

GRANADA GOLD MINE INC.

Form 51-102F1

Management's Discussion & Analysis for the year ended June 30, 2019

DATE: October 28, 2019

The following Management's Discussion and Analysis ("MD&A") is a review of the operations, current financial position and outlook of Granada Gold Mine Inc. ("Granada" or the "Company"), and it has been prepared by management and should be read in conjunction with the audited consolidated financial statements of Granada for the year ended June 30, 2019, and the related notes thereto, which are prepared in accordance with International Financial Reporting Standards ("IFRS"). The discussion covers the year ended June 30, 2019 and up to the date of filing of this MD&A. This MD&A has been prepared in compliance with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations. All amounts are stated in Canadian dollars unless otherwise indicated.

FORWARD-LOOKING INFORMATION

This MD&A contains certain forward-looking statements and information relating to the Company that are based on the beliefs of its management as well as assumptions made by and information currently available to the Company. When used in this document, the words "anticipate", "believe", "estimate", "expect" and similar expressions, as they relate to the Company or its management, are intended to identify forward-looking statements. This MD&A contains forward-looking statements relating to, among other things, regulatory compliance, the sufficiency of current working capital, the estimated cost and availability of funding for the continued exploration and development of the Company's exploration properties. Such statements reflect the current views of the Company with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. Aside from factors identified in the annual MD&A, additional important factors, if any, are identified here.

DESCRIPTION OF BUSINESS

Granada is a junior natural resource company whose business is to seek out exploration opportunities with a focus on the Granada Gold Mine in Rouyn-Noranda, Quebec. Operations are conducted either directly or through consulting agreements with third-parties. The Company finances its properties by way of equity or debt financing or by way of joint ventures. Additional information is provided in the Company's audited consolidated financial statements for the year ended June 30, 2019. These documents are available on SEDAR at www.sedar.com. The Company also maintains a website at www.granadagoldmine.com.

The Company is a reporting issuer in the Provinces of British Columbia and Alberta, and trades on the TSX Venture Exchange ("TSXV") under the symbol GBB, the US OTC market under the symbol GBBFF and the Frankfurt Stock Exchange under the symbol B6D-FRA.

The corporate office of the Company is located at 3020 Quadra Court, Coquitlam, BC V3B 5X6.

CORPORATE***Financing***

On December 1, 2017, the Company closed a non-brokered private placement offering, raising gross proceeds of \$700,000. The Company issued 2,000,000 FT shares at a price of \$0.35 per FT share. In connection with this private placement a flow through share premium of \$140,000 was recorded.

Finder's fees totalling \$63,000 payable in cash and 180,000 broker warrants were paid in connection with the financing. The broker warrants are exercisable at \$0.35 per share for a period of two years from closing.

On January 24, 2018, the Company closed the 1st tranche of a private placement raising gross proceeds of \$830,500. The Company issued 3,322,000 units at a price of \$0.25 per unit. Each unit comprises one common share and one share purchase warrant. Each warrant will entitle the holder thereof to purchase one additional common share of the Company at an exercise price of \$0.35 per share for a period of two years from closing. Finder's fees were paid in connection with the private placement in the amount of \$5,950 cash and 5,950 broker warrants on the same terms as the purchaser warrants.

On February 9, 2018, the Company closed the 2nd tranche of its private placement raising additional gross proceeds of \$1,226,050. The Company issued 4,904,200 units at a price of \$0.25 per unit. Each unit comprises one common share and one share purchase warrant. Each warrant will entitle the holder thereof to purchase one additional common share of the Company at an exercise price of \$0.35 per share for a period of two years from closing. Finder's fees were paid in connection with the private placement in the amount of \$9,150 cash and 26,600 broker warrants on the same terms as the purchaser warrants.

On October 18, 2018 the Company closed a private placement in which it issued 2,942,140 units at \$0.15 per unit for gross proceeds of \$441,321. Each unit is comprised of one common share and one common share purchase warrant exercisable at \$0.18 per share for a period of three years. Certain directors and officers of the Company participated in this private placement by acquiring 2,192,140 units for \$328,821.

On November 6, 2018 the Company closed a private placement in which it issued 3,994,666 units at \$0.15 per unit for gross proceeds of \$599,200. Each unit comprises one common share and one common share purchase warrant exercisable at \$0.18 per share for a period of three years. Certain directors and officers of the Company participated in this private placement by acquiring 173,333 units for \$26,000.

On December 21, 2018 the Company closed a flow-through private placement financing raising gross proceeds of \$500,000. The Company issued 2,631,579 flow-through shares at a price of \$0.19 per flow-through share. Finder's fees totaling \$35,000 and 200,000 finder warrants were paid in connection with the financing. Each finder warrant is exercisable at \$0.155 per share for two years from closing.

On May 29, 2019 the Company closed a flow-through private placement financing raising gross proceeds of \$250,000. The Company issued 2,083,333 flow-through shares at a price of \$0.12 per flow-through share. Finder's fees totaling \$10,000 and 166,166 finder warrants were paid in connection with the financing. Each finder warrant is exercisable at \$0.12 per share for two years from closing.

On September 27, 2019, subsequent to year end, the company closed a private placement in which it issued 9,253,800 units at \$0.10 for gross proceeds of \$925,380. Each unit is comprised of one common share and one common share purchase warrant exercisable at \$0.15 for a period of three years. Certain directors and officers of the company participated in this private placement by acquiring 1,300 units for \$130,000.

