



(the “Company”)

## **INTERIM MANAGEMENT’S DISCUSSION AND ANALYSIS – QUARTERLY HIGHLIGHTS**

**For the Nine Months Ended September 30, 2018**

### **General**

This interim Management’s Discussion and Analysis (“Interim MD&A”) supplements, but does not form part of, the unaudited condensed interim consolidated financial statements of the Company for the nine months ended September 30, 2018. The following information, prepared as of November 26, 2018, should be read in conjunction with the Company’s unaudited condensed interim consolidated financial statements for nine months ended September 30, 2018 and the related notes contained therein. The Company reports its financial position, results of operations and cash flows in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). In addition, the following should be read in conjunction with the Consolidated Financial Statements of the Company for the year ended December 31, 2017 and the related MD&A. All amounts are expressed in Canadian dollars unless otherwise indicated. The September 30, 2018 condensed interim financial statements have not been reviewed by the Company’s auditors.

The Company’s public filings, including its most recent unaudited and audited financial statements can be reviewed on the SEDAR website ([www.sedar.com](http://www.sedar.com)).

### **Forward Looking Information**

This Interim MD&A contains certain statements which constitute forward-looking information within the meaning of applicable Canadian securities legislation (“Forward-looking Statements”). All statements included herein, other than statements of historical fact, are Forward-looking Statements and are subject to a variety of known and unknown risks and uncertainties which could cause actual events or results to differ materially from those reflected in the Forward-looking Statements. The Forward-looking Statements in this Interim MD&A include, without limitation, statements relating to:

- the Company’s planned exploration activities for its mineral properties;
- The Company’s equity and derivative investments;
- the suspension of receiving royalty payments from the Tambor Project;
- the intended use of proceeds received from past and possible future financing activities;
- the sufficiency of the Company’s cash position and its ability to raise, if needed, equity capital or access debt facilities; and
- maturities of the Company’s financial liabilities or other contractual commitments.

Often, but not always, these Forward-looking Statements can be identified by the use of words such as “anticipates”, “believes”, “plans”, “estimates”, “expects”, “forecasts”, “scheduled”, “targets”, “possible”, “strategy”, “potential”, “intends”, “advance”, “goal”, “objective”, “projects”, “budget”, “calculates” or statements that events, “will”, “may”, “could” or “should” occur or be achieved and similar expressions, including negative variations.

Forward-looking Statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any results, performance or achievements expressed or implied by the Forward-looking Statements. Such uncertainties and factors include, among others:

- risks associated with mineral exploration activities, and investing in companies which conduct mineral exploration and development activities;
- due diligence investigations on potential investments not identifying all relevant facts;
- inability to dispose of illiquid securities;
- receipt of royalty payments from the Tambor Project;
- fluctuations in commodity prices;
- fluctuations in foreign exchange rates and interest rates;
- credit and liquidity risks;
- changes in national and local government legislation, taxation, controls, regulations and political or economic developments in countries in which the Company does or may carry on business;
- reliance on key personnel;
- property title matters and local community relationships;
- risks associated with potential legal claims generally or with respect to environmental matters;
- adequacy of insurance coverage;
- dilution from further equity financing;
- competition; and
- uncertainties relating to general economic conditions.

as well as those factors referred to in the “Risks and Uncertainties” section in this Interim MD&A.

Forward-looking Statements contained in this Interim MD&A are based on the assumptions, beliefs, expectations and opinions of management, including but not limited to:

- all required third party contractual, regulatory and governmental approvals will be obtained for the exploration and development of the Company’s properties;
- there being no significant disruptions affecting operations, whether relating to labor, supply, power, damage to equipment or other matter;
- permitting, exploration and/or development activities proceeding on a basis consistent with the Company’s current expectations;
- ability to sell our equity and derivative investments as needed;
- royalty payments from the Tambor Project to begin being received again;
- due diligence investigations on potential investments will reveal all relevant facts;
- expected trends and specific assumptions regarding commodity prices and currency exchange rates; and
- prices for and availability of fuel, electricity, equipment and other key supplies remaining consistent with current levels.

These Forward-looking Statements are made as of the date hereof and the Company disclaims any obligation to update any Forward-looking Statements, whether as a result of new information, future events or results or otherwise, except as required by law. There can be no assurance that Forward-looking Statements will prove to

be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, investors should not place undue reliance on Forward-looking Statements.

### **Business of the Company**

The Company has been exploring for gold in the Americas for over a decade which has resulted in the discovery of several gold deposits in Central America. Management has been conducting an ongoing review of exploration projects and/or distressed junior companies that may be available for acquisition or joint venture with the aim of expanding the geographic and commodity focus of the Company.

A summary of the Company's investments, royalties and properties is provided below:

#### **Investments**

On April 23, 2018, one of the Company's investments, Focus Ventures Ltd., changed its name to CROPS Inc. ("CROPS") and completed a share consolidation so that every four existing common shares were exchanged for one new common share of CROPS.

During the period ended September 30, 2018, Champagne Resources Limited ("Champagne") completed a merger with War Eagle Mining Company Inc. ("War Eagle"), a publicly traded company, whereby 625,000 common shares and 312,500 warrants of Champagne held by the Company were exchanged for 233,785 common shares and 116,890 warrants of War Eagle. This company then changed its name to Warrior Gold Inc. ("Warrior Gold").

In July 2018, ValGold Resources Ltd. ("ValGold") was acquired by Metalla Royalty & Streaming Ltd. ("Metalla"), a publicly traded company, whereby 1,000,000 common shares and 1,000,000 warrants of Valgold held by the Company were exchanged for 166,700 common shares and 166,700 warrants of Metalla.

The following is a summary of investment activities since January 1, 2018 and until the date of this Interim MD&A:

- 86,500 common shares of Medgold Resources Corp. ("Medgold") were purchased in the open market at a cost of \$18,064.
- 147,500 common shares of Southern Silver Exploration Corp. ("Southern Silver") were sold on the open market for net proceeds of \$39,487 and a gain of \$27,688 was recorded on the sale.
- 417,000 warrants of Volcanic Gold Mines Inc. ("Volcanic") held by the Company expired unexercised.
- 50,000 common shares of GrowMax Resources Corp. ("GrowMax") were sold on the open market for net proceeds of \$5,945 and a loss of \$1,091 was recorded on the sale.

