

# LAVRAS GOLD



## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the nine months ended  
September 30, 2022

## ABOUT LAVRAS GOLD

We are a Canadian company exploring to realize the potential of a multi-million-ounce gold district in southern Brazil. Lavras Gold was spun out from Amarillo Gold Corporation (Amarillo) when it was acquired by Hochschild Mining in early 2022. We are listed on the TSXV under the symbol LGC.

Our Lavras do Sul (LDS) Project in Rio Grande do Sul state has consolidated gold resources across two targets of about one million ounces of gold; more than 23 gold prospects centred on historic gold workings have been identified on the 22,000-hectare property.

This MD&A contains forward-looking statements that are subject to risk factors that are detailed starting on page 21. You should read this MD&A together with our unaudited interim financial statements and related notes for the nine months ended September 30, 2022, which have been prepared according to International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board.

Follow @LavrasGold on LinkedIn, Twitter, YouTube, and [www.lavrasgold.com](http://www.lavrasgold.com).

### In this document:

- *We, us, our, Company, and Lavras Gold* mean Lavras Gold Corp. and its wholly owned subsidiaries.
- MD&A means management's discussion and analysis.
- All dollar amounts are in Canadian dollars unless otherwise noted.
- Information is as at November 7, 2022 unless otherwise noted.

## TABLE OF CONTENTS

Company highlights.....	2
LDS Project.....	5
Financial results.....	14
Summary of quarterly financial results .....	16
Liquidity and capital resources.....	16
Investor relations activities .....	16
Share capital.....	17
Transactions with related parties .....	17
Additional disclosure for Venture issues without significant revenue .....	18
Critical accounting estimates .....	18
Off-balance sheet arrangements .....	20
Controls and procedures.....	20
Capital risk management.....	20
Financial risk factors.....	21
Other risks and uncertainties.....	23
Cautionary note regarding forward-looking information.....	33

## COMPANY HIGHLIGHTS

We have a singular vision: to realize the potential of a multi-million-ounce gold district in southern Brazil.

Lavras Gold was spun out of Amarillo Gold Corporation when it was acquired by Hochschild Mining PLC (Hochschild) under an arrangement agreement (the Arrangement) that closed on April 1, 2022. The Company had 411,038,694 common shares outstanding, which began trading on the Toronto Venture Exchange on April 12, 2022, under the symbol LGC.

We launched with three key assets:

- the LDS Project, our advanced gold exploration project in Rio Grande do Sul state, Brazil
- \$10 million in cash minus expenses spent on LDS before closing
- 2% net smelter return royalty over certain of Amarillo's exploration properties outside the Posse resource and mine plan at the Mara Rosa property in Goiás State, Brazil (Mara Rosa Royalty).

Over the last seven months, we have successfully executed on our three immediate goals:

- Consolidate total number of shares outstanding
- grow property-wide gold resources to at least one million ounces
- drill-test five priority exploration targets.

We completed a 10:1 share consolidation in June, tightening our capital structure to 41,103,869 common shares outstanding.

We also grew our gold resources in Q2, [doubling our total mineral endowment from 500,000 ounces to 1 million ounces](#) of gold when we filed our NI 43-101 compliant mineral resource estimate for our Cerrito Prospect during the second quarter.

During the third quarter, we received assay results from our on-going 16,000-metre drill program. We have two drills turning at the LDS Project, where we have identified at least 23 gold targets, including Butiá and Cerrito, centred on historic gold workings on our 22,000-hectare property package. Our current focus is on six targets: Caneleira, Matilde, Matilde Extension, Mato Feio, Vila Marieta, and Zeca Souza targets.

In September, we announced assay results from Zeca Souza, where drilling returned bonanza gold grades (more than 10 g/t gold). Assays included 28.2 g/t gold over 3 metres within a broader zone of 5.8 g/t gold over 15 metres. All 14 holes drilled at the target hit at least one but more typically multiple intercepts of gold, and many holes bottomed in gold mineralization. Other highlights of the results included visible gold, high grades and good widths, long intervals, and holes open at depth.

### Strategic successes

- 10:1 share consolidation
- Doubled gold mineral endowment
- Ongoing 16,000-metre drill program
- Important new gold discovery at Zeca Souza, which returned bonanza gold grades and visible gold
- Reinterpretation of results from Caneleira to discover connection to Zeca Souza
- Confirmed gold deposit at Matilde, which also returned bonanza gold grades and visible gold

This is an important new gold discovery that supports our thesis that there are many, possibly connected, gold deposits at LDS. There also seems to be a relationship between Zeca Souza and another target, Caneleira, located about 1 kilometre southwest.

We have reinterpreted historical results from Caneleira, which is a gold-bearing structure defined over 800 metres. It includes high gold grades across some nice widths including 36.1 metres grading 1.42 g/t gold and holes that bottomed in mineralization. Follow up work needs to be done on a southeast-northwest trending gold bearing structure that is associated with a magnetic low at Caneleira that trends toward Zeca Souza. A detailed soil sampling program is underway.

After quarter end, we announced results from our Matilde target, where we confirmed the discovery of a new gold deposit.

Matilde lies along a coincident 3 kilometre gold-in-soil anomaly centered on an east-west trending magnetic-low anomaly that is interpreted to be a major gold-hosting structure. Our drill program has defined a gold system with mineralization that:

- begins at surface
- has been traced over a strike length of at least 250 metres
- extends to a minimum vertical depth of 483 metres.

The deposit is open for expansion along strike and at depth.

Like Zeca Souza, drilling from Matilde also returned bonanza gold grades, usually associated with visible gold. Examples include 30.9 g/t gold over 0.60 metres in hole 20MT-002 from 261.0 metres and 13.10 g/t gold over 0.66 metres from 419.34 metres in hole 22MT-034.

Hole 22MT-034 is noteworthy because it was drilled to a vertical distance of 483 metres, where it bottomed in gold mineralization, suggesting that Matilde has deep roots typical of porphyry-style mineral systems.

In addition to the drill program, we hired Renaud Geological Consulting of London, Ontario, to perform petrographic studies on samples from Matilde. The study concluded, among other things, that “Matilde is a highly altered intrusive rock with primary textures dominantly replaced by hydrothermal alteration.”

This adds to the growing evidence that the gold-bearing fluids that formed gold at Matilde are of magmatic hydrothermal origin.

At the corporate level, we continued our investor outreach. We participated in one conference just after quarter end in October, have been meeting with legacy shareholders from Amarillo, and targeting potential new shareholders. We are working on a new website and on increasing our social media presence, and plan to attend three conferences in November.

Lavras Gold has been fortunate with respect to Covid-19. Although several of our employees have tested positive, all have recovered. We have full access to our property, our consultants have been able to work without interruption, and our Toronto-based management team works from home. So far, Covid-19 has not had a material impact on our financial condition or performance.

We follow the guidelines set by health authorities where we operate, as well as our own monitoring protocols. All of Lavras Gold's personnel are fully vaccinated. Though it is hard to predict how Covid-19 will impact our activities, we believe any delays will be minimal, but will continue to monitor the pandemic's potential impact on our business. See our discussion on public health risks for further details on page 24.

Locally, Lavras Gold is working hard to develop strong relationships with our stakeholders. Most of our employees live in the town of Lavras do Sul, and we work with local suppliers wherever possible. We were also encouraged by the granting of a construction licence for a local phosphate project, as we believe it demonstrates significant local goodwill for resource projects that are managed responsibly.

During the third quarter, 907,500 stock options were granted to employees and consultants. The options are priced at \$0.35, vest over three years, and expire on July 27, 2027.

# LDS PROJECT

We are focused on exploring and developing our LDS Project. Spanning approximately 22,000 hectares, it is centered on the town of Lavras do Sul, in the state of Rio Grande do Sul, Brazil. The property is approximately 320 kilometres, or a 4.5-hour drive, from the state capital of Porto Alegre, near the Uruguay border.