CORPORATE CEASE TRADE ORDERS OR BANKRUPTCIES

Other than as described below, none of the directors, officers or promoters of the Company are, or within the past ten years prior to the date hereof have been, a director, officer, or promoter of any other issuer that, while that person was acting in that capacity:

- (a) was subject to a cease trade or similar order or an order that denied the issuer access to any statutory exemptions for a period of more than 30 consecutive days; or
- (b) was declared bankrupt or made a voluntary assignment in bankruptcy, made a proposal under any legislation relating to bankruptcy or insolvency or been subject to or instituted any proceedings, arrangements or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of the person.

On November 6, 2008, a cease trade order was issued by the British Columbia Securities Commission for the Company's failure to file its annual audited financial statements, and management's discussion and analysis, for the year ended June 30, 2008. The cease trade order was revoked on December 9, 2008 and the Company's shares were reinstated for trading on February 18, 2009 after the Company met TSXV requirements. Frank Basa, Jacques Monette and Roger Thomas, directors of the Company, were directors of the Company at this time.

On September 6, 2011, a cease trade order was issued by the Quebec Securities Commission for failure to file its annual audited financial statements, and management discussion and analysis, for the year ended April 30, 2011 to Excel Gold Mining Inc. ("Excel"). Jacques Monette, a director of the Company, was also a director of Excel. On September 7, 2011, a similar cease trade order was issued by the British Columbia Securities Commission and on December 20, 2011 a cease trade order was issued by the Alberta Securities Commission. Excel was subsequently delisted from the TSXV on October 11, 2012.

On August 31, 2012, Landdrill International Inc. ("Landdrill") announced that it had obtained an initial order from the New Brunswick Court of Queen's Bench under the Companies Creditor Arrangement Act and effective October 12, 2012, a cease trade order was issued against Landdrill by the New Brunswick Securities Commission for failure to file its interim financial statements, and management discussion and analysis, for the period ended June 30, 2012. In addition, effective October 12, 2012, Landdrill's securities were suspended from trading by the TSXV. On May 30, 2013 Landdrill was declared bankrupt pursuant to the Bankruptcy and Insolvency Act. Jacques Monette and Ron Gougen, directors of the Company, were also directors and officers of Landdrill.

On May 11, 2015, a cease trade order was issued by the British Columbia Securities Commission for failure to file its annual audited financial statements, and management discussion and analysis, for the year ended December 31, 2014 to Fletcher Nickel Inc. ("Fletcher"). Jacques Monette, a director of the Company, is also a director of Fletcher. On May 20, 2015, a similar order was issued by the Ontario Securities Commission.

EXPLORATION AND EVALUATION PROJECTS

Granada Property

In total, the Company currently retains rights to 2 mining leases and 50 mining claims for a cumulative total of 1468 hectares. The mining leases are subject to a 2% GMR, of which half may be purchased for \$1,000,000 and a 1% NSR and 23 of the mining claims are subject to a 1% NSR. Additionally, there is a 2% NSR on 4 properties optioned from the D2D3 Group ("D2D3") in 2010, half of which may be purchased for \$1,000,000. Most of these latter claims, optioned from D2D3 Group, have since been allowed to expire.

The Granada deposit is a quartz-vein mesothermal gold deposit hosted by late Achaean Timiskaming sedimentary rock and younger syenite porphyry dykes. The dykes belong to a late tectonic suite that hosts the mesothermal gold mineralization in the Kirkland Lake and Timmins gold camps in Ontario and in Duparquet, north of Rouyn-Noranda, in Quebec.

Gold mineralization is hosted by east-west trending, smokey-grey, fractured quartz veins and stringers. Free gold occurs at vein margins or within fractures of the quartz veins or sulphides. Late northeasterly-trending, sigmoidal faults also host high-grade gold mineralization.

As of the date of this report, mineralization at the Granada gold mine remains open in all directions.

In 2007, the Company processed a bulk sample of 140,000 tonnes from an open pit at the Granada site of which 30,000 tonnes was milled using an on-site mill. The average gold grade from this large sample was 1.62 grams per tonne with a 90-per-cent rate of recovery realized. The waste from this bulk sample, along with stockpiled waste from past bulk sampling programs from previous operators at Granada, was also assayed returning a grade of 1.75 g/t gold. These results confirmed the presence of gold mineralization between the known individual east-west trending vein structures. All core drilled from 2009 through 2012 was analyzed to determine whether there is sufficient grade between the higher-grade vein structures to allow for bulk, open pit extraction.

The first four phases of the drill campaign between Dec 2009 and May 2012 totalled just under 90,000 metres drilled. A table of highlights from all drilling can be found on the company's website: <https://www.granadagoldmine.com>. Additionally, a new program of approximately 2500m has been recently completed in October 2016. Core is currently being split and sent to laboratories for analysis. This most recent drill program was designed to test several target areas. One of these areas was the Aukeko West and Pontiac vein systems located approximately 500 metres west of the historical Aukeko Shaft and 2,000 metres east of the historical Granada shafts. As of June 30th, this area has not yet been explored by Granada Gold Mine Inc. Other holes drilled focused on the areas recently stripped and reported as showing visible gold up to 2 cm long (Press release September 28, 2016) as well as another area identified in stripping. Two holes were drilled near the northern boundary of the property to test the Syncline vein where a historical grab sample in 1992 averaged 0.357 ounces (11.1 grams) per tonne (Press Release September 8, 2016).