The Company's current cash and cash equivalents on hand is approximately \$1.89 million and its current investments consist of:

<i>CROPS</i> 2,564,027 shares Current market value: \$76,000  Plus: warrants to purchase an additional 685,675	CROPS is a Canadian-listed exploration company which has a 70% interest in the Bayovar 12 sedimentary phosphate resource in northern Peru.
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<p><i>Fortuna Silver Mines Inc. (“Fortuna”)</i> 239,385 shares Current market value: \$1,036,000</p>	<p>Fortuna is a growth oriented, precious metal producer with its primary assets being the Caylloma silver mine in southern Peru, the San Jose silver-gold mine in Mexico and the Lindero gold project in Argentina.</p>
<p><i>GrowMax</i> 1,150,000 shares Current market value: \$103,000</p>	<p>GrowMax is a TSXV listed company focused on exploration and development of phosphate and potassium-rich brine resources on its Bayovar concessions in northwestern Peru.</p>
<p><i>Medgold</i> 10,126,500 shares (10+% of issued) Current market value: \$1,518,000</p>	<p>Medgold is a Serbia-focused, TSX-V listed, project generator company targeting early-stage gold properties in the Oligo-Miocene Belt of Serbia.</p>
<p><i>Rackla Metals Inc. (“Rackla”)</i> 3,973,275 shares (10+% of issued) Current market value: \$437,000</p>	<p>Rackla is a mineral exploration company actively looking for new projects in the Americas to add to its portfolio of mineral claims in the Yukon Territory.</p>
<p><i>Southern Silver</i> 1,259,500 shares Current market value: \$176,000</p>	<p>Southern Silver is engaged in the acquisition, exploration and development of high-grade precious / base metals properties within North America, and is continuing to advance its flagship Cerro Las Minitas silver-lead-zinc property in Mexico.</p>
<p><i>Metalla</i> 166,700 shares Current market value: \$135,000  Plus: warrants to purchase an additional 166,700 shares</p>	<p>Metalla is a silver and gold royalty company created to generate leveraged precious metal exposure by acquiring royalties and streams, with a goal of accumulating a diversified portfolio of royalties and streams with attractive returns.</p>
<p><i>Volcanic</i> 3,222,883 shares Current market value: \$128,000  Plus: warrants to purchase an additional 1,125,000 shares</p>	<p>Volcanic is a TSXV listed company focused on consolidating an under-explored gold district.</p>

<p><i>Warrior Gold</i> 233,785 shares Current market value: \$11,000</p> <p>Plus: warrants to purchase an additional 116,890 shares</p>	<p>Warrior Gold is a TSXV listed company engaged in the exploration of mineral resource properties in northern Ontario with a focus on gold deposits. It has a significant land position in the world class Kirkland Lake Gold Camp five kilometres from the Town of Kirkland Lake and adjacent to Kirkland Lake Gold Inc.'s high grade producing gold mine.</p>
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### Property Interests

#### *USA – Nevada – Coyote Property*

In March 2018, the Company was granted a lease and option to purchase the Coyote gold property from Geologic Services Inc. (“Geologic”), adding to the Company’s portfolio of epithermal gold projects in Nevada. The property is located in northern Elko County on the eastern flank of the Independence Valley, an area known for its prolific gold production.

The Coyote property consists of a total of 128 unpatented mining claims, all located on the east side of a Tertiary basin. Chalcedonic lenses and siliceous sinter deposits are localized along north-east trending normal faults that form the basin boundary and have been traced along strike on the property for 8,500 feet. The alteration extends into the hillsides for 2,000 feet.

In 1990, Chevron Resources drilled the Coyote property as part of their Independence Valley district program. They drilled four angle holes each approximately 800 feet apart, along one of the bounding structures of the basin in the area of the largest siliceous sinter terrace. The holes ranged from 240 feet to 500 feet deep maximum depth. All four holes encountered an altered structural zone ranging from 40 feet to 100 feet thick exhibiting strong argillic alteration with the rock mostly altered to clay.

Geochemical results of Chevron’s drilling returned anomalous values in mercury (high of 19 ppm), antimony (high of 1,900 ppm) and arsenic (high of 910 ppm) with weak gold values (high of 93 ppb) – geochemical results consistent with the top of a low-sulfidation epithermal gold system. The deepest drill hole intercepted the structural zone at 125 feet below surface.

*The results described above are summarized from historical exploration data provided to the Company by Geologic. The Company believes the historical work was performed according to best practices and the historical exploration data are reliable, but a Qualified Person has not verified the results independently.*

In August 2018, the Company completed a 295 station CSAMT geophysical survey covering roughly 1.5km<sup>2</sup> and combined soil geochemical and property wide geological mapping. The results of this work have defined compelling drill targets where co-incident rock and soil geochemical gold-antimony-arsenic-mercury anomalies occur within a surficial sinter hot spring environment. The CSAMT survey shows a large and coherent (950 metres by 250 metres) strongly resistive zone adjacent to and below the surface sinter that extends from surface to the bottom of the geophysical survey at 600 metre depth and is predicted to represent a sheeted vein system.

### Coyote Drill Program

In early November 2018, the Company completed a short, cost-effective reverse circulation drill program consisting of 977 metres in five drill holes to test for increased gold values at depth beneath brecciated surficial sinter deposits. Several zones of wide epithermal clay, silica and pyrite alteration were intersected in the drilling. Selected intervals have been sampled and submitted for assaying and results will be reported once analysis is complete.

### Agreement Terms

Geologic has granted to the Company a lease of the Coyote property for up to 15 years, in consideration for the granting by the Company to Geologic of a 2.0% to 3.0% net smelter return royalty, the percentage to depend on the prevailing price of gold. In order to keep the lease in good standing, the Company has the right to make annual advance royalty payments to the Geologic. At any time during the term of the lease, the Company may elect to acquire a 100% interest in the Coyote property by making a cash payment of US\$2.0 million to Geologic. The Company also reimbursed Geologic for the filing costs of a portion of the claims comprising the Coyote property.

