



## MANAGEMENT DISCUSSION AND ANALYSIS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019

*The following management discussion and analysis (the “MD&A”) of financial results is dated November 27, 2019 and reviews the business activities of Compass Gold Corporation (“Compass” or the “Company”) and its subsidiaries, for the three and nine months ended September 30, 2019, and 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 condensed interim consolidated financial statements for the three and nine months ended September 30, 2019 and the notes attached thereto (“Financial Statements”), as well as the audited consolidated financial statements for the year ended December 31, 2018 and related MD&A. This MD&A and the accompanying Financial Statements have been reviewed by the Company’s Audit Committee and approved by the Company’s board of directors (the “Board”).*

*Statements in this MD&A 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 the MD&A, is complete and reliable. The Board follows recommended corporate governance guidelines for public companies to ensure transparency and accountability to shareholders. The Audit Committee of the Board meets with management regularly to review the financial statements and the MD&A, and to discuss other financial, operating and internal control matters.*

*All figures are reported in Canadian dollars (“\$”) unless otherwise stated.*

### HIGHLIGHTS

For the current period

- On November 21, the Company announced the closing of its previously announced Private Placement, in which it issued a total of 15,392,210 common shares of the Company, at a price of \$0.35 per share, for aggregate gross proceeds of \$5,387,275. The Company also reported that exploration drilling was to commence on November 22.
- On November 6, the Company announced that it had launched its follow-up field program on the Farabakoura Trend, which includes the Farabakoura and Kabangoué artisanal workings and the high-priority Boumban prospect, on its Sikasso Property in southern Mali
- On November 4, the Company announced that SEMAFO Inc. had agreed to participate in a private placement, pursuant to which the Company intended to issue, on a non-brokered private placement basis, up to 14,286,000 common shares of the Company, at a price of \$0.35 per share, for aggregate gross proceeds of up to \$5.0 million.
- On October 8, the Company provided an update on its exploration activity on the Kourou permit, on its Sikasso Property.
- On September 5, the Company reported the results from the recently completed diamond core drilling program at the Farabakoura artisanal workings on the Ouassada permit, Sikasso Property.

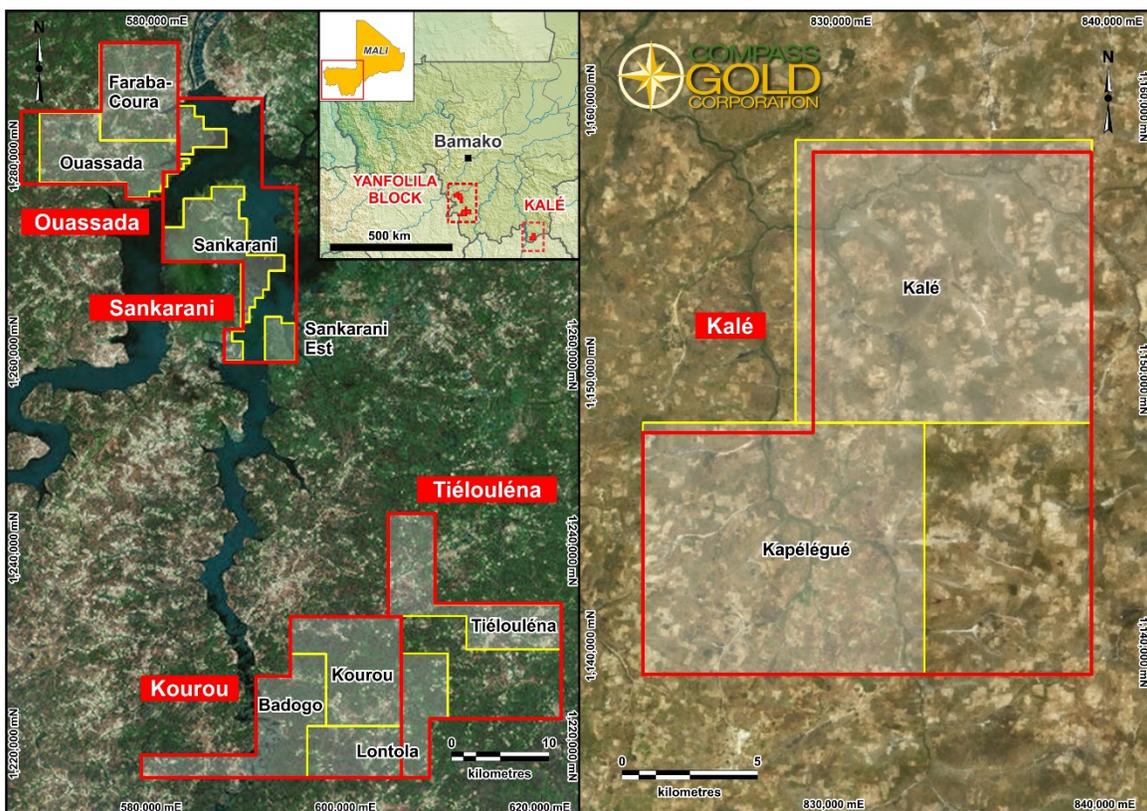
- On August 26, the Company provided an update on exploration activity on the Faraba-Coura permit, Sikasso Property.
- On August 19, the Company provided a further update on the remaining RC exploration drilling prior to the commencement of the rainy season at the Farabakoura artisanal workings on the Ouassada permit.
- On July 29, the Company provided an update on the ongoing exploration drilling at the Farabakoura artisanal workings on the Ouassada permit.
- On June 21, the Company announced that it would host a conference call at noon (Toronto time) on Tuesday, June 25<sup>th</sup>, to provide a review of the Company's latest activities, as well as its plans for further exploration at the Ouassada exploration permit on its Sikasso Property in southern Mali.
- On May 15, the Company provided an update on the recently completed exploration drilling at the Farabakoura artisanal workings on the Ouassada permit.
- On May 8, the Company provided an update on the results of its ongoing exploration activity on its Yanfolila North and Yanfolila South blocks, comprising parts of the Sikasso Property in Southern Mali.
- On April 25, the Company announced that it had issued, on a non-brokered private placement basis, a total of 9,094,335 common shares of the Company, at a price of \$0.30 per share, for aggregate gross proceeds of \$2,728,300, pursuant to the closing of the private placement.
- On March 28, the Company provided an update on the results of the one diamond drill hole completed on extensive artisanal workings at the Ouassada exploration permit.
- On March 26, the Company provided an update on the results of detailed ground geophysics performed on the Ouassada exploration permit.
- On March 19, the Company provided an update on the progress of its prospecting conducted on four exploration permits comprising the newly created Yanfolila South block on its Sikasso Property in Southern Mali.
- On March 5, the Company provided a further update on the progress of the second phase of bedrock drilling on the Ouassada exploration permit.
- On February 20, the Company provided an update on the renewal of the permits that comprise its Sikasso Property
- On February 14, the Company provided an update on the progress of the second phase of bedrock drilling on the Ouassada exploration permit.
- On January 10, 2019, following the rainy season in Mali, the Company provided an update on the first-ever bedrock drilling on the Ouassada exploration permit.

## 1. COMPANY OVERVIEW

Compass was incorporated on July 1, 2002, under the laws of Alberta and subsequently continued into Ontario and is a Tier 2 issuer on the TSX- V. Through the November 2017 acquisition of Mali Gold Exploration Pty Ltd (“MGE”) and Malian subsidiaries, Compass holds gold exploration permits located in Mali that comprise the Sikasso Property. The exploration permits are located in three sites in southern Mali with a combined land holding currently consisting of 867 square kilometres (km<sup>2</sup>). The Sikasso Property is located in the same region as several multi-million ounce gold projects, including Morila, Syama, Kalana and Yanfolila. The Company’s Mali-based technical team, led in the field by Dr. Madani Diallo and under the supervision of Dr. Sandy Archibald, P.Geo, is conducting the planned exploration program. They are examining the numerous anomalies noted for further investigation in Dr. Archibald’s August 2017 \*National Instrument 43-101 Technical Report on the Sikasso Property, Southern Mali,” (“the Technical Report.”)

## 2. MINERAL PROPERTY

MGE holds, through its Malian subsidiaries, the Sikasso Property comprising nine (9) gold exploration permits in Mali, West Africa covering a total area of 867 km<sup>2</sup> in established gold producing regions of Mali (Figure 1). The Company has now taken over MGE's business of gold mineral exploration in Mali.



**Figure 1.** Location of former permit outlines (red) and revised permit outlines (yellow). (Note the change in scales between the two figures.)

## Permit Renewals

On February 20, 2019, the Company provided an update on the renewal of the permits that comprise its Sikasso Property area. It was noted that the Mali Ministry of Mines and Petroleum has accepted the new permit boundaries and areas that comprise the Sikasso Property. The five original permits were increased to ten new permits with a maximum area of 100 km<sup>2</sup> and which are in good standing until the next renewal date in 2021. The new permit areas are summarized below.

**Table 1.** Changes to the Sikasso Property permits

Permit	Area (sq. km)	New Permit Name	Area (sq. km)	Arrêté Date	Compass Subsidiary
Ouassada	179	Faraba-Coura	94	2018-09-04	SERM SARL
		Ouassada	86	2018-10-17	SERM SARL
Sankarani	250	Sankarani	74	2018-10-05	SERM SARL
		Sankarani Est	13	2018-10-05	MGE SARL
Kourou	250	Kourou	100	2018-07-31	REM SARL
		Badogo	100	2018-07-31	REM SARL
		Lontola (partial)	100	2018-10-30	ML Commodities Mali SARL
Tiélouléna	250	Tiélouléna	100	2018-07-31	REM SARL
		Lontola (partial)	100	2018-10-30	ML Commodities Mali SARL
Kalé	250	Kalé	100	2018-09-04	ML Commodities Mali SARL
		Kapélégué	100	2018-10-03	ML Commodities Mali SARL

## Expenditures and Commitments

The Company has incurred exploration and development expenditures of \$2,830,527 for the nine months ended September 30, 2019, compared to \$3,786,398 for the 12 months of expenditures for the year ended December 31, 2018.