An updated Resource Estimate and Preliminary Economic Assessment (PEA) Technical Report was released February 4, 2013 (effective December 21, 2012) by SGS Geostat which outlined a preliminary resource of 934,000 ounces gold at 2.21 gram per tonne in the M & I categories and 617,000 ounces gold at 2.23 gram per tonne in the inferred category, detailed as in situ measured resource of 536,000 ounces (7.81 million tonnes grading 2.14 g/t), indicated resource of 398,000 ounces (5.35 million tonnes grading 2.32 g/t) and an inferred resource of 617,000 ounces gold (8.6 million tonnes grading 2.23 g/t Au) using a cut-off grade of 1.0 g/t.

Cautionary statement: Mineral resources are not mineral reserves as they do not have demonstrated economic viability.

In February 2013 (effective December 21, 2012) the Company released its first preliminary economic assessment (PEA) with a proposed combination of open pit and underground operations. The NI 43-101 compliant PEA was prepared by SGS Canada based on the measured, indicated and inferred resource numbers released in November 2012 and updated in December 2012.

PEA Highlights are stated in the Company's press release dated December 21, 2012 and the full report is available on the company's website (<https://www.granadagoldmine.com>) as well as on SEDAR (www.sedar.com).

The Company completed and released its Prefeasibility Study (PFS) on June 19, 2014 (effective May 6, 2014). The results from the PFS demonstrate the economic viability of the Granada Mine Rolling Start based on the mineral reserves derived from resources that were outlined by SGS Canada Inc., as disclosed in the Company's news release dated May 6th, 2014. The PFS highlights the fact that significant amounts of gold resources are present. With the next phase of drilling these additional resources have the potential to be converted to reserves and as such there remains excellent exploration likelihood to further expand the size of the existing mineral inventory. The PFS Phase 1 "Rolling Start" Open Pit plan for gold production also provides a more conservative estimate of profitability than the Preliminary Economic Assessment (PEA) due to the exclusion of the inferred resources in conjunction with the use of a higher cut-off grade. As such, the PFS provides estimates that have a lower risk.

The Technical Report dated June 19, 2014 is available under the Company's profile on the Canadian System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com and on the Company's website at <https://www.granadagoldmine.com>.

Cautionary statement: Mineral resources that are not Mineral Reserves do not have demonstrated economic viability.

As announced in the May 7th, 2015 press release, metallurgical test work showed an increase of 33% from assayed to calculated head grades demonstrating a significant potential for an increase that concurs with historical documentation of a 30% increase in grade and resource during production at Granada back in the 1930's.

The Company completed a 450-metre trenching program during the summer of 2013 that was undertaken to further evaluate the near-surface mineralized zones of the potential open pit at the Granada Gold Mine. Assays from channel samples taken from the trenched areas varied from 22.42 grams per tonne Au over 1.04 metres to 0.01 grams per tonne Au over 0.82 metres. The higher grades were from samples in the eastern section of the extended LONG Bars zone. Significant visible gold was also encountered very near surface at a depth of 10 centimetres in the western area of trenching.

On August 13, 2014 the Company announced a permit to allow limited trenching in order to more precisely define the location to commence mining the Mousseau Pit (the easternmost pit as outlined in the Press Release found on the company website (<https://www.granadagoldmine.com/en/news/2014/gold-bullion-moving-forward-on-the-granada-mine-rolling-start/>)).

In September 2014, approximately 600m of additional trenching in 6 trenches was completed immediately east of Pit 2A. Bedrock was uncovered with the majority of the work conducted as continuous channel sampling. The program was carried out by Technominex and supervised by L. Caron, Géo. GoldMinds Geoservices Inc.

A total of 334 channel samples were assayed for Au by Accurassay Laboratory in Rouyn-Noranda with fire assay SAA/PCI method on 30 gram samples and by gravimetric method on 50 gram samples for those samples with more than 10g/t Au. QA/QC: samples were 1m long with a standard inserted every 20 samples, and a blank inserted every 40 samples.

Gold mineralization was identified within the quartz veinlets through the syenite porphyry and the conglomerate of the Granada Formation in the Temiskaming Group. The conglomerate shows a chlorite alteration in the footwall of the mineralized zone that is rather sericitic and ankeritic. Trenching work outlined the mineralization zones that were cut by the previous diamond drill holes and provided important information in terms of where to commence upcoming surface mining operations within the context of the PFS.

In 2015, three trenches were completed in the area covering the smallest proposed pit located furthest west with channel sampling from the middle trench, TR15-11, returning 6.05 g/t Au over 8 m including 14.98 g/t Au over 3 m (Press Release April 22, 2015). To date, surface channel sampling grades confirm the continuity of the near-surface drill-intersected mineralization over a potential strike length of 3.5 kilometers from the western to the eastern trenches – this is a very positive development within the rolling start mining plan.

Granada Gold Mine Inc. management is extremely pleased with the exploration results to date. The expansion of mineralized zones through drilling, coupled with the positive results from bulk sampling, leaves the company confident its objective of defining an economic, bulk-tonnage gold deposit amenable to open-pit mining is increasingly probable with each step forward.

