

# AWALÉ RESOURCES LIMITED

## MANAGEMENT DISCUSSION AND ANALYSIS

**For the twelve months ended December 31, 2018 and 2017**

The Management Discussion and Analysis (“MD&A”) is an overview of the activities of Awalé Resources Limited (“Awalé”) and its subsidiaries (the “Company”). This MD&A describes the Company’s business operations through to the date of this MD&A. The MD&A should be read in conjunction with the Company’s audited financial statements for the years ended December 31, 2018, December 31, 2017 and the notes attached thereto (“ Audited Financial Statements”).

The effective date of this MD&A is April 29, 2019.

Statements in this report that are not historical facts are forward-looking statements involving known and unknown risks and uncertainties, which could cause actual results to vary considerably from these statements. Readers are cautioned not to put undue reliance on forward-looking statements. The Company does not assume the obligation to update any forward-looking statement, except as required by applicable law.

Management is responsible for the presentation and integrity of the Financial Statements, including the maintenance of appropriate information systems, procedures and internal controls and to ensure that information used internally or disclosed externally, including the financial statements and MD&A is complete and reliable.

Financial statement information presented herein was prepared using accounting policies in compliance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board.

All amounts in the MD&A, Financial Statements and related notes are expressed in United States dollars (“\$”) unless otherwise noted.

Andrew Chubb, the Company’s Chief Operating Officer, who is a Qualified Person as defined by National Instrument 43-101, has reviewed the geologic information contained in the MD&A on behalf of the Company.

### **1. DESCRIPTION OF THE BUSINESS AND A SUMMARY OF ACTIVITIES**

#### ***Company overview***

Awalé Resources Limited (“Awalé” or the “Company”) (previously known as Spada Gold Limited), was incorporated under the Business Corporations Act of British Columbia on June 23, 2015. On April 14, 2016 the Company completed an initial public offering and became a capital pool company as defined in the TSX Venture Exchange (“TSXV”) Policy 2.4.

The Company completed a Qualifying Transaction (“QT”) on December 29, 2017 which is filed on SEDAR and was approved by the TSXV, and acquired the following entities:

- 80% of Awalé Resources Limited (“Awalé Resources”) from Sandstorm Gold Limited (“Sandstorm”);
- 20% of Awalé from Awalé Holdings Limited (“Awalé Holdings”);
- 100% of Aforo (Ivory Coast) Holdings Pty Ltd (“Aforo”) from Sandstorm.

Concurrently, with the QT, the Company completed a private placement on the TSXV issuing 13,967,902 shares at approximately US\$0.20 (C\$0.25) each, raising \$2,783,560. The placement comprised of one common share and one-half of one transferable warrant, with each whole warrant being exercisable to purchase one additional common share, at a price of \$0.32 (C\$0.40) per share, for a period of two years.

The Company’s current sole activity is to identify and explore precious metals projects in Côte d’Ivoire.

The corporate office is located at 1020, 625 Howe Street, Vancouver, British Columbia, Canada and its registered office is at 8681 Clay Street, Mission, British Columbia, Canada.

The Company trades on the TSXV under the symbol: "ARIC".

At December 31, 2018 the Group consists of the following interests:

Entity	Ownership percentage	Country of incorporation	Functional currency
Awalé Resources Limited (the Company)	-	Canada	Canadian Dollar (CAD)
Awalé Resources Limited	100.0%	Guernsey	United States dollar (USD)
Awalé Resources (SARL)	100.0%	Côte d'Ivoire	West African CFA franc (CFA)
Srika Gold Limited	100.0%	Côte d'Ivoire	West African CFA franc (CFA)
Africa New Geological Technologies Côte d'Ivoire SARL	90.0%	Côte d'Ivoire	West African CFA franc (CFA)
Aforo Resources Côte d'Ivoire	100.0%	Côte d'Ivoire	West African CFA franc (CFA)
Aforo (Ivory Coast) Holdings Limited	100.0%	Australia	Australian Dollar (AUD)
Minera Mariana de Chile Limitada	100.0%	Chile	Chilean Peso (CLP)
AMG Chile Limitada	100.0%	Chile	Chilean Peso (CLP)
Altavista Gold Limited	100.0%	Canada	Canadian Dollar (CAD)

**Summary of activities for the twelve months ending December 31, 2018 and to the date of this report**

**EXPLORATION ACTIVITIES**

**Bondoukou**

The Bondoukou project is formed of three permits covering 1,192 square kilometres in the Zanzan region of north-eastern Côte d'Ivoire. During the reporting period the Company undertook a diamond drilling program at the Fako and Casino prospects, and an extensive 3,115-hole (13,354m) auger geochemistry program along the entire Awari Shear. The Company also completed a soil sampling program at the Yanti prospect, where 1,229 samples were collected over an area covering some 20 square kilometres. The diamond drilling at the Casino and Fako prospects, as defined from the Company's maiden scout RC drill program (see releases February 2, 2018 and March 1, 2018), was primarily designed to enhance the understanding of the geometry and down dip/plunge continuity of gold-bearing quartz vein zones at the two prospects. At Fako and Fako South 6 holes for 1,201.6 metres were drilled, and at Casino 3 holes for 402.9 metres were drilled, for a total of 9 holes for 1,604.5m. Assays returned from the diamond drill program at each prospect are discussed further below.

The company plans to continue to follow up new Auger anomalies with infill drilling and trenching as well as commence mapping and geochemistry over previously identified high order stream sediment anomalies in the Bondoukou North Permit and Bondoukou West Permit.

**Awari Shear Auger Drilling:**

During the period, the Company announced that the aforementioned auger drilling program included 5,830 metres of drilling over previously untested extents of the Awari shear covering 22 strike kilometres. This resulted in the discovery of 3 new gold anomalous zones over a combined strike length of approximately 12 kilometres.