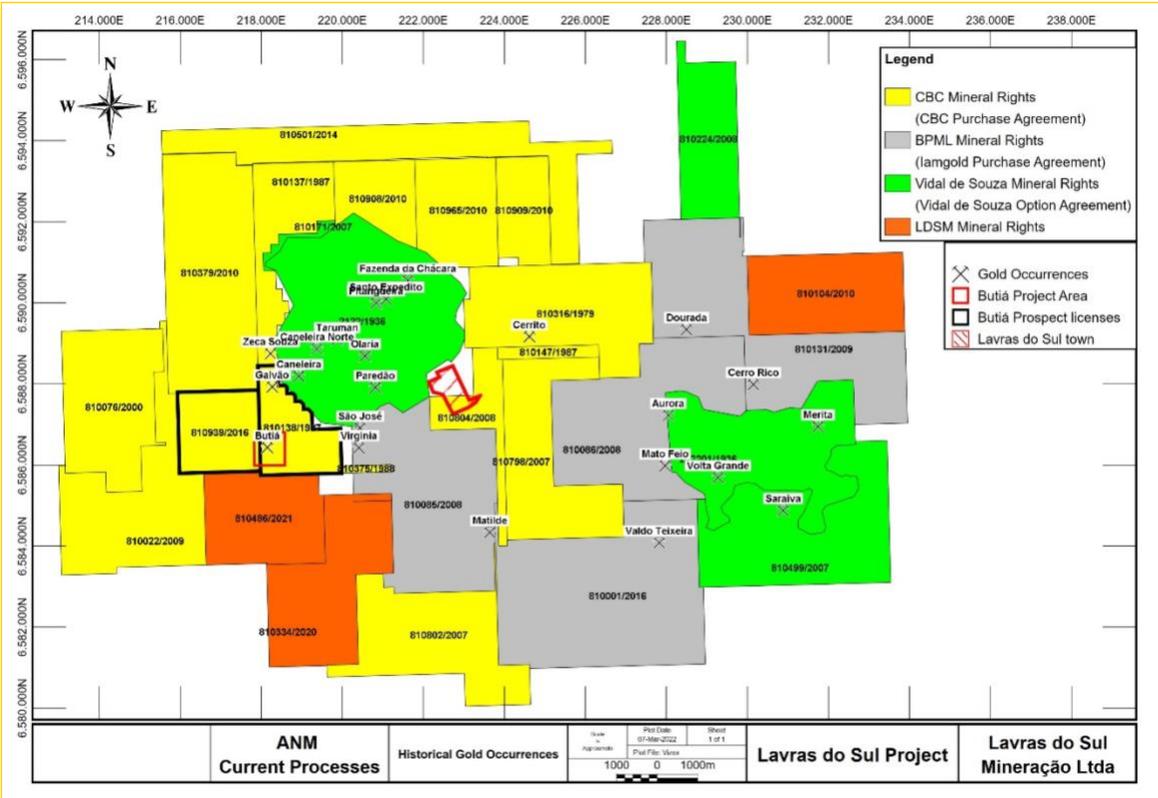
## Land status

Our mineral rights are held through Lavras do Sul Mineração Ltda. (LDSM), which was set up to meet the legal requirements for operating in a border zone. LDSM is a subsidiary of our Brazilian subsidiary, LDS Mineração do Brasil Ltda. (LDS).

LDSM has a 100% interest in three mineral rights that cover approximately 2,267 hectares. The balance of the mineral rights are held through the following agreements, as shown in Figure 1, below:

- CBC Purchase Agreement
- Vidal de Souza Option Agreement
- IAMGOLD Purchase Agreement

FIGURE 1: LAVRAS DO SUL LAND PACKAGE



Lavras Gold, through its subsidiaries, was assigned the rights and obligations that were previously acquired under an option agreement (the RTDM Option Agreement) between Amarillo Mineracao do Brasil Ltda (AMB), a subsidiary of Amarillo, and Rio Tinto Desenvolvidos Mineraiis Ltda. (RTDM).

Under the RTDM Option Agreement, Lavras Gold must make the following payments to RTDM relating to the mineral rights underlying the CBC Purchase Agreement and the Vidal de Souza Option Agreement:

- US\$1,806,000 upon receipt of the Installation License, and
- a 0.5% NSR on production.

### **CBC Purchase Agreement**

RTDM entered into an option agreement with Companhia Brasileira do Cobre (“CBC”) on August 30, 2004, which was subsequently replaced by the November 16, 2021 CBC Purchase Agreement as described below. The CBC Purchase Agreement encompasses 16 mineral rights covering 9,669 hectares including the Butiá and Cerrito Prospects.

The CBC Purchase Agreement required the following payments, payable in Brazilian reais:

- (i) US\$250,000, which was paid by AMB upon execution of the CBC Purchase Agreement in November 2021
- (ii) US\$150,000 within one year of the date of execution of the CBC Purchase Agreement (November 2022)
- (iii) six annual installments of US\$100,000, the first of which being payable within one year, after the second payment set out above
- (iv) the amounts payable under (ii) and (iii) above are payable in full upon the approval by the Brazilian regulators of the transfer of the properties in favour of LDSM.

Lavras Gold also agreed to grant to CBC a royalty that is equal to 1.5% of the gross revenue of the future undertaking of the transferred CBC Mineral Rights, if there is mining activity in the area covered by the rights. Lavras Gold has a right of first refusal over any proposed transfer of this royalty.

### **Vidal de Souza Option Agreement**

On October 22, 2004, RTDM entered an option agreement with Vidal de Souza (the Vidal de Souza Option Agreement) to acquire the option to earn an interest in five mineral rights covering 4,582 hectares.

This agreement provides that RTDM is entitled to a 60% interest in the mineral rights assigned through a new joint venture company if it spends US\$800,000 on exploration in the area covered by the rights.

More than US\$800,000 was spent on exploration in the area covered by the rights on the area within three years of signing the agreement. However, a joint venture has not yet been formed. Lavras Gold is negotiating to replace the Vidal de Souza Option Agreement with a purchase agreement.

If a purchase agreement cannot be reached, Lavras Gold can form a joint venture with the underlying owners. If the underlying owners elect not to contribute, then Lavras Gold will earn a 100% interest in the mineral rights and pay a 1.5% NSR on production that may be converted into a cash payment of US\$5,000,000 before the start of production.

### **IAMGOLD Agreement**

Lavras Gold and its subsidiaries have assumed the rights and obligations of Amarillo under a May 28, 2021 agreement with IAMGOLD Corporation (IAMGOLD) to purchase a 100% interest in four mineral rights covering approximately 5,852 hectares.

The purchase price is US\$700,000, payable in Brazilian reais as follows:

- (i) US\$50,000, payable within 12 months of day the agreement was executed (paid June 2022);
- (ii) US\$50,000, within 10 days of the mineral rights being transferred to Lavras Gold;
- (iii) US\$100,000, within 10 days of the date that Lavras Gold submits to the ANM an economic exploitation plan for any of the titles covered by the mineral rights indicating the technical and economic feasibility of the project;
- (iv) US\$100,000, within 10 days of the date that Lavras Gold discloses in a news release for the first time a feasibility study on any of the titles covered by the mineral rights;
- (v) US\$400,000, within 12 months from the date that Lavras Gold discloses in a news release for the first time the start of commercial production on any of the titles comprising covered by the mining rights.

In addition, IAMGOLD received a 3.0% net smelter return royalty on the four mineral rights. Lavras Gold may, at any time, elect to purchase from IAMGOLD 1.0% of the royalty by paying US\$1,000,000 to IAMGOLD.

Lavras Gold will have to pay an additional US\$50,000 if:

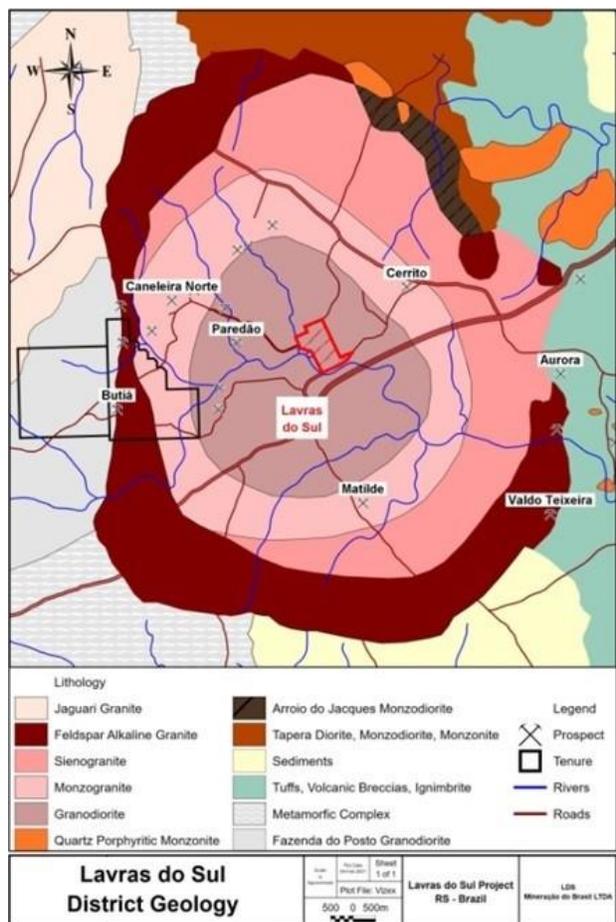
- the requests for assignment of the mineral rights are not filed with the Brazilian regulators within one year from the execution of the agreement
- the assignment of the mineral rights is not annotated by the Brazilian regulators within one year from the date the requests for assignments are filed with the Brazilian regulators.

