



## **For the Three Months Ended October 31, 2019**

The following management's discussion and analysis ("MD&A") has been prepared as of December 19, 2019 and should be read in conjunction with Damara Gold Corp.'s unaudited condensed consolidated interim financial statements for the three months ended October 31, 2019 and comparative period October 31, 2018. The financial statements have been prepared in accordance with International Financial Reporting Standards and all numbers are reported in Canadian dollars, unless otherwise stated.

Throughout the report we refer to Damara, the "Company", "we", "us", "our" or "its". All these terms are used in respect of Damara Gold Corp. **Additional information on the Company can be found on SEDAR at [www.sedar.com](http://www.sedar.com) and the Company's website at [www.damaragoldcorp.com](http://www.damaragoldcorp.com).**

### ***Cautionary Statement on Forward-Looking Information***

This report contains "forward-looking statements", including, the Company's expectations as to but not limited to, comments regarding, any acquisition, the timing and content of any future work programs or exploration budgets, geological interpretations, receipt of property titles, and potential mineral recovery processes. Forward-looking statements express, as at the date of this report, the Company's plans, estimates, forecasts, projections, expectations, or beliefs as to future events or results. The material factors and assumptions used to develop the forward-looking statements and forward looking information contained in this MD&A include the following: working capital, project generation and acquisition ability. Due to the nature of the mineral resource industry, budgets are regularly reviewed in light of the success of the expenditures and other opportunities that may become available to the Company. Accordingly, while the Company anticipates that it will have the ability to spend the funds available to it there may be circumstances where, for sound business reasons, a reallocation of funds may be prudent.

Forward-looking statements involve a number of risks and uncertainties, and there can be no assurance that such statements will prove to be accurate. Therefore, actual results and future events could differ materially from those anticipated in such statements and Damara assumes no obligation to update forward-looking information in light of actual events or results.

Factors that could cause results or events to differ materially from current expectations expressed or implied by the forward-looking statements, include, but are not limited to, factors associated with fluctuations in the market price of minerals, mining industry risks and hazards, environmental risks and hazards, economic and political events affecting metal supply and demand, uncertainty as to calculation of mineral reserves and resources, requirement of additional financing, and other risks. Actual results may differ materially from those currently anticipated in such statements.

Readers are cautioned that the foregoing list of important factors and assumptions is not exhaustive. Forward-looking statements are not guarantees of future performance. Events or circumstances could cause the Company's actual results to differ materially from those estimated or projected and expressed in, or implied by, these forward-looking statements. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking statements or the foregoing list of factors, whether as a result of new information or future events or otherwise, except as may be required under applicable laws.

### ***Overview Performance and Operations***

Damara Gold Corp. ("Damara" or the "Company") was incorporated on August 1, 1989 under the *Business Corporations Act* of British Columbia as Solomon Resources Limited. On September 30, 2014, the Company changed its name to Damara Gold Corp. Effective October 1, 2014 the Company commenced trading on the TSX Venture Exchange (the "Exchange") under the symbol "DMR" as a Tier 2 issuer.

The Company is in the business of exploring and developing mineral property interests. The Company's corporate head office is at Suite 335 – 1632 Dickson Ave, Kelowna, BC V1Y 7T2. Additional information relating to the Company can be found on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Company website at [www.damaragoldcorp.ca](http://www.damaragoldcorp.ca).

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**Outlook**

The Company is currently evaluating opportunities that may include but not limited to seeking joint ventures, acquisition opportunities for quality gold projects, change of business or other alternative transactions.

**Results of Operations**

**Financial Results for the three months ended October 31, 2019**

The Company has no operating revenues and relies on external financings to generate capital for its continued operations. As a result of its activities, the Company continues to incur annual net losses.