The Company initiated its first exploration program on November 29, 2017 (the day of acquisition of MGE). The actual expenditures made from this inception date to September 30, 2019 are \$6,616,925, plus the cost of acquired machinery and equipment in the amount of \$117,721 (net of amortization). For further information, please refer to notes 5 and 8 of the related financial statements for the nine months ended September 30, 2019.

As of September 30, 2019, the Company had incurred \$6,172,837 of acquisition costs of MGE.

**Table 2:** Exploration expenditures includes the following items as of September 30, 2019:

	Nine months ended September 30, 2019 \$	Year ended (12 months) December 31, 2018 \$	Year to date (since inception) September 30, 2019 \$
Project Management and administrative	425,623	468,170	893,794
Property Payments	-	330,144	330,144
Drilling and Assay	1,507,190	1,603,262	3,110,451
Field work support	696,454	1,007,220	1,703,674
Technical studies	201,259	377,602	578,862
Total Expenditures	2,830,527	3,786,398	6,616,925

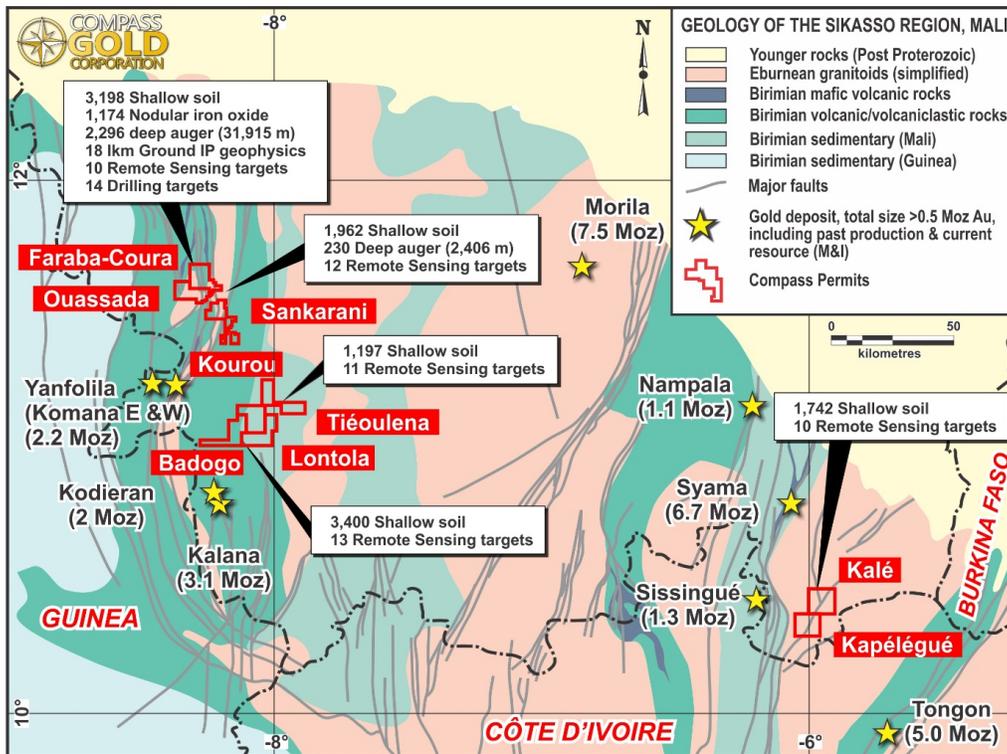
During fiscal 2018, the Company renewed the permits comprising the Sikasso Property to extend the life of the licences for the conduct of mineral exploration. As a result of this process, the permits have been renewed and the Company has committed to exploration expenditures over the next three years as follows:

Year/Work Program (\$)	Phase 1	Phase 2	Future Phases	Total
First Year	1,278,127	-	-	1,278,127
Second Year	-	1,539,135	-	1,539,135
Third year	-	-	4,019,165	4,019,165
<b>Total</b>	<b>1,278,127</b>	<b>1,539,135</b>	<b>4,019,165</b>	<b>6,836,427</b>

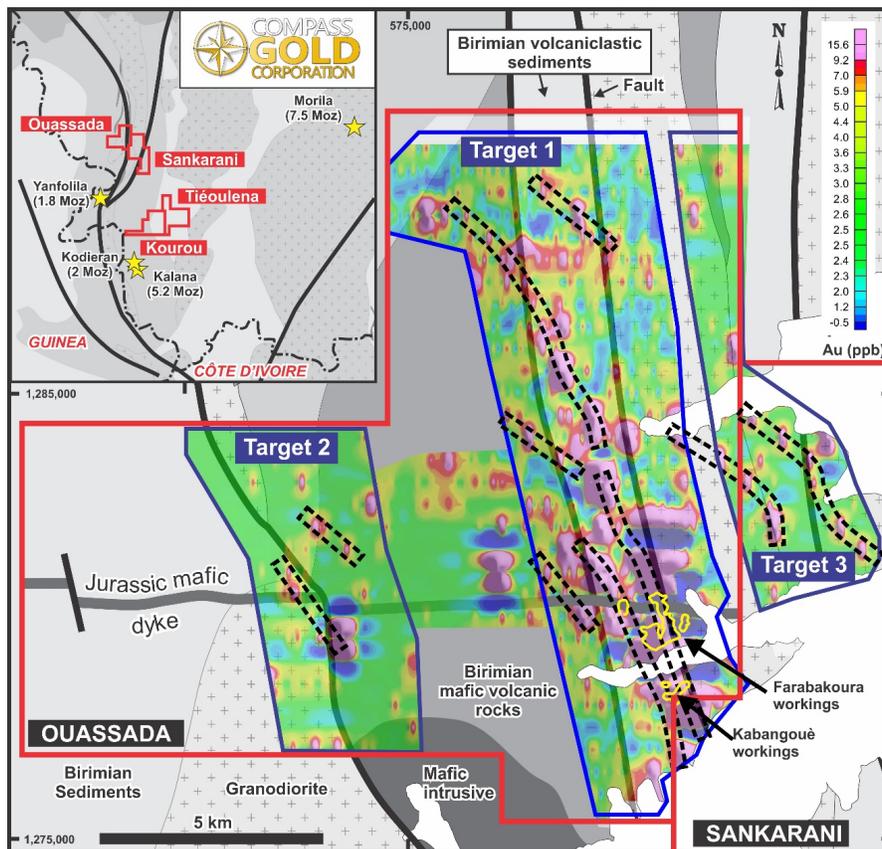
### Initial Exploration Program Fiscal 2018

A large amount of mineral exploration was performed over the five permits that comprise the Sikasso Property in 2018 (Figure 2). This work included: remote sensing (satellite) studies; reinterpreting airborne geophysical survey data; performing shallow soil sampling (11,545 samples, see Figure 3); drilling of 2,525 m of deep auger holes (totaling 34,309 m) with associated assays; 18-km of induced polarization (IP) ground geophysics performed. This resulted in the identification of more than 60 targets in an area of 980.5 km<sup>2</sup>. The most extensive anomalies were identified in the Ouassada permit (and centred on artisanal workings at Farabakoura and Kabangoué), and at several locations on the Sankarani and Kourou permits.

Based on the results of this initial exploration, the first bedrock drilling to be performed on any of the permits in the Sikasso Property was undertaken in November 2018. This work consisted of 73 air core (AC) drill holes with a total length of 2,742 m. Eight (8) reverse circulation (RC) holes were drilled in late December, with a total length of 924 m. All drilling (AC and RC) was performed over the artisanal workings of Farabakoura and Kabangoué (Figure 4). The results of the drilling were reported in January 2019.



**Figure 2.** Summary of Phase 1 work completed on the Sikasso Property in 2018. Note that this figure uses the new permit names and outlines.



**Figure 3.** Location of the anomalous gold zones (dashed outlines) as identified by shallow soil geochemistry in 2018. Four additional zones are identified in target areas 2 and 3.

## **Current Activities – Ongoing Phase 2 – Initial Bedrock Drilling Exploration Program**

The actual expenditure for Phase 2 in the first nine months of 2019 totalled approximately \$2.9 million. The proposed exploration program consisted of drilling and infill ground geophysics to target near-surface bedrock gold mineralization. The Company had the financial resources to complete the 2019 exploration program a result of completing the \$2.7 million financing on April 25, 2019 added to the existing cash as at the beginning of the year.