## Exploration

The Lavras do Sul intrusive suite is in the far south of the Neoproterozoic Mantiqueira Province, a 2,700-km long belt of tectonically and magmatically accreted terrains that stretches as far south as the coastline of central Uruguay into southern Bahia in Brazil.

The Lavras do Sul suite comprises an inner core of granodiorite in parts porphyritic, surrounded by a rim of monzonite and monzogranites, which in turn is enclosed by syenogranites and alkaline feldspar granite. A late phase of syenite and nepheline occurs as plugs and dykes.

FIGURE 2: LAVRAS DO SUL DISTRICT GEOLOGY



The Lavras do Sul suite is postulated to have a two-stage gold precipitation history resulting from a single fluid path that evolved from extremely alkaline and silica undersaturated to quartz-saturated with increased fluid focus.

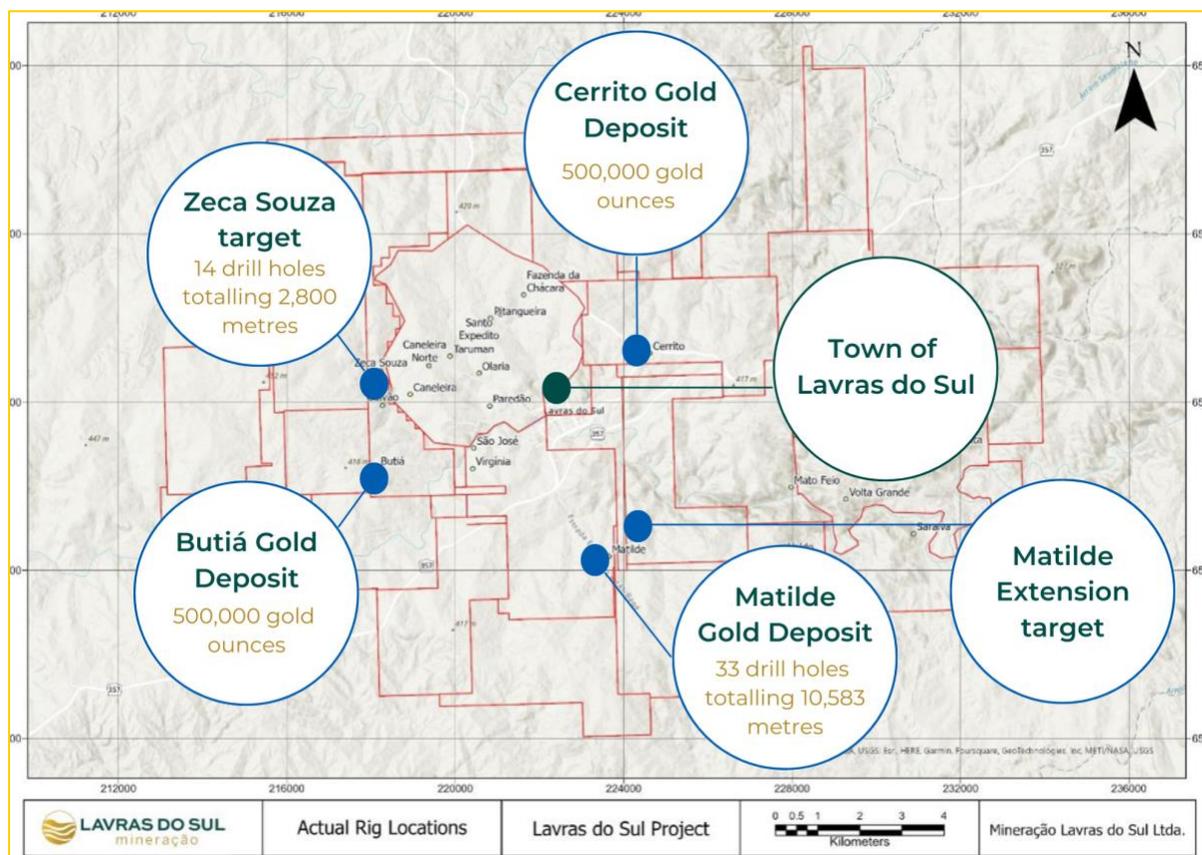
The Lavras do Sul mineralization does not fit neatly into any one deposit type classification; a unique feature is the replacement of quartz with feldspar, and the precipitation of predominantly sericite interpreted to be a metasomatic reaction that changes the granitic rocks into sericite-microbreccia.

There are at least 23 known gold targets and showings on the LDS Project, including the most advanced Butiá and Cerrito. As shown in Figure 3, additional areas of focus include Matilde and Matilde Extension, Zeca Souza, and Caneleira.

Most of the LDS Project had not been explored by modern methods until

2006 due to a fragmented land ownership dating to the late 1880s.

FIGURE 3: GOLD TARGETS



Butiá and Cerrito are covered by old surface workings and were previously drilled by Rio Tinto and CBC. Lavras Gold’s predecessor, Amarillo, completed follow-up drilling at these deposits with more focused activity on Butiá and Cerrito (see below).

Diamond drilling programs were completed by Amarillo over select targets in 2019 ,2020, 2021, and up until April 2022 including Matilde, Matilde Extension, Dourada, and Zeca Souza. A ground geophysics IP program was completed at Matilde and Matilde extension in 2020.

Since taking over the project in April 2022, Lavras Gold Corp has drilled at Zeca Souza, Matilde, Matilde Extension, Vila Marieta, and Mateo Fao. Total drilling since the beginning of 2022 is 8734.5 metres in 28 holes. Total drilling on the Lavras do Sul project by all operators is 68,995 metres in 315 drill holes.

We have continued to explore for new economic gold deposits on the property using soil geochemistry, surface mapping, trenching, airborne and ground geophysics, and diamond drilling. We completed a 3,357-line kilometre UAV magnetic survey over the property, and two rigs are onsite pursuing a 16,000-metre drill program.

### Butiá Gold Deposit

Approximately 20,000 metres of drilling over 78 drill holes has been completed at Butiá, where mineralization begins at surface and has been confirmed to a vertical distance of 250 metres.

The gold occurs along structures within hydrothermally altered perthitic granite, and the deposit remains open for expansion at depth and along strike.

Butiá has an NI 43-101 compliant mineral resource estimate, set out in the following table.

**TABLE 1: MINERAL RESOURCE ESTIMATE FOR BUTIÁ GOLD DEPOSIT**

<b>Category</b>	<b>Tonnes</b>	<b>Gold grade (g/t)</b>	<b>Contained gold (ounces)</b>
Measured	4,643,075	0.88	131,789
Indicated	8,273,748	0.92	244,962
Total Measured and Indicated	12,916,823	0.91	376,751
Inferred	3,676,002	0.97	114,147

*Notes*

- Mineral resources are not mineral reserves and do not have demonstrated economic viability. There is no certainty that all or any part of the mineral resources estimated will be converted into mineral reserves.
- Assumes a gold cut-off grade of 0.3 g/t.
- High grade samples were cut to a gold grade of 5.55 g/t; capped results are being shown.
- This estimate should be read in conjunction with the full report, *NI 43-101 Technical Report Mineral Resource for Butiá Gold Prospect* dated and effective January 25, 2022. It was prepared by VMG Consultoria e Soluções Ltda. For Lavras Gold Corp. and is available on [www.sedar.com](http://www.sedar.com) under Lavras Gold's issuer profile.

### Cerrito Gold Deposit

Approximately 15,000 metres of drilling over 93 drill holes has been completed at Cerrito, where mineralization occurs over a strike length of 1,300 metres and to a vertical distance of 425 metres.

The gold occurs along structures within hydrothermally altered monzogranites and the deposit remains open along strike and at depth.

Cerrito has an NI 43-101 compliant mineral resource estimate, set out in the following table.

