

LAVRAS GOLD



MANAGEMENT'S DISCUSSION AND ANALYSIS

For the nine months ended September 30,
2023

ABOUT LAVRAS GOLD

Lavras Gold is a Canadian company that is realizing the potential of a multi-million-ounce gold district in southern Brazil. The LDS Project is in a historic gold district in the state of Rio Grande do Sul, southern Brazil.

The long-term goal for Lavras Gold is to develop an economically feasible gold mine. Activities and discoveries to this point bring the Company closer to this goal each quarter. The board and management are creating value for all Lavras stakeholders by:

- **growing** existing gold resources
- **discovering** new gold deposits
- **de-risking** the project on the environmental and permitting fronts
- **potential leveraging of** the revenue-based gold royalty on a large portfolio of exploration concessions surrounding the Mara Rosa gold mining project in central Brazil.

This MD&A contains forward-looking statements that are subject to risk factors that are detailed in this document. Please read this MD&A together with Lavras Gold's condensed interim consolidated financial statements and related notes for the nine months ended September 30, 2023. These have been prepared according to International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board.

Lavras Gold is listed on the TSXV under the symbol LGC and on the OTCQB under the symbol LGCFF. Follow @LavrasGold on LinkedIn, Twitter, YouTube, and 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 of November 10, 2023 unless otherwise noted.

GENERAL

We have a singular vision: to develop an economically feasible gold mine, unlocking the value of the LDS Project, our advanced gold exploration property in southern Brazil. Our long-term goal is to demonstrate that LDS is potentially a world-class asset that could support significant annual gold production for more than 10 years in the lower half of the gold cash cost curve.

As we move through our second year since launching in April 2022, our short-term goals include:

- completion of our 20,000-metre drilling program at LDS by drill-testing priority targets to make new gold discoveries and expand our existing gold endowment. This drilling program is expected to be expanded in 2024 by another 12,500 metres,
- leveraging the good relationships with our local stakeholders as we begin the permitting process,
- sustaining our relationships with existing shareholders and attracting new shareholders by bringing the value proposition of Lavras Gold to the investing community.

Q3 highlights

- 🌟 Fazenda do Posto gold discovery
- 🌟 Participated in three investor conferences

HIGHLIGHTS

Exceptional Drill Results at Fazenda do Posto and Zeca Souza Targets

- In August 2023, Lavras Gold reported drill results at Fazenda do Posto **1.09 g/t gold over 340 metres** (beginning at a drill core depth of 117 metres) which included 160 metres grading 1.79 g/t gold from 199 metres including 27 metres grading 2.07 g/t gold from 208 metres and 68 metres grading 2.09 g/t gold from 293 metres.
- Lavras Gold also reported that Zeca Souza expansion drilling intersected visible gold of 43.6 g/t over 4 metres from 31.1 metres including high grade 1 metre intervals of 52.30 g/t (at 31 metre depth), 9.28 g/t (at 32 metres) and 110.50 g/t at 33 metres. Importantly, five of 21 drill holes at Zeca Souza have returned near-surface visible gold with bonanza gold grades.
- Two drill rigs have completed 19,463 metres of the planned 20,000-metre drill program at LDS since the company's inception in April 2022, with results consistently demonstrating that LDS is a unique, large, and highly-prospective mineral system. Returned assays are a mix of bulk tonnage and high grade, a combination that yields scale and economics in producing assets.

A Solid Financial Position Going into Q4 and 2024

- In late September, Lavras Gold closed a non-brokered private placement of C\$13.7 million (10.1 million shares at C\$1.35) with no warrants attached. Lavras Gold's management and directors subscribed for 0.5 million common shares for an aggregate amount of \$0.7 million. This financing also attracted both high net worth prominent mining investors such as Eric Sprott and Rob McEwen as well as strategic investor Kinross Gold (TSX: K). Lavras Gold is grateful to all investors who put their trust in the Lavras team going forward.

Augmenting the corporate team

- Subsequent to the end of Q3, Lavras Gold appointed Naomi Nemeth to the newly created position of Vice President, Investor Relations

Q3 EXPLORATION UPDATE – The LDS Project

The LDS Project, located close to the town of Lavras do Sul in southern Brazil, has 23 mineralized showings, 9 of which are active target areas, each of those has either an active drill program or has had drill programs in the recent past.

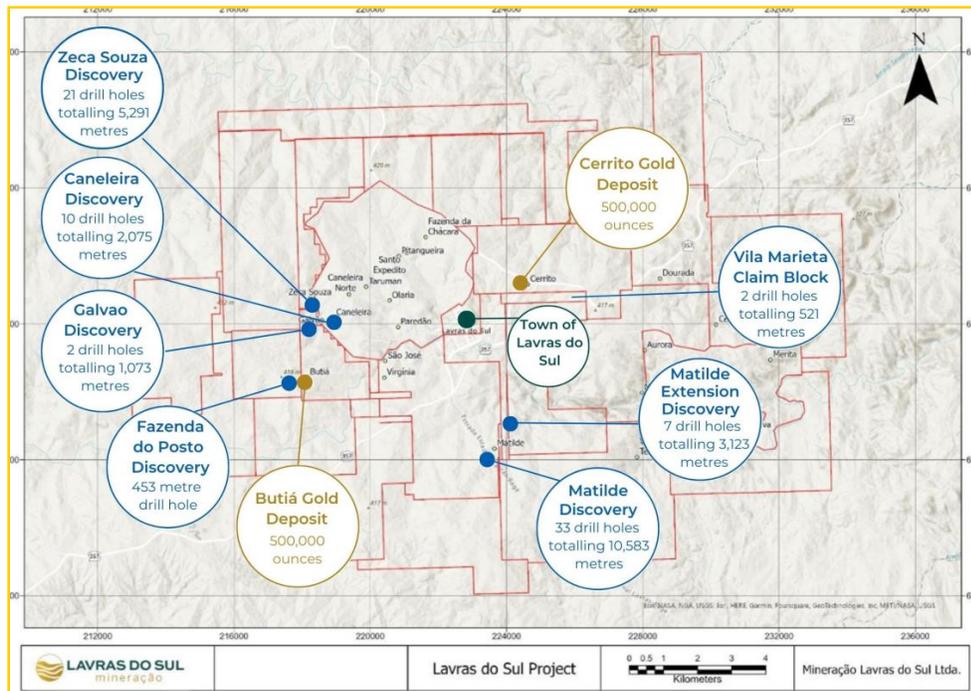
New gold discoveries were made at the Galvao and Fazenda do Posto target in 2023 and Matilde, Matilde Extension, Vila Marieta and Zeca Souza targets in 2022, and we also reinterpreted historical results from another target, Caneleira that was drilled in 2007-2008 by our predecessor company.

