

**Fusion Gold Ltd**  
**(A Capital Pool Company)**

**MANAGEMENT DISCUSSION AND ANALYSIS FOR THE YEAR ENDED  
DECEMBER 31, 2018**

# FUSION GOLD LTD.

(CAPITAL POOL COMPANY)

MANAGEMENT DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2018

## 1) Introduction

This Management Discussion and Analysis (“MD&A”) of Fusion Gold Ltd (“Fusion” or the “Company”) has been prepared by management as of March 4, 2019 and should be read in conjunction with the Company’s audited financial statements for the year ended December 31, 2018 and related notes thereto (the “Financial Statements”). Unless otherwise specified, all financial information has been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board. All dollar amounts herein are expressed in Canadian dollars (the presentation and functional currency of the Company’s financial statements). Additional information can be found under the Company’s profile at [www.sedar.com](http://www.sedar.com).

This MD&A contains forward-looking statements and should be read in conjunction with the risk factors described under “Other risks and uncertainties” and “Forward Looking Statements” towards the end of this MD&A.

## 2) Corporate profile and overall performance

Fusion was incorporated under the Business Corporations Act (British Columbia) on April 16, 2007.

The head office, principal address and registered office of the Company are located at Suite 1400, 400 Burrard Street, Vancouver, British Columbia, V6C 3A6.

On September 21, 2018, the Company completed an Initial Public Offering (“IPO”) and issued 2,000,000 common shares of Fusion at a purchase price of \$0.10 for gross proceeds of \$200,000. The Company’s shares commenced trading on the Exchange on September 25, 2018 under the symbol FML.P. The Company is a Capital Pool Company (“CPC”) as defined in the TSX Venture Exchange (“TSX-V”) Policy 2.4. The principal business of the Company is the identification and evaluation of assets or a business and, once identified or evaluated, to negotiate an acquisition or participation in a business subject to receipt of shareholder approval, if required, and acceptance by regulatory authorities.

Until completion of a Qualifying Transaction (“QT”), the Corporation will not carry on any business other than the identification and evaluation of businesses or assets with a view to completing a potential QT. With the consent of the TSX-V this may include the raising of additional funds in order to finance an acquisition. Except as described in the Corporation’s prospectus dated July 9, 2018, the funds raised pursuant to the Corporation’s Initial Public Offering and any subsequent financing will be utilized only for the identification and evaluation of potential QT and, to the extent permitted by TSX-V Policy 2.4, for general and administrative expenses (see “6. Liquidity and capital resources”).

## 3) Qualifying transaction and Initial Public Offering

To date, the Corporation has not yet completed a QT. The Corporation has limited funds to identify and complete a QT, and therefore there can be no assurance that the Corporation will be able to complete a QT within the time period permitted. Should the Company fail to complete a QT on or before two years from the date the Company listed on the Exchange, the shares issued to Directors and Officers prior to the completion of the IPO will be cancelled and as such are considered contingently returnable.

On September 21, 2018, the Company completed an IPO and sold 2,000,000 common shares of Fusion at a price of \$0.10 for gross proceeds of \$200,000. Cash share issuance costs of \$78,906 were incurred including agents’ fees and commissions, legal fees and filing fees. In addition to these share issuance costs, upon closing of the IPO, the Company issued 200,000 non-transferable warrants to Canaccord Genuity Corp (the “Agent”),

# FUSION GOLD LTD.

(CAPITAL POOL COMPANY)

MANAGEMENT DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2018

entitling them to purchase 200,000 common shares of the Company sold under the Offering at a price of \$0.10 per share for a period of two years from the date of closing the offering. Not more than 50% of the common shares of the Company which can be acquired by the Agent may be sold by the Agent prior to the Completion of the Qualifying Transaction. The remaining 50% may be sold after the Completion of the Qualifying Transaction. The total value of the warrants of \$10,617 was recorded as a share issuance cost during the third quarter 2018.