**TABLE 2: MINERAL RESOURCE ESTIMATE FOR CERRITO GOLD DEPOSIT**

<b>Category</b>	<b>Tonnes</b>	<b>Gold grade (g/t)</b>	<b>Contained gold (ounces)</b>
Indicated	8,249,225	0.70	186,870
Inferred	13,157,478	0.69	291,605

*Notes*

- Mineral resources are not mineral reserves and do not have demonstrated economic viability. There is no certainty that all or any part of the mineral resources estimated will be converted into mineral reserves.
- Assumes a gold cut-off grade of 0.3 g/t.
- High grade samples were cut to a gold grade of 3.07 g/t; capped results are being shown.
- This estimate should be read in conjunction with the full report NI 43-101 Technical Report for the Cerrito Gold Prospect, Rio Grande do Sul, Brasil dated and effective May 31, 2022. It is authored by Volodymyr Myadzel, MAIG, and Frank Richard Baker, MIMMM, MAusIMM, and is available on [www.sedar.com](http://www.sedar.com) under Lavras Gold's issuer profile.

### Zeca Souza target

We announced assay results during the quarter from 14 holes totalling 2,800 metres that were drilled at Zeca Souza. The drilling was designed to test a gold-in-soil anomaly centered on historical gold workings spanning an area of 375 by 375 metres.

All 14 drillholes encountered at least one but more typically multiple intercepts of gold mineralization starting at or near surface. Several holes bottomed in gold mineralization and require follow up work.

Gold at Zeca Souza is typically associated with silicified zones with sericite and disseminated sulphides (pyrite, and trace amounts of sphalerite and galena) within hydrothermally altered perthitic granite.

Two holes intersected bonanza-style gold grades associated with visible gold within silicified veinlets and associated disseminated sulphides including pyrite, and occasionally sphalerite and galena:

- Hole 22ZS011 intersected 15.00 metres grading 5.78 g/t gold from 103 metres, including 3.00 metres at 28.24 g/t gold from 115 metres, which in turn included 1.34 metres at 59.60 g/t gold from 115.0 metres.

The high-grade zone is associated with **visible gold** and 2-3% disseminated sulphides (pyrite, trace sphalerite, and galena) occurring within cross-cutting silicified veinlets within altered perthitic granite. The estimated vertical depth of this intercept is 100 metres.

- Hole 22ZS014 returned **43.50 g/t gold over 0.76 metres from 170.24 metres**. Visible gold was observed in cross-cutting silicified veinlets within altered perthitic granites. The estimated vertical depth of this intercept is 147.5 metres.

This hole also returned a **long intercept of 33 metres grading 0.53 g/t gold from 88 metres** and included higher grade intervals including **5 metres grading 1.04 g/t gold from 108 metres**, and **2 metres grading 3.67 g/t gold from 119.00 metres**.

This type of gold occurrence and association is similar to our Butiá Deposit.

Other key highlights include:

- **High-grade, good width** such as **5.00 metres grading 1.73 g/t gold from 152.00 metres** including **3.25 g/t gold over 2.50 metres from 154.5 metres**. The mineralization consists of silicified perthitic granite with 2-3% disseminated pyrite, and the hole is open at depth.
- **Long Interval and open at depth** such as **36.40 metres grading 0.47 g/t gold from 212.00 metres** including **4.00 metres at 0.81 g/t gold** from 212 metres and **5.00 metres at 2.00 g/t gold from 233.00 metres**. This **hole bottomed in gold mineralization**.

The geological team is compiling and analyzing these drilling results generated from Zeca Souza to better understand the nature of the gold-bearing structures hosting the gold.

Follow-up work may include a ground induced polarization survey to better define the structural setting at Zeca Souza and to highlight any areas of high chargeability and/or zones of high resistivity that could help better vector into areas of high gold mineralization potential.

## Caneleira target

Another important aspect of the gold targeting at Zeca Souza is to better understand its relationship to the Caneleira gold target, which is about one kilometre to the southeast.

A fence of 12 holes totalling 2,300 metres were drilled into Caneleira in 2007-2008 and defined a southeast-northwest trending gold-bearing structure associated with a magnetic low. The gold-bearing structure was defined over a strike length of 900 metres and to a vertical depth of 200 metres where it remains open. Some of the better drill results included 36.1 metres grading 1.42 g/t gold from 70.4 metres down the drill core.

The magnetic low signature trends northwest directly towards the Zeca Souza target. The gold-bearing structure is hosted within hydrothermally altered monzogranites. The alteration is usually silica (quartz) flooding, sericite, and disseminated pyrite. Some higher-grade intervals are associated with visible gold.

We have begun soil sampling program at Caneleira that will follow up on this historic drilling. Approximately 3,500 samples will be collected every 50 metres along each line of a grid with 200 metre spacing.

## Matilde target confirmed as significant new gold deposit

After quarter end, we announced drilling and assay results that confirmed our discovery of a significant new gold deposit at Matilde.

Located approximately 4.5 kilometres south of the town of Lavras do Sul, Matilde is part of a gold in soil anomaly that occurs along a 3 kilometre long east-west structural corridor with hydrothermally altered monzogranites that also includes Matilde Extension.

Thirty-three holes totalling 10,583 metres have been drilled there to date, and gold mineralization occurs in 90% or 30 out of the 33 holes. Highlights include:

- Gold mineralization extends over an east-west strike length of at least 250 metres. The structure “bends” to the northwest along the western part of the magnetic anomaly before trending west again. The structure turns to the northeast at the eastern side where it strikes towards the Matilde Extension target about 750 metres away. Drilling is currently testing for extensions of gold in both directions at Matilde where mineralized zones remain open.
- Long continuous intervals of gold mineralization in four holes; one hole was particularly **noteworthy because it bottomed at 557 metres (483 metre vertical distance) in gold mineralization suggesting that Matilde has deep roots, typical of porphyry style mineral systems.**
- Long-intervals of gold characterized by zones of moderate grade gold in the 0.4-0.7 g/t gold range are accentuated by higher-grade intervals and zones typically in the 1-1.5 g/t gold range, but with gold values sometimes attaining values of 2-4 g/t gold.
- **Bonanza gold grades (greater than 10.0 g/t)** are typically associated with zones of visible gold. At least two different relationships have been observed so far:

- Cross-cutting (interpreted) lamprophyre dykes are in at least two areas suggesting a possible gold precipitation mechanism.
- Visible gold associated with a late-stage centimetre-scale cross-cutting milky quartz veinlet within hydrothermally altered granodiorite.
- **A northeast-southwest structural trend is emerging** – This trend leads directly to the Matilde Extension target about 675 metres to the northeast where drilling is underway. Seven holes have tested the Matilde Extension target, and results will be released once all assay results are received.
- **Gold targets associated with structures immediately south of Matilde east-west structural corridor have been identified and require follow-up** – These targets are characterized by coincident magnetic low signatures overlying gold in soil anomalies.

These drilling results are being incorporated into the geological database for further interpretation and analysis. The 16,000-metre drilling program is on-going and consists of two drills. The program will continue to test for extensions of gold mineralization to the west/northwest and east/northeast at Matilde. The down dip extensions of mineralization will also be further investigated.

Drill targets will also examine Matilde Extension where another mineralized zone is being defined. Results from Matilde Extension will be released once all assays have been received.

### **Additional exploration work and other targets**

In addition to the drilling program, Renaud Geological Consulting, London Ontario, completed petrographic studies on samples from the Matilde target (sample 22MT-002) in October.

The study concludes that “Matilde is a highly altered intrusive rock with primary textures dominantly replaced by hydrothermal alteration. The rock has undergone multiple hydrothermal events dominated by poikilitic growth of hydrothermal quartz and feldspar.” Sulphide minerals identified include pyrite, arsenian pyrite, arsenopyrite, marcasite, silver-bearing tetrahedrite, and electrum. This evidence suggests gold from Matilde has a magmatic hydrothermal origin.

We are also working through a detailed review of the large historical database of geological mapping, airborne magnetics, rock geochemistry, ground geophysics, and trenching. Furthermore, the results of a drone aeromagnetic survey that was flown over 3,357-line kilometres covering 40% of the property that had not previously been surveyed are being compiled and integrated into the database. Our goal is to guide the selection of new drilling targets in areas that not been evaluated before.

### **Qualified person**

The qualified person for the exploration section of this MD&A is Michael Durose, P. Geo., our Chief Executive Officer. He is a qualified person as defined by Canadian National Instrument 43-101, and has reviewed and approved the scientific and technical information contained in this release.

## FINANCIAL RESULTS

The following table summarizes the Company's major operating expense categories for the third quarter of 2022 (Q3 2022) and for the nine months ended September 30, 2022 (YTD 2022).