These anomalous zones are defined by >13ppb gold anomalism with >50ppb cores and a maximum value of 569ppb\* along the fertile Awari shear. Auger drilling continues to prove its efficacy as an exploration tool at the Bondoukou project. Infill auger drilling over these new targets is anticipated to produce new drill targets for the first half of 2019.

This auger program was cut short by the onset of the monsoon season and drilling is anticipated to recommence in Q1 2019 once the rains abate and new access is prepared. Approximately 872 holes remain for a further 4000m of the 640 metre by 50 metre regional program, once this broad spaced

program is completed infill drilling will commence over these new targets, as well as any further targets uncovered with the remainder of the drilling.

### **Fako Prospect Diamond Drilling**

- **BEDD0004** - Step out hole testing down dip of **20m at 0.96 g/t Au** from 60m downhole in previously reported RC hole BERC0008 returned the following intercepts demonstrating continuity of mineralisation.
  - **BEDD0004 1.07m at 15.7 g/t Au** from **147.3m and 9m at 0.3 g/t Au** and 10 metres at 0.4 g/t Au from 153 and 165.8m downhole respectively.
- **BEDD0003** - **8m at 6.2 g/t Au** (from 0m) including **1m at 43.3 g/t Au** from surface
- **BEDD0005** - **4.5m at 1.4 g/t Au** from **163m including 0.55m at 7.55 g/t Au** downhole.

Hole BEDD0003 was a step out from previous RC hole BERC0019 and BEDD0005 was a diamond tail of the same RC hole. Both holes intercepted new mineralisation to the south of the previously reported 18m at 1g/t Au from 1m downhole in BERC0019.

### **Casino Prospect Diamond Drilling**

- Drill holes BEDD0007 and BEDD0008 designed to test for plunging mineralisation from the previous RC drill program returned high grade intercepts with visible gold that was not evident in the RC program. Suggesting steeply plunging high grade lodes at Casino.
  - **BEDD0007** - **1m at 4.6 g/t Au from 5m and 1.3m at 8.5 g/t Au** from 61m downhole respectively
  - **BEDD0008** - **0.46m at 21.1 g/t Au from 10.5m and 0.5m at 10.6 g/t Au** from 60.89m downhole respectively.

### **Yanti Prospect Soil Sampling**

During the period, the Company announced that extensive gold in soil anomalies were identified at the Yanti prospect, in the most northern granted permit, within the Bondoukou project in northeast Côte d'Ivoire. The target area was identified from an initial stream sediment sampling and reconnaissance mapping programs where rock chip sampling in abandoned artisanal mine sites returned gold values of up to 25.7 grams per tonne.

Sampling was completed on a 200x50 metre grid with 400 metre spaced extension lines. In all 1229 samples were collected and analysed for gold, a handheld XRF was used for multielement geochemistry. A broad zone 2km x 1km zone of >20ppb of anomalism was defined by the program. The anomalism both extends and connects the artisanal mining locations where cover is either shallow or non-existent, outside this central zone geology becomes dominated by transported lateritic material that may mask any soil anomalism. Work will continue on the prospect with auger drilling to penetrate the cover sequence as well as detailed mapping and infill sampling for drill targeting and planning.

### **Odienné**

The Odienné project lies in the northwest of Côte d'Ivoire within the Denguélé Region, close to the borders of Mali and Guinea. The project consists of the 397km<sup>2</sup> granted permit 'Odienné East', and one in application; Odienné. These permits are held under a separate joint venture with ANGET-CI - a local company which has a 10% stake in the permits.

Geologically, the project area lies on a splay of the regional scale Sassandra fault which forms the partition between the Archean Kenema Man domain and the Proterozoic Baoule-Mossi Domain. Rocks in the project area consist of a felsic/acid volcanic to mafic greenstone belt intruded by a series of later plutons of varying size and orientation. The intrusions range from intermediate to mafic in composition.

Results from a soil sampling program over 3 prospect areas consisting of 1809 samples were reported during the period (see release 28<sup>th</sup> June 2018). All three prospects delivered encouraging anomalies as follows:

- **Vakaba Prospect**- Five, sub parallel, gold in soil anomalies more than 700 metres long with greater than 50ppb gold in soil anomalies, each including cores of greater than 300ppb.

- **Empire Prospect-** One 2 kilometre long greater than 50ppb gold in soil anomaly, including a 500m long greater than 200ppb core, open to the east and west.
- **Denguélé prospect-** 4 x 1km long parallel > 20ppb anomalies, two of these having >50ppb cores.

Follow up mapping and soil sampling is underway at the Empire prospect and further similar work will follow in turn at the Vakaba and Denguélé prospects. Results flow from these campaigns is expected to commence in Q1 2019.

### **Abengourou**

The Abengourou Project now consists of 2 prospective gold permits Amélékia and Nianda, in the Comoé district of south eastern Côte d'Ivoire. These two granted permits and one application form the Company's Abengourou Project.

These permits now give the Company a district presence at Abengourou with 718 square kilometres of granted tenure.

Initial work on the Abengourou Project has been completed with confirmatory soil sampling on the initial, and more advanced, Amélékia permit. Amélékia was previously owned by Golden Star Resources Ltd whose legacy exploration uncovered significant gold in soil anomalies and due diligence sampling by the company has returned positive results. Subsequently the company has commenced a mapping, pitting and trenching program to understand the geology and style of mineralisation that is the source of the gold anomalism in the soil geochemistry. The Amélékia permit is dominated by moderately strained pelitic rocks with minor psammites trending northeast and steeply dipping. There is evidence of quartz veining both parallel to the main structural trends as well as north-south oriented extension veins. The dominant topography in the area strike north south also.