## 4) Summary of annual data and quarterly results

The following table is a summary of the Company's financial results and position for the 3 most recently completed years.

| <i>In Canadian dollars</i>    | Year ended December 31, |        |                  |
|-------------------------------|-------------------------|--------|------------------|
|                               | 2018                    | 2017   | 2016 (Unaudited) |
| Revenue                       | -                       | -      | -                |
| Loss from operations          | 47,169                  | 3,544  | 93               |
| Total Assets                  | 308,394                 | 5,824  | 6,323            |
| Total non-current liabilities | -                       | 40,000 | 40,000           |

*The presentation currency of the Company has been the Canadian dollar in every year presented and financial statements have been prepared in accordance with IFRS.*

The following table is a summary of the Company's financial results and position for the 8 most recently completed quarters.

| <i>In Canadian dollars unless otherwise stated</i> | Three months ended |           |           |           |           |           |           |           |
|--|--------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
|  | 31-Dec-18          | 30-Sep-18 | 30-Jun-18 | 31-Mar-18 | 31-Dec-17 | 30-Sep-17 | 30-Jun-17 | 31-Mar-17 |
| Net loss and comprehensive loss                    | 14,626             | 26,305    | 2,166     | 4,072     | 3,468     | 12        | 57        | 7         |
| Basic and diluted loss per share                   | 0.01               | 0.13      | 0.00      | 0.00      | 3,468.00  | 12.00     | 57.00     | 7.00      |
| Weighted average shares*                           | 2,000,000          | 195,652   | 0         | 0         | 1         | 1         | 1         | 1         |
| Total assets                                       | 308,394            | 337,807   | 208,893   | 211,122   | 5,824     | 6,292     | 6,304     | 6,316     |
| Long-term liabilities                              | -                  | 40,000    | 40,000    | 40,000    | 40,000    | 40,000    | 40,000    | 40,000    |

*\* Seed financing shares (a total of 4,200,000) are considered "contingently returnable" and are therefore not included in the calculation of Weighted average loss per share.*

During 2017 and 2016, the Company had no operations and no business activity. During 2018, the Company carried out a private placement, an IPO and became a Capital Pool Company listed on the Exchange (see "**2. Corporate profile and overall performance**" and "**3. Qualifying transaction and initial public offering**"). As a result of these transactions in 2018, the Company began to incur various expenses, most significantly legal fees (see "**5. Results of operations**" below). In addition, 6,200,000 shares were issued in 2018, 4,200,000 of these shares were issued to Directors and Officers in the private placement round and are contingently returnable and so are not included in the calculation of weighted average shares. Only the 2,000,000 shares issued as part of the IPO are included in weighted average shares. The vast majority of the Company's assets is its cash balance, which increased significantly in 2018 as a result of the private placement and IPO, offset by expenses incurred for the financing as well as ongoing public company expenses and expenses to further the identification and evaluation of a potential QT (see "**5. Results of operations**"). The Company reclassified its related party note payable of \$40,000 from a long-term liability to a current liability as at December 31, 2018 (see "**7. Transactions with related parties**" below).

# FUSION GOLD LTD.

(CAPITAL POOL COMPANY)

MANAGEMENT DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2018

## 5) Results of operations

### Three months ended December 31, 2018 compared to the three months ended December 31, 2017

As at December 31, 2018, the Company is a CPC and had not completed a QT. Accordingly, the Company has not recorded any revenues, and depends upon share issuances to fund its administrative expenses.

The Company incurred a total of \$14,626 operating and administrative expenses in the three months ended December 31, 2018 as compared to \$3,468 in the same period in prior year. The table below details the changes in the expenditures for the three months ended December 31, 2018 as compared to the three months ended December 31, 2017.

| Expense                               | Increase/Decrease from prior year | Explanation for the change  |
|---------------------------------------|-----------------------------------|---|
| Listing and filing fees               | Increase of \$150                 | Listing and filing fees in connection with the Prospectus in 2018, as well as ongoing public company filing fees. No such expenses incurred in 2017.  |
| Professional fees                     | Increase of \$1,268               | Professional fees in connection with the Prospectus in 2018, as well as fees associated with ongoing public company requirements. The only fees incurred in 2017 were audit fees.   |
| Share-based payment                   | Nil                               | No stock option expense in the fourth quarter of either 2018 or 2017.   |
| Other general and administrative fees | Increase of \$9,740               | Additional activity surrounding the public listing, including transfer agent fees, resulted in higher expenses compared to prior year. In addition, the general and administrative fees includes \$6,000 relating to the administrative services agreement with Pathway Capital Ltd, which was not in place in prior year. Expenses in prior year relating only to bank fees. |

### Cash flows

In the three months ended December 31, 2018, the Company's cash balance decreased by \$30,235. This increase is as a result of: incurring \$14,626 in operating expenses, and in addition, the Company saw an outflow of \$15,609 relating to timing differences on working capital balances.

### Year ended December 31, 2018 compared to the year ended December 31, 2017

As at December 31, 2018, the Company is a CPC and has not completed a QT. Accordingly, the Company has not recorded any revenues, and depends upon share issuances to fund its administrative expenses.