There were no expenditures from the date of incorporation on November 25, 2021 to April 1, 2022. Accordingly, there are no expenditures reported for Q1 2022 and comparative periods in 2021.

TABLE 3: LAVRAS GOLD EXPENSES (INCOME) AND LOSS

Category	Three months ended September 30		Nine months ended September 30	
	2022 \$	2021 \$	2022 \$	2021 \$
General and administrative (G&A)				
Consulting	144,647	–	250,417	–
Professional	64,894	–	148,413	–
Salaries and benefits	103,294	–	223,382	–
Directors' fees	43,750	–	96,250	–
Marketing and promotion	41,383	–	140,020	–
Filing and transfer agent	13,922	–	26,888	–
Travel	–	–	4,392	–
Other G&A	34,082	–	57,324	–
Total G&A	445,972	–	947,086	–
Stock-based compensation	142,913	–	430,819	–
Foreign exchange loss	32,188	–	26,678	–
Interest income	(4,333)	–	(7,174)	–
Interest and finance charges	6,092	–	16,222	–
Net loss and comprehensive loss	622,832	–	1,413,631	–

### Q3 2022

For the three months ended September 30, 2022, the Company recorded a loss of \$622,832 mostly because of the following.

Consulting fees of \$144,647 consisted of:

- \$30,000 to Mike Mutchler, director of Lavras Gold, for advisory services
- \$25,000 to marketing and investor relations consultant
- \$9,832 for miscellaneous consulting
- \$79,815 consulting fees in Brazil.

Professional fees (including legal, accounting, and advisory) of \$64,894 included \$41,095 incurred in Canada and \$23,869 incurred in Brazil. The Brazil fees included amounts for legal services pertaining to property agreements and transfers.

Salaries and benefits of \$103,294 consisted of \$88,322 in Canada and \$14,972 in Brazil. Salaries in Canada relate to the CEO of \$40,000, and the CFO of \$37,500, plus government benefits.

Directors other than the CEO each earn an annual fee of \$35,000. There were five directors who each earned \$,8,750 for a total of \$43,750 for the three months ended September 30, 2022. This amount has been accrued as at September 30, 2022.

Marketing and promotion of \$41,383 include amounts for investor communications and attendance at conferences.

Stock-based compensation of \$142,913 related to the amortization of stock option grants in Q2 and Q3 2022 which vest over three years.

## YTD 2022

For the nine months ended September 30, 2022, the Company recorded a loss of \$1,413,631 mostly because of the following.

Consulting fees of \$250,417 consisted of:

- \$60,000 to Mike Mutchler, director of Lavras Gold, for advisory services
- \$50,000 to marketing and investor relations consultant
- \$11,807 for miscellaneous consulting
- \$128,610 consulting fees in Brazil.

Professional fees (including legal, accounting, and advisory) of \$148,413 included \$63,818 incurred in Canada and \$84,595 incurred in Brazil. The Brazil fees included amounts for legal services pertaining to property agreements and transfers.

Salaries and benefits of \$223,382 consisted of \$177,082 in Canada and \$46,300 in Brazil. Salaries in Canada relate to the CEO of \$80,000, and the CFO of \$75,000, plus government benefits.

Directors other than the CEO each earn an annual fee of \$35,000. There were six directors who each earned \$,8,750 for a total of \$52,500 in Q2 2022, and five directors who each earned \$,8,750 for a total of \$43,750 in Q3 2022. Directors' fees of \$45,250, consisting of all of Q3 2022 fees of \$43,750 and \$1,500 of unpaid Q2 2022 fees were accrued as at September 30, 2022.

Marketing and promotion of \$140,020 include amounts for our new website design, investor communications, and attendance at conferences.

Stock-based compensation of \$430,819 related to:

- the grant of 1,500,000 stock options in Q2 2022 of which 600,000 vest immediately and the remaining 900,000 that vest over three years; and
- 907,500 stock options granted in Q3 2022 all of which vest over three years.

## SUMMARY OF QUARTERLY FINANCIAL RESULTS

Table 4 presents extracted information from our unaudited quarterly results of operations for each of the last four quarters since the incorporation of Lavras Gold on November 25, 2021. All periods reflect accounting policies consistent with IFRS.

TABLE 4: SUMMARY QUARTERLY FINANCIAL RESULTS

Category	Q3 2022 \$	Q2 2022 \$	Q1 2022 \$	Q4 2021 \$
Net loss	(622,832)	(790,799)	-	-
Total assets	16,314,784	16,628,475	1	1
Total non-current liabilities	-	-	-	-
Loss per share	(0.02)	(0.02)	-	-

## LIQUIDITY AND CAPITAL RESOURCES

Lavras Gold started with \$9.6 million cash on April 1, 2022 upon closing of the Arrangement with Hochschild. We spent \$600,000 on general operations and \$2.4 million on our LDS Project in Brazil. Cash on hand at September 30, 2022 was \$6.6 million, most of which is invested in short-term savings accounts.

We are progressing with our planned drilling campaign and will adjust our spending based on available cash and, if necessary, on the availability of external financing.

Lavras Gold has not earned any revenue from its operations to date. We are exploring and developing our properties. We rely on external sources of cash for our current short- and long-term working capital requirements, and to fund our exploration programs and business development activities.

Without additional financing or other satisfactory arrangements, our financial resources may not be sufficient to adequately maintain and/or further complete the exploration and development of our projects. Our ability to continue to explore, develop, and eventually produce is dependent on our ability to secure significant additional financing in the future.

We are pursuing potential financial sources, however there can be no assurance that such sources of funding or initiatives will be available for us or that they will be available on terms that are acceptable to us.

## INVESTOR RELATIONS ACTIVITIES

On April 1, 2022, Lavras Gold engaged Annemarie Brissenden, an independent investor relations consultant.

Ms. Brissenden, who has an extensive background in investor communications for the resource sector, began to oversee Lavras Gold's investor relations activities for an annual fee of \$100,000.

She resides in Ontario, and does not have any interest, directly or indirectly, in Lavras Gold or our securities.

## SHARE CAPITAL

Lavras Gold had the following securities outstanding on November 7, 2022:

Security	#
Common shares Issued	41,103,869
Common share purchase options	2,407,500

## TRANSACTIONS WITH RELATED PARTIES

TABLE 5: SUMMARY OF TRANSACTION WITH RELATED PARTIES DURING THE PERIOD

	Nine months ended September 30	
	2022 \$	2021 \$
Salaries paid to officers:		
• Mike Durose, President and CEO – \$80,000		
• Hemdat Sawh, CFO – \$75,000	155,000	–
Directors' fees:		
• David Birkett – \$17,500		
• David Laing – \$8,750		
• Lawrence Lepard – \$17,500		
• Mike Mutchler – \$17,500		
• Rostislav Raykov – \$17,500		
• Rowland Uloth – \$17,500	96,250	–
Consulting fees paid to Mike Mutchler	60,000	–
Aeromagnetic survey fees paid to a company related to David Birkett, Rowland Uloth and Rostislav Raykov	296,604	–
	607,854	–

These transactions were in the normal course of business and are measured at amounts representing normal commercial terms.

Directors' fees of \$45,250, consisting of all of Q3 2022 fees of \$43,750 and \$1,500 of unpaid Q2 2022 fees were accrued as at September 30, 2022.

## ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE

TABLE 6: EXPLORATION AND EVALUATION PROPERTIES

	September 30, 2022 \$	December 31, 2021 \$
Acquisition costs		
Balance, beginning of period	-	-
Acquisition of LDS Project exploration and evaluation assets under the Arrangement	7,198,496	-
Property payment	66,772	-
Balance, end of period	7,265,268	-
Exploration expenditures		
Balance, beginning of period	-	-
Expenditures during the period		
Drilling, exploration, and related costs	1,089,965	-
Consulting	235,220	-
Salaries	279,269	-
Aeromagnetic survey	296,604	-
Transportation	22,211	-
Travel and accommodation	9,565	-
Concession taxes	596	-
Software	57,154	-
Other evaluation and exploration expenses	134,734	-
Total exploration and evaluation expenditures	2,125,318	-
Total	9,390,586	-

## CRITICAL ACCOUNTING ESTIMATES

We made significant assumptions about the future and other uncertain estimates while preparing this report. A material adjustment to the carrying amounts of the assets and liabilities could incur if these assumptions and estimates differ from actual results. These assumptions and estimates include the following, among others.