### **Exploration expenditure**

The exploration expenditure of the Companies for the twelve months ended December 31,2018 is set out below.

<b>Expenditure</b>	<b>Bondoukou \$</b>	<b>Odienné \$</b>	<b>Abengourou \$</b>
Data analysis	172,364	-	-
Drilling and assay costs	780,269	-	-
Field Office & Camp	271,139	13,073	5,923
Exploration	366,775	15,014	9,577
Tenement costs	44,414	44,416	9,670
Health & safety	665	-	4,158
Administration	422,514	22,553	34,868
	2,058,140	95,056	64,196
Capital expenditure	5,351	-	1,651
<b>TOTAL</b>	<b>2,063,491</b>	<b>95,056</b>	<b>65,847</b>

## **CORPORATE ACTIVITIES**

### **Corporate**

During the twelve months ended December 31, 2018, the Company undertook a private placement netting \$643,584 in funds by issuing 6,660,000 ordinary shares at approximately \$0.096 cents to be used to continue its exploration programs and the administrative operations to support these exploration activities. All securities issued under the private placement are subject to a hold period trading restriction of four months and a day from the date of distribution which expired January 25, 2019.

During the period the Company acquired from Sandstorm, for nil value, Minera Mariana de Chile Limitada, AMG Chile Limitada ,Altavista Gold all dormant companies registered in Chile and Canada

respectively. These are dormant companies with nil net asset values. The Company will assess the value of these entities to the group and if not required will wind them down.

On April 29, 2019 the Company announced, subject to Exchange approval, that it has negotiated a non-brokered private placement of 8,096,300 shares at a price of US\$ \$0.066 per share. Gross proceeds of approximately \$535,788 will be used for ongoing exploration expenditure on its projects in Côte D'Ivoire and for general overhead and operating expenses. Refer to Subsequent Events section for further details.

The Company's continuing operations are dependent upon its ability to either secure additional capital or generate consistent cash flow from operations in the future.

## 2. RESULTS OF OPERATIONS – TWELVE MONTHS ENDED DECEMBER 31, 2018

The following is a breakdown of material costs incurred:

	Twelve months Ended December 31,2018	Twelve months ended December 31, 2017
Share based compensation	451,672	954
Salaries and director fees	414,721	-
Professional and consulting expenditure	117,527	72,952
General and administrative expenditure	94,924	43,046
Travel expenditure	84,110	17,129
Investor relations expenditure	89,246	2,507
Foreign exchange loss	32,020	-
Depreciation	32,494	-
Interest	26,989	-

*Twelve months ending December 31, 2018 compared to December 31, 2017*

The increase in the loss compared to the comparative prior period is due to the following factors:

- Share based payments increased in the current period as a result of an increased number of employees, directors and officers engaged in the current period when compared to the prior period, and the number of options issued to directors, officers and employees of the Company, as well as the issue of bonus shares to certain officers and employees in May 2018.
- Salaries and directors' fees increased in the current period as a management team was put in place and directors were remunerated for their services due to the expanded group and increased activities of the Company. In the prior period no salaries or directors' fees were paid.
- Professional and consulting fees for the period December 31, 2018 include legal fees \$30,122, accrued audit fees of \$56,692 and technical committee fees of \$30,620. In the prior period \$72,952 was incurred in relation to professional expenses. These costs have increased due to the increase in the size, activities and complexity of the Group from that of the prior comparative period.
- General and administrative costs increased due to the expanded activities and reporting requirements of the Company when compared to that of the comparative period. Costs incurred during the period ended December 31, 2018 include: company secretarial fees of \$27,897 (2017: \$2,235), registry fees of \$12,472 (2017: \$3,186), listing fees of \$12,337 (2017: \$27,827) a decrease from the prior year due to the costs incurred in relation to the Qualifying Transaction completed in December 2017, insurance costs \$12,191 (2017: nil) and general office and administrative costs of \$24,726 (2017: \$12,033).
- Travel and investor relations expenses increased in the current period mainly due to increased investor relation and marketing activities that were undertaken at various international conferences to promote the expanded Group. In the prior comparative period, there was no requirement to undertake these types of activities as the Company had not yet identified any exploration assets to promote.
- A foreign exchange loss of \$32,020 was recognised, consisting of an unrealised loss on revaluation of foreign currency denominated bank accounts and realised losses recognised on payments denominated in foreign currencies during the period. In the prior comparative period, no foreign denominated bank balances were held, and no foreign currency denominated

payments were made. This cost fluctuates from period to period depending on the balance of foreign denominated cash balances and the value of foreign denominated expenses.

- Depreciation expense was incurred as plant and equipment was purchased throughout the period utilise for the activities and operations of the group.
- Interest expense increase of \$26,989 reflects the interest recognised on the contractual obligation payable to Sandstorm. Refer to Section 3 for further details.

### 3. SELECTED ANNUAL FINANCIAL INFORMATION

<b>SUMMARY</b>	<b>Year ended December 31, 2018 \$</b>	<b>Year ended December 31, 2017 \$</b>
Net sales or total revenue	nil	nil
Loss	(1,343,215)	(136,588)
Total assets	5,155,048	5,913,625
Total current liabilities	244,114	741,662
Total current liabilities excluding related party balances	185,464	422,822
Total non-current liabilities	-	1,187,025
Total non-current liabilities excluding related party balances	nil	nil

Total assets have been impacted by the increase in value attributable to continued exploration activities undertaken at the Company's Côte d'Ivoire projects during the period, offset by a decrease in cash used to fund the administrative activities required to support ongoing exploration programs.

Current liabilities of the Company include accounts payable and accrued liabilities which fluctuate from period to period depending on the level of exploration activity undertaken by the Company.