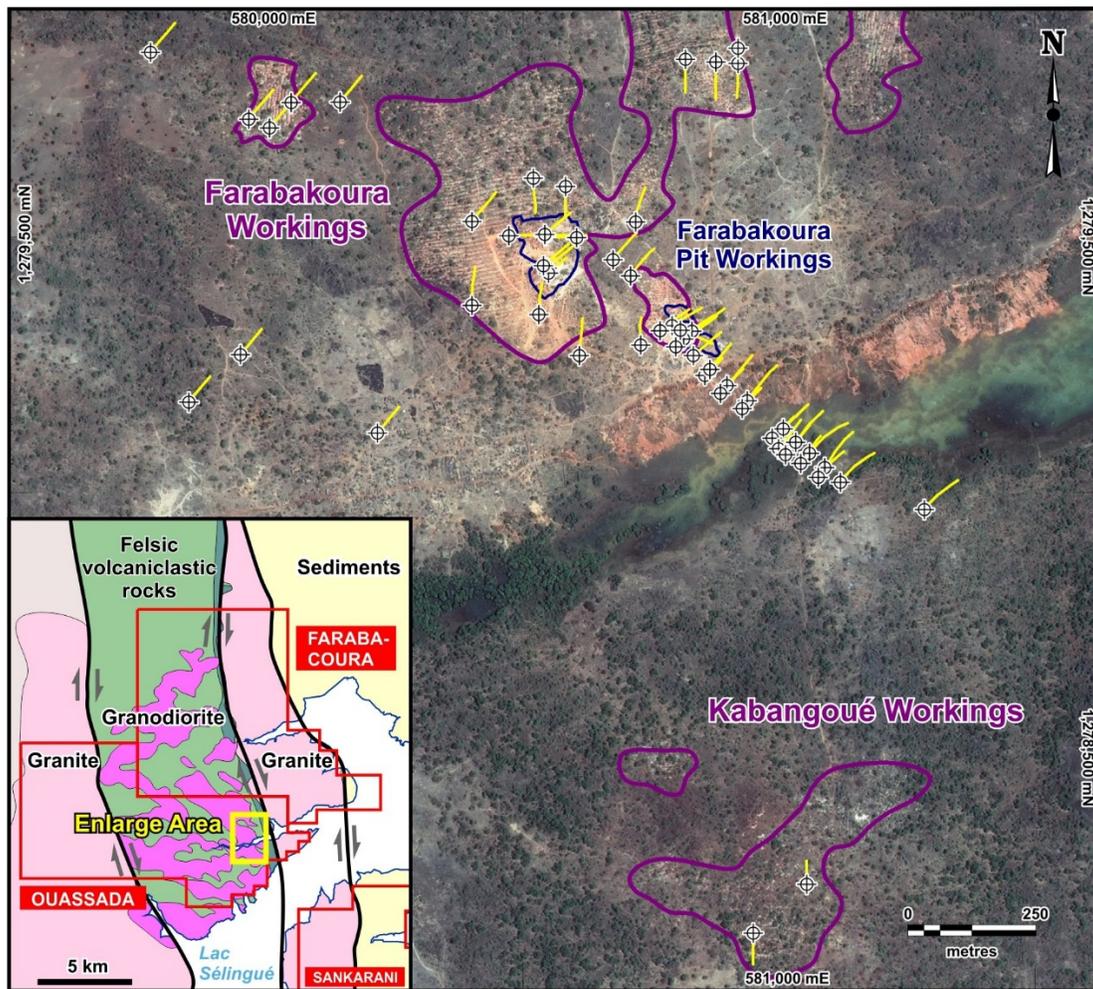
The Phase 2 drilling targeted near-surface bedrock gold mineralization. Target selection was based on shallow- and deep (auger)- soil gold anomalism; induced polarization (IP) chargeability zones; high-resolution ground magnetics; geological mapping; and, interpretation of high-resolution airborne magnetic geophysical survey data. Internal target generation studies have been completed by the Compass exploration team, which had identified areas for additional (infill) geochemical sampling, and bedrock drilling starting in 2018 Q4.

The first component of the Phase 2 exploration consisted of 2,742 m of air core drilling and 924 m of reverse circulation drilling on the first five of the 19 targets identified over a distance of 14 km on the Ouassada and Faraba-Coura permits. The results of this work were reported on January 10, 2019. However, it was decided that, as well as drilling the targets, additional ground geophysical surveys were warranted. The survey methods employed were induced polarization (IP) and high-resolution ground magnetics, which help determine the rock types and structure present, as well as identifying potentially mineralized zones. The timing of completion of Phase 2 was dependent on weather and site conditions, as well as turnaround time from drilling to assaying and analysing the results. The prime reason for the uncertainty concerns the question of when the rainy season would end, which is typically between mid-October and early November.

Initial results of this Phase 2 work were reported on October 9, 2018, January 10, March 5, 19, 26, 28, 2019. Subsequent results were reported on May 8 and 15, July 29, August 19 and 26, 2019. Further results were reported on September 5 and October 8. The location of all drilling on the Sikasso Property is illustrated on Figure 4.

- Drilling focused on 5 of the 19 targets on Ouassada
- Targets 2, 4, 7, 8 and 9 were drilled by AC, and Targets 4 and 7 were also tested by RC
- 2,742 metres of AC drilling (73 holes) were completed in early December 2018
- 924 metres of RC (8 holes) were completed before Christmas 2018
- All assays were received by the end of 2018
- 406 metres of RC (3 holes) were drilled in January 2019
- 201 metres of diamond drilling (1 hole) was completed in January 2019
- 5.85 km of IP geophysics surveying was performed and interpreted
- 1,928 metres of RC (14 holes) were drilled in April 2019
- 46.76 sq. km of high-resolution ground magnetic data was collected and interpreted
- 3,352 m of RC (23 holes) were drilled in June and July 2019
- 995 m of diamond drilling (7 holes) was completed at Farabakoura in July
- 563 shallow soil samples were collected over the Faraba-Coura in June and July 2019 (supplementing 3,421 samples collected on the Faraba-Coura and Ouassada exploration permits in early 2018)

- All seven diamond holes (total 995 m) drilled at Farabakoura just prior to the commencement of the rainy season intercepted significant gold mineralization, including some high-grade gold, within a 200 m section of the 750 m long Farabakoura high-grade gold zone.
- Additional ground magnetic surveys were performed on the Faraba-Coura, Sankarani, Sankarani Est, and Kourou permits.
- Interpretation of the ground magnetic survey with the earlier results of a shallow soil survey at Samagouela (Kourou permit) revealed discrete gold anomalism over a distance of 1.8 km along strike from the artisanal gold workings, and which is coincident with regional shear zone and crossing-cutting faults.
- All fieldwork ceased on the property in late July due to the start of the rainy season.



**Figure 4.** The location of all bedrock drilling (RC and diamond) on the Ouassada permit. The insert map shows the revised geology for the Faraba-Coura and Ouassada permits based on interpretation of the airborne geophysics and geological mapping.

*The following are highlights of the press releases issued this year related to the Company's operations. (For further information please refer to the full announcements.)*

On March 5, 2019, the Company announced the results of the three RC drill holes (totaling 406 m) at Farabakoura.

- Gold mineralization was identified in all three holes, but it did not confirm the presence of a third parallel zone in the immediate vicinity of the Farabakoura artisanal pit.
- Bedrock gold zones were identified 380 m along strike from previous drilling, showing the structure was open to the southeast
- The best intercept was from OURC011, which included 13 m @ 3.40 grams per tonne (g/t) gold (Au) within a broad zone of gold mineralization of 60 m @ 1.42 g/t Au
- While the ground geophysical work programs and sampling of the diamond drill core continued at Ouassada, field teams had completed their investigation of artisanal workings on the permits comprising the Yanfolila South Block. The results were reported on March 19, 2018, which identified a total of fourteen artisanal workings, twelve more than had been previously noted. Most of these new workings were located on, or adjacent to, the twelve coincident shallow soil geochemistry and remote sensing structural targets. Follow-up work on these workings was recommended based on their surface area, the anecdotal size of gold nuggets recovered, and recent gold recovered by the artisanal miners. This work consisted of geochemical sampling of waste piles at a spacing of 25 m over areas of artisanal workings on the Yanfolila South block to help define an expedited bedrock drilling program. An initial orientation induced polarization (IP) geophysics survey has been completed at Farabakoura, which was awaiting review by our consultant geophysicist.

On March 26, 2019, the interpretation of the ground geophysical surveys at Farabakoura was announced. The highlights included:

- The identification of a 1,600-m long target structure underlying three artisanal working areas
- The structure corresponds to gold mineralization identified in five bedrock RC drill holes
- Several additional structures were also identified in the Farabakoura area, included structures parallel to the drilled structure
- Planning was underway for an additional 1,000 m drill program around Farabakoura

The ground geophysical survey over the Ouassada and Faraba-Coura permits was started. The first area of this survey was at the Kabangoué artisanal workings, located 1.5 km southeast of Farabakoura. The assay results from the single diamond drill hole (OUDD001) were released on March 28, 2018. Visible gold was noted at several discrete intervals during logging of the core, resulting in high-grade (bonanza) intervals. The highlights of the work included:

- Three discrete mineralized zones were identified within an 18-m-wide interval
  - 4 m @ 83.82 g/t Au (from 63 m)
  - 4 m @ 7.04 g/t Au (from 69 m)
  - 3 m @ 4.18 g/t Au (from 78 m)
- The first 4-m interval was influenced by a 1-m interval (with a 45-cm true thickness vein) containing 329.92 g/t Au
- Mineralization correlated well with adjacent reverse circulation (RC) drill holes and a 1,600 m target structure identified during recent ground geophysics

On May 8, the Company updated the results of its ongoing exploration activity on the Yanfolila North and Yanfolila South blocks.

- Completed 13 reverse circulation (RC) drill holes at Farabakoura artisanal workings, totalling 1,928 m
- Completed a detailed 3-sq.-km ground magnetic survey over the Kabangoué workings
- 60 km of ground induced polarization (IP) examination was ongoing at Ouassada and Faraba-Coura
- Identification of new drilling targets was underway based on latest drilling and geophysical results

On May 15, the Company provided a further update on the recently completed exploration drilling at the Farabakoura artisanal workings on the Ouassada permit.

- Intercepted gold mineralization in three of the previously noted thirteen holes, increasing the known strike length of the mineralized system to 500 m, which remains open along strike
- Visible gold noted in RC chips (OURC017)
- Best interval: 32 m @ 3.02 g/t Au from 24 m, including 6 m @ 10.21 g/t Au
- 3,000 m drilling program is planned at Farabakoura to test additional targets

On June 12, the Company announced that it had started its follow-up drill program at the Farabakoura artisanal workings on the Ouassada exploration permit, and completed a ground magnetic survey on the Sankarani permit, and artisanal pit sampling on the Yanfolila South Block.