### The recoverability of exploration and evaluation properties

The uncertainty of the recoverability of exploration and evaluation properties arises from estimates and judgments. These include forecasts of metal prices, operating costs, capital costs, income taxes, numerous other valuation inputs, discount rates, comparability of our properties to those of other market participants, and the selection of market-participant assumptions used in the determination of fair value.

As at September 30, 2022, we determined that no impairment of resource properties was required.

## Income taxes

We provide for taxes using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors.

We review the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities.

If the outcome of these tax-related matters differs from the amounts that were initially recorded, these differences will affect the tax provisions in the period when the determination is made.

## Valuation of options

The determination of the fair value of stock options is not based on historical cost, but derived from subjective assumptions put into an option pricing model.

The model requires management to forecast future events, including:

- estimates of the average future hold period of issued stock options before exercise, expiry, or cancellation
- future volatility of our share price in the expected hold period (using historical volatility as a reference)
- the appropriate risk-free rate of interest.

Stock options incorporate an expected forfeiture rate, which is estimated based on historical forfeiture rates and expectations of future forfeiture rates. It is adjusted if the actual forfeiture rate differs from the expected rate.

The resulting value calculated is not necessarily the value that the holder of the option could receive in an arm's length transaction, given that there is no market for the options and they are not transferable.

We believe that the value derived is highly subjective and dependent entirely upon the input assumptions made.

## Provisions and contingent liabilities

We make judgments as to whether a past event has led to a liability that should be recognized in the consolidated financial statements or disclosed as a contingent liability.

Quantifying these liabilities often involves judgments and estimations. These judgments are based on numerous factors including the nature of the claims or dispute, the legal process and potential amount payable, legal advice received, experience, and the probability of a loss being realized. Several of these factors are sources of estimation uncertainty.

## OFF-BALANCE SHEET ARRANGEMENTS

We have no off-balance sheet arrangements.

## CONTROLS AND PROCEDURES

### Management's responsibility for financial information

Lavras Gold's financial statements are the responsibility of our management and have been approved by our Board of Directors.

We prepared the consolidated financial statements according to IFRS accounting principles. The consolidated financial statements include certain amounts based on the use of estimates and assumptions.

We established these amounts in a reasonable manner to ensure that the financial statements are presented fairly in all material respects.

### Disclosure controls and procedures

We have evaluated the effectiveness of our disclosure controls and procedures. We concluded that these controls and procedures are sufficiently effective as of September 30, 2022 to provide reasonable assurance that material information relating Lavras Gold and our consolidated subsidiaries is reported to management and disclosed according to applicable securities regulations.

### Management's report on internal control over financial reporting

Pursuant to Multilateral Instrument 52-109 we have evaluated the effectiveness of our disclosure controls and procedures as at September 30, 2022, and found them to meet the required standards.

We maintain a system of internal control to provide reasonable assurance that assets are safe-guarded and financial information is accurate and reliable.

Our Board of Directors approves the financial statements and ensures that management discharges its financial responsibilities. The Board's review is accomplished principally through the Audit Committee, which meets periodically with management and auditors to review financial reporting and control matters. From time to time the Board may also form special sub-committees to investigate and report to the Board on specific topics.

## CAPITAL RISK MANAGEMENT

We manage and adjust our capital structure, based on the funds available to us, to support the acquisition, exploration, and development of mineral properties.

Our Board of Directors does not establish quantitative *return on capital* criteria for management, but rather relies on management's expertise to sustain the future development of the business.

We consider our capital to be equity, which comprises share capital, other components of equity, and accumulated deficit. At September 30, 2022, this total was \$15,869,774.

The properties that we have an interest are in the exploration stage; we depend on external financing to fund our activities. We will continue to assess new properties and may seek to acquire interests in additional properties if we believe there is sufficient geologic or economic potential and if we have adequate financial resources to do so.

We review our capital management approach on an ongoing basis and believe that this approach is appropriate to our relative size and stage of development. We did not change our approach during the nine months ended September 30, 2022. We and our subsidiaries are not subject to externally imposed capital requirements.

## FINANCIAL RISK FACTORS

We are exposed to a variety of financial risks: credit risk, liquidity risk, and market risk including interest rate, foreign exchange rate, and commodity, specifically gold, price risk.

Our management team oversees risk management with guidance from the Audit Committee under policies approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

TABLE 7: CATEGORIES OF FINANCIAL INSTRUMENTS

	September 30, 2022	December 31, 2021
	\$	\$
Financial assets		
Fair value through profit and loss		
Cash and cash equivalents	6,641,973	1
Amortized cost		
Accounts receivable, excludes HST/GST receivable	-	-
Financial liabilities		
Amortized cost		
Accounts payable and accrued liabilities	278,782	-

The key risks of our financial instruments are as follows.

### Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations.

Our credit risk is primarily attributable to cash and accounts receivable. Credit risk on cash is remote as it is held with reputable financial institutions and is closely monitored by management.

We believe that the credit risk with respect to financial instruments included in accounts receivable is remote as most of the receivables largely represent taxes receivable, therefore there was no amount applied for credit losses.

## Liquidity risk

We manage liquidity risk to ensure we will have sufficient liquidity to meet our liabilities when they are due. There can be no assurance that we will be able to obtain adequate financing in the future or that the terms of the financing will be favourable.

At September 30, 2022, we had a cash and cash equivalents balance of \$6,641,973 (December 31, 2021 – \$1) to settle current liabilities of \$445,010 (December 31, 2021 – \$nil).

## Market risk

Market risk is the risk of loss that may arise from changes in market factors like interest rates, foreign exchange rates, and commodity and equity prices.

## Interest rate risk

We have cash balances, and our current policy is to invest excess cash in saving accounts. We regularly monitor our cash management policy. Interest rate risk is remote as our cash is relatively unaffected by changes in short-term interest rates.

## Foreign currency risk

Our functional currency is the Canadian dollar, though we transact major purchases in both Canadian dollars and Brazilian reais. We maintain a Brazilian real-denominated bank account with enough funds for exploration expenses and monthly forecasted cash outflows.

## Commodity price risk

Although we are not yet a producing company, we could be adversely affected by commodity price risk. In particular, our future profitability and viability of development depends upon the world market price of gold, which has fluctuated significantly in recent years.

Gold price risk may affect the completion of future equity transactions like equity offerings and the exercise of stock options. This may also affect our liquidity and our ability to meet our ongoing obligations.

## Sensitivity analysis

Based on our knowledge and experience of the financial markets, we believe the following movements are *reasonably possible* over a nine-month period.

- a) Cash is subject to floating interest rates. Sensitivity to a plus or minus one percentage point change in interest rates would not have a material impact on the reported net loss for the nine-months ended September 30, 2022.
- b) We are exposed to foreign currency risk on fluctuations of financial instruments related to cash, accounts receivable, accounts payable denominated in Brazilian reais, and cash denominated in U.S. dollars.

A plus or minus 5% change in foreign exchange rate of the Brazilian real against the Canadian dollar would affect net loss for the nine-month period ended September 30, 2022, by approximately \$1,400.

A plus or minus 5% change in foreign exchange rate of the U.S. dollar against the Canadian dollar would affect net loss for the nine months ended September 30, 2022, by approximately \$3,100.

## Other risks and uncertainties

Our operations are speculative due to the high-risk nature of our business: the exploration and development of mineral properties.

The following risk factors could materially affect our future results, causing them to differ materially from what we have described in our forward-looking information. Investors and prospective investors should carefully consider all the information contained in this MD&A, including the following risk factors.

This list is not exhaustive and other risk factors may apply, including risks described elsewhere in this document, risks not currently known to us, and risks that we currently deem immaterial. Any one or more of these risk factors could have a material adverse effect on our business, results of operations, financial condition, and the value of our securities.

## Nature of mineral exploration

The exploration for and development of mineral deposits involves significant financial risks that even a combination of careful evaluation, experience, and knowledge may not eliminate. While the discovery of an orebody may result in substantial rewards, few properties that are explored are ultimately developed into producing mines.

Major expenditures may be required to establish ore reserves, to develop metallurgical processes, and to construct mining and processing facilities at a site. As a result, we cannot say with certainty that our exploration or development efforts will result in mining operations.

## Mineral resource and mineral reserve estimates

There are numerous uncertainties inherent in estimating mineral resources and mineral reserves, including many factors beyond our control.

Estimation is a subjective process, and the accuracy of any mineral reserve estimate is a function of the quality of available data and the assumptions made and judgements used in engineering and geological interpretation.