The Company had previously recognised a liability in relation to its contractual obligation payable to Sandstorm as part of the acquisition of the Côte d'Ivoire assets undertaken in December 2017. During the period the Company transferred this obligation to equity and recognised an amount of \$1,410,460 in Other Reserves. The Company is to pay up to Canadian Dollar ("C\$") C\$400,000 per year in either shares or cash, for a period estimated to be no longer than 5 years. The balance of the contractual obligation payable fluctuates from period to period due to exchange rate movements in the C\$ to US\$.

As at December 31, 2018 the Company was required to deliver to Sandstorm the first annual payment in relation to the contractual obligation payable, of approximately \$293,200 (C\$400,000) in shares. As agreed with Sandstorm this payment is to be made in 4,705,882 shares @ 0.0656 cents (C\$0.085 cents) but will continue to be deferred, as the issuance of these shares will cause Sandstorm to hold, directly or indirectly, more than 19.9% of the outstanding shares of Awale. The issuance of these shares will be deferred until five Business Days after Sandstorm delivers written notice to the Company that the issuance of such deferred shares will no longer cause Sandstorm to exceed this threshold. The Company has included the value of this obligation in Other Reserves as at December 31, 2018.

#### 4. SELECTED UNAUDITED QUARTERLY FINANCIAL INFORMATION

SUMMARY	Q4 2018 \$	Q3 2018 \$	Q2 2018 \$	Q1 2018 \$	Q4 2017 \$	Q3 2017 \$	Q2 2017 \$	Q1 2017 \$
Net sales or total revenue	-	-	-	50	-	-	-	-
Loss	(271,358)	(290,360)	(437,052)	(344,445)	(85,590)	(30,425)	(13,491)	(7,082)
Basic & diluted loss per share	0.01	0.01	0.01	0.01	0.01	0.00	0.00	0.00
Total current assets	370,384	996,429	1,161,000	1,179,985	3,186,955	291,280	293,120	299,674
Total non-current	4,784,664	4,510,551	4,152,680	3,422,864	2,726,670	-	-	-
Total current liabilities	244,114	595,765	770,673	698,192	741,662	32,253	14,729	14,524
Total non-current liabilities	-	1,183,720	1,158,336	1,177,452	1,187,025	-	-	-

The Company's quarterly financial results and position can be affected by many factors including, but not limited to; seasonal fluctuations, variations in capital markets, foreign exchange rate movements, share based payments, changes in exploration programs, changes to exploration portfolios and financing activities undertaken.

The net loss of \$271,358 for the quarter ended December 31, 2018 increased when compared to the loss of \$85,590 recorded in the quarter ended December 31, 2017, due predominantly to the increased activities and the expanded operations of the company following the Qualifying Transaction and the Private Placement completed in December 2017.

##### *Three months ending December 31, 2018*

The loss of \$271,358 incurred in the three months ended December 31, 2018 is reflective of ongoing activities required to support and promote exploration activities and maintain a public listing.

Larger components of expenditure in the three months ending December 31, 2018 include: costs of \$31,543 associated with attendance at various investor conferences; executive management fees and salaries and non-executive fees of \$76,101; share based payment expense of \$82,423; accrual of audit fees of \$18,621; travel costs of \$14,921; as well as ongoing general administrative costs of \$8,409 which have decreased with the reversal of fees associated with company secretarial costs; and depreciation expense of \$9,128. The Company also recognised a foreign exchange loss of \$10,378 in relation to the revaluation of foreign denominated bank accounts and payment of expenses in non-functional currency denominations.

During the quarter, the Company transferred the contractual obligation payable to Sandstorm from liabilities to Other Reserves as it is the Company's current expectation and intention is to settle future obligations through the issuance of shares. The transaction is evaluated at each reporting period based on present obligations and intention. As the Company's current expectation and intention is to settle future obligations through the issuance of shares, the Company has reclassified the full contractual obligation balance to equity. Refer to Section 5 for further details

##### *Three months ending September 30, 2018*

The loss of \$290,360 incurred in the three months ended September 30, 2018 is due predominantly to: recognition of share based payment expense of \$82,162; salaries and management fees and non-executive fees of \$105,318; travel costs of \$25,794 for costs incurred in relation to upcoming investor conferences; investor relations expense of \$8,567 related to maintaining website and dissemination of investor communications; accounting costs and audit fee accrual of \$12,038; as well as general administrative costs of \$28,338 which have increased in the quarter as a result of the listing fees and registration costs associated with the private placement completed in the quarter. The Company also recognised a foreign exchange loss of \$4,310 in relation to the revaluation of foreign denominated bank accounts and payment of expenses in non-functional currency denominations.

#### *Three months ending June 30, 2018*

The loss of \$437,052 has increased from that of the previous quarter due predominantly to: recognition of share payment expense of \$196,394 which includes issue of bonus shares to selected management during the quarter of \$111,938; non-executive fee and managements salaries and fees of \$ 115,328; investor relations expense of \$25,127 and travel costs of \$24,116 which have increased slightly from the preceding quarter due to the geographical locations of investor conferences attended in the quarter; accounting fees and audit accrual of \$20,291; depreciation expense of \$7,909 and interest recognised on the contractual obligation payable of 6,772; as well as ongoing general administrative costs of \$22,013.

#### *Three months ending March 31, 2018*

The loss of \$344,445 incurred in the three months ending March 31, 2018 is due predominantly to: salaries and management fees and directors fees incurred of \$117,974; share based compensation expense recognised of \$86,235; legal fees incurred of \$14,568 and accrued audit fees of \$17,204 required due to the increased size and complexity of the Group; travel and investor relations expense of \$43,291 incurred in order to attend various international investor conferences , as well as the maintenance of the website and ongoing costs associated with dissemination of news flow; depreciation expense of \$8,037, recognition of interest of \$6,916 on the contractual obligation payable, as well as general administrative costs incurred of \$31,803 required to support exploration activities and maintain a public company listing.