### *USA – Nevada – Bald Peak Property*

In March 2017, the Company added to the Company's property portfolio an epithermal gold prospect located in the Aurora gold camp, Nevada with the acquisition of the Bald Peak gold property from Ely Gold & Minerals Inc. ("Ely Gold") (TSX-V: ELY) and its wholly owned subsidiary, Nevada Select Royalty Inc. Subsequently, the Company increased its land position by staking an additional 113 unpatented mining claims which are contiguous to the claims acquired from Ely Gold.

The Bald Peak Property currently consists of 151 unpatented mining claims in Mineral County, Nevada, and one mineral prospecting licence in Mono County, California. The Property now covers an 8 kilometre by 2 kilometre area which trends northeast from inside the California border into Nevada, parallel to the trend of the neighboring Bodie, Aurora, and Borealis mining camps.

Bald Peak is an un-eroded epithermal gold prospect in the Aurora-Bodie mining district. Sinter terraces outcrop along the length of the Property, evidence that the epithermal system has not been eroded beyond its paleo-surface elevation, and is thus likely fully preserved. Despite the Property's proximity to several Au-rich mining districts, the area has seen limited exploration activity. Several operators have acquired the Property over the last 30 years and mapped alteration zones and various other criteria pertinent to epithermal gold discoveries. The area has seen very limited drilling however, and its potential remains untested.

Work by the Company at Bald Peak in 2017 consisted of geological mapping and prospecting, rock and soil geochemistry, and compilation work of historical exploration and academic and government datasets. The work has demonstrated the presence of a strong gold-bearing epithermal alteration system that can be traced along strike for over six kilometres in a northeast trend, with an anomalous zone of up to several hundred metres in width on surface. Within this global target area are several high priority drill targets. They are described below, in order from SW to NE, and maps showing the property and the targets have been placed on the Company's website.

### West Bald Peak

West Bald Peak is a high-level epithermal drill target located in Mono County, California, at the southwestern end of the property. West Bald Peak exhibits a high Au, As, Sb, Hg response in both rocks and soils and a ~2-3 metres thick approximately flat lying silica sinter terrace observed over 250 metres. The sinter terrace is bound to the southeast by an approximately 30 metres wide northeast trending, steeply west dipping gold-bearing fault zone that is observed for 300 metres along strike and is open in both directions. The sinter terrace is hosted within a thick volcanoclastic sequence and displays cross-cutting quartz veining with anomalous gold values. Planned drill holes will test beneath the sinter terrace/fault zone at productive levels beneath paleosurface.

### Bald Peak Flats

Located southwest of the Bald Peak rhyolite, Bald Peak Flats is a ~1.3 kilometre long by 500 metres wide As, Sb, Hg-in-soil anomaly hosted within a volcanoclastic sequence. The soil anomaly drapes over a local topographic high exhibiting northeast-trending chalcedonic quartz veins and zones of silicification, mapped by previous operators. Two historical drill holes are known in this area; however, were not drilled to sufficient depths to test the mineralized system. High-level chalcedonic quartz, low Au and pathfinder elements (As, Sb, Hg) are indicative that this target is at high levels with an epithermal system.

### Little Bald Peak

Little Bald Peak, located 200 metres lower in elevation and to the northwest of Bald Peak, is a possible side vent or flow dome of the Bald Peak rhyolite. Where outcropping, brittle/fissile flow-banded rhyolite hosts both concordant and discordant <2 mm quartz veins and lenses. A historical prospecting pit is found on the southern side of Little Bald peak; no clear vein or vein orientation was observed but the spoil pile contained fine-grained, maroon-coloured jasperoid which returned anomalous Au and high As, Sb, Hg values. The target displays a high As, Sb-in-soil anomaly over Little Bald Peak itself and is located along strike and at higher elevations of a known mineralized zone (Great Wall).

### The Great Wall

The Great Wall is a NNE-trending, steeply dipping, up to 3 metre wide zone containing three parallel quartz veins hosted within a trachyandesitic unit. The outcrop is exposed over a ~25 metre strike length. Rock channel sampling returned relatively high Au values in quartz veins displaying slightly coarser quartz crystallinity compared to the chalcedonic quartz observed within other zones. This increase in quartz crystallinity with a corresponding increase in gold grade is a positive indication that gold grade is increasing with depth.

### NE Sinters

This target contains an extensive area of outcrop and float comprising two distinct zones of sinter within a widespread 1.5 kilometre by 600 metres wide As, Sb, Hg-in-soil anomaly. NE Sinter 1 is a broad topographic high with widely distributed sinter outcrops; NE Sinter 2 located on the northern slopes of the Bald Peak rhyolite is identified by zones of limited vegetation. This target is bound to the west by an approximately north-south trending fault that has down dropped and preserved these sinter areas. The occurrence of sinter combined with high As, Sb, Hg pathfinder elements are indicative of being at the top of a fully preserved mineralized system.

### Planned Work at Bald Peak

The Company is currently permitting a plan of operations with the United States Forest Service. It is expected that the permitting process will run into early 2019 before drilling is authorized.

### Quality Assurance / Quality Control

The work program at the Bald Peak Property was planned by Company personnel and implemented by Company personnel, consultants and contractors. The Company utilizes industry-standard QA/QC program. Samples were prepared and analyzed at ALS laboratories in Nevada and Canada. Blanks and certified reference standards are inserted into the sample stream to monitor laboratory performance and the results have been within acceptable limits.

#### *USA - Nevada – Spring Peak Property*

In May 2016, the Company acquired an option to earn a 100% interest in the Spring Peak gold property in Mineral County, Nevada, from Kinetic Gold (US) Inc.

The Company completed a 13-line CSAMT survey and soil geochemical survey in 2016. Based on the results of the exploration programs completed, management of the Company has decided that further exploration expenditures on the Spring Peak Property are not warranted and the Company has therefore terminated its option to earn an interest in the Property.

#### *Mexico – Amalia Project*

The Amalia Project comprises 9,461 hectares located in the Sierra Madre gold belt in the State of Chihuahua, Mexico. In June 2017, the Company signed a binding agreement with a private individual to option 380 hectares of the project area which is host to high grade epithermal silver-gold mineralization. Following the signing of the option agreement, the Company staked an additional 9,081 hectares surrounding the Amalia Project, covering three new regional target areas.