The Company announced on May 26, 2016 that it had received its Certificate of Authorization “C of A” from Quebec’s Government of Environment (MDDELCC) for gold mining at the Granada property as set out in the Company’s 2014 Pre-Feasibility Study (PFS) for 75,000 ounces of near-surface, high-grade gold at a cash cost of US \$797 per ounce. The MDDELCC is now satisfied that the Company has answered all prerequisite questions, submitted all requested studies, all of which have now been reviewed with the file deemed to be in order (Press Release May 26, 2016).

Public Consultation is continuing with the communities of Granada and Rouyn-Noranda to address their concerns in a positive and respectful manner for the mutual benefit of all. A number of questions and concerns have been put forward and the Company is committed to answering and dealing with any issues while maintaining a commitment to the environment and while moving forward within the confines of legislation and regulations mandated by both Federal and Provincial Governments.

Sound studies completed in 2014 measured average noise levels at three stations 700 to 900 metres from the proposed Mousseau Pit at 40db to 50db during the night and at 45db to 55db during the day with no mining activity taking place.

Installation of water and air monitoring stations has been completed and are in operation. The Company is in the process of voluntarily setting up a “Follow Up Committee”.

The 480,000-tonne historic waste rock dump material was processed and screened three years ago for valorization as part of the Company’s Voluntary Rehabilitation initiative. The third party CA permit called for screening at 2.0 mm but was screened by the Company at 20.0 mm to remove any potential contaminants. This screening exceeded CA safety factor requirements by a magnitude of 10. This process commenced in 2010 as preliminary work for sound barrier construction that will proceed when the area is cleared. The sound barrier will contain and reduce noise from mining activity to shield the nearest neighbours approximately 700 metres south of the initial pit. The rest of the land between these neighbours and the pit is a dense boreal forest that will also buffer noise and act as a natural dust filter.

Some of this screened material has since been used to stabilize drill trails, minimize soil damage and to improve recreational trails on the property. As part of the preparation for production and in consideration of the changes to long-standing trail permissions, the Company voluntarily moved the trails to allow local long-term recreational users affected by the changes to continue using Granada land for leisure pursuits.

A Communication Protocol Agreement has been signed between The Company and Temiskaming First Nations (TFN) to facilitate and ensure timely, effective and transparent communications moving forward (see Company Press Release August 26, 2014). This Communications Protocol is for the purposes of establishing a positive working relationship based on mutual respect concerning the Granada Mine project and any other Company mining activities located on the TFN's traditional territory. The Communications Protocol Agreement is intended to serve as a framework to develop a more specific agreement.

More recently, a Memorandum of Understanding (MOU) was signed between the Timiskaming First Nations and Granada Gold Mine Inc. to work together moving forward towards a rolling production start at Granada (see Company Press Release January 30, 2015).

With initial stripping in the summer and fall of 2016, a new high-grade mineralized zone was uncovered with visible gold found on surface (Press Release September 28, 2016). The zone, associated with the feldspar porphyry, is in a quartz vein zone up to 3 metres thick and has been noted over 125 metre strike length. A 5-tonne mini bulk sample was taken by breaking the rock with a hydraulic hammer on an excavator then taking grab sample arbitrarily every 0.5 metre along 3 lines across the zone with lines spaced approximately 10 metres apart. Samples from each line were sampled separately as described in the press release. A total of 9 samples were assayed giving results ranging from 1.1 to 13.3 grams per tonne gold with an average of 4.37 grams per tonne gold.

A new drill program of 2500 metres was initiated in September 2016 initially targeting the new mineralized zone as well as the western end of the Aukeko zone, resulting in the following early highlights from press release on November 9, 2016.

GR-16-03 intersects 3.62 g/t Au over 15m including 43.58 g/t Au over 1m

GR-16-11 intersects 5.67 g/t Au over 2m including 9.31 g/t Au over 1m

GR-16-12 intersects 9.25 g/t Au over 3m including 24.99 g/t Au over 1m

The drill program was extended to include an additional 8000 metres targeting a significant resource expansion in the northern part of the Granada property (press release December 2, 2016). Hole GR-16-14, the first deep hole of this program, intersected one of the best intersections at depth on the property to date with 14.5 g/t Au over 4 metres including 55.9 g/t Au over 1.0 metres at a depth of 881 metres and 7.3 g/t over 1 metre at 710 metres downhole.

As part of this program, the company drill tested the thickness of mineralization under the porphyry intrusion between the Old Pit #1 and the 2014 Preliminary Feasibility Study (PFS) pit. The Company successfully intersected mineralization in two zones near the surface in this area that had not been included in previous resource estimates for the PFS. These intersections provide confirmation of the new mineralization model associated with the intrusive dykes similar to Canadian Malartic mine as well as the Barry and Windfall models (Press Release February 28, 2017).

The test hole GR-17-04, which was drilled toward the west above an aggregate pile at 263 degrees north with a dip of 42 degrees, intersected gold mineralization under the Syenite Feldspar Porphyry (FP) intrusion.

The GR-17-04 test hole intersected two mineralized zones as follows:

- Zone 1: 0.90 grams per tonne (g/t) over 18 meters (m) from 16m to 34m downhole depth, including 1.70 g/t over 9m from 25 m to 34m;
- Zone 2: 0.70 g/t over 21m from 59 to 80m, including 1.78 g/t over 6m from 59m to 65m.