The Company incurred a total of \$47,169 operating and administrative expenses in the year ended December 31, 2018 as compared to \$3,544 in the same period in prior year. The table below details the changes in the expenditures for the year ended December 31, 2018 as compared to year ended December 31, 2017.

# FUSION GOLD LTD.

(CAPITAL POOL COMPANY)

MANAGEMENT DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2018

| Expense                               | Increase/Decrease from prior year | Explanation for the change   |
|---------------------------------------|-----------------------------------|--|
| Listing and filing fees               | Increase of \$7,782               | Listing and filing fees in connection with the Prospectus in 2018, as well as ongoing public company filing fees. No such expenses incurred in 2017.   |
| Professional fees                     | Increase of \$8,287               | Professional fees in connection with the Prospectus in 2018, as well as fees associated with ongoing public company requirements. The only fees incurred in 2017 were audit fees.  |
| Share-based payment                   | Increase of \$11,274              | The Company issued 150,000 stock options during 2018 with an exercise price of \$0.10. The stock options were valued using the Black Scholes pricing model and were calculated to have a fair value of \$11,274, which was recorded as an expense. No stock options had previously been issued by the Company.   |
| Other general and administrative fees | Increase of \$16,282              | Additional activity surrounding the Prospectus and increased business activity related to the public listing, including transfer agent fees, resulted in higher expenses compared to prior year. In addition, the general and administrative fees includes \$12,000 relating to the administrative services agreement with Pathway Capital Ltd, which was not in place in prior year. Expenses in prior year relating only to annual BC Registry fees and bank fees. |

## Cash flows

In the year ended December 31, 2018, the Company's cash balance increased by \$299,979. This increase is as a result of: spending \$35,895 in operating expenses, raising \$210,000 upon completion of a private placement and raising net proceeds of \$121,094 upon completion of an IPO (see "**3. Qualifying transaction and Initial Public Offering**"). In addition, the Company saw an inflow of \$4,781 relating to timing differences on working capital balances.

## 6) Liquidity and capital resources

As at December 31, 2018, the Company had a cash balance of \$305,803 (December 31, 2017 - \$5,824) and a working capital surplus of \$257,528 (December 31, 2017 – surplus of \$2,330). The improvement of the Company's liquidity position during 2018 is as a result of the private placement in the first quarter of 2018 for \$210,000 (4,200,000 common shares), and the net proceeds from the IPO in the third quarter of \$121,094.

Management believes that the Company has sufficient funds on hand to meet anticipated administrative expenses and necessary investigation costs associated with reviewing and identifying assets or business prospects in the furtherance of the Company's search for a suitable QT. The Company anticipates that its funds on hand will be sufficient to complete the search for a QT as well as legal and other related expenses.

As of the date hereof, the Company did not have any commitments for capital expenditures or other contractual obligations. The Company has no debt other than its accounts payable balance and the note payable.

As a CPC, the Company will be subject to externally imposed capital requirements as outlined in the TSX-V Policy 2.4. These requirements include the following:

# FUSION GOLD LTD.

(CAPITAL POOL COMPANY)

MANAGEMENT DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2018

- 1) No salary, consulting, management fees or similar remuneration of any kind may be paid directly or indirectly to a non-arm's length of the Company or a non-arm's length of a QT. The Company may remunerate a non-arm's length party for reasonable office supplies, office rent and related utilities, equipment leases and legal services;
- 2) Gross proceeds realized from the sale of all securities issued by a CPC may only be used to identify and evaluate assets or businesses and obtain shareholder approval for a QT, with the exception of a limited amount of funds which may be used for purposes other than the identification and evaluation of a QT as described in 3) directly below;
- 3) No more than the lesser of \$210,000 and 30% of the gross proceeds from the sale of securities issued by a CPC may be used for purposes other than to identify and evaluate QT;
- 4) After the completion of its IPO and until the completion of a QT, a CPC may not issue any securities unless written acceptance of the TSX-V is obtained before the issuance of the securities.

## 7) Transactions with related parties

Related parties of the Company include the members of the Board of Directors, officers of the Company and close family members of these individuals. In addition, companies controlled by these individuals are also related parties of Fusion. The Company's Chief Executive Officer, January Vandale, and some of her close family members, as well as other related parties of Fusion, purchased 85,000 common shares of the Company in the IPO which closed on September 21, 2018. These shares were placed under escrow and are to be released from escrow in tranches over 36 months commencing from the date of the Company receiving the Final Exchange Bulletin upon completion of a QT.