In July 2018, the Company entered into an agreement with Pan American Silver Corp. (“Pan American”) to drill and explore the Amalia Project – see “Pan American Option Terms” below.

The Project is located approximately 25 kilometres SW of the historic Guadalupe y Calvo mining district in Chihuahua, Mexico. During due diligence evaluation the Company’s geologists sampled bonanza grade outcrop containing 20.4 g/t Au and 5,360 g/t Ag from a 1.2 metre chip. The Company established a 10 man camp at Amalia and completed an initial exploration program comprising geological mapping, prospecting and channel sampling of the main targets. Epithermal Au-Ag mineralization has been sampled by the Company in several veins, vein breccias and disseminated zones over 3.5 kilometres of strike length and a 600 metre vertical interval following the trace of a large regional fault zone. See Company news release of September 19, 2017 for details of previously announced sampling results.

#### Amalia Drill Program

In October and November 2018, the Company conducted an initial 9 hole - 1,909m diamond core drill program at Amalia to test four target zones across a strike length of 1.8 kilometres following the trace of a large regional fault and associated surficial epithermal gold and silver mineralization:

- 1) Campamento target is a 500 metres x 70 metres zone of intense silicification and brecciation with massive and stockwork veining. A chip channel (Company news Sept 19, 2017) across the middle of Campamento graded 62m at 0.43 g/t Au and 98 g/t Ag from 30 continuous rock chip samples. In March 2018, the Company reported high grade zones at Campamento including a continuous rock chip channel assaying 4.5 metres at 10.3 g/t Au and 202 g/t Ag. The exposed Campamento system is Rhyolite hosted, high level

banded chalcedonic silica veins and breccias. The Company and Pan American plan to initially test 100 metres to 250 metres below Campamento where mineralization is expected to transition to andesite hosted higher grade sulphide rich breccias as exposed along strike and deeper in the system at Guadalupe target.

- 2) Guadalupe target is a high grade andesite hosted structurally controlled breccia zone that outcrops 450 metres south along strike from Campamento and 250 metres lower in the geological section. Guadalupe sampling includes the previously published (Company news Sept 19, 2017) continuous rock chip results: Guadalupe shaft – 7 metres at 3.62 g/t Au and 1048 g/t Ag, and Guadalupe tunnel - 4 metres at 3.92 g/t Au and 888 g/t Ag.
- 3) San Pedro target is a strike extension 250 metres southeast of Campamento, where andesite hosted vein breccias outcrop. A continuous chip channel across the outcropping San Pedro zone reported 13 metres at 2.51 g/t Au and 164 g/t Ag.
- 4) Dulces target is located 800 metres NE of Campamento, at similar elevation. The poorly exposed Dulces vein occurs within an extensive area of argillic altered andesite volcanics and related gold in soil anomaly. The main vein varies from 1 to 1.5 metres wide and with chip samples returning: 1 metre at 34 g/t Au and 13 g/t Ag and 1.5 metres at 114.5 g/t Au and 57 g/t Ag (Company news Sept 19, 2017).

Mineralized intervals from each hole have been sampled and submitted for analysis. Results are pending and will be reported once complete.

#### Quality Assurance / Quality Control

Sampling at Amalia followed a standardized protocol to ensure representative and unbiased quantities of material from across each sample. Chip samples were taken using hammer and chisel continuously along the walls of the underground mines and cleaned surface outcrops. Nominally widths were between 1 and 2 metres. Continuous chip samples were taken across strike and are the best estimate of true width.

The Company utilizes industry-standard QA/QC program. Rock samples were prepared and analyzed at ALS laboratories in Mexico and Canada. Blanks and certified reference standards are inserted into the sample stream to monitor laboratory performance and the results have been within acceptable limits.

#### Company's Option Terms

The Company can earn a 100% interest in the Amalia Project by making cash payments to the property owner staged payments over a period of five years totaling US\$845,000 (US\$20,000 paid to date) and, subject to stock exchange approval, US\$15,000 in shares of the Company.

#### Pan American's Option Terms

In July 2018, the Company granted to Pan American the option to earn an initial 65% interest in the Amalia Project by making cash payments to the Company totaling US\$1.5 million (of which US\$100,000 has been received to date) and expending US\$2 million on exploration over four years. Pan American may earn an additional 10% by advancing the property to preliminary feasibility. Initially the Company is the project operator.

### *Mexico – Tarros Project*

After conducting a detailed mapping and sampling program, the Company relinquished in January 2018 its option to acquire the 473-hectare Tarros Project located 50 kilometres north of the Company's Amalia Project in the Sierra Madre Gold Silver belt in the State of Chihuahua, Mexico.

### *Mexico – Lithium Brine Project*

The Company holds a 10,000 hectare application at Salar Viesca in Coahuila State, Mexico. The Company is identifying lithium companies to initiate discussions on a joint venture on this lithium brine project.

Highlights of the Viesca project include:

- The project is located in large, salt closed basins, in geological settings analogous to the Clayton Valley Basin, Nevada, host of Albemarle's Silver Peak lithium producing mine operation.
- The Company conducted controlled surface samples which delivered numerous anomalous lithium results including 189 ppm Li.
- Region is underexplored.
- Mexico is considered a mining friendly jurisdiction. The area has excellent infrastructure and is road accessible, allowing for potentially low exploration costs.

Key geographical highlights similar to Clayton Valley and/or associated with brine deposits:

- Located in a desert climate with historic evaporate ponds.
- Large closed basin salt targets.
- Suitable lithium source-rocks.
- Subsurface highly saline aquifers described in historic data.

### *Guatemala - Southeast Guatemala Ag-Au Epithermal Fields*

As a result of continued uncertainty surrounding the granting of both exploration and exploitation concessions in Guatemala, and a general increase in the level of anti-mining activism in many parts of the country, the Company ceased its ongoing exploration activities in the country in the third quarter of 2013 though care and maintenance of the properties continue. Management will reassess the Company's plans for this country on a regular basis and exploration activities may be ramped back up if the mining investment climate improves. Discussions are underway with a number of potential partners to joint venture this ground.

