of \$1,362,503 (2018 – loss of \$1,515,357). The Company's loss per share was \$0.07 (2018 – \$0.09). The company had \$1,116,458 of cash operating expenses during 2019 as compared to \$1,110,556 in 2018. The Company primarily incurred higher professional fees and shareholder information cost to comply with its regulatory requirements, stakeholder involvement and marketing plans offset by a reduction of exploration costs from \$821,346 in 2018 to \$617,156 in 2019.

The Company has focused its resources on exploration of the Tonopah Project. A summary of such exploration cost incurred during the three and nine months ended July 31, 2019 and 2018 is as follows:

	For the three months ended		For the nine months ended	
	July 31		July 31	
	2019	2018	2019	2018
	\$	\$	\$	\$
Bond Premium	(4)	44	4,999	4,817
Consulting	7,029	39,184	61,454	88,895
Drilling	-	244,156	320,209	420,249
Environmental	3,728	1,324	8,281	15,777
Metallurgical Testwork	12,022	-	33,526	-
Permits	-	6	1,813	656
Salaries	16,597	24,452	55,430	70,098
Samples	-	47,035	61,348	82,791
Supplies/General	2,421	7,057	5,843	17,353
Technical Reports	27,461	3,213	39,527	88,043
Travel	5,442	16,238	24,726	32,667
	<b>74,696</b>	<b>382,709</b>	<b>617,156</b>	<b>821,346</b>

The Company also incurred \$216,093 (2018- \$393,176) in share-based payments expense relating to the incentive stock options granted during the nine months ended July 31, 2019. Included in the comparative period were expenses related to stock options and the recognition of shares issued to the CEO as part of his consulting services agreement, as further described below under related party transactions.

#### **For the three months ended July 31, 2019 as compared to the three months ended July 31, 2018**

For the three months ended July 31, 2019 the Company incurred a loss of \$263,000 (2018 – loss of \$515,071). The Company's loss per share was \$0.01 (2018 – loss of \$0.03). The Company had \$263,000 of operating expenses during the three months ended July 31, 2019 as compared to \$515,071 in the three months ended July 31, 2018. The decrease is primarily related to decreases in a reduction in exploration costs during the quarter. The Company anticipates higher exploration costs in the fourth quarter as the Company has commenced a drilling program in August 2019.

#### **SUMMARY OF QUARTERLY RESULTS**

The following table sets out selected unaudited quarterly financial information of the Company and is derived from unaudited interim consolidated financial statements prepared by management.

Period	Revenues	Income (loss) for the period	Basic and fully diluted income (loss) per share
		\$	\$
3 <sup>rd</sup> Quarter 2019	Nil	(268,638)	(0.01)
2 <sup>nd</sup> Quarter 2019	Nil	(370,904)	(0.02)
1 <sup>st</sup> Quarter 2019	Nil	(722,961)	(0.04)
4 <sup>th</sup> Quarter 2018	Nil	(294,903)	(0.02)
3 <sup>rd</sup> Quarter 2018	Nil	(526,738)	(0.03)
2 <sup>nd</sup> Quarter 2018	Nil	(464,781)	(0.03)
1 <sup>st</sup> Quarter 2018	Nil	(523,838)	(0.03)
4 <sup>th</sup> Quarter 2017	Nil	(541,256)	(0.06)

The Company's quarterly losses are expected to vary as a result of its exploration activity on the Tonopah Project.

In the 1<sup>st</sup> quarter of 2019, the Company started a new drilling program for its Tonopah project, which increased its costs for the quarter.



In the 4<sup>th</sup> quarter of 2018, the Company incurred \$126,290 in exploration costs, which was a reduction from \$382,709 incurred in the 3<sup>rd</sup> quarter of 2018.

In the 2<sup>nd</sup> and 1<sup>st</sup> quarters of 2018, the Company incurred \$202,781 and \$235,856 respectively of exploration costs on the Tonopah project. The majority of costs during the third quarter were for drilling expenses.

## **LIQUIDITY AND CAPITAL RESOURCES**

The Company's principal source of liquidity as at July 31, 2019 was cash and cash equivalents totaling \$540,248 (October 31, 2018 – \$415,406).

During the nine months ended July 31, 2019, the Company's cash used in operating activities amounted to \$1,286,451.

On August 6, 2019, the company closed the second and final tranche of the non-brokered Private Placement (the "Offering") announced April 3, 2019. In total, the Company issued 3,395,502 Units in both tranches of the Offering for gross proceeds of \$1,018,650. Each Unit consists of one common share in the capital of the Company (a "Share") and one whole transferable common share purchase warrant (each whole common share purchase warrant, a "Warrant"). Each whole Warrant is exercisable to acquire one Share at an exercise price of CDN\$0.40 per Share. Warrants issued in the first tranche are exercisable until July 3, 2021 and those Warrants issued in the second tranche are exercisable until August 6, 2021, both of which are 24 months from the date of issuance. A total of \$232,500 related to the financing was received subsequent to July 31, 2019.

On November 13, 2018 the Company closed the second and final tranche of its non-brokered Private Placement. In total, the Company issued 2,990,536 Units in the Offering for gross proceeds of CDN \$1,106,498. Each Unit consisted of one common share in the capital of the Company (a "Share") and one whole transferable common share purchase warrant (each whole common share purchase warrant, a "Warrant"). Each whole Warrant is exercisable to acquire one Share at an exercise price of CDN\$0.47 per Share. Warrants issued in the first tranche are exercisable until October 26, 2020 and those Warrants issued in the second tranche are exercisable until November 13, 2020, both of which are 24 months from the date of issuance. A total of \$690,507 of net proceeds were received in the first quarter of the 2019 fiscal year.