Target	Class	Resource*	Summary
Butiá	Gold Deposit	500,000 oz gold	43-101 Resource Estimate Jan 25, 2022
Cerrito	Gold Deposit	500,000 oz gold	43-101 Resource Estimate May 31, 2022
Fazenda do Posto	Discovery		Q3 2023 discovery, 340 metres at 1.09 g/t gold including 160 metres at 1.79 g/t gold including 68 metres at 2.09 g/t gold. A globally significant gold discovery.
Zeca Souza	Discovery		Q3 2023 discovery with 43.6 g/t gold over 4 metres starting near surface. 5,291 metres drilled (21 holes). Two holes intersected bonanza-style gold grades associated with visible gold. Results include 15.0 metres grading 5.78 g/t gold from 103 metres, including 3.0 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.
Galvao	Discovery		1,073 metres drilled (2 holes) showing long intervals of gold mineralization intermittently over 450 metres of strike length to a vertical depth of 461 metres. Highlights include 10.0 metres at 4.63 g/t gold from 532.0 metres down the drillhole.
Caneleira	Discovery		2,300 metres drilled (12 holes) drilled in 2007-2008 defining a gold-bearing structure over a strike length of about 900 metres and to a vertical depth of 200 metres (open to depth). Results included 36.1 metres grading 1.42 g/t gold from 70.4 metres depth.
Matilde	Discovery		November 2022 announced discovery. 10,583 metres drilled (33 holes disclosed to date) with gold mineralization in 30 of 33 holes over a strike length of least 250 metres. Includes 0.69 g/t gold over 144.60 metres and including 27.00 metres grading 1.04 g/t gold.
Matilde Extension	Discovery		January 2023 announced discovery. 3,123 metres drilled (7 holes). Results include 10.0 metres grading 13.21 g/t gold, 22.94 g/t silver, and 0.22% copper.

Vila Marieta	Discovery		May 2023 announced discovery. 521 metres drilled (2 holes) with long intervals of significant gold grades. Results include: 28.0 metres of 1.30 g/t gold from surface, including: 4.0 metres at 2.42 g/t gold from 7.00metres, 5.0 metres at 2.49 g/t gold from 16.0 metres and 53.0 metres at 0.68 g/t gold from 139.0 metres.
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* See Resource Tables 1 and 2 in this report

LDS Project – Target Location Map



Overview

Despite a few minor delays during the third quarter caused by heavy rains leading to unsafe driving conditions for employees traveling to drill sites, exploration activities at LDS were continuous throughout the quarter. Most employees live in the immediate area and work from an exploration office in the town of Lavras do Sul. Since the start of 2023, ongoing exploration activities across the LDS project target area consisted of:

- A total of approximately 8,000 meters of drilling at Butiá and Fazenda do Posto targets
- Regional soil sampling covering 12.2 line kilometres
- Geological mapping and ground exploration at Butiá and Fazenda do Posto targets

Fazenda do Posto Discovery

As announced in a [Lavras Gold press release August 29, 2023](#), drilling at the Fazenda do Posto target returned assay results with remarkably continuous mineralization of 340 metres grading 1.09 g/t gold from 117 metres including:

- 160 metres grading 1.79 g/t gold from 199 metres including:
 - 27 metres grading 2.07 g/t gold from 208 metres
 - 68 metres grading 2.09 g/t gold from 293 metres.

This discovery sits roughly 150 metres west of the Butiá Gold Deposit, which itself has an NI 43-101 gold resource (see Resource later in this report) of approximately 500,000 ounces. The Fazenda do Posto hole tested a blind target with no obvious signs of surface mineralization.

This new discovery on the Fazenda do Posto claim block is a potential game changer for Lavras Gold as it is a long, continuous bulk-tonnage disseminated style of gold mineralization in this intrusive-hosted gold system only 150 metres from the western edge of the Butiá Gold Deposit. This is a blind gold discovery associated with an interpreted down-dropped block of rock across a northeast trending fault. The discovery was made by old-fashioned field geology of boots on the ground.

A follow-up drilling program is underway at Fazenda do Posto with the goal of defining the geometry and grade distribution of this important new discovery.

Zeca Souza Discovery

A total 5,291 meters were drilled at Zeca Souza (21 drill holes) since April 2022 leading to the Zeca Souza discovery, where expansion drilling hit visible gold of 43.6 g/t over 4 metres starting near surface.

The results show bonanza gold grade near the surface of this discovery and at depth in various parts of the target. The exceptional gold grades associated with visible gold in silicified stockwork style veinlets, together with long intervals of elevated gold values relatively close to surface, suggest a robust gold system at Zeca Souza.

Visible gold has been found in five of 21 drill holes completed at Zeca Souza (24% of holes drilled) and over a vertical distance of 204.40 metres.

Key highlights include:

- Visible gold, near surface: Hole 23BT004 returned 4.0 metres grading 43.59 g/t gold from 31.0 metres including:
 - 1 metre grading 52.30 g/t gold from 31.0 metres
 - 1 metre grading 9.28 g/t gold from 32.0 metres
 - 1 metre grading 110.50 g/t gold from 33.0 metres
 - 1 metre grading 2.28 g/t gold from 34.0 metres.

Next steps at Zeca Souza will be to follow up on these results to better understand the lateral and vertical continuity of the gold-hosting structures.

In addition to these two positive developments, Lavras Gold has had exceptional exploration success since going public in April 2022. The Caneleira Gold Discovery has been reinterpreted, and new gold mineral systems have been found at Galvao, Matilde, Matilde Extension, and Vila Marieta. Although Butiá and Fazenda do Posto are developing into the centre of gravity at LDS, the exploration upside on the property is very significant.

BACKGROUND - LDS PROJECT

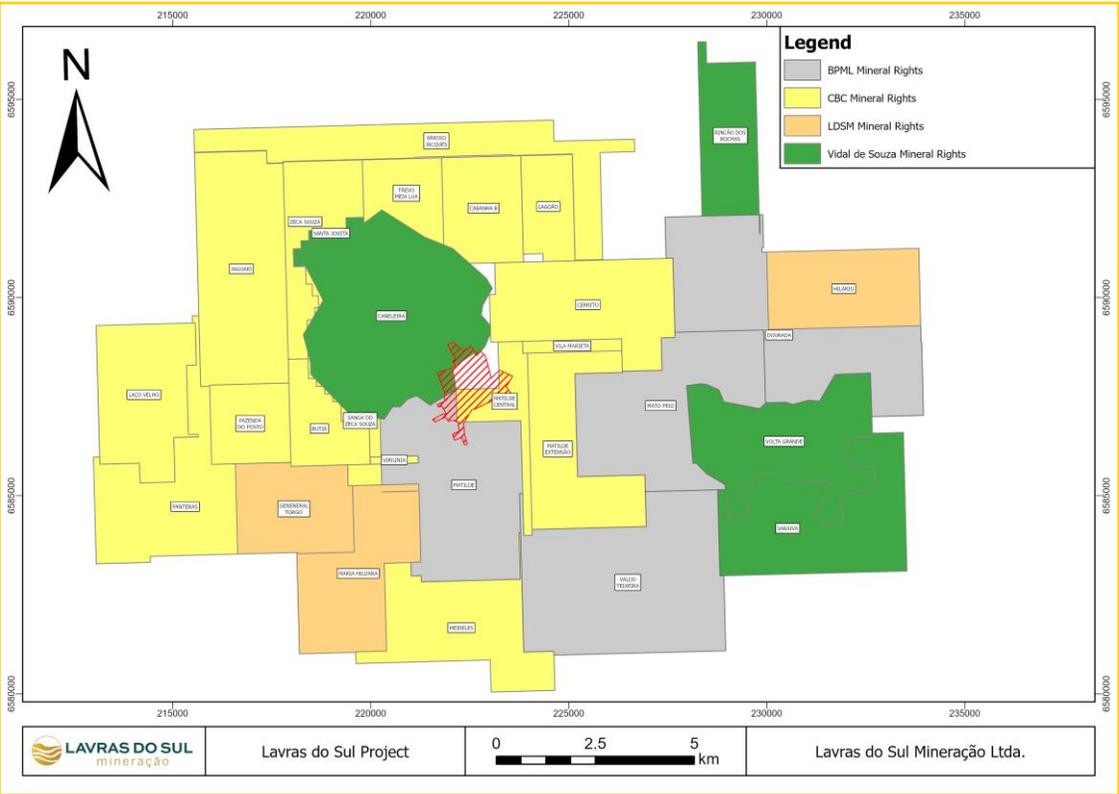
Our LDS Project is centred on the town of Lavras do Sul in the state of Rio Grande do Sul, Brazil. Spanning approximately 22,000 hectares, it is approximately 320 kilometres, or a 4.5-hour drive, from the state capital of Porto Alegre. It includes 29 mineral rights that were acquired under the Arrangement.