For the majority of the quarter ending December 31, 2017, and each quarter prior, the Company was not involved in exploration activities, and costs incurred related solely to the maintenance of the Company and support for its continued endeavours in identifying appropriate properties to acquire.

Total assets have been impacted by the increase in value attributable to continued exploration activities undertaken at the Company's Côte d'Ivoire projects during the period, offset by a decrease in cash used to fund the administrative activities required to support ongoing exploration programs and maintain its public listing.

Current liabilities of the Company include accounts payable and accrued liabilities which fluctuate from period to period depending on the level of exploration activity undertaken by the Company.

During the period, the Company transferred the contractual obligation payable to Sandstorm from liabilities to Other Reserves as it is the Company's current expectation and intention is to settle future obligations through the issuance of shares. The transaction is evaluated at each reporting period based on present obligations and intention.

## **5. DISCLOSURE OF OUTSTANDING SHARE CAPITAL**

The number of common shares outstanding at December 31, 2018 is 35,762,163 (2017: 28,906,103).

Included in Capital Stock are the following shares which are subject to escrow and hold provisions; 2,137,200 shares issued to Sandstorm, 4, 800, 000, shares issued to the minority interest in Awalé and Aforo as part of the acquisition on December 29, 2017 in line with the Acquisition Agreements; and 13,967,902 share issued as part of the private placement. These escrowed shares will be released periodically over the next three years in line with the relevant agreements. These shares may not be transferred, assigned or otherwise dealt without the consent of the regulatory authorities.

All securities issued under the private placement completed in September 2018 (total shares of 6,660,000 shares) are subject to a hold period trading restriction of four months and a day from the date of distribution which expired January 25, 2019.

Effective November 15th, 2018, the Company is required to deliver to Sandstorm the first annual payment, in relation to the contractual obligation payable, of approximately \$293,200 (C\$400,000) in shares. As agreed with Sandstorm, this payment is to be made in 4,705,882 shares @ \$0.0656 (C\$0.085) but will be deferred, as the issuance of these shares will cause Sandstorm to hold, directly or indirectly, more than 19.9% of the outstanding shares of Awale. Under the terms of the agreement, the issuance of these shares will be deferred until five business days after Sandstorm delivers written notice to the Company that the issuance of such deferred shares will no longer cause Sandstorm to exceed this threshold.

On May 14, 2018 the Board granted bonuses in the aggregate amount of C\$143,000 (US\$111,938) to certain senior officers and employees of the Company. The bonuses will be paid, as agreed, by the issuance of 572,000 shares at a deemed price of C\$0.25 (US\$0.196) per share. The Bonus Shares are subject to a 4 month hold period under securities legislation and will be subject to a one-year vesting period from date of grant and will be issued following the expiration of the vesting period.

On April 29, 2019 the Company announced, subject to Exchange approval, that it has negotiated a non-brokered private placement of 8,096,300 shares at a price of US\$ \$0.066 (C\$0.09) per share. All shares issued pursuant to the private placement will be subject to a hold period trading restriction expiring 4 months and 1 day after issue.

The Company has the following warrants outstanding as at December 31, 2018 denominated in US\$:

	Number of warrants	Weighted average exercise price \$	Expiry date
Balance January 1, 2017	200,000	0.08	April 14, 2018
Issued December 29, 2017	6,983,951	0.32	December 29, 2019
Issued December 29, 2017	200,000	0.20	December 29, 2020
Balance December 31, 2017	7,383,951		
Exercised	(196,060)	0.08	
Expired	(3,940)	(0.08)	
<b>Balance December 31, 2018</b>	<b>7,183,951</b>	<b>0.32</b>	

The Company has the following options outstanding as at as at December 31, 2018 denominated in US\$:

	Number of options	Weighted average exercise price \$	Expiry date
Balance January 1, 2016	400,000	0.08	April 14, 2021
Balance December 31, 2017	400,000	0.08	
Issued	1,930,000	0.32	January 16, 2021
<b>Balance December 31, 2018</b>	<b>2,330,000</b>	<b>0.28</b>	

A cost of \$339,734 has been recorded in the twelve months ended December 31, 2018 in relation to these options granted.

## 6. LIQUIDITY AND CAPITAL RESOURCES

### **Working Capital**

As at December 31, 2018 the Company had negative working capital of \$126,270 (2017: \$2,445,293). The decrease in working capital is a result of the private placement that was undertaken on December 29, 2017 raising \$2,783,560, the acquisition of existing cash balances in entities acquired of \$148,837; offset by share costs of \$165,656 and proceeds of \$643,565 receipted as part of the private placement undertaken in September 2018. This increase in cash was offset by payments to employees, directors and suppliers; as well as payments for exploration costs incurred during the twelve months in the acquired subsidiaries.

The Company's continuing operations are dependent upon its ability to either secure additional capital or generate consistent cash flow from operations in the future.

On April 29, 2019 the Company announced, subject to Exchange approval, that it has negotiated a non-brokered private placement of 8,096,300 shares at a price of US\$ \$0.066 (C\$0.09) per share. Gross

proceeds of approximately \$535,788 (C\$728,667) will be used for ongoing exploration expenditure on its projects in Côte D'Ivoire and for general overhead and operating expenses.

### **Cash and cash equivalents**

As at December 31, 2018 the Company had cash of \$328,456 (2017: \$3,002,141).

### **Cash used in operating activities**

Cash used in operating activities during the twelve months ended December 31, 2018 was \$944,365 (2017: \$43,847). The cash used in operating activities represents general and administrative costs incurred, adjusted for non-cash items such as share based payments, interest recognised, depreciation, foreign exchange movements and movements in accounts payable and accounts receivable balances in the period. These costs increased in the twelve months ended December 31, 2018 due to the acquisition of Awalé and Aforo in December 2017 and the increased administrative activities required as a result.