For the three months ended October 31, 2019, the Company reported a \$19,780 net loss and comprehensive or \$0.00 basic and diluted loss per share compared to a \$70,008 or \$0.00 loss per share for the same comparative period ended October 31, 2018. The current period loss was general and administration costs of \$19,780 (2018 - \$70,008).

|                                    | 2019<br>\$    | 2018<br>\$    | Variance<br>\$  |
|------------------------------------|---------------|---------------|-----------------|
| Accounting and legal               | -             | 29,644        | (29,644)        |
| Consulting                         | 12,900        | 25,650        | (12,750)        |
| Website, shareholder communication | -             | 4,530         | (4,530)         |
| Exchange loss                      | (144)         | -             | (144)           |
| Office and administration fees     | 3,315         | 6,407         | (3,092)         |
| Rent                               | 3,000         | 3,250         | (250)           |
| Transfer agent fees                | 709           | 526           | 183             |
|                                    | <b>19,780</b> | <b>70,008</b> | <b>(50,227)</b> |

Significant variances to note were:

Accounting and legal – the increase in professional fees related to legal fees recorded in connection with a proposed RTO transaction contemplated in the comparative period;

Consulting – the decrease in consulting costs was to preserve working capital;

Website, shareholder communication – the decrease in website, shareholder and communication was due to the prior period the Company had several news releases, and website updates in relation to a proposed RTO transaction; and

Office and administrative costs decreased as a result of the termination of the proposed RTO transaction contemplated in the prior period and reducing costs to preserve working capital.

**Summary of quarterly results**

|   | Q1<br>\$ |
|---|----------|
| <b>FY 2020</b>                            |          |
| Revenues                                  | —        |
| Net Loss and Comprehensive Loss           | (19,780) |
| Net Loss and Comprehensive Loss per share | (0.00)   |

|   | Q1<br>\$ | Q2<br>\$ | Q3<br>\$ | Q4<br>\$ |
|---|----------|----------|----------|----------|
| <b>FY 2019</b>                            |          |          |          |          |
| Revenues                                  | —        | —        | —        | —        |
| Net Loss and Comprehensive Loss           | (70,008) | (95,155) | (25,035) | (31,424) |
| Net Loss and Comprehensive Loss per share | (0.00)   | (0.00)   | (0.01)   | (0.00)   |

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| FY 2018                                   | Q2<br>\$ | Q3       | Q4<br>\$ |
|---|----------|----------|----------|
| Revenues                                  | —        | —        | —        |
| Net Loss and Comprehensive Loss           | (71,212) | (14,764) | (48,258) |
| Net Loss and Comprehensive Loss per share | (0.00)   | (0.00)   | (0.00)   |

***Significant variances to note include:***

The Company recorded a net comprehensive loss of \$31,424 for the three months ended July 31, 2019. The primary component of the quarter loss was general and administrative costs of \$31,424 which included a \$21,000 in recovery of filing fees in connection with the termination of a proposed RTO transaction.

Increase in general and administration costs for Q1 and Q2 2019 were in relation to a proposed RTO transaction.

***Liquidity and capital resources***

|                            | October 31<br>2019 | July 31<br>2019 |
|----------------------------|--------------------|-----------------|
| <b>Financial position:</b> |                    |                 |
| Cash                       | <b>\$65,216</b>    | \$80,524        |
| Working capital            | <b>\$65,631</b>    | \$85,411        |
| Total Assets               | <b>\$94,503</b>    | \$103,701       |
| Shareholders' equity       | <b>\$65,631</b>    | \$85,411        |

As at October 31, 2019 the Company has working capital of approximately \$65,216 (July 31, 2019 - \$80,524). The decrease in working capital from July 31, 2019 was for the cost of general and administrative costs. The Company has approximately 6 - 9 months working capital however further funds will be required for any substantial acquisition, property investigation and/or any increased overhead expenditures.

***Off balance-sheet arrangements***

There are currently no off- balance sheet arrangements and no new information to report since the annual management's discussion and analysis.