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 four mineral rights that cover approximately 2,371 hectares. The remaining 25 mineral rights are held through the RTDM Option Agreement and the CBC Purchase Agreement (21 mineral rights in total), the Vidal de Souza Purchase Agreement, and the IAMGOLD Purchase Agreement (four mineral rights), as detailed in Figure 1, below.

FIGURE 1: LAVRAS DO SUL LAND PACKAGE



RTDM OPTION AGREEMENT

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 Desenvolvidores Minerais Ltda. (RTDM).

RTDM acquired options to earn interests in mineral rights through agreements that were signed with two separate landowners: mineral rights (the CBC Mineral Rights) optioned by Companhia Brasileira do Cobre (CBC, CBC Option Agreement) and mineral rights (the Vidal de Souza Mineral Rights) optioned by Vidal de Souza (the Vidal de Souza Option Agreement).

The agreements with the landowners are described below. In addition, Lavras Gold must pay RTDM:

- US\$1,806,000 upon receipt of the Installation License covering the LDS Project, and
- a 0.5% NSR on production from the mineral rights underlying the RTDM Option Agreement.

CBC Purchase Agreement

On August 24, 2004, RTDM entered an option agreement (the CBC Option Agreement) with Companhia Brasileira do Cobre (CBC) for CBC's mineral rights (the CBC Mineral Rights). These cover 9,669 hectares, an area that includes the Butiá and Cerrito prospects, which both have NI 43-101 compliant gold resources.

On November 16, 2021, the CBC Option Agreement was replaced with an agreement to purchase the CBC Mineral Rights (the CBC Purchase Agreement).

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

- a) US\$250,000, which was paid by AMB upon execution of the CBC Purchase Agreement in November 2021
- b) US\$150,000 within one year of the date of execution of the CBC Purchase Agreement, which was paid in November 2022
- c) six annual installments of US\$100,000, the first of which is payable within one year, after the second payment set out above
- d) the amounts payable under (c) above are payable in full once Brazilian regulators approve the transfer of the properties to LDSM.

Lavras Gold must pay US\$50,000 for each year that mining activities are not initiated 10 years from the date of execution of the agreement on November 16, 2021.

Lavras Gold must pay CBC a royalty (the CBC Royalty) equal to 1.5% of the gross revenue of the future undertaking of the transferred CBC Mineral Rights, if and when there is mining activity in the area of the CBC Mineral Rights. Lavras Gold has a right of first refusal for any proposed transfer by CBC of the CBC Royalty.

Vidal de Souza Option Agreement

On October 22, 2004, RTDM entered into an option agreement with Vidal de Souza (the VSOA) for **certain** mineral rights (the VSOA Mineral Rights) that have been subsequently replaced with purchase agreements. Lavras Gold has paid US\$35,000 as at September 30, 2023 and US\$20,000 in October 2023 to conclude agreements with the various family members of the VSOA. The agreements call for additional

payments aggregating US\$945,000 upon the transfer of title of the VSOA Mineral Rights from the VSOA family members to LDSM.

If mining activities in at least one of the VSOA Mining Rights do not begin within six years from the transfer of title, LDSM must pay a single instalment of US\$120,000. If mining activities in at least one of the VSOA Mining Rights do not begin within ten years from the transfer of title, LDSM must pay annual instalments of US\$80,000 until the beginning of mining activities.

Lavras Gold must pay the VSOA family members a royalty (the VSOA Royalty) equal to 1.5% of the gross revenue of the future undertaking of the transferred VSOA Mineral Rights, when there is mining activity on the VSOA Mineral Rights. Lavras Gold has a right of first refusal for any proposed transfer by the VSOA family members of the VSOA Royalty.

IAMGOLD Agreement

On May 28, 2021, Amarillo (the company which spun out Lavras Gold) entered into an agreement with IAMGOLD Corporation (IAMGOLD) to purchase four mineral rights (the IAMGOLD Purchase Agreement).

Under the terms of the IAMGOLD Purchase Agreement, Border Prospecções Minerais Ltda. (BPML), a subsidiary of IAMGOLD, agreed to assign and transfer to Amarillo a 100% interest in four mineral rights (the BPML Mineral Rights) covering approximately 5,802 hectares. Pursuant to an assignment agreement between Amarillo, Lavras Gold and IAMGOLD, all rights and obligations of Amarillo were assigned to, and assumed by, Lavras Gold and LDSM.

The purchase price payable by Lavras Gold for the BPML Mineral Rights is US\$700,000, payable as follows:

- a) US\$50,000, payable within 12 months from the date of execution of the IAMGOLD Purchase Agreement, which was paid in June 2022;
- b) US\$50,000, within 10 days from the date the BPML Mineral Rights are transferred and assigned to Lavras Gold;
- c) US\$100,000, within 10 days from the date that Lavras Gold submits to the ANM an economic exploitation plan for any of the titles comprising the BPML Mineral Rights, and which indicates the technical and economic feasibility of the project;
- d) US\$100,000, within 10 days from the date that Lavras Gold discloses in a news release for the first time a feasibility study for any of the titles comprising the BPML Mineral Rights;
- e) US\$400,000, within 12 months from the date that Lavras Gold discloses in a news release for the first time the commencement of commercial production for any of the titles comprising the BPML Mineral Rights.

In addition, IAMGOLD received a 3.0% net smelter return royalty on the titles comprising the BPML Mineral Rights. Lavras Gold may, at any time, elect to purchase from IAMGOLD 1.0% of the royalty by paying to IAMGOLD the amount of US\$1,000,000.

As additional consideration, US\$50,000 was paid by Lavras Gold to BPML as the ANM did not annotate the assignment of the mineral rights within one year from the date that the requests for assignments were lodged with the ANM.