Notes the above assays are uncapped and true thickness is estimated at 85% of the drill core as the gold mineralization appears to plunge to the east in this sector.

The “heat engine” for Granada mineralization is believed to exist in the northwest part of the property, a high priority untested area now referred to as the “Genesis Target” that includes a large granite intrusion and intense shearing immediately south of the Cadillac fault.

Significantly, only a fraction of the total area (1.8 km north-south x 2.1 km east-west) north of the LONG Bars Zone Measured and Indicated near-surface resource has been drill-tested, further solidifying Granada as one of the premier exploration and development opportunities along the prolific Cadillac Trend.

Also of note in 2017, the Company has signed an LOI with Temagami First Nation (TFN) and Teme-Augama Anishnabai (TAA) that would provide Granada Gold Mine the opportunity to evaluate brownfield sites on TFN's/TAA's traditional territory for the potential of redevelopment.

The LOI will allow the company to assess the technical, operational and financial feasibility of installing a mill for processing precious metal-bearing ores within an existing brownfield site in close proximity to Temagami First Nation and Teme-Augama Anishnabai. We understand that any contemplated milling project utilizing TFN's/TAA's traditional territory should be a positive development that minimizes the outstanding environmental condition of an existing brownfield site in addition to minimizing environmental effects that are associated with a new metal processing mill locating within the brownfield site (Press release February 7, 2017).

In 2018, the company completed 140 line-kilometres of drone-based magnetometer survey with 50-metre line spacings and locally, 25-metre line spacing.

In late Fall 2018, Granada Gold completed a 4 hole drill program totaling 2,889m. The holes tested magnetic anomalies from two areas: 1) down-dip continuity of gold mineralization at depth below the Pit-Constrained resources, and 2) a magnetic anomaly roughly 500 m northwest of the Pit-Constrained resources, identified in the magnetometer survey completed in August 2018 (press release October 9, 2018). Holes GR-18-01 and GR-18-03 targeted the down-dip extension of gold mineralization below the Pit-Constrained resources. Hole GR-18-03 intersected multiple gold-bearing quartz veins between 564 m and 680 m downhole, exhibiting similar character to the veins typically exposed at surface within the stripped area. Hole GR-18-01 intersected a high-grade zone at around 270 meters from surface, associated with a silicified zone with disseminated pyrite within the conglomerate unit.

Drill holes GR-18-04 and GR-18-05 tested a new magnetic anomaly in the North-West part of the property, outside the known resource envelope. Hole GR-18-04 confirms the presence of a new gold-bearing area northwest of the Pit-Constrained resources, hosted in a strong reddish (hematised), silicified conglomerate with disseminated sulfides and visible gold (VG). More exploration is needed to better understand this untested area, which the Company's geologists believe may be important in the origins of the Granada gold deposit.

Selected Drill Hole Assay Results

Hole Name	From (m)	To (m)	Length (m)	Au g/t	Type
GR-18-01	365.00	368.00	3.00	8.15	FA
including	366.00	367.00	1.00	23.30	FA
GR-18-01	551.00	552.00	1.00	3.75	FA
GR-18-01	495.00	500.00	5.00	1.10	FA
GR-18-01	517.00	520.00	3.00	1.75	FA
GR-18-01	525.00	528.00	3.00	2.30	SM
including	525.00	526.00	1.00	4.12	SM
GR-18-03	572.00	578.00	6.00	8.39	FA
including	573.00	577.00	4.00	12.42	FA
Including	573.00	574.00	1.00	45.70	FA
GR-18-03	564.00	570.00	6.00	1.05	FA
including	569.00	570.00	1.00	3.32	FA
GR-18-03	613.00	614.00	1.00	1.09	FA
GR-18-03	686.00	687.00	1.00	1.36	FA
GR-18-04	660.00	664.00	4.00	5.45	SM
including	662.00	663.50	1.50	13.70	SM
including	662.50	663.00	0.50	37.30	SM
GR-18-04	367.00	368.00	1.00	1.48	FA

Core length, not capped FA=Standard Fire assay, SM Screen Metallic 1kg

In December 2018, the Company announced an updated resource estimate on the LONG-BARS Zone at the Granada gold project (see Press Release, December 12, 2018 for details). The Pit Constrained mineral resources include the following:

Measured Resources: 464,000 ounces of gold (12.8 Mt @ 1.13 g/t Au)

Indicated Resources: 349,000 ounces of gold (9.6 Mt @ 1.13 g/t Au)

Inferred Resources: 455,000 ounces of gold (6.9 Mt @ 2.04 g/t Au)

In August of this year, the Company started a short drill program. Three surface-outcropping, mineralized structures have been defined. Drilling was to be completed within 150 meters of surface to assess near-surface mineralization within the two-kilometer extended LONG Bars zone of the potential 5.5-kilometer long, east-west-trending mineralized structure. The aim was to test continuity of and within mineralized structures from surface.

Initial results were reported in a press release on October 15, 2019. The 450-meter drill program focused on testing the gold grade continuity and variability within mineralized structures. Six holes were drilled to test for near surface high-grade mineralization. Coarse, native gold was observed in the drill core. GR-19-E intersected a high-grade zone with 12.32 g/t Au over 2 meters including 48.80 g/t over 0.50 meters at a core length depth of 35.5 meters on the extended LONG Bars zone. Results are pending for GR-19-A, GR-19-B and GR-19-C for high grade verifications.