On September 21, 2018, the Company issued 150,000 stock options to directors and officers of the Company. A total expense was recognized in relation to these options of \$11,274 in the year ended December 31, 2018.

On July 1, 2018, Fusion entered into an administrative services agreement with Pathway, a company where a shareholder and directors of Fusion, is a shareholder, director and officer, to pay for rent and other administrative services. In the year ended December 31, 2018, Fusion paid Pathway \$8,000 and in addition as at December 31, 2018 had accrued \$4,000 in relation to such services; these expenses are included under General and administrative fees in the Statement of Loss and Comprehensive Loss. As at December 31, 2018 Fusion has an accounts payable balance of \$6,514 owing to Pathway (2017 - \$494).

As at December 31, 2018, there is a note payable to Pathway of \$40,000 (2017 - \$40,000).

Key management personnel consists of officers and directors of the Company. No compensation was paid to key management personnel during the year ended December 31, 2018 or 2017.

## 8) Disclosure of data for outstanding common shares and stock options

### Common Shares

As at the date of this report, the Company had 6,200,000 common shares outstanding. Of these common shares, 4,285,000 are held in escrow pursuant to an escrow agreement. Under the escrow agreement, 10% of the

# FUSION GOLD LTD.

(CAPITAL POOL COMPANY)

MANAGEMENT DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2018

escrowed common shares will be released from escrow on the date of the issuance of the Final Exchange Bulletin (as defined by Exchange policy 2.4) (the “Initial Release”) upon completion of a QT, and an additional 15% will be released every six months following the Initial Release over a period of thirty-six months.

Should the Company fail to complete a QT on or before two years from the date the Company listed on the Exchange, the shares issued to Directors and Officers prior to the completion of the IPO (a total of 4,200,000) will be cancelled and as such are considered contingently returnable.

## Stock Options

The Company’s stock option plan provides for the issuance of stock options to its officers, directors, employees and consultants. Stock options are non-transferable and the aggregate number of shares that may be reserved for issuance pursuant to stock options may not exceed 10% of the issued shares of the Company at the time of granting. The exercise price and vesting terms of stock options is determined by the Board of Directors of the Company at the time of grant.

Any common shares acquired pursuant to the exercise of options prior to the completion of the Qualifying Transaction must be deposited in escrow and will be subject to escrow until the Final Exchange Bulletin is issued upon completion of a QT.

Pursuant to the completion of the IPO, on September 21, 2018, the Company issued 150,000 stock options with an exercise price of \$0.10; no stock options had previously been issued. All stock options issued vested upon grant and expire five years from the date of grant. As at the date of this report, all 150,000 options remain outstanding and exercisable.

## Warrants

Pursuant to the completion of the IPO, on September 21, 2018, the Company issued the Agent a total of 200,000 non-transferable share purchase warrants at an exercise price of \$0.10 per share for a period of two years from the date of closing the offering. All warrants were outstanding and exercisable as at the date of this report.

The fully diluted outstanding share count as of the date of this report is 6,550,000.

## 9) Off-balance sheet transactions

The Company did not have any off-balance sheet arrangements as at December 31, 2017, December 31, 2018 or as of the date of this report.

## 10) Significant judgements and estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Management believes the estimates and assumptions used in these condensed interim financial statements are reasonable; however, actual results could differ from those estimates and could impact future results of operations and cash flows.

# FUSION GOLD LTD.

(CAPITAL POOL COMPANY)

MANAGEMENT DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2018

The Company's significant accounting judgments and estimates are consistent with those applied in the audited annual financial statements for the year ended December 31, 2017, with the exception of the following additions:

### ***Judgments***

The measurement of deferred income tax assets and liabilities.

The evaluation of the Corporation's ability to continue as a going concern.

### ***Estimations***

The fair value of share-based compensation.

The fair value of warrant compensation.

## **11) Changes in accounting standards**

Effective January 1, 2018, the Company adopted IFRS 15, Revenue from Contracts with Customers and the amendments to IFRS 2, Share-Based Payments. The adoption of IFRS 15 and the amendments to IFRS 2 did not have an impact on the Company's financial statements.

### ***Leases***

In January 2016, the IASB issued IFRS 16 – Leases ("IFRS 16") which replaces IAS 17 – Leases and its associated interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting remains similar to current accounting practice. The standard is effective for annual periods beginning on or after January 1, 2019, with early application permitted for entities that apply IFRS 15. The Company has assessed the impact of IFRS 16 and has concluded that it is not expected to have a significant impact on its financial statements.