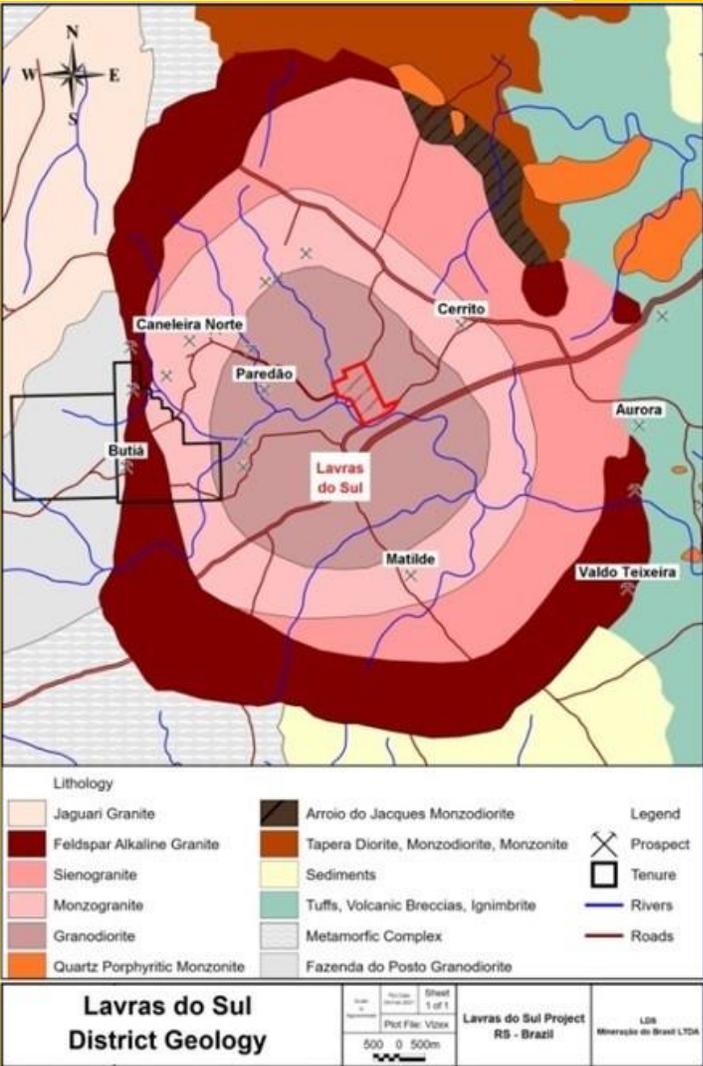
The IAMGOLD Purchase Agreement provides that the completion of the assignment and transfer of the BPML Mineral Rights will occur after all necessary authorizations and consents are obtained by Lavras Gold, including as required under the Border Law.

Exploration

Mineralization at Lavras do Sul is unique and does not fit neatly into any one deposit type or classification. As such, our understanding of the system driving mineralization is continually evolving as we receive and interpret new results. However, there is significant evidence to suggest that LDS has the potential to be on par with a very large, world-class mineral system.

LDS is a long-lived, intrusive hosted gold-silver-copper system with multiple phases. At its heart is the LDS intrusive complex, a multiphase intrusive centre that is surrounded by coeval volcanic rocks to the east (Figure 2). Geologically, LDS is in the far south of the Neoproterozoic Mantiqueira Province, a 2,700-kilometre long belt of tectonically and magmatically accreted terrains that stretch as far south as the coastline of central Uruguay and north into southern Bahia State in Brazil.

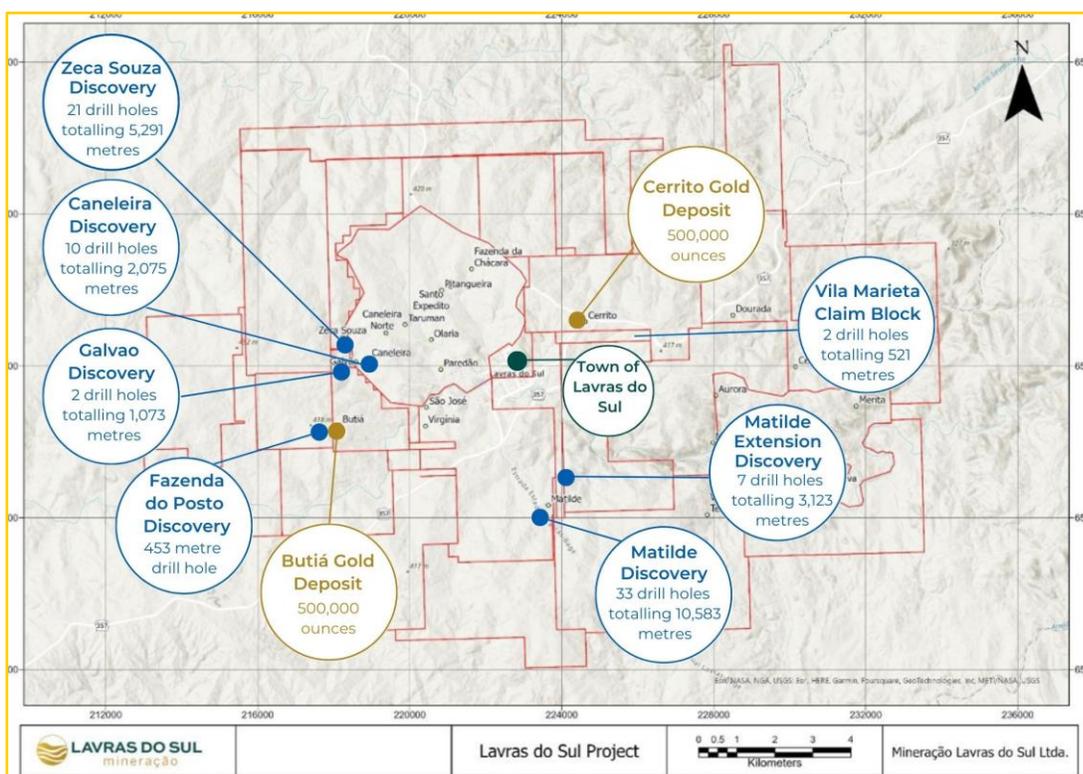
FIGURE 2: LAVRAS DO SUL DISTRICT GEOLOGY



There are at least 24 known gold targets and showings at LDS (see Figure 3). However, most of the property had not been explored by modern methods until 2006 due to a fragmented land ownership dating to the late 1880s.

The most advanced targets are Butiá and Cerrito, covered by old surface workings and previously drilled by Rio Tinto and CBC. Our predecessor, Amarillo Gold, completed diamond drilling programs from 2006 to 2012 when several targets were drill-tested including Butia, Cerrito, and Caneleira among others. Drilling resumed in 2019 and several new targets have been tested including Dourada, Matilde, Matilde Extension, and Zeca Souza, Vila Marieta, Galvao and Fazenda do Posto. A ground geophysics IP program was completed at Matilde and Matilde extension in 2020. Subsequently, in September 2023, this program was expanded by 4,000 metres to total 20,000 meters to the end of 2023. As of September 30, 2023, a total of 19,463 metres in 59 holes have been completed. Average drilling, assay and related costs per metre is approximately C\$250.

FIGURE 3: LAVRAS GOLD DEPOSITS & GOLD TARGETS



Since becoming a public company in April 2022 with the Butiá Gold Deposit, we have added one gold deposit, Cerrito. In addition to the significant discovery at Fazenda do Posto in August 2023, we have also reinterpreted the results from Caneleira, and made the following additional new gold discoveries on the property: Galvao, Matilde, Matilde Extension, Vila Marieta, and Zeca Souza. As we discuss below, all of these remain open to expansion.