RISK FACTORS

Financial Risk Management

Overview

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk;
- Market risk, including commodity price risk and foreign currency exchange risk;
- Interest rate risk; and
- Operational risk.

This note 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 throughout these consolidated financial statements.

Risk Management Framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board fulfills its responsibility through the Audit Committee, which is responsible for overseeing the Company's 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 limits. Risk management practices are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company has an established code of conduct which sets out the control environment within which framework all directors' and employees' roles and obligations are outlined.

The Company's risk and control framework is facilitated by the small-sized and hands-on executive team. There have been no changes in the risks, objectives, policies and procedures during 2019 and 2018.

Credit Risk

Credit risk is the risk of an unexpected financial loss to the Company if a customer or third-party to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's cash and receivables.

a) Cash and cash equivalents

The Company's cash is held through large Canadian financial institutions. The Company has a corporate policy of investing its available cash in Canadian government instruments and certificates of deposit or other direct obligations of major Canadian banks, unless otherwise specifically approved by the Board. The Company does not own asset-backed commercial paper. Management believes the risk of loss to be minimal.

b) Receivables

When necessary, the Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of receivables. The main component of this allowance is a specific loss component that relates to individually significant exposures. Further, when the Company engages in corporate transactions, it seeks to manage its exposure by ensuring that appropriate recourse is included in such agreements upon the counterparty's failure to meet contractual obligations. Management believes that the credit risk with respect to financial instruments included in amounts receivable is minimal.

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due without incurring unacceptable losses or risking undue damage to the Company's reputation. The Company generates cash flow primarily from its financing activities. As at June 30, 2019, the Company had cash of \$168,263 (June 30, 2018 - \$80,179) settle current liabilities of \$6,911,372 (2018 - \$5,678,964).

The Company's objective is to maintain sufficient capital in order to meet short-term business requirements, after taking into account cash flows from operations and the Company's holdings of cash. This is accomplished by budgets and forecasts which are updated on a periodic basis to understand future cash needs and sources. Spending plans are adjusted accordingly when possible to provide for liquidity.

The Company manages its liquidity risk through the mechanisms described above and as part of Capital Disclosures below. The Company has historically relied on issuances of shares to develop projects and to finance day-to-day operations and may do so again in the future.

The Company has no significant long-term liabilities. All other contractually obligated cash flows are payable within the next fiscal year.

Classification of Financial Instruments

As at June 30, 2019, the Company does not have any financial assets measured at fair value and that require classification within the fair value hierarchy.

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rate risk, and commodity prices will affect the Company's income, the value of its Evaluation and Exploration properties or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

a) Commodity price risk

The Company is exposed to price risk with respect to fluctuation in gold and silver prices which impacts the future economic feasibility of its mining interests. Gold and silver prices are affected by numerous factors such as the sale or purchase of gold and silver by various institutions, interest rates, exchange rates, inflations in the value of the US dollar and foreign currencies, global and regional supply and demand, and the political and economic conditions of major gold and silver producing countries throughout the world. As the Company is still in the exploration and evaluation stage, the fluctuation of gold and silver prices does not have a significant impact on the Company.

b) Foreign currency exchange risk

The Company is exposed to foreign currency exchange risk with respect to future gold and silver sales, since gold and silver sales are denominated in US dollars and the Company's functional and reporting currency is the Canadian dollar. The movement on US rates related to the Canadian dollar may impact the future economic feasibility of the Company's mining interests. As the Company is still in the exploration and evaluation stage, the fluctuation of the US dollar does not have a significant impact on the Company.

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company has not entered into any derivative contracts to manage this risk. The Company's policy as it relates to its cash balance is to invest excess cash in financial instruments guaranteed by and held with a Canadian chartered bank.

As at June 30, 2019 and June 30, 2018 the Company's exposure to interest rate risk is summarized as follows:

Receivables	Non-interest bearing
Trade and other payables	Non-interest bearing

Sensitivity Analysis

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are reasonably possible over a twelve month period:

- i) The Company receives low interest rates on its cash balances and, as such, the Company does not have significant interest rate risk.
- ii) The Company does not hold balances in foreign currencies to give rise to exposure to foreign currency risk.

Operational Risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Company's operations.

The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity. The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management. The Company has a small but hands-on and experienced executive team which facilitates communication across the Company. This expertise is supplemented, when necessary, by the use of experienced consultants in legal, compliance and industry-related specialties. The Company also has standards for the management of operational risk in the following areas:

- Requirements for appropriate segregation of duties, including the independent authorization of transactions;
- Requirements for the reconciliation and monitoring of transactions;
- Compliance with regulatory and other legal requirements;
- Documentation of controls and procedures;
- Development of contingency plans;
- Ethical and business standards; and
- Risk mitigation, including insurance when this is effective and available.

CAPITAL MANAGEMENT DISCLOSURES

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of exploration and evaluation projects. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company considers its capital to be equity, which is comprised of common shares, reserves and deficit, which as at June 30, 2019 totalled \$6,192,621 (June 30, 2018 – \$1,447,538).

The properties in which the Company currently has an interest are in the exploration stage; as such the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

The Company currently has no source of revenues, and therefore is dependent on external financing to fund activities. In order to carry future projects and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the year ended June 30, 2019 and the year ended June 30, 2018. The Company is not subject to external imposed capital requirements.