### **Cash used in investing activities**

Cash used in investing activities for the twelve months ending December 31, 2018 was \$2,416,432 (2017: \$148,837). This expenditure related to exploration expenditure of \$2,355,930 at the Côte d'Ivoire properties and payments for plant and equipment of \$60,502 for use at the exploration properties.

### **Cash from financing activities**

Cash of \$763,916 was received during the twelve months ended December 31, 2018 due mainly in relation to the issue of 6,660,000 shares at approximately \$0.096 cents and the exercise of warrants during the period. This was offset by share issue costs paid of \$83,845.

## **7. GOING CONCERN**

The ability of the Company to continue as a going concern is dependent on the ability to raise capital through the listing on the TSX. However, should additional capital not be available, the combined group may be unable to continue as a going concern.

The directors are confident of raising additional capital to continue as a going concern. No adjustments have been made relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the combined group not continue as a going concern.

## **8. TRANSACTIONS BETWEEN RELATED PARTIES**

During the twelve months ended December 31, 2018 the Company incurred charges to directors and officers, or to companies associated with these individuals as follows:

	<b>Twelve months ended December 31, 2018 \$</b>
Non-executive directors' fees (i)	60,000
CEO fees & entitlements (ii)	200,000
COO fees & entitlements	180,000
Accounting fees – CFO services (iii)	93,301
Company secretarial fees (iv)	27,898
Technical committee fees (v)	12,000
Share based payment	263,079
	<b>836,278</b>

- (i) Includes fees paid Austral Consulting Services, a company owned by E Roth for non-executive director fees.
- (ii) Included in this cost is an amount owed to Parsons Capital Super Fund, a company owned by G Parsons, for post employment benefits.

- (iii) This cost is for fees paid to Genco Professional Services Limited, a company owned by S Cooper for CFO services.
- (iv) This cost is for fees paid to Marketworks Inc. a company owned by K Witter for company secretarial services provided.
- (v) This cost is for technical committee fees paid to Austral Consulting, a company owned by E Roth.

Directors and officers of the company subscribed for 2,840,000 common shares and Sandstorm Gold acquired 2,840,000 common shares as part of the private placement completed in September 2018.

Directors and officers of the company subscribed for 5,262,900 common shares as part of the private placement announced on April 29, 2019.

In addition to the above the Company's related parties includes intercompany loan balances with its subsidiaries. These balances are eliminated on consolidation.

Related party transactions for the twelve months ended December 31, 2017 related to share based compensation.

The following balances were payable to related parties as at December 31, 2018:

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
CEO fees & expense reimbursement (i)	36,024	-
COO fees & entitlements	5,000	-
Accounting fees – CFO services (ii)	17,626	-
	<u>58,650</u>	<u>-</u>

- (i) Includes an amount payable to Parsons Capital Superfund a superannuation fund controlled by G. Parsons
- (ii) Amount payable to Genco Professional Services Pty Ltd – a company controlled by S. Cooper

### Compensation of key management personnel

The Company considers its directors and officers to be key management personnel. Transactions with key management personnel are set put below:

	<b>Twelve months ended December 31, 2018 \$</b>
Short-term benefits (i) & (ii)	486,109
Post - employment benefits (iii)	15,090
Share based payment	263,079
Non-executive directors' fees (iv)	60,000
	<u>824,278</u>

- (i) Includes an amount paid to Genco Professional Services Pty Ltd – a company controlled by S. Cooper
- (ii) Includes an amount paid to Marketworks Inc. – a company controlled by K. Witter
- (iii) Amount paid to Parsons Capital Superfund - a superannuation fund controlled by G. Parsons
- (iv) Includes fees paid Austral Consulting Services, a company owned by E Roth for non-executive director fees.

## 9. OFF BALANCE SHEET ARRANGEMENTS

The Company does not utilise any off-balance sheet arrangement.

## 10. PLAN OF OPERATIONS AND FUNDING

The Company's plan of operation over the next twelve months is to progress an appropriate exploration program at its gold permits in Côte d'Ivoire.

## 11. COMMITMENTS AND CONTINGENCIES

The Company has the following commitments and payment is contingent on the continued operations based on successful exploration results at its Odienné property at each date disclosed below.

Date	Payment	Condition
September 2020	US\$80,000	48 months from the grant of First Grant (First Grant being grant of title)
	US\$1,845,000	Upon the Company making a decision to mine in respect of the First Grant, the approval of a mining plan by the relevant authority and securing finance to carry out that mining plan so as to take the mine to production stage.

Awalé is required to pay a 2% net smelter royalty to Sandstorm on any products sold from the Awalé and Aforo properties as detailed in the Net Smelter Returns Royalty Agreements dated December 29, 2017.

Awalé has five leases in place:

- Corporate cost - one administrative office in Vancouver; and
- Project cost - one administrative office in Abidjan, a project office in Bondoukou; as well as two leases for accommodation at Bondoukou and Odienné.

The lease commitments are as follows:

	2018 \$	2017 \$
<i>Within one year</i>		
Corporate	4,620	-
Project	31,320	12,000
	<hr/>	<hr/>
	35,940	12,000
<i>After one year</i>		
Corporate	-	-
Project	5,400	12,000
	<hr/>	<hr/>
	5,400	12,000

## 12. SEGMENTED INFORMATION

The Company operates in a single reportable operating segment - the acquisition, exploration and development of mineral properties in the single geographical segment Côte d'Ivoire.