During the year ended October 31, 2018, the Company replaced its cash backed reclamation bonds with reclamation surety bonds through Lexon Insurance. Fifty percent of the bond value is now cash collateralized versus being fully cash backed. The Company will pay an annual surety premium for this insurance. In addition, the Company issued 1,320,000 common shares for gross proceeds of \$462,000 related to the exercise of 1,320,000 warrants.

The Company received \$504,250 upon completion of the private placement in November 2017, a portion of which was received during the year ended October 31, 2017 (\$546,750), for total proceeds of \$1,051,000. The Company paid \$51,524 in cost for the private placement financing.

With the exception of interest earned on cash holdings, the Company does not generate any income and relies upon current cash resources and future financings to fund its ongoing business and exploration activities. The Company requires further financing in its 2019 fiscal year to continue as a going concern. The Company will explore appropriate financing routes which may include: additional issuance of share capital; funding through project debt; convertible securities; or other financial instruments. The financial statements and this MD&A have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of business. Viva is an exploration stage company and as at July 31, 2019 had an accumulated deficit of \$4,596,305. Management of the Company does not expect that its current cash position will be sufficient to meet all of its operating requirements, financial commitments, and business development priorities during the next twelve months. Accordingly, the

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Company will need to obtain financing in the form of debt, equity, or a combination to continue to operate. There can be no assurance that additional funding will be available to the Company, or, if available, that this funding will be on acceptable terms. These conditions indicate the existence of material uncertainty that may give rise to significant doubt about Viva's ability to continue as a going concern.

### **OFF-BALANCE SHEET ARRANGEMENTS**

The Company has not entered into any material off-balance sheet arrangements such as guarantee contracts, contingent interests in assets transferred to unconsolidated entities, derivative instrument obligations, or with respect to any obligations under a variable interest entity arrangement.

### **RELATED PARTY TRANSACTIONS**

- a) The Company is party to a consulting service agreement, dated April 10, 2017, with Kalex LLC ("Kalex"), an entity owned by James Hesketh, the Company's director, president and CEO. During the period ended July 31, 2019, the Company incurred \$110,860 (2018 - \$140,196) in management fees/salaries. The Compensation of Mr. Hesketh is equally divided between management fees in the statement of loss and as salaries within exploration expenditures. As of January 1, 2019, monthly management fees/salaries payable under this agreement were reduced to US\$8,333 from US\$12,500. As at July 31, 2019, \$85,510 (October 31, 2018 - \$116,944), included in accounts payable and accrued liabilities, was the balance due to Kalex.
- b) Avisar Chartered Professional Accountants and Avisar Everyday Solutions Ltd. (together, "Avisar"), firms where the CFO is a founder and principal, provides bookkeeping, treasury, and financial reporting services to the Company. During the period ended July 31, 2019, the Company incurred accounting fees of \$38,503 (2018 - \$27,980) to Avisar. As at July 31, 2019, \$10,920 (October 31, 2018 - \$23,740), included in accounts payable and accrued liabilities, was the balance due to Avisar.
- c) The Company is party to a loan agreement for a principal amount of \$250,000 with a Company affiliated with a director of the Company. The loan bears interest at 8% per annum and was payable on December 21, 2018. The agreement allowed for the maturity date of the loan to be extended for a further one year for a fee of 5% of the principal amount. The Company exercised the extension option and as a result, the loan is now due on December 21, 2019. During the period ended July 31, 2019, the Company repaid \$55,000 of the principal and recognized interest expense, including the loan extension fee, of \$30,082 (2018 - \$11,667). As at July 31, 2019, total interest accumulated on the loan amounted to \$34,249. Subsequent to July 31, 2019, an additional \$105,000 of the loan was repaid.
- d) During the period ended July 31, 2019, share based payments related to the incentive stock options granted to related parties amounted to \$196,376 (2018 - \$229,866).

### **CAPITAL MANAGEMENT**

The Company manages its common shares, stock options, and warrants as capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Company manages its capital structure and makes adjustments in light of operating results, changes in economic conditions, and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, warrants or options, issue new debt, acquire or dispose of assets or adjust the amount of cash and cash equivalents.

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In order to maximize ongoing development efforts, the Company does not pay out dividends. The Company's investment policy is to invest its short-term excess cash in highly liquid short-term interest bearing investments with maturities 90 days or less from the original date of acquisition, selected with regards to the expected timing of expenditures from continuing operations.

### **FINANCIAL INSTRUMENTS**

The Company's financial instruments as at July 31, 2019 consist of cash and cash equivalents, receivables, restricted cash, and its trade and loan payables. The fair value of these instruments approximates their carrying value. There were no off-balance sheet financial instruments.

Cash and cash equivalents consist solely of cash deposits with major banks in the United States and Canada.

The Company does not use derivative or hedging instruments to reduce its exposure to fluctuations in foreign currency exchange rates involving the US dollar.

### **MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCING REPORTING**

In connection with National Instrument ("NI") 52-109 (Certification of Disclosure in Issuer's Annual and Interim Filings) adopted in December 2008 by each of the securities commissions across Canada, the Chief Executive Officer and Chief Financial Officer of the Company will file a Venture Issuer Basic Certificate with respect to the financial information contained in the consolidated financial statements and respective accompanying Management's Discussion and Analysis. The Venture Issuer Basic Certification does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109.

### **OUTSTANDING SHARES**

As at the date of this MD&A, the Company has 24,227,565 common shares outstanding, of which 986,250 are held in escrow. The Company also has 2,075,000 incentive stock options outstanding, exercisable at a weighted average exercisable price of \$0.39 per share, 2,856,800, 3,002,536 and 3,395,502 share purchase warrants outstanding, exercisable at prices of \$0.35, \$0.47 and \$0.40 per share respectively.