The Company is not subject to any capital requirements imposed by a lending institution or regulatory body, other than of the TSXV which requires adequate working capital or financial resources of the greater of (i) \$50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of 6 months.

As of June 30, 2019, the Company may not be compliant with the policies of the TSXV. The impact of this violation is not known and is ultimately dependent on the discretion of the TSXV.

SELECTED ANNUAL INFORMATION

The following table provides a brief summary of the Company's financial operations for the last three fiscal years.

	Year Ended June 30, 2019	Year Ended June 30, 2018	Year Ended June 30, 2017
Total Net Loss	\$4,564,278	\$225,495	\$2,062,284
Net Loss per share	\$0.07	\$0.00	\$0.04
Total Assets	\$718,751	\$4,231,426	\$2,367,777
Cash dividends declared per share	N/A	N/A	N/A

RESULTS OF OPERATIONS

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may be different from those estimates.

The following schedule provides the details of the Company's corporate operating expenditures for the years ended June 30, 2019 and 2018

	2019	2018
Accretion	\$ 21,515	\$ 9,884
Administrative and general expenses	132,805	144,937
Financing fees	120,885	78,859
Professional fees	882,806	1,069,061
Filing costs and shareholders' information	148,929	442,679
Travel	109,780	36,345
	\$ 1,416,720	\$ 1,781,765

The following schedule provides the details of the Company's expenditures on its exploration and evaluation projects for the years ended June 30, 2019 and 2018.

	2019	2018
Assaying and testing	\$ 60,627	\$ 5,947
Consulting fees	11,398	66,095
Core analysis	73,741	19,456
Depreciation	38,596	17,187
Drilling	276,055	420
Equipment	90,781	(8,555)
Facility expenses	106,359	84,189
Geology, geophysics and surveys	147,236	141,275
Personnel costs	80,359	75,577
Project management and engineering	394,114	692,462
Security	300	383
Taxes, permits and licensing	43,918	69,840
	\$ 1,323,484	\$ 1,164,276

Summary of Quarterly Results

The following table sets forth selected financial information for each of the most recently completed quarters.

	Jun 30, 2019	Mar 31, 2019	Dec 31, 2018	Sep 30, 2018	Jun 30, 2018	Mar 31, 2018	Dec 31, 2017	Sep 30, 2017
Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net (Profit) Loss	1,460,788	340,824	2,262,641	467,621	1,695,925	2,498,690	(1,961,558)	487,490
Loss (profit)per share	0.02	0.00	0.04	0.01	0.03	0.01	(0.04)	0.00

LIQUIDITY

The Company has financed its operations to date primarily through the issuance of common shares and the exercise of warrants and stock options. The Company will continue to seek capital through various means including the issuance of capital stock.

The Company is in the exploration stage. These financial statements are prepared in accordance with accounting principles to a going concern, which assumes that the Company will be able to realize assets and discharge liabilities in the normal course of business. The Company's ability to continue as a going concern is dependent upon the continued support from its directors, the ability to continue to raise the necessary financing to meet its obligations, and to achieve profitable operations in the future. The outcome of these matters cannot be predicted at this time. These financial statements do not reflect any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue in business.

The Company has no history of profitable operations and its mineral projects are at an early stage. Therefore, it is subject to many risks common to comparable junior venture resource companies, including under-capitalization, cash shortages and limitations with respect to personnel, financial and other resources as well as a lack of revenues.

As at June 30, 2019, the Company had not yet achieved profitable operations, has accumulated losses of \$72,536,067 (June 30, 2018 - \$66,541,145) since its inception, has a working capital deficiency of \$6,501,333 (June 30, 2018 – \$5,312,502) and expects to incur further losses in the development of its business.

RELATED PARTY TRANSACTIONS

The Company determined that key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the company. The Board of Directors (executive and non-executive), President and Chief Executive Officer and Chief Financial Officer are key management personnel.

The remuneration to key management personnel during the years ended June 30, 2019 and 2018 is as follows:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Key management compensation	\$838,995	\$709,509
Stock-based compensation	62,427	242,556
	<u>\$901,422</u>	<u>\$952,065</u>

- a) The Company retains the services of a company owned by an officer and director of the Company to carry out exploration work on its resource properties and for management services. During the year ended June 30, 2019, the total amount for such services provided was \$440,001 (2018 – \$440,001) of which \$440,000 (2018 – \$440,000) was recorded in exploration expenses and \$1 (2018 - \$1) in professional fees.
- b) The Company retains the services of two officers and two directors to carry out administrative services. During the year ended June 30, 2019, the total amount for such services provided was \$190,549 (2018 – \$185,509) which was recorded in professional fees.
- c) As of June 30, 2019, the company owed \$1,041,256 (2018 - \$290,870) to companies of which a senior officer or director is also a senior officer or director. These amounts are unsecured, non-interest bearing and due on demand.
- d) As of June 30, 2019, the company is owed \$47,250 (2018 - \$nil) by a company of which a senior officer is also a senior officer. This amount is unsecured, non-interest bearing and due on demand.
- e) During the year ended June 30, 2019, the Company recorded \$269,691 in equipment rental revenue from a company of which a senior officer is also a senior officer.
- f) During the year ended June 30, 2018, the Company settled \$210,000 in accounts payable with two shareholders of the Company by issuing 700,000 common shares

CONTINGENCIES

The Company's operations are subject to governmental laws and regulations regarding environmental protection. The environmental consequences are hardly identifiable, whether with the outcomes, the impacts or the deadline. As at June 30, 2018 and to the best knowledge of its management, the Company is, in conformity with the laws and regulations.