- Initiated the first of at least 20 reverse circulation (RC) drill holes at Farabakoura artisanal workings, totalling 3,000 m
- Testing several structures based on known gold mineralization, favourable geology and geophysical interpretation of ground magnetic data
- Testing of Farabakoura Pit Structure onto the Kabangoué prospect to extend mineralized zone to 700 m
- Completed high-resolution ground magnetic survey on the Sodala prospect in the Sankarani permit and surface sampling at Yanfolila South artisanal pits

By June 30, the Company had drilled 10 RC holes, totaling 1,4452 m.

On July 29, the Company reported the results from this exploration drilling at the Farabakoura artisanal workings on the Ouassada permit, which included 23 reverse circulation (RC) drill holes, totalling 3,339 m. The best interval was 7 m @ 15.38 grams per tonne (g/t) gold (Au) from 111 m (OURC030), including 1 m @ 60.56 g/t Au. Drilling intercepted gold mineralization in nine holes, increasing the known strike length of the mineralized system to 770 m. At the same time, it was noted that the 995 m diamond drilling program had been completed at Farabakoura, which was designed to test depth continuity of the mineralized system.

Two types of ground geophysical surveys (magnetic and IP) were performed on the property during the first six months of 2019. The results have not been released since the data has not been fully interpreted. Seven ground magnetic surveys were performed on permits in the Yanfolila block: three on Ouassada and Faraba-Coura (covering 19.42 km<sup>2</sup>), three on Sankarani (16.83 km<sup>2</sup>), and one survey on Kourou (10.51 km<sup>2</sup>). The line spacing varied from 50 m to 12.5 m, depending on the location and the presence of known gold mineralization. In addition to the ground magnetic survey, three gradient IP surveys were performed over the Farabakoura workings, covering an area of 1.32 km<sup>2</sup>. The interpretation of the surveys covering the Farabakoura workings was instrumental in determining the location of the RC and diamond drilling.

On August 19, the Company reported the assay results from the remaining eleven (11) RC exploration drill holes (totaling 1,522 m) at the Farabakoura artisanal workings on the Ouassada permit, Sikasso Property in Southern Mali. This drilling was primarily conducted to test the east-west trending vein structures and to provide additional geological information. The best interval was 8 m @ 1.20 g/t Au from 24 m in OURC040.

It was also noted that all fieldwork has now ceased on the property due to the start of the rainy season.

On August 26, the Company reported the results of the latest infill soil sampling program over the Faraba-Coura and Ouassada exploration permits, in which 563 infill samples had been collected on a 100 by 100 m grid, bringing the total number of soil samples from the area to 3,984. Three discrete gold zones (up to 1 km) have been identified over a distance of 4.8 km from this shallow soil survey, and 2 km along strike from Farabakoura gold workings. The anomalies are coincident with crustal-scale faults cutting intrusions and the results reinforce anomalies previously identified through wide-spaced, deep soil auger sampling. A data review also suggests a similar style of gold mineralization found at Farabakoura might also be present in newly tested area, which has been named Boumban.

On September 5, the Company reported the results of the recently completed diamond core drilling program at the Farabakoura artisanal workings on the Ouassada permit, Sikasso Property. All seven diamond drill holes (total 995 m) intersected significant gold mineralization within a 200 m section of the 750 m long Farabakoura high-grade zone. The best high-grade gold mineralization intercepted in bedrock was 6.1 m @ 65.6 g/t Au from 19.5 m (OUDD004).

On October 8, the Company reported the results of a shallow soil survey on the Kourou permit, Sikasso Property. This work, which included a soil sample containing 4.03 g/t Au not associated with previous workings, revealed discrete gold anomalism over a distance of 1.8 km along strike from Samagouela gold workings. It was determined that the anomalies are coincident with regional shear zone and crossing-cutting faults, including faults cross-cutting small intrusion.

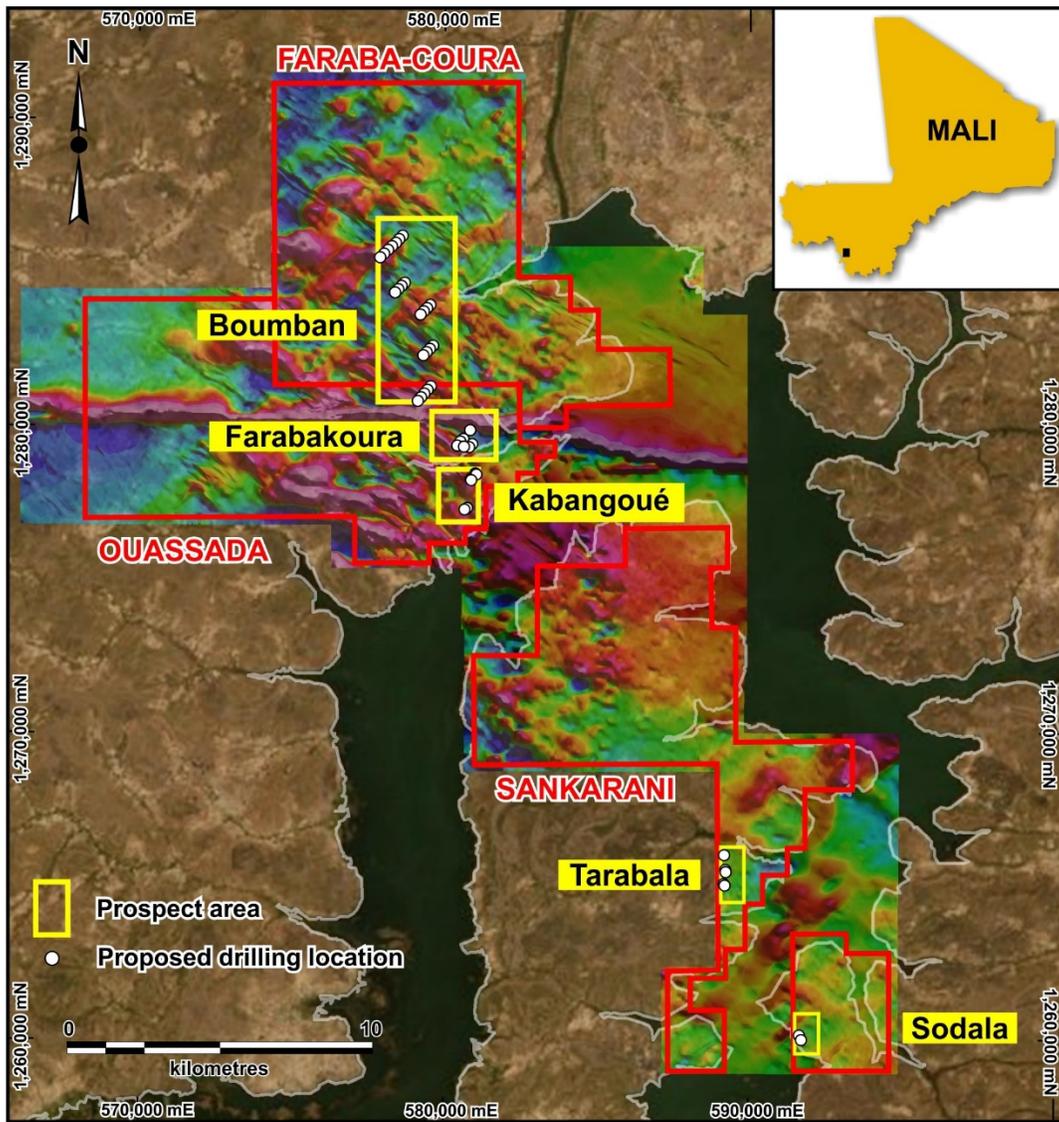
### **Future Activities 2019-2020**

Following the recent cessation of the Malian rainy season, the Company has launched its follow-up field program on the Farabakoura Trend, which includes the Farabakoura and Kabangoué artisanal workings and the high-priority Boumban prospect, on its Sikasso Property in Southern Mali. This included the approximately 10,500 m of reverse circulation (RC) drilling planned on six prospects. All information determined from the previous RC and diamond drilling has been integrated with the results from the detailed ground geophysical surveys outlined above, and soil and pit geochemical samples collected in Q2, 2019. Based on this data synthesis, Compass has identified areas where addition infill drilling could take place to determine the extent of mineralization at Farabakoura and Kabangoué, as well as to assist in determining the best location for future resource definition drilling. Additional drilling is also planned on the most prospective exploration targets on the remaining targets on the Ouassada and Faraba-Coura permits. (See Figure 5 below.)

The planned work program includes the following components:

- On the Ouassada permit, 2,000 m of drilling will be conducted at Farabakoura and Kabangoué to test the strike extension of several NE-trending vein swarms that appear to control high-grade mineralization. Most of this drilling will take place at Farabakoura.
- 6,600 m of drilling is planned at the highly encouraging Boumban prospect on the Faraba-Coura permit. Strong gold anomalism was identified during shallow soil and deep overburden sampling in six areas over 4 km at Boumban. The degree of gold anomalism is comparable to those at Farabakoura, and ground geophysical interpretation suggests similar rock types and faults are also present.
- The Tarabala and Sodala prospects on the Sankarani permit were selected for 1,100 m of RC bedrock drilling. The drilling targets at Tarabala were based on the presence of active artisanal workings over 600 m, coincident shallow soil sampling, grab samples containing up to 4.10 g/t Au, and the likely presence of potential mineralized structures based on ground geophysics. Bedrock drilling at Sodala is planned to investigate the current artisanal workings, where grab samples of mineralized quartz veins have returned up to 2.87 g/t Au, and shallow soil sampling proximal to the gold workings contained up to 31.1 g/t Au.
- The final area where drilling is planned is at the Samagouela artisanal workings on the Kourou permit (part of the Yanfolila South block). Artisanal activity in late 2018 is anecdotally reported to have recovered 645 oz of gold in a three-month period. Shallow soil geochemistry and a ground magnetic survey performed by Compass has identified likely mineralized structures that will be tested by drilling. This 800 m drilling is expected to take place in late January 2020.