### 13. EVENTS SUBSEQUENT TO THE PERIOD ENDED DECEMBER 31, 2018

On April 29, 2019 the Company announced, subject to Exchange approval, that it has negotiated a non-brokered private placement of 8,096,300 shares at a price of US\$ \$0.066 (C\$0.09) per share. Gross proceeds of approximately \$535,788 (C\$728,667) will be used for ongoing exploration expenditure on its projects in Côte D'Ivoire and for general overhead and operating expenses. All shares issued pursuant to the private placement will be subject to a hold period trading restriction expiring 4 months and 1 day after issue.

No other matters or circumstances have arisen since the period end which significantly affected or could significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

### 14. FINANCIAL INSTRUMENTS AND RISKS

The Company's financial instruments consist, of cash, receivables and trade payables. Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

The Company classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

The Company has classified accounts payable, accrued liabilities as other financial liabilities. For the twelve months ended December 31, 2018 the Company has no derivative assets.

#### *Classification and fair values*

*As at December 31, 2018*

	<b>Cash, loans and receivables</b>	<b>Other liabilities</b>	<b>Total carrying amount</b>	<b>Total fair value</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Assets</b>				
<b>Current</b>				
Cash and cash equivalents	328,456	-	328,456	328,456
Receivables	22,236	-	22,236	22,236
	<b>350,692</b>	<b>-</b>	<b>350,692</b>	<b>350,692</b>
<b>Liabilities</b>				
<b>Current</b>				
Accounts payable and accrued liabilities	-	244,114	244,114	244,114
	<b>-</b>	<b>244,114</b>	<b>244,114</b>	<b>244,114</b>

Financial instruments recorded at fair value on the statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

The fair value hierarchy has the following levels:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Cash and cash equivalents	-	328,456	-	328,456
Receivables	-	22,236	-	22,236
Accounts payable and accrued liabilities	-	244,114	-	244,114

The activities of the Company expose them to a variety of financial risks that arise as a result of their exploration, development and financing activities, including credit risk, liquidity risk and market risk.

This section presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included in the financial statements.

The Board of Directors of the Company oversees management's establishment and execution of the Company's risk management framework. Management has implemented and monitors compliance with risk management policies. The Company's risk management policies are established to identify and analyze the risks faced by the Company to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's activities.

#### **Credit risk**

Credit risk is the risk of financial loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises principally from the Company's cash and cash equivalents, short-term investments and amount due from Cartier. The Company holds its key operational bank accounts with reputable banks of international financial institutions.

#### **Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting their financial liabilities that are settled in cash or other financial assets. The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities as they come due. The amounts for accounts payable and accrued liabilities are subject to normal trade terms. The Group expects to settle its financial liabilities within normal trading terms (within three months).

#### **Market risk**

Market risk is the risk that changes in market prices, such as equity prices and foreign exchange rates will affect the Company's income or the value of its financial instruments.

#### **Foreign currency risk**

Foreign currency risk is the risk that the Company financial performance will be affected by fluctuations in the exchange rates between currencies. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when expenses are denominated in currencies other than the respective functional currencies). The Company manages this foreign currency risk by matching payments in the same currency and monitoring movements in exchange rates. At December 31, 2018 with other variable remaining unchanged, a +/- 10% change in exchange rates would increase/increase pre-tax loss of \$13,519.

#### **Capital management**

Capital of the Company consists of capital stock and deficit. The Company's objectives when managing capital is to safeguard the Company's ability to continue as a going concern so it can acquire, explore and develop mineral resource properties for the benefit of its shareholders. The Company manages its capital structure and makes adjustments based on the funds available to it in light of changes in economic conditions. The Board of Directors of the Company has not established quantitative return on capital criteria for management, but rather relies on the expertise of the management to sustain the future development of the Company. In order to facilitate the management of their capital requirements, the Company prepares annual expenditure budgets that consider various factors, including successful capital deployment and general industry conditions. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company is reasonable.

The Company's principal source of capital is from the issue of ordinary shares. In order to achieve its objectives, the Company intends to raise additional funds as required.

The Company is not subject to externally imposed capital requirements and there were no changes to the Company's approach to capital management during the year.

It is management's opinion that the Company is not exposed to significant interest rate, currency or credit risk arising from these financial instruments.

## 15. ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES

### **Changes in accounting policy**

The accounting policies adopted are consistent with those of the previous financial year.

### **New accounting standards for application in future periods**

The Company has adopted all applicable new, revised or amending Accounting Standards and Interpretations issued by the International Accounting Standards Board (IASB) that are mandatory for the reporting periods in these consolidated financial statements.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted. At this stage, it is not expected that these new accounting standards will have a material impact on the amounts reported in the Group's financial statements. Certain disclosures and presentation may change due to the new or amended standards.

### **Estimates**

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are as follows:

#### *Impairment of exploration and evaluation*

Exploration and evaluation assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable through future exploitation or sale. Such circumstances include the period for which each Company has the right to explore in a specific area, actual and planned expenditures, results of exploration, whether an economically-viable operation can be established and significant negative industry or economic trends. Management judgment is also applied in determining cash generating units, the lowest levels of exploration and evaluation assets grouping, for which there are separately identifiable cash flows, generally on the basis of areas of geological interest.

#### *Share based payments*

The Company uses the Black-Scholes option pricing model in determining share-based payments, which requires a number of assumptions to be made, including the risk-free interest rate, expected life, forfeiture rate and expected share price volatility. Consequently, actual share-based compensation may vary from the amounts estimated.

#### *Contractual obligation payable*

The Company has assessed the contractual obligation payable to Sandstorm as being more likely than not to not continue past 5 years.

## 16. FORWARD LOOKING STATEMENTS

The MD&A contains forward-looking information within Canadian securities laws (collectively "forward looking statements") concerning the anticipated developments in the Company's operations in future periods, its planned exploration activities, the adequacy of its financial resources and other events or conditions that may occur in the future. These statements relate to analyses and other information that are based on forecasts of future results, estimates of amounts not yet determinable and assumptions of management.