Differences between our assumptions, including economic assumptions such as metal prices and market conditions, could have a material effect in the future on our financial position and results of operations.

## Safety, health, and environment regulations

Safety, health, and environmental legislation affects nearly all aspects of our activities.

Compliance with safety, health, and environmental legislation can require significant expenditures. Failure to comply with this legislation may result in the imposition of fines and penalties, the temporary or permanent suspension of operations, clean-up costs resulting from contaminated properties, damages, and the loss of important permits.

Exposure to these liabilities arises from our existing and past activities.

We could also be held liable for worker exposure to hazardous substances and for accidents causing injury or death. There can be no assurance that we will always be complying with all safety, health, and environmental regulations, or that steps to comply with the regulations would not have a material adverse effect on our business.

## Economic conditions

General levels of economic activity and recessionary conditions may have an adverse impact on our business. Market events and conditions, including the disruptions in the international credit markets and other financial systems and the deterioration of global economic conditions due to the Covid-19 pandemic, have caused significant volatility to commodity prices.

We are also exposed to liquidity and various counterparty risks, including, but not limited to:

- financial institutions that hold our cash and cash equivalents
- companies that owe us
- our insurance providers
- our lenders
- our other banking counterparties
- companies that have received deposits from us for the future delivery of equipment and/or other operational inputs.

We are also exposed to liquidity risks in meeting our capital expenditure requirements in instances where cash positions are unable to be maintained or appropriate financing is unavailable. These factors may affect our ability to obtain loans and other credit facilities in the future and, if obtained, on terms favourable to us.

## Public health crises like the Covid-19 pandemic and other uninsurable risks

Events in the financial markets have demonstrated that businesses and industries throughout the world are very tightly connected to each other. General global economic conditions seemingly unrelated to us or to the mining industry may affect our activities directly or indirectly.

These include, without limitation:

- interest rates
- general levels of economic activity
- fluctuations in the market prices of securities
- participation by other investors in the financial markets
- economic uncertainty
- national and international political circumstances
- natural disasters
- other events outside our control.

During the exploration, development, and production of mineral properties, certain risks, particularly unexpected or unusual geological operating conditions including rock bursts, cave-ins, fires, flooding, and earthquakes may occur.

Our business, operations, and financial condition could also be materially adversely affected by the outbreak of epidemics, pandemics, or other health crises. Covid-19, which began in late December 2019, is one such example.

The risks of public health crises like the Covid-19 pandemic to our business include without limitation:

- the ability to gain access to government officials
- the ability to continue drilling
- the ability to raise funds
- employee health
- workforce productivity
- increased insurance premiums
- limitations on travel
- the availability of industry experts and personnel
- disruption of our supply chains
- other factors that will depend on future developments beyond our control.

In particular, the continued global spread of Covid-19, prolonged restrictive measures put in place to contain an outbreak of Covid-19, or other adverse public health developments could materially and adversely impact our business. Exploration at our projects in Brazil could slow down, or we could be required to suspend its operations for an indeterminate period.

There can be no assurance that we will not ultimately see our workforce productivity reduced or that we will not incur increased medical costs or insurance premiums because of these health risks.

In addition, the Covid-19 pandemic or the fear of the pandemic could adversely affect global economies and financial markets resulting in volatility or an economic downturn that could have an adverse effect on the demand for gold and our prospects.

Pandemics like Covid-19 could have a material adverse impact on capital markets and our ability to raise sufficient funds to finance the ongoing development of its material business. All these factors could have a material and adverse effect on our business, financial condition, and results of operations.

How much Covid-19 affects Lavras Gold's business, including our operations and the market for its securities, will depend on future developments, which are highly uncertain and cannot be predicted at this time. This includes the duration, severity, and scope of the outbreak, as well as actions to contain or treat Covid-19.

It is not always possible to fully insure against these risks, and we may decide not to insure these risks because of high premiums or other reasons. If these liabilities arise, they could reduce or eliminate any future profitability and result in increasing costs and a decline in the value of the common shares of the Company.

Even after the Covid-19 pandemic is over, we may continue to experience material adverse effects to our business, financial condition, and prospects because of the continued disruption in the global economy and any resulting recession. The effects of the Covid-19 may continue long after the pandemic, and may also heighten other risks and uncertainties disclosed and described in this MD&A.

## Gold price volatility

The profitability of our operations may be significantly affected by changes in the market price of gold. The economics of developing gold are affected by many factors, including the cost of operations, variations in the grade of ore mined, and the price of gold. Depending on the price of gold, we may determine that it is impractical to commence or continue commercial production.

The price of gold fluctuates widely and is affected by numerous industry factors beyond our control, such as the demand for precious metals, forward selling by producers and central bank sales and purchases of gold. Gold price is also affected by macro-economic factors, such as expectations for inflation, interest rates, the world supply of mineral commodities, the stability of currency exchange rates, and global or regional political and economic situations.

These external economic factors are in turn influenced by changes in international investment patterns, monetary systems, political systems, and developments. The price of gold has fluctuated widely in recent years, and future serious price declines could cause commercial production to be uneconomic.

Any significant drop in the price of gold adversely impacts our valuation and ability to raise financing. Sustained low gold prices may:

- cause the cessation or deferral of new mining projects
- decrease the amount of capital available for exploration activities
- reduce existing reserves by removing ore from reserves that cannot be economically mined at prevailing prices
- cause the write-off of an asset whose value is impaired by the low price of gold.

There can be no assurance that the price of gold will remain stable or stay at a level that will prove feasible to begin development of its properties or commence or continue commercial production.

## Currency fluctuations

Currency fluctuations may affect costs at our operations. Gold is sold throughout the world based principally on the U.S. dollar, but our operating expenses are in Canadian dollars.

Any appreciation of the Canadian dollars against the U.S. dollar could negatively affect our profitability, cash flows, and financial position.

## Title matters

The acquisition of title to mining claims and similar property interests is a detailed and time-consuming process. Title to and the area of mining claims and similar property interests may be disputed. We have investigated title to all of our material mineral properties and believes that all are in good standing; however, this should not be construed as a guarantee of title to those properties.

Title to those properties may be affected by undisclosed and undetected defects. For example, certain properties may have been acquired in error from parties who did not possess transferable title, may be subject to prior unregistered agreements, or transfers and title may be affected by undetected defects.

## Dilution to common shares

As of November 7, 2022, there were stock options outstanding to purchase 2,407,500 common shares in the capital of the Company. The common shares issuable under these options, if fully exercised, would constitute approximately 6% of the resulting share capital.

Exercising these options and warrants and their subsequent resale in the public market could affect the prevailing share market price and our ability to raise equity capital in the future at a time and price that it deems appropriate.

We may also enter commitments in the future, which would require the issuance of additional common shares and we may grant additional share purchase warrants and stock options.

The issuance of additional common shares from time to time may lower the price of the common shares of Lavras Gold. In addition, the voting power of our existing shareholders could also be diluted.

## Share price fluctuations

In recent years, the securities markets in Canada, the United States, and throughout the world have experienced a high level of price and volume volatility. The market prices of securities of many companies, including ours, have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies.

Further, market prices for securities of mining companies historically have been volatile and future developments concerning the Company or our industry, including downward fluctuations in the price of gold, may have a significant impact on the market price of the common shares. There can be no assurance that continual fluctuations in the price of the common shares will not occur.

## Additional funding requirements

We will require additional capital to continue to explore and develop its properties. In addition, a positive production decision on any of our development projects would require significant capital for project engineering and construction.

Accordingly, the continuing development of our properties will depend on our ability to either generate sufficient funds internally or to obtain financing through the joint venturing of projects, debt financing, equity financing, or other means.

We do not have unlimited financial resources and there is no assurance that sufficient additional funding or financing will be available to us on acceptable terms, or at all, for further exploration or development of our properties or projects, or to fulfill our obligations under any applicable agreements.

Failure to obtain such additional funding or financing could result in the delay or indefinite postponement of the exploration and development of our properties, with the possible dilution or loss of such interests.

## Impairment of assets

We capitalize certain expenditures relating to our mineral projects according to IFRS. From time to time, we review the carrying amounts of mineral properties for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable.

If there are indicators of impairment, an exercise is undertaken to determine whether the carrying values are more than their recoverable amount. This review is done on an asset-by-asset basis, except for assets that do not generate cash flows independent of other assets, and then the review is done at the cash generating unit level.

Events that could, in some circumstances, lead to an impairment include, but are not limited to, changes to gold price or cost assumptions, changes to Mineral Reserve or Mineral Resource grades, or our market capitalization being less than the carrying amounts of its mining properties and plant and equipment.