***Transactions with related parties***

**(a) Key Management Compensation**

|  | October 31<br>2019 | October 31<br>2018 |
|--|--------------------|--------------------|
| Key management personnel compensation comprised: |                    |                    |
| Consulting fees                                  | <b>\$12,900</b>    | \$25,650           |
| Administration                                   | <b>600</b>         | -                  |
|  | <b>\$13,500</b>    | \$25,650           |

- (i) Consulting fees of \$7,500 (2018 - \$15,000) were paid and/or accrued to 43983 Yukon Inc. ("43983") a company, controlled by Lawrence Nagy, Chief Executive Officer, of the Company.
- (ii) Consulting fees of \$5,400 (2018 - \$9,278) were paid and/or accrued to Minco Corporate Management Inc. ("Minco"), a company controlled by Terese Gieselman, the Chief Financial Officer of the Company.
- (iii) Administrative fees of \$600 (2018 - \$925) were paid and/or accrued to Minco in relation to providing administrative and accounting services.

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**(c) Rent**

The Company currently pays Golden Ridge Resources Ltd. (a company with common directors and officers) rent and expenses on a month to month basis for shared offices space for total rent of \$3,000 (2018 - \$3,250).

**(d) Related Party Liabilities**

| Amounts due to:   | Service for:    | October 31<br>2019 | July 31<br>2019 |
|---|-----------------|--------------------|-----------------|
| Minco   | Consulting Fees | \$4,568            | \$1,575         |
| Minco   | Expenses        | 679                | 679             |
| 43983 Yukon   | Expenses        | 473                | 409             |
| Golden Ridge Resources Ltd. <sup>1</sup> - common directors | Rent & Expenses | 962                | -               |
| <b>Total related party payables</b>                         |                 | <b>\$6,681</b>     | <b>\$2,663</b>  |

<sup>1</sup> Rent and expenses incurred on behalf of the Company for shared office space and administrative personnel expenses. These amounts are non-interest-bearing and due on demand.

***Critical Accounting Policies and Estimates***

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized in the year of the change, if the change affects that year only, or in the year of the change and future years, if the change affects both.

Information about critical judgments and estimates in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities included in the preparation of these consolidated financial statements are discussed below:

**Critical Judgments**

***Going Concern***

The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay for its ongoing operating expenditures, meet its liabilities for the ensuing year, and to fund planned and contractual exploration programs, involves significant judgment based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

**Adoption of IFRS 16**

***IFRS 16 Leases***

IFRS 16 specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17 *Leases*. The Company has adopted this new standard on July 1, 2019. The adoption of this new standard had no impact on the Company's condensed consolidated interim financial statements.

***Financial instruments and other instruments***

The Company is exposed through its operations to the following financial risks:

- Market Risk
- Credit Risk
- Liquidity Risk

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these consolidated financial statements

There have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous years unless otherwise stated in this note.

**General Objectives, Policies and Processes**

The Board of Directors has overall responsibility for the determination of the Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's management. The effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets are reviewed periodically by the Board of Directors if and when there are any changes or updates required.

The overall objective of the Board of Directors is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Further details regarding these policies are set out below.

**Market Risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market prices are comprised of interest rate, commodity price risk and foreign currency risk. The Company is not exposed to significant market risk.

***Interest Rate Risk***

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company has cash balances and no interest-bearing debt as at July 31, 2019. The Company's current policy is to invest excess cash in guaranteed investment certificates or interest-bearing accounts of major Canadian chartered banks. The Company regularly monitors compliance with its cash management policy. The Company is not exposed to significant interest rate risk.

***Other Price Risk***

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk or foreign currency risk. The Company is not exposed to significant other price risk.

**Credit Risk**

Credit risk is the risk of financial loss to the Company if a customer or a counter party to a financial instrument fails to meet its contractual obligations. The carrying amount of financial assets represents the maximum credit exposure. The financial instrument that is potentially subject to credit risk for the Company consists primarily of cash.

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Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The key to success in managing liquidity is the degree of certainty in the cash flow projections. If future cash flows are fairly uncertain, the liquidity risk increases.