Two gold deposits: Butiá and Cerrito

Butia Gold Deposit

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

The gold occurs along structures and within hydrothermally altered perthitic granite and mineralized episyenite. The deposit remains open for expansion at depth and along strike. The geological team has reinterpreted historical drill core and has identified numerous favourable areas that require further drilling, with the goal of expanding the gold-mineralized footprint. Follow-up drilling commenced during the third quarter of 2023.

Butiá has an NI 43-101 compliant mineral resource estimate, set out in Table 1, below.

TABLE 1: MINERAL RESOURCE ESTIMATE FOR BUTIÁ GOLD DEPOSIT

Category	Tonnes	Gold grade (g/t)	Contained gold (ounces)
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.
- 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 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

Category	Tonnes	Gold grade (g/t)	Contained gold (ounces)
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..
- 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 under Lavras Gold's issuer profile.

Seven gold discoveries

Fazenda do Posto gold discovery

The Fazenda do Posto discovery is located along the western edge of the Lavras do Sul intrusive complex approximately 4.7 kilometres southwest of the town of Lavras do Sul (Figure 3).

On August 29, 2023 we announced exciting drill results at this new discovery. Good, old-fashioned boots on the ground field exploration yielded this potentially game-changing discovery. Drilling returned assay results with remarkably continuous mineralization of **340 metres grading 1.09 g/t gold from 117 metres including:**

- **160 metres grading 1.79 g/t gold from 199 metres including**

- **27 metres grading 2.07 g/t gold from 208 metres**
- **68 metres grading 2.09 g/t gold from 293 metres.**

Drill hole 23FP002 (Figure 4) was collared roughly 150 metres west of the [Butiá Gold Deposit](#), which has an NI 43-101 gold resource of approximately 500,000 ounces.

Next steps at Fazenda do Posto and Butiá

Indications are that a significant gold mineral system is developing at the Fazenda do Posto gold discovery and the adjacent Butiá Gold Deposit.

Two drill rigs are on site testing these areas.

The near-term objective is to define the geometry and gold grade distribution of the Fazenda do Posto discovery and possibly look for more blind discoveries. The second objective is to test for extensions to the mineralized footprint of the Butiá Gold Deposit.

It is noteworthy that the alteration system and gold-in-soil anomaly at Butiá extends for more than 3 kilometres in a southeast-northwest direction, and for greater than 2 kilometres to the north towards the Galvao and Zeca Souza discoveries (Figure 3). It is also noteworthy that **Fazenda do Posto has a higher-grade core of mineralization that could materially enhance the overall economics of a potential mining project.**

The medium-term goal is to de-risk the Fazenda do Posto discovery and Butiá Gold Deposit such that a preliminary economic study defining the general scope of a gold mining project can be prepared.

Matilde Extension gold discovery

During the first quarter, we announced a new gold discovery at Matilde Extension that showed that LDS hosts extremely high-grade gold, silver, and copper in certain areas.

Located 675 metres northeast of the Matilde gold discovery, Matilde Extension is a blind discovery that was made by drill-testing a coincident gold in soil anomaly overlying the intersection of a northeast-southwest trending structure and an east-west trending structure. Seven holes totaling 3,123 metres were drilled, and all intersected multiple intervals of gold mineralization. Importantly, high-grade gold, silver, and copper mineralization was encountered in three holes, **suggesting a metal zonation vector towards a higher-grade zone of mineralization within the Matilde/Matilde Extension corridor.**

The best hole, 21MT020, intercepted three intervals of mineralization. The third intercept was the most important, as it was characterized by a thick interval of continuous mineralization featuring very high-grade gold, silver, and copper in pervasively hydrothermally altered granodiorite.

It assayed 10.00 metres grading 13.21 g/t gold, 22.94 g/t silver, and 0.22% copper from 345.00 metres, including 5.00 metres grading 23.15 g/t gold, 42.75 g/t silver, and 0.41% copper from 347.00 metres. It had a 1.00 metre sub-zone that yielded grades as high as 63.70 g/t, more than 100 g/t silver, and 0.63% copper from 347.00 metres.

Other key highlights include:

- multiple broad moderate to high-grade intercepts in hole 21MT018
- high grade continuous gold, silver, and copper mineralization in pervasively hydrothermally altered granodiorite in hole 21MT020, suggesting that the

mineralization is related to magmatically derived hydrothermal fluids that were carrying significant amounts of gold, silver, and copper

- multiple elevated gold, silver, and copper values in 22MT029, where in general, narrow millimetre to centimetre scale quartz-sulphide veinlets cross-cut relatively fresh granodiorite. This suggests that metal-bearing hydrothermal fluids travelled upward towards the surface through a network of small fractures in the host granodiorite where metals precipitated
- a higher degree of hydrothermal alteration in hole 22MT30, which may indicate that we are closer to a wider and more intensive zone of mineralization relative to mineralization observed closer to surface
- quartz-sulphide (chalcopyrite and trace pyrite) filling microfractures rimmed by strong potassic alteration selvages in hole 22MT038. The current interpretation is hydrothermal fluids containing metals are precipitating out towards the surface through a network of relatively tight microfractures. However, there is more intense alteration and possibly larger accumulations of gold, silver, and copper areas associated with wider brecciated zones at depth. Further exploration work is required to better understand these relationships.

Galvao gold discovery

During the quarter, we announced the discovery of gold mineralization at the Galvao target. The significant results featured long intervals with bonanza grade subintervals in some cases.

It is located immediately south of the Zeca Souza discovery, and approximately 1.4 kilometres north of the Butiá Gold Deposit. The target was generated by following up on old surface workings, trenches, and a gold-in-soil anomaly.

Two holes totalling 1,073 metres were drilled from north to south, and long intervals of gold mineralization were traced intermittently over 450 metres of strike length in a north-south direction. The mineralization, which has been found to a vertical depth of 461 metres, is hosted by perthitic granite in zones of hydrothermal breccia.

The highlight of the drilling was a long, higher-grade interval from 22BT002 that returned sub-intervals of bonanza grade gold. This hole highlights the high-grade nature and vertical potential of the mineral system at depth, where it remains open. It assayed 10 metres at 4.63 g/t gold from 532.00 metres (vertical depth of 461.00 metres), including 3.00 metres at 11.70 g/t gold from 532.00 metres including 1.00 metre at 22.40 g/t gold from 534.00 metres.

In general, the Galvao assay results are typical of cataclastic structural style of mineralization found at LDS. The results are characterized by large intervals of moderate gold grade accentuated by higher grade intervals.

Gold is usually associated with fine grain disseminated pyrite and sulphide minerals associated with dark green to black chlorite-silica veinlets that occur in the matrix to altered perthitic granite hydrothermal breccia. Sphalerite and galena are locally observed, and visible gold has also been identified in cross-cutting silicified zones in drill hole 22BT001.

Other key assay results are as follows.