### Royalty Interests

#### *Guatemala – Tambor Project Royalty*

In 2012, the Company sold its interest in its subsidiary, Exploraciones Mineras de Guatemala S.A., which holds the Tambor gold project in Guatemala, to Kappes, Cassidy & Associates ("KCA"), giving KCA a 100% interest in the project. In part consideration therefor, KCA agreed that upon commercial production at Tambor, KCA would commence making royalty payments to the Company.

Commercial production commenced in December 2014 and royalty payments are now due to the Company based on the price of gold at the time and the number of ounces of gold produced as follows:

<u>Gold Price (US\$)</u>	<u>Per Ounce of Gold</u>
Below \$1,200	\$100
\$1,201 - \$1,300	\$125
\$1,301 - \$1,400	\$150
\$1,401 - \$1,500	\$200
\$1,501 and greater	\$250

up to a maximum of US\$10.0 million. After the US\$10.0 million has been paid and cumulative gold production from the Tambor Project has exceeded 100,000 ounces, the cash payments will be based on the then price of gold and the number of ounces of gold produced as follows:

<u>Gold Price (US\$)</u>	<u>Per Ounce of Gold</u>
Below \$1,500	\$25
\$1,501 - \$1,750	\$35
\$1,751 - \$2,000	\$40
\$2,001 and greater	\$50

Receipt of royalty payments by the Company commenced during the third quarter of 2015. To date, the Company has recognized net royalty income of \$1,530,555 of which \$746,375 has been received to date.

On May 11, 2016, KCA informed the Company that mining operations were suspended by the Supreme Court of Guatemala due to a lack of consultation by the Guatemalan Ministry of Mines with local indigenous people when the mine was permitted in 2011. To date, the Supreme Court has not made a decision on when the mine may re-open, and a result, KCA has recently commenced legal proceedings against the Guatemalan government to overturn the suspension of operations and seek compensation from the Guatemalan authorities, from which the Company would benefit as well. Until these proceedings are concluded, the Company is allowing KCA to defer payment of the remaining balance owing to the Company. Due to these circumstances, for accounting purposes, a provision was recorded against the KCA receivable in the 2016 fiscal year.

#### *Mexico - Tlacolula Property Royalty*

In July 2017, the Company completed the sale of its Tlacolula silver property, Mexico to Fortuna in consideration for 239,385 common shares of Fortuna, a cash payment of US\$150,000, and a 2% NSR royalty on the property. Fortuna retains the right to purchase one-half of the royalty by paying the Company US\$1.5 million. The Company and Fortuna are related parties.

#### *Peru – Bayovar 12 Project Royalty*

The Company owns a production royalty, equivalent to a 2% net smelter return, on CROPS' 70% interest in future phosphate production from the Bayovar 12 project located in the Sechura district of northern Peru. Should the Company decide at any time in the future to sell the royalty, CROPS will retain a first right of refusal. In May 2016, CROPS published a pre-feasibility study for production of phosphate rock concentrate from the Bayovar 12 project. The Company and CROPS are related parties.

#### *Nicaragua – San Jose Royalty*

In 2013, an agreement was reached whereby the Company would sell to B2Gold its 40% interest in the San Jose and La Magnolia properties in consideration of a 2% NSR royalty on each property, and B2Gold would have the right to purchase one-half of each royalty for US\$1.0 million. The Company and B2Gold subsequently decided to

relinquish the La Magnolia concession. Closing of the San Jose sale, and the royalty grant to the Company, took place on in 2015.

### Outlook

The Company has completed initial drill-testing of its Coyote and Amalia Projects and assay results are pending. The Company continues to conduct property investigations in various jurisdictions and with various commodities but with a focus on gold and silver in the United States and Mexico. The Company's geologists are using a low cost and effective method of field testing targets that are generated through desktop research and through submittals.

*Qualified Person: Bruce A Smith, M.Sc., MAIG., a member of the Australian Institute of Geoscientists, is the Company's Qualified Person as defined by National Instrument 43-101, and has approved the disclosure of the technical information in this Interim MD&A.*

### Quarterly Information

The following table provides information for the eight fiscal quarters ended September 30, 2018:

Quarter ended	Sep. 30, 2018 (\$)	June 30, 2018 (\$)	Mar. 31, 2018 (\$)	Dec. 31, 2017 (\$)	Sep. 30, 2017 (\$)	June 30, 2017 (\$)	Mar. 31, 2017 (\$)	Dec. 31, 2016 (\$)
Royalty revenue, net	-	-	-	-	-	-	-	47,960
Investment and other income	3,822	3,999	3,797	2,213	1,973	2,438	4,049	4,689
Exploration expenditures	131,754	359,379	154,206	373,698	421,265	260,902	84,567	102,932
Net income (loss)	(167,774)	(587,123)	(271,832)	(620,477)	1,024,002	(569,184)	359,662	(1,101,528)
Basic and diluted income (loss) per share	(0.00)	(0.01)	(0.00)	(0.01)	0.01	(0.01)	0.00	(0.01)

The royalty revenue recorded in the first quarter presented was due to adjustments to income recorded in prior periods which related to earned royalty revenue from production at the Tambor Project up to the point in 2016 when mining operations were suspended. The quarter ended September 30, 2017 recorded a net income due to a gain of \$1,658,928 on the sale of the Tlacolula property. The quarter ended March 31, 2017 recorded a net income due to a gain of \$606,664 from a property assignment agreement.

### Results of Operations

#### *Quarter ended September 30, 2018*

The quarter ended September 30, 2018 had a net loss of \$167,774 compared to a net income of \$1,024,002 for the quarter ended September 30, 2017, a difference of \$1,191,776. The comparative quarter resulted in a net income position due to a gain of \$1,658,928 on the sale of the Tlacolula mineral property. The current quarter results included a gain of \$103,518 from mineral property option agreements relating to the Company's option agreement with Pan American. Exploration expenditures in the current quarter totaled \$131,754 compared to \$421,265 in the comparative quarter, a decrease of \$289,511. Exploration expenditures were less during the current quarter due to Pan American funding the exploration activity on the Amalia property pursuant to the option agreement.

General and administrative expenses for the quarter ended September 30, 2018 were \$73,243, compared to \$87,236 for the comparative quarter, a decrease of \$13,993. All general administrative expenses for the current

quarter were either similar to or less than those for the comparative quarter with the most noticeable decreases being in shareholder communications and regulatory fees.