Expenditures for the above noted exploration program are estimated to be between \$3.0 million to \$4.0 million, which can be financed with existing cash reserves. This includes all costs associated with the recently initiated drilling and related exploration work noted above, as well as in-country running costs. Following the recent successful completion of the Private Placement on November 20, 2019 that generated gross funds of \$5.4 million, it is believed that the Company has sufficient funds to support this work, which is planned to be completed over approximately the next 12 months.



**Figure 5** - Location of five prospects (yellow rectangles) where the planned 10,500 m RC drilling program will be undertaken. 800 m of drilling will also be performed at Samagouela (Kourou permit), 30 km south of the Sodala prospect. The background image consists of a filtered high-resolution airborne magnetic image overlain on a satellite image.

### 3. RESULTS OF OPERATIONS

This analysis of the results of the Company's operations should be read in conjunction with the Company's financial statements for the three and nine months ended September 30, 2019.

#### Revenues

The Company has no revenue or sources of recurring revenues at this time.

#### Expenses

During the nine months ended September 30, 2019, the Company incurred a net loss of \$765,419 (2018– \$615,725). The reported balances in the current period are, overall, consistent with the amount reported in the same period last year except with the addition of share-based payment expense of \$182,192 in the current period, which is the main reason for the general increase in expenditures in the current period. Immediately after the completion of the MGE transaction in 2017, the Company implemented its initial exploration program. This increased activity in support of the Company's exploration efforts has resulted in increases in management fees, professional fees and other administrative expenses throughout fiscal 2018. For fiscal 2019, these expenditures are expected to be consistent with fiscal 2018.

For the nine months ended September 30, 2019, the expenses are overall consistent with the same period last year. Expenses for the nine months ended September 30, 2019, excluding share-based payments of \$182,192 for the current period, were \$583,227 compared to \$615,725 for the same period last year. Significant expenditures include management and director fees of \$329,901 (2018 – \$320,645), consulting fees of \$74,500 (2018 - \$55,715), professional fees of \$24,964 (2018 – \$69,505), shareholder information and listing fees of \$39,961 (2018 - \$38,964), and insurance of \$18,045 (2018 - \$16,150). In addition, the Company has incurred additional expenditures of \$31,584 (2018 – Nil) from attending investor conferences in the current period.

### 4. DISCLOSURE OF OUTSTANDING SHARE CAPITAL

The Company is authorized to issue an unlimited number of voting common shares, an unlimited number of non-voting first preferred shares and an unlimited number of non-voting second preferred shares.

As of September 30, 2019, the Company had the following capital stock position:

Common shares outstanding	38,832,857
Warrants outstanding	12,200,000
Broker warrants outstanding	896,392
Options outstanding	2,800,000

Basic common shares outstanding total 38,832,857. Fully diluted shares outstanding, which includes all issued common shares, warrants, broker warrants and options, totals 55,266,098. For further information on the Company's capital, please refer to the notes of the Financial Statements (Note 9 – Share Capital, Note 10 - Reserves).

## 5. QUARTERLY RESULTS

Selected quarterly information for the most recently completed eight quarters is presented below in Canadian currency (\$), and in accordance with International Financial Reporting Standards.

	2019			2018				2017
	Q3 \$000's	Q2 \$000's	Q1 \$000's	Q4 \$000's	Q3 \$000's	Q2 \$000's	Q1 \$000's	Q4 \$000's
Revenues	-	-	-	-	-	-	-	-
Loss for the period	(261)	(307)	(197)	(631)	(224)	(176)	(216)	(785)
Loss per share	(0.005)	(0.01)	(0.005)	(0.02)	(0.01)	(0.005)	(0.005)	(0.13)

The first two quarters of 2018 reflect a significant increase in expenditures as result of Compass becoming an active Company, through the acquisition of the MGE (completed on November 29, 2017) and incurring normal operational expenditures for an exploration company of the size and activities of the Company. In fiscal 2017, expenditures in the fourth quarter were high as a result of closing the transaction. Prior to the fourth quarter in 2017, expenditures were gradually increasing as the Company worked towards completing the transaction.

Overall, the expenditure pattern, excluding the impact from share based payments, has remained consistent between the quarters reported for 2018 and 2019.

## 6. LIQUIDITY AND CAPITAL RESOURCES

As at September 30, 2019, the Company had working capital of \$685,376 (December 31, 2018 \$1,449,773). Cash and cash equivalents as at September 30, 2019 were \$766,568, compared to \$1,668,915 as at December 31, 2018. The Company has no long-term debt and no long-term liabilities.

Subsequent to the reporting period September 30, 2019, the Company on November 20, 2019 issued 15,392,210 common shares, on a non-brokered private placement basis, at a price of \$0.35 per share, for aggregate gross proceeds of \$5,387,275. The Company paid an aggregate of \$104,806 in cash to certain finders. No broker warrants were issued.

On April 25, 2019, the Company issued 9,094,335 common shares, on a non-brokered private placement basis, at a price of \$0.30 per share, for aggregate gross proceeds of \$2,728,300. The Company issued an aggregate of 359,543 broker warrants and paid an aggregate of \$112,963 in cash to certain finders. Each broker warrant entitles the holder to purchase one common share of the Company for a period of 12 months from date of closing at an exercise price of \$0.30 per share.

On May 4, 2018, the Company announced that all of the 2,000,000 warrants with an expiry date of May 4, 2018 were exercised at a price of \$0.35, along with the 84,000 broker warrants, for gross proceeds of \$750,400. A further 228,571 warrants with an expiry of May 15, 2018 were exercised at \$0.35 for gross proceeds of \$79,999.

Concurrent with the closing the acquisition of MGE, on November 29, 2017, the Company closed a private placement to raise gross proceeds of \$6,000,000 by the issuance of 12,000,000 units at a price of \$0.50 per unit. Each unit comprised one common share and one transferable common share

purchase warrant. Each warrant entitles the holder to purchase one additional common share of the Company at a price of \$0.75 per share until November 29, 2020.

As noted in the Company’s Management Information Circular under Principal Purpose of Funds for the November 29, 2017 special meeting, the use of the proceeds for the \$6.0 million private placement is noted below in the table in column titled “Maximum value of Proceeds to Spend”.

The table below compares, in tabular form, discourse that the Company has previously made about how it was going to use proceeds. The amounts presented are approximate.

Description	Maximum value of Proceeds to Spend	Actual Expenditures incurred to September 30, 2019 (approximate)	Variance
Cost of the Company to Complete Acquisition and Private Placement	400,000	460,000	(60,000)
General and Administrative Expenses for the next 12 months	590,000	780,000	(190,000)
Exploration and maintenance Costs on the Sikasso Property	4,200,000	4,480,800	(280,800)
Unallocated working capital	590,000	590,000	-
<b>Total</b>	<b>\$ 5,780,000</b>	<b>\$ 6,500,800</b>	<b>\$ (530,800)</b>

The higher costs to close the private placement and acquisition were the result of higher than expected professional fees incurred. General and Administrative expenses are higher than expected due to additional director fees and management fees that were not included in the original value of proceeds to spend.

The actual expenditures for the Sikasso Property are disclosed in detail in Section 2.

### ***Review of Interim Statement of Cash flows***

#### ***Cash Used in Operating Activities***

Cash used in operating activities during the nine months ended September 30, 2019 was \$720,560 compared with \$701,661 of cash used in operating activities during the nine months ended September 30, 2018. Cash was used to fund management and director fees, professional fees, listing and registration fees, and administrative costs.

#### ***Cash Used in Investing Activities***

The project expenditures reflect the level of activity for the first three quarters of fiscal 2018 and 2019. Total project expenditures for the nine months ended September 30, 2019 were \$2,756,622 compared to \$2,866,348 in the same period last year. For more detail see Section 2.

### ***Cash Generated by Financing Activities***

For the nine months ended September 30, 2019 and 2018, the Company completed a financing transaction and warrant exercises. The net proceeds from these financings totaled \$2,574,835 for the nine month period ending September 30, 2019 compared to \$830,399 in the same period last year.

### **7. TRANSACTIONS WITH RELATED PARTIES**

Transactions with related parties are described in detail in Note 11 of the Financial Statements

For further clarification, management and director fees of \$329,901 (2018 - \$320,645) for the nine months ended September 30, 2019 were paid or accrued. These fees are payable to Company officers and directors or companies controlled by or associated with Company officers or directors as follows:

- The President and Chief Executive Officer of the Company (the “CEO”), Larry Phillips, was paid \$135,000 (2018 – \$135,000). Larry Phillips became the CEO on November 29, 2017. Such consideration was paid to a management company pursuant to which Mr. Phillips provides the CEO services.
- The Chief Financial Officer of the Company (the “CFO”), Louis Nagy, was paid \$64,500 (2018 – \$58,500). Such consideration was paid to a management company pursuant to which Mr. Nagy provides the CFO services. A portion of these fees were included in share issue costs for the April 25, 2019 private placement.
- The Exploration Manager of the Company, Madani Diallo, who is a non-executive director of the Company, was paid \$112,117 (2018 – \$111,375). Such consideration was paid to a company pursuant to which Dr. Diallo provides services to the Company, on a consultancy basis, relating to the oversight of project work at the Sikasso Property. These costs are capitalized.
- Non-management directors of the Company were paid, in aggregate, fees of \$97,500 (2018 – \$97,500), such fees paid on a quarterly basis.