The assessment requires the use of estimates and assumptions such as, but not limited to, long-term gold prices, foreign exchange rates, discount rates, future capital requirements, Mineral Reserve and Mineral Resource estimates, operating performance as well as the definition of cash generating units.

It is possible that the actual fair value could be significantly different from those assumptions, and changes in the assumptions will affect the recoverable amount. In the absence of any mitigating valuation factors, our failure to achieve its valuation assumptions or a decline in the fair value of its cash generating units or other assets may, over time, result in impairment charges.

If we determine that an asset is impaired, we will charge against earnings any difference between the carrying amount of the assets and the estimated fair value less cost to sell those assets. Any such charges could have a material adverse effect on our results of operations.

## Reliance on management

We rely on the experience and expertise of its executive officers. If any of these individuals should cease to be available to manage our affairs, our activities and operations could be adversely affected.

## Competition

The mining industry is intensely competitive in all its phases. We compete with many companies possessing greater financial resources and technical facilities in its search for, and the acquisition of, mineral properties as well as the recruitment and retention of qualified employees with technical skills and experience in the mining industry.

There can be no assurance that we will be able to compete successfully with others in acquiring mineral properties, obtaining adequate financing, and continuing to attract and retain skilled and experienced employees. Existing or future competition in the mining industry could materially adversely affect our business and prospects for mineral exploration and success in the future.

## Skilled employees

Many of the projects that we undertake rely on the availability of skilled labour and the capital outlays required to employ such labour.

We employ full- and part-time employees, contractors, and consultants to assist in executing operations and providing technical guidance.

In the event of a skilled labour shortage, our projects may not become operational due to increased capital outlays associated with labour. Further, a skilled labour shortage could result in operational issues such as production shortfalls and higher mining costs.

## Information systems

Although we have not experienced any material losses to date relating to cyberattacks or other information security breaches, there can be no assurance that we will not incur these losses in the future. Our risk and exposure to these matters cannot be fully mitigated because of, among other things, the evolving nature of these threats.

As a result, cyber security and the continued development and enhancement of controls, processes and practices designed to protect systems, computers, software, data and networks from attack, damage, or unauthorized access is a priority. As cyber threats continue to evolve, we may be required to spend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.

## Title to mineral claims

Our properties may be subject to prior recorded and unrecorded agreements, transfers or claims, and title may be affected by, among other things, undetected defects. Title insurance is generally not available for mineral properties, and our ability to ensure that it has obtained a secure claim to individual mining properties or mining concessions may be severely constrained.

Lavras Gold has not conducted surveys of all of the claims in which it holds direct or indirect interests. A successful challenge to the precise area and location of these claims could result in the Company being unable to operate on its properties as permitted or being unable to enforce its rights with respect to its properties. No assurance can be given that our rights will not be revoked or significantly altered to its detriment. There can also be no assurance that its rights will not be challenged or impugned by third parties.

## Political stability and government regulations in Brazil

We hold mineral interests in Brazil that may be affected in varying degrees by political instability, government regulations relating to the mining industry and foreign investment in the mining sector, and the policies of other nations in respect of Brazil. Any changes in regulations or shifts in political conditions are beyond our control and may adversely affect our business.

Lavras Gold's operations may be affected in varying degrees by government regulations, including those with respect to restrictions on production, price controls, export controls, income taxes, expropriation of property, employment, land use, water use, environmental legislation, and mine safety.

The regulatory environment is in a state of continuing change, and new laws, regulations, and requirements may be retroactive in their effect and implementation. Our operations may also be adversely affected in varying degrees by political and economic instability, economic or other sanctions imposed by other nations, terrorism, military repression, crime, extreme fluctuations in currency exchange rates, and high inflation.

## Additional business and financial risks inherent in doing business in Brazil

Our principal operations and mineral properties are in Brazil. There are additional business and financial risks inherent in doing business in Brazil compared to the United States or Canada. Since 1995, Transparency International has published the *Corruption Perceptions Index* (CPI), an annual ranking of countries by their perceived levels of corruption determined by expert assessments and opinion surveys.

The CPI ranks countries on a scale from 100 (very clean) to 0 (highly corrupt). Anything below 50 indicates governments are failing to tackle corruption and it represents a challenge in those countries requiring extra attention by those who conduct business there.

The 2019 survey ranked 180 countries from around the world. Canada was ranked 12th with a CPI score of 77, and the United States was ranked 23rd with a CPI score of 69. The average score on the 2019 CPI was 43 out of 100. In 2019, Brazil was ranked 106th with a CPI score of 35, compared to 79th with a score of 40 in 2016.

Corruption does not only occur with the misuse of public, government, or regulatory powers, it also can occur in business's supplies, inputs, and procurement functions (such as illicit rebates, kickbacks, and dubious vendor relationships), as well as the inventory and product sales functions (such as inventory shrinkage or skimming). Employees as well as external parties (such as suppliers, distributors, and contractors) have opportunities to commit procurement fraud, theft, embezzlement, and other wrongs against us.

While corruption, bribery, and fraud risks can never be fully eliminated, we review and implement controls to reduce the likelihood of these irregularities occurring.

## Company is subject to significant governmental regulation

Our mining and exploration activities are subject to extensive local laws and regulations. Failure to comply with applicable laws, regulations, and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities, which may require operations to cease or be curtailed, or corrective measures requiring capital expenditures, the installation of additional equipment, or remedial actions.

Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Amendments to current laws, regulations, and permits governing operations and activities of mining companies, or more stringent implementation of such requirements, could have a material adverse impact on us and cause increases in capital expenditures or production costs or reductions in levels of production at producing properties or require abandonment or delays in development of new mining properties.

## Permitting

Government approvals and permits are sometimes required in connection with our operations. Although we believe that we have all the material approvals and permits to carry on with our activities, from time to time we may require additional approvals or permits or may be required to renew existing approvals or permits.

Obtaining or renewing approvals or permits can be a complex and time-consuming process. There can be no assurance that we will be able to obtain or renew the necessary approvals and permits on acceptable terms, in a timely manner, or at all.

To the extent that approvals are required and not obtained, we may be delayed or prohibited from proceeding with planned exploration, development, or mining of mineral properties. Under current regulations, all exploration activities that we undertake through its subsidiaries must be carried out on valid exploration licences or prospecting permits issued by the ANM, a department of the Brazilian federal government.

The ANM is responsible for the administration of all mining and exploration licences, and prospecting permits. According to local regulations, we must submit a final exploration report before the expiry date of any licence or permit, usually three years from the date of grant. However, Brazilian mining laws and regulations are currently undergoing a major restructuring, and draft legislation to this effect has been submitted to the federal legislature for review and approval.

If adopted, the effects of this restructuring will far-reaching, and affect how mining rights can be acquired and maintained in the country. Current proposals include an auction process for new licences, minimum expenditures designed to eliminate the warehousing of mining permits and licences, as well as new fee schedules. They also provide for landowner participation where applicable.

It is our understanding, based on consultations with local counsel, that licences currently held in good standing will be grandfathered and not subject to certain requirements of the proposed new regime. Mining operations currently pay a 1.5% royalty fee to the Brazilian government (the CFEM) on the value of the ore produced.

However, the new mining legislation that the Brazilian government is considering adopting includes increases to the CFEM royalties. Environmental permits are granted for one- to two-years and all local agencies have the right to monitor and evaluate compliance with the issued permits, even though such monitoring tends to be minimal in scope and nature.

Any changes to the exploration activities that result in a greater environmental impact require approval. The work that we carry out on its exploration licences is largely restricted to drilling and ancillary activities associated with the drilling programs (i.e., low impact road construction, drilling stations). As such, the reclamation costs in respect of drilling activities are not material to us and are factored into the budget for exploration programs.

## CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

This MD&A contains certain forward-looking statements and information relating to Lavras Gold that are based on our beliefs as well as assumptions made by the information currently available to us.

Words like anticipate, believe, estimate, expect, and similar expressions are used in this document in relation to:

- Lavras Gold
- Lavras Gold's management
- regulatory compliance
- the sufficiency of working capital
- the estimated cost and availability of funding for the continued exploration and development of the company
- future events.

These are forward-looking statements, and are subject to certain risks, uncertainties, and assumptions.

This MD&A attempts to identify the important risk factors starting on page 21, but readers are cautioned that many factors could cause the actual results, performance, and achievements of Lavras Gold to be materially different from any future results, performance, or achievements that may be expressly implied by such forward looking statements.