- a) The Company is partly financed by the issuance of flow-through shares. However, there are no guarantees that the funds spent by the Company will qualify as Canadian exploration expenditures, even if the Company has taken all the necessary measures for this purpose. Refusal of certain expenses by the tax authorities would have a negative tax impact for investors.

Moreover, tax rules regarding flow-through investments set deadlines for carrying out the exploration work no later than the first of the following dates:

- i) Two years following the flow-through investment;
 - ii) One year after the Company has renounced the tax deductions relating to the exploration work.
- a) During the year ended June 30, 2018, the Company received \$700,000 (2017 – \$2,555,000) from flow-through share issuances. According to the tax rules, the Company has until December 31, 2018 to spend these amounts on qualified exploration expenditures. As at June 30, 2018, the Company had spent this amount.
- b) The Company has indemnified the subscribers of current and previous flow-through offerings against any tax related amounts that become payable by shareholders in the event the Company does not meet its expenditure commitment.

COMMITMENTS

The Company has consulting service agreements with related parties (certain officers and directors).

- i) Effective January 1, 2007, and amended December 1, 2010, May 16, 2013 and March 1, 2015, the Company entered into a management agreement with Grupo Moje Limited ("Grupo"), a company owned by a director and officer of the Company to provide management services of Frank Basa in consideration for a nominal annual fee of \$1.

This agreement also requires that if the agreement is terminated by the Company upon or following a change in control or change of management the Company shall make a payment to Grupo equal to 480 ounces of gold with the dollar amounts to be calculated based on the price of gold on the date of termination of the agreement. As a triggering event has not taken place, the contingent payment has not been reflected in these financial statements.

- ii) Effective January 1, 2014, the Company entered into a management agreement with Mineral Recovery Management Systems Corp. ("MRMSC"), a company controlled by Frank Basa and Elaine Basa, to provide project management, engineering and geological services to the Company in consideration of \$25,000 per month for the services of Frank Basa and \$11,666.67 per month for the services of Elaine Basa. Either party may terminate this agreement by giving a four months' notice to the other, subject to certain provisions of the agreement.

- iii) Effective March 1, 2011 and amended February 1, 2012 and March 1, 2015, the Company entered into a consulting agreement with an officer of the Company. The fee for consulting services is USD \$8,000 per month. Either party may terminate this engagement by giving four months' notice to the other subject to certain provisions of the agreement. This agreement also requires that if the agreement is terminated by the Company upon or following a change in control or change of management the Company shall make a payment to the consultant of USD \$192,000. As a triggering event has not taken place, the contingent payment has not been reflected in these financial statements.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions based on currently available information that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the year. Actual results may differ from these estimates.

It is reasonably possible that, on the basis of existing knowledge, outcomes in the next financial year that are different from the assumptions used could require a material adjustment to the carrying amount of the asset or liability affected.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. The accompanying financial statements include all adjustments that are, in the opinion of management, necessary for fair presentation.

Management has made a number of significant estimates and valuation assumptions based on present conditions and management's planned course of action as well as assumptions about future business and economic conditions which include, but are not limited to, the following:

Income taxes

Assessing the recoverability of deferred income tax assets requires the Company to make significant estimates related to the expectations of future cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the deferred tax assets and liabilities recorded at the yearend date could be impacted. Additionally, future changes in tax laws in the jurisdictions in which the Company operates could limit the ability of the Company to obtain tax deductions in future periods.

Decommissioning and restoration costs

Decommissioning and restoration costs will be incurred by the Company at the end of the operating life of certain of the Company's assets. The ultimate decommissioning and restoration costs are uncertain and cost estimates can vary in response to many factors including changes to relevant legal and regulatory requirements, the emergence of new restoration techniques or experience at other production sites. The expected timing and amount of expenditure can also change, for example in response to changes in reserves or changes in laws and regulations or their interpretation. In determining the amount of the provision, assumptions and estimates are required in relation to discount rates. As a result, there could be significant adjustments to the provisions established which would affect future financial results. In the Company's judgment, the most appropriate discount rate to use is one that reflects current market assessments and the risks specific to the liability.

Share-based payments

The Company uses the fair value method of valuing compensation expense associated with the Company's stock option plan. Estimating fair value requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant. This also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility, expected forfeitures and distribution yield. Such judgements and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

Premium on Flow-through shares

At the time of issue, the Company estimates the proportion of proceeds attributed to the flow-through share, the common share and the warrant with reference to closing market prices and such techniques as the Black-Scholes option-pricing model. The Flow-through Premium is estimated as the excess of the subscription price over the market value of the share and is recorded in trade and other payables on the statement of financial position.

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not utilize off-balance sheet arrangements

OUTSTANDING SHARE DATA

The Company's authorized capital is an unlimited number of common shares without par value. As at the date of this report there were 80,561,883 shares issued and outstanding. The Company had 29,840,365 share purchase warrants outstanding. Each warrant entitles the holder to purchase one common share at a price of \$0.30 to \$1.20 per share until September 27, 2022. Stock options outstanding total 4,827,375 are exercisable for common shares at \$0.30 to \$0.80 per share until June 4, 2024.