### **8. OFF-BALANCE SHEET ARRANGEMENTS**

The Company has no off-balance sheet arrangements.

### **9. FINANCIAL INSTRUMENTS AND RISKS**

The Company’s financial instruments consist of cash, receivables and trade payables. Cash, which is measured at its face value, representing fair value, is classified as loans and receivables. Receivables are measured at amortized cost and classified as receivables. Trade payables, which are measured at amortized cost, are classified as other financial liabilities. Other liabilities are classified as other financial liabilities, which are subsequently measured at amortized cost. The fair value of these financial instruments approximates their carrying values, unless otherwise noted.

For the nine months ended September 30, 2019 and December 31, 2018, the Company had no derivative assets or embedded derivatives.

It is management's opinion that the Company is not exposed to significant interest rate, currency or credit risks arising from these financial instruments. The Financial Risk and Capital management of the Company is described in further details in Note 13 of the Financial Statements.

## **10. FORWARD LOOKING STATEMENTS**

Certain statements contained in this MD&A may constitute forward-looking statements. These statements relate to future events or the Company's future performance. All statements, other than statements of historical fact, may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "propose", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Company believes that the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this MD&A should not be unduly relied upon by investors as actual results may vary. These statements speak only as of the date of this MD&A and are expressly qualified, in their entirety, by this cautionary statement.

In particular, this MD&A contains forward-looking statements pertaining to expectations regarding the Company's ability to source new assets or business or raise capital, and other future activities to be conducted by the Company.

With respect to forward-looking statements listed above and contained in this MD&A, the Company has made assumptions regarding, among other things, the Company's ability to source potential assets or business or obtain additional financing on satisfactory terms.

Inherent in forward-looking statements are risks, uncertainties and other factors beyond the Company's ability to predict or control. These risks, uncertainties and other factors include, but are not limited to: fluctuations in currency and interest rates, incorrect assessments of the value of acquisitions, competition for capital, competition for acquisitions of reserves, competition for undeveloped lands and competition for skilled personnel, as well as those risk factors listed in the Risks and Uncertainties section below.

## 11. EMERGING MARKET DISCLOSURE

The Company's principal property interests are located in Mali, an emerging market, and are held indirectly through locally incorporated subsidiaries for the purpose of compliance with local laws. Operating in an emerging market exposes the Company to certain risks and uncertainties that may not exist or that are significantly less likely to exist in other jurisdictions, such as Canada or the United States. In order to manage and mitigate these risks, the Company has designed a system of corporate governance for itself and its subsidiaries. These systems are coordinated by management and overseen by the Board. Further information concerning these systems and the operations of the Company in Mali are described in greater detail below.

Notwithstanding any additional potential risks or uncertainties arising from operating in Mali, it should be noted that many notable mining companies operate in the vicinity of the Company (both juniors and majors), including: Barrick Gold; AngloGold Ashanti; Endeavour Mining; Resolute Mining; Perseus Mining; Hummingbird Resources; Okio Resources; Birimian Limited; Robex Resources; and Cora Gold.

### *Mining Rights / Asset Verification*

The Company's principal property interests include nine prospecting permits (which collectively comprise the Sikasso Property) referred to as: Ouassada, Faraba-Coura, Sankarani, Kourou, Tiéouléna, Badogo, Lontola, Kalé, and Kapélégué. The Sikasso Property is described in detail in the technical report prepared for the Company dated August 31, 2017 entitled "NI 43-101 Technical Report on the Sikasso Property, Republic of Mali" (the "**Technical Report**").

In connection with its acquisition of MGE in November 2017, the Company conducted extensive due diligence on MGE and its interest in the Sikasso Property, including searches of applicable government registries and a review of applicable title documents. Further, the Company obtained legal opinions from reputable legal counsel in Mali with respect to the good standing of each of the Mali subsidiaries and with respect to the ownership and good standing of the permits comprising the Sikasso Property.

In connection with the preparation of the Company's most recent audited annual financial statements, the Company requested and received updated legal opinions from legal counsel in Mali with respect to the good standing of each of the Mali subsidiaries and with respect to the ownership and good standing of the permits comprising the Sikasso Property.

A detailed description of the permits, the system of mineral rights/tenure in Mali and certain due diligence undertaken by the Company in respect of its acquisition of the Sikasso Property (through its acquisition of MGE) is set out in the Technical Report. The Technical Report includes, among other things, copies of corporate and title opinions rendered to the Company.

### *Legal Right to Conduct Operations / Laws and Customs*

Mali has an established and stable regime with respect to mining rights and, as a result, the Company and other foreign mining companies are generally able to operate predictably and stably in that country. The system of mineral rights/tenure in Mali is described in detail in the Technical Report. As indicated above, many foreign mining companies (both juniors and majors) operate in Mali under this regime.

The Company has obtained all permits required for the conduct of its business as presently conducted. Apart from the mining permits comprising the Sikasso Property, the Company holds, or may be required to obtain in the future, certain customary or routine permits, licenses or other regulatory approvals in the ordinary course of its operations.

The principal business operations and activities of the Company relate to the exploration for minerals on the Sikasso Property. The Faraba-Coura, Ouassada, Kalé, Sankarani, Kourou, Lontola, Badogo, Kapélégué and Tiélouléna gold exploration permits, respectively, allow the Company to conduct exploration activities on the lands subject thereto.

In order to acquire an exploration permit in Mali, a locally incorporated company is required to directly hold the permit. For this reason, the permits comprising the Sikasso Property are held through Mali subsidiaries. The Organization for the Harmonization of Business Law in Africa (“OHADA”), of which Mali is a member state, allows for 100% foreign ownership of companies. OHADA is an international treaty regulating commercial companies and economic entities in certain West and Central African countries and the stated purpose of the initiative is to facilitate and encourage both domestic and foreign investment in the member states.

In addition, the Company (or its Mali subsidiaries) is required to hold certain standard business licenses, file taxes and otherwise comply with local and federal laws generally applicable to a company with business operations or activities in Mali. Except for the exploration permits comprising the Sikasso Property, there are no permits, licenses or other regulatory approvals that would be considered material to the operations of the Company at this time.

In order to comply with Malian laws, the Company relies on directors, employees and/or consultants with local experience in Mali, including Madani Diallo, a director and consultant of the Company resident in Mali. Dr. Diallo has extensive mining experience in Mali and is principally responsible for overseeing project work in respect of the Sikasso Property. The Company also relies on external service providers with specific Mali expertise as required or when deemed prudent (including accounting professionals, legal counsel and technical consultants).

The Company has retained reputable legal counsel in Mali on various occasions to provide necessary or prudent advice, guidance and/or opinions relating to the Company, including as to the Company’s the Company’s (and its subsidiaries’) legal right to conduct business in Mali.

The Company is not aware of, and has not received notice of, any non-compliance with any requirements with respect to permits, licenses or other regulatory approvals required to carry on its business in Mali as currently conducted. Further, the Company is not aware of any material restrictions against foreign investment in Malian companies, nor any material legal requirements imposed on foreign ownership of Malian mining companies.

### *Corporate Structure*

The Board is responsible for the overall stewardship of the Company and, as such, supervises the management of the business and affairs of the Company. More specifically, the Board is responsible for reviewing the strategic business plans and corporate objectives, and approving acquisitions, dispositions, investments, capital expenditures and other transactions and matters that are material to the Company including those of its material subsidiaries and the Sikasso Property.

All of the Malian subsidiaries holding the permits comprising the Sikasso Property are wholly-owned by the Company (either directly or indirectly). As such, the Company is able to control the subsidiaries, through the election of directors and appointment of officers. The directors, officers and employees of each of the subsidiaries are effectively obligated, either directly or indirectly, to follow the directions of management of the Company, including with respect to the assets of the subsidiaries (including bank accounts). As described above, there are no restrictions on foreign corporations holding shares of Malian corporations. Further, there are no director residency requirements applicable to Mali corporations. The Company is, therefore, able to appoint directors and officers of its own choosing.

The Company conducts its banking in Mali through banks of international repute, which are subject to international standards. Differences in banking systems and controls between Canada and Mali are addressed by having stringent controls over cash kept in the jurisdiction, especially with respect to access to cash, cash disbursements, appropriate authorization levels, and performing and reviewing bank reconciliations on at least a monthly basis. In executing certain normal course monetary transactions, funds are transferred between the Company and its subsidiaries by way of wire transfer.

All material disbursements of corporate funds and operating capital to the Company's Malian subsidiaries are reviewed and approved by the Board (or its designees), and are based upon pre-approved budget expenditures. Annual budgets (as updated from time to time) are developed by management of the Company. Annual budgets and quarterly updates on budgets are approved by the Board. Treasury is managed exclusively in Canada. The Mali subsidiaries periodically request funds to pay for goods and services as per approved budget, and 'cash calls' are made on a monthly basis. When 'cash calls' are received by the Company, they are reviewed against the Company's current approved budget and year-to-date expenditures and management of the Company performs a detailed review of all significant invoices and contracts to support expenditures. All 'cash calls' must be approved by management of the Company. Financing reports, including with respect to expenditures, are presented to the Audit Committee and the Board on at least a quarterly basis.

The subsidiaries of the Company are not currently generating revenue. If and when the Malian subsidiaries start generating significant revenue, the Company may be required to adopt additional policies and/or procedures in this regard.