*Nine month period ended September 30, 2018*

The nine month period ended September 30, 2018 had a net loss of \$1,026,729 compared to a net income of \$814,480 for the nine month period ended September 30, 2017, a difference of \$1,841,209. As in the quarterly comparison, the comparative period resulted in a net income due to the gain of \$1,658,928 on the sale of the Tlacolula mineral property. The comparative period also recorded a gain of \$606,664 on a property assignment agreement with Volcanic whereas the current period recorded the gain of \$103,518 from the Amalia option payment received. The comparative period recorded a write-off of mineral property interests of \$69,187 whereas there were no such charges in the current period. Exploration expenditures in the current period totaled \$645,339 compared to \$766,734 in the comparative period, an increase of \$121,395. Similar to the quarterly comparison, the current period exploration costs were lower due to Pan American funding activity on the Amalia property.

General and administrative expenses for the current period were \$367,386 compared to \$278,214 for the comparative period, an increase of \$89,172. This increase was due to a share-based payment expense of \$112,933 relating to the fair value of stock options granted during the current period whereas there was no such expense in the comparative period. Another notable cost increase in the current period was in salaries and benefits which was due to the Company requiring more use of shared personnel. The most notable cost decrease in the current period was in legal and audit fees which was due mostly to lower audit fees.

**Mineral Properties Expenditures**

A summary of the Company's expenditures on its mineral properties during the nine months ended September 30, 2018 is as follows:

United States – A total of \$502,216 was incurred on exploration, property investigation, and miscellaneous administrative costs, of which \$207,164 was on the Bald Peak property, \$255,483 on the Coyote property, and \$16,650 on the Spring Peak property. Acquisition costs totaling \$57,732 were also incurred on the Coyote property.

Mexico - A total of \$212,836, excluding cost recoveries, was incurred on exploration, property investigation, and miscellaneous administrative costs, of which \$160,595 was incurred on the Amalia property and \$10,856 on the Tarros property. A cost recovery of \$158,755 relating to funding from the optionee on the Amalia property resulted in net exploration costs of \$1,840 for that property.

Guatemala – A total of \$34,642 was incurred on property investigation and care and maintenance related costs.

Other – A total of \$54,400, net of a cost recovery of \$2,700, was incurred on property investigation and care and maintenance related costs in regions other than USA, Mexico and Guatemala.

Further details regarding exploration expenditures for the periods ended September 30, 2018 and 2017 are provided in the schedules at the end of this Interim MD&A.

**Liquidity and Capital Resources**

The Company's cash and cash equivalents were \$2.24 million at September 30, 2018 compared to \$3.32 million at December 31, 2017. As at September 30, 2018, working capital was \$7.69 million compared to \$8.38 million at December 31, 2017. Included in working capital is the value of the Company's equity investments which as at September 30, 2018 had a fair value of \$5.16 million compared to \$4.94 million as at December 31, 2017.

The Company held 3,973,275 common shares in Rackla with a fair value of \$456,927 as at September 30, 2018; however, the investment is being accounted for as an investment in associate, using the equity method, since the Company may be able to exercise significant influence on Rackla.

The Company did not earn any royalty revenue from the Tambor Project during the current period as the operations at Tambor continue to be suspended.

The Company intends to use the proceeds from any sales of its equity and derivative investments, option payments received and royalty income payments received to fund its exploration programs, investment opportunities, and general working capital requirements. The Company expects its current capital resources to be sufficient to carry out its exploration and investment plans and operating costs for the next twelve months.

#### *Commitment*

The Company has entered into an operating lease agreement for its office premises. The Company also rents space to other companies related by common directors and officers on a month to month basis, the amounts of which are netted against rental expense; however, there are no commitments from these companies and thus the amounts presented below are the gross commitments. The annual commitments under the lease are as follows:

2018	\$	49,390
2019		197,559
2020		210,337
2021		213,531
2022		216,726
2023		219,920
2024		223,115
	\$	<b>1,330,576</b>

#### **Related Party Transactions**

See Note 15 of the condensed interim consolidated financial statements for the nine months ended September 30, 2018 for details of other related party transactions which occurred in the normal course of business.

#### **Other Data**

Additional information related to the Company is available for viewing at [www.sedar.com](http://www.sedar.com).

#### **Share Position and Outstanding Options**

As at November 26, 2018, the Company's outstanding share position is 86,675,617 common shares and the following incentive stock options are outstanding:

**STOCK OPTIONS**

<b><u>Number of options</u></b>	<b><u>Exercise price</u></b>	<b><u>Expiry date</u></b>
10,000	\$0.29	January 7, 2020
1,585,000	\$0.20	December 12, 2022
1,540,000	\$0.15	October 18, 2026
1,515,000	\$0.15	May 21, 2028
200,000	\$0.15	November 4, 2028
<b>4,850,000</b>		

**Investments in Associate**

The Company currently has an investment in one associated company, Rackla, which is equity accounted for in the condensed interim consolidated financial statements.

See Note 11 of the condensed interim consolidated financial statements for the nine months ended September 30, 2018 for details regarding the Company's investment in associate.

**Accounting Policies and Basis of Presentation**

The Company's significant accounting policies and future changes in accounting policies are presented in the audited consolidated financial statements for the year ended December 31, 2017. The following outlines the new accounting standards and amendments adopted by the Company effective January 1, 2018:

*IFRS 9 Financial Instruments*

On January 1, 2018, the Company adopted IFRS 9 – Financial Instruments (“IFRS 9”), which replaced IAS 39 Financial Instruments: Recognition and Measurement (“IAS 39”). IFRS 9 provides a revised model for classification and measurement of financial assets, including a new expected credit loss (“ECL”) impairment model. The revised model for classifying financial assets results in classification according to their contractual cash flow characteristics and the business models under which they are held. IFRS 9 also introduces a reformed approach to hedge accounting. IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities. The standard is effective for annual periods beginning on or after January 1, 2018.

As a result of the adoption of IFRS 9, the Company has changed its accounting policy for financial instruments retrospectively. The change did not result in a change in carrying value of any of our financial instruments on transition date. The adoption of the ECL impairment model did not have an impact on the Company's condensed interim consolidated financial statements. IFRS 9 does not require restatement of comparative periods. Accordingly, the Company has reflected the retrospective impact of the adoption of IFRS 9 due to the change in accounting policy for equity investments as an adjustment to opening components of equity as at January 1, 2018.