22BT001

- 15.00 metres at 0.38 g/t gold from 283.00 metres including 4.0 metres at 0.79 g/t gold from 293.00 metres
- 18.56 metres at 0.60 g/t gold from 368.44 metres including 6.59 metres at 1.15 g/t gold from 376.00 metres
- 6.64 metres at 2.82 g/t gold from 401.36 metres including 1.00 metres at 16.30 g/t gold from 406.00 metres

22BT002

- 15.00 metres at 0.42 g/t gold from 292.00 metres including 2.00 metres at 2.51 g/t gold from 305.00 metres
- 27.18 metres at 0.53 g/t gold from 373.00 metres including 8.00 metres at 1.23 g/t gold from 380.00 metres
- 16.00 metres at 0.51 g/t gold from 412.00 metres including 4.00 metres at 1.24 g/t gold from 419.00 metres

Vila Marieta gold discovery

During the second quarter of 2023, we announced the discovery of gold mineralization at Vila Marieta, which we believe is the southwest surface extension of the Cerrito Gold Deposit.

Two holes totalling 521 metres were drilled at the Vila Marieta claim block, which is immediately south of Cerrito. The assay results feature significant gold grades that begin at surface and long intervals.

Highlights from 22VM001 are:

- **28.00 metres at 1.30 g/t gold from 0.00 metres**, including:
 - 4.00 metres at 2.42 g/t gold from 7.00 metres
 - 5.00 metres at 2.49 g/t gold from 16.00 metres.
- 53.00 metres at 0.68 g/t gold from 139.00 metres, including **several higher-grade intercepts**:
 - 7.72 metres at 1.04 g/t gold from 148.0 metres
 - 3.00 metres at 1.08 g/t gold from 170.0 metres
 - 4.00 metres at 2.02 g/t gold from 180.0 metres
 - 3.77 metres at 1.00 g/t gold from 188.23 metres.

Highlights from 22VM002 are:

- **27.00 metres at 0.47 g/t gold from 0.00 metres**, including:
 - 11.00 metres grading 0.71 g/t gold from 0.00 metres.

At 1.30 g/t gold, the average gold grade from the surface mineralization is 85% higher than the average grade of Cerrito. So, these results demonstrate the potential for optimizing and enhancing the future mine plan for the deposit.

The gold mineralization, which starts at surface and is interpreted to dip to the northwest, is associated with 1 to 2 per cent very fine grain disseminated pyrite hosted within pervasively altered granodiorite. Alteration includes sericite, chlorite and silica cross-cut by millimetre-scale quartz-carbonate veinlets. Pinkish-orange potassic alteration is observed to develop at depth.

Zeca Souza gold discovery

The Zeca Souza discovery is based on 21 holes totalling 5,291 metres.

Fourteen of these drillholes totalling 2,800 metres were announced in September 2022 following a drill program designed to test a gold-in-soil anomaly centred on historical gold workings spanning a 375 by 375 metres area.

All 14 drillholes in the September 2022 program encountered at least one but more typically multiple intercepts of gold mineralization starting at or near surface. Several holes bottomed in gold mineralization and requiring 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**.

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 results of a 2023 follow up drilling program were announced during the third quarter of 2023 when assay results were received from an additional seven drill holes totalling 2,497 metres.

Key highlights include:

- **Visible gold, near surface:** Hole 23BT004 returned **4.00 metres grading 43.59 g/t gold from 31.00 metres** including:
 - **1.00 metre grading 52.30 g/t gold** from 31.00 metres
 - 1.00 metre grading 9.28 g/t gold from 32.00 metres
 - **1.00 metre grading 110.50 g/t gold** from 33.00 metres
 - 1.00 metre grading 2.28 g/t gold from 34.0 metres.

The mineralization consists of visible gold within silicified veinlets in perthitic granite. The estimated vertical depth of this intercept is 26.8 metres.

- **Visible gold, at depth:** Hole 23ZS018 intersected **5.00 metres grading 2.62 g/t gold from 264.00 metres** including **1.00 metre of visible gold grading 9.07 g/t gold from 267.00 metres**.

The high-grade interval is associated with **visible gold** within a larger interval hosting 2-3% disseminated sulphides (pyrite, trace sphalerite, and galena) occurring within cross-cutting silicified veinlets in altered perthitic granite. The estimated vertical depth of this intercept is 230.00 metres.

- **Long interval, visible gold:** Hole BT003 returned a **long intercept of 32.00 metres grading 1.92 g/t gold from 126.00 metres** and included higher grade intervals including:
 - **9.00 metres grading 6.35 g/t gold from 145.00 metres**
 - **1.24 metres grading 43.20 g/t gold from 147.60 metres where visible gold was observed**. The estimated vertical depth of this intercept is 124.7 metres.
- **Long interval and open along strike:** Hole 23ZS016 yielded multiple intercepts of elevated gold values throughout the hole, including a long interval of **28.00 metres grading 0.78 g/t gold from 241.00 metres** that included:
 - **16.00 metres at 1.22 g/t gold** from 253.00 metres
 - **3.00 metres at 1.80 g/t gold from 261.00 metres**
 - **2.00 metres grading 5.22 g/t gold from 267.00 metres**.

Mineralization is associated with hydrothermal alteration—typically albite, silica, sericite, chlorite, and disseminated sulphides (pyrite, and trace amounts of sphalerite and galena).

- **Visible gold encountered over vertical extent of 204.00 metres:** Visible gold has been found in five of 21 drill holes completed at Zeca Souza (24% of holes drilled) and over a vertical distance of 204.40 metres. The shallowest drillhole intercept was Hole 23BT004. The deepest drillhole intercept with visible gold occurred in Hole 23ZS018.

Overall, gold hosting structures at Zeca Souza have been extended to an area measuring 420 metres by 523 metres, an increase from the previous area of 375 metres by 375 metres.

Gold is typically associated with silicified zones with albite, sericite, chlorite and disseminated sulphides (pyrite, and trace amounts of sphalerite and galena) within hydrothermally altered fractured and brecciated perthitic granite. Five holes intersected bonanza-style gold grades associated with visible gold in silicified stockwork style veinlets and associated disseminated sulphides including pyrite, and occasionally sphalerite and galena.

The discovery remains open in all directions and at depth.

Caneleira gold discovery

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 anomaly. The gold-bearing structure was defined over a strike length of about 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.

A soil sampling program is well underway at Caneleira following up on this historic drilling. Samples are being collected every 50 metres along each line of a grid with 200 metre spacing.

Matilde gold discovery

Matilde is a significant new discovery that was announced in November 2022. Located approximately 4.5 kilometres south of the town of Lavras do Sul, it occurs within a portion of a 3.5 kilometre long east-west trending gold-in-soil anomaly. This anomaly overlies a major east-west structural corridor that intersects a northwest-southeast trending structure and a northeast-southwest trending structure.

Drilling results from 33 holes totalling 10,583 metres have been disclosed 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 current interpretation is that the structure “bends” to the northwest along the western part of the magnetic anomaly before trending west again. There is a structure that trends to the northeast at the eastern side where it strikes towards the Matilde Extension target about 675 metres away.

- Long continuous intervals of gold mineralization in four holes; one hole was particularly **noteworthy because it bottomed at 557 metres (483 metre vertical depth) in gold mineralization suggesting that Matilde has deep roots, typical of intrusive-hosted magmatic-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.
- **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.
- **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.