With respect to oversight of the Company's operations in Mali, Dr. Madani Diallo, a director, consultant and significant shareholder of the Company, is resident in Mali and is an active participant in the operations and affairs of the Company and its subsidiaries. Specifically, Dr. Diallo is responsible for overseeing project work in respect of the Sikasso Property. Dr. Diallo has extensive mining experience in Mali. In addition, the Company has retained Dr. Sandy Archibald (PGeo), the author of the Technical Report, as a technical consultant on a monthly retainer. As required, Dr. Archibald visits Mali on a regular basis (three to four times annually) to meet with the technical team in the Bamako office, the field office and at the permit areas.

At the present time and based on its present stage of development the Company is of the view that there are no material risks associated with its corporate structure and that any risks are effectively managed based on the controls described above and elsewhere herein.

The minute books of the Company and its subsidiaries are located and maintained in the local jurisdictions by legal counsel or corporate administrators. Specifically, the minute books and

corporate records of the Mali subsidiaries are located in Bamako, Mali. There are no restrictions on the Board's access to the books and records of the Company.

#### *Board and Management Experience in Mali*

Key members of the Board and management have experience running operations in emerging markets, including Mali. James Henderson (Director and Chairman), Larry Phillips (Director and Chief Executive Officer), Dr. Madani Diallo (Director) and Joseph Conway (Director) all have direct and relevant experience conducting business in Mali.

- Mr. Henderson is the former chairman of Oklo Resources Limited (ASX:OKU), a company with gold mining projects in Mali. Mr. Henderson was also formerly a senior officer and significant shareholder of MGE prior to its acquisition by the Company.
- Mr. Phillips was previously a senior officer at IAMGOLD Corporation, holding the positions of Executive Vice President, Corporate Affairs and General Counsel. Among other jurisdictions, including various emerging market jurisdictions, IAMGOLD held interests in Mali (Sadiola and Yatela gold mines) during Mr. Phillips' tenure at that company.
- Dr. Diallo is a Professional Geochemist with over 35 years of experience in mineral exploration with a focus on developing gold and base metals exploration programs in West Africa. Dr. Diallo has held many senior roles including country manager, exploration manager, geochemist and project manager. Dr. Diallo is Executive Director, Country Manager of Oklo Resources Limited (OKU:ASX) and was also formerly a senior officer and significant shareholder of MGE prior to its acquisition by the Company. Dr. Diallo, who is resident in Mali, is responsible for overseeing project work in respect of the Sikasso Property.
- Mr. Conway was previously a senior officer at IAMGOLD Corporation, holding the positions of President and Chief Executive Officer. Among other jurisdictions, including various emerging market jurisdictions, IAMGOLD held interests in Mali (Sadiola and Yatela gold mines) during Mr. Conway's tenure at that company.

For the benefit of current directors and officers that do not have specific prior experience in operating in Mali, the Company has retained the former officers, directors and service providers of MGE to assist with the transition of the responsibilities to the new management team and service providers.

The Board, through its corporate governance practices, regularly receives management and technical updates, risk assessments and progress reports in connection with its operations in Mali. Through these updates, assessments and reports, the Board is continually gaining familiarity with the operations, laws and risks associated with operations in that jurisdiction.

The Company is of the view that, collectively, the directors and management possess adequate experience in Mali to effectively operate the Company – in particular, having regard to the Company's current business activities and stage of development.

#### *Judgments and Remedies*

The Company is a corporation existing under the *Business Corporations Act* (Ontario) and is a reporting Company in British Columbia, Alberta and Ontario. Shareholders of the Company have all rights and remedies available to them under the OBCA and applicable securities laws.

The fact that the material properties of the Company are located in Mali and the fact that certain of the subsidiaries of the Company are incorporated under Malian law does not affect an investor's ability to exercise statutory rights and remedies as against the Company under Canadian securities law. However, the enforcement of judgment obtained in a Canadian court could be adversely affected by the fact that certain of the Company's assets are located in Mali. Further, certain directors or officers are resident outside of Canada. The enforcement of judgment obtained in a Canadian court against a director not resident in Canada may be adversely affected by the fact that such director or officer resides outside of Canada.

### *Language / Communication*

The official language of Mali is French; however, many other native African languages are more widely used. Dr. Madani Diallo, a director and consultant of the Company, is responsible for overseeing project work in respect of the Sikasso Property. Dr. Diallo is resident in Mali and is fluent in both English and French.

All director and management meetings are held in English. Meeting materials are prepared in English. If and when required, contracts, meeting materials and other relevant documents are translated into English with third party software or translators (as the context requires). Contracts outside of Mali are completed in English, which includes major contracts with project related expenditures.

## **12. RISKS AND UNCERTAINTIES**

### ***Exploration, Development and Operating Risks***

The exploration for, discovery and development of mineral deposits involves significant risks which even a combination of careful evaluation, experience and knowledge may not reduce or eliminate. While the discovery of gold and other minerals may result in substantial rewards, few properties which are explored are ultimately developed into producing mines. Substantial expenses may be required to locate and establish mineral reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site. Whether a mineral deposit will be commercially viable depends on a number of factors, including the particular attributes of the deposit (i.e. size, grade, access and proximity to infrastructure), financing costs, the cyclical nature of commodity prices and government regulations (including those relating to prices, taxes, currency controls, royalties, land tenure, land use, importing and exporting of mineral products, and environmental protection). The effect of these factors or a combination thereof cannot be accurately predicted but could have an adverse impact on the Company.

### ***Mineral Exploration and Development***

The exploration and development of mineral projects is highly speculative in nature and involves a high degree of financial and other risks, and success in exploration and subsequent exploitation is dependent upon a number of factors including, but not limited to, quality of management, availability of geological expertise and the availability of capital. The Company's activities on its mineral properties, including at its Sikasso Property, are predominantly exploratory in nature and, therefore, are subject to a significant degree of risk. The Company cannot give any assurance that its current or future exploration efforts will result in the discovery of mineral resources. As well, mineral deposits, even though discovered, may be insufficient in quantity and quality to return a profit from production. The marketability of minerals acquired or discovered by the Company may be affected by additional

factors which are beyond the control of the Company and which cannot be accurately predicted, such as market fluctuations, the proximity and capacity of milling facilities, mineral markets and processing equipment and other factors, which may make a mineral deposit unprofitable to exploit. Although substantial benefits may be derived from the discovery of a major mineralized deposit, no assurance can be given that minerals will be discovered in sufficient quantities and grades to justify commercial operations or that the funds required for development can be obtained on a timely basis. Development at the Company's mineral properties, specifically its Sikasso Property, will only follow upon significant further exploration work, and the completion of feasibility or other economic studies.

Should a producing mine be developed at the Sikasso Property, for which the Company can provide no assurance, other factors will ultimately impact whether mineral extraction and processing can be conducted economically, including obtaining all necessary consents, permits and approvals for the development of the mine, actual mineralization, consistency and reliability of ore grades and future commodity prices, as well as the effective design, construction and operation of processing facilities.

### ***Financial Resources***

The exploration and development programs on the Company's mineral properties, specifically its Sikasso Property, will require significant additional financing. The amount of required financing may be substantial. Failure to obtain sufficient and timely financing may result in delaying or indefinitely postponing exploration, development or production activities at the Company's properties. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favourable to the Company. If the Company obtains debt financing, it will be exposed to the risk of leverage and its operations could become subject to restrictive loan and lease covenants and undertakings. If the Company obtains equity financing, existing shareholders may suffer dilution. There can be no assurance that the Company would be successful in overcoming these risks or any other problems encountered in connection with such financings.

### ***Title to Properties***

Although the nature and extent of the interests of the Company in the properties in which it holds an interest, specifically the Sikasso Property, have been reviewed by or on behalf of the Company, and title opinions have been obtained by the Company with regard to the Sikasso Property, there may still be undetected title defects affecting such properties. Accordingly, the properties in which the Company holds an interest may be subject to prior unregistered liens, agreements, transfers or claims, and title may be affected by, among other things, undetected defects which could have a material adverse impact on the Company's operations. In addition, the Company may be unable to operate its properties as permitted or to enforce its rights with respect to its properties. If a title defect exists, it is possible that the Company may lose all or part of its interest in the properties to which such defects relate. Further, there can be no assurance that the Company will be able to secure the grant or the renewal of exploration permits or other tenures on terms satisfactory to it, or that governments having jurisdiction over the Company's mineral properties will not revoke or significantly alter such permits or other tenures or that such permits and tenures will not be challenged or impugned.

### ***Business Risk***

Substantial expenditures are required to be made by the Company to establish ore reserves. The mineral interests being explored by the Company, specifically at the Sikasso Property, are in the exploration stage only, are without known bodies of commercial mineralization and have no ongoing

mining operations. Mineral exploration involves a high degree of risk and few properties, which are explored, are ultimately developed into producing mines. Exploration of the Company's properties may not result in any discoveries of commercial bodies of mineralization. If the Company's efforts do not result in any discovery of commercial mineralization, the Company will be forced to look for other exploration projects or cease operations.

### ***Financing Risk***

The Company currently has no significant source of operating cash flow and no revenues from operations. To fund future investments in its mineral properties the Company requires capital. The Company may not have sufficient internally generated cash flow and working capital and may have to access the capital markets. Subject to economic conditions at the time, there can be no assurance the Company would be able to raise additional debt or equity financing on acceptable terms. If the Company cannot finance its future projects it could have a material and adverse effect on the Company's future cash flows, earnings, results of operations and financial condition.

### ***Risks Associated with Operations in Mali***

The Company's operations in Mali are exposed to various levels of political, economic and other risks and uncertainties and any changes in the political or economic climate in Mali, or other countries in Africa, even if minor in nature, may adversely affect our exploration activities. These risks and uncertainties vary from time to time and include, but are not limited to: labour disputes, invalidation of governmental orders and permits, uncertain political and economic environments, potential for bribery and corruption, high risk of inflation, currency devaluation, high interest rates, sovereign risk, war (including in neighbouring states), military repression, civil disturbances and terrorist actions, arbitrary changes in laws or policies, consents, rejections or waivers granted, corruption, arbitrary foreign taxation, delays in obtaining or the inability to obtain necessary governmental permits, opposition to mining from environmental or other non-governmental organizations, limitations on foreign ownership, difficulty obtaining key equipment and components for equipment and inadequate infrastructure.