The Company's financial instruments are accounted for as follows under IFRS 9 as compared to the Company's previous policy in accordance with IAS 39:

<b>January 1, 2018</b>		
	<b>IAS 39</b>	<b>IFRS 9</b>
<b>Financial Asset</b>		
Cash and cash equivalents	Fair value through profit or loss ("FVTPL")	FVTPL
Equity investments	Fair value through other comprehensive income ("FVOCI")	FVOCI
Derivative investments	FVTPL	FVTPL
Receivables	Amortized cost	Amortized cost
Due from related parties	Amortized cost	Amortized cost
Deposits	Amortized cost	Amortized cost
<b>Financial Liability</b>		
Accounts payable and accrued liabilities	Amortized cost	Amortized cost
Due to related parties	Amortized cost	Amortized cost

For equity investments not held for trading, the Company may make an irrevocable election at initial recognition to recognize changes in fair value through other comprehensive income rather than profit or loss. The Company elected to designate its equity investments as financial assets at FVOCI, where they will be recorded initially at fair value. Subsequent changes in fair value will be recognized in other comprehensive income only and will not be recycled into income (loss) upon disposition. As a result of this change, the Company reclassified \$1,978,852 of impairment losses recognized in prior years on equity investments which continue to be held by the Company as at January 1, 2018 from opening deficit to accumulated other comprehensive income on January 1, 2018. As a result of adopting IFRS 9, the net change in fair value of the equity investments, including realized and unrealized gains and losses, if any, is now presented as an item that will not be reclassified subsequently to net income in the Statements of Income and Comprehensive Income.

The adoption of IFRS 9 has not had a significant impact on the Company's policies related to financial assets of cash and cash equivalents, derivative investments, receivables, due from related parties, and deposits and financial liabilities.

#### *IFRS 15 Revenue from Contracts with Customers*

On January 1, 2018, the Company adopted IFRS 15, *Revenue from Contracts with Customers*. IFRS 15 specifies how and when revenue should be recognized as well as requiring more informative and relevant disclosures. The standard supersedes IAS 18 Revenue, IAS 11 Construction Contracts, and a number of revenue-related interpretations. Application of the standard is mandatory and it applies to nearly all contracts with customers: the main exceptions are leases, financial instruments and insurance contracts. IFRS 15 is effective for the Company's annual period beginning January 1, 2018. The adoption of IFRS 15 did not have an impact on the Company's condensed interim consolidated financial statements.

#### *Other Amendments/Interpretations*

The Company has adopted amendments/interpretations to IFRIC 22 – Foreign Currency Transactions and Advance Consideration and IFRS 2 – Share Based Payment Transactions which did not have an impact on the Company's condensed interim consolidated financial statements.

## **Risks and Uncertainties**

### *Royalty revenue*

The Company cannot predict future revenues from or operating results of mining activity. Management expects future royalty revenues from the Tambor Project to fluctuate depending on the level of future production and the price of gold. The owner of the Tambor Project is not obligated to continue production from the Tambor Project and the Company will not be entitled to any compensation if this mining operation does not meet its forecasted gold production targets or if the mine operations are discontinued on a temporary or permanent basis. Risks that could negatively affect a mine's operations include, but are not limited to economics, lack of financial capital, floods, fire, mechanical malfunctions, social unrest, expropriation, environmental regulations, and legal and/or political changes. The Tambor Project is currently subject to a suspension of operations imposed by the Supreme Court of Guatemala.

### *Competition*

The Company faces competition from other capital providers, all of which compete with it for investment opportunities. These competitors may limit the Company's opportunities to acquire interests in investments that are attractive to the Company. The Company may be required to invest otherwise than in accordance with its Investment Policy and strategy in order to meet its investment objectives. If the Company is required to invest other than in accordance with its Investment Policy and strategy, its ability to achieve its desired rates of return on its investments may be adversely affected.

### *Inability to dispose of illiquid securities*

There is a possibility that the Company will be unable to dispose of illiquid securities held in its portfolio and if the Company is unable to dispose of some or all of its investments at the appropriate time, a return on such investment may not be realized.

### *Due diligence*

The due diligence process undertaken by the Company in connection with investments that it makes or wishes to make may not reveal all relevant facts in connection with an investment. Before making investments, the Company will conduct due diligence investigations that it deems reasonable and appropriate based on the facts and circumstances applicable to each investment. The due diligence investigations that are carried out with respect to any investment opportunity may not reveal or highlight all relevant facts that may be necessary or helpful in evaluating such investment opportunity. Moreover, such an investigation will not necessarily result in the investment being successful.

### *Mineral property exploration and mining*

The business of mineral deposit exploration and extraction involves a high degree of risk. Few properties that are explored ultimately become producing mines. At present, none of the Company's properties has a known commercial ore deposit. The main operating risks include: securing adequate funding to maintain and advance exploration properties; ensuring ownership of and access to mineral properties by confirmation that option agreements, claims and leases are in good standing; and obtaining permits for drilling and other exploration activities.

If the Company does not satisfactorily complete its contribution requirements to any joint ventures it may be a party to, the Company's interest in a joint venture can be diluted to a point where all interest in the joint venture is forfeited.

### *Joint venture funding*

The Company's strategy includes seeking partners through joint ventures to fund exploration and project development. The main risk of this strategy is that funding partners may not be able to raise sufficient capital in order to satisfy exploration and other expenditure terms in a particular joint venture agreement. As a result, exploration and development of one or more of the Company's property interests may be delayed depending on whether the Company can find another partner or has enough capital resources to fund the exploration and development on its own.

### *Commodity price*

The Company is exposed to commodity price risk. Declines in the market price of gold, base metals and other minerals may adversely affect the Company's ability to raise capital or attract joint venture partners in order to fund its ongoing operations. Commodity price declines could also reduce the amount the Company would receive on the disposition of one of its mineral properties to a third party. The Company's royalty revenue is derived from a royalty interest that is based on the extraction and sale of gold. Factors beyond the control of the Company may affect the marketability of gold discovered. Gold prices have historically fluctuated widely. Consequently, the economic viability of the Company's royalty interest cannot be accurately predicted and may be adversely affected by fluctuations in gold prices.