Typically, the Company ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 90 days. To achieve this objective, the Company prepares annual capital expenditure budgets, which are regularly monitored and updated as considered necessary. Further, when required, the Company utilizes authorizations for expenditures on exploration projects to further manage expenditures.

The Company monitors its risk of shortage of funds by monitoring the maturity dates of existing trade and other accounts payable and option payment commitments. The Company does not generally maintain any trade payables beyond a 30-day period to maturity.

Determination of Fair Value

Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The carrying amounts for cash, trade and other payables and loans payable approximate fair value due to their short-term nature. The Company's available-for-sale investments have been measured using Level 2 inputs.

***Capital Management***

The Company considers its capital to be comprised of shareholders' equity and loans.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares. Although the Company has been successful at raising funds in the past through the issuance of share capital, it is uncertain whether it will continue this method of financing due to the current difficult market conditions.

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. Management reviews the capital structure on a regular basis to ensure that the above objectives are met. The Company's capital is not subject to any externally imposed capital requirements. There have been no changes to the Company's approach to capital management during the period ended October 31, 2019.

***Outstanding Share Data***

Damara's authorized capital is unlimited common shares without par value. As at the date of this report 26,312,579 common shares were issued and outstanding. The Company as at the date of this report had the following outstanding options, warrants and convertible securities as follows:

| Type of Security        | Number    | Exercise Price | Expiry Date |
|-------------------------|-----------|----------------|-------------|
| Stock Options           | 1,150,000 | \$0.05         | Jul-27-21   |
| Share Purchase Warrants | 5,000,000 | \$0.10         | Aug-31-20   |
| Share Purchase Warrants | 1,475,000 | \$0.15         | Jan-18-21   |
| Share Purchase Warrants | 4,482,351 | \$0.15         | Mar-02-21   |

***Risks and uncertainties***

The Company is in the mineral exploration and development business and as such, is exposed to a number of risks and uncertainties that are not uncommon to other companies in the same business. The industry is capital intensive and is subject to fluctuations in market sentiment, metal prices, foreign exchange and interest rates. The Company is currently without an exploration property and there is no certainty that through its project investigation activities that it will be able to secure an asset in order to maintain its listing on the Exchange as a Tier 2 listed issuer. The only sources of future funds for acquisition or future exploration programs upon success of an acquisition available to the Company is the sale of equity capital. Although the Company has been successful in not only acquiring exploration assets and accessing the equity market during the past years, there is no assurance that such sources of financing will be available on acceptable terms, if at all.

The Company does not have any employees. All work is carried out through independent consultants and the Company requires that all professional consultants carry their own insurance to cover any potential liabilities as a result of their work on a project. In certain cases where consultants are unable to carry their own insurance the Company includes such individuals under its coverage.

**Going Concern**

The Company has not yet achieved profitable operations. These accompanying consolidated financial statements are prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company had a net loss of \$19,780 for the three months ended October 31, 2019 (2018 - \$70,008) and has accumulated a deficit of \$33,045,912 (2018 - \$33,036,132) since inception.

The continuing operations of the Company are dependent upon obtaining, in the short term, the necessary financing to meet the Company's operating and mineral property commitments as they come due and to finance future exploration and development of potential business acquisitions, economically recoverable reserves, securing and maintaining title and beneficial interest in the properties, and upon future profitable production. Although the Company has been successful in doing so in the past, there is no assurance it will be able to do so in the future. These conditions indicate the existence of material uncertainties, which casts significant doubt about the Company's ability to continue as a going concern.

No adjustments to the carrying values of the assets and liabilities have been made in these consolidated financial statements. Should the Company no longer be able to continue as a going concern, certain assets and liabilities may require restatement on a liquidation basis, which may differ materially from the going concern basis.

***Other Requirements***

Additional disclosure of the Company's material change reports, news release and other information can be obtained on SEDAR at [www.sedar.com](http://www.sedar.com).