## **12) Financial instruments and capital management**

As at December 31, 2018, the Company's financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities and the note payable. The Company classifies cash and receivables as financial assets measured at amortized cost. The Company classifies accounts payable and accrued liabilities and the note payable as financial liabilities held at amortized cost.

The fair value of these financial instruments is equal to their carrying value unless otherwise noted.

All of the Company's financial instruments are considered to be Level 1 within the fair value hierarchy (as discussed below).

Level 1 – fair values based on unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – fair values based on inputs that are observable for the asset or liability, either directly or indirectly; and

# FUSION GOLD LTD.

(CAPITAL POOL COMPANY)

MANAGEMENT DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2018

Level 3 – fair values based on inputs for the asset or liability that are not based on observable market data.

The Company's policy for determining when a transfer occurs between levels in the fair value hierarchy is to assess the impact at the date of the event or the change in circumstances that could result in a transfer. There were no transfers between the levels during 2018 or 2017.

The risk exposure arising from these financial instruments is summarized as follows:

(a) Credit risk

The majority of the Company's financial assets is cash. The Company holds all cash balances with a highly rated Canadian financial institution, therefore minimizing the Company's credit risk.

(b) Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. The Company's ability to continue to meet its liabilities when due, beyond the current cash balance, is dependent on future support of shareholders through public equity offerings. As at December 31, 2018, the Company had no contractual obligations which result in a financial liability beyond accounts payable and accrued liabilities.

(c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or value of its holdings or financial instruments. The Company's activities have only been transacted in Canadian dollars since incorporation and until December 31, 2018; in addition, the Company carries no interest-bearing debt. As such, the Company has minimal market risks facing it at present.

## **Capital management**

The Company manages its capital structure and adjusts it, based on the funds available to the Company, in order to support the identification, evaluation and completion of a QT and continue as a going concern. The Company considers capital to be all accounts in equity. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. Additional funds may be required to finance the Company's QT. In accordance with Policy 2.4 of the Exchange, the proceeds raised from the sale of securities may only be used to identify and evaluate assets or businesses, and obtain shareholder approval for a QT, with the exception that up to the lesser of 30% of the gross proceeds realized by the Company in respect of the sale of its securities, or \$210,000, may be used for purposes other than such identification and evaluation of businesses or assets. These restrictions apply until completion of a QT by the Company as defined under Policy 2.4 of the Exchange. The Company is required to complete its QT on or before two years from the date the Company receives regulatory approval to list its shares on the Exchange.

## **13) Other risks and uncertainties**

Risks facing the Company are described in the Company's final prospectus dated July 9, 2018 which can be found under Fusion's profile on [www.sedar.com](http://www.sedar.com). These risk factors facing the Company have not changed significantly since the date of this final prospectus.

# FUSION GOLD LTD.

(CAPITAL POOL COMPANY)

MANAGEMENT DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2018

## **14) Disclosure controls and procedures**

In connection with National Instrument 52-109 (Certificate of Disclosure in Issuer's Annual and Interim Filings) ("NI 52-109"), the Chief Executive Officer and Chief Financial Officer of the Company have filed a Venture Issuer Basic Certificate with respect to the financial information contained in the audited financial statements for the year ended December 31, 2018 and this accompanying MD&A.

In contrast to the full certificate under NI 52-109, the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109. For further information, the reader should refer to the Venture Issuer Basic Certificates filed by the Company along with the Annual Financial Statements and Management's Discussion and Analysis on SEDAR at [www.sedar.com](http://www.sedar.com).

## **15) Forward looking statements**

All statements, other than statements of historical fact, made by the Company that address activities, events or developments that the Company expects or anticipates will or may occur in the future are forward-looking statements, including, but not limited to, statements preceded by, followed by or that include words such as "may", "will", "would", "could", "should", "believes", "estimates", "projects", "potential", "expects", "plans", "intends", "anticipates", "targeted", "continues", "forecasts", "designed", "goal", or the negative of those words or other similar or comparable words. Readers are cautioned that these statements which describe the Company's plans, objectives, and budgets may differ materially from actual results and as such should not be unduly relied upon by investors. Forward-looking statements contained in this MD&A speak only as to the date of this MD&A, or such other date as may be specified herein, and are expressly qualified in their entirety by this cautionary statement. See additional discussion under "Risks and Uncertainties" section above.