### *Financing and share price fluctuation*

The Company had a limited source of operating cash flow in the form of royalty revenue from the Tambor property; however, that property is currently subject to suspension of operations. There is no assurance that additional funding from this or other sources will be available to the Company when needed for further exploration and development of its projects. Further exploration and development of one or more of the Company's projects may be dependent upon the Company's ability to obtain financing through equity or debt financing or other means. Failure to obtain this financing could result in delay or indefinite postponement of further exploration and development of its projects which could result in the loss of one or more of its properties.

Securities markets have at times in the past experienced a high degree of price and volume volatility, and the market price of securities of many companies, particularly those considered to be exploration stage companies such as the Company, have experienced wide fluctuations in share prices which have not necessarily been related to their operating performance, underlying asset values or prospects. There can be no assurance that these kinds of share price fluctuations will not occur in the future, and if they do occur, how severe the impact may be on the Company's ability to raise additional funds through equity issues or the value of the Company's equity and derivative investments and corresponding effect on the Company's financial position.

### *Political, regulatory and currency*

Some of the Company's mineral property interests are located in emerging nations. Properties in emerging nations may be subject to a higher level of risk compared to developed countries. Operations, the status of mineral property rights, title to the properties and the recoverability of amounts shown for mineral properties in emerging nations can be affected by changing economic, regulatory and political situations. The Company's equity financings are sourced in Canadian dollars but for the most part it incurs its exploration and property maintenance expenditures in US dollars, Guatemalan quetzals, and Mexican pesos. At this time there are no currency hedges in place. Therefore a weakening of the Canadian dollar against the US dollar, Guatemalan quetzal, or Mexican peso could have an adverse impact on the amount of exploration conducted.

*Insurance*

In the course of exploration, development and production of mineral properties, the Company is subject to a number of hazards and risks in general, including adverse environmental conditions, operational accidents, labor disputes, unusual or unexpected geological conditions, changes in the regulatory environment and natural phenomena such as inclement weather conditions, floods, and earthquakes. Such occurrences could result in damage to the Company's properties or facilities and equipment, personal injury or death, environmental damage to properties of the Company or others, delays, monetary losses and possible legal liability.

Although the Company may maintain insurance to protect against certain risks in such amounts as it considers reasonable, its insurance may not cover all the potential risks associated with its operations. The Company may also be unable to maintain insurance to cover these risks at economically feasible premiums or for other reasons. Should such liabilities arise, they could reduce or eliminate future profitability and result in increased costs, have a material adverse effect on the Company's results and a decline in the value of the securities of the Company.

*Environmental and social*

The activities of the Company are subject to environmental regulations issued and enforced by government agencies. Environmental legislation is evolving in a manner that will require stricter standards and enforcement and involve increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects, and a heightened degree of responsibility for companies and their officers, directors and employees. There can be no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations. Environmental hazards may exist on properties in which the Company holds interests which are unknown to the Company at present. Social risks are fairly significant in some of the Company's areas of operations. Violence, kidnapping, theft and other criminal activities could disrupt supply chains and discourage qualified individuals from being involved with the Company's operations.

**Mineral Properties Expenditure Detail** (see following page)

## Mineral Properties Expenditure Detail

### INTERIM CONSOLIDATED SCHEDULE OF EXPLORATION EXPENDITURES

For the nine months ended September 30, 2018

	USA		Guatemala		Mexico		Other	Total
	General Exploration	Mineral Properties	General Exploration	Mineral Properties	General Exploration	Mineral Properties	General Exploration	
Exploration administration	\$ 3,617	\$ 1,237	\$ 6,519	\$ 6,362	\$ 1,895	\$ 5,118	\$ 949	\$ 25,697
Field and camp	-	-	-	-	-	10,298	-	10,298
Geochemistry	-	30,332	-	-	1,623	2,518	-	34,473
Geological services	13,282	339,856	4,220	-	16,839	69,589	48,765	492,551
Legal and accounting	-	-	3,911	-	10,254	9,856	-	24,021
Licenses, rights and taxes	-	62,952	-	-	4,784	20,419	-	88,155
Salaries and wages	-	-	13,630	-	406	18,963	1,948	34,947
Travel and accommodation	6,032	44,908	-	-	4,788	35,486	5,438	96,652
	22,931	479,285	28,280	6,362	40,589	172,247	57,100	806,794
Expenditures recovered	-	-	-	-	-	(158,755)	(2,700)	(161,455)
	<b>\$ 22,931</b>	<b>\$ 479,285</b>	<b>\$ 28,280</b>	<b>\$ 6,362</b>	<b>\$ 40,589</b>	<b>\$ 13,492</b>	<b>\$ 54,400</b>	<b>\$ 645,339</b>

### INTERIM CONSOLIDATED SCHEDULE OF EXPLORATION EXPENDITURES

For the nine months ended September 30, 2017

	USA		Guatemala		Mexico		Other	Total
	General Exploration	Mineral Properties	General Exploration	Mineral Properties	General Exploration	Mineral Properties	General Exploration	
Exploration administration	\$ 716	\$ 483	\$ 13,665	\$ 10,623	\$ 11,763	\$ 6,012	\$ 5,012	\$ 48,274
Field and camp	-	16,983	-	-	4,438	45,952	-	67,373
Geochemistry	230	37,828	-	-	13,787	4,333	-	56,178
Geological services	11,130	183,510	3,838	-	87,578	90,490	56,668	433,214
Legal and accounting	-	-	2,137	695	19,620	-	-	22,452
Licenses, rights and taxes	-	28,308	-	-	7,518	5,886	-	41,712
Travel and accommodation	1,974	26,297	5,805	-	41,632	28,201	-	103,909
	14,050	293,409	25,445	11,318	186,336	180,874	61,680	773,112
Expenditures recovered	-	-	-	-	(6,378)	-	-	(6,378)
	<b>\$ 14,050</b>	<b>\$ 293,409</b>	<b>\$ 25,445</b>	<b>\$ 11,318</b>	<b>\$ 179,958</b>	<b>\$ 180,874</b>	<b>\$ 61,680</b>	<b>\$ 766,734</b>