Additional exploration work and other targets

Our extensive exploration program at LDS includes many other activities including a regional soil geochemical survey, a detailed review of the large historical database, geological mapping, airborne magnetics, rock geochemistry, ground geophysics, relogging of historical drilling, and trenching.

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 have been compiled and integrated into the database. These results are being used to help guide the selection of new drilling targets in areas that had not been evaluated before in conjunction with geology and results from soil surveys.

Renaud Geological Consulting of London, Ontario has been retained to complete detailed petrographic studies on samples from the LDS Project. Results are being used to better understand the nature of the geological processes that led to gold, silver, and copper mineralization.

MARA ROSA ROYALTY

The Mara Rosa Royalty is a strategic asset that has the potential for near-term value creation.

This 2% net smelter return royalty is a revenue-based royalty that covers certain of Hochschild Mining's exploration properties outside the Posse resource and mine plan at the Mara Rosa property in Goiás State, Brazil. It applies to 6,000 hectares along the Posse structural trend, and 59,000 hectares of regional exploration.

Hochschild Mining has committed US\$200 million to building the Mara Rosa Gold Mine, which is expected to reach production in the first half of 2024. We do not have a royalty on the Posse pit, where Franco-Nevada Corporation has a 1% royalty and Royal Gold has a 2.75% royalty. However, these royalties do not extend to the exploration ground or the Posse trend that is covered by the Lavras Gold NSR Royalty.

Drilling announced by our predecessor, Amarillo Gold Corporation, showed that Pastinho—potentially a very important asset for this royalty—is a structurally controlled orogenic gold deposit like the Posse Gold Deposit:

- mineralization, which begins at surface, has been defined over strike length of 1.7 kilometres and to a depth of 200 metres
- there are multiple parallel gold structures and good continuity of grade and width
- assay highlights include 4 metres at 2.42 g/t gold from 81 metres and 11 metres at 1.20 g/t gold from 222 metres.

QUALIFIED PERSON

The qualified person for the exploration and Mara Rosa Royalty sections 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 our major operating expense categories for the three months ended September 30, 2023 (Q2 2023) and the nine months ended September 30, 2023 (YTD 2023). Capitalized expenditures are disclosed at page 22.

There were no expenditures from our incorporation on November 25, 2021 to April 1, 2022. Accordingly, there are no expenditures reported for Q1 2022.

TABLE 3: LAVRAS GOLD EXPENSES (INCOME) AND LOSS

Category	Three months ended September 30		Nine months ended September 30	
	2023 \$	2022 \$	2023 \$	2022 \$
General and administrative (G&A)				
Consulting	44,624	144,647	241,484	250,417
Professional	85,869	64,894	212,298	148,413
Salaries and benefits	117,081	103,294	354,857	223,382
Directors' fees	15,000	43,750	40,000	96,250
Marketing and promotion	85,413	41,383	269,969	140,020
Filing and transfer agent	23,257	13,922	76,011	26,888
Travel	3,613	–	12,242	4,392
Other G&A	34,165	34,082	128,577	57,324
Total G&A	409,022	445,972	1,335,438	947,086
Stock-based compensation	161,876	142,913	218,400	430,819
Depreciation	9,637	–	27,096	–
Foreign exchange loss (gain)	(7,269)	32,188	16,657	26,678
Interest income	(9,920)	(4,333)	(54,540)	(7,174)
Interest and finance charges	13,032	6,092	47,353	16,222
Net loss and comprehensive loss	576,378	622,832	1,590,404	1,413,631

Q3 2023

For the three months ended September 30, 2023, we recorded a loss of \$576,378 (2022: \$622,832), mostly because of the following.

Consulting fees of \$44,624 (2022: \$144,647) consisted of:

- \$18,874 (2022: \$79,815) consulting fees in Brazil
- \$25,000 (2022: \$25,000) to our marketing and investor relations consultant
- \$750 (2022: \$9,832) to other consultants.
- Consulting fees of \$nil (2022: \$30,000) to Mike Mutchler, director of Lavras Gold, for advisory services up to March 31, 2023.

Professional fees (including legal, accounting, and advisory) of \$85,869 included \$34,286 incurred in Canada and \$51,583 incurred in Brazil. The Brazil fees included amounts for legal services pertaining to property agreements and transfers.

Salaries and benefits of \$117,081 (2022: \$103,294) consisted of \$93,867 (2022: \$88,322) in Canada and \$23,214 (2022: \$14,972) in Brazil. Salaries in Canada relate to the CEO of \$47,500 (2022: \$40,000), and the CFO of \$37,500 (2022: \$37,500), plus government and health benefits.

Directors other than the CEO previously each earned an annual fee of \$35,000. However, this was rolled back to \$10,000 per annum. Accordingly, six directors each earned \$2,500 for a total of \$15,000 for Q3 2023. Director fees of \$40,000 (\$7,500 each for five directors, and \$2,500 for one director for nine months) have been accrued as at September 30, 2023.

Marketing and promotion of \$85,413 (2022: \$41,383) include amounts for investor communications and attendance at conferences. The 2022 expenses were less due to COVID related issues in the early part of 2022 with marketing activities resuming to normal in Q3 2022.

Filing and transfer agent fees of \$23,257 (2022: \$13,922) include amounts for regular transfer agent services and regulatory filing fees.

Stock-based compensation of \$161,876 (2022: \$218,400) related to the stock option grants of 1,500,000 in Q3, 2023, 907,500 in Q3 2022 and 1,500,000. Directors' grants of 600,000 in Q2 2022, and 600,000 in Q3 2023 vest immediately, whereas the remainder of grants to officers, employees and consultants vest over three years.

YTD 2023

For the nine months ended September 30, 2023, we recorded a loss of \$1,590,404, mostly because of the following.

Note that operating expenses in 2022 are generally lower compared to 2023 due to the Company commencing operations on April 1, 2022 for six months of operations instead of nine months in 2023.

Consulting fees of \$241,484 (2022: \$250,417) consisted of:

- \$133,484 (2022: \$128,610) consulting fees in Brazil
- \$30,000 (2022: \$60,000) to Mike Mutchler, director of Lavras Gold, for advisory services up to March 31, 2023
- \$75,000 (2022: \$50,000) to our marketing and investor relations consultant
- \$3,000 (2022: \$11,807) to other consultants.

Professional fees (including legal, accounting, and advisory) of \$212,298 (2022: \$148,413) included \$87,814 (2022: \$63,818) incurred in Canada and \$124,484 (2022: \$84,595) incurred in Brazil. The Brazil fees included amounts for legal services pertaining to property agreements and transfers.

Salaries and benefits of \$354,857 (2022: \$223,382) consisted of \$286,860 (2022: \$177,082) in Canada and \$67,997 (2022: \$46,300) in Brazil. Salaries in Canada relate to the CEO of \$127,500 (2022: \$80,000), and the CFO of \$112,500 (2022: \$75,000), plus government and health benefits.

Directors other than the CEO previously each earned an annual fee of \$35,000. However, this was rolled back to \$10,000 per annum. Accordingly, five directors each earned \$7,500 and one director earned \$2,500 for a total of \$40,000 for nine months ended September 30, 2023. These director fees of \$40,000 have been accrued as at September 30, 2023.