Statements concerning mineral reserve and resource estimates may also be deemed to constitute forward-looking statements to the extent that they involve estimates of the mineralization that will be

encountered if the property is developed. Any statements that express or involve predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, using words or phrases such as "expects", "anticipates", "plans", "projects", "estimates", "assumes", "intends", "strategy", "goals", "objectives", "potential" or variations thereof, or stating that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved, or the negative of any of these terms and similar expressions) are not statements of historical fact and may be forward looking statements. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in such forward-looking statements. The forward-looking statements in this MD&A speak only as of the date of this MD&A or as of the date specified in such statement.

The following table outlines certain significant forward-looking statements contained in this MD&A and provides the material assumptions used to develop such forward-looking statements and material risk factors that could cause actual results to differ materially from the forward-looking statements.

Forward looking information	Assumptions	Risk factors
The Company's anticipated plans, costs, timing and capital for future development of the Company's mineral exploration properties.	Financing will be available for future exploration and development of the Company's properties; the actual results of the Company's exploration and development activities will be favourable; operating, exploration and development costs will not exceed the Company's expectations; the Company will be able to retain and attract skilled staff; all requisite regulatory and governmental approvals for exploration projects and other operations will be received on a timely basis upon terms acceptable to the Company, and applicable political and economic conditions are favourable to the Company ; the price of precious and base metals and applicable interest and exchange rates will be favourable to the Company; no title disputes exist with respect to the Company's properties.	Precious and base metals price volatility; uncertainties involved in interpreting geological data and confirming title to acquired properties; the possibility that future exploration results will not be consistent with the Company's expectations; availability of financing for and actual results of the Company's exploration and development activities; increases in costs; environmental compliance and changes in environmental and other local legislation and regulation; interest rate and exchange rate fluctuations; changes in economic and political conditions; the Company's ability to retain and attract skilled staff.
The Company's ability to carry out anticipated exploration on its mineral exploration properties.	The operating and exploration activities of the Company for the twelve months ending December 31, 2019, and the costs associated therewith, will be consistent with the Company's current expectations; debt and equity markets, exchange and interest rates and other applicable economic conditions are favourable to the Company.	Changes in debt and equity markets; timing and availability of external financing on acceptable terms; increases in costs; environmental compliance and changes in environmental and other local legislation and regulation; interest rate and exchange rate fluctuations; changes in economic conditions.
Plans, costs, timing and capital for future exploration and development of the Company's property interests, including the costs and potential impact of complying with existing and proposed laws and regulations	Financing will be available for the Company's exploration and development activities and the results thereof will be favourable; actual operating and exploration costs will be consistent with the Company's current expectations; the Company will be able to retain and attract skilled staff; all applicable regulatory and governmental approvals for exploration projects and other operations will be received on a timely basis upon terms acceptable to the Company; the Company will not be adversely affected by market competition; debt and equity markets, exchange and interest rates and other applicable economic and political conditions are favourable to the Company; the price of precious and base metals will be favourable to the Company no title disputes exist with respect to the Company's s properties.	Precious and base metals price volatility, changes in debt and equity markets; timing and availability of external financing on acceptable terms; the uncertainties involved in interpreting geological data and confirming title to acquired properties; the possibility that future exploration results will not be consistent with the Company's expectations; increases in costs; environmental compliance and changes in environmental and other local legislation and regulation; interest rate and exchange rate fluctuations; changes in economic and political conditions; the Company's ability to retain and attract skilled staff.
Management's outlook regarding future trends.	Financing will be available for the Company's exploration and operating activities; the price	Precious and base metals price volatility; changes in debt and equity markets; interest rate and exchange

Forward looking information	Assumptions	Risk factors
	of precious and base metals will be favourable to the Company.	rate fluctuations; changes in economic and political conditions
Prices and price volatility for precious and base metals.	The price of precious and base metals will be favourable; debt and equity markets, interest and exchange rates and other economic factors which may impact the price of precious and base metals will be favourable.	Changes in debt and equity markets and the spot price of precious and base metals; interest rate and exchange rate fluctuations; changes in economic and political conditions.

Inherent in forward looking statements are risks, uncertainties and other factors beyond the control of the Company's ability to predict or control. Please make reference to those risk factors referenced in the "Risk factors" section above. Readers are cautioned that the above chart does not contain an exhaustive list of the factors or assumptions that may affect the forward-looking statements, and that the assumptions underlying such statements may prove to be incorrect. Actual results and development are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements outlined in this MD&A.

Forward-looking statements include known and unknown risks, uncertainties and other factors that may cause the Company's actual results, performance or achievements to be materially different from any of its future results, performance or achievements expressed or implied by forward-looking statements. All forward-looking statements herein are qualified by the cautionary statement. Accordingly, readers should not place undue reliance on forward-looking statements. The Company undertakes no obligation to update publicly or otherwise review any forward-looking statements whether as a result of new information or future events or otherwise, except as may be required by law. If the Company does update one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements, unless required by law.

## 17. BOARD

The Board of the Company comprise the following members:

- Mr Ronald Ho
- Mr Eric Roth
- Mr Derk Hartman
- Mr Glen Parsons

## 18. DISCLAIMER

The information provided in this document is not intended to be a comprehensive review of all matters and developments concerning the Company. It should be read in conjunction and in context with all other disclosure documents of the company. The information contained herein is not a substitute for detailed investigation or analysis on any particular issue. No securities commission or regulatory authority has reviewed the accuracy or adequacy of the information presented.

## 19. ADDITIONAL INFORMATION

For further detail, see the Company's Audited Financial Statements and other documents available on SEDAR. [www.sedar.com](http://www.sedar.com).