In March 2012, Mali was subject to an attempted coup d'état that resulted in the suspension of the constitution, the partial closing of the borders and the general disruption of business activities in the country. Subsequently, the presence of United Nations, French and Mali troops in the country has had the effect of increasing security and rendering stability to the nation. However, military conflicts with terrorist insurgents and bouts of violence have continued, primarily in the northern and central regions of Mali. To date the conflict in Mali has been principally contained to the northern and central regions of Mali. The gold mining regions of Mali are principally located in the southern regions of Mali. As such, the operations of the Company and other mining companies have, to date, not been disrupted in any material respect; however, companies operating in the region (including the Company) continually monitor and assess the situation and potential risks.

These risks may limit or disrupt our operations and exploration activities, restrict the movement of funds or result in the deprivation of contractual rights or the taking of property by nationalization or expropriation without fair compensation, all of which would have a material adverse effect on the Company's operations.

### ***Political Risk in Mali***

While the Government of Mali has supported the development of its natural resources by foreign companies, there is no assurance that the government will not in the future adopt different policies or

new interpretations respecting foreign ownership of mineral resources, rates of exchange, environmental protection, labor relations, and repatriation of income or return of capital. Any limitation on transfer of cash or other assets between the Company and our subsidiaries could restrict our ability to fund our operations, or it could materially adversely affect our financial condition and results of operations.

Moreover, mining tax regimes in foreign jurisdictions are subject to differing interpretations and constant changes and may not include fiscal stability provisions. Our interpretation of taxation law, including fiscal stability provisions, as applied to our transactions and activities may not coincide with that of the tax authorities. As a result, taxes may increase and transactions may be challenged by tax authorities and our operations may be assessed, which could result in significant taxes, penalties and interest. We may also encounter difficulties in obtaining reimbursement of refundable tax from tax authorities.

The possibility that the government may adopt substantially different policies or interpretations, which might extend to the expropriation of assets, cannot be ruled out. Political risk also includes the possibility of civil disturbances and political instability in our or neighboring countries as well as threats to the security of our mines and workforce due to political unrest, civil wars or terrorist attacks. Any such activity may disrupt our operations, limit our ability to hire and keep qualified personnel as well as restrict our access to capital.

#### ***Asset Location and Legal Proceedings***

A substantial portion of the assets of the Company are located outside of Canada, and a majority of its subsidiaries are located outside of Canada. Accordingly, it may be difficult for investors to enforce within Canada any judgments obtained against the Company, including judgments predicated upon the civil liability provisions of applicable Canadian securities laws. Consequently, investors may be effectively prevented from pursuing remedies against the Company under Canadian securities laws.

Certain directors and officers of the Company reside outside of Canada and substantially all of the assets of these persons are located outside of Canada. It may not be possible for shareholders to effect service of process against the Company's directors and officers who are not resident in Canada. In the event a judgment is obtained in a Canadian court against one or more of the directors or officers for violations of Canadian securities laws, it may not be possible to enforce such judgment against those directors and officers not resident in Canada.

#### ***Permits***

The Company's current and anticipated future operations, including further exploration and development activities on the Company's properties, including the Sikasso Property, require permits from various governmental authorities. There can be no assurance that all permits that the Company requires will be obtainable on reasonable terms, or at all. Delays or a failure to obtain such permits, or a failure to comply with the terms of any such permits that the Company has obtained, could have a material adverse impact on the Company.

#### ***Gold Price***

The ability of the Company to raise capital is dependent on the price of gold. Gold prices fluctuate on a daily basis and are affected by a number of factors beyond the control of the Company, including the U.S. dollar exchange rate with other currencies, central bank lending and sales, producer hedging activities, global demand, production costs, confidence in the global monetary system, expectations

of the future rate of inflation, the availability and attractiveness of alternative investment vehicles, the strength of the U.S. dollar (the currency in which the price of gold is generally quoted), interest rates, terrorism and war, and other global or regional political or economic events or conditions.

The future trend in the price of gold cannot be predicted with any degree of certainty. The market price of gold affects the economics of any potential development project and the viability of current operations, as well as having an impact on the perceptions of investors with respect to gold equities and, therefore, the ability of the Company to raise capital. A decrease in the market price of gold and other metals could affect the Company's ability to finance the exploration and development of the Company's properties could curtail further exploration or development due to lack of capacity to finance. There can be no assurance that the market price of gold will remain at current levels, that such prices will increase or that market prices will not fall.

### ***Currency Risk***

By virtue of the location of its exploration activities, the Company incurs certain costs and expenses in Malian currency. The currency of Mali is the West African CFA franc ("CFAF"). Exchange rates historical and may in the future vary substantially. Financings by the Company typically raise funds in Canadian dollars. The majority of exploration expenditures are incurred in CFAF exposing the Company to potential significant foreign currency translation and transaction exposures, which could have a material and adverse effect on the Company's future cash flows, earnings, results of operations and financial condition. The Company currently does not hedge against other currencies and maintains the majority of its cash in Canadian dollars.

### ***Government Regulation***

The exploration and development activities of the Company require licenses, permits or other approvals from various federal, provincial and local governmental authorities and such operations are or will be governed by laws and regulations relating to prospecting, development, mining, production, taxes, labour standards, occupational health and safety, waste disposal, toxic substances, land use, water use, environmental protection, land claims of indigenous people and other matters. Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in exploration and development activities may be required to compensate those suffering loss or damage by reason of the exploration and development activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations. It is also possible that future laws and regulations, or a more stringent enforcement of current laws and regulations by governmental authorities, could cause additional expense, capital expenditures, restrictions on or suspensions of the Company's operations and delays in the Company's operations. Where required, obtaining necessary permits can be a complex, time consuming process and the Company cannot assure that any necessary permits will be obtainable on acceptable terms, in a timely manner or at all. The costs and delays associated with obtaining necessary permits and complying with these permits and applicable laws and regulations could stop or materially delay or restrict the Company from proceeding with certain exploration or development activities. There can be no guarantee that the Company will be able to obtain or maintain all necessary licenses and permits that may be required to explore and develop its properties, commence construction or operation of mining facilities and or to maintain continued operations that economically justify the cost.

### ***Operating Hazards and Risks***

Mineral exploration involves many risks. The operations in which the Company has a direct or indirect interest will be subject to all the hazards and risks normally incidental to exploration, any of which could result in work stoppages and damage to persons or property or the environment and possible legal liability for any and all damage. Fires, power outages, labour disruptions, flooding, landslides and the inability to obtain suitable or adequate machinery, equipment or labour are some of the risks involved in the conduct of exploration programs.

### ***Environmental Compliance***

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to permitting, property reclamation, discharge of hazardous material and other matters. These laws and regulations may change at any time prior to the granting of necessary approvals. The support of local politicians and/or communities may be required to obtain necessary permits and approvals and such support cannot be assured.

### ***Conflicts of Interest of Directors***

Certain of the directors of the Company are associated with other companies involved in the mining industry. These associations may give rise to conflicts of interest from time to time. The Company's policy on conflicts of interest complies with the procedures established in the *Business Companies Act* (Ontario), which sets out the necessity of full disclosure of any conflict of interest prior to the Board dealing with the subject matter giving rise to the conflict of interest and the interested party refraining from voting on such matter. The directors are further required to act honestly and in good faith with a view to the best interests of the Company and its shareholders.

### ***The Company is Dependent on Key Officers and Employees***

The Company is dependent on the efforts of key officers, including its Chief Executive Officer and Exploration Manager. The loss of the services of any of the Company's key officers and employees could have an adverse effect on the Company, which could have a material adverse effect on the Company's future cash flows, earnings, results of operations and financial conditions. The Company does not have and currently has no plans to obtain key man insurance with respect to any of its key employees. In addition, the Company may need to recruit and retain other qualified managerial and technical employees to build and maintain its operations. If the Company requires such persons and is unable to successfully recruit and retain them, its development and growth could be significantly curtailed.

### ***Limited Operating History***

An investment in securities of the Company should be considered highly speculative due to the nature of the Company's business. The Company has no history of earnings, it has not paid any dividends and it is unlikely to enjoy earnings or pay dividends in the immediate future. None of the Company's properties have commenced commercial production and the Company has no history of earnings or cash flow from its operations. As a result of the foregoing, there can be no assurance that the Company will be able to develop any of its properties profitably or that its activities will generate positive cash flow.

Furthermore, the Company may be subject to legal proceedings and/or judgments in foreign jurisdictions.

### **13. ADDITIONAL INFORMATION**

Additional information relating to the Company may be found on SEDAR at [www.sedar.com](http://www.sedar.com). For further detail, see the Company's Financial Statements. Additional information about the Company can also be found on the company's website ([www.compassgoldcorp.com](http://www.compassgoldcorp.com)) and [www.sedar.com](http://www.sedar.com).

## **COMPASS GOLD CORPORATION CORPORATE DIRECTORY**

Trading Symbol – CVB-V  
Exchange - TSX-V

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### **Officers and Directors**

James Henderson, (Chairman and Director)

Larry Phillips (CEO and Director))

Madani Diallo, (Director)

Joseph Conway (Director)

William Pugliese (Director)

Louis Nagy (CFO and Corporate Secretary)

### **Members of the Audit Committee**

James Henderson

Joseph Conway

William Pugliese

### **Members of the Compensation Committee**

James Henderson

Joseph Conway

William Pugliese

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