Marketing and promotion of \$269,969 (2022: \$ 140,020) include amounts for investor communications and attendance at conferences. The 2022 expenses were less due to COVID related issues in the early part of 2022.

Filing and transfer agent fees of \$76,011 (2022: \$26,888) include amounts for listing fees on both the TSXV and the OTCQB which were incurred in Q1 2023.

Stock-based compensation of \$218,400 (2022: \$430,819) related to the stock option grants of 1,500,000 in Q3, 2023, 907,500 in Q3 2022 and 1,500,000. Directors' grants of 600,000 in Q2 2022, and 600,000 in Q3 2023 vest immediately, whereas the remainder of grants to officers, employees and consultants 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 eight quarters since our incorporation on November 25, 2021.

TABLE 4: SUMMARY QUARTERLY FINANCIAL RESULTS

Category	Q3 2023 \$	Q2 2023 \$	Q1 2023 \$	Q4 2022 \$
Net loss	(576,378)	(404,659)	(609,367)	(518,053)
Total assets	29,261,322	15,676,396	15,190,159	15,892,904
Total non-current liabilities	182,742	195,390	209,686	252,173
Loss per share	(0.01)	(0.01)	(0.01)	(0.02)

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 \$4.8 million cash on January 1, 2023. For the nine months ended September 30, 2023, we spent \$1.3 million on general operations and \$2.5 million on our LDS Project in Brazil. In late Q3 2023, as detailed below, we raised net cash of \$13.4 million through a private placement. Cash on hand at September 30, 2023 was \$14.3 million, most of which is invested in interest bearing accounts.

On September 28, 2023, we successfully closed a non-brokered private placement (the Private Placement) through the issuance of 10,146,647 common shares of the Company at a subscription price of \$1.35 per common share for aggregate gross proceeds to the Company of \$13,697,973. Management and directors of the Company subscribed for 527,029 common shares for an aggregate amount of \$711,489. Cost of issue including finders', filing and legal fees amounted to \$317,444 resulting in net proceeds of \$13,380,529.

We are progressing with our planned drilling campaign with more focus on Fazenda do Posto and Butiá, and will adjust our spending based on drilling results, available cash and, if necessary, on the availability of external financing.

We have not earned any revenue from our operations to date, as we are exploring and developing our properties. We rely on external sources of cash for our 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 enough 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 plan to pursue 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

Effective November 1, 2023, Naomi Nemeth assumed the role of Vice President, Investor Relations. Ms. Nemeth, who has an extensive background in investor communications, corporate development and capital markets, began to oversee Lavras Gold's investor relations activities. On November 10, 2023, Ms. Nemeth was granted 100,000 common share purchase options with a strike price of \$1.15 with a five-year expiry and a three-year vesting period.

SHARE CAPITAL

Lavras Gold had the following securities outstanding on November 10, 2023:

Security	#
Common shares Issued	51,275,516
Common share purchase options	3,852,500

TRANSACTIONS WITH RELATED PARTIES

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

	Nine months ended September 30	
	2023	2022
	\$	\$
Salaries paid to officers:		
• Mike Durose, President and CEO – \$127,500 (2022: \$80,000)		
• Hermdat Sawh, CFO – \$112,500 (2022: \$75,000)	240,000	155,000
Directors' fees:		
• David Birkett – \$7,500 (2022: \$17,500)		
• Jonathan Hill – \$2,500 (2022: \$nil)		
• Lawrence Lepard – \$7,500 (2022: \$17,500)		
• Mike Mutchler – \$7,500 (2022: \$17,500)		
• Rostislav Raykov – \$7,500 (2022: \$17,500)		
• Rowland Uloth – \$7,500 (2022: \$17,500)	40,000	96,250
Stock-based compensation to officers and directors	198,470	343,406
Aeromagnetic survey	-	296,604
Consulting fees paid to Mike Mutchler	30,000	60,000
	508,470	951,260

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

Directors' fees of \$40,000, consisting of all of YTD 2023 fees were accrued as at September 30, 2023 (2022: \$96,250).

ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE

TABLE 6: EXPLORATION AND EVALUATION PROPERTIES

	September 30, 2023 \$	December 31, 2022 \$
Acquisition costs		
Balance, beginning of period	7,248,448	–
Acquisition of LDS Project exploration and evaluation assets under the Arrangement	–	6,937,458
Property payment	88,347	310,990
Balance, end of period	7,336,795	7,248,448
Exploration expenditures		
Balance, beginning of year/period	3,372,106	–
Expenditures during the year/period		
Drilling, exploration, and related costs	2,505,297	2,097,891
Consulting	324,486	290,808
Salaries	335,270	394,293
Aeromagnetic survey	–	296,604
Transportation	169,862	24,750
Travel and accommodation	5,254	12,008
Concession taxes	4,120	643
Depreciation	108,270	54,656
Stock compensation	70,071	–
Other exploration and evaluation expenses	177,720	200,453
Total exploration expenditures for the period/year	3,700,350	3,372,106
Balance, end of period/year	7,072,456	3,372,106
Total	14,409,251	10,620,554

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, 2023, 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.

Net assets acquired under the Arrangement

Lavras Gold was spun out from Amarillo Gold Corporation when the latter was acquired by Hochschild Mining plc under a Plan of Arrangement that closed on April 1, 2022.

Assets and liabilities acquired under the Arrangement have been assessed individually to determine their fair value under prevailing current market conditions.

Fair value is measured with reference to the fair value of the equity acquired or equity issued. We believe that the valuation assumptions reflect a reasonable estimate of the fair value of each account or asset.

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, 2023 to provide reasonable assurance that material information relating to 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, 2023, 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. This 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, 2023, this total was \$14,089,235.

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, 2023. 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, 2023	December 31, 2022
	\$	\$
Financial assets		
Fair value through profit and loss		
Cash	14,324,036	4,794,253
Amortized cost		
Accounts receivable, excludes HST/GST receivable	10,742	11,823
Financial liabilities		
Amortized cost		
Accounts payable and accrued liabilities	1,918,843	579,751

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 of \$14,324,036 as at September 30, 2023. 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

Liquidity risk is the risk that we will be unable to meet our short-term financial obligations.

Our goal in managing this risk is to make sure we can meet our liabilities when they are due. However, 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, 2023, we had a cash balance of \$14,324,036 (December 31, 2022 – \$4,794,253) to settle current liabilities of \$1,988,738 (December 31, 2022 – \$638,235).

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

Commodity price risk, specifically relating to the price of gold, could adversely affect Lavras Gold. In particular, our future profitability and viability of development depends on the world market price of gold, which has fluctuated significantly in recent years.

We were not a gold producer as at September 30, 2023. However, gold price risk affects 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 twelve-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, 2023.

- 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 months ended September 30, 2023, by approximately \$33,400.

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, 2023, by approximately \$108,700.

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
- 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.

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 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 10, 2023 there were stock options outstanding to purchase 3,852,500 common shares in the capital of the Company. The common shares issuable under these options, if fully exercised, would constitute approximately 6.9% of the resulting share capital.

Exercising these options 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 our 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 the claims where 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.

We have attempted to identify the important risk factors in this document